



Country Operations Business Plan

September 2007

Philippines
2007–2008

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 10 September 2007)

Currency Unit	–	peso (P)
P1.00	=	\$0.0215
\$1.00	=	P46.53

ABBREVIATIONS

COBP	–	country operations business plan
CPS	–	country partnership strategy
CSP	–	country strategy and program
DP	–	development partner
DPSP	–	development policy support program
GDP	–	gross domestic product
GOCC	–	Government-owned and controlled corporation
LGU	–	local government unit
LGUGC	–	Local Government Unit Guarantee Corporation
MDG	–	Millennium Development Goals
MTF	–	Mindanao Trust Fund
ODA	–	official development assistance
TA	–	technical assistance
TRANSCO	–	Transmission Corporation
WESM	–	wholesale electricity spot market

NOTES

- (i) In this report, "\$" refers to US dollars.
- (ii) The Philippines fiscal year is the same as the calendar year.

Vice President	C. Lawrence Greenwood. Jr., Operations Group 2
Director General	A. Thapan, Southeast Asia Department (SERD)
Director	T. Crouch, Philippines Country Office, SERD
Team leader	J. Balbosa, Country Specialist (Philippines), SERD
Team members	Philippines country team

CONTENTS

	Page
I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY	1
II. INDICATIVE LENDING AND NONLENDING PROGRAMS	2
III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS	4
IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS	5
V. RESULTS-BASED MONITORING	5
VI. RESULTS FRAMEWORK	7

APPENDIXES

1. Status of Country Strategy and Program 2005-2007: Public Sector Lending and Private Sector Operations	8
2. Status of Country Strategy and Program 2005-2007: Non-Lending Operations	9
3. Indicative Assistance Pipeline for Lending Products 2007-2008	10
4. Indicative Assistance Pipeline for Non-lending Products and Services 2007-2008	12
5. Summary Information on Proposed Indicative Lending for 2007	14
6. Summary Information on Proposed Indicative Non-lending Products and Services for 2007	19

ADB-Philippines Partnership

As a long-term development partner, living and working in Manila, ADB understands the challenges and shares the aspiration of a Philippines free of poverty. We are committed to working with all Filipinos to move more rapidly to this goal.

I. CONSISTENCY OF THE BUSINESS PLAN WITH THE COUNTRY STRATEGY AND PROGRAM

1. The country strategy and program 2005-2007¹ (CSP) covers only 3 years because of the economic uncertainties foreseen in 2005 when it was prepared. A return to a 5-year planning cycle is expected under a Country Partnership Strategy (CPS) being prepared. In the meantime, Asian Development Bank (ADB) and the Government of the Philippines (the Government) have agreed on an operational program for 2007–2008, which extends the CSP by one year and allows transition to the CPS (expected to be finalized in the latter part of 2008).

2. The current CSP is based on prioritization of binding constraints to more rapid growth, greater inclusiveness and faster poverty reduction.² It breaks with the ADB's past model for engaging the Philippines in fundamental ways, including greater attention to sustaining the quality of the on-going portfolio; a tight thematic, rather than sector-based, strategic focus (fiscal consolidation, improved investment climate, and accelerated attainment of the Millennium Development Goals); greater project selectivity;³ no annual lending targets, to accommodate political and economic uncertainties;⁴ a results-based partnership with high lending contingent on macroeconomic performance triggers and sector-specific reform progress; wider partnerships; and, most importantly, explicit alignment with Philippine national priorities. The CSP's strong support for reforms requires an emphasis on substantial policy-based operations.

3. These features are retained in the Country Operations Business Plan 2007-2008 (COBP). While less political and economic uncertainty now allows annual lending pipelines to be identified, the COBP will retain the CSP's flexibility, which has served its purpose well by allowing patience in the ADB-Philippines partnership and ensuring quality-at-entry for all activities. Special care will continue to be taken to ensure that no activity runs ahead of the political, macroeconomic and sector support needed for sustainability and high development impact. When endorsing the CSP in mid-2005, ADB's Board of Directors noted that ADB's new public sector lending commitments to the Philippines could range from zero to \$1.5 billion over the 3 years, depending on the pace and quality of fiscal consolidation and sector reforms. Because of the large budget deficit of 2.7% of gross domestic product (GDP) in 2005, new lending commitments were low (\$175 million). While expenditure reduction was the main vehicle for budget deficit reduction during 2003-2005, this was unsustainable. Tax efforts gained traction in 2006 and sector reforms accelerated. The deficit fell to 1% of GDP in 2006, creating budget and policy space for ADB and other development partners to move to "high case" lending scenarios (Figure 1). This is a two-way relationship: by carefully calibrating its support against reform progress, ADB participates in a virtuous cycle in which reform elicits higher lending, which in turn enables further reform. This will continue under the COBP.

4. Since January 2005, ADB has approved 6 public sector loans for a total of \$1.109 billion⁵ (74% of the high case scenario), of which 95% was for policy-based operations,⁶ and \$13.7 million for 16 technical assistance (TA) and grant-financed projects; \$559 million in co-financing

¹ ADB. 2005. *Country Strategy and Program (2005-2007): Philippines*. Manila.

² For an assessment of the Philippines CSP design, see: ADB. 2006. *Economic Analysis Retrospective 2005: Strengthening Quality-at-Entry of ADB Operations*. Manila.

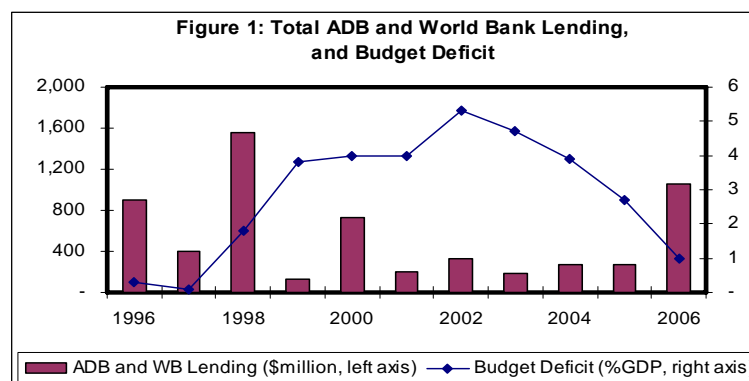
³ Activities must contribute to (or not exacerbate) fiscal consolidation and at least one of the other strategic themes.

⁴ Since the CSP did not assign projects to specific years, Appendixes 1-2 provide details on approvals.

⁵ Four policy-based loans for \$1.05 billion and two project loans for \$59 million.

⁶ In 2006 it was 100%, higher than expected, because of the Government's unexpected decision to seek alternative financing for the Angat Water Utilization and Aqueduct Improvement Project (a multitranches financing facility).

was generated; \$24.4 million was approved for private sector operations; and ADB made two Peso bond issues totaling P7.5 billion, to finance local currency operations.⁷



5. Although the impact of the CSP's re-crafted ADB–Philippines partnership will emerge more fully over the medium term, the focus on supporting fiscal consolidation is already creating budget and policy space to allow greater attention to other binding development constraints. Over the past 3 years, ADB's loans, TA and advocacy have had a significant impact on the direction of sector reforms and capacity building, especially for public finance and expenditure management, power, microfinance, financial sector regulation and intermediation, local government, and the judicial system. ADB is providing significant assistance to the Philippines for implementing the Paris Declaration on Aid Effectiveness,⁸ thereby supporting alignment and harmonization, and lowering transactions costs, of all Philippine-development partner engagements. To increase its relevance, ADB's partnerships outside the national Government are being intensified or created, including those with Government-owned and controlled corporations (GOCCs), local government units (LGUs), the Supreme Court and other pillars of justice, business groups, and civil society.

6. While the strategic focus and selectivity of the CSP remains relevant and robust for 2007–2008, the operational program needs extending to 2008 to cover the transition period to the CPS. Two changes are likely: first, while fiscal consolidation is work-in-progress that must be sustained, sufficient improvement has been made to provide opportunities for more attention to be paid to other constraints, especially the investment climate, including governance; second, lending for investment projects will increase, especially for those related to the MDGs and for infrastructure, in line with emerging national priorities to allocate more resources for improving the country's competitiveness and reducing poverty.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS⁹

7. Complementing its advocacy and knowledge transfer activities, ADB will strive to maintain the level of new public sector commitments achieved in 2006 (\$650 million). The program for 2007-2008 averages \$679 million per year. Technical assistance grants will be about \$4 million per year. Non-sovereign support of up to \$250 million is identified for the power sector and other opportunities are being considered in water, transport, renewable energy, and

⁷ P2.5 billion in October 2005, to fund a loan to a special purpose vehicle for resolution of non-performing loans; and P5 billion in May 2007.

⁸ www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

⁹ Appendixes 3-4.

finance. ADB credit enhancements (including guarantees) may be used to facilitate private investment in sectors and geographic areas considered to be high risk.

8. Fiscal consolidation progress and sector-specific reforms will continue to determine the timing of project processing. Proposed operations for 2007 will raise ADB public sector lending commitments during 2005-2007 to about \$1.5 billion, consistent with the CSP envelope. The structure and level of lending take into account the Philippines' absorptive capacity, in particular fiscal sustainability and external debt management. In 2007 the Government plans to borrow \$2.5 billion from foreign creditors. Of this, \$1 billion was raised in an international bond issue in January; the balance will come from official development assistance (ODA), which will provide an increasing share of financing in the next few years.¹⁰ ADB's program is consistent with this. The relatively modest size of ADB's resource transfer (Table 1) emphasizes the importance of achieving development impact through strategic focus and operational selectivity; it also reinforces the fact that ADB's impact relies significantly on non-lending and advocacy activities, some of which are bundled with the financial support and others on a stand-alone (though related) basis.

Table 1: Comparative Size of ADB Disbursement, 2005-2006
(% GDP)

ADB Disbursement	Net Foreign Direct Investment	Foreign Financing of Budget	Overseas Filipino Worker Remittances	Tax Effort	Government Budget Spending
0.5	2.1	4.3	10.9	13.7	17.6

Source: Department of Finance: www.dof.gov.ph; Bangko Sentral ng Pilipinas: www.bsp.gov.ph.

9. The national Government budget deficit, which declined sharply from a peak of 5.3% of GDP in 2002 to 1% in 2006, is expected to be 0.9% in 2007 and in balance in 2008. The 2006 consolidated non-financial public sector surplus (which includes the national Government, GOCCs, and LGUs), the first since 1996, was equivalent to 0.1% of GDP. Consolidation of these trends is expected to come from enhanced revenue generation, improved public expenditure management, and greater efficiency in service delivery. This will allow higher spending on the priority areas of public infrastructure¹¹ and social sectors. In addition to the stronger fiscal position, congressional approval of the 2007 budget in March reduces constraints on borrowing for investment projects,¹² as will recent clarification of the Government's policy for on-lending and cost sharing with local governments. Higher project borrowing will be assisted by ADB's more favorable cost-sharing and expenditure eligibility, and the use of ADB's new lending instruments, including the multitranche financing facility (proposed for one project in 2007) and possible direct sub-sovereign lending. However, increases in ADB's project lending will be

¹⁰ Projected ODA borrowing of \$1.5 billion in 2007 compares with \$854 million in 2006, while foreign commercial borrowing of \$1 billion in 2007 compares with \$2.85 billion in 2006. The administration's proposed national budget for 2008 identifies foreign borrowing of \$2.6 billion, of which \$1 billion will be from commercial sources, and the rest from ODA.

¹¹ Inadequate infrastructure is cited regularly as a major impediment to investment. The Government's Comprehensive and Integrated Investment Program, 2006-2010 (covering public, private, and public-private partnerships) assigns 63% of the P1.9 trillion expenditure to the public sector. This would almost double public investment from 2.3% of GDP during 2005-2006 to 4.5% in 2010. (www.neda.gov.ph). Public spending on infrastructure during January-July 2007 was 38% more than in the same period last year.

¹² Congress did not pass budget bills in 2001, 2004 and 2006, requiring re-enactments of previous year's budgets. Thus, emerging priorities were inadequately reflected, spending constrained, and some ODA projects lacked budget cover.

gradual, as the fiscal situation is likely to remain vulnerable for several years.¹³ Over 2007–2008, ADB's program lending is expected to be about 80% of its total lending to the Philippines.

10. Sound debt management has reduced liabilities, lowered dependence on commercial borrowing, increased access to ODA, and eased servicing costs. The debt portfolio profile has become more favorable, although is exposed to exchange and roll-over risks. The Government has extended the maturities of outstanding debt while utilizing the low interest rate environment to reduce the share of fixed, high interest and variable interest rate debt, thereby reducing the variability of the debt burden and helping to ensure its sustainability. The public sector's foreign currency debt has declined steadily from 38% of GDP in 2003 to 32% of GDP in 2006, with ODA debt accounting for about 35% of the total. The Philippines has run balance of payments surpluses since 2005 and the accumulation of international reserves provides greater resilience to potential economic shocks. International reserves currently provide ample import cover (5 months) and adequate coverage of outstanding short-term debt (2.8 times). Debt servicing relative to exports of goods and services declined from 16.9% in 2003 to 11.9% in 2006.

11. ADB's public loan exposure (disbursed and outstanding) to the Philippines was \$4.1 billion¹⁴ at 31 July 2007, about 7.4% of the Philippines' public external debt. Annual interest and principal amortization on ADB debt is 6% of the Philippines' total. These exposure indicators are comparable to World Bank's.¹⁵ The Philippines effectively uses debt risk management options available from ADB.¹⁶

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

12. The 2005–2007 lending program is being processed largely as planned. Changes are:

- addition of the Development Policy Support Program as a multi-year cluster operation (approved in February 2007),
- finalization of the Comprehensive Justice Reform Sector Program (formerly Governance and Judicial Reform Program) in 2008 rather than during 2005-2007,
- removal of the Angat Water Utilization and Aqueduct Improvement Project after the Government switched to alternative financing,
- addition of the Agrarian Reform Communities II Project in 2007, and
- addition of a standby operation in 2007.

13. The bridging loan program for 2008 is consistent with the tight strategic focus and selectivity of the CSP, and will be processed according to the same quality-at-entry triggers. It includes two program loans: justice reform, and the second phase of the development policy support program. Both program loans will address binding constraints on growth and poverty reduction other than fiscal consolidation, including those related to the investment climate, governance, infrastructure, and achievement of the MDGs. Two project loans support expanded coverage of urban services for the poor, and irrigation for rural development.

¹³ Continued fiscal consolidation depends on such things as bipartisan political support for any new tax measures and timely passage of budget bills, further capacity building and reform of tax agencies, lowering resistance to institutional reform, balancing a lower deficit with higher spending for infrastructure and the social sectors, and strengthening public expenditure management.

¹⁴ \$3.3 billion from ordinary capital resources and \$0.8 billion from the Asian Development Fund.

¹⁵ World Bank. 2005. *Country Assistance Strategy for the Philippines 2006-2008*. Manila. p.100.

¹⁶ In 2006 Government prepaid \$83 million of ADB's outstanding loans with fixed and relatively high interest; and it is considering prepaying up to \$487 million of outstanding power sector loans. In December 2006 the Philippines made an advance repurchase of all IMF obligations, ending its post program monitoring.

14. The non-lending program also is being processed as foreseen. Each activity supports the CSP's strategic thrust and enhances development impact either through project preparation or capacity building, results-based monitoring, and policy reforms. This will continue during 2007-2008 with operations that complement the lending program and assist the investment climate and competitiveness, sub-sovereign financing and budget reform, justice reform, and customizing the Paris Declaration on Aid Effectiveness to the Philippines' circumstances.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

15. In 2006, the Southeast Asia Department allocated 12.6 professional staff-years to the Philippines (including 3.9 for project processing and 4.6 for portfolio management), 8.7% of the department's total.¹⁷ A similar level of resources will be required during 2007-2008.

16. Historically the Philippines public sector loan portfolio has required high levels of maintenance, and for a long time it was one of ADB's weakest. After intensive efforts during 2002–2005, it is now among the best, and in 2006 outperformed ADB-wide indicators for the proportion of projects at risk and the disbursement ratio. Disbursement in 2006 was the highest ever, and net resource transfer was positive for the first time since 1997. The rejuvenated portfolio provides a robust platform for new operations; however, it will require continued close attention to ensure its quality does not decline and compromise future operations.

17. Non-lending operations are a key instrument for achieving results; they are also staff-intensive. To control for quality and match staff and financial resources with demand, care will be taken to limit the number of new TA and grant activities. Priority will be given to those that are clearly aligned with the CSP and are expected to have the highest development impact.

18. The CSP notes that the Mindanao peace process is a special case that will require additional financial support. ADB will contribute up to \$3 million to the Mindanao Trust Fund (MTF), a proposed joint Government-development partner grant facility for rapid support to post-conflict areas when a peace treaty is signed with the Moro Islamic Liberation Front.¹⁸

V. RESULTS-BASED MONITORING

19. Over the past 2 years the Philippines has consolidated its standing as a leader in moving to results-based development management. The Government is proactive in customizing the agenda of the Paris Declaration on Aid Effectiveness (March 2005), focusing on outcomes and impact rather than on inputs and outputs. It is energetically mainstreaming results management and monitoring, including creating an inter-agency Harmonization Committee to oversee implementation of the Paris Declaration commitments¹⁹ (Box 1), and strengthening systems for public expenditure management and performance budgeting to make the allocation of scarce public resources more efficient. The Government's Medium-Term Philippine Development Plan (2004-2010) moves away from a sector-based approach toward prioritizing activities that contribute most to outcomes, while the Medium-Term Expenditure Framework ensures spending is "driven by strategic and policy priorities, disciplined by revenues". Executive Order

¹⁷ Indonesia and Viet Nam used about 24 staff-years; Cambodia and Lao PDR used about the same as Philippines.

¹⁸ Pending a peace agreement, several international development partners contributed to the MTF-Reconstruction and Development Program, launched in March 2006, to provide a head start for capacity building of the Bangsamoro Development Agency for implementing the MTF, and local stakeholder groups for planning and managing their own development projects. (*MTF Reconstruction and Development Program Annual Report 2006.*)

¹⁹ Supported by technical assistance ADB. 2005. *Harmonization and Managing for Results*. Manila.

366,²⁰ which strengthens monitoring of all Government departments, agencies, and corporations, and requires them to complete strategic reviews, “is a move to transform the Executive Branch into a high-performing, results-oriented government from one that is saddled with bureaucratic overlaps and redundancies.”²¹ Important instruments include the organizational performance indicator framework,²² and the sector effectiveness and efficiency reviews.²³ Such efforts encourage agencies to improve service delivery in exchange for access to budget resources and provide the framework for results-based planning, monitoring, and evaluation in government agencies. ADB has access to outputs from these systems, which it will use to improve its selection of development partners and to align its operations with the more effective agencies to support public expenditure management and civil service reforms.

20. The CSP aligns with this country system. ADB will select activities that match Philippine priorities flowing from Government’s outcomes-oriented prioritization process. Using a results-based monitoring framework it will assess the development impact of ADB-supported activities. The CSP results framework is tailored to its 3-year coverage. At the national level, the focus is on fiscal consolidation; at the project level, the CSP sets individual results-based guidelines. These remain the same for 2007-2008.

Box 1: Philippines – Customizing the Paris Declaration with ADB Support

The Paris Declaration on Aid Effectiveness (2005) sets a comprehensive global agenda using 5 pillars: country ownership, development partner (DP) alignment with country priorities, harmonization among DPs and with country systems, managing for results, and joint accountability. To be relevant and effective, the global agenda must be customized for country-specific circumstances. The Philippines had in place initiatives that gave it a head start in customizing the Declaration, including such things as (i) the Medium Term Philippine Development Plan, which provides a clear statement of priorities as well as the platform for DP alignment; and (ii) public procurement reforms, a highly visible and effective vehicle for reducing transaction costs through DP harmonization with country systems. The Philippines is in the forefront in accelerating and intensifying commitment to the Declaration. Examples are establishing the interdepartmental Harmonization Committee, restructuring the Philippine Development Forum as a highly successful year-round *process* for DP-Philippines engagement, and adopting performance-based budgeting. Customizing the Paris Declaration is assisted by ADB’s on-going technical assistance for Harmonization and Managing for Results (2005), which is providing the major support for implementing the Philippines’ commitments and which will continue during 2007-2008.

²⁰ Executive Order 366: *Directing a strategic review of the operations and organizations of the Executive Branch and providing options and incentives for Government employees who may be affected by the rationalization of functions of the Executive Branch*, signed by President Arroyo on 4 October 2004.

²¹ Department of Budget and Management. *Implementing EO366: A Practical Guide for Managing the Change Process of the Rationalization Program*, Manila. November 2006. page i. (www.dbm.gov.ph/dbm_publications).

²² ADB is supporting the development of the organizational performance indicator framework as the primary vehicle for results-based budgeting, including the preparation of an operations manual (ADB. 2003. *Supporting the Sector Approach and RBM in ADB Operations*. Manila). It is also supporting the deployment of the framework to selected departments (ADB. 2005. *Harmonization and Managing for Results*. Manila).

²³ The sector effectiveness and efficiency reviews aid the monitoring of operational efficiency, and are complemented by Executive Order 366, the implementation of which is supported by ADB (ADB. 2006. *Government Owned and Controlled Corporations Reform*. Manila).

VI. RESULTS FRAMEWORK

21. There are no substantive changes to the results framework of the CSP.

**APPENDIX 1: COUNTRY STRATEGY AND PROGRAM 2005-2007: STATUS OF PUBLIC SECTOR LENDING
AND PRIVATE SECTOR OPERATIONS
(at 15 August 2007)**

PUBLIC SECTOR LENDING	Amount (\$million)		Approval Date	Comment
	CSP	Actual		
Agriculture & Natural Resources				
Integrated Coastal Resources Management Project	36	38.8	January 2007	Cofinanced with Global Environment Fund (\$9 million)
Agrarian Reform Communities II Project	-	(85)	Processing for 2007	Added after Management concept clearance
Energy				
Power Sector Development Program	450	450	December 2006	Cofinanced with Japan Bank for International Cooperation (\$300 million)
Finance				
Microfinance Development Program	150	150	December 2005	
Financial Market Regulation and Intermediation Program	300	200	December 2006	
Industry and Trade				
Small and Medium Enterprise Development Project	25	25	October 2005	
Law, Economic Management and Public Policy				
Development Policy Support Program	-	250	February 2007	Added. Discussed in CSP but not included in program due to uncertain schedule. Cofinanced with World Bank (\$250 million)
Local Government Financing and Budget Reform Program	300	(300)	Processing for 2007	
Comprehensive Justice Reform Program	300	(300)	Processing for 2008	Formerly Governance & Judicial Reform Program
Multi-Sector				
Metro Manila Urban Services for the Poor	80	(40)	Processing for 2007	Multitranches financing facility: \$490 million
Transport and Communications				
Rural Roads Development Project Readiness TA Project	7	-		Removed
Water Supply, Sanitation & Waste Management				
Angat Water Utilization and Aqueduct Improvement Project	65	-		Removed when Government switched to alternative financing.

PRIVATE SECTOR OPERATION	Amount (\$m)	Approval Date	Type of Operation
Purchase and Resolution of Equitable PCI Bank's Portfolio of Non-performing Loans and Assets	5.0	2005	Loan
SME Development Support – Financing Access Improvement Project	18.4	2005	Guarantee
SME Development Support – Credit Information Bureau	1.0	2005	Equity investment

**APPENDIX 2: COUNTRY STRATEGY AND PROGRAM 2005-2007: STATUS OF NON-LENDING OPERATIONS
(at 15 August 2007)**

Project	Amount (\$'000)		Approval Date	Type of Operation ^{a/}
	CSP	Actual		
A. TECHNICAL ASSISTANCE				
Agriculture and Natural Resources				
Comprehensive Highland Agriculture Resource Management	500	(850)	For 2008	PP. Formerly Strategy for Development of Upland Communities in Southern Philippines
Irrigation Systems Operational Efficiency Project	700	(550)	For 2007	PP. Formerly Irrigation Rehabilitation Project
Sustainable Aquaculture Development for Poverty Red.	600	500	2005	AO
Finance				
Implementing the Microfinance Development Program	500	500	2005	AO
Strengthening Regulation and Governance	800	800	2006	AO. Formerly Financial Market Regulation Reform
Health, Nutrition and Social Protection				
Support for Health Sector Reform	-	1000	2005	AO
Law, Economic Management and Public Policy				
Harmonization and Managing for Development Results	700	700	2005	AO
Strengthening Anti-Money Laundering Regime Phase 2	400	400	2005	AO
Local Governance and Fiscal Management	1000	1800	2006	AO. Formerly Strengthening LGU Management and Administration
Debt and Risk Management	250	720	2005	AO. Formerly Improving Risk Management of Public Sector Debt
Government Owned and Controlled Corporations Reform	-	750	2006	AO. Added at request of Government
Strengthening Institutions for Improved Competitiveness, Economic Growth and Poverty Reduction	-	800	2007	AO
Multi-Sector				
Metro Manila Urban Services for the Poor	-	700	2005	PP
Metro Manila Urban Services for the Poor (supplementary)	-	500	2006	PP
Southern Leyte Landslide Disaster	-	350	2006	AO. Reprogrammed from TA savings
B. GRANTS				
Developing the Philippines Business Registry (JFICT)	b/	700	2005	Anchored to SME Development Support Project
Supporting Information Sharing and Exchange among Civil Servants (JFICT)	b/	500	2006	Anchored to Philippines Governance Assessment (2005); Local Government Finance and Budget reform program (2007); Justice Reform Program (2008)
Southern Leyte Landslide Disaster Assistance (JFPR)	b/	3000	2006	

^{a/} AO = advisory technical assistance; CSP = country strategy and program; JFICT = Japan Fund for Information and Communications Technology; JFPR = Japan Fund for Poverty Reduction; PP = project preparatory technical assistance; SME = small- and medium-enterprises; TA = technical assistance

^{b/} These trust fund grant operations are not programmed in the CSP.

APPENDIX 3: INDICATIVE ASSISTANCE PIPELINE FOR LENDING PRODUCTS, 2007–2008

Sector and Project or Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			
					Total	ADB OCR ^a	Gov't.	Co- financing
2007 Firm Loans								
Agriculture and Natural Resources								
1. Agrarian Reform Communities II Project	TI	ECO	SEAE	2004	210.30	100.00	90.30	20.00
2. Integrated Coastal Resources Management Project	TI	ES	SEAE	2001	62.52	33.80	19.72	9.00
Subtotal					272.82	133.80	110.02	29.00
Law, Economic Management and Public Policy								
1. Development Policy Support Program	GI	ECO/GOV	SEGF		500.00	250.00		250.00
2. Local Government Financing and Budget Reform Program	GI	GOV	SEGF		300.00	300.00		
Subtotal					800.00	550.00		250.00
Multisector								
1. Metro Manila Urban Services for the Poor (Multitranches Financing Facility: \$487.80 million)	TI	ECO/ISD/ES	SESS	2006	38.60	34.00	4.60	
Subtotal					38.60	34.00	4.60	
Total					1,111.42	717.80	114.62	279.00
2007 Standby Loans								
Energy								
1. Standby Facility to Support TRANSCO Privatization	GI	ECO/PSD	PSOD/ SEID			250.00		
Total						250.00		

ADB = Asian Development Bank; ADF = Asian Development Fund; ECO = sustainable economic growth; ES = environmental sustainability; GI = general intervention; GOV = governance; ISD = inclusive social development; OCR = ordinary capital resources; PSOD = Private Sector Operations Department; SEAE = Southeast Asia Department - Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department - Governance, Finance, and Trade Division; SEID = Southeast Asia Department - Infrastructure Division; SESS = Southeast Asia Department - Social Sectors Division; TI = targeted intervention; TRANSCO = National Transmission Corporation.

^a The Philippines is an OCR-only country.

APPENDIX 3 (continued): INDICATIVE ASSISTANCE PIPELINE FOR LENDING PRODUCTS, 2007–2008

Sector and Project or Program Name	Targeting Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)			
					Total	ADB OCR ^a	Gov't.	Co-financing
2008 Firm Loans								
Agriculture and Natural Resources								
1. Irrigation Systems Operation Efficiency Improvement Project	TI	ECO/ES	SEAE	2007	b/	30.00	b/	
Subtotal						30.00		
Law, Economic Management and Public Policy								
1. Development Policy Support Program II	GI	ECO/GOV	SEGF			250.00		
2. Comprehensive Justice Reform Sector Program	GI	GOV	SEGF			300.00		
Subtotal						550.00		
Multisector								
1. Philippines Basic Urban Services Sector Proj.	TI	ECO/ISD/ES	SESS	2007	b/	62.00	b/	
Subtotal						62.00		
Total						642.00		
2008 Standby Loans								
Energy								
1. Support for Strengthening Electric Cooperatives	GI	ECO	SEID	2007	b/	60.00	b/	
Subtotal						60.00		
Water Supply, Sanitation, and Waste Mgt								
1. Rural Water Supply and Sanitation Project in Visayas and Mindanao	TI	ECO/ES	SESS	2007	b/	14.00	b/	
Subtotal						14.00		
Total						74.00		

ADB = Asian Development Bank; ECO = sustainable economic growth; ES = environmental sustainability; GI = general intervention; GOV = governance; ISD = inclusive social development; OCR = ordinary capital resources; SEAE = Southeast Asia Department - Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department - Governance, Finance, and Trade Division; SEID = Southeast Asia Department - Infrastructure Division; SESS = Southeast Asia Department - Social Sectors Division; TI = targeted intervention.

^a The Philippines is an OCR-only country.

^b For project loans, cost sharing and expenditure eligibility are being finalized.

APPENDIX 4: INDICATIVE ASSISTANCE PIPELINE FOR NONLENDING PRODUCTS AND SERVICES, 2007–2008

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2007							
Agriculture and Natural Resources							
1. Irrigation Systems Operation Efficiency Improvement Project	SEAE	PP	JSF	550		0	550
Subtotal				550		0	550
Energy							
1. Preparing the Rural Electric Cooperatives	SEID	PP	JSF	550		0	550
Subtotal				550		0	550
Law, Economic Mgt and Public Policy							
1. Local Government Financing and Budget Reform	SEGF	AO	TASF	800		0	800
2. Strengthening Institutions for Improved Competitiveness, Economic Growth and Poverty Reduction (approved)	SEGF	AO	TASF	800		0	800
3. Strengthening Provincial/ Local Planning and Expenditure Mgt Phase II	PHCO	AO	JSF	650		0	650
Subtotal				2250		0	2250
Multisector							
1. Philippines Basic Urban Services Sector Project	SESS	PP	JSF	650		0	650
Subtotal				650		0	650
Total				4000		0	4000

ADB = Asian Development Bank; AO = advisory; JSF = Japan special fund; PHCO = Philippines Country Office; PP = project preparatory; SEAE = Southeast Asia Department - Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department - Governance, Finance, and Trade Division; SEID = Southeast Asia Department - Infrastructure Division; SESS = Southeast Asia Department - Social Sectors Division; TASF = technical assistance special fund.

APPENDIX 4 (continued): INDICATIVE ASSISTANCE PIPELINE FOR NONLENDING PRODUCTS AND SERVICES, 2007–2008

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2008							
Agriculture and Natural Resources							
1. Comprehensive Highland Agriculture Resource Management	SEAE	PP	JSF	850		0.00	850
2. Comprehensive Development for the Agusan River Basin	SEAE	PP	JSF	800		0.00	800
Subtotal				1650		0.00	1650
Law, Economic Mgt and Public Policy							
1. Harmonization and Development Effectiveness Phase 2	PHCO	AO	TASF	500		0.00	500
2. Philippine Comprehensive Justice Reform Sector Program	SEGF	AO	JSF	1500		0.00	1500
Subtotal				2000		0.00	2000
Transport and Communications							
1. Road Development	SEID	PP	JSF	460		0.00	460
Subtotal				460		0.00	460
Water Supply, Sanitation, and Waste Mgt							
1. Rural Water Supply and Sanitation Project in Visayas and Mindanao	SESS	PP	JSF	1000		0.00	1000
Subtotal				1000		0.00	1000
Total				5110			5110

ADB = Asian Development Bank; AO = advisory; JSF = Japan special fund; PHCO = Philippines Country Office; PP = project preparatory; SEAE = Southeast Asia Department - Agriculture, Environment, and Natural Resources Division; SEGF = Southeast Asia Department - Governance, Finance, and Trade Division; SEID = Southeast Asia Department - Infrastructure Division; SERD = Southeast Asia Department; SESS = Southeast Asia Department - Social Sectors Division; TASF = technical assistance special fund; TBD = to be determined.

Other Grant^a							
Support to the Mindanao Trust Fund	SERD		Other ^b	3000	Govt; develop. partners	\$30 million-\$50 million	\$30-\$50m

^a ADB. 2005. *Country Strategy and Program, 2005-2007*. Manila. para 70. Timing is dependent on the signing of a peace agreement between the Government and the Moro Islamic Liberation Front. ^b ADB administrative budget.

APPENDIX 5: SUMMARY INFORMATION ON PROPOSED INDICATIVE LENDING PRODUCTS AND SERVICES FOR 2007

Project	Description
Agrarian Reform Communities II Project	<p>Goal Reduce poverty and promote equitable growth among agrarian reform participants.</p> <p>Major Components (i) Community-driven development; (ii) agriculture and enterprise promotion; (iii) rural infrastructure; (iv) project management.</p> <p>Expected Outputs and Outcomes Outputs (i) Increased community participation in decision making, implementation and management of community activities; (ii) strengthened local organization capacity; (iii) improved market links for farms and local enterprises; (iv) stabilized land tenure; (v) improved access to institutional finance; (vi) greater access to basic infrastructure; and (vii) improved institutional effectiveness for greater sustainability of gains.</p> <p>Outcomes (i) Sustainability of rural livelihood measures through increases in incomes and improved access to assets and opportunities among participating agrarian reform communities; (ii) improved participation in cooperatives and civil society organizations; and (iii) improved local governance.</p>
Integrated Coastal Resource Management Project	<p>Goal Enhanced coastal resources.</p> <p>Major Components (i) Policy and institutional strengthening and development; (ii) biodiversity conservation; (iii) enterprise development and income diversification; and (iv) social and environmental services and facilities.</p> <p>Expected Outputs and Outcome Outputs (i) Policy environment and legal framework for integrated coastal resource management rationalized, institutional capacities strengthened, and governance improved; (ii) integrated coastal resource management institutionalized and functional at the local levels, and coastal ecosystems and resources in the threatened areas of biodiversity are protected and managed; (iii) alternative and supplementary livelihoods provided; and (iv) health and social conditions in the coastal communities improved.</p> <p>Outcome Sustainable management of coastal resources.</p>

Project	Description
Development Policy Support Program	<p>Goal (i) Achieve and sustain higher economic growth; (ii) reduce poverty and unemployment.</p> <p>Major Components (i) Fiscal sustainability, maintain macroeconomic stability, and improve country creditworthiness; (ii) enhance governance in public expenditure management and support the Government’s measures to reduce corruption in the revenue collecting agencies; (iii) improve the investment climate by clarifying and strengthening the legal and regulatory framework for investments and infrastructure; (iv) restore and protect the social sectors by improving access to and quality of social services, and enhancing poverty monitoring and targeting.</p> <p>Expected Outputs and Outcomes Outputs (i) Reduced government budget deficits, increased tax revenues, and improved tax administration; (ii) improved institutional, and reporting mechanism for more effective public financial management; improved governance in public expenditure management and reduced corruption in the revenue collecting agencies; (iii) reduced transaction costs for doing business and improved framework for infrastructure; and (iv) improved poverty monitoring and targeting of programs.</p> <p>Outcomes Macroeconomic stability, strengthened investment climate and improved social programs.</p>

Project	Description
<p>Local Government Financing and Budget Reform Program</p>	<p>Goal The goal is to improve local government unit (LGU) capacity to provide for the general welfare of their constituent communities. The objective is to enhance the effectiveness and efficiency of basic public services and improve governance by strengthening the policy, financing, financial and regulatory framework for decentralization as well as developing capacities at the LGU level.</p> <p>Major Components Policy-based lending with a series of action-oriented policy reform measures to be taken by national government covering five sets of issues: (i) improve intergovernmental fiscal transparency and accountability by improving the timeliness and equity of LGU share in national government revenues; (ii) strengthen LGU fiscal administration, planning and public expenditure management; streamline the supervisory and support roles of national government agencies and clarify national inter-agency mandates with respect to LGU oversight and operational regulations; (iii) enhance effectiveness in the delivery of critical public services at the LGU level, including performance assessment; (iv) improve LGU access to development financing for policy reforms and projects, and enhance access to private sources of capital aimed at improving public service delivery; and (v) increase LGU resource mobilization and improve policy environment for LGU tax administration.</p> <p>Expected Outputs and Outcomes Outputs (i) Issuance of national policy directives aimed at increasing LGU access to private financial markets, strengthening tax administration, and improving predictability of resource flows; (ii) development of credit facilities for pursuing policy reforms, national policy objectives, and improving local services; (iii) generation of innovative modalities involving cost-sharing arrangements for the devolution of key functions.</p> <p>Outcomes (i) Development of improved inter-governmental fiscal transfer mechanisms; (ii) strengthened link between LGU planning and budgeting; (iii) improved oversight functions of key central government agencies; (iv) improved tax administration in select cities and municipalities; (v) improved system of financial information on LGUs for a creditworthiness evaluation system</p>
<p>Metro Manila Urban Services for the Poor Project (multitranche financing facility)</p>	<p>Goal (i) Improve living conditions and quality of life of informal settlers and urban poor through the provision of basic infrastructure and affordable housing with secure tenure in their existing settlements or in new resettlement sites; (ii) provide microfinance support to participants to improve their income and their capacity to pay for their newly acquired or improved housing units; and (iii) institutional strengthening and capacity building of selected key housing agencies, and local governments.</p> <p>Major Components (i) Site development; (ii) housing development; (iii) microfinance for home improvement and enterprise development; (iv) institutional strengthening and capacity building; and (v) project management support. The 17 cities and municipalities of</p>

Project	Description
	<p data-bbox="487 232 1957 378">Metro Manila can enroll several subprojects under the multitranche financing facility (MFF) provided they meet the qualification criteria. The MFF will fund approximately 8% of the investment requirements of \$5.97 billion of the estimated 10-year slum eradication and urban renewal plan for Metro Manila. The MFF will provide \$487.7m for 30 subprojects of the 17 cities and municipalities of Metro Manila. Financing will be partially sourced from ADB through a 10-year MFF, to be disbursed in five tranches.</p> <p data-bbox="487 412 911 440">Expected Outputs and Outcomes</p> <p data-bbox="487 443 594 470">Outputs</p> <p data-bbox="487 474 1919 716">Under Parts A, Site Development and B, Housing Development of Project 1, it is forecast that, during 2008-2011, the investment program will finance new site and housing developments, serving 3,733 households. Part C, Microfinance for Enterprise Development under Project 1 will support 2,240 enterprise microcredits. Part D, Institutional Strengthening and Capacity Development will include (i) improvement of the capacity of local governments to plan, implement and manage local shelter programs; (ii) financial oversight of all participating agencies; (iii) preparation of new subprojects. Part E will support the implementation of a practical and verifiable policy reform agenda that addresses key constraints and issues impeding current urban renewal and social housing initiatives. Part F, Program Management Support includes technical assistance during the implementation of the Investment Program.</p> <p data-bbox="487 750 621 777">Outcomes</p> <p data-bbox="487 781 1953 896">Under Project 1, to be implemented in Muntinlupa City and Taguig City 3,733 households will obtain the benefit of secure tenure, improved infrastructure and permanent, safe and healthy housing, which will impact on their overall health and productivity. A further 2,240 families, through their engagement in microenterprises, will improve substantially their economic position, and will have a more stable income situation.</p>

Project	Description
Standby Facility to Support TRANSCO Privatization	<p>Goal Support the Government's power sector restructuring and promote private sector participation in development of the power transmission networks.</p> <p>Major Components A new round of bidding for the concession of National Transmission Corporation (TRANSCO) is expected to be launched by the end of third quarter 2007. The bidding process (submission of expression of interests, prequalification, preparation of bids, bid opening, bid evaluation and award) will take about 12 months. In addition, considering the time needed to secure the Congress's approval of a national franchise for the winning concessionaire, the financial close of the transaction is not expected before the end of 2008. In order to enhance the value of the transaction or improve on the chances of a successful bidding process, ADB has expressed its willingness to support the Power Sector Assets and Liabilities Management (PSALM) Corporation in the bidding process. ADB's Private Sector Operations Department has been in discussion with PSALM and some potential bidders for a possible financial assistance to the winning bidder, which would include a political risk guarantee or a direct loan to the winning bidder to finance part of the purchase price of TRANSCO. ADB's Public Sector Operation will provide a standby-facility (with Government guarantee) to back-stop the termination obligations of PSALM.</p> <p>Expected Outputs and Outcomes</p> <p>Output The project will improve the chances of a successful bidding process and increase the value of the Transco concession,</p> <p>Outcome Privatization of TRANSCO supports the program of government for efficiency in the provision of electricity.</p>

APPENDIX 6: SUMMARY INFORMATION ON PROPOSED INDICATIVE NONLENDING PRODUCTS AND SERVICES FOR 2007

Project	Description
Irrigation Systems Operational Improvement (PPTA)	<p>Goal Design an irrigation and drainage rehabilitation investment project to improve irrigation services in poor regions of the country, supporting improved agricultural production and improved livelihoods.</p> <p>Major Components (i) Rehabilitating irrigation and drainage systems totaling approximately 32,000 ha in Mindanao and the Visayas; (ii) transferring operations and maintenance capacity and responsibility at upgraded schemes to users; and (iii) strengthening integrated water resources management in river basins where irrigation systems are rehabilitated.</p> <p>Expected Outputs and Outcomes Rural irrigation communities will receive more reliable irrigation services through direct ownership and management of the rehabilitated systems. About 32,000 ha will benefit from improved irrigation services in 18 upgraded systems, managed by users. Increased capacity to manage natural resources (land and water) in the context of river basins will provide for sustainable operation of irrigation services.</p>
Strengthening of Electric Cooperatives (PPTA)	<p>Goal The goal of ADB's assistance to the power sector is to support a sustainable, efficient, and secure power supply. The TA will prepare an investment project that will consolidate and strengthen the technical and financial capacity of the electric cooperatives to provide quality and affordable service to end-consumers in rural areas. The resulting project loan will provide financing to upgrade the distribution system, including acquisition of necessary meters and IT equipment.</p> <p>Major Components At the end of 2006, electrification at the village level reached about 93%; the Government aims to achieve 100% by 2008. However, the technical and financial capacity of rural electric cooperatives is inadequate to ensure quality service to end consumers, particularly in the context of the deregulated power markets with the operations of the WESM. The proposed PPTA and ensuing loan project will consolidate and strengthen the technical and financial capacity of the electric cooperatives to provide quality and affordable service to end-consumers in the rural areas. Specifically, the project will provide financing to upgrade the distribution system, including acquisition of sub-transmission systems from TRANSCO, and it will enable electric cooperatives to participate in the WESM. The National Electrification Administration is the Executing Agency.</p> <p>Expected Outputs and Outcomes Outputs (i) Assessment of electric cooperatives' financial, technical capacity and investment requirements over the next 5 years, and select components suitable for ADB financing; (ii) assessment of National Electrification Authority's</p>

Project	Description
	<p>financial and technical capacity to channel ADB's loan to finance electric cooperatives' investment requirements; (iii) assessment of National Electrification Authority's and electric cooperatives' procurement, environmental and social safeguard policies and appropriate recommendations in accordance with ADB policies;</p> <p>(iv) project cost estimates and financing options, which may include local currency financing, non-sovereign borrowing, multi-tranche financing facility, etc; (v) economic and financial analysis of the selected project components, including analysis of alternatives, rate of return analysis, sensitivity analysis, and risk analysis; (vi) determination of the environmental categorization of the project, and if necessary, an environmental impact assessment for the project; and (vii) social and poverty analysis and impact assessment of the proposed projects including social and poverty analyses, land acquisition and resettlement plans, and indigenous peoples development plans, if required.</p> <p>Outcomes Project design, mitigation measures on environmental and social impacts, and financing and implementation arrangements.</p>
Local Government Financing and Budget Reform (AOTA)	<p>Goal Build capacity in the Department of Interior and Local Government to play an effective role as an oversight agency on decentralization issues.</p> <p>Major Components Take stock of the effectiveness of the on-going Local Government Performance Measurement System, expanding its roll-out to local government units and its integration with the Bureau of Local Government Finance's Local Government Financial Performance Measurement System. It will also develop regional and sectoral Local Government Performance Management System databases and link the system with other databases at the local level (e.g. Community Based Monitoring System), and develop the system as a tool for performance assessment by third parties.</p> <p>Review and continue dialogue on improvements in the local government code as they relate to devolved functions, service delivery, performance measurement and resource generation.</p> <p>Conduct capacity building for administration and management of performance measurement, data analysis, municipal enterprise management at the Department of Interior and Local Government and participating local government units, develop a change management and communications strategy for reforms to take hold, and set up a knowledge bank in the Department of Interior and Local Government for pilot preparation of specific development projects.</p> <p>Expected Outputs and Outcomes (i) A stronger local government unit performance assessment system, covering both fiscal performance and service delivery; (ii) a performance measurement system that can be used by third parties; (iii) improvement in the Department of Interior and Local Government's capacity to link local government financial performance management system to other performance measurement initiatives; (iv) training modules and workshops for building capacity and expertise; (v) Department of Interior and Local Government and local government unit staff trained in performance management tools</p>

Project	Description
	and other capacity building initiatives; and (vi) local government planners and managers better equipped to prepare performance development plans and allied capacity building programs.
Strengthening Institutions for Improved Competitiveness, Economic Growth, and Poverty Reduction (AOTA)	<p>Goal Support the Government in implementing and monitoring the impact of key policy reforms and broaden and deepen the investment and trade policy reform agenda under the ongoing Development Policy Support Program.</p> <p>Major Components (i) A provincial competitiveness survey and index, which will help the Government monitor the impact of reforms and identify emerging issues by constructing a provincial competitiveness index; (ii) strengthening of private sector development and growth in the distribution sector, which will provide an analytical case study on the development and growth of supermarkets and their supply chains and links with farmers, as well as on the impact on household spending patterns; and (iii) strengthening competitiveness through an efficient trade and investment policy framework. The third component will help the Government continue reforms to improve competitiveness by reviewing and assessing remaining trade policy distortions, develop a strategy and mechanism to reduce red tape and implement business regulatory reforms, and assess and recommend ways to reform investment incentives.</p> <p>Expected Outputs and Outcomes Support the Development Policy Support Program by (i) providing the Government with timely economic policy analysis and advice on investment policy and competitiveness issues; and (ii) strengthening institutional capacity to deepen the investment climate reform agenda. The impact will be an improved investment climate that will reduce business transaction costs and increase competitiveness, and help increase investment, raise sustained economic growth, create jobs and reduce poverty.</p>
Strengthening Provincial /Local Planning and Expenditure Management Phase II (AOTA)	<p>Goal Strengthen local government expenditure management, in aspects of planning, investment programming, revenue generation, and budgeting.</p> <p>Major Components (i) Guide local governments in the preparation of local government expenditure management tools, such as provincial development and physical framework plans, provincial development investment programs, and feasibility studies of selected projects in the investment program; (ii) provide orientation for local chief executives on local government expenditure management. (iii) conduct training for trainers and local government staff on tools and guidelines on public expenditure management developed by national oversight agencies; (iv) support the objectives of the Joint Memorandum Circular (8 March 2007) of the Department of Interior and Local Government, National Economic and Development Authority, Department of Budget and Management, and the Department of Finance for the harmonization and synchronization of local planning, investment programming, budgeting, revenue administration, and expenditure management.</p>

Project	Description
	<p>Expected Outputs and Outcomes</p> <p>Outputs (i) Provincial and city development plans, annual investment programs, budgets, and proposals (preferably for priority projects); (ii) trained key officials and staff of provinces and cities on local government expenditure management tools of National Economic and Development Authority, Department of Budget and Management, Department of Interior and Local Government, and Department of Finance; and (iii) action program to strengthen harmonization and synchronization of activities by various government agencies, as envisioned in the Joint Memorandum Circular.</p> <p>Outcomes (i) Local government planners and investment programmers who are better equipped to prepare development plans, revenue forecasts, investment programs, and budgets; and (ii) local government chief executives who are well informed of tasks and role, and the tools to make them more effective in local government expenditure management.</p>
Philippines Basic Urban Services Sector Project (PPTA)	<p>Goal (i) Increased access by poor communities to basic public infrastructure in urban and peri-urban areas through improved local government capacities, increased employment and income opportunities and empowered local institutions and organizations. (ii) consistent with the priority development thrust of the Government's Medium Term Development Plan 2004-2010 and the urban sector development strategies, support the national government's efforts in promoting equitable economic growth in the urban sector by addressing deficiencies in basic infrastructure, pursuing effective local governance and adopting a holistic approach to the development of the urban sector.</p> <p>Major Components (i) Physical infrastructure investment; (ii) institutional capacity building; (iii) assistance to local governments (LGs) for computerized financial resource management; (iv) assistance to Department of Local Government (DILG) field offices in the administration and management of performance measurement; and (v) cross learning and governance knowledge management. Local governments will choose from infrastructure subsectors (including water supply, sanitation, public markets, transport terminals, solid waste management public buildings, sport facilities) with a preference for revenue-generating subprojects.</p> <p>Expected Outputs and Outcomes Eligible local governments in Mindanao that have expressed interest and manifested commitment but were not accommodated in the current Project phase due to fund limitations. These would include about 50 local governments that have submitted their letters of intent with the attached local legislative council resolutions to the Department of Interior and Local Government; (ii) eligible local governments in the Visayas (Regions VI and VIII) and in Luzon (Regions I, II, IV-A and V) that have expressed their interest through the Department of Interior and Local Government Regional Offices. This would include an additional 60 eligible to be covered by the expanded Municipal Basic Urban Services Sector Program. The expansion of the area of coverage would help promote equitable development across urban areas in the country.</p>