Completion Report

Project Number: PHI 30551
Loan Number: 1843-PHI
November 2010

Philippines: Mindanao Basic Urban Services Sector Project

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – Philippine peso (P)

		At Appraisal (17 August 2001)	At Project Completion (30 June 2009)
P1.00	=	$0.0195	$0.020744
$1.00	=	P51.20	P48.20

ABBREVIATIONS

ADB	–	Asian Development Bank
ARMM	–	Autonomous Region of Muslim Mindanao
CDP	–	comprehensive development plan
CEO	–	chief executive officer
DILG	–	Department of Interior and Local Government
DOF	–	Department of Finance
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
JFPR	–	Japan Fund for Poverty Reduction
LBP	–	Land Bank of the Philippines
LGPMS	–	local government performance monitoring system
LGRC	–	local government resource center
LGU	–	local government unit
MBUSSP	–	Mindanao Basic Urban Services Sector Project
NDF	–	Nordic Development Fund
NPV	–	net present value
PCR	–	project completion report
PDO	–	Project Development Office
PIU	–	project implementation unit
PMD	–	program management department
PPMS	–	project performance monitoring system
PSC	–	project steering committee
RRP	–	report and recommendation of the president
SPCR	–	subproject completion report
SPAR	–	subproject appraisal report
TA	–	technical assistance
WRC	–	women’s resource center

NOTES

(i) The fiscal year of the Government ends on 31 December.

(ii) In this report, "$" refers to US dollars.

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Director General	K. Senga, Southeast Asia Department (SERD)
Director	J. Lynch, Transport and Urban Development Division, SERD
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APPENDIXES

BASIC DATA

A. Loan Identification

1.	Country	Philippines
2.	Loan Number	1843-PHI
3.	Project Title	Mindanao Basic Urban Services Sector Project
4.	Borrower	Land Bank of the Philippines
5.	Name of development finance institution	Land Bank of the Philippines
6.	Amount of Loan	¥3,676,050,000 ($30 million equivalent as of 27 September 2001)
7.	Project Completion Report Number	PCR: PHI 1186

B. Loan Data

1.	Appraisal	
	– Date Started	29 August 2000
	– Date Completed	13 October 2000
2.	Loan Negotiations (intermittent)	
	– Date Started	17 August 2001
	– Date Completed	31 August 2001
3.	Date of Board Approval	27 September 2001
4.	Date of Loan Agreement	15 May 2002
	Date of Guarantee and Project Implementation Agreement	15 May 2002
5.	Date of Loan Effectiveness	
	– In Loan Agreement	90 days from 15 May 2002
	– Actual	13 September 2002
	– Number of Extensions	1
6.	Terminal Date for Commitments	
	– In Loan Agreement	30 June 2008
	– Actual	30 June 2009
	– Number of Extensions	1
7.	Closing Date	
	– In Loan Agreement	30 June 2008
	– Actual	30 June 2009
	– Number of Extensions	1
8.	Terms to the Borrower	
	– Interest Rate	OCR LIBOR-based
	– Maturity	18 years
	– Grace Period	4 years
	– Free Limit	$2,500,000

9. Terms of Relending

–	Interest Rate	9% to 11%
–	Maturity	7 to 15 years
–	Grace Period	1 to 3 years

10. Interest Rate for Subloans

–	Original	14%
–	Revised	9%–11%

11. Disbursements

a. Dates

Initial Disbursement	**Final Disbursement**	**Time Interval**
2 October 2003	18 November 2009	75 months
Effective Date	**Original Closing Date**	**Time Interval**
13 September 2002	30 June 2008	71 months
	Actual Closing Date	**Time Interval**
	18 November 2009	87 months

b. Amount

¥2,184,809,766.00	$19,531,691.85
(loan currency)	(US$ equivalent as of 18 November 2009)

Cate-gory No.	Category or Subloan	Original Allocation	Partial Cancellations	Last Revised Allocation	Amount Disbursed	Undisbursed Balance[1]
(1)	(2)	(3)	(4 = 3-5)	(5)	(6)	(7 = 5-6)
Civil Works						
005	Parang, Maguindanao	1,470,111	(15,017)	1,485,128	462,916	1,022,212
006	Siocon, Zamboanga del Norte	643,933	(10,832)	654,765	385,363	269,402
007	Mahayag, Zamboanga del Sur	263,555	(2,894)	266,449	163,170	103,279
010	Roseller T. Lim, Zamboanga Sibugay	301,764	(6,584)	308,348	170,914	137,434
011	Buluan, Maguindanao	667,059	(11,380)	678,439	464,910	213,529
012	Dumalinao, Zamboanga del Sur	265,583	(4,935)	270,518	167,467	103,051
013	Naawan, Misamis Oriental	280,160	(4,780)	284,940	165,147	119,793
015	Kapatagan, Lanao del Norte	286,795	(25,630)	312,425	312,425	0

Cate-gory No.	Category or Subloan	Original Allocation	Partial Cancellations	Last Revised Allocation	Amount Disbursed	Undisbursed Balance[1]
(1)	(2)	(3)	(4 = 3-5)	(5)	(6)	(7 = 5-6)
016	San Isidro, Surigao del Norte	139,495	(19,362)	158,857	150,532	8,325
017	Isulan, Sultan Kudarat	453,996	(19,698)	473,694	473,694	0
018	Mati, Davao Oriental	1,321,840	(102,754)	1,424,594	1,424,594	0
019	Datu Odin Sinsuat, Maguindanao	1,086,401	0	1,086,401	1,086,401	0
020	Sibuco, Zamboanga del Norte	539,514	(21,176)	560,690	498,441	62,249
021	Ozamis, Misamis Occidental	1,708,462	(784,858)	2,493,320	2,493,320	0
022	Guipos, Zamboanga del Sur	323,591	0	323,591	323,591	0
023	Kolambugan, Lanao del Norte	351,283	(35,111)	386,394	325,991	60,403
025	Jasaan, Misamis Oriental	448,007	0	448,007	448,007	0
026	Tago, Surigao del Sur	469,893	0	469,893	469,893	0
027	Pilar, Surigao del Norte	306,873	(231,51)	330,024	330,011	13
028	Barabo, Surigao del Sur	132,395	(252,900)	385,295	385,295	0
029	Datu Paglas, Maguindanao	142,879	(264,152)	407,031	374,500	32,531
031	Maluso, Basilan	704,961	21,982	682,979	88,537	594,442
032	Impasugong, Bukidnon	500,624	(9,501)	510,125	507,448	2,677
033	Jasaan, Misamis Oriental	597,182	25,726	571,456	45,541	525,915
A02	Jabonga, Agusan del Norte	133,276	0	133,276	133,276	0
A03	Alicia. Zamboanga Sibugay	140,792	0	140,792	140,792	0
A04	Cabadbaran, Agusan del Norte	200,222	(31,795)	232,017	232,017	0
A05	Kidapawan, North Cotabato	669,629	0	669,629	669,629	0
A07	Makilala, North Cotabato	389,370	(29,408)	418,778	418,778	0
A09	Panabo, Davao del Norte	610,332	0	610,332	610,332	0
A11	Tangub, Misamis Occidental	1,754,095	(157,850)	1,911,945	1,737,362	174,583
A13	Alamada, North Cotabato	247,332	(451,559)	689,891	648,786	50,105
A15	Hagonoy, Davao del Sur	134,862	(1,974)	136,836	121,858	14,978
A17	Claveria, Misamis Oriental	1,406,812	35,327	1,371,485	850,123	521,362
A19	Alubijid, Misamis Oriental	445,747	(99,446)	545,193	397,039	148,154

Cate-gory No.	Category or Subloan	Original Allocation	Partial Cancellations	Last Revised Allocation	Amount Disbursed	Undisbursed Balance[1]
(1)	(2)	(3)	(4 = 3-5)	(5)	(6)	(7 = 5-6)
Equipment						
008	Norala, South Cotabato	97,489	(2,459)	99,948	58,597	41,351
024	Hagonoy	241,780	(8,600)	250,380	246,487	3,893
030	Tukuran, Zamboanga del Sur	66,278	(123,623)	189,901	128,352	61,549
A10	Lugait, Misamis Oriental	82,972	(3,175)	86,147	86,147	0
Land Acquisition		0	0	0	0	0
Design and Supervision		0	0	0	0	0
Project Management and Implementation Support		0	0	0	0	0
Institutional Capacity Building		0	0	0	0	0
Interest During Construction		1,300,000	0	0	1,334,010	0
Total (¥, loan currency)		3,676,050,000			2,184,809,766	388,425,234
Total (US$ equivalent)		30,000,000	19,531,691			
		a	b	c	d	e

[1] For final cancellation

a = US$ equivalent as per report and recommendation of the President
b = US$ equivalent as of date of approval of cancellation
c = Total of (d + e)
d = Actual US dollar equivalent
e = US$ equivalent as of report preparation

C. Implementation Data

1. Number of Subloans 39

2. Sectoral Distribution of Subloans 5

Sector (specify)	Projected	Actual
Water Supply	–	8
Bus Terminal and Public Market		
Bus Terminal	–	3
Public Market		13
Flood Control and Drainage	–	–
Solid Waste Management	–	–
Urban Roads and Bridges	–	–
Road Maintenance Equipment	–	4
Other Public Facilities	–	11
Total	**30–40**	**39**

3. Size of Subloans (actual) ($'000)

Range	Number of Subloans	Aggregate Amount
Up to $500,000	30	8,169,688
From $500,001 to $1,000,000	5	3,286,318
From $1,000,001 to $1,500,000		2,510,995
Over $1,500,000	2	4,230,682

4. Other Breakdown of Subloans

Criteria	Projected	Actual
Local Roads and Bridges	12,000,000	-
Sanitation, Drainage and Flood Control	3,100,000	-
Solid Waste Management	7,100,000	-
Water Supply	6,400,000	3,456,893
Public Market and Bus Terminal	13,900,000	9,272,129
Other Public Facilities and Equipment	8,900,000	5,378,661
Total	**51,400,000**	**18,197,683**

5. Subloans Above Free Limit ($'000)

Subloan	Aggregate Nummber	Amount
Public Market (Ozamis City)	1	2,493,320

6. Project Performance Report Ratings

Implementation Period		Ratings	
		Development Objectives	Implementation Progress
(i)	From 30 September 2001 to December 2001	Satisfactory	Satisfactory
(ii)	From January to December 2002	Satisfactory	Satisfactory
(iii)	From January to December 2003	Satisfactory	Satisfactory
(iv)	From January to December 2004	Satisfactory	Satisfactory
(v)	From January to December 2005	Satisfactory	Satisfactory
(vi)	From January to December 2006	Satisfactory	Satisfactory
(vii)	From January to December 2007	Satisfactory	Satisfactory
(viii)	From January to December 2008	Satisfactory	Satisfactory
(ix)	From January to June 2009	Satisfactory	Satisfactory

D. Data on Asian Development Bank Missions

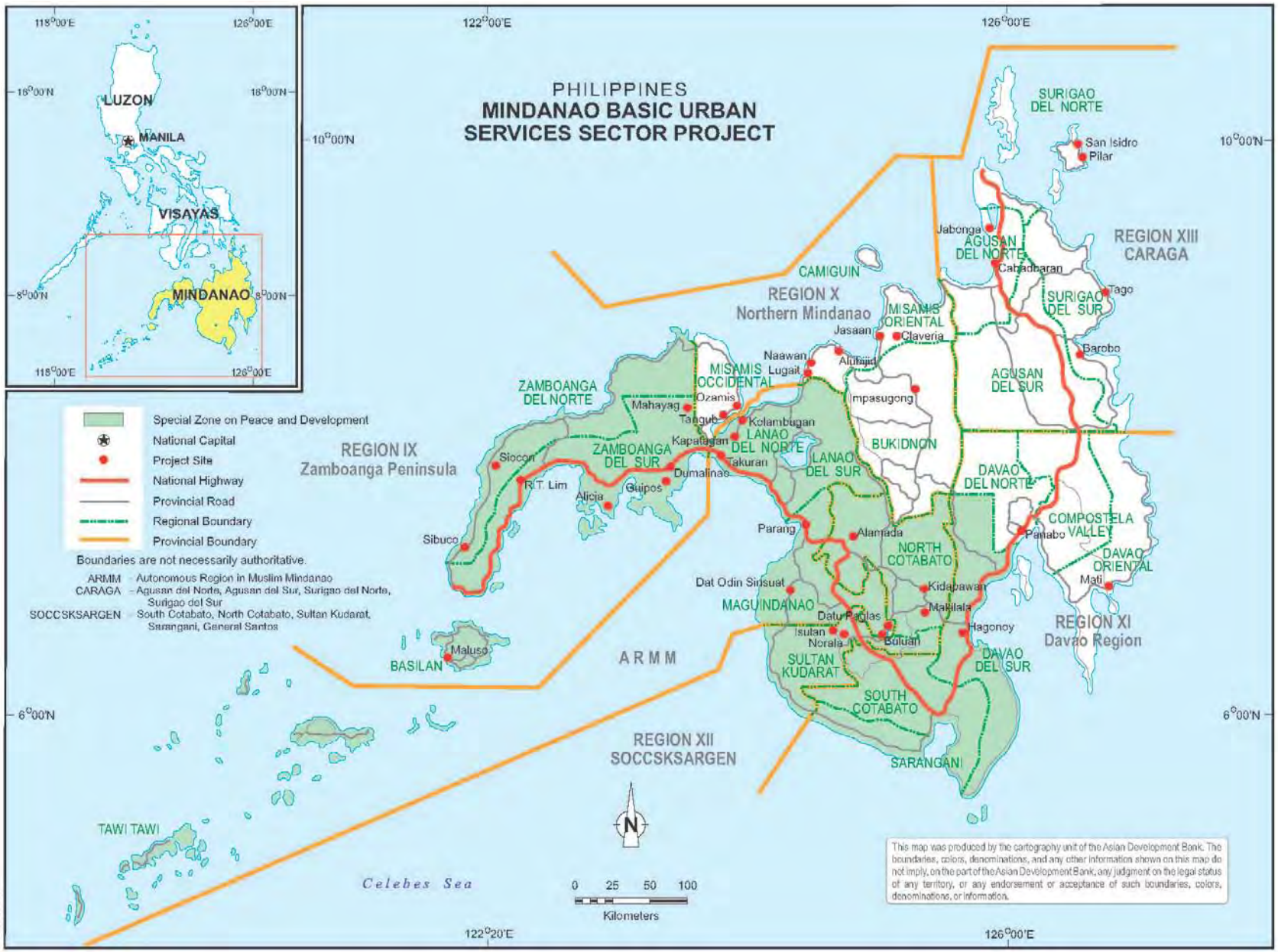
Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members[a]
Fact Finding	14 June–10 Dec 1999	3		a, e, f part-time: d, f, g, h
Appraisal	29 Aug–13 October 2000	6	47	a, d, e, h, i, j
Inception	26 Nov 2002–14 Jan 2003	3	8	a, c, d
Review 1	22 Sept–5 Nov 2003	3	8	a, c, d
Review 2	4 March–19 April 2004	2	4	a, c
Review 3	18 October–13 Dec 2004	3	7	a, c, d
Special project administration	3 May–22 June 2005	2	8	a, c
Seminar and/or conference	28–29 July 2005	1	2	c
Review 4	10 April–24 May 2006	2	20	a, c
Review 5	3–13 November 2006	2	14	a, c
Review 6	6–13 March 2007	2	10	a, c
JFPR special review	18–26 June 2007	2	10	a, c

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members[a]
Review 7	9–24 October 2007	2	14	a, c
Special exploratory mission with AusAID	18–19 May 2008	1	2	a
Review 8	3–6 June 2008	2	20	a, c
Review 9	19–26 November 2008	1	38	a
Review 10	5 June–2 July 2009	2	12	a, c
Project completion review[b]	9 July–26 July 2010	3	20	a, c, d

AusAID = Australian Agency for International Development, JFPR = Japan Fund for Poverty Reduction.

[a] a = mission leader, b = project economist, c = assistant project analyst, d = consultant, e = programs officer, f = urban specialist, g = environment specialist, h = social development specialist, i = counsel, j = control officer.

[b] The project completion report was prepared by F. Steinberg (urban development specialist/mission leader), M. Ortega (assistant project analyst), and A. Palacio (financial and economic analyst/staff consultant).


PHILIPPINES
MINDANAO BASIC URBAN SERVICES SECTOR PROJECT
LUZON
MANILA
VISAYAS
MINDANAO
Special Zone on Peace and Development
National Capital
Project Site
National Highway
Provincial Road
Regional Boundary
Provincial Boundary
Boundaries are not necessarily authoritative.
ARMM - Autonomous Region in Muslim Mindanao
CARAGA - Agusan del Norte, Agusan del Sur, Surigao del Norte, Surigao del Sur
SOCCSKSARGEN - South Cotabato, North Cotabato, Sultan Kudarat, Sarangani, General Santos
REGION IX
Zamboanga Peninsula
REGION X
Northern Mindanao
REGION XI
Davao Region
REGION XII
SOCCSKSARGEN
REGION XIII
CARAGA
ARMM
BASILAN
TAWI TAWI
Celebes Sea
ZAMBOANGA DEL NORTE
ZAMBOANGA DEL SUR
MISAMIS OCCIDENTAL
MISAMIS ORIENTAL
CAMIGUIN
LANAO DEL NORTE
LANAO DEL SUR
BUKIDNON
AGUSAN DEL NORTE
AGUSAN DEL SUR
SURIGAO DEL NORTE
SURIGAO DEL SUR
DAVAO DEL NORTE
DAVAO DEL SUR
DAVAO ORIENTAL
COMPOSTELA VALLEY
NORTH COTABATO
SOUTH COTABATO
SULTAN KUDARAT
MAGUINDANAO
SARANGANI
Sibuco
Siocon
R.T. Lim
Alicia
Guipos
Mahayag
Ozamis
Tangub
Kolambugan
Kapatagan
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I. PROJECT DESCRIPTION

1. The high rate of urbanization in the Philippines, combined with insufficient local investment, has led to serious deficiencies in the provision of basic urban infrastructure and municipal services in Mindanao. Despite Mindanao's abundant natural resources and fertile soil, it is home to some of the poorest regions in the country. The incidence of urban poverty in Mindanao is nearly twice the national average, and local government units (LGUs) can barely meet the requirements for basic urban infrastructure and municipal services, which are poor compared with the rest of the country. At the time of project design, there was an urgent need to improve urban service delivery by (i) upgrading and expanding infrastructure, and (ii) improving the capability of LGUs to provide and manage services. Improved basic urban services (water, sanitation, drainage, and solid waste management) supposedly help reduce environmental poverty, raise living standards, strengthen links between urban and rural areas, and support the peace process.[1]

2. The project's long-term impact was improved quality of life for urban residents in Mindanao. Specifically, the project objectives were to: (i) improve Mindanao residents' access to basic urban services by providing, upgrading, and rehabilitating infrastructure and improving service delivery; (ii) increase urban poor communities' access to basic municipal services; and (iii) improve the institutional capacity of LGUs to provide and manage municipal services and basic urban infrastructure.

3. The project had two parts, which covered infrastructure investment (Part A) and institutional capacity building (Part B). Part A was partly financed through a loan from the Asian Development Bank (ADB), and Part B was financed through a loan from the Nordic Development Fund (NDF).

4. Part A was designed to finance urban infrastructure and/or municipal service subprojects initiated by 30 to 40 target LGUs. Part A included both non-revenue and revenue-generating subprojects. Non-revenue subprojects included roads and bridges, sanitation, drainage, flood protection, and solid waste.[2] Revenue-generating subprojects included water supply systems, bus terminals, and public markets.

5. Under Part B, the following components were implemented: project management support to the Department of Interior and Local Government (DILG) (component A)[3]; subproject preparation and implementation support (component B)[4]; LGU capacity building (component C);[5] and institutional strengthening of DILG (component D).[6]

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1 ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Philippines for the Mindanao Basic Urban Services Sector Project*. Manila.

2 In October 2003, the Land Bank of the Philippines (LBP) requested an expansion of subproject coverage to include public hospitals and public school buildings as eligible subprojects. This was approved by ADB but in the end, no LGUs submitted application for these subprojects.

3 Including support for start-up activities, implementation schedules, budgets, reporting format, establishment of project implementation units (PIUs), procurement packages, progress reports, completion reports, overall project performance monitoring systems, and resolution of issues.

4 Including assistance to participating LGUs in preparation of feasibility study reports, subproject appraisal and completion reports, and bid documents; procurement of contractors, consultants, and suppliers; detailed engineering review; construction supervision and contract administration; and operations and maintenance.

5 Capacity building in development planning; land use planning; and financial management.

6 Assistance to the DILG in developing a self-assessment tool for measuring LGUs' administrative capacity and their performance in delivering services and managing municipal infrastructure.

II. IMPLEMENTATION

A. Relevance of Design and Formulation

6. Part A of the project supported the priorities in the Medium-Term Philippine Development Plan, 2004–2010[7] and the National Urban Development and Housing Framework, 2004–2009.[8] The poverty reduction program complemented the peace process in Mindanao. The project was also consistent with ADB's overarching goal of reducing poverty by improving social services delivery, protect the environment, and promoting good governance.[9] The goal of attaining improved living conditions in urban and peri-urban areas—particularly in Mindanao—and the objective of providing infrastructure and other essential services were in line with the government's development thrusts.

7. The project design was relevant, as it recognized that infrastructure investments alone do not guarantee the success of a project, and therefore provided complementary capacity building support. The concepts of building capacity throughout the project cycle, and holding process-related seminar–workshops supported by customized coaching sessions, suited the project. By involving beneficiary communities through a participatory approach in project preparation, the project fostered LGU ownership.

8. Under Part B of the project, several minor changes were implemented: Under component A, a results monitoring and evaluation system was adopted by the DILG in lieu of the original project performance monitoring system. Under component C, the original intention of assisting LGUs in land-use planning was changed to improving the development planning capacity of LGUs. This was in line with the Local Government Code that called for the DILG to roll out an improved development planning system. This required LGUs to prepare two plans—a comprehensive development plan and a comprehensive land use plan, as mandated by the 2006 Local Government Code. For component D, the original design called for developing a project performance management system—a self-assessment tool for LGUs—through technical assistance (TA) to the DILG. However, the DILG developed its own local government performance management system (LGPMS) during the project start-up period.[10] After discussions with ADB, it was agreed that component D would implement the LGPMS. Component B remained unchanged.

B. Project Outputs

9. Under Part A (infrastructure investment), 30 to 40 LGUs were targeted in the project's report and recommendation of the president (RRP). A total of 39 subprojects were approved and implemented, with 36 subprojects completed as of November 2010.[11] A list of subprojects and details are provided in Appendix 2.

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[7] National and Economic Development Authority. 2004. *Medium-Term Philippines Development Plan, 2004–2010*. Manila.

[8] Housing and Urban Developmnet Coordinating Council. 2004. *National urban Development and Housing Framework, 2004–2009*. Manila.

[9] ADB. *Country Strategy and Program, 2002–2004.* para. 8.

[10] Funding assistance for the preparation of the local government performance management system was provided by several development partners, including the Canadian International Development Agency, United Nations Development Programme, and ADB.

[11] Two subprojects in the Autonomous Region of Muslim Mindanao (Parang water supply and Maluso public market) and one in Region 10 (Jasaan water supply) were not completed because of peace and order problems and, in some cases, political issues (Parang and Maluso) or technical problems (Jasaan).

10. The 39 subprojects improved municipal infrastructure facilities and provided access to municipal services for residents in 37 LGUs. Of the target population of 2.3 million beneficiaries, the 39 subprojects covered an estimated 1.7 million beneficiaries (or 72% of the original target, which is higher than the loan utilization of 58.9%).

Table 1: Comparison of the Target and Actual Number of Subprojects

	No. of Subprojects		No. of Beneficiaries	
Subsector	**As Appraised[a]**	**Actual[b]**	**As Appraised[a]**	**Actual[b]**
Water Supply		9	253,000	51,558
Bus Terminals and Public Markets			550,000	
Bus Terminals		3		351,216
Public Markets		13		718,235
Flood Control and Drainage			122,000	
Solid Waste Management			550000	
Urban Roads and Bridges			474,000	
Road Maintenance Equipment		4		143,872
Other Public Facilities		10	352,000	402,349
TOTAL	**30–40**	**39**	**2,301,000**	**1,667,230**

[a] Based on ADB's report and recommendation of the president.
[b] Based on the Department of Interior and Local Government's project completion report.

11. **Water supply.** Nine water supply subprojects were implemented, the majority in the northern part of Mindanao, which lack water districts.[12] Water supply subprojects accomplished only 21% of the intended target population (see Appendix 1). This was partly due to the delay of the Jasaan subproject and the partial completion of the largest water supply subproject in Parang. Some of these water supply schemes are operated with very low water tariffs, which make the schemes unsustainable. The tariffs are set low for political reasons (see Appendix 10).

12. **Bus terminals and public markets.** Three bus terminals and 13 public markets have been completed under the project, which demonstrates the popularity of such facilities among LGUs. The majority of these subprojects are in the southern half of Mindanao, and they exceed the intended target population by 194% (see Appendix 1). Despite the strong income earning potential of these facilities, several LGUs lowered the rents of markets before the 2010 elections, and some of these rents remain subsidized by the LGUs (see Appendix 10).

13. **Road maintenance equipment.** Four LGUs invested in equipment for road maintenance. No road construction subprojects were funded by the project. The total investment in road maintenance equipment is estimated to be 31% of the target investment for road services (Appendix 1).

14. **Other public facilities.** Ten LGUs have invested in four municipal halls, one cultural exhibition center, and five sports centers or auditoria. These facilities reach 115% of the intended population (Appendix 1). Some LGUs consider these to be important investments and maintain that the improved ambience of their new municipal halls improves tax collection, or that the sport and cultural events in the new facilities have the potential to produce revenue.

15. Furthermore, although the RRP indicated that at least 20% of qualified LGUs under the project should belong to the 3rd to 6th income classes, in reality 47% belonged to those

[12] Additionally, two subprojects are ongoing, in Jasaan and in Parang, the latter of which was biggest of the water subprojects. See also footnote 11 regarding Jasaan and Parang.

classes.[13]

16. About 39 other subprojects were proposed for funding at various stages during project implementation. These were not implemented because of various reasons, including: (i) changes in local development priorities; (ii) internal political conflicts between the local executive and the legislative council; (iii) cancellation of the capital grant from the national government in 2005; (iv) ineligibility to meet the required net borrowing capacity; and (v) in the case of water supply subprojects, a lack of water sources. A list of these subprojects and the reasons for their withdrawal are in Appendix 3.

17. Under the institutional capacity building program (Part B), the project supported about 68 LGUs through various training modules, depending on the needs and requirements of the LGU.[14] Each LGU was able to avail of technical skills training or attend workshops, coaching sessions, and other training in many modules.

18. Part B comprised four components: component A provided project management support;[15] component B provided assistance to LGUs in subproject implementation;[16] component C provided assistance to LGUs in development planning, land use planning, and financial management;[17] and component D provided institutional strengthening assistance to the DILG.[18] The outputs for each component are summarized in Table 2, and details are provided in Appendix 4.

Table 2: Technical Assistance and Training Implemented Under Institutional Capacity Building Program

Component Description	No. of LGUs[a]	No. of Participants[b]
Component A – Project Management Support	140	952
Component B – Subproject Implementation Support	206	1,965
Component C – LGU Capacity Building Program	166	2,397
Component D – DILG Institutional Strengthening	46	1,770
TOTAL	**558**	**7,084**

DILG = Department of Interior and Local Government, LGU = local government unit.

[a] LGUs were able to attend more than one training or coaching session in each component, depending on their identified needs and absorptive capacities.

[b] Includes DILG, Land Bank of the Philippines, and LGU participants.

Source: DILG

[13] LGUs are divided into income classes: 3rd class—P30 million or more but less than P40 million; 4th class—P20 million or more but less than P30 million; 5th class—P10 million or more but less than P20 million; and 6th class—below P10 million.

[14] Mindanao Basic Urban Services Sector Project Baseline Study, 2005.

[15] Support for project management, advocacy for environmental investments and sustainability of services, and project reporting systems were provided. Operations manuals (in 16 volumes) were prepared to serve as guides for the DILG, LBP, and the LGU-PIU in the preparation, implementation, and operation and maintenance of subprojects.

[16] Training was conducted to enhance the skills of PIUs and local staff in subproject preparation, implementation, and operation and maintenance.

[17] Five training modules for LGUs were developed and implemented: harmonized planning and financial management; rationalized planning system; real property tax administration; business tax administration; and economic enterprise management. LGUs were allowed to receive technical assistance for two modules.

[18] The following key tasks were undertaken: review of the DILG's systems used in LGU performance measurement; international comparative studies and project visits for DILG officials; developing a database of LGUs' best practices, including an Information-technology-based system for accessing and managing database; and establishing a local governance resource center in each DILG region to serve as a venue for sharing knowledge and experiences in management innovation and best practices of governance.

C. Project Costs

19. At appraisal, the project cost was estimated at $60 million, comprising $27.6 million foreign exchange costs and $32.4 million local currency costs. The original ADB loan amount of ¥3,676 million ($30 million equivalent at appraisal) was to finance the foreign exchange costs of $24.6 million equivalent, which included interest and other charges during construction of $1.3 million equivalent and local costs of $5.4 million equivalent. Additional credit financing was to be provided by the NDF in the amount of $6.0 million for the implementation of Part B. LBP, as the borrower, was to finance $9.4 million. The government and the LGUs were to put up $14.6 million in counterpart funds. The government (through the DILG) intended to provide capital grants to LGUs amounting to $7.3 million; however, because of budget constraints, these capital grants were not provided.

20. At completion, the actual total cost of the project was $40.2 million equivalent, comprising $15.6 million equivalent in foreign exchange and $24.6 million equivalent in local currency. ADB financed $12.6 million equivalent in foreign exchange, including interest during construction of $1.3 million equivalent, and $5.8 million equivalent in local currency cost. The NDF financed $6.0 million equivalent, the LBP financed $6.6 million equivalent, and the government and LGUs financed $8.1 million equivalent.

21. In November 2005, LBP requested a partial loan cancellation of $9.27 million equivalent because of slow disbursements brought about by delays in subproject implementation.[19] The main reason for the low utilization of the infrastructure investment loan (Part A) was weak commitment by many LGUs as expressed in dropouts from the project, even after preparation of subprojects. During the middle years of project implementation, the government's inability to provide capital grant funds contributed to the low utilization of the infrastructure investment. ADB addressed this problem by approving a new financing mix in July 2005.[20] However, the disbursement projections in the RRP (disbursement of 15% in year 1, 30% in year 2, etc.) were unrealistic since no disbursements occurred during the first two quarters, when the project was in development.

22. As of the project's closing date (June 2009), another $4.33 million equivalent of the ADB loan for Part A remained unutilized. LGU subprojects that had not been completed by the closing date have since been completed using complementary funds derived from LBP's internal funds or from the Department of Finance's (DOF) municipal development fund office.[21] The estimated and actual project costs by component and by funding sources are in Appendix 5.

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[19] It should be noted that the projected original targets were relatively high considering the expectations that the six pilot projects would give a strong head start in subproject implementation. The long time lag (four years) between (pilot) project preparation in 1998 and project start-up in 2002), along with changes in the leadership of LGUs, may have contributed to the deferment and eventual cancellation of three of the six pilot projects.

[20] The new financing mix was 90% loan financing and 10% LGU equity, against the planned financing mix outlined in the RRP of 70% loan financing and 30% LGU equity which included a government grant component for qualified LGUs.

[21] After loan closing, LBP utilized its internal fund to complete the remaining six subprojects (water supply systems in Alubijid, Claveria, Jasaan, and Parang; Ozamis public market; and Tangub gymnasium), while the DILG passed on to the Municipal Development Fund Office the financing of 11 subprojects: equipment in New Corella, Davao del Norte; water supply system in Mahayag, Zamboanga del Sur; water supply system in Upi, Maguindanao; transport terminal in Kumalarang, Zamboanga del Sur; transport terminal in Kapatagan, Lanao del Norte; transport terminal in Kabacan, North Cotabato; transport terminal in Alegria, Surigao del Norte; public market in Tudela, Misamis Occidental; public market in Kapatagan, Lanao del Norte; public market in Libungan, North Cotabato; and public market in Lianga, Surigao del Sur.

D. Disbursements

23. The loan proceeds available at completion were $22.5 million equivalent, against the total disbursements of ¥2,184,809,766.00 ($19.5 million equivalent at project completion), which included interest charges of $1.3 million equivalent. Hence, ¥388,425,234.00 ($4.33 million equivalent) was cancelled upon the closing of the loan account on 30 June 2009. Loan proceeds were disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). Disbursements were slow during the 1st year of implementation but significantly improved once consultants were fielded in September 2003 to assist with project implementation. No reallocation or supplementary loan was necessary. The imprest account established by LBP was maintained and operated satisfactorily. Statement of Expenditure procedures were used to reimburse eligible expenditures. Actual quarterly disbursements are in Appendix 6.

24. The government, LBP, and the LGUs provided the local counterpart funds to implement the project. However, in early 2005 the government had to cancel its grant funding for LGU subprojects because of budgetary constraints and its introduction of a "no grant policy" for certain types of subprojects. This resulted in a lack of demand for subprojects by LGUs. The total of government/DILG capital amounted to $3.2 million.

E. Project Schedule

25. The loan agreement between ADB and LBP was signed on 15 May 2002 and was declared effective on 13 September 2002. Based on project design, the project implementation period was six years.

26. The original loan closing date of the project was 30 June 2008. The government requested an extension to 30 June 2009. The extension was justified by the slow start-up activities of the subprojects, the effects of local elections, the late procurement of the project management consultant and the late creation of the project development office (PDO). Appendix 7 shows the timeline chart and critical path diagram of subproject processing and implementation; the projected and actual implementation schedules are compared in Appendix 8.

F. Implementation Arrangements

27. As designed, LBP was the executing agency for Part A, and the DILG was the executing agency for Part B. To undertake its responsibilities, LBP designated its program management department to administer the project lending facility, while the DILG established the PDO to provide capacity building support to the LGUs.

28. At the national level, the project established a project steering committee (PSC) for the project as a whole, chaired by the DILG secretary. Its membership comprised representatives of, the Department of Budget and Management, the Department of Environment and Natural Resources (DENR) DOF, the Department of Public Works and Highways, the Housing and Urban Development Coordinating Council, LBP, and the National Economic and Development Authority. At the regional level, the project required the creation of a technical review and coordinating committee, the chairmanship of which was held by LBP's executive vice-president for Mindanao. The committee's membership was drawn from the representative of the DILG and other government agencies. Neither the PSC nor the Technical Review Coordination Committee met frequently.

29. The LGUs were the implementing agencies and were required to create project implementation units (PIUs) for the coordination, preparation, and implementation of the infrastructure investments and capacity building activities. The PIUs coordinated with local bids and awards committees on procurement matters, and with the specific LGU departments for the specific responsibilities or functions required. The performance of LGUs varied considerably depending on local leadership and motivation. All LGUs have prior experience in procurement and were assisted by the DILG in procurement matters; only one case of misprocurement occurred in Tangub. However, implementation of most subprojects took longer than planned. The organizational structure for the project is in Appendix 9.

G. Conditions and Covenants

30. The 15 key covenants specified in the loan agreement were largely complied with. However, in hindsight, the covenant that required the borrower to maintain a program management department and assign a team of qualified staff from the borrower's head office (Schedule 4, para. 5), was only partly complied with. LBP assigned only two staff members to administer the project, asserting that the personnel of its local lending centers also supported the project. In 2003, LBP claimed that these two employees were not able to assist, as required, with the preparation of subproject appraisal reports (SPARs). In effect, this assertion of LBP's staff commitment prompted the PDO of the DILG to play a stronger role by developing subprojects for Part A, as suggested by the RRP (para. 58).

31. Meanwhile, because of budgetary constraints and the government's "no-grant policy" introduced in 2005, the DILG, as the executing agency for Part B, was not able to fully meet its intention to provide capital grant funds to the LGUs.

32. A summary of the executing agencies' compliance with conditions and covenants is in Appendix 10.

H. Related Technical Assistance

33. ADB, through the Japan Fund for Poverty Reduction (JFPR), provided a parallel technical assistance and investment grant in the form of the $1 million for the Social Protection for Poor Women Vendors in Mindanao project.[22] This JFPR project was a 3-year poverty reduction initiative for poor women vendors, pilot tested in eight LGUs distributed among all six administrative regions of Mindanao.[23] The grant was designed to complement the Mindanao Basic Urban Services Sector Project's public markets program (which accounted for 34% of the project investment) by helping poor women vendors participate in market business, at the same time fulfilling their economic, social, and cultural roles. The JFPR grant provided services that were highly appreciated by beneficiaries and that enhanced the gender benefits of the project. Summary information is provided in Appendix 11.

I. Consultant Recruitment and Procurement

34. Consultant recruitment and procurement procedures followed the required guidelines.

[22] ADB. 2002. *Proposed Grant Assistance to the Philippines for the Social Protection of Poor Women Vendors in Mindanao*. Manila.

[23] The LGUs included the cities of Kidapawan, Ozamis, Panabo, and Surigao; and the municipalities of Buluan, Maguindanao; Cabadbaran, Agusan del Norte; Mahayag, Zamboanga del Sur; and Parang, Maguindanao.

The loan agreement stipulated that procurement for Part A was to be carried out as follows: (i) selection of consultants for detailed engineering and construction works financed by the LGUs was to be carried out in accordance with procedures acceptable to ADB; (ii) for subprojects that cost more than $2.0 million equivalent, ADB was to review the terms of reference, evaluation criteria, service contracts, and evaluation results; (iii) the Guidelines for Procurement, dated February 1999 were to be followed in procuring civil works and goods funded partly or wholly by the ADB loan proceeds; civil works contracts of more than $2.0 million and equipment contracts of more than $0.5 million were to be awarded based on international competitive bidding procedures.

35. For Part B, the procurement of services of consultants funded by the NDF was to be approved by ADB and carried out through arrangements satisfactory to ADB. The appraisal estimated 644 person-months of consulting inputs (130 for international and 514 for national consultants). The consultants were mobilized in September 2003 for components A and B and in October 2006 for components C and D. All four components were completed in December 2008. At project completion, the consultants had provided 353.21 person-months of consulting inputs (0.49 person-months international and 352.72 person-months national staff). The significant reduction in consultant inputs was due to the delay in the implementation period for components C and D, which resulted in reduced scope of work; and a DILG request to convert international consultant inputs to national consultant inputs.

36. The original project design required that the DILG contract different consulting firms for components A and B, and C and D. However, when the scope of services and subcomponent activities for components C and D were revised, the DILG invited the same consortium of consultants implementing components A and B to implement components C and D as well, as the work under components C and D complemented the activities under components A and B.[24]

J. Performance of Consultants, Contractors, and Suppliers

37. The NDF-funded capacity-building consultant performed satisfactorily and in accordance with the terms of reference and subsequent amendments to the contract. LBP felt that the consultants could have been at their disposal as well, instead of working exclusively for the DILG.

K. Performance of the Borrower and the Executing Agency

38. The overall performance of LBP and the DILG is rated satisfactory, since both executing agencies did their best to complete this complex project. However, the borrower and the DILG had a difficult and strained relationship. The tensions between DILG and LBP affected the outputs. A better working relationship between the two could have ensured full fund utilization and the completion of more subprojects. ADB found several additional limitations. The LBP's program management department failed to assign sufficient staff to manage the project, as agreed to in the loan agreement.[25] LBP’s claim that its lending center staff supported the project is correct, but the actual role of the lending centers was limited to review of loan applications. The PDO of the DILG was supposed to establish a project performance monitoring system (PPMS) for the project. However, on the initiative of the DILG,

[24] The consortium of consulting firms for components A and B included Norconsult, Sinclair Knight Merz, and Urban Integrated Consultants, Inc.

[25] LBP initially declared that it was not prepared to help prepare SPARs.

the PPMS was modified to become a results monitoring and evaluation system, which turned out to be ineffective and did not produce a functioning PPMS. Both LBP and the DILG maintained simple data systems that were difficult to maintain and update. Thus, the project was implemented without an adequate data management system. Had the DILG paid more attention to the operational aspects of subprojects, the reductions in rents of public market stalls, fees in transport terminals, and user fees of water supply systems (see para. 44, below) could have been averted.

L. Performance of the Asian Development Bank

39. The performance of ADB was satisfactory. ADB fielded project review missions twice per year, which facilitated the resolution of numerous project issues. The designated ADB project officers actively participated in the PSC and technical meetings. Furthermore, ADB actions (such as loan withdrawal and application approvals, subproject appraisal reports, bid evaluations reports, contract variations orders, and time extensions) occurred without delays. ADB acted as an intermediary between the program management department and the PDO when relations were strained.

III. EVALUATION OF PERFORMANCE

A. Relevance

40. By directly supporting the priorities of the Medium Term Philippine Development Plan, 2004–2010, the project remains *relevant*. The sector loan modality, which represented an important lesson from previous urban infrastructure projects, was relevant because such a modality accommodated the changing demands of the LGUs and enabled the replacement of LGUs that opted for other financing mechanisms. The design of parts A and B was an innovative feature of the project. The synergy of the two parts, as defined in the project design, improved the LGUs' access to urban infrastructure and services and strengthened their capacity to deliver services. The government investment in capacity development through the NDF loan was unprecedented. However, the project's failure to deliver on drainage, flood control, and solid waste management reduced its relevance.

B. Effectiveness in Achieving Outcome

41. The 39 subprojects improved the access of services and facilities to residents of the 37 LGUs involved in the project. Of the targeted population coverage of 2 million to 2.3 million, the 39 subprojects covered an estimated 1.67 million people.[26] The RRP indicated that of the qualified LGUs, 20% should be 3rd to 6th class LGUs; in reality, 47% were 3rd to 6th class LGUs.

42. Because many short-listed subprojects dropped out, and because fund utilization was lower than expected at 63.8%, the project's targets set during appraisal were only partially met. Thus, it is rated *less effective*.

C. Efficiency in Achieving Outcome and Outputs

43. Overall, the project was *less efficient* in achieving its expected outcome and outputs. Financial and economic reevaluation was done only for income-generating subprojects such as

[26] Based on National Statistics Office, Census of Population, 2007.

public markets, transport terminals, and water supply systems. Reevaluation was not carried out for non-revenue subprojects such as equipment, gymnasiums and sports centers, and municipal halls. These were designed as social projects in the SPARs. The reevaluation of completed revenue-generating subprojects showed that of the 14 reevaluated subprojects, only five remained financially and economically viable, while three were marginal, and the rest had negative results. The high cost of capacity building (e.g., Part B) made the project less efficient in achieving its outputs and outcomes. The impact of two local elections (in 2004 and 2007) caused substantial project delays.

44. The public markets in Alicia, Dumalinao, Guipos, Mati, and Roseller T. Lim and the terminal in Kidapawan registered negative financial internal rates of return (FIRRs). Meanwhile, the Barobo public market and the water supply systems in Alubijid and Naawan had marginal FIRRs. For the economic evaluation, the similar results were derived, as the economic internal rates of return (EIRRs) for the above-mentioned subprojects were either negative or marginal. Recomputed FIRRs and EIRRs were compared with the weighted average cost of capital and the economic opportunity cost of capital. The reduced financial viability of these subprojects is due to the decision by elected officials to adopt tariffs or fees that were much lower than those proposed in the feasibility studies. Other reasons for the reduced financial viability included low occupancy rates in the markets of Dumalinao, Guipos, and Mati and in the transport terminal of Kidapawan City; and the unmet number of household connections for the water supply system of Alubijid. Results of the evaluation are shown in Appendix 12 and summarized in Table 4. Given these results, the project's performance is rated as *less efficient*.

Table 4: Results of Financial and Economic Reevaluation

	Financial Evaluation (FIRR)		Economic Evaluation (EIRR)	
Type of Subproject/Name of LGU	**As Appraised[a]**	**After Completion[b]**	**As Appraised[a]**	**After Completion[b]**
Water Supply System				
1. Naawan, Misamis Oriental	14.1%	6.1%	17.1%	8.8%
2. Impasugong, Bukidnon	23.2%	14.6%	27.1%	17.2%
3. Alubijid, Misamis Oriental	20.9%	5.3%	24.6%	7.5%
Public Market				
4. Roseller T. Lim, Zamboanga del Norte	12.7%	negative	17.5%	negative
5. Alicia, Zamboanga Sibugay	11.1%	negative	17.9%	4.6%
6. Dumalinao, Zamboanga del Sur	15.7%	negative	20.1%	negative
7. Guipos, Zamboanga del Sur	14.6%	negative	19.8%	2.9%
8. Barobo, Surigao del Sur	13.4%	5.7%	17.5%	7.8%
9. Hagonoy, Davao del Sur	18.1%	8.5%	25.8%	16.1%
10. Makilala, North Cotabato	13.1%	12.8%	25.9%	16.5%
11. Mati, Davao Oriental	14.7%	negative	18.7%	negative
12. Ozamis City, Misamis Occidental	18.0%	10.9%	22.0%	13.6%
Transport Terminal				
13. Kidapawan City, North Cotabato	14.0%	negative	16.0%	1.4%
14. Panabo City, Davao del Norte	14.4%	13.3%	18.7%	17.3%

EIRR = economic internal rate of return, FIRR = financial internal rate of return.
[a] FIRR and EIRR were based on subproject appraisal report.
[b] FIRR and EIRR were based on updated actual data as of project completion review mission.

D. Preliminary Assessment of Sustainability

45. If data of the FIRR are used as stand-alone criteria, the sustainability of the facilities is questionable. However, the sustainability of the subprojects still seems likely, since LGUs are ready to subsidize shortfalls in subproject revenues from other sources. In August 2010, LBP

and the DILG jointly organized workshops on subproject operations and maintenance, and sustainability management. Sustainability measures identified and adopted by the LGUs were:

- Twenty-two LGUs legislated economic enterprise codes and prepared customized operations manuals for the completed markets, terminals, and water supply systems. The documents contain information on the procedures and organizational structures required to operate the facilities, audit the infrastructure, set cost-recovery charges, and institute environmental monitoring plans.

- Twenty-four LGUs established city or municipal economic and enterprise development offices.

- Thirty-seven LGUs prepared subproject operation and maintenance plans. The documents contain time-bound action plans and summarize commitments related to policy reforms, manpower requirements, and capacity building interventions.

- Thirty-seven LGUs have allocated funds for operations and maintenance of facilities and amortization payments for the subloan. At the outset, it was recognized that most income-generating projects would need to be subsidized for the first three years of operation. Thus far, only a few subprojects have recovered costs partly or in full.

- The project's capacity building components resulted in the sustainable transfer of knowledge and skills to local governments. Targeted local government staff now have the capability to prepare feasibility studies, review engineering designs, handle procurement, supervise construction, and oversee land use planning, real property, and business tax administration.

- Transfer of technology to DILG regional staff was realized and they now serve as resource persons for project implementation. The local government resource centers in the DILG regional offices in Mindanao, established under component D, are sustainable.

E. Impact

46. **Environmental impacts**. The DILG and LBP ensured that all subprojects were carried out in accordance with environmental laws and policies. Each LGU prepared an initial environmental examination for the issuance of a Certificate of Non-Coverage (i.e. an exemption) by DENR. Mitigating measures to negate or minimize negative environmental impacts were incorporated into the feasibility studies.

47. Temporary noise pollution and traffic congestion occurring as a result of project-related construction were mitigated by the Contractor’s Safety Program as per DENR standards. More permanent project impacts were generally positive—reduced traffic congestion in central business districts, employment generation, improved sanitation, and enhanced mobility of goods and services.

48. **Economic impacts**. Though the project's contributions to poverty reduction and quality-of-life cannot be directly quantified, trading activities were generally enhanced, particularly in

areas around the transport terminals and public markets. At project completion, it was estimated that the subprojects generated on an average 2,000–2,500 temporary jobs and 4,000–4,500 permanent jobs. The temporary jobs mainly consisted of workers hired during construction; permanent jobs include stall owners, public transport drivers and operators, ambulant vendors, individuals who establish businesses within or around the new facilities, and LGU employees hired to operate and maintain the facilities. None of the subprojects negatively affected the culture and beliefs of indigenous peoples and/or Mindanao's Muslim population.

49. **Gender impacts.** Project activities supplied women and men with equal opportunities for employment. It is expected that public markets, transport terminals, and water supply systems benefit women more than men. In the case of public markets, more women work as vendors than men. In the case of transport terminals, the increased movement around urban areas that such facilities bring about also tends to yield more benefits for women, who usually bear primary responsibility for food shopping and delivering goods to market areas. In the case of water supply systems, time is saved in accessing potable water—a task usually undertaken by mother and children. The JFPR project provided additional benefits to women vendors.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

50. Referring to the project framework in the RRP, the project achieved target impacts and outcomes and implemented the desired components and outputs. It directly and indirectly improved the quality of life of urban residents of Mindanao, and it supported balanced and equitable regional development. Of a target of 2 million beneficiaries, the project benefited about 1.67 million people (80% of the target) by improving access to municipal services and raising environmental standards. The project's institutional capability interventions enhanced the managerial and technical skills of the LGU staff to plan, implement, and operate the subprojects. Of participating LGUs, 47% were in the third to sixth income class, exceeding the target of 20%.

51. An alternative financing from DOF's Municipal Development Fund Office (MDFO) benefited 16 LGUs, allowing the project to exceed the target number of LGUs benefiting from the project. The likelihood is high that operation and/or maintenance of the completed economic enterprise subprojects (eight water supply systems, three transport terminals, and 12 public markets) will be sustainable.

52. The capacity development activities were satisfactorily implemented, although design modifications occurred after project formulation in some cases. The participating LGUs appreciated the trainings, seminars, workshops, and coaching sessions. The sustainability of the capacity building interventions is high as the skills gained by the participants are relevant for future development activities.

53. Overall, the project is evaluated as *partly successful*. In summary, it is rated *relevant* (para. 40), *less effective* (para. 42), *less efficient* (para. 43), and *likely sustainable* (para. 45).

B. Lessons

54. **Participating LGUs obtained several benefits.** The project generated strong interest among LGUs. Most LGUs appreciated the loan terms (particularly the fixed long-term nature of ADB funds) and the assistance and services provided by LBP and the DILG. LGUs also

appreciated receiving assistance in modernized governance systems, including assistance in rationalized planning (comprehensive development plans), property tax administration, and revenue enhancement. The assistance was transforming for some LGUs as it allowed them to handle big projects involving loan financing for the first time. The project also increased LGU awareness of urban development priorities and opportunities for future investments.

55. **Revenue-earning subprojects were favored.** Many of the implemented subprojects —e.g. public markets, public transport terminals, and water supply schemes—are good revenue earners or have the potential to be good revenue earners. These subprojects provide essential economic and environmental benefits that will have long-lasting positive impacts. It is expected that most of these investments will be sustainable and will lead to further related investments to expand infrastructure networks. Notably, public markets and transport terminals were the most popular choices of subprojects, while water supply systems were the third most popular. Sanitation, flood control, and solid waste management subprojects, perceived by LGUs as low revenue earners, were not implemented. This indicates that LGUs fail to understand or appreciate the benefits of improving the local environment, and that incentives (like capital grants from the DILG) have not been effectively used to direct LGU investment choices. Building town or municipal halls or gymnasiums are of questionable relevance compared with water supply, sanitation, and solid waste management. Municipal buildings may not generate large revenues, but data suggest that they can contribute to improved revenue collection since tax payers appreciate improved quality of town halls and demonstrate more aptitude to pay their taxes there.

56. **More strategic and participatory planning is desirable.** LGU chief executive officers (CEOs) often selected subprojects and made investment decisions on their own rather than on the basis of strategic local development plans. Although the project assisted some LGUs in formulating comprehensive land use plans, it did not succeed in ensuring that such plans are standard tools for investment planning—despite an LBP requirement mandating that LGUs possess annual development plans to qualify for loan approval. The absence of participatory strategic development plans could result in future LGU administrations backtracking on established development priorities and arbitrarily choosing new priorities. Allowing CEOs to choose subprojects creates a risk that cost recovery mechanisms will not be implemented, as political expedience may lead future CEOs to provide services at below-cost levels.

57. **Decentralized projects call for a better PPMS.** The scattered nature of investments throughout Mindanao created substantial management challenges of reporting and data management. The disparity and decentralized nature of the subprojects should have made it imperative that the project implement a web-based PPMS instead of employing traditional narrative reporting methods. A web-based PPMS would have facilitated management and supervision. It proved advantageous that LBP had offices in many LGUs or in their subregions, and that the DILG had local officers in all LGUs and was thus able to offer hands-on support for subproject implementation, but did little to support central data management. Collaboration between local DILG officers and LBP lending center staff varied.

58. **Capital grants are attractive, but should only be given as a reward for good performance.** In the first years of the project the DILG offered capital grants for eligible subprojects. These were discontinued in 2005 after the cancellation of the DILG's grant source. After that, many LGUs stopped subproject preparation work because of the (perceived high) costs of ADB loans. The commitment and buy-in of LGUs was weak at times. Many LGUs were more oriented toward grants than the lending facility. It raises the question of whether the mixed grant–loan scheme was a good concept to start with, considering that it tried to compete

with operations of the MDFO of DOF. The concept of capital grants, also part of the national government–local government cost sharing policy, might require some reformulation. Ex-post performance-based grants might have been more appropriate than upfront capital grants, which often distorted LGU perceptions of the project as a lending facility.

59. **LGUs see banking requirements as too tedious.** Despite various introductory workshops, some LGUs kept complaining about the documentation requirements. The assistance of DILG and its consultants has helped ease their concerns, but LGUs reported that at times they felt like they were being forced into compliance with procedures that other official development assistance (ODA) providers (like Japan Bank for International Cooperation) had already relaxed. Both ADB and LBP procedures could have been simplified to better bond LGU customers with the project.

60. **The value of capacity development.** Although not easily measurable in terms of monetary impacts and outcomes, capacity development support made an important contribution to the project. The investment of $6 million through an NDF loan to the DILG was an unprecedented engagement in favor of LGUs; this amount was augmented with a substantial in-kind operational counterpart contribution by the DILG. However, the true value of the NDF-funded capacity development program can only be assessed in terms of the sustainability of the urban services financed under the project. LGUs reported that without the capacity building they would not have been able to effectively implement the infrastructure investments. Several LGUs stated that cost-free capacity building for their staff was the most attractive aspect of the project—even more attractive than the loans—especially as it prepared their staff to possibly participate in future ODA projects.

61. **A single executing agency could have simplified implementation.** The RRP and the loan agreement both established an unnecessary overlap of functions between LBP and the DILG. This could have been avoided through a more straightforward and functional separation of roles: LBP to implement Part A, and the DILG to limit its role to Part B. The existence of two executing agencies under the project should have been avoided.

C. Recommendations

62. **Multiple executing agencies working on the same project should be avoided.** Instead of two executing agencies with overlapping functions and roles, projects should appoint a single executing agency overseeing other partners working in clearly defined areas. Similar decentralized projects working in many subproject locations should make the introduction of a web-based PPMS compulsory in order to save on management and supervision costs.

63. **Projects should focus on economically relevant regions.** Future projects in the Philippines should require LGUs to have economic development plans, comprehensive development plans, and comprehensive land use plans in place as a prerequisite for subproject approval. Projects should establish strategic development planning as the basis for selection and prioritization of subprojects. The choice of subprojects should have an economic and financial rationale.

64. **Projects should provide incentives to better LGU performance in project operation through an ex-post approach to capital grants** (in case that these are available). This approach should replace the current practice of unconditional up-front capital grants.

65. **Performance-based allocation of government assistance should take into account whether local governments revert back to full cost recovery of services**. This is important since a large number of LGUs have failed to achieve cost recovery. As the government is preparing to introduce new criteria for allocating assistance, it is suggested to track future performance of MBUSSP LGUs regarding MBUSSP-financed water, market, and transport terminal facilities. This shall provide the necessary incentives to achieve higher levels of sustainability.

66. **Procedures for subproject appraisal and approvals should be simplified through the use of "project plan" proposals (i.e. concept papers)**, which are approved on the basis of pre-feasibility studies, as practiced by LBP. These proposals would eliminate the need for LGU to prepare costly and time-consuming full feasibility studies and detailed engineering designs after (conditional) project approval. The costs of feasibility studies and detailed engineering designs should be built into investment loans instead of being left to be funded by LGU budget.

67. **Institutional and capacity development components should be included in project design.** To the extent possible, these should initially be supported on a grant basis. Capacity development should gradually shift to being demand-based and financed as part of investment projects, through loans or LGU contributions.

68. **LGUs appreciate added value of complementary grant projects.** The implementation of piggy-back JFPR projects is recommended.

DESIGN and MONITORING FRAMEWORK

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Risks and Assumptions	Project Actual and Measurable Indicators
1. **Goal** • Improve the quality of life of urban residents in Mindanao • Support balanced and equitable regional urban development	• The project will benefit more than 1 million urban residents by improving access to municipal services and supporting higher environmental standards. About one-third of the beneficiaries are poor residents.	• Socioeconomic analysis	• Government commitment to sustain the peace initiative in Mindanao and raise living standards • Good coordination and harmony between central, regional, and local governments	• 1.667 million people (2007, NSO) had improved access to better municipal services and facilities. • About 48% (806,894) of the population covered are poor (based on 2006 provincial poverty threshold, NSCB)1 • Out of the 37 LGUs that directly benefited from the 39 subprojects, 18 (47%) were low-income LGUs (3rd to 6th income class)
2. Objective/Purpose • To improve Mindanao residents' access to basic urban services through upgrading and rehabilitating infrastructure and improving service delivery • To increase urban poor communities' access to basic municipal services • To improve the institutional capacity and capability of LGUs to provide, manage and maintain adequate municipal services and basic urban infrastructure	• Project to directly benefit the following urban population, by component: a) Water—250,000 persons b) Drainage and flood control—120,000 persons c) Bus Terminals and public markets—550,000 persons d) Solid Waste Management—280,000 persons e) Urban roads & bridges—470,000 persons f) Other public facilities—350,000 persons	• PCR • SPCR from LGUs • Provincial and municipal statistics • PPMS • Project survey	• LGUs committed to capacity building and institutional development program • Urban poor communities' needs considered in prioritizing investment • Counterpart funds available to implement the project	• The project directly benefited the following urban population, by component: Total—1,667,230 (73% of planned total coverage) a. Water—51,558 people (21% of target) b. Drainage and flood control—0 c. Bus terminals and public markets—1,069,452 (194% of target; bus terminals benefited 351,216 and public markets 718,236) d. Solid Waste Management—0 e. Urban roads and bridges—143,872 (actual population served by LGUs with road

[1] The actual coverage of poor residents exceeded the target (333,000) by almost 500,000.

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Risks and Assumptions	Project Actual and Measurable Indicators
				maintenance equipment; 31% of target) f. Other public facilities—402,349 (115% of target) consisting of municipal malls and gymnasiums & sports complexes
2. **Components/ Outputs** Part A—Infrastructure Investment • Water Supply Systems • Drainage and Flood Control • Bus Terminals • Solid Waste Management • Urban roads and bridges • Public markets • Other public facilities	• Implementation of about 39 subprojects by 30 to 40 LGUs throughout Mindanao • Some residents will benefit from several components, while others may benefit from only one	• PCR • Submittal of selected subproject appraisals for ADB review • Review missions • Midterm reviews • SPCR from LGUs • Semi-annual Report • PPMS • Disbursements of loan funds • Subloan approved by LBP	• Good preparation and appraisal of the subprojects • LGUs have adequate capacity to prepare and implement the subprojects • Project is implemented as scheduled • Timely provision of counterpart funds	• Number of households with new water connections increased by 13,326 in 8 LGUs with new and expanded water supply systems • Volume (kg) of goods entering the public market (as proxy indicator for volume of goods sold) increased in 13 LGUs with new or rehabilitated public markets. • Number of vehicle-trips in the central business district increased in 3 LGUs with transport terminal subprojects
Part B—Institutional Capacity Building Program a) Project management and implementation support b) Subproject preparation and implementation support c) LGU capacity building program	• Implementation of institutional capacity building program for about 40 LGUs • Complete and update comprehensive land use plans • Complete strategic financial plans • Improvement and refinement of LGU	• Semiannual progress reports • Quarterly progress reports • Project review missions • PCR • Consulting services proposal submitted for	• Timely recruitment of consulting services • Timely establishment of PDO, PMD, and PIUs • LGUs remain committed to mobilizing revenues and improving cost recovery	• CDP approved and legislated by SB in 2 LGUs with draft CDPs • CDP prepared in another 10 LGUs • Number of real property units with updated assessed and appraised values increased in 9 LGUs • Ordinance on Economic

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Risks and Assumptions	Project Actual and Measurable Indicators
d) DILG institutional strengthening program	performance monitoring and indicator system	ADB review		Enterprise Code approved by SP or SB in 19 LGUs • Special accounts for economicenterprises created and maintained in at least 19 LGUs • Number of LGUs using the LGPMS and the complementary system for competency assessment for local governments increased from initial 6 pilot LGUs • Number of visitor-users of materials in LGRCs increased
4. Activities/Inputs Part A—Infrastructure Investment • Subproject identification • Preparation of feasibility studies, detailed engineering designs, and contract documents • Bid evaluation and contract awarding; procurement of equipment • Construction of facilities • Overall project implementation and coordination	• A total of $51.4 million in investments • Foreign currency: $23.3 million • Local currency: $28.1 million equivalent	• Detailed design submitted for ADB review • Implementation schedule and work plans • Disbursement of ADB loan funds • Subloans executed between LBP and LGU	• PIUs will carry out contract bidding and award in a timely manner • Good coordination between the central, regional, and local governments • Timely allocation of local counterpart funds	• A total of $30.9 million in investments • Foreign currency: $12.6 million • Local currency: $18.3 million equivalent
• Part B—Institutional Capacity Building Program • Project management support	• NDF: $6 million • Government: $1.3 million • 644 person-months of consultants (130	• Semiannual progress report • Quarterly progress brief • Project review missions	• DILG promoting and supporting the project • Good coordination between national and local	• NDF: $6 million • Government: $2.1 million • 353.21 person-months of consultants (0.49

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Risks and Assumptions	Project Actual and Measurable Indicators
• Subproject preparation and implementation support • Capacity building for LGUs • DILG institutional strengthening program	international and 514 national)	• PCR	governments	international and 352.72 national)
5. Activities/Outputs Part A. Infrastructure investments • Preparatory activities (establish technical review and coordinating committee • First batch (6 LGUs) • Second batch (17 LGUs) • Third batch (17 LGUs)	Start: Oct 2001 Complete: Dec 2001 Responsible: DILG, LGUs, LBP Start: Oct 2001 Complete: Dec 2005 Responsible: DILG, LGUs Start: Jan 2002 Complete: Dec 2005 Responsible: DILG, LGUs Start: Jan 2003 Complete Dec 2007 Responsible: DILG, LGUs	• Semiannual progress reports • Quarterly progress briefs • Project review missions • PCR	• Sufficient numbers of responsible contractors are available and responsive • LGUs or their consultants supervise construction effectively • LGUs continue to provide assistance and supervision of facilities	Preparation of feasibility study Start: Jun 2002 Complete: Feb 2007 Preparation of detailed engineering design Start: Aug 2002 Complete: Feb 2007 Procurement Start: Jan 2002 Complete: Mar 2008 Implementation–Construction Start: Oct 2003 Complete May 2009
Part B. Institutional capacity building program • Preparatory activities (establish project steering committee), PDO, and recruit consultants) • Project management and subproject implementation support • Capacity building for comprehensive land use planning	Start: Oct 2001 Complete: Dec 2001 Responsible: DILG, LGUs, LBP Start: Jan 2002 Complete: Dec 2007 Responsible: LBP, DILG, LGUs Start: July 2003 Complete: June 2006 Responsible: DILG, LGUs	• Semiannual progress reports • Quarterly progress briefs • Project review missions • PCR		• Establishment of PMD: Jun–Aug 2002 • Establishment of PSC: Jul–Sept 2003 • Establishment of PDO: Jun–Sept 2002 • Establishment of PIUs: Jan 2002–Apr 2006 • Recruitment of Consultants: Aug

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Risks and Assumptions	Project Actual and Measurable Indicators
• LGU financial resource mobilization and strategic planning	Start: July 2003 Complete: June 2006 Responsible: DILG, LGUs			2001–Sept 2003 • Component A: Sep 2003–Dec 2008 • Component B: Sep 2003–Dec 2008 • Component C: Oct 2006–Dec 2008 • Component D: Oct 2006–Dec 2008

ADB = Asian Development Bank, CDP = comprehensive development plan, DILG = Department of Interior and Local Government, kg = kilogram, LBP = Land Bank of the Philippines, LGPMS = local government performance monitoring system, LGRC = local government resource center, LGU = local government unit, NDF= Nordic Development Fund, NSCB = National Statistics Coordinating Board, NSO = National Statistics Office, PCR = project completion report, PDO = project development office, PIU = project implementation unit, PMD = Program Management Department, PPMS = project performance management system, SB = *Sangguniang Bayan* (municipal board), SP = *Sangguniang Panglungsod* (city council), SPCR = subproject completion report.

Status of Subprojects for Part A of the Mindanao Basic Urban Services Sector Project (as of May 2010)

	Region	LGU/Subproject	Income Class	Project Costs					Other Charges	DECS	Total Project Cost	Construction Start Date	Completion/ Delivery Date
				ADB Subloan	LBP Loan	DILG Grant	LGU Cash Equity	Project Cost					
A.	**Completed Subprojects**												
1	ARMM	Buluan, Maguindanao Public Market	3rd	24.990	10.010	5.356		40.356	4.077	3.043	47.476	3-Jul-04	10-Oct-05
2	ARMM	Datu Odin Sinsuat, Maguindanao Public Market	2nd	54.000	6.000			60.000	0.947	1.298	62.245	7-Feb-06	15-Dec-06
3	ARMM	Datu Paglas, Maguindanao Municipal Hall	4th	16.185	3.457			19.642	0.285	1.760	21.687	27-Feb-07	30-Nov-07
4	IX	Roseller T. Lim, Zamboanga Sibugay Public Market	2nd	9.425	3.775	3.407	0.678	17.285	0.313	2.140	19.738	1-Jun-04	30-Nov-04
5	IX	Siocon, Zamboanga del Norte Cultural–Exhibition Center	2nd	21.150	12.850	1.795	0.695	36.490		9.199	45.689	4-Oct-03	16-Dec-04
6	IX	Mahayag, Zamboanga del Sur Municipal Hall	2nd	80915	2.678	3.675	0.592	15.860	0.311	1.400	17.582	6-Jan-04	9-Mar-05
7	IX	Dumalinao, Zamboanga del Sur Public Market	3rd	9.194	2.762	2.999		14.954	1.913	1.913	18.780	3-Jul-04	2-Jul-05
8	IX	Alicia, Zamboanga Sibugay Public Market	3rd	7.342	2.941	2.450	0.216	12.950	0.203	1.380	14.533	1-Apr-05	28-Feb-06
9	IX	Tukuran, Zamboanga del Sur Road Equipment	3rd	5.710	0.634			6.345	0.325		6.670		20-Mar-07
10	IX	Guipos, Zamboanga del Sur Public Market	4th	15.294	1.699			16.993	0.425	1.700	19.118	9-Jun-06	8-Jun-07
11	IX	Sibuco, Zamboanga del Norte Municipal Gymnasium	5th	24.144	5.822			29.967	2.175	1.500	33.642	10-Mar-06	1-Jul-07
12	X	Naawan, Misamis Oriental Water Supply	4th	8.888	3.560	3.163		15.611	0.956	1.119	17.686	6-Aug-04	21-Jun-05
13	X	Kapatagan, Lanao del Norte Municipal Hall	2nd	16.073	4.828	5.000	5.811	31.745	4.090	1.500	37.335	23-Mar-05	28-Jun-06
14	X	Lugait, Misamis Oriental Equipment	2nd	4.139	0.460	1.750		6.349	0.028		6.377		29-Mar-07
15	X	Jasaan, Misamis Oriental Municipal Hall	2nd	20.430	2.270		0.801	23.501		1.400	24.901	1-Sep-06	30-Aug-07
16	X	Impasugong, Bukidnon Water Supply	2nd	21.927	2.573			24.500	0.550	3.994	29.044	25-Jun-07	18-Feb-08
17	X	Kolambugan, Lanao del Norte New Auditorium	4th	14.751	4.649		0.069	18.469	0.519	0.135	20.123	27-Nov-06	30-Mar-08
18	XI	Mati, Davao Oriental Public Market	1st	71.415	7.935			79.350	1.462	4.864	85.676	18-Sep-05	19-Nov-06
19	XI	Panabo City Transport Terminal	1st	29.520	3.280	5.000	0.448	38.248	0.636	3.129	42.013	19-Mar-06	31-Mar-07

	Region	LGU/Subproject	Income Class	Project Costs					Other Charges	DECS	Total Project Cost	Construction Start Date	Completion/ Delivery Date
				ADB Subloan	LBP Loan	DILG Grant	LGU Cash Equity	Project Cost					
20	XI	Hagonoy, Davao del Sur Equipment	2nd	12.060	1.340			13.400	0.225		13.625		20-Mar-07
21	XI	Hagonoy, Davao del Sur Public Market	2nd	5.074	0.974			6.048	0.364	1.180	7.592	9-Jul-07	9-Jan-08
22	XII	Norala, Cotabato Equipment	3rd	3.135	0.942	1.359		5.435	0.051		5.486	22-Dec-03	18-Feb-04
23	XII	Isulan, Sultan Kudarat Bus Terminal	2nd	24.639	2.744			27.436		2.782	30.218	16-Jul-05	15-Apr-06
24	XII	Kidapawan City Transport Terminal	4th	33.844	13.556	9.218	8.749	65.367		3.397	68.764	23-Oct-05	5-Oct-06
25	XII	Makilala, North Cotabato Public Market	1st	19.751	2.195		0.789	22.735	0.624	0.472	23.831	19-Mar-06	31-Mar-07
26	XII	Alamada, North Cotabato Water Supply	2nd	28.301	3.145		0.801	32.247		1.400	33.647	18-Jan-07	17-Jan-08
27	XIII	San Isidro, Surigao del Norte Municipal Gymnasium	5th	7.553	2.269	2.329		12.150	0.350	0.300	12.800	9-Mar-05	21-Mar-06
28	XIII	Jabonga, Agusan del Norte Municipal Hall	3rd	6.921	2.079	2.929		11.929		0.848	12.777	3-Dec-04	23-Mar-06
29	XIII	Cabadbaran, Agusan del Norte Public Market	2nd	11.700	1.300			13.000	0.098	1.525	14.623	22-Jun-05	3-Apr-06
30	XIII	Pilar, Surigao del Norte Municipal Gymnasium	5th	14.800	1.644			16.444		0.900	17.344	21-Oct-06	23-Oct-07
31	XIII	Tago, Surigao del Norte Water Supply	3rd	20.700	2.300		0.086	23.086		3.671	26.757	24-Oct-06	15-Jul-08
32	XIII	Barobo, Surigao del Sur Public Market	3rd	16.380	1.820		0.078	18.278	0.557	1.446	20.281	15-Jan-07	30-Jan-09
B. Completed Subprojects after Loan Closing													
33	X	Alubijid, Misamis Oriental Water Supply	4th	14.113	9.119		15.038	38.270		3.303	41.573	18-Dec-09	16-Sep-09
34	X	Claveria, Misamis Oriental Water Supply System	1st	37.733	26.768		7.562	72.062		8.532	80.594	11-Aug-08	1-Mar-10
35	X	Ozamis City Public Market	1st	113.783	39.817		12.752	166.352	2.678	8.806	177.836	14-Sep-06	28-May-09
36	X	Tangub City Sports Complex	3rd	76.591	18.409		12.927	107.927		21.16	129.083	23-Sep-06	7-Oct-09
C. Ongoing Projects (Delayed)													
37	X	Jasaan, Misamis Oriental Water Supply	2nd	2.044	24.693			26.737		2.342	29.079	3-Feb-09	
D. Suspended Subprojects													
38	ARMM	Maluso, Basilan Public Market	4th	3.780	24.220		2.369	30.369		3.400	33.769	1-Feb-09	
39	ARMM	Parang, Maguindanao Water Supply	1st	24.139	48.447		9.370	81.956		18.146	100.102	2-Sep-03	

ADB = Asian Development Bank, ARMM = Autonomous Region of Muslim Mindanao, DILG = Department of Interior and Local Government, DECS = Department of Education, Culture and Sports, LBP = Land Bank of the Philippines, LGU = local government unit.

List of Local Government Units and Subprojects Withdrawn from the Mindanao Basic Urban Services Sector Project (Part A)

	Region	LGU	Subproject	Reason for Dropping out of Project
1	ARMM	Balabagan, Lanao del Sur	Water Supply	Change in local leadership, change in project priorities
2	ARMM	Wao, Lanao del Sur	Terminal	Explored other funding sources
3	ARMM	Guidulingan, Maguindanao	Market	Limited borrowing capacity; political conflict (differences between mayor and LGU)
4	ARMM	Jolo, Sulu	Market	Political differences between the acting city mayor and *Sangguniang Panglungsod* (city council)
5	ARMM	Kapatagan, Lanao del Sur	Market	Limited borrowing capacity. The mayor is not certain if the market vendors will pay their market fees.
6	ARMM	Lutayan, Maguindanao	Fish Landing	Change in local leadership
7	ARMM	Marawi City	Terminal	Change in project priorities
8	ARMM	Bongao, Tawi-Tawi	Market	Limited borrowing capacity
9	9	Dipolog City	Diversion Road	Problem with ADB requirements on resettlement and issues related to the road right of way
10	9	Dipolog City	Equipment	Change in project priorities
11	9	San Miguel, Zamboanga del Sur	Terminal	Explored other funding sources within LBP
12	9	Tungawan, Zamboanga Sibugay	Water Supply	Technical problem with water source; limited borrowing capacity
13	9	Zamboanga City	Terminal	Tedious bank requirements, explored other funding sources
14	10	Bonifacio, Misamis Occidental	Equipment/ Water Supply	Change in project priorities; explored other funding sources
15	10	Catarman, Camiguin	Market	Change in local leadership; tedious bank requirements and lengthy loan processing
16	10	Kapatagan, Lanao del Norte	Market	Change in project priorities; explored other funding sources
17	10	Laguindingan, Misamis Oriental	Market	Cancellation of national counterpart grant
18	10	Lala, Misamis Oriental	Market	Cancellation of national counterpart grant
19	10	Libertad, Misamis Oriental		Cancellation of national counterpart grant
20	10	Mahinog, Camiguin	Water Supply	Explored other funding sources
21	10	Misamis Occidental	Equipment	Explored other funding sources
22	10	Misamis Occidental	Hospital	Cancellation of national counterpart grant; explored other funding sources
23	11	Baganga, Davao Oriental	Market	Political conflict (differences between the mayor and *Sangguniang Bayan* (municipal board)
24	11	Gov. Generoso, Davao Oriental	Equipment	Change in local leadership, tedious loan processing requirements
25	11	Carmen, Davao del Norte	Terminal	Explored other funding sources
26	11	Maragusan, Compostela Valley	Market	Limited borrowing capacity
27	11	Tagum City	City Hall	LGU wants to implement the project through

	Region	LGU	Subproject	Reason for Dropping out of Project
				own means, not using contractors
28	11	Monkayo, Compostela Valley	Market	Change in project priorities
29	12	Aleosan, North Cotabato	Water Supply	Technical problem with water source
30	12	Banga, South Cotabato	Equipment	Change in project priorities
31	12	Kalamansig, Sultan Kudarat	Ice Plant	Change in local leadership; loan closing
32	12	Koronadal City	City Hall	Explored other funding sources
33	12	Lambayong, Sultan Kudarat	Slaughterhouse	Change in project priorities
34	10	Linamon, Lanao del Norte	Water Supply	Change in local leadership; change in project priorities
35	13	Claver, Surigao del Norte	Water Supply	Cancellation of national counterpart grant, change in local leadership
36	13	Cortez, Surigao del Norte	Water Supply	Limited borrowing capacity
37	13	Gen. Luna, Surigao del Norte	Wharf/Jetti Port	Technical problems; limited borrowing capacity
38	13	Surigao City	Solid Waste Management	Explored other funding sources
39	13	Butuan City	Market	Limited borrowing capacity (LGU had used its borrowing capacity for computerization program and construction of city hall)

ARMM = Autonomous Region for Muslim Mindanao; LGU = local government unit

List of Capacity Building Initiatives and Technical Assistance under the Mindanao Basic Urban Services Sector Project (Part B)

Capacity Building and Technical Assistance	No. of LGUs	No. of DILG Trainees	No. of LGU Trainees	No. of Batches
Component A—Project Management Support				
Results-Based Monitoring and Evaluation for DILG	14	67	24	4
Results-Based Monitoring and Evaluation for LGUs	30	59	161	6
Subproject Completion Report	35	74	174	6
Advocacy Forum	14	23	74	2
Consultative Forum	11	7	56	2
LGU Sustainability Management Forum	22	46	110	6
LGU Executive–Legislative Forum	14	16	61	2
Subtotal (Component A)	**140**	**292**	**660**	**28**
Component B—Subproject Implementation Support				
Feasibility Study Workshop	55	110	353	8
Subproject Implementation and Management Workshop	36	160	258	8
Environmental Impact Assessment	6	7	33	1
Training of Trainers for PIUs on MBUSSP Subproject Preparation		16		1
Briefing on Feasibility Study Requirements to PDMUs for Luzon and the Visayas		17		1
Subproject Operation and Maintenance Workshop	40	84	305	15
Subproject Completion Report	29	55	161	6
IWRM for Water Supply System	6	10	48	1
Enhancing LGUs' Capacity to Operate Transport Terminal	2	8	17	1
Training on Market Operations and Management	4	10	22	1
Managerial Leadership for Economic Enterprise Managers	13	11	26	1
LGU Writeshop on the Preparation of Operations Manual for Transport Terminal and Public Market	7	10	34	1
Livelihood Enhancement Assistance to Local Stakeholders	4	4	98	4
Mini-workshop on Sustaining Development Initiatives of Local Stakeholders in Market Operations	4	5	103	4
Subtotal (Component B)	**206**	**507**	**1458**	**53**
Component C—LGU Institutional Capacity Building				
Module 1: Harmonization of LDP and Revenue Resource Mobilization	35	51	168	4
Module 2: Operationalization of LDP Workshop	12	16	65	1
Follow-through lecture on LDP & Sectoral Planning to LDC	12	42	1380	12
Coaching on Geographic Information System-compliant Database Management	1	1	9	1
Module 3: Administration of Real Property Tax Workshop	8	12	53	1
Coaching on Tax Mapping Operations	3	5	33	3
Coaching on Property Valuation and Appraisal	6	8	63	6
Computerization of Real Property Tax Billing and Collection	9	8	46	9
Module 4: Business Tax and Licensing Workshop	10	12	60	1
Coaching on the Updating of Local Revenue Code	4	7	69	4
Coaching on Business Tax Mapping	1	4	21	3
Workshop on Value Formation, Marketing, & Collection Strategies	1	0	19	4
Module 5: Economic Enterprise Management Workshop	31	7	29	3
Coaching on the Drafting of Economic Enterprise Code	19	8	86	6
Coaching on the Drafting of Business Plan	1	0	20	1
Workshop on Financial Systems and Procedures	5	5	30	1
Mini-workshop on Organizational and Marketing Strategies	1	4	30	4
Coaching on Computerization of Billing & Collection	7	6	20	7
Subtotal (Component C)	**166**	**196**	**2,201**	**76**

Capacity Building and Technical Assistance	No. of LGUs	No. of DILG Trainees	No. of LGU Trainees	No. of Batches
Component D—DILG Institutional Strengthening				
Regional Scoping Sessions for 6 Regions		60		
Module1: Administration of LGPMS–SCALOG	6	18	18	
Coaching on SCALOG—focus group discussions for DILG Regional Offices	6		157	
Workshop on the LGPMS–SCALOG Complementation Process			12	
LGPMS–SCALOG Midterm Assessment	6		50	
Module 2: Cross-Learning and Exposure Program				
Domestic Cross-Learning and Exposure Program		10		
International Cross-Learning and Exposure Program		12		
Module 3: Establishment of the LGRCs				
Knowledge Management & LGRC		30		
Regional Knowledge Management/LGRC Sharing Sessions		90		
Regional Knowledge Management Audit		30		
Presentation of Results of the Regional Knowledge Management Audit		60		
Preparation of the LGRC Launching Activities		60		
MSAC Orientation		60		
Regional Strategic Plan		30		
Component D: Module 3 Regional Assessment		30		
Formulation of the LGRC Manual of Operations		150		
Finalization of the Customized LGRC Manual of Operations		30		
MSAC Reorientation and Strengthening		90		
LGRC Assessment and Road-Mapping		53		
Appreciation of ICT and Introduction to Internet Technology		60		
Website Development Using HTML		60		
Website Design and Layout using Adobe Photoshop		60		
Website Development Tools Using Dreamweaver		60		
Databanking and Datapopulation		36		
LGRC Database Management and Administration		36		
Basic System and Local Area Network		15		
Orientation and Appreciation Using Content Management System		75		
Web Development Using Content Management System		75		
ICT on LGRC Towards Sustainability		60		
Communication Strategies for LGPMS–SCALOG	6		45	
Identification, Selection, & Documentation of LGU Best Practices	0		18	
Canned Audio Visual Documentation, Editing, and Packaging	6		24	
Validation of LGU Best Practices for Documentation	12		12	
Preparation of Governance and Social Marketing Plan	0		12	
Preparation of Key Messages & Sample IEC Materials for LGRC	0		36	
Generation Analysis of Regional LGPMS Reports		6		
Complementation of LGPMS–SCALOG	4		30	
Subtotal	**46**	**1,356**	**414**	
T O T A L	**558**	**2,351**	**4,733**	**157**

DILG = Department of Interior and Local Government; ICT = information and communication technology; IEC = information, education, and communication; IWRM = Integrated Water Resource Management; LDC = local development committee; LDP = local development plan; LGPMS = local government performance monitoring system; LGRC = local government resource center; LGU = local government unit; MBUSSP = Mindanao Basic Urban Services Sector Project; MSAC = management services advisory committee; PDMU = project development management unit; SCALOG = system for competency assessment for local governments

Project Cost by Component
($ million)

	Appraisal Estimates			Actual		
	Foreign	**Local**	**Total**	**Foreign**	**Local**	**Total**
Part A						
Civil Works	19.3	20.5	39.8	12.2	15.4	27.5
Equipment	3.2	0.9	4.1	0.4	0.3	0.7
Land Acquisition		3.4	3.4			
Design & Supervision	0.8	3.3	4.1		2.7	2.7
Subtotal	**23.3**	**28.1**	**51.4**	**12.6**	**18.3**	**30.9**
Part B						
Components A & B	1.2	1.6	2.8	1.7	2.8	4.5
Components C & D	1.8	2.7	4.5		1.5	1.5
Project Development Office Operations					2.1	2.1
Subtotal	**3.0**	**4.3**	**7.3**	**1.7**	**6.4**	**8.1**
Interest During Construction	**1.3**		**1.3**	**1.3**		**1.3**
TOTAL	**27.6**	**32.4**	**60.0**	**15.6**	**24.6**	**40.2**

Project Cost by Financing Plan
($ million)

	Appraisal Estimates			Actual		
	Foreign	**Local**	**Total**	**Foreign**	**Local**	**Total**
Part A						
Asian Development Bank	23.3	5.4	28.7	12.6	5.8	18.2
Government		6.0	6.0		1.1	1.1
Local Government Units		7.3	7.3		4.9	4.9
Land Bank of the Philippines		9.4	9.4		6.6	6.6
Subtotal	**23.3**	**28.1**	**51.4**	**12.6**	**18.3**	**30.9**
Part B						
Nordic Development Fund	3.0	3.0	6.0	1.7	4.3	6.0
Government		1.3	1.3		2.1	2.1
Subtotal	**3.0**	**4.3**	**7.3**	**1.7**	**6.4**	**8.1**
Interest During Construction	**1.3**		**1.3**	**1.3**		**1.3**
TOTAL	**27.6**	**32.4**	**60.0**	**15.6**	**24.6**	**40.2**

Quarterly Disbursements of Asian Development Bank Loan Funds
($ million)

Year	Quarter	Amount
2002	I	0.000
	II	0.000
	III	0.312
	IV	0.000
2003	I	0.020
	II	0.000
	III	0.023
	IV	0.561
2004	I	0.057
	II	0.472
	III	0.061
	IV	0.576
2005	I	0.591
	II	0.000
	III	0.587
	IV	0.473
2006	I	0.612
	II	1.954
	III	0.070
	IV	3.049
2007	I	2.021
	II	0.000
	III	1.842
	IV	1.855
2008	I	0.106
	II	0.000
	III	2.260
	IV	2.006
2009	I	0.133
	II	0.000
	III	0.000
	IV	(0.106)
2010	I	0.000
Total		**19.535**

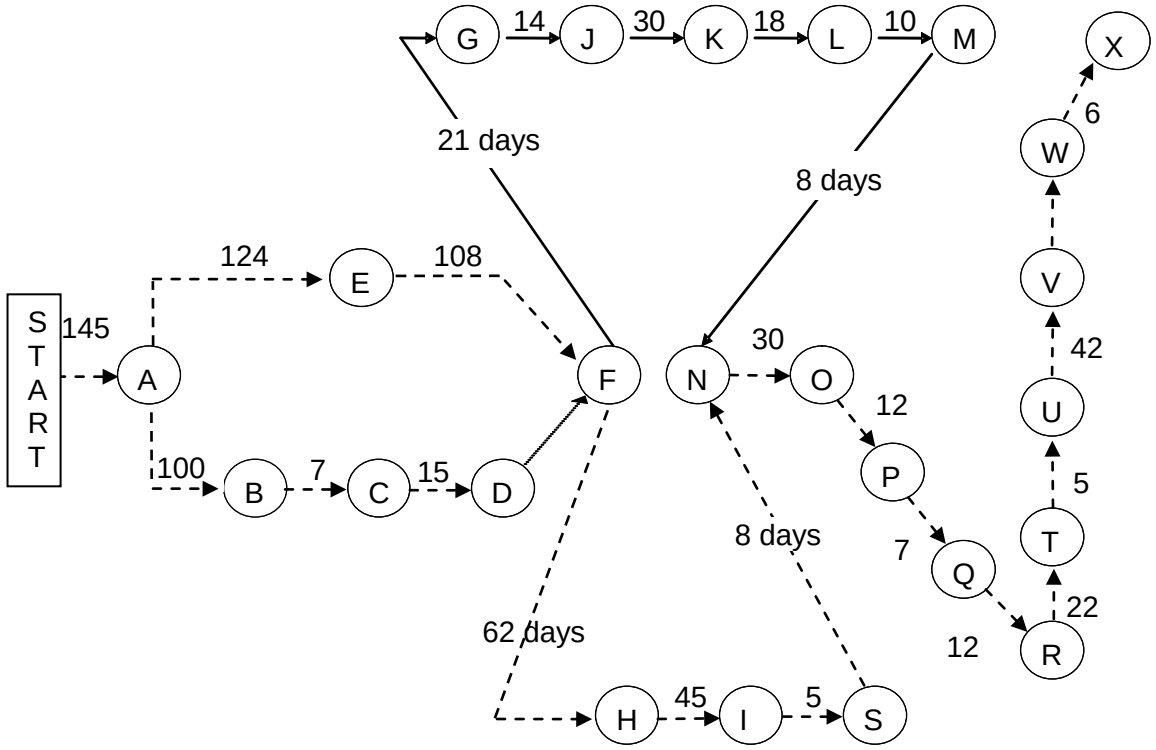
Source: Asian Development Bank.

Timeline Chart of Subproject Processing and Implementation (Based on Actual Data)

Code	Activities	Duration (days)
A	LGU submits letter of intent before subproject agreement signing	145
B	Feasibility Study preparation by LGU and submission to DILG PDO	100
C	SPAR preparation by DILG PDO and submission to LBP	7
D	SPAR endorsement by LBP and approval by ADB	15
E	Hiring of national consultants for detailed engineering design and construction supervision	124
F	Detailed engineering design preparation by LGU and consultant, and submission to PDO	108
G	LGU preparation of bid documents and submission to PDO. PDO reviews bid documents and submits to ADB for approval	21
H	Loan application and detailed engineering design submission to LBP with other documents	62
I	Loan application processing and approval by LBP	45
J	Prequalification documents preparation and submission to ADB	14
K	Prequalification publication and submission of prequalified documents	30
L	Review and submission of prequalification results by LGU to PDO	18
M	PDO reviews and recommends prequalification results to ADB	10
N	ADB reviews and approves prequalification results	8
O	Issuance of bid documents by LGUs and submission of prequalified firms	30
P	Supplier's submission of bid evaluated by LGU bids and awards committees and technical working groups, and submission to PDO	12
Q	PDO reviews and recommends to ADB the bid evaluation report	7
R	ADB reviews and approves bid evaluation report	12
S	Issuance of notice of loan approval and loan signing	5
T	LGU issuance of notice of award, contract signing, and issuance of notice to proceed	22
U	LGU requests 15% mobilization fee from PDO and PDO endorses to LBP for the initial loan release	5
V	Processing and release of 15% mobilization fee	42
W	Actual subproject construction	
X	Processing and release of succeeding progress billings	6

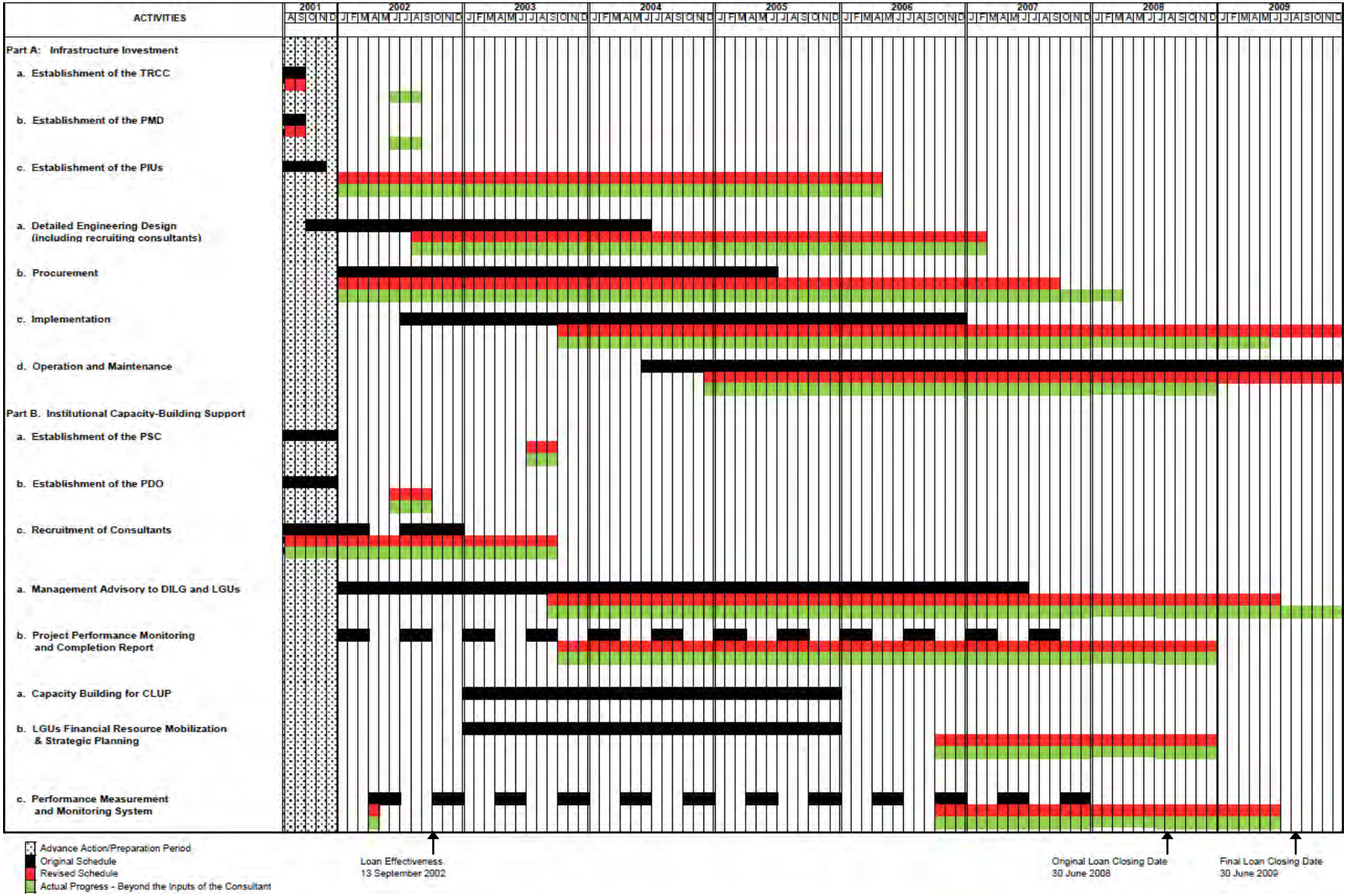
ADB = Asian Development Bank, LBP = Land Bank of the Philippines, LGU = local government unit, PDO = project development office, SPAR = subproject appraisal report.

SUBPROJECT ACTIVITIES AND DURATION—
CRITICAL PATH DIAGRAM



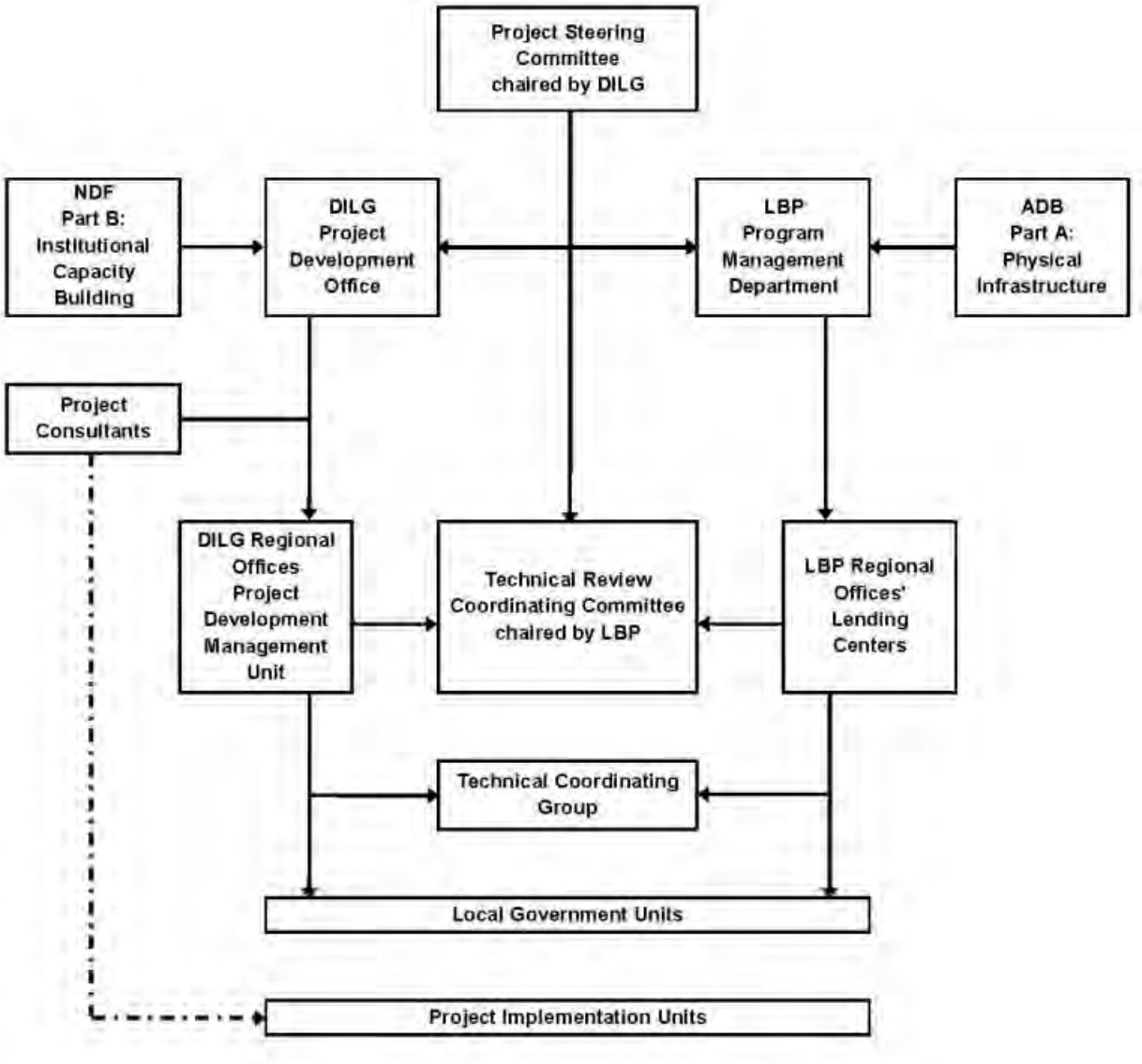
→ = Critical path
Length of the Critical path from start of subproject preparation to 1st loan release = 627 days (about 20 months)

IMPLEMENTATION SCHEDULE



CLUP = comprehensive land use planning, DILG = Department of Interior and Local Government, LGU = local government unit, PDO = project development office; PIU = project implementing unit, PMD = project management department, PSC = project steering committee, TRCC = technical review and coordinating committee.

Organizational Structure



ADB = Asian Development Bank, DILG = Department of Interior and Local Government, LBP = Land Bank of the Philippines, NDF = Nordic Development Fund

STATUS OF COMPLIANCE WITH LOAN CONDITIONS AND COVENANTS

Covenant		Reference in Loan Agreement	Status of Compliance
Financial			
1	LGU shall maintain separate project accounts and records to document the source and expenditure of funds for goods and services under the Project.	Schedule 4, para. 17	Complied with for all 39 completed subprojects. The LGUs submitted statements of receipts and disbursements and annual statements of sources and application of funds.
2	Ensure that all necessary counterpart funds for project implementation are provided in a timely manner.	Schedule 4, para. 18	Partly complied with. DILG grants for 12 subprojects were fully disbursed. However, when the government introduced its "no-grant policy" in 2005, the government stopped providing grant assistance to the LGUs. All of the 38 LGUs provided the required amount of counterpart funds for the detailed engineering design, construction supervision, land acquisition, and administration costs.
Environmental			
3	Detailed and summary environmental impact assessment report or an initial environment examination will be prepared for subprojects as applicable.	Schedule 4, para. 22	Complied with. No subproject required an environmental impact assessment report
4	Disbursements for subloan agreements will be subject to obtaining environmental compliance certificate from the Government and clearance from ADB.	Schedule 4, para. 22	Complied with. Certificates of Non-Coverage, i.e. exemption to obtain environmental compliance certificates, for 39 subprojects were issued by the Department of Environment and Natural Resources before the release of the subloans.
Social			
5	Qualified LGU shall consult with community leaders and involve community based organizations and informal groups, including representatives from poor communities.	Schedule 4, para. 21	Complied with. Focus group discussions and interviews with key community association members were undertaken with the help of project consultants.
6	Public information and education campaign shall be developed to publicize the investment program by the Qualified LGUs and to encourage the participation of community based organizations and informal groups.	Schedule 4, para. 21	Complied with. Public information campaign was carried out through a quarterly project newsletter (*Dateline MBUSSP*), presentations to the LGUs were held, and a website was set up.
7	IPDP acceptable to ADB must be prepared for subprojects that have adverse and significant effect on ethnic minority or indigenous people.	Schedule 4, para. 21	Complied with. No subproject required an IPDP.
Resettlement and Land Acquisition			
8	Qualified LGUs (i) shall prepare and submit a resettlement plan; (ii) shall conduct a community awareness program for affected people in relation to land and house acquisition, resettlement, compensation levels and assistance with displacement; and (iii) shall be responsible for timely acquisition or availability of land or	Schedule 4, para. 20	Not applicable. No subproject required a resettlement plan. One subproject in Dipolog City had resettlement issues, but it was withdrawn by the LGU.

Covenant		Reference in Loan Agreement	Status of Compliance
	rights-of-way.		
9	PDO Consultant shall monitor and report to ADB on land acquisition, resettlement and socioeconomic rehabilitation.	Schedule 4, para. 20	Not applicable. No resettlement activity was required since the subprojects were generally constructed on vacant public land.
Others			
10	LBP to maintain PMD and DILG to maintain PDO.	Schedule 4, paras. 3 and 5	Partly complied with. The PMD and PDO were established, but the PMD was not adequately staffed to conduct appraisal of subprojects.
11	Part A: Consultant for DED and construction supervision of subprojects.	Schedule 3	Amended and complied with. As per amendment on 15 September 2003, LGUs may carry out DED and construction supervision using their own personnel for subprojects that cost less than $500,000 equivalent. The cost of local consultants was included as part of the LGU contribution to total subproject cost.
12	Implement a PPMS for each completed subproject.	Schedule 4, para. 19	Amended and complied with. A results-based monitoring and evaluation system was adopted, which also tracked PPMS information. Results-based monitoring and evaluation system was introduced in the 39 completed subprojects.
13	PMD to Prepare SPAR	Schedule 4, para. 11	Amended and complied with. As agreed, the PDO prepared the SPARs, while the PMD conducted financial appraisal and approval of the SPARs.
14	Part B: Consultant for institutional capacity building.	Schedule 3, para. 3 and Schedule 4, para. 14	Complied with. Norconsult, Sinclair Knight Merz, and Urban Integrated Consultants, Inc., the consortium of consulting firms for components A and B, was mobilized in August 2003. Consultants for components C and D were not recruited separately; the contract of Norconsult was amended in August 2005 to include components C and D
15	Create PSC and TRCC.	Schedule 4, paras. 1 and 2	Complied with. The PSC met biannually, the TRCC met quarterly, and an additional technical coordination group was created to ensure monthly coordination between the executing agencies. PSC meetings were held in June 2004; January 2005; September 2005; and on September 2006. Technical coordination group meetings usually comprised representatives of PDO regional offices and LBP lending centers; the PDO met more frequently.

ADB = Asian Development Bank, DED = detailed engineering design, DILG = Department of Interior and Local Government, IPDP = indigenous people development plan, LGU = local government unit, PDO = project development office, PMD = project management department, MBUSSP = Mindanao Basic Urban Services Sector Project, PPMS = project performance monitoring system, PSC = project steering committee, SPAR = subproject appraisal report, TRCC = technical review and coordinating committee.

Project Profile: Social Protection for Poor Women Vendors in Mindanao

1. The Asian Development Bank (ADB), through the Japan Fund for Poverty Reduction (JFPR), provided a parallel $1 million grant for Social Protection for Poor Women Vendors in Mindanao[1]. The grant was a 3-year gender-related poverty reduction initiative for poor women vendors that was pilot tested in eight cities and municipalities distributed among all six administrative regions of Mindanao. The local government units (LGUs) of the eight cities and municipalities were all participating in the Mindanao Basic Urban Services Sector Project (MBUSSP). These were the cities of Kidapawan, Ozamis, Panabo, and Surigao; and the municipalities of Buluan, Maguindanao; Cabadbaran, Agusan del Norte; Mahayag, Zamboanga del Sur; and Parang, Maguindanao. About 1,800 women vendors benefited from the grant.

Project Goal and Objectives

2. The goal of the grant was to reduce gender-related poverty among poor women vendors in selected public markets in Mindanao by:

- Providing sustainable gender-sensitive social safety nets for the poor women vendors;
- Improving the quality of the working environment of the poor women vendors; and
- Establishing a framework for gender-sensitive urban services through public markets.

Project Components

3. The grant had four components:

- Component 1: Social Safety Nets for the Women Vendors included the following activities: (i) establishing training center facilities with audio-visual equipment; (ii) institutional building and livelihood training for the market vendors; (iii) networking with microcredit institutions; (iv) conferences, workshops, and meetings; (v) procuring equipment and office supplies; and (vi) hiring implementation coordinators.

- Component 2: Improvement of the Working Environment included the following activities: (i) establishing day-care/drop-in centers for vendors' children; (ii) establishing storage and washing facilities; (iii) procuring equipment and supplies; and (iv) hiring child-care facilitators.

- Component 3: Framework for Gender Urban Services included the following activities: (i) documenting best practices; and (ii) disseminating information.

- Component 4: Project Management included support for the executing agency and a poverty impact assessment.

Implementation Arrangements

4. The Department of Interior and Local Government (DILG) designated its MBUSSP team to oversee the JFPR grant and recruited the Notre Dame Foundation for Charitable Activities Inc–Women in Enterprise Development to be the implementing agency. The DILG organized a grant project steering committee (PSC) comprising the DILG secretary and representatives of

[1] ADB. 2002. *Proposed Grant Assistance to the Philippines for the Social Protection of Poor Women Vendors in Mindanao*. Manila.

the National Economic and Development Authority, the Department of Health, the Department of Social Welfare and Development, the National Anti-Poverty Commission, the National Council on the Role of Filipino Women, and the Notre Dame foundation.

5. Each LGU organized a local PSC composed of the mayor and representatives of the Philippine National Police, the Department of Education, the DILG, and city or municipal social welfare and development offices, health offices, planning and development offices, engineering offices, *Sangguniang Bayan* (municipal board), etc.

6. The project implementation units were the market vendors' associations.

Outputs and Results

7. Organization of the women vendors. The market vendors' associations established their own organization and management structures, formulated constitutional by-laws, and enhanced their financial management systems. The associations were registered with the Security and Exchange Commission and local agencies. Of the 3,942 vendors, 2,118, or 56.33%, are members of these associations.

8. **Institutional capacity building and livelihood skills development training.** Fourteen institutional workshops on leadership and management were conducted to enhance the capabilities of the associations. Participants gained self-confidence and became active members of their communities. More than 300 training events of varying length were offered in entrepreneurial skills, personal development and growth, environmental protection, hygiene and nutrition, maternal and child care, and legal rights. The workshops and multi-day seminars were attended by about 1,800 women vendors.

9. **Construction and operation of women's resource centers.** Each women's resource center (WRC) included a training resource center, a medical clinic, a day-care center, cold storage and washing facilities, and an administration office complete with office furniture and equipment.

Achievements of Objectives

10. Overall, the grant was rated successful.[2] The grant achieved its objectives with the following results:

11. **Impact on vendors' income and assets.** There was a reported increase in income among the vendors, particularly those who were able to access credit assistance initiated by the market vendors' associations. Others were able to generate new employment opportunities.[3] In addition, the status of women who were involved in the vendors' associations improved.

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[2] ADB, *Philippines: Social Protection for Poor Women Vendors in Mindanao Cities, Implementation Completion Memorandum*, June 2008, page 9.

[3] Women vendors of the Mega Market of Kidapawan Multi-purpose Cooperative are now engaged in corn husk making, products of which are now sold in neighboring towns and even exported abroad. An increase in physical asset is evident among the members of the Panabo Federation of Public Market Vendors, Inc. Through that association's effective networking with UN-HABITAT, 180 members were awarded with low-cost housing. The Bayanihan Saving's Fund initiated by the vendors' association in Panabo is another indicator of success. In Mahayag, Ozamis City, Panabo City, Kidapawan City, and Surigao City, association members contributed to a savings fund that is used for loans to cover family or domestic emergencies.

12. Female members were reported to have gained access to credit facilities.[4]

13. **Widening of women's social networks.** One significant impact was the creation of opportunities for women to meet regularly, build solidarity, share ideas, interface with local officials, travel to other sites, and learn from and talk with other women. The various leadership training, team building exercises, exposure trips have encouraged and motivated them to express themselves. Beneficial psychological and social effects have been observed, as women in the program gained confidence and developed an improved sense of self worth and self-esteem.

14. **Community impacts.** The grant gave rise to women's groups that assumed leadership in diverse community activities, thereby strengthening communities.[5]

15. **Impacts on LGUs.** The grant strengthened the LGUs' commitment to women vendor projects. The Department of Social Welfare and Development, through its self-employment assistance–*Kaunlaran* (progress) program, expanded its services to include helping women vendors gain access to credit. Since the completion of the WRCs, the LGUs have continued to provide counterpart funds for operation of WRCs.

Major Lessons Learned

16. The JFPR Implementation Completion Memorandum (June 2008) [6] identified the following five major lessons:

- **Establish local project steering committees** for grants that are implemented at the local level. This applies particularly to countries that have undergone significant administrative decentralization. A national or regional steering committee will be too far removed from the local situation.
- **Procure appropriate equipment.** Some of the WRC equipment procured was too complex.
- **Tailor the resource centers' design to each LGU.** A one-size-fits-all approach to the WRCs did not work. For example, it did not take into consideration that the Buluan resource center is steps from the Rural Health Unit, obviating the need for a clinic. A menu approach might have been more successful, borrowing from the community-driven development approach.
- **Hire independent auditors early and often.** There were issues of funds misuse in the implementation of this grant that may have been detected earlier had the auditors been hired sooner.
- **Replicate successful WRC initiatives.** The Kidapawan City WRC program for market children is one example.

[4] The acquisition of housing by women vendors in Panabo City has definitely increased their status as conjugal owners of property. This has contributed to enhanced quality of life, security of tenure status and improved self-confidence. The women vendors have shown strong participation in local governance activities. For example, the Mahayag Women Market Vendors Association Inc. was recently given an award as the "Best Women's Organization in Region 9." They are now active partners of the local government.

[5] For example, in Parang, a Muslim community where the leadership is traditionally male, the grant offered women a rare opportunity to lead the vendors' association.

[6] ADB. 2008. *JFPR 9018-PHI: Social Protection for Poor Women Vendors in Mindanao – Implementation Completion Memorandum*. Manila.

ECONOMIC AND FINANCIAL REEVALUATION

A. Financial Analysis

1. At appraisal, financial evaluation of all revenue-generating subprojects[1] was undertaken and documented in a subproject appraisal report. After subproject completion, the project implementation units again reevaluated all revenue-generating subprojects. A validation of these appraisal reports was carried out by the project completion report mission for selected subprojects during the project completion review mission.

2. For the purpose of the reevaluation, subproject cash flows were prepared by the project completion review mission based on actual revenues and expenses. These data were gathered from the local government units (LGUs). However, since in most cases LGUs did not maintain separate accounts for subproject financial operations, realistic approximations were worked out with the local staff.[2]

1. Financial Costs

3. Investment costs related to construction of facilities under the subproject included costs incurred for civil works, equipment, detailed engineering design, construction supervision, and land acquisition. Following Asian Development Bank (ADB) procedures, the year of project completion is taken as the starting point for ex-post financial analysis.[3] All local and foreign costs are expressed in constant 2010 prices using a domestic deflator for domestic costs and a dollar deflator for costs expressed in foreign exchange.

4. Actual operational costs such as personnel services and maintenance and other operating expenses are also included as financial costs.

2. Financial Revenues

5. For water supply subprojects, the number of connections and the volume of water sold were validated by the LGUs. These were correlated with water tariffs and collection efficiency rates to calculate the revenue derived from water usage. Other income is derived from connection fees, penalty charge payments, and reconnection fees.

6. For public market subprojects, the number of stalls, rentable area, and occupancy rates were confirmed by the LGU. These were correlated with stall rental rates and the collection efficiency rates to calculate the revenue derived from stall rentals. Other income is derived from one-time occupancy fees, fees for entrance of goods (i.e. fees paid for good brought into the public market), cash tickets for transient vendors, parking fees, public toilet fees, and fines and penalties.

7. For transport terminal subprojects, the number of vehicles (buses and utility vehicles) entering the terminal—broken down according to vehicle type (buses, vans, jeepneys, tricyles, and others)—trip frequencies, and terminal usage fees were taken into account in determining revenues. For the Panabo and Kidapawan transport terminal subprojects, stall rentals inside the

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[1] Revenue-generating subprojects included eight water supply systems, 12 public markets, and three transport terminals.

[2] Of the LGUs visited during the project completion review mission, the following LGUs presented financial statements (separate from the General Fund) for their subprojects: Alubijid water supply system, Makilala public market, and Panabo transport terminal.

[3] ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila.

facility also formed part of the income equation. Other revenues include public toilet fees, baggage storage fees, and cash tickets for transient vendors.

B. Economic Analysis

8. An economic reevaluation of a subproject is done to determine its continued economic viability. The economic evaluation conducted during subproject appraisal, and then after subproject completion, followed the traditional approach of determining the economic viability of an investment by computing the economic internal rate of return (EIRR) and the net present value (NPV). The basic approach is to determine the economic benefits accruing from the investment and weighing them against the associated economic costs over the entire life of the subproject. The next step was determining a discount rate that would equalize the benefits and costs (as in EIRR), or discounting the net economic benefits by an assumed economic opportunity cost of capital (as in NPV). An EIRR greater than the economic opportunity cost of capital (EOCC), or a positive NPV, indicates that the investment is economically viable. The EIRR is computed using a discount rate of 12%, which is the assumed EOCC. Economic benefits and costs were estimated over the economic life of the new investments, expected to be about 20 to 25 years. The analysis followed the procedures and guidelines in the ADB *Handbook for Economic Analysis of Water Supply Projects* (1999), the *Guidelines for the Economic Analysis of Projects* (1997) and the *Framework for the Economic and Financial Appraisal of Urban Development Projects* (1994).

1. Economic Cost

9. Economic costs were derived from the financial estimates of the capital investments and the operating and maintenance costs of the subproject, net, i.e. minus, of all duties and taxes, and converted using appropriate price conversion factors. Traded and non-traded components of both investment and operation & maintenance costs were estimated. The price conversion factors used, as estimated by the National Economic Development Authority and used in all government projects, are as follows: (i) a shadow exchange rate factor of 1.2 for tradable costs, (ii) a shadow wage rate factor for unskilled labor of 0.6, and a shadow price factor for skilled labor of 1.0.

2. Economic Benefit

10. To make the EIRRs during appraisal and at completion comparable, the economic benefit indicator used during appraisal was similarly used in the analysis at completion. The economic benefit of the subprojects used consumer satisfaction—or "willingness to pay" of beneficiaries—as a proxy indicator of the perceived benefits that beneficiaries associate with the subproject.

B. Results of Reevaluation

11. The comparative results of the evaluation during appraisal and at completion are shown in the following table, and the details for each subproject are shown in succeeding tables.

Table 1: Comparative Results of Financial and Economic Evaluation of Subprojects

Type of Subproject/ Name of LGU	Financial Evaluation (FIRR)		Economic Evaluation (EIRR)		Remarks
Water Supply Systems					
1. Naawan, Misamis	14.1%	6.1%	17.1%	8.8%	The number of connections is still

Type of Subproject/ Name of LGU	Financial Evaluation (FIRR)		Economic Evaluation (EIRR)		Remarks
Oriental					below what was projected as the water tariffs were lowered by the LGU.
2. Impasugong, Bukidnon	23.2%	14.6%	27.1%	17.2%	The validity decreased because the LGU officials opted to lower the fees and charges proposed in the study.
3. Alubijid, Misamis Oriental	20.9%	5.3%	24.6%	7.5%	Subproject started operation in January 2010 and has not yet achieved the target number of connections.
4. Alamada, North Cotabato	17.0%	15.7*	18.3%	19.2%*	Subproject was not visited during PCR mission. SPCR reevaluation result was used as basis.
5. Claveria, Misamis Oriental	16.2%	15.7%*	20.7%	20.5%*	Not yet operational.
6. Jasaan, Misamis Oriental	17.6%		18.4%		Not yet completed.
7. Parang, Maguindanao	14.0%		30.2%		Not completed
Public Markets					
8. Roseller T. Lim, Zamboanga del Norte	12.7%	negative	17.5%	negative	Proposed stall rental rates in the feasibility study were not introduced.
9. Alicia, Zamboanga Sibugay	11.1%	negative	17.9%	4.6%	Proposed stall rental rates in the feasibility study were not introduced.
10. Dumalinao, Zamboanga del Sur	15.7%	negative	20.1%	negative	The viability results are negative as a result of the significant (about 74%) reduction of rental rates and low occupancy rate.
11. Guipos, Zamboanga del Sur	14.6%	negative	19.8%	2.9%	Proposed stall rental rates in the feasibility study were not introduced.
12. Datu Odin, Maguindanao	16.0%	10.9%*	20.4%	13.6%*	The decrease in the viability was due to a decrease in the number of stalls, particularly in the wet section, from 240 to 160. The tax ordinance did not consider the rates proposed in the feasibility study.
13. Buluan, Maguindanao	14.6%	15.7%*	17.6%	19.8%*	Subproject was not visited during PCR mission. SPCR reevaluation result was used as basis.
14. Cabadbaran, Agusan del Norte	18.2%		23.5%		Not yet operational.
15. Barobo, Surigao Sur	13.4%	5.7%	17.5%	7.8%	There was a decrease in viability as the occupancy rate remains low and rental rates were lowered by half of what was originally proposed to attract additional vendors.

Type of Subproject/ Name of LGU	Financial Evaluation (FIRR)		Economic Evaluation (EIRR)		Remarks
16. Hagonoy, Davao del Sur	18.1%	8.5%	25.8%	16.1%	Incremental development in the vicinity of the market area—a direct result of the new market building—is evident
17. Makilala, North Cotabato	13.1%	12.8%	25.9%	16.5%	The positive viability is the result of an increase in activity in other parts of the market—a direct result of the new market building.
18. Mati, Davao Oriental	14.7%	negative	18.7%	negative	A high capital cost and a low occupancy rate contributed to the loss in the operation of the public market.
19. Ozamis City	18.0%	10.9%	22.0%	13.6%	Decrease in viability was due to lower occupancy rate.
Transport Terminals					
20. Kidapawan City	14.0%	negative	16.0%	1.4%	There was a decrease in viability because most of the fruit stalls remained unoccupied, which affected the total income of the terminal.
21. Panabo City	14.36%	13.3%	18.7%	17.3%	Despite the dramatic increase in income, there was a slight decrease in viability because the personnel cost were substantially higher than assumed, and because of low occupancy rates of rentable areas.
22. Isulan, Sultan Kudarat	14.9%	20.8%*	18.9%	25.4%*	Subproject was not visited during PCR mission. SPCR reevaluation result was used as basis.

LGU = local government unit, PCR = project completion review, SPCR = subproject completion report.
*Reevaluation result based on submitted SPCR.

Naawan, Misamis Oriental
Water Supply Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Water Sold		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Connections	Sales Volume ('000 m3)	Non-incremental	Incremental	Total	Investment	Incremental O&M	Total	
2004	680		975		975	14,011		14,011	(13,036)
2005	833		975	25	1,000	12,288		12,288	(11,288)
2006	1,052		975	731	1,706		2,110	2,110	(404)
2007	1,269	351	975	1,582	2,557		2,091	2,091	466
2008	1,391	384	975	1,951	2,926		2,342	2,342	584
2009	1,528	407	975	2,554	3,529		1,659	1,659	1,870
2010	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2011	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2012	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2013	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2014	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2015	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2016	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2017	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2018	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2019	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2020	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2021	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2022	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2023	1,647	529	975	3,569	4,544		1,525	1,525	3,019
2024	1,647	529	975	3,569	4,544		1,525	1,525	3,019
NPV@8%	13,905	3,626	9,766	23,953	33,719	23,508	14,074	37,582	(3,863)
Per m3 sold					9.30	6.48	3.88	10.36	(1.07)
WACC = 8%								AIFC	FIRR
									6.05%

Economic Analysis (P '000)
Constant 2010 prices

Year	Volume of Water Sold ('000 m3)			Economic Benefits			Economic Costs			Net Economic Benefits
	Non-incremental	Incremental	Total	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2004	680		680	975		975	11,735		11,735	(10,760)
2005	833		833	1,000		1,000	10,348		10,348	(9,348)
2006	1,052		1,052	1,706		1,706		1,884	1,884	(178)
2007	1,269	351	1,620	2,557		2,557		1,867	1,867	690
2008	1,391	384	1,775	2,926		2,926		2,091	2,091	835
2009	1,528	407	1,935	3,529		3,529		1,481	1,481	2,048
2010	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2011	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2012	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2013	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2014	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2015	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2016	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2017	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2018	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2019	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2020	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2021	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2022	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2023	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
2024	1,647	529	2,176	4,544		4,544		1,361	1,361	3,183
NPV@12%	10,073	2,471	12,544	23,635		23,635	18,727	9,161	27,888	(4,253)
Per m3 sold						1.88	1.49	0.73	2.22	(0.34)
									AIEC	EIRR
										8.80%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m3 = cubic meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Impasugong, Bukidnon
Water Supply Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Volume of Water Sold ('000 m^3)			Financial Revenues			Financial Costs			Net Financial Benefits
	Non-incremental	Incremental	Total	Non-incremental	Incremental	Total	Investment	O&M	Total	
2007							21,510		21,510	(21,510)
2008					2,421	2,421	7,526	497	8,023	(5,602)
2009		255	255		3,506	3,506		601	601	2,905
2010		282	282		3,588	3,588		600	600	2,988
2011		310	310		3,722	3,722		660	660	3,062
2012		341	341		4,095	4,095		726	726	3,369
2013		375	374		4,504	4,504		799	799	3,706
2014		413	413		4,955	4,955		878	878	4,076
2015		454	454		5,450	5,450		966	966	4,484
2016		500	500		5,995	5,995		1,063	1,063	4,932
2017		550	550		6,594	6,594		1,169	1,169	5,425
2018		604	604		7,254	7,254		1,286	1,286	5,968
2019		665	665		7,979	7,979		1,415	1,415	6,565
2020		731	731		8,777	8,777		1,556	1,556	7,221
2021		805	805		9,655	9,655		1,712	1,712	7,943
2022		885	885		10,620	10,620		1,883	1,883	8,737
2023		974	974		11,682	11,682		2,071	2,071	9,611
2024		1,071	1,071		12,851	12,851		2,278	2,278	10,572
2025		1,178	1,178		14,136	14,136		2,506	2,506	11,629
2026		1,296	1,296		15,549	15,549		2,757	2,757	12,792
2027		1,425	1,425		17,104	17,104		3,033	3,033	14,072
NPV@12%		4,583	4,583		57,575	57,575	26,369	10,223	36,592	20,983
Per m^3 sold						12.56	5.75	2.23	7.98	4.58
WACC = 8%									AIFC	FIRR
										14.59%

Economic Analysis (P '000)
Constant 2010 prices

Year	Volume of Water Sold ('000 m^3)			Economic Benefits			Economic Costs			Net Economic Benefits
	Non-incremental	Incremental	Total	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2007							18,151		18,151	(18,151)
2008				2,421		2,421	6,391	444	6,834	(4,413)
2009		255	255	3,506		3,506		536	536	2,970
2010		282	282	3,588		3,588		536	536	3,052
2011		310	310	3,722		3,722		589	589	3,133
2012		341	341	4,095		4,095		648	648	3,446
2013		375	374	4,504		4,504		713	713	3,791
2014		413	413	4,955		4,955		784	784	4,170
2015		454	454	5,450		5,450		863	863	4,587
2016		500	500	5,995		5,995		949	949	5,046
2017		550	550	6,594		6,594		1,044	1,044	5,551
2018		604	604	7,254		7,254		1,148	1,148	6,106
2019		665	665	7,979		7,979		1,263	1,263	6,716
2020		731	731	8,777		8,777		1,390	1,390	7,388
2021		805	805	9,655		9,655		1,528	1,528	8,126
2022		885	885	10,620		10,620		1,681	1,681	8,939
2023		974	974	11,682		11,682		1,849	1,849	9,833
2024		1,071	1,071	12,851		12,851		2,034	2,034	10,816
2025		1,178	1,178	14,136		14,136		2,238	2,238	11,898
2026		1,296	1,296	15,549		15,549		2,462	2,462	13,088
2027		1,425	1,425	17,104		17,104		2,708	2,708	14,397
NPV@12%		2,961	2,961	37,914		37,914	21,301	6,016	27,317	10,597
Per m^3 sold						12.80	7.19	2.03	9.22	3.58
									AIFC	EIRR
										14.59%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^3 = cubic meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital

Alubijid, Misamis Oriental
Water Supply Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Water Sold		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Connections	Sales Volume ('000 m^3)	Non-incremental	Incremental	Total	Investment	Incremental O&M	Total	
2008	591	158				1,272		1,272	(1,272)
2009	628	167				23,915	1,126	23,915	(23,915)
2010	711	198	1,278	1,722	3,000	24,160	1,126	25,286	(22,286)
2011	782	218	1,278	2,022	3,300		1,126	1,126	2,174
2012	860	240	1,278	2,352	3,630		1,126	1,126	2,504
2013	946	264	1,278	2,715	3,993		1,126	1,126	2,867
2014	1,041	290	1,278	3,114	4,392		1,126	1,126	3,266
2015	1,145	319	1,278	3,554	4,832		1,126	1,126	3,706
2016	1,260	351	1,278	4,037	5,315		1,126	1,126	4,189
2017	1,386	386	1,278	4,568	5,846		1,126	1,126	4,720
2018	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2019	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2020	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2021	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2022	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2023	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2024	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2025	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2026	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2027	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
2028	1,524	424	1,278	5,153	6,431		1,126	1,126	5,305
NPV@8%	10,944	3,035	12,273	36,247	48,520	40,860	10,814	50,131	(8,532)
Per m^3 sold					15.99	13.46	3.56	16.52	(2.81)
WACC = 8%								AIFC	FIRR
									5.68%

Economic Analysis (P '000)
Constant 2010 prices

Year	Volume of Water Sold ('000 m^3)			Economic Benefits			Economic Costs			Net Economic Benefits
	Non-incremental	Incremental	Total	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2008	591	158	749				1,080		1,080	(1,080)
2009	628	167	795			2,300	20,417	1,005	20,417	(20,417)
2010	711	198	909	3,000		3,000	20,642	1,005	21,647	(18,647)
2011	782	218	1,000	3,300		3,300		1,005	1,005	2,295
2012	860	240	1,100	3,630		3,630		1,005	1,005	2,625
2013	946	264	1,210	3,993		3,993		1,005	1,005	2,988
2014	1,041	290	1,331	4,392		4,392		1,005	1,005	3,387
2015	1,145	319	1,464	4,832		4,832		1,005	1,005	3,826
2016	1,260	351	1,610	5,315		5,315		1,005	1,005	4,309
2017	1,386	386	1,771	5,846		5,846		1,005	1,005	4,841
2018	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2019	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2020	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2021	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2022	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2023	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2024	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2025	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2026	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2027	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
2028	1,524	424	1,949	6,431		6,431		1,005	1,005	5,425
NPV@12%	7,746	2,145	9,892	28,347		28,347	31,933	5,903	37,836	(9,490)
Per m^3 sold						2.87	3.23	0.60	3.83	(0.96)
									AIFC	EIRR
										7.45%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^3 = cubic meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital

Roseller T. Lim, Zamboanga Sibugay
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Stall Rental		Financial Revenues			Financial Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2004						15,852		15,852	(15,852)
2005						13,945		13,945	(13,945)
2006	45	540	770	832	1,602		479	479	1,123
2007	45	540	770	832	1,602		668	668	934
2008	45	540	770	832	1,602		1,324	1,324	278
2009	45	540	770	832	1,602		1,236	1,236	316
2010	45	540	770	832	1,602		1,236	1,236	366
2011	45	540	770	832	1,602		1,236	1,236	366
2012	45	540	770	832	1,602		1,236	1,236	366
2013	45	540	770	832	1,602		1,236	1,236	366
2014	45	540	770	832	1,602		1,236	1,236	366
2015	45	540	770	832	1,602		1,236	1,236	366
2016	45	540	770	832	1,602		1,236	1,236	366
2017	45	540	770	832	1,602		1,236	1,236	366
2018	45	540	770	832	1,602		1,236	1,236	366
2019	45	540	770	832	1,602		1,236	1,236	366
2020	45	540	770	832	1,602		1,236	1,236	366
2021	45	540	770	832	1,602		1,236	1,236	366
2022	45	540	770	832	1,602		1,236	1,236	366
2023	45	540	770	832	1,602		1,236	1,236	366
2024	45	540	770	832	1,602		1,236	1,236	366
NPV@8%	400	4,802	6,847	7,398	14,245	26,634	9,250	35,883	(22,693)
Per m^2 rented					2.97	5.55	1.93	7.47	(4.73)
WACC = 8%								AIFC	FIRR
									Negative

Economic Analysis (P '000)
Constant 2010 prices

	Stall Rental		Economic Benefits			Economic Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	Economic Benefits
2004						13,524		13,524	(13,524)
2005						11,966		11,966	(11,996)
2006	45	540	1,602		1,602		428	428	1,174
2007	45	540	1,602		1,602		596	596	1,006
2008	45	540	1,602	500	2,102		1,182	1,182	920
2009	45	540	1,602	500	2,102		1,148	1,148	954
2010	45	540	1,602	500	2,102		1,104	1,104	998
2011	45	540	1,602	500	2,102		1,104	1,104	998
2012	45	540	1,602	500	2,102		1,104	1,104	998
2013	45	540	1,602	500	2,102		1,104	1,104	998
2014	45	540	1,602	500	2,102		1,104	1,104	998
2015	45	540	1,602	500	2,102		1,104	1,104	998
2016	45	540	1,602	500	2,102		1,104	1,104	998
2017	45	540	1,602	500	2,102		1,104	1,104	998
2018	45	540	1,602	500	2,102		1,104	1,104	998
2019	45	540	1,602	500	2,102		1,104	1,104	998
2020	45	540	1,602	500	2,102		1,104	1,104	998
2021	45	540	1,602	500	2,102		1,104	1,104	998
2022	45	540	1,602	500	2,102		1,104	1,104	998
2023	45	540	1,602	500	2,102		1,104	1,104	998
2024	45	540	1,602	500	2,102		1,104	1,104	998
NPV@12%	264	3,171	9,407	3,560	11,669	21,614	5,744	27,358	(15,689)
Per m^2 rented					3.68	6.82	1.81	8.63	(4.95)
								AIEC	EIRR
									(2.65%)

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Alicia, Zamboanga Sibugay
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Stall Rental		Financial Revenues			Financial Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2005						9,113		9,113	(9,113)
2006						8,226		8,226	(8,226)
2007	104	3,476			1,028		366	366	662
2008	104	3,476			1,092		289	289	803
2009	104	3,476			975		546	546	429
2010	104	3,476			975		525	525	450
2011	104	3,476			1,073		525	525	548
2012	104	3,476			1,073		525	525	548
2013	104	3,476			1,073		525	525	548
2014	104	3,476			1,180		525	525	655
2015	104	3,476			1,180		525	525	655
2016	104	3,476			1,180		525	525	655
2017	104	3,476			1,298		525	525	773
2018	104	3,476			1,298		525	525	773
2019	104	3,476			1,298		525	525	773
2020	104	3,476			1,427		525	525	902
2021	104	3,476			1,427		525	525	902
2022	104	3,476			1,427		525	525	902
2023	104	3,476			1,570		525	525	1,045
2024	104	3,476			1,570		525	525	1,045
2025	104	3,476			1,570		525	525	1,045
NPV@8%	975	33,382			10,433	15,490	4,038	19,528	(9,868)
Per m^2 rented					0.31	0.46	0.12	0.58	(0.30
WACC = 8%								AIFC	FIRR
									(1.71%)

Economic Analysis (P '000)
Constant 2010 prices

	Stall Rental		Economic Benefits			Economic Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	Economic Benefits
2005						7,820		7,820	(7,820)
2006						7,082		7,082	(7,082)
2007	104	3,476	1,028		1,028		327	327	701
2008	104	3,476	1,092	500	1,592		258	258	1,334
2009	104	3,476	975	500	1,475		488	488	987
2010	104	3,476	975	500	1,475		469	469	1,006
2011	104	3,476	1,073	500	1,573		469	469	1,104
2012	104	3,476	1,073	500	1,573		469	469	1,104
2013	104	3,476	1,073	500	1,573		469	469	1,104
2014	104	3,476	1,180	500	1,680		469	469	1,211
2015	104	3,476	1,180	500	1,680		469	469	1,211
2016	104	3,476	1,180	500	1,680		469	469	1,211
2017	104	3,476	1,298	500	1,798		469	469	1,329
2018	104	3,476	1,298	500	1,798		469	469	1,329
2019	104	3,476	1,298	500	1,798		469	469	1,329
2020	104	3,476	1,427	500	1,927		469	469	1,459
2021	104	3,476	1,427	500	1,927		469	469	1,459
2022	104	3,476	1,427	500	1,927		469	469	1,459
2023	104	3,476	1,570	500	2,070		469	469	1,601
2024	104	3,476	1,570	500	2,070		469	469	1,601
2025	104	3,476	1,570	500	2,070		469	469	1,601
NPV@12%	611	20,411	6,717	3,625	9,297	12,628	2,529	15,156	(5,860)
Per m^2 rented					0.46	0.62	0.12	0.74	(0.29)
								AIEC	EIRR
									4.59%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Dumalinao, Zamboanga del Sur
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Stall Rental		Financial Revenues			Financial Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2004						3,659		3,659	(3,659)
2005						15,022		15,022	(15,022)
2006	117	2,222			202	2,905	780	3,686	(3,484)
2007	117	2,222			202		737	737	(535)
2008	117	2,222			202		647	647	(445)
2009	117	2,222			142		628	628	(486)
2010	117	2,222			450		604	604	(154)
2011	117	2,222			450		604	604	(154)
2012	117	2,222			450		604	604	(154)
2013	117	2,222			450		604	604	(154)
2014	117	2,222			450		604	604	(154)
2015	117	2,222			450		604	604	(154)
2016	117	2,222			450		604	604	(154)
2017	117	2,222			450		604	604	(154)
2018	117	2,222			450		604	604	(154)
2019	117	2,222			450		604	604	(154)
2020	117	2,222			450		604	604	(154)
2021	117	2,222			450		604	604	(154)
2022	117	2,222			450		604	604	(154)
2023	117	2,222			450		604	604	(154)
2024	117	2,222			450		604	604	(154)
NPV@8%	1,040	19,759			3,200	18,574	5,256	23,829	(20,866)
Per m^2 rented					0.16	0.94	0.27	1.21	(1.06)
WACC = 8%								AIFC	FIRR
									Negative

Economic Analysis (P '000)
Constant 2010 prices

	Stall Rental		Economic Benefits			Economic Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	Economic Benefits
2004						3,122		3,122	(3,122)
2005						12,890		12,890	(12,890)
2006	117	2,222	202		202	2,502	697	3,198	(2,996)
2007	117	2,222	202		202		658	658	(456)
2008	117	2,222	202	500	202		578	578	124
2009	117	2,222	142	500	142		561	561	81
2010	117	2,222	450	500	450		539	539	411
2011	117	2,222	450	500	450		539	539	411
2012	117	2,222	450	500	450		539	539	411
2013	117	2,222	450	500	450		539	539	411
2014	117	2,222	450	500	450		539	539	411
2015	117	2,222	450	500	450		539	539	411
2016	117	2,222	450	500	450		539	539	411
2017	117	2,222	450	500	450		539	539	411
2018	117	2,222	450	500	450		539	539	411
2019	117	2,222	450	500	450		539	539	411
2020	117	2,222	450	500	450		539	539	411
2021	117	2,222	450	500	450		539	539	411
2022	117	2,222	450	500	450		539	539	411
2023	117	2,222	450	500	450		539	539	411
2024	117	2,222	450	500	450		539	539	411
NPV@12%	687	13,047	2,011	3,560	4,274	14,844	3,387	18,231	(13,957)
Per m^2 rented					0.33	1.14	0.26	1.40	(1.07)
								AIEC	EIRR
									Negative

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital

Guipos, Zamboanga del Sur
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Stall Rental		Financial Revenues			Financial Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2006						12,350		12,350	(12,350)
2007	173	1,417			379	11,668	305	11,973	(11,594)
2008	173	1,417			653		268	268	385
2009	173	1,417			1,016		260	260	756
2010	173	1,417			1,272		300	300	760
2011	173	1,417			1,272		300	300	972
2012	173	1,417			1,272		300	300	972
2013	173	1,417			1,272		300	300	972
2014	173	1,417			1,272		300	300	972
2015	173	1,417			1,272		300	300	972
2016	173	1,417			1,272		300	300	972
2017	173	1,417			1,272		300	300	972
2018	173	1,417			1,272		300	300	972
2019	173	1,417			1,272		300	300	972
2020	173	1,417			1,272		300	300	972
2021	173	1,417			1,272		300	300	972
2022	173	1,417			1,272		300	300	972
2023	173	1,417			1,272		300	300	972
2024	173	1,417			1,272		300	300	972
2025	173	1,417			1,272		300	300	972
2026	173	1,417			1,272		300	300	972
NPV@8%	1,699	13,912			9,974	21,439	2,677	24,116	(14,142)
Per m^2 rented					0.72	1.54	0.19	1.73	(1.02)
WACC = 8%								AIFC	FIRR
									(2.74%)

Economic Analysis (P '000)
Constant 2010 prices

	Stall Rental		Economic Benefits			Economic Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	Economic Benefits
2006						10,634		10,634	(10,634)
2007	173	1,417	379		379	10,033	272	10,306	(9,927)
2008	173	1,417	653	500	1,153		239	239	914
2009	173	1,417	1,016	500	1,516		232	232	1,284
2010	173	1,417	1,060	500	1,560		268	268	1,292
2011	173	1,417	1,272	500	1,772		268	268	1,504
2012	173	1,417	1,272	500	1,772		268	268	1,504
2013	173	1,417	1,272	500	1,772		268	268	1,504
2014	173	1,417	1,272	500	1,772		268	268	1,504
2015	173	1,417	1,272	500	1,772		268	268	1,504
2016	173	1,417	1,272	500	1,772		268	268	1,504
2017	173	1,417	1,272	500	1,772		268	268	1,504
2018	173	1,417	1,272	500	1,772		268	268	1,504
2019	173	1,417	1,272	500	1,772		268	268	1,504
2020	173	1,417	1,272	500	1,772		268	268	1,504
2021	173	1,417	1,272	500	1,772		268	268	1,504
2022	173	1,417	1,272	500	1,772		268	268	1,504
2023	173	1,417	1,272	500	1,772		268	268	1,504
2024	173	1,417	1,272	500	1,772		268	268	1,504
2025	173	1,417	1,272	500	1,772		268	268	1,504
2026	173	1,417	1,272	500	1,772		268	268	1,504
NPV@12%	1,154	9,450	7,048	3,683	9,984	17,493	1,747	19,240	(9,256)
Per m^2 rented					1.06	1.85	0.18	2.04	(0.98)
								AIEC	EIRR
									2.85%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Barobo, Surigao del Sur
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	
2007						13,019		13,019	(13,019)
2008						10,070		10,070	(10,070)
2009	79	335	337	1,069	1,406	2,262	1,021	3,282	(1,876)
2010	102	435	108	337	445		981	981	(536)
2011	157	669	3,083	617	3,699		981	981	2,718
2012	157	669	3,083	617	3,699		981	981	2,718
2013	157	669	3,083	617	3,699		981	981	2,718
2014	157	669	3,083	617	3,699		981	981	2,718
2015	157	669	3,083	617	3,699		981	981	2,718
2016	157	669	3,083	617	3,699		981	981	2,718
2017	157	669	3,083	617	3,699		981	981	2,718
2018	157	669	3,083	617	3,699		981	981	2,718
2019	157	669	3,083	617	3,699		981	981	2,718
2020	157	669	3,083	617	3,699		981	981	2,718
2021	157	669	3,083	617	3,699		981	981	2,718
2022	157	669	3,083	617	3,699		981	981	2,718
2023	157	669	3,083	617	3,699		981	981	2,718
2024	157	669	3,083	617	3,699		981	981	2,718
2025	157	669	3,083	617	3,699		981	981	2,718
2026	157	669	3,083	617	3,699		981	981	2,718
2027	157	669	3,083	617	3,699		981	981	2,718
NPV@8%	1,285	5,476	21,016	5,230	26,246	22,483	9,458	30,592	(4,346)
Per m^2 rented					4.79	4.11	1.73	5.59	(0.79)
WACC = 8%								AIFC	FIRR
									5.69%

Economic Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Economic Benefits			Economic Costs			Net Economic Benefits
	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2007						11,195		11,195	(11,195)
2008						8,715		8,715	(8,715)
2009	79	335	1,406		1,406	1,969	911	2,880	(1,474)
2010	102	435	445		445		876	876	(431)
2011	157	669	3,699		3,699		876	876	2,823
2012	157	669	3,699		3,699		876	876	2,823
2013	157	669	3,699		3,699		876	876	2,823
2014	157	669	3,699		3,699		876	876	2,823
2015	157	669	3,699		3,699		876	876	2,823
2016	157	669	3,699		3,699		876	876	2,823
2017	157	669	3,699		3,699		876	876	2,823
2018	157	669	3,699		3,699		876	876	2,823
2019	157	669	3,699		3,699		876	876	2,823
2020	157	669	3,699		3,699		876	876	2,823
2021	157	669	3,699		3,699		876	876	2,823
2022	157	669	3,699		3,699		876	876	2,823
2023	157	669	3,699		3,699		876	876	2,823
2024	157	669	3,699		3,699		876	876	2,823
2025	157	669	3,699		3,699		876	876	2,823
2026	157	669	3,699		3,699		876	876	2,823
2027	157	669	3,699		3,699		876	876	2,823
NPV@12 %	831	3,541	18,022		18,022	18,345	5,168	23,513	(5,491)
Per m^2 rented					5.09	5.18	1.46	6.64	(9.55)
								AIEC	EIRR
									7.77%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Hagonoy, Davao del Sur
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	
2007						7,247		7,247	(7,247)
2008	45	540	770	180	950	736	214	950	
2009	45	540	770	180	950		208	208	742
2010	45	540	890	172	1,062		200	200	862
2011	45	540	890	172	1,062		200	200	862
2012	45	540	890	172	1,062		200	200	862
2013	45	540	890	172	1,062		200	200	862
2014	45	540	890	172	1,062		200	200	862
2015	45	540	890	172	1,062		200	200	862
2016	45	540	890	172	1,062		200	200	862
2017	45	540	890	172	1,062		200	200	862
2018	45	540	890	172	1,062		200	200	862
2019	45	540	890	172	1,062		200	200	862
2020	45	540	890	172	1,062		200	200	862
2021	45	540	890	172	1,062		200	200	862
2022	45	540	890	172	1,062		200	200	862
2023	45	540	890	172	1,062		200	200	862
2024	45	540	890	172	1,062		200	200	862
2025	45	540	890	172	1,062		200	200	862
2026	45	540	890	172	1,062		200	200	862
2027	45	540	890	172	1,062		200	200	862
NPV@8%	442	5,302	7,893	1,577	9,470	7,341	1,984	9,178	292
Per m^2 rented					1.79	1.38	0.37	1.73	0.06
WACC = 8%								AIFC	FIRR 8.52%

Economic Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Economic Benefits			Economic Costs			Net Economic Benefits
	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2007						6,232		6,232	(6,232)
2008	45	540	950	500	1,250	637	191	828	622
2009	45	540	950	500	1,250		186	186	1,064
2010	45	540	1,062	500	1,362		179	179	1,183
2011	45	540	1,062	500	1,362		179	179	1,183
2012	45	540	1,062	500	1,362		179	179	1,183
2013	45	540	1,062	500	1,362		179	179	1,183
2014	45	540	1,062	500	1,362		179	179	1,183
2015	45	540	1,062	500	1,362		179	179	1,183
2016	45	540	1,062	500	1,362		179	179	1,183
2017	45	540	1,062	500	1,362		179	179	1,183
2018	45	540	1,062	500	1,362		179	179	1,183
2019	45	540	1,062	500	1,362		179	179	1,183
2020	45	540	1,062	500	1,362		179	179	1,183
2021	45	540	1,062	500	1,362		179	179	1,183
2022	45	540	1,062	500	1,362		179	179	1,183
2023	45	540	1,062	500	1,362		179	179	1,183
2024	45	540	1,062	500	1,362		179	179	1,183
2025	45	540	1,062	500	1,362		179	179	1,183
2026	45	540	1,062	500	1,362		179	179	1,183
2027	45	540	1,062	500	1,362		179	179	1,183
NPV@12 %	300	3,601	6,914	2,241	8,914	6,072	1,206	7,278	1,636
Per m^2 rented					2.48	1.69	0.33	2.02	0.45
								AIEC	EIRR 16.11%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Makilala, North Cotabato
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	
2006						15,655		15,655	(15,665)
2007						11,998		11,998	(11,998)
2008	68	1,700	3,723	3,657	7,380		3,352	3,352	4,028
2009	68	1,700	3,723	3,657	7,380		3,254	3,254	4,126
2010	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2011	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2012	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2013	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2014	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2015	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2016	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2017	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2018	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2019	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2020	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2021	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2022	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2023	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2024	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2025	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
2026	68	1,700	3,723	3,657	7,380		3,128	3,128	4,252
NPV@8%	653	16,326	30,652	30,110	60,764	24,782	28,107	50,806	9,957
Per m^2 rented					3.72	1.52	1.72	3.11	0.61
WACC = 8%								AIFC	FIRR
									12.75%

Economic Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Economic Benefits			Economic Costs			Net Economic Benefits
	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2006						13,479		13,479	(13,479)
2007						10,317		10,317	(10,317)
2008	68	1,700	7,380		7,380		2,992	2,992	4,388
2009	68	1,700	7,380		7,380		2,906	2,906	4,474
2010	68	1,700	7,380		7,380		2,793	2,793	4,587
2011	68	1,700	7,380		7,380		2,793	2,793	4,587
2012	68	1,700	7,380		7,380		2,793	2,793	4,587
2013	68	1,700	7,380		7,380		2,793	2,793	4,587
2014	68	1,700	7,380		7,380		2,793	2,793	4,587
2015	68	1,700	7,380		7,380		2,793	2,793	4,587
2016	68	1,700	7,380		7,380		2,793	2,793	4,587
2017	68	1,700	7,380		7,380		2,793	2,793	4,587
2018	68	1,700	7,380		7,380		2,793	2,793	4,587
2019	68	1,700	7,380		7,380		2,793	2,793	4,587
2020	68	1,700	7,380		7,380		2,793	2,793	4,587
2021	68	1,700	7,380		7,380		2,793	2,793	4,587
2022	68	1,700	7,380		7,380		2,793	2,793	4,587
2023	68	1,700	7,380		7,380		2,793	2,793	4,587
2024	68	1,700	7,380		7,380		2,793	2,793	4,587
2025	68	1,700	7,380		7,380		2,793	2,793	4,587
2026	68	1,700	7,380		7,380		2,793	2,793	4,587
NPV@12%	399	9,982	43,335		43,335	20,260	16,613	36,873	6,462
Per m^2 rented					4.34	2.03	1.66	3.69	0.65
								AIEC	EIRR
									16.50%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Mati, Davao Oriental
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Stall Rental		Financial Revenues			Financial Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2005						27,950		27,950	(27,950)
2006						86,302		86,302	(86,302)
2007	200	1,982	3,893	634	4,527		6,103	6,103	(1,576)
2008	320	3,172	6,228	1,668	7,896		9,147	9,147	(1,251)
2009	315	3,122	6,131	1,261	7,392		8,753	8,753	(1,361)
2010	492	4,876	6,703	1,463	8,166		8,413	8,413	(247)
2011	520	5,154	7,085	2,125	9,210		8,413	8,413	797
2012	588	5,828	8,011	2,403	10,414		8,413	8,413	2,001
2013	588	5,828	8,011	2,403	10,414		8,413	8,413	2,001
2014	588	5,828	8,011	2,403	10,414		8,413	8,413	2,001
2015	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2016	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2017	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2018	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2019	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2020	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2021	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2022	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2023	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2024	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
2025	588	5,828	10,414	2,403	12,818		8,413	8,413	4,405
NPV@8%	4,724	46,826	72,017	17,616	89,633	99,870	68,206	168,076	(85,083)
Per m^2 rented					1.91	2.13	1.46	3.59	(1.82)
WACC = 8%								AIFC	FIRR Negative

Economic Analysis (P '000)
Constant 2010 prices

	Stall Rental		Economic Benefits			Economic Costs			Net
Year	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	Economic Benefits
2005						23,983		23,983	(23,983)
2006						74,308		74,308	(74,308)
2007	200	1,982	4,527		4,527		5,449	5,449	(922)
2008	320	3,172	7,896	500	8,396		8,167	8,167	229
2009	315	3,122	7,392	500	7,892		7,815	7,815	77
2010	492	4,876	8,166	500	8,666		7,512	7,512	1,154
2011	520	5,154	9,210	500	9,710		7,512	7,512	2,198
2012	588	5,828	10,414	500	10,914		7,512	7,512	3,403
2013	588	5,828	10,414	500	10,914		7,512	7,512	3,403
2014	588	5,828	10,414	500	10,914		7,512	7,512	3,403
2015	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2016	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2017	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2018	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2019	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2020	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2021	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2022	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2023	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2024	588	5,828	12,818	500	13,318		7,512	7,512	5,806
2025	588	5,828	12,818	500	13,318		7,512	7,512	5,806
NPV@12%	2,772	27,474	56,558	3,625	59,138	80,651	43,229	123,879	(64,742)
Per m^2 rented					2.15	2.94	1.57	4.51	(2.36)
								AIEC	EIRR (1.86%)

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Ozamis City
Public Market Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Stalls	Rentable Area (m^2)	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	
2006			3,697		3,697	75,006		75,006	(71,039)
2007			4,052		4,052	99,923		99,923	(95,871)
2008			4,372		4,372	50,600		50,600	(46,228)
2009	846	5,643	22,882	15,468	38,350		2,405	2,405	35,945
2010	846	5,643	22,882	15,468	38,350		6,857	6,857	31,493
2011	1,015	6,771	27,459	15,468	42,927		6,857	6,857	36,070
2012	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2013	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2014	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2015	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2016	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2017	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2018	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2019	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2020	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2021	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2022	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2023	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2024	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2025	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
2026	1,032	6,883	27,913	8,374	36,287		6,857	6,857	29,430
NPV@8%	8,636	57,601	210,876	76,813	287,689	195,286	51,564	243,030	44,659
Per m^2 rented					4.99	3.39	0.90	4.22	0.78
WACC = 8%								AIFC	FIRR
									10.93%

Economic Analysis (P '000)
Constant 2010 prices

Year	Stall Rental		Economic Benefits			Economic Costs			Net Economic Benefits
	No. of Stalls	Rentable Area (m^2)	Consumer Satisfaction	Others	Total	Investment	O&M	Total	
2006			3,697		3,697	64,582		64,582	(60,615)
2007			4,052		4,052	85,924		85,924	(81,872)
2008			4,372		4,372	43,794		43,794	(39,422)
2009	846	5,643	38,350		38,350		2,148	2,148	36,203
2010	846	5,643	38,350		38,350		6,123	6,123	32,228
2011	1,015	6,771	42,927		42,927		6,123	6,123	36,804
2012	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2013	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2014	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2015	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2016	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2017	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2018	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2019	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2020	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2021	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2022	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2023	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2024	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2025	1,032	6,883	36,287		36,287		6,123	6,123	30,165
2026	1,032	6,883	36,287		36,287		6,123	6,123	30,165
NPV@12%	5,093	33,971	202,978		202,978	157,332	29,068	186,399	16,579
Per m^2 rented					5.98	4.63	0.86	5.49	0.49
								AIEC	EIRR
									13.62%

AIEC = average incremental economic cost, AIFC = average incremental financial cost, EIRR = economic internal rate of return, FIRR = financial internal rate of return, m^2 = square meters, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Kidapawan City
Transport Terminal Subproject

Financial Analysis (P '000)
Constant 2010 prices

Year	Financial Revenues				Financial Costs			Net Financial Benefits
	Terminal Fees	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	
2006					76,983		76,983	(76,983)
2007	571	323	517	1,411	13,555		13,555	(12,144)
2008	4,641	747	1,168	6,556		5,606	5,606	950
2009	5,175	922	1,220	7,317		5,621	5,621	1,696
2010	5,796	1,033	1,366	8,195		5,565	5,565	2,630
2011	5,796	1,033	1,366	8,195		5,565	5,565	2,630
2012	5,796	1,033	1,366	8,195		5,565	5,565	2,630
2013	5,796	1,033	1,366	8,195		5,565	5,565	2,630
2014	6,376	1,136	1,503	9,015		5,565	5,565	3,449
2015	6,376	1,136	1,503	9,015		5,565	5,565	3,449
2016	6,376	1,136	1,503	9,015		5,565	5,565	3,449
2017	7,013	1,249	1,653	9,916		5,565	5,565	4,351
2018	7,013	1,249	1,653	9,916		5,565	5,565	4,351
2019	7,013	1,249	1,653	9,916		5,565	5,565	4,351
2020	7,714	1,374	1,819	10,908		5,565	5,565	5,343
2021	7,714	1,374	1,819	10,908		5,565	5,565	5,343
2022	7,714	1,374	1,819	10,908		5,565	5,565	5,343
2023	8,846	1,512	2,001	11,998		5,565	5,565	6,433
2024	8,846	1,512	2,001	11,998		5,565	5,565	6,433
2025	8,846	1,512	2,001	11,998		5,565	5,565	6,433
2026	9,335	1,663	2,201	13,198		5,565	5,565	7,633
NPV@8%	57,510	10,383	13,975	75,803	82,902	49,566	128,796	(53,992)
WACC = 8%							FIRR	(0.86%)

Economic Analysis (P '000)
Constant 2010 prices

Year	Economic Benefits—Consumer Satisfaction				Economic Costs			Net Economic Benefits
	Terminal Users	Stall Vendors	Others	Total	Investment	O&M	Total	
2006					66,284		66,284	(66,284)
2007	571	323	517	1,411	11,656		11,656	(10,245)
2008	4,641	747	1,168	6,556		5,005	5,005	1,551
2009	5,175	922	1,220	7,317		5,019	5,019	2,298
2010	5,796	1,033	1,366	8,195		4,969	4,969	3,226
2011	5,796	1,033	1,366	8,195		4,969	4,969	3,226
2012	5,796	1,033	1,366	8,195		4,969	4,969	3,226
2013	5,796	1,033	1,366	8,195		4,969	4,969	3,226
2014	6,376	1,136	1,503	9,015		4,969	4,969	4,046
2015	6,376	1,136	1,503	9,015		4,969	4,969	4,046
2016	6,376	1,136	1,503	9,015		4,969	4,969	4,046
2017	7,013	1,249	1,653	9,916		4,969	4,969	4,947
2018	7,013	1,249	1,653	9,916		4,969	4,969	4,947
2019	7,013	1,249	1,653	9,916		4,969	4,969	4,947
2020	7,714	1,374	1,819	10,908		4,969	4,969	5,939
2021	7,714	1,374	1,819	10,908		4,969	4,969	5,939
2022	7,714	1,374	1,819	10,908		4,969	4,969	5,939
2023	8,846	1,512	2,001	11,998		4,969	4,969	7,030
2024	8,846	1,512	2,001	11,998		4,969	4,969	7,030
2025	8,846	1,512	2,001	11,998		4,969	4,969	7,030
2026	9,335	1,663	2,201	13,198		4,969	4,969	8,229
NPV@12%	36,886	6,691	9,053	52,631	68,474	29,235	97,708	(45,077)
							EIRR	1.36%

EIRR = economic internal rate of return, FIRR = financial internal rate of return, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.

Panabo City
Transport Terminal Subproject

Financial Analysis (P '000)
Constant 2010 prices

	Financial Revenues				Financial Costs			Net
Year	Terminal Fees	Stall Rental	Other Revenues	Total	Investment	Incremental O&M	Total	Financial Benefits
2006					28,444		28,444	(28,444)
2007	7,579	80	118	7,777	24,471		24,471	(16,694)
2008	8,930	129	728	9,787		3,020	3,020	6,767
2009	10,351	469	997	11,817		4,348	4,348	7,469
2010	9,964	448	1,052	11,464		4,251	4,251	7,213
2011	9,964	448	1,052	11,464		4,251	4,251	7,213
2012	9,964	448	1,052	11,464		4,251	4,251	7,213
2013	9,964	448	1,052	11,464		4,251	4,251	7,213
2014	9,964	448	1,052	11,464		4,251	4,251	7,213
2015	9,964	448	1,052	11,464		4,251	4,251	7,213
2016	9,964	448	1,052	11,464		4,251	4,251	7,213
2017	9,964	448	1,052	11,464		4,251	4,251	7,213
2018	9,964	448	1,052	11,464		4,251	4,251	7,213
2019	9,964	448	1,052	11,464		4,251	4,251	7,213
2020	9,964	448	1,052	11,464		4,251	4,251	7,213
2021	9,964	448	1,052	11,464		4,251	4,251	7,213
2022	9,964	448	1,052	11,464		4,251	4,251	7,213
2023	9,964	448	1,052	11,464		4,251	4,251	7,213
2024	9,964	448	1,052	11,464		4,251	4,251	7,213
2025	9,964	448	1,052	11,464		4,251	4,251	7,213
2026	9,964	448	1,052	11,464		4,251	4,251	7,213
NPV@8%	95,040	3,801	9,142	99,985	47,317	36,823	81,412	18,573
WACC = 8%							FIRR	13.32%

Economic Analysis (P '000)
Constant 2010 prices

	Economic Benefits—Consumer Satisfaction				Economic Costs			Net
Year	Terminal Users	Stall Vendors	Others	Total	Investment	O&M	Total	Economic Benefits
2006					24,490		24,490	(24,490)
2007	7,579	80	118	7,777	21,043		21,043	(13,266)
2008	8,930	129	728	9,787		2,697	2,697	7,090
2009	10,351	469	997	11,817		3,882	3,882	7,935
2010	9,964	448	1,052	11,464		3,796	3,796	7,668
2011	9,964	448	1,052	11,464		3,796	3,796	7,668
2012	9,964	448	1,052	11,464		3,796	3,796	7,668
2013	9,964	448	1,052	11,464		3,796	3,796	7,668
2014	9,964	448	1,052	11,464		3,796	3,796	7,668
2015	9,964	448	1,052	11,464		3,796	3,796	7,668
2016	9,964	448	1,052	11,464		3,796	3,796	7,668
2017	9,964	448	1,052	11,464		3,796	3,796	7,668
2018	9,964	448	1,052	11,464		3,796	3,796	7,668
2019	9,964	448	1,052	11,464		3,796	3,796	7,668
2020	9,964	448	1,052	11,464		3,796	3,796	7,668
2021	9,964	448	1,052	11,464		3,796	3,796	7,668
2022	9,964	448	1,052	11,464		3,796	3,796	7,668
2023	9,964	448	1,052	11,464		3,796	3,796	7,668
2024	9,964	448	1,052	11,464		3,796	3,796	7,668
2025	9,964	448	1,052	11,464		3,796	3,796	7,668
2026	9,964	448	1,052	11,464		3,796	3,796	7,668
NPV@12%	64,060	2,481	6,006	72,547	38,642	21,560	60,202	12,345
							FIRR	17.26%

EIRR = economic internal rate of return, FIRR = financial internal rate of return, NPV = net present value, O&M = operation and maintenance, WACC = weighted average cost of capital.