



Development Bank of the Philippines

Project Briefing on DBP's Credit Facilities for LGUs

Eufemia Mendoza

Vice President

August 2, 2003

Hyatt Regency Hotel



**Rural Power
Project
(RPP)**

**LGU-Urban Water
and Sanitation Project
(LGU-UWSP)**

**Sustainable Logistics
and Development
Program
(SLDP)**

**Housing or Development
of Urban Communities
Sector Project
(DPUUCSP)**

**Solid Waste
Management Program
(SWMP)**



Rural Power Project (RPP)

Type A Beneficiaries

→ Renewable Energy Service Companies/ Corporations (RESCO), Qualified Third Parties (QTP), Non-Governmental Organizations (NGO), Cooperatives other than Electric Cooperatives or **Local Government Units (LGUs)**

Type B Beneficiaries

→ Renewable Energy Technology (RET) system purchasers (i.e. Individual households, shops and other businesses, community groups, etc.)

Type C Beneficiaries

→ Electric Cooperatives

Type D Beneficiaries

→ Eligible Private sector proponents (Private Distribution Utilities such as Electric Corporations) or **LGU**



...RPP

TYPE A

TYPE D

Eligible Sub-project

For development and construction of small-scale energy generation and mini-grid rural electrification projects thru conventional and renewable energy resources.

Any project which improve the reliability and efficiency of rural power supply and increase access to electricity services by unserved customers.



TYPE A

TYPE D

Eligibility Criteria for Sub-projects

- ❖ Improves the reliability, efficiency and/or safety of rural power supply, increase rural power, and/or increases access to electricity services by undeserved rural customers, by financing small-scale energy generation and/or power distribution through mini-grids or micro-grids utilizing conventional energy or RET system
- ❖ Finances investments, technical assistance and/or training
- ❖ Technically feasible as indicated by feasibility studies or equivalent documentation satisfactory to DBP
- ❖ Financially viable as indicated by projected incremental cash flows and/or cost/benefit analysis.

- ❖ Improves the reliability, efficiency and/or safety of rural power supply, increase rural power, and/or increases access to electricity services by undeserved rural customers,
- ❖ Finances investments, technical assistance and/or training
- ❖ Technically feasible as indicated by feasibility studies or equivalent documentation satisfactory to DBP
- ❖ Financially viable as indicated by projected incremental cash flows and/or cost/benefit analysis.
- ❖ Meets other eligibility criteria as maybe determined by DBP and the Bank to appropriate for the relevant subproject proposal.



TYPE A

TYPE D

Equity Requirement

Minimum of 10% based on Total Project Cost

Minimum of 20% based on Total Project Cost

Loan Maturity

Maximum of fifteen (15) years with maximum of five (5) years grace period based on cash flow

Maximum of fifteen (15) years with maximum of five (5) years grace period based on cash flow

Collaterals

- ❖ Real Estate Mortgage
- ❖ Chattel Mortgage
- ❖ Loan Guarantee
- ❖ Assignment of Revenues
- ❖ Internal Revenue Allotment (IRA) for LGUs
- ❖ Joint and Several Signatures (JSS)

- ❖ Real Estate Mortgage
- ❖ Chattel Mortgage
- ❖ Assignment of Receivables with Recourse
- ❖ Internal Revenue Allotment (IRA) for LGUs
- ❖ Assignment of Power Purchase Agreement
- ❖ Loan Guarantee
- ❖ Joint and Several Signatures (JSS)

Interest Rate

9% for the first 5 years
10% from 6th to 15th year

9% for the first 5 years
10% from 6th to 15th year



LGU-Urban Water and Sanitation Project (LGU-UWSP)



Water Sector Major Policy

Consistent with the intent of the 1991 Local Government Code, Local Government Units are now responsible for planning, financing and implementing both urban and rural water supply.



Features of the Loan to LGUs

AMOUNT OF LOAN

FEASIBILITY STUDY

- ❖ The FS cost is 3% of the total construction cost. The LGU's counterpart during FS preparation is in the form of time and services of the members of the Project Management Unit

PROJECT FINANCING

- ❖ The loan shall be based on the total project cost with at least 10% equity participation, provided, the loan amortization shall not exceed 20% of the total income of the LGU, net of other borrowings



Features of the Loan to LGUs

TOTAL PROJECT COST COMPONENTS

- ❖ Feasibility Study
- ❖ Contract Price
- ❖ Physical Contingency
- ❖ Price Contingency
- ❖ Construction Supervision Cost
- ❖ Bank Charges (Interest During Construction, Commitment Fee & Front-end fee)

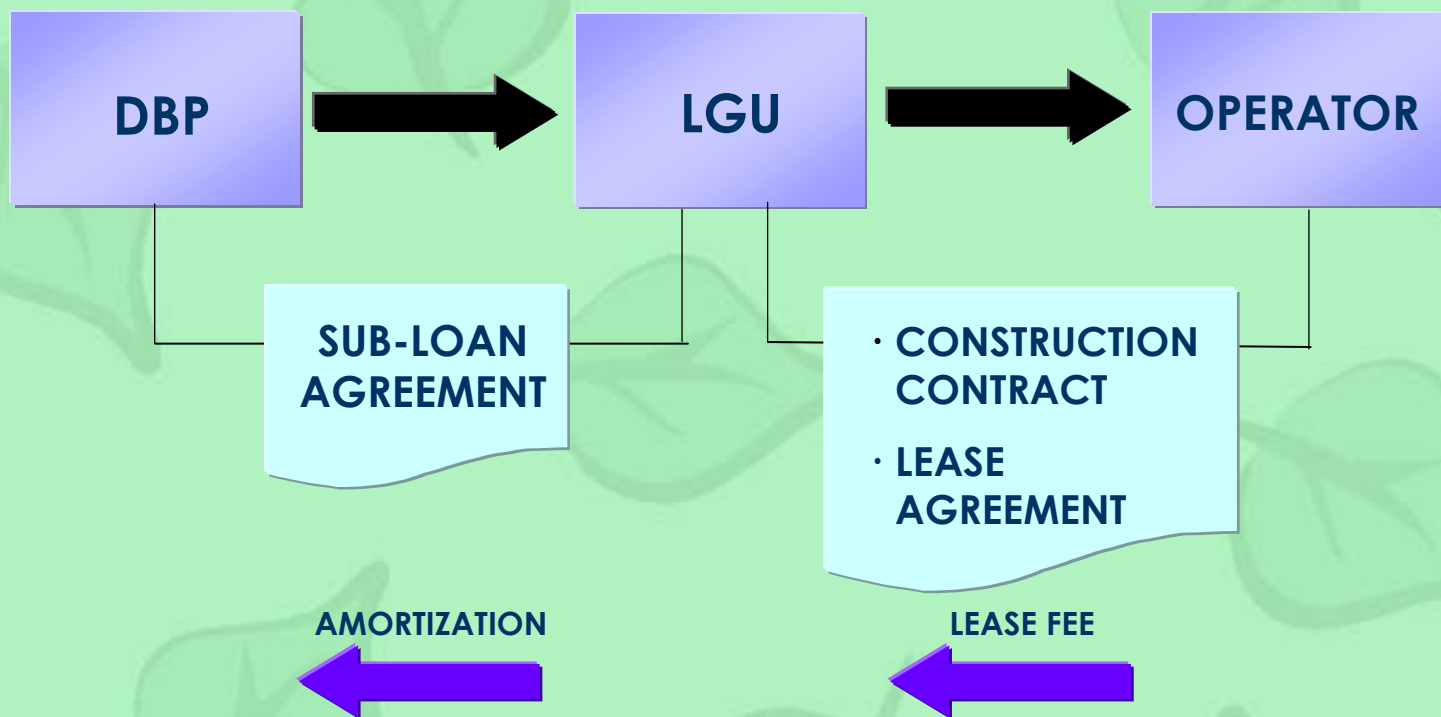


LGU-UWSP Principles

- ❖ **Investments shall be provided based on consumer demand (based on what consumers want and are willing to pay)**
- ❖ **Tariffs shall be based on full cost recovery**
- ❖ **Management and operation of the water system shall be according to commercial principles**

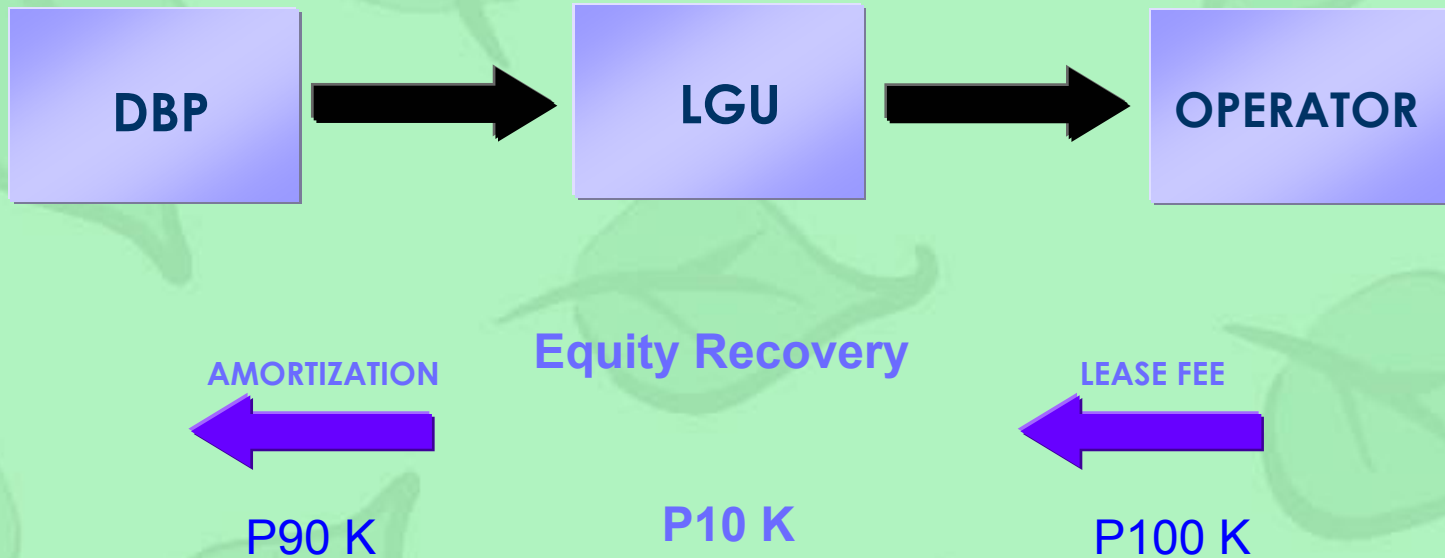


Design-Build-Lease of System





Design-Build-Lease of System





Housing or Development of Poor Urban Communities Sector Project (DPUUCSP)

PROJECT OBJECTIVES

- **To improve access by poor urban communities outside Metro Manila to credit and banking services for the provision of secure land tenure, affordable shelter, livelihood needs**
- **To reduce urban poverty and improve the urban poor's quality of life**





TARGET BENEFICIARIES

**Poor communities in the 73 cities
and 103 first class
municipalities outside Metro
Manila are eligible to participate in
the Project**





PROJECT COMPONENTS

**PART A – SITE DEVELOPMENT & DISTRIBUTION OF
SECURE TENURE**

PART B – SHELTER FINANCE PROVISION

**PART C – CAPACITY BUILDING &
IMPLEMENTATION SUPPORT**





PART A – SITE DEVELOPMENT & DISTRIBUTION OF SECURE TENURE

TARGET BORROWERS:

- ❖ **LGUs (cities and 1st class municipalities)**
- ❖ **Private sector groups (in association with LGUs)**
 - Cooperatives**
 - NGOs**
 - Private Socialized Housing Developers**

ELIGIBLE SUBPROJECTS:

- ❖ **Upgrading of existing slums**
- ❖ **Development of new sites**





PART A – SITE DEVELOPMENT & DISTRIBUTION OF SECURE TENURE

ELIGIBLE EXPENDITURES:

Civil works involving roads, drainage, water supply, sanitation and waste management, community facilities, feasibility studies.





PART B – SHELTER FINANCE PROVISION

TARGET PARTICIPATING FINANCIAL INSTITUTIONS:

❖ MFIs with Banking Functions

- Thrift Banks**
- Rural Banks**
- Cooperative Rural Banks**
- Commercial Banks with Microfinance windows**

❖ MFIs with Non- Banking Functions

- NGOs**
- Cooperatives**

TARGET BENEFICIARIES:

- ❖ Urban poor households in poor communities outside Metro Manila, particularly the beneficiaries of Part A**





PART B – SHELTER FINANCE PROVISION

ELIGIBLE LOANS:

- **Relending**
 - **Housing loans**
 - **Home Improvement Loans**
 - **Microfinance for Livelihood Projects**
- **For investment in socialized housing projects (houses and lots) for eventual sale or lease to qualified beneficiaries**





Solid Waste Management Program (SWMP)

Program Objectives

- To mobilize, encourage and support activities and investments in environment-friendly projects
- To promote the protection and enhancement of the quality of the environment



...SWMP

Program Description

- Eligible Borrowers
 - 70% Filipino owned Corporations/LGUs

Partnership of LGUs and Private Sector with the following:

- 1. BOT/BOO arrangement with LGU***
- 2. MOA between LGU and private sector signed by Mayor and authorized by Sangguniang Bayan (pre-approval requirement)***
- 3. Unsolicited proposal to follow required public bidding, and direct negotiation of project when there's only one complying bidder.***
- 4. Clear definition of roles of LGU and project proponent.***



Examples of Eligible Solid Waste Management Projects

1. Conversion of open dumpsite to a controlled dumpsite (Deadline: December 2003)
2. Materials recovery Facility (Waste recycling plant)
3. Sanitary Landfill
4. Hospital Waste Treatment System



Eligible Expenditures

- **Purchase and installation of equipment**
- **Procurement of equipment and instrument for environmental monitoring**
- **Construction of environmental protection facilities**
- **Consulting services, training of staff and other incidental technical assistance**
- **Initial working capital**
- **Environmental relocation of plant facilities**



...SWMP

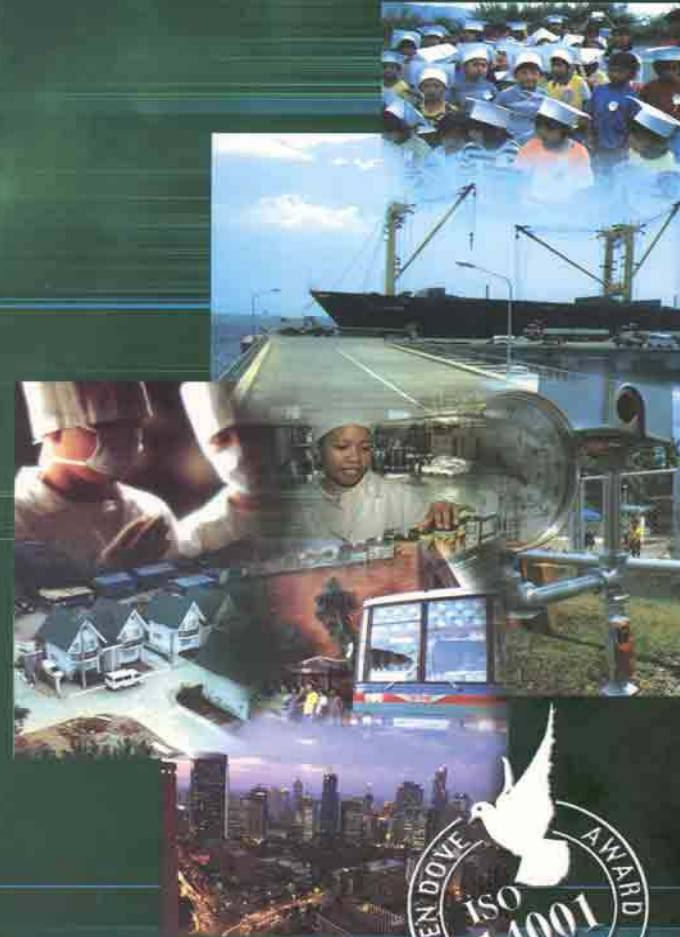
Eligible Expenditures

- **Refinancing of eligible existing operational projects, whether funded by DBP or an accredited PFI, provided that such refinancing is in addition to a new loan that seeks to improve the project's environmental performance.**
- **Working capital**
- **Disbursement for financing shall be project-related expenditures not exceeding 80% of the total project cost incurred not more than 180 days prior to DBP's formal acceptance of the loan application.**



Development Bank of the Philippines

Sustainable Logistics Development Program



Revving up the
engines of development



Objective

To improve infrastructure which will have direct impact on prices of basic commodities, as an anti-poverty strategy and spur economic activity in the countryside.

Focus

Food chain particularly grains, perishables including fish, fruits and vegetables





Sustainable Logistics Program:

P R O D U C T I O N A R E A S	Grains Highway (rice and corn)	C O N S U M P T I O N S I T E S
	Road RORO Ferry Network	
	Cold Chain	



What will bring these about...

Grains Bulk Chain

- **Processing Centers with mechanical shelling, drying and storing in bulk**
- **Bulk trucking**
- **Terminal facilities**
 - **Silos**
 - **Mechanical loading / unloading**
- **Bulk carriers**

What will bring these about...

2003 Priority - Mindanao Corn Highways

- **Terminal facilities / Processing centers**



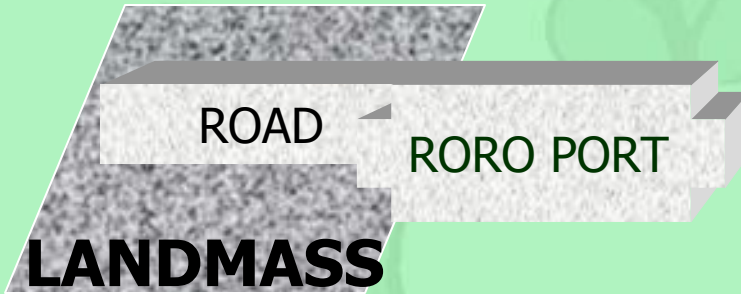
Development Bank of the Philippines

ROAD RORO FERRY NETWORK



RORO FERRY ROUTE

FLOATING BRIDGES



RORO FERRY ROUTE PROVIDES CONTINUITY FOR LAND TRANSPORTS TO TRAVEL FROM ONE LANDMASS TO ANOTHER





Priority Road-RORO Network Routes for 2003 (Luzon to Mindanao)

- **Batangas City to Calapan (Mindoro)**
- **Roxas (Mindoro) to Caticlan (Aklan)**
- **Iloilo to Jordan & San Lorenzo to Pulupandan**
- **Dumaguete to Dapitan & Ozamis to Kulambugan**



COLD CHAIN

Proposed Investments

- Aggregating and processing centers
- Reefer transport

Role of DBP...

Provide development loans to private sector and LGUs to support SLDP-related investments



3 Year DBP Strategy

DBP in collaboration with the private sector and LGUs (Estimated Loans)

Road-Roro Ferry Network	
• Serial building of 96 vessels	4.0
• Financing new / improvements of – 96 Roro ferry ports	3.5
Cold Chain	
• Establish 16 processing and marketing centers	8.0
• Aggregating Centers – 160 areas	3.0
• Reefer transport equipment / vehicles - 500 units	5.0
Bulk Chain	
• Establish 12 processing (aggregating) centers	2.5
• Bulk terminals, handling and transport equipment – 12 sets	4.0
T O T A L	30.0



Government support is needed to bring about conducive business environment...

DOTC	<ul style="list-style-type: none">• Conducive regulatory environment
DPWH	<ul style="list-style-type: none">• Access roads to ports
DA/DAR	<ul style="list-style-type: none">• Post Harvest operations
NEDA/DOF	<ul style="list-style-type: none">• Fund sourcing
LBP	<ul style="list-style-type: none">• Co-financing on post harvest facilities• Financing of agricultural production
DENR	<ul style="list-style-type: none">• Facilitate environmental clearance
DILG	<ul style="list-style-type: none">• Promote good governance
DTI/BOI	<ul style="list-style-type: none">• Promote investment



LOAN FEATURES

	RPP	DPUCSP	UWSP	SWMP	SLDP
Amount of Loan	Based on project's actual needs and capacity to meet equity requirement provided that loan amortization should not exceed 20% of the regular income of the LGU, net of other borrowings			Maximum of 80% of total project cost	
Equity Requirement	Typa A - Minimum of 10% Type D - 20%	Minimum of 10% to be infused upfront.	Minimum of 10% of total project cost to be infused per progress billing	Minimum of 20% of total project cost	
Interest Rate	9.5% p.a. for the 1 st 5 years and 10% from 6 th to 15 th year	Market rates	11% p.a. until 2003 reviewable yearly thereafter but not to exceed 15%	9.5% suggested rate Fixed Rate throughout the loan term	Missionary routes - 8.5% p.a. for the 1 st 3 yrs & 9.5% from 4 th year onwards Commercial connections – 9.5% (1 st to 3 rd year) and 10.7% from 4 th yr onwards



LOAN FEATURES

	RPP	DPUCSP	UWSP	SWMP	SLDP
Repayment Term	Maximum of 15 years with maximum of 5 years grace period based on cash flow	Maximum of 10 years with 3 years grace period	15 years with 3 years grace period on principal repayment	3 to 15 years with max 5 years grace period At least semi-annual amortization	15 years with 3 years grace period on principal repayment depending on the cash flow
Collateral/ Security	Internal Revenue Allotment with hold-out amounting to one (1) semestral amortization	Internal Revenue Allotment	Internal Revenue Allotment with hold-out amounting to one (1) semestral amortization		



Basic Documentary Requirements

- 1. Letter of Intent signed by the Mayor**
- 2. SB Resolution signifying participation in the project**
- 3. SB Resolution authorizing the Mayor and Treasurer to sign loan documents**
- 4. Audited Financial Statements for the last 3 years**
- 5. Interim Financial Statement**
- 6. Bio-data of the Mayor and Treasurer**
- 7. Customer Information Report (DBP Form)**



Creation of the Project Management Unit (PMU)

- **The Unit is chaired by the Mayor with the Vice-Mayor as Vice Chairman**
- **Members are the City/Municipal Engineer, Treasurer, Budget Officer, Accountant, Planning and Development Officer, SB member for Appropriations, SB member for Infrastructure**
- **The functions of the PMU include:**
 - ✓ **Assistance in data gathering for the project**
 - ✓ **Oversee and manage the implementation of the project**
 - ✓ **Conduct project monitoring and evaluation**
 - ✓ **Allocation of funds**
- **Alternate members can also be included in the PMU**



Contact Persons:

Ms. Eufemia C. Mendoza
Vice President
Program Management I-DBS
5th Floor, DBP Building, Makati City
Tel Nos. 893-4444 or 818-9511 loc. 3503
E-mail: ecmendoza@devbankphil.com.ph

RPP	:	AVP Julieta Y. Salvatierra	818-9511 to 19 loc. 2543
LGU-UWSP	:	AVP Florinio E. Diloy	loc. 2529
DPUCSP	:	AVP Cecilia M. Ibarra	loc. 2549
SWMP	:	SM Rosario P. Calub	loc. 2355
SLDP	:	AVP Simplicio B. Apolinar	loc. 2353