



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02)** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

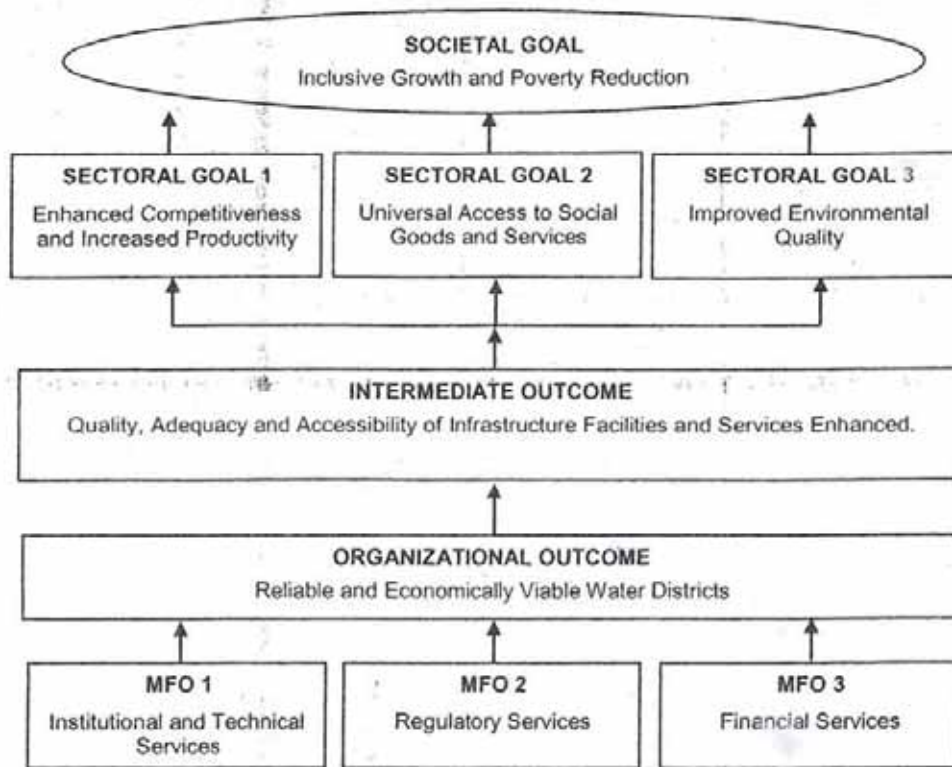
LOCAL WATER UTILITIES ADMINISTRATION (LWUA)

WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Period.** – This Agreement shall be effective for a period of two (2) calendar years beginning from the execution of this agreement and ending on 31 December 2014.
2. **Charter Statement and OPIF Logframe.** – LWUA's Charter Statement and OPIF Logframe for the Period specified in Section 1 hereof, shall be as follows:
 - **Mission:** To develop water utilities into self-sustaining institutions by providing financial, technical, institutional and regulatory assistance;
To promote universal access to potable water by partnering with other government agencies and private institutions in the development of water service providers;
To promote sanitation including septage and sewerage; and
To build and sustain a viable, effective and world-class organization.
 - **Vision:** The leader in building self-reliant and sustainable water utilities, we envision by 2016 to be the preferred partner to all water service providers toward serving the Filipino people in the countryside.

LWUA Logframe



3. **Measurement of Performance.** – Based on LWUA's Interim Performance Scorecard, attached hereto as *Annex A*, the evaluation of LWUA's performance for 2013-2014 shall be based on the following Measures/Performance Indicators and Annual Targets, to wit:

MFO	Performance Measures*	Weight		Baseline			Annual Targets	
		2013	2014	2010	2011	2012	2013	2014
MFO 1: Institutional and Technical Services	Quantity 1: No. of Programs of Work (POWs) completed/ prepared	5%	5%	228	101	116	138	104**
	Quantity 2: No. of Construction Projects started***	10%	10%	158	128	14	76	10
	Quantity 3: No. of Construction Projects completed	15%	15%	77	72	60	144	244****
	Quantity 4: Percentage of Operational WDs provided with training	5%	5%	48%	59%	53%	54%	55%
	Quality 1: Average Non-Revenue Water (NRW) of WDs	5%	5%	29%	28.5%	26.8%	25.73%	24.69%
Subtotal of Weights:		40%	40%					
MFO 2: Regulatory Services	Quantity 1: No. of Water Rates Computation / Financial Evaluation Completed	5%	5%	197	152	131	142	104*
	Quality 1: Percentage of Operational WDs with 24/7 supply of service	5%	5%	59%	66%	72%	78%	82%
	Quality 2: Percentage of Operational WDs Compliant with Philippine National Standard for Drinking Water (PNSDW)	5%	5%	-	-	-	90%	90%
	Timeliness: Percentage of Water Rates/Financial Evaluation Completed within 45 calendar days	5%	5%	-	-	-	95%	95%

✓
h

Subtotal of Weights:		20%	20%					
MFO 3: Financial Services	Quality 1: Percentage of Performing Loans collected	25%	25%	81%	84%	93%	93%	94%
	Quality 2: Amount of Loan Accounts in Arrears collected	15%	15%	411 M	266 M	290 M	300 M	350 M
Subtotal of Weights:		40%	40%					
General Administrative and Support Services (GASS)	Funds Utilization	-	-	₱1.836B	₱0.628B	₱0.573B	₱1.590B	₱0.991B
		100%	100%					
<small>*See formulas and data provider on Annex B. ** Reduced budget *** Based on initial release of funds **** Completion of 57 (included among the suspended projects) of which is conditional on the availability of funds; no identified fund source as of 2013</small>								

It is understood that LWUA must achieve a weighted-average of at least 90% to be eligible to grant any Performance-Based Bonus.

4. **Strategic Initiatives.** – LWUA hereby commits to undertaking the Water Supply Systems Development Program, a profile of which is attached hereto as **Annex B**, its sole strategic initiative identified as having a significant impact on its Performance Scorecard.

The Commitment herein includes obtaining all necessary approvals, if applicable, such as those for Major Development Projects under GCG MC No. 2013-03. LWUA shall include updates on the foregoing Strategic Initiative in its submission of quarterly monitoring reports (PES Form 3) to the GCG.

5. **Quarterly Submission of Performance Monitoring.** – LWUA shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter using the monitoring report attached hereto as **Annex C**.

6. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the LWUA must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02, namely:

- 6.1. *Conditions common to National Government Agencies and GOCCs:*

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen's Charter or its equivalent; and
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Net worth (SALN);¹

¹ See CIVIL SERVICE COMMISSION MEMORANDUM CIRCULAR No. 3, s. 2013.

6.2. *Conditions specific to GOCCs covered by R.A. No. 10149:*

- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as of the end of the applicable calendar year, whenever applicable. Liabilities that are still under dispute and there has been no final and executory judgment/decision as of the date of the release of the PBB by the GOCC shall be excluded for the purpose of this provision.
 - (b) Submission and execution of concrete and time-bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
 - (c) Adoption of a "Manual of Corporate Governance" pursuant to Section 42 of the CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07) that is approved by GCG and uploaded on the GOCC's website.
 - (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
 - (e) Adoption of a **No GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
7. LWUA hereby undertakes to have its Performance Scorecard rated by its customers and solicit feedback on how the same may be improved. LWUA shall determine the most effective method for accomplishing the said purpose. Such information shall be reported to GCG together with the quarterly monitoring report. The rating shall not affect the performance indicators/measures in LWUA's Performance Scorecard, and shall be used solely as a reference by GCG and LWUA during Performance Agreement Negotiations/Renegotiations.
8. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 01 October 2013 in the City of Makati, Philippines.

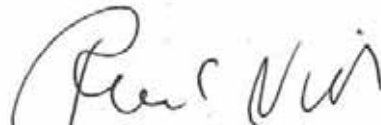
**GOVERNANCE COMMISSION
FOR GOCCs**

**LOCAL WATER UTILITIES
ADMINISTRATION**

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman



RENE C. VILLA
Chairman

L

Local Water Utilities Administration (LWUA)

Interim Performance Scorecard 2013-2014

Description	Performance Measures Formula	Weight	Data Provider <i>if applicable</i>	Baseline Data <i>(if available)</i>			Targets	
				2010	2011	2012	2013	2014
MFO 1 : Institutional and Technical Services								
Quantity 1	No. of Programs of Work (POWs) completed/prepared	5	NA	228	101	116	138	104*
Quantity 2	No. of Construction Projects started**	10	NA	158	128	14	76	10
Quantity 3	No. of Construction Projects completed	15	NA	77	72	60	144	244***
Quantity 4	Percentage of Operational WDs provided with training	5	NA	48%	59%	53%	54%	55%
Quality 1	Average Non-Revenue Water (NRW) of WDs	5	WDs	29%	28.5%	26.8%	25.73%	24.69%
Subtotal of Weights:		40						
MFO 2 : Regulatory Services								
Quantity 1	No. of Water Rates Computation / Financial Evaluation Completed	5	NA	197	152	131	142	104*
Quality 1	Percentage of Operational WDs with 24/7 supply of service	5	WDs	59%	66%	72%	78%	82%
Quality 2	Percentage of Operational WDs Compliant with Philippine National Standard for Drinking Water (PNSDW)	5	WDs	NA	NA	NA	90%	90%
Timeliness	Percentage of Water Rates/Financial Evaluation Completed within 45 calendar days	5	NA	NA	NA	NA	95%	95%
Subtotal of Weights:		20						
MFO 3 : Financial Services								
Quality 1	Percentage of Performing Loans collected	25	NA	81%	84%	93%	93%	94%
Quality 2	Amount of Loan Accounts in Arrears collected	15	NA	411 M	266 M	290 M	300 M	350 M
Subtotal of Weights:		40						
GAS								
Financial	Funds Utilization Rate	-	NA	1.836	0.628	0.573	1.590	0.991
TOTAL OF WEIGHTS:		100%						


* Reduced budget

** Based on initial release of funds

*** Completion of 57 (included among the suspended projects) of which is conditional on the availability of funds; no identified fund source as of 2013

W/ H/ 2


MA ANGELA E. IGNACIO
Commissioner


EDUARDO C. SANTOS
Acting Administrator


RAINIER B. BUTALID
Commissioner


SOLEDAD EMILIA J. CRUZ
Alternate Trustee for the DOF
Secretary


MA CATALINA E. CABRAL
Alternate Trustee for the DPWH
Secretary

Local Water Utilities Administration (LWUA)

Interim Performance Scorecard 2013-2016

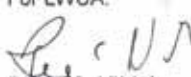
Organizational Outcome Indicators				
Percentage of Operational WDs with 24/7 supply of service	2012	72%	82%	90%
Percentage of operational WDs compliant with PNSDW		NA	90%	100%
Sector Outcome Indicators				
Average non-revenue water (NRW) in million liters per day	2010	29%		22%
Biological oxygen demand (BOD) level of Laguna Lake within standard (in mg/L)	2010	Ave. BOD loading is within the standard BOD level of 7 mg/L		BOD loading is within the standard BOD level of Class C waters
Number of waterless areas	2011	498		0
Proportion of population with access to potable water (levels I & II)	2007	82.9%		86.60%
Percentage of households with level III (individual household) connection	2005	35		To be determined
Percentage of households with 24/7 service (by type of Water Service Provider, Concessionaires, WDs, Small-scale independent providers)	2010	10.903 M		17.133 M
Percentage of population with access to basic sanitation	2008	76%		83.8% of the no of HH provided with sanitary toilets
Percentage of households in Highly Urbanized Cities (HUCs) connected to sewerage system	2009	< 10%		Metro Manila = to be verified Outside MM = 330 thousand HHs/total no. of HHs in 2016
Percentage of households covered by septage management systems	2009	Metro Manila = 85% Nationwide = to be supplied		Metro Manila = 100% Outside MM = 1.08 million HHs/total no. of HHs in 2016

For GCG:



RAINIER B. BUTALID
Commissioner, GCG

For LWUA:



RENE C. VILLA
Acting Chairman, LWUA



EDUARDO C. SANTOS
Acting Administrator, LWUA

Date : 29 August 2013

LOCAL WATER UTILITIES ADMINISTRATION

STRATEGIC INITIATIVES PROFILE

INITIATIVE UNDER MFO 1

I. STRATEGIC INITIATIVE 1

1. **Name of Project** : Water Supply Systems Development Project
2. **Contact Person/
Project Team Head** : Mr. Edwin T. Ruiz, Acting Deputy Administrator,
Area Operations
3. **Project Description** : Construction/Development/Rehabilitation/
Expansion of Water Supply Systems
4. **Milestones** :

Activities	Timeline		Budget	Funding Source	Status
	Start	End			
1. KfW Provincial Towns Water Supply and Sanitation	2011	2015	German KfW loan: P0.600 B (€10.2 M) ICG: P0.123 B (€2.1 M)	KfW / Internal Cash Generation (ICG)	On-going
2. ADB Water District Development Project	2014	2019	ADB loan: P5.040 B (\$120 M) ICG: P0.811 B (\$20 M)	Asian Development Bank (ADB) / ICG	Pipeline
3. Locally Funded Projects	2013	2017	P21.496 B	National Government (NG)	Proposed
Total			P28.070 B		

✓

LOCAL WATER UTILITIES ADMINISTRATION
MONITORING REPORT OF PERFORMANCE TARGETS

Description	Formula	Weight	Rating/Score	Baseline	1st Quarter		2nd Quarter		2013	3rd Quarter		4th Quarter	
				2012	Target	Actual	Target	Actual	Revised Full Year Target	Target	Actual	Target	Actual
MFO 1: Institutional and Technical Services													
Quantity 1: No. of Programs of Work (POWs) completed/prepared	No. POWs completed	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	116									
Quantity 2: No. of Construction Projects started**	No. construction projects started	10%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 10\%$	14									
Quantity 3: No. of Construction Projects completed	No. construction projects completed	15%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 15\%$	60									
Quantity 4: % of Operational WDs provided with training	$\frac{\text{Operational WDs trained}}{\text{Total Operational WDs}} \times 100$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	53%									
Quality 1: Average Non-Revenue Water (NRW) of WDs	$\frac{\text{Total NRW of WDs}}{\text{Total No. of WDs}} \times 100$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	26.8%									
Subtotal of weights and ratings:		40%											
MFO 2: Regulatory Services													
Quantity 1: No. of Water Rates Computation / Financial Evaluation Completed	No. of financial evaluation completed	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	131									
Quality 1: % of Operational WDs with 24/7 supply of service	$\frac{\text{Operational WDs with 24/7 supply of service}}{\text{Total Operational WDs}} \times 100$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	72%									

K



Description	Formula	Weight	Rating/Score	Baseline	1st Quarter		2nd Quarter		2013	3rd Quarter		4th Quarter	
				2012	Target	Actual	Target	Actual	Revised Full Year Target	Target	Actual	Target	Actual
Quality 2: % of Operational WDs Compliant with Philippine National Standard for Drinking Water (PNSDW)	$\frac{\text{PNSDW Compliant Operational WDs}}{\text{Total Operational WDs}} \times 100$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	-									
Timeliness: % of Water Rates/Financial Evaluation Completed within 45 calendar days	$\frac{\text{No. of evaluation completed within 45 calendar days}}{\text{Total no. of evaluation requests}} \times 100$	5%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 5\%$	-									
Subtotal of weights and ratings:		20%											
MFO 3:													
Quality 1: % of Performing Loans collected	$\frac{\text{No of loans collected}}{\text{Total no. of performing loans}} \times 100$	25%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 25\%$	93%									
Quality 2: Amount of Loan Accounts in Arrears collected	$\frac{\text{No. Amount of loan in arrears collected}}{\text{Total amount of loan accounts}} \times 100$	15%	$\frac{\text{Actual}}{\text{Target}} \times 100 \times 15\%$	290 M									
Subtotal of weights and ratings:		40%											
GASS													
Financial: Funds Utilization Rate	Amount disbursed	-		₱0.573B									
Subtotal of weights and ratings:		-											
TOTAL OF WEIGHTS AND RATINGS:		100%											

L

LOCAL WATER UTILITIES ADMINISTRATION
MONITORING REPORT OF PERFORMANCE TARGETS

Interim P&S Form 3

Performance Measures				Baseline Data			CY 2013 Targets	CY 2013 Accomplishments	Rating (%)
Description	Formula	Weight	Data Provider	(if available)					
			(if applicable)	2010	2011	2012			
MFO1: INSTITUTIONAL AND TECHNICAL SERVICES									
Quantity 1:									
No. of Programs of Work (POWs) completed/prepared	No. of POWs completed	5%	NA	228	101	116	138	181	6.56
Quantity 2:									
No. of Construction Projects started	No. of construction projects started	10%	NA	158	128	14	76	35	4.60
Quantity 3:									
No. of Construction Projects completed	No. of construction projects completed	15%	NA	77	72	60	144	72	7.50
Quantity 4:									
% of Operational WDs provided with training	$\frac{\text{Operational WDs trained}}{\text{Total Oper'l WDs}} \times 100$	5%	NA	48%	59%	53%	54%	62.43%	5.78
Quality 1:									
Average Non-Revenue Water (NRW) of WDs	$\frac{\text{Total NRW}(\%) \text{ of WDs}}{\text{Total No. of WDs}}$	5%	WDs	29%	28.50%	26.80%	25.73%	26.60%	4.50
Sub-total of Weights and Ratings:								40%	28.94
MFO 2: REGULATORY SERVICES									
Quality 1:									
No. of Water Rates Computation/ Financial Evaluation Completed	No. of Financial evaluation completed	5%	NA	197	152	131	142	277	9.75
Quality 2:									
% of Operational WDs with 24/7 supply of service	$\frac{\text{Oper'l WDs with 24/7 supply of service}}{\text{Total Oper'l WDs}} \times 100$	5%	WDs	59%	66%	72%	78%	76%	4.87

Performance Measures				Baseline Data			CY 2013 Targets	CY 2013 Accomplishments	Rating
Description	Formula	Weight	Data Provider	(if available)					
			(if applicable)	2010	2011	2012			
Quality 2:									
% of Oper'l WDs Compliant with Philippine National Standard for Drinking Water (PNSDW)	$\frac{\text{PNSDW Compliant Operational WDs}}{\text{Total Operational WDs}} \times 100$	5%	WDs	NA	NA	NA	90%	52%	2.89
Timeliness:									
% of Water Rates/Fin'l Evaluation Completed within 45 calendar days	$\frac{\text{No. of Evaluation completed within 45 calendar days}}{\text{Total No. of evaluation requests}} \times 100$	5%	NA	NA	NA	NA	95%	100%	5.26
Sub-total of Weights and Ratings:								20%	22.78
MFO 3: FINANCIAL SERVICES									
Quality 1:									
% of Performing Loans collected	$\frac{\text{No. of loans collected}}{\text{Total No. of performing loans}} \times 100$	25%	NA	81%	84%	93%	93%	98%	26.34
Quality 2:									
Amount of Loan Accounts in Arrears collected	Amount of loan in arrears collected	15%	NA	411 M	266 M	290 M	300 M	295 M	14.75
Subtotal of Weights and Ratings:								40%	41.09
Financial Funds Utilization Rate	Amount disbursed	-		1.826	0.628	0.573	1.590 B	421 B	
Subtotal of Weights and Ratings:								-	
TOTAL OF WEIGHTS AND RATINGS:								100%	92.81

Certified Correct:

Liz Calderon
LIZABETH G. CALDERON
Acting Manager, Management Services Office

MAY 21 2014
Date

Redentor C. Talavera
REDENTOR C. TALAVERA
Acting Deputy Administrator, Finance

MAY 21 2014
Date

Andres F. Ibarra
ANDRES F. IBARRA
Administrator

MAY 21 2014
Date

Andres F. Ibarra
ANDRES F. IBARRA
Vice-Chairman, Board of Trustees

MAY 21 2014
Date

Local Water Utilities Administration (LWUA)

Interim Performance Scorecard 2013-2014

Performance Measures		Weight	Data Provider <i>if applicable</i>	Baseline Data <i>(if available)</i>			Targets	
Description	Formula			2010	2011	2012	2013	2014
MFO 1 : Institutional and Technical Services								
Quantity 1	No. of Programs of Work (POWs) completed/prepared	5	NA	228	101	116	138	104*
Quantity 2	No. of Construction Projects started**	10	NA	158	128	14	76	10
Quantity 3	No. of Construction Projects completed	15	NA	77	72	60	144	244***
Quantity 4	Percentage of Operational WDs provided with training	5	NA	48%	59%	53%	54%	55%
Quality 1	Average Non-Revenue Water (NRW) of WDs	5	WDs	29%	28.5%	26.8%	25.73%	24.69%
Subtotal of Weights:		40						
MFO 2 : Regulatory Services								
Quantity 1	No. of Water Rates Computation / Financial Evaluation Completed	5	NA	197	152	131	142	104*
Quality 1	Percentage of Operational WDs with 24/7 supply of service	5	WDs	59%	66%	72%	78%	82%
Quality 2	Percentage of Operational WDs Compliant with Philippine National Standard for Drinking Water (PNSDW)	5	WDs	NA	NA	NA	90%	90%
Timeliness	Percentage of Water Rates/Financial Evaluation Completed within 45 calendar days	5	NA	NA	NA	NA	95%	95%
Subtotal of Weights:		20						
MFO 3 : Financial Services								
Quality 1	Percentage of Performing Loans collected	25	NA	81%	84%	93%	93%	94%
Quality 2	Amount of Loan Accounts in Arrears collected	15	NA	411 M	266 M	290 M	300 M	350 M
Subtotal of Weights:		40						
GAS								
Financial	Funds Utilization Rate	-	NA	1.836	0.628	0.573	1.590	0.991
TOTAL OF WEIGHTS:		100%						

* Reduced budget

** Based on initial release of funds

*** Completion of 57 (included among the suspended projects) of which is conditional on the availability of funds; no identified fund source as of 2013

Local Water Utilities Administration (LWUA)

Interim Performance Scorecard 2013-2014

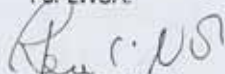
PARTICULARS	Baseline Data		Targets	
	Year	Value	2013/14	PDP End-of-Plan (2016)
Organizational Outcome Indicators				
Percentage of Operational WDs with 24/7 supply of service	2012	72%	82%	90%
Percentage of operational WDs compliant with PNSDW		NA	90%	100%
Sector Outcome Indicators				
Average non-revenue water (NRW) in million liters per day	2010	29%		22%
Biological oxygen demand (BOD) level of Laguna Lake within standard (in mg/L)	2010	Ave. BOD loading is within the standard BOD level of 7 mg/L		BOD loading is within the standard BOD level of Class C waters
Number of waterless areas	2011	498		0
Proportion of population with access to potable water (levels I & II)	2007	82.9%		86.60%
Percentage of households with level III (individual household) connection	2005	35		To be determined
Percentage of households with 24/7 service (by type of Water Service Provider, Concessionaires, WDs, Small-scale independent providers)	2010	10 903 M		17.133 M
Percentage of population with access to basic sanitation	2008	76%		83.8% of the no of HH provided with sanitary toilets
Percentage of households in Highly Urbanized Cities (HUCs) connected to sewerage system	2009	< 10%		Metro Manila = to be verified Outside MM = 330 thousand HHs/total no. of HHs in 2016
Percentage of households covered by septage management systems	2009	Metro Manila = 85% Nationwide = to be supplied		Metro Manila = 100% Outside MM = 1.08 million HHs/total no. of HHs in 2016

For GCG:



RAINIER B. BUTALID
Commissioner, GCG

For LWUA:



RENE C. VILLA
Acting Chairman, LWUA



EDUARDO C. SANTOS
Acting Administrator, LWUA

Date : 29 August 2013*