Chapter 11

FINANCIAL ARRANGEMENTS FOR MEDIUM-TERM DEVELOPMENT PLAN

11. Financial Arrangements

11.1 General

Financial arrangements to attain medium-term (Phase I) targets are sought taking into account potential funds. However, quantitative study is limited to the use of projected Internal Revenue Allotment (IRA). In this connection, this Chapter addresses to identify financial shortfall with reference to available IRA for this sector and to seek comprehensive logistics in terms of acquisition of various funds, augmentation of current practices in the Government assistance to this sector and effective investments and cost recovery.

Available funds (IRA) during the medium-term development period are projected in use of computer-based programs that allow for the future application to include additional funds that are available. Figure 11.1.1 shows the sector budget allocation in the different administrative levels to come up with total funds available in the province. Figure 11.1.2 illustrates the manner of sector fund allocation to respective municipalities from the national and provincial governments with a detailed study flow availing IRA. Interfaces between provincial government and municipalities/barangays are also presented in the same figure.

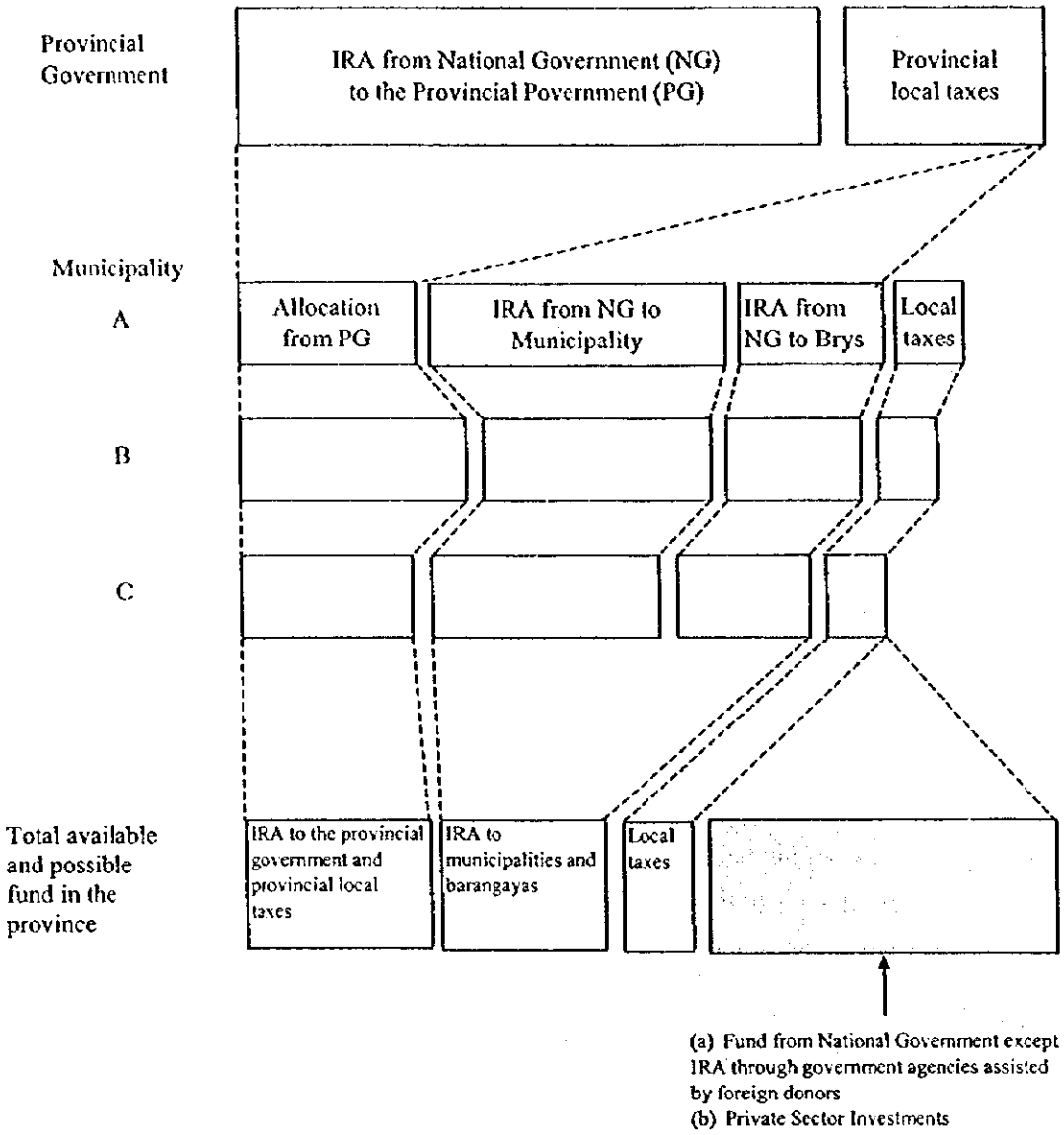
Distribution of IRA to respective municipalities is contemplated in assumption of various factors based on the experiences as of 1997.

The Investment Coordination Committee (ICC) of NEDA adopted a policy "to support the financing of devolved activities with social and/or environmental-objectives" based on three considerations, namely: Equity, Externalities and Economies of Scale. The new cost-sharing arrangement was put into practice this year, which clearly limited the national government subsidy for Level I water supply to 5th and 6th class municipalities up to a maximum of 50% of the total project cost. For sanitation facilities, the national government subsidy for 3rd to 6th class municipalities shall be from 50% to 70% of the total project cost. In this connection, financial study for Level I water supply and sanitation improvement was conducted for those municipalities meeting the above conditions.

11.2 Projection of IRA

The projection of IRA to the relevant sector for Phase I period is made covering different administrative levels. Current manner of allocation by the national government is directed to

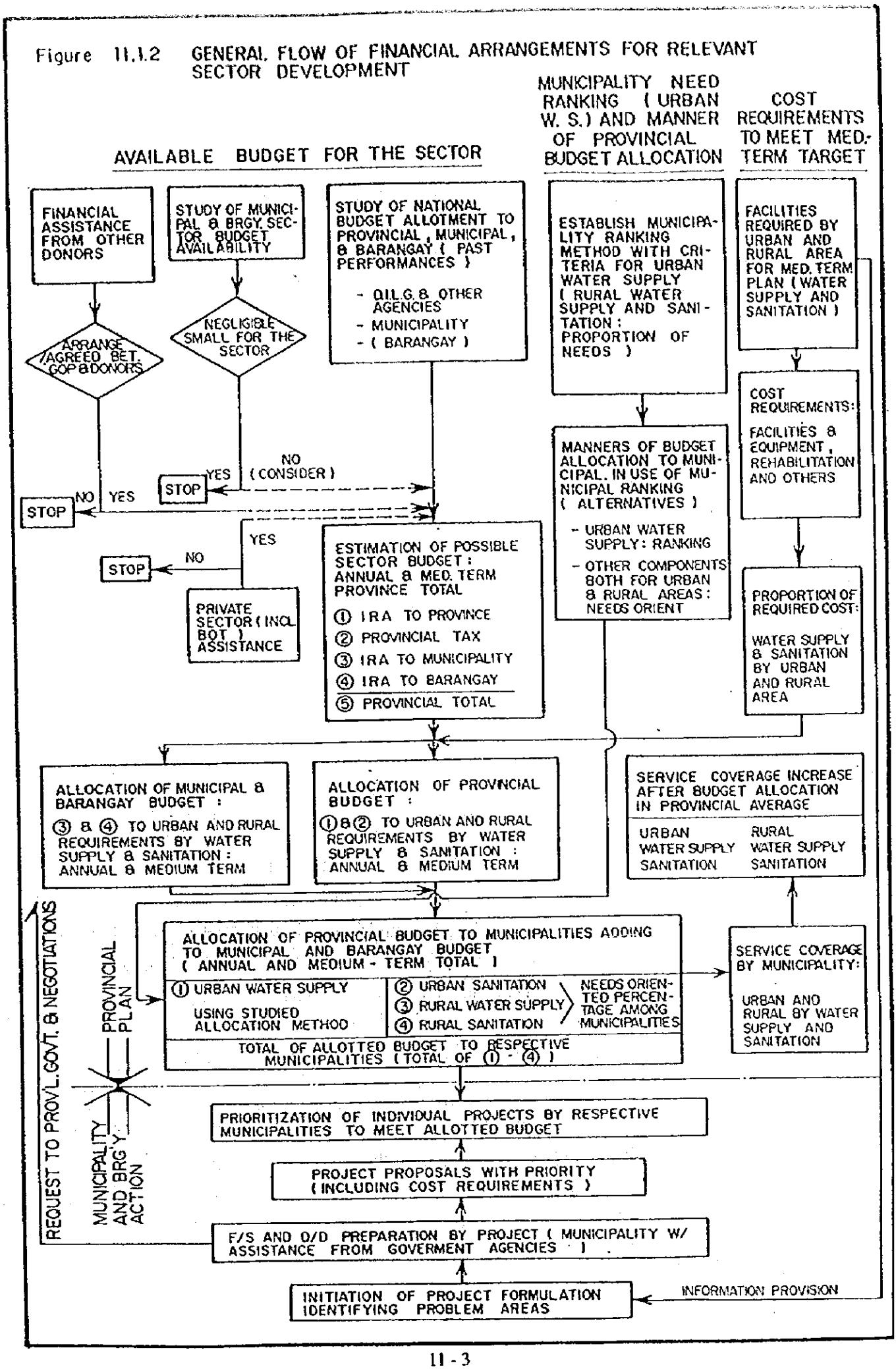
Figure 11.1.1 Sector Budget Allocation



Notes: (1) Budget from different sources in the figure above are those shared to water supply and sanitation sector from allotted amount for overall sectors.

(2) Shaded portion above is the potential fund source to be negotiated/arranged to meet target requirements.

Figure 11.1.2 GENERAL FLOW OF FINANCIAL ARRANGEMENTS FOR RELEVANT SECTOR DEVELOPMENT



three different governmental levels; province, municipality and barangay. Municipal fund available for this sector is calculated as a sum of municipal and provincial allotments. Figure 11.2.1 shows the calculation procedure with assumptions and Tables 11.2.1 and 11.2.2 present calculation results. Calculation process is further described as follows:

(1) Projection of annual IRA to all LGUs in the Philippines from 1999 to 2003

The IRA comes from 40% of past and /or projected national internal revenue taxes from 1996 to 2000 (3rd fiscal year preceding the current year). This ratio is based on the Local Government Code in 1991.

(2) Distribution of national total IRA to each administrative unit

Based on the Local Government Code, IRA is distributed by administrative level as follows:

Provinces	23%
Cities	23%
Municipalities	34%
Barangays	20%

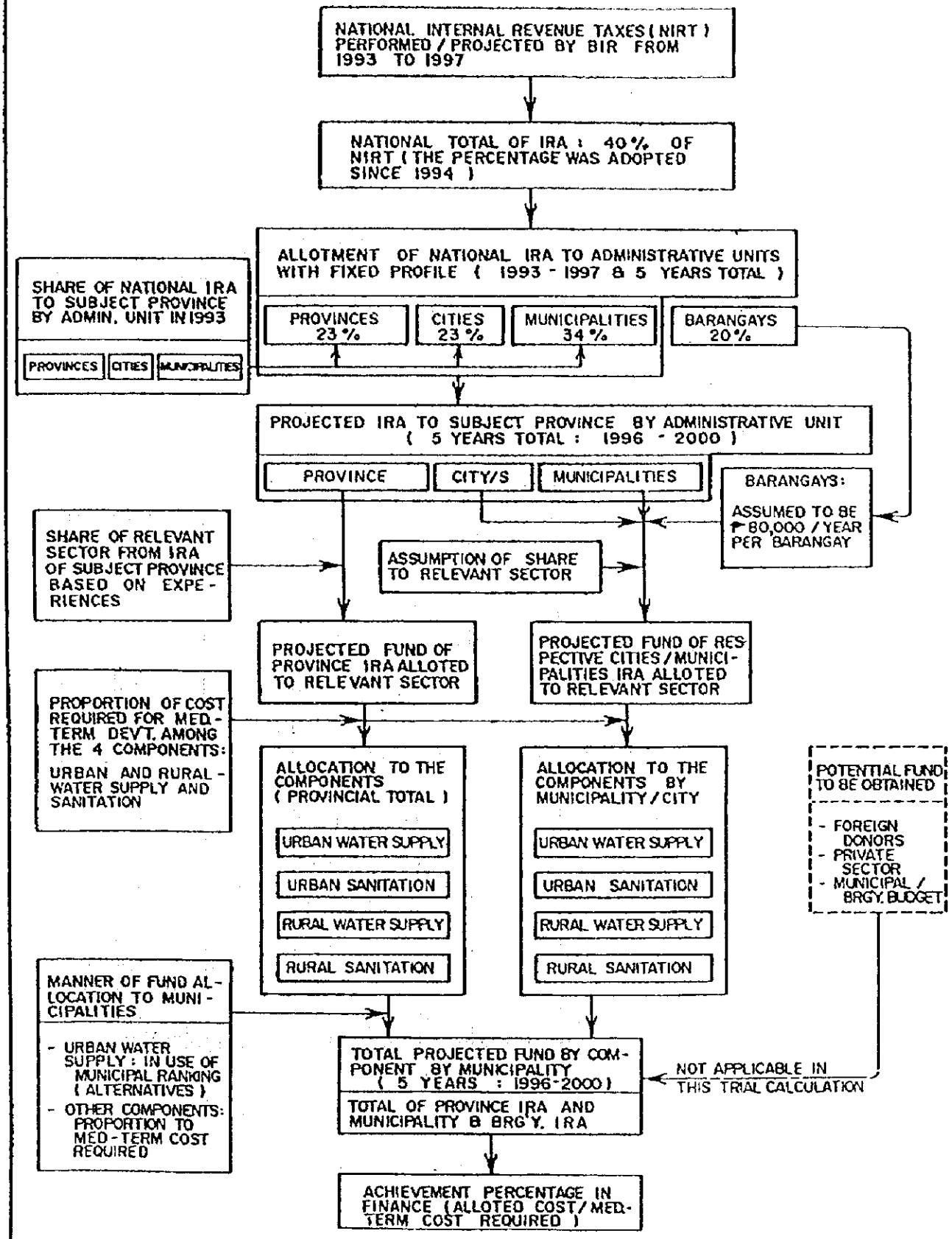
(3) Distribution of national total IRA to the subject province by provincial, municipal and barangay level

With reference to allocation of national IRA by administrative level, provinces and municipalities are based on weighted 3 factors: population, land area and number of administrative units. In this analysis, however, the distribution percentage experienced in 1998 is simply employed in projecting IRA for the period 1999-2003 (refer to Table 6.2.2, Main Report and Supporting Report). Allotments to barangays are added to the IRA for municipalities (₱80,000 times the number of barangays).

(4) Projection of available IRA to the relevant sector by administrative unit of the province

According to the Provincial Annual Report in 1997, 1.16% of provincial IRA was availed for the water supply and sanitation sector. Referring to the experience in other provinces, provincial allocation to the relevant sector is assumed to be 4%. This means that 20% of

Figure 11.2.1 TRIAL ALLOCATION OF INTERNAL REVENUE ALLOTMENT (IRA) TO MUNICIPALITIES FOR RELEVANT SECTOR DEVELOPMENT



NOTE: BIR - BUREAU OF INTERNAL REVENUE (DOF)
NIRT (1993 - 1997) IS THE BASIS OF NATIONAL TOTAL OF IRA (1996 - 2000)
POTENTIAL FUND: NEEDS OF ADDITIONAL FUND ARE CONSIDERABLE. THUS REFERENCE INFORMATION IS SHOWN.

Table 11.2.1 Projected Internal Revenue Allotment for Medium-Term Sector Development

Unit: P 1,000

	1999	2000	2001	2002	2003	Total
1 40% of Actual/Projected National Internal Revenue Taxes of the 3rd Fiscal Year preceding the current year	94,880,480	104,049,760	115,801,280	127,449,920	142,317,600	584,499,040
2 Internal Revnue Allotment to all LGUs						
(a) province (23%)	21,822,510	23,931,445	26,634,294	29,313,482	32,733,048	134,434,779
(b) cities (23%)	21,822,510	23,931,445	26,634,294	29,313,482	32,733,048	134,434,779
(c) municipalities (34%)	32,259,363	35,376,918	39,372,435	43,332,973	48,387,984	198,729,674
(d) barangays (20%)	18,976,096	20,809,952	23,160,256	25,489,984	28,463,520	116,899,808
(e) total IRA to all LGUs	94,880,480	104,049,760	115,801,280	127,449,920	142,317,600	584,499,040
3 Projected IRA to Subject Province by Administrative Unit						
(a) province	232,872	255,377	284,219	312,809	349,300	1,434,577
(b) municipalities including barangays	316,532	345,707	383,098	420,162	467,468	1,932,967
Baganga	39,946	43,667	48,436	53,163	59,197	244,409
Banaybanay	24,223	26,456	29,318	32,154	35,774	147,926
Boston	13,928	15,213	16,858	18,490	20,572	85,061
Caraga	28,080	30,663	33,972	37,253	41,440	171,408
Cateel	22,816	24,898	27,565	30,209	33,584	139,073
Governor Generoso	24,719	26,954	29,817	32,656	36,278	150,424
Lupon	42,599	46,553	51,621	56,645	63,057	260,476
Manay	24,661	26,913	29,799	32,659	36,311	150,343
Mati (Capital)	53,012	57,934	64,242	70,495	78,476	324,158
San Isidro	21,567	23,528	26,040	28,531	31,710	131,376
Tarragona	20,980	22,930	25,429	27,907	31,069	128,314
(c) Provincial Total	549,404	601,084	667,317	732,971	816,768	3,367,544
4 Project fund of IRA to Relevant Sector by Administrative Unit						
(a) province	9,315	10,215	11,369	12,512	13,972	57,383
(b) municipalities/city including barangays	12,661	13,828	15,324	16,806	18,699	77,319
Baganga	1,598	1,747	1,937	2,127	2,368	9,776
Banaybanay	969	1,058	1,173	1,286	1,431	5,917
Boston	557	609	674	740	823	3,402
Caraga	1,123	1,227	1,359	1,490	1,658	6,856
Cateel	913	996	1,103	1,208	1,343	5,563
Governor Generoso	989	1,078	1,193	1,306	1,451	6,017
Lupon	1,704	1,862	2,065	2,266	2,522	10,419
Manay	986	1,077	1,192	1,306	1,452	6,014
Mati (Capital)	2,120	2,317	2,570	2,820	3,139	12,966
San Isidro	863	941	1,042	1,141	1,268	5,255
Tarragona	839	917	1,017	1,116	1,243	5,133
(c) Provincial Total	21,976	24,043	26,693	29,319	32,671	134,702

Table 11.2.2 Projected Allotment of IRA to the Relevant Sector by Component, 1999-2003

Unit: 1,000 pesos

Province/Municipality	Urban Water Supply	Rural Water Supply	Urban Sanitation	Rural Sanitation	Total
1. Province	17,655	17,334	8,215	14,179	57,383
2. Municipalities					
Baganga	4,764	2,303	1,087	1,623	9,776
Banaybanay			2,071	3,846	5,917
Boston	1,417	806	489	690	3,402
Caraga	1,380	3,430	528	1,518	6,856
Cateel	2,253	1,420	579	1,311	5,563
Governor Generoso	1,386	2,092	705	1,833	6,017
Lupon		2,382	3,252	4,786	10,419
Manay	2,353	2,495	293	873	6,014
Mati (Capital)	2,555	2,579	3,728	4,104	12,966
San Isidro	1,708	1,574	660	1,313	5,255
Tarragona	2,333	1,554	476	769	5,133
Total	37,805	37,969	22,083	36,844	134,702

"20% Development Fund" from national IRA is counted on sector projects. The same percentage is applied for the allocation of municipal IRA to the sector.

(5) Available IRA of municipalities by sub-sector

Available municipal fund for the four components (urban and rural water supply, and urban and rural sanitation) is estimated as a sum of respective components in combination of those allocated from the province and distributed in each municipality. Distribution of sector total fund to sub-components both in the provincial and municipal levels is in principle, arranged in proportion to the direct construction cost required for Phase I Development.

With regards to the distribution of provincial IRA for urban water supply to respective municipalities, weighing method with ranking is employed, which will be discussed in detail in Section 11.4. For the other components, provincial IRA is distributed to municipalities in proportion to their required costs in Phase I.

The provincial IRA to the sector during the period of 1999-2003 is estimated at ₱57.38 million, which is equivalent to 42.6% of the combined provincial and municipal IRA of ₱134.7 million. In the allocation of municipal IRA, Mati (provincial capital) and Lupon have larger amount of ₱12.97 million (16.8% to municipal IRA) and ₱10.4 million

(13.5%), respectively. With regard to overall IRA allocation to the sub-sectors, urban water supply, rural water supply, and rural sanitation are on the same level with about 30% each of the total IRA, while urban sanitation is about a half of the amount allotted to the other sub-sector.

11.3 Additional Funding Requirements

Annual cost required for the whole province during the medium-term development is summarized in Table 11.3.1 referring to the study results in Chapter 10. The total cost required covers physical contingency; 10% of the direct cost and price contingency; 7% per year covering the direct cost and physical contingency. Details of implementation arrangements for annual investment are shown in Table 11.3.1, Supporting Report.

Table 11.3.2 presents additional funding requirements of the province on the current price level (or shortfall in funding), which are figured out comparing with available fund for the relevant sector (IRA) in the province over the Phase I requirements. Other funds such as those provided by foreign assistance and local tax portion are kept blank to supplement upon confirmation of additional funds available. Out of the ₱407 million investment required for Phase I (1999-2003), IRA can fund only ₱134.7 million or 33% of this amount. Hence, there is a big shortfall of ₱272.3 million in funding. It will become P333.7 million in consideration of price escalation with annual rate of 7%.

Municipal achievement percentages in finance are shown in Table 11.3.3 in provision of available fund originated by IRA (combined IRA of provincial and municipal ones) against Phase I financial requirements. The percentage of Banaybanay (67.0 %) is the highest among municipalities followed by Lupon (57%). Others are in the range between 20% and 40% to the requirements, while provincial average is 33%.

11.4 Medium-Term Implementation Arrangements

The financial requirements to meet Phase I target coverage are substantial. However, projected funding available (IRA) in application of past trend revealed that considerable amount of additional fund must be arranged. Under this situation, reference scenarios are discussed with the assumption of different levels of funding availability with reference to service coverage. Alternative countermeasures are also discussed in view of (1) acquisition of external funds, (2) augmentation of sector finance under current arrangements (IRA and others), (3) introduction of private sector participation to mitigate public investment needs, and (4) effective and economical investments.

Table 11.3.1 Financing Requirement by Sector Component for the Province

Unit: 1,000 peso

Sector Components	1999	2000	2001	2002	2003	Total 1999-2003	Total 2004-2010
Direct Cost							
1. Direct Construction Cost							
Urban Water Supply							
Level III System	0	17,020	25,530	25,530	17,020	85,100	353,952
Rural Water Supply							
Level II System	15,852	15,852	0	0	0	31,703	0
Level I Facilities	0	10,369	15,554	15,554	10,369	51,846	110,088
Urban Sanitation							
Household toilet	0	76	114	114	76	379	948
Public school toilet	0	6,055	9,082	9,082	6,055	30,274	43,498
Public toilet	0	1,789	2,683	2,683	1,789	8,944	25,809
Disinfection of Level I Deep Well and Shallow	23	42	42	42	42	190	0
Rural Sanitation							
Household toilet	0	140	211	211	140	702	4,670
Public school toilet	0	13,529	20,293	20,293	13,529	67,643	98,097
Disinfection of Level I Deep Well and Shallow	27	50	50	50	50	227	175
Urban Sewerage	N/A	N/A	N/A	N/A	N/A	N/A	469,260
Sub-total	15,902	64,921	73,558	73,558	49,069	277,008	1,106,497
2. Procurement of vehicle/equipment/maintenance tools							
Well drilling rig and service truck with crane	0	0	0	0	0	0	26,782
Support vehicle	0	590	0	0	0	590	0
Well rehabilitation equipment	0	280	0	0	0	280	0
Maintenance tools	0	22	33	33	22	110	0
Water quality testing kits	0	3	5	5	3	15	0
Sub-total	0	895	38	38	25	995	26,782
3. Water Quality Laboratory	2,032	0	0	0	0	2,032	0
4. Sector Management Cost							
Engineering Studies							
Feasibility study and detail design	18,633	6,163	0	0	0	24,796	56,931
Construction supervision	634	2,585	2,926	2,926	1,950	11,052	25,303
Institutional Development	8,382	8,126	4,320	2,415	2,160	25,402	56,931
Sub-total	27,649	16,873	7,245	5,341	4,110	61,250	139,165
Total Direct Cost	45,582	82,689	80,841	78,937	53,205	341,285	1,272,444
Contingencies							
1. Physical Contingency	4,558	8,269	8,084	7,894	5,320	34,125	127,244
2. Price Contingency	3,510	13,180	20,012	26,986	23,559	87,248	N A
3. Value-Added Tax (VAT)	3,720	7,456	7,652	7,652	5,104	31,585	N A
Total Investment Cost	57,370	111,594	116,589	121,469	87,189	494,243	1,399,689
Total Investment Cost (excluding Price Contingency)	53,860	98,414	96,577	94,482	63,630	406,964	1,399,689

Table 11.3.2 Additional Fund Requirement for the Medium-Term Plan

Unit: 1,000 pesos

	1999	2000	2001	2002	2003	Total 1999-2003
Financing Requirement	53,860	98,414	96,577	94,482	63,630	406,964
Expected available fund						
National						
Local (IRA)	21,976	24,043	26,693	29,319	32,671	134,702
Others						
Total	21,976	24,043	26,693	29,319	32,671	134,702
Shortfall in funding	31,884	74,371	69,885	65,163	30,959	272,262
(Additional Fund Requirements)	34,116	85,148	85,612	85,416	43,421	333,713

Note: Shortfall in funding; above -- current year level cost.
below -- escalated cost at 7% per year.

Table 11.3.3 Internal Revenue Allotment for Water Supply and Sanitation Sector by Municipality
(Medium-term Development, 1999-2003)

Unit: P 1,000

Name of Municipality	IRA Allocation to Municipalities													Phase I Investment Cost Requirement (b)	Achievement Percentage (%) in Finance (a)/(b)
	Urban Water Supply			Rural Water Supply			Urban Sanitation			Rural Sanitation			Available Fund of Municipality (a)		
	Allotted from Provincial Government	Allotted Municipality Fund	Total	Allotted from Provincial Government	Allotted Municipality Fund	Total	Allotted from Provincial Government	Allotted Municipality Fund	Total	Allotted from Provincial Government	Allotted Municipality Fund	Total			
Baganga	2,119	4,764	6,882	1,831	2,303	4,134	864	1,087	1,950	1,290	1,623	2,913	15,879	55,107	29
Banaybanay							554	2,071	2,625	1,029	3,846	4,875	7,500	11,228	67
Boston	2,119	1,417	3,536	595	806	1,401	361	489	851	510	690	1,200	6,987	17,821	39
Caraga	1,766	1,380	3,145	3,230	3,430	6,660	497	528	1,025	1,429	1,518	2,947	13,778	45,780	30
Cateel	2,119	2,253	4,372	1,235	1,420	2,655	503	579	1,082	1,139	1,311	2,450	10,558	34,294	31
Governor Generoso	1,766	1,386	3,152	1,864	2,092	3,956	628	705	1,333	1,633	1,833	3,466	11,908	38,015	31
Lupon				791	2,382	3,173	1,080	3,252	4,332	1,590	4,786	6,376	13,881	24,551	57
Manay	2,119	2,353	4,472	3,600	2,495	6,095	423	293	716	1,259	873	2,132	13,415	61,545	22
Mati (Capital)	1,766	2,555	4,321	1,653	2,579	4,232	2,389	3,728	6,116	2,630	4,104	6,735	21,404	58,931	36
San Isidro	1,766	1,708	3,474	1,223	1,574	2,797	513	660	1,174	1,020	1,313	2,333	9,777	28,968	34
Tarragona	2,119	2,333	4,452	1,312	1,554	2,866	402	476	878	649	769	1,418	9,614	30,723	31
Total	17,655	20,150	37,805	17,334	20,636	37,969	8,215	13,868	22,083	14,179	22,665	36,844	134,702	406,963	33

11.4.1 Reference Scenarios in Different Funding Levels

Achievement levels of service coverage in the target year are examined in assumption of five funding levels. It is regarded that the service coverage is increased in proportion to the investment during Phase I period. The relationships between funding levels and corresponding percentages of service coverage are illustrated in Figure 11.4.1 and Figure 11.4.2 for water supply and sanitation sectors, respectively. The service coverage for urban water supply in 2003 would not sustain even the present levels in the provision of only projected IRA.

Three reference scenarios are discussed on different levels of funding. These scenarios will be referred to in combination of alternative countermeasures discussed in Section 11.4.2. Using computer-based programs, these scenarios may be modified by policy makers according to the updated information and policy on available fund and sector targets.

(1) The First Reference Scenario

No funding constraints are considered in this scenario to realize Phase I development as planned. This scenario is too optimistic based on the past experiences.

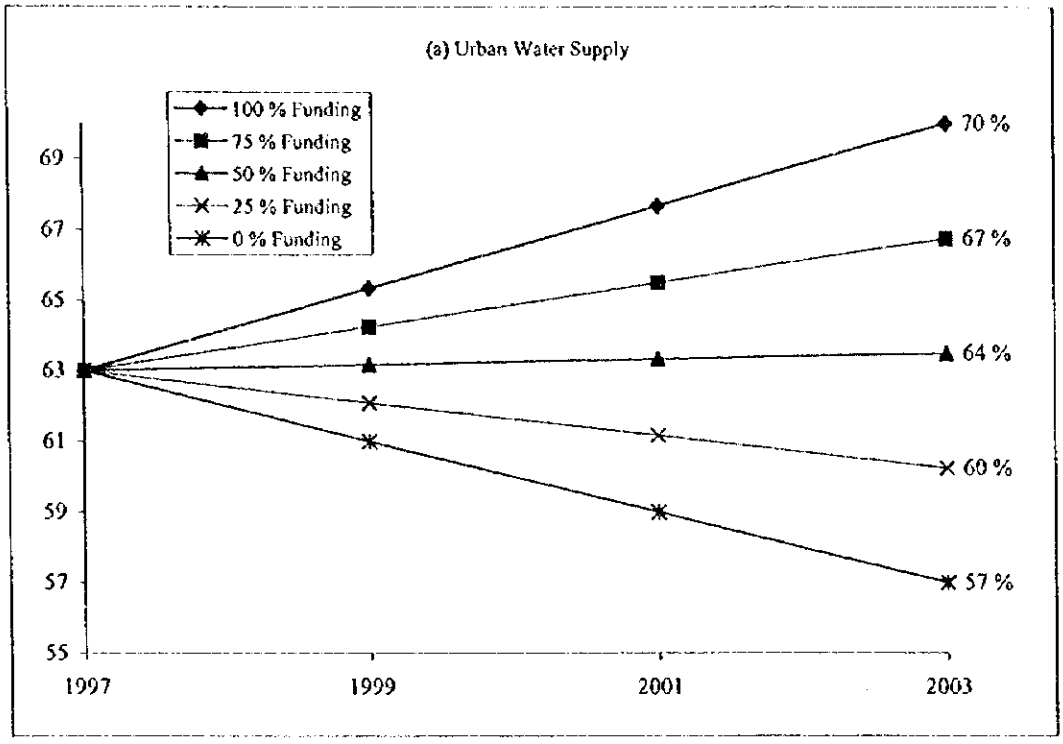
(2) The Second Reference Scenario

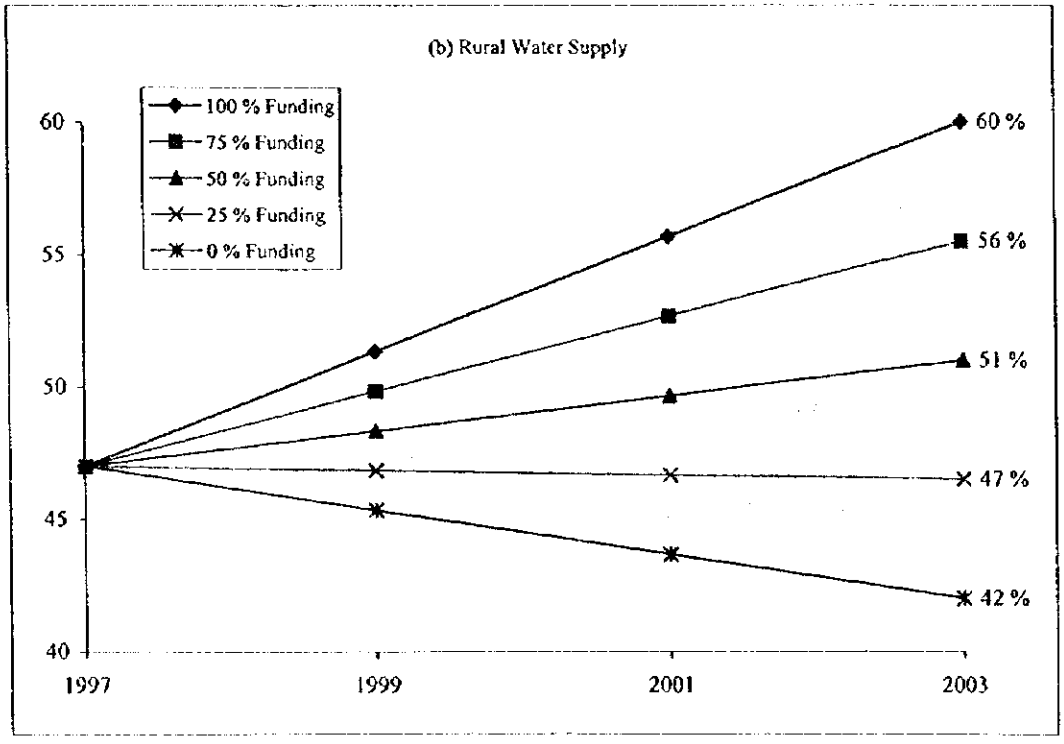
An intermediate scenario with 50 - 75 %-funding ranges are considered. Urban and rural water supply coverage in the year 2003 is attained between 64-67% and between 51-56 %, respectively. For urban and rural sanitation (household toilets), coverage will reach to 62-66% and 77-81% respectively on the assumption that required private investments are followed.

(3) The Third Reference Scenario

A 25% funding against the total requirements of Phase I is assumed as a possible achievement level with the augmentation of IRA (27% in provincial average). Urban and rural water supply coverage in the year 2003 will be attained at 60% and 47%, respectively, while urban and rural sanitation coverage will be at 58% and 72%.

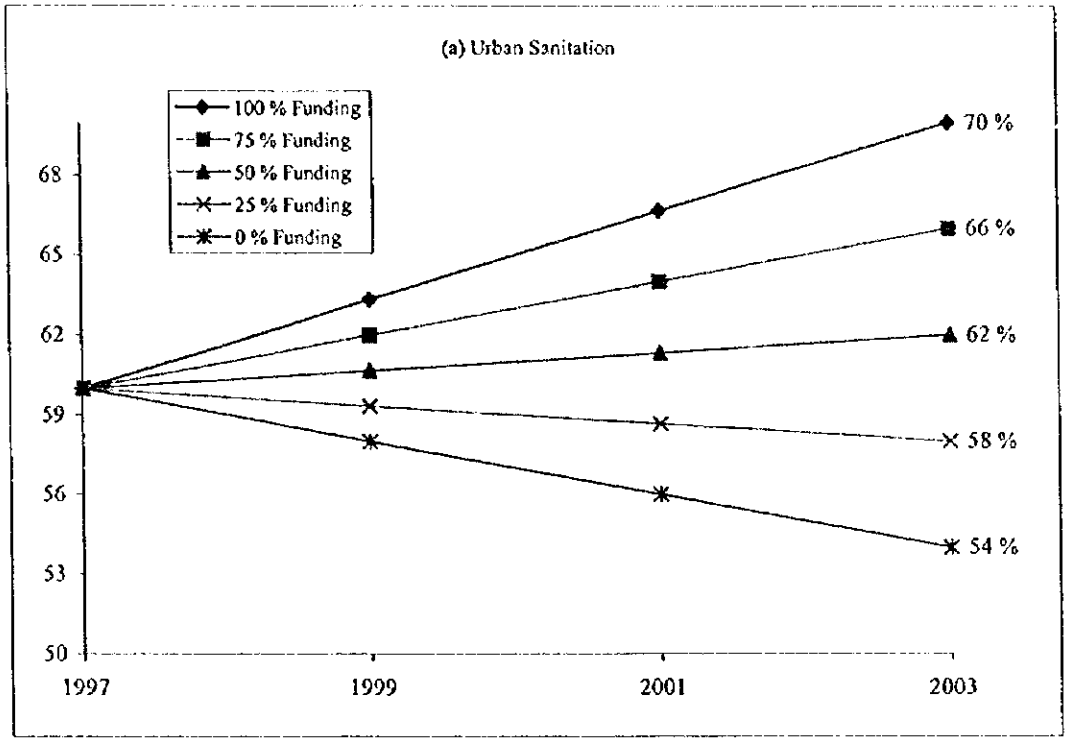
Figure 11.4.1 Relation Between Funding Levels and Percent of Coverage for Water Supply Sector

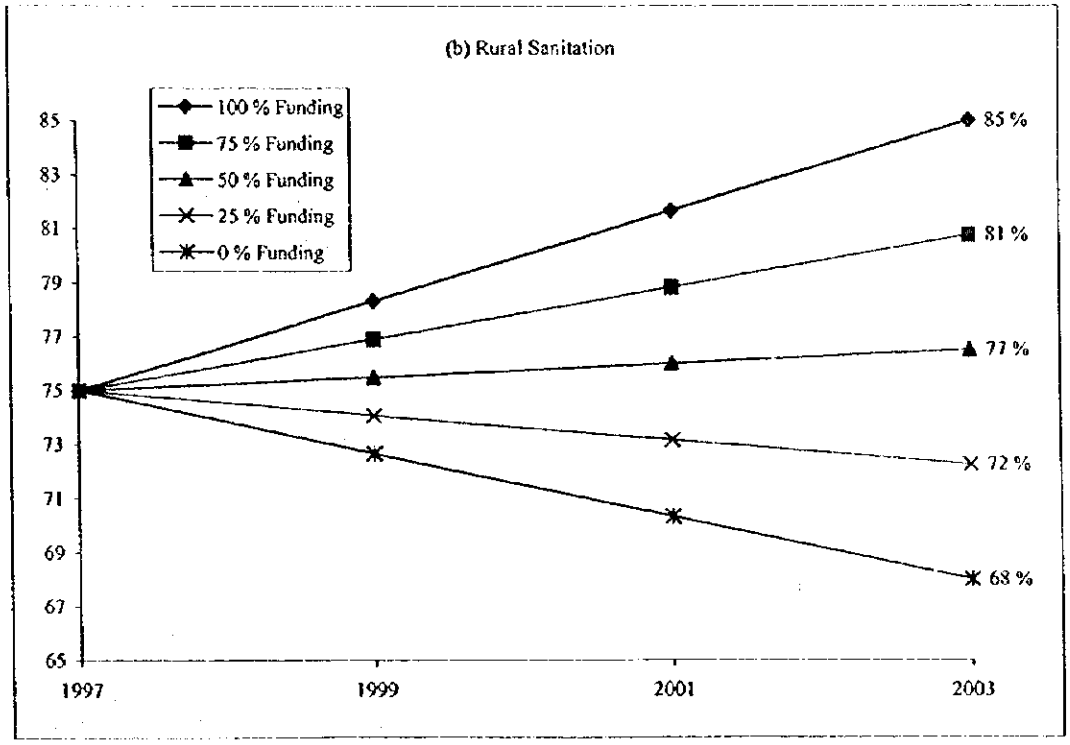




Note: Percentages of the coverage between 1997 and 2003 are simply prorated as the reference

Figure 11.4.2 Relation Between Funding Levels and Percent of Coverage for Sanitation Sector





Note: Percentages of the coverage between 1997 and 2003 are simply prorated as the reference

11.4.2 Alternative Countermeasures

This Section presents the means of financing the shortfall for the investment program.

(1) Acquisition of external funds

Foreign assistance has played a significant role in the development of the relevant sectors in the past. Negotiations with the central government agencies (DILG, LWUA, etc.) are requisites to access the foreign funds. Development of new local financial mechanism is also needed for LGUs under current policy shifts to increase the opportunities of LGUs undertaking foreign-assisted projects.

As a matter of fact, Local Government Empowerment Fund (LGEF) was established in 1996 to provide a mechanism for channeling external grants and loans to 19 priority provinces under the Social Reform Agenda and/or those classified as 5th or 6th class LGUs (details are referred to Chapter 11.4.2, Supporting Report).

The foreign loan may be availed of at the maximum financing limit of 75% of the overall project cost. This can be secured by GOP and channeled through the MDF.

(2) Augmentation of sector finance under current arrangements

<u>Increase of the IRA to the Relevant Sector</u>

The increase of IRA from the national government to LGUs is at first needed along with current procedure. LGUs shall also arrange the funds with a priority to the relevant sector.

<u>Local Taxes</u>

More allocation of local taxes to the relevant sector shall be arranged, although the share of local taxes in the provincial total budget is small.

<u>Utilization of Other Local Funds</u>

Utilization of other funds, Countryside Development Fund (CDF) in particular, shall be sought for development of the relevant sector.

(3) Introduction of private sector

Privatization of Level III Waterworks System

Privatization of Level III systems helps expedite sector development and sustainability of the system as suggested by NEDA Board Resolution No. 4 (series 1994).

LGU Guaranty Organization

LGU Guaranty Organization as a public-private corporation managed by private sector in the national level shall be studied to encourage private financing for the development of environmental infrastructure, which is introduced in other developing countries. The organization will guarantee local private loans to LGUs in provision of a longer term financing.

(4) Effective and economical investment

Investment Need Ranking of Municipalities

Investment need ranking of the municipalities is discussed as a guide for implementation of PW4SP and a measure for effective and economical public investment. Referring to this ranking, the provincial government will arrange its financial resources more effectively.

The ranking for urban water supply is specifically studied considering three factors, while a sole factor of additional requirements is assumed to coincide with the priority of other sub-sectors. Synthetic evaluation of concerned sub-sectors is finally presented in the context of comprehensive improvement of this sector. The result for urban water supply is employed for allocation of provincial IRA to the municipalities in the concerned sub-sector. The synthetic ranking may be availed for the huge investment in use of the funds to be provided by other donors in the future.

For the urban water supply component, the ranking criteria comprise three essential evaluation factors, namely: (a) percentage of underserved and unserved population in the base year; (b) percentage of underserved and unserved population in Phase I; and (c) percentage of population unserved by Level III Systems in the base year. First, these factors are scored by the range of underserved and unserved percentage and totaled by municipality in application of weighing method. Adopted weight to the factors (a), (b) and (c) are 50%, 35% and 15%, respectively. Table 11.4.1 shows ranking procedures, overall weighted score and investment need ranking of the municipalities. There are five (5) municipalities identified as first priority municipalities namely Baganga, Boston, Cateel, Manay and Tarragona.

Table 11.4.1 Municipal Investment Need Ranking for Urban Water Supply

Name of Municipality	Evaluation Factor			Scoring by the Factor			Overall Weighted Score	Investment Need Ranking
	% of Underserved and Unserved Population in Base Year	% of Underserved and Unserved Population in Phase I	% of Population Unserved by Level III Systems in Base Year	Underserved and Unserved Population in Base Year	Underserved and Unserved Population in Phase I	Population Unserved by Level III Systems in Base Year		
Baganga	55	59	83	1.00	1.00	1.00	1.00	1
Banaybanay	14	24	100	0.40	0.60	1.00	0.56	10
Boston	68	71	100	1.00	1.00	1.00	1.00	1
Caraga	51	55	63	1.00	1.00	0.80	0.97	6
Cateel	59	63	100	1.00	1.00	1.00	1.00	1
Governor Generoso	38	43	85	0.80	1.00	1.00	0.90	7
Lupon	20	28	85	0.40	0.60	1.00	0.56	10
Manay	72	74	81	1.00	1.00	1.00	1.00	1
Mati (Capital)	28	34	67	0.60	0.80	0.80	0.70	9
San Isidro	39	45	77	0.80	1.00	0.80	0.87	8
Tarragona	67	70	100	1.00	1.00	1.00	1.00	1
Provincial Total	37	43	80					

Note: 1. Scoring to Underserved and Unserved Percentage.

2. Weight Allocation to Score.

Score	Range of Underserved and Unserved Percentage			50	35	15	Allocated Weight
1.0	41 < %	41 < %	81 < %				
0.8	31 < % < 40	31 < % < 40	61 < % < 80				
0.6	21 < % < 30	21 < % < 30	41 < % < 60				
0.4	11 < % < 20	11 < % < 20	21 < % < 40				
0.2	% < 10	% < 10	% < 20				

With reference to provincial fund allocation, it is assumed that 60% of the fund for urban water supply from provincial government is distributed equally to the top five ranking municipalities, while the remaining 40% are equally distributed to the rest of the municipalities. The result of distribution is shown in Table 11.4.2. The available fund for all the municipalities was smaller than the Phase I requirements for urban water supply.

Table 11.4.2 Distribution of Provincial IRA to Municipalities for Urban Water Supply

Unit: 1,000 pesos

Ranking	Name of Municipalities	Fund Distribution		IRA to Municipalities from National Government (2)	Available Fund Distributed to Municipalities (1) + (2)	Phase I Requirements	Accomplishment Percentage (%)
		Fund Distribution from Provincial Government (1)	Distribution Percentage (%)				
1	Baganga	2,119	12.00	4,764	6,882	26,851	25.63
10	Banaybanay						
1	Boston	2,119	12.00	1,417	3,536	7,423	47.63
6	Caraga	1,766	10.00	1,380	3,145	9,212	34.14
1	Cateel	2,119	12.00	2,253	4,372	13,891	31.47
7	Governor Generoso	1,766	10.00	1,386	3,152	8,759	35.98
10	Lupon						
1	Manay	2,119	12.00	2,353	4,472	24,082	18.57
9	Mati (Capital)	1,766	10.00	2,555	4,321	11,613	37.21
8	San Isidro	1,766	10.00	1,708	3,474	9,417	36.89
1	Tarragona	2,119	12.00	2,333	4,452	13,964	31.88
Total		17,655	100	20,150	37,805	125,212	30.19

To come up with the synthetic ranking of the municipalities, scoring method is also employed for other sub-sectors. The score is derived from the range of underserved and unserved percentage in the base year. Synthetic investment need ranking of municipalities covering four sub-sectors is shown in Table 11.4.3 (refer to ranking procedures in Table 11.4.1, Supporting Report). The top ranking municipalities are Tarragona and Baganga, which indicates that they are given priority for investments in all sub-sectors, while Banaybanay is the least priority in terms of investment.

Table 11.4.3 Municipal Investment Need Ranking

Name of Municipality	Weighted Score by Sub-sector					Synthetic Municipal Investment Need Ranking
	Urban Water Supply	Rural Water Supply	Urban Sanitation	Rural Sanitation	Total Weighted Score	
Baganga	0.30	0.30	0.16	0.04	0.80	2
Banaybanay	0.17	0.06	0.12	0.04	0.39	11
Boston	0.30	0.30	0.04	0.08	0.72	5
Caraga	0.29	0.30	0.16	0.04	0.79	4
Cateel	0.30	0.24	0.12	0.04	0.70	7
Governor Generoso	0.27	0.18	0.12	0.04	0.61	9
Lupon	0.17	0.06	0.20	0.04	0.47	10
Manay	0.30	0.30	0.16	0.04	0.80	2
Mati (Capital)	0.21	0.18	0.20	0.12	0.71	6
San Isidro	0.26	0.18	0.16	0.04	0.64	8
Tarragona	0.30	0.30	0.20	0.04	0.84	1

11.5 National Government Assisted Level I Water Supply and Sanitation Project

Of the overall project requirements for the medium-term development, those for Level I water supply and sanitation improvement with possible assistance from the GOP were studied in application of new cost-sharing arrangement. In 1997, the six provinces in the Luzon area (after completion of PW4SP) jointly submitted the project proposal, as a package of OECF assisted loan, to the NEDA through the DILG for the limited sub-sectors under the above conditions.

In the same context as proposed by the six provinces, project components with scope of work and financial viability were studied. The project is a part of medium-term development plan for Level I water supply and sanitation for limited classes of the municipality. The DILG is assumed to be Executing Agency and the province Implementing Agency in the meantime. The project may be merged together with those of the 1st batch provinces for preparation of the PW4SP. The implementation of a packaged project may be realized in the near future.

11.5.1 Project Components

(1) Water Supply and Sanitation Component

Since all municipalities of the province fall on 1st to 4th municipality, there is no water supply component to meet the conditions in provision of GPO-assisted Level I water supply in the rural area (limited to 5th and 6th municipalities).

While, there are eight (8) municipalities to meet the condition for GOP-assisted projects (limited to 3rd to 6th municipalities) in sanitation sub-sector.

The sanitation component comprises 2,183 units of toilet bowl by distributing toilet molds (pour flush type only), 11 public toilets and 81 school toilets to the rural communities. With the integration of sanitation in the water supply projects, equal emphasis shall be given to sanitation component to ensure a greater health impact in the rural communities. School toilet will be constructed for public school in the rural areas, while public toilets will be constructed at public markets and bus terminals in urban areas. Health consciousness among the rural people will also be bolstered with the provision of health education training and IEC materials.

(2) Consultancy Services

Considering the magnitude and complexity of the project, consulting services and technical assistance may be availed to strengthen the executing and implementing agencies' capabilities in undertaking the project. The services will cover technical and institutional/community development aspects of the project.

During the detailed design stage, the services will cover finalization of construction sites based on site selection criteria to be developed, and preparation of bidding documents. Guidelines and training program for strengthening the capability of implementing agencies and NGOs will be prepared and carried out. The construction stage will include assistance to LGUs in the supervision of construction works, community organizing and training works.

(3) Institutional Development

The project entails community development with people's active participation to assure the responsibility for O&M of the facilities and strengthening of existing institution/organization and/or formation of new ones. Thus, various activities will be undertaken from national to beneficiary levels. A sufficient cost for the purpose will be taken into account.

11.5.2 Project Requirements

The province will manifest its willingness to participate in the project entailing timely arrangements to meet NEDA requirements. These requirements are (1) RDC Endorsement, (2) ECC clearance and (3) Letter of Commitment. In addition, Memorandum of Agreement (MOA) on the cost-sharing and other arrangements required for the project will be exchanged between the province and concerned municipalities.

11.5.3 Funding Requirements

(1) New Cost-Sharing Policy

The project finance was studied in accordance with the 50%-50% cost-sharing arrangement (50% is an average municipality's share among concerned municipalities) between

the GOP and the LGUs. Financial sharing among the province, municipality and barangay shall then be clarified based on the estimated cost requirements through MOA.

The new policy of the national government grants for devolved activities stated that "this scheme shall be applied to all new ODA-assisted projects that are currently being packaged in support of LGUs". With regard to this, 50% national government share will be applied for Level I water supply (not applicable to the province) and even 70% of NG share for 5th and 6th classes of municipalities for sanitation component (refer to Table 11.5.1).

Table 11.5.1 New Cost Sharing Arrangement between NG and LGUs

Sector/Activity	LGU Income	Devised NG	Remarks
Water Supply: Level I only	1st to 4th	0	No GOP grants for Level II & III water
	5th to 6th	50	
Sanitary Support Faci. for Public Markets and Slaughterhouses	1st to 2nd	0	
	3rd and 4th	50	
	5th and 6th	70	

(2) Financial Viability

1) Conditions and Assumptions for Financial Study

- The cost sharing between the GOP and LGUs is assumed to be 50% : 50% of the overall project cost. It is assumed that the 50% share of LGU is further allocated to the LGUs and beneficiaries with 47% and 3% to the overall cost, respectively.
- The financial sources of the national government are the loan from foreign donor and GOP counterpart budget and LGUs from the budget of the province and municipalities. The part of beneficiaries is equity contribution including land purchase cost, right of way, labor, etc.
- The O&M cost is managed by the beneficiaries.

2) Project Cost

The cost estimate was made based on 1997 price level in Chapter 10. Then, physical and price contingencies as well as value-added tax were added. The project cost for the concerned municipalities in line with above conditions/assumptions is shown in Table 11.5.2.

Table 11.5.2 GOP-Assisted Level I Water Supply and Sanitation Project Cost

(Unit: Peso)

Category	Qty.	Unit Cost	Amount	GOP		LGU
				Foreign Loan	GOP/CP	
A. Const. & Civil Works						
Water Supply						
1. Deep Well (30m)		132,800	0			
2. Deep Well (50m)		188,300	0			
3. Deep Well (70m)		248,200	0			
4. Shallow Well		32,100	0			
5. Spring Development		294,100	0			
Sub-total a			0	0		0
Sanitation						
1. HH Latrines	2,183	150	327,450			
2. School Toilets	81	274,100	22,202,100			
3. Public Toilets	11	344,100	3,785,100			
Sub-total b			26,314,650	8,670,759		17,643,891
Land acquisition						
Land acquisition & Right of Way			0			0
Sub-total A			26,314,650	8,670,759		17,643,891
B. Equip./Logistic Support						
1. Support Vehicle	0	590,000	0	0		
2. Well Rehab. Eqt.	0	280,000	0	0		
3. Maintenance Tools	0	10,000	0	0		
4. Water Quality Test Kits	0	15,300	0	0		
Sub-total B			0	0		
C. Consultancy Services						
1. Hydrogeological Survey			0	0		
2. D/D and Const. Sv.			2,894,612	2,894,612		
Sub-total C			2,894,612	2,894,612		
D. Instiutional Devt.						
1. Capacity Enhanc. Prog.	L.S.		3,200,000	2,650,000	550,000	
2. Commu. Manag. Prog.	116	10,770	1,249,320	419,772	829,548	
3. Health & Hygiene Educ.	116	1,800	208,800		208,800	
4. Water Quality Surveil.	116	700	81,200		81,200	
5. NGO Assistance	116	1,200	139,200		139,200	
6. Administrative Support	L.S.		1,200,000		1,200,000	
Sub-total D			6,078,520	3,069,772	3,008,748	
E. Physical Contingency			3,528,778	1,463,514	300,875	1,764,389
Total (A+B+C+D+E)			38,816,560	16,098,656	3,309,623	19,408,280
GOP Total					19,408,280	
LGUs						18,243,783
Equity						1,164,497
LGUs + Equity						19,408,280
F. Others						
1. Price Contingency			14,819,420	6,505,665	1,211,177	7,102,579
2. Value Added Tax (VAT)			1,156,537		1,156,537	
Sub-total F			15,975,957	6,505,665	2,367,714	7,102,579
Grand Total			54,792,517	22,604,321	5,677,337	26,510,859

Note: (1) Equity of users includes land cost, right of way, labor, etc., equivalent to 3% of direct cost (excluding item F).

(2) N.A.: Not applicable

(3) Assumption/Conditions for Cost estimate

1) Direct cost: based on 1997 price level.

2) Pysical contengency: 10% of materials procured.

3) Price contingency: Forex 3%; local 7%; compounded annually, base year 1997

4) Value added tax; 10% materials produced.

Overall aggregate cost from 1999 to 2003 arrived at about ₱54.8 million (₱38.8 million in 1977 price level) referring to the implementation schedule of the project.

3) Financial Arrangement

The two alternatives for the financial arrangements are studied to prepare required cost to be shared among concerned parties: i) Utilization of IRA only and ii) Utilization of IRA and MDF.

Case 1: Utilization of IRA fund only

Currently, there is no projection on drastic increase of LGUs' budget through the future. Under such a condition, the following are considered.

- Potential fund is the IRA allotted annually from the GOP to municipalities and from province to municipalities. Municipal tax is negligible small in allocation to the sector. The total municipal budget available was projected by sub-sector in Section 11.3.
- Arrangements by the municipalities with MDF and banks are disregarded considering current financial capability of the municipalities.
- 5-year development program (from 1999 to 2003) is applied to increase project fund using available IRA

Applying the cost-sharing arrangement, the projected IRA available was estimated for the eligible municipalities in provision of national government grant fund based on the following conditions.

a) The available fund of sub-sectors is a sum of municipal and provincial allotments of IRA

b) For sanitation sub-sector, IRA to municipalities with income classification of 3rd to 6th classes are counted. The IRA allotted to the province are divided into two groups; class 1st to 2nd and class 3rd to 6th in proportion to the construction cost required. The provincial IRA for the eligible municipalities is considered for this project.

The total IRA of the province available for the eligible municipalities in the sanitation sub-sector were estimated at ₱ 25,631,000, as a total of 5-year development program, in combination of available IRA allotted to urban and rural sanitation (details are included in Table 11.5.1, 11.5.2 and 11.5.3, Supporting Report). The available IRA is shown below.

Sub-sector	Provincial IRA	Municipal IRA	Total
Rural Sanitation:	7,640,000	8,302,000	15,97,000
Urban Sanitation:	3,882,000	5,802,000	9,684,000
Total:	11,522,000	14,109,000	25,631,000

The cost comparison was made between the estimated project cost to be shared by the LGUs and available IRA of LGUs. Both required cost and the IRA are based on 1997 year price level without considering price escalation, but including physical contingency.

The comparison shows that the projected available IRA, as the provincial total aggregated in assumption of respective 5 years development programs, meets the cost to be shared by the LGUs. Table 11.5.3 shows the cost-sharing for the project among the GOP, LGUs and beneficiaries (BWSAs). The GOP shall shoulder 50% of the overall project cost, utilizing the foreign assisted loan of 41.5% or ₱16.1 million and 8.5% or ₱3.3 million of the government counterpart fund. The remaining 50% of the overall cost shall be shared between the LGUs by 47% or ₱ 18.2 million and beneficiaries by 3% or ₱1.2 million.

Table 11.5.3 Cost-Sharing for the Project (Case 1): 1997 price level

Financial Source	x 1,000 Peso	Percentage		Remarks
GOP	3,310	8.5	50	GOP counterpart
	16,099	41.5		Foreign Loan
LGUs	18,244	47	50	IRA
	1,164	3		Equity of beneficiaries
Total	38,817	100		

Under this case, the IRA to be used by the LGU is about 70% of available IRA (₱25.6 million).

Case 2 Utilization of IRA and MDF

The utilization of the MDF is considered in case that the LGUs will fail to furnish IRA for the project (even if estimated IRA available meets the required cost to be shared by the LGU). The foreign loan may be availed of at the maximum financing limit of 75% of the overall project cost.

Thus, the GOP shall possibly support the LGUs through the MDF in case that manageable IRA will not be able to fill up the cost requirement of the project. Table 11.5.4 shows cost sharing scheme for the project between the GOP and the LGUs.

Table 11.5.4 Cost Sharing for the Project (Case 2)

Financial Source	x 1,000 Peso	Percentage			Remarks
GOP	3,310	8.5	5	50	GOP counterpart
	16,099	41.5	75		Foreign Loan
	(13,004)	(33.5)			Foreign Loan for MDF
LGUs	5,240	13.5	47	50	IRA
	13,004	33.5			MDF through Foreign Loan
	1,164	3	3		Equity of beneficiaries
Total	38,817	100			

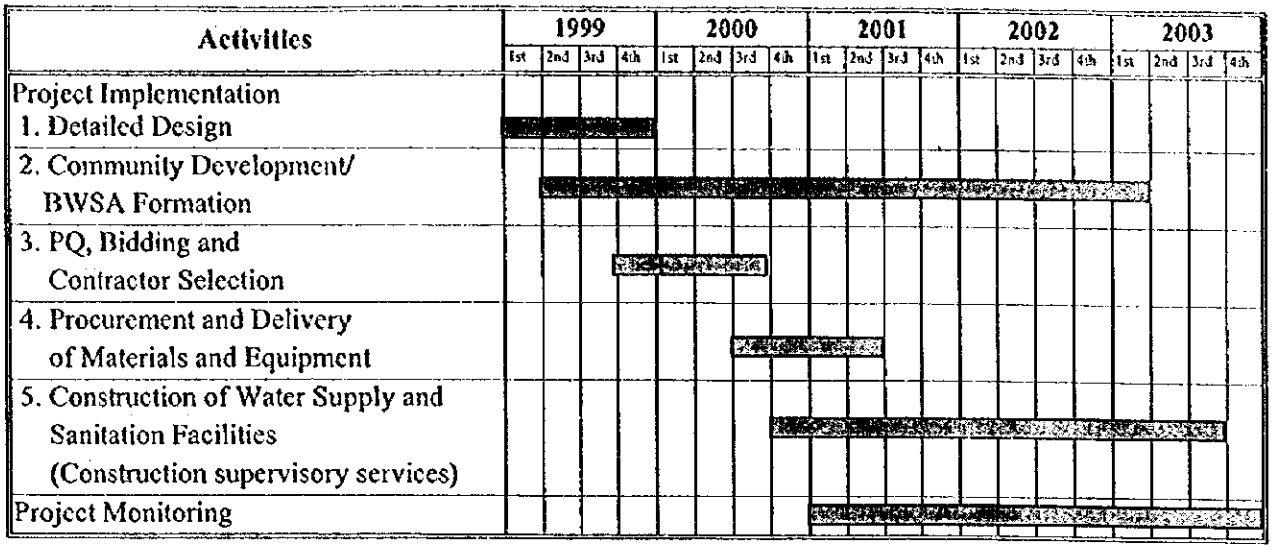
Under this case, the IRA to be used by the LGU is about 20% of available IRA estimated in the previous study (₱25.6 million).

GOP is possibly to finance up to ₱29.1 million or 75% of the total project cost in the portion of loan. Out of GOP finance through the loan, ₱16.1 million or 41.5% of the total project cost shall be granted to the LGUs, aside from 8.5% GOP counterpart fund. The remaining ₱13.0 million or 33.5% of the total project cost shall be utilized for financing the LGUs to secure their budgetary capacity through MDF.

4) Project Implementation Schedule

The proposed implementation of the project is scheduled for five years after hiring the consultants. Figure 11.5.1 presents the proposed schedule.

Figure 11.5.1 Proposed Project Implementation Schedule



11.6 Cost Recovery

Cost recovery and cost sharing are essential to attain the planned targets. The PW4SP advocates the imposition of tariffs for the recovery of capital and operating cost based on the principle that adequate water, sewerage and sanitation facilities should be paid for.

(1) Level I water supply systems

For Level I systems, cost sharing between the LGUs and beneficiaries is required for the capital costs, even the portion of the beneficiaries is limited, according to the current national policy. Currently, the percentage shared by the beneficiaries seems to be 3-5 % of total requirements based on the experience.

Beneficiaries are responsible for all recurrent costs. Monthly recurrent cost is estimated at about 8 Pesos per household in the base year price level (refer to recurrent cost, 11.6 in Chapter 10). The figure will be increased up to 12 Pesos in the year 2003, assuming annual inflation rate of 7 %. This monthly fee seems to be affordable to the users considering the current income level (refer to affordability in Chapter 6), but willingness to pay shall be promoted.

Depending on the users' income level, water charges shall be determined and agreed upon among the water users. The estimated water charge for O&M cost is ₱ 8 per household per month, which is less than 1% of the average monthly household income. If the users will pay 2% of their average monthly income(₱ 3,483) or ₱70

/household/month, not only repair of hand-pump, but also rehabilitation and reconstruction of well will be managed assuming the well life of 20 years. Required O&M cost, Investment Program and FIRR are included in 11.6, Supporting Report.

(2) Level II water supply systems

Full cost recovery is required for all capital costs for Level II systems. The number of household to be covered for the target year is 4,940 (refer to Table 8.5.1; population to be served of 25,986 and household size of 5.26 persons). The average capital cost required is estimated at ₱6,100 per household (refer to Chapter 10). Applying the capital recovery factor to the capital costs with conditions of 7% interest rate and 25 years repayment period, monthly payment amounts to ₱44 per household.

The annual recurrent cost per household is estimated to be ₱180 (₱8.50 /household/month) in Chapter 10. It will reach to ₱22.50 in the year 2003 with an annual inflation rate of 7%.

The combined amount of capital repayment and recurrent cost in the year 2003 arrives at ₱67, which is less than 2% of both median and low family income.

(a) Estimated water rate (flat rate; Pesos)	:	67
(b) Percentage of (a) to monthly median household income in 2003 1)	:	1.3%
(c) Percentage of (a) to monthly low household income in 2003 2)	:	1.5%

Notes:
1) Provincial average monthly median income in 2003 (₱5,227 per household) is derived from 1994 Family Income and Expenditure Survey considering annual inflation rate of 7%. The monthly median income in 1997 is ₱3,483.
2) Provincial average monthly low income in 2003 (₱4,350 per household) is estimated using the NSO data. The monthly low income in 1997 is ₱2,899.

(3) Level III water supply systems

A full recovery of capital and O&M cost is required for Level III systems. To test the affordability, a comparative study was made between estimated water rate (based on standard monthly consumption; 15m³ per household) and projected income in 2003. The total capital cost of Level III water supply system is ₱85.1 million for 3,847 households to be served. In application of inflation rate of 7% and 25 years repayment period, the annual payment arrives at P1,898/household. The monthly capital cost to be paid by each household is about ₱158.

The monthly recurrent cost per household is estimated to be ₱64 (₱773 year; refer to recurrent cost in Chapter 10). Using an annual inflation rate of 7%, this recurrent cost is projected to be ₱96 in the year 2003.

Thus, the combined amount of capital repayment and recurrent cost is estimated at about ₱254/household/month in the year 2003. The cost shall be recovered as a monthly water rate to be paid by users. The percentage of the water rate against income with more or less 5% is commonly affordable. In this regard, monthly water consumption affordable for low-income households is less than 10 m^3.

(a) Estimated water rate for 15 m^3 (Pesos)	:	254
(b) Estimated minimum water rate (1-10 m^3) (Pesos) 1)	:	222
(c) Percentage of (a) to monthly median household income in 2003	:	4.9%
(d) Percentage of (a) to monthly low household income in 2003	:	5.8%
(e) Percentage of (b) to monthly low household income in 2003	:	5.1%

Notes:

1) Water rate for the HH with monthly consumption rate of 10m^3 is estimated under the same assumption of a).

Monthly median household income is ₱5,227 /month and the low household income is ₱4,350/month in the year 2003.

(4) Sanitation

The provision of sanitary toilet facilities for public markets and schools is under LGUs in coordination with parent-teacher association. However, recurrent cost for the public markets shall be collected from the users including stakeholders of the market.

Household toilets shall be managed by individual households. However, the facility is costly with reference to the current income level, especially in the rural area (flush-type toilet; ₱21,300 and pour-flush toilet; ₱13,000). Governmental support is also limited to the provision of toilet bowl for pour-flush toilets as an incentive to increase the distribution of water-sealed toilets. Thus, cost recovery in application of loan shall be considered.

Applying the capital recovery factor to the construction cost with assumptions of 7% interest rate and 5 years repayment period, monthly repayment amounts to about ₱ 468 for a flush type and ₱286 for a pour-flush type, respectively (details of unit cost are referred

to Chapter 10, Supporting Report). The percentages of repayment to household income in the year 2003 are calculated in the same manner as the study for Level III water systems and are shown below.

(a) Repayment for Flush Type (Pesos)	:	468
(b) Repayment for Pour Flush Type (Pesos)	:	286
(c) Percentage of (a) to monthly median household income in 2003 1)	:	9.0%
(d) Percentage of (b) to monthly low household income in 2003 1)	:	6.6%

To expedite the sanitation sector improvement, introduction of specific loans that are revolving in character with low interest rates and longer repayment period may be an effective solution. For urban sanitation, the linkage with existing housing loan shall be established to cover construction of sanitary toilets.

Chapter 12

MONITORING FOR MEDIUM-TERM DEVELOPMENT PLAN

12. MONITORING FOR MEDIUM-TERM DEVELOPMENT PLAN

12.1 General

Many of the systems constructed earlier have operated in a limited way because of the insufficient monitoring and post-construction technical support, aside from the problems in promotion of self-reliance and local community management. This Chapter seeks to recommend a focused, practical, viable, creative approach to strengthening sector and project monitoring. The development of a coordinated monitoring system is one of the key components of an effective management system.

Sector monitoring refers to the overall water and sanitation situation in the province. One may readily use a demand-supply model for sector monitoring. Demand would be indicated by such indicators as coverage, health conditions, etc. Supply would be indicated by the water resources situation, by the available funding, or by water/sanitation associations organized to undertake sector activities. Project monitoring, on the other hand, looks at the progress of specific activities or projects. Indicators would thus include; disbursements, percent completion, cost overruns (underruns), etc.

12.2 Sector Monitoring

(1) The monitoring system must support a well-defined and accepted sector development process-model. There are four general aspects of sector monitoring which will be addressed:

1) Information collection: Defining the information needs of the LGUs from various levels; reviewing current, readily-available sector information, including its reliability and timeliness; identifying the information gaps and deficiencies of the information system; data consolidation and processing.
2) Tracing the flow of raw data from the field (or other related monitoring systems) to the central level. Identifying possible causes of distortions, inconsistencies or blocks.
3) Information analysis: Assessing the quality of information; reviewing the analyses done.
4) Data feedback: Reviewing the impact of information on planning and decision making at the policy level, the resource allocation level and the operating level; tracing the flow of data back to the field.

(2) Sector performance deficiencies demand that serious thought be given to innovations to reduce costs in achieving the provincial sector plan. With the monitoring system, the sector should be able to take a fresh and objective view of the way to meet current strategies. For example, does community management of systems really work? Do low-cost technologies make sense? Under what conditions and how? How can the target be achieved for low-income communities? A sector monitoring system should be flexible to support planning and research studies on such specific policy and operational issues.

(3) In putting together a relevant sector monitoring system, the following should be seriously looked into:

1) It should reinforce the linkage between water, sanitation and health. This implies that coverage should be measured for availability of both water and sanitation for a household. It should not be monitored separately, i.e., a household can thus be categorized as having both water and sanitation, water only, sanitation only or none of either. At later stages, health practices can be included in the monitoring.
2) It should be reliable and involve the beneficiaries. This mechanism could provide the data quality control which is missing in existing systems. Distortion of information may occur when implementors are the monitors. The barangay will be the basic data capture level.
3) Monitoring will succeed only with interagency support, particularly in the initial stages. It should be accepted by all sector agencies. A unified set of figures and indicators will greatly help in planning.
4) It should be practical and implementable. It should start with the current monitoring capacity situation and move up with a clear vision of what the monitoring system should be. This implies phasing and gradual expansion and strengthening of the system and training of staff.
5) The system should be followed through with effective feedback. It should develop creative ways of providing feedback to the field. The current way in which data is processed is towards consolidation. The field sources' only feedback is, for example, national coverage figures. In the course of consolidation, opportunities for specific feedback useful to project implementors on performance are lost.

(4) Regarding sector development indicators, some important indicators will be more difficult to collect than others because the sector is not ready to gather them. The LGUs will group indicators into phases based on availability of data and/or ease with which such information can be collected with improved systems. A review of the objectives set for the sector almost exclusively shows a focus on coverage. It is important to get sector

objectives stated beyond coverage terms in order to encourage use of additional indicators. Based on past experience, requiring too much information leads to start-up difficulties. A three-phase build-up meeting sector requirements is outlined in the following sections:

1) Phase 1 Indicators
   - Access to both adequate water and sanitation
   - Water and sanitation associations duly organized to undertake sector activities
   - Water and sanitation facilities in schools
   - Capital development costs
   - Sources of capital development funds
   - Incidence of diarrhea
   - Water availability and water quality maps
   - Unit cost (per capita or per facility)

2) Phase 2 Indicators
   - Household hygiene habits and practices
   - Water stored in house covered? food covered? grounds free of faeces, garbage, wastewater cesspools? animals in the house? mother's and children's hands clean?
   - Existence of barangay spot maps and facilities ledger cards
   - Existence of O&M arrangements
   - Current costs to households and willingness to pay for improved service

3) Phase 3 Indicators
   - O&M Costs
   - Financial efficiency and stability indicators
   - Institutional development indicators
   - Low-income groups benefiting from improvements

(5) NEDA has issued a Board Resolution in 1995 providing a practical definition of terms for planning and monitoring. The definitions were arrived at after exhaustive discussions and consensus with the implementing agencies.

(6) Recommended institutional responsibilities for sector monitoring: Monitoring is best left to parties not directly involved in delivery of the services. The best monitors are the community members themselves since accurate monitoring reports is in their best

interest. At the data capture level, the PHO structure, with its midwives and BHW volunteers, is in the best position to take the lead in data gathering.

1) Provincial Level: The PPDOs, through its Research and Evaluation Division, will play the lead role in organizing the field data collection effort in coordination with the field offices of national agencies, NGOs and the water districts. The Monitoring Specialist, with the PST/PWSO, will assist the PPDO.
2) Municipal Level: The Municipal Development Coordinator has the mandate of monitoring all development activities in the municipality. The municipal sector liaison will therefore coordinate the preparation of the reports with the MPDO, supported by PHO and NGOs, as needed.
3) Barangay Level: There are several institutional options for leading the monitoring at the barangay level, such as the barangay health stations, the barangay council, etc. The municipal liaison will take the lead in establishing the barangay monitoring responsibilities.

(7) Computerization of the system can come at later stages. This should be gradually phased in as the sector agencies strengthen their monitoring mode. This will also discourage a ground swell of requests for computer hardware. Computer facilities are available at the provincial level.

(8) A new sector database program has been designed and currently under review. A Sector Database Center has been established within the DILG-PMO.

12.3 Project Monitoring

Project Monitoring Committees (PMCs) exist, pursuant to the Executive Order No.269, at the provincial and municipal levels tasked with the monitoring of local government projects funded from national and local government funds.

(1) Scope and coverage: At the provincial level, monitoring includes projects classified under any of the following:

1) foreign and nationally-funded projects which are implemented or located in two or several municipalities in the province or implemented or located in the province;
2) other projects implemented and managed at the provincial level with funding generated from provincial sources.

- Organization of Project Monitoring Committee (PMC): The PMC established in each province is composed of representatives from different organizations, from NGOs, the administration, the ruling party and the opposition. From these representatives, the Provincial Governor selects the chairman and the others as members. The Provincial Planning and Development Office can be delegated to serve as the Secretariat and the PMC manages with the assistance of the non-government organizations in the monitoring and validation of project implementation.

(2) Responsibilities: The specific rules and responsibilities of the various units in the implementation of the monitoring system are as follows:

The Project Monitoring Committee :

1) Provides the list and schedule of all projects to be monitored to the NGOs involved in monitoring;
2) Collects and processes reports of implementors; NGOs monitor the status of project implementation for the information of the development council and next higher level project monitoring committee;
3) Pinpoint problems and verify information to be submitted for analysis and action of the development council;
4) Provide feedback on the remedial actions of the development council and follow-up their implementation;
5) Prepare and disseminate periodic project monitoring report on the status of project implementation; and
6) Elevate to higher level bodies problems/issues which are not resolved at their level.

The PMC Secretariat:

1) Prepare the monitoring program to be undertaken by the PMC during any given fiscal year, which will include, among others, the lists of projects and schedule of implementation based on submission of implementing agencies;
2) Provide chief executives with information on the projects to be monitored by the local PMC's;
3) Facilitate inter-agency, inter-governmental and field headquarters coordination whenever necessary.

The Project Implementors:

1) Submit periodic reports to the monitoring committee on the status of project implementation base on suggested reporting forms;

2) Provide authorized monitors assistance in getting access to more detailed information on project implementation (e.g. detailed work program);
3) Submit to next higher level office of line agency reports on status of implementation;
4) Implement/institute remedial measures on problems/issues identified as suggested by the development council.

(3) Process Flow

1) The PMC secretariat provides the NGOs with the monitoring plan, containing information on projects to be implemented at the provincial level;
2) PMC prepares its monitoring program for the calendar year;
3) Project implementors undertake projects, prepare and submit status reports on project implementation to the PMC;
4) NGOs project exception reports are submitted to the PMC, with copy furnished the project implementors;
5) PMC assesses reports of implementors and NGOs and conducts project visits of projects identified in the monitoring work program;
6) PMC processes reports of various implementors and provides the provincial development council with a consolidated report on status of project implementation in the province;
7) PMC evaluates problems, recommends solutions during its regular or special meetings, and refers same to the Provincial Development Council for appropriate action;
8) PDC assesses reports and takes proper action (problem solving, referral to appropriate agencies/council);
9) Implementors take remedial action on problems/issues encountered in project implementation. (If after a reasonable period of time, no remedial measures/ appropriate action have been taken on the problems referred to the concerned agency/local development council, the PMC forward the issue to that RDC.);
10) PMC provides feedback to concerned implementors, LGUs, NGOs, and other concerned agencies and follow-up implementation of remedial measures; and
11) PMC forwards consolidated status report on project implementation in the province to the Regional Project Monitoring Committee (RPMC).

(4) Frequency/Timing of Report Submission

The PMC determine the schedules for the submission of reports. Reports are submitted to the PMC who will forward the consolidated reports to the Provincial Development

Council (PDC). Submission of the consolidated report from the provincial PMC to the regional PMC is usually undertaken on a quarterly basis. The PMC furnishes the Provincial Governor with a copy of the reports for his reference and action.

12.4 Evaluation of Plan Implementation and Updating the PW4SP

(1) This PW4SP should be updated at least every five years. This will be the responsibility of the PWSO in close coordination with the PPDO. Based on the sector monitoring reports, the PWSC will review the progress of the sector compared with objectives and the efficiency with which these objectives were achieved. This will be followed by a reformulation of objectives, strategies, new policies and policy revisions and an updated sector investment program.

(2) To initiate the implementation of this sector monitoring system, the Phase I indicators (See 12.2) shall be used. Formats have been drafted for this purpose (See Table 12.4.1, Supporting Report). Specifically, the information to be collected are as follows:

1) Access to both adequate water and sanitation as a measure of demand: This indicator can be taken from the Field Health Service Information System (FHSIS) Annual Environmental Sanitation Survey which are prepared by the PHO midwives. These annual surveys are summarized by municipality by the sanitary inspectors. NSO population projections will be utilized.
2) Water and sanitation associations (RWSAs/BWSAs) organized: This indicator can be collected from the Cooperative Development Authority (Municipal or Provincial Chapters) in as much as all water cooperatives and/or associations are required to register with the CDA.
3) Water and sanitation facilities in schools: This indicator can be collected from the various school district offices; consolidated at the division (provincial level). Although a system is in place for regular inventory of facilities by DECS, actual inventories are seldom implemented and the LGUs may have to institute a supporting data gathering activity.
4) Capital development costs: The LGUs may have to gather information from the local DEO of DPWH, the various municipalities and the water districts.
5) Sources of capital development funds: Data sources are the same as those of item 4).
6) Incidence of diarrhea: This information can be taken from Form M-2 of the FHSIS. (Collection and processing of the data form is similar to that of item 1).
7) Water availability and water quality maps: These maps should be continually updated based on field reports on water quality and quantity as they are received

from operations reports studies. Areas where, for example, salinity is increasing should be indicated. Areas suitable for shallow wells, for deep wells and for possible spring sources can be indicated.

8) At the conclusion of every project, the monitoring specialist prepares a report on actual unit costs incurred. This would include, for example, the cost of drilling for shallow or deep wells per meter depth; the cost of pipeline per linear meter, etc.

(3) Municipal level consolidation: For every reporting period, the municipal sector liaison gathers all the barangay level data including those reports of the municipal health officer (and sanitary inspectors), the DECS division offices. A municipal sector report will be thus prepared. Further refinements of this report may be needed in view of future development initiated at the national level.

The municipal sector report is reviewed by the Mayor and then submitted to the Governor for further consolidation. Salient sections of this report would be furnished to DILG which is tasked with coordinating a national sector performance report for NEDA and for the President.

(4) Feedback: Based on these reports, the PST/PWSO will draft a consolidated report on the performance of the sector during the period including the opportunities and constraints met and a set of recommendations for policy revision. Municipalities which have made outstanding progress and associations which have introduced creative innovations in its operations would be cited.

Annual reviews shall be organized to analyze not only the attainment on the physical project targets, but more significantly, whether the vision is being attained. These reviews could also provide the opportunity to sharpen or revise the vision and the mission statement and distill lessons learned from the implementation experiences.

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