



CASE STUDY

Loans Allow Utilities to Expand

USAID helps water districts raise \$3 million to reach more homes



Photo: ECO-Asia/Jay Tecson

Most urban poor in the Philippines rely on water vendors. LWUA PDEIF loans enable water districts to extend pipe connections to these communities.

CHALLENGE Local water districts in the Philippines were caught in a vicious circle. They wanted to extend water pipes to poor urban neighborhoods, which would improve quality of life and provide new revenue to the utilities. But their shaky financial status prevented many of them from obtaining the necessary loans. The main source of financing for the 600 local water districts, the Local Water Utilities Administration (LWUA), had a government mandate to provide loans to districts with poor credit. The catch was that LWUA had no loan products for the districts and no experience in structuring such loans.

INITIATIVE USAID's Environmental Cooperation-Asia (ECO-Asia) program helped LWUA develop an innovative financial solution for water districts with poor credit. The Project Development and Efficiency Improvement Fund (PDEIF) offers water districts short-term loans to upgrade their operational efficiency and establish better credit through repayment. These upgrades improve districts' financial and operational performance. In addition, with greater creditworthiness established, districts become eligible for new loans to expand their infrastructure even further. To demonstrate this process, ECO-Asia also helped two water districts prepare applications for efficiency improvement loans.

RESULTS LWUA issued its first PDEIF loan for US\$200,000 to the Laguna Water District in southeast Manila. The district put up US\$200,000 of its own money to match the loan and used the funding to finance improvements and establish 3,000 new connections to homes which previously had no running water. The Philippine government demonstrated its confidence in the program by injecting US\$3 million into the loan fund. The program is rapidly growing and 10 other districts have been short-listed to receive funding. USAID has helped LWUA create a new loan product that allows riskier utilities to improve not only their infrastructure, but their credit. This success will mean improved access to water, and an improved quality of life, for many Philippine communities.