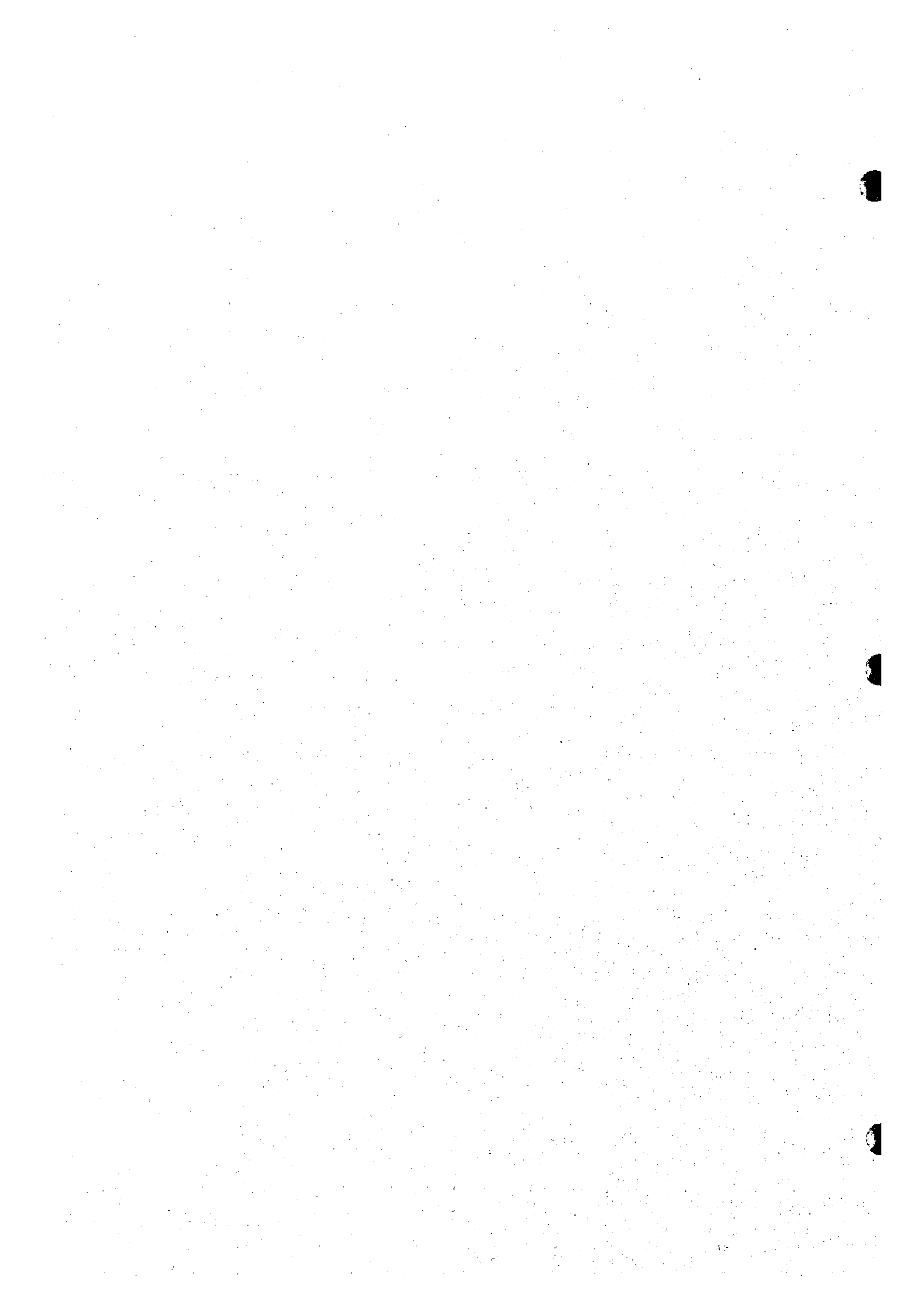


Chapter

5

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**EXISTING SECTOR ARRANGEMENT  
AND INSTITUTIONAL CAPACITY**



## **5. EXISTING SECTOR ARRANGEMENT AND INSTITUTIONAL CAPACITY**

### **5.1 General**

Much has happened in the sector since 1987 when the national master plan for the sector was initially prepared. Its development targets to be attained for the medium term was renewed in 1996 through the Updated Medium term Development Plan. The water supply, sewerage and sanitation sector today is still in a transition stage. As a recent development, a national level comprehensive plan, 'the Philippine National Development Plan', directions to 21st century, was published in 1998 by the NEDA.

As for the institutional aspect, the Local Government Code (1991) has essentially re-defined the role, relationship and linkages of central, provincial, municipal and barangay institutions in the provision of social basic services, including water and sanitation. Before the issuance of the Code, the responsibilities for water supply and sanitation functions were lodged with various national agencies. The new direction mandates the Local Government Units (LGUs) to play a larger role in planning and implementing water supply and sanitation projects, however, this has raised serious institutional capacity and resource reallocation issues.

Chapter Five provides an overview of existing sector policies and arrangements as a basis for formulating modifications and improvements. It identifies current capacity building issues which need to be addressed in the early stages of master plan implementation. Most importantly, it assesses the impact of the present devolved delivery system at the local levels.

### **5.2 Sector Reforms**

The GOP has set the future agenda for sector reform. These initiatives followed the completion of the Water Supply Sector Reform Study and the National Urban Sewerage and Sanitation Strategy Study. The GOP has endorsed the major recommendations of these studies through the following NEDA resolutions. Furthermore, these resolutions are reflected in the above mentioned National Development Plan.

#### **(1) NEDA Resolution No.4 (series of 1994)**

LGUs, in the context of the LGC and related decentralization efforts, now play a lead role in service delivery. The resolution, NEDA Resolution No.4, allows LGUs to implement all levels of water supply projects and redefines the roles of other sector agencies.

With the purpose of ensuring common interpretation of the Clause (g) of NEDA Board Resolution No.4 (series of 1994), the Implementing Rules and Regulations (IRR) for the relevant sector was prepared by the DILG and has been approved by the NEDA in 1998. It delineates the responsibilities of government agencies involved in the sector, and defines the role of local government units in the provision of water supply and sanitation services including O&M of the facilities. The new direction mandates the LGUs to play a larger role with an emphasis on institutional strengthening needs to adequately perform their devolved functions in the sector (refer to 5.2, Data Report).

- (2) NEDA resolution No.5 (s. 1994) reaffirms the principle of provision of sewerage and sanitation services on the basis of willingness-to-pay. The resolution mandates the establishment of a Central Project Support Office (CPSO) at LWUA to assist LGUs in the formulation, preparation and implementation of sewerage/sanitation projects (refer to 5.2, Data Report).

### 5.3 Sector Institutions

#### (1) Existing Institutional Arrangements

Although the LGC mandates the LGUs major changes on sector structure and performance, the sector is still in transition. However, the new sector role and respective responsibilities of the LGUs and national agencies are defined in the IRR.

At the national government level, there are three line agencies (DPWH, DILG and DOH) and two government-owned and controlled corporations (MWSS and LWUA), responsible for sector project implementation as shown in Figure 5.3.1. A regulatory board, the National Water Resource Board (NWRB) coordinates the overall policy framework for water resources development and management. Other government agencies are concerned with macro-planning, natural resources allocation decisions and environmental protection and management.

At the local level, there are national government agency field offices working for the sector. Water Districts, RWSAs and BWSAs, on the other hand, deal with the actual delivery of water in different service levels. Some LGUs continue to operate provincial and municipal water supply systems. The private sector, non-government organizations and community-based organizations also undertake water supply and sanitation activities in the rural communities.

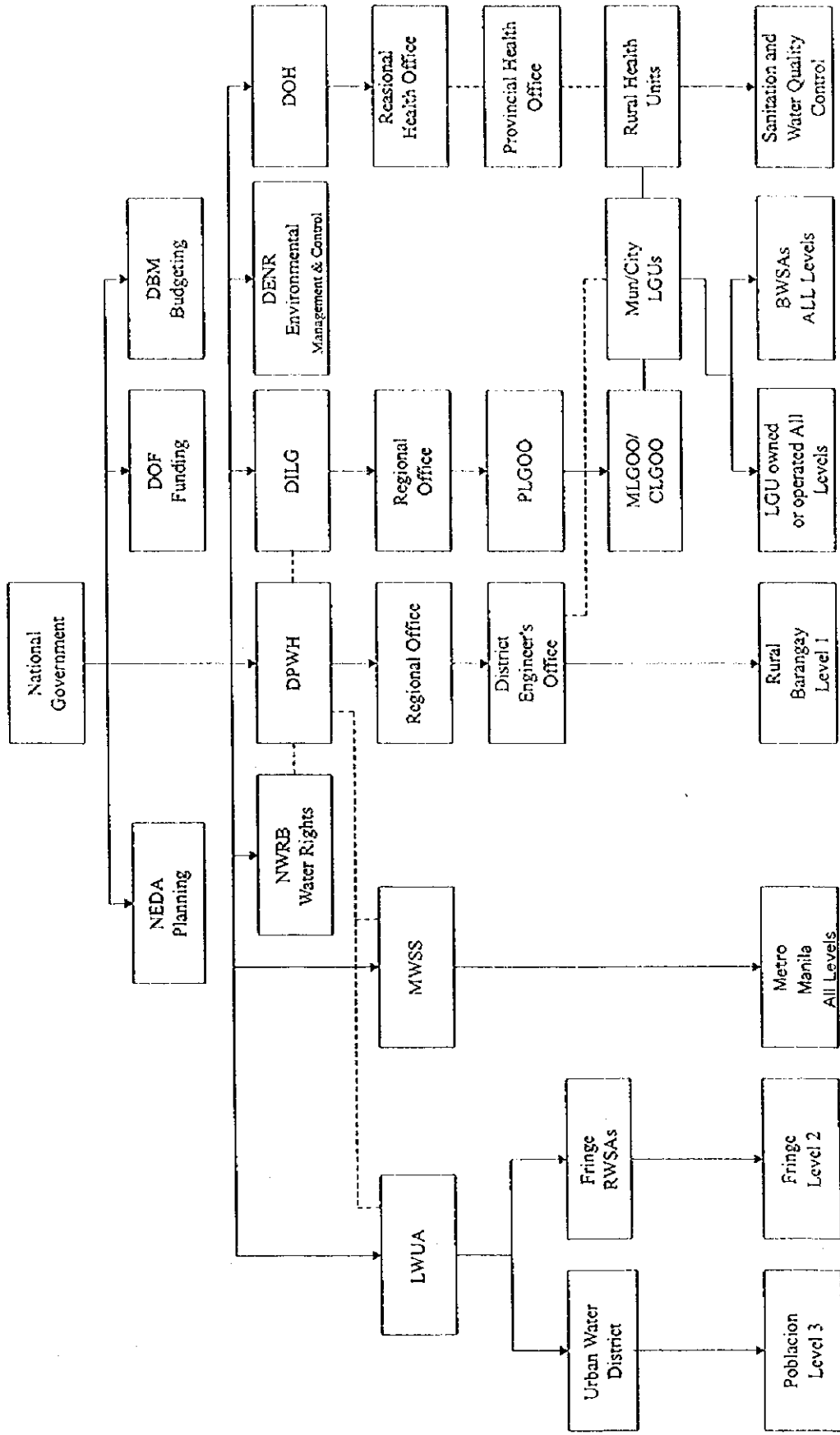


Figure 5.3.1 Functional Relationships

The drastic changes took place among the DPWH, DILG, DOH and LGUs after the government decentralization and issuance of the NEDA Board Resolution No.4. The transition functions of these agencies are presented in Table 5.3.1. As shown, those of implementing water supply projects, DPWH used to undertake, are now transferred to the LGUs. The functions of PHO under the DOH have been devolved to the LGUs. Thus, DILG now undertakes the overall coordination function for the implementation of the WATSAN projects.

**Table 5.3.1 Transition Functions of the DPWH, DILG and DOH**

Agency	Before NEDA Board Resolution No.4 in 1994	Present Involvement
DPWH	Identify projects	Transferred to the DILG
	Design/Construct Level-I	Transferred to PEO/MEO
	Repair/Rehabilitate Level-I	Transferred to PEO/MEO
	Formulate/Evaluate maintenance. Program	Transferred to PEO/MEO
	Organize BWSA	Trans. to PPDO with DILG assistance
	Train BWSAs on O&M	Transferred to LGUs with DILG assistance
	Procure/supply materials/spare parts	Transferred to PEO/MEO
	Sector/Project monitoring and data-management	Transferred to LGUs with DILG assistance.
DILG	From the DPWH functions	Overall coordination for project implementation (identification of project, training of BWSAs on O&M, and monitoring and data management)
	-do-	Assist LGUs to identify water supply systems, Level-I, II and III.
DOH	Develop and implement rural sanitation programs nationwide	Transferred to PHO
	Implement the sanitation component of integrated water supply and sanitation projects	Transferred to PHO
	Monitor, inspect and disinfect water supply systems	Transferred to PHO
	Provide its health workers with training on water quality surveillance, hygiene education, and water purification treatment processes	Transferred to PHO
	Conduct health education campaigns	Transferred to PHO
	Produce information, education and communication (IEC) materials on water supply	Transferred to PHO

## (2) Sector Finance

### 1) Cost sharing arrangement

As the recent policy of the central government, programs of central government particularly for those that have social and/or environmental objectives are implemented through a cost-sharing manner between the central government agency and LGUs. National government grant will be provided for the limited municipalities in terms of socio-economic conditions.

### 2) Financing and management systems

The LGUs may either finance the sector projects directly or involve the participation of the private sector through concession, management or service contracts.

In financing WATSAN activities, the LGUs may tap their Internal Revenue Allotments (IRAs) and/or locally generated revenues or leverage. These are also the resources to borrow from government or private financing institutions.

LGUs can access ODA loans for devolved activities, which are being channeled through conduits. These conduits are the Municipal Development Fund (MDF) and a Government Financial Institution (GFI). Their respective policy-making bodies determine the re-lending/on-lending terms passed on to the LGUs. The Policy on accessing loans through the MDF are currently under review by the central government to make the terms and conditions more concessional towards the LGUs.

## 5.4 Sector Agencies at the National Level

### (1) Department of the Interior and Local Government (DILG)

The DILG is responsible, through the promulgation of rules and regulations and by means of technical assistance and training, for facilitating the implementation of the LDC. Accordingly, it is the leading national coordination agency responsible for the supervision and administration of water supply and sanitation projects implemented by LGUs and is mandated to strengthen local capacity for delivery of the services.

General administration and institution building supports to LGUs entail assistance in the formation and training of BWSAs, coordination of master plan preparation, provision of external funds, formulation and installation of sector management systems (including O&M) and BWSA financial management systems. It also provides assistance to LGUs in terms of technical support for evaluation of water sources and design of simple water

systems (Level I and II).

The Water Supply and Sanitation-Project Management Office (WSS-PMO), a unit within DILG, is primarily responsible for water and sanitation activities in the department. The provincial planning and development office (PPDO) and the municipal planning and development office (MPDO) are the immediate links of the DILG at the LGU level. For the purpose of ensuring coordination in implementing projects where there are other agencies involved, DILG facilitates the formation of Task Forces with the PPDO and the MPDO still assuming overall responsibility. Through the PPDO and MPDO, barangays needing improved water supply and households needing sanitation improvements are identified and water supply and sanitation associations are formed.

Likewise, the DILG is now one of the leading institutions to promote gender-responsive project management. Under the leadership of focal points, gender awareness training have been conducted at the regional and provincial levels.

## (2) Local Water Utilities Administration (LWUA)

Presidential Decree 198 created the LWUA to act as a specialized lending institution for local Water Districts (WDs) and oversee the development of these water utilities based on the twin concepts of financial viability and self-reliance. In 1987, LWUA responsibilities were expanded to include assistance to Level-II Rural Waterworks and Sanitation Associations (RWSAs). The provision of Level II and III services and of wastewater disposal systems in communities outside Metropolitan Manila are largely coordinated by the LWUA. However, NEDA Resolution No.4 directed LWUA to focus on its development banking role to finance only viable WDs.

Financial services include economic and financial analysis, tariff analysis and fund sourcing. Various types of loans are available to finance the construction of water systems; reactivation of non-operating systems, rehabilitation and expansion of facilities; and training. Among them, special loans finance watershed management projects: construction of administration buildings; purchase of service vehicles, communication and computer facilities; restoration of facilities damaged by calamities; initial or emergency operational needs. Commodity loans support generation of additional service connections. LWUA maintains and fields a pool of management advisors, trainers, engineers and other professionals to give WDs and RWSAs proper guidance in their operation and administration. In addition, the Central Sewerage and Sanitation Program Support Office (CPSO) was established at LWUA to coordinate the implementation of sewerage and



sanitation projects at the national level and to assist LGUs and WDs plan and manage sewerage and sanitation at the local level.

**(3) Department of Public Works and Highways (DPWH)**

The Department was responsible for the construction and major repair/rehabilitation of rural water supply systems (Level-I) and for the planning and execution of sewerage projects in some cities and larger poblaciones in the country with participation of LGUs. However, DPWH's responsibility drastically changed with the implementation of NEDA Board Resolution No.4. Based on the new mandate, the functions of DPWH is limited to setting technical standards and assisting LGUs, upon agreement and in coordination with LGUs, in the conduct of surveys, preparation of plan, specifications, and program of work, construction management, and technical researches in WATSAN project.

The DPWH maintains about 92 District Engineering Offices (DEOs) nationwide at the field level. The DEOs were staffed with a water engineer, drilling crews and equipment. However, these days most of staff members have been transferred to the private sector and others.

**(4) Department of Health (DOH)**

The department is the principal health policy-making and implementing agency. The main function is to develop and implement sanitation programs nationwide and administer health education aimed at reducing morbidity due, among others, to waterborne and sanitation related illness specifically diarrhea diseases which ranked second leading cause of morbidity among the population in the past years.

Under the current sector arrangement, DOH shall assume the following responsibilities: i) sets and/or updates standards on water quality testing, treatment and surveillance and sanitary practices; ii) assists LGUs in the conduct of periodic water quality control and surveillance-related activities; iii) and monitors and evaluates health and hygiene education.

DOH, through PHO, conducts health and hygiene education campaigns that focused on women and children health improvement in rural communities. The program is supported by centrally- produced information, education and communication (IEC) materials. It has produced and distributed IEC materials on water supply and hygiene behavior nationwide. Through its field health worker, it gives orientation to BWSAs on protection and disinfection of water sources and construction and maintenance of toilets.

(5) Other National Agencies

Other national agencies provide macro planning, funding and support, and regulatory guidelines for the water supply and sanitation sector.

The National Economic and Development Authority (NEDA), as the central planning office, ensures that all agencies' plans and programs are consistent with national priorities in the Medium-Term Public Investment Program and the Priority Sub-Sector Activity Layout. External grants and loan proposals are reviewed and approved at NEDA. It also coordinates the establishment of a system for national sector master planning and the monitoring system (with DILG).

The Department of Finance (DOF) is responsible for the generation and management of the financial resources of the government. It reviews and approves all public sector debt and economic growth, and sets the fiscal deficit of major government corporations, as part of the public sector borrowing program.

The Department of Budget and Management (DBM) plans the budget allocations for the government agencies, including capital and operating expenditure, equity infusion to public corporations, grants and subsidies for congressional approval. DBM also ensures that budget releases conform with approved plans and programs.

The Department of Environment and Natural Resources (DENR) formulates and enforces policies and guidelines for environmental protection and pollution control. It is responsible for watershed protection and water resources management. It checks compliance of major projects with environmental guidelines. DENR works with all environmental management agencies and special regulatory bodies.

The Department of Education, Culture and Sports (DECS) implements hygiene education programs through schools using the Teacher-Child-Parent (TCP) approach. Health and sanitation messages are integrated in the curricula and special activities are designed to make the parents and other family members learn and put them into practice. The program is supplemented by a wide range of learning material (workbook), while prototypes of safe water sources and water sealed toilets are set up in schools. DECS assists in the GOP school toilet building project by identifying priority schools and by supporting DOH's integrated health information, education and communication campaign using the formal and non-formal educational system.

The National Water Resources Board (NWRB) coordinates the overall policy framework for water resources development and management. NWRB was created to guide an orderly and scientific development of all water resources in the Philippines consistent with the principles of optimum utilization, conservation and protection to meet present and future needs. NWRB also deals with water rights issues. The NWRB is tasked to regulate the use of water resources through the issuance of water rights and the tariffs of privately-run water systems.

## 5.5 Sector Agencies at the Local Level

### (1) Provincial Level

The offices involved in WATSAN activities, are the Provincial Planning and Development Office (PPDO), the Provincial Engineering Office (PEO), the Provincial Health Office (PHO), the Provincial Treasury Office (PTO), the Provincial General Services Office (PGSO), the Provincial Budget Office (PBO), and the Provincial Accounting.

#### 1) Provincial Planning and Development Office (PPDO)

The PPDO is in charge of the formulation of comprehensive development plans and policies for consideration of the Provincial Development Council. It conducts studies, research and training programs to support plan formulation and promotes people participation in its planning activities. It likewise integrates and coordinates sectoral plans and studies undertaken by different functional groups or agencies, and monitors and evaluates the implementation of development programs/projects and activities. The office is composed of the Administrative, Computer Center and three divisions shown below (refer to Organization Chart Figure 5.5.1, Supporting Report).

- **Plans and Programs** - The division is responsible for undertaking planning and programming of the various sector development activities: agriculture, social, water source, investments, trade and industry, tourism, capital improvements and annual implementation. It supports the Project Development division in the implementation of the over-all fiscal plan. It has a total regular staffing complement of 6.
- **Research, Evaluation and Statistics** - It conducts field surveys and inspection of proposed projects, prepares statistical reports and other documents necessary for the evaluation, planning and programming and project implementation. It likewise supports the Plans and Programs division in the preparation of needed documents.

- Project Development - The division is primarily responsible for the implementation of special projects and the infrastructure sector. It undertakes project proposal and project study preparation, conducts ocular surveys and investigation and prepares recommendations. It also coordinates on direct labor participation and community involvement in project execution as well as coordination with the concerned regional and municipal officers.

## 2) Provincial Engineering Office (PEO)

The PEO is responsible for the administration, coordination, supervision, and control of construction, maintenance, improvement, and repair of roads, bridges, and other engineering and public works projects of the provincial government. It formulates policies and objectives, plans and programs, techniques and procedures/practices in infrastructure development and provides engineering services such as investigation and survey, designs, feasibility studies, and project management. It also provides technical supervision over all engineering offices of component municipalities. The office consisted of the Administrative, three divisions shown below and Motorpool. (refer to Organization Chart Figure 5.5.2, Supporting Report):

- Planning, Design and Programming - The division is responsible for formulating and integrating general plans, programs and projects of the provincial government. It conducts designing, planning and programming of provincial /national projects assigned to the office.
- Construction and Maintenance - Its function is to provide technical supervision and overall activities relating to construction and maintenance of roads and bridges and drainage systems along provincial roads. It also prepares estimates of construction costs and program construction operations including equipment requirements.
- Quality Control - The task is to undertake and direct the conduct of laboratory tests, on the durability and practicability of locally available materials and evaluate/assess the acceptability.

## 3) Provincial Health Office (PHO)

The PHO formulates and implements policies, plans, programs and projects to promote the health of the people in the province. It also provides technical assistance in the RHUs, institutionally belonging to respective municipalities, and BHSs belonging to barangays. Both groups assist in the promotion and maintenance of public sanitation. Besides supervising the operation of district hospitals, the office has financial/administrative service and undertakes 5 field health services; Medical, Dental,

Sanitary, Health Education and Promotion, and Nutrition (refer to Organization Chart Figure 5.5.3, Supporting Report). The detail activities of both Sanitation and Health Education and Promotion services are shown below.

- **Sanitation Service.** As the field service, PHO is responsible to formulate plans on environmental sanitation, and collect and analyze data. It tasks also supervision/validation of all RSIs in the implementation of environmental sanitation activities and provides technical assistance to any environmental sanitation related problems. Services include water quality control and surveillance.
- **Health Education and Promotion Service.** This service includes the lecture on health education activities and IEC campaign for health providers/community, training and monitoring of health programs, and continuing household teaching class. It also distributes IEC materials and coordinates with GOs and NGOs.

4) Provincial Treasurer's Office (PTO), Provincial Budget Office (PBO), and Provincial General Services Office (PGSO)

The PTO is in-charge of the disbursement of all local government funds. It collects taxes, revenues, fees and other charges that are estimated to support the general appropriation ordinance. The office maintains and updates the tax information system of the local supervision over all treasury offices of component municipalities. It also conducts periodic tax education information/collection campaign and trains barangay treasurers and officials in the methods of collecting real property taxes, other fees and charges.

The PBO provides fiscal budget administration for the provincial government. It is responsible in budget preparation, execution, control and accountability. The office reviews and consolidates the budget proposals of different offices of the LGU. It coordinates with the treasurer, the accountant, and the planning and development coordinator for the purpose of budgeting. It also provides prompt and efficient reviews of municipal budgets.

The PGSO provides effective direction and coordination of the various administrative and support services necessary for the operation of the office including the keeping of government records, and the proper and timely dissemination of printed communication and correspondence. It is responsible in acquisition/procurement of supplies and materials as identified in the overall fiscal plan. It collates and disseminates information on prices, shipping and other costs of supplies and other items commonly used by the LGU.

(2) Municipal and Barangay Level

The municipality serves primarily as a general purpose government for the coordination and delivery of basic, regular and direct services and effective governance of the inhabitants within territorial jurisdiction. It has much the same organization structure and legislative authority with same relationship to the Province. As for WATSAN project, the following offices are directly involved.

1) Municipal Planning and Development Office (MPDO)

The MPDO is mandated to take charge of the planning and development and shall formulate integrated economic, social, physical, and development plans and policies for consideration of the Municipal Development Council. The regular activities include: preparation of planning documents, monitoring and evaluation of projects.

2) Municipal Engineer's Office (MEO)

MEO regularly performs engineering surveys to acquire data for designs, layout or constitution of waterworks systems, sanitation facilities and other infrastructure projects. It also inspects works of contractors based on presented plans and specifications.

3) Barangay Councils (BCs)

The LGC designated barangays as independent units of local government. The barangay council acts as a legislative body of the barangay. Aside from their share in the IRA from the National Government, the barangay councils are empowered to enact tax and revenue ordinances as may be necessary to discharge the responsibilities conferred upon them by law and to promote the general welfare of the inhabitants. They are also tasked to provide solicited funds for the construction of barangay facilities, maintain and regulate their use and charge reasonable fees for the use thereof.

4) Rural Health Units/Barangay Health Stations (RHUs/BHSs)

The RHUs/BHSs are under the direct supervision of the respective municipality and the MHO extending health services to the barangay residents. They provide assistance in family-planning activities, emergency/relief services especially in far-flung barangays, and other similar activities that promote the general well-being and health needs of the residents. Midwives and other health workers usually schedule periodic visits to these health units/stations.

### (3) Field Offices of Central Sector Agencies

#### 1) DPWH District Engineer's Office (DEO)

The DEO is mandated to undertake and evaluate the planning, design and construction and work supervision functions of the DPWH for all public works within the district. It coordinates with other departments, agencies, institutions and LGUs within the district in the implementation of infrastructure projects. Currently, previous water supply section, a unit under Construction Division, is maintained at some DEOs. The staff members consist of a water supply engineer, a well driller and a supervisor.

#### 2) DILG Provincial/Municipal Local Government Operations Offices (PLGOO/MLGOO)

The PLGOO/MLGOO is tasked to provide general administration and institution-building support to LGUs to strengthen local capacity for delivery of basic services. Every province has a PLGOO assigned. The Provincial Task-Force on Water Supply, Sewerage and Sanitation was headed by the DILG Provincial Action Officer assigned to the sector, but was disbanded when the Provincial Sector Planning Team (PSPF) was created.

#### 3) NEDA Regional Office and Regional Development Council

The organizations coordinate with DILG to establish the system for regional sector master planning and a monitoring system. Acting as Secretariat of the Regional Development Council, NEDA ensures that sector plans are consistent with regional and national priorities. It requires project proposals/plans and programs to be approved and endorsed by the Provincial Development Council (PDC) whose task is to incorporate, consolidate and prioritize municipal plans, programs and projects.

### (4) Water Districts (WDs)

A Water District is a local government corporation formed pursuant to Presidential Degree No.198, organized for the purpose of serving the water supply requirements of the residents within its franchise area. Technical and financial assistance (loans) are provided by LWUA to WDs. LWUA also exercises regulatory functions vis a vis the districts. A WD, to be self-sufficient, is operated in a business-like manner to generate enough revenue from its water sales. The income is used to meet operational expenses, debt service and reasonable reserves for contingencies.

(5) Barangay Waterworks and Sanitation Associations/Rural Waterworks and sanitation Associations (BWSAs/RWSAs)

A BWSA is an organization of water supply and sanitation beneficiaries in a barangay whose objective is to own, operate and maintain the water systems. RA 6716 requires its formation to ensure the provision of adequate, potable and accessible water supply to its members through proper operation and maintenance of the Level I facilities. The organizational size depends on the number of facilities, need, culture and situation in a particular barangay, but the structure is quite simple as consisted of the board of directors, book-keeper and caretaker/s. The formation activities of the BWSA are divided into three phases: pre-formation/social preparation, formation and post formation. During the formation phase, pre-membership training and election of BDO and Officers are held. In this phase, individual member interest and community commitment are manifested through application for membership in the association and signing of Manifesto Resolution. RWSAs are organized to operate, manage and maintain Level-II and small Level-III systems, which are not covered by Water Districts.

(6) Other concerns

1) Provincial Development Council (PDC)

The main function of the PDC is to formulate a long term, medium term and annual socio-economic development plan and policies as well as investment program of the province. The PDC is headed by the Governor and is composed of the following: Representative of the Congressman, Chairman of Sangguniang Panlalawigan's Committee on Appropriations; municipal mayors, representatives from NGOs, present of the Association of Barangay Captains, President of the Councilors League and the Sangguniang Kabataan President (refer to 5.5, Data report).

2) Private Sector

The private sector has been involved in water supply development in the form of investments, technical studies and construction of water supply and sanitation facilities. The NGOs have also demonstrated capability to undertake project development and implementation with community participation.

## 5.6 External Support Agencies Active in the Sector

(1) Multilateral Agencies

The World Bank supported the *First Water supply, Sewerage and Sanitation Sector Pro-*



ject or FW4SP. This project provided capital funds (US\$58.0M) for rural water supply in Luzon provinces and sanitation nationwide based on completed provincial master plans. The project concept called for a community based approach through BWSAs. The project was implemented from 1991 to 1995 (finally extended up to 1997), and following this project Capacity Enhancement Program (CEP) with DILG as implementing agency was conducted until the end of 1997. In addition, the Bank prepared a new loan for DILG implementation. It is the *Local Government Urban Water Supply & Sanitation Project* to assist municipalities of the lower tier income class i.e. 4th, 5th, and 6th (approximately 50 municipalities in the 20 provinces nationwide), which are not covered by water districts: to improve water supply and sanitation services. Through its various trust fund facilities, the bank has also arranged for various technical assistance grants and other support activities.

The Asian Development Bank (ADB) currently provides an assistance for the *Rural Water Supply and Sanitation Sector Project or RW3SP*. The project is aiming to improve poor situation of water supply and sanitation of the 20 Social Reform Agenda (SRA) priority provinces located in Luzon, Visayas, and Mindanao. The project consists of two parts, one is the institutional development and another is construction/rehabilitation of water supply and sanitation facilities. The total project cost is estimated at \$57.4 million equivalent, including a foreign exchange component of \$20.0 million and a local cost component of \$37.4 million equivalent. Implementation period is scheduled from 1997 to 2001.

UNDP assists the *Institution Building for Decentralized Implementation of Community-Managed Water Supply and Sanitation Project or IBWSSP* known as UNDP PH/93/010 Project under the Fifth Country Program (1994-1997), which directly responds to the Poverty Alleviation Program. In this project, UNDP provides assistance in strengthening the institution involved in the delivery of water supply and sanitation services with emphasis on support to local government units, NGOs, and communities through the BWSAs. The project will complement earlier efforts by UNDP through the UNDP/World Bank Water and Sanitation Program to promote appropriate cost effective technologies in water and sanitation and to improve training capacity of the sector. The project covered the Provinces of Agusan Del Sur, Apayao, Capiz, Cotabato, Kakinaga, Surigao del Sur and Zamboanga del Sur, and 180 sub-projects were implemented in the objective areas during implementation period 1994-1997.

The United Nations Children's Fund (UNICEF) supports the sector through the *Philippi-*

*nes Plan of Action for Children.* Apart from hardware support in priority project site, UNICEF assisted NEDA in updating of the national master plan. UNICEF works through the inter-agency committee on environmental health and through NGOs. With the World Health Organization (WHO), UNICEF has been assisting in the preparation of the *Information, Education and Communication (IEC)* materials and in strengthening the sector monitoring system. As a part of these various assistance, UNICEF supported in 1997 the NEDA in the assessment of *WATSAN Sector of Southern Mindanao.* This was compelled from the sudden and unexpected occurrence of water-borne epidemics that hit Region XI.

## (2) Bilateral Agencies

The Japan International Cooperation Agency (JICA) has been extending grant aid program for the *Rural Environmental Sanitation Project*, jointly implemented by DPWH and DOH. The project covered construction of Level I and II rural water systems and school toilet facilities in the ten (10) provinces. With DPWH, rural water supply systems were constructed at the evacuation centers for the Pinatubo refugees. JICA also supported the ground water development study in Cavite province (with LWUA) and the institutional development activities for MWSS. The PW4SPs for the nine (9) provinces in Luzon area were completed through previous technical cooperation

The Overseas Economic Cooperation Fund (OECF) provided financial assistance for the RWS IV project. It provided a loan up to Y 5.08B, while counterpart fund was P 400M. The project covered construction / rehabilitation of Level I systems, construction of workshop buildings and procurement of various equipment. OECF has been supporting the Provincial Cities Water Supply Project of LWUA and the Angat Water Supply Optimization Project of MWSS.

DILG requested OECF last year to provide a loan for the *Water Supply and Sanitation Project (WSSP)* for the 6 provinces (based on JICA assisted PW4SPs). The project will achieve additional service coverage both for water supply and sanitation: 549,100 persons with water supply, 9,579 households provided with latrines, 18,750 students with 375 school toilets and 72 public toilets.

The Australian International Development Assistance Bureau (AIDAB) supported the *Central Visayas Water and Sanitation Project* through a \$ 14.65M grant. The project was implemented by the LGUs and the Regional Development Council. Project components include: planning and monitoring information systems; infrastructure planning and rehabilitation; and institution building with an emphasis on community management based on

experience from other AIDAB-funded projects. The project period was extended until 1997.

Canadian International Development Agency (CIDA) carried out Pre-Feasibility Study of *Malalag Bay Alliance Water Supply Project*, until March 1998, covering 10 coastal municipalities. The project included water source development, construction of storage, transmission and distribution facilities, and service connections. Basic construction costs will be allocated between MBA and municipalities. Implementation period was scheduled from 1998 to 2002. The Malalag Bay Area Development Office will submit a proposal for assistance to CIDA through Regional Management Committee of NEDA Region XI office.

Terms and conditions, priority areas, programs and projects by donor are shown in Table 5.6.1, Supporting Report.

## **5.7 Project Management Arrangement, and Issues and Problems**

With reference to project management of the Province, current policies and practices in the implementation of WATSAN projects were investigated. The findings are discussed in terms of technical, institutional, financial and community development aspects. Problems/issues are also discussed therefrom by sub-component. Current conditions of the municipalities investigated are referred to. Furthermore, some of the discussion items covered sector management field.

### **5.7.1 Technical Aspect**

#### **(1) Project Identification and Prioritization**

##### **1) Project conceptualization and series of procedures to select project**

Annually, the provincial government conducts project identification and prioritization based on perceived needs. The PPDO conducts fieldwork to identify project needs through a series of meetings with barangay people/officials. Then, they conduct the required survey in the possible barangays where the projects may be introduced.

Of the selected barangays, some barangay councils submit barangay resolutions on the project/s to the municipality requesting project/s. The project proposal/s are incorporated in the municipal development plan. The Municipal Development Council (MDC) through its four sectoral committees reviews and gives recommendations for

endorsement. The MDC endorses it to the Sangguniang Bayan (SB) for adoption and approval and has it endorsed to the Provincial Development Council (PDC) for appropriate action.

The PDC, before incorporating it into the provincial development plan, through its sectoral committee, endorses the municipal development plan for consideration and prioritization. The PDC then endorses it to the Sangguniang Panlalawigan (SP) for adoption and approval and appropriate funds.

Before actual implementation starts, only barangay/s selected are informed that the requested project/s were approved and funded.

2) Concerned parties/people in the sector and their respective activities

The barangay people/officials are aware of the project needs and their roles through a series of meetings and by assisting in the survey, and identifying the project/s. The barangay council prepares and submits the resolution requesting the project to the municipality.

At the municipal level, the MDC through its four sectoral committees, the Macro, Economic, Social and Infrastructure Committees, reviews and gives recommendations to the plan and endorses it to the SB, and further to the PDC. The MDC is composed of the Municipal Mayor, one SB member, all barangay chairmen and from accredited NGO which consist 25% of the total membership. The SB member is the chairman of the committee on appropriation of the SB.

At provincial level, likewise, the PDC sectoral committee (composed of line agencies, national agencies, accredited NGO and Municipal Mayors) endorses the provincial development plan (incorporating the municipal development plan of the different municipalities) to the PDC for consideration. The PDC deliberates the documents and if these are in order, then endorses to the SP for adoption and approval and appropriation of funds.

3) Priority criteria for selection of the projects

Selection criteria are based on the indicators prepared by the NEDA regional office, which serve to identify a) the existence of problems adversely affecting the achievement of certain development objects; and/or b) the perception of certain development potentials.

4) **Technical considerations applied for identification and prioritization**

Technically, the barangay profile survey is conducted. The barangay profile includes technical matters regarding water supply and toilet facility fabrication: brief description of water sources, etc.

To further promote sustainability of the project, it is essential to involve the people, especially for Level I water supply, starting from demand identification and the basic survey stage. Accordingly, a simplified mechanism showing responsibilities and activities required among concerned parties is necessary. A periodic follow-up by LGUs at the barangays is important also to ensure logistic support and manpower requirements of the LGUs.

After submission of projects request by the barangay, a series of procedures including identification, validation and prioritization is required by the concerned LGUs. These resulted in considerable time being consumed to finalize the funding. The LGUs must seek a more simple and systematic procedure.

With reference to the implementation of medium-term target plan, review and modification of selection/prioritization criteria shall be made by LGUs considering said barangay profile. The LGUs together with barangay people shall prepare the requirements including barangay profile in an expeditious manner (refer to UNDP assisted project) as part of annual activities.

(2) **Preparation of Feasibility Studies (F/S) and Detailed Design (D/D) of Facilities, and Contract Procedures**

1) **Experience in master plan (M/P) preparation in any sector**

NEDA Regional Office of CARAGA region is currently preparing the Regional Master Plan (1998-2008). With reference to this activity, the staff of the PPDO is undertaking part of the M/P preparation, the portion of Surigao del Norte Province.

2) **Water source development experience in survey, planning and design of facilities**  
Throughout the implementation of WATSAN projects, the provincial government conducted water source development for both spring and ground water sources.

In case of spring development, technical-related information from barangay people is collected at first, which includes location of the untapped springs and discharge rate

during dry seasons. Then, the preliminary topographic survey (elevation and distance) is then conducted to prepared a hydraulic profile of transmission pipeline. For groundwater development, its technical feasibility is evaluated based on available technical data together with information from barangay and supported by field confirmation at the existing wells.

3) F/S of level I, II and III systems

The F/S for the development of Level II and III systems was usually done by the PEO / PPDO. In addition to the preliminary study on the said water source development, water production and the water demand are set up to comply with the project needs. Tentative locations of communal faucets are also set up in Level II system. Hydraulic profile (pipe size, length) and size of intake box / reservoirs are determined referring to the materials prepared through ITN / DILG training seminar. BWP design standards are also applied by the case. Finally, a cost estimate is made for the required facilities. Then, the F/S report is submitted to PPDC for evaluation and recommendations before approval.

4) Detailed Design (D/D) of facilities and tendering

The D/D of WATSAN facilities is also prepared by the PEO/PPDO based on the F/S report within available budget. Designs of pipeline and structure are based on the standard design prepared by BWP, while well design is from DPWH design standard. However, they have no experience in planning and designing large waterworks facilities including pumping station/water treatment facilities.

The provincial office, likewise, does not have any experience in contracting-out to the local private sectors for facility construction. However, it has experience in the procurement of materials, such as cement, sand, reinforced bar and fittings.

Knowledge/practice not only in hydraulic analysis but also in structural calculation and water treatment technology may be necessary. Thus, measures to increase the capacity of LGUs' technical staff in planning and designing shall be sought. Utilization of consulting services shall also be taken into account.

(3) Procurement of Materials and Equipment, and Facility Construction and Rehabilitation

1) Experiences in force account work for construction of facilities

Some of the materials for WATSAN projects have been procured. Terms of reference for the procurement are prepared by the PPDO and bid documents by the PGSO.

After bidding the PA issued purchase orders and the procurement is processed by the PGSO. Likewise, consultancy contracts are executed through bidding.

Huge amount of work will be required for the implementation of medium-term development plan including the preparation of the required tender documents, evaluation of pre-qualification documents and contract procedure. Furthermore, with the present limited volume of the work/projects, the procurement procedure requires a longer process, which always affects project implementation. The provincial government shall examine the current procurement system to handle/manage the forthcoming projects.

## 2) Construction, Supervision and Rehabilitation

Construction of WATSAN facilities is usually done by the LGUs, either by the municipal or provincial offices. The barangay council and the users mobilize labor. The MPDO and MEO manage project implementation by hiring skilled labors. The Research, Evaluation & Statistics division of PPDO conducts monitoring of the project.

In spite of the LGUs' efforts, their present implementation capability is limited to a certain number of projects, due to insufficiency of manpower resources as well as shortage of supporting vehicles/equipment. Contracting-out to the private sector may be practical. At the same time, it is necessary to increase the number of experienced water supply engineers for coordination and supervision of the future projects.

With regards to rehabilitation of the Level I facilities, some works have been conducted by employing skilled labor, only upon request from waterworks/beneficiaries, however, it was not done timely, due to budgetary constraints. Thus, strategy and concrete implementation mechanisms among concerned parties have to be established.

## (4) Operation and Maintenance (O&M) of Facilities

### 1) O&M of facilities by service level

For Level I facilities, the BWSAs or beneficiaries undertake the responsibility of O & M, however, this is almost negligible. It can be gleaned from the presence of numerous non-functioning/abandoned wells constructed by DPWH. These arise from lack of spare parts, drying up of water sources and water quality problems such as colored water, salty water, etc. In some cases, they encountered problems related to water sources just a few months after turnover of the facility. Once again, the beneficiaries use their privately dug wells.

Generally, O&M of level I facilities is not properly conducted by BWSAs/beneficiaries because of lack of sense of ownership. Nonetheless, there is the case where users contributed money towards the purchase of spare parts when pump facilities broke down. It is necessary for the users to consider not only repair/replacement of mechanical parts in its operation but also re-development of wells and future upgrading of the service level.

On the other hand, Level II and III system, rather small in size, are managed by RWSA / municipal / provincial government. The required staff (permanent / casual) are designated to operate/maintain the facilities. However, there are some cases where expansion of distribution pipelines and additional service connections are undertaken without due consideration on the technical aspects, e.g., capacities of water sources and distribution facilities. Thus, F/S and D/D shall be timely prepared by the qualified engineer/s to avoid the decrease of supply pressure and quantity. The shortage of major spare parts stored/furnished, due to budgetary constraints is also a problem in maintaining the system (preventive maintenance).

2) Communication mechanism practiced in case of facility breakdown

In case where major repairs are required (non-functioning of hand pump parts, etc. for Level I), the BWSA or barangay council presents a resolution to the municipality / DEO - DPWH requesting for its immediate repair. However, most BWSAs have no communication mechanism. Majority of the BWSAs have no idea of the manner of communication with LGUs or private sector in case of major facility break down, and the request for repair is sometimes improperly addressed. An authorized system shall be prepared and put it into practice.

Meanwhile, for major repair of Level II and III (burst pipe/leakage), the permanent / casual staff takes action to restore / repair. In case they are short in budget, the waterworks/RWSAs submit a request letter for funding to the municipal/provincial government concerned. In areas where RWSAs are not active, the barangay captain submits a request letter to the concerned agencies, or directly to the provincial government. Under the LGC, the LGUs shall seek for responsible systems for sustainable O&M.

(5) Water Quality Examination

- 1) Water quality examination is only conducted on bacteriological content and does not



include physical and chemical parameters. The rural Sanitary Inspector (RSI) of MHO conducts the sampling. Frequency of sampling and disinfection is as follows: for Level I -- once every three months; Level II -- once every two months; and Level III -- monthly one sample. Private wells are also sampled and analyzed, and if found positive, it is either disinfected by the RSI or the SSI of PHO.

The laboratory shall increase water quality parameters (physical and chemical) necessary to determine the potability of water as indicated in the National Drinking Water Standards. In addition, a regular program of disinfection for all level of services is necessary, not only the occasions when the source is found positive.

2) Capacity of laboratory

Collected samples are analyzed at the provincial laboratory. The analysis of the samples is scheduled according to the limited capacity in both facilities and manpower. The sampling in municipalities is conducted only once a month with 3 to 4 samples per municipality. The laboratory can accommodate 10-14 samples per week coming from 3-4 municipalities. In this connection, adequate level of facilities, chemicals and manpower shall be sought.

3) Water quality condition

Water quality problems usually occur during floods. This is intensified with poor sanitation condition in most villages -- lack or inadequate toilet facilities, improper construction of depositories/latrines, lack of sludge/sullage disposal management, and absence of drainage facilities. Handling of samples to preserve them under fresh condition may also be a cause of positive results in E coli. For areas that are far from the laboratory, preservation of samples must be strictly followed to maintain the freshness of the sample.

4) Budgetary support

Although a budget of P 1.7 million from the 20% DF was released to the WATSAN sector during 1995 -1997, the provincial government paid very little attention to address the needs/requirements of this activity. (No supplies for disinfection from the LGU. PHO has had to source from DOH regional office, but these are limited and can hardly cope with disinfection of water supplies when epidemics start.) Meanwhile, there is a high incidence rate of water-borne/related diseases and the percentage of contaminated sources of drinking water remains very high. A requirement of proper allocation of budget for water quality surveillance is self-explanatory for the LGUs.

(6) Private Sector Capability for the Sector Project

The capability of existing local contractors required to WATSAN projects is very limited. Even considering the full utilization of local based contractors, qualified and experienced contractors as the main contractors shall be employed in view of the forthcoming projects with respect to technical requirements and project scale. These contractors usually have offices in large cities such as Davao, Cebu and Manila. It is necessary to prepare inventories on the available contractors, especially for well construction with required capacities for the project.

5.7.2 Institutional Aspect

(1) Linkages among Concerned Parties/Departments

The PPDO, a lead provincial office responsible in the implementation of WATSAN projects, works either directly or indirectly with national government local offices and municipalities as well as other provincial offices (refer to Table-5.7.1, Supporting Report).

There is no established arrangement and responsibility delineation among the agencies involved in the WATSAN sector implementation in the province wherein interrelationship/linkages are clearly shown. Administrative and functional linkages are not spelled out.

(2) Health and Hygiene Education with Typical Program

Due to shortage of financial support and manpower to the PHO, relevant activities are quite limited at the present time, unless it is a component of DOH/UNICEF/NGO projects/program. It is suggested to put more attention to the need by LGUs to ensure sustainable implementation of the sector development.

(3) Training

1) Planning and engineering for LGU staff

The central government agencies provided technical training on a project basis. The technical staff of PPDO/PEO/MPO applied the know-how obtained from the training in the preparation of planed and designs in WATSAN projects.

2) Institutional/community development/financial/gender specialists of LGU staff

WATSAN Trainers Training and Community Organizing Training/Workshop were provided by DILG-PMO. But, there is no experiences on gender related training.

3) Organizing the association at barangay level

The beneficiaries are provided with information on the association set-up before the construction starts. The manner is currently rather demand-driven and participatory by the beneficiaries compared to the previous supply-driven approach.

4) O&M for users

The provincial government has adopted the cascade approach in providing technical assistance (Province-Municipality-Barangay).

Although the central government agencies extended technical training to BWSAs/beneficiaries on the foreign assisted project basis, O&M of Level I facilities is commonly neglected. The fact that some barangay people are willing to undertake training for O&M of the facilities, effective program/s shall be implemented by LGUs to ensure demand-responsiveness with reference to community development.

### 5.7.3 Financial Aspect

(1) Budgetary Allocation to the Sector

The province appropriates its capital expenditures from the 20% DF of the IRA. The LGU may allocate more than 20% of the total IRA to capital projects with a condition that the income of the LGU from all sources (including IRA) must first be applied to the contractual and statutory obligations of the province. The Provincial Development Council (PDC) determines the allocation of the DF to the respective sectors in the province.

Due to the limited resources of the province, it has to prioritize projects for allocation of capital in the budget. The GOP recently issued an administrative order directing all government agencies, government corporations and units (including LGUs) to implement austerity measures, limit government spending and cut capital outlays to inhibit the negative effect of the peso devaluation. In view of the high social impact of the sector, the province, nevertheless, prioritizes allocation of funding to the sector.

The budgetary allocation for the sector is included in the reported 20% DF and in other items unless the waterworks is an economic enterprise of the LGU. In evaluating the capacity of the province in terms of financial capability, there is no database on the budgetary allocation at present. This can be remedied by computerizing the system for easy access of the information.

(2) Access to External Funds

- 1) The province has experienced accessing external funds from foreign donors. One of its projects is the DOI-Philippine Health for Development Project (PHDP) funded by the World Bank. This was poorly implemented due to lack of funds. Although the project lacked funds, the people continued the work even after the project was finished. The Community Organizer was paid by the NGO - World Vision, Dismacphil (religious organizations).
- 2) Another foreign-assisted project was the Barangay Water Project (BWP) funded by USAID. UNICEF also funded WATSAN projects in the province for the past 10 years.
- 3) Other funding sources availed of by the province are: DILG-Poverty Alleviation Fund (PAF), PREMIUMED and ESF, conduits of World Bank and USAID funds, respectively, and from the private sector, BOT/Joint Venture for road construction/buildings. The province is still repaying the loans from PREMIUMED and ESF.
- 4) The province's-experience in BOT scheme: build-transfer where the contractor uses his own funds and builds first, then the Province (LGU) reimburses the capital invested by the contractor, either in one full payment after one year or in staggered releases. Projects undertaken under BT scheme were buildings and road construction.
- 5) The Province is presently trying to access through MDF. There is a proposed project, the Lake Mainit IAD to be availed through OECF loan package through MDF. This is an LGU-initiated project comprising of economic enterprises, infrastructure and social projects. It is jointly proposed with the province of Agusan del Norte. Four municipalities from Surigao del Norte along Lake Mainit will benefit (Alegria, Mainit, Tubod and Sison).

(3) Cost Recovery Practices by LGUs and by Users

There was one situation where the barangay beneficiaries turned down a project because it required full cost recovery of the facilities at interest rate of about 10% to 12%. The people do not want to get a loan (with such terms) to finance its water supply facilities. The PPDO through its Provincial Task Force organized RWSAs to ensure cost recovery practices for water supply facilities are in place.

Cost recovery on capital cost for the Sector is dependent on how the community or the

clientile perceives their role in the Sector. To the extent that the beneficiaries experience a sense of ownership for the facilities, will they contribute to the sustainability of the facilities. In the case of capital expenditures, provision of counterpart from the beneficiaries in terms of labor would help in giving the beneficiaries a sense of ownership for the facilities and hence, a sense of responsibility for the sustainability of the system.

Similarly, in the O&M cost recovery, the extent that the beneficiaries contribute to the sustainability of the water supply facilities, through monthly contributions, is the extent of ownership and hence, responsibility towards the system determined. To this ultimate objective should government initiate community empowerment through active participation even at the construction period.

#### **5.7.4 Institutional Arrangements/Capability of the Municipal Government**

The municipalities are responsible for the implementation of infrastructure facilities to service the needs of the residents of the municipality. As for WATSAN project, when the barangay is not able to finance the project from its own funds; the BDC then endorses the project to the municipality. The municipality finance said project, if fund available, usually by providing technical and material support. In case the municipality is not able to finance it, the project is once again endorsed to the province.

The municipality, through the MPDO, prepares municipal development plans and formulates an integrated economic, social and physical development plan. It identifies and prioritizes water projects and secures for funding support. MEO provides technical services including investigation and survey, engineering designs, feasibility studies and project management. It is primarily responsible for the organization and training of the BWSAs within the administrative boundary.

### **5.8 Community Development**

#### **5.8.1 General**

This section presents the current status or the existing condition for community development (CD) in the Province of Surigao del Norte for the WATSAN sector from the side of the government, on one hand; and the point of view of the people and the communities served, on the other. Thus, it traces the development of CD through policy measures promulgated and/or enacted on the national level and shows how CD has filtered down to the local level.

The discussions are focused on the experience of the LGUs in performing CD work with reference to the typical manner through which the participation of the community is secured for the sector, whether these be Level I, Level II or Level III projects. The experience reveals the degree of readiness of the LGUs in doing CD work by examining the structures and linkages in place in the province that may either enhance or be an obstacle to the successful execution of sector projects. It also provides the true state of information, education and communication (IEC) processes in the province in so far as these relate to the supporting sector projects.

The valuable information were taken from the following: (1) The interviews undertaken with LGU officials during the study period; (2) The answers to the *CD/GAD Questionnaire* distributed to select provincial and municipal officials involved in sector development; (3) The *Result of the Barangay Key Informant Survey for Surigao del Norte*, a survey administered to the officials of the select local communities (details are referred to the Supporting Report); and (4) Other documents researched on and provided by the national, regional, provincial, municipal and barangay level offices.

The other major part of this section presents the different levels of community participation in sector projects as determined by the people or the beneficiaries themselves. As such, it reveals the type and degree of involvement of the people in past sector projects and whether or not this involvement was adequate. It also illustrates the manner through which the beneficiaries want to actively participate in future sector projects, thereby demonstrating the predisposition and willingness of the community to commit themselves to new development projects.

The responses of the beneficiaries to the information desired are gender sensitive and were derived from the following: (1) The "Result of the Group Interview Survey for Surigao del Norte" (details are referred to the Supporting Report); and (2) The "Result of the Barangay Key Informant Survey for Surigao del Norte"; and (3) The results of studies conducted on CD by the national/regional/provincial agencies.

Due to time limitation, only five barangays were made to participate in the key informant survey and two for the group interviews; but the results of the key informant survey and group interviews are highly indicative of the situation prevailing in the entire province in so far as participatory community development is concerned on both the government's point of view and the side of the community. The current CD status is not without its share of problems; but this is exactly the purpose of the study, that is, to improve the WATSAN sector's perfor-

mance by plugging all leaks that may get in the way of the successful implementation of sector projects, CD included.

### **5.8.2 Provincial CD Structure and Linkages for WATSAN Sector Projects**

The 1987 Philippine Constitution recognizes and mandates the participation of every Filipino in attaining overall national development. Thus, community development is utilized as a national strategy and has been adopted in the Medium Term Philippine Development Plan-1993-1998 (MTPDP) and the Updated MTPDP (1996-1998) to address the country's problems of poverty and unemployment. As a general policy, the Plan gives the greater masses of the people a voice in charting and implementing programs in the country while encouraging the collaboration of the private sector, non-government organizations and all other sectors of society in the formulation and implementation of plans, policies and programs supportive of the development goals of the country.

The Philippine National Development Plan: Directions for the 21<sup>st</sup> Century which was released early 1998 gives more focus to building the capacities of communities for self-reliance. By recognizing the people's self-dignity and inherent capacity to improve their own lives, community-based approaches will be utilized when delivering basic services to the people. Towards this end, a development planning system that institutionalizes the bottom-up planning process was adopted.

In the 1980s up to the early 1990s, the province was a recipient of two major government WATSAN projects. One was the Barangay Water Program (BWP), a component of the UNICEF-funded "Food for the World" Project under which BWSAs and RWSAs were organized with the users-beneficiaries as members. The other was the "First Water Supply, Sanitation and Sewerage Sector Project (FW4SP) which required community mobilization and organizing prior to the project implementation. Considering that the barangay people are the target of benefits, all these projects had a CD component. Community participation, however, was limited to the associations' organization, the provision of free labor or the donation of materials by the beneficiaries during the construction phase of Levels I or II facilities.

Aside from sector projects, the province also gained invaluable experience in grassroots mobilization with the implementation of the Barangay Administration Program (BAP), covering 27 municipalities and 381 barangays and the Poverty Alleviation Fund Program (PAF), both of which are capability building programs aimed at bringing national program thrusts closer to the people. These projects are also gender sensitive.

As borne out from the results of the key informant survey and the group interviews, many of the WATSAN facilities built under the past sector programs are no longer operable; thus, even the associations have been inactive for some time now. These facilities were not properly maintained because the water fees collected were not enough to cover for O&M. Also, there was not enough training in repair and maintenance work since the formation of the association was done with little consultation.

The need, therefore, for better and more effective CD processes has been given due recognition by the LGUs. In fact, the barangays have installed a data board that lists what needs are met or unmet (most basic needs or MBN), that assists both the people and the planners on what is top priority in the minds of the beneficiaries themselves.

The Provincial Technical Working Group, with the PPDC as the chairman, acts as the task force for all water supply and sanitation projects. Although there is no new WATSAN project being undertaken in the province right now, other on-going concerns give the province some basis for implementing projects with participatory community development as well as gender-responsive approaches.

### **5.8.3 Assignment of CD Specialist to Sector Projects**

While a CD Unit was established within the PPDO and a staff member assigned to handle CD work for sector-related projects on a concurrent basis, this unit is not operating due to the lack of manpower and plantilla position. The province believes in the appropriateness of having a full-time community development specialist who would undertake actual CD work as well as train municipal counterparts in this activity because there is no such expertise existing in the LGUs as of the present time.

This apparent lack of identified major responsible players on CD in the LGUs creates a serious gap to the critical linkage and support of sector projects, from the provincial to the municipal and as far down as the barangay levels. Firstly, there is no CD framework in place and no permanent structure within the LGUs that serve guideposts in doing CD work, except for the manner/experience of the BWP and past sector programs.

This leads to the second situation. CD work, to be successful, is a continuous and consistent undertaking. Without a CD framework, a permanent structure or identified responsible peo-



ple for said undertaking, then any CD work started cannot prosper to its successful completion.

The third condition is really a question of whether the provincial and municipal officials are cognizant of and committed to the true importance of CD as a foundation activity for sustainable sector projects. This awareness on the importance of CD must be translated to giving full support -- financial, human and material -- to sector projects in their entirety.

#### 5.8.4 Training on CD

Various sector-related community development training programs were participated in by the provincial/municipal level staff, as follows:

- 1) *Social Mobilization Orientation Course*, conducted in September 1994 by the National Economic Development Authority (NEDA) Regional X
- 2) *Community Organizing Training and Vision Setting*, conducted in 1992 by the World Vision Staff in coordination with the IPIHO and PHDP
- 3) *Pre-Selection Training in Community Organizing*, conducted in 1992 by the World Vision Staff.
- 4) *Training on FWASP Community Organizing Strategy* conducted in September 1982 by the Department of Health
- 5) *Training on International Drinking Water Supply and Sanitation Decade Goals and Strategies and Implementing Guidelines*, conducted in 1981 by the DOH

Water district personnel also attended various training and seminars conducted by the Local Water Utilities Administration (LWUA) and other private training institutes focused on administrative, financial and technical aspects of Level III water supply systems. The varied skills that WD staff learned can also be applicable to small systems and therefore can be replicated or transferred to BWSA/RWSA personnel.

### 5.8.5 Utilization of NGOs

Non-government organizations, community-based organizations and people's organizations have been doing work in the province for a number of years now. Many of these are regularly tapped to assist the LGUs in their various development projects.

This fact has been validated from the results of both the barangay and group surveys where people were familiar and comfortable with the work of NGOs, CBOs and POs. Some of these organizations obviously possess the necessary skills in community development work and can be tapped for the WATSAN sector. (refer to Supporting Report for the list of NGOs and CBOs in Surigao del Norte.)

### 5.8.6 Existing Community Development Processes

#### (1) Manner of Participation in Sector Development

The efforts of the LGUs in encouraging community participation for sector projects were generally confined to the organization of BWSAs for Level I systems, RWSAs for Level II systems and water districts or LGU waterworks for Level III system or combination of a Level II and Level III system. Once formed, the organized BWSA, RWSA, LGU-WS and WD became responsible for soliciting the participation and involvement of the users-beneficiaries in ensuring the sustainability of the WATSAN organization and its various projects and activities.

For the BWSA/RWSA, the users' participation was in the provision of free labor right-of-way, land contribution and donation/contribution of other materials needed during the construction phase of the project. Left to the central and local government planners was the responsibility for the other stages of project development such as planning and design, monitoring and evaluation which included activities as project identification, site selection, water rate setting, and operation and maintenance. As a result, only a few BWSA/RWSA are in operation because facilities have not been properly maintained and very few users continue to pay their water fees.

The central and local government planners should, therefore, look for proper opportunities in opening formal or informal avenues that would allow the beneficiary communities more freedom in presenting their own ideas as well as in doing what they feel is in the best interest of the sector. This would greatly enhance the manner and quality of the users' participation in the sector.

At the barangay level, most of the BDCs have a committee on water and sanitation that can initiate the formation of a WATSAN association. In a survey among the barangay officials and other community heads, it was found out that the barangay councils without BWSAs/RWSAs are willing to form a WATSAN association in their respective areas. All the barangay councils are also willing to pay for the training of volunteers on the operation and maintenance of constructed facilities.

As indicated in the group interviews, the local residents indicated no knowledge of the existence/operation of any WATSAN association in their communities. In spite of this, a positive factor for this study is the eagerness by which the men and women have overwhelmingly indicated in playing a more dynamic role in sector projects. Most were willing to contribute free labor as a manifestation of their future active involvement with any WATSAN organization to be formed. The others volunteered to contribute cash while others indicated their willingness to provide free labor for the repair and maintenance works. The interviewees also revealed they are already primed to assume higher responsibilities in managing, operating and maintaining the WATSAN facilities.

Located in provincial urban centers, water districts generally practice participatory community development. Users-beneficiaries are consulted on practically all phases of project development -- from the start of the water district's operation, before loans to be contracted, and before water rates are set and/or adjusted. Maintenance of the WATSAN facilities before the water meter, however, remains the responsibility of the water district.

## (2) Typical CD Work

The typical community development work of the province on WATSAN-related projects is a carry over from the manner it was done in past sector programs. This includes the formation of the water supply and sanitation association that follow the general guidelines set forth by the government such as project orientation at the barangay level and the conduct of trainings participated in by members of the beneficiary community.

At the municipal level, the CD works are best applied on the campaign for use of sanitary toilets, garbage and liquid disposal, water source and storage disinfection, and campaign for sanitation of food establishments specifically in the issuance of health certificates to food handlers.

In Surigao City, the CD work entails advocacy among the barangay leaders and decision-makers in both public and private organizations to undertake policy and operational programs focusing on the improvement of the socio-economic status of the people. The city also adopts the bottom-up approach in mobilizing the community. At the same time, it provides up-to-date, innovative information to the communities.

One of the provinces under this sector study, Agusan del Sur, has been implementing a typical CD process that has been the result of a recent UNDP study (refer to Supporting Report for the Detailed CD Process of Agusan del Sur).

In forming the water districts, LWUA, in coordination with the LGUs concerned, conducts a series of sectoral consultations with the community. Since water districts are formed at the option of the LGU, LWUA first consults the people, through a succession of public hearings, to arrive a consensus on whether or not to form the water district. LWUA also encourages the community to participate in the selection of the WDs' five-man board of directors, who are nominated from various sectors. Once formed and operating, the water district conducts regular dialogues with its concessionaires on various issues such as water rates formulation/adjustment, expansion program and other matters that may affect the people-WD relationship.

#### **5.8.7 Information, Education and Communication (IEC) As Foundation Activities for Community Development**

A comprehensive, well-planned and executed IEC program on the sector informs and educates the people on the value of water, the benefits derived from good health and sanitation and on the programs and activities of government on the sector. This provides the proper media and venue for a sustaining mechanism to promote free, open, two-way exchange of information and communication at all times.

The province has no existing comprehensive IEC program on sector plans and programs in order to gain the support of various publics. Efforts are minimal, unplanned and unsystematic. In 1997, the PHO, in coordination with the LGUs, Department of agriculture, DOH and Department of Social Welfare and Development, implemented a gender-responsive health and sanitation education program. The program, under its food sanitation campaign program, mainly involves the conduct of training among the province's food handlers. No other media of communication is being utilized in disseminating information on the community on sector policies, opportunities and programs.

The municipalities and the barangays likewise do not have existing IEC program to generate community participation on sector projects nor do they have any funds appropriated for the purpose. Dissemination of information on sector issues and development is limited to discussions at health centers mostly between health workers and mothers. During barangay council meetings, sector information is only discussed when there are new government programs and the barangay is a recipient of such program.

In general, water districts (WDs) implement a systematic and comprehensive IEC program. Most WDs produce printed information materials such as newsletters, leaflets and posters that are disseminated to the concessionaires. Regular press releases on WD development issues are submitted to local newspapers. There are some WDs that sponsor radio programs while others conduct regular dialogues with the community. Those that do not possess enough expertise are assisted by bigger WDs within the province/region (the concept of Godfather Water District) or by the Public Affairs Office of LWUA. A region-wide Water Information Network has been established with all WDs as members. This network undertakes a regular public information drive and helps smaller WDs to disseminate information.

#### **5.8.8 Health and Hygiene Education**

On matters relating to health and hygiene education, the province does not have its own program. The Provincial Health Office (PHO) implements national programs of the Department of Health (DOH) which has a more organized IEC program planned at the central government level, and executed by their local offices. One of these programs is the Environmental Sanitation program that aims to educate the entire community on the need and benefits of clean water, food and sanitation facilities. Aside from the PHO, the municipal health office, the rural health units and the barangay health units are active disseminators of health and sanitation information.

The result of the group interviews revealed that the people recognize the importance of good health and hygiene practices. Most of them learned about health and sanitation matters from varied sources such as the schools, health clinics/hospitals, from health workers, friends and relatives and from newspapers, radio and television.

## 5.9 Gender

### 5.9.1 General

This chapter presents the current status or the existing condition for gender and development in the Province of Surigao del Norte for the WATSAN sector from the side of the government, on one hand; and the point of view of the people and the communities served, on the other. As such, it elucidates on the evolvement of gender policies on the national level and shows how these have filtered down to the local level where gender responsive planning has become a requirement for all development efforts on the WATSAN sector. It also reveals the extent of the awareness that the people and/or beneficiary communities have on gender matters as seen through their participation in past sector projects as well as their perceived participation in future projects.

Gender-related information were taken from the following: (1) The interviews undertaken with LGU officials during the study period; (2) The answers to the "CD/GAD Questionnaire" distributed to select provincial and municipal officials involved in sector development; (3) The "Result of the Barangay Key Informant Survey for Surigao del Norte" administered to the officials of the select local communities; and (4) The "Result of the Group Interviews for Surigao del Norte" conducted at the barangay level; and (5) Other documents researched on and provided by the national, regional, provincial, municipal and barangay level offices.

### 5.9.2 The Evolution of Gender and Development

The 1987 Philippine Constitution recognizes and ensures the fundamental equality of women and men before the law and cites their respective roles in nation building. The National Commission on the Role of Filipino Women (NCRFW), established in 1975, ensures the integration of gender concerns in all aspects of the project development. In 1991, Republic Act 7192, better known as "Women in Development and Nation Building" was enacted to strengthen the mandate of the NCRFW. The Act called for the allocation of a substantial portion of the official development assistance funds from foreign governments and multilateral agencies to support programs and activities for women.

The adoption of the Philippine Plan for Gender Responsive Development (1995-2025) paved the way for full participation of women and men in planning and implementation of technology for infrastructure projects, including those in the water supply and sanitation sector. In 1995, the Office of the President issued Memorandum Order No. 282 directing various gov-

ernment training institutions to incorporate "Gender and Development (GAD) Concerns and Programs" in their respective curricula in order to further institutionalize gender and development programs. The General Appropriations Act of 1997 mandated all departments, offices and agencies to set aside a minimum amount of 5% out of their 1997 appropriations to be used for projects designed to address gender issues. The Local Government Code includes a provision giving political empowerment to women by creating sectoral seat for women to be elected in every local legislative assembly all over the country. To facilitate the whole process, a gender conscious system of data gathering, processing and generation has been established.

The significance of RA 7192 has started to gradually filter down to the LGU levels. DILG gives Gender Awareness Orientation and Training to its officials and employees, from the central down to the municipal level. The purpose for this is not only to establish a common awareness on gender, but also to recognize that they are catalysts of growth and development for LGUs. In compliance with the policies enunciated in RA 7192, all government departments and agencies were directed to revise, review all their regulations, circulars, issuance and procedures to remove any gender bias. Thus, recent projects that national government agencies have incorporated gender concepts including the projects from the water and sanitation sector.

The DILG implements gender responsive WATSAN projects. The DPWH implemented in 1991 the First Rural Water Supply and Sanitation Project which adopted the "Women in Development" (WID) approach aimed to create support mechanisms to enable women to surmount problems regarding water and sanitation thereby increasing their productivity efforts and giving them greater participation in decision-making. Most of the water and sanitation projects of the DOH are directed towards the improvement of women's health and physical condition as well as their social status in the community. As such, implementation of most health and sanitation projects, including water supply, utilizes the women's sector in the community.

### 5.9.3 The LGU and Gender

Gender and development is a component of the BAP that has been implemented in the province in the last four to five years. Here, the local officials (women and men), as well as the youth (young women and young men), are given continuing training to make them more aware of their responsibilities towards their own communities. In other words, there is no gender bias when it comes to the conduct or the type of training and in the selection of trainees for a particular training program.

As for gender sensitivity in the WATSAN sector, exposure of the LGUs comes mostly from health and hygiene projects where discussions on maternal and childcare are actively pursued. The PPDO and MDDO staffs, as well as the water district personnel revealed have yet to attend comprehensive training programs that may provide them with a better knowledge and understanding of planning and implementing WATSAN gender responsive projects.

### 5.9.4 Gender in WATSAN Sector Projects

#### (1) Gender Participation in Sector Development Projects

Since gender has not yet filtered down to sector projects in the province, a province-wide survey and an interview were undertaken to assess gender sensitivity of barangay officials and constituents in the roles of both men and women as well as their modes of participation in sector projects.

The respondents in the key informant survey were either an official of the barangay council, an official of the BWSA, or a recognized community leader. The purpose of the survey was to find out the degree and type of government assistance on the sector that cascades from the national government down to the barangay level.

In the five barangays surveyed for the key informant survey, the total number of barangay council members is 44. Of this number, 28 were males and 16 females. The barangay councils are still generally male-dominated, although in one barangay (Catangnan), women outnumbered men in the composition of the council. A female barangay captain headed only one barangay.

The respondents in the group interviews, on the other hand, were almost equal numbers of men and women in selected communities, the majority of whom belong to the 20-50 age



bracket. The education of most of the interviewees was in the elementary level with women outnumbering men at having attained education. The occupation of an overwhelming majority of the respondents is farming/fishing, with almost equal numbers of men and women engaged in this line of work.

The objectives of the group survey/interviews were to identify potential service population and service level desired by the community, to assess the degree of involvement of both men and women in planning, managing, operating and maintaining WATSAN projects, and the willingness and capacity to pay of potential users. The findings are:

On the formation/composition of the BWSA/RWSA/WD Board:

The boards of the three existing BWSAs/RWSAs are male-dominated. Of the 25 board members identified, 18 are males while 7 are females. To the women members were reserved the traditional roles, such as that of board secretary or treasurer. The majority of both the male and female respondents showed interest in becoming a member of a WATSAN association once it is formed and/or activated in their respective barangays. In this connection, the men indicated their willingness to participate in all phases of WATSAN development; while the women's participation does not include the construction phase of the project. However, both men and women are willing to contribute cash or in kind for the construction of their water supply and sanitation facilities.

There are five sectors represented in the water district's Board of Directors, one of which is the women's sector. More often than not, the educational sector almost always nominates/appoints a female educator.

On participation in WATSAN training:

Almost all the respondents said they did not attend nor were they aware of any association-related training program in 1997. However, the majority of male and female respondents indicated keen interest to attend in any WATSAN-related training program so long as this is limited to one to two days only.

On participation in health and hygiene:

Most of the male and female respondents equally recognized the importance of good health and hygiene practices. However, almost all the respondents except for two females have not attended any health and hygiene training program. Most women learned of health and hygiene practices from visits to health clinics and from the schools. Men got their information from mass media such as the newspapers and the radio. If given a

chance both men and women indicated interest in attending any training program on health and sanitation. It was found out that women were most afflicted with water-related diseases such as kidney infection and intestinal flu.

On participation in operation and maintenance:

Both the men and women believe that they can participate in operating and maintaining the WATSAN facilities. The men said that they could serve as officers of the association, do repair of facilities, or maintain the cleanliness of the facilities. The women said that they can either be association officers, water fee collectors, maintain the surroundings of the facilities as well as monitor if the facility is defective or not. The interviewees indicated that right now, it is the barangay council that does minor repairs of the water supply facilities.

## (2) Gender in Water Supply and Sanitation Practices

The same survey and interview results also indicated gender sensitivity in water supply and sanitation practices, as presented in the following findings:

### Responsibility in Fetching Water

The majority of the male and female respondents said that the men (the husband and/or eldest son) are still the ones responsible for hauling drinking water for family use. The majority of both male and female respondents indicated that families fetch drinking water only once a day taking about 10 minutes to fetch water from the source to their house. While it took longer, or 20 minutes for a few females to fetch water, the length of time cannot be, however, equated with actual distance.

Half of the male respondents felt there were problems with the current source; while the other half were uncertain. Most of the females, on the other hand, admitted having water source problems; with only a few not indicating any complaints on the current source.

## 5.10 Existing Project and Sector Monitoring

### (1) Sector Monitoring

The primary sources of sector data are the field office and staff of DPWH, DOH, LWUA, DILG and NSO. Other agencies, including NEDA and LGUs, use data from these agencies. Each of these agencies runs its own project and/or activity-monitoring system largely based on required reports of its field offices. Only the NSO gathers and assesses information nationwide on a regular basis as part of its Census on Population and Housing

(CPII). The CPII "long form", which includes "water supply", is administered on 10% of the households once every ten years, and "short form" every five years. Water and sanitation is not included in the short form.

## (2) Project Monitoring

Project monitoring has been conducted by different government levels depending on the characteristics of the project i.e., local funded or foreign assisted projects. However, only projects handled by the local offices of central government agencies are monitored, mainly focusing on physical accomplishments and capital expenditures of projects, by respective central government line agencies.

Monitoring activities under the Regional Development Council cover four components: Macro, Economic, Social welfare and Infrastructure. Monitoring report on foreign assisted infrastructure projects, including water supply project is submitted monthly from PPDO to the regional Office of DILG, while, the reports on other sectors and non-foreign assisted projects are submitted quarterly. The monitoring report submitted to the regional office of DILG is sent to the central government (NEDA) through RDC after compilation with other monitoring reports (by the secretariat of RDC). The central government agencies also report to the foreign assistance agencies such as ADB, WB, etc.

It was field confirmed at the NEDA Regional office that there are some foreign assisted projects directly provided to the regional office, such as grass root assistance with a limited amount. The NEDA is not involved in the occasion of signing with the foreign donor for such projects. However, the reporting on the project is usually made from regional office to the central office of NEDA. In this connection, the central office of NEDA sometimes overlooks the projects. It is necessary to establish data management system to monitor all related projects.

There are no differences in the current project monitoring systems at LGU level. Aside from local practices, the monitoring reports on foreign assisted projects are submitted to the concerned central government agencies through the regional offices.

The monitoring for WATSAN related projects are conducted under the Regional Monitoring and Evaluation System. The PPDO conducts monitoring from the start until completion of the project. Projects that are getting negative feedback and require validation and verification are closely monitored. The report covers status of implementation, finance, percentage of accomplishment and slippage/problems as well as evaluation and

countermeasure. Figure 5.10.1 shows an example of UNDP assisted project illustrating the linkages among concerned agencies.

Part of PPDO's function is to monitor projects to determine sectoral needs. PPDO can monitor big projects only because it does not have enough manpower to monitor all. There are only five (5) persons in PPDO doing monitoring for preparation of annual report. The manpower complement is limited by budgetary constraints. The MPDCs and Municipal Engineers gather reports.

Both in sector and project monitoring, the exchange of information between concerned agencies seems to be insufficient/not systematic, though there are opportunities to do so, such as through the periodic meetings done by the Regional Development Council. In addition, no data-management system causes not only increasing working burden in the monitoring but also wide dissatisfaction among project implementers themselves. Monitoring report preparation is seen as a nuisance to performing one's job, and is thus haphazardly done. This leads to the problem of reliability of information coming from the fields. A clear mechanism and data management system are required to authorize among relevant agencies.

**UNDP/PHI/93/010 PROJECT  
PARTICIPATORY MONITORING FEEDFORWARD  
AND FEEDBACK MANAGEMENT MECHANISM**

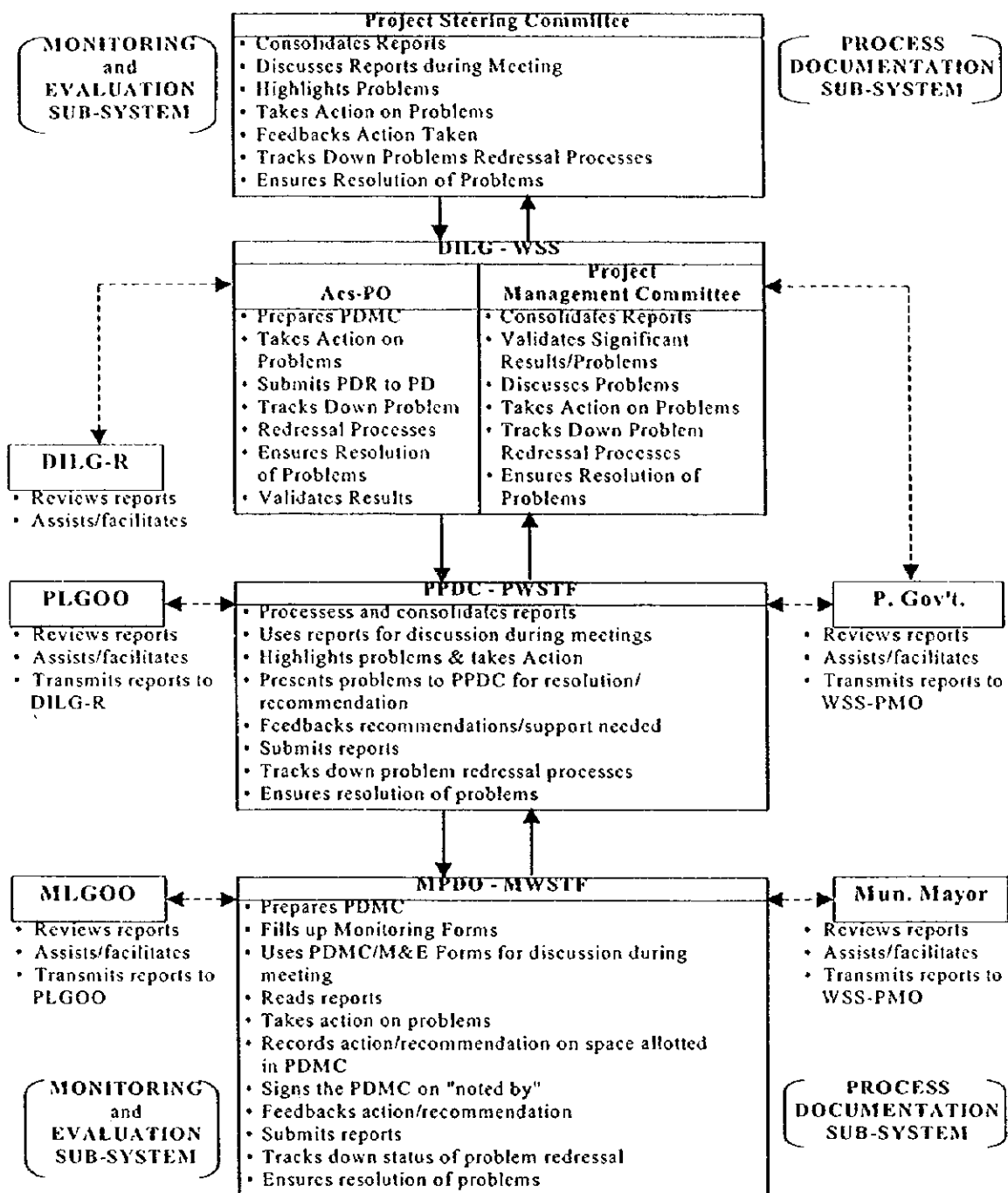


Figure 5.10.1

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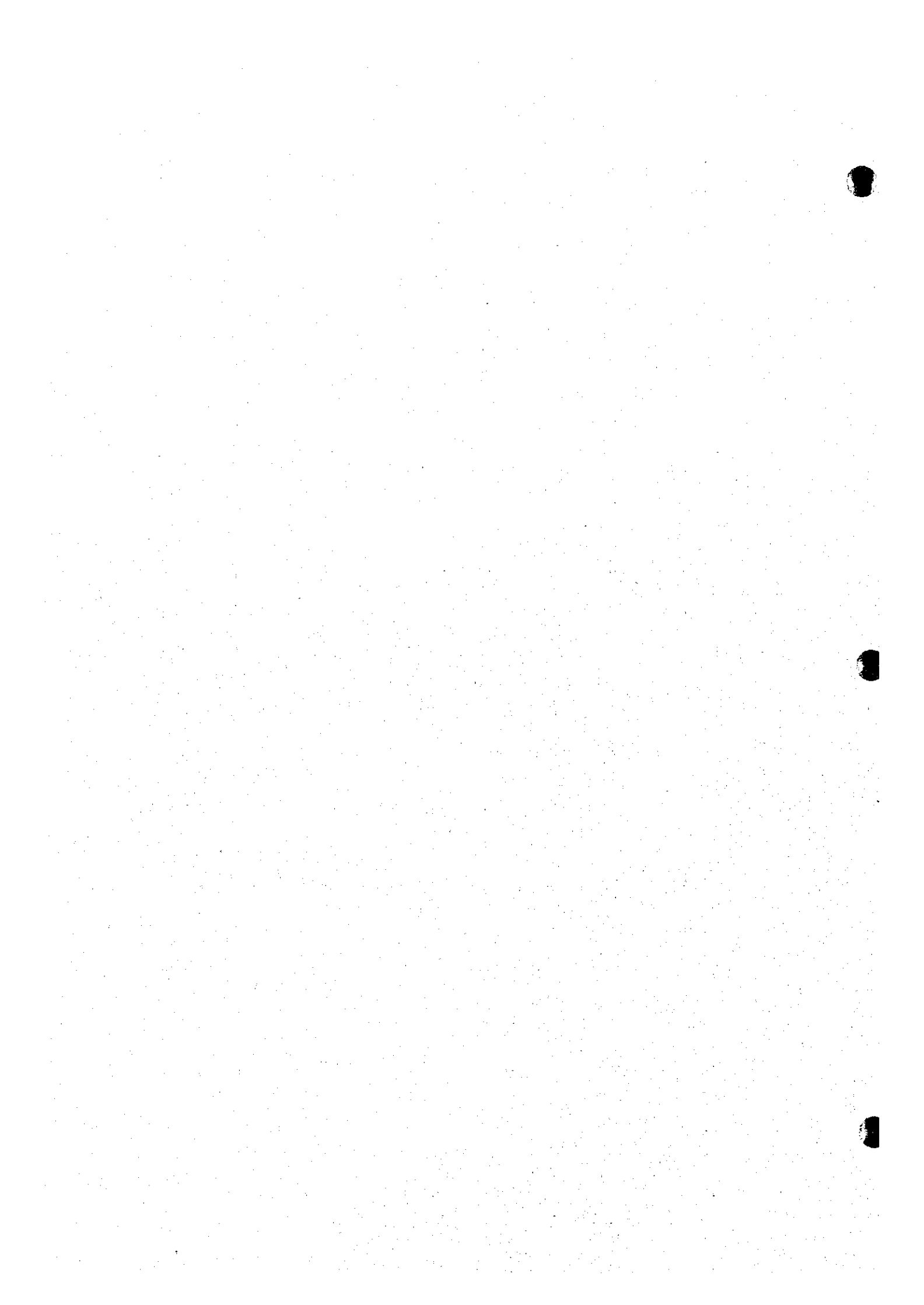
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Chapter

6

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**PAST FINANCIAL PERFORMANCE IN  
WATER SUPPLY AND SANITATION**





## **6. PAST FINANCIAL PERFORMANCE IN WATER SUPPLY AND SANITATION**

### **6.1 General**

Based on the Local Government Code of 1991 and NEDA Board Resolution No. 4 (1994), the locally funded programs and projects for the water supply and sanitation sector have been devolved from the central government agencies to the LGUs since 1992. However, the central government still retains its role of providing support to LGUs in the form of technical, institution-building and limited financial assistance.

The financial arrangements conducted, since the sector's devolution to the LGUs, by the province with a special attention to the subject sector are reviewed and discussed in this chapter. The past experience is the basis to seek for appropriate financial arrangements for the medium term development. The essential study components are: (1) LGUs' past financial performance; (2) past public investment and present plans; (3) LGUs' present financing sources and management participation in the sector, (4) existing practices by the LGUs on cost recovery and (5) affordability by users.

### **6.2 LGU's Past Financial Performance**

The provincial government's past financial performance during the period from 1994 to 1998 was investigated. Actual financial data were obtained for the years 1994 to 1997, while the financial figures in 1998 are only budgetary estimates. Likewise, the municipalities' past financial performance in the same period (1994 to 1998) is included in the Supporting Report.

#### **6.2.1 Sources and Uses of Funds**

##### **(1) Sources of Funds in the Province**

The sources of income of the LGU are Internal Revenue Allotments (IRA), local tax revenues, non-tax revenues such as grants, aids and subsidies as shown below. At the present time, IRA is a major financial source of the LGUs.

- (a) IRA – the amount allotted by the National Government to different provinces, municipalities and barangays. A standard formula is used, which considers parameters such as population, land area, number of barangays, cost of devolved national functions, and other factors.

- (b) Tax Revenues – mainly consist of real property tax and miscellaneous income of the province.
- (c) Grants, Aids and Subsidies – assisted by JICA, UNDP, UNICEF, etc. and the NDCC (Calamity Fund from the Central Government during floods or whenever the province is declared as a calamity area)

Based on the Local Government Code of 1991, 40% of the national internal revenue taxes of the 3<sup>rd</sup> fiscal year preceding the current year (from 1994 onwards) is allocated to the LGUs nationwide, specifically to the administrative units of (1) province (23%); (2) city (23%); (3) municipality (34%), and barangay (20%). Further, respective IRAs in different administrative levels are allotted to all administrative units concerned.

Table 6.2.1 presents the income and expenditures of Surigao del Norte during the period of 1994-1998. Local tax revenues, which were 16% of the total income of the province consist of real property tax, business taxes and licenses, and miscellaneous taxes. IRA's share to the total income was 84% in annual average, which indicates that the province has historically been dependent on the IRA with its low tax and non-tax revenue collections.

**Table 6.2.1 Income and Expenditures, 1994-1998**

Item	Unit: Pesos				
	1994	1995	1996	1997	1998
Income					
Tax Revenues and Others	15,351,706.84	54,404,764.38	40,574,590.00	42,674,605.09	45,739,372.20
IRA	126,364,744.74	138,208,277.00	147,293,759.00	201,014,028.00	223,018,625.00
Total	141,716,451.58	192,613,041.38	187,868,349.00	243,688,633.09	268,757,998.20
Expenditure	120,737,000.93	192,464,823.38	199,844,804.57	230,464,734.10	259,718,547.00
Net Income	20,979,450.65	148,218.00	(11,976,455.57)	13,223,898.99	9,039,451.20

Source: Provincial Treasurer's Office

## (2) Uses of Funds in the Province

Actual expenditures of the provincial government in 1997 increased by 5.2% from 1996 and are projected to further increase in 1998 by 7.2% from 1997. There is no break-down of expenditures available for maintenance and operating expenses, personnel expenses and others.

In 1997, the province had a net surplus from its operations of about ₱13.2 million. However, the province has projected net surplus to be ₱9.0 million in 1998 from projected income of ₱268.76 million.

## 6.2.2 Availability of Funds

As previously noted, the IRA comprises 84% of the total income of the province, which is tapped to finance most of its expenditures including capital outlays and even non-office and incidental expenses. According to the Provincial Treasurer's Office, the amount of IRA that will be received by the province is known in advance before the end of the preceding year. Thus, for budgeting purposes, the province just uses the actual amount of IRA it received in the preceding year as its estimate of IRA for the budget year. In the case where the IRA received is larger than that of the preceding year, the province prepares a supplemental budget.

Table 6.2.2 presents the historical IRA of the provincial government and its municipalities between 1994 and budget year 1998. As shown, annual average of IRA of the province was 1.10% of the provincial IRA nationwide during the period of 1994-1997 and budget year 1998. While, the total amount of IRA allotted to all its municipalities for the years 1994-1997 was 1.07% in annual average, but in 1998, this share decreased to 0.99% to the municipal IRA nationwide which is P28.24 billion in 1998. The IRA percentage of each municipality to total municipal IRA nationwide is presented in Table 6.2.2, Supporting Report.

Based on the past financial performance of the province, IRA has been a major source of funds. At first, 20% Development Fund (DF) and 5% Calamity Fund are deducted from the total amount of provincial IRA. Then, the remaining portion of the IRA is combined with other income sources. Contractual and statutory items, which are covered by R.A. 324 (b) are firstly deducted from the pooled income (75% IRA + all other income) before other appropriations are made.

According to the income statement of the province, available funds of the province are mainly spent to cover personnel salaries, benefits, the MOOE and capital expenditures. The provincial government's combined income from IRA and its tax, and non-tax revenues are just sufficient for its operating, capital and non-office expenses. Thus, there is very little surplus income that can be tapped for additional capital expenditures.

For the planned capital expenditures of the province, 20% Development Fund (DF) of the IRA is appropriated. The percentage allotted as the DF is the minimum requirement that should be arranged for capital projects as stated in the memorandum circulars of the DILG.

There are no records available on actual capital expenditures of the province from 1994 to 1998, in use of the 20% DF allocation.

**Table 6.2.2 Past Internal Revenue Allotment to the Province, 1994-1998**

Item		1994	1995	1996	1997	1998
National	I. National Total of IRA	46,753,000,000.00	71,049,000,000.00	55,202,800,000.00	71,049,000,000.00	80,990,763,000.00
	(a) IRA to all Provinces	11,498,994,198.00	17,813,547,246.00	12,696,614,000.00	17,813,547,246.00	20,054,018,925.00
	(b) IRA to all Municipalities	10,325,288,074.00	24,848,688,251.00	18,768,952,000.00	24,848,688,251.00	28,245,815,434.00
Province	II. IRA to Surigao del Norte					
	(1) Total: (2) + (3)	288,205,900.73	320,668,033.00	345,727,710.00	447,622,043.24	502,932,071.06
	(2) Provincial Government	126,364,744.74	138,208,277.00	147,293,759.00	201,014,028.00	223,018,625.00
	Percentage against (a)	1.10%	0.77%	1.07%	1.10%	1.10%
	(3) Municipalities	161,841,155.99	182,459,756.00	198,433,871.00	246,608,015.24	279,913,446.06
	Percentage against (b)	1.57%	0.73%	1.00%	0.99%	0.99%
	III. Total Income of the Provincial Government	141,716,451.58	192,613,041.38	187,868,349.00	243,688,633.09	268,757,998.20
	Percentage of IRA	89.2%	71.75%	78.40%	82.49%	82.98%
	IV. Total Income of Municipalities	200,560,192.28	253,735,663.77	215,503,429.20	276,165,415.10	293,457,707.50
	Percentage of IRA	80.7%	71.9%	92.1%	89.3%	95.38%
V. IRA to Municipalities*						
Total	161,841,155.99	182,459,756.00	198,433,871.00	246,608,015.24	279,913,446.06	
Municipal	Alegria	5,114,590.98	5,654,103.00	6,159,233.00	8,518,385.41	9,627,528.00
	Bacuag	5,362,771.00	5,931,839.00	6,436,356.00	9,222,868.60	10,437,789.00
	Basilisa (Rizal)	7,807,615.76	8,671,172.00	9,478,069.00	12,125,138.00	13,784,535.00
	Burgos	3,321,815.44	3,755,322.00	4,080,497.00	5,700,678.00	6,432,058.00
	Cagdianao	6,707,485.02	8,512,157.00	9,211,678.00	10,761,889.00	13,049,724.00
	Claver	7,126,897.02	10,365,211.00	11,185,689.00	13,732,444.34	14,419,066.00
	Dapa	6,961,244.00	7,722,020.00	8,433,272.00	10,069,463.70	11,415,155.00
	Del Carmen	6,180,012.00	7,097,463.00	7,713,914.00	7,274,713.47	9,434,000.00
	Dinagat	4,487,422.02	4,966,644.00	5,425,779.00	8,946,684.00	10,156,341.00
	General Luna	5,235,428.48	5,871,212.00	6,414,335.00	8,080,851.00	9,223,402.00
	Gigaquit	7,042,388.40	7,677,201.00	8,349,195.00	10,496,625.00	11,925,181.00
	Libjo (Algor)	8,008,629.50	8,719,889.00	9,459,084.00	11,600,186.45	13,196,698.00
	Loreto	6,053,249.00	6,391,392.00	6,921,700.00	10,786,655.70	12,287,268.00
	Maimit	8,378,174.50	9,274,945.00	10,107,868.00	9,362,417.15	12,447,735.00
	Malimono	7,005,969.00	7,770,540.00	8,472,372.00	9,362,417.15	10,722,063.00
	Pilar	5,543,305.75	5,799,353.00	6,294,050.00	7,974,577.66	7,974,577.66
	Placer	7,151,701.00	7,930,905.00	8,602,820.00	10,582,690.01	11,988,336.00
	San Benito	4,102,992.40	4,634,753.00	5,033,196.00	6,336,325.52	7,177,933.00
	San Francisco	5,121,340.00	5,656,936.00	6,157,307.00	7,979,729.00	8,873,107.00
	San Isidro	4,514,848.00	4,988,941.00	5,411,517.00	6,941,671.33	7,839,615.00
	Santa Monica	4,502,847.79	4,817,122.00	5,246,544.00	6,841,127.00	7,520,572.00
	Sison	5,187,276.00	5,715,725.00	6,200,076.00	8,034,829.67	9,024,951.00
	Socorro	6,934,886.00	7,690,139.00	8,366,534.00	10,422,028.51	11,831,188.40
	Tagana-an	5,890,622.00	6,512,828.00	7,085,160.00	9,000,186.00	9,115,744.00
	Tubajon	4,995,419.00	5,440,688.00	5,840,511.00	7,385,240.90	8,379,939.00
	Tubod	5,288,509.93	6,157,086.00	6,682,566.00	8,241,291.67	9,264,492.00
San Jose	7,818,716.00	8,734,170.00	9,664,549.00	10,826,901.00	12,364,448.00	
Surigao City	116,224,599.00	123,208,277.00	131,963,737.56	148,710,758.00	198,669,224.00	
Surigao Del Norte	126,364,744.74	138,208,277.00	147,293,759.00	201,014,028.00	223,018,625.00	

Sources:

(1) Department of Budget and Management, (2) Bureau of Local Government Finance (DOF) and (3) Provincial Annual Report.

\*IRA to Barangays is not included. Figures in bracket are shares (%) in the total of all municipalities in the province.

### 6.2.3 Financial Indicators

In order to determine the debt servicing capability of the province, the formula used by the Bureau of Local Government Finance (BLGF) under the Department of Finance was employed. It takes into account the regular income of the LGU referring to revenues (real property and business taxes), receipts from economic enterprises, and fees and charges that are collected regularly. Receipts from borrowings, grants and inter-fund transfers are not considered as regular income.

Following is the formula adopted by BLGF in computing the debt servicing capacity, where the average annual growth rate to be used should not exceed 15%, according to the MDF Policy Governing Board Resolution 4-95.

$$DSC = \{RINC 1 (1+AGR) + RINC 1\} + IRA 2 \times 20\% - AMORT$$

Where:

DSC = debt servicing capacity of the LGU

RINC = regular income

AGR = average growth rate

IRA = internal revenue allotment

20% = debt servicing ceiling percentage imposed by the Local Government Code of 1991 under Section 324 (b).

AMORT = amortization of the LGU's outstanding loan

1 =current year

2 =preceding year

Based on the above formula, the amount of the debt servicing capacity of the provincial government was computed to be ₱53.75 million for the year 1998. This reflects the maximum loanable amount from MDF. The local tax income of the province is estimated to be ₱45.7 million, while its IRA ₱223 million in 1998. There is no loan amortization reported.

## 6.3 Past Public Investment and Present Plans

### 6.3.1 Past and Current Annual Investment Plans

The past and recent development of the water supply and sanitation sector in the province was mainly undertaken by the line agencies such as DPWH, DILG and the provincial government. The sector investments by these agencies and the provincial government between 1995 and 1998 are shown in Table 6.3.1. The total public investments to WATSAN sector amounted to

₱31.92 million during the period 1995-1998. The largest investment registered so far is Level I water supply with an aggregate amount of ₱22.29 million or 69.8% of total WATSAN investments. Level II obtained ₱5.59 million or 11.9% of total WATSAN investments. There were no investments for Level III water supply systems.

**Table 6.3.1 Previous Sector Investment to the Province by Concerned Agencies**

Unit: 1,000 Pesos

Funding Category		1995-1998			Sanitation	Total
Agency	Funds	Level I	Level II	Level III		
DILG	PAF-2	7,873,419.64	1,795,925.00		1,546,769.19	11,216,113.83
DPWH	Foreign Fund 1)	862,490.00			470,000.00	1,332,490.00
	Local Fund 2)					
PROVINCE	Provincial Government	13,558,919.14	3,795,925.80		2,016,769.19	19,371,614.13
	Municipal Government					
MUNICIPALITY						
<b>TOTAL</b>		<b>22,294,828.78</b>	<b>5,591,850.80</b>	<b>-</b>	<b>4,033,538.38</b>	<b>31,920,217.96</b>

Sources: Each Central Agency and the Provincial Government

The provincial government contributed ₱19.37 million, equivalent to 60.6% of total WATSAN investments. Sanitation sub-sector received an aggregate investment of ₱4.0 million, 50% of which was funded by the province.

#### (1) Budgetary Allocation to the Sector by the Province

The Budget Office of the province consolidates the budget proposal submitted by all offices of the Provincial Government. While, the DBM issues a Local Budget Memorandum every October of the preceding budget year to guide the provinces in their budget preparation. The sector obtains allotment from the 20% DF allocation by the Provincial Development Council (PDC).

Once, the budgetary arrangement is completed, the local chief executive (Governor) endorses it to the SP for approval and appropriation. The SP usually approves the budget, ideally before January of the budget year. In case the budget is not approved, the province operates on a re-enacted budget, which is based on the last year's budget, until the budget for the current year is approved.

#### (2) Capital Expenditures in the Sector

The projects programmed for implementation in the province by sector, by funding source, and by implementing agency are consolidated and presented by the PPDO in the Provincial Annual Investment Plan (AIP). It is noted that the AIP is based on the planned investment of the province, as well as on the submission to the PPDO by the municipali-

ties on their planned investments for the coming year. The AIPs of Surigao del Norte for the WATSAN sector from 1995 to 1998 are summarized in Tables 6.3.2 and 6.3.3.

**Table 6.3.2 Annual Activities in the Water Supply Sector**

Unit: '000 Pesos

Item	1995	1996	1997	1998	Total
Construction (DW, SW, Spring Box, Reservoir, Tank) Various Foreign Assisted National			2,122,581.64	2,770,000.00	4,892,581.64
Construction of Rain Collectors/Water Tanks					
Develop Spring Sources National Various Local Funding	2,490,000.00	500,000.00	5,347,522.00		8,337,522.00
Spring Development with L2 National National/Local Funding		320.90	2,900.00	7,885.00	11,105.90
Spring Development with L3 Spring Development with Pipes, Water Tank Construction Levels 2/3 National Various Local Funding Loan			1,795,925.80	2,000,000.00	3,795,925.80
Maintenance/Rehab/Improve L1/L2/L3 & SD Expansion L2/L3			434,500.00	3,325,000.00	3,759,500.00
Completion of L3 Ongoing					
Construction/Rehab Level 2 & Government Center's Work					
Counterparts to WATSAN EAPs					
Construction of Health Center/Sanitation -Barangay					
Water disinfection/Chlorination of water sources - 14 Mun.					
Construction of Water Reservoir -Bunawan Dist. Hosp.					
Toilets, School/Public/Private		270,000.00	1,746,769.19		2,016,769.19
<b>Total</b>	<b>2,490,000.00</b>	<b>770,320.90</b>	<b>11,450,198.63</b>	<b>8,102,885.00</b>	<b>22,813,404.50</b>

Source: Provincial Annual Investment Plan, 1995-1998.

**Table 6.3.3 Sector Allocation in the Annual Investment Plan**

Unit: '000 Pesos

Item	1995	1996	1997	1998	Total
Level 1 Foreign Assisted National Local	2,490,000.00	500,000.00	7,798,919.14	2,770,000.00	13,558,919.14
Level 2/3 Foreign Assisted National Local Loan - DBP/LBP			1,795,925.80	2,000,000.00	3,795,925.80
Repair/Maintenance			434,500.00	3,325,000.00	3,759,500.00
LGU Counterpart to FAPs					
Special Water Supply Projects (Government Centers, Hospitals)-Local					
Health Centers					
Water Quality					
Total-Water Supply	2,490,000.00	500,000.00	10,029,344.94	8,095,000.00	21,114,344.94
Total-Sanitation (Health)		270,000.00	1,746,769.19		2,016,769.19
<b>Grand Total</b>	<b>2,490,000.00</b>	<b>770,000.00</b>	<b>11,776,114.13</b>	<b>8,095,000.00</b>	<b>23,131,114.13</b>

Source: Provincial Planning and Development Office.

Table 6.3.2 shows the annual activities in the water supply sector, the corresponding funding sources and the amount of investments from 1995 to 1998, while Table 6.3.3 summarizes the annual sector investments by service level. In 1998, it is projected that a total amount of P3.3 million will be invested mainly through national/local funding for the rehabilitation and maintenance of Levels I, II and III water supply systems.

As shown in Table 6.3.3, during the period 1995 to 1998, a cumulative amount of P23.1 million was planned to be mainly invested for water supply and sanitation sector, 91.2% (equivalent to P21.1 million) was for water supply, while only P2.0 million was planned to be used for sanitation. However, the provincial government provided only P13.9million (60% of the planned amount; refer to Table 6/3/1). There is a further need to clarify which of the planned investments were implemented and funded from any of the available sources.

### **6.3.2 Past and Current Breakdown of 20% Development Fund**

The allocation of the 20% DF is guided by DILG Memorandum Circular No.95-215 as amended by Memorandum Circular No. 96-263 issuing 'the Policies and Guidelines on the Utilization of the DF and other related matters'.

As presented in Table 6.3.4, the infrastructure sector obtained almost 60% of the DF in 1998 (i.e. P26.70 million out of P44.60 million). Water supply and sanitation sector's share was very minimal with only 2.2% of the DF in 1998. Of the cumulative total of the DF with P145.8 million from 1995 to 1998, the infrastructure sector and WATSAN sub-sector received 54% and 0.80%, respectively.

### **6.3.3 Existing Plans of the LGUs for the Sector**

The Provincial Government has been undertaking various programs for the water supply and sanitation sector. However, there are no specific projects to be implemented at present. The following are the items to be budgetary arranged.

#### **(1) Training/Logistic Support**

The province intends to reactivate the previous set-up on HRD training as well as the poverty alleviation fund. They agree that training shall be arranged before project implementation. The tie-up among inter-agencies is a requisite for the purpose.



**Table 6.3.4 20% Development Fund Allotment by Sector, 1995-1998**

Unit: Pesos

Project/Project Title	1995	1996	1997	1998	Total
<b>A. Economic Services Development Programs</b>	<b>1,560,000.00</b>	<b>4,050,000.00</b>	<b>5,047,800.00</b>	<b>5,750,000.00</b>	<b>16,407,800.00</b>
1) Labor and Employment	350,000.00	450,000.00	650,000.00	650,000.00	2,100,000.00
2) Industry and Trade	810,000.00	1,700,000.00	1,950,000.00	1,900,000.00	6,360,000.00
3) ENRO	100,000.00	400,000.00	500,000.00	500,000.00	1,500,000.00
4) Agriculture	300,000.00	1,500,000.00	1,947,800.00	2,700,000.00	6,447,800.00
<b>B. Social Services Development Programs</b>	<b>6,270,000.00</b>	<b>7,830,000.00</b>	<b>10,402,200.00</b>	<b>8,400,000.00</b>	<b>32,902,200.00</b>
1) Social Welfare/development	900,000.00	1,400,000.00	4,100,000.00	2,200,000.00	8,600,000.00
2) Health, Nutrition and Family Planning	4,020,000.00	3,250,000.00	3,202,200.00	2,950,000.00	13,422,200.00
3) Human Ecological Security	1,350,000.00	3,180,000.00	3,100,000.00	3,250,000.00	10,880,000.00
<b>C. Infrastructure</b>	<b>18,479,201.50</b>	<b>15,477,641.27</b>	<b>18,457,497.00</b>	<b>26,703,725.00</b>	<b>79,118,064.77</b>
1) Roads and Bridges	5,113,760.45	5,128,390.27	3,009,833.00	7,740,000.00	20,991,983.72
2) Public Buildings	11,815,441.05	9,779,251.00	13,297,664.00	13,603,725.00	48,496,081.05
3) Water System	50,000.00	70,000.00	50,000.00	1,000,000.00	1,170,000.00
4) Land/Land Improvement	-	-	-	60,000.00	60,000.00
5) Others	1,500,000.00	500,000.00	2,100,000.00	4,300,000.00	8,400,000.00
<b>D. Administrative Development Programs</b>	<b>3,640,000.00</b>	<b>3,550,000.00</b>	<b>6,446,000.00</b>	<b>3,750,000.00</b>	<b>17,386,000.00</b>
<b>TOTAL</b>	<b>29,949,201.50</b>	<b>30,907,641.27</b>	<b>40,353,497.00</b>	<b>44,603,725.00</b>	<b>145,814,064.77</b>

Source: Provincial Planning and Development Office (PPDO)

#### 6.4 LGUs' Present Financing Sources and Management Participation in the Sector

##### 6.4.1 Cost Sharing Arrangements / Counterpart Funding

The implementation of water supply projects was previously undertaken by DPWH (construction through OECF loan assistance up to 1995) and DILG (BWP -institutional building, UNDP-WATSAN, and CIDA -capability building). The DPWH, through its DEOs still receive requests for assistance from barangay people. This is due to the lack of awareness on the part of the people regarding the new institutional arrangement and this proved the DEOs' technical capability. The requests, however, are granted on a case-to-case basis, usually if the manpower and budget are available.

The new cost-sharing scheme was authorized in 1998 in accordance with the policy of national government grants. It is stated that "this scheme shall be applied to all new ODA-assisted projects that are currently being packaged in support of LGUs".

Programs of central government agencies that involve devolved functions, particularly those that have social and/or environmental objectives are implemented through a cost-sharing arrangement between the central government agency and LGUs. For any central government grants that are provided for the development of Level I water supply systems and sanitation

facilities to the limited number of municipalities, the LGUs and beneficiaries concerned shall share the capital cost required. No subsidies from the central government will be provided for the construction of Level II and III water supply systems.

The most recent experience of the province in putting up counterpart funding for a public sector project is the LGSP (Local Government Support Program) funded under CIDA. The program involves capability building of the LGU. The program is covered by the MOA between LGSP and the province. Prior to the release of funds by CIDA, the province had to open a bank account (trust account) and deposit its counterpart fund for the project. The CIDA funding is released only once the counterpart fund of the province has been deposited in the bank account.

With respect to the cost sharing (in cash) by the users, limitations are foreseen, particularly from the island barangays where the livelihood income of the people comes from small-scale fishing easily affected by the unpredictable weather conditions. The province is encouraging the people to contribute "free labor" to the sector projects and programs.

#### **6.4.2 ODA Assisted Projects and Grant Aid**

The province has experienced accessing external funds from foreign donors. One of the projects is the DOH-Philippine Health for Development Project (PHDP) funded by the World Bank. Despite the lack of funds in this project, the people continued the work even after the project was completed. The NGO – World Vision, Dismacphil (a religious organization) employed a Community Organizer. The other foreign-assisted project was the Barangay Water Project (BWP) funded by USAID. UNICEF also funded WATSAN projects in the province in the past 10 years.

Other funding sources availed of by the province are: DILG-Poverty Alleviation Fund (PAF), PREMIUMED and ESF, conduits of World Bank and USAID funds. The province is still repaying the loans provided from PREMIUMED and ESF.

The Province is presently trying to access to the MDF for the Mainit IAD, which will be availed through OECD loan package. This is an LGU-initiated project, which comprises an economic enterprise, infrastructure and social projects. It is jointly proposed with the province of Agusan del Norte. Four municipalities from Surigao del Norte along Lake Mainit will benefit.

## (1) Arrangement through Conduits

### 1) Municipal Development Fund (MDF)

The MDF is a revolving fund created under Presidential Decree No. 1914 to provide LGUs with an access to foreign loans, assistance or grants. Operations of the MDF, as well as the evaluation and control of local government transactions of the fund, are guided by the financial policies defined in the Joint Circular No. 6-87 of the DOF, COA and DBM. The policies include, among others, the following:

- On-lending terms for local governments or government corporations to be in accordance with the terms and conditions of the international agreements with foreign financial institutions;
- Loan repayments to conform with the terms and conditions of the corresponding Loan and Project Agreements;
- Annual debt service liabilities to all creditors to be at least 120 per cent of total net annual revenues from all sources after operating costs, unless otherwise provided in a mutual agreement among all parties concerned;
- Repayment to MDF to take precedence over all subsequent borrowings incurred;
- Payment of additional interest, charges and fees on amounts to be relent to local governments may be required by the Secretary of Finance in consultation or agreement with foreign lending institutions and LGUs/Project Cities to cover foreign exchange risks, commitment charges and front-end fees applied on foreign borrowings by lending institutions; and
- Internal revenue/specific tax allotments to be withheld by the DOF in case of default or arrearages for more than three (3) months.

The Policy on accessing loans through the MDF is currently under review by the central government to make the terms and conditions more concessional towards the LGUs.

## 2) Governmental Financing Institutions (GFI)

In the past, the LGUs could not access financing institutions for direct assistance. But with the devolution of the sector to the LGUs, the LGUs could now access direct financing from banks and other financing institutions.

Among the GFIs through which LGUs can access ODA loans are the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP). For the LGU to enter into a loan, the respective legislative council (PA for the Province, Sangguniang Panglunsod; SP for the City and Sangguniang Bayan; SB for the Municipality) will authorize the Chief Executive Officer (Governor or Mayor, as the case may be). The collateral that the LGU may use to avail of loans from the bank could be any of the following: deposit hold out, public land and assignment of IRA.

In a deposit hold out loan, loanable amount is based on the amount of time deposit of the LGU in the bank. The LGU is allowed a maximum loanable amount of up to 90% of its total time deposit in the bank. One of the terms of the loan includes the deduction of loan amortization from the LGU's IRA deposited in that bank.

Another condition that the bank usually imposes on the loan is the signing of a MOA between the LGU and the bank, where the LGU guarantees that the loan will be honored despite a change in administration in the next election. Interest rate is not fixed. If payment is to be made from IRA, the bank imposes penalty charges.

Other collaterals accepted by the bank are: public land and assignment of IRA. Interest rate is not fixed but fluctuating depending on the current interest rates prevailing during repayment. Penalty charges are imposed whenever the IRA of the province is delayed.

### 6.4.3 LGU-Financed and Managed Waterworks/Water District.

#### (1) Past Financial Performance of WDs and RWSAs/BWSAs

Four (4) WDs are currently managed in the province, which are Surigao Metro WD, Mainit WD, Bacuag WD and Placer WD. Table 6.4.1 and Table 6.4.2 present the financial indicators and loan status of WDs in 1998, respectively. Surigao Metro WD and

Placer WD utilized loan from LWUA with the amounts of P20.19 million and P6.48 million, respectively. These WDs are in arrears.

Currently, only two WDs, Surigao Metro WD and Placer WD are financially sound using their revenue. These WDs have a larger number of service connections and comparatively higher average monthly fee per connection with P228 and P114.47 per customer, respectively.

**Table 6.4.1 Financial Indicators of Provincial/Municipal Networks**

Waterworks	Description						
	No. of Metered Connections	No. of Flat Rate Connections	Average Monthly Rate	Average Consumption per Connection	Average O&M Cost	Average Revenue	Collection Efficiency
	Nos.	Nos.	Pesos/cum.	Cum./mo.	Pesos/mo.	Pesos/mo.	Percent (%)
Surigao Metro WD	7,229.00	-None-	P 228.00	24.00	P 2.1M	P 2.4M	87%
Mainit WD	429.00	57.00	70.00	24.20	32,472.31	30,877.00	
Bacuag WD	502.00	-None-	86.80	14.00	47,938.20	43,573.60	
Placer WD	1,229.00	-None-	114.47	16.70	109,740.42*	211,827.31	71.98%

\* This excludes interest of loan and depreciation cost.

**Table 6.4.2 Loan Status of Provincial/Municipal Waterworks System (as of June 1998)**

Waterworks	Description			
	Total Loan Availed	Remaining Payment Period	Average Monthly Amortization	Current Arrears
Surigao City	20,193,390.00	311	P 70,472,330,000.00	19,798,860.00
Bacuag WD	-	-	-	-
Placer WD	6,480,310.00	272	57,822,000.00	6,266,890.00
Mainit WD	-	-	-	-

Source: Local Water Utilities Administration (LWUA)

Under the Barangay Water Program, BWSAs and RWSAs were organized. User's participation in this program was limited to the provision of free labor or donation of materials during construction of Level I or II water supply facilities.

Many of the facilities constructed under the BWP are no longer functional; thus, even the associations are inactive. These facilities were not properly maintained, because the water fees collected were not enough to cover for O&M. Likewise, there was not enough training in repair and maintenance work.

## **6.5 Existing Practices by the LGU on Cost Recovery**

### **6.5.1 Capital Cost**

In the previous arrangements for water supply projects, the capital cost for Level I systems was free to the community, while operation and maintenance was the responsibility of the association/users. As for Level II systems, the capital cost was shouldered by the RWSA through loans or grants. Water charges collected by each association cover the cost of operation and maintenance, and loan amortization. According to the Loan Department of LWUA, the new loan disbursement to RWSAs has been stopped for the last couple of years.

For Level III system, WDs or RWSAs bear the entire capital cost financed by LWUA through loans with concessional terms of 8.5%-12.5% interest rate and repayment period extending up to thirty (30) years. Less capable WDs are granted soft loans that are interest free during the first five (5) years' of operation. In the occasion of the first assistance by LWUA, the loan for the full investment required could be provided for the WDs. For the expansion/rehabilitation works of the WDs, 90% of required investment may be granted by a loan and remaining 10% shall be arranged by the equity of WDs. The cost of amortizing the loan and operation and maintenance of the system is recovered through monthly water bills.

Regarding sanitation sector, construction of the superstructure and the depository of household toilets is through self-help.

### **6.5.2 Operation and Maintenance Cost**

In the barangay key informant survey results, the respondents from three (3) barangays reported that barangay constituents pay certain fees to BWSAs, but these fees are not sufficient to cover the O&M cost of WATSAN facilities. In one barangay, the BWSA treasurer collects the water fees from constituents, while in the other barangays community leaders handle the collection of water fees. Three (3) out of the five (5) barangays received some form of financial assistance from LGUs during the period of 1995-1997, mostly for repair and maintenance of the facilities.

The respondents in the group interview survey indicated their willingness to provide free labor in the construction and O&M of facilities. In areas where water fees are not collected, they noted that the barangay council is responsible for O&M cost of the facilities.

Cost recovery for Level III systems, particularly for those covered by Water Districts is through collection of water fees from households connected to the water supply system. The water rate structure is based on LWUA's guidelines for water rate setting. Water rates are socialized, based on O&M, operating expenses and capital expenditures required, and it should not exceed 5% of the low-income group's household income.

## **6.6 Affordability of Users**

This Section presents the affordability of users by sector service level. However, base information for the analysis is limited to that gathered from field survey at selected barangays and from WD in the province.

### **6.6.1 Capital Cost Contribution**

Referring to the results of the group interview survey, majorities of beneficiaries are willing to contribute to the construction cost. The payment terms include free labor during construction, cash with ₱10.00-20.00 (44%) and land contribution (56%).

On the other hand, construction cost of private toilet seems to be expensive comparing with the family income, the estimated cost of flush type toilet facility is about 5.4 times higher than the median monthly family income in the province and thus, subsidy from LGU may be required.

### **6.6.2 Operation and Maintenance Cost**

According to the survey of barangay key informants, problems on O&M were caused by poor maintenance practices, drying-up wells and no ownership by users believing that the responsibility for O&M of the facilities is under barangay council. While, in case water charge is collected from users, the highest amount paid is reported at ₱20.00/household. Thus, it may be assumed that the users can well afford to pay the amounts being currently charged by the BWSAs, although the sample size is limited. In one of the BWSAs, a treasurer was responsible for collecting the fees. In the interview, 54% of respondents showed willingness to pay less than ₱10.00 and 45.8% between ₱10.00 and ₱20.00.

Some barangays received financial assistance from the provincial and/or municipal governments.

In the water districts or Level III waterworks, O&M expenses are mainly covered by the user fees, which are charged on per cum. basis by water user category. The system was established by LWUA to compel water districts to be self-sufficient, financially viable and be able to repay any loans obtained to improve water supply services.

Table 6.6.1 presents the affordability by service level. At present, the current water bills in the province seem to be within an affordable range based on experience, although the actual income levels vary from municipality to municipality and barangay to barangay (urban barangay population have higher income than those in rural barangays because of more diverse economic activities).

**Table 6.6.1 Affordability in Water and Sanitation Services**

Income/ Level of Service	Amount (Pesos)	% to Monthly Income	Affordable Range
Median of Monthly Income 1/	3,963.00	100.00	
Average Level III: Monthly Water Bill 2/	100.00	2.5%	5.0 or Less
Average Level II: Monthly Water Bill 3/	15.00 - 20.00	0.25-0.50	2.0 - 3.0
Mo. Level I Expenditures	10.00 - 20.00	0.25-0.50	1.0 - Less
Private Toilet Construction Cost - Flush Type Toilet 4/	21,300.00	5.37	

Notes:

1/ 1994 Family Income and Expenditures Survey, NSO

2/ Data from PSPT. It is assumed that 21 cum. will be consumed per family.

3/ Common figures in the province.

4/ Current prices estimated in this study.

5/ Based on the experiences mainly from LWUA, DPWH and DILG.