

**NARBO'S 9<sup>TH</sup> IWRM TRAINING**  
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*Building on IWRM Good Practices*

*The Laguna Lake Basin Experience*

# **LLDA FINANCIAL FRAMEWORK FOR IWRM**

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Tagaytay City

# Presentation Outline

- Financial Management Arrangements: Key Features
- Capital Structure and Stockholders Profile
- Revenue Structure
- Mobilization & leveraging of funds to catalyze investments in IWRM
- Lessons Learned



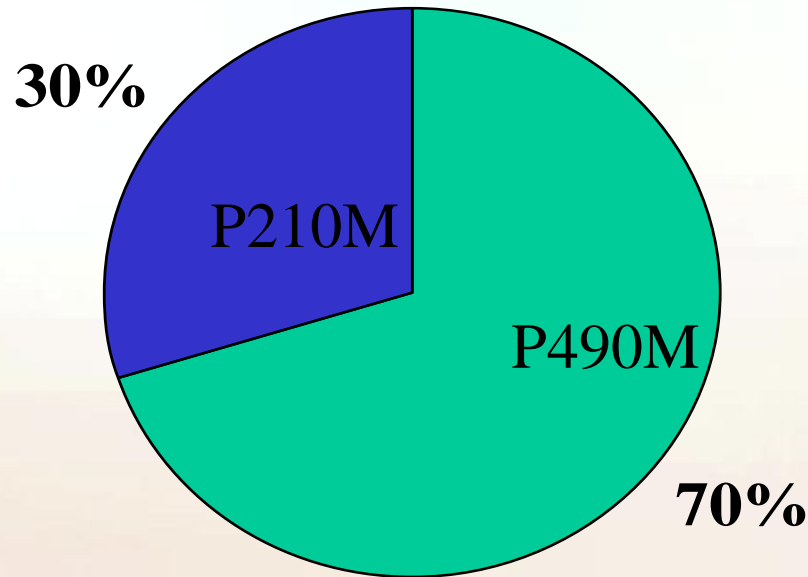
# Financial Framework

- As a **corporate-type RBO**, the LLDA is the only lake basin management authority in the Philippines created by law, that has quasi-government functions
- Its corporate structure grants it fiscal independence - *LLDA is authorized to generate, appropriate, channel & leverage its own funds to fulfill IWRM roles/activities.*
- The authorized capital stock was initially P100.00million and was increased to P700.00million thru E.O. 927, divided into 7 million shares with a par value of P100.00



# Capital Structure

- Authorized Capital Stock P700M



■ Ordinary ■ Preference

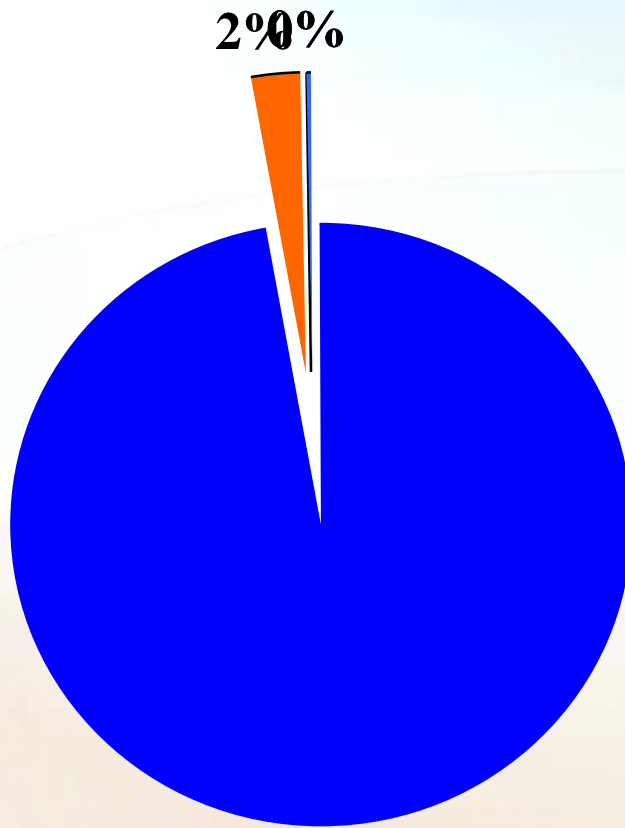


# Stockholders Profile

Stockholders	Subscribed (in million P)	Paid Up	% Paid Up
National Gov't	357.000	352.112	99%
Rizal Province	12.8000	9.02	75%
Laguna Province	6.000	.425	7%
Local Gov't Units	.100	.048	48%
Private Sector	2.086	.549	26%
Total	377.186	362.154	96%



# Stockholder's Profile



- National Govt
- Provinces (2)
- Municipalities (2)
- Private Investors

**98%**

National Govt	Provinces (2)	Municipalities	Private Investors	Total
352.112	9,4271	.048	.549	362.154



# Financial Framework

- As a corporate RBO, LLDA is empowered to collect:
  - Fees for the use of the lake waters and its tributaries for all beneficial purposes including but not limited to fisheries, recreation, municipal, industrial, agricultural, irrigation, and
  - For discharge of wastewater that meets the set effluent standards for disposal purposes.
- The fees collected shall be retained by LLDA for its own operations including IWRM purposes





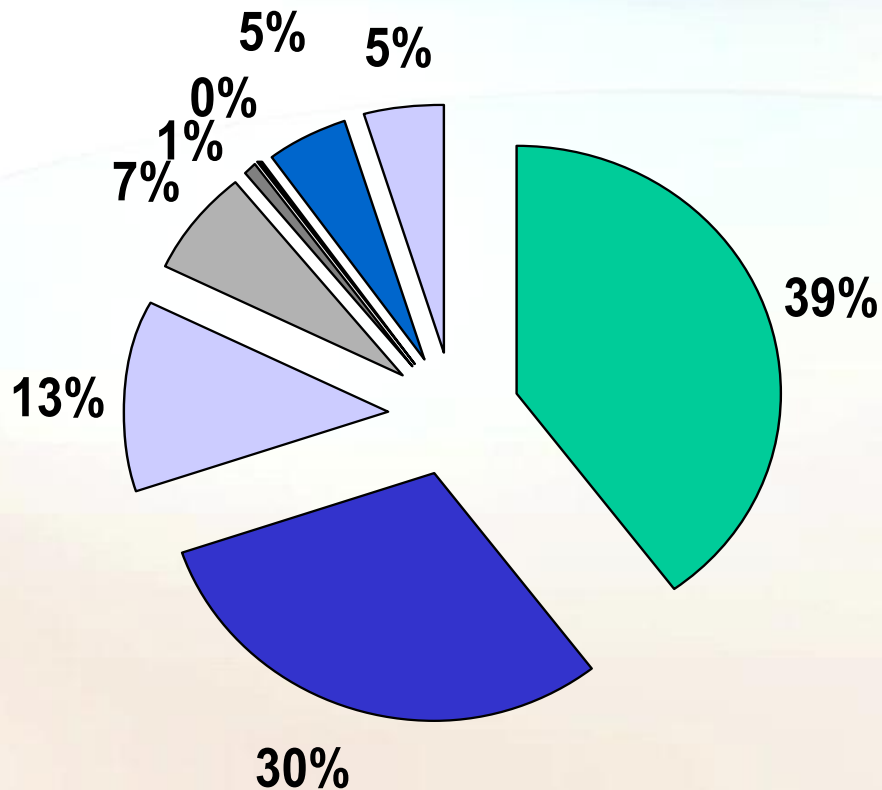
# Revenue Sources

- Fishpen/Fishcage Fees
- Discharge Permit Fees
- LLDA Clearance Fee
- Shoreland Fees
- Water Abstraction Fees
- Barging Fees
- Service Fees
- Financial Investment Income

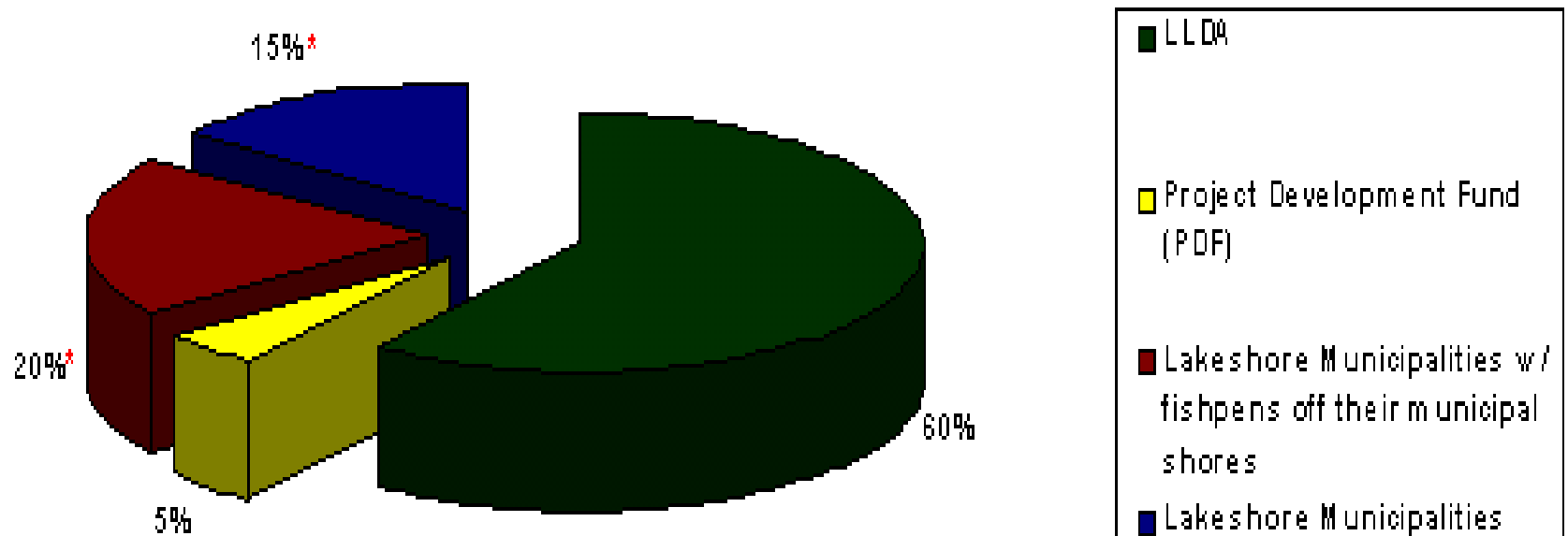




# LLDA Revenue Structure



## Sharing scheme for fishpen and fishcage fee share for Laguna de Bay



\*Thus, lakeshore municipalities with fishpen structures off their shores receive a total of 35% share

# Other Fund Sourcing

- National Government Subsidy (project-based)
- Bilateral and multi lateral sources thru technical assistance grant or loan facilities
- Bond Floatation
- Sale of stocks
- Public-Private Partnership



# Uses of User Fees

- For the management and development of the lake, its river systems and watershed areas
- To catalyze IWRM investments
  - Financing Co-Managed Investment in Watershed Development: *The LISCOP Project*



# Laguna De Bay Institutional Strengthening and Community Participation (LISCOP) Project

- LISCOP is a foreign assisted Project being implemented by LLDA, with an overall objective of improving the environmental quality of the lake and its watershed
- Two components of LISCOP
  - a) Micro-watershed environmental Interventions
  - b) Institutional Strengthening



# Key Players

- Department of Finance –Borrower
- LLDA – Implementing Agency
- MDFO – Fund Administrator
- Policy Governing Board- Approves sub-projects
- Local Govt. Units- beneficiary, implementers of sub-projects.



# LISCOP Financing Source

**Loan Proceeds (\$15.0M)** – For the implementation of the LGU Sub-Projects

**Grant Proceeds (\$5.0M)** – To Support the Capacity Building Activities of LLDA/LGUs/RCs

**GOP Counterpart (\$3.541M)** - Sub-Project Equity and Other incremental expenses (LGU and LLDA)





# NG-LGU Cost Sharing Scheme

- Loan-Grant-Equity Mix under the Local Government Code of 1991 in cases of sub-projects involving devolved functions such as those with social and environmental benefits.
- MDFO PGB Resolution No. 03-11-29-002 Adopting a set of Guiding Principles in a Cost Sharing Formula for devolved activities.



## NG-LGU Cost-Sharing Policy

*Green/Blue Subprojects - Reforestation, Forest Related Activities, Soil Conservation, Mangrove & Watershed Protection, River & Seashore Protection*

LGU Income Class	Municipalities and Provinces			Cities		
	Loan	Grant	Equity	Loan	Grant	Equity
1 <sup>st</sup> & 2 <sup>nd</sup>	50	30	20	80	0	20
3 <sup>rd</sup> & 4 <sup>th</sup>	45	40	15	80	0	20
5 <sup>th</sup> & 6 <sup>th</sup>	40	50	10	50	30	20

*Brown Subprojects - Solid Waste Management Project, Drainage, Sewage, Sanitary Support Facilities*

LGU Income Class	Municipalities and Provinces			Cities		
	Loan	Grant	Equity	Loan	Grant	Equity
1 <sup>st</sup> & 2 <sup>nd</sup>	60	20	20	80	0	20
3 <sup>rd</sup> & 4 <sup>th</sup>	45	40	15	80	0	20
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# PDF as Equity Source for LISCOP sub-projects

- LLDA Board Resolution No. 194 series of 2003 prescribes the guidelines for the access, release and utilization of the Project Development Fund (PDF), as a source of equity for the implementation of LGUs' sub-projects under LISCOP
- Maximum of 50% of the required equity counterpart of LGUs provided by LLDA thru the PDF
- Total of P31.0M PDF was re-invested to LISCOP project as equity counterpart



# Terms of the sub-loan component

- Payable in 15 years with 3 years grace period for the principal
- Interest Rate 10%-12% per annum
- Payable semi-annually
- Failure to meet the semi-annual payment will cause the IRA intercept



# Establishment of Environmental Trust Fund

- Legal Basis:  
The LLDA charter specifically mandates the authority to earmark the fees collected for the management and development of the lake and its watershed.
- Funding Source:  
Certain percent (to be determined by the LLDA Board) of the water user fees, environmental charges, clearances and permits that are collected by LLDA.
- Recipients:  
LGUs, other stakeholders & partners





# Proposed Environmental Trust Funds

- Lake Rehabilitation Fund
- Recycling Initiatives Trust Fund
- Municipal Waste Water Treatment Counterpart Trust Fund



# Lessons Learned from IWRM Financing

- Incentives need to be reinforced to motivate resource users.
- More attention to Operations and Maintenance
- Grant Funding for environmental initiatives has potentials for even greater community support; loan funding builds project ownership
- LGU financing and co-management approaches have many unforeseen problems that may affect project implementation due to local politics





# Key Success Factors

- Legislated Charter makes a difference in getting the RBO's financial management arrangements "right"
- Fiscal independence allows the RBO more leeway in financing IWRM initiatives
- Revenue/user fee sharing with stakeholders can have multiplier effect, can lead to even greater IWRM benefits
- Credibility & track record of RBO in financial management exudes mutual trust between stakeholders and RBO

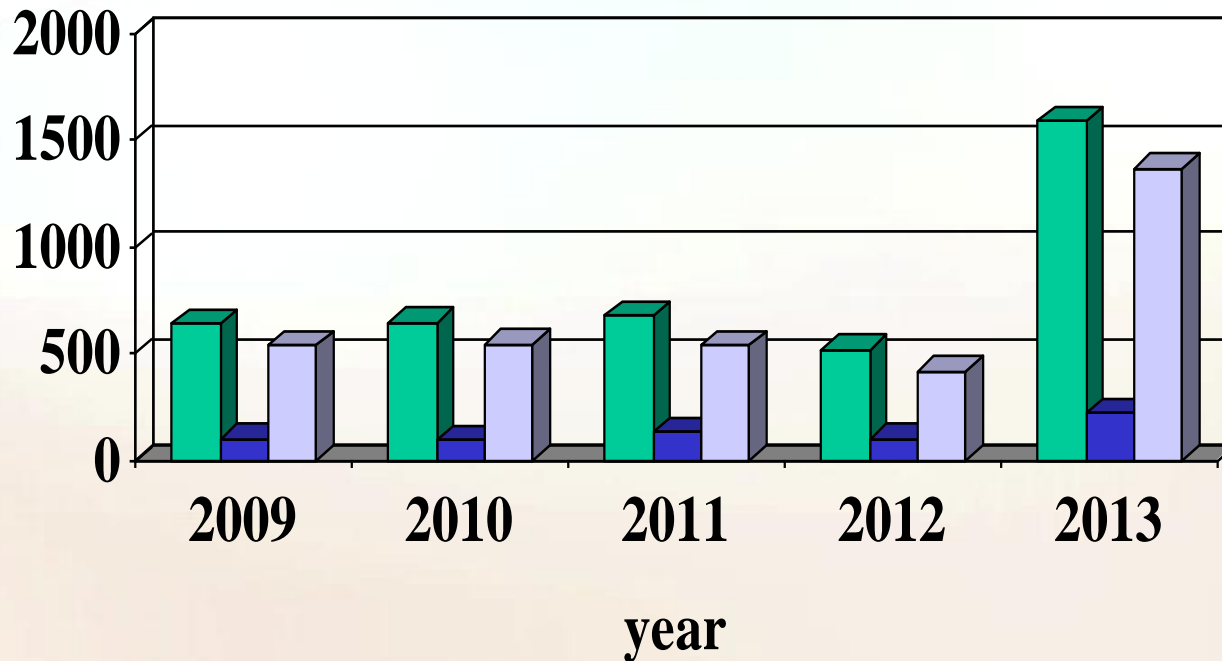


*Thank You for your time*



# LLDA

## Historical Financial Position



■ Assets ■ Liabilities ■ Equity



# LLDA

## Historical Results of Operations

