

**Foreign-Assisted and Special Projects Office
Department of Environment and Natural Resources**

**ANNUAL ACCOMPLISHMENT REPORT
*LOAN PROJECTS***

FY 2004

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1.0 EXECUTIVE SUMMARY

As of end of FY 2004, there were seven (7) on-going loan projects implemented by the Department. Of these, two (2) are JBIC-assisted (i.e., Southern Mindanao Integrated Coastal Zone Management Project or SMICZMP and the Forestry Sector Project or FSP ^{1/}; two (2) are ADB-assisted (i.e., Metro Manila Air Quality Improvement Sector Development Program or MMAQISDP and Cordillera Highlands Agricultural Resources Management Project-Reforestation Component or CHARMP-RC); and two (2) are World Bank-assisted (i.e., Land Administration Management Project or LAMP and the Water Resources Development Project-Watershed Management Improvement Component or WRDP-WMIC). The seventh project is the San Roque Multi-Purpose Project (SRMPP), with a budgetary support consisting of purely GOP funds.

As of yearend, two (2) of the projects (i.e., FSP and CHARMP-RC) were completed .

The performance of the loan projects during the year was affected by several operational issues and problems, many of which were related to financial matters such as the delayed approval of budget realignment, inadequate budgetary appropriations, and late releases of allotment, among others. Nevertheless, physical performance of the projects registered an average rating of **79 %**.

With respect to the financial performance, of the P 305.26 Million total allocation of DENR FAPs for the year, P 294.74 Million or 96 % was allocated to the loan projects. Of this released allotment, P 192.10 million was utilized/obligated, or a utilization rate of **73 %**.

^{1/} JBIC assistance ended in 2003. Winding down activities for FY 2004 mainly consisted of turn-over of infrastructure projects to LGUs and preparation of Project Completion Report

2.0 HIGHLIGHTS OF ACCOMPLISHMENTS

2.1 Metro Manila Air Quality Improvement Sector Development Project – DENR Component (MMAQISDP)

Project Background

The MMAQISDP is a multi-sectoral initiative that involves the government organizations at the national level (i.e., DENR, DOTC-LTO, DOH, DPWH, DOE, and, DOST) the MMDA, 34 Local Government Units, the private sector and civil society. It aims to improve air quality through the abatement of mobile and stationary sources of air pollution. The scope consists of policy reforms and investment requirement integrated within an agreed policy matrix termed “The Air Quality Action Plan.” It focuses on the Metro Manila air shed, where air pollution is mainly concentrated.

The original loan closing date was on December 30, 2003. However, ADB approved a 3-year extension until December 30, 2006 to ensure attainment of its hard targets and objectives.

Project Accomplishment for FY 2004

Among the major accomplishments of the project for CY 2004 are the following: a) Awarding and implementation of consultancy contracts to three (3) firms, i.e., TRC Environmental Corporation on Outsourcing Stack Measurements of Air Emission Sampling; Sinclair Knight Mertz Phil. Inc. on Outsourcing Stack Measurements of Air Emission Support; and, Maunsell Environmental Management Consultants Ltd., Hongkong for Ambient Air Quality Auditing-QA/QC; b) facilitated the issuance of Joint Memorandum Circular No. 01 S. of 2004 for the operationalization of the Air Quality Management Fund (AQMF); and, c) continuous operation and maintenance of the eight (8) fixed and one (1) mobile stations of the ambient air quality monitoring system (AQMS).

Initial data generated by the AQMS indicated that the ambient air quality of the Metro Manila airshed is within the set standards for criteria pollutants under the Clean Air Act of 1999.

2.2 Land Administration and Management Project (LAMP)

Project Background

The LAMP is the first step towards implementation of the long-term (20-25 years) land administration and management program of the country. Its overall goal is to alleviate poverty and enhance economic growth by improving the security of tenure to land fostering efficient land markets in rural and urban areas, through the development of an efficient system of land titling and administration which is based on clear, coherent and consistent policies and laws and is supported by an appropriate institutional structure.

The project is being implemented in two (2) regions, namely; Region 8 and NCR.

LAMP's original loan closing date was on September 30, 2003. A 15-month extension period up to December 30, 2004 was approved by the World bank in order to complete the remaining targets of the project including the preparation of Project Design Document for LAMP II.

Project Accomplishment for FY 2004

For FY 2004, LAMP continued to implement the remaining activities in Project Implementation Office-I (PIO I) in Leyte, PIO II in Quezon City and Project Management Office. Documentation of lessons learned and procedures that would determine the need for a long term program in land administration and management was likewise completed.

For CY 2004, the significant accomplishments of the project include: a) issued / registered a total of 504 free patents; b) submitted to the Registry of Deeds (ROD) 637 completed patent applications for registration; c) produced 497 Cadastral Index Map (CIM) sheets and plotted 73,291 parcels; and, d) completed the OSS operation and training manuals and developed procedures for the detection of fraudulent and fake titles including documentation of the procedures in Judicial Titling.

In addition, the established Barangay Advocacy Group (BAG) and Barangay Integrated Land Information System (BILIS) have facilitated dissemination of information to the stakeholders and general public.

Another significant accomplishment for the year was the finalization and approval of the Project Design Documents for LAMP-2 by the ICC-Technical Board and the endorsement by the DBM of the funding strategy which was a requirement for the ICC-CabCom.

2.3 Southern Mindanao Integrated Coastal Zone Management Project (SMICZMP)

Project Background

SMICZMP is a seven-year project aimed to undertake the implementation of an integrated environmental protection and management of critical ecosystems as imperative to sustainable development. The project is being implemented in Regions XI (i.e. Davao del Sur) and XII (i.e., Sarangani and South Cotabato).

The project has the following components: 1) Green component (afforestation, livelihood support and waterworks system; and, 2) Blue component (Septage Treatment Facility (STF), Environmental Conservation and Protection Center (ECPC) , Mangrove Rehabilitation, Slope Protection, Inland Siltation and Mitigation, Shoreline Siltation and Prevention and Water Quality Monitoring).

Among the project's major expected outputs include the following: a) establishment of 9,210 hectares of plantations; b) establishment of seven (7) STFs ; c) improvement and expansion of the Malalag Waterworks system; d) construction of various soil and water conservation structures; e) establishment and operationalization of the ECPC; and f) provision of livelihood support to 60 Peoples' Organizations.

Project Accomplishments for FY 2004

CY 2004 has been a fruitful year for the SMICZMP in terms of attainment of physical targets. Among the significant accomplishments of the project during the year are as follows: a) awarded a total of 4,299 hectares of Comprehensive Site Development (CSD) contracts to various POs; b) planted a total of 5,293 hectares of plantations; c) maintained and protected 6,566 hectares of established plantations; d) released seed money to 40 POs and assisted them in the implementation of their livelihood projects; e) continued the operationalization of the Environmental Conservation and Protection Center (ECPC) in coordination with the Provincial Government of Sarangani; f) completed various civil works to mitigate erosion problems in the uplands and protect the coastlines of the Sarangani Bay; and, g) completed the expansion and improvement of the Malalag Waterworks System.

Under the civil works component, the major accomplishments are the following: a) completed the preparation of the detailed design for package 3 of the river protection and flood control project; and , b) awarded the contract for the implementation of package 2 which include the construction of 843 meters of gabion revetment, 250 meters of river rechanelling structures, 2 units

hydraulic drop and 4 units of 20-meters spur dikes. As of yearend, 23% of the total program of works had been achieved.

In addition, the project's proposal for a change in scope from the original construction of Septage Treatment Plant in Gen. Santos City, which was cancelled due to the city's failure to provide the site as their counterpart, to construction of Septage Treatment Facilities for the six (6) coastal municipalities along Sarangani Bay (i.e. Alabel, Maasim, Malapatan, Glan, Maitum and Kiamba) and one (1) in Malalag Bay in Malalag, Davao del Sur was approved by NEDA ICC-Cabinet Committee on October 8, 2004.

2.4 Forestry Sector Project (FSP)

Project Background

The FSP is a 10-year nationwide project aimed to re-establish the vegetative cover of currently denuded lands; improve the forest cover in degraded areas; improve the living conditions of inhabitant residing in areas covered by the project; conserve biodiversity; control soil erosion in order to protect downstream areas from natural calamities; and rehabilitate denuded mangrove areas.

FSP is focused on 21 pre-selected critical watersheds with 24 subproject sites. It has a total target of 57,573 hectares for watershed rehabilitation and 11,175 hectares for mangrove rehabilitation or an overall target of 68,748 hectares. Infrastructure development is an additional component of the project aimed to promote economic recovery in the project areas and ensure sustainability of the gains of the project.

Project Accomplishment for FY 2004

CY 2004 served as the winding down period for the operations of the FSP. Activities that were undertaken include the following: a) prepared and completed the overall Project Completion Report; b) facilitated the issuance of DENR Special Order No. 2004-218 which transferred and integrated the National Forestation Development Office (NFDO) to the Forest Management Bureau; c) closing of all Book of Accounts of Loan Proceeds in Regional Offices; and, d) inventory of project equipment/properties in the Regional Offices, SUSIMO and PMO.

In addition, the project has undertaken activities for the finalization and presentation of the FSP Phase II to the NEDA – ICC.

2.5 Water Resources Development Project-Watershed Management Improvement Component (WRDP-WMIC)

Project Description

The (WRDP-WMIC) is a World Bank funded forestry project with an original period of implementation from 1997-2004. The loan closing date was, however, extended up to June 2005 to accomplish its remaining targets and to ensure sustainability of the project after project closure. The project aims to formulate a national management strategy and a long term program of investments for the sustainable management of watersheds, particularly those considered critical and implement the strategy on a pilot basis in selected priority watershed areas (Investment Phase).

Among the major components of the project during the on its investment phase are the following: a) Survey and mapping; b) Reforestation, agro-forestry plantations; c) Community organizing; d) Soil and water conservation; e) Research and development including establishment of demonstration farms; f) Capacity Building for Stakeholders; g) Infrastructure Support; h) Massive IEC; and i) Enrichment Planting/ANR, riverbank stabilization and plantation maintenance and protection.

The project is being implemented in two (2) major watershed areas namely at: Kaliwa Watershed Area at Tanay, Rizal and General Nakar, Quezon; and Maragang River Watershed Area in Guipos, Zamboanga del Sur.

Project Accomplishment for FY 2004

The project managed to accomplish significant targets for the year despite problems it has encountered related to inadequate budgetary appropriations.

For CY 2004, the project conducted eight (8) training/workshops in support to the implementation of different activities such as: a) formation and strengthening of Watershed Management Councils for Kaliwa Watershed in Tanay, Rizal & Gen. Nakar, Quezon and Maragang Watershed in Pagadian & Tigbao, Zamboanga del Sur; b) implementation of the provisions of land tenure issuances, i.e. Protected Area Community Based Resource Management Agreement (PACBRMA) & Community Based Forest Management Agreement (CBFM); c) implementation of livelihood projects; and, d) continuous capacitating and strengthening of People's Organizations (PO) through conduct of intensive information, education & communication (IEC) campaigns.

In physical development, the project was able to accomplish activities that were part of its targets for prior years. These include the following: a) established 34.5 hectares of reforestation plantation, 210 hectares of ANR/Enrichment Planting, 388 hectares of agro-forestry plantation, 12 hectares of riverbank stabilization and 35 hectares of rattan plantation; and b) maintenance and protection activities were undertaken in 312 hectares of agroforestry plantation, 100 hectares of rattan plantation and 40 hectares of reforestation plantation.

In support to basic rural infrastructure, the project was able to rehabilitate 6.5 kms. of roads, maintained 3 kms. of road, established 214 cubic meters of soil and water conservation structures and constructed one (1) hanging bridge in Maragang, Zamboanga del Sur. However, two (2) typhoons severely hit the provinces of Rizal and Quezon during the year and this has resulted in damages to the project's investments estimated at P 9. 51 Million.

In addition, the project facilitated the approval and issuance of seven (7) PACBRMA/CBFMA to POs and the identification and implementation of two (2) livelihood programs in Kaliwa Watershed – Rizal Side.

2.6 Cordillera Highlands Agricultural Resources Management Project (CHARMP)

Project Background

CHARMP is a five-year DA-led project aimed at reducing poverty in the CAR by increasing the disposable incomes of smallholder farm families in the project area. An integral part of achieving this objective is the promotion of sustainable resource management practices, the protection of the environment and the mitigation of any adverse development impacts, the strengthening of existing institutions, and the involvement of beneficiaries in project planning and implementation activities

DENR is the implementing agency of the CHARMP's Reforestation Component. Among the expected outputs of the component are the following : a) establishment of 3,780 hectares of forest tree species within the selected grassland and brushland areas of the community, including watersheds; b) Establishment of 1,397 hectares of agroforestry farm; and c) Enrichment planting of 973 hectares of inadequately stocked forest with forestry species.

The original loan closing date was on December 30, 2003 but a one-year extension until December 30, 2004 was given in order for the project to meet its objectives.

Project Accomplishment for FY 2004

Similar to the FSP, CY 2004 served as the winding down period for the CHARMP. During the year, the significant accomplishments of the project include the following: a) maintained 3,215 hectares and protected 6,560 hectares of established plantations; b) monitored and evaluated activities of NGOs regarding inventory and assessment of established plantations; and c) prepared and finalized the Project Completion Report.

Another significant accomplishment of the project was the documentation and packaging of indigenous forest management practices in Abra Province (i.e. LAPAT System.

2.7 San Roque Multi-Purpose Dam Project (Itogon Integrated Watershed Management Project or IIWMP)

Project Background

On the basis of a Memorandum of Agreement (MOA) entered into by the DENR with other government agencies, i.e., DOF, DBM, DA, NIA, and NPC in September 1998, an amount of P 137.79 million had been appropriated in the DENR's annual budget starting in CY 2000 as its share in the interest payment of the NPC loan for the non-power component of the San Roque Multi-Purpose Irrigation Project.

Said annual appropriation of DENR for interest payment was, however, channeled to the implementation of the IIWMP due to the absence of a definite funding source to meet the government's commitment to the people of Itogon for the implementation of the IIWMP.

The IIWMP evolved as a response to the various issues raised by the people of Itogon who were affected by the construction of the San Roque multi-purpose dam, as embodied in Sangguniang Bayan Resolution Nos. 16, 109, and 126 of the Municipality of Itogon. The IIWMP was intended to meet the conditionalities provided in the amended Environmental Clearance certificate (ECC) of the San Roque project, i.e., to adopt a watershed management plan using the bottom-up approach, provide alternative livelihood opportunities and appropriate tenurial instruments for watershed occupants, and prepare structured plans to avoid environmental degradation.

The CY 2000 DENR budget for the San Roque project amounting to P 137.79 million and a portion of the CY 2001 budget amounting to P 79.289 million, were allowed by the DBM to be used for the first and second year implementation of the seven-year IIWMP plan. In Cy 2002, P 58 million of the

budget for San Roque was again requested by DENR as bridge financing for the third year implementation of the IIWMP.

The IIWMP covers the whole municipality of Itogon, encompassing 9 barangays,. The Itogon Municipality occupies the largest portion of the Lower Agno Watershed Forest Reservation (LAWFR) proclaimed by virtue of Proclamation 2320, dated November 22, 1983. Other portions fall within the municipalities of San Manuel and San Nicolas, Province of Pangasinan; Barangay Camp 3 in Tuba, Benguet and 5 barangays of Baguio City.

The project components include Soil and Water Conservation, Forest Protection and Environmental Management, Community Development, Clonal Forestry Program and the Project Management Office.

Project Accomplishment for FY 2004

The IIWMP is on its 3rd year of project implementation. Major accomplishments include the following: extended technical assistance and administrative support to the stakeholders on their livelihood activities; monitored the activities for the 2nd year activities of the awarded reforestation and agroforestry contracts; and monumented perimeter of patented claims within barangays Tuding, Loakan and Virac, Municipality of Itogon.

In addition, the project has facilitated the conduct of consultative meetings with other agencies, Watershed Management Councils and PAMB.

3.0 CY 2004 PERFORMANCE OF LOAN PROJECTS

FY 2004 is considered as one of the more difficult years in loan projects implementation. Perennial problems of delayed releases of allotment, inadequate budgetary allocation, incorrect allocation of GOP counterpart and loan proceeds, and delayed approval of budget realignment have been encountered. Nevertheless, project management did their best efforts to attain their targets despite the bottlenecks and obstacles.

3.1 Physical Performance

As of year end 2004, cumulative physical accomplishments of the loan projects posted an average rating of **85 %**. FSP and CHARMP had successfully completed all their targets as shown by their 100.00% accomplishment rating. LAMP, MMAQISDP and WRDP performed relatively well as evidenced by

their respective rating of more than 80.00%. SMICZMP, on the other hand, has a lot of catching-up to do to improve its performance rating of 53 %. This low performance is mainly due to the cancellation of the original STP component for General Santos City. However, with the approval of the change in project scope from STP-General Santos City to STFs for 7 coastal municipalities, SMICZMP is expected to improve its cumulative performance rating in succeeding years.

**Table 1. Physical Performance of Loan FAPs
As of December 2004**

Project	CY 2004			Cumulative		
	Wtd. Target	Wtd. Accom	Perf. Rating (%)	Wtd. Target	Wtd. Accom	Perf. Rating (%)
LAMP	5.48	3.49	64	100.00	84.98	85
FSP	0.25	0.25	100	100.00	100.00	100
WRDP	3.92	2.75	70	96.92	84.92	88
MMAQISDP	24.83	15.67	63	68.70	59.60	87
SMICZMP	10.40	10.08	97	67.90	36.33	53
SRMPP	0.80	0.80	100	37.60	31.27	83
CHARMP	5.00	5.00	100	100.00	100.00	100
Average			79			85

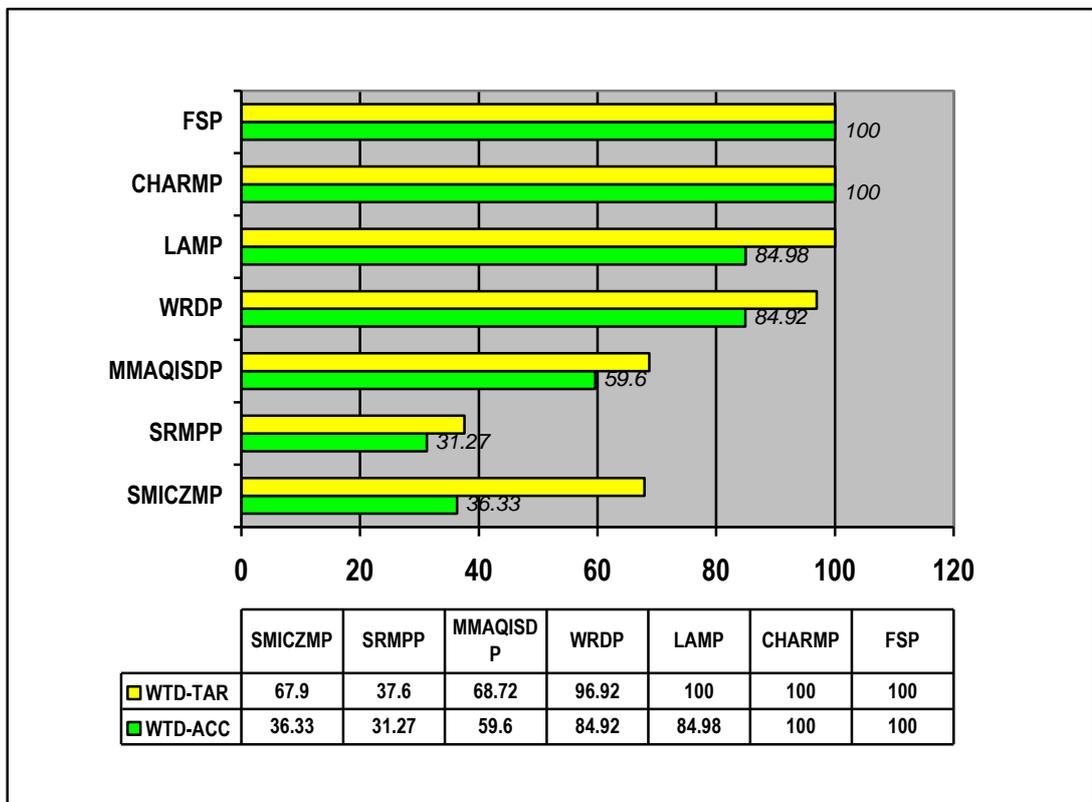
For FY 2004, the weighted physical accomplishments of the loan projects averaged **79 %**. FSP and CHARMP posted a performance rating of 100 %. SMICZMP performed very well at 97 % performance rating. WRDP, LAMP, and MMAQISDP, on the other hand, were not able to attain several of their targets as evidenced by their respective performance ratings of below 75 %

For WRDP, its performance for the year in terms of attaining its targets was affected by the very minimal budget released for its operation. Among the activities that were not undertaken are the establishment of slope protection measures and reforestation of 40 hectares. In addition, there were activities that registered very low accomplishment, i.e., only 8 of the 15 targeted trainings/workshops had been conducted and 193 hectares out of the target of 312 hectares of agroforestry plantation had been planted.

MMAQISDP's low performance rating for the year is attributed to the non-attainment of targets such as the procurement of consultancy services, low accomplishment rate for activities under the public awareness component, non-completion of the establishment of the AQMS stations, and non-pursuance of planned trainings/ seminars and high-level meetings.

In the case of LAMP, its low performance rating for the year is attributed mainly to delays encountered in the field specifically in the conduct of Community Relation Surveys (CRS)., approval of CIM survey plans and conduct of actual survey by the contractors. Consequently, this resulted to delay in the processing and registration of free patent titles.

**Figure No. 1. Status of Implementation of Loan FAPs/
Cumulative Physical Accomplishment
As of December 2004**



3.2 Financial Performance

As of year end 2004, the seven (7) loan projects (i.e., including SRMPP) received a cumulative budgetary allotment of P 6.73 Billion, broken down into P 4.81 Billion for loan proceeds and P 1.92 Billion for GOP counterpart. Of these amount allocated to loan projects, P 5.95 Billion was obligated or a utilization rate of **88 %**.

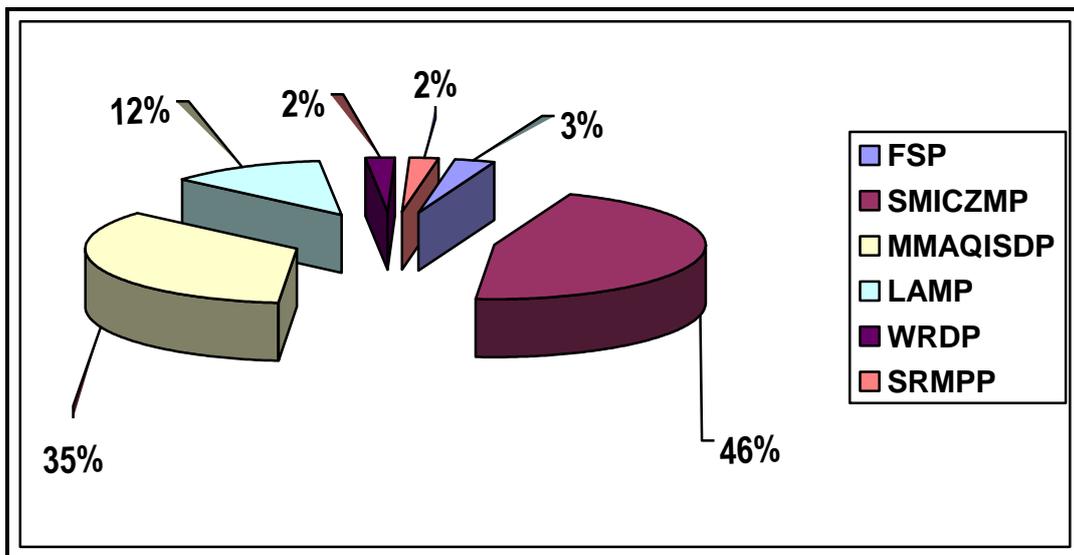
**Table 2. Cumulative Financial Performance of Loan FAPs
As of December FY 2004
In Thousand Pesos**

Project	Allotment			Obligation			% Utilization		
	<i>GOP</i>	<i>LP</i>	<i>Total</i>	<i>GOP</i>	<i>LP</i>	<i>Total</i>	<i>GOP</i>	<i>LP</i>	<i>Total</i>
LAMP	77,820	237,180	315,000	77,744	196,897	274,641	100	83	87
FSP	1,004,853	2,733,528	3,738,382	859,948	2,455,996	3,315,945	86	90	89
WRDP	155,011	229,612	384,624	131,910	197,910	329,820	85	86	86
MMAQISDP	205,322	914,521	1,119,844	169,428	719,212	888,641	83	79	79
SMICZMP	174,275	476,322	650,598	140,747	473,945	614,692	81	100	94
SRMPP	280,500		280,500	280,000		280,000	100		100
CHARMP	24,423	220,615	245,038	24,423	220,615	245,038	100	100	100
Total	1,922,208	4,811,780	6,733,988	1,684,093	4,264,576	5,948,778	88	89	88

Current Appropriations

For FY 2004, of the total current appropriations of P 305.26 Million for DENR FAPs, P 294.74 Million or 96 % was allocated to loan projects. SMICZMP had the biggest part of the pie at 46%, followed by MMAQISDP with 35% and LAMP was third at 12%. Budget allocation of FSP represented 3% while both SRMPP and WRDP received 2% of the total amount allocated to loan projects . (See Figure 2)

**Figure 2. Budget Allocation of Loan FAPs
Current Appropriations, FY 2004**



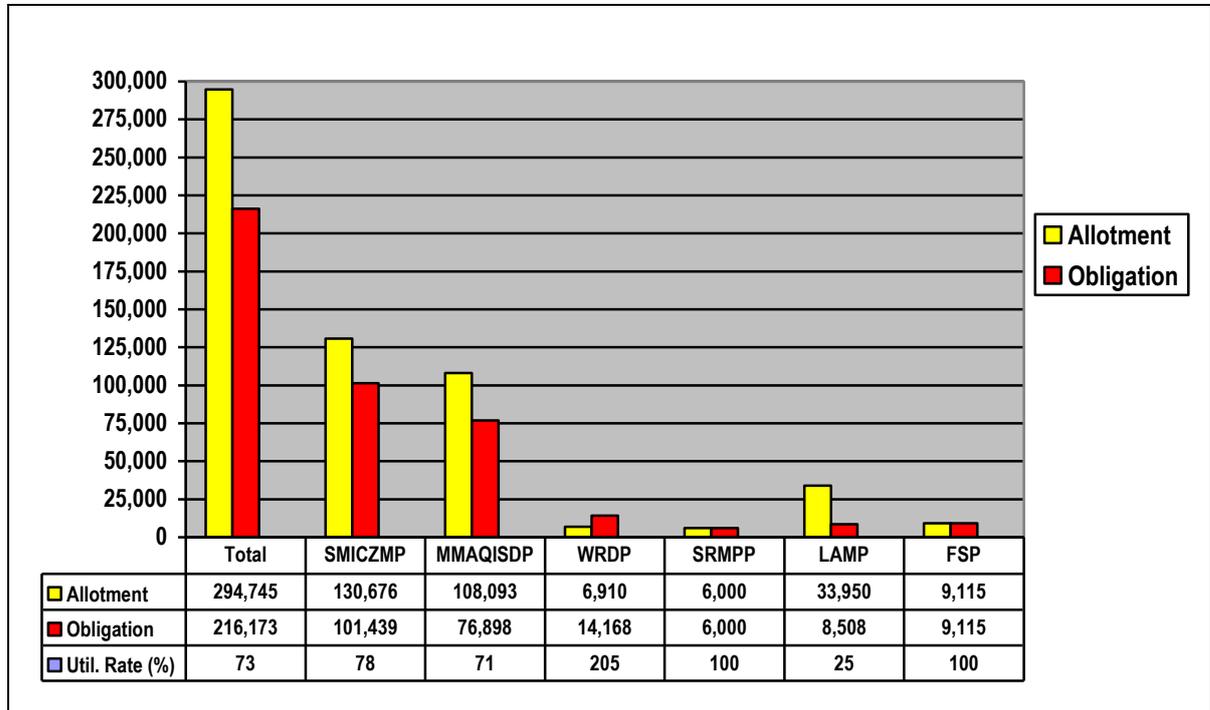
Project	Total	FSP	SMICZMP	MMAQISDP	LAMP	WRDP	SRMPP
Allotment	294,745	9,115	130,676	108,093	33,950	6,910	6,000

Of the released allotment of P 294.74 Million, a total of P 216.17 Million was utilized/obligated, broken down into P160.12 Million for loan proceeds and P 56.05 Million for GOP counterpart, or a utilization rate of **73%** (See Table 3 and Figure 3).

**Table 3. Financial Performance of Loan FAPs
Current Appropriations, FY 2004
In Thousand Pesos**

Project	Allotment			Obligation			% Utilization		
	<i>GOP</i>	<i>LP</i>	<i>Total</i>	<i>GOP</i>	<i>LP</i>	<i>Total</i>	<i>GOP</i>	<i>LP</i>	<i>Total</i>
<i>LAMP</i>	2,295	31,655	33,950	2,721	5,849	8,570	119	18	25
<i>FSP</i>	9,115	-	9,115	9,096	-	9,096	100		100
<i>WRDP</i>	6,910	-	6,910	9,507	4,661	14,169	138	-	205
<i>MMAQISDP</i>	31,938	76,155	108,093	25,958	50,940	76,898	81	67	71
<i>SMICZMP</i>	29,673	101,002	130,676	2,766	98,672	101,439	9	98	78
<i>SRMPP</i>	6,000		6,000	6,000		6,000	100		100
Total	85,932	208,813	294,745	56,050	160,123	216,173	65	77	73

**Figure 3. Financial Utilization of Loan FAPs
Current Appropriations, FY 2004
In Thousand Pesos**



FY 2004 Loan Disbursement

In terms of loan disbursement, which is the amount of loan proceeds withdrawn to pay eligible project expenditures, the loan projects' performance can be considered as satisfactory. The loan disbursement is used by funding institutions and oversight agencies to gauge the implementing agency's performance as it is considered as indicator of project progress/absorptive capacity.

For FY 2004, the performance of three (3) loan projects (i.e., LAMP, MMAQISDP, and SMICZMP) in terms of loan disbursement was recorded at **86 %**. The performance of loan projects with DENR as the lead agency are the only ones attributed to DENR. The other loan projects, i.e., CHARMP and WRDP are attributed to DA and NIA, respectively. For FSP, the loan was officially closed in December 2003, only GOP counterpart was used for winding down activities.

Originally, the 3 loan projects projected to disburse a total of US \$ 8.77 Million. However, due to delays encountered in the procurement of consultancy services (i.e., MMAQISDP) and cancellation of some project activities (i.e., LAMP), the target was revised to US \$ 6.12 Million or a reduction of \$ 2.65 million. On the other hand, SMICZMP increased its disbursement target due to fast-tracking of activities particularly under its afforestation component.

The total amount disbursed for the year amounted to US \$ 4.16 Million or a disbursement rate of **86 %** (See Table 4).

**Table 4. Loan Disbursement DENR FAPs
FY 2004
In Million US Dollars**

Project	Loan Disbursement			
	Target		Actual	Disb. Rate %
	Original	Revised		
LAMP	2.29	1.55	0.97	63
MMAQISDP	3.70	1.70	1.64	96
SMICZMP	1.47	1.56	1.55	99
WRDP-WMIC	1.32	1.32	.57	43
<i>Total</i>	8.78	6.13	4.73	77

4.0 ISSUES AND CONCERNS

The following issues and concerns affected project implementation.

4.1 MMAQISDP

- a) Delay in the procurement of consultancy services (i.e. Technical Secretariat and PCMU Consultants) which are critical in the implementation of project activities specifically of the Metro Manila Airshed Governing Board and in the coordination with the other implementing agencies of the Program.

ADB has yet to issue concurrence on the results of the evaluation of technical proposals for the Technical Secretariat and on the contract for the PCMU consultants.

- b) Non-submission of monthly billings by the ESA, consultancy firm hired for Institutional Strengthening and Capacity Building, for one (1) year which contributed to the non-attainment of the disbursement target for loan proceeds.

This was due to the failure of the firm's head office in Australia to forward official invoice and necessary receipts.

The issue has contributed to the low loan disbursement rate of the project for the year.

4.2 SMICZMP

- a) Long process involved in the preparation and approval of the change in project scope from the original Sewage Treatment Plant in General Santos City to Septage Treatment Facilities in seven (7) municipalities along the Sarangani Bay and Malalag Bay.

This resulted in the low cumulative weighted accomplishment rating of the project considering that the STF represents a large proportion of the weighted target of the project.

- b) Delay in the approval of budget realignment from LP to GOP Counterpart.

This resulted to the delay in the contracting of civil works and obligation and payment of project expenditures. For the year, only loan proceeds were provided to the project and all were under capital outlay. Considering the financing ratio of loan proceeds and GOP counterpart, payment of progress billings for approved contracts and perfection of new contracts under the civil works component (i.e., 95% GOP – 5% LP) and obligation and payment of expenditures for consultancy and project management component were delayed.

4.3 WRDP

- a) Insufficient and late release of budgetary allocation to finance targeted activities for the year.

The original budget allocation of the project for the year was only P 500 Thousand. It was only during the later part of the 4th quarter of the year when the additional allotment of P 5.41 Million was released.

- b) Destruction of infrastructures established by the project in the Kaliwa Watershed due to typhoons.

The two (2) typhoons that hit Quezon Province and nearby areas in November, 2004 had rendered the hanging bridges unusable while the other infrastructures, i.e., roads and water systems, suffered heavy damages. Estimated cost of damages amounted to P 2.84 Million in Rizal and P 6.65 Million in Quezon or a total of P 9.49 Million.

5.0 PROSPECTS FOR FY 2005

The performance of loan projects is expected to improve in FY 2005. The total budget of DENR–FAPs based on the National Expenditure Program for FY 2005 is P 593.65 Million or an increase by P 288.39 or 94 % Million as compared to the P 305.26 Million total allotment approved in FY 2004 (See Table 5).

Two (2) loan projects will be on their winding down period in FY 2005 (i.e., LAMP I and WRDP).

*Table 5. FY 2005 National Expenditure Program
In Thousand Pesos*

<i>Project Title</i>	<i>Funding/Donor Agency</i>	<i>GOP</i>	<i>LP</i>	<i>Total</i>
MMAQISDP	ADB	46,849	142,084	188,933
SMICZMP	JBIC	54,119	215,417	269,536
LAMP	WB	10,255	-	10,255
SRMPP		100,000	-	100,000
WRDP	WB	18,800	6,121	24,921
Total		230,023	363,622	593,645

On the other hand, four (4) loan projects under the list of firm pipeline are expected to start implementation in FY 2005. Of these, two (2) are World Bank - assisted (i.e., Land Administration and Management Project – Phase II or LAMP II and the River Basin Watershed Management Program (RBWMP)); one (1) is JBIC-assisted (i.e., Forestry Sector Project – Phase II or FSP II); and one (1) ADB-assisted (i.e., Integrated Coastal Resource Management Project or ICRMP).

The completion of project preparation stage for the above projects will bring the number of on-going loan projects to nine (4) in FY 2005.

Project Milestones for FY 2005

5.1 On-Going Projects

5.1.1 LAMP I

FY 2005 will serve as the winding down period for LAMP. As such, among the project activities that will be undertaken are the following: a) finalization of the Project Completion Report and Transition Plan from LAMP I to LAMP II; b) closing of book of accounts; and, c) Inventory of project assets.

5.1.2 WRDP-WMIC

Similar to LAMP I, WRDP-WMIC will be on its last year of implementation. Among the activities that will be undertaken are the following: a) preparation of Project Completion Report; b) Conduct of Impact Assessment; c) Preparation of Project's Phase-In/Phase-Out Plan; d) Closing of Books of Accounts ; and, e) Inventory of Project's assets.

5.1.3 MMAQISDP

MMAQISDP's major targets for FY 2005 are the following: a) awarding of consultancy contracts (i.e., Technical Secretariat and PCMU consultants); b) establishment of the AQMS station in Mandaluyong City, the ninth of the ten stations targeted to be established under the project; and c) continuous operation of the AQMS.

5.1.4 SRMPP – IIWMP

IIWMP plans to establish a total 312 hectares of plantation and 335,064 sq meters of greenbelt/fuelbreak as forest fire protection measure; continue the operation of established clonal nursery and finalization of the Comprehensive Watershed Management Plan for the Lower Agno Watershed.

5.1.5 SMICZMP

SMICZMP is set to implement the approved change in scope and to implement the remaining activities under the various components. Specifically, the project will undertake the following: a) contract negotiation and actual construction of the seven (7) Septage Treatment Facilities; b) Implement Package 3 of the River Protection and Flood Control Project; c) Complete the remaining targets under the afforestation component; and, d) continue to operationalize the ECPC.

5.2 Firm Pipeline for Implementation in FY 2005

The four (4) loan projects under the firm pipeline are in various stages of project preparation. Below are the specific activities that are targeted to be undertaken by each project.

5.2.1 LAMP II

- Approval of the Project Design Document by the ICC;
- Loan negotiation with World Bank; and
- Detailed operational planning and conduct of start-up activities.

5.2.2 FSP II

- Approval of the Project by the ICC and final loan negotiation with the JBIC;
- Conduct of initial activities which include procurement of consultancy services and detailed operational planning.

5.2.3 ICRMP

- Approval of the project by the ICC;
- Appraisal and loan negotiation with ADB and GEF; and,
- Procurement of consultancy services and other start up activities.

5.2.4 RBWMP

- Identification of initial LGU partners; and
- Development of LGU plans.