



Completion Report

Project Number: 32499
Loan Number: 2063
May 2011

Philippines: Development of Poor Urban Communities Sector Project

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – Philippine peso (P)

		At Appraisal 6 May 2003	At Project Completion 20 April 2010
P1.00	=	\$0.0181	\$0.02251
\$1.00	=	P55.21	P44.40

ABBREVIATIONS

ADB	–	Asian Development Bank
ASK	–	Alalay sa Kaunlaran
BSP	–	Bangko Sentral ng Pilipinas
CAP	–	community action plan
CARD	–	Center for Agriculture and Rural Development
CBO	–	community-based organization
DBP	–	Development Bank of the Philippines
DPUCSP	–	Development of Poor Urban Communities Sector Project
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
HDMF	–	Home Development Mutual Fund (Pag-IBIG]
HOA	–	homeowners' association
HUDCC	–	Housing and Urban Development Coordinating Council
ICT	–	information and communication technology
IMPACT	–	Integrated Approaches to Poverty Reduction at the Neighborhood Level – A Cities Without Slums
LGU	–	local government unit
LIBOR	–	London interbank offered rate
MFI	–	microfinance institution
NGO	–	non-government organization
NHA	–	National Housing Authority
PCFC	–	People's Credit and Finance Corporation
PMO	–	project management office
PPMS	–	project performance monitoring system
PPP	–	public–private partnerships
PSC	–	project steering committee
SGF	–	second-generation fund
SOE	–	statement of expenditures
SPIU	–	subproject implementation unit
TA	–	technical assistance
TSK	–	Taytay sa Kauswagan

NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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BASIC DATA

A. Loan Identification

1.	Country	Philippines
2.	Loan number	2063
3.	Loan title	Development of Poor Urban Communities Sector Project
4.	Borrower	Development Bank of the Philippines
5.	Name of development finance Institution	Development Bank of the Philippines
6.	Amount of loan	¥3,318,552,500.00 (\$30.5 million equivalent as of 18 December 2003)
7.	Project completion report number	PCR: PHI 1240

B. Loan Data

1.	Appraisal (Intermittent)	
	– Date started	10 February 2003
	– Date completed	6 May 2003
2.	Loan negotiations	
	– Date started	12 November 2003
	– Date completed	12 November 2003
3.	Date of Board approval	18 December 2003
4.	Date of loan agreement	22 December 2003
5.	Date of loan effectiveness	
	– In loan agreement	21 March 2004
	– Revised	21 April 2004
	– Number of extensions	1
6.	Terminal date for commitments	
	– In loan agreement	20 April 2010
	– Actual	20 April 2010
	– Number of extensions	0
7.	Closing date	
	– In loan agreement	20 April 2010
	– Revised	20 April 2010
	– Number of extensions	0
8.	Terms to the borrower	
	– Interest rate	OCR LIBOR
	– Maturity (number of years)	25 years
	– Grace period (number of years)	6 years
	– Free limit	\$2,000,000
	– Repayment terms	

9. Terms of relending (if any)
 Part A – Number of years 10 years
 Grace period 3 years
 Part B – Number of years 15 years
 Grace period 3 years

10. Interest rate for subloans
 – Original (range: 8.5%–11.75%)
 – Revised

11. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
21 April 2004	10 June 2010	73 months
Effective Date	Original Closing Date	Time Interval
21 April 2004	20 April 2010	72 months

b. Amount (\$)

Category No. (1)	Category or Subloan (2)	Original Allocation (3)	Partial Cancellations (4 = 3 – 5)	Last Revised Allocation (5)	Amount Disbursed (6)	Undisbursed Balance ^a (7 = 5 – 6)
004	Angeles	56,980	(2,721)	59,701	97,613	(37,912)
005	Enterprise Bank	200,100	(4,713)	204,813	1,310,609	(1,105,796)
006	Negros	200,100	(20,192)	220,292	65,796	154,496
A04	CARD NGO	569,801	38,209	531,592	636,246	(104,654)
A05	Pulungbulo	396,432	(58,838)	455,270	–	455,270
A06	Taytay	680,340	(16,025)	696,365	601,945	94,420
A07	PCFC	4,573,467	992,999	3,580,468	287,489	3,292,979
A10	ASK	212,427	(33,213)	245,640	1,546,502	(1,300,862)
A12	LGU-Butuan	329,133	–	329,133	329,133	–
A13	PFNA	34,121	–	34,121	34,121	–
A15	RII Builders	1,119,001	8,068	1,110,933	6,354,563	(5,243,630)
A16	Kapayakan Lands	84,287	7,329	76,958	163,166	(86,208)
A19	Passi, Iloilo	208,715	–	208,715	208,715	–
A20	Ralf Realty	12,994	(157,809)	170,803	214,465	(43,662)
A21	RII Builders	4,616,278	(47,340)	4,663,618	4,494,430	169,188
	Front End Fees and Capitalization	1,443,231			1,443,231	(1,443,231)
	Total (local currency)	14,737,407	705,754	12,588,422	17,788,024	(3,925,559)
	Total (\$ equivalent)	a	b	c	d	e

() = negative, ASK = Alalay sa Kaunlaran, CARD NGO = Center for Agriculture and Rural Development Non-Government Organization, LGU = local government unit, LIBOR = London interbank offered rate, OCR = ordinary capital resources, PCFC = People's Credit and Finance Corporation, PFNA = Pagtambayayong Foundation for Mutual Aid

^a US dollar equivalent per report and recommendation of the president.

^b US dollar equivalent as of date of approval of cancellation.

^c Total of (d + e).

^d Actual US dollar equivalent.

^e US dollar equivalent as of report preparation.

C. Implementation Data

1. Number of subloans 16

2. Sectoral distribution of subloans

Sector	Projected	Actual
Part A: Site development and tenure distribution		
i. Upgrading	8,000	414
ii. New sites	10,000	1,603
Part B: Shelter finance for low-income communities		
i. Microfinance for home improvements	2,300	8,023
ii. Microfinance for small enterprises	10,000	10,929
iii. Housing loans	12,000	11
Total		

3. Size of subloans (actual) (\$ million)

Range	Number of Subloans	Aggregate Amount
Up to \$500,000	9	1,400,498
From \$501,000 to \$1,000,000	2	1,238,191
From \$1,000,001 to \$1,500,000	2	2,753,840
From \$1,500,001 to \$2,000,000	1	1,546,502
Over \$2,000,000	2	10,848,993

4. Subloans above free limit (\$ million)

Sub loan	Aggregate Number	Amount
A15 – RII Builders	1	6,354,563
A21 – RII Builders	1	4,494,430

5. Project performance report ratings

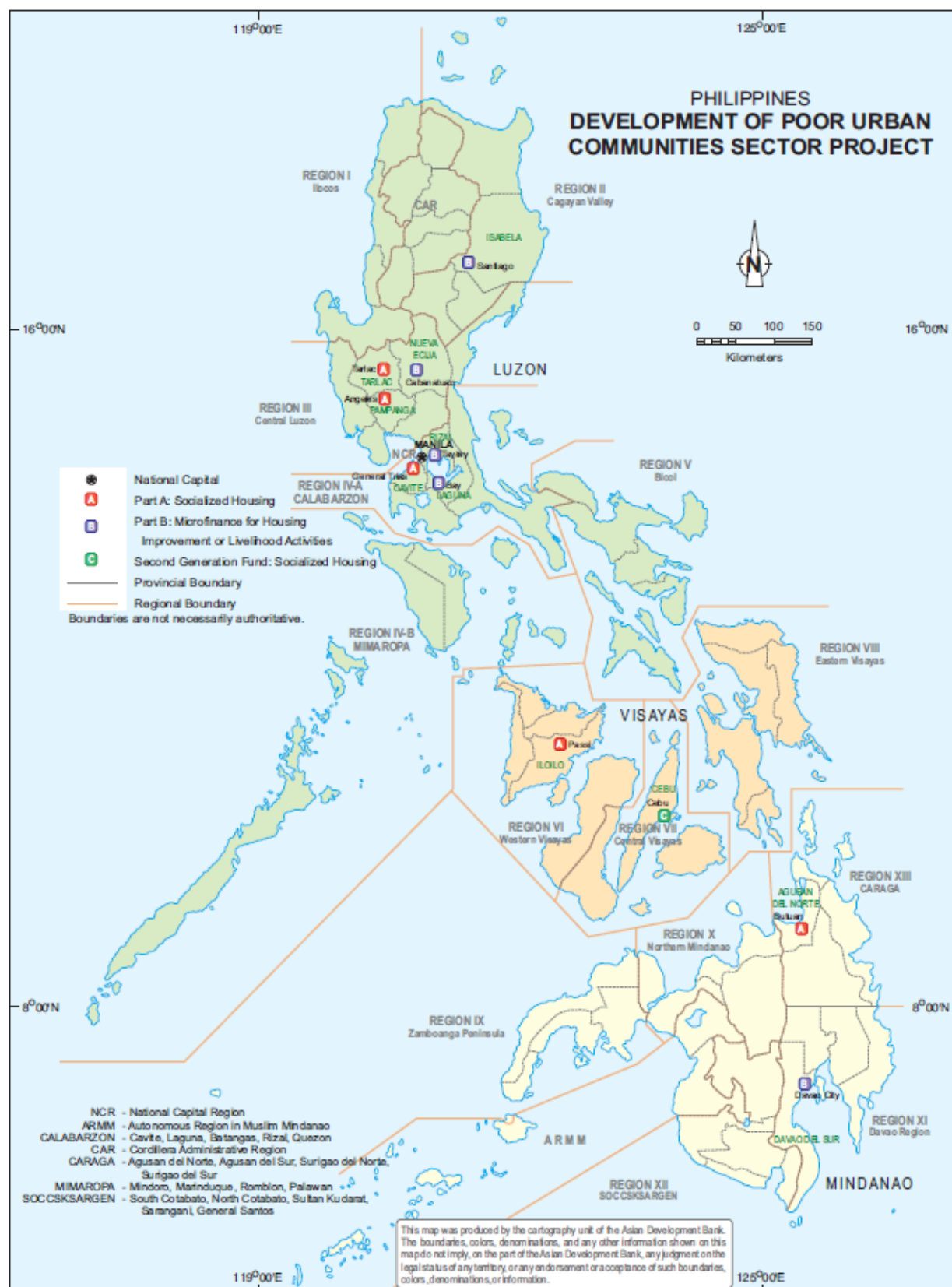
Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 18 December 2003 to 31 December 2003	Satisfactory	Satisfactory
From 1 January to 31 December 2004	Satisfactory	Satisfactory
From 1 January to 31 December 2005	Satisfactory	Satisfactory
From 1 January to 31 December 2006	Satisfactory	Satisfactory
From 1 January to 31 December 2007	Satisfactory	Satisfactory
From 1 January to 31 December 2008	Satisfactory	Satisfactory
From 1 January to 31 December 2009	Satisfactory	Satisfactory
From 1 January to 20 April 2010	Satisfactory	Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Fact-finding (intermittent)	18 June–10 Aug 2001	12		a, d, e, g, h, i, k, l, m, n
Appraisal (intermittent)	10 Feb–6 May 2003	9		a, d, e, f, g, i, j, k, m
Loan inception (intermittent)	17 May–15 June 2004	2	10	a, b
Special loan administration	20 July 2004	1	1	b
Review 1 (intermittent)	5 Sep–23 Nov 2005	2	10	a, b
Review 2 (intermittent)	15–30 August 2006	2	10	a, c
Review 3	20–24 November 2006	2	4	a, c
Review 4 (midterm)	14–27 March 2007	2	12	a, b, c
Review 5	12–22 November 2007	2	10	a, b

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Review 6 (intermittent)	12 May – 2 June 2008	2	8	a, b
Review 7 (intermittent)	27 Oct – 13 Nov 2008	2	10	a, b
Review 8	22–29 June 2009	2	8	a, b
Review 9 (intermittent)	16 Nov – 4 Dec 2009	2	8	a, b
Review 10 (intermittent)	5–15 April 2010	2	8	a, b
Project completion review ^b (Intermittent)	14 Jan – 21 Feb 2011	3		a, b, d

^a a = mission leader, b = assistant project analyst, c = urban specialist, d = consultant, e = programs officer, f = urban economist, g = financial analyst, h = housing finance specialist, i = resettlement, j = counsel, k = engineer, l = counsel, m = environment, n = private sector specialist.



I. BACKGROUND

A. Project Description

1. The Development of Poor Urban Communities Sector Project (DPUCSP) was conceived in 2001 with the aim of reducing urban poverty and improving the quality of life for the urban poor in the Philippines. It was approved on 18 December 2003 and became effective on 21 April 2004.¹ The project was to put in place systems to provide affordable housing and serviced land for the poor. It supported the urban poverty reduction strategy of the Government of the Philippines by creating sustainable systems for (i) providing loans to local government units (LGUs), in partnership with communities and non-government organizations (NGOs), for site development and distribution of tenure to poor informal settlers; (ii) expanding the access of poor urban informal settlers to microcredit for shelter finance and small enterprise development; and (iii) facilitating participatory community-driven planning by strengthening the role and capacity of participating communities, LGUs, the Housing and Urban Development Coordinating Council (HUDCC), and the National Housing Authority to meet their responsibilities under the Local Government Code and the Medium-Term Philippine Development Plan (MTPDP). The project also aimed to help establish a policy, institutional, and regulatory environment conducive to meeting the housing needs of the urban poor in informal settlements.

2. The project comprised three parts. In part A, new and existing sites were developed to provide affordable secure tenure and infrastructure services for urban families in the lowest five income deciles. The project targeted poor communities where the majority of people are below the poverty line. In part B, shelter financing mechanisms were established using microfinance institutions (MFIs) and other qualifying intermediaries to support (i) purchase of serviced plots and home improvements, (ii) new housing loans, and (iii) microenterprise credit facilities. Participating MFIs were prequalified by the Development Bank of the Philippines (DBP) using agreed criteria and could include thrift banks, rural banks, microfinance NGOs, credit cooperatives, and savings and loan institutions. In part C, capacity building and project implementation support programs were implemented to improve decentralized shelter delivery. The programs included (i) project implementation support to assist in overall project planning, coordination, management, advocacy, and subproject appraisal; (ii) support for community-driven planning for sustainable development of sites under part A; (iii) capacity building for LGUs to enable them to plan, initiate development of, and finance their role in appropriate, inclusive shelter projects; and (iv) strengthening the capacity of MFIs to provide finance under part B. Part C was implemented with the help of the Capacity Building for Housing Microfinance technical assistance (TA)², which provided the project implementation consultants for the project. Additionally, the Government of Korea's e-Asia and Knowledge Partnership Fund endorsed a supplementary e-Asia information technology activity.

3. The project was complemented by a set of policy initiatives, which were intended to (i) liberalize collateral requirements to allow banks to lend against long-term leases and other secure tenure agreements, (ii) improve the implementing rules and regulations for the practice of proclaiming land for socialized housing, and (iii) develop mechanisms to encourage the creation of local housing boards.

¹ 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 for the Development of Poor Urban Communities Sector Project*. Manila.

² ADB. 2003. *Technical Assistance to the Republic of the Philippines for Capacity Building for Housing Microfinance*. Manila.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. The urban population of the Philippines continues to grow at an unprecedented rate. It was estimated that by 2010 about 60% of the population (i.e., more than 50 million Filipinos) would be living in urban areas. In 2002, both the housing and land markets were unable to cope with the demands posed by the country's rapid urbanization, which contributed to escalating urban poverty. Of the estimated 5.5 million urban poor households in 2000, about 1.4 million lived in impoverished slums characterized by (i) inferior quality housing; (ii) limited or lack of access to basic infrastructure services, such as roads and footpaths, drainage, water supply, and sanitation; (iii) insecure tenure; and (iv) environmental and hygienic conditions that were hazardous to public health. The majority of these families also suffered from irregular or limited sources of income and livelihood. The national government recognized these problems, proclaimed a war against poverty, and emphasized the redistribution of assets. However, national and local institutions were weak, and unable to sustainably expand the urban poor's access to basic services, secure tenure, housing and livelihood.

5. Against these challenges and constraints, the project was envisioned by the Government of the Philippines and designed under project preparatory TA approved by the Asian Development Bank (ADB) in 1999, and carried out from June 2000 to May 2001.³ As designed, the project addressed the key constraints to providing affordable shelter to low-income groups. It provided mechanisms for enhancing the security of tenure in a context where previous initiatives had very limited success. It used targeted subsidies (for instance land made available below market rates) to achieve affordability. The design and formulation of the investment project was consistent with the government's decentralization policy,⁴ which emphasized local government responsibility for urban housing for the poor, and ADB's strategy for the country (Appendix 1). However, the sector approach of the project design appropriately envisaged alternative implementation modes through private sector cooperation and nongovernmental organizations (NGOs). These alternative implementation modes were employed by the project when the low level of local government investment in housing became evident. The design of the project benefited from experience gained through implementation of two smaller Japan Fund for Poverty Reduction (JFPR)-funded projects in Metro Manila (see para. 37).

B. Project Outputs

6. The project outputs were achieved through three project components.

7. **Part A.** In part A, DBP relent to qualified LGUs for site development. About 2,017 households gained access to land tenure with basic infrastructure and services. Of the 60 targeted subprojects, only seven were financed by the project (see Appendix 2), due to the general lack of interest of LGU proponents for socialized housing projects geared towards lower income groups. Participation in the project proved financially challenging for many LGUs due to their limited financial capacity. Likewise, most LGUs prioritized projects other than housing as a

³ ADB. 1999. *Technical Assistance to the Republic of the Philippines for the Development of Poor Urban Communities Project*. Manila (TA 3291-PHI, for \$850,000, approved on 10 November 1999, with supplementary TA, for \$150,000 approved on 2 April 2002).

⁴ Republic Act No.7160, otherwise known as Local Government Code of 1991, introduced local governance decentralization. This mandate gave the LGUs more powers, authority, responsibilities and resources to become self-reliant and responsive to community needs. The operative principle of decentralization is provided in section 3, Chapter I, title one, paras. (a)–(m), as mandated in the Local Government Code of 1991.

result of prior difficulties in collecting from housing project beneficiaries. Of the eight subprojects identified during the project's pre-implementation stage with community action plans, only the Pulungbulo housing project in Angeles City, Pampanga successfully obtained a loan from the DBP and implemented the housing project.

8. The five subprojects implemented under part A included three interventions undertaken by LGUs and two by private developers (Table 1). The LGU subprojects are (i) the Pulungbulo Housing Project in Angeles City (66 housing units with basic infrastructure facilities), (ii) Butuan city (220 buildable plots), and (iii) Passi city (194 serviced plots for a later socialized housing project for LGU employees).⁵ The subprojects undertaken by private developers are (i) the Pamayanang Maliksi Housing Project in Cavite by the RII Builders and the provincial government of Cavite (1,492 housing units with infrastructure and community facilities), and (ii) the Rosmont Village in Tarlac City by the Ralf Realty Management Corporation (45 units with basic infrastructure).⁶ The subproject in Butuan city saw construction of only 76 housing units (after project closure), with the majority of the land remaining unused. In Passi, the construction of housing is delayed; the serviced plots are ready to be awarded to beneficiaries, but the LGU or a private developer have yet to construct the housing stock. The private sector-built housing scheme in Cavite is the biggest and most successful of its kind under part A. The Rosmont Village subproject appears to be marred by marketing problems, and is largely unoccupied. Effectively, the only successful part A subprojects are those in Angeles City and Cavite (Appendix 2).

9. The rest of the subprojects identified during project implementation failed to materialize despite substantial TA given to the LGUs and private subproject proponents, and intensive consultations and discussions with the LGUs and communities involved. This prompted the implementing agencies to adjust the overall approach of the project, and particularly the targeting of potential proponents. Design adjustments undertaken during implementation (the project was opened to include rural areas, poorly paid LGU employees, and higher-class LGUs) did little to increase the interest of LGUs to borrow for housing, however. Several proponents that received assistance from the project consultants failed to present loan applications due to instability in the real estate market resulting from the global financial crisis. As a result, the actual number of beneficiaries was substantially less than the 20,000 that were originally targeted. Appendix 3 lists the part A subprojects that were withdrawn from the project and the reasons for their withdrawal. The prevailing assumption of the project—that LGUs would invest in housing projects for the urban poor—was overly optimistic. In 2007, the government instructed public housing finance agencies to lower interest rates for social housing to 6%, i.e. below market rates. The low cost of housing finance through alternative mechanisms, such as the Home Development Mutual Fund (HDMF), acted as a disincentive to LGU borrowing.⁷ Subproject development under the project through private sector investors was reasonably successful, but was limited by the relatively late introduction within the project's implementation period. Had the project been extended, more investments would have been possible under the private sector modality.

⁵ In 2007, ADB agreed to the executing agencies' request to permit low-paid LGU employees to be beneficiaries of the project.

⁶ Two other approved subprojects were cancelled; Pinagmalucan Housing (Puerto Princesa City) was cancelled by the borrower in favor of another business deal, and Villa Jesusa Subdivision (Ilagan, Isabel) by Kapayakan Lands Corporation was canceled one because Kapayakan Lands defaulted.

⁷ HDMF as a mutual fund caters to employees and workers of the formal sector. HDMF finances several categories of housing, the lowest being socialized housing, for which an interest rate has been set by the government at 6% per annum, for a loan duration up to 30 years. More details are available at www.pagibigfund.gov.ph/

10. **Part B.** DBP established shelter financing and microcredit facilities for beneficiaries to support financing for (i) serviced plots and house improvements, (ii) housing loans, and (iii) microenterprise credit facilities (Table 1). For part B, the project delivered (through microfinance institutions) 10,929 enterprise loans, 8,023 home improvement loans and 11 housing loans (for the construction of complete units). The targeted numbers of beneficiaries for part B for the microenterprise and home improvement loans were exceeded, except for the loan component for new housing construction. DBP partner MFIs actively engaged in housing microfinance include Alalay Sa Kaunlaran (ASK); Enterprise Bank; People's Credit and Finance Corporation (with onlending to Ahon sa Hirap and Home Town Corp. and Center for Agriculture and Rural Development); Taytay sa Kauswagan; and Negros Women Foundation. They availed of project financing totaling P259,186 million, including P209.11 million from project funds. This amount was onlent to 22,710 poor households outside Metro Manila for livelihood or enterprise development, home improvement and housing construction. Table 1 compares the target and actual number of subprojects and beneficiaries. In terms of home improvement, five MFIs have been able to engage in this new field. The project completion review mission noted that, except for Angeles City, there is no location where part A and part B investments coincide (Appendix 2).

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

Subsector Components	No. of Subprojects		No. of Beneficiaries	
	As Appraised	Actual	As Appraised	Actual
Part A				
Site Development & Housing Construction	60	7	20,000	2,017 ^a
Part B				
Enterprise Loans		5 ^b	10,000	10,929
Home Improvement Loans		3 ^c	2,300	8,023
Housing Loans	n/a	2 ^d	12,000	11
TOTAL			44,300	20,980

^a Actual number of housing units constructed (1,603) and serviced plots (414) completed

^b Alalay sa Kaunlaran (ASK), Enterprise Bank, Taytay Sa Kauswagan, People's Credit and Finance Corporation, Centre for Agriculture and Rural Development (CARD), Negros Women's Foundation.

^c ASK, Enterprise Banks, CARD, Ahon sa Hirap

^d ASK, CARD.

Source: Asian Development Bank.

11. **Part C.** Part C was implemented with the help of the Capacity Building for Housing Microfinance TA, which provided the project implementation consultants for the Project. Additionally, other supplementary TA was provided under the Financing Public-Private Partnerships for Sustainable Low-Income Housing Delivery TA⁸, and by the Government of Korea's e-Asia and Knowledge Partnership Fund. In part C, DBP and HUDCC undertook capacity building and project implementation support programs for communities and LGUs to strengthen the decentralized shelter delivery mechanism. A total of 1,479 persons participated in training events. Topics covered at the national level included project design and management, housing finance, land management, and shelter planning. At the regional level, workshops focusing on housing microfinance, participatory community action planning, slum upgrading and new site development for the poor, subproject development and implementation, environmental impact assessment, and city shelter strategies were designed and conducted. Appendix 4 summarizes the courses and conferences conducted.

12. The project was able to contribute to several innovations, which covered (i) housing microfinance for home improvements; (ii) the homeowners' association (HOA) lending

⁸ ADB. 2007. *Technical Assistance for Sustainable Urban Development in Asia into Regional Cooperation*. Manila.

modality;⁹ (iii) the NGO lending modality; and (iv) LGU–private sector partnerships.

13. Housing microfinance for home improvements. Housing microfinance is an important feature of the project. On 14 February 2008, the Philippine Central Bank (Bangko Sentral ng Pilipinas [BSP]) approved the Housing Microfinance Manual, which is the first of its kind in Asia and the Pacific. The manual resulted from the work of DBP and its project partners (e.g., HUDCC and the MFIs). As stated in the BSP Memorandum Circular No. M-2008 dated March 19, 2008, the Housing Microfinance Product has the following features: (i) MFIs can lend for house construction, house and lot acquisition, or home improvement; (ii) microfinance can be made available for existing microfinance clients or new clients without access to formal housing institutions but with verifiable proof of income; (iii) loans are available in amounts of up to P400,000 for house construction and/or lot acquisition and up to P150,000 for home improvement; (iv) capacity-to-pay is based on cash flow analysis, with loan repayment not exceeding 60% of client's income and a repayment period of 5 to 10 years.¹⁰ Para 10 provides details of DBP partner MFIs actively engaged in housing microfinance.

14. Lending to homeowners' associations. DBP's Lending Guidelines to HOAs, which were approved in 2008, pioneered commercial lending for housing to community associations. This approach builds from the lessons of the MFI experience in lending to microenterprises that banking with the poor can be viable. DBP approved two HOA-led housing projects: the Pinagmangalucan HOA housing project in San Vicente, Palawan, and the Sinunoc HOA housing project in Sinunoc, Miramar, Zamboanga City. The Pinagmangalucan project assisted 35 fisherfolk households with site development of 33,000 square meters of land for housing. The Sinunoc HOA housing project was supported through DBP funds through the application of DBP-approved HOA Lending Guidelines as developed under the project. However, despite these efforts, by end of the project, there were no approved HOA subprojects, except for the land acquisition project, which was financed through DBP's internal funds

15. Lending to Non-Government Organizations. The NGO lending modality targeted established NGOs with a proven track record in shelter delivery through innovative approaches to construction technology applications, community organizing and strong savings and credit programs. DBP approved the loan application of Pagtambayayong Foundation, a housing NGO based in Cebu City. Due to a delay in obtaining environmental approval, the subproject was funded through DBP's second-generation project funds.

16. Local Government Unit–private sector partnerships. LGU partnerships with the private sector are an important modality for socialized housing. During the project it became clear that both the public and private sectors are unable to provide an optimal solution to the growing housing shortage in the country when working alone, and that narrowing the gap between housing demand and supply requires collaboration between the two sectors. Consequently, DBP actively promoted LGU–private sector cooperation for affordable housing.

⁹ The Cities Alliance funded additional TA, known as the "Integrated Approaches to Poverty Reduction at the Neighborhood Level – A Cities Without Slums Initiative" (IMPACT). The IMPACT TA was implemented by the United Nations Human Settlements Programme (UN-Habitat) as a stand-alone activity. Its interactions with DBP were initially very limited. IMPACT worked mostly towards recognition of Homeowners' Associations (HOAs) as borrowers under the project. Although the potential of the HOAs as a possible conduit of project funds was recognized by DBP, the IMPACT TA lead to no investments, and as such had no real impact.

¹⁰ An additional HUDCC initiative to introduce "rights-based alternative collateral instruments" was not accepted by DBP and the banking sector.

C. Project Costs

17. The total project cost was estimated at \$48.8 million equivalent, comprising \$14.5 million in foreign exchange costs (including about \$1.8 million in interest during construction, commitment charges, and front-end fees), and \$34.3 million equivalent in local currency costs (Appendix 5). The actual cost of the project was \$25.60 million, of which ADB financed \$17.79 million. This is 58% of the estimated ADB financing plan (\$30.5 million). The funding from ADB was used to fund civil works and microfinance loans. An advisory TA of \$1.5 million was approved to support implementation of the Project, particularly Part C; due to modifications in scope, this piggy-backed TA amount increase up to \$2 million.

18. The total cost is based on estimates prepared for eight pilot subprojects in four LGUs in Luzon, the Visayas, and Mindanao. These estimates indicate an average base cost of \$191,390 (P10.048 million) per site for basic urban services and land acquisition costs at 32 existing sites, and \$301,900 (P15.848 million) per site for 34 new sites.

D. Disbursements

19. Loan proceeds were disbursed according to procedures in ADB's *Loan Disbursement Handbook*, January 2001 (see Appendix 6). To facilitate the disbursement of small expenditures under the loan, DBP set up an imprest account exclusively for the project. The initial payment and ceiling of the imprest account was equivalent to DBP's anticipated disbursements of approved subloans to sub-borrowers over a 6-month period, or 10% of the loan proceeds (\$3 million). The account was replenished and liquidated based on the statement of expenditures (SOE) prepared by DBP lending centers and consolidated at the DBP head office. The ceiling on SOE withdrawals was retained at \$200,000. DBP's accounting systems and internal control procedures were assessed and found adequate for the imprest account and SOE procedures.

20. DBP submitted its first withdrawal application to ADB for release of the loan proceeds to one microfinance institution and one LGU sub-borrower. The succeeding seven drawdowns made were based on the needs of the sub-borrowers. In addition to withdrawal applications, the capitalized front-end fee, commitment charges and interest charges were made part of the total disbursements of ¥1,830,021,093. The remaining ¥1,488,531,407 undisbursed balance was cancelled on 10 June 2010. The imprest account was managed, replenished and liquidated in accordance with ADB's *Loan Disbursement Handbook*.

E. Project Schedule

21. The project was approved by the ADB Board on 14 June 2002 and became effective on 21 April 2004. The project was closed on 20 April 2010, while the project loan account was closed on 10 June 2010.

22. The project was expected to be implemented from 2003 to 2009, with each subproject taking about 2 years to complete. Parts A and B were complemented by (i) a nationwide advocacy program, supported by part C; and (ii) organizational arrangements among the executing agencies, LGUs, NGOs, and communities. The project experienced substantial delays in parts A and B; in the case of part A subprojects, the delay was due in part to the lengthy processing schedule (Appendix 7). Part C had two components, the first of which engaged consultants for sector strengthening and project implementation support. The consultants then assisted the executing agencies. Capacity building was implemented throughout the project, although most was concentrated in the early stages. A timeline of subproject processing and implementation (based on actual data) is in Appendix 8.

F. Implementation Arrangements

23. DBP was the executing agency for parts A and B. For part C, HUDCC was the executing agency for the sector-strengthening activities, while DBP was responsible for activities related to project implementation support. HUDCC established a project management office (PMO) with a designated full-time project manager to undertake the technical and administrative aspects of strengthening the decentralized shelter delivery framework. DBP likewise established a PMO to (i) promote the project to the targeted end beneficiaries; (ii) assist LGUs, MFIs, and other proponents in subproject development and implementation; (iii) evaluate the technical, financial and economic, social, and environmental viability of proposed subprojects; (iv) conduct project supervision and monitoring; and (v) establish the project performance monitoring system (PPMS).

24. An interagency project steering committee (PSC), chaired by HUDCC, was formed to provide policy guidance, implement policy reforms, and give overall direction. Its members included representatives of Department of Finance, DBP, Home Guaranty Corporation, National Economic Development Authority (NEDA), and other agencies and stakeholders. The PSC (i) oversaw project implementation in conformance with the project's development objectives and scope, and (ii) assisted in coordination among government agencies involved in project implementation and policy reforms. A project management secretariat, comprising personnel of HUDCC and DBP, constituted the technical working group of the PSC to ensure coordinated and efficient project and project implementation activities. Appendix 9 provides a simplified diagram of the program implementation structure.

25. Eligible borrowers applied through any of DBP's marketing units nationwide and, depending on loan amounts, were approved either in the Regional Marketing Centers or in the head office. Technical evaluation and endorsement was conducted by the head office PMO, while credit and technical verification was conducted by the marketing units.

G. Conditions and Covenants

26. Loan covenants under the project included: (i) sector reform initiatives; (ii) financial management in terms of debt–equity ratio, capital adequacy ratio, audited financial statements, and provision against foreign exchange loss; (iii) environmental concerns; and (iv) social dimensions and others. Compliance with covenants contained in the project loan agreement is shown in Appendix 10. Generally, all covenants were complied with. Submission of the audited financial statements was consistently delayed throughout the life of the project, primarily because of the delayed release of the government's Commission on Audit reports.

H. Related Technical Assistance

27. The Capacity Building for Housing Microfinance TA of \$ 1.4 million aimed to enable HUDCC, DBP, LGUs, community-based organizations (CBOs), and other project proponents to formulate and adopt community-based mechanisms for sustainable slum upgrading and low-income housing. It also aimed to help DBP and participating MFIs in strengthening their systems, for a more inclusive shelter finance geared towards the efficient and sustainable delivery of housing, home improvement, and microenterprise loans to eligible urban poor families (the TA completion report is in Appendix 11).

28. A supplementary study on Financing Public–Private Partnerships for Sustainable Low-Income Housing Delivery was funded with \$100,000. In the light of the constraints LGUs faced

in borrowing for pro-poor and low-income housing at the scale warranted by demand, private sector cooperation promised faster implementation compared to LGU-led subprojects, and became an important feature of the project.

29. The private sector modality relied on individual homebuyer financing from the government-owned HDMF, also known as *Pag-IBIG* (*Pagtutulungan, Ikaw, Bangko, Industriya at Gobyerno*). HDMF members are usually employed in the formal sector.

30. ADB extended \$500,000 in supplementary TA from the Republic of Korea e-Asia and Knowledge Partnership Fund to enhance e-tools within the DBP, HUDCC, LGUs, MFIs, NGOs, and private developers (Appendix 12). As a supplementary TA, it (i) established 12 e-kiosks (locally referred to as "e-Haus") in LGUs, MFIs, NGOs, and HUDCC to support loan applicants with e-tools; and (ii) provided training on e-tools to strengthen the e-readiness of MFIs. The e-kiosks are strategically located in project partner institutions across the country.

I. Consultant Recruitment and Procurement

31. The consultant recruitment and procurement procedures followed ADB's *Guidelines on the Use of Consultants* and *Guidelines for Procurement* (February 1999). The Loan Agreement provided that for part A procurement (i) the selection of consultants for detailed engineering and construction supervision to be financed by the LGUs was to be in accordance with a procedure acceptable to ADB; (ii) for subprojects with a cost of more than \$2.0 million equivalent, ADB was to review the terms of reference, evaluation criteria, service contracts and evaluation results; (iii) the *Guidelines for Procurement* were followed for the procurement of civil works and goods funded partly or wholly by the ADB loan proceeds; and (iv) civil works contracts of more than \$2.0 million and equipment contracts of more than \$0.5 million were awarded based on international competitive bidding.

J. Performance of Consultants, Contractors, and Suppliers

32. The performance of the consultants for the Capacity Building for Housing Microfinance TA was satisfactory; they were a competent team that supported both DBP and HUDCC with subproject preparations and capacity development activities. However, too much emphasis may have been given to the LGU lending modality under part A, and alternatives (through HOAs or NGOs) were seldom pursued. The consultants undertook an innovative effort to develop a web-based PPMS. Unfortunately, this PPMS did not serve the intended purpose, as insufficient attention was given to data management by the executing and implementing agencies.

K. Performance of the Borrower and the Executing Agency

33. The performance of the DBP was satisfactory, and it tried to make the project a success. Several limitations have been observed, however. DBP replaced the entire project team after about 3 years, resulting in discontinuity and wasted institutional effort. However, the second DBP team showed an increased commitment to the project. DBP's capacity to implement the project was limited by DBP's small outreach to LGUs (only about 120 of the approximately 1,600 LGUs were DBP customers). Equally, DBP's outreach to the MFIs has also been rather limited, with few MFIs accredited by DBP. A further weakness has been in the operationalization of the PPMS, with DBP relying on consultant support until the closure of the TA consultants' contract. The DBP central team and its regional branches (local marketing centers) often found it difficult to give ongoing assistance to LGUs and other possible subproject proponents.

34. The performance of HUDCC was satisfactory, and it was very supportive during the preparation of subprojects and in liaison with LGUs (part A), and capacity development activities (part C). HUDCC also failed to fully control the PPMS. HUDCC was able to use the TA consultants to further its policy agenda, particularly the promotion of the Housing Microfinance Manual of the Central Bank. HUDCC also found it difficult to provide continuous assistance to LGUs and other possible subproject proponents.

L. Performance of the Asian Development Bank

35. The performance of ADB was satisfactory. It maintained close supervision of the subproject preparation process, and helped to guide the direction of the project, including the private sector lending modality under part A, and the introduction of the supplementary e-tools activities. Joint project review missions between ADB, DBP, HUDCC and NEDA were fielded twice per year to monitor the project progress. The review missions provided an opportunity to address subproject implementation issues and allowed ADB to provide insights into overall project progress. In general, ADB responded to DBP requests positively and promptly. In 2009, a request for extension of the project was made by the DBP, but was disapproved despite repeated requests from DBP, because ADB did not expect an extension would lead to substantial increases in loan disbursement.

III. EVALUATION OF PERFORMANCE

A. Relevance

36. The project remains *relevant*. The design of the project was in accordance with the government's poverty reduction and shelter strategies through decentralized investment projects and ADB's shelter sector strategy at the time of appraisal, and continues to be so. It has strengthened shelter sector players such as the LGUs, NGOs, and other community organizations in implementing housing projects. It has also strengthened HUDCC and DBP in assisting the shelter sector cope with the ever-increasing housing need in the country.

37. The design of the project reflected lessons from JFPR-funded projects, i.e. (i) the Supporting the Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City Project,¹¹ and (ii) the Supporting the On-Site Integrated Urban Upgrading for Vulnerable Slum Communities of Payatas Project.¹² Lessons highlighted the importance of participation in project design and implementation, and were instrumental in developing community action plans (CAPs) as the main tool for subproject preparation under part A.

38. The project's sector loan modality proved relevant, and allowed the executing agency to switch between LGU-driven, private sector-led, and NGO-initiated subprojects, and to initiate sector-wide innovations as described in paras. 11–15.

39. The project has experimented with various housing project initiatives under part A, covering (i) LGU-driven housing schemes; (ii) private sector-driven schemes, and (iii) NGO or CBO-driven subprojects. The LGU-initiated subprojects were less successful, while the private

¹¹ ADB. 2000. *Proposed Grant Assistance to the Philippines for Supporting the Off-Site and Off-City Relocation of Vulnerable Slum Communities of Muntinlupa City Project*. Manila.

¹² ADB 2000. *Proposed Grant Assistance to the Philippines for Supporting the On-Site Integrated Urban Upgrading for Vulnerable Slum Communities of Payatas Project*. Manila.

sector subprojects were partly successful. The NGO or CBO-initiated subprojects were not implemented, although there are signs that in Cebu, a housing NGO is accessing the DBP second-generation fund (SGF). Overall performance of part A is, therefore, rated *partially successful*, as it was only able to deliver 7 out of the 20 originally targeted subprojects. Further, it has assisted only 2,017 households, compared with the target of 20,000 households.

40. The project has suffered severely from the initial overemphasis on LGU-driven subprojects, while other modalities were taken up only relatively late. The project has demonstrated that LGUs were not willing to take up long-term debt for socialized housing (and they considered HDMF funds more attractive than project funds), and this should have significant policy implications for the Philippines. Concerning the provision of housing for the urban poor, the project's hypothesis was that the LGUs will provide opportunities for the urban poor to become bankable. Unfortunately, this has not happened. LGU participants in the project were limited to three projects by the LGUs of Angeles, Butuan, and Passi.

41. The government's 2007 decision to abandon the policy thrust of the MTPDP of 2004–2010 towards market-based lending rates for the housing sector, and the politically motivated decision to adopt a lower interest rate for socialized housing has been counterproductive for the project. Since 2007, the HDMF and other social funds—such as the Social Security System and Government Service Insurance System—have been directed by the government to lend at an interest rate of 6% per year over a 25- or 30-year loan tenure, which is substantially lower than the average market rates of 9% per year. This change in housing finance parameters made implementation of the project difficult. Borrowers would request lending rates comparable to the HDMF rates, which DBP was not able to provide. This resulted in LGUs becoming disinterested in the project.

42. The project has had a very low disbursement rate. However, repayment of the project funds has been faster than expected. By 2011, all LGUs and most of the private sector borrowers had paid back their loans; the LGUs seemingly did not want to carry over debt from one administration to the next, and the private sector investors were interested in a fast sale of their units. This implies that the project funds, which were envisaged for long-term financing, have in fact become a means of short-term finance. Thus, in 2011 the executing agency held an SGF of about P554 million (in February 2011). The existence of the SGF increase the likelihood of sustainability of project operations within DBP.

43. The project's growing emphasis on the private sector modality, which requires beneficiaries to be members of the HDMF, suggests a shift toward employees of the formal sector, and not informal sector poor, as intended at project design. This implies that in terms of project impact there was a shift away from the "urban poor", who are usually associated with those working and living in the informal sector. The private sector modality and its reliance on HDMF funds raise questions regarding the need for DBP's involvement.

44. Under part B, the project has been able to deliver microfinance for livelihood loans (i.e. microenterprises) and for housing (mostly home improvement). The accomplishments under part B show some success, especially in reaching the targeted number of households. The target was 10,000 for enterprise loans, with 10,929 assisted; and 2,300 for home improvement loans, with 8,023 households assisted. The targeted 12,000 housing loans through MFIs fell significantly short of target, however, with only 11 housing loans provided. The project has received the endorsement by the BSP of a Housing Microfinance Product Manual in 2008, and as an added achievement, the government endorsed the adoption of microfinance for the housing sector in a separate executive order. While this is an undeniable achievement, there

are few indications so far that there will be a massive adoption of microfinance for housing in the near future. Few MFIs have become interested in the sector; there is high liquidity in the country resulting from massive remittances, and thus cheaper sources of short-term funds from rural and cooperative banks.

45. Implementation of part C was generally successful. LGUs, MFIs, and community associations were provided training on project management, and community-driven and participatory planning and implementation. Community Action Plans (CAPs) for upgrading and feasibility studies for new sites were prepared by the LGUs in consultation with the communities. In the case of Angeles City, the design and the housing package were thoroughly discussed between the LGU Housing Group (the Local Urban Poor Affairs and Housing Office) and the community association prior to finalizing their feasibility for a subproject. In the case of Cebu City, which expressed intent but deferred availment, seven CAPs for their proposed subprojects were prepared by the LGU with the community associations to be affected by the upgrading of their areas.

46. In addition to the approval of the Housing Microfinance Product Manual, an executive order was prepared (Accelerating the Distribution of Secure Tenure to Qualified Socialized Housing Beneficiaries through the use of Rights-based Secure Tenure Instruments under the National Shelter Program). This took place after several consultations and workshops among the key shelter agencies including HUDCC, Department of Interior and Local Government and land-related agencies (e.g., the Land Registration Authority, DENR). The executive order aimed to address the growing need for pro-poor housing in the country by streamlining, standardizing, harmonizing, and improving the mechanism and procedures for the distribution of secure tenure to the country's poor and homeless citizens. Overall, with the policy reforms and initiatives undertaken, HUDCC's policy agenda was achieved.

B. Effectiveness in Achieving Outcome

47. The overarching goal of the project was to reduce urban poverty. This suggested to include also the overarching goals of improving the quality of life through facilitated access to secure land tenure, affordable shelter, decentralized shelter delivery, development and promotion of a pro-poor housing policy agenda.

48. Relative to the policy agenda set under the project, with the approval of the Housing Microfinance Product Manual by the BSP, the project has successfully delivered the appropriate policy reforms that laid the groundwork for project beneficiaries (i.e., poor or low-income households) to access shelter financing, particularly through housing microfinance.

49. The intended outcome—to develop sustainable systems for providing affordable shelter and services for the poor—has partly been achieved through the introduction of housing microfinance in the Philippines (part B). The creation of an SGF within DBP will also contribute to the sustainability of project outcomes.

50. Based on the low fund utilization and the low outcomes, the project is rated as *less effective*.

C. Efficiency in Achieving Outcome and Outputs

51. Under part A, the five implemented subprojects were subjected to both financial and economic evaluation as of subproject completion. The resulting financial internal rate of return

(FIRR) was compared with the equivalent weighted average cost of capital for each case. Only Pamayanang Maliksi in Cavite showed financial viability with a FIRR of 2.7%, higher than the computed real weighted average cost of capital of 2.52%. The three other subprojects (Pulungbulo Housing Project in Angeles City, Rosmont Village in Tarlac City and Balangayan Site Development in Butuan City) have negative FIRRs. A financial evaluation was not carried out for the site development project in Passi City due to a lack of information regarding how its future financing would be carried out. However, the economic evaluation shows that the five subprojects have economic internal rates of return (EIRRs) higher than the economic opportunity of capital.¹³ EIRRs ranged from 14.75% for Pulungbulo Housing Project to 19.28% for Pamayanang Maliksi. These results are much lower than the base-case EIRRs produced by the economic evaluation undertaken during project appraisal, which ranged from 21.0% to 40.5%.

52. Under part B, the FIRR for two microfinance subprojects—ASK and Enterprise Bank—was reevaluated. Both subprojects are confirmed as financially robust. ASK and Enterprise Bank had FIRRs of 8.08% and 6.87%, respectively. The short-term nature, low-capital input and high-product turnover of the microfinance activities made the investment return robust.

53. Summary results of the financial and economic evaluations are shown in Table 2; greater detail is in Appendix 13. Given these results, the project is rated *less efficient*.

Table 2: Summary Result of Financial and Economic Evaluation as of Subproject Completion

Subproject		WACC	At Appraisal ^a		Actual	
			FIRR	EIRR	FIRR	EIRR
Part A						
1	Pulungbulo Housing Project, Angeles City	3.25	Ranging from 6.9% to 51.9%	Ranging from 27.9% to 44.6%	(9.77) ^b	14.75
2	Balangayan Site Development, Butuan City	4.76	(shelter component)	(upgrading subprojects)	negative	15.24
3	Site Development Project, Passi City	3.26				18.80
4	Pamayanang Maliksi, General Trias, Cavite	2.52			2.70	19.28
5	Rosmont Village, Tarlac City	2.56			(4.73)	17.44
Part B						
6	Alalay sa Kaunlaran	2.21	Ranging from 6.0% to 51.9%	Ranging from 18.3% to 54.8%	8.08	
7	Enterprise Bank	2.21			6.87	

EIRR = economic internal rate of return, FIRR = financial internal rate of return, WACC = weighted average cost of capital.

^a ADB. 2003. *Report and Recommendation of the President to the Board of Directors for the Proposed Loan to the Republic of the Philippines for the Development of Poor Urban Communities Sector*. Manila, paras. 54–56 and Appendix 5, paras. 3–5.

^b This assumes that Angeles City starts collecting payments from beneficiaries in 2011.

Source: Asian Development Bank

D. Preliminary Assessment of Sustainability

54. One of the major objectives of the project was to contribute to the longer-term objective of establishing a sustainable, market-based system for the delivery of housing finance to meet the borrowing needs of low- and middle-income households. While part A of the project has not

¹³ The economic opportunity cost of capital for this type of subproject was estimated at 12%.

(and could not) meet the total borrowing needs of low- and middle-income households in the Philippines, it has significantly contributed to establishing a LGU–private sector partnership modality that can be applied to other situations.

55. As the implementing agency for the credit portion of the project, DBP has also included the project in its medium-and long-term development plans. DBP’s continuing involvement with the project after its closure, through its second generation funds (SGF), is a good indication of sustainability.

56. Sustainability of the various housing subprojects may be achieved through estate management and financial revenues. The capacity building training received by the communities included estate management planning, wherein members were assisted in formulating activities related to the maintenance of communities. The estate management plan outlines rules, regulations, responsibilities, restrictions, penalties, and other obligations related to the management and maintenance of their communities. This also includes members’ commitment to make regular financial contributions to maintain their communities. In private sector-initiated projects, however, an onsite estate manager is assigned to initially oversee management of the housing projects while the community members are forming HOAs. Once HOAs are formed and leaders elected, they are trained to formulate and implement their own estate management plans.

57. The sustainability of the existing subprojects and the continuation of the SGF is rated *likely*. However, the future of the SGF has yet to be defined, and some of the LGU subprojects (Butuan and Passi) have yet to be completed.

E. Impact

58. **Poverty reduction.** The poverty reduction objective of the project was accomplished in part. Under part A, the poverty focus of the project was not fully achieved. Both the LGU and private sector modalities were not really suited to reach the “urban poor”, e.g. families working and living in the informal sector. Instead, both modalities reached low-paid formal sector employees and workers eligible for government’s support for socialized housing. Under part B, the poverty focus of the project has clearly been achieved. The approval of the BSP of housing microfinance as a new microfinance product and the accompanying product manual in March 2008 through Memorandum Circular 2008–2015 (and amended through Memorandum Circular No. 678 series of 2010)¹⁴ paved the way for a shelter-financing focus on poor households. It lays down the policy framework for pro-poor housing microfinance and the acceptance of rights-based secure tenure instruments as collateral substitutes that can be used in transactions with financial institutions such as banks. However, to date no MFIs or other financing institutions have accepted the proposed collateral substitutes.

59. **Gender impacts.** Participatory subproject planning under part A contributed to positive gender impacts for both women and men. Improved homes and residential environments contribute positively to the life of families, women and children, and help to enhance their economic productivity.

¹⁴ Housing microfinance involves the application of microfinance principles and methodologies to the provision of housing. Microfinance consists mainly of loans to existing clients of microfinance institutions and other poor and low-income households. The product will enable institutions to appropriately service the housing needs of those who are unable to access traditional housing finance. The provision of housing microfinance is also seen as a way to improve the living conditions of the enterprising poor and the low-income households, which will contribute to better health, productivity and quality of life.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

60. Based on the review of its relevance, efficacy, efficiency, sustainability, and poverty, environmental, and gender impacts, the project is rated *partly successful*. In summary it is rated *relevant* (para. 36), *less effective* (para. 50), *less efficient* (para. 52), and *likely sustainable* (para. 56).

B. Lessons

61. The project has produced some important insights for future housing interventions, and these should be considered for any future interventions in which ADB participates.¹⁵ Housing will remain a critical area, as highlighted by the Medium-Term Philippines Development Plan 2011–2016. In this regard, the project's lessons are useful and relevant.

- (i) LGUs are important as facilitators of housing projects, but should not be overburdened with housing production or housing loans. LGU-driven projects are important and strategic for targeting the urban poor. LGUs can have a crucial role in provision of land, particularly land that has been proclaimed by the President of the Philippines for social housing purposes. However, there needs to be additional innovation to make the urban poor bankable. HDMF lending needs to open up to LGU-initiated socialized housing projects, even if they are for non-HDMF members. In order to serve the urban poor, LGUs need to innovate and provide guarantee funds (guaranteed by the IRA or other forms of collateral) for HDMF lending operations to the urban poor. In addition, the implementation of socialized housing projects needs to make use of MFI collection practices.
- (ii) Private sector developers need to be motivated to prefinance and build social housing schemes. The private sector modality does work if established in tandem with a take-out mechanism from HDMF. While the private sector will only require short-term loans during the construction period (until a scheme is fully sold), it relies on a separate financing mechanism through HDMF or similar other arrangements.
- (iii) A bigger role for NGOs can be envisaged. NGOs can borrow from DBP if they have sufficient collateral at their disposal. However, few NGOs may have land available for housing, and may consequently rely on partnerships with other stakeholders, such as the LGUs or the private sector, to access land for their projects.
- (iv) Microfinance for housing should be encouraged. Housing microfinance is an important long-term development instrument. MFIs that have clienteles with good reputation as borrowers are best suited to implement such housing microfinance loans.

¹⁵ The International Monetary Fund (IMF)'s assessment of the housing finance sector states that (i) "several government housing finance entities have unclear or overlapping mandates, are poorly managed, and have low quality portfolios", and (ii) "comprehensive reform is urgently needed". IMF. 2010. *Philippines: Financial System Stability Assessment Update*. Washington, D.C., p.33.

C. Recommendations

1. Project-related

62. DBP needs to define how it will continue to operate its SGF, and the duration of the SGF, which could be extended to the end of the project loan's tenure, or indefinitely. ADB's project completion review mission noted that costing of the SGF loans could also be reviewed.

63. Two part A subprojects (Butuan and Passi) are yet to be completed, and it is recommended that DBP and HUDCC monitor their future development. Future project reviews may generate relevant financial and economic data once these projects are completed.

2. General

64. The government should consider new policy options to improve the existing housing system and bankability of the urban poor with respect to housing. The new government has yet to announce its detailed housing policy measures and programs, but the lessons from the project suggest the following, which are in line with the strategic thrust of the MTPDP for 2011–2016:

- (i) Clarifying the role of LGUs as facilitators of housing programs is crucial. LGUs have an important role to play in provision of land, and in forging cooperation with private sector developers.
- (ii) Reform of HDMFs is required to allow for a more broad-based housing program for the urban poor, one that is financially guaranteed by the LGUs and implemented in tandem with MFIs to ensure collection of amortization and interest payments.
- (iii) The capacity of the private sector to deliver socialized housing should be harnessed by forging cooperation and partnerships between private sector builders or landowners, LGUs and NGOs in preparation of joint public–private partnership housing projects. This is in line with the expectations of the LGUs and the private sector organizations, which are interested in a massive socialized housing program.
- (iv) Encourage broader MFI engagement in housing through broadening of the MFI customer base, and enrolment of clients beyond their traditional client base. The Housing Microfinance Manual, developed under the project, should be used to pursue this goal.

Project Framework

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Assumptions	Actual Project Accomplishments
Goal Reduced urban poverty.	Reduction in incidence and prevalence of urban poverty	National government statistics LGU statistics NGO statistics CBO statistics		14.32% urban poverty incidence in 2006 ^a
Purpose To provide sustainable systems for providing affordable shelter and services for the poor	Government to reform other shelter financing mechanisms based on the project model LGU to adopt model and obtain finance through mechanisms not associated with the project	National and LGU records Project progress reports Community-based participatory monitoring systems Project completion report	Political commitment to enforce existing land and taxation legislation	Private sector modality for members of (HDMF) introduced Housing microfinance opened avenues for MFI customers to access new finance sources for home improvement (and livelihood)
Outputs Improved access to land tenure and basic infrastructure for urban informal settlers in the lowest five deciles of household income Appropriate systems to finance shelter and livelihood improvement for the poor and low income Systems to build capacity of communities, of LGUs, and of the national government to implement shelter subprojects in a	Number of urban informal settlers outside NCR reduced by 20,000 families by 2009 Approximately 60 shelter subprojects, in at least 20 LGUs, prepared, financed and implemented Site improvement and housing loans to at least 14,000 poor families. Greater than 85% repayment efficiency after three years. 10,000 small business loans provided 85% repayment efficiency after one year Community development	Participating LGU records of mortgages and titles issued Infrastructure and services provided and housing lots created by participating LGUs Participatory monitoring and evaluation system in the project communities DBP and MFI records Project progress and completion report ADB loan disbursement Records of people's organizations and	National government continues to support decentralization of housing activities and poverty reduction through land distribution and shelter finance Urban land market reflects increased value of serviced sites Interim titles issued by LGUs are acknowledged and recognized as a formal title No pressure applied to retain below-market interest rates LGUs show continued interest in and	1,603 housing units and 414 buildable plots delivered outside the NCR to urban poor families. Five shelter subprojects implemented through the public and private sector 8,023 home improvement and housing loans delivered 10,929 small business or enterprise loans provided 88 capacity building workshops and trainings conducted for proponents Policy instruments, guidelines, and manuals drafted and made available

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Assumptions	Actual Project Accomplishments
decentralized environment	<p>activities supported in at least 60 communities.</p> <p>Establish housing boards with community representation in 20 LGUs</p> <p>Average time of community project approval reduced from 36 to 18 months</p> <p>Average time of access to funding package reduced from 36 to 18 months</p> <p>Average time of issuing individualized lot tenure reduced from 36 to 18 months</p>	<p>NGOs</p> <p>Records of national and regional legislative bodies</p> <p>Field evaluation and review missions</p>	<p>commitment to responsibilities for shelter sector</p> <p>Greater transparency in government transactions</p> <p>LGUs committed to comply with property tax billing</p> <p>Political and administrative change</p>	to HUDCC and DBP
Activities				
A1. Provision of shelter packages for 2,220 poor households in eight pilots	October 2003–December 2006 Responsible: PMO and SPIUs	Consultants' progress reports	Timely processing by government, DBP, and MFIs of project approvals and adequate project management in DBP and LGU	October 2003–December 2006: provision of shelter packages for 65 households in the identified eight pilot projects
A2. Provision of shelter packages for at least 15,000 poor households in 60 communities in 20 cities	January 2005–December 2009 Responsible: PMO and SPIUs	ADB review missions Project progress reports	Timely processing by government, DBP, and MFIs of project approvals and adequate project management in DBP and LGU	January 2004–April 2010: provision of shelter packages for 2,017 urban poor households in communities in five areas
B1. Provision of housing loans or housing material loans to at least 12,000 poor urban households	January 2004–December 2009 Responsible: PMO and MFIs	<p>Participatory monitoring and evaluation system in project communities</p> <p>LGU, GFI, and MFI Records</p>	Selection of competent MFIs and good quality project management	January 2004–April 2010: provision of 8,023 home improvement loans or housing material loans

Design Summary	Project Targets and Measurable Indicators	Monitoring Mechanisms	Assumptions	Actual Project Accomplishments
B2. Provision of microfinance for 10,000 urban families in the lowest five deciles of family income	January 2004–December 2009 Responsible: PMO and MFIs	Participatory monitoring and evaluation system in project communities LGU, GFI, and MFI records	Selection of competent MFIs and good quality project management	October 2003–April 2010: provision of microfinance for livelihood activities of 10,929 urban families
C1. Project implementation support	October 2003–June 2009 Responsible: PMO	DBP, HUDCC, and NHA project records	Timely hiring of consultants	October 2003–April 2010: ongoing project implementation support, capacity building and LGU financing-strengthening interventions
C2. Capacity building for decentralized shelter delivery	October 2003–June 2009 Responsible: PMO	ADB review missions	Selection of competent consultants and good quality project management and contract supervision of consultant team	
C3. LGU financial Strengthening	October 2003–June 2009 Responsible: PMO			
Inputs				
LIBOR-based ADB loan	\$30.5 million	Executing agencies work records and annual reports	Cofinancing released in agreed quantum and on time.	LIBOR-based ADB loan equivalent to \$17.79 million
Government counterpart funds	\$3.5 million	Project progress reports	Counterpart staff available and of requisite skills.	Government counterpart funds of \$2.28 million
DBP MFI counterpart funding	\$1.1 million	PBME	Timely and transparent recruitment of local consultants by SPIUs.	DBP's MFI counterpart funding of \$0.72 million
Concessional cofinancing	\$5.0 million	Project accounts		
Grant cofinancing	\$1.3 million	ADB review missions		
LGU counterpart funding	\$6.3 million	Executing agencies annual reports		LGU counterpart funding of \$4.10 million
Community counterpart	\$1.1 million	Cofinanciers' reports		Community counterpart funding of \$0.71 million
Foreign consultants	22 person-months			
Local consultants	283 person-months			

ADB = Asian Development Bank, CBO = community-based organization, DBP = Development Bank of the Philippines, GFI = government financial institution, HDMF = Home Development Mutual Fund, HUDCC = Housing and Urban Development Coordinating Council, LIBOR = London interbank offered rate, LGU = local government unit, MFI = microfinance institution, NCR = National Capital Region, NGO = non-government organization, NHA = National Housing Authority, PBME = project benefit and monitoring evaluation, PMO = project management office, SPIU = subproject implementing unit.

^a ADB. 2009. *Poverty in the Philippines – Causes, Constraints and Opportunities*. Manila.

Source: Asian Development Bank.

Table A2.1: Status of Part A Subprojects

Part A Subprojects/ Location		Implementing Agency	Actual Project Cost (P million)			No. of Units		Start of Construction	Completion/ Delivery Date	Remarks
			DPUCSP	Equity	Total	New Housing	Serviced Plots			
LGU Modality										
1	Pulungbulo Housing Project Angeles City	Angeles City Government	5.00	6.68	11.68	66	0	October 2005	2007	LGU has fully paid its loan to DBP but the beneficiaries still have to start payment of housing units to the city government. 76 housing units are already constructed onsite as of PCR of 2003. The Project Inter-Agency Committee has yet to finalize the implementing rules and regulations on qualifications of beneficiaries, payment collection, etc. Site development included water system, power supply, open drainage, macadam road and some concrete road. LGU is looking for a private developer to construct housing units. Serviced plots are intended for local government employees.
2	Balangayan Site Development Project Butuan City	Butuan City Government	15.00	2.88	17.88	0	220	October 2007	June 2008	
3	Site Development Project Passi City	Passi City Government	10.00	3.20	13.20	0	194	January 2009	August 2010	
Private Developer Modality										
4	Pamayanang Maliksi General Trias, Cavite	RII Builders and Cavite Provincial Government	530.00	1,229.14	1,759.14	1,492	0	September 2008	Ongoing.	Target completion is Q1 2011. Developer is considering expansion to the 44-hectare adjoining site using its own second-generation funds. A total of 244 units are expected but developer has difficulties marketing the project. It stopped payment to DBP in August 2010 and DBP has sent a demand letter. If the situation continues, DBP may foreclose the project, initiate litigation and go to public bidding. Loan was not fully disbursed due to arrears payment with DBP.
5	Rosmont Village Tarlac City	Ralf Realty Management Corp.	10.27	26.83	37.10	45	0	March 2009	Ongoing.	
6	Villa Jesusa Subdivision, Ilagan, Isabela	Kapayakan Lands Corp.	7.96	45.12	53.08	0	0			

Part A Subprojects/ Location	Implementing Agency	Actual Project Cost (P million)			No. of Units		Start of Construction	Completion/ Delivery Date	Remarks
		DPUCSP	Equity	Total	New Housing	Serviced Plots			
7 Pinagmalucan Homeowners' Association, Puerto Princesa City	Pinagmalucan Homeowners Association	2.64	15.00	17.64	0	0	0	0	Loan was not fully availed due to decision of beneficiaries to abandon project and pursue another business deal.
Total		580.87	1,328.85	1,909.72	1,603	414			

DBP = Development Bank of the Philippines, DPUCSP = Development of Poor Urban Communities Sector Project, LGU = local government unit, PCR = project completion report, Q = quarter.

Source: Asian Development Bank.

Table A2.2: Status of Part B Subprojects

Part B Subprojects (MFI)	Type of MFI	Total Loan Amount (P'000)		Number of Loans/Sub-Borrowers			Location of Beneficiaries
		Approved	Actual Disbursement	Enterprise Loan	Home Improvement	Housing Loan	
1 Alalay sa Kaunlaran	NGO	100,000 ^a	73,752	876	2,620	3	Bulacan, Nueva Ecija, Pangasinan, Tarlac, Pampanga, Quezon, Isabela, Cagayan
2 Enterprise Bank	Rural Bank	60,000 ^b	66,767	3,601	4,929		Cebu, Surigao del Sur, Agusan del Sur, Cagayan de Oro, Davao, Tagum
3 People's Credit and Finance Corp.	GOCC	450,000					
3.1 Ahon sa Hiras	NGO	10,000	9,000		435		Cavite, Laguna
3.2 Hometown Corp.		15,000	4,500	234	21		Santiago City, Isabela
4 Taytay sa Kauswagan	NGO	50,000	30,000	2,893			Iloilo City, Passi City, Roxas City
5 Negros Women Foundation	NGO	50,000	3,213	325			Negros Oriental, Negros Occidental
6 Center for Agriculture and Rural Development	NGO	140,000 ^c	35,242	3,000	18	8	Bai Laguna, Oriental Mindoro
Total			222,474	10,929	8,023	11	

GOCC = government owned and controlled corporations, MFI = microfinance institution, NGO = non-government organization.

^a First approval of P50 million was renewed in November 2009.

^b First approval of P30 million was renewed in January 2007.

^c First approval was for P40million in September 2006 and the second approval was for P100 million in September 2007.

Source: Asian Development Bank.

List of Subprojects Withdrawn or Dropped

No.	Region	Subproject/Proponent	Project Location	Reasons for Dropping Out
Private Sector				
1.	IV-B	SRD Construction	Oriental Mindoro	Credit investigation revealed several adverse claims that were unresolved as of application with DBP.
2.	V	21st Century Resources	Pamplona, Camarines Sur	Land dispute prevented further processing of the account.
3.	III	DM Wenceslao	Gerona, Tarlac	Incomplete submission of documentary requirements
4.	III	Asian Empire Corporation	Nueva Ecija	Deferred by the processing DBP branch after pre-evaluation. Incomplete submission of documentary requirements
5.	V	Skylite Philippines	Libmanan, Camarines Sur	Deferred due to incomplete submission of documentary requirements
6.	III	Hausplus Ventures	San Jose del Monte, Bulacan	Proponent lacked equity requirement to access loan from DBP.
7.	IV-A	Tierra Alegre Realty Development	Batangas	Deferred due to incomplete submission of documentary requirements
8.	III	Globe Asiatique Realty Holdings	Castillejos, Zambales	HDMF filed cases against the developer for other housing projects. DBP discontinued project evaluation.
9.	X	Johndorf Ventures	Opol, Misamis Oriental	Deferred due to incomplete submission of documentary requirements
Local Government Units				
10.	X	Macabalan	Cagayan De Oro, Misamis Oriental	LGU had decided to participate in the project through Part B only. The proposed MFI partner, MILAMDEC Foundation, was not accredited by DBP.
11.	III	Bocause Housing Project	Bocause, Bulacan	LGU withdrew from the project and arranged with NHA and a private developer to fund the relocation site for families affected by the North Railway Transit Project.
12.	VI	Barangay 21 Housing Project Resettlement Site Barangay 20 Daan Banwa	Victorias City, Negros Occidental	Loan was approved on 7 November 2005 but the LGU held off signing of the sub-loan agreement, mainly because of the commitment fees being charged by DBP after the 45-

No.	Region	Subproject/Proponent	Project Location	Reasons for Dropping Out
				day period granted for loan documentation. A secondary issue was the disapproval of the LGUs request to extend the grace period from 1 to 3 years.
13.	VI	Napoles Louisiana Housing	Bago City, Negros Occidental	Subproject appraisal derailed due to changes in political priorities. The final city council approval on the proposed subprojects and the issuance of a council resolution authorizing the mayor to undertake the loan was contingent upon the passage of the Housing Ordinance, which did not occur.
14.	VII	Sitio Sapatera, Barangay Luz Laguna, Barangay Duljo-Fatima Lowerville, Barangay. Lahug Dorado, Barangay. Pit-os Tunacao, Barangay. Binaliw St. Michael, Barangay. San Jose Laguerta, Barangay. Lahug	Cebu City	LGU exceeded its borrowing capacity.
15.	VII	Eversly Site Canduman Housing Project	Mandaue City, Cebu	<p>Subproject preparation was stalled due to questions regarding ownership of a portion of the land proposed to be developed. By the time the site was proclaimed, there was a change in the political leadership of the city.</p> <p>The subproject was considered for project financing but a change in local leadership delayed the process and eventually, a decision was made to finance the subproject from a World Bank grant.</p>
16.	IV-A	Sto. Rosario Villages	General Trias, Cavite	Subproject lacked the clear participation of and support from the LGU. TSK, the MFI partner, also decided to withdraw from the project in early 2006.
17.	VI	Barangay North East Timawa	Iloilo City, Iloilo	Subproject dropped from the list as neither the LGU nor the MFI made a commitment to pursue their loan application with DBP. The LGU did not want to be the borrower for the

No.	Region	Subproject/Proponent	Project Location	Reasons for Dropping Out
				proposed loan, while the proposed MFI encountered operational problems and could not accommodate the larger loans proposed for housing microfinance.
18.	VI	Tinampa-an (Phase1) Tinampa-an (Phase 2)	Cadiz City, Negros Oriental	The LGU local council did not approve the proposed sub-loan and decided to concentrate on their proposed commercial development in the port area for which they obtained financing from the Philippines National Bank.
19.	VI	Purok Riverside, Barangay. Banago	Bacolod City, Negros Oriental	Subproject dropped. Main issue was the high cost of the proposed subproject due to the need to institute the required mitigating measures to address environmental concerns such as flooding. The LGU was not willing to subsidize the subproject, opting to develop their commercial business district through financing from Land Bank of the Philippines.
20.	IV-B	Poblacion Urban Poor Housing Project	Municipality of San Teodoro, Mindoro Oriental	Change in the priority of the LGU.
21.	IV-B	Calapan Socialized Housing	Calapan City, Oriental Mindoro	Project site was not ideal as a settlement site.
22.	VII	LGU, Habitat for Humanity, Pagtambayayong Foundation Kalunasan (row house) Lorega-MRB Kalunasan (MRB)	Cebu City	The subprojects were put on hold due to various issues: the proponents requested a lower interest rate and exemption from the local ordinance requirement for MRBs, which prescribed one parking space per MRB unit.
23.	I	Socialized Housing	Province of Pangasinan	Typhoon "Pepeng" adversely affected the central part of Pangasinan in September 2009, which delayed the LGUs plans until the closing of the project facility in April 2010. The HUDCC recommended that the LGU to apply for the second-generation funds.
24.	III	Sapalibutad Malabanias Marisol Bliss, Barangay. Ninoy Aquino	Angeles City	The LGU undertook the onsite development of these proposed subprojects to avoid the project requirements and lengthy loan processing by DBP.

No.	Region	Subproject/Proponent	Project Location	Reasons for Dropping Out
Homeowners' Association				
25.	X	Tomas Cabili HOA	Iligan City	Change in HOA priorities.
26.	X	Good Shepherd HOA	Iligan City	HOA has been unable to obtain a subdivision plan for the project. HOA has changed priorities due to project delays.
27.	IX	Sinunoc HOA	Zamboanga City	The HOA was able to access a loan from DBP funds
28.	V	Farmview HOA	Daet, Camarines Norte	Unable to comply with documentary requirements. HOA unable to settle land acquisition issues with the owner.
29.	V	Holy Family HOA	Daet, Camarines Norte	Unable to comply with documentary requirements. HOA unable to settle land acquisition issues with the owner.

DBP = Development Bank of the Philippines, HDMF = Home Development Mutual Fund, HOA = homeowners' association, HUDCC = Housing and Urban Development Coordinating Council, LGU = local government unit, MFI = microfinance institution, MRB = medium rise buildings, NHA = National Housing Authority, TSK = Taytay sa Kauswagan

Source: Asian Development Bank.

Summary of Capacity-Building Activities, Technical Documents and Tools Developed under Part C

Course/Module	Date	Venue	Number of Participants						Total
			DBP	HUDCC	LGU	NGO	ADB	Others	
Orientation-workshop series on DPUCSP; orientation on CAP, FS & MAP with Account Managers of DBP-PMO	June 22, 2004	Marco Polo Hotel, Davao City	56	14	5	7		1	83
	July 21, 2004	Waterfront Hotel, Lahug, Cebu City	31	8			1	40	40
Learning exchange workshop on e-tools with DBP RMC and Sinunoc HOA	July 23–24, 2009	DBP RMC, Zamboanga City	2	1		9			12
Feasibility study and procurement workshop with EDM Realty using e-tools	July 23–24, 2009	Dumaguete City	3					6	9
	September 23–25, 2009	Cebu City	2	1				6	9
Learning exchange workshop on e-tools with DBP Naga Branch	July 20–22, 2009	DBP, Naga Branch	5						5
Learning exchange workshop on green technology for sustainable committees	July 28–30, 2009	HUDCC, Makati City		9				1	10
Learning exchange workshop on e-tools and cooperation with CREBA Members Private Developers Baguio Chapter and Baguio LGU	August 6–8, 2009	CREBA Office, Baguio City		3	3	19		5	30
Learning exchange workshop on e-tools with Pagtambayayong Foundation	February 19–21, 2009	Pagtambayayong Foundation Office, Cebu City		2				5	7
TWG rights-based secure tenure workshop	April 14, 2009	Linden Suites, Pasig City		7				9	16
Technical workshop with Johnndorf Corp.	April 20–25, 2009	Cagayan de Oro City	1					5	6
Technical workshop with Villa Tanza, Dev. Corp.	April 27, 2009	Tanza, Cavite	1					3	4
Feasibility study workshop with business planning for e-kiosk with Province of Pangasinan	June 2–3, 2009	Lingayen, Pangasinan		2	8				10
E-tools – setup, test of ICT kiosk and training – Province of Pangasinan	June 3–4, 2009	Pangasinan LGU		2	6				8
Subproject completion workshop with LUPAHO, Angeles City LGU	July 7–8, 2009	Angeles City LGU		1				5	6
Presentation of e-tools, learning exchange workshop and forum on e-tools	March 26, 2009	Pag-IBIG, Corporate Center, Cebu City		4	7			5	16
	December 16, 2009	San Fernando City, La Union						6	6
	December 17, 2009	HLURB Office, Baguio City		3	3	19		5	30
Business planning workshop with RII-	February 13, 2009	Legend Villas,	1	4	2			4	11

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
Builders and Province of Cavite		Mandaluyong City							
Needs assessment workshop with HUDCC and DBP	February 25, 2009	Legend Villas, Mandaluyong City						11	11
TWG rights-based secure tenure workshop	April 14, 2009	Linden Suites, Pasig City	1					3	4
Technical workshop with the municipality of San Teodoro, Oriental Mindoro	March 10–11, 2009	Red Sail Resort, Oriental Mindoro	1	1		8			10
Technical workshop with Asian Empire Corporation	April 8, 2008	Asian Empire Office, Cubao, QC	1	1		8			10
MAP workshop with First Macro Bank	July 8, 2008	DBP, Makati City	2					3	5
Presentation of e-tools, learning exchange workshop and forum on e-tools	December 2–3, 2008	Baguio City			25				25
	February 26, 2009	Pangasinan			9				9
	March 4–5, 2009	DBP, Makati City						35	35
	March 11–12, 2009	Butuan City			3			2	5
	March 26, 2009	Pag-IBIG Corporate Center, Cebu City		4				6	10
Procurement of civil works workshop	December 8, 2006	City Hall, Passi City	1	2	18				21
	February 27, 2007	Terres Restaurant, Cadiz City	2	1	10				13
	April 11, 2007	City Hall, Butuan City	1	1	17				19
Technical workshop with RII Builders	February 1, 2008	DBP, Makati City	5	4	11			11	30
Technical workshop with 31st Century Resources & Development	February 8, 2008	DBP, Makati City	1	2				4	7
Technical workshop with SRD Construction and Trading	February 11, 2008	DBP, Makati City	3	1				6	10
Activities with IMPACT for Escalante City, Negros Occidental	July 20–21, 2006	Escalante City, Negros Occidental		1				1	2
Site visit and meeting with the LGU of Puerto Princesa and the IMPACT Consultants	July 26–28, 2006	Puerto Princesa, Palawan	1	1				3	5
Learning exposure trip to Bangkok, Thailand and Colombo, Sri Lanka	August 23–27, 2006	Bangkok, Thailand		2	3				5
	August 26–31, 2006	Colombo, Sri Lanka		2	3				5
Learning exchange workshop on Estate Management	March 22–24, 2007	Cebu City			10			26	36
Procurement of civil works workshop	September 22, 2006	City Hall, Mandaue City	3		6				9
	December 8, 2006	City Hall, Passi City	1	2					3
2nd TWG meeting: shelter finance reform to accelerate pro-poor housing	March 2–3, 2006	Taal Vista Hotel, Tagaytay	4	6				24	34
Workshop for NHA & MFIs re: Proposed North & Southrail Development Project	April 25, 2006	Holiday Inn Galleria Manila, Pasig City	3	1		16		20	40

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
Visit to the proposed subproject sites for the Northrail Project	May 17–18, 2006	Malolos, Guiguinto, Balagtas, Bocaue, Marilao		1				9	10
NHA and PCFC: Building Effective Partnerships for the Development of Urban Poor Communities of the Northrail and Southrail Development Projects	June 8, 2006	HUDCC, Makati City		2				8	10
World Urban Forum II	September 12–13, 2005	Barcelona, Spain		1					1
Exit strategy workshop	February 22, 2007	DBP, Makati City	6	4				6	16
Conference workshop on DPUCSP for the LGUs in the provinces of Bulacan, Cavite, Laguna and Rizal	January 25, 2008	DBP, Makati City			60				60
Activities with IMPACT for Escalante City, Negros Occidental	July 20–21, 2006	Escalante City, Negros Occidental		1					1
Study tour on MFI operations & LGU subprojects for Angeles City SPIU	November 9–11, 2005	TSK Office/ NWTF Office	1		3			1	5
	November 16, 2005	ASK Office, Cabanatuan		1				4	5
Exposure trip for Passi City SPIU members to visit socialized housing projects in Bacolod City	November 5–6, 2005	Bacolod Housing Authority		2				6	8
MFI exposure trip for DBP senior officers to CARD, San Pablo City, Laguna	December 12, 2005	CARD Rural Bank, San Pablo City, Laguna	12						12
DPUCSP review meeting with HUDCC regional officers	August 17–18, 2005	Cebu Midtown Hotel & Holiday Plaza, Cebu City		11					11
	April 26–27, 2007	Taal Vista Hotel, Tagaytay	3	9					12
Consultation meeting with the community leaders of the Cadiz City Housing Project Beneficiaries	September 15, 2005	Barangay Hall of Cadiz City Phase 1 Communities		1	6			54	60
Study tour on MFI operations & LGU subprojects for Angeles City SPIU	November 9–11, 2005	TSK Office/ NWTF Office		1				3	4
Meeting with CRIFI & private developer & beneficiaries	July 27, 2005	MVW Restaurant, Roxas City		2				3	5
Meeting with LGU of Iloilo City and Valiant Bank	July 28, 2005	Grand Dame Hotel, Iloilo City	3	2	2			4	11
Conduct of community affordability assessment for Barangay East Timawa & review and finalization of Iloilo City CAP	August 24–26, 2005	Barangay Hall of East Timawa, Iloilo City						85	85

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
Orientation to DBP Wholesale Banking 3 Group	August 26, 2005	DBP, Makati City	14	1					15
Meeting with Passi City LGU	August 23, 2005	City Hall, Passi City		2	3				5
DPUCSP review meeting with HUDCC regional officers	August 17–18, 2005	Cebu Midtown Hotel & Holiday Plaza, Cebu City		11					11
Orientation workshops for MFIs	October 18, 2006	Osmena Colleges, Masbate City				3			3
	October 18, 2006	Hotel Venezia, Legaspi City	8			2			10
	November 8, 2006	Hotel Alejandro, Tacloban City				10			10
	May 3, 2007	Legend Villas, Mandaluyong City				33			33
	November 27, 2007	Meralco Training Center, Bataan				35			35
Workshop on selection criteria for Sto. Rosario Village beneficiaries	June 17, 2005	DBP Main Bldg., Makati City	2					5	7
Meeting on Guaranty Fund with HDMF with DBP, HUDCC, TSK, and Sto. Rosario Village representatives	July 19, 2005	New World Hotel, Makati City	4	2				6	12
Meeting with CRIFI & private developer & beneficiaries	July 27, 2005	MVW Restaurant, Roxas City	3	2				19	24
Orientation workshops for MFIs	July 7, 2005	Naga Regent Hotel, Naga City	6	1				39	46
	September 22, 2005	Concorde Hotel, Baguio City	3	5		27			35
	February 13, 2006	St. Elizabeth Training Center	4	4		13			21
	June 18, 2006	Vigan Plaza Hotel, Ilocos Sur				7			7
	July 5–6, 2006	Supreme Convention Plaza, Baguio City				78			78
	July 13–14, 2006	Waterfront Insular Hotel, Davao City				97			97
	July 20–22, 2006	Parklane Hotel, Cebu City				76			76
	April 16, 2005	Pantukan City, Compostela Valley	1	3	2	12			18
	April 19, 2005	Grand Dame Hotel, Iloilo City	4	4	7	7			22
	May 13, 2005	City Hall, Cebu City	2	2		10			14
Orientation workshops for MFIs	May 16, 2005	Habitat for Humanity,		4	20				24

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
	January 31, 2005	Makati City Marco Polo Hotel, Davao City	7	7		23			36
	February 8, 2005	DBP, Makati City	4			6			10
	February 11, 2005	The Dynasty Court Hotel, Cagayan de Oro City	5	3		16		6	30
	April 15, 2005	SIMC Office, Samal Island, Davao del Sur	1	3	1	11			15
Orientation workshops for LGUs	November 14–15, 2006	Municipal Hall, Buenavista	3	2	10				27
	February 12, 2007	Municipal Hall, San Teodoro, Oriental Mindoro	2	1	8			11	22
	February 16, 2007	Municipal Hall, Alburquerque, Bohol	4		4			8	16
	December 14, 2007	City Hall, Dagupan City	3	2	12			17	34
	January 31, 2005	Marco Polo Hotel, Davao City	7	7					14
	October 18, 2006	Hotel Venezia, Legaspi City			9			17	26
		Hotel Alejandro, Tacloban City	4	1	9				14
	November 8, 2006	City Hall, Tacloban City	4	1	15				20
	November 8, 2006	Provincial Hall, Antique	4	2	9				15
	November 14–15, 2006	Municipal Hall, Buenavista	3						3
	September 22, 2005	City Hall, Bago City			10				10
	September 13–14, 2005	City Hall, Baguio City	4	4	20				28
	February 13, 2005	City Hall, Rodriguez, Rizal			12				12
	October 18, 2006	Osmena Colleges, Masbate City	3		10				13
		Hotel Venezia, Legaspi City	8		9				17
	February 11, 2005	City Hall, Escalante City	1	3	16				20
Orientation workshops for LGUs	April 6, 2005	City Hall,	3	1	7	1			12

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
	July 8, 2005	Sorsogon City City Hall, Cadiz City			15				15
	August 23, 2005	Concorde Hotel, Baguio City	3	4	20				27
Writeshop on the preparation of the microfinance availment plan	December 19, 2005	Casa Leticia, Davao City		3				3	6
	May 29, 2006	PCFC Office, Makati City				4			4
Training workshop on effective DPUCSP marketing: a learning exchange program for HUDCC and DBP regional officers	January 15, 2005	Marco Polo Hotel, Davao City	7	8					15
Orientation workshops for LGUs	February 11, 2005	The Dynasty Court Hotel, Cagayan de Oro City	2	2	28			6	38
Workshop on the preparation of a CAP and feasibility study	February 11, 2008	DBP Bldg., Makati City	5	1				6	12
	April 8, 2008	Asian Empire Office, Cubao, QC	1					5	6
Writeshop on the preparation of the microfinance availment plan	May 18, 2005	Iloilo Business Hotel, Iloilo city				5		8	13
	August 10, 2005	The Dynasty Court Hotel, Cagayan de Oro City	1	2		3			6
	December 19, 2005	Casa Leticia, Davao City		3		3			6
Workshop on the preparation of a CAP and feasibility study	February 1, 2008	DBP Bldg., Makati City	5	2	14			8	29
	February 8, 2008		2	2				6	10
	February 11, 2008		5	1				6	12
	April 19-20, 2007	Red Sail Resort, San Teodoro, Oriental Mindoro		1	7				8
	July 11, 2007	Centillion Hotel, San Jose, Antique	4	1	11				16
	September 20–21, 2007	Kalunasan Training Center, Cebu City	1		1	15			17
	July 21–22, 2005	Almont Hotel Inland Resort, Butuan City		10					10
	October 17–19, 2005	Royal Am Rei Hotel, Bacolod City	2	2	16				20

Course/Module	Date	Venue	Number of Participants						Total
			DBP	HUDCC	LGU	NGO	ADB	Others	
Workshop on the preparation of a CAP and feasibility study	March 28–31, 2005	Center of Alternative Tech., Kalunasan, Cebu City		2				2	4
	May 3–5, 2005	Iloilo Business Hotel, Iloilo City			10				10
	November 10–12, 2004	Royal Am Rei Hotel, Bacolod City			16				16
	January 9–10, 2005	Oasis Hotel, Angeles City	2		5				7
	March 28–31, 2005	Center of Alternative Tech., Kalunasan, Cebu City	7	2		2			11
Capacity building of LGUs on environmental assessment	February 11, 2008	DBP, Makati City	5	1				18	24
	April 8, 2008	Asian Empire Office, Cubao, QC	1					11	12
Writeshop on the preparation of a CAP and feasibility study	February 19–21, 2009	Royal Am Rei Hotel, Bacolod City						6	6
Capacity building of LGUs on environmental assessment	February 1, 2008	DBP, Makati City	5	2				22	29
	February 8, 2008		2	2				6	10
	April 20–21, 2006	Sugarland Hotel, Bacolod City		2	15				17
	April 23, 2007	Red Sail Resort, Oriental Mindoro		1	6				7
	November 9–20, 2005	Bacolod Business Hotel, Bacolod City	2	1	10				13
	June 20–21, 2005	Iloilo Business Hotel, Iloilo City			19				19
	July 25, 2005	Almont Hotel Inland Resort, Butuan City	2		4			8	14
	April 4–6, 2005	Center of Alternative Tech., Cebu City						8	8
	June 20–21, 2005	Iloilo Business Hotel, Iloilo City						6	6
	October 8, 2004	Mayor's Conference Hall			13				13
					5				5
	September 23, 2004				4				4
	September 29, 2004	SB's Session Hall			6				6
1st TWG meeting: Improving land systems for pro-poor housing and accelerating the distribution of secure tenure through rights-based approaches	January 18–19, 2007	Canyon Woods Residential Resort, Laurel, Batangas	2	3				22	27

Course/Module	Date	Venue	Number of Participants						
			DBP	HUDCC	LGU	NGO	ADB	Others	Total
Presentation of the Consolidated Urban Land Reform Agenda and Policy Action Plan to multisectoral representatives with the Vice-President	October 19, 2004	Manila Galleria Suites, Mandaluyong City	4	8				50	62
Capacity building of LGUs on environmental assessment	August 31, 2004	Mayor's Conference Hall			4				4
Urban Renewal Reform Workshop Series-Phase 1: agency briefings and technical preparation	July 14, 2004	HUDCC Office, Makati City						4	4
	July 17, 2004							2	2
								1	1
Urban Land Reform Conference Workshop: Accelerating pro-poor housing through rights-based secure tenure	October 14–15, 2004	Holiday Inn Resort, Clark Field, Pampanga	4	5				30	39
Orientation-Workshop Series on DPUCSP; Orientation on CAP/FS & MAP with Account Managers of DBP-PMO	August 25, 2004	Holiday Inn Resort, Clark Field, Pampanga	30	5	8			4	47
Urban Renewal Reform Workshop Series-Phase 1: Agency briefings and technical preparation	July 5, 2007	DBP, Makati City	9	1					10
	June 30, 2004	DBP, Makati City						2	2
	July 7, 2004	DENR Quezon City						2	2
Learning exchange workshop on e-tools with FMB	August 28, 2009	FMB Office, Pateros						4	4
E-tools - installation, setup of ICT kiosk and training with Enterprise Bank	August 12–14, 2009	Enterprise Bank Office, Davao City		1		2		2	5
E-tools - installation, setup of ICT kiosk and training with Pagtambayayong Foundation	September 7–9, 2009	Pagtambayayong Foundation Office, Cebu City		1		2			3
E-tools - installation, setup of ICT kiosk and training with FMB	October 30, 2009	FMB Head Office, Pateros Manila						4	4
TOTAL			303	188	224	26	1	737	1,479

ADB = Asian Development Bank, ASK = Alalay sa Kaunlaran, CAP = community action plan, CARD = Center for Agriculture and Rural Development, CREBA = Chamber of Real Estate and Builders' Associations, CRIFI = Capiz-Roxas Islamic Foundation, DBP = Development Bank of the Philippines, DENR = Department of Environment and Natural Resources, DPUCSP = Development of Poor Urban Communities Sector Project, FMB = First Micro Bank, FS = feasibility study, HOA = homeowners' association, HUDCC = Housing and Urban Development Coordinating Council, HLURB = Housing and Land Use Regulatory Board, ICT = information and communication technology, IMPACT = Integrated Approaches to Poverty Reduction at the Neighborhood Level—A City Without Slums, LGU = local government unit; LUPAHO = Local Urban Poor Affairs and Housing Office, MAP = microfinance availment plan, MFI = microfinance institution, NGO = non-government organization, NHA = National Housing Authority, NWTF = Negros Women for Tomorrow Foundation, PCFC = People's Credit and Finance Corporation, PMO = project management office, RMC = regional marketing center, SIMC = Samal Island Multipurpose Cooperative, SPIU = subproject implementation unit, TSK = Taytay sa Kauswagan, TWG = technical working group.

Source: Asian Development Bank.

Table A5.1: Project Cost by Component
(\$ million)

Component	Appraisal Estimate			Actual		
	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total
A. Site Development and Tenure Distribution						
1. Site Upgrading	1.3	6.0	7.3	0.0	0.00	0.00
2. New Sites	3.3	7.9	11.2	0.0	11.89	11.89
Subtotal (Part A)	4.6	13.9	18.5	0.0	11.89	11.89
B. Shelter Finance						
1. Microfinance for Home Improvement	0.1	1.0	1.1	0.0	2.85	2.85
2. Microfinance for Small Enterprises	0.3	5.8	6.1	0.0	1.60	1.60
3. Housing Loans	3.5	11.6	15.1	0.0	0.05	0.05
Subtotal (Part B)	3.9	18.4	22.3	0.0	4.48	4.48
C. Capacity Building and Implementation Support						
1. Sector Strengthening and Project Implementation Support	0.5	0.8	1.3	0.0	0.00	0.00
2. Local Government Unit Financial Strengthening for Shelter Provision	3.8	1.2	5.0	0.0	0.01	0.01
Subtotal (Part C)	4.3	2.0	6.3	0.0	0.01	0.01
Total (Parts A + B + C)	12.7	34.3	47.0	0.0	16.38	16.38
Interest during construction¹	1.8	0.0	1.8	0.0	1.44	1.44
TOTAL PROJECT COST	14.5	34.3	48.8	0.0	17.79	17.79

Source: Asian Development Bank estimates.

Table A5.2: Project Cost by Financing Plan
(\$ million)

Source	Appraisal Estimate			Actual		
	Foreign Exchange	Local Currency	Total	Foreign Exchange	Local Currency	Total
Asian Development Bank	10.20	20.30	30.50	0.0	17.79	17.79
Grant cofinancing	0.50	0.80	1.30	0.0		
Concessional cofinancing	3.80	1.20	5.00	0.0		
National government	0.00	3.50	3.50	0.0	2.28	2.28
Development Bank of the Philippines	0.00	1.10	1.10	0.0	0.72	0.72
Local government units	0.00	6.30	6.30	0.0	4.10	4.10
Beneficiaries	0.00	1.10	1.10	0.0	0.71	0.71
TOTAL	14.5	34.3	48.8	0.0	25.60	25.60

Source: Asian Development Bank estimates.

¹ Includes interest during construction, commitment charges, and front-end fees.

Quarterly Disbursements of ADB Loan Funds

Year	Quarter	Amount
2004	I	0.000
	II	0.166
	III	0.000
	IV	0.017
2005	I	0.000
	II	0.038
	III	0.552
	IV	0.045
2006	I	0.000
	II	0.074
	III	0.000
	IV	6.296
2007	I	0.000
	II	0.094
	III	0.000
	IV	0.155
2008	I	0.000
	II	0.162
	III	0.000
	IV	2.664
2009	I	2.249
	II	0.184
	III	0.000
	IV	0.227
2010	I	0.000
	II	4.865
	III	0.000
	IV	0.000
Total		17.788

Source: Asian Development Bank.

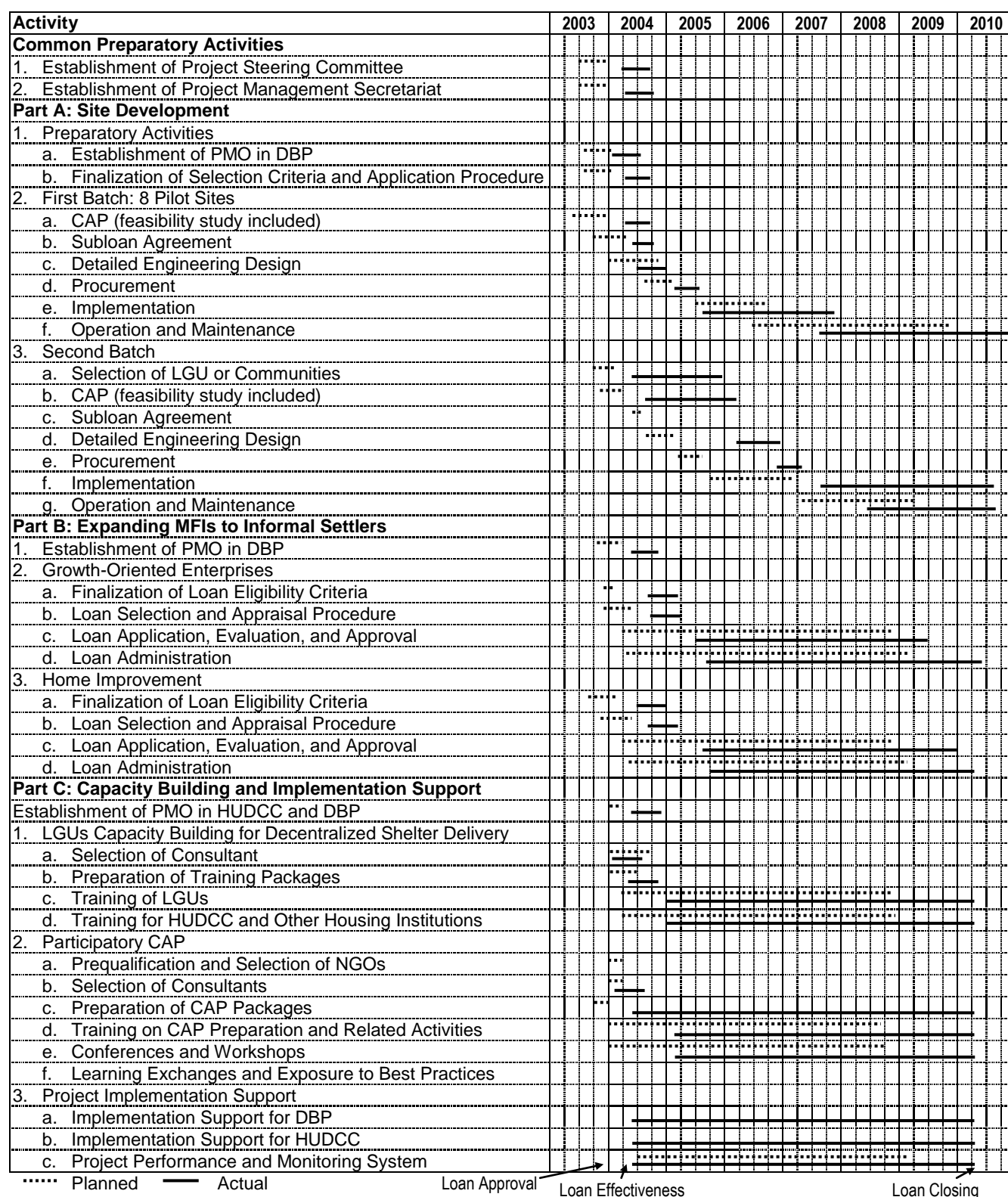
Timeline Chart of Subproject Processing and Implementation

Activities	Implemented by	Duration (days)
Conduct of project orientation briefings	Project team consisting of HUDCC, DBP & TA consultants	10
Submission of LOI on DPUCSP	LGU or private sector proponent	8
Submission of city or municipal resolution or board resolution to DBP and HUDCC	LGU or private sector proponent	15
Submission of prequalification requirements to DBP	LGU or private sector proponent	88
Preliminary analysis of LGU or private sector proponent borrowing capacity	DBP Corporate Group	88
Confirmation of LGU or private sector proponent borrowing capacity	DBP & TA consultants	88
Credit investigation and checking of officers of concerned parties	DBP Corporate Group	10
LGU prequalified by DBP; DBP branch & private sector proponent asked to proceed with subproject development	DBP Corporate Group	5
Assistance to LGU or private sector proponent in identifying and prioritizing subprojects to be developed under project	TA Consultants, HUDCC & DBP	10
Conduct of initial site(s) assessment and evaluation	TA Consultants, HUDCC & DBP	3
Submission of priority subprojects for CAP or feasibility study preparation proponent	TA Consultants, HUDCC & DBP	2
Data gathering, planning meetings, and preliminary assessment	TA Consultants, HUDCC & DBP	22
Preparation of draft CAP or feasibility study	TA Consultants, HUDCC & DBP	44
Finalization and approval of CAP or feasibility study	TA Consultants, HUDCC & DBP	22
DBP evaluation of the proposed subprojects (via credit application)	DBP Branch Account Officer or Corporate Group	20
Marketing (branches) sector review; approval of loan proposals (credit application) or endorsement to Executive Credit Committee	Monetary Board Sector Head	5
Executive Credit Committee approval or endorsement to the Board	DBP–Executive Credit Committee	5
Board Approval (if needed)	DBP Board	11
Notification of proponent of sub loan approval	Branch Account Officer or corporate group	1
Preparation of SLA and other documents	Branch Account Officer or corporate group	10
Signing of the SLA	LGU proponent	5
Issuance of Resolution ratifying SLA	LGU Sangguniang Panglungsod (city council) or proponent	10
Procurement for subproject	LGU or proponent	66
Submission of pre-release requirements to DBP	LGU or proponent	5
Preparation of release memo	Branch Account Officer	3
Signing of release memo	DBP Unit dept head	1
Determination of availability of funds	DBP Fund Sourcing; Fund Management	1
Insurance coverage and payment of premium	DBP Transaction Processing	1
Review of release memo	DBP Transaction Processing	1
Preparation of credit advice for the release of funds to DBP Cash Disbursement Unit	DBP Transaction Processing	1
Credit of the release of proceeds to the account of the Proponent	DBP Cash Disbursement Unit	1

CAP = community action plan, DBP = Development Bank of the Philippines, DPUCSP = Development of Poor Urban Communities Sector Project, FS = feasibility study, HUDCC = Housing and Urban Development Coordinating Council, LGU = local government unit, LOI = letter of intent, MB = monetary board, SLA = subloan agreement, TA = technical assistance.

Source: Asian Development Bank.

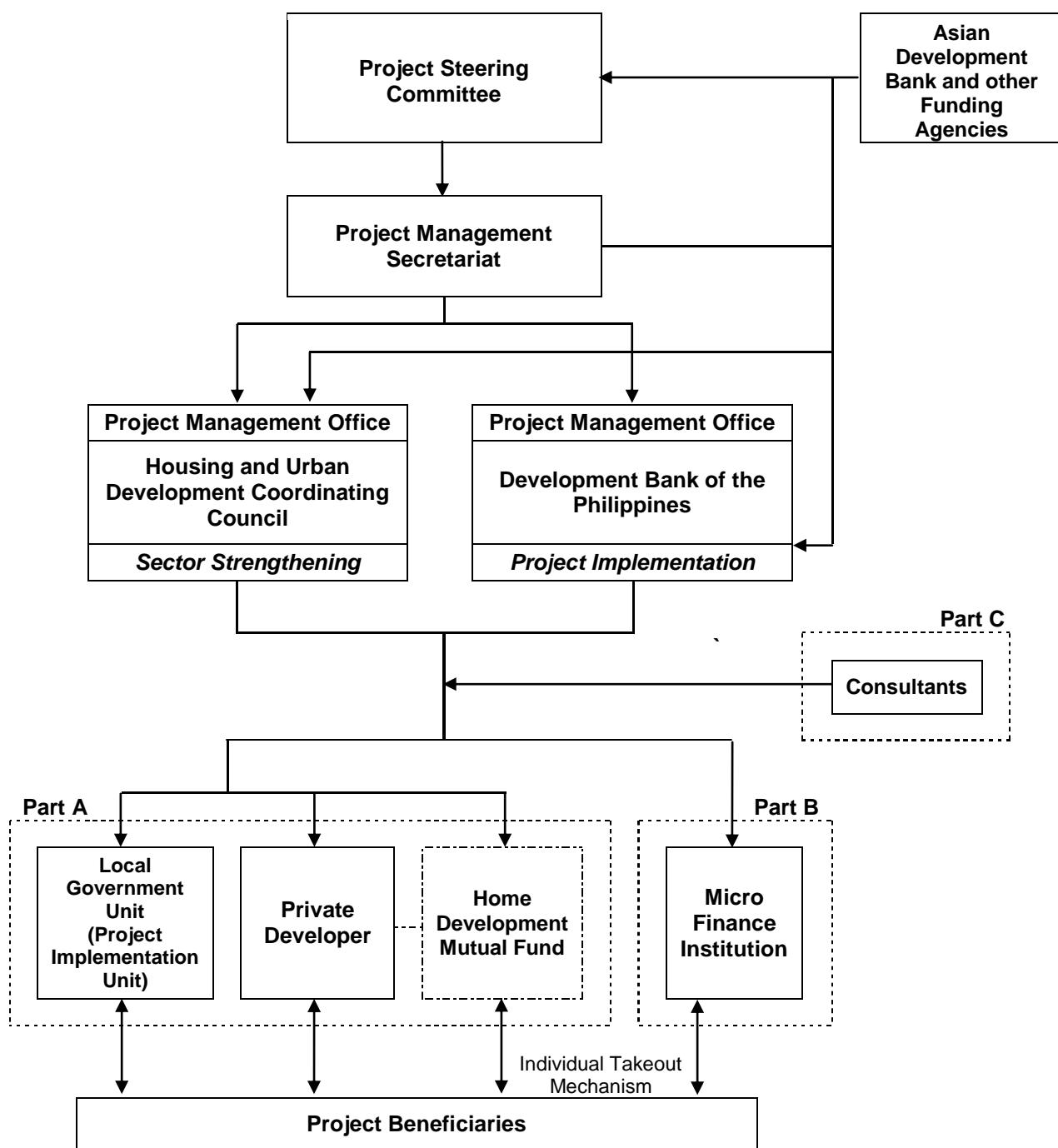
Implementation Schedule



CAP = community action plan, DBP = Development Bank of the Philippines, HUDCC = Housing and Urban Development Coordinating Council, LGU = local government unit, MFI = microfinance institution, NGO = non-government organization, PMO = project management office.

Source: Asian Development Bank.

Organizational Chart



Source: Asian Development Bank.

Status of Compliance with Loan Covenants

Covenant Sector	Reference in the Loan Agreement	Status of Compliance
1 The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound banking, administrative, financial, engineering, environmental, and business practices.	LA, Article V, Section 5.01(a)	Complied with. All projects are implemented with due diligence and efficiency and in conformity with sound banking, administrative, financial, engineering, environmental, and business practices. The DBP PMO oversees overall project implementation of parts A and B.
2 Except as ADB may otherwise agree, the Borrower shall not amend its Charter in any manner which, in the reasonable opinion of ADB adversely affects the ability of the Borrower to perform the obligations under this Loan Agreement	LA, Article V, Section 5.01(c)	Complied with. Due to DBP's reorganization and retirement program, many DBP staff who have received orientation on the project have been moved or retired. DBP has been required to provide a list of staff in regional branches (with projects in the pipeline) actually involved in the project.
3 The Borrower shall, promptly as required, take all action within its power to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, privileges, and franchises, which are necessary in the carrying out of the Project or in the conduct of its business.	LA, Article V, Section 5.08(a)	Complied with. DBP remains as the country's premier development financial institution.
Environmental		
1 The Borrower and the Guarantor, through HUDCC, shall ensure that the Subprojects will be carried out in accordance with all applicable environmental laws and regulations of the Guarantor and with ADB's guidelines and procedures on environment. Qualified LGUs and Qualified Enterprises shall be required to obtain either certificates of non-coverage or environmental compliance from the Department of Environment and Natural Resources.	LA, Schedule 4, para. 16	Complied with. DBP PMO through the PEER assures compliance of subprojects to applicable laws and regulations on environment. Subprojects proponents are required to prepare environmental management plan as requirement for project evaluation.
2 In the event a Subproject will have a significant environmental impact, as defined under ADB's guidelines and procedures on	LA, Schedule 4, para. 17	Complied with.

Covenant	Reference in the Loan Agreement	Status of Compliance
environment, the Borrower shall submit to ADB details of the Subproject, its environmental impact and the proposed mitigation measures. The information shall be placed in the ADB website for at least 120 days before the Subproject can be approved by the Borrower.		
Social		
1 Subprojects involving significant involuntary resettlement shall not be eligible for financing under the Project. The Borrower shall, prior to the granting of any Subloan, screen the Subproject for involuntary resettlement effects, to ensure that there are no losses of land, income, housing, community facilities and resources.	LA, Schedule 4, para. 14	Complied with. DBP and HUDCC PMOs through the PEER assures that ADB's policies on involuntary resettlement are observed in all subprojects.
2 Except as ADB may otherwise agree, the Borrower and the Government shall ensure that all land required for a proposed subproject shall be unencumbered, has a clear title or other acceptable evidence of land ownership and shall be acquired not later than the first drawdown of a Subloan.	LA, Schedule 4, para. 15	Complied with. Land is treated as a basic requirement for all subprojects. No funds are released to the proponent unless all arrangements pertaining to the project site are in order.
Financial		
1 Except as ADB may otherwise agree, the Borrower shall maintain a ratio of the consolidated debt of the Borrower to the consolidated equity of the Borrower not higher than 8:1.	LA, Article V, Section 5.09	Complied with. DBP posted a debt to equity ratio of 6:33.1 (October 2009).
2 Except as ADB may otherwise agree, the Borrower shall maintain a capital adequacy ratio of at least 10%, a minimum return on average total assets of one-half of one percent (0.5%), and a minimum liquidity ratio of 25%.	LA, Article V, Section 5.10(a)	DBP posted a CAR of 18.92%, a return-on-assets of 1.41% and efficiency ratio of 58.04% as of March 2011.
3 The Borrower shall at all times make adequate provision to protect itself against any loss resulting from changes in the rate of exchange between pesos and the currencies in which the Borrower's outstanding money obligations will have to be met.	LA, Article V, Section 5.02	Complied with. DBP pays a foreign exchange cover fee and a guarantee fee to the national government for all official development assistance funds. For, the project facility, DBP pays a 3% foreign exchange cover fee and a 1% guarantee fee to the National Government.
4 The Borrower shall not make a Subloan to any Qualified LGU or Qualified Enterprise unless such Qualified LGU or Qualified Enterprise has at its disposal, or has made	LA, Article V, Section 5.03	Complied with. DBP PMO through the PEER assures that all

Covenant	Reference in the Loan Agreement	Status of Compliance
arrangements to obtain as and when required, all local currency funds, including adequate working capital, and other resources, which are required by such Qualified LGU or Qualified Enterprise for the carrying out of its Subproject in respect of which the Subloan is to be made.		subproject proponents meet the prescribed eligibility criteria provided by ADB.
5 The Borrower shall have its accounts and financial statements (balance sheet, statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; and shall, promptly, after their preparation but in any event not later than nine months after the close of the fiscal year to which they relate, furnish to ADB: (i) certified copies of such audited accounts and financial statements and (ii) the report of the auditors relating thereto (including the auditor's opinion on the use of the Loan proceeds and compliance with the covenants of the Loan Agreement), all in the English language.	LA, Article V, Section 5.06(a)	Complied with.
6 The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements and its financial affairs from time to time with the Borrower's auditors, and shall make necessary arrangements for any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.	LA, Article V, Section 5.06(b)	Complied with.
Others		
1 The Borrower and HUDCC shall each establish a PMO. HUDCC shall establish a PMO with a designated full-time Project manager to undertake the technical assistance and administrative aspects of strengthening the decentralized shelter delivery framework. The Borrower shall also establish a PMO to (i) promote the Project to the targeted end-beneficiaries; (ii) assist LGUs, MFIs and other proponents in Subproject development and implementation; (iii) evaluate the technical, financial and economic, social and environmental viability of the proposed Subprojects; (iv) conduct Project supervision and monitoring; and (v) establish the Project	LA, Schedule 4, para. 1	Complied with. DBP and HUDCC have established their respective PMOs. DBP has recently (in early 2008) expanded the personnel of its PMO with the addition of financial and engineering staff.

Covenant	Reference in the Loan Agreement	Status of Compliance
Performance Management System.		
The Borrower and the Guarantor, through HUDCC, shall ensure that an SPIU shall be established in each Qualified LGU and each Qualified Enterprise.	LA, Schedule 4, para. 5	Complied with. LGUs have established SPIUs.
2 The consultants shall be selected and engaged as a firm by the Borrower using the quality-and-cost-based selection method in accordance with procedures.	LA, Schedule 3, para. 4	Complied with.
3 The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound banking, administrative, financial, engineering, environmental, and business practices.	LA, Article V, Section 5.01(a)	Complied with. DBP PMO overseas overall project implementation of Parts A and B.
4 Except as ADB may otherwise agree, the Borrower shall not amend its Charter in any manner which, in the reasonable opinion of ADB, adversely affects the ability of the Borrower to perform the obligations under the Loan Agreement.	LA, Article V, Section 5.01(c)	Complied with. The last amendment to DBP's 1986 Charter was signed by President Fidel V. Ramos through RA 8523 last 1998. Among the major provisions incorporated in the new DBP Charter were the increase of authorized capital stock from P5 billion to P35 billion, and the creation of the position of president and chief executive officer.
5 The Borrower shall maintain records and accounts adequate to record the progress of each Subproject (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the Borrower, as part of the records and accounts referred to in Section 7.03 of the Loan Regulations.	LA, Article V, Section 5.04	Complied with. DBP maintains adequate records and accounts for all transactions relating to the implementation of the project facility. DBP, through the technical assistance team, also conducts documentation of all project activities and lessons learned in implementation.
6 The Borrower shall furnish to ADB all such reports and information as ADB shall reasonably request concerning the Qualified LGUs or Qualified Enterprises, the Subprojects and the Subloans as part of the reports and information referred to in Section 7.03 of the Loan Regulations.	LA, Article V, Section 5.05(a)	Complied with.
7 The Borrower shall enable ADB's representatives to inspect any Qualified LGU or Qualified Enterprise, any subproject, the goods financed out of the proceeds of the Loan, and any relevant	LA, Article V, Section 5.07	Complied with. All subprojects are inspected and appraised by the DBP and HUDCC PMOs before

Covenant	Reference in the Loan Agreement	Status of Compliance
records and documents.		subloan approval.
8 The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.	LA, Article V, Section 5.08(a)	Complied with. DBP remains the country's premier development financial institution.
9 The Borrower shall at all times conduct its business in accordance with sound administrative, financial, environmental and business practices, and under the supervision of competent and experienced management and personnel.	LA, Article V, Section 5.08(b)	Complied with.
10 Except as ADB and the Borrower may otherwise agree, the Borrower shall not (i) sell, lease or otherwise dispose of any of its assets, except in the ordinary course of its business; or (ii) establish or acquire any subsidiary.	LA, Article V, Section 5.08(c)	Complied with. There were two acquisitions made by DBP in 2008. In October of 2008, DBP acquired 99.3% of the total shares of Al Amanah Islamic Investment Bank of the Philippines Corporation. Also in 2008, DBP signed a sale purchase agreement with the NDC for the acquisition of NDC-Maritime Leasing Corporation in consonance with DBP's continuing efforts to fast-track the development of the road roll-on, roll-off terminal system as a key component of its sustainable logistics development program.

ADB = Asian Development Bank, CAR = Cordillera Autonomous Region, DBP = Development Bank of the Philippines, DPUCSP = Development of Poor Urban Communities Sector Project, HUDCC = Housing and Urban Development Coordinating Council, MFI = microfinance institution, NDC = National Development Corporation, PEER = Project Evaluation and Endorsement Report, PMO = project management office, SPIU = subproject implementation unit, TA = technical assistance.

Source: Asian Development Bank.

Technical Assistance Completion Report

Division: SEUW/SERD
(formerly handled by SESS and SETU/SERD)

TA No., Country and Name ADTA 4293-PHI: Capacity Building for Housing Microfinance		Amount Approved: \$1,500,000 Contract amount: \$ 1,400,000 Revised Amount: \$1,900,000 (including additional e-Asia assignment: \$500,000) Additional assignment on public-private partnerships under RETA 6421: \$100,000	
Executing Agency: Housing and Urban Development Coordinating Council (HUDCC)	Source of Funding: TASF, E-Asia Fund	Amount Undisbursed: \$ 3,598.17	Amount Utilized: \$1,896,401.83
TA Approval Date: 18 Dec 2003	TA Signing Date: 18 Feb 2004	Fielding of First Consultants: 17 May 2004	TA Completion Date Original: 31 Dec 2006 Actual: 15 Aug 2010 Account Closing Date Original: 31 Dec 2006 Actual: 17 Nov 2010
Expected Impact, Outcome and Outputs The objective of the advisory technical assistance (TA) was to enable the Housing and Urban Development Coordinating Council (HUDCC), the Development Bank of the Philippines (DBP), local government units (LGUs), community-based organizations, and other private project proponents to formulate and adopt community-based mechanisms for sustainable slum upgrading and low-income housing. It also aimed to help DBP and participating microfinance institutions (MFIs) strengthen their operational systems for more inclusive shelter finance, geared towards the efficient and sustainable delivery of housing, home improvement, and microenterprise loans to eligible urban poor families.			
Delivery of Inputs and Conduct of Activities Capacity building under the Development of Poor Urban Communities Sector Project ¹ was implemented with the help of the Capacity Building for Housing Microfinance TA, which provided project implementation consultants for the project. Additionally, other supplementary TA was provided that included Financing Public-Private Partnerships (PPPs) for Sustainable Low-Income Housing Delivery, and TA through the Government of Korea's e-Asia and Knowledge Partnership Fund for supplementary e-Asia information technology activity.			
In Part C of the Development of Poor Urban Communities Sector Project, DBP and HUDCC undertook capacity building and project implementation support programs for communities and LGUs to strengthen the decentralized shelter delivery mechanism. Topics covered at the national level included project design and management, housing finance, land management, and shelter planning. At the regional level, workshops focusing on housing microfinance, participatory community action planning, slum upgrading and new site development for the poor, subproject development and implementation, environmental impact assessment, and city shelter strategies were designed and conducted.			
Public-Private Partnerships. In the light of the constraints faced by LGUs in borrowing for pro-poor and low-income housing at the scale warranted by demand, ADB supported supplementary TA under the Sustainable Urban Development in Asia project (RETA 6421) to define a practical approach to social housing development, which became a pivotal project feature. The private sector modality became DPUCSP's biggest performer. The DPUCSP supported PPPs for socialized housing by allowing "qualified enterprises"—defined to include private developers, non-government organizations (NGOs), cooperatives, and homeowners associations (HOAs)—to be lead proponents or borrowers under the Site Development and Distribution of Secure Tenure Component (part A of the project). This private sector modality relied on individual homebuyer financing from the government-owned Home Development Mutual Fund (HDMF, or <i>Pag-IBIG</i> [<i>Pagtutulungan, Ikaw, Bangko, Industriya at Gobyerno</i>]). HDMF members are usually working in formal sector employment.			

¹ 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 for the Development of Poor Urban Communities Sector Project*. Manila.

E-tools. ADB extended a supplementary technical assistance on e-tools for DPUCSP from the Republic of Korea e-Asia and Knowledge Partnership Fund to enhance information and communication technology (ICT) within the DBP, HUDCC, LGUs, MFIs, NGOs, and private developers. As a supplementary TA, it (i) established e-kiosks in LGUs, MFIs, NGOs, and HUDCC to support loan applicants with e-tools; and (ii) provided training to strengthen the e-readiness of MFIs.

Evaluation of Outputs and Achievement of Outcome

The TA design was too ambitious and broad. The performance of the TA consultants was satisfactory; they were a competent team that supported both DBP and HUDCC with subproject preparations and capacity development activities. In general, the consultants were very efficient and accommodating. However, while too much emphasis may have been given to the LGU lending modality under part A, alternatives through HOAs or organizations such as NGOs were seldom pursued. The consultants undertook an innovative effort to develop a web-based project performance management system (PPMS). Unfortunately, this PPMS did not serve the intended purpose, as it was significantly delayed and data management by the executing and implementing agencies was not given the necessary attention.

Several proponents who received assistance from the project consultants failed to present loan applications because of instability in the real estate market resulting from the global financial crisis. As a result, the number of actual beneficiaries was substantially lower than the originally targeted 20,000. A total of 29 subprojects that had been prepared with the help of the Capacity Building for Housing Microfinance TA were withdrawn from the project due to the changing priorities of the LGUs or private proponents, and the high cost of DBP loan funds. For instance, in the case of Cebu City, which expressed intent but deferred availment, seven community action plans for their proposed subprojects were prepared by the LGU with the community associations to be affected with the upgrading of their areas.

Overall Assessment and Rating

Overall, the TA is rated satisfactory, despite delays in completion of certain works. LGUs, MFIs, and community associations were provided training on project management, and community-driven and participatory planning and implementation. Community action plans for upgrading and feasibility studies for new sites were prepared by the LGUs in consultation with the communities.

In addition to the approval of the Housing Microfinance Product Manual, an executive order (Accelerating the Distribution of Secure Tenure to Qualified Socialized Housing Beneficiaries, through the use of Rights-based Secure Tenure Instruments under the National Shelter Program). The executive order is aimed at addressing the growing need for pro-poor housing in the country by streamlining, standardizing, harmonizing, and improving the mechanism and procedures for the distribution of secure tenure to the country's poor and homeless citizens. Overall, given the policy reforms and initiatives undertaken, HUDCC's policy agenda was achieved.

Major Lessons

The TA was essential to achieving the modest accomplishments of the Development of Poor Urban Communities Sector Project; without the TA, neither DBP nor HUDCC could have implemented the project.

Recommendations and Follow-Up Actions

The project completion report of the loan project has made four recommendations to the government: (i) LGUs role as facilitators of socialized housing needs clarification; (ii) the HDMF should be opened to provide loans to the urban poor; (iii) harnessing of private sector capacity to deliver socialized housing will be essential in future; and (iv) MFIs should be encouraged to broaden their customer base and enroll other clients.

Prepared by: Florian Steinberg

Designation: Senior Urban Development Specialist

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Project Profile:
E-Tools for Community Focused Urban Poverty Reduction in the Philippines

1. A supplementary technical assistance (TA) grant of \$500,000 was provided by the Republic of Korea e-Asia and Knowledge Partnership Fund for Community Focused Urban Poverty Reduction in the Philippines. The grant was in relation to the implementation of the Asian Development Bank (ADB) Development of Poor Urban Communities Sector Project (DPUCSP) loan, which was in support of the government's program for community-focused urban poverty reduction strategy outside Metro Manila. The executing agencies, Housing and Urban Development Coordinating Council (HUDCC) and Development Bank of the Philippines (DBP), collaborated with corresponding local government units (LGUs), community-based organizations (CBOs), homeowners' associations (HOAs), and microfinance institutions (MFIs) to finance affordable tenure, access to basic services, and livelihood opportunities for the urban poor communities outside Metro Manila. The supplementary financing was administered by ADB.

Project Goal and Objectives

2. The TA aimed to help the government strengthen systems within DBP, HUDCC, LGUs, and MFIs in formulating projects and financing appropriate to the housing needs of the poor.
3. The goal of the grant was to improve and accelerate the access of urban poor communities outside Metro Manila to secure tenure, basic services, and financing sources for shelter and livelihood.
4. The accomplishment of the project goal was through various ICT applications, and collaboration by HUDCC, DBP, CBOs, HOAs, LGUs, and MFIs in pro-poor participatory planning and implementation.

Project Components

5. The supplementary funding had three major components and outputs, each supporting the accelerated implementation of DPUCSP's three key components.
 - (i) **Component 1: e-Tools for Pro-Poor Urban Upgrading.** More cost-effective access to secure tenure, affordable shelter, and basic infrastructure for selected urban poor communities was achieved through e-tools that were used to develop community-focused urban upgrading subprojects under the project.
 - (ii) **Component 2: e-Tools for Sustainable Shelter and Microenterprise.** Information and communications technology (ICT) applications to enhance the delivery of pro-poor housing and microenterprise finance were used by the project's participating MFIs to accelerate the on-lending of housing-related and microenterprise loans to urban poor households comprising the targeted communities.
 - (iii) **Component 3: ICT Applications for Effective Project Management.** Relevant applications were developed to strengthen the capacity of HUDCC, DBP and the LGUs to formulate and implement pro-poor housing, basic services, and housing and microenterprise finance subprojects as part of the government's urban poverty reduction program.

Achievement of Objectives

6. Overall, the grant was rated highly satisfactory. The grant achieved its objectives with the following results.

7. **Component 1: e-Tools for Pro-Poor Urban Upgrading.** Under the first TA component, the e-tools were primarily designed to help the targeted communities articulate their demand for affordable shelter and basic urban services, conduct their community action planning activities, and engage in consultations with HUDCC, DBP, local governments, NGOs, and other concerned groups regarding subproject planning and implementation. Electronic templates were prepared and uploaded to the project website to facilitate socioeconomic surveys, community action planning (CAP) for urban upgrading, feasibility study preparation, procurement, contract management, and community estate management. For easy access and use of these templates by community representatives, 12 ICT kiosks were established under the TA. In response to surveys undertaken by HUDCC and DBP, each e-kiosk was equipped with multimedia personal computers, printers for desktop publishing, Internet connectivity, enabled voice communication, web-accessible cameras, personal digital assistants, third-generation mobile phones, and other related peripherals. HUDCC and DBP selected the beneficiary LGUs and NGOs based on a set of criteria that included (i) demonstrated commitment to provide a strategically located and secure space to house the kiosk, (ii) proven track record in managing sustainable pro-poor endeavors, (iii) willingness to contribute resources to the sustainable operation and maintenance of the kiosk, and (iv) submission of a plan for raising community awareness among potential kiosk users. Selected LGUs and NGOs were asked to prepare a business plan, in accordance with guidelines prepared by HUDCC and DBP, to ensure the sustainable operation of these kiosks as part of the TA to complement the anticipated scaling-up of the project to address the country's growing urban poverty. The establishment of ICT kiosks followed a phased approach. Communities and local governments as well as the NGOs that assisting them were trained on the proper application of the electronic templates and use of the ICT kiosks, as part of an overall training program designed to ensure that adequate capacity will exist beyond the TA to rollout the e-technology to a additional communities, LGUs and NGOs to expand the provision of pro-poor housing and services in the Philippines.

8. The project templates were revised and finalized based on comments and feedback received during learning exchanges and workshops that focused on subprojects. These were programmed into e-tools comprising simpler and more user-friendly editable PDF forms. These e-tools have been uploaded into the project website and added to the knowledge management tools module of the project PPMS database for easy access by project proponents and target users. As of end of January 2010, 12 kiosks had been set up and were fully operational, representing 100% of the targeted number of kiosks.

9. **Component 2: e-Tools for Sustainable Shelter and Microenterprise.** Under the second component, e-tools were designed to help participating MFIs (i) assess demand and willingness to pay on the part of poor urban households for the project's loan products, and the corresponding affordability of those products; (ii) prepare the subproject proposals and subloan applications; and (iii) access and analyze information more efficiently for better decision making, operations management, and product development. Electronic templates for conducting housing microfinance market studies, preparing microfinance availment plans, assessing the financial and affordability implications of project housing and microenterprise loans, and lowering the cost of loan administration were prepared and made accessible to the MFIs through the project website. The existing management information systems of the pilot MFIs (which were originally designed for microenterprise loans) were enhanced to add features relevant to effective

management of the project's home improvement and housing loan products. The TA provided training and additional equipment necessary for the MFIs to use the project's e-tools.

10. By the end of December 2009, four pilot MFIs had been identified based on the criteria set by HUDCC, DBP, and the consultants. The first kiosk was set up in April 2009; two others were established in August 2009 and October 2009. The remaining three kiosks hosted by Center for Agriculture and Rural Development Mutual Reinforcing Institutions were set up in January 2010. An audiovisual presentation was produced that seeks to promote housing microfinance by highlighting the initiatives of Alalay sa Kaunlaran (ASK) under the project and the potential use of e-tools through the kiosks. Audiovisual production began in October 2009, and was completed in December 2009.

11. **Component 3: ICT Applications for Effective Project Management.** In the third component, HUDCC and DBP continued to implement and modify the computerized project performance monitoring system (PPMS) as required; the PPMS was designed, tested and installed under the Capacity Building for Housing Microfinance TA. The regional and local offices of HUDCC and DBP, as well as concerned LGUs, MFIs, and communities were trained and equipped to participate competently in the implementation of the PPMS. This component also assisted HUDCC in developing and using e-tools that will streamline and expedite proclaiming and conveying land for pro-poor housing and formulating sustainable local shelter plans. HUDCC's existing geographic information system (GIS) capacity was augmented, enabling it to more efficiently conduct or coordinate poverty mapping and planning for urban upgrading.

12. The project PPMS is now fully accessible to authorized DBP and HUDCC personnel, having been converted into a web-based application using Microsoft SQL Express. Included under the tools and template section of the project website is a PDF version of the Pag-IBIG housing loan application form that allows the user to take a digital photo of the applicant using the webcam provided under the TA and attach the picture to the form. The application form can be printed in the e-kiosk for immediate submission to Pag-IBIG. The consultants also reviewed how ICT applications can be used to facilitate GIS-based poverty mapping and sustainable local shelter planning. The consultants hired a GIS expert to assess the existing HUDCC GIS with the objective of providing a strategic direction for HUDCC in restarting, enhancing, and using its existing GIS.

Implementation Arrangements

13. DBP was the executing agency for activities related to project implementation support, while HUDCC was the executing agency for the shelter sector strengthening activities.

14. The work of the supplementary TA component was completed in January 2010. The consultants worked with HUDCC and DBP and selected 12 organizations in which to locate the ICT kiosks: (i) ASK (MFI); (ii) Cavite-RII Builders (private developer); (iii) First Macro Bank (MFI); (iv) Enterprise Bank (MFI); (v) Pangasinan Provincial Government (LGU); (vi) CARD (MFI); (vii) Johndorf Ventures (private developer); (viii) HUDCC Region VII (Cebu)-Pag-IBIG; (ix) DBP Regional Marketing Center, Cagayan de Oro; (x) DBP Regional Marketing Center, Bicol; (xi) HUDCC Region VI (Iloilo); and (xii) DBP head office. The TA was closed on 31 January 2010.

Major Lessons

15. The following lessons were identified:

- (i) **Government policy and strategy.** The TA has shown that ICT applications can be used to help in achieving project objectives. Information awareness programs, including advocacy materials based on existing programs such as the e-kiosk should be developed to help gain more support for using ICT applications to combat poverty and improve people's lives.
- (ii) **Project design.** The e-kiosk must strategically fit with the existing programs and initiatives of the host LGUs, shelter agencies, private groups and MFIs. The business planning approach by the consultants paved the way for the kiosk hosts to fully understand how the e-kiosk can complement their ongoing or proposed programs and projects. Also, to ensure sustainability and the long-term success of the ICT applications, the major stakeholders should recognize and realize the net benefits of the program.
- (iii) **Project management and implementation:** The use of ICT applications was easily accepted by the e-kiosk operators. HUDCC, DBP, and the consultants realized that both the chief executive and staff of the e-kiosk operators should have a clear understanding of the value and net benefits of the e-kiosk and e-tools. Linking the e-kiosk to other initiatives of the kiosk operator is one way to ensure sustainability and replicability.

Economic and Financial Re-evaluation

1. For the project completion report (PCR), seven subprojects were subjected to financial and/or economic evaluation to determine their continued viability, including five subprojects under part A (Pulungbulo Housing Project in Angeles City, Balangayan Site Development Project in Butuan City, Site Development Project in Passi City, Rosmont Village in Tarlac City and Pamayanang Maliksi in General Trias, Cavite) and two subprojects under part B (Alalay sa Kaunlaran [ASK] and Enterprise Bank). Viability was established by computing the economic and financial internal rates of return and comparing these with the economic opportunity cost of capital and the weighted average cost of capital, respectively. The approach followed the relevant Asian Development Bank (ADB) guidelines.¹

A. Financial Analysis

2. At appraisal, financial evaluation of all revenue-generating subprojects was undertaken and documented in the individual subproject feasibility study. For the purpose of the reevaluation, subproject cash flows were prepared by the project completion review mission based on actual and projected revenues and expenses. These data were gathered from the implementing units of the local government units, private developers and microfinance institutions. However, a separate financial statement for the Development of Poor Urban Communities Sector Project funds was not maintained in most cases, and thus realistic approximations of financial operations were worked out with the relevant staff.

a. Financial Costs

3. Investment costs related to site development and tenure distribution included actual disbursements for site acquisition, site development, provision of basic infrastructure and services and/or housing units. The year of project completion is taken as the starting point for ex-post financial analysis.² All local and foreign costs are expressed in constant 2010 prices using a domestic deflator for domestic costs and a dollar deflator for costs expressed in foreign exchange.

4. Operational costs such as personnel services, maintenance and other operating expenses were included in the financial costs. Due to lack of information on actual incremental costs incurred, it was assumed that annual operational costs vary from 1% to 2% of total investment costs.

b. Financial Revenues

5. For housing subprojects, the number of housing units and serviced plots was validated during the project completion review mission. These were correlated with average cost or amortization to be paid by the target beneficiaries to calculate the revenue stream.

6. For microfinance subprojects, the revenue stream was based on the amortization of sub-borrowers, which varied from 12 months (for Enterprise Bank) to 24 months (for ASK). The evaluation period for part B had a shorter term than for part A.

¹ The analysis followed the procedures and guidelines in the ADB: *Guidelines for the Economic Analysis of Projects* (1997); the *Framework for the Economic and Financial Appraisal of Urban Development Projects* (1994); and *Financial Management and Analysis of Projects* (2005).

² ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila.

B. Economic Analysis

7. Economic evaluation was undertaken for the five site development subprojects to determine the economic viability of the investment by computing the economic internal rate of return (EIRR). The basic approach is to (i) determine the economic benefits accruing from the investment and weigh them against the associated economic costs over the entire life of the subproject; and (ii) determine a discount rate that would equalize the benefits and costs (as in EIRR), or discount the net economic benefits by an assumed economic opportunity cost of capital (as in net present value [NPV]). An EIRR greater than the economic opportunity cost of capital (EOCC), or a positive NPV, indicates that the investment is economically viable. The EIRR is computed using a discount rate of 12%, which is the assumed EOCC for this type of investment. Economic benefits and costs were estimated over the economic life of the site development subprojects, expected to be about 30 years.

a. Economic Cost

8. The economic costs of capital works are computed from the actual disbursements for the subproject during the implementation period with the following adjustments: (i) taxes, duties and subsidies are excluded; (ii) tradable input is valued at the domestic price numeraire using a shadow exchange rate factor of 1.2; (iii) unskilled labor is subjected to a shadow price of 0.6 of the market price to reflect the level of underemployment of unskilled labor in the country; and (iv) land is valued at the market price, which is considered to best reflect its opportunity cost. It is further assumed that the economic life of the project will be 30 years, after which all project assets are assigned a zero salvage value.

b. Economic Benefit

9. During appraisal, two benefit streams were valued. The first benefit stream was a proxy for the beneficiaries' willingness to pay for improvements in their quality of life, economic opportunities and enhancement of the environment. This willingness to pay is reflected in their payment of monthly amortization. The second benefit stream was derived from the expected increase in market valuation of the land after the subproject's completion. The two benefit streams value the benefits associated with the site development subprojects, which include (i) the resolution of land ownership issues; (ii) provision of basic services such as roads and drainage facilities; (iii) increased access to employment opportunities among beneficiaries; (iv) reduction in damages, losses and waterborne diseases associated with flooding; and (v) improvement of sanitation conditions in the community.

C. Results of Evaluation

10. The comparative results of the evaluation are shown in Table 2 of the main text, and the details for each subproject are shown in succeeding tables.

Table A13.1: Summary Results of Financial Evaluation for Pulongbulo Housing Project, Angeles City, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Housing Units Average Annual Unit		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Units	Cost (P)	Total Sales	Other Revenues	Total	Investment	Incremen- tal O&M	Total	
2006						15,861		15,861	(15,861)
2007	66	—	—	—	—	—	184	184	(184)
2008	66	—	—	—	—	—	161	161	(161)
2009	66	—	—	—	—	—	156	156	(156)
2010	66	—	—	—	—	—	150	150	(150)
2011	66	6,733	444	—	444		150	150	294
2012	66	6,733	444	—	444		150	150	294
2013	66	6,733	444	—	444		150	150	294
2014	66	6,733	444	—	444		150	150	294
2015	66	6,733	444	—	444		150	150	294
2016	66	6,733	444	—	444		150	150	294
2017	66	6,733	444	—	444		150	150	294
2018	66	6,733	444	—	444		150	150	294
2019	66	6,733	444	—	444		150	150	294
2020	66	6,733	444	—	444		150	150	294
2021	66	6,733	444	—	444		150	150	294
2022	66	6,733	444	—	444		150	150	294
2023	66	6,733	444	—	444		150	150	294
2024	66	6,733	444	—	444		150	150	294
2025	66	6,733	444	—	444		150	150	294
NPV@2.11%	925	69,496	4,587	0	4,587	15,363	2,153	17,448	(13,006)
Per Unit					4.96	16.61	2.33	18.86	(14.06)
Weighted Average Cost of Capital									3.25
Financial Internal Rate of Return									(9.77%)

NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

Table A13.2: Summary Results of Economic Analysis for Pulongbulo Housing Project, Angeles City, as of Subproject Completion
(P'000); Constant 2010 Prices

Year	Stall Rental		Economic Benefits			Economic Costs			
	Total Area (ha)	Incremental Increase in Land Valuation (P'000/ha)	Total Increase in Land Valuation (P'000)	Willingness to Pay	Total Economic Benefits	Investment	Incremental O&M	Total Economic Costs	Net Economic Benefits
2006						13,401		13,401	(13,401)
2007	0.6	15,000	1,895		1,895	—	165	165	1,730
2008	0.6	15,000	1,895		1,895	—	144	144	1,751
2009	0.6	15,000	1,895	—	1,895	—	139	139	1,756
2010	0.6	15,000	1,895	—	1,895	—	134	134	1,761
2011	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2012	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2013	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2014	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2015	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2016	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2017	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2018	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2019	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2020	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2021	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2022	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2023	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2024	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2025	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2026	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2027	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2028	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2029	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2030	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2031	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2032	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2033	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2034	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2035	0.6	15,000	1,895	444	2,340	—	134	134	2,205
2036	0.6	15,000	1,895	444	2,340	—	134	134	2,205
NPV@12%	5.1	120,827	15,265	2,797	17,495	11,965	1,118	12,964	2,656
Per Unit					0.14	0.10	0.01	0.11	0.02
Economic Internal Rate of Return									14.75%

ha = hectare, NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

Table A13.3: Summary Results of Financial Evaluation for Balangayan Site Development, Butuan City, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Housing Units		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Units	Average Annual Unit Cost (P)	Total Sales	Other Revenues	Total	Investment	Incremental O&M	Total	
2007			—	—	—	21,977		21,977	(21,977)
2008	220	—	—	—	—	—	223	223	(233)
2009	220	—	—	—	—	—	216	216	(216)
2010	220	—	—	—	—	—	208	208	(208)
2011	220	1,227	270	—	270		208	208	62
2012	220	1,227	270	—	270		208	208	62
2013	220	1,227	270	—	270		208	208	62
2014	220	1,227	270	—	270		208	208	62
2015	220	1,227	270	—	270		208	208	62
2016	220	1,227	270	—	270		208	208	62
2017	220	1,227	270	—	270		208	208	62
2018	220	1,227	270	—	270		208	208	62
2019	220	1,227	270	—	270		208	208	62
2020	220	1,227	270	—	270		208	208	62
2021	220	1,227	270	—	270		208	208	62
2022	220	1,227	270	—	270		208	208	62
2023	220	1,227	270	—	270		208	208	62
2024	220	1,227	270	—	270		208	208	62
2025	220	1,227	270	—	270		208	208	62
NPV@2.11% Per Unit	2,621	11,260	2,365	0	2,365 0.90	20,979 8.00	2,498 0.95	23,363 8.91	(20,998) (8.01)
Weighted Average Cost of Capital Financial Internal Rate of Return									4.76% Negative

NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

Table A13.4: Summary Results of Economic Analysis for Balangayan Site Development, Butuan City, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Land Valuation		Economic Benefits			Economic Costs			
	Total Area (ha)	Incremental Increase in Land Valuation (P'000/ha)	Total Increase in Land Valuation (P'000)	Willingness to Pay	Total Economic Benefits	Investment	Incremental O&M	Total Economic Costs	Net Economic Benefits
2007	—	—	—	—	—	18,545	—	18,545	(18,545)
2008	3.6	4,000	2,880	—	2,880	—	199	199	2,681
2009	3.6	4,000	2,880	—	2,880	—	193	193	2,687
2010	3.6	4,000	2,880	270	2,880	—	185	185	2,695
2011	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2012	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2013	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2014	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2015	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2016	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2017	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2018	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2019	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2020	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2021	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2022	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2023	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2024	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2025	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2026	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2027	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2028	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2029	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2030	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2031	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2032	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2033	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2034	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2035	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2036	3.6	4,000	2,880	270	2,880	—	185	185	2,964
2037	3.6	4,000	2,880	270	2,880	—	185	185	2,964
NPV@12% Per Unit	25.9	28,769	20,713	1,709	22,076	16,558	1,350	17,909	4,167
					0.77	0.58	.05	0.62	0.14
Economic Internal Rate of Return									15.24%

ha = hectare, NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

Table A13.5: Summary Results of Financial Evaluation for Pamayanang Maliksi, General Trias, Cavite, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Housing Units		Financial Revenues			Financial Costs			Net Financial Benefits
	No. of Units	Average Annual Unit Cost (P)	Total Sales	Other Revenues	Total	Investment	Incremental O&M	Total	
2007	—	—	—	—	—	217,304		217,304	(217,307)
2008	1,222	25,200	—	—	—	384,621		384,621	(384,621)
2009	1,492	25,200	30,794	—	30,794	788,773	26,523	815,297	(784,502)
2010	4,500	25,200	37,598	—	37,598	237,767	31,058	268,824	(231,226)
2011	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2012	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2013	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2014	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2015	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2016	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2017	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2018	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2019	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2020	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2021	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2022	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2023	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2024	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2025	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2026	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2027	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2028	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2029	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2030	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2031	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2032	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2033	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2034	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2035	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2036	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2037	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2038	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2039	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
2040	4,500	25,200	113,400	—	113,400		31,058	31,058	82,342
NPV@2.11%	95,782	569,808	2,363,782		2,363,782	1,541,200	712,657	2,224,675	139,107
Per Unit					24.68	16.09	7.44	23.23	1.45
Weighted Average Cost of Capital									2.11%
Financial Internal Rate of Return									2.70%

NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

Table A13.6: Summary Results of Economic Analysis for Pamayanang Maliksi, General Trias, Cavite, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Stall Rental		Economic Benefits			Economic Costs			
	Total Area (ha)	Incremental Increase in Land Valuation (P'000/ha)	Total Increase in Land Valuation (P'000)	Willingness to Pay	Total Economic Benefits	Investment	Incremental O&M	Total Economic Costs	Net Economic Benefits
2007	—	—	—	—	—	183,377	—	183,377	(183,377)
2008	—	—	—	—	—	326,583	—	326,583	(326,583)
2009	53.8	16,713	179,783	30,794	210,577	673,411	23,681	697,092	(486,515)
2010	53.8	16,713	179,783	37,598	217,381	203,142	27,730	230,872	(13,491)
2011	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2012	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2013	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2014	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2015	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2016	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2017	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2018	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2019	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2020	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2021	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2022	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2023	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2024	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2025	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2026	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2027	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2028	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2029	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2030	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2031	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2032	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2033	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2034	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2035	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2036	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2037	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2038	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2039	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
2040	53.8	16,713	179,783	113,400	293,183	—	27,730	27,730	265,453
NPV@12%	347.8	108,074	1,162,568	785,671	1,788,900	1,032,500	176,436	1,208,936	596,964
Per Unit					16.55	9.55	1.63	11.19	5.37
Economic Internal Rate of Return									19.28%

ha = hectare, NPV = net present value, O&M = operations and maintenance
Source: Asian Development Bank.

Table A13.7: Summary Results of Economic Analysis for Site Development Project, Passi City, as of Subproject Completion
(P'000, constant 2010 prices)

Year	Stall Rental		Economic Benefits			Economic Costs			
	Total Area (ha)	Incremental Increase in Land Valuation (P'000/ha)	Total Increase in Land Valuation (P'000)	Willingness to Pay	Total Economic Benefits	Investment	Incremental O&M	Total Economic Costs	Net Economic Benefits
2009	—	—	—	—	—	21,032	—	21,032	(21,032)
2010	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2011	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2012	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2013	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2014	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2015	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2016	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2017	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2018	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2019	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2020	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2021	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2022	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2023	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2024	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2025	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2026	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2027	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2028	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2029	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2030	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2031	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2032	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2033	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2034	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2035	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2036	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2037	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2038	2.1	10,000	4,188	—	4,188	—	210	210	3,977
2039	2.1	10,000	4,188	—	4,188	—	210	210	3,977
NPV@12% Per Unit	12.0	57,335	24,010	0	24,010	14,970	1,206	16,176	7,834
					0.42	0.26	0.02	0.28	0.14
Economic Internal Rate of Return									18.80%

ha = hectare, NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

**Table A13.8: Summary Results of Financial Analysis for Alalay sa Kaunlaran,
as of Subproject Completion**
(P'000, constant 2010 prices)

Year	Financial Revenues			Investment	Financial Costs		Net Financial Benefits
	Total Sales	Other Revenues	Total		Incremental O&M	Total	
2007	1,436	—	1,436	13,084	131	13,215	(11,779)
2008	17,195	—	17,195	42,722	541	43,262	(26,067)
2009	29,243	—	29,243	—	518	518	28,724
2010	25,243	—	25,243	24,000	736	24,736	1,080
2011	14,799	—	14,799		1,469	1,469	13,330
2012	2,467	—	2,467		1,464	1,464	1,002
NPV@2.21%	84,323	0	84,323	75,677	4,406	80,083	4,240
Weighted Average Cost of Capital							2.21%
Financial Internal Rate of Return							8.08%

NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank.

**Table A13.9: Summary Results of Financial Analysis for Enterprise Bank,
as of Subproject Completion**
(P'000, constant 2010 prices)

Year	Financial Revenues			Investment	Financial Costs		Net Financial Benefits
	Total Sales	Other Revenues	Total		Incremental O&M	Total	
2007	15,913	—	15,913	34,207	466	34,673	(18,760)
2008	26,619	—	26,619	11,505	519	12,024	14,595
2009	6,348	—	6,348	9,214	487	9,700	(3,352)
2010	16,978	—	16,978	10,185	296	10,482	6,496
2011	3,731	—	3,731		190	190	3,541
2012	—	—	—		—	—	—
NPV@2.21%	65,889	0	65,889	62,437	1,850	64,287	1,602
Weighted Average Cost of Capital							2.21%
Financial Internal Rate of Return							6.87%

NPV = net present value, O&M = operations and maintenance

Source: Asian Development Bank