



Project Administration Memorandum

Project Number: 41664
Loan Number: 2515

PHI: Credit for Better Health Care Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes. This PAM shall be read along with the Report and Recommendations of the President and Loan Agreement. This PAM incorporates agreements reached between SESS and Executing Agency as of 30 September 2009. In case of discrepancy, the Loan Agreement shall prevail.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 February 2009)

Currency Unit	–	peso (P)
P1.00	=	\$0.021222186
\$1.00	=	P47.1125

ABBREVIATIONS

ADB	–	Asian Development Bank
BHS	–	barangay health station
BSP	–	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
DBP	–	Development Bank of the Philippines
DILG	–	Department of Interior and Local Government
DOF	–	Department of Finance
DOH	–	Department of Health
EMS	–	environmental management system
F1	–	Fourmula One for Health
FPIC	–	free, prior, and informed consent
GFI	–	government financial intermediary
HSDP	–	Health Sector Development Program
ICB	–	international competitive bidding
IMR	–	infant mortality rate
IPDF	–	indigenous peoples development framework
IRA	–	internal revenue allotment
KALAHI	–	Kapit Bisig Laban sa Kahirapan (linking arms against poverty)
LGC	–	Local Government Code
LGU	–	local government unit
LIBOR	–	London interbank offered rate
MDFO	–	Municipal Development Fund Office
MDG	–	Millennium Development Goal
MFI	–	microfinance institution
MMR	–	maternal mortality ratio
NCB	–	national competitive bidding
NCIP	–	National Commission on Indigenous Peoples
NGO	–	nongovernment organization
NSO	–	National Statistics Office
PHC	–	primary health care
PHIC	–	Philippine Health Insurance Corporation
PITC	–	Philippine International Trading Corporation
PMO	–	project management office
PPP	–	public–private partnership
RHU	–	rural health unit
SDAH	–	sector development approach for health
SMEs	–	small and medium-sized enterprises
SOE	–	statement of expenditure
TA	–	technical assistance
WHO	–	World Health Organization

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LOAN PROCESSING HISTORY

	Date(s)
a. Approval of Project Preparatory Technical Assistance	not applicable
b. Fact-Finding	19 Nov - 10 Dec 2007
c. Management Review Meeting (MRM)	2 September 2008
d. Appraisal Mission	16 Sep – 3 Oct 2008
e. Staff Review Committee (SRC)	12 December 2008
f. Loan Negotiations	16-17 February 2009
g. Board Circulation	4 March 2009
h. Board Consideration and Approval	25 March 2009
i. Loan Agreement Signing	27 April 2009
j. Loan Effectiveness, including Conditions	19 August 2009
k. Physical Completion Date	19 February 2015
l. Loan Closing Date	19 August 2015

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/ Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved overall health status, especially in relation to MDG 4 (reduced child mortality) and MDG 5 (reduced maternal mortality ratio)</p>	<p>Maternal mortality ratio reduced by 50% (from 162 per 100,000 live births in 2006 to 81 by 2020)</p> <p>Under-five child mortality rate reduced by 20% (from 32 per 1,000 live births in 2006 to 26 by 2020)</p> <p>Infant mortality rate reduced by 20% (from 24 per 1,000 live births in 2006 to 19 by 2020), by primarily focusing on reducing neonatal mortality</p>	<p>National demographic and health survey (NSO)</p> <p>Family planning survey (NSO)</p>	<p>Assumptions Living conditions do not deteriorate, causing more illness among mothers and children.</p> <p>Increased use of services will only result in impact if patients receive proper care.</p> <p>Risk Loss of health human resources in the country to opportunities outside the Philippines</p>
<p>Outcome Increased use of basic health care and referral services in the subproject sites</p>	<p>Increased households use of health facilities at the subproject sites:</p> <ul style="list-style-type: none"> (i) population using health facilities increased from 57% in 2003 to 71% by 2015 (ii) Indigents using health facilities increased by 20% by 2015 (baseline to be established) (iii) women delivering at health facilities increased from 38% in 2003 to 57% by 2015 (iv) children for whom treatment was sought at health facilities increased from 46% in 2003 to 60% by 2015 (v) fully immunized children (12–23 months) increased from 70% in 2003 to 84% by 2015 <p>Consumer satisfaction with health service performance from 37% for public hospitals in 2006/07 to 50% in 2015</p>	<p>National demographic health survey (NSO)</p> <p>National health accounts (NSCB)</p> <p>PHIC database</p> <p>Consumer satisfaction survey (Social Weather Station)</p> <p>Consumer satisfaction survey and hospital exit study</p>	<p>Assumptions Allocation of appropriate budgets by LGUs</p> <p>Enrollment of indigents in PHIC</p> <p>PHIC reimbursements are increased.</p> <p>Risks High travel costs</p> <p>Cultural factors and limited information hinder patients from using modern health facilities.</p> <p>Households continue to bypass PHIC facilities and self-refer to hospital care.</p>
<p>Outputs 1. Upgraded LGU health services</p>	<p>Participating LGUs will have:</p> <ul style="list-style-type: none"> At least 80% of clinics (newly or renewed) accredited by 2013 At least 80% of clinics (newly or renewed) accredited offering PHIC outpatient benefits package by 2013 At least 80% of hospitals (newly or renewed) accredited by 2013 At least 80% of hospitals (newly or renewed) upgraded and accredited from primary to secondary level by 2013 At least 80% of hospitals (newly or renewed) expanded and accredited offering PHIC maternal and child health care packages by 2013 At least 80% of hospitals newly established and accredited with consignments of drug stores selling generic drugs (e.g., <i>botika ng lalawigan</i>) by 2013 	<p>PHIC accreditation database</p> <p>DOH licensing database</p> <p>PITC accreditation database</p> <p>DOH province-wide investment plans for health</p> <p>Annual provincial health office report</p> <p>DBP financial management and onlending reports</p> <p>Project monitoring system</p>	<p>Assumptions PHIC benefits packages are improved and marketed (thereby attracting health providers to accredit their facilities under PHIC).</p> <p>Subborrowers agree to terms stated in the PHIC contracts to provide quality health services.</p> <p>LGUs are willing to borrow at DBP terms.</p>

Design Summary	Performance Targets/ Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
2. More efficient health care delivery systems through PPP and innovative strategies	<p>Participating hospitals:</p> <p>At least 20% of public hospitals achieved economic enterprise or autonomous hospital status by 2013,</p> <p>At least 20% of clinics or hospitals achieved PPPs in health service provision by 2013, or</p> <p>At least 20% of hospitals achieved outsourcing clinical and ancillary services by 2013, or</p> <p>At least 20% of hospitals engaged in innovative strategies to improve hospital systems such as management information systems, or telemedicine, or others by 2013</p>		<p>Assumption Private health care facilities are PHIC-accredited in a timely manner.</p> <p>Risks Private health entrepreneurs have little incentive to partner on DOH PPP strategy to support public agenda. Private drug stores have little incentive to sell generic drugs at PHIC (or PITC) reference pricing.</p>
3. Improved access to small-scale private providers	<p>Participating private providers:</p> <p>(i) At least 80% of private clinics and hospitals (newly or renewed) accredited offering PHIC maternal and child health care and communicable disease control program by 2013</p> <p>(ii) At least 80% of drug retail stores selling generic drugs established or expanded with PITC accreditation by 2013</p> <p>(iii) At least 80% of midwives established or expanded with PHIC accreditation by 2013</p> <p>Enhancing midwives' entrepreneurial and financing literacy in three selected provinces: At least 30% of midwives' by 2009 and 50% of midwives' by 2010 consulted credit lending agencies for credit application.</p>		<p>Assumptions MFIs willing to borrow from DBF for small providers Private providers willing to borrow at MFI terms</p> <p>Risk Midwives cannot attend due to social or financial constraints.</p>
4. Enhanced institutional capacity for health sector lending	<p>Circular established for DBP's health relending investment policy and monitoring guidelines before mid-2010</p> <p>Circular established for PHIC contracting of health providers by mid-2010</p> <p>Status of contracting and updates on performance between PHIC and health care providers reported annually</p> <p>Project monitoring briefings provided to subborrowers on an annual basis, and information publicized on DBP website</p>	<p>Project monitoring quarterly reports with output data of project investment and its beneficiaries</p>	<p>Assumptions Strong DBP commitment Training activities are effective Low staff turnover</p> <p>Risk Delay in consulting services</p>

Activities with Milestones	Inputs
<p>1. Upgraded LGU health services</p> <p>1.1 Certificate of needs received from DOH for the various hospitals that are to receive investment for new construction or new equipment before investment is initiated</p> <p>1.2 Province-wide investment plans for health, including private sector feasibility studies, prepared (with assistance of DOH) to identify need for further expansion or new construction (and location) of hospitals in the province before investment is initiated</p> <p>1.3 Status of environmental assessment and risk-mitigation steps taken by subborrowers submitted to ADB via quarterly reports through the life of the Project</p> <p>1.4 Health facility business plans prepared with financial sustainability assessment</p> <p>1.5 Project relending to LGUs of at least \$25 million</p> <p>1.6 Project relending for lower fiscal capacity LGUs (levels 3, 4, 5, and 6) that are unable to access</p>	<p>ADB: \$50.40 million</p> <p>Civil Works: \$22.55 million</p> <p>Equipment: \$19.30 million</p> <p>Working Capital: \$0.90 million</p> <p>Consultants (financed under the Gender and Development Cooperation Fund): \$0.40 million</p>

Activities with Milestones	Inputs
<p>MDFO funds of at least \$5 million</p> <p>2. More efficient health care delivery systems through PPP and innovative strategies</p> <p>2.1 Seminar held on PPP in health sector within the first year of loan effectiveness</p> <p>2.2 DBP technical assistance team evaluates each proposal for PPP and innovative strategies and submits summary reviews to the Health Sector Investment Advisory Committee and to ADB for the no-objection letter within 2 months of submission</p> <p>2.3 Social safeguard assessment conducted within 3 months of receipt of final subproject proposal</p> <p>3. Improved access to small-scale private providers</p> <p>3.1 Partnerships developed with key associations and NGOs working with small-scale health providers and in municipalities within the first 6 months of loan effectiveness (DBP's first 6-month report is to include plans for outreach to professional midwife organizations.)</p> <p>3.2 Wholesale relending modality is prepared and disseminated through website within first year of loan effectiveness</p> <p>3.3 Agreements reached with key financial intermediaries on the onlending modality for the subprojects within first year of loan effectiveness (contract with MFIs to include a clause committing the MFI to provide outreach to midwives)</p> <p>3.4 Training of financial intermediaries on marketing, appraisal, management, and monitoring within first year of loan effectiveness (MFI training curriculum to include a unit on outreach to midwives)</p> <p>3.5 Training of small-scale health providers on preparing business loan applications and business management and ways and means to borrow within the second year of Project</p> <p>3.6 Small-scale health providers' business loan applications and business management prepared with financial sustainability assessment</p> <p>3.7 Project relending through MFI and rural or thrift banks of at least \$5 million</p> <p>3.8 Project onlending will be encouraged for female-owned small-scale health providers</p> <p>3.9 DBP will report on MFI performance in providing financial services to midwives in its 6-month report to ADB. (DBP to report on types of training provided to midwives as potential subborrowers and number of midwife participants. MFI 6-month report to DBP to include measures undertaken, number of consultations held between MFI and midwives, number of midwives application received, and subloans approved.)</p> <p>3.10 Enhancing Midwives' Entrepreneurial and Financial Literacy</p> <p>3.10.1. Supporting PHIC's review for midwives' accreditation standards, process, and benefit package</p> <ul style="list-style-type: none"> • Health NGO recruited within 3 months of loan effectiveness • Consultations carried out by the health NGO—with DBP, DOH, and PHIC representatives—in nine municipalities and cities within 6 months of contract approval with the health NGO • PHIC accreditation standards, benefit packages, and claims processing requirements for midwives reviewed and revised within 24 months of contract approval <p>3.10.2. Development of a training curriculum and modules for midwives</p> <ul style="list-style-type: none"> • Training needs assessment carried out in three target provinces by the health NGO within 3 months of contract approval • Training of trainers sessions organized by the NGO in three target provinces by the health NGO within 3 months of contract approval • Training forums organized by the health NGO in nine selected municipalities and cities, in collaboration with DOH, PHIC, and DBP, within 24 months of contract approval <p>3.10.3. Development of loan packages for midwives by credit lending agencies</p> <ul style="list-style-type: none"> • Loan products for midwives developed by credit lending agencies within 3 months of contract approval <p>3.10.4. Legal empowerment on women's health rights, entitlements, and services</p> <ul style="list-style-type: none"> • Health rights mechanisms targeting the specific needs and constraints of indigent women established in the project sites within 6 months of contract approval <p>4. Enhanced institutional capacity for health sector lending</p> <p>4.1 Institutional capacity building</p> <p>4.1.1 DBP establishes the committee before loan is effective</p> <p>4.1.2 DBP project health policy framework established within first year of loan effectiveness</p> <p>4.1.3 DBP project monitoring guidelines prepared within first 6 months of loan effectiveness</p> <p>4.1.4 The committee meets at least three times a year during project life</p> <p>4.2 Contractual agreement</p> <p>4.2.1 Memorandum of agreement established between PHIC/DOH/DILG/DBP before loan is</p>	<p>Contingencies: \$5.71 million</p> <p>Financing Charges during Implementation: \$1.55 million</p> <p>DBP: \$1.94 million</p> <p>Consultants: \$0.50 million</p> <p>Project Management: \$0.61 million</p> <p>Training and Workshops: \$0.06 million</p> <p>Surveys, Studies, Website Enhancement, Monitoring and Evaluation: \$0.64 million</p> <p>Contingencies: \$0.13 million</p> <p>Equity from Subborrowers: \$11.02 million</p> <p>Civil works: \$3.78 million</p> <p>Equipment: \$3.24 million</p> <p>Working Capital : \$1.38 million</p> <p>Project Management: \$2.08 million</p> <p>Contingencies: \$0.54 million</p>

Activities with Milestones	Inputs
<p>effective</p> <p>4.2.2 Draft subloan agreement for health sector relending submitted to ADB for comments and the no-objection letter within first 6 months of loan effectiveness</p> <p>4.2.3 Subloan agreement established between DBP and subborrowers before start of investment</p> <p>4.2.4 DBP, through the committee, to coordinate with PHIC to ensure contracts are established with subborrowers at start of investment</p> <p>4.3 Marketing of the Project</p> <p>4.3.1 DBP prepares draft marketing strategy before loan is effective</p> <p>4.3.2. DBP social marketing strategy includes DBP program's emphasis on women and children's health, and actively promotes DOH's programs on basic emergency obstetric centers and comprehensive emergency obstetric centers, plus others programs related to women's health</p> <p>4.3.3 DBP markets the Project (e.g., via road show) within first 6 months of loan effectiveness</p> <p>4.3.4 DBP conducts an evaluation of the impact of the marketing strategy within first year of project implementation, and continues to refine and market the Project during project life</p> <p>4.3.5 DBP through the committee to coordinate with PHIC to ensure its health benefits package is marketed to beneficiaries and health providers within first year of the Project</p> <p>4.4 Project management</p> <p>4.4.1 DBP sets up the project management and monitoring office before loan is effective</p> <p>4.4.2 DBP sets up the support (e.g., consultants) in the project management and monitoring office within first year of loan effectiveness</p> <p>4.4.3 DBP conducts the training of DBP staff to build capacity for environmental assessment and monitoring and marketing within first 6 months of loan effectiveness</p> <p>4.4.4 On a quarterly basis, DBP will report to ADB on the progress and provide updates on activities and subloans under retail and wholesale relending, including the progress and status of activities and status of subloans under the financial intermediaries.</p> <p>4.5 Project performance monitored</p> <p>4.5.1 Baseline data on health service use and patient satisfaction reported before, or within 6 months of, investment's being initiated</p> <p>4.5.2 Exit studies conducted at subprojects where DBP subloans have been provided on an annual basis until end of project life</p> <p>4.5.3 At project midterm, DBP will report to ADB the progress and status of activities and milestones by DBP and by the financial intermediaries (under the wholesale relending modality), whereby updates will be provided on the MFI in achieving midwife accreditation. The midterm review will include meetings with participating MFIs, midwives organizations, and midwife subborrowers and, if necessary, will assess measures to improve the credit product to facilitate midwife access or to provide recommendations on features of the PHIC accreditation package to facilitate midwife interest.</p> <p>4.5.3 Beneficiaries impact assessment of health investment conducted within last 6 months of Project</p>	

ADB = Asian Development Bank, DBP = Development Bank of the Philippines, DILG = Department of Interior and Local Government, DOH = Department of Health, LGU = local government unit, MDFO = Municipal Development Fund Office, MDG = Millennium Development Goal, MFI = microfinance institution, NGO = nongovernment organization, NSCB = National Statistical Coordination Board, NSO = National Statistics Office, PHIC = Philippine Health Insurance Corporation, PITC = Philippine International Trading Corporation, PPP = public-private partnership.
Source: Asian Development Bank estimates.

I. PROJECT DESCRIPTION

A. Impact and Outcome

1. The impact of the Project is improved overall health status, especially in relation to MDG 4 (reduce child mortality), and MDG 5 (improve maternal health) by 2015. The Project's outcome is increased use of basic health care and referral services by the poor in general, and by women and children in particular, in the subproject sites. The Project will be nationwide,¹ with the exception of the National Capital Region.

B. Outputs

2. The project outputs are (i) upgraded LGU health services, (ii) more efficient health care delivery systems through PPP and innovative strategies, (iii) improved access to small-scale private providers, and (iv) enhanced institutional capacity for health sector lending.

3. The Project supports DBP's recently established credit program for the health sector. Project funds will be lent to public and private health services providers for capital investments and working capital. The funds will be used for (i) retail or direct lending to larger subprojects in the public and private sectors, and (ii) wholesale relending through accredited financial intermediaries to private sector smaller-scale subprojects. The Project will use ADB's development financial intermediary lending modality.

4. Specifically, the DBP credit will be used for subprojects that aim to (i) improve quality of health care services to attain health care facility accreditation (under the PHIC); (ii) address the gaps in access to basic health services (for communicable disease control, women and child health care, clinical care, ancillary services, and generic drugs); and (iii) improve efficiency and effectiveness in health service delivery through outsourcing, improvement in management systems, and other innovative strategies. In addition to direct benefits resulting from this investment, it is anticipated that LGU's total recurrent budgets could increase, as LGUs will be expected to commit to increased allocation of recurrent budgets for health. Further, PHIC accreditation can provide an added stream of resources through PHIC reimbursements for operating expenses—including personnel per diems and drugs—and can offer some financial protection to the population. Partnerships can help address shortages in financial and human resources without relying entirely on government budgets. Service performance outputs can be stimulated through contracts between PHIC and health care providers that stipulate beneficiaries, service packages, and prices charged.

5. Eligible subborrowers will be LGUs and private sector health providers who support F1 and are committed to meeting MDGs. Eligible LGUs are those that (i) are responsible for public clinics and public hospitals in the municipalities and the provinces; (ii) have inadequate resources and cannot easily attain central government grant support; (iii) are creditworthy but unable to tap private capital markets; and (iv) are seeking access to credit to attain PHIC accreditation or upgrades, PPP, and/or health system efficiencies. Eligible private subborrowers include foundations, health maintenance organizations, and small-scale health care providers who lack access to credit, and/or do not have appropriate collateral. Service providers include laboratories and other diagnostic services, referral networks, midwifery and physician care

¹ The Project relies on subborrowers' willingness and ability to apply for loans from DBP. The Project follows the LGU credit policy framework, whereby MDFO, GFIs, and private capital markets each have a role (Appendix 3). The Project will support retail relending to those areas where LGUs already have memorandums of agreement with DOH on supporting F1. It also will support wholesale relending starting with those areas that are supported under the Gender and Development Cooperation Fund.

needing to attain PHIC accreditation or upgrades; generic drug retailers who need Philippine International Trading Corporation accreditation; and rural drug distributors willing to expand their networks in municipalities. Eligible subprojects are those who meet the following (i) inclusion in the province-wide investment plan for health or DOH's certificate of needs for new health facilities and permit to construct; (ii) for hospitals, a hospital diagnostic center or hospital development plan, including feasibility, financial sustainability, and utilization forecasts; (iii) location in an underserved area; (iv) are licensed or accredited by DOH and/or Bureau of Food and Drugs and/or Philippine International Trading Corporation and/or PHIC; (v) for LGUs, have the commitment of the LGU for funding operations and maintenance cost; and (iv) comply with the Government's and the ADB's environmental and social safeguard policies. The eligible organizations (public or private) will have to demonstrate that the investments will result in better health services and benefit targeted beneficiaries. The eligibility criteria for subborrowers and subprojects are in Appendix 5.

1. Upgraded LGU Health Services

6. This output will support LGUs to upgrade health services, develop referral networks to strengthen maternal and child health services, and improve standards and efficiencies of hospitals as per their commitment under F1. An eligible LGU will be required to have a DOH-approved province-wide investment plan for health and a certificate of needs for constructing new facilities and purchasing high-end equipment. Eligible LGUs will have to demonstrate that they have the fiscal capacity to borrow (certificate required from Department of Finance) and provide assurances as to the availability of recurrent budgets, especially for drugs and operations. It is anticipated that under this output, DBP will relend to about 77 LGUs² (or about 5% of LGUs in the country), and that each LGU will require an average of \$500,000 equivalent (ranging from \$100,000 to \$2 million equivalent).

- (i) **Construction and Rehabilitation.** LGUs will obtain credit to upgrade health facilities to meet or improve PHIC accreditation standards. Eligible investments will include civil works (construction and rehabilitation according to government standards) for hospitals, rural health units, and barangay health stations, including clean water supply, sanitation, and appropriate waste management. Credit support may be provided to LGUs for preparing feasibility studies, architectural and engineering design, civil works supervision, and environmental risk mitigation.
- (ii) **Procurement of Equipment.** LGUs will obtain credit to procure appropriate medical and nonmedical equipment for health care facilities to meet PHIC accreditation. The list of eligible equipment for each level of health facility follows PHIC accreditation and DOH licensing standards. In addition, credit may be provided for working capital to pay for a stock of supplies for the first half-year, procuring medical and information and communication technology equipment, and for an initial stock of drugs and reagents to be used in an upgraded or newly built facility. Mobile clinics and mobile diagnostics may be supported with adequate justification. Procurements will include staff training in the maintenance and operation of procured equipment, its cost implications, and its appropriate use.
- (iii) **Develop Integrated Health Care Delivery System.** Close collaboration and partnership will be required between DBP and DOH to assist LGUs to develop an integrated health care delivery network. Health human resource development may include training and career development for personnel to enhance capacity.

² An LGU is defined as a municipality or a city.

In addition, DOH will provide opportunities for capacity development to LGUs.

2. More Efficient Health Care Delivery Systems through Public–Private Partnership and Innovative Strategies

7. This output will support PPP and innovative strategies that aim to build an integrated health care delivery system, as well as to improve efficiency, quality, and cost-risk sharing. Both public and private providers will be given access to credit for capital investment and/or working capital. PPP options may include health care facility construction, financing, management, and services delivery. Types of eligible subprojects are (i) outsourcing technical, medical (e.g., to cooperatives), and ancillary services; (ii) outsourcing support services such as security, housekeeping, food services, and laundry; (iii) contracting in the management of a public facility; (iv) contracting private providers to deliver health services; and (v) contracting private insurance schemes for specific populations. Innovative strategies could include generic drug bulk procurement or consignment, establishment of telemedicine, and strengthening management systems. The Project will help LGUs conduct feasibility studies to examine potentially cost-effective options for consideration by the Health Sector Investment Advisory Committee (see para. 68). The Project will lend to about three to four PPP subprojects.

3. Improved Access to Small-Scale Private Providers

8. This output will support the private sector to help address such public health priorities as access to quality maternal and child health services, as well as to complement the public system where such shortages exist as for medical personnel in some rural areas. DBP's accredited financial intermediaries (MFIs, cooperatives, and rural and thrift banks) will access credit from DBP's program for onlending to locations underperforming in public health priorities. DBP will be relending project funds to about 20 of DBP's accredited financial intermediaries, which in turn will onlend to about 2,100 end subprojects. The potential subborrowers are about 1,800 midwifery clinics, 200 clinical and diagnostic facilities, 100 community drug stores (*botika ng bayan*), and 10 drug distribution companies catering to rural municipalities.

9. **Upgrading Private Services.** Financial intermediaries will access credit for onlending to private, small-scale health services providers for civil works to meet or improve PHIC accreditation standards. Eligible investments will include civil works (construction and rehabilitation) for clinics, drug stores, and diagnostic centers. Drug distribution companies catering to rural municipalities will be eligible for investment in drug warehouses. Private sector, small-scale health services providers will have access to credit for procuring appropriate medical and nonmedical equipment for health facilities to meet or improve PHIC accreditation. The equipment list for each facility follows PHIC accreditation and DOH licensing standards or those of other government accreditation agencies. Credit support will also be provided for working capital (including for procuring a stock of supplies for the first half-year, medical and information and communication technology, and the initial stock of drugs and reagents to be used in the upgraded or newly built facility). Mobile clinics, mobile diagnostics, and cold-chain and drug distribution vehicles will require justification under the province-wide investment plans for health. The Project will ensure training of subborrowers for the procured equipment's maintenance and operation, cost implications, and appropriate use.

10. **Supporting Financial Intermediaries to Build the Health Onlending Product.** The Project will build capacity of DBP's accredited financial intermediaries for onlending to small-scale health providers. A training curriculum will be developed and training delivered to financial intermediaries for product development, financial sustainability analysis, and subproject

appraisal.³ The financial intermediaries, in turn, will train potential end-borrowers in financial literacy, sustainable health care enterprise development (particularly in making their services more accessible and affordable to these potential end-borrowers), and compliance with environmental risk mitigation (standards set and recommended by DOH). The training program is expected to cover about 20 of DBP's accredited financial intermediaries.

11. **Enhancing Midwives' Entrepreneurial and Financial Literacy.** This important activity and subcomponent aims to address structural barriers inhibiting midwives from accessing credit to expand their facilities and services. The subcomponent will support midwives to be accredited by PHIC through (i) a review of PHIC standards, processes, and benefits packages for private midwives accreditation; (ii) health literacy training; and (iii) business development and banking literacy. The activity also includes legal empowerment on women's health rights, entitlements, and services. Proposed activities will be implemented in three provinces and nine municipalities or cities and will be supported by grant assistance not exceeding \$400,000 equivalent to DBP for enhanced midwives' entrepreneurial and financial literacy to be provided by the Gender and Development Cooperation Fund.⁴ The subcomponent is summarized in Supplementary Appendix A.

4. Enhanced Institutional Capacity for Health Sector Lending

12. This output will strengthen the capacity of DBP in dealing with health sector support at national and branch office levels. Given DBP's recent engagement in the health sector, its lending policy framework for the health sector needs to be refined to support F1. Additionally, there is a need to develop implementation and operational guidelines for DBP's credit to the health sector. Since a new product is being created for lending to MFIs through the wholesale window, refinements are needed for appraising and monitoring performance of health sector lending. Engagement with LGUs and MFIs for health subprojects requires a long-term social marketing strategy. DBP has limited in-house sectoral capacity, and, although steps are being taken to train staff in sector knowledge, continuous in-service training is required for account officers who market the product, appraise subprojects, and monitor implementation. Such capacity development is also needed among relevant MFIs. Since DBP has a complementary role under the LGU credit policy framework, the Project will work closely with the various stakeholders (e.g., DOH and MDFO) to develop a strong capacity for relending to LGUs for the health sector. The Project will strengthen the capacity of DBP's program development, program evaluation, and marketing group to manage and monitor health sector projects, including to form close collaboration with PHIC for setting up contracts with subborrowers.

13. **Strengthening Capacity for Health Sector Lending.** The Project, in close coordination with the Health Sector Investment Advisory Committee, will provide technical sector support to DBP to (i) refine DBP's program sector lending framework, (ii) enhance the lending strategy, (iii) upgrade the appraisal procedures (incorporating financial, nonfinancial, and health performance indicators), (iv) streamline assessment of sector needs given the development objectives, and (v) form partnerships with the government as well as with private agencies and associations. The Project, through DBP's budget, will provide technical support to ensure that an appropriate monitoring and evaluation system is in place that includes financial and health performance indicators.

14. **Strengthening Lending Product Performance.** The Project will provide technical support to DBP's wholesale unit (central and branch offices) to design the health lending product offered to financial intermediaries. The Project will help strengthen the unit's capacity

³ DBP's ongoing system provides technical assistance and ensures DBP requirements are complied with by potential subborrowers through 13 business assistance centers located in state colleges and universities.

⁴ Contributors: the governments of Canada, Denmark, Ireland, and Norway. Administered by ADB.

and knowledge base in the health sector, in adapting microfinance technologies, and in setting performance benchmarks for the financial intermediaries. Specifically, the technical support will assist the wholesale unit of DBP to (i) identify the loan products to be developed and promoted to the financial intermediaries, including lending parameters and promotion strategy; (ii) identify its wholesale financing modality through mapping out geographic coverage of the financial intermediaries and its client orientation; (iii) identify appropriate microfinance technologies (center versus individual onlending) to support affordable interest rates and a guarantee system; and (iv) refine performance benchmarks by including within them indicators related to health sector lending.

15. **Strengthening Social Marketing.** The Project will provide technical support to DBP in developing and marketing the health lending product to decision makers and subborrowers—LGUs, the eligible private sector, associations, and other relevant organizations.⁵ The Project, under the Program Development Department of DBP (and in close collaboration with other units at DBP engaged in marketing), will develop and implement an active 5-year social marketing strategy, including a public information component with appropriate information on the health lending product and the project development objectives. The Project will strengthen capacity of the DBP's wholesale unit and the regional marketing centers in preparing curriculum, training, and marketing for the health lending product. DBP's central and regional units will train the financial intermediaries in marketing the Project, in helping subborrowers prepare business proposals, and in assessing the health sector market for lending. The units will also monitor health and financial performance of the subborrowers. DBP's account officers in the branch offices will be trained to market the health lending product to LGUs and private hospitals. The financial intermediaries (with DBP's oversight) will market the product to private, small-scale health providers and monitor the onlending to them.

16. **Supporting PHIC Contractual Arrangements with Subborrowers.** The project subborrowers will each develop a contractual service relationship with PHIC. Marketing of the PHIC benefit packages and accreditation standards will be the responsibility of PHIC. The Project will coordinate closely with PHIC and provide support to the contractual agreement developed between PHIC and the subborrowers at the time of the lending agreement between DBP and the subborrower. The PHIC legal agreement will stipulate the service package (including beneficiaries, services, price, and reporting) agreed between PHIC and the subborrowers. The service performance will be monitored and reported by PHIC to DBP, and there will be discussions on actions to be taken in case of noncompliance with the contractual agreement.

II. COST ESTIMATES AND FINANCING PLAN

17. The project investment cost is estimated at \$63.36 million equivalent, including taxes and duties of \$5.50 million equivalent. Table 1 contains a summary, and detailed cost estimates are in Appendix 6.

⁵ Two other mechanisms have been identified by which information is and will be disseminated to the potential subborrowers: (i) DOH is already marketing F1 to the LGUs and providing them information on the various windows of financing; and (ii) PHIC is to market its benefit packages, which is already partially underway.

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Upgraded LGU health services	35.65
2. More efficient health delivery systems through PPP and innovative strategies	6.98
3. Improved access to small-scale private providers ^c	10.99
4. Enhanced institutional capacity for health sector lending ^d	1.81
Subtotal (A)	55.43
B. Contingencies^e	6.38
C. Financing Charges During Implementation^f	1.55
Total (A+B+C)	63.36

LGU = local government unit, PPP = public-private partnership.

^a Taxes and duties of approximately \$5.50 million based on 12% allocation for civil works and equipment, plus other costs. All taxes and duties on civil works, equipment, and working capital will be covered by the subborrowers' equity (not covered under ADB loan proceeds).

^b In September 2008 prices.

^c Partly cofinanced by the Gender and Development Cooperation Fund.

^d Financed by the Development Bank of the Philippines.

^e Physical contingency computed at 5% for civil works and equipment. Price contingency applied at 8% for all categories.

^f Includes interest and commitment charges to be capitalized under the loan. Interest during construction has been computed at the 25-year forward London interbank offered rate (LIBOR) plus a spread of 0.2% and commitment charge of 0.15% per annum.

Source: Asian Development Bank estimates.

Table 2: Financing Plan
(\$ million)

Source	Total	%
Asian Development Bank	50.00	78.91
Gender and Development Cooperation Fund ^a	0.40	0.6
Development Bank of the Philippines	1.94	3.0
Equity (public and private sectors)	11.02	17.40
Total	63.36	100.00

^a Contributors: the governments of Canada, Denmark, Ireland, and Norway. Administered by ADB.

Source: Asian Development Bank estimates.

18. DBP has requested a loan of ¥4,520,780,200 (equivalent to \$50 million) from ADB's ordinary capital resources to finance the Project. The loan will have a 25-year term, including a grace period of 6 years, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per annum, and such other terms and conditions as set forth in the draft loan agreement. DBP is the borrower. The loan is to be guaranteed by the Republic of the Philippines under the terms of a guarantee agreement. DBP has provided ADB with (i) the reasons for its decision to borrow under ADB's LIBOR-based lending facility under these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

19. The Gender and Development Cooperation Fund will provide grant cofinancing up to \$400,000, to be administered by ADB. The grant will finance activities for enhancing midwives' entrepreneurial and financial literacy (under output 3) during the first 2 project years.

20. DBP is expected to allocate \$1.94 million equivalent and will contribute in cash and in kind toward (i) project implementation unit staffing and operations, including computers and office equipment; (ii) monitoring and evaluation; (iii) experts recruited for output 4 or capacity development; and (iv) supporting the operations budget for the Health Sector Investment Advisory Committee.

21. Equity is expected to be \$11.02 million equivalent and will come from the sub- or end-borrowers. For the private sector, at least 20% of subproject cost will be allocated as equity. For LGUs, at least 10% of subproject cost will be allocated as equity. Equity will be in the form of working capital (cash, inventories, and receivables) and in kind (land, buildings, and equipment existing or to be acquired).

22. DBP proposes to relend 100% of the loan proceeds to its potential subborrowers at market interest rates. DBP will relend to final borrowers for the purposes of civil works, equipment, and working capital. DBP estimates its relending interest rates based on (i) ADB's lending rate and other charges to DBP, including its lending spread; (ii) the government guarantee fee (quoted as 1%); (iii) government foreign exchange risk cover (quoted as 3% as of November 2007); and (iv) DBP's spread, depending on credit rating or social pricing (1.0%–2.5%). DBP takes the risk of relending to subborrowers through its retail relending window while it shares the risk of relending to final borrowers with financial intermediaries through its wholesale relending window. Applications and information for relending will be submitted to ADB no later than 5 years after the effective date. The financing arrangements and fund flow charts are in Appendix 7.

- (i) **Retail lending terms.** Retail lending for collateralized subprojects from \$100,000 to \$5 million equivalent is for LGUs and larger private ventures, including health providers, foundations and health maintenance organizations, although some small-scale subborrowers may also qualify under this relending modality. DBP's lending terms are at market interest rates and the repayment is based on a subproject's projected cash flows, with a repayment period of up to 15 years for civil works, up to 10 years for equipment, up to 5 years for working capital, and a grace period of up to 3 years. Amortization of principal and interest is on a quarterly basis.
- (ii) **Wholesale lending terms.** Wholesale lending is for accredited financial intermediaries (including MFIs, rural and thrift banks, cooperatives, and NGOs) who borrow for amounts ranging from \$100,000 to \$500,000 equivalent on DBP's lending terms. Onlending rates of the financial intermediaries are determined considering cost of funds, loan administration cost, and the credit risk. This also guides the onlending rate for the financial intermediaries to the subborrowers. The subborrowers are small-scale health services providers, such as midwives, physicians, municipal drug stores, and municipal drug distribution companies, each borrowing in amounts ranging from \$1,000 to less than \$100,000 equivalent. The terms of onlending by financial intermediaries will also depend on the amount and whether or not end-borrowers are collateralized. The expected repayment period is up to 10 years, with a grace period of 6 months to 2 years.

23. **Free Limit.** The first three subloans financed under the loan and any subloans amounting to more than \$2 million equivalent will be submitted to ADB for review and approval before DBP approves the subloan. Subsequent subloans will not require ADB review and approval unless the subloan is for more than \$2 million equivalent. For subloans below or equal to \$2 million equivalent, DBP will submit to ADB a statement of subloans describing the subproject, amount applied, purpose of the subloan, eligibility criteria, plus the terms and condition. Loan review missions will review selected subprojects during implementation.

III. IMPLEMENTATION ARRANGEMENTS

24. **Project Organization and Management.** DBP is the Executing Agency. It has established the Health Sector Investment Advisory Committee, chaired by the senior vice president of DBP and with representatives of DBP, DOH, PHIC, MDFO, the Department of Interior and Local Government (DILG), and the private sector. The committee will (i) ensure compliance with the Government's and ADB's policies and regulations, (ii) provide project oversight and guidance, (iii) oversee completion of DBP's health investment policy framework for lending in health, (iv) review and decide upon lending to subprojects that deviate from meeting subproject eligibility, (v) coordinate intersectorally and interdepartmentally, (vi) respond to challenges faced in project implementation, and (vii) monitor and report project performance. DBP has entered into an agreement with DILG, DOH, PHIC, and MDFO that outlines the objectives, procedures and areas for cooperation, eligibility criteria for borrowers, eligible investment costs, preparation of feasibility and capacity development by DOH, flow of funds, and monitoring and evaluation.

25. DBP has set up a project management office (PMO) under its Sustainable Health Care Investment Program in the Program Development Department. The PMO will function as the planning, coordinating, administering, and monitoring unit for project implementation. The PMO will also review subproject proposals, monitor their progress, and provide recommendations and progress updates. It includes a project director, a project manager, an assistant project manager and two project associates. The project director will be the officer responsible for overall project execution, finance, monitoring, and reporting to the committee and ADB. The project manager will be responsible for project implementation. The assistant project manager, assisted by the project associates will run day-to-day PMO operations. The PMO will also recruit experts in health systems, hospital civil works, hospital environmental and waste management, monitoring and evaluation, financial management, and legal matters. Other DBP divisions at the central and regional levels will provide necessary support for the effective implementation of the project. The project organizational structure is in Appendix 8.

IV. IMPLEMENTATION SCHEDULE

26. The Project will be implemented over a 6-year period, from 1 July 2009 to 30 June 2015. The project implementation schedule is in Appendix 9.

V. CONSULTANT RECRUITMENT

27. Consulting services financed by DBP will be engaged to implement output 4. Consulting services will require 84 person-months of national consultants in the areas of health systems, social marketing, and hospital environmental and medical waste management. The terms of reference for project management and monitoring and output 4 are outlined in Supplementary Appendix B. ADB will assist in selecting the consultants. Under the Gender and Development Cooperation Fund, additional consulting services will be engaged to support implementing gender-relevant activities of output 3. This component will require 90 person-months of consulting services, to be sourced through a national health NGO in the areas of community health, training, and legal matters. The NGO will be chosen using quality- and cost-based selection in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). DBP will engage and administer the consultants.

VI. PROCUREMENT

28. Procurement of goods and services financed under the loan will be in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Except where stated otherwise in the procurement plan, procurement undertaken by beneficiaries under the loan will

be in accordance with the procedures for loans to financial intermediaries that allows for procurement in accordance with established private sector or commercial practices. For other cases identified in the procurement plan, however, national competitive bidding or international competitive bidding may be the specified form of procurement. The procedures followed for national competitive bidding will be those set forth in the Government Procurement Reform Act (Republic Act No. 9184) with clarifications and modifications as described in Appendix 10. Civil Works in excess of \$5,000,000 equivalent and contracts for goods (in particular large single items or where large quantities of like goods can be grouped together and procured centrally) estimated to cost in excess of \$1,000,000 equivalent will be procured based on international competitive bidding. The procurement plan is in Appendix 10.

VII. DISBURSEMENT PROCEDURES

29. **Disbursement Arrangements.** The proceeds of the ADB loan and grant will be disbursed according to ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). For civil works using international competitive bidding procedures, loan funds will be disbursed through direct payment. To facilitate timely release of loan proceeds and to expedite project implementation, DBP will open within 1 month of loan effectiveness, maintain, and manage a project imprest account. The maximum amount to be advanced to the imprest account will not exceed 6 months of estimated expenditures to be funded from the imprest account, or 10% of the loan amount, whichever is less. ADB's Statement of Expenditure (SOE) procedures will be used to reimburse, liquidate, and replenish the imprest account for eligible expenditures up to \$100,000 equivalent per individual payment for the loan and \$50,000 equivalent for the grant.

30. **Financial Management Assessment.** As part of due diligence, DBP's financial management systems and capacity were assessed. DBP exhibits strong financial performance and adheres to prudential financial management practices: (i) DBP has a risk-based credit pricing policy that covers market risks, including those for interest rates and foreign exchange. DBP pricing policy for the Project will be guided by the Central Bank of the Philippines (Bangko Sentral ng Pilipinas [BSP]) internal credit risk rating system standards (adopted in 2004),⁶ and the individual subborrower's rating will determine its capacity to meet debt service requirements. (ii) DBP adheres to BSP stipulations for a risk-based operational framework on capital adequacy. DBP's Governance Committee ensures adherence to its policies on good governance, reviews transactions on credit and investment, and conducts periodic performance evaluation of the board and its committees. (iii) DBP's growth in assets, liabilities, and equity reflect its focus on viable investments, increased deposit mobilization, and adherence to BSP's capital adequacy requirements, while its performance indicators are evident of its above-industry performance on capital adequacy, return on assets, ratio of liquid assets to deposits, and past-due ratio. DBP expects to operate viably and profitably in the next 5 years by (i) generating more low-cost and loan-based funding sources as a primary source of funds for onlending and investments; (ii) maintaining sufficient liquid assets to meet withdrawals; (iii) preserving the balance between its operating expenses, gross income, and total assets; and (iv) ensuring that its capital adequacy indicator meets the BSP requirement. A summary financial management assessment of DBP is in Appendix 11, and the due diligence on DBP is detailed in Supplementary Appendix C.

VIII. PROJECT PERFORMANCE MONITORING AND EVALUATION

31. The Project's design and monitoring framework provides the needed indicators. DBP will

⁶ With BSP Circular 439, banks are required to rate all borrowers with assets of higher than the P1.5 million with an internal credit risk rating system duly approved.

oversee project performance and submit quarterly reports to the Health Sector Investment Advisory Committee and ADB. To assess impact and outcome, DBP will collect information on the use of health facilities including indigent, women, and children. All subprojects will require baseline and end-of-project health services surveys to assess services improvement in terms of use, quality, affordability, and patient satisfaction. Surveys will be conducted jointly with subproject feasibility studies prior to investment. In addition, DBP, as guided by the committee and ADB, will conduct selective qualitative studies to obtain the views of stakeholders on the services and related matters. DBP will be responsible for conducting the surveys, but it may contract this out to a suitable firm or NGO.

IX. PROJECT REVIEW

32. DBP and ADB will jointly review project progress at least twice a year. They will undertake a midterm review during the third year of implementation. The midterm review will (i) review the scope, design, implementation arrangements, and other relevant issues in light of F1 and development objectives, as well as the Project's health policy framework; (ii) identify changes since the time of appraisal relating to sector issues and resource management and allocation, then reassess their impacts on future subproject implementation and sustainability; (iii) review implementation performance of all outputs; (iv) review progress in achieving the Project's measurable objectives; (v) identify problems and constraints; and (vi) formulate appropriate recommendations for corrective action. The midterm review will also assess the status of procurement, construction or renovation, and equipment under each category of the eligible subprojects

X. REPORTING AND AUDITING REQUIREMENTS

33. **Accounting and Auditing.** DBP will ensure that records, accounts, and related financial statements are adequately maintained according to accounting standards in accordance with BSP and likewise acceptable to ADB (Philippine Financial Accounting Standards, which are based on International Financial Accounting Standards and benchmarks). The reports should identify goods and services financed from loan proceeds. DBP will maintain separate project accounts and will prepare related financial statements, including records for the imprest account and SOE. The Commission on Audit will audit these, and certified copies of such audited accounts and financial statements will be submitted to ADB in English not later than 6 months after the fiscal year to which the report relates. A separate audit opinion on use of the imprest account and SOE procedures should be included in the audit report. Delay in submitting audited financial statements of acceptable quality may result in ADB's suspending loan disbursements.

34. **Reporting.** DBP will provide ADB with (i) a quarterly report on the operational and financial performance of project implementation within 2 months after the end of each quarter; (ii) a projected annual disbursement schedule, broken down quarterly by 15 December each year; (iii) an updated 3-year financial projection for DBP by 31 March each year; and (iv) a project completion report within 3 months of project completion detailing implementation, costs, loan recoveries, financial conditions of MFIs, an evaluation of the Project's impact on the beneficiaries, and other details that ADB may consider necessary.

35. DBP will submit reports on the implementation of project-funded activities within 30 days after the end of each quarter. The quarterly reports will include progress made against established targets on the lending portfolio; achievement of milestones; inputs and outputs under the design and monitoring framework, with data, graphs and interpretations; problems encountered during the quarter; steps taken and proposed to resolve problems; compliance with loan covenants; and project activities to be undertaken during the next quarter. All reports will be submitted in English.

36. **Environment.** An environmental management assessment was carried out on DBP's environmental management system (EMS) and on the environmental assessment procedures and guidelines as applied to the Project. DBP has a satisfactory EMS with appropriate staff capacity, and its environmental policy and environmental assessment procedures are of the same standard as ADB's *Environment Policy* (2002). No additional measures are necessary to ensure compliance. As DBP's account officers' experience with environmental assessment is uneven, DBP will prepare an upgraded training program to ensure performance of uniform quality. ADB will validate DBP's capacity to ensure full compliance with ADB's *Environment Policy* by reviewing the initial environmental examination for the first two category B subprojects prior to DBP approval. Eligible investments under the Project will be category B or C. No category A subproject is anticipated, and category A proposals will be screened out. Impacts of category B subprojects can be mitigated by properly implementing the EMS of the financial intermediary and the government, and additional procedures developed for the specific subproject, and agreed with ADB to ensure environmental assessments are equivalent to ADB requirements. DBP will submit a report on the environmental status of the subprojects every 6 months with information about environmental categories, details, and potential or resolved issues for subprojects under assessment, approved, and under implementation. The environmental assessment of financial intermediation loans and equity investments is in Supplementary Appendix D.

37. **Involuntary Resettlement.** An involuntary resettlement framework with detailed procedures and involuntary resettlement checklist has been prepared by DBP to screen proposed subprojects for involuntary resettlement impact (Supplementary Appendix E). Every LGU and retail unit subloan proposal will be screened to ensure all subloan proposals in project sites with titles involving liens and encumbrances and informal settlement issues, including loss of shelter, livelihood, or access to resources, are identified and denied. A subloan proposal screening checklist for all public and private subloan proposals has been established based on ADB's *Involuntary Resettlement Policy* (1995) to flag potential involuntary resettlement impacts. In addition to the screening checklist, DBP will physically verify that all subproject sites involved in the public and private subloan proposals submitted for credit approval are free from liens and encumbrances, that they have no informal settler impacts, and that no eviction of informal dwellers has been undertaken during the past 12 months prior to loan application.

38. **Indigenous Population.** An indigenous peoples development framework (IPDF) has been prepared in accordance with ADB's *Policy on Indigenous Peoples* (1998) and the Philippine Republic Indigenous Peoples Rights Act of 1997. It states how compliance will be achieved, including the participation strategy, grievance procedures, and institutional implementation arrangements. For each type of eligible investment, the IPDF describes the DBP subloan approval process, how the proposals will be screened, persons responsible, documentation required, implementation monitoring arrangements, and reporting to ADB. The National Commission on Indigenous Peoples (NCIP) regional offices will provide DBP the locations of ancestral domains and ancestral lands that have been approved or are under consideration. For project sites that are in approved ancestral areas or those under consideration, the IPDF identifies the types of investments that may require free, prior, and informed consent (FPIC) or an indigenous people community action, as well as the actions to be undertaken by the proponent prior to DBP consideration for credit approval. Few subloans requiring FPIC or community action are anticipated, as most public investments are expected to restore or achieve the service levels expected for existing facilities. Most proponents of private sector investments are likely to be indigenous peoples or non-indigenous people residents rather than non-indigenous people migrants. The IPDF is in Supplementary Appendix F.

XI. MAJOR LOAN COVENANTS

39. The status of compliance, including actions taken to comply with the covenants (see **Appendix 17**), should be indicated in the appropriate column and be appended in the quarterly progress report.

XII. IMPLEMENTATION OF THE ACCOMPANYING TA

40. ADB will provide DBP a TA grant for public–private partnership in health services to support the subborrowers, including LGUs and private providers, in enhancing modalities for PPP, including (i) innovative strategies to improve efficiency, access, and quality of services; (ii) assisting small-scale health providers' access to credit to support health-related MDGs; and (iii) mobilizing private resources for achieving MDGs.

41. **Impact and Outcome.** The TA's impact is to help improve the maternal and child health status by 2015 in the subproject sites using PPP. The outcome of the Project will be tested PPP modalities that will have demonstrated potential to increase the use of maternal and child health care and referral services in the subproject sites with PPP.

42. **Methodology and Key Activities.** The TA will have three outputs.

Output 1. Develop and promote PPP modalities in the health sector by conducting an assessment; assisting to prepare PPP policy, regulations, guidelines, and a handbook; and identifying preliminary PPP health subprojects for potential support.

- (i) **Output 2.** Develop incentives and operational strategies to encourage small-scale health providers in attaining PHIC and/or other accreditation for health services in rural and underserved areas that address health-related MDGs by identifying and providing incentives for them to work in such areas, and develop partnerships to scale up initiatives with project support.
- (ii) **Output 3.** Develop and initiate the contracting modality for health services to improve quality and efficiency of health services. This initiative has already started under ADB-supported TA.⁷

43. **Cost and Financing.** The TA is estimated to cost \$1,100,000, of which \$1,000,000 will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. DBP will finance the remaining \$100,000 equivalent in kind, including office accommodation costs; transport; utilities; seminar room space; remuneration of counterpart staff; plus provision of data, reports, and other relevant documents.

44. **Implementation Arrangements.** The Executing Agency for the TA is DBP (Program Development Department), and the implementing agencies are DOH (Bureau of International Health Cooperation) and PHIC (Health Finance Policy and Service Sector). The TA will be guided and monitored by the Health Sector Investment Advisory Committee.

45. ADB will recruit a team of international and national consultants to provide specialized services totaling 80 person-months (30 international and 50 national) in the areas of public–private partnership in health; finance; legal matters; health systems; procurement; and training. ADB will engage the consultants in accordance with its *Guidelines on the Use of Consultants* using quality- and cost-based selection, with quality–cost ratio of 80:20 and simplified technical proposals.

⁷ ADB. 2005. *Technical Assistance to the Republic of the Philippines for the Support for Health Sector Reform*. Manila (TA 4647-PHI).

46. The TA will be implemented over 18 months, commencing in July 2009 and ending by December 2010. The TA consultants will submit (i) an inception report within 1 month of TA start-up; (ii) an interim report within 9 months of TA implementation; and (iii) a final report within 24 months of TA implementation. DBP, DOH, PHIC, ADB, and the consultants' team will hold tripartite meetings during inception, midterm, and on completion of the TA. Key findings and outputs of the TA will be disseminated through workshops.

XIII. KEY PERSONS INVOLVED IN THE PROJECT

A. ADB Staff

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B. Executing Agency

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XIV. ADB ANTI-CORRUPTION POLICY

48. DBP was advised of ADB's *Anticorruption Policy* (1998, as amended to date) and policy relating to the *Combating of Money Laundering and the Financing of Terrorism* (2003). Consistent with its commitment to good governance, accountability, and transparency, ADB will require DBP to institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption or money laundering activities or the financing of terrorism and to covenant with ADB to refrain from engaging in such activities. The investment documentation between ADB and DBP will further allow ADB to investigate any violation or potential violation of these undertakings.

49. In addition to standard ADB requirements, the Project incorporates several other measures to deter corruption and increase transparency. The Project, through DBP resources, will (i) build capacity within DBP to understand and comply with ADB's procedures as outlined in the project administration manual; and (ii) in the project communities, widely publicize the existence of the integrity division within ADB's Office of the Auditor General as a point of contact for allegations of fraud, corruption, and abuse in ADB-financed projects through, among others, DBP's project website and DBP's marketing and promotional materials. A project website will be developed, to the extent permitted under the prevailing regulations relating to bank confidentiality in the Philippines, to disclose information about project matters, including procurement. The consultants will assist DBP in establishing the website. To encourage stakeholder vigilance as well as ensure greater accountability, a task force established within the PMO shall receive and resolve grievances or act upon stakeholders' reports of irregularities. The task force will (i) review and address grievances of project stakeholders, service providers, or any person responsible for carrying out the Project; and (ii) set threshold criteria and procedures for handling such

grievances, for proactively responding to them, and for informing stakeholders about the complaint mechanism.

50. The ADB Office of the General Auditor is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Within that office, the Anticorruption Unit is responsible for dealing with all matters related to allegations of fraud and corruption. Please refer to the ADB's Anticorruption Policy Handbook. Anyone coming across evidence of corruption associated with the Project may contact the Anticorruption Unit by telephone, facsimile, by mail, or by email as follows:

Integrity Division (OAGI)
Office of the Auditor General
Asian Development Bank
6 ADB Avenue, Mandaluyong City
0401 Metro Manila, Philippines

Postal Address: P. O. Box 789
0980 Manila, Philippines
Telephone No.: (63-2) 632 5004
Facsimile No. : (63-2) 636 2152
E-mail : anticorruption@adb.org or
integrity@adb.org

51. The **PAM** shall be read in conjunction with the RRP, Loan Agreement, and relevant ADB documents listed in **Appendix 18**.

ELIGIBILITY CRITERIA FOR SUBBORROWERS AND SUBPROJECTS

1. **Eligibility Criteria for Subborrowers.** Eligible subborrowers will be from among the public and private sectors, including those who have established public–private partnerships, as follow:
 - (i) primary health care (PHC) providers: family physician clinics, regional health units, midwife or birthing clinics, pharmacies and small drugstores;
 - (ii) secondary and tertiary level public hospitals, especially for attention to maternal and child care, for the prevention of noncommunicable diseases, and in support of PHC (including telemedicine);
 - (iii) laboratories and diagnostic centers, preferably integrated into larger health care facilities such as hospitals;
 - (iv) business solution companies or nongovernment organizations supporting or operating PHC clinics, hospitals, and their networks, as well as offering other ways of support for providers that reduce operating costs and increase effectiveness;
 - (v) drugs procurement and distribution companies willing also to distribute generics and to cover rural and remote areas;
 - (vi) networks offering some or all of the above; and
 - (vii) microfinance institutions, local banks, and small onlending cooperatives complying with the general and specific conditions of the program.
2. **Eligibility Criteria for Subprojects.** The above entities would be eligible if they show well-documented evidence that the subprojects meet the following:
 - (i) inclusion in the province-wide investment plan for health or the Department of Health's (DOH's) certificate of needs for new health facilities and permit to construct (public sector);
 - (ii) for hospitals, a hospital diagnostic center or hospital development plan, including feasibility, financial sustainability, and utilization forecasts;
 - (iii) location in an underserved area;
 - (iv) are licensed or accredited by DOH and/or Bureau of Food and Drugs and/or Philippine International Trading Corporation and/or the Philippine Health Insurance Corporation;
 - (v) for local government units (LGUs), have the commitment of the LGU for funding operations and maintenance cost; and
 - (vi) comply with the Government's and the Asian Development Bank's environmental and social safeguard policies.
3. The Development Bank of the Philippines also uses its standard financial performance criteria to select subprojects:
 - (i) financial performance as shown by the applicant's 3-year balance sheets and income-expenditure statements;
 - (ii) track record in borrowing and repayment;
 - (iii) projected cash flows for the period of borrowing;
 - (iv) such performance indicators as capital adequacy ratio, liquidity ratio, and debt repayment capacity;
 - (v) subproject management capacity, as to the availability staffing;
 - (vi) for financial intermediaries, additional performance indicators include (a) leverage ratio, and (b) membership portfolio and operational sustainability; and
 - (vii) for LGUs, additional performance indicators include borrowing capacity, as certified by the Bureau of Local Government Finance.

Table A1: Number of Subprojects

Item	No. of subprojects	Loan Amount (\$ million)	%
A. Output 1- LGU (retail relending)			
(i) Subprojects between \$100,001 and \$250,000	57	8.52	17.58
(ii) Subprojects between \$250,001 and \$500,000			
(iii) Subprojects between \$500,001 and \$1 million	8	4.18	8.63
(iv) Subprojects between \$1,000,001 and \$2 million	3	4.95	10.22
(v) Subprojects between \$2 and \$5million	4	15.78	32.57
Sub-total (A)	72	33.43	69.00
B. Output 2-PPP (retail relending)			
(i) Subprojects between \$100,000 and \$2 million	4	5.87	12.12
Sub-total (B)	4	5.87	12.12
C. Small scale providers (wholesale relending)			
(i) Subprojects between \$100,000 and \$500,000 ^a	20		
- end projects between \$1,000 to \$5,000 = 1,846		5.02	10.36
- end projects between \$5,001 to \$50,000 ^b = 118		4.13	8.52
Subtotal (C)	20	9.15	18.88
Total	96	48.45	100.00

^a Refer to the 20 DBP-accredited microfinance institutions (NGOs, microfinance banks, rural banks, cooperative banks, cooperatives engaged in microfinance activities), which shall serve as the phase 1 onlending clients of the DBP under its wholesale window. The individual subloans of small-scale subborrowers comprising of midwives, OB-GYNs, General Practitioners, operators of diagnostic laboratories, mobile clinics, and botika ng bayan, may use the loan facility through the onlending operations of these MFIs and other private financial institutions (PFIs) qualified under the project. Approximately 18% or \$9.15 million will be allocated for this modality. DBP's monitoring activities will be focused on the performance of the MFIs and PFIs, which will in turn conduct loan administration activities on the subloans granted to their clients.

^b Refers to the projected number of public-private partnerships (PPP), which was assumed to access financing window through the retail lending operations of PFIs accredited by the DBP. An estimated \$5.87 million or 12% of the loan will be devoted to this window.

Source: Asian Development Bank estimates.

PRE-QUALIFICATION REQUIREMENTS FOR LGUS

REQUIRED DOCUMENTS

1. Letter of Application/Intent - duly signed by the Local Chief Executive (Mayor)
2. Sanggunian Initial Resolution indicating the following:
 - a. Authorizing the local chief executive (Mayor) to apply, borrow, negotiate, enter into contract, execute, sign loan agreements loan documents, deeds, credit facilities, and papers with the DBP-BHCP pertinent to the subproject to be financed;
 - b. Committing to participate and to avail of DBP-BHCP credit facility;
 - c. Committing to put up the required 10% equity;
 - d. Designating DBP as IRA depository bank
 - e. Continuing assignment of the LGU's applicable portion of its IRA, realty taxes and all other revenues to DBP until the loan is fully paid and interposing no objection to the IRA intercept in case of default by LGU in subloan amortization.
 - f. Authorizing the establishment of a Sinking Fund with DBP for construction or when the project needs more than 6 months to go on stream.
 - g. Maintenance with DBP of a special depository account under the general fund which will be debited for loan amortization payment;
 - h. Endorsement in favor of DBP of insurance policies on mortgaged properties. The insurance shall be placed by DBP through its appointed insurance broker.
 - i. Committing to establish a Subproject Implementation Unit (SPIU) or appoint qualified technical staff and/or project coordinator, provide office space and budget to expedite subproject implementation.
3. Provincial Investment Plans for Health
4. Description of the proposed subproject and cost and/or subproject feasibility study.
5. Budget for the Current Year.
6. Financial statements for the last three years including Statements of Income and Expenditures, Report of Revenues and Receipts and Balance Sheets
7. Certification as to the Outstanding Loan Obligations of the LGU stating the amount, interest, term, security/collateral, status, loan amortization among others.
8. Updated Socio-Economic Profile
9. Updated Revenue Code

These documents are for submission to:

Mr. Reynaldo David

President and Chief Executive Officer
Development Bank of the Philippines
Sen. Gil Puyat Avenue corner Makati Avenue
Makati City

Note: Please provide your contact number/s (and e-mail if available) for future correspondence. If available, please provide contact numbers here in Manila.

REQUIRED DOCUMENTS - Bureau of Local Government Finance (BLGF)

The LGU is also requested to submit to BLGF the requirements for the issuance of the certificate of maximum borrowing capacity and debt service capability. The requirements are:

1. Budget Operation Statement, Trial Balance with supporting documents for the General Fund for the last five years.
2. Certification from the Local Treasurer of the IRA received (gross and net) for the past five years.
3. Certification from the Local Assessor of the Taxable Assessed Value for the past five years and the dates of the last successful conduct of the general revision of real property assessments.
4. Certification of existing loans with the following details:
 - Kind of Loan and Other Obligations
 - Purpose of Loan and Other Obligations
 - Lending Agencies
 - Date of Approval and Maturity
 - Terms and Conditions
 - Amortization
 - Remaining Balance of Loans and Other Obligations or Certification from the Local Treasurer of the LGUs' absence of Outstanding Loans
5. COA Annual Audit Report for the last five fiscal years.
6. Budget for the Current Year.

CHECKLIST FOR INITIAL SCREENING OF LOCAL GOVERNMENT UNITS			
Name of Local Government Unit:			
Income Class:			
Province:			
Criteria	Yes	No	Remarks or Justification
1. Is the LGU a city or municipality outside metro manila?			
2. Is the LGU covered by a province-wide investment plan for health?			
3. Does the LGU have a local health services unit?			
4. Does the LGU have sufficient borrowing capacity and ability to put up the required equity for the subproject and to amortize the proposed loan? <i>(please see attached formula for computing estimated borrowing capacity of lgu)</i>			
5. Will the LGU be able to create a subproject implementation unit (spiu) and assign competent staff, allocate space and the necessary budget to cover for certain activities of the subproject?			
6. Will the LGU be able to put-up the required 10% equity for their proposed subproject?			
7. Does the LGU have an existing bank relationship or on-going transactions with DBP?			
8. Is DBP the Internal Revenue Allotment (IRA) depository bank of the LGU?			
9. Does the local Chief Executive or Mayor have the majority support of the city/municipal council members?			
10. Has the LGU submitted its letter of intent indicating its willingness to participate in the project and borrow from DBP?			
11. Does the LGU have experience in implementing health subproject upgrading projects?			
RECOMMENDATION/S:			
FOLLOW-UP ACTION:			

Submitted by:	Date:
Formula: Computation of Estimated Borrowing Capacity* (based on the Financial Status for FY 20__)	
	Amount (Peso)
Income Revenue Allotment (IRA)	
Local Revenues	
Total Local Income	
Total Income x 20% = Debt Service Capacity	
Less: Outstanding Loan – Annual	
Net Debt Service (Annual Amortization	

Note: *LGU has to request official certification from the Bureau of Local Government and Finance (BLGF)

PRE-RELEASE REQUIREMENTS FOR SUB-BORROWERS	
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|----|--|
| 1. | Certification that MOOE budgetary requirements are sufficient and sustained with the coverage of the necessary Sangguniang Bayan Resolution (City or Municipal Council Council). |
| 2. | Proof of PHIC accreditation or an application in-process for PHIC accreditation of the sub-borrower professional provider or health care facility. |
| 3. | Validation of promotion of service delivery in rural and underserved areas. |
| 4. | Validation of existing services and appropriate license to operate facility. |

CHECKLIST FOR INITIAL SCREENING OF LOCAL GOVERNMENT UNITS			
Name of Sub-borrower:			
Area of Operations:			
Province:			
Criteria	Yes	No	Remarks or Justification
1. Is the sub-borrower a primary health care service provider? If yes, please indicate type of facility <ul style="list-style-type: none"> ▪ family physician clinic ▪ rural health unit (rhu) ▪ birthing clinic ▪ Botica ng Bayan 			
2. Kindly indicate classification of borrower as to: <ul style="list-style-type: none"> ▪ public facility ▪ private facility ▪ public-private partnership 			
3. Is the LGU borrowing for any of the following purposes? <ul style="list-style-type: none"> ▪ construction of new district hospital ▪ renovation/expansion of existing district hospital ▪ construction of new provincial hospital ▪ renovation/expansion of existing provincial hospital 			
4. Is the private entity borrowing for any of the following purposes? <ul style="list-style-type: none"> a. laboratories and /or diagnostic centers (stand-alone) b. laboratories and/or diagnostic centers (in partnership C. with public hospitals 			
5. For sub-borrowers involved in public-private partnerships, kindly indicate type of services to be funded: <ul style="list-style-type: none"> ▪ primary health care services ▪ hospital facilities ▪ management services ▪ drugs distribution network in rural areas 			
6. Is the subproject located in any of the following: <ul style="list-style-type: none"> ▪ underserved area ▪ rural area ▪ province with PIPH 			
7. Is the facility or sub-borrower duly licensed by the DOH or the BFAD			
8. Is the facility or sub-borrower duly accredited with the Philippine Health Insurance Corp. (PHIC)?			
9. For private-public partnerships, is there a duly executed partnership agreement between the lgu and private sector subborrower ? If yes, is the partnership covered by any of the following: <ul style="list-style-type: none"> ▪ joint venture agreement ▪ Build-operate-transfer agreement ▪ Build-operate-own agreement ▪ Any other form of partnership, please specify. 			

SUMMARY FINANCIAL MANAGEMENT ASSESSMENT DEVELOPMENT BANK OF THE PHILIPPINES

A. Background

1. The Development Bank of the Philippines (DBP) was created in 1986 pursuant to Executive Order No. 81 dated 3 December 1986, as amended by Republic Act No. 8523, as a government financing institution aimed at providing credit facilities for the development and expansion of Philippine agriculture and industry. It had an initial capitalization of P5.0 billion.

2. In 1995, the Monetary Board of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas [BSP]) granted DBP an expanded banking license, to that of a universal bank,¹ authorizing a broad range of wholesale and retail credit facilities. DBP serves as a conduit for international funds from multilateral sources and bilateral institutions for official development assistance programs and grants.

3. Republic Act No. 8523 of February 1998 aimed to promote the bank's growth, stability, and long-term viability by (i) increasing DBP's authorized capital stock from P5 billion to P35 billion, (ii) creating the position of president and chief executive officer who will also serve as vice chairperson of the DBP board of directors, and (iii) exempting DBP from coverage by the Salary Standardization Law, 2008.

B. Corporate Powers of DBP

4. The DBP is subject to the regulations of the BSP. The bank's corporate powers include the following:²

- (i) to grant loans to local governments and private sector entities for purposes of rehabilitation, establishment, or development of any agricultural and/or industrial enterprise, including public utilities, infrastructure projects, mining, livestock industry, and fishing, whether offshore or inland;
- (ii) to grant loans to cooperative associations, individual employees of public and private corporations to facilitate agricultural and other industrial production, marketing, and the acquisition of essential commodities;
- (iii) to underwrite, purchase, own, sell, mortgage, or otherwise dispose of stocks, bonds, debentures, securities, and other evidences of indebtedness issued for or in connection with any project or enterprise for self-liquidating purposes and carry on the business of a trust corporation; and
- (iv) to organize, establish, and operate subsidiary corporations whenever necessary to better achieve DBP's objectives.

C. Organization Structure

5. DBP is governed by a board of directors consisting of nine members, with at least four members from the private sector, all subject to appointment by the President of the Philippines. A president and chief executive officer serves as vice chairperson of the bank's board. For the bank's day-to-day operations, a senior executive vice president is appointed as chief operating officer. The bank's major departments include the following: Trust Services, Program Lending

¹ Bangko Sentral ng Pilipinas: Universal and commercial banks represent the largest single group, with regard to resources, among the country's financial institutions. Among financial institutions, they offer the widest variety of banking services. In addition to the function of an ordinary commercial bank, a universal bank is authorized to engage in underwriting and other investment banking functions, as well as to invest in equities of non-allied undertakings.

² The Revised Charter of the Development Bank of the Philippines, Executive Order No. 81, s. 1986, as amended by Republic Act No. 8523.

Sector, Financial Resource Sector, Operations Sector, Corporate Banking Sector, and Branch Banking Sector. DBP has a network of 15 regional marketing offices and 77 branches throughout the country.

6. DBP has strictly adhered to BSP stipulations for a risk-based operational framework and capital adequacy. It has created eight board committees to ensure that good practices in corporate governance exist in the bank and also to implement proper risk management. These are (i) the Executive Committee, (ii) the Governance Committee, (iii) the Audit and Compliance Committee, (iv) the Committee on Risk Management, (v) the Human Resource Committee, (vi) the Management Committee, (vii) the Executive Credit Committee, and (viii) the Assets and Liabilities Committee.

D. Products and Services

7. DBP finances industrial, environmental management, public utilities, new and renewable energy, social development, and agro-industrial projects. It funds community development endeavors, including socialized housing assistance to property developers and homebuyers, microenterprise loans, and loans for hospitals serving both public and private sector clientele.

E. Project Management Structure and Funds Flow Arrangements

8. DBP has experienced no major problems in the receipt of funds through the imprest account. The credit policies ensure that risks are mitigated and priced accurately for sound and prudent banking operations. The credit policies are strengthened further by the establishment of delegated and authorized credit limits for the bank's senior officers and credit committee members. The 15 regional marketing offices and 77 branches will participate in the project implementation. The organization structure at the branch level includes the following: Transaction Processing Unit, Accounting Unit, Cash Management Unit, Appraisal Unit, and Program Lending Unit. The Credit Policy Review and Supervision Department performs credit monitoring, portfolio analysis, and credit risk and asset management. It monitors gains and losses in the bank's externally funded onlending projects. The Risk Management Unit provides management and operating units the credit risk rating system and structure for loan-loss provisioning.

F. Staffing

9. The Accounting Department consolidates accounts emanating from the operating units and maintains general ledgers. The Transaction Processing Department handles the subsidiary ledgers for all accounts. The minimum qualification standards prescribed by the BSP for various permanent officer-level positions and the Civil Service Commission qualification standards for positions of the finance and accounts staff are upheld by the bank at all times. Regular training and seminars are conducted for both the head office and branch personnel to ensure efficient delivery of services and maintenance of the bank's integrity. DBP account officers have attended Asian Development Bank (ADB) and World Bank-sponsored seminars on procurement, resettlement planning, gender and development planning, and loan disbursement procedures.

G. Accounting Policies and Procedures, Audit, and Budgeting

10. Accounting is based on the accrual method. As mandated by the BSP, effective from 2005, DBP adopted the Philippine Financial Reporting Standards and the Philippine Accounting Standards, which correspond to International Financial Reporting Standards and International Accounting Standards. The Philippine Financial Reporting Standards and Philippine Accounting Standards were issued by the Philippine Financial Reporting Standards Council. DBP is audited

annually by the BSP and Philippine Deposit Insurance Corporation for compliance with regulatory requirements. The Commission on Audit is DBP's external independent auditor.

H. Financial Performance³

11. DBP's selected balance sheet accounts are shown in Table A11.1. DBP's total resources grew at an average annual rate of 8.4% during 2004–2006. Its assets base reached P241.6 billion (\$5.14 billion) in 2006, higher by 13.0% from the previous year's reported assets level of P213.8 billion (\$4.55 billion). DBP's loans portfolio increased at an average annual growth rate of 29.9%, reflecting the bank's lending performance. The bank's loan portfolio of P137.83 billion in 2006 comprised 20.9% of loans extended by the wholesale banking sector and were made to 41 accredited financial institutions for their various developmental projects. A large portion of the increase in DBP's total assets can be traced to an unprecedented rise in its securities purchased under agreement to resell, which more than tripled from the level of P10.97 billion in 2005 to P42.68 billion in 2006. To increase its capital base, DBP issued tier 2 capital securities in January 2006 and hybrid tier 1 capital securities in September 2006.

12. The bank's total liabilities also exhibited an upward trend over the same period, growing at an annual average rate of 6.02%. The bank's deposit mobilization activities demonstrated positive results, as deposits reached P71.1 billion (\$1.51 billion) in 2006 and the average growth rate for 2004–2006 was 39.68%. DBP's borrowing activities reflected a slight decrease over the period, growing at an annual average rate of 9%, as its efforts were focused on efficient lending practices and managing its asset-liability gap. DBP's equity position increased at an annual average rate of 26.1%. The marked decrease in real and other properties owned or acquired by an average of 48% is evidence of the bank's improved credit supervision system.

Table A3.1: Selected Balance Sheet Accounts
(P billion)

Account	Year			Growth Rate 2006/2005 (%)
	2004	2005	2006	
A. Resources				
1. Cash Due from Banks	3.43	11.86	14.51	22.3
2. Investment in Bonds/Government Securities/TAs/Treasury Bonds	65.76	51.60	54.41	5.4
3. Equity Investments, net	0.16	0.16	0.16	0.0
4. Loans Portfolio, net	75.97	113.00	135.79	20.2
5. Real and Other Properties Owned or Acquired	4.43	3.95	0.58	(85.3)
6. Accounts Receivable—NG Forex Differential	46.57	22.19	14.94	(32.7)
7. Bank Premises, Furniture, Fixtures and Equipment	0.97	0.94	1.16	24.47
B. Liabilities and Capital Funds				
1. Deposits	36.44	50.77	71.09	40.0
2. Borrowings	141.53	129.97	120.65	(9.0)
3. Interests and Other Fees Payable	3.4	4.13	11.25	172.4
4. Unsecured Subordinated Debt	0.00	0.00	2.35	
5. Stockholders Equity	22.42	26.07	35.42	35.9

Source: Development Bank of the Philippines.

1. DBP's Projections: 2007–2010

13. DBP's projection parameters are based on indicators for real gross domestic product and inflation rates of the Department of Finance, such as inclusion of facilities under negotiation, additional tranches for official development assistance scheduled to expire in 1–2 years, resulting in a rise in borrowings for the projected period of 2007–2010. Decreasing interest rates

³ Conversion rate as of 15 February 2009: \$1.00 = P47.11

have been assumed for 2007–2009. An average 6.7% increase in total resources is assumed generated from average loan portfolio growth of 13.6% and 11.25% upward movement in investments. A 9% rise in borrowings is projected for 2007, followed by steady growth at an average rate of 6% for the next 3 years. For deposits, an average cost of 11.8% was applied for the same period while the cost of borrowings was assumed to average 3.85%.

14. Closer examination of the bank's nonperforming loans for 2004 and 2005 showed a decreasing trend, which reflects improvement in the quality of loans extended by the bank and its enhanced management of credit risks.

2. Income Statement Accounts

15. DBP's gross interest income grew steadily at an average annual rate of 13% from 2004 to 2006, while interest expenses increased at an average annual rate of 16% and there was additional income from securities, investments, and placements. By implementing cost-cutting measures (such as an early retirement program), the bank kept administrative expenses within manageable levels ranging from P4.38 billion in 2004 to P5.31 billion in 2006), yielding an average annual growth rate of 10%. Projections assumed a modest 3% growth rate of interest income over 2007–2010. This was accompanied by a minimum 4% rise in administrative expenses and 2% climb in interest expense.

Table A3.2: Actual and Projected Income Statements of DBP
(P billion)

Account	Actual					Projected	
	2004	2005	2006	2007	2008	2009	2010
Interest Income	11.54	13.39	14.63	13.59	14.84	13.46	15.28
Interest Expense	6.07	7.27	7.96	7.09	7.37	7.31	7.65
Net Interest Income before Provision for Impairment	5.47	6.11					
			6.68	6.51	7.46	6.15	7.63
Provision for Impairment	1.20	0.91	2.18	1.32	0.31	0.30	0.50
Net Interest Income after Provision for Impairment	4.27	5.20	4.50	5.19	7.15	5.85	7.13
Other Income	2.44	3.69	3.35	3.04	1.17	1.78	1.65
Other Expenses	4.38	4.98	5.35	5.65	5.01	5.26	5.52
Net Income Before Provision for Income Tax	2.33	3.91	2.50	2.58	3.31	2.37	3.26
Provision for Income Tax	(0.11)	0.11	-0.33	-0.13	0.05	0.10	0.10
Net Income After Tax	2.44	3.80	2.83	2.71	3.26	2.27	3.16

Source: Development Bank of the Philippines.

3. Financial Ratios of DBP

a. Capital Adequacy

16. DBP's capital adequacy ratios, calculated at 20 for 2005 and 28 for 2006, were above the 17.7 average for all Philippine banks. The bank has continually raised funds from operating income while its ratio of equity to assets ranged from 11% to 15% during the 3-year period, slightly above the recorded industry average of 11.7% for 2005–2006. The bank's equity to total liabilities gradually improved from 12% in 2004 to 17% in 2006.

b. Profitability

17. DBP's return on assets was stable at 2%, while the industry average was 1.3%. Meanwhile, the bank's return on equity surged from 13% to 17% in 2004–2006. The industry average for Philippine banks in 2006 was a return on equity of 11.8%.

c. Liquidity

18. DBP's ratio of loans to deposits ranged from 221% to 190%, which levels were much higher than the BSP's reported industry average of 72.5% to 69.4%. This reflects DBP's role as conduit for multilateral agencies, onlending to participating financial institutions (which are largely commercial banks) that secure DBP loans at concessional rates for relending to development-oriented projects and industries in exchange for carrying the risks associated with such loans.

Table A3.3: Financial Ratios of the DBP (%)

Indicators	2004	2005	2006
Capital Adequacy			
Equity/Assets	11	12	15
Equity Liabilities	12	14	17
Equity/assets at Risk or capital adequacy ratio	23	20	28
Asset Quality			
Nonperforming Loans Rate	10.01	6.94	2.12
Industry Average (BSP figures)	13.4	8.20	5.70
Earning Performance			
Return on Assets	2	2	2
Return on Equity	13	17	17
Liquidity			
Loans/Assets	37	52	56
Loans/Deposits	207	221	190
Quasi-Liquid Assets Ratio	25	34	42

BSP = Central Bank of the Philippines (Bangko Sentral ng Pilipinas).

Source: Development Bank of the Philippines.

I. Experience in Working with Externally Funded Projects

19. DBP has implemented various externally funded projects from KfW, Japan Bank for International Cooperation, International Bank for Rural Development, ADB, and other foreign institutions. The outstanding balance for all onlending loans (in yen, dollars, and euro) has been estimated at \$1.1 billion as of the end of August 2007. Regarding DBP's performance as an executing agency, an ADB project performance audit report for the third loan⁴ concluded that both DBP and the participating financial institutions exhibited strong financial performance and adhered to prudential financial management practices. In the Development of Poor Urban Communities Sector Project (footnote 4), DBP has put greater focus on lending to private sector developers in partnership with local government units and homeowners' associations.

⁴ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Development Bank of the Philippines in the Republic of the Philippines for the Development of Poor Urban Communities Sector Project*. Manila.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: Philippines: Credit for Better Health Care Project

**Lending/Financing
Modality:**

Financial Intermediary

**Department/
Division:**

Southeast Asia Department
Social Sectors Division

I. POVERTY ANALYSIS AND STRATEGY

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

The Asian Development Bank (ADB) poverty reduction strategy states "Poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services." The Philippine country poverty assessment states "Health status affects a person's ability to go to school, to obtain work and generate income, and to generally participate in society." The poverty assessment notes that access to quality health care is a pressing poverty issue, particularly for maternal and child health care and treatment of communicable disease, although health spending is well below international standards and on a downward trend. The Philippines country strategy and program update 2005–2007 calls for a refined focus to achieve more rapid poverty reduction and progress toward the Millennium Development Goals (MDGs). While fiscal constraints persist, it adds direct support for the MDGs will be coursed through off-budget financing. The Philippines' progress toward achieving the MDGs has been uneven. While the country appears to be on track for achieving most MDG goals, the goals are not yet met. The most recent MDG progress report^a calls for accelerating implementation of basic education and health care reforms, strengthening the capacity of local government units (LGUs) to provide basic services, and generating and mobilizing resources for MDG-related programs. The proposed loan has been designed to support achievement of the health-related MDGs without burdening fiscal capacity and while mobilizing additional resources by leveraging private participation.

B. Poverty Analysis

Targeting Classification: TI-M

1. Key Issues

Philippine progress in reducing poverty has been uneven, and the 2007 MDG report on the probability of achieving the 47 indicators associated with the eight MDG goals cautions that a high probability is not a guarantee of achievement. The Project focuses on health MDGs: Goal 4 to reduce under-five and infant mortality; Goal 5 to improve maternal health; and Goal 6 to combat HIV/AIDS, malaria, and other diseases. The Philippines' performance has been mixed. The probability is high for achieving indicators 4.1 on under-five mortality, 4.2 on infant mortality, and 6.6 on malaria. The probability is medium for achieving indicator 6.9 on the prevalence of tuberculosis. The probability is low for achieving indicator 4.3 on child immunization, indicator 5.1 on maternal mortality, indicator 5.2 on the proportion of births attended by a skilled birth attendant, indicator 5.3 on the use of contraceptives, and indicator 6.9 on deaths from tuberculosis.^b

The Project was designed to support implementation of the Government's agenda in health sector reform toward achieving the MDGs. The Department of Health (DOH) Fourmula One for Health (F1) reforms enhance access to primary medical care services, strengthen effective access to secondary referral care services, promote partnership between the public and nongovernment sectors to address gaps in the public system, and promote innovative strategies for health system performance and efficiency gain.

The *Kapit Bisig Laban sa Kahirapan* (KALAHI), which means linking arms against poverty, was launched in 2001 as the Government's strategic framework for poverty reduction. The framework has five components: (i) accelerated asset reform, (ii) improved access to human development services, (iii) provision of employment and livelihood opportunities, (iv) security from violence and social protection, and (v) institutionalized and strengthened participation. The KALAHI approach bringing together all levels of government, the private sector, nongovernment organizations (NGOs), and the target groups (farmers and landless rural workers, fisherfolk, informal sector workers, indigenous peoples, women, children, youth, the elderly, and victims of calamities). KALAHI-CIDSS (Comprehensive and Integrated Delivery of Social Services) is the Government's flagship program for improving access to human development services using a community-driven development approach and providing funding for microfinance for livelihood development and basic infrastructure investment, including in barangay health stations.

The Project links to the KALAHI strategy in several ways. The aim is to reduce poverty through achieving the health-related MDGs by improving access to basic health services (component i) while creating employment and livelihood opportunities (component iii) with the participation of government, the private sector, and NGOs. The Project provides an innovative package of health industry financial services enabling health service sector professionals to establish or expand their services. A significant portion of the investment will be for such micro-health enterprises as birthing homes and distributors and retailers of generic drugs, as well as for such small health enterprises as rural health units, primary care hospitals, or upgrading secondary care hospitals. Local governments with limited fiscal capacity will gain access to off-budget means (through a development financial intermediary) to borrow for their health investment needs. The Project encourages public-private partnerships by enabling the public sector to guarantee a minimum level of income to private investors, thus resulting in increased provision of health care services at a lower cost to the government. DOH and the Philippines Health Insurance Company (PHIC) are also partners in the Project by facilitating accreditation and expansion plus timely reimbursements of health care delivery costs.

Accreditation and PHIC reimbursements enable health care providers to deliver services at a lower cost, resulting in reduced out-of-pocket expenses for patients and enabling local governments to expand their indigent health care.

Achieving goals 4, 5, and 6 targets for reducing child and infant mortality, maternal mortality, and deaths from tuberculosis requires improved access to front-line health personnel, to midwives and nurses, to basic drugs backed up by doctors for complications, and to a referral service for life-saving hospital care. The single best strategy for reducing maternal and neonatal mortality is for women to deliver in a medical facility with midwives and a medical team available. Death from tuberculosis accounts for 10% of all deaths in the Philippines and is preventable through public health care implemented at the primary health care (PHC) level. The leading causes of death for children under 5 years old are neonatal deaths followed by diarrhea and upper respiratory diseases.

The loan products will be marketed by the Development Bank of the Philippines (DBP) through its regional centers. DBP's 17 regional centers are positioned to reach out to underserved areas. DBP has already initiated this outreach effort working with the League of Provinces and professional health service provider organizations. The impact on poor and low-income households will be achieved through the choice of eligible investments. Expanding PHIC accreditation of public and private health service providers reduces health service costs. Expanding private birthing centers, small doctor practices, basic generic drugs, and simple diagnostic facilities outside of a hospital setting brings basic health care to relatively underserved areas, thereby enabling timely access while reducing transportation costs. Subloans to provincial governments for rehabilitating rural health units, upgrading the capacity of hospitals, and improving referral networks enable delivery of public health programs and timely access to basic lifesaving care.

2. Design Features. Special features of the Project enhance its MDG-targeting impact. The list of eligible and ineligible investments focuses on essential investments for achieving MDGs 4, 5, and 6. Allowable investments by type and level of health services provider were screened to ensure the greatest gain in public health and focus on the key elements required for PHIC accreditation, thus enabling service delivery at lower cost. The social marketing components provide outreach to types of investors, such as midwives, who are generally outside the scope of formal financial services and provide access to entrepreneurial training to support the business aspects of their investments. Local government is expected to take up the bulk of the investment in rural health units, either directly or through partnerships. Local government eligibility criteria include prior preparation of a health investment plan and a commitment to increase support for indigent health care.

C. Poverty Impact Analysis for Policy-Based Lending

Not applicable

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis

The Project's ultimate beneficiaries are women, children, indigents and the ill, and families.

Women bear multiple costs of inadequate access to health care in their reproductive and child-rearing roles. Maternal mortality is intractably high. Fifty-five percent of all Filipino women deliver at home. Yet one of the major interventions to reduce maternal mortality and improve neonatal survival is for a woman to deliver at a properly equipped health facility attended by a professional. Location plays a large role in determining place of delivery. In rural areas, 43% of women in the highest income quintile deliver at home, while among their better-served urban counterparts only 17% of women in the highest income quintile deliver at home.^c The most frequently cited reason for women delivering at home is cost. Hospital delivery is expensive. Public programs provide free antenatal care for poor women but not the cost of delivery. Facilitating PHIC accreditation of service providers, including midwives, reduces patient out-of-pocket costs and brings quality obstetric care closer to home at a significantly lower cost.

The leading causes of death among children under 5 years old are largely preventable: pneumonia, diarrhea, and measles. Poor access to PHC results in underutilization, thus transforming manageable illnesses into catastrophic events. The rural health units (RHUs) are often understaffed and essential drugs stocked-out, thus constraining their support to the barangay health station (BHS) front-line care and public outreach programs. RHUs and BHSs jointly provide 50% of all outpatient care. Upgrading rural health units performance is key to effectively delivering PHC and reducing the leading causes of under-5 mortality.

The same proportion of poor and nonpoor—many of whom are near-poor—self-medicate when ill. The most significant difference between poor and nonpoor is in the choice of service provider; the public sector provides more than half of all care for the poor and nonpoor.^d The private sector also serves a surprisingly large proportion of the poor. In Metro Manila, the poor almost exclusively use the public health system for outpatient care, and 60% make use of city and barangay health services. The public sector serves about 60% of the nonpoor. Outside of Metro Manila, 75% of the poor utilize the public health system for outpatient services compared to about 60% of the non-poor. The private sector provides the balance. While private sector medical care is sometimes viewed as beyond the reach of the poor, it is in fact an important partner to government in providing health care services to the poor.

Drug costs are high, and outside the major cities distribution is uneven and unreliable. The Government has initiated a program to ensure the availability of essential generic medicines at the municipal level by promoting private sector investment in generic drug distribution and stocking. The Project targets expansion of provincial or regionally based distribution networks and upgrading of small retail or cooperative pharmacies as generic drug outlets.

Families are aware of local health care conditions, including staffing, quality of services, and availability of medication. As a result, even the poor will go into debt and leapfrog PHC facilities to reach higher quality health care at a public or private hospital with a good reputation. As a result, hospitals are overburdened by the demand for outpatient PHC services that should have been provided at lower-level facilities and their capacity to deliver appropriate hospital services is diminished. In addition, when PHC services are provided in a hospital setting, they are delivered at high cost that unnecessarily burdens either local government coffers or private patients' pocketbooks.

B. Consultation and Participation

1. Provide a summary of the consultation and participation process during the project preparation.

Extensive consultations were carried out during the design phase of the Project to determine (i) health investments that will help in achieving MDGs, (ii) potential health care services investors and the loan conditions they prefer, and (iii) the factors that would facilitate these investments. Consultative methods included presentations to associations, key person interviews, plus focus group discussions and small group workshops for consensus development. Consultations covered national government agencies, such as the DOH, Philippine Council for Accreditation of Health Organizations, PHIC, and Philippine International Trading Corporation. International organizations active in the health sector were included, such as World Health Organization, German Agency for Technical Cooperation, United States Agency for International Development, and the World Bank. The main focus was on representatives of targeted subloan investors: provincial government health officials, the University of the Philippines, Doctors to the Barrio program managers, Philippines Doctors Association, Private Hospitals Association, Drug Association, Midwives Association, owners of primary and secondary hospitals, and owners of tertiary hospitals regarding construction of outpatient satellite clinics, cooperatives, not-for-profit franchises providing maternal and child health services, family doctors, midwives, and providers of support services such as for physical rehabilitation providers, clinical laboratories, and pharmacists. Although the Project is national in scope, the consultations focused on Davao City in region XI; Sta. Maria and San Miguel municipalities in Bulacan, region III; Iloilo City in region VI; Cebu City in region VII; and Cagayan de Oro City and Misamis Oriental in region X in Mindanao. These areas were selected because of their limited health services and low-income rural areas.

2. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?

Information sharing Consultation Collaborative decision making Empowerment

3. Was a C&P plan prepared? Yes No

C. Gender and Development

1. **Key Issues:** Low access to affordable quality basic care is reflected in the health status of the family, increases the burden on women as caretakers, and raises the risks associated with pregnancy and delivery. The Project encourages investments addressing women's reproductive health needs, including for safe maternal and neonatal care through the development of midwives- and obstetrician-owned birthing facilities. Professional midwives are female micro-entrepreneurs outside the scope of traditional microfinance development schemes that face difficulties upgrading and expanding their businesses because of inexperience with banking and with health facility financial management. They have difficulty in achieving PHIC accreditation, although that would help offset their clients' low ability to pay. Obstetricians seeking to open facilities in rural areas are generally experienced with banks and banking but are otherwise subject to the same constraints as midwives.

2. **Key Actions.** Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process.

Gender plan: Included as Appendix 14 Other actions/measures No action/measure

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Significant/ Limited/ No Impact	Strategy to Address Issues	Plan or Other design Measures
Involuntary Resettlement	No impact	DBP requires private sector proponents to own the sites of subloan investments. To reduce credit risk, DBP will assess all private investments and will not finance subloan proposals that would cause any involuntary resettlement impacts. DBP will carry out due diligence on all investments and only finance those that are wholly owned with clear title and free of any informal settler issues. DBP has sufficient experienced property appraisers to execute the due diligence required. DBP's operating guidelines on the use of the project funds will include involuntary resettlement safeguard procedures to flag all subloan proposals with potential involuntary	<input checked="" type="checkbox"/> Resettlement Framework

		resettlement impacts. In their due diligence report, account officers and the property appraiser will indicate whether a proposed subproject would cause any involuntary resettlement impacts, and, if not, whether there had been any eviction of informal dwellers, as well as whether involuntary resettlement guidelines had been followed and all requirements had been met. DBP's programs unit will ensure and certify compliance, that no subloan credit application was approved that would cause any involuntary resettlement impacts, and that no eviction of informal dwellers had been undertaken. A resettlement framework has been prepared detailing the procedures to be followed by DBP to ensure there are no involuntary resettlement impacts associated with the Project.	
Indigenous Peoples	Limited	As the proposed Project is a financial intermediary loan, the subloan site locations are not known. While the Project is national in scope, the activities will be location-specific. The impact of the proposed loan on indigenous peoples will depend on the nature and location of eligible investments proposed by subloan borrowers interested in accessing the credit facility. The location may include indigenous people locations, such as tribal barangays, indigenous people ancestral domains, or proposed ancestral domains. Subloan proponents may be indigenous peoples, non-indigenous peoples, or other organizations. Eligible public sector subloans will not have an indigenous people impact, as they are required to maintain or restore a level and type of service already provided. Private commercial sector subloans are not expected in most indigenous people areas, because remote and low population density areas generate little demand. Private charitable organizations with outreach to indigenous people areas generally meet their capital requirements from their memberships. Credit demand may exist in the population centers of special areas where large parts or an entire province has been designated as an indigenous people's area. Free and prior informed consent is only required, however, if the proponent is a migrant. As loan operational guidelines require the proponents to hold title to their proposed project sites, subloan proposals from migrants are unlikely to qualify. Few and possibly no subloans with indigenous people impacts are expected. An indigenous people framework has been prepared that details the procedures to be followed to screen and identify subloan proposals for potential indigenous people impacts as part of the initial credit assessment, specifies the actions required, and monitors compliance.	<input checked="" type="checkbox"/> Indigenous Peoples Framework
Labor <input checked="" type="checkbox"/> Employment opportunities	Limited Impact	The Project's subloans create employment in the health care sector through investments in such health care microenterprises as birthing clinics and pharmacies.	<input checked="" type="checkbox"/> No Action
Affordability	Significant	The Project increases health care affordability by improving access to PHC at the local level, where it can be delivered at lower cost and closer to home. The Project facilitates enrollment in the PHIC outpatient care benefit package that reduces out-of-pocket costs for private patients and enables local governments to cover more indigents from the same budget.	<input checked="" type="checkbox"/> No Action
Other Risks / Vulnerabilities	No impact		
IV. MONITORING AND EVALUATION			
Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

^a National Economic Development Authority. 2007. *The Philippine Millennium Development Goals: Where Are We Now?* Manila.

^b National Statistical Coordination Board. MDG Watch. http://www.nscb.gov.ph/stats/mdg/mdg_watch.asp (accessed 5 December 2007).

^c Gwatkin, et al. 2000. *Socioeconomic Differences in Health, Nutrition, and Population in the Philippines*. Health, Nutrition and Population/ Poverty Thematic Group of the World Bank. Manila.

^d ADB. 2004. *Annual Poverty Indicator Survey 2004, Economic and Research Department Calculation*. Manila.

GENDER AND DEVELOPMENT ACTION PLAN

Activities (with related indicators/targets)	Responsibility	Time
Output 1: Upgraded LGU health services		
DBP social marketing focuses on LGU facilities targeted to be basic emergency obstetric centers and comprehensive emergency obstetric centers.	DBP (Marketing Unit) DBP 6-month report to ADB	Ongoing
Output 2: More efficient health care delivery systems through PPP and innovative strategies		
Invitation to PPP seminars extended to representatives of NCRFW, IMAP, PLPGMI, and other relevant midwives associations, women's NGOs, and civil society, including faith-based organizations (target: 30% women's representation).	DBP (Marketing Unit) DBP 6-month report to ADB	Ongoing
Output 3: Improved access to small-scale private providers		
3(a): Supporting PHIC's review for midwives' accreditation standards, process and benefit package Consultations (50 participants each) carried out by the NGO, with 75% target participation of stakeholders (DBP, DOH and PHIC representatives) and beneficiaries; PHIC accreditation standards, benefit packages, and claims processing requirements for midwives reviewed (and possibly revised); and 900 midwives accredited by PHIC in the three target provinces.	DBP	Months 1–6 Months 1–24
3(b): Development of a training curriculum and modules for midwives (i) Training needs assessment carried out in three target provinces; (ii) training of trainers sessions organized in three target provinces; (iii) 60 five-day forums organized quarterly and facilitated by 30 trainers (representing 50% of the initial pool) in three selected municipalities and cities in each of the three target provinces; (iv) 75% target participation of DBP, DOH, and PHIC representatives; (v) at least 1,800 PHIC non-accredited midwives trained and received certification in health course toward PHIC accreditation by 2011; and (vi) at least 1,800 midwives trained in health enterprise financing and banking literacy, of which at least 50% will have prepared business proposals by 2011.	Health NGO engaged by DBP, in collaboration with DOH and PHIC DBP 6-month report to ADB	Months 1–3 Month 24
3(c) Development of loan packages for midwives by credit lending agencies (i) Market research on target midwives, loan package, and social marketing strategies and materials developed in consultative manner and on time; (ii) loan products for midwives pilot tested; and (iii) at least 30% of midwives (2010) and 50% of midwives (2011) from baseline will have consulted lending agencies for credit application.	DBP (Marketing Unit) DBP 6-month report to ADB	Months 1–3 Months 3–6 Months 6–24
3(d) Legal empowerment on women's health rights, entitlements, and services (i) Number of women enabled through legal empowerment training initiatives; (ii) number of indigent women registered under the PHIC indigent sponsored program (30% increase from baseline in year 1, and 50% increase from baseline in year 2); and (iii) number of LGU maternal and reproductive health policies, laws, and regulations adopted at LGU level.	Legal service NGO recruited by the health NGO DBP 6-month report to ADB	Months 6–24
Output 4: Enhanced institutional capacity for health sector lending		
(i) Assessment of progress in outreach will be carried out at midterm and project closing; (ii) midterm review will include meetings with participating MFIs, midwives organizations, and midwife borrowers; and (iii) based on the key findings, corrective modalities may be developed and include (a) gender audit of DBP staff and programs, (b) gender assessment of training tools and modules, (c) adoption of corrective measures.	DBP (Marketing Unit) DBP 6-month report to ADB	Ongoing

ADB = Asian Development Bank, DBP = Development Bank of the Philippines, DOH = Department of Health, IMAP = Integrated Midwives' Association of the Philippines, LGU = local government unit, MFI = microfinance institution, NCRFW = National Commission on the Role of Filipino Women, NGO = nongovernment organization, PHIC = Philippine Health Insurance Corporation, PLPGMI = Philippine League of Government and Private Midwives Inc., PPP = public-private partnership.

Source: Asian Development Bank.

DETAILED COST ESTIMATES

Table A6.1: Detailed Cost Estimates by Expenditure Category (\$ million)

Items	Total Cost	% of Total Base Cost
A. Investment Costs^{a,b}		
1. Civil Works	26.33	41.54
2. Equipment	22.54	35.58
3. Working Capital ^c	2.27	3.58
4. Consultants		
a. Capacity Development of DBP ^d	0.50	0.79
b. Capacity Development of Subborrowers ^e	0.40	0.63
5. Training and Workshops ^d	0.06	0.10
6. Surveys, Studies, Website Enhancement, Monitoring and Evaluation	0.64	1.01
7. Project Management ^{d,f}	2.69	4.25
Subtotal (A)	55.43	87.48
B. Contingencies^g		
1. Physical	2.29	3.62
2. Price	4.09	6.45
Subtotal (B)	6.38	10.07
C. Financing Charges During Implementation^h		
1. Interest During Implementation	1.22	1.92
2. Commitment Charges	0.23	0.37
3. Service charge/Spread	0.10	0.16
Subtotal (C)	1.55	2.44
Total Project Cost (A+B+C)	63.36	100.00

DBP = Development Bank of the Philippines.

^a Investment costs are estimates in September 2008 prices.

^b Taxes and duties of approximately \$5.50 million based on 12% allocation for civil works, equipment, and working capital. All taxes and duties on civil works, equipment and working capital will be covered by the subborrowers' equity (not covered under ADB loan proceeds)

^c Working capital includes the initial costs or seed money for consumables (justification required), cost of drugs, feasibility study, and operations expense.

^d Financed by DBP.

^e Partially financed by the Gender and Development Cooperation Fund.

^f Project management cost was derived from salaries (for consultants in house staff), office space, transportation expenses, other expenses of DBP during project implementation and maintenance and other operating expenses of subborrowers.

^g Contingencies: Physical contingency computed at 5% for civil works and equipment, and price contingency was applied at 8% for consultants, training and workshops, surveys, studies, website enhancement, monitoring and evaluation as well as civil works and equipment.

^h Includes ADB financing charges during implementation estimated at 25-year yen London interbank offered rate and commitment fee of 0.15% on unavailed balance, and 0.2% fixed service charge to be capitalized under the loan.

Source: Asian Development Bank estimates.

Table A6.2: Detailed Cost Estimate by Financier (\$ million)

Item	Cost	ADB		DBP		Equity	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^{a,b}							
1. Civil Works	26.3	22.55	85			3.	
2. Equipment	22.5	19.30	85			3.	
3. Working Capital ^c	2.	0.9	39.43			1.	
4. Consultants							
a. Capacity Development of DBP ^d	0.			0.	100.		
b. Capacity Development of Subborrowers ^e	0.	0.4	100				
5. Training and Workshops ^d	0.			0.	100.		
6. Surveys, Studies, Website Enhancement, Monitoring and Evaluation	0.			0.	100.		
7. Project Management ^{d,f}	2.			0.	2.	2	
Subtotal (A)	55.4	43.14	7	1.		10.4	
B. Contingencies^g							
1. Physical	2.	2.1	9			0	
2. Price	4.	3.5	8	0.		0	
Subtotal (B)	6.	5.7	8	0.		0	
C. Financing Charges During Implementation^h							
1. Interest During Implementation	1.	1.2	100				
2. Commitment Charges	0.	0.2	100				
3. Spread	0.	0.1	100				
Subtotal (C)	1.	1.5	100				
Total Project Cost (A+B+C)	63.3	50.40	7	1.		11.0	

DBP = Development Bank of the Philippines.

^a Investment costs are estimates in September 2008 prices.

^b Taxes and duties of approximately \$5.50 million based on 12% allocation for civil works, equipment, and working capital. All taxes and duties on civil works, equipment and working capital will be covered by the subborrowers' equity (not covered under ADB loan proceeds).

^c Working capital includes the initial costs or seed money for consumables (justification required), cost of drugs, feasibility study, and operations expense.

^d Financed by DBP.

^e Partially financed by the Gender and Development Cooperation Fund.

^f Project management cost was derived from salaries (for consultants in house staff), office space, transportation expenses, other expenses of DBP during project implementation and maintenance and other operating expenses of subborrowers.

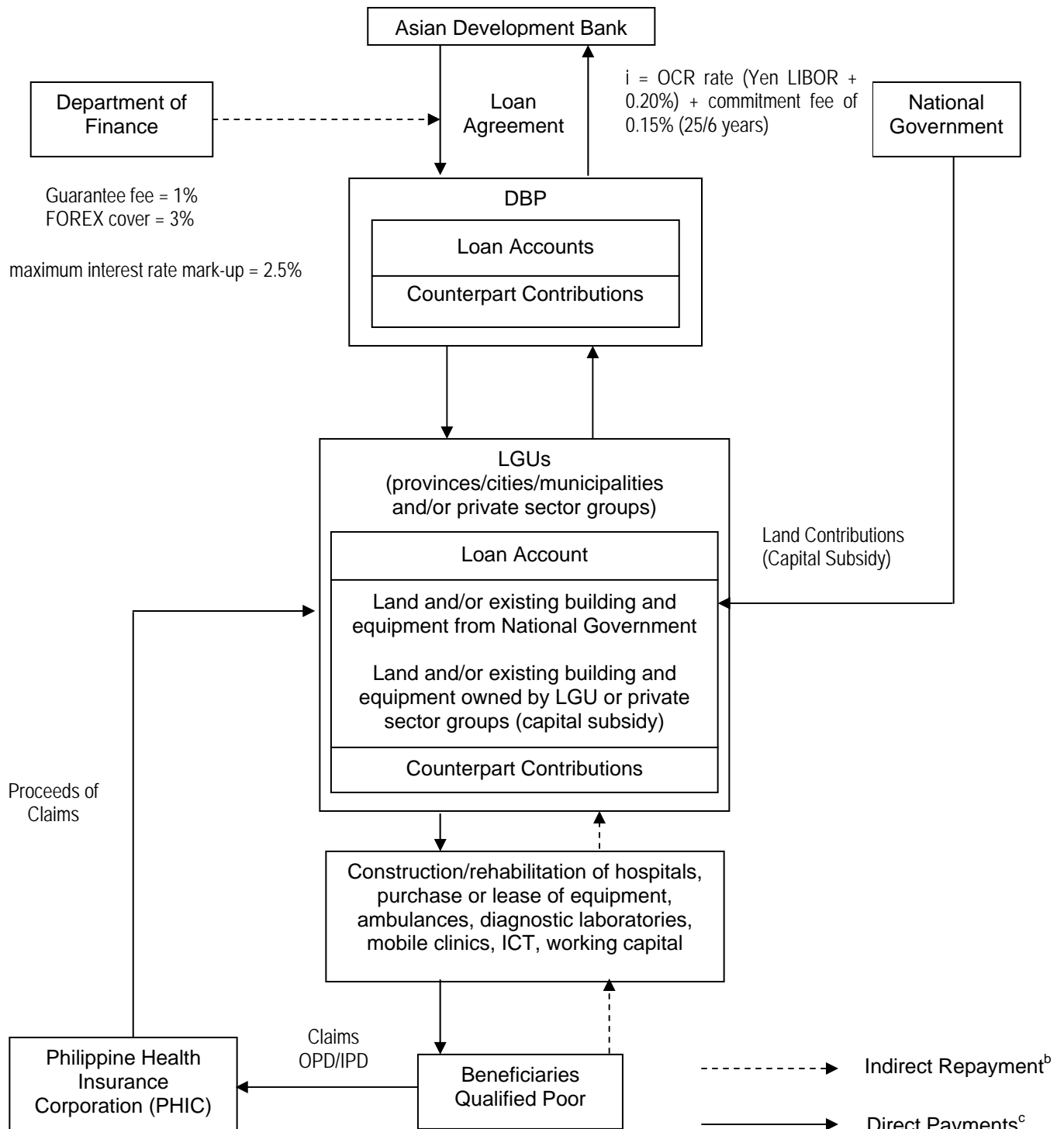
^g Contingencies: Physical contingency computed at 5% for civil works and equipment, and price contingency was applied at 8% for consultants, training and workshops, surveys, studies, website enhancement, monitoring and evaluation as well as civil works and equipment.

^h Includes ADB financing charges during implementation estimated at 25-year yen London interbank offered rate and commitment fee of 0.15% on unavailed balance, and 0.2% fixed service charge to be capitalized.

Source: Asian Development Bank estimates.

FINANCING ARRANGEMENTS AND FUND FLOW CHARTS

Figure A7.1: Funds Flow for Retail Relending^a



DBP = Development Bank of the Philippines, ICT = information and communication technology, LGU = local government unit, OCR = ordinary capital resources.

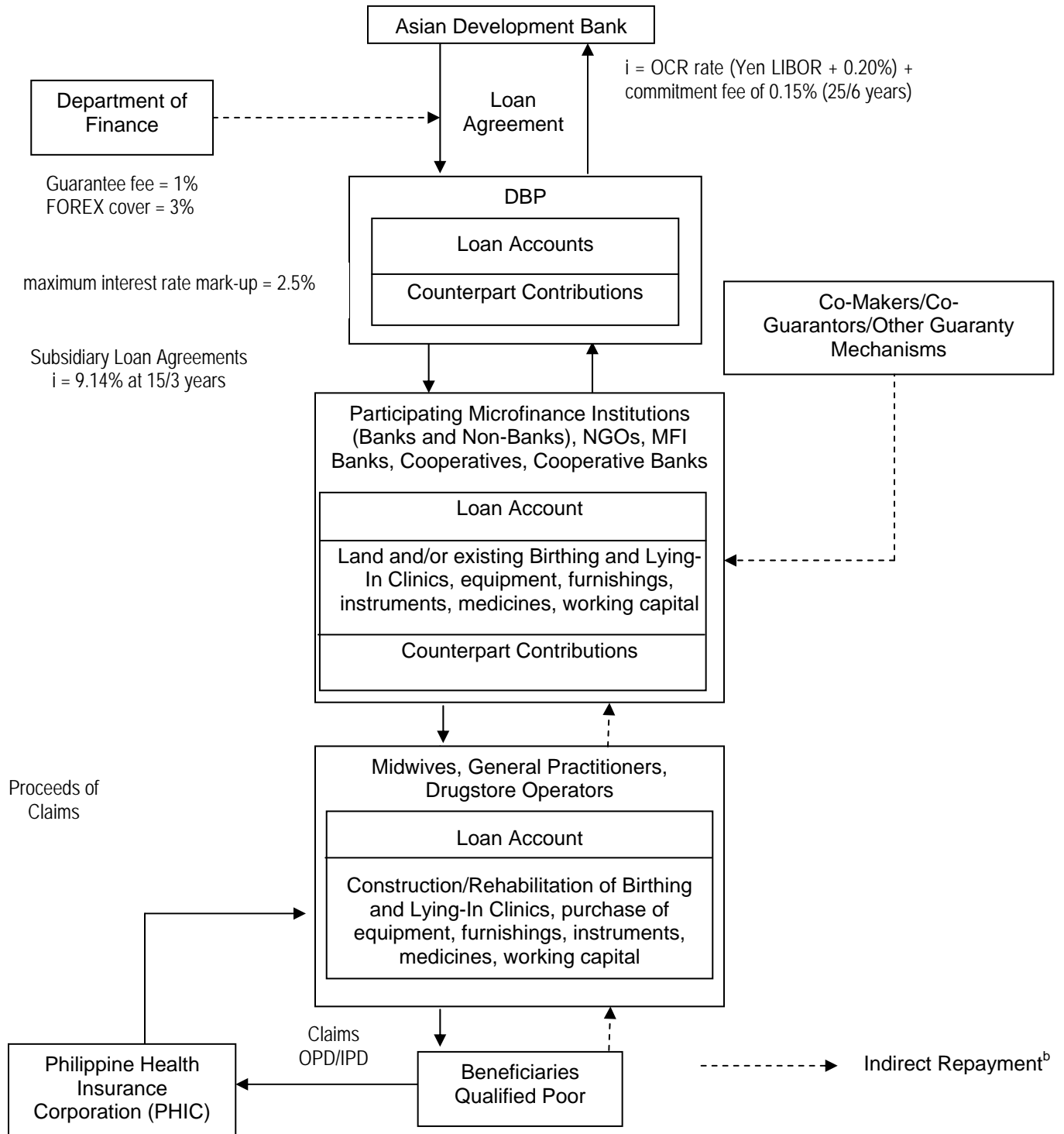
^a DBP will relend to LGUs and private sector.

^b Alternative modes of loan repayment are being explored such as through agreements with PHIC.

^c Subborrower LGUs and private sector proponents will remit to DBP all retail subloan repayments due with funds sourced from various income streams.

Source: Asian Development Bank.

Figure A7.2: Funds Flow Wholesale Relending^a



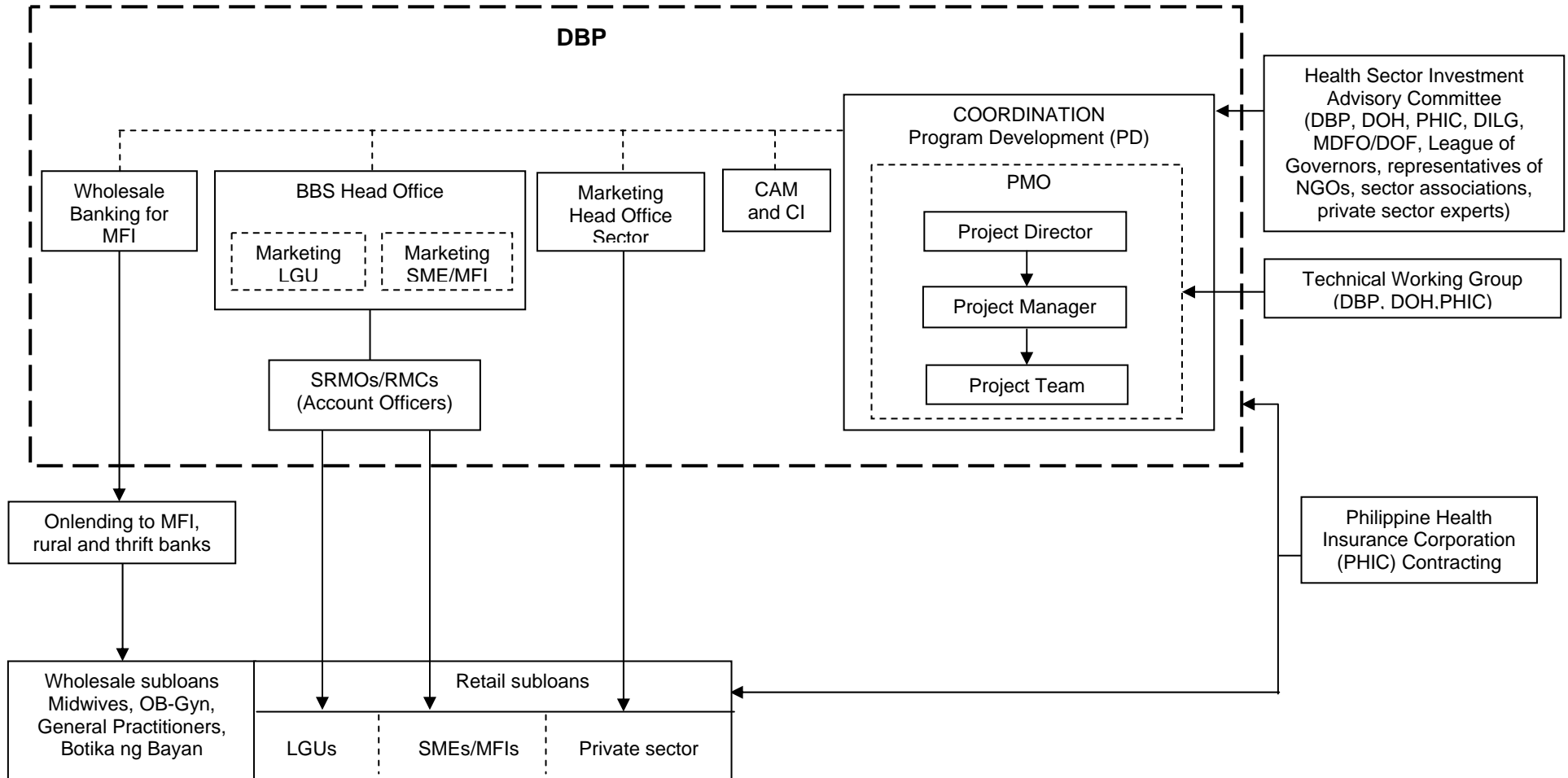
DBP = Development Bank of the Philippines, ICT = information and communication technology, MFI = microfinance institutions, OCR = ordinary capital resources.

^a DBP will relend to accredited financial intermediaries, which will onlend to their qualified clients.

^b End-borrowers will repay their loans to financial intermediaries who in turn will remit to DBP all subloan (with interest) repayments.

Source: Asian Development Bank.

ORGANIZATIONAL STRUCTURE



BBS = Branch Banking Sector, CAM = Credit and Appraisal Management, CI = credit investigation, DBP = Development Bank of the Philippines, DILG = Department of Local Government, DOF = Department of Finance, DOH = Department of Health, ED = evaluation department, LGU = Local Government Unit, MDFO = Municipal Development Fund Office, MFI = microfinance institution, NGO = nongovernment organization, PHIC = Philippine Health Insurance Corporation, PMO = project management office, RMC = Regional Marketing Center, SRMO = Super Region Management Office.

Source: Asian Development Bank.

PROJECT IMPLEMENTATION SCHEDULE

Description	2009				2010				2011				2012				2013				2014				2015			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Output 1 – Upgraded LGU health services																												
1.1 Identify target groups and geographical locations of LGUs meeting project development objective (PIPH, F1)																												
1.2 Market the project relending																												
1.3 Identify LGU fiscal capacity and willingness to borrow																												
1.4 Assist in the preparation of or train potential subborrowers on business proposals (following health facility rationalization plan)																												
1.5 Evaluate LGU proposals and financial sustainability of investment by PMO, and identify if potential for the Project relending																												
1.6 Evaluate safeguards (e.g., indigenous peoples, involuntary resettlement, environment), and other compliances required from LGUs																												
1.7 Formulate DBP and PHIC contracts with subborrowers																												
1.8 Assist in the preparation of feasibility studies, detailed architectural and engineering designs and the other risk mitigating plans for safeguards for evaluation and approval of subprojects																												
Output 2 – More efficient health care delivery systems through PPP and innovative strategies																												
2.1 Conduct Workshop on PPP																												
2.2 Identify target groups, geographical locations for subborrowers meeting project development objective, and market the Project																												
2.3 Assist in the preparation of or train potential subborrowers on business proposals																												
2.4 Evaluate safeguards and other compliances for the loan																												
2.5 Formulate DBP and PHIC contracts with subborrowers																												
Output 3 – Improved access to small-scale private providers																												
3.1 Conduct workshop for financial intermediaries																												
3.2 Identify target groups, geographical locations for subborrowers meeting project development objective, and market the Project																												
3.3 Assist in the preparation of or train potential subborrowers on business proposals																												
3.4 Evaluate safeguards and other compliances for the loan																												
3.5 Formulate DBP and PHIC contracts with subborrowers																												
Output 4 - Enhanced institutional capacity for health sector lending																												
4.1 Prepare health policy framework and guidelines on the project relending																												
4.2 Develop 5-year marketing strategy for the Project																												
4.3 Implement 5-year marketing strategy to support the Project for retail and wholesale relending																												
4.4 Develop wholesale credit facility for the Project																												
4.5 Develop guidelines for wholesale credit facility for the Project																												
4.6 Subcontract BAC for the development of training materials and teaching contracts																												
4.7 Train DBP HQ, regional and local staff on the project development objective, compliances, lending modality, etc.																												
4.8 Contract consultants for PMO																												
4.9 Phase I evaluation and streamlining the Project																												
4.10 Midterm review (jointly with the Government and cofinanciers)																												
4.11 Contract consultants for independent evaluation of project																												
4.12 Conduct the project Impact assessment																												
4.13 Updating 5-year procurement plan, and 1-year detailed implementation plan, with disbursement targets																												
Output 1-4: Procurement of Goods and Services																												
Output 1-4: Implementation and Monitoring																												

BAC = Bids and Awards Committee, DBP = Development Bank of the Philippines, HQ = headquarters, LGU = local government unit, PHIC = Philippine Health Insurance Corporation, PIPH = province-wide investment plan for health, PMO = project management unit, PPP = public-private partnership.
Source: Asian Development Bank.

PROCUREMENT PLAN

B. General

Country	Republic of the Philippines	Amount	
Name of Borrower	Government of the Philippines	Executing Agency	Development Bank of the Philippines
Project Name	Credit for Better Health Care Project	Approval Date of the Procurement Plan	14 August 2008
Loan Reference		Period Covered by this Plan	

B. Procurement Project Thresholds

Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works:

Method	Threshold	Method	Threshold
Procurement in Loans to Financial Intermediaries (PLFI) PLFI will be the default mode of procurement undertaken by beneficiaries of the Loan unless otherwise specified in the procurement plan	Procurement is to be carried out in accordance with established private sector or commercial practices, acceptable to ADB. ICB however may be the most appropriate procurement method for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.	National Competitive Bidding (NCB) for Works	More than \$100,000 up to \$5,000,000
International Competitive Bidding (ICB) for Works	More than \$5,000,000	National Competitive Bidding (NCB) for Goods	More than \$100,000 up to \$1,000,000
International Competitive Bidding (ICB) for Goods	More than \$1,000,000	Shopping (SHP) for Works and Goods	\$100,000 or less
		Community Participation	\$30,000 or less

C. ADB Prior or Post Review

Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project:

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
PLFI	Post	Procurement is to be undertaken in accordance with the <i>Procurement Guidelines</i> (2007, as amended from time to time) chapter iii para 3.12 where the financing provides funds to an intermediary institution to be re-lent to beneficiaries for the partial financing of subprojects
ICB	Prior	ADB will review the prequalification documents (where prequalification is used), bidding documents, and bid evaluation reports to ensure that they comply with the <i>Procurement Guidelines</i> .
NCB	Post	EA will submit for ADB's review and approval the draft bid documents of the first procurement under ICB and NCB. EA will use the ADB's approved draft procurement documents as a model for all procurement under NCB.
All other methods of selection	Post	Usage subject to <i>Procurement Guidelines</i>
Recruitment of Individual Consultants		
Individual Consultant Recruitment by EA	Prior	EA selects, contract and manage contract. One EA submission is required, namely, candidate ranking and draft contract. <i>Guidelines</i>

Procurement Method	Prior or Post	Comments
		<i>on the Use of Consultants</i> (2007, as amended from time to time) chapter II, A.1.a and PAI 2.03.
Recruitment of Consulting Firms		
All methods of selection	Prior	EA selects, negotiates and manages the contract. Three EA submissions are required namely, shortlist, technical evaluation, financial ranking and minutes of negotiations and draft contract. <i>Guidelines on the Use of Consultants</i> chapter II, A.1.a. and PAI 2.02, Part E, B. For CQS, there should be a shortlist of a minimum of three firms which submit amplified EOIs. <i>Guidelines on the Use of Consultants</i> chapter II A.1.e.

D. Goods and Works Contracts Estimated to Cost in Excess of \$1 million

General Description	Contract Value (Up to)	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date
Level II Hospital Utilities and Civil Works	1,113,191	NCB	No	First 12 months
Level III Hospital Medical Diagnostics Equipment	1,335,972	ICB	No	First 18 months
Level III Hospital Utilities and Civil Works	2,989,277	NCB	No	First 18 months

E. Consulting Services Contracts Estimated to Cost in Excess of \$100,000

General Description	Contract Value (\$)	Recruitment Method	Advertisement Date	International or National Assignment	Comments
Training, Assessment, Monitoring and Advocacy	375,000	QCBS (80:20)	Third quarter 2009	National (Health NGO)	DBP through the PMO will select the consultant, and negotiate the contract. ADB will endorse

F. Goods and Works / Related Services Contracts Estimated to Cost Less than \$1 million

Description	Total Amount to be disbursed	Estimated Value of Contracts (\$)	Number of Contracts	Procurement/ Recruitment Method	Advertisement Date
A. Component I - LGUs					
I. Rural Health Units (estimate 60)					
	150,256	<i>Up to</i>			
1. Laboratory Equipment		12,374	Multiple	PLFI	First 18 months
2. ER/Clinic Equipment		14,423	Multiple	PLFI	First 18 months
3. Surgical Equipment/ Instruments		681	Multiple	PLFI	First 18 months
4. Medical Diagnostic Equipment		65,987	Multiple	PLFI	First 18 months
5. Utilities and Civil Works		72,101	Multiple	PLFI	First 18 months
II. Level 1 Hospital (estimate 10)					
	523,262				
1. Laboratory Equipment		15,226	Multiple	PLFI	First 18 months
2. ER/Clinic Equipment		22,055	Multiple	PLFI	First 18 months
3. Surgical Equipment/ Instruments		124,351	Multiple	PLFI	First 18 months
4. Medical Diagnostic Equipment		138,511	Multiple	PLFI	First 18 months

Description	Total Amount to be disbursed	Estimated Value of Contracts (\$)	Number of Contracts	Procurement/ Recruitment Method	Advertisement Date
5. Utilities and Civil Works		275,745	Multiple	PLFI	First 18 months
III. Level 2 Hospital (estimate 7 - 3 for LGUs and 4 for PPP)	1,649,529				
1. Laboratory Equipment		76,289	Multiple	PLFI	First 18 months
2. ER/Clinic Equipment		23,311	Multiple	PLFI	First 18 months
3. Surgical Equipment/ Instruments		244,351	Multiple	PLFI	First 18 months
4. Medical Diagnostic Equipment		353,404	Multiple	ICB	First 18 months
5. Utilities and Civil Works		1,113,191			
IV. Level 3 Hospital (estimate 4)	3,946,531				
1. Laboratory Equipment		76,502	Multiple	PLFI	First 18 months
2. ER/Clinic Equipment		23,417	Multiple	PLFI	First 18 months
3. Surgical Equipment/ Instruments		244,351	Multiple	PLFI	First 18 months
4. Medical Diagnostic Equipment		991,702	Multiple	ICB	First 18 months
5. Utilities and Civil Works		2,989,277	Multiple	NCB	First 18 months
B. Component III - Microfinance Health Enterprises					
I. For existing Midwives (estimate 1000)					
1. Civil Works	489,539	3,400	Multiple	PFLI	First 18 months
2. Equipment	2,175,728	3,400	Multiple	PFLI	First 18 months
II. For new Midwives (estimate 650)					
1. Civil Works	318,200	3,400	Multiple	PLFI	First 18 months
2. Equipment	1,414,223	3,400	Multiple	PLFI	First 18 months
III. Ob-Gyns (estimate 100)					
1. Civil Works	48,954	3,400	Multiple	PLFI	First 18 months
2. Equipment	217,573	3,400	Multiple	PLFI	First 18 months
IV. General Practitioners (estimate 96)					
1. Civil Works	46,996	3,400	Multiple	PLFI	First 18 months
2. Equipment	208,870	3,400	Multiple	PLFI	First 18 months
V. PPP (Private Pharmacies/ labs/Mobile clinics) (estimate 118)					
1. Civil Works	2,891,000	35,000	Multiple	PLFI	First 18 months
2. Equipment	1,156,400	35,000	Multiple	PLFI	First 18 months

ADB = Asian Development Bank, CQS = consultants qualification selection, EA = executing agency, ICB = international competitive bidding, LGU = local government unit, NCB = national competitive bidding, PLFI = procurement in loans to financial intermediaries, PPP = public-private partnership, QCBS = quality- and cost-based selection.

Source: Asian Development Bank estimates.

SUMMARY OF CONTRACT

I. PROJECT DATA

- A. Loan No. :
 B. Executing Agency :

II. OUTLINE OF CONTRACT

- A. Contract No. :
 B. Total Contract Amount :
 C. Contractor's Name and Address :

- D. Scope of Contract :

III. SUMMARY OF CONTRACT AGREEMENT

- A. Contract Amount :
 B. Taxes and Duties :
 C. Contract Period :
 Date of Contract Signing :
 Contract Period :
 Commencement Date :
 Completion Date :

IV. RESULT OF BIDDING

- A. Mode of Procurement :
 B. Date of Bid Invitation :
 C. Date of Bid Opening :
 D. Ranking/List of Bidders :

Rank	Name of Bidders	Bid No.	Amount of Bid As Opened	Amount of Bid As Evaluated
1				
2				
3				
4				

Note: Please provide a brief explanation if the contract was not awarded to the lowest bidder.

V. COUNTRY/COUNTRIES OF ORIGIN (for Goods only):

Seen and Approved:

Name
Project Director

DISBURSEMENT MODALITIES ¹

I. PAYMENT PROCEDURES

A. Direct Payment Procedure (page 24 of the Handbook)

1. ADB pays the designated beneficiary, at the request of the Recipient, from the loan funds.

1. Supporting Documents for Direct Payment

- (i) Signed Withdrawal Application (ADB-DRP/RMP, Appendix 3 of Handbook);
- (ii) Summary Sheet (ADB-DRP-SS, Appendix 4 of Handbook);
- (iii) Contract or confirmed purchase order, indicating amount and due date;
- (iv) For payment of goods: supplier's invoice and bill of lading or other similar documents; and
- (v) For payment of services: consultants' claim or invoice

B. Commitment Procedure (page 26 of Handbook)

2. This procedure is used for financing import of goods. A letter of credit is usually opened by a commercial bank. The negotiating bank is authorized to seek payment from ADB under the loan.

3. ADB issues a Commitment Letter against a letter of credit (L/C), and agrees to pay (on behalf of the Recipient and out of loan funds) the negotiating bank for the payments made or to be made to the supplier in accordance with the terms of the L/C.

1. Supporting Documents for Issuing Commitment Letter

- (i) Signed Application for Commitment Letter (ADB-CL, Appendix 5 of Handbook);
- (ii) Summary Sheet (Appendix 6)
- (iii) Contract or confirmed Purchase Order;
- (iv) Two signed copies of L/C.

4. ADB issues a Commitment Letter to the designated commercial bank (usually advising bank) as shown in Appendix 7 of Handbook. A copy of ADB's commitment letter is also sent to the EA for information.

2. ADB's Payment to the Negotiating Bank

5. The Commitment Letter provides for ADB's payment to the negotiating bank upon receipt of the reimbursement claim confirming that negotiation has been done in full compliance with the letter of credit terms. Such reimbursement claim is usually made by tested telex or authenticated SWIFT message.

3. Amendment to the Letter of Credit

6. ADB's approval is required for amendment to the letter of credit (L/C) involving:

- (i) terms of payment including currency and amount of L/C;
- (ii) the description or quantity of goods;
- (iii) beneficiary;
- (iv) country of origin; and
- (v) extension of the expiry date of L/C beyond the loan closing date.

¹ ADB. 2001. *Loan and Disbursement Handbook*. Manila.

7. Amendments not mentioned above do not require ADB's approval. For example, extension of L/C expiry date within loan closing date does not require ADB's approval, but simply inform ADB of such extension by filling out the form shown as Appendix 11 of Handbook and attaching one copy of the amendment.

C. Reimbursement Procedure (page 30 of Handbook)

8. ADB pays to the project account for eligible expenditures which have been incurred and paid for by the Government out of its budget allocation or its own resources (page 30 of Handbook).

1. Supporting Documents for Reimbursement Procedure

- (i) Signed Withdrawal Application (ADB-DRP/RMP, Appendix 3 of Handbook);
- (ii) Summary Sheet (ADB-RMP-SS, Appendix 4 of Handbook);
- (iii) Contract or confirmed Purchase order, if not yet submitted earlier to ADB; and
- (iv) Evidence or receipt of payment showing the amount paid, the date of receipt and the payee.

D. Statement of Expenditure (SOE) Procedure

9. This is a procedure requiring no submission of supporting documents. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$100,000 (including counterpart fund). The procedure derives its name from the Statement of Expenditure (SOE) form, which is submitted with the Withdrawal Application (W/A). The SOE is used in lieu of the usual supporting documents and the Summary Sheet. It may also be used in connection with the liquidation or replenishment of the Imprest Account (page 31 of Handbook).

10. Three types of SOE are available:

- (i) SOE form for contract items, mostly related to civil works (Appendix 12 and 13 of Handbook);
- (ii) SOE form for noncontract items, mostly related to operating expenses and overhead (Appendix 14 of Handbook); and
- (iii) SOE form (free format) for items not provided in the other SOE forms (Appendix 15 of Handbook).

E. Instructions for Withdrawal

11. Before the first W/A is submitted to ADB, the name of the authorized representative(s) must be provided to ADB, through the Authorized Representatives of the Recipients, including the authenticated specimen signatures of the representative(s).

12. The W/A should be signed by the authorized representative(s), sequentially numbered and should not exceed five digits (00001, 00002, etc.)

13. The cover letter of the W/A should include a sentence reconfirming that the contracts were awarded on the basis of tax exemption to ensure expeditious loan disbursement by ADB.

14. The W/A forms and summary sheets to be used vary for the different procedures. A separate W/A for each currency requested should be submitted.

15. The W/A to be submitted to ADB must be the signed original copy. However, supporting documents may be in photocopies.

16. Before a disbursement is made for any contract issued by the Recipient, ADB has to prepare a Procurement Contract Summary Sheet (PCSS). Copies of all signed contracts and supporting documents should be sent to ADB as soon as they are available. This is a basis for ADB to monitor performance of against the projected annual activities made at the start of each year. A PCSS number will be assigned by ADB for each contract received and these data will be relayed to EA. The PCSS serves as an acknowledgment by ADB that the award of a contract has been checked and has been found to comply with ADB's procurement guidelines. It also serves as a basis for disbursement. The PCSS is also numbered sequentially, not exceeding four digits, i.e. 0001, 0002, etc. The PCSS consists of following basic information:

- (i) ADB Contract No. or the PCSS No.
- (ii) Date of ADB approval of the Award of Contract
- (iii) Date of Contract Approval by the EA
- (iv) Mode of Procurement
- (v) Name of contractor or supplier
- (vi) Terms of payment and currency of contract
- (vii) Component to which the expenditures will be charged

17. Without the PCSS, ADB's Controller's Department could not proceed with the processing of payment for the W/A.

18. When an amendment or a variation of a contract is made, a copy of the variation order should also be sent to ADB, for updating of the PCSS.

19. To avoid delay in the processing of payment, the PCSS No. should be indicated in the W/A to be submitted by the EA. The PCSS No. should be shown in the summary sheet.

II. PROCEDURES FOR ESTABLISHING AND OPERATING THE LOAN IMPREST ACCOUNT

A. Definition

20. Whenever used in this procedure, unless the context otherwise requires, several terms defined in the Loan Agreement between the Recipient and the Asian Development Bank (ADB) have the respective meanings therein set forth.

B. Imprest Account for Loan Proceeds

21. For the purpose of this project, the Recipient through the Executing Agency shall cause the Project Management Office (PMO) to establish after the Effective Date, an Imprest Account at a commercial bank acceptable to ADB. The Imprest Account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" of January 2001, as amended from time to time and detailed arrangement between Philippines and ADB. Since the Imprest Account will be established at a commercial bank, a comfort letter is required to be submitted as per Section 10.14 and Appendix 23 of the Handbook.

C. Eligible Expenditures

22. Payments out of the Imprest Account will be made exclusively to meet eligible expenditures in accordance with the provisions of Schedule 2 of the Loan Agreement.

D. Account Name and Authorization for Withdrawals

23. The Imprest Account will be opened and maintained at a commercial bank acceptable to ADB, in the name of the PMO and the person or persons duly authorized by PMO for making withdrawals from the Loan Account, under relevant provisions of the Loan Agreement will be responsible for operating the Imprest Account and withdrawals and payments therefrom.

E. Initial Advance and Ceiling

24. After the Effective Date, on the basis of a Withdrawal Application-Imprest Fund (Form ADB-IFP) and an Estimate of Expenditure Sheet (Form ADB-IFP-EES) from the PMO setting out the estimated expenditures for the first six months of project implementation, and submission of evidence satisfactory to ADB that the Imprest account has been duly opened, ADB will withdraw from the Loan Account and deposit into the Imprest account an initial amount equivalent to an estimate of 6 months expenditures 10% of the loan, whichever is less.

F. Liquidation and Replenishment

25. The PMO will, on a regular basis, furnish to ADB in respect of all payments out of the Imprest Account, the duly filled-in Withdrawal Application-Imprest Fund (Form ADB-IFP-WA) and Summary Sheet (ADB-IFP-SS), together with such supporting documents and other evidence as ADB will reasonably request, showing that each payment was made for eligible expenditures. ADB agrees to the use of the Statement of Expenditure (SOE) procedure for expenditures incurred not exceeding US100,000 for the loan and \$50,000 equivalent for the grant.

26. For every liquidation and replenishment request, the PMO will furnish to ADB (a) Statement of Account (**Bank Statement**) prepared by commercial banks, and (b) the **Imprest Account Reconciliation Statement (IARS)** reconciling the abovementioned Bank statement against the PMO's records following the format provided in Annex 1.

27. ADB may at any stage by notice to the PMO, suspend further replenishments to the Loan Imprest Account if they failed to comply with any of the provisions of this Attachment.

G. Accounts and Records

28. The PMO will ensure that all amounts received for or in connection with the Loan Imprest Account and amounts withdrawn therefrom are recorded in a separate account in accordance with consistently maintained sound accounting principles. The PMO will retain until one year after the closing date for withdrawals from the Loan account all accounts and records including orders, invoices, bills, receipts and other original documents evidencing the expenditures paid out of the Imprest Account, and will enable ADB's representatives to examine such account and records during disbursement and review missions.

H. Audit

29. The PMO will cause an independent auditor or government auditor acceptable to ADB to annually audit the Imprest Account and records referred to in Paragraph 10 above and furnish to ADB certified copies of audit report and audited financial statements not later than 6 months after the end of each fiscal year. An opinion on the examination of the Imprest Account should be separately set out in the said Auditor's Report.

I. Ineligible or Unjustified Payment

30. Where any withdrawal or payment from the Loan Imprest Account is determined by ADB (i) to have been utilized for any purpose not eligible, or (ii) not justified by the evidence furnished pursuant to Paragraph 10 of this Attachment, the PMO will, promptly upon notice from ADB, deposit into the Loan Imprest Account/SGIAs an amount equal to the amount of such payment or the portion thereof not eligible or justified, in the same currency as that in which the amount was withdrawn from the Loan Account. Alternatively, ADB may offset the unjustified payment against new withdrawal applications for replenishment.

J. Closing of the Imprest Account

31. In the event that ADB determines that (i) any amount outstanding in the Loan Imprest Account will not be required to cover further payments for eligible expenditures, or (ii) any amount remains outstanding in the Loan Imprest Account after the closing date, PMO will, promptly upon notice from ADB and unless otherwise agreed by ADB, refund such amount then outstanding in the Loan Imprest Account.

K. Other Issues

32. For matters not covered in the Attachment, the guidelines set forth in ADB's Loan Disbursement Handbook will apply.

III. STATEMENT OF EXPENDITURES (SOE) PROCEDURE**A. Definition**

33. Pursuant to Paragraph 18(c) of Schedule 2 of Loan Agreement, you may use the SOE procedure whereby an application for replenishment or liquidation of the Imprest Account is supported by Statement of Expenditures, in lieu of the normal full documentation. Under the SOE procedure you are required to submit to ADB together with the Withdrawal Application (Form ADB-IFP), a Statement of Expenditures (ADB-SOE-SS), duly certified by persons authorized to sign withdrawal applications. The SOE form would be submitted in place of the usually required supporting documents such as invoices, contractors' bills, bills of lading and or other related documents.

B. SOE Limit

34. SOE procedure will be used in respect of payments out of the Imprest Account for eligible expenditures not exceeding \$100,000 per individual payment.

C. Supporting Documents

35. The SOE, a special reimbursement procedure of ADB has been approved for use of the Project on the condition that all relevant supporting documents will be retained by PMO and will be made available for examination by the ADB's representatives during field missions. In addition, the PMO is required to maintain proper accounting records of SOE expenditures to facilitate verification of these expenditures against supporting documents.

D. Ineligible Expenditures

36. Where ADB subsequently finds any payment made under the SOE procedure to be insufficiently supported or ineligible for ADB financing, ADB may offset the amount of the unjustified or

ineligible payment against subsequent withdrawals for reimbursement or request the PMO to refund the same amount to the Loan account.

E. Audit

37. The SOE records must be audited regularly by independent and qualified auditors acceptable to ADB. The audit is carried out as part of the regular annual audit of the Project's accounts. A separate opinion should be included in the annual audit report.

SUGGESTED OUTLINE FOR QUARTERLY PROGRESS REPORTS

- 1. Introduction**
 - 1.1 Summary
 - 1.2 Loan Data
 - 1.3 Project scope
 - 1.4 Project benefits
 - 1.5 Estimated Project Cost
 - (a) Project Cost
 - (b) Expenditure Projections
- 2. Project Organization and Management¹**
 - 2.1 Implementation Arrangements
 - 2.2 Establishment of PMO
 - 2.3 Organization and staffing of PMO
- 3. Assessment of Implementation Progress**
 - 3.1 Assessment of progress made during the reporting period (by Project component)
 - 3.1.4 Project Management, Capacity Building, Monitoring and Evaluation
 - 3.2 Problems encountered and remedial actions taken or proposed to be taken
 - 3.3 Proposed program of activities during the next quarter
 - 3.4 Implementation Schedule
 - 3.5 Percentage of Implementation Progress (See Appendix 15, PAM, for computation)
- 4. Recruitment and Performance of Consultants**
 - 4.1 Summary on status of recruitment of consultants
 - 4.2 Details of consultants' input and general performance
- 5. Procurement of Goods and Works.** Update list of goods to bid (from procurement plan).
 - 5.1 List of contract packages, indicating the following:
 - (i) procurement procedures to be used
 - (ii) value of contracts (estimate)
 - (iii) specifications
 - 5.2 status of preparation of bid documents
 - 5.3 schedule for advertising of bid invitations
 - 5.4 bid evaluation
 - 5.5 status of contract awards
- 6. Operation and Maintenance of Equipment**
- 7. Training Programs**

Provide a brief summary on the status of identification of types of training to be undertaken, selection criteria for candidates, venue of training, cost of training, number of participants, and schedule of training.

 - 7.1 Training courses undertaken during the quarter, training costs, etc.
 - 7.2 Training courses scheduled to be undertaken next quarter, cost estimates, etc.
- 8. Administration and Finance**
 - 8.1 Budget allocations and counterpart funding arrangements (Provide a schedule of counterpart funds allocated and disbursed during the reporting period and projection for the next quarter).
 - 8.2 Project disbursements

¹ Section 1: Introduction and Section 2: Project Organization and Management should be reported for the first submission of Quarterly Progress Report and need not be included in the subsequent Report unless changes have occurred.

- 8.3 Financial position of the Project, such as loan savings, cost overruns/underruns
- 8.4 Status of Imprest Fund Account
- 9. Compliance with Covenants/Government Assurances**
 - 9.1 Major Loan Covenants and Status of Compliance, including those associated with sector reform initiatives and EA reforms, financial management, and social dimensions
 - 9.2 Government Assurances and Status of Progress
- 10. Appendixes (Worksheets, Charts, Tables, or Schedules)**

FRAMEWORK AND GUIDELINES IN CALCULATING PROJECT PROGRESS

A. Introduction

1. To ensure that all implementation activities are reflected in measuring implementation progress against the project implementation schedule, the term "physical completion" in the PPR has been changed to "project progress."
2. Physical and pre-commencement activities are considered in calculating project implementation progress. These activities, which may include recruitment of consultants, capacity building, detailed design, preparation of bid and prequalification documents, etc., could constitute a significant proportion of overall implementation and therefore should be counted.
3. Each activity in the implementation schedule will be weighted according to its overall contribution (using time as a reference) to progress of project implementation. These weights will then be used to calculate the percentage of project progress along the entire time span of the project. This is to provide a holistic view of the pace of implementation.

B. Framework for Compiling Activity List and Assigning Weights

4. As implementation activities (with corresponding weights) will vary in terms of project, sector, and country, SESS will be responsible for incorporating them in the project administration memorandum. The actual project implementation progress of these activities should be reported regularly through the EA's quarterly project progress report. To ensure ADB-wide consistency, the following framework has been established. The application of this framework will be monitored through the PPR.

1. Compilation of Activity List

5. SESS should identify and include major implementation activities in the implementation schedule which is attached as an appendix in the report and recommendation of the President (RRP). The implementation schedule should follow the critical path of the project's major activities in project implementation taking account of various country, sector, and project constraints.

2. Assignment of Weights

6. Corresponding weights for each activity should be assigned to ensure that "project progress" measures the percentage of achievement (nonfinancial except when the project has credit components) for all events during the entire duration of the implementation schedule. To avoid disproportionate assignment of weights, to the extent possible these should be evenly distributed along the implementation schedule. When activities are concurrent, avoid "double counting."

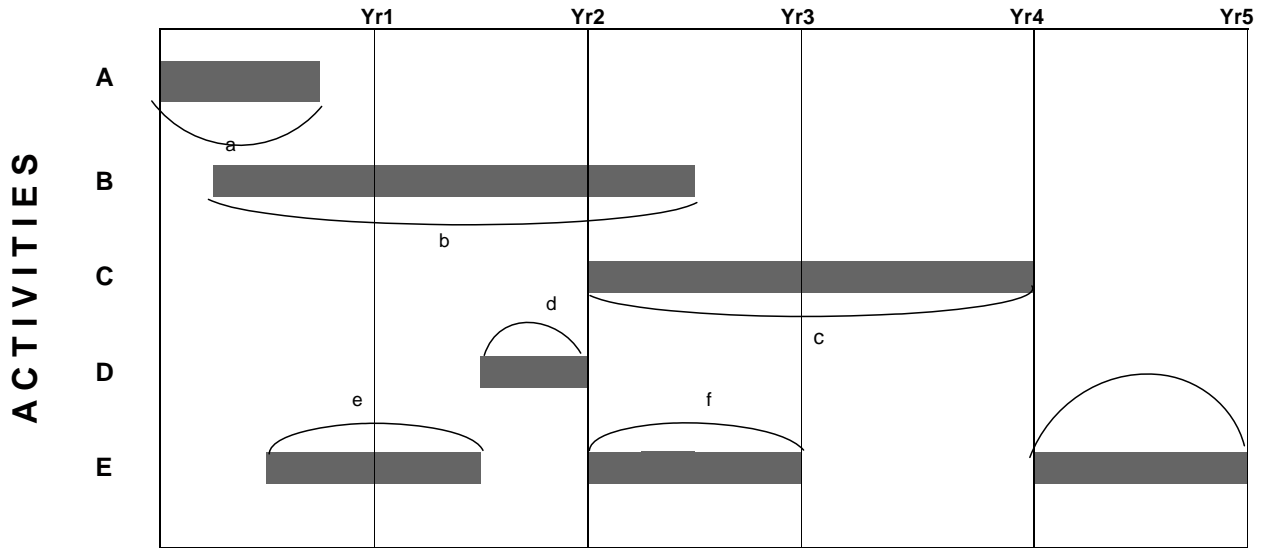
3. Computation of Project Progress

7. Once all activities are identified and corresponding weights assigned, project progress should be calculated using the following steps:

- (i) Determine the actual percentage progress (non-financial) of each activity.
- (ii) Multiply these percentages by the assigned weight of each activity to arrive at the weighted progress.
- (iii) Add up the resulting weighted progress of all activities to determine the project progress.

The second page of this Appendix provides an illustration of this calculation using a generic sample implementation schedule, and the third page shows a specific schedule for this Project.

Implementation Schedule with Activities and Weights



1. Sum of all weights should equal 100 percent ($a+b+c+d+e+f+g = 100\%$)
2. When calculating the percentage of "project progress," all completed activities should be counted as accomplished, regardless of when they were scheduled to be completed. For example, when calculating the percentage of "project progress" after year 3, if activity D is completed in year 3 rather than in year 2, it should still be included in the computation.
3. Total weight of each activity is as follows: Activity A— a ; Activity B— b ; Activity C— c ; Activity D— d ; and Activity E— $e + f + g$
4. Project progress of a project is the summation of the actual percentage of progress for each activity multiplied by the total weight of each activity.

PERCENTAGE OF PROJECT IMPLEMENTATION PROGRESS¹

No.	Description	Weight (a)	Progress (b)	Weighted Progress (a)/(b)
I.	Initial Activities	12		
	- Establish PMO	3		
	- Loan Negotiations/Signing/Effectiveness	3		
	- Select and Engagement of National Consultants	6		
II	Component 1: Upgraded Health Services	22		
III	Component 2: More Efficient Health Care Delivery Systems through Public-Private Partnership & Innovative Strategies	22		
IV	Component 3: Improved Access to Small-Scale Private Providers	22		
V	Component 4: Enhanced Institutional Capacity for Health Sector Lending	22		
	Total Weight and Progress	100		

¹ Suggested format only.

PROJECT COMPLETION REPORT FORMAT

A. General Guidelines for Preparing Project Completion Report

CONTENTS
BASIC DATA
MAP¹

I. PROJECT DESCRIPTION

II. EVALUATION OF DESIGN AND IMPLEMENTATION

- A. Relevance of Design and Formulation
- B. Project Outputs
- C. Project Costs
- D. Disbursements
- E. Project Schedule
- F. Implementation Arrangements
- G. Conditions and Covenants
- H. Consultant Recruitment and Procurement
- I. Performance of Consultants, Contractors, and Suppliers
- J. Performance of the Recipient and the Executing Agency
- K. Performance of the Asian Development Bank

III. EVALUATION OF PERFORMANCE

- A. Relevance
- B. Efficacy in Achievement of Purposes
- C. Efficiency in Achievement of Outputs and Purpose
- D. Preliminary Assessment of Sustainability

IV. EVALUATION OF SOCIAL DIMENSIONS AND SOCIAL SAFEGUARDS IMPACTS

- A. Social Dimensions (e.g. poverty reduction, gender equity, community and participatory mass organizations)
- B. Ethnic Groups Development Impacts

V. OVERALL ASSESSMENT AND RECOMMENDATIONS

- A. Overall Assessment
- B. Lessons Learned
- C. Recommendations

¹ A revised map showing the impact of the project is to be included. Do not use the map in the Report and Recommendation of the President (RRP).

BASIC DATA

A. Loan Identification

1. Country
2. Loan Number
3. Project Title
4. Recipient
5. Executing Agency
6. Amount of Grant
7. Project Completion Report Number (to be provided by ADB)

B. Loan Data

1. Appraisal
 - Date Started
 - Date Completed
2. Loan Negotiations
 - Date Started
 - Date Completed
3. Date of Board Approval
4. Date of Loan Agreement
5. Date of Loan Effectiveness
 - In Loan Agreement
 - Actual
 - Number of Extensions
6. Closing Date
 - In Loan Agreement
 - Actual
 - Number of Extensions
7. Terms of Loan
 - No Interest
 - No repayment
 - Grace Period (number of years)

8. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
----------------------	--------------------	---------------

Effective Date	Original Closing Date	Time Interval
----------------	-----------------------	---------------

Category	Component	Original Allocation	Last Revised Allocation	Net Amount Disbursed	Undisbursed Balance
Total					
C. Project Data					
1. Project Cost (\$ million)					
Cost		Appraisal Estimate		Actual	
Foreign Exchange Cost					
Total					
2. Financing Plan (\$ million)					
		Appraisal Estimate		Actual	
Cost		Foreign	Total	Foreign	Total
Implementation Costs					
ADB-Financed					
Government					
Total					
3. Cost Breakdown by Project Component (\$ million)					
		Appraisal Estimate		Actual	
Cost		Foreign	Total^a	Foreign	Total
TOTAL PROJECT COST					

Note:

4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants		
Equipment and Supplies		
Dates		
First Procurement		
Last Procurement		
Completion of Equipment Installation		
Start of Operations		
Other Milestones		
Start of Program		
Completion of Program		

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Fact-Finding				
Appraisal				
Inception				
Review				
Review				
Review				
Review				
Midterm Review				
Review				
Review				
Review				
Review				
Completion Review ^b				

Note:

^a May use reference letters in table, e.g., a - engineer, b - financial analyst, c - counsel, d - economist, e - procurement consultant or specialist, f - control officer, g - assistant project analyst.

^b The project {grant} completion report was prepared by {name}, {designation}.

B. Suggested Topics for Project Completion Reports to be Prepared by Borrowers**I. PROJECT DESCRIPTION**

- A. Objectives
- B. Components
- C. Implementation methods
- D. Description and justification of changes in components (or subproject appraisal criteria) or implementation methods

II. PROJECT IMPLEMENTATION

- A. Compare original and actual implementation schedules. Indicate delays, length and causes of delays, and remedial action taken.
- B. Compare cost estimates made during appraisal and actual costs. The costs financed by cofinanciers must be compiled correctly with reference to audited project accounts. Indicate factors that contributed to any significant overruns or underruns.
- C. State problems or difficulties in recruiting consultants, with reference to ADB procedures. Assess the consultant's work and the working relationship between the executing agency (EA) and the consultant. Use of a logical framework is strongly recommended.
- D. State problems or difficulties encountered in procuring goods and services (including civil works) with reference to ADB procedures. Assess the supplier's or contractor's performance under the contract.
- E. Give the extent of compliance of the borrower and EA with Grant covenants, with reasons for noncompliance or delays in compliance and the remedial actions taken.
- F. State reasons for any delays in Loan utilization. Evaluate the appropriateness of the disbursement methods used. Justify the reallocation of Grant proceeds.
- G. State problems or difficulties with subproject appraisal. Evaluate the EA's performance and capacity to appraise subprojects.

III. INITIAL OPERATIONS

- A. Describe initial operations of the project and transitional problems encountered from project completion to initial operations.
- B. Describe measures taken to ensure continued smooth operation of the project relative to management, staffing, funding, and maintenance of project facilities.
- C. Analyze the prospects of the project benefits being realized.

IV. EVALUATION OF THE ASIAN DEVELOPMENT BANK'S PERFORMANCE

- A. Assess ADB's performance in supervising project implementation. Include comments on the adequacy of the consultants' terms of reference and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by ADB to solve implementation problems.
- B. Comment on problems encountered with ADB's procedures. Note the measures taken to resolve these problems and suggest changes in procedures and requirements.

FINANCIAL REPORTING AND AUDITING REQUIREMENTS

1. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) provides guidelines to ensure timely compliance with the grant covenants and the quality of financial information as required by ADB.

2. ADB, by its Charter, is required to ensure that the proceeds of any loan/grant made, guaranteed, or participated in by ADB are used for the purposes for which the loan/grant was approved. ADB requires accurate and timely financial information from its borrowers/recipients to be assured that expenditure was for the purposes stated in the loan/grant agreement.

3. The following are the main requirements:

- (i) ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the grant funds were used only for the objectives set out in the Loan Agreement.

The first set of project accounts to be submitted to ADB covers the fiscal year ending 31 December 2009. As stipulated in the Loan or Project Agreements, they are to be submitted up to 6 months after the end of the fiscal year. For this loan, the deadline is by 30 June 2010. A sample report format with explanatory notes is attached as Annex A.

- (ii) The accounts and records for the project are to be consistently maintained by using sound accounting principles. The external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. The name of external auditor is to comment on the impact of any deviations, by the Executing Agency from international accounting standards.

- (iii) The external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. The external auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.

ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, the external auditor is requested to indicate in the Auditor's Report the extent of any differences and their impact on the audit.

- (iv) The external auditor's opinion is also required on whether
- the proceeds of the ADB's loan have been utilized only for the project as stated in the Loan Agreement;
 - the financial information contains data specifically agreed upon between the Recipient or EA and ADB to be included in the financial statements;

- the financial information complies with relevant regulations and statutory requirements; and
 - compliance has been met with all the financial covenants contained in the Loan or Project Agreements.
- (v) The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- (vi) Actions on deficiencies disclosed by the external auditor in its report are to be resolved by the Recipient or Executing Agency within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by the Recipient or EA.
4. Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

ANNEX A: SAMPLE FORM OF AUDITOR'S OPINION

Imprest Account

We have examined the Statement of Imprest Account of Loan No. 2515-PHI for the period 1 January to 31 December 2009, pursuant to the Agreement signed between the Government and the Asian Development Bank on 27 April 2009.

Our examination was made in accordance with generally accepted auditing standards emphasizing on the adequacy and completeness of the supporting documents of the Imprest Account and other auditing procedures as we considered necessary in the circumstances;

In our opinion, the Statement of Imprest Account and supporting documents and information submitted with them (can/ cannot) be fairly relied on to support the applications for reimbursement/payment in accordance with ADB's requirements as set out in the Loan Agreement.

STATEMENT OF EXPENDITURE

We have also examined the Statements of Expenditure submitted to ADB during the period in support of applications for liquidation of the Imprest, pursuant to the above-mentioned Loan Agreement. Our examination was made in accordance with generally accepted auditing standards, and, accordingly included such tests of the accounting records, verification of assets and other such auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Expenditures submitted, together with the internal control and procedures involved in their preparation, (can/cannot) be relied on to support the applications for liquidations in accordance with the requirements of the above mentioned Loan Agreement.

LOAN COVENANTS

Reference in the Loan Agreement	Major Covenants	Deadline for Compliance
Schedule 2 of LA, para. 5	DBP will provide counterpart funds for project implementation on time and will prepare annual plans for subproject investment and for loan disbursement. Every year, DBP will submit the annual plan to ADB for endorsement not later than the first quarter of the year;	
Schedule 2 of LA, para. 6	DBP will ensure that it maintains (a) a capital adequacy ratio of 10% or above, (b) a minimum return on average total assets of 0.5%, and (c) a minimum liquid assets ratio ¹ of 25%;	
Schedule 2 of LA, para. 8	DBP will conduct financial due diligence on the subborrowers prior to subloan approval, monitoring during subproject implementation and evaluation after the subproject is completed	
	DBP will ensure a baseline study as part of the feasibility study of each subproject. The indicators will include those from the design and monitoring framework and address issues of equity. The study will be conducted during and no later than the first 3 months of subproject approval. DBP will also conduct an exit study for each subproject and report the same to ADB within 6 months of the subproject's completion. DBP's Program Evaluation Department will conduct a beneficiaries' impact assessment study. In furtherance to these, DBP will ensure that (a) the appropriate budget will be allocated by DBP and/or its subborrowers to support the studies; (b) the studies will be conducted in accordance with the terms of reference developed for such purpose; and (c) the results and findings of the studies will be shared with ADB	
Schedule 2 of LA, para. 14	DBP will ensure that subloan proposals requiring an FPIC are monitored to ensure compliance with the project IPDF, Republic Act No. 8371 on Indigenous Peoples Rights (1997), and the NCIP Administrative Order 1/2006 on the FPIC guidelines of 2006. When an FPIC is required, DBP will not approve any subloan or subproject until the NCIP issues a Certificate of Precondition attesting that all FPIC guideline requirements have been met. Information on geographic location of existing and proposed Indigenous People's Ancestral Domains and Lands used for FPIC compliance requirements will be updated regularly, and periodic monitoring of subloan implementation will be undertaken to ensure FPIC agreements are met;	
Schedule 2 of LA, Para. 12	Within 6 months of loan effectiveness, DBP will establish a website to disclose project-related information. To the extent permitted under the Government's banking regulation relevant to confidentiality, DBP will disclose all relevant information with regard to the project activities, including the subprojects and the stakeholders	

¹ Cash on hand; checks and other cash items due from the central bank and other banks; marketable securities, trading account securities, government securities with maturities of less than 1 year or more than 1 year, which can be traded in the secondary market; interbank loans receivable with a maturity of less than 1 year to total deposits.

Reference in the Loan Agreement	Major Covenants	Deadline for Compliance
Schedule 2 of LA, para. 13	Within 6 months of loan effectiveness, DBP will design and approve a grievance redress mechanism, acceptable to ADB, and establish a task force at the PMO. The task force shall receive and resolve complaints and grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances caused by resettlement and environmental issues. The task force will (a) make public the existence of this grievance redress mechanism through a public awareness campaign in every area where there is a subproject; (b) review and address grievances of stakeholders in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to them;	
Schedule 2 of LA, para. 3	DBP will ensure that subborrowers and subprojects will be selected in accordance with the agreed eligibility criteria, as set out in Appendix 5;	
Schedule 2 of LA, para. 7	DBP will ensure that the activities included in the Gender and Development Cooperation Fund-financed component for enhancing midwives' entrepreneurial and financial literacy are carried out during the first 2 years of project implementation. DBP will closely monitor, and the progress will be reported in the quarterly reports to ADB;	
Schedule 2 of LA, para. 15	DBP will (a) ensure that it will not approve any subloan proposal that involves involuntary resettlement according to ADB's <i>Involuntary Resettlement Policy</i> (1995); (b) ensure and certify compliance with the involuntary resettlement framework before a subloan credit application will be approved; (c) carry out due diligence on each public sector subloan proposal so approval will only be granted to those with clear property titles, without encumbrances and free of informal settler issues; and	
Schedule 2 of LA, para. 16	DBP will comply with its EMS, the Government's environmental laws and regulations and ADB's <i>Environment Policy</i> (2002). If there is any discrepancy between DBP's EMS, the Government's laws and regulations and ADB's <i>Environment Policy</i> , ADB's <i>Environment Policy</i> requirements will apply. Construction and operation of all health facilities to be financed under the subloans will comply with DBP's EMS, the Government's environmental laws and regulations and ADB's <i>Environment Policy</i> . DBP will ensure that only category B and C subprojects will be eligible for financing. DBP will not finance category A subprojects. DBP will further ensure that impacts from category B subprojects will be mitigated by implementing the measures provided under the EMS. DBP will submit to ADB a report on the environmental status of the project every 6 months, in the form and substance acceptable by ADB	

LIST OF ADB REFERENCE MATERIALS ISSUED TO PMU

A. Project Related

1. Report and Recommendation of the President to the Board of Directors
2. Loan Agreement

B. Consultants. May be downloaded from the following website:

<http://www.adb.org/Opportunities/Consulting/Documents.asp>

3. Guidelines on the Use of Consultants by ADB and Its Borrowers
4. Handbook for Users of Consulting Services

C. Procurement. May be downloaded from the following website:

<http://www.adb.org/Opportunities/Procurement/prequalification-bid-documents.asp>

5. Guidelines on Procurement under ADB Loans
6. Guide on Bid Evaluation
7. Handbook on Policies, Practices and Procedures Relating to Procurement Under ADB Loans
8. Handbook on Problems in Procurement for Projects Financed by ADB
9. Standard Bidding Documents: Procurement of Goods (including related services)
Single-stage: One-Envelope
Single-stage: Two-Envelope
Two-stage: Two-Envelope
Two-stage User's Guide
10. Guide on Prequalification of Civil Works Contractors
11. Sample Bidding Documents – Procurement of Civil Works
12. Sample Bidding Documents – Procurement of Civil Works (Small Contracts)
13. Guide on Community Participation in Procurement
14. Contract Awards and Disbursement Projections

D. Disbursement

14. Disbursement Letter issued by Controller's Department
15. Loan Disbursement Handbook

E. General – may be downloaded from the following website: www.adb.org/integrity/default.asp

16. Anticorruption Policy
17. Anticorruption Policy: Description and Answers to Frequently Asked Questions
18. Guidelines for Economic Analysis of Projects
19. Ethnic Group Development Plan Framework
20. Environmental Assessment and Review Procedure
21. Handbook on Management of Project Implementation