

# PHOTO RELEASE

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## Bukidnon electricity cooperative receives P135.9-million funding

**AN ELECTRICITY COOPERATIVE in Bukidnon will receive P135.9 million in fresh financing to improve power supply to some 86,000 households in its area, the World Bank said in a press statement it issued yesterday.**

Ayala-led Bank of the Philippine Islands (BPI), the LGU Guarantee Corp. (LGUGC) and the Bukidnon Second Electric Cooperative, Inc. (BUSECO) yesterday signed a P135.901-million financing agreement aimed at improving the power supply in that rural area in northern Mindanao.

BUSECO's services cover the northern part of Bukidnon province consisting of the city of Malaybalay as well as the nine municipalities of Baungon, Malitbog, Libona, Manolo Fortich, Sumilao, Impasug-ong, Lantapan, Cabanglasan and Talakag.

The World Bank said that the P135.901 million will be used by BUSECO to build a 10-megavolt ampere substation in Kisolon town, a 25-kilometer 69-kilovolt transmission line from Lunocan to Kisolon, as well as replace and calibrate meters.

The statement said the amount involves a BPI loan to the cooperative.

"The BPI financial support to BUSECO is guaranteed by the Partial Credit Guarantee program under the Electric Cooperative System Loss Reduction Project (ECSLRP) financed by the Global Environment Facility (GEF) and administered by the World Bank," the statement read.

The ECSLRP, which aims to provide reliable, affordable electricity services to rural areas while reducing carbon dioxide emissions, is funded by a \$12-million grant from the GEF.

The grant from the GEF is being managed by the LGUGC, a private corporation that extends guarantees to water districts, electricity cooperatives, developers of renewable energy technologies, as well as state universities and colleges.

The Partial Credit Guarantee program, the World Bank said, covers up to 80% of the total amount of financing extended by commercial lenders like BPI to electricity cooperatives.

The World Bank said such credit assistance is necessary since rural electricity cooperatives being perceived as "poor credit risks," hence, qualify for small commercial loans at best.

"This financing arrangement involving the BPI, BUSECO and our firm, the LGUGC, is an excellent model of how the private sector, electric cooperatives, and development partners like the World Bank could effectively work together to address a common development objective — providing electricity to rural homes while reducing greenhouse gas emissions that harm the environment," Lydia N. Oriol, president and chief executive officer of LGUGC, was quoted as saying in the statement.

For his part, Alfonso L. Salcedo, BPI executive vice-president and group head for corporate banking, said that the agreement demonstrates public-private partnership.

"A collective effort such as this could catalyze development not only in the power sector but in other industries as well," he said.

Edgardo R. Masongsong, BUSECO's general manager and chief executive officer, said in the statement that the improved capacity of the cooperative should enable it to address the power needs not only of households but also of small- and medium-scale enterprises in the areas covered.

In the same statement, World Bank Country Director Bert Hofman agreed, saying: "We believe that this is the kind of partnership that can deliver benefits to the households and businesses of the country through more reliable and lower-cost energy."

He noted that financially strong electricity cooperatives are necessary if the full benefits of Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, were to be realized.

"Financially strong electricity cooperatives will be better able to keep rates as low as possible and will have a stronger hand in securing long-term power supply agreements with investors in power generation," Mr. Hofman said.

"We are keen to work with the authorities to further strengthen electricity cooperatives and their role in power supply in the Philippines."