

PHILIPPINES
METRO MANILA WASTEWATER MANAGEMENT (MWMP, P113844)
IMPLEMENTATION SUPPORT MISSION
November 18-29, 2019

Aide Memoire

INTRODUCTION

1. A World Bank Team¹ carried out an implementation support mission of the Metro Manila Wastewater Management Project (MWMP) from November 18-29, 2019. The mission aimed to: (a) review the project's performance in terms of achieving its development objective, (b) review MWMP portfolio and update compliance on agreed action plans, (c) conduct visits to subprojects, (d) discuss remaining activities that need special attention, and (e) discuss preparation for the Government's Project Completion Report (PCR) and the Bank's Implementation Completion and Results (ICR) Report. The mission expresses its appreciation for the cooperation and support received from officials and staff of the Land Bank of the Philippines (LBP), Manila Water Company Inc. (MWCI), and Maynilad Water Services, Inc. (MWSI). The list of persons met is attached as *Annex 1*. This Aide Memoire presents the key points of discussions, recommendations made, and the agreements reached during the Project team meeting on November 18, 2019 and subsequent validation activities carried out by the mission and the implementing agencies.

KEY PROJECT DATA

2. The MWMP was approved on May 15, 2012 for US\$275 million and became effective on October 19, 2012. It was originally scheduled to close on June 30, 2017. The project was extended twice for a cumulative period of three years. It is expected to close on June 30, 2020. As of October 31, 2019, disbursements stand at US\$244.0 million (88.7% of total loan amount): MWCI (78.5%) and MWSI (98.9%). MWSI is projected to draw the remaining amount of US\$1.5 million by December 2019. MWCI has a pending of around US\$ 9.26 million eligible for drawdown by December 2019. By year-end, fund utilization is projected at US\$137.5 million (MWSI) and US\$ 117.1 million (MWCI), totaling to US\$ 254.6 million (92.6% of total loan amount).

KEY FINDINGS

Table 1: MWMP PDO Indicators: Targets and Progress to-Date				
	Baseline	End-of-Project Target	Progress (10/31/2019)	% of Target
Indicator 1: Reduction of BOD in the collected wastewater (tons/year)				
Project Total	0	3,556	2,583	73%
MWSI	0	1,708	1,971	115%
MWCI	0	1,848	1,041	56%
Indicator 2: Population equivalent in the catchment area that would benefit from the project (million)				
Project Total	0	2.49	1.4	56%
MWSI	0	1.29	1.0	78%
MWCI	0	1.20	0.4 ²	33%

3. **Achievement of PDO.** Seven months prior to the closing date, the project has shown substantial progress in achieving its PDO of improving wastewater services in selected sub-catchments of Metro Manila and surrounding areas. As of October 31, 2019, the project has achieved 73% of the targeted reduction in biological

¹ The Mission comprised: Christopher Ancheta (Sr. Sanitary Engineer and Task Team Leader); Maya Villaluz (Sr. Environmental Specialist); Rene SD Manuel (Sr. Procurement Specialist); Marivi Amor Jocutan Ladia (Social Development Specialist); Maria Liennefer Rey Penaroyo (Financial Management Specialist); Ronald Muaña (Wastewater Engineering Consultant); Marilyn Tolosa-Martinez (Economist- Consultant), and Venessa Sarkar (Program Assistant).

² Partial figure until Ilugin STP is completed.

oxygen demand (BOD) in collected wastewater; and 56% of the total number of people equivalent in the catchment area who are expected to benefit from the project. The implementing agencies predict that MWMP will be able to exceed its PDO targets, as a number of ongoing projects will be completed and will start to accumulate benefits during the project extension period. For MWCI, the inclusion of the Marikina and UP contracts has contributed to the achievement of its key performance indicators (KPI) targets. See *Table 1* and *Annex 2*.

4. **Implementation progress.** The project has only seven months left before its closing on June 30, 2020. The mission monitored overall implementation to help ensure that all facilities supported by the project are operational, loan proceeds are fully disbursed, and the project achieves its PDO. A summary of the overall implementation progress by MWCI and MWSI are presented below in *Table 2*.

Parameter	MWCI	MWSI
STPs and conveyance networks	Implementation of all contracts are on-going	Remaining 3 STPs and conveyance systems are on-going
Total value of signed contracts	US\$ 149.2 million	US\$ 220.5 million
Total physical accomplishment	77.2%	85.2% ⁴
<ul style="list-style-type: none"> • Completion of STP contracts (%) • Completion of sewerage network contracts (%) 	90.0% (for 1 STP) 71.9% (out of 83.94 km) ³	90.4% (6 STPs and 1 SpTP) 78.8 % (out of 41.29 km)
Sub-loan disbursement (%), each sub-loan is US\$137.5 million	78.5%	98.9%

5. **Progress of MWCI STP contracts.** The construction of Ilugin sewage treatment plant (STP) has progressed from 75% to 90% in terms of total earned value. The STP is slated to be physically completed by December 2019, with trial operations commencing by then. Remaining works include cabling and electro-mechanical detailing. In addition to site development, the project is also undertaking road paving, and architectural finishing of completed buildings.

6. **Progress of MWCI sewer network contracts.** Sewer networks contracts for the Ilugin sewer system has progressed from 50% to 72% in terms of total earned value. MWCI has achieved significant milestones in the permit acquisition under the new local government unit (LGU) leadership. Works that previously took over one year to complete has now been finished in just three months, as the LGU of Pasig City has approved multiple headings and longer working hours. MWCI has recalibrated its network program so that an additional five kilometers of sewers are expected to be completed by June 2020. Of the four UP sewer network contracts, three are already fully completed with the remaining package (Phase 2D) already at 96.3% physical completion. Package 2D has been delayed by over six months due to permitting restrictions through private lands managed by a private company, but it is expected be completed by the revised date of December 31, 2019. The Marikina sewer system contracts were all physically completed since September 2018 and are now delivering project benefits. MWCI presents a detailed workplan to address remaining works in *Annex 3*.

7. **Progress of MWSI STP contracts.** The construction of STPs have progressed from 83% to 90% in terms of percentage earned value. Four out of seven STPs are already completed and delivering benefits. The 60-MLD Valenzuela STP, 46-MLD Cupang STP, and 20-MLD Tunasan STP are in various stages of implementation. Cupang STP is most advanced at 88.9% completion rate, with remaining works mostly on mechanical equipment installation, road paving, and site development. However, permitting-related construction delays in the last 90-meters of effluent pipeline, which was already raised in the last mission,

³ Includes the accomplishments of additional projects

⁴ Inclusive of MWSI's Capex for Muntinlupa conveyance

remain. While the barangay has finally provided the permit last August 2019, it is now the Mayor's permit that has been held back, due to anticipated heavy traffic from the scheduled Southeast Asian (SEA) Games, which will have events in the city. MWSI is making representations with the LGU to secure the permit, which if granted within the next two weeks will enable the operations trial testing of the facility within year end 2019.

8. The Tunasan STP is 85.3% physically completed according to its original contract and 68.5% if variation order for nutrient removal is included. Remaining works are mainly at the head works and influent pump station. Construction of the STP has recently faced contract management issues, i.e., financial issues, which affected its ability to pay works and renew bank guarantees and caused delays for Tunasan STP. Physical completion of the Valenzuela STP is reported at 94.5% according to its original contract and 69.7% if variation order for nutrient removal is included. The contractor under the Tunasan STP is also the same contractor for this subproject and liquidity issues, similar to Tunasan STP, have also led to some delays. MWSI assisted the contractor in resolving these issues and facilitated the amendment of the contracts for Valenzuela and Tunasan STPs in October 25, 2019 to ensure work continuity. The target completion dates of Valenzuela and Tunasan STPs has slid from November 2019 to June 2020. Considering the limited time left before the project closes in June 2020, the mission urged the MWSI to resolve contract management issues immediately to ensure no further slippages will be experienced and contracts will be completed by project closing. The Bank can be consulted by MWSI (and MWCI) to resolve such issues but could not be expected to discuss these directly with contractors as it is not a party to the contract.

9. **Progress of MWSI sewer network contracts.** MWSI has shown improvements in the implementation of sewer network contracts in the last six months. However, overall progress is still at 87.4%. The implementation of sewer network contracts was significantly delayed mainly due to tight restrictions of the LGU on road excavations along major roads and stakeholder and right-of-way acquisition-related issues. In the case of Valenzuela sewer system, MWSI achieved milestones as Valenzuela City Government has finally released construction permits, albeit limited, for the trenchless pipelaying package along the heavily trafficked McArthur Highway. MWSI is closely coordinating with the traffic management office and the mayor's office of Valenzuela City to demonstrate the effectiveness of the project's traffic management and stakeholder engagement plans. Meanwhile, the long-standing issues of Pump Station #12 and pipe laying works along Pinalagad St., both related to stakeholder issues, remain to be addressed.

10. For Cupang sewer system, while the sewer pipe laying is already at 95% physical completion, delays were met in the interceptor structures and associated pump station. Work progress at Pump Station #7, Bayanan interceptor, and Bayanan pump station now stands at 60%, 70%, and 10% physical completion, respectively. In Tunasan sewer system, the situation is reversed with the pump stations and interceptors completed or at very advanced stages while the sewer pipe laying is still at 70%. The remaining 30% is concentrated in the southern portions where works were restricted due to the aforementioned SEA Games.

11. **Pending Actions in the Agreed Work Plan.** The mission urged the MWCI and MWSI to accelerate the implementation of remaining actions in Agreed Work Plan agreed during project restructuring in June 2019 (see Annex 3).

- a. MWCI to submit quarterly physical progress and safeguards monitoring report for the Ilugin sewer network by December 31, 2019 until project completion;
- b. MWCI to complete remaining segments (70 meters) under the UP sewer network by December 31, 2019;
- c. MWSI to continue to make representation with the LGU to secure permit for the construction of the last 90-meters of effluent pipeline;

- d. MWSI to immediately resolve contract management issues relating to Tunasan and Valenzuela STPs to ensure no further slippages will be experienced and contracts will be completed by project closing; and
- e. MWSI to continue to closely follow up actions to resolve land/right-of-way acquisition- related issues relating to Valenzuela Pump Station #12 (MWMP-12-05A), Valenzuela Network PS9 (MWMP-12-05C), Valenzuela network (MWMP-12-05A), Cupang STP (MWMP-12-04), and Cupang sewer network (MWMP-12-04A).

12. **Additional Wastewater Interceptors.** MWSI and MWCI have already completed necessary additional works relating to interim wastewater interceptors in compliance with the recommendations of previous missions of ensuring that STPs receive sewage inflows when these are completed. The mission commends the MWSI and MWCI for their responsiveness and flexibility to implement critical additional works. MWCI's Ilugin STP is expected to receive 15MLD from its interim interceptors along Ilugin creek while MWSI's Valenzuela STP is expected to get around 20MLD from its interceptor along Marulas creek.

FIDUCIARY AND SAFEGUARDS

13. **Procurement.** No more procurement activities are expected under the project. For MWCI, eight contracts were procured. The other four contracts, which were originally listed under the project but were not procured or their implementation was not moving, were dropped and replaced with seven contracts that were approved as part of project restructuring on June 28, 2019. MWCI, therefore, has a total of 15 contracts under implementation. For MWSI, procurement of all 12 contracts were completed. Some are still under implementation and others were already completed. Time extension on most of the on-going contracts have been granted, with expected completion dates still within the extended life of the project.

14. **Financial Management (FM).** No significant changes were made on the project's FM system. Implementation of FM arrangements is adequate. Total disbursements as of November 26, 2019 is US\$ 243,955,016.47. Disbursements represent 89% of the total loan amount. See *Table 3* and *Annex 4*.

Table 3: MWMP Breakdown of Disbursements as of November 26, 2019, US\$

Category Description	Total Disbursements		
	MWCI	MWSI	Total
Goods, Works, Non-Consulting, Consultancy Services	83,015,398.62	125,793,067.80	208,808,466.42
Withdrawal Application in process		1,484,983.53	1,484,983.53
Designated Account	24,924,601.38	10,221,948.67	35,146,550.05
Total	107,940,000.00	137,500,000.00	243,955,016.47
Loan Amount	137,500,000.00	137,500,000.00	275,000,000.00
% Disbursed	79%	100%	89%

15. Expected additional disbursements also include US\$26.5 million (MWCI for the Marikina sewer system) and US\$5.7 million (MWSI). Disbursement requests were submitted to LBP for evaluation.

16. Compliance with Financial Covenants

- a. Interim Financial Reports (IFRs). The project's Semi-Annual Project Report covering the period January 1 – June 30, 2019 was received on August 30, 2019. The Loan Agreement requires that IFRs should be received by the Bank within 60 days after the close of each calendar semester.
- b. Audited Financial Statements. The audited project and entity financial statements for the year ending December 31, 2018 was due on June 30, 2019. The audited entity financial statements

of MWSI was received on May 14, 2019. The MWSI audit report has unmodified opinion. The audited project financial statement was received on July 16, 2019. The Commission on Audit rendered unmodified opinion. The audited entity financial statements of both the MWCI and LBP were received on July 16, 2019. Both audit reports have unmodified opinion.

17. **Environmental Safeguards.** The mission visited the Valenzuela, Cupang, and Tunasan STPs under MWSI; and Ilugin STP, Marikina and UP sewer networks under MWCI. MWCI and MWSI need to update the detailed environmental compliance monitoring reports, and the environmental audit checklist discussed in the last mission. The construction of the STPs are now in the stage of completing the remaining final chambers, influent lines connected to the sewer network, effluent discharge pipes, mounting of the mechanical equipment and instrumentation, electrical wirings, and finishing works. Moreover, under construction are interim interceptor canals that will convey heavily polluted waters from waterbodies running alongside the three ongoing STPs of MWSI and one creek close to the Ilugin STP. Based on the strong stench and the dark color of the waters, these creeks mostly convey domestic sewage and municipal wastes, which serve as natural conveyance systems for the catchment area where wastewater will be collected for treatment during the commissioning/process proving period. The occupational health and safety performance for the ongoing construction of the STPs and sewer networks for both concessionaires have zero accident records to date. The mission noted that the sub-project environmental and social management plans of both concessionaires need to be updated in terms of the following: (a) landscape plan – land development to prevent flooding around and outside the vicinity of the STPs, identification of native tree species that will make up the mini-forests at the lowest point of the facilities to allow run-off percolation to recharge the aquifer and improve natural drainage. This is also to offset the large natural surface area that was lost due to the concreting of the entire STP facilities which cover from 1 – 5 hectares in each site. The trees can also serve as a biodiversity offset for the lost vegetation aside from serving as wind barriers, odor control, and aesthetics enhancement; (b) inclusion of rainwater collection reservoirs and silt traps to capture the sand and silt from mixing with the run-off and maximize the recycling of collected rainwater. This will also help in preventing flooding inside the facilities and outside surrounding places, which normally have elevations lower than the STPs and the overloading of the drainage discharge point that may result in the overflowing of natural waterways.

18. **Social Safeguards.** Aside from the Land Acquisition Report (LAR) for the Pasig sewerage network that has yet to acquire lots and right-of-way under MWMP, MWCI has no other pending LARs. For MWSI, the homeowner's association affected by the Valenzuela sewerage network has finally agreed for the pipes to pass through the subdivision. In addition, permitting issues along the McArthur Highway for the R. Valenzuela interceptor has been resolved thereby no longer necessitating the need to affect the house of a private individual. The only remaining issue for the Valenzuela sewerage system is with the owner of an adjacent lot of Pump Station #12 who fears possible adverse impacts on her structure. MWSI managed to negotiate with the owner when verification revealed that her house structure encroaches on MWSI property. MWSI has substantially progressed on the legal negotiations, but the owner could not come up with a concrete compromise with MWSI. MWSI will continue negotiations until the issue is resolved in accordance with the Environmental and Social Safeguards Framework.

19. **ICR and PCR Preparation.** The preparation of the ICR and PCR was already initiated. The Bank Team provided MWCI and MWSI brief orientation on the ICR and PCR requirements and processes. The Bank and the implementing agencies have already agreed on the templates for subproject completion reporting. MWSI has already completed two subproject completion reports, which were shared with the Bank for review. MWCI will initiate the preparation of its subproject completion report in January 2020. The Bank team will conduct separate orientation for LBP in January 2020.

Action	Indicative Timeline	Responsible Entities
Data gathering and, field work and validation	November 2019- August 2020	MWCI, MWSI, LBP, WB
Submission of subproject PCRs	August 2020	MWCI, MWSI
Consolidation of subproject PCR reports	August 2020	LBP
Submission of Draft PCR to WB	September 2020	LBP
Review of the PCR	September 2020	WB
Submission Final PCR	October 2020	LBP
Internal submission and review of Draft ICR	October – November 2020	WB
Review of the Draft ICR by Implementing Agencies	October – November 2020	MWCI, MWSI, LBP
Submission of Final ICR	November 2020	WB

20. Agreed Next Steps

Action Item	Responsible	Timeline
Conduct monthly monitoring, updating of project progress, particularly achievement of a detailed list of targets summarized in the Action Plans (<i>Annex 3</i>) and compliance with safeguards commitments (<i>Annex 5</i>)	MWCI, MWSI	Monthly until project closes on June 30, 2020
Initiate preparation of Subproject Completion Reports	MWCI, MWSI	As subprojects are completed
Conduct PCR Orientation for LBP	WB, LBP	January 2020
Conduct data gathering and, field work and validation for PCR/ ICR	WB, LBP-MWCI, MWSI	Starting February 2020

21. The next implementation support mission is proposed on the last week of April 2019 with intermittent technical missions as part of the close monitoring of remaining ongoing subprojects.

Annex 1: List of Key Persons Met

Name	Position/Office
LBP	
Emma M. Brosas	Vice President, CBD 1
Margarita C. Cabrera	Department Manager, FSD
Ana Liza B. Antepuesto	Program Officer, PMD 2
Marireth F. Coloso	Account Officer, CBD 1
Raya M. Bautista	Program Assistant, PMD 2
Rey Felix R. Ruda	Account Assistant, CBD 1
Kris Anne M, Santiago	Program Assistant, FSD
Hannah Alexandria S. Ramirez	Program Assistant, EPMD
MWCI	
Princess Jennifer Patricio	Sr. Project Manager, Corporate Project Management
Jocelyn Pagsaligan	Sr. Project Manager, Corporate Project Management
MWSI	
Apollo Tiglao	Sr. Assistant Vice President, Wastewater Management Division
Yolanda Lucas	Head, Program Management Division
Leslie Tubianosa	Head, Loans Management
Marie Angel	Head, Treasury
Jerry Palma	Head, Planning and Management Services
Angelica Manrique	Engineer
Maria Elena Pangilagan	Head, Planning and Support
Gerald Velasco	Junior Project Manager
Victor Albayalde	OIC Head, Wastewater Construction
Emman Martinez	Head, Environment Management
Rose Ann Eugenio	CQESH Assistant Manager
Angelo Navera	CQESH Specialist

Annex 2: Results Framework

Project Development Objective (PDO): To improve wastewater services in selected sub-catchments of Metro Manila and surrounding areas.														
PDO Level Results Indicators*	Core	Unit of Measure	ACTUAL (original schedule as per PAD)							PROJECTION (extended closing date)	END TARGET (as per PAD)	Frequency	Data Source/ Methodology	Responsibility for Data Collection
			Baseline	YR01	YR02	YR03	YR04	YR05	YR06 ⁵	YR07				
Indicator One: Reduction of BOD in the collected wastewater	☐	Tons/year	-	-	-	239	435	634	2,583	4,324	3,556	Semi-annual	Progress Reports	Concessionaires
Indicator Two: Population Equivalent in the catchment area that would benefit from the project	☐	Number (in millions)	-	-	-	0.10	0.21	0.32	1.40	3.24	2.49	Semi-annual	Progress Reports	Concessionaires
INTERMEDIATE RESULTS INDICATORS														
One: Progress in construction for Maynilad	☐	% constructed	-	-	7.5%	29%	39%	65%	85%	100%	100%	Semi-annual	Progress Reports	Concessionaires
Two: Progress in construction for MWC1	☐	% constructed	-	0%	8%	29%	39%	52%	71%	100%	100%	Semi-annual	Progress Reports	Concessionaires
Three: Increase in wastewater treatment capacity	☐	1,000 m ³ /day	0	-	-	15.50	15.50	15.50	61.50	352.50	343.50	Semi-annual	Progress Reports	Concessionaires
Four: Increase in septage treatment before disposal	☐	m ³ /day	0	-	-	-	250.00	250.00	250.00	250.00	250.00	Semi-annual	Progress Reports	Concessionaires

⁵ As of June 30, 2019

Annex 3
WORK PLAN FOR PENDING ISSUES

Reference	Sup-projects (Contract number/s)	Description of Pending Issue	Action Plan	Timeline	Responsible Person
MWCI Program					
1.1	Ilugin STP (WWTP01)	Interim flow interventions to provide wastewater inflow into the facility	<ul style="list-style-type: none"> • Complete engineering design • Award to contractor • Construct inlet and network connection • Complete construction of interim interceptor • Conduct STP pre-commissioning • Ensure STP full completion • Ensure STP full operation 	<ul style="list-style-type: none"> • Completed • Completed • Completed • Completed • Nov 2019 (ongoing) • Dec 2019 (on-track) • Jan 2020 	PM PJ Patricio
1.4 – 1.7	Ilugin Sewer Network	Permits granted by LGU allow only a few meters per day. Construction to spill over beyond June 2020	<ul style="list-style-type: none"> • Submit quarterly physical progress and safeguards monitoring report to the Bank until project completion 	<ul style="list-style-type: none"> • Quarterly starting Sep 30, 2019 (next due by Dec. 31, 2019) 	PM PJ Patricio
2.1	UP sewer network (UP-2D)	Secure permit from private developer APMC to complete pending segments of the sewer network	<ul style="list-style-type: none"> • Secure permit for mainline pipe-laying • Complete remaining segments (70 meters) 	<ul style="list-style-type: none"> • Completed. • Dec 31, 2019 	PM Joy Pagsaligan
MWSI Program					
6.1	Valenzuela-Marulas Interceptor (WW-19-CON-10)	Interim flow interventions to provide wastewater inflow into the facility	<ul style="list-style-type: none"> • Complete engineering design • Issue Notice to Proceed • Construct inlet and network connection • Complete construction of intake inlet and partial inflows into STP • Completion of weir 	<ul style="list-style-type: none"> • Completed • Completed • Completed • Completed • Completed 	PM Gerald Velasco
6.2	Valenzuela network (MWMP-12-05AS)	Permit with trenchless works along McArthur Hi-way	<ul style="list-style-type: none"> • Secure permit • Complete pending segments (1,968 meters) 	<ul style="list-style-type: none"> • Completed. Secured sectional permit. Started construction on November 10, 2019 • August 30, 2020 (completion of network is estimated to be 30% of the 1968 meter- segment. 	PM Gerald Velasco

6.2	Valenzuela Pump Station #12 (MWMP-12-05A)	Delays in construction due to encroachment of neighbor's structure into lot purchased for the pumping station	<ul style="list-style-type: none"> • Secure agreement for MWSI to subdivide land and sell to neighbor landowner • Transmit "contract to sell" (CTS) documents • Transmit amended CTS & NOL • Resume negotiation with property owner • Complete pumping station 	<ul style="list-style-type: none"> • Completed • Transmitted CTS to affected property owner on November 18, 2019. Property owner has yet to respond to the revised CTS • Delayed • Delayed • New target- Jun 2020; but depends on the agreement with affected property owner 	PM Gerald Velasco (w/ Legal Department)
6.2	Valenzuela Network PS9 (MWMP-12-05C)	Construction of Pump Station #9 affected by lack of right-of-way due to negotiation issues with private land owners (Bahayang Pag-asa)	<ul style="list-style-type: none"> • Identify matrix of alternative measures (i.e., alternative Pump Station site) • MWSI to decide to delete pumping station from project (inflows compensated by additional intake structures discussed in item 6.1) • Secure permit from Bahayang Pag-asa HOA to allow the sewer pipelaying. • Secure barangay clearance • Issuance of city excavation permit (application was endorsed to Valenzuela TMO) and request for excavation moratorium 	<ul style="list-style-type: none"> • Completed • No longer applicable • Completed. With signed NOL • Completed • MWSI received excavation permit on Nov 26, 2019 	PM Gerald Velasco (w/ MWSI Project Management Group)
6.3	Valenzuela network (MWMP-12-05A)	Segment of sewer network passes through a private property (pending segment at 104 meters); need to secure right-of-way memorandum of agreement (MOA)	<ul style="list-style-type: none"> • Draft MOA on right-of-way with affected land owner (Polar Mines) • Exchange of MOA draft with land owner • Issuance of final draft of MOA to Polar Mines • Commence construction on-site upon MOA and LGU permit are secured 	<ul style="list-style-type: none"> • Draft MOA shared with affected property owner. MOA now being reviewed by the property owner • Delayed • Delayed • Delayed; depends on progress in negotiation with affected property owner 	PM Gerald Velasco (w/ Legal Department)

6.3	Valenzuela Network MCC Location for Pump Stations #5, #13 & # 11 (MWMP-12-05A)	Property owners refused to install the MCCs on sidewalks fronting their houses due to obstruction (i.e., issue on size of MCCs)	<ul style="list-style-type: none"> • Conduct consultation with affected residents • Finalize/negotiate action plan with affected residents (still ongoing) • Commence construction on-site • MCC completion 	<ul style="list-style-type: none"> • Continuing • Jan 2020 • Feb 2020 • Jun 2020 	PM Gerald Velasco (w/ Right-of-Way Unit)
6.4	Cupang STP (MWMP-12-04)	Permit clearance from Barangay for the effluent pipeline	<ul style="list-style-type: none"> • Request assistance with MWSS for intervention in acquiring permit for the remaining works. • MWSS requested for a meeting with LGU • MWSS-CO send a letter to Manila Bay Task force and DENR seeking assistance/ support to allow MWSI to proceed with the remaining pending works in Barangay Buli and Cupang. Commence work upon release of permit • Complete remaining works 	<ul style="list-style-type: none"> • Completed • Not pursued; MWSI instead met with LGU. LGU provided MWSI until December 2019 to complete road works. However, applications for permit and road works were temporarily stopped due to the conduct of SEA Games. Activities are expected to resume after the SEA Games • Delayed; new target date is June 2020 	PM Gerald Velasco (w/ Right-of-Way Unit) PM Gerald Velasco (w/ Right-of-Way Unit)
6.5	Cupang sewer network (MWMP-12-04A)	Permit clearance from Barangay for the completion of sewer pipelaying			
6.6	Tunasan sewer network (MWMP-12-04A)	Completion of remaining 285-meter segment	<ul style="list-style-type: none"> • Work is already in progress despite slow phase of construction due to restriction from permit that allows 20meters only to be laid and must be completed before another 20 meter segment is given • Commence work upon release of permit (if request of MWSS to DENR/MBTF/LGU is approved) • Complete remaining works 	<ul style="list-style-type: none"> • Dec 2019- Jan 2020 • Apr 2020 	PM Gerald Velasco
6.5	Tunasan STP (MWMP-13-01)	Full completion of STP particularly, completion of IPS and headworks given the anticipated bridge closure near the STP	<ul style="list-style-type: none"> • Additional manpower for workable areas • Require additional manpower • Complete remaining works 	<ul style="list-style-type: none"> • Completed • Dec 2019 • Jun 2020 	PM Gerald Velasco

Annex 4
FINANCIAL MANAGEMENT PROJECT IMPLEMENTATION SUPPORT REVIEW
October 30, 2019

1. Objectives and scope of review. A financial management (FM) project implementation support mission was carried out on July 26, 2019 by Maria Liennefer Penaroyo (Financial Management Specialist). The review aimed to ensure that the FM arrangements for the loan continue to be adequate for the successful achievement of project's development objective. The review included an assessment of the status of the sub-projects on the financial covenants and other FM concerns in relation to the loan agreement.
2. Overall FM system rating. The FM system of the project is on the overall considered Moderately Satisfactory. The FM arrangements are in place and are deemed acceptable.
3. Overall FM risk rating. The FM risk rating of the project is Low.
4. Status of disbursements. Total disbursements as of July 26, 2019 at US\$ 214,222,054.17 (including the Withdrawal Application (WA) in process for MWSI amounting to US\$2,982,703.51 as well as the Designated Accounts of US\$ 5,711,649.10 and US\$ 10,221,948.67 of MWCI and MWSI, respectively) or 78% of the total loan amount of US\$ 275,000,000. The breakdown of disbursements is shown in the table below.

Table 1: Breakdown of MWMP Disbursements as of July 26, 2019

Category Description	Total Disbursements		
	MWCI	Maynilad MWSI	Total
Goods, Works, Non-Consulting, Consultancy Services	77,328,350.90	117,977,401.99	195,305,752.89
WA in Process		2,982,703.51	2,982,703.51
Designated Account	5,711,649.10	10,221,948.67	15,933,597.77
Total	83,040,000	131,182,054.17	214,222,054.17
Loan Amount	137,500,000.00	137,500,000.00	275,000,000.00
% Disbursed	60%	95%	78%

Additional disbursements are expected to come in include PhP1.325 billion or about US\$26.5 million from MWCI for the Marikina sewer system and US\$5.7 million from MWSI. Both have been submitted to LBP for evaluation and validation.

5. Project restructuring. On June 28, 2019, Government's request for project restructuring was approved. It extended the project closing date to June 30, 2020 and allowed the replacement subprojects for MWCI. Seven network subprojects under the UP and Marikina sewer systems (worth US\$42.7 million) were approved to be included will now be fully financed by MWMP.
6. Adequacy of accounting staff and maintenance of accounting records. The FM staff and the maintenance of accounting records at LBP and the sub-borrowers, MWCI and MWSI, are considered adequate. There were no significant changes in the FM staffing arrangements for the overall FM of the project at LBP and the sub-borrowers.

7. Internal controls. There is proper segregation of duties and internal control system is acceptable. Physical and other internal control systems over cash, documents and records are considered adequate. There is adequate segregation of duties, approval processes from procurement to disbursement and reporting.

8. Compliance with the financial covenants

a) Interim Financial Reports (IFRs) – The project’s Semi-Annual Project Report covering the period January 1 – June 30, 2019 will be due on August 29, 2019. The Loan Agreement requires that IFRs should be received by the Bank within 60 days after the close of each calendar semester.

b) Audited Financial Statements

The audited project and entity financial statements for the year ending December 31, 2018 was due on June 30, 2019.

The audited entity financial statements of MWSI was received on May 14, 2019. The MWSI audit report has unmodified opinion.

The audited project financial statement was received on July 16, 2019. The Commission on Audit rendered unmodified opinion.

The audited entity financial statements of both the MWCI and LBP were received on July 16, 2019. Both audit reports have unmodified opinion.

Annex 5
LIST OF SUBPROJECTS AND SAFEGUARDS STATUS
As of 12/09/2019

Subproject	Treatment Design Capacity (MLD)	CMR (date)	SMR (date)	TPA (date)	ESMP monitoring report submission to WB (date)	Disclosure Dates 16 Dec 2019	Remarks
MWCI Program							
Ilugin (Pasig) STP	165	Feb 2019	NA	Dec. 2018 - completed Q1-Q2 2019 ongoing	June 2019		Construction is ongoing.
North Pasig 1 PS		Feb 2019	Completed	Completed	Completed		Construction is ongoing.
North Pasig 1 (C5, J. Vargas)		Feb 2019	Completed	Completed	Completed		Construction is ongoing.
North Pasig 2 LS		Feb 2019	Completed	Completed	Completed		For Land Acquisition
North Pasig 3		Feb 2019	Completed	Completed	Completed		Construction is ongoing.
South Pasig 1A		Feb 2019	Completed	Completed	Completed		On-hold
South Pasig 1B		Feb 2019	Completed	Completed	Completed		Construction is ongoing.
South Pasig 2A (A. Sandoval)		Feb 2019	Completed	Completed	Completed		Construction is ongoing.
UP Sewer Network Rehabilitation Phase 2A		Dec. 2018	Dec. 2018	Dec. 2018	Final report on 11 Dec. 2018		Completed
Sewer Expansion Phase 2B		June 2019	NA	NA	Final report on 11 Dec 2019		Completed
Sewer Expansion Phase 2C		June 2019	NA	Dec. 2018	Final report on 11 Dec 2019		Completed
Sewer Expansion Phase 2D		June 2019	NA		Final report on 11 Dec 2019		Construction Ongoing
Priority Segment		NA	NA	NA	NA		Completed and operational
Nangka Segment		NA	NA	NA	NA		Completed and operational
San Mateo Phase 1		NA	NA	NA	NA		Completed
MWSI Program							
Ayala-Alabang STP	10	14 Feb 2019	10 Apr 2019 12 Jul 2019	29 May 2019	6 Dec 2019		Completed and operational.
Talayan STP	15	14 May 2019	12 Apr 2019 09 Jul 2019	24 Jun 2019	6 Dec 2019		Completed and operational.
South SpTP	0.25	14 Feb 2019	11 Apr 2019 09 Jul 2019	30 May 2019	6 Dec 2019		Completed and operational.
Pasay STP	46	15 May 2019	N/A	13 Jun 2019	6 Dec 2019		100% physically completed, on-going process proving
Cupang STP	46	15 Mar 2019	N/A	06 Jun 2019	6 Dec 2019		Road concreting and effluent line construction (still waiting for permit)
Tunasan STP	20	15 Mar 2019	N/A	07 Jun 2019	6 Dec 2019		Construction is ongoing.
Valenzuela	60	14 Jan 2019	12 Jul 2019	14 Jun 2019	Final report on 11 Dec 2019		Construction is ongoing.

Subproject	Treatment Design Capacity (MLD)	CMR (date)	SMR (date)	TPA (date)	ESMP monitoring report submission to WB (date)	Disclosure Dates 16 Dec 2019	Remarks
Pasay	655.45	15 May 2019	N/A	13 Jun 2019	Final report on 11 Dec 2019		Completed
Valenzuela Package 1	929.03	14 Jan 2019	12 Jul 2019	14 Jun 2019	Final report on 11 Dec 2019		90% due to segmental/partial issuance of LGU permit and traffic
Valenzuela Package 2	782.02	14 Jan 2019	12 Jul 2019	14 Jun 2019	Final report on 11 Dec 2019		90% due to segmental/partial issuance of LGU permit and traffic
Valenzuela Package 3	706.62	14 Jan 2019	12 Jul 2019	14 Jun 2019	11 Dec 2019		90% due to segmental/partial issuance of LGU permit and traffic
Muntinlupa ²	605.80	15 Mar 2019	N/A	06 Jun 2019	6 Dec 2019		Works ongoing; 100% by 2019