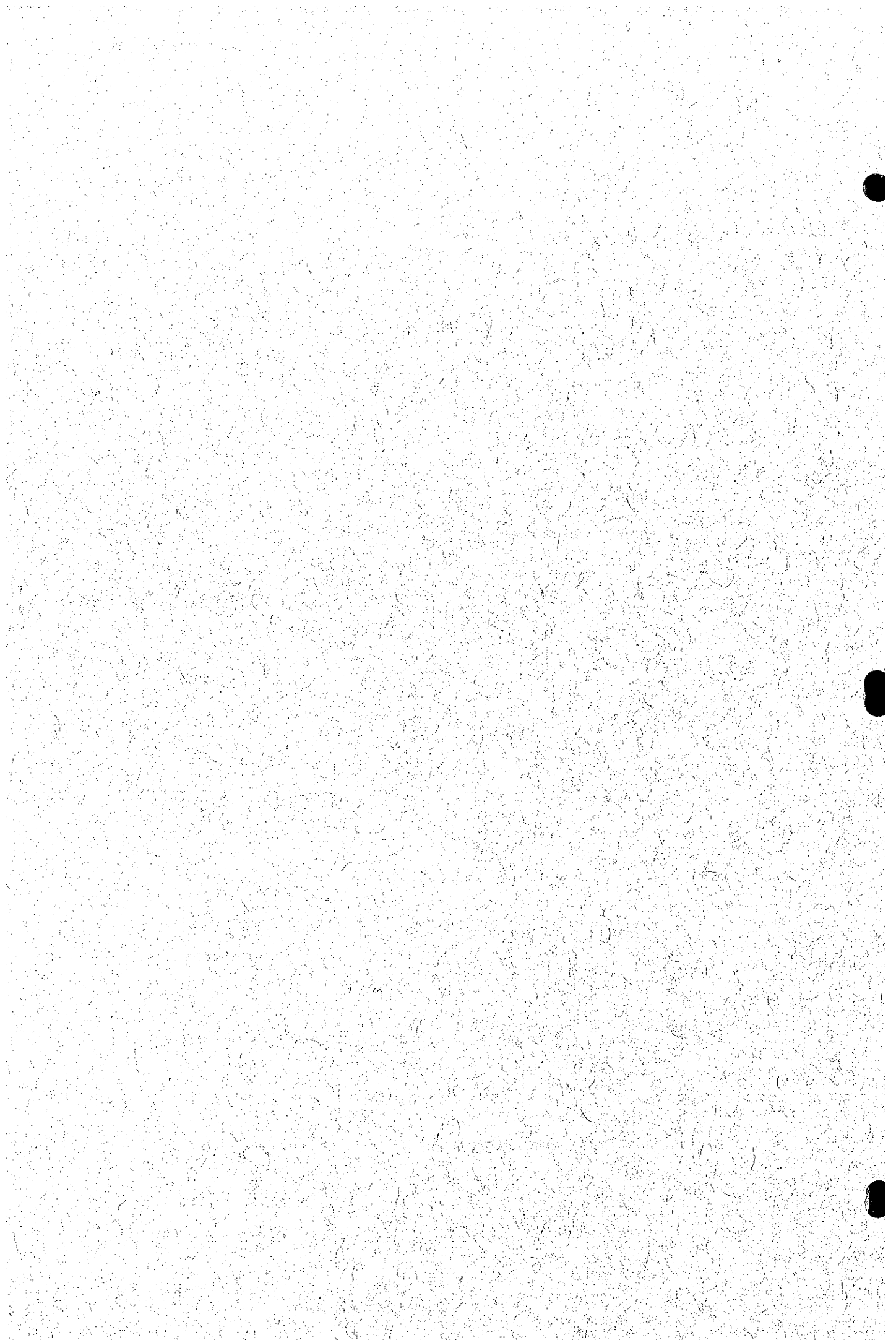


Chapter

5

**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 the 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 that need to be addressed in the early stages of master plan implementation. More 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. These resolutions are also reflected in the above mentioned National Development Plan.

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

In the context of the LGC and related decentralization efforts, LGUs now play a lead role in service delivery. 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 Clause (g) of NEDA Board Resolution No.4 (series of 1994), the Implementing Rules and Regulations (IRR) was prepared by the DILG and was approved by the NEDA in 1998. The IRR came out as NEDA Resolution No.5 (series of 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 which is needed to adequately perform their devolved functions (refer to 5.2, Data Report).

(2) NEDA Resolution No.5 (series of 1994)

This resolution reaffirms the principle of provision of sewerage and sanitation services on the basis of willingness-to-pay. It 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 major changes on sector structure and performance within LGUs, the sector is still in transition. 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) which are responsible for sector project implementation (refer to Figure 5.3.1). A regulatory board, the National Water Resource Board (NWRB) coordinates the overall policy framework for water resources development and management. There are government agencies involved but they are concerned with macro planning, natural resources allocation decisions and environmental protection and management.

At the local level, field offices of these national government agencies are present. The water districts, RWSAs and BWSAs deal with the actual delivery of water in different service levels. Some LGUs operate provincial and municipal water supply systems themselves. The private sector, non-government organizations and community-based organizations also undertake water supply and sanitation activities in the rural communities.

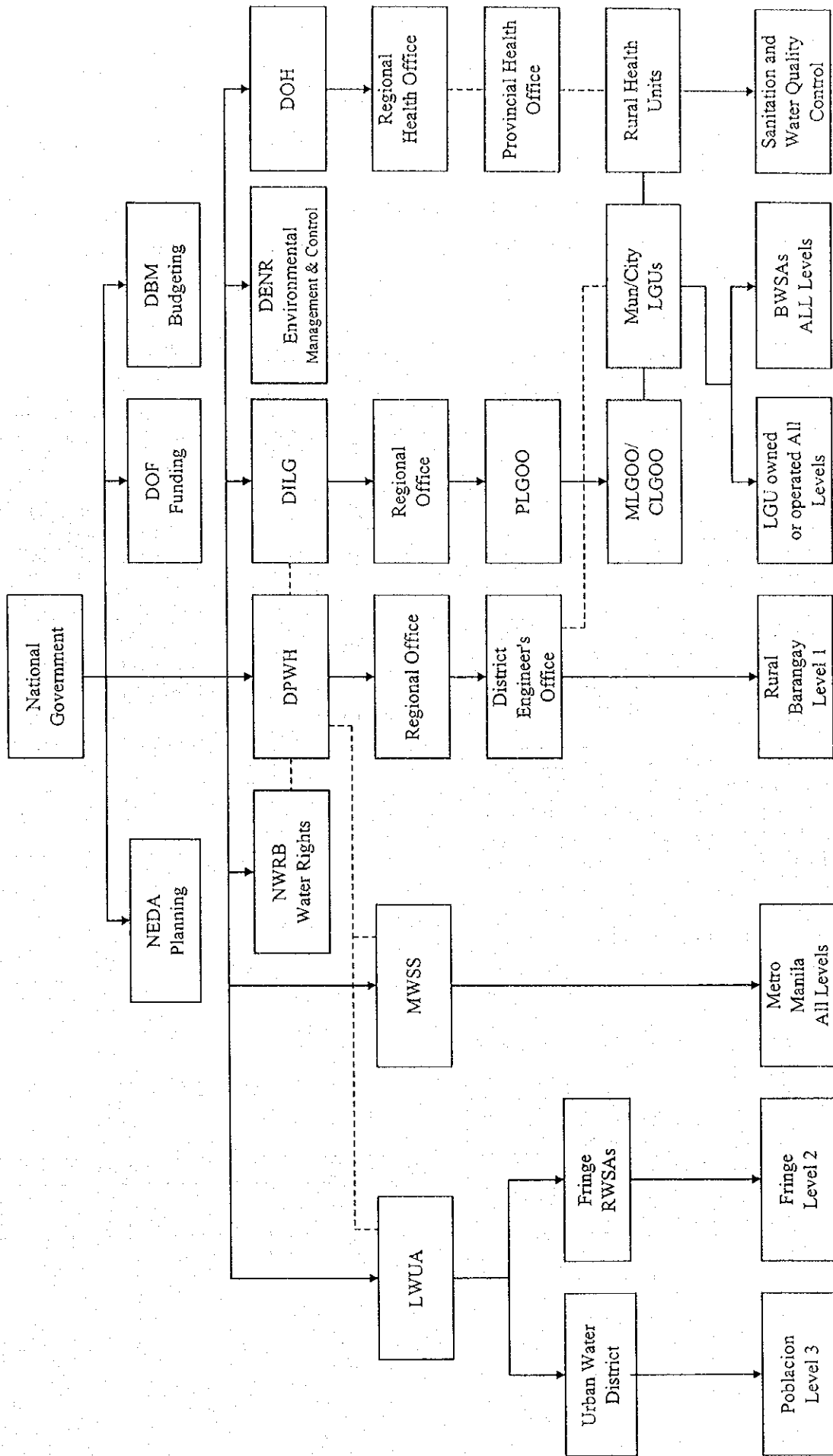


Figure 5.3.1 Functional Relationships

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

Table 5.3.1 Transition Functions of the DPWH, DILG and DOH

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

(2) Sector Finance

1) Cost sharing arrangement

As a matter of policy, national government programs that have social and/or environmental objectives are implemented through a cost-sharing manner between the national government agency and LGUs. National government grants are provided for municipalities that have limited socio-economic resources.

2) Financing and management systems

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

LGUs can access ODA loans for devolved activities. However, they must pass through the Municipal Development Fund (MDF) or a Government Financial Institution (GFI). The policy-making bodies of MDF and GFI determine the re-lending/on-lending terms passed on to the LGUs. 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.

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 LGC. Accordingly, it is the lead national coordination agency responsible for the supervision and administration of water supply and sanitation projects implemented by LGUs. It is also mandated to strengthen local capacity for delivery of the services.

General administration and institution building support to LGUs entail the following: i) assistance in the formation and training of BWSAs, ii) coordination of master plan preparation, iii) provision of external funds, iv) formulation and installation of sector management systems (including O&M) and BWSA financial management systems. The DILG 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 which need improved water supply and households, which need sanitation improvements are identified. Water supply and sanitation associations are then formed.

Likewise, the DILG is now one of the leading institutions tasked to promote gender-responsive project management. Under the leadership of focal points, gender awareness training seminars 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 is 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 following activities: i) construction of water systems; ii) reactivation of non-operating systems; iii) rehabilitation and expansion of facilities; and iv) training. Special loans finance watershed management projects: construction of administration buildings; purchase of service vehicles, communication and computer facilities; restoration of facilities damaged by calamities; and 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 admini-

stration. 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. DPWH's responsibility drastically changed with the implementation of NEDA Board Resolution No.4. Based on the new mandate, the functions of DPWH are now limited to setting technical standards and assisting LGUs, upon agreement and in coordination with LGUs, in the conduct of surveys, preparation of plans, specifications, and programs of work, construction management, and technical researches in WATSAN projects.

The DPWH maintains about 92 District Engineering Offices (DEOs) nationwide at the field level. The DEOs were staffed with a water engineer and they had drilling crews and equipment. With the diminishing of the DPWH role, most of the staff members have transferred to the private sector.

(4) Department of Health (DOH)

The DOH is the principal health policy-making and implementing agency. Its main function is to develop and implement sanitation programs nationwide. It also administers health education campaigns aimed at reducing morbidity due to waterborne and sanitation-related illnesses, specifically diarrhea, which is the second leading cause of morbidity in the past years.

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

Through the PHO, the DOH conducts health and hygiene education campaigns that focus on women and children health improvement in rural communities. Centrally- produced information, education and communication (IEC) materials support the program. The DOH has produced and distributed IEC materials on water supply and hygiene behavior nationwide. Through its field health workers, it gives orientation to BWSAs on protec-

tion and disinfection of water sources and construction and maintenance of toilets.

(5) Other National Agencies

There are other national agencies that provide macro planning, funding support, and regulatory guidelines for the water supply and sanitation sector.

The National Economic and Development Authority (NEDA), the country's 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. Together with the DILG, NEDA coordinates the establishment of a system for national sector master planning and monitoring system.

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 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 expenditures, equity infusion to public corporations, and grants/subsidies. The budget is sent annually to Congress for approval. DBM also ensures that budget releases conform to approved plans/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 also 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 practice what they learn. A wide range of learning materials is available and prototypes of safe water sources and water sealed toilets are set up in schools. DECS identifies priority schools for the GOP school toilet project and supports 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 the orderly and scientific development of all water resources in the Philippines. Its guiding principles are optimum utilization, conservation and protection of water resources to meet present and future needs. NWRB also deals with water rights issues; it regulates the use of water resources through the issuance of water rights and sets 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 Office (PAO).

1) Provincial Planning and Development Office (PPDO)

The PPDO is in charge of the formulation of integrated economic, social, physical and other development plans and policies for consideration of the PDC (provincial development council). It conducts continuing studies, researches, and training programs necessary for the formulation of plans and programs for implementation.

This office likewise integrates and coordinates all sectoral plans and studies undertaken by different functional groups or agencies. It monitors and evaluates the implementation of the different development programs/projects and activities of the LGU concerned based on the approved development plan. It also analyzes the province's income and expenditure patterns and formulas and recommends fiscal plans and policies for consideration of the Local Finance Committee (LFC). In terms of community development, it promotes people participation in the development planning process within the province. The office is composed of four (4) divisions, as follows (refer to Organization Chart Figure 5.5.1, Supporting Report).

- Administrative – This division's function is to provide efficient administration and timely and adequate support services. At present, it has 4 staff members.
- Plans and Programs - The division is responsible for planning and programming various sector development activities: agriculture, social, water source, invest-

ments, trade and industry, tourism, capital improvements and annual implementation. It supports the Special Project Division in the implementation of the overall fiscal plan. Seven (7) regular personnel currently man it.

- Research, Evaluation & Monitoring – This unit conducts continuing studies and researches, which are necessary to formulate plans and programs for implementation. It monitors and evaluates the implementation of the different development programs and projects implemented by the province. It also prepares the annual accomplishment status reports of programs and projects implemented by the province. It has a total staffing complement of 8.
- Special Projects - The division is primarily responsible for the implementation of special projects in the infrastructure sector. Its tasks are as follows: conduct site investigation/inspection as basis for the preparation of plans and cost estimates/program of work for proposed projects; assist in the evaluation/review of project proposals submitted by municipalities barangays/communities; frequent inspection of projects to monitor programs/problems in the field; prepare contract documents, vouchers and other related documents for project implementation. It also coordinates the direct labor participation and community involvement in project execution. It is in charge of coordination with the concerned regional and municipal officers. There are 9 regular staff members at present.

2) Provincial Engineering Office (PEO)

The PEO is one of the line-operating agencies tasked to implement the infrastructure programs and projects of the provincial government. It is engaged in policy formulation, program planning, and implementation of infrastructure, public works, and other related engineering services. The PEO has a heavy equipment fleet and it maintains a network of gravel-surfaced and concrete-paved roads and bridges throughout the province. It provides technical assistance to all engineering offices of component municipalities. The office has 5 divisions as follows (refer to Organization Chart Figure 5.5.2, Supporting Report):

- Administrative – The division provides personnel, legal, accounting, property, supply, procurements, clerical, messengerial, security, and general housekeeping services to the PEO. There are 9 regular staff members.
- Planning, Programming and Designing - The division is responsible for formulating and integrating general plans, programs, and projects of the provincial government. It prepares detailed plans, specifications, and estimates for all roads, bridges, culverts, buildings, and other construction projects to be performed or supervised by the PEO. There are 18 regular staff members at present.

- Construction and Maintenance – This division’s function is to undertake the technical supervision over all activities related to the construction and maintenance of all roads, bridges, culverts, irrigation canals, and other infrastructure of the province. It also prepares estimates of construction cost and programs construction operations (including equipment requirements). It has 53 regular staff members.
- Quality Control – This division performs the pre-design works, topographic and material survey, and inspections and material testing during construction in accordance with the operational procedures established in the manual. There are 9 regular staff members.
- Equipment Pool – This group undertakes and supervises the operation, servicing, preventive maintenance, and other repair of the automotive and heavy equipment of the province in accordance with the equipment pool operation plan. It has 89 staff members.

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 rural health units (RHU) of the municipalities and to the barangay health stations (BHS). It also assists in the promotion and maintenance of public sanitation. The office is likewise tasked to conduct health information campaigns and to render health intelligence service. The office has three services: Administrative, Field Health Service, and Hospital Service (refer to Organization Chart Figure 5.5.3, Supporting Report).

4) Provincial Treasurer's Office (PTO), Provincial Budget Office (PBO), Provincial Accounting Office (PAO), 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 needed to support the general appropriation ordinance. The office maintains and updates the tax information system of the province and supervises all treasury offices of component municipalities. It also conducts periodic tax education information/collection campaigns and trains barangay treasurers and officials in the methods of collecting real property taxes and other fees and charges.

The PBO provides fiscal budget administration for the provincial government. It is responsible for 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 PAO is tasked with the recording and review of financial transactions in accordance with government accounting principles, rules and regulations. It summarizes and prepares financial statements for submission to different offices for their information, particularly on the financial condition and operation of the province. The office also reviews financial transactions in accordance with existing auditing rules and regulations and recommends measures necessary to improve the system in the utilization of government funds and properties.

The PGSO provides effective direction and coordination over the various administrative and support services necessary for the operation of the office. This includes the keeping of government records and the proper and timely dissemination of printed communication and correspondence. It is responsible for the 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.

5) 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 corresponding policies, including the investment program of the province. The PDC is headed by the governor and is composed of the following: the representative of the congressman, the chairman of Sangguniang Panlalawigan's committee on appropriations; municipal mayors; representatives from NGOs; and the president of the association of barangay captains.

6) Provincial Project Monitoring Committee (PPMC)

The committee is tasked to monitor project implementation by all agencies (both local and national) in order to assess the progress of accomplishments, identify problems/issues encountered, and propose remedial measures or make recommendations where necessary. The PPMC reports project status to the Governor and NEDA on a quarterly basis. The monitoring report is prepared by the PPDO who is the designated secretariat of the PPMC.

(2) Municipal and Barangay Level

The municipal government coordinates the delivery of basic, regular and direct services to the inhabitants within its territorial jurisdiction. It has a similar organizational structure as that of the Province. Generally, however, the municipalities have fewer capabilities to achieve their responsible tasks. For WATSAN projects, the following offices are directly involved:

1) Municipal Planning and Development Office (MPDO)

The MPDO is in charge of planning and development and it formulates the integrated economic, social, physical, and development plan for consideration of the Municipal Development Council. Its regular activities include preparation of planning documents and monitoring and evaluation of projects.

2) Municipal Engineer's Office (MEO)

The MEO regularly performs engineering surveys to acquire data for designs and layout or constitution of waterworks systems, sanitation facilities and other infrastructure projects. It also inspects the work 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 the legislative body of the barangay. 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 its inhabitants. Such revenues are in addition to the barangay's share in the IRA from the National Government. The BCs are also tasked to provide/solicit funds for the construction of barangay facilities, maintain and regulate their use, and charge reasonable fees for their use.

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

The RHUs/BHSs are under the direct supervision of their respective municipalities since the MHO provides 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.

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 an assigned PLGOO.

3) NEDA Regional Office and Regional Development Council

Various public and private sector organizations coordinate with the DILG to establish the system for regional sector master planning and the corresponding monitoring system. The NEDA Regional Office is the Secretariat of the Regional Development Council and it ensures that sector plans are consistent with regional and national priorities. It requires that all project proposals/plans and programs be approved and endorsed by the Provincial Development Council (PDC) which incorporates, consolidates and prioritizes municipal plans, programs and projects.

(4) Water Districts (WDs)

A water district is a local government corporation formed pursuant to Presidential Decree No.198. It is 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 water districts. To be self-sufficient, a WD is operated in a business-like manner so that it can generate enough revenue from its water sales. The income is used to pay for operational expenses and debt service and to build 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 of a BWSA depends on the number of facilities needed, and the culture and situation in a particular barangay. Its structure is quite simple as it consists of a board of directors, a bookkeeper, and a caretaker/s. The formation of the BWSA typically involves three phases: pre-formation/social preparation, formation, and post formation. During the formation phase, pre-membership training and election of BOD and Officers are held. In this phase, individual member's interests and community commitments are manifested through applications for membership and the signing of a 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) Private Sector

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

5.6 External Support Agencies Active in the Sector

(1) Multilateral Agencies

The Barangay Water Program (BWP) was a Special Project implemented by the then Ministry of Local Government (now DILG) with financial assistance from the USAID. The program envisions to improve the health standards of small rural farming and fishing communities by providing safe, adequate and potable water through the establishment of public faucets or individual house connections. The systems for these communities should be owned, operated, maintained and managed by the users themselves through rural waterworks and sanitation associations. The program also intended to enhance the capabilities of local government units in project planning, programming, designing, implementation, evaluation and monitoring. Phase I of the BWP was implemented in the period 1978 – 1981, while Phase II started in 1982 and was extended until December 1987. Phase II operations officially ended in December 1987, but one-year winding-up period was agreed upon between the GOP and the USAID. USAID extended loans to cover the construction costs and the installation of facilities on a reimbursement basis while the GOP through DILG shouldered the operational, training and personnel costs. Through BWP, waterworks projects were implemented in 50 provinces (including Bukidnon, Davao del Norte, Misamis Oriental and South Cotabato), 22 cities and 7 municipalities.

The World Bank supported the First Water Supply, Sewerage and Sanitation Sector Project or FW4SP. This project provided capital funds (US\$58.0M) for rural water supply system in Luzon provinces and sanitation system nationwide based on completed provincial master plans. The project concept called for a community-based approach through BWSAs. This was implemented from 1991 to 1995 with an extension up to 1997. Subsequently, the 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 - the Local Government Urban Water Supply & Sanitation Project. This project aims to assist municipalities of the lower tier income class i.e. 4th, 5th, and 6th (approximately 50 municipalities in 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 assistance for the Rural Water Supply and Sanitation Sector Project or RW3SP. The project aims to improve the poor situation of water supply and sanitation of 20 Social Reform Agenda (SRA) priority provinces located in Luzon, Visayas, and Mindanao. The project consists of two parts: institutional development, and construction/rehabilitation of water supply and sanitation facilities. The total project cost is estimated at \$57.4 million equivalent, (foreign exchange component of \$20.0 million and a local cost component of \$37.4 million equivalent). Implementation period is from 1997 to 2001.

UNDP assisted the Institution Building for Decentralized Implementation of Community-Managed Water Supply and Sanitation Project or IBWSSP known as UNDP PHI/93/010 Project under the Fifth Country Program (1994-1997). This project directly responded to the government's Poverty Alleviation Program. UNDP provided 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 complemented 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 the training capacity of the sector. The project covered 7 provinces; 180 sub-projects were implemented in the target areas during implementation period 1994-1997.

The United Nations Children's Fund (UNICEF) supports the sector through the Philippines Plan of Action for Children. Apart from hardware support in the priority project

site, UNICEF assisted NEDA in updating 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 Information, Education and Communication (IEC) materials and in strengthening the sector monitoring system. As part of these various assistance, UNICEF supported NEDA in 1997 for the assessment of WATSAN Sector of Southern Mindanao. This was compelled by the unexpected occurrence of water-borne epidemics that hit Region XI.

(2) Bilateral Agencies

The Japan International Cooperation Agency (JICA) has been extending a grant aid program for the Rural Environmental Sanitation Project, which is jointly implemented by DPWH and DOH. The project covered construction of Level I and II rural water systems and school toilet facilities in 10 provinces. With DPWH, rural water supply systems were constructed at the evacuation centers for the Pinatubo refugees. JICA also supported the groundwater development study in Cavite province (with LWUA) and the institutional development activities for MWSS. The PW4SPs for the 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 of up to Y 5.08B, with a counterpart fund of P 400M. The project covered construction/rehabilitation of Level I systems, construction of workshop building and procurement of different equipment. OECF has also been supporting the Provincial Cites 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 as follows: 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 LGUs and the Regional Development Council implemented the project. 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 was extended until 1997.

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

The 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

To assess project management capability 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 by sub-component. Current conditions of the municipalities investigated are referred to. Furthermore, some of the discussion items covered the sector management field (refer to Table 5.7.1 Supporting Report).

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. They then conduct the required survey in the possible barangays where the projects may be introduced.

Among the selected barangays, some barangay councils submit barangay resolutions on the project/s to the municipality. The project proposal/s are incorporated in the municipal development plan. The Municipal Development Council (MDC), through its 4 sectoral committees, reviews and gives recommendations for endorsement. The MDC endorses it to the Sangguniang Bayan (SB) for adoption and approval which in turn endorses it to the Provincial Development Council (PDC) for appropriate action.

Before the PDC incorporates proposals into the provincial development plan, its sectoral committees review the municipal development plan for consideration and prioritization. After reviewed, the PDC forwards the proposal to the Sangguniang Panlalawigan (SP) for adoption, approval, and allocation of appropriate funds.

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

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

The PPDO plays a key role in the identification of project needs. Its activities include a series of meetings/assemblies and consultations with the barangay people, conducting barangay profile surveys, and identifying the needs for WATSAN facilities. The barangay people/officials become aware of the project needs and their roles by attending the meetings, assisting the surveys, and identifying the project/s. The barangay council then prepares a resolution requesting the project and submits this to the municipality.

At the municipal level, the MDC through its four sectoral committees (e.g. Macro, Economic, Social and Infrastructure Committees) reviews and gives recommendations to the plan. This is then endorsed to the SB, and further to the PDC. The MDC is composed of the municipal mayor, one SB member, all barangay chairmen, and representatives from accredited NGOs (which is 25% of the total membership). The SB member is the chairman of the committee on appropriations of the SB.

At the provincial level, likewise, the PDC sectoral committees (composed of line agencies, national agencies, accredited NGO and municipal mayors) endorse the provincial development plan (incorporating the municipal development plan of the different municipalities) to the PDC for consideration. The PDC deliberates upon the documents and if they are in order, endorses it to the SP for adoption, approval, and appropriate funding.

3) Priority criteria for selection of the projects

Selection criteria are based on the indicators prepared by the NEDA regional office. These indicators are meant to identify i) the existence of problems constraining the achievement of certain development objectives; and/or ii) the magnitude of certain development potentials.

4) Technical considerations applied for identification and prioritization

The barangay profile survey is conducted to derive technical considerations. The barangay profile contains technical matters such as water supply and toilet facility fabrication, brief description of water sources, etc. This has been undertaken under the Integrated Rural Accessibility Program (IRAP).

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

After submission of a project request by the barangay, a series of procedures including identification, validation, and prioritization is executed by the concerned LGUs. This process results in considerable time spent to finalize the funding. The LGUs must seek a simpler and more systematic procedure.

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

The NEDA Regional Office is currently preparing the Regional Master Plan (1998-2008). The staff of the PPDO is presently involved in preparing the M/P, particularly the portion on the province. In addition, the Provincial Development Investment Plan (1994-1998) was prepared by the PPDO as a basis for their annual action plan.

2) Water source development experience in survey, planning and design of facilities

Throughout the implementation of a WATSAN project, the provincial government conducts water source development for both spring and groundwater sources.

In the case of spring development, technical-related information is first collected from barangay people. This includes location of the untapped spring and its discharge rate during the dry season. The preliminary topographic survey (elevation and distance) is then conducted to prepare the hydraulic profile of transmission pipeline. For groundwater development, its technical feasibility is evaluated based on available technical data together with information from the barangay as supported by field confirmation at the existing wells. This is incorporated in the Ground Sources Inventory Report.

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

The F/S for the development of Level II and III systems is usually done by the PPDO. In addition to the preliminary study on the said water source development, water production and the water demand are determined to conform to the project needs. Tentative locations of communal faucets are also identified in a Level II system. Hydraulic profile (pipe size, length) and size of intake box / reservoirs are determined. The BWP design standard is applied in this case. Finally, cost estimate is made for the required facilities. The F/S report is then submitted to the 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. It must also be within available budget. Designs of pipeline and structure are based on the standard design prepared by BWP, while well design is based on the DPWH design standard. The PEO/PPDO, however, have no experience in planning and designing large waterworks facilities including pumping station/water treatment facilities.

The provincial office also does not have experience in contracting-out facility construction to the local private sectors. However, it has experience in procuring materials from the private sector. They have bought materials such as cement, sand, reinforced bars and fittings for construction projects of the administration.

The province needs to acquire more knowledge/practice not only in hydraulic analysis but also in structural calculation and water treatment technology. Measures to increase the capability of the LGUs' technical staff in planning and designing shall be sought. Alternatively, consulting services can be utilized.

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

1) Experiences in force account work for construction of facilities

In a situation where materials for WATSAN projects have to be procured, terms of reference are prepared by the PPDO and bid documents are prepared by the PGSO. After bidding is conducted, the PA issues a purchase order and the procurement is done by the PGSO.

A huge 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. At present, with the limited volume of the work/projects, the procurement procedure already requires a long process and this always affects project implementation. The provincial government should examine the current procurement system so that it could handle/manage the forthcoming projects more efficiently.

2) Construction, Supervision and Rehabilitation

Construction of WATSAN facilities is usually done by the LGUs, either by the municipal or the provincial office. The barangay council and the users mobilize labor. The MPO and MEO manage project implementation by hiring skilled laborers. PEO personnel supervise the construction work. The research, monitoring and evaluation division of PPDO monitors the project.

In spite of the LGUs' efforts, their present implementation capability is limited 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 who will coordinate and supervise future projects.

With regard to rehabilitation of the Level I facilities, some work has been conducted by employing skilled labor upon request from waterworks/beneficiaries. They were not completed in time due to budgetary constraints. It is necessary to establish a concrete implementation mechanism among concerned parties.

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

1) O&M of facilities by service level

For Level I facilities, the BWSAs or beneficiaries have responsibility for O&M. However, their performance has not been sufficient. There are some problems due to lack of spare parts, drying up of water source, and water quality problems such as colored water, salty water, etc. In some cases, the BWSAs encountered problems related to water source just a few months after the turnover of the facility. Thus, the beneficiaries revert to using their privately dug wells.

O&M of Level I facilities is not properly done by BWSAs/beneficiaries because of a lack of sense of ownership. There was a case, however, where the users contributed money to purchase spare parts when pump facilities broke down. It is necessary for the users to consider not only repair/replacement of mechanical parts but also re-development of wells and future upgrading of the service level.

Level II and III systems, which are small in size, are managed by a RWSA. The required staff (permanent/casual) is designated to operate/maintain the facilities. There have been cases, however, where expansion of distribution pipelines and additional service connections were made without due consideration of the technical aspects, i.e. capacities of water sources and distribution facilities. F/S and D/D should be prepared on a timely basis by the qualified engineer/s to avoid the decrease of supply pressure and quantity. Preventive maintenance of the system cannot be practiced due to the shortage of major spare parts stored/furnished which is in turn due to budgetary constraints.

2) Communication mechanism practiced in case of facility breakdown

In cases where major repair was required (non-functioning of hand pump parts, etc. for Level I), the BWSA or barangay council passed a resolution to the municipality/DEO - DPWH requesting immediate repair. However, most BWSAs have no communication links to the municipality/DEO- DPWH. Majority of the BWSAs lacks know how to communicate with either the LGUs or private sector in case of a major facility break down. Their request for repair is thus improperly addressed. A communication system should be prepared and put into practice.

For major repairs of Level II and III (burst pipe/leakage), the permanent/casual staff undertakes the repair. In case budget is not enough, the waterworks/RWSAs submit a funding request letter to the municipal/provincial government. 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 are responsible for developing sustainable O&M of their water systems.

(5) Water Quality Examination

- 1) The water quality examinations presently done are only for bacteriological content and do not include physical and chemical parameters. The Rural Sanitary Inspector (RSI) of the MHO collects the samples. Frequency of sampling and disinfection is as follows: Level I systems – at least once a year and Level II and III systems – once a month. Private wells are also sampled and analyzed upon request. If found positive for bacteria content, they are disinfected by either the RSI or the SSI of PHO.

The laboratory should include water quality parameters (physical and chemical) needed to determine the potability of water as indicated in the National Drinking Water Standards. In addition, a regular program of disinfection for all levels of services is necessary; disinfection should not be done only when the source is found positive for bacteria content.

2) Capacity of laboratory

Collected samples are analyzed at the PHO laboratory. The analysis of the samples has to be scheduled (submission is only every Monday and Tuesday) due to the laboratory's limited capacity in terms of facilities and manpower. The laboratory can accommodate 20 samples per day from 3 municipalities. In this regard, adequate level of facilities, chemicals, and manpower has to be provided.

3) Water quality condition

Water quality problems usually occur during floods. This is aggravated by poor sanitation conditions in most villages, i.e. inadequate toilet facilities, improper construction of depositories/latrines, lack of sludge/sullage disposal management, and absence of drainage facilities. Improper handling of samples may also be a cause of positive results in E coli, especially for samples from area far from the laboratory. The PHO recommended that another laboratory is built in an area with a municipal hospital that has trained personnel so that, far-flung municipalities can be better served.

4) Budgetary support

Although a budget for water quality control was allocated to the PHO, the provincial government was not able to adequately perform this activity. Meanwhile, there is a high incidence of water-borne/related diseases and the percentage of contaminated sources of drinking water remains very high. The proper allocation of the budget for water quality surveillance has to be assured by the LGUs.

(6) Private Sector Capability for the Sector Project

The capability of existing local contractors to engage in WATSAN projects is very extensive. Qualified and experienced contractors shall be employed as main contractors for the forthcoming projects. It is necessary to prepare a database of available contractors, which details their technical ability to undertake projects.

5.7.2 Institutional Aspect

(1) Linkages among Concerned Parties/Departments

The PPDO is the lead provincial office responsible for the implementation of WATSAN projects. It works either directly or indirectly with the national government's local offices and municipalities and other provincial offices (refer to Table-5.7.2, Supporting Report).

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

(2) Health and Hygiene Education with Typical Program

Due to the shortage of financial support and manpower of the PHO, health and hygiene education activities are quite limited at the present time. These are done only when a project is a component of DOH/UNICEF/NGO projects/program. It is recommended that LGUs accord more attention to their needs to ensure sustainable implementation of the sector's development.

(3) Training

1) Planning and engineering for LGU staff

The central government agencies have provided technical training on a project basis. Under the BWP, PPDO and PEO staff received technical training in planning and en-

gineering and in O&M.

- 2) Institutional/community development/financial/gender specialists of LGU staff
Also under the BWP, the DILG-PDAP provided a WATSAN Trainers Training and Community Organizing Training/Workshop. There has been no experience in gender-related training.
- 3) Organizing the association at barangay level
Before the construction starts, the beneficiaries are provided with information on setting-up the association. At present, the beneficiaries themselves demand such training. This is an improvement over the previous supply-driven approach.
- 4) O&M for users
The provincial government provides technical assistance directly to the BWSAs. PEO/PPDO teams train BWSA staff on all aspects of operation and maintenance.

Even though the central government has provided technical training to BWSAs/ beneficiaries for the foreign-assisted projects, O&M of Level I facilities is still commonly neglected. The fact is, however, that some barangays are still willing to undertake further training in O&M of the facilities. More training program/s should be implemented by LGUs to satisfy this demand for more community development.

5.7.3 Financial Aspect

(1) Budgetary Allocation to the Sector

The province pays for its capital expenditures from the 20% DF of the IRA. The LGU may allocate more than 20% of the total IRA to capital projects on 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 different sectors in the province.

Due to the limited resources of the province, it has to prioritize projects that require capital allocation from the budget. The GOP recently issued an administrative order directing all government agencies, corporations, and units (including LGUs) to implement austerity measures. This limits government spending and cuts capital outlays and will help mitigate the negative effect of the peso devaluation. In view of the high social impact of the sector, however, the province gives priority funding allocation to the WATSAN sector.

The budgetary allocation for the sector is included in the reported 20% DF. In evaluating the capacity of the province in terms of financial capability, it was noted that there is no database on the budgetary allocation at present. This can be remedied by computerizing the system to provide easy access to the information.

(2) Access to External Funds

The Provincial Government would like to know how to tap fund sources other than its IRA, local taxes, and economic enterprises. The province has also to explore ways to tap the private sector for financing in the sector.

(3) Cost Recovery Practices by LGUs and by Users

During the period that the DPWH was constructing Level I water supply facilities, the DPWH itself formed many BWSAs. A few BWSAs are still active and are still collecting monthly fees. Most, however, are no longer functioning and no longer collecting water fees. As a consequence, the users have to go to the government (usually the province) to address any water system problem. In some cases, the users still approach the DPWH for assistance. Although the DPWH has no budget for operations and maintenance, it extends assistance in the form of materials (such as gaskets or joint pipes) from their supplies, if these are available.

Recovery of capital cost for the Sector is dependent on how the community or the clientele perceives its role in the Sector. The extent that the beneficiaries possess a sense of ownership of the facilities determines their willingness to contribute to its sustainability. In the case of capital expenditures, the provision of counterpart resources from the beneficiaries in terms of labor helps in giving them a sense of ownership of the facilities and a sense of responsibility for the sustainability of the system.

Similarly, for O&M cost recovery, the extent that the beneficiaries contribute to the sustainability of the water supply facilities (through their monthly contributions) is the extent of their perceived ownership and hence, responsibility towards the system. To achieve this ultimate objective of promoting a sense of ownership, government should promote more community empowerment through active people participation even during construction period.

5.7.4 Institutional Arrangements/Capability of the Municipal Government

The municipalities are responsible for the implementation of infrastructure projects that serve the needs of the residents of the municipality. For WATSAN projects, the BDC endorses projects to the municipality when it is not able to finance the project from its own funds. The municipality finances the project if funds are available 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 the necessary funding. The MEO provides technical services including investigation and survey, engineering designs, feasibility studies and project management. It is responsible for the organization and training of the BWSAs within its 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 South Cotabato 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 Re-

sult of the Barangay Key Informant Survey, 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 (details are referred to the Supporting Report); and (2) the Result of the Barangay Key Informant Survey; 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 both the key informant survey and 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 performance 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 21st 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, sector projects under the Barangay Water Program (BWP) and those funded out of OECF, WB and ADB were required some level of community participation but this was limited to the provision of free labor by few beneficiaries during the construction of Level I facilities. The actual implement these projects was a collaboration of several agencies such as the DILG, PEO, PHO, DPWH and non-government organizations.

The Province of South Cotabato considers water supply and sanitation as one component in the over-all planning system or process undertaken by the provincial, municipal and barangay units.

5.8.3 Assignment of CD Specialist to Sector Projects

Presently, the Provincial Planning and Development Office (PPDO) maintains a unit that implements or conducts community development (CD) work within the PPDO. A staff is assigned to undertake CD works although said staff member is not focused on WATSAN projects alone. As explained by the PPDO, WATSAN is just one of the many developmental concerns and projects that the province now handles.

On the other hand, the Municipal Planning and Development Office in each municipality generally maintains a CD unit to undertake barangay-level development works and WATSAN program is among its major areas of concern. However, the lack of plantilla positions as well as funds constrains these LGUs in the effective community organizing and development work.

While both the PPDO and the PHO have the structure to undertake, conduct or implement CD, this is done only as part of or as a component of other projects. 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 done in the past BWP projects.

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 people 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. Although there is no existing position for a community development specialist in the province, or in the municipalities, the LGU officials are in agreement that there should be better community participation in future WATSAN activities and projects for the facilities to be sustained. However, there is a need to reorient staff who would be involved in sector-related projects in order for them to learn some up-to-date techniques and strategies that are otherwise not present in previous CD process.

5.8.4 Training on CD

There are some PPDO staffers who have attended training programs on CD, although such training courses were not focused on WATSAN. At present, the tasks generally performed by PPDO are those related to its major mandate which includes development planning, project development, monitoring and evaluation, data banking and implementation of infrastructure projects.

Likewise, MPDO personnel have been trained on CD. One such training program attended by the Tupa MPDO staff was the SMAP Development Training conducted in July 1995 by the Southern Mindanao Agricultural Program.

With apparent lack of recent training for their staff, the LGUs showed willingness to facilitate said training programs that are relevant to the achievement of the sector plan under preparation as borne out by the discussions with these officials and the Results of the Barangay Key Informant Survey.

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

The provincial government considers non-government organizations or NGOs as partners in development and there are organizations presently working actively in South Cotabato, A few, however, are concentrated solely for the promotion of WATSAN-related projects. One such NGO-supported project is the Integrated Community Health Services. The project aims to strengthen and support community and NGO involvement through the following: a) granting of funds; b) development of information services for participating NGOs; and, c) training of NGOs in project preparation and implementation.

At present, formal links between NGOs and community organizations are forged through the multi-sectoral Provincial Coordinating Committee on Health Concerns (PCCHC). Once individual NGOs and community organizations partners have been identified, there official linkages are devised as in the granting of funds for health and health-related projects and providing support for project implementation, monitoring and evaluation. NGO profiles are currently being compiled and consultation processes are undertaken to determine appropriate criteria for the selection of partner NGOs and CBOs. This process is targeted to be completed by the end of 1998.

One positive point, however, is that NGOs currently working in the province have had wide experience in dealing with the grassroots levels; they have knowledge of strategies on how to enter a community and blend with the local people. The provincial officials believe that tapping the assistance of the NGOs will not be difficult in the WATSAN sector. The list of NGOs that have a track record of doing work in the province is updated on a yearly basis (refer to Supporting Report for the List of NGOs and CBOs for South Cotabato).

5.8.6 Existing Community Development Processes

(1) Manner of Participation in Sector Development

The practice of the LGUs in encouraging community participation for sector projects was generally confined to the organization of a BWSA for Level I systems, a RWSA for Level II systems and a water district or LGU waterworks for a 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 usually in the provision of free labor and in the donation of cash during the construction phase of the sector 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 presently in operation because WATSAN facilities have not been properly maintained and very few users continue to pay their water fees.

In the province of South Cotabato, the people's participation in sector projects has been institutionalized in the following project components:

- 1) detailed engineering works where beneficiaries are involved in the selection of water source and sites and facilities design;
- 2) project implementation wherein people are encouraged to contribute free labor, sites, materials and if necessary, cash to procure materials;
- 3) repair and maintenance of facilities where beneficiaries contribute time and resources to maintain proper operation and, if breakdown occurs, to undertake repair and/or expansion of the facilities;

The province is open to various opportunities at soliciting community participation. It has just completed distribution of jetmatic pumps complete with accessories to various barangays. The beneficiaries' counterpart was the cost of installation of the pumps. The PPDO also coordinates with the beneficiaries during the monitoring of project implementation and with barangay leaders in validating reported accomplishments.

Water supply, as a major component of sanitation, has always been in the forefront of the provincial sector development programs. This has become the most suitable and acceptable avenue that would allow the beneficiary communities the freedom and optimum opportunity in presenting their own ideas on what they feel is in the best interest of the WATSAN sector.

As suggested in the results of the group interviews conducted for this sector study, both the male and female beneficiaries are now receptive to playing a more dynamic role in sector projects. They professed willingness to form themselves into water associations, readiness to contribute cash, materials, and even sites for the construction of WATSAN facilities. In addition, they are already primed to assume higher responsibilities in managing, operating and maintaining the WATSAN facilities.

Water Districts (WDs), on the other hand, generally practice participatory community development. Users-beneficiaries are consulted on practically all phases of project development, that is, 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 CD work 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 training participated in by members of the beneficiary community.

More often than not, the agreement to organize the BWSA/RWSA was reached after one general assembly or organizational meeting called for the purpose. The BWSA/RWSA was tasked to operate and maintain the water supply and sanitation facilities. Their members are given different types of training, such as pre-organizational teach-ins, pre-operational and post completion training and operation and maintenance seminars.

The CD work for the sector being implemented in the whole province is best exemplified by the process being done in the municipality of Tupi. A typical CD work begins with identifying the people's problems and needs. The MPDO then encourages the community residents to organize themselves and discuss their priority projects. After consolidation,

this is referred to local and barangay officials for support and assistance. The planning process is then undertaken with the people participation through the conduct of surveys to identify target population, existing situation and other necessary data. These are then consolidated, analyzed and interpreted enabling the participants to determine the required materials including costs, and the timetable in implementing the project. Simultaneous with this phase is the conduct of capability-building among the recipients through conduct of training, seminars and community assemblies. The MPDO also utilizes the SWOT (Strength, Weaknesses, Opportunities and Threats) Analysis in undertaking projects. In using this method, the cultural and economic aspects and traditions in the community are always considered.

In the Result of the Barangay Key Informant Survey among the barangay officials, tribal chieftains and other community heads, it was found out that the barangay councils are willing to pay for the training of volunteers on the operation and maintenance of constructed facilities. The same survey showed the willingness of local residents to contribute cash while others will provide free labor for the repair and maintenance works as a manifestation of their active involvement with the BWSA.

In forming the water districts, LWUA, in coordination with the LGUs concerned, conducts a series of sectoral consultation with the community. Since water districts are formed at the option of the LGU, LWUA first consults the people, through a series 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

The province has an existing IEC program for sector plans and programs in order to gain the support of various publics, although this is being handled mainly by the PHO in coordination with the PPDO, the DILG, and the municipal and barangay LGUs. Recently, the PHO produced leaflets containing health advisory on the La Nina phenomenon containing negative effects of the flood that La Nina may bring. The leaflet gives advises on how to avoid water-borne diseases.

In certain municipalities, the MPDOs collaborate with MHOs in undertaking comprehensive IEC programs. The municipality of Tupi, for example, utilizes the print and broadcast media in conducting health education campaign. They also produce fliers containing health tips, which are distributed during community assemblies that they organize. The municipal development and health staff jointly conduct house-to-house and school visits to discuss health-related matters.

There are problems, however, that hamper the effectiveness of IEC program. Firstly, there is some difficulty in generating data as an input to planning in some projects being implemented in depressed barangays. Secondly, the municipalities and the barangays do not have existing IEC programs to generate community participation on sector projects and depend on the province for IEC materials. Thirdly, the medium of communication and/or instruction in ethnic or indigenous communities needs to be translated to the prevailing dialect.

On the other hand, the water districts (WDs) in general 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 regular public information drive and helps smaller WDs to disseminate information.

5.8.8 Health and Hygiene Education

Health and sanitation education is within the responsibility of the Provincial Health Office (PHO). Since 1977, the PHO has been implementing the "Integrated Community Health Services-AusAID Assisted (ICHSP-AA), a six-year province-wide project in collaboration with the Department of Health and the local government units. The project is funded through a loan from the Asian Development Bank and a grant from the Australian Government through AusAID. The goal of the project is to improve the health of communities by strengthening the capacity of LGUs to develop and implement their own health and health-related activities. The project is being implemented through the following main components:

- Component 1: Strengthening and Development of LGU Health Management Systems. (Health Information Systems, Health Care Financing, Health Planning, Human Resource Management and Development, LGU/NGO/Community Coordination)
- Component 2: Strengthening and Development of Health Referral and Delivery Systems (Strengthening of Health Referral System, Training Program for Health Staff, Construction/Renovation of Health Facilities, Provision of Equipment, Development of Health Facility Management System)
- Component 3: Mobilization of NGOs, POs and communities in health and health-related activities (Development of Community Resource Center, Small Grants Scheme, Training in Community Health and Development, Capacity Building of NGOs and POs).

Some municipalities implement a comprehensive health and sanitation education program where the Municipal Health Office conducts a regular health education classes and sponsors formal discussions through Mother Class and Food Handlers Class. In the municipality of Polomolok, education program on health and sanitation is done during mass immunization, family planning visits and on daily consultations. Special health-related campaigns utilize barangay health workers who conduct house-to-house visits. This is being done in collaboration with Mahitana Foundation, Dole Philippines and the Clean and Green Philippine Movement, which involves the LGUs, other NGOs and the barangay health workers. At the same time, the barangay council's committee on health usually spearheads community assemblies and invite health workers to discuss sanitation-related topics among the barangay constituents.

The key informant survey among barangay residents revealed that people recognize the importance of good health and hygiene practices. Most of them learned about health and sanitation matters mostly from health workers, health clinics, and television. They also learned health education from radio and the school.

5.9 Gender

5.9.1 General

This section presents the current status or the existing condition for gender and development in the Province of South Cotabato 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 South Cotabato administered to the officials of the select local communities; and (4) the Result of the Group Interviews for South Cotabato 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 government 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. The 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 LGUs and Gender

For some time now, the province of South Cotabato, through the Provincial Population Office (PPO), has been implementing gender sensitive projects. The inclusion or utilization of gender sensitive approach to planning to WATSAN projects has been limited, however, more on the health, sanitation and hygiene projects.

The PPO is implementing a Gender Sensitivity Training Program based on the framework "Population, Resources and Environment and Their Interrelationships," developed by the Philippine Population Management Program. The framework aims at paving the way for a gender relation into the arena of: (a) public policy; (b) reproductive health; (c) women's rights; and, (d) improvement of women status. The participants come from the Municipal Social Welfare Office, Municipal Planning and Development Office, health workers and barangay service point officers. The program has already trained 500 participants including 66 tribal leaders.

The objective of the training program is to raise awareness on gender issues among women and men to avoid counter productive antagonisms within the family, organization and community. Specifically, the program aims to share and reflect aspects of reality that are being taken for granted on the concept of sex and gender; identify major problems emerging in relationship between men and women, particularly the burdens experienced by women; articulate and prioritize gender issues by expressing one's vision, verbalizing intentions and sharing aspects of one's personal life.

The training employs a variety of methods to encourage active learner participation such as group discussions, role playing, film showings, lecture-concert and other creative techniques. Course contents include: Gender Perspective, Sex and Gender, Basic Values and Assumptions on Gender, Women Situationer, Gender Analysis, and Manifestations of Gender Bias.

5.9.4 Gender in WATSAN Sector Projects

(1) Gender Participation in Sector Development Projects

A province-wide survey and group interviews were undertaken to assess gender sensitivity of barangay officials and the beneficiaries in the roles and modes of participation that they, as men and women, perceive for themselves 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 or tribal 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 5 barangays surveyed, the total number of barangay council members is 37. Of this number, 28 were males and 9 females. All barangay captains are male.

The respondents in the group interviews, on the other hand, composed of 34 females and 25 males, the majority of whom belong to the 15-45-age bracket. The level of education of said interviewees were fairly distributed from elementary to college levels with women outnumbering men in having graduated from college. The occupation of a big majority of the respondents is farming/fishing.

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 and WD Board:

The key informants in three barangays indicated that there was no BWSA/RWSA in their respective barangays although each of the three barangays has a committee on water and sanitation within the barangay council.

On the other hand, half of the group interview respondents of the two barangays surveyed revealed that there were BWSAs/RWSAs in their barangays and that they were members of these associations. For future WATSAN projects, all the respondents indicated willingness to provide free labor or donate sites as their participation during the construction of WATSAN facilities. Majority of respondents indicated that they were consulted and briefed on their proposed roles and responsibilities in the planning, design and construction of water supply facilities as well as in the formation of the WATSAN association or the fixing of water charges.

There are 5 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:

Only a few respondents were able to attend training programs geared towards farming technology and skills development (electronic) for the year 1997. As for sector-related training, all of the respondents said they were not aware of or did they attend any training for the same period. However, all respondents indicated interest to attend training programs for the WATSAN sector such as Skills Training Program (O&M) and Livelihood. Most females preferred a one-day training schedule while the majority of male interviewees said that three days are desirable training period.

On participation in health and hygiene:

Both male and female respondents equally recognized the importance of good health and hygiene practices such that more than fifty percent of them has attended training program on health education. However, they would like to attend training programs specifically skills training, repair and maintenance of WATSAN facilities, water management and livelihood.

On water-related illnesses, it was found out that women were more afflicted than women with diseases such as diarrhea, kidney trouble, and skin diseases.

On participation in operation and maintenance:

Both the men and women believe that they can participate in operating and maintaining the WATSAN facilities. They said that they could provide cash and assist in the repair and maintenance of facilities. The interviewees indicated that the owner of the system is generally the one responsible for doing minor repairs of the family/community water supply facility.

(2) Gender in Water Supply and Sanitation Practices

The same survey 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 respondents said that the husband is still the ones responsible for fetching drinking water for family use. The answers of most of the female respondents, however, responded that the wife does the fetching of water. The majority of both male and female respondents indicated that families fetch drinking water just once a day with duration of about 10 minutes to transport water from the source to their house. Most of the male and female respondents admitted that they have problems with the current water source.

5.10 Existing Project and Sector Monitoring

(1) Sector Monitoring

The primary sources of sector data are the field offices and staff of DPWH, DOH, LWUA, DILG and NSO. Other agencies, including NEDA and the LGUs, use data from these agencies. Each of these agencies runs its own project and/or activity-monitoring system largely based on required reports from its field offices. Only the NSO gathers and assesses information nationwide on a regular basis as part of its Census on Population and Housing (CPH). The CPH "long form", which includes "water supply", is administered on 10% of the households once every ten years, while its "short form" is administered 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). Only projects handled by the local offices of central government agencies are monitored, 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. The monitoring report on foreign assisted infrastructure projects, including water supply projects, is submitted monthly by the 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 the 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 the ADB, WB, etc.

It was confirmed at the NEDA Regional office that there are some foreign assisted projects provided directly to the regional office (such as grass-root assistance with a limited amount). For such projects, the NEDA does not sign with the foreign donor. However, the reporting on the project is still made by the regional office to the central office of NEDA. The central office of NEDA sometimes overlooks such projects. It is therefore necessary to establish a 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.

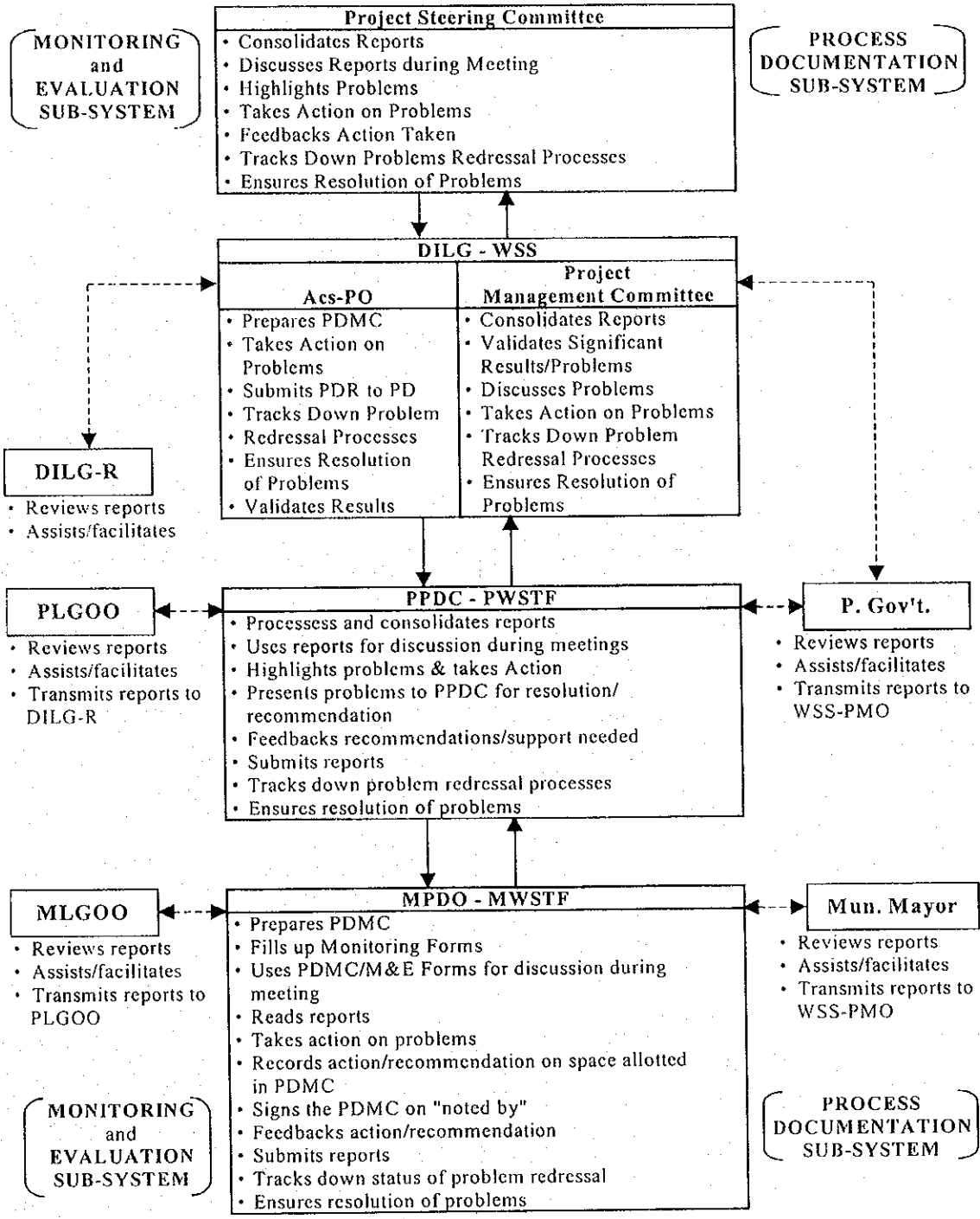
The monitoring for WATSAN-related projects is conducted under the Regional Monitoring and Evaluation System (RPMES). The PPDO conducts monitoring from the start until the completion of the project. Projects that get negative feedback in terms of efficiency and effectiveness of implementation require close monitoring. The monitoring report covers the status of project implementation in terms of finance, percentage of accomplishment and slippage/problems, and evaluation and countermeasures. Figure 5.10.1 shows an example of a UNDP-assisted project illustrating the linkages among concerned agencies.

In both sector and project monitoring, the exchange of information between concerned agencies seems insufficient and unsystematic. Opportunities to improve the system, however, are feasible, particularly through the conduct of periodic meetings by the Regional Development Council with line offices and LGUs. In addition, the absence of a functional management information system increases workloads in the monitoring activity and

causes to wide dissatisfaction among project implementers. The preparation of the monitoring report is considered a nuisance to performing one's job and is thus haphazardly done. This leads to the problem of reliability of information coming from the field. A clear mechanism and data management system is required to promote more coordination among relevant agencies.

Figure 5.10.1

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



Chapter

6

**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 from the year 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, accounting for an average of 9.64% of the total income of the province.
- (c) Grants, Aids and Subsidies – the province received a grant amounting to ₱ 649,775 in 1994 from the Department of Justice.
- (d) Income from the operation of economic enterprises of the province – The province has an economic enterprise, the gymnasium and cultural center which rents out commercial spaces and leases out the gymnasium for sports activities, cultural presentations, concerts and conventions. Occasionally, heavy equipment for road construction projects is made available to other LGU's and private contractors on rental basis.

Based on the Local Government Code of 1991, 40% of the national internal revenue taxes of the 3rd 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 South Cotabato during the period of 1994-1998. Local tax revenues, which accounted for 9.64% of the total income of the province, consist of real property tax, business taxes and licenses, and miscellaneous taxes. IRA's share to total income was 90.36% in annual average, which indicates that the province has historically been dependent on the IRA considering its low tax and non-tax revenue collections.

Table 6.2.1 Income and Expenditures, 1994-1998

Unit: Pesos

Province	1994	1995	1996	1997	1998 *
RECEIPTS					
Local Revenues ^{1/}	14,451,975.08	15,742,341.35	20,062,450.55	20,898,789.18	20,800,000.00
IRA	133,829,363.00	146,375,617.00	156,919,457.00	209,601,917.00	229,000,000.00
Total Revenues	148,281,338.08	162,117,958.35	176,981,907.55	230,500,706.18	249,800,000.00
EXPENDITURES					
Current Operating Expenditures	123,742,012.83	160,497,189.91	173,639,278.42	208,134,116.63	201,116,000.00
Personal Services (P.S.)	72,125,089.58	86,008,284.94	107,718,419.96	138,064,974.87	152,836,280.00
Maint. & Other Operating Expense (MOOE)	51,616,923.25	74,488,904.97	65,920,858.46	70,069,141.76	48,279,720.00
NET OPERATING INCOME	24,539,325.25	1,620,768.44	3,342,629.13	22,366,589.55	48,684,000.00
Less: Capital Outlays ^{2/}	34,893,685.18	26,591,955.27	17,108,890.76	6,287,590.00	2,884,000.00
Non-Office	-	-	-	-	45,800,000.00
Add Other Receipts:					
Grants	649,775.00	-	-	-	-
Borrowings	21,000,000.00	10,990,000.00	14,946,638.31	158,638.40	-
Net Income:	11,295,415.07	(13,981,186.83)	1,180,376.68	16,237,637.95	-

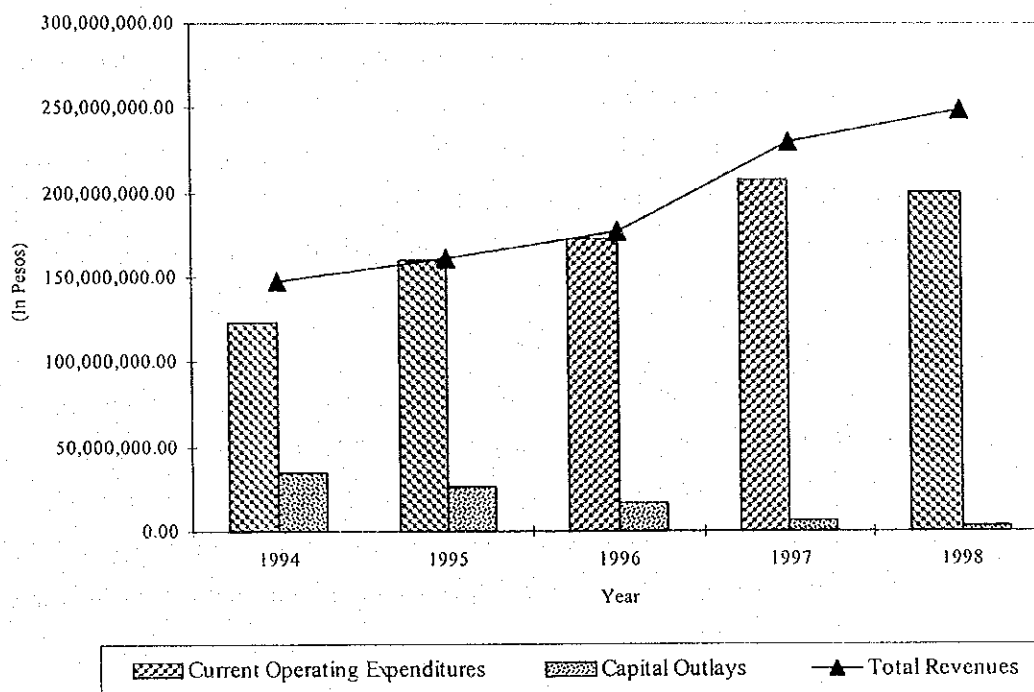
Source: Provincial Treasurer's Office

Notes: ^{1/} Includes Tax Revenues (Real Property Taxes, Business Taxes and Licenses, National Wealth Share, Miscellaneous Taxes, etc.) and National Wealth in 1990s.

^{2/} These figures for capital outlay are obtained from the Provincial Accountant's Office and are likewise the figures used in Table 6.2.3

In order to enhance fund sourcing capability, the 1987 Constitution and the 1991 Local Government code granted the Provincial Government initiatives to create new revenue sources.

Figure 6.2.1
Income and Expenditures, 1994 - 1998



(2) Uses of Funds in the Province

Actual expenditures of the provincial government during the period from 1994 to 1997 show that personnel expenses were major parts with an average of 56.73% to the total revenue. Maintenance and operating expenses of the province was 33.55%. In addition, the province has a capital outlay with an average of 10.70% to the total revenue. The funds for the water supply sector were part of the capital outlays of the province.

From 1994 to 1997, the province had a net surplus from its operations except for 1995. The province has likewise projected a break-even operation in 1998 after deducting the projected capital outlay and non-office expenditures amounting to ₱2.88 million and ₱45.8 million respectively.

6.2.2 Availability of Funds

As previously noted, the IRA comprises 90.36% of the total income of the province, which is tapped to finance most of its expenditures including capital outlays and even non-office ex-

penses (incidental). 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, the IRA of the province was 1.16% of the provincial IRA nationwide in the period 1994-1997 and budget year 1998. While, the total amount of IRA allotted to all its municipalities in the years 1994-1998 was 1.07%. 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 deducted from the pooled income (75% IRA + all other income) before other appropriations are made.

Based on 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 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 are appropriated. The percentages allotted as the DF are the minimum requirement that should be arranged for capital projects as stated in the memorandum circulars of the DILG.

Table 6.2.3 presents allotted funds for capital expenditures (20% DF) between 1994 and 1998. Referring to the amount of actual expenditures from 1994 to 1997 in use of 20% DF of the province, the allotted DFs were sufficient to cover the actual expenditures. In 1998, it is projected that the DF may be adequate to cover the capital expenditures of the province, since the projected figure is equivalent to the amount of capital outlays. There were loans incurred during the period, while the province received grants amounting to ₱649,775 in 1994 (refer to Table 6.2.1).

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

Unit: Pesos

		1994	1995	1996	1997	1998
National	I. National Total of IRA	46753,000,000	55,202,000,000	58,022,990,000	71,049,000,000	80,990,763,000
	(a) IRA to all Provinces	11,498,994,198	12,696,644,000	13,755,011,803	17,813,000,000	20,054,018,925
	(b) IRA to all Cities	10,753,190,000	12,696,460,000	13,345,287,700	16,341,270,000	18,627,875,490
	(c) IRA to all Municipalities	16,325,288,074	18,768,952,000	19,607,715,553	24,849,000,000	28,245,815,434
Province	II. IRA to South Cotabato					
	(1) Total: (2) + (3)	309,019,887	341,033,548	366,126,468	487,473,949	532,147,903
	(2) Provincial Government	133,829,363	146,375,617	156,919,457	209,601,917	229,000,000
	Percentage against (a)	1.16	1.15	1.14	1.18	1.14
	(3) Municipalities	175,190,524	194,657,931	209,207,011	277,872,032	303,147,903
	Percentage against (c)	1.07	1.04	1.07	1.12	1.07
	III. Total Income of the Provincial Government	148,281,338	162,117,958	176,981,908	230,500,706	249,800,000
	Percentage of IRA	90.25	90.29	88.66	90.93	91.67
	IV. Total Income of Municipalities	228,176,499	258,762,333	313,324,694	367,996,056	402,012,948
	Percentage of IRA	76.78	75.23	66.77	75.51	75.42
	V. IRA to Municipalities TOTAL	175,190,524	194,657,931	209,207,011	277,872,032	303,147,903
Municipality	Banga	15,765,135	17,571,530	19,021,936	31,949,392	34,552,480
	Koronadal	26,009,619	29,058,601	31,489,974	40,101,914	44,120,000
	Lake Sebu	17,436,823	19,187,441	20,539,704	27,447,642	27,951,443
	Norala	11,174,198	12,419,699	13,436,438	16,419,122	17,985,796
	Polomolok	22,423,123	25,087,775	27,205,965	33,932,347	34,141,956
	Sto. Nino	8,983,538	10,033,725	10,887,449	13,689,934	15,297,120
	Surallah	19,118,974	21,260,753	22,772,135	28,982,239	31,883,135
	Tampakan	12,477,212	13,726,600	14,391,744	18,674,131	21,000,000
	Tantangan	9,193,705	10,195,988	10,907,540	14,509,275	15,957,373
	T'boli	19,463,675	21,331,936	22,761,660	32,134,460	35,258,600
	Tupi	13,144,522	14,783,883	15,792,466	20,031,576	25,000,000

Source: Provincial Treasurer's Office

Table 6.2.3 Actual Funds for Capital Expenditures (20% DF), 1994-1998

Unit: Pesos

Year	IRA of the Province (a)	20% DF (b)	Expenditures on 20% DF (c)	Surplus/(Deficit)
1994	133,829,363.00	26,765,872.60	34,893,685.18	(8,127,812.58)
1995	146,375,617.00	29,275,123.40	26,591,955.27	2,683,168.13
1996	156,919,457.00	31,383,891.40	17,108,890.76	14,275,000.64
1997	209,601,917.00	41,920,383.40	6,287,590.00	35,632,793.40
1998 ^{1/}	229,000,000.00	45,800,000.00	2,884,000.00	42,916,000.00

Source: Provincial Treasurer's Office.

Note: ^{1/} 1998 Expenditures on 20% DF are for the first quarter of the year only.

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 (DF) 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.

The 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.

$$DSC = \{ [RINC_1 (1 + AGR) + RINC_2] + IRA \} \times 20\% - AMORT$$

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 ₱41.93 million for the year 1998. This amount reflects the maximum loan that can be availed of from MDF. It is reported that there exists a loan amortization at present for loans acquired in connection with the acquisition of heavy equipment and construction of the gymnasium and cultural center. The local tax income and IRA of the province are projected at ₱20.80 million and ₱229.0 million, respectively.

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 undertaken by the provincial government and DPWH. (Data from other agencies is not available). The fund from the CDF (Countrywide Development Fund) was also availed of. Water supply sector obtained ₱ 8.61 million in total during the period 1995-1998, while there was no public investment recorded for the sanitation sector (refer to Table 6.3.1). The largest investment registered so far is those for Level II water supply with an aggregate amount of ₱6.62 million during the said period, followed by Levels III and Level I water supply with ₱ 1.47 million and ₱ 524,620, respectively.

**Table 6.3.1 Actual Amount of Sector Investment to the Province
by Concerned Agencies**

Unit: Pesos

Funding Category Agency	1995-1998				Sanitation
	Level I	Level II	Level III	Sub-Total	
DILG	n.a.	n.a.	n.a.	n.a.	n.a.
DPWH	500,620	5,272,820	1,333,617.39	7,107,057.39	n.a.
LWUA	n.a.	n.a.	n.a.	n.a.	n.a.
DOH	n.a.	n.a.	n.a.	n.a.	n.a.
PROVINCE MUNICIPALITY	24,000	1,352,701	133,828	1,510,529	n.a.
Total	524,620	6,625,521	1,467,445.39	8,617,586.39	n.a.

Source: Provincial Government and Agencies

Note: There is no available breakdown by agency except for DPWH. Figures are combined funds (Foreign/Local), Province, Municipalities and CDF. DA likewise funded shallow wells.

**Figure 6.3.1
Actual Amount of Sector Investment to the Province
by Concerned Agencies, 1995 - 1998**

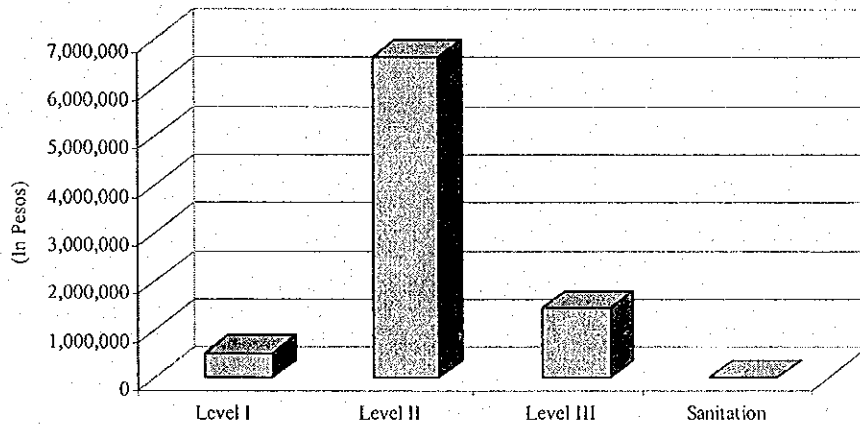


Table 6.3.2 Annual Investment Plan, 1995 - 1998

Unit: '000 Pesos

Item	1995	1996	1997	1998	Total	% Share
Construction (DW, SW, Spring Box, Reservoir, Tank) Various Foreign Assisted (OECF) National (DPWH/CDF/DILG/PAF2) Various Local Funding (Prov / Mun.)	n.a.	228,461	650,000	85,000	963,461	32.3
Spring Development with L2 Various Foreign Assisted (OECF) National (DPWH/CDF) National/Local Funding (DOH) Various Local Funding (Prov./Mun.)	n.a.	n.a.	n.a.	520,000	520,000	17.4
Spring Development with L3 Spring Development with pipes, water tank Construction Levels 2/3 (Municipal) Rural Water Works	n.a. 1,500,000	n.a. -	n.a. -	n.a. -	n.a. 1,500,000	- 50.3
Total	1,500,000	228,461	650,000	605,000	2,983,461	100.0

Source: Provincial Planning and Development Office activities are lumped under Rural Water Works Development Program.

Table 6.3.3 Sector Allocation in the Annual Investment Plan, 1995 - 1998

Unit: '000 Pesos

Item	1995	1996	1997	1998	Total
Level 1					
Foreign Assisted (OECF)	n.a.	228,461	n.a.	255,000	483,461
National					
Local					
Level 2/3					
Foreign Assisted					
National					
Local	1,500,000	n.a.	650,000	265,000	2,415,000
Other:				85,000	85,000
Expansion					
Repair/Maintenance					
Health Centers					
Total 1/	1,500,000	228,461	650,000	605,000	2,983,461

Source: Provincial Planning and Development Office.

1/ 1995 No breakdown by type; comprise mainly of Rural Water Works System.

In 1994, the Private Sector Dole Philippines financed the intake box for the BAWASA water system spring and this project was completed with labor provided by the barangay while the pipes were provided by the DILG.

(1) Budgetary Allocation to the Sector

The Budget Office of the province and the PPDO consolidates the budget proposal submitted by all offices of the Provincial Government as well as requests for funding from the different municipalities and barangays for their proposed projects for inclusion in the AIP. 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 as proposed 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). The AIP is based on the planned investment of the province, as well as on the submission to the PPDO from the municipalities on their planned investments for the coming year. The AIPs of South Cotabato for the Sector from 1995 to 1998 are summarized in Tables 6.3.2 and 6.3.3.

Table 6.3.2 shows the annual planned activities in the water supply sector of the province, the corresponding funding sources and the amount of investment from 1995 to 1998, while Table 6.3.3 summarizes annual sector investments by service level. Levels II & III had the largest fund allocation (total amount of ₱2.4 million), particularly in 1995 with the amount of around ₱1.5 million. The sanitation sector was not allotted any funds, based on the records from PPDO.

In the AIP of the province, a total investment cost of ₱2.9 million was planned for water supply sector during the period of 1995-1998. But, the actual expenditures or amount disbursed for the sector for the same period 1995 – 1998 out of the 20% DF of the province increased by ₱3.87 million or 29.7% higher than the required investments. (refer to Table 6.3.4).

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 55% of the 20% DF in 1998 (i.e. ₱20.96 million out of ₱38.11 million). However, water supply and sanitation sector's share was very minimal with only 2.57% of the 20% DF in the annual average for the period 1994 - 1998. Refer to figure 6.3.4.

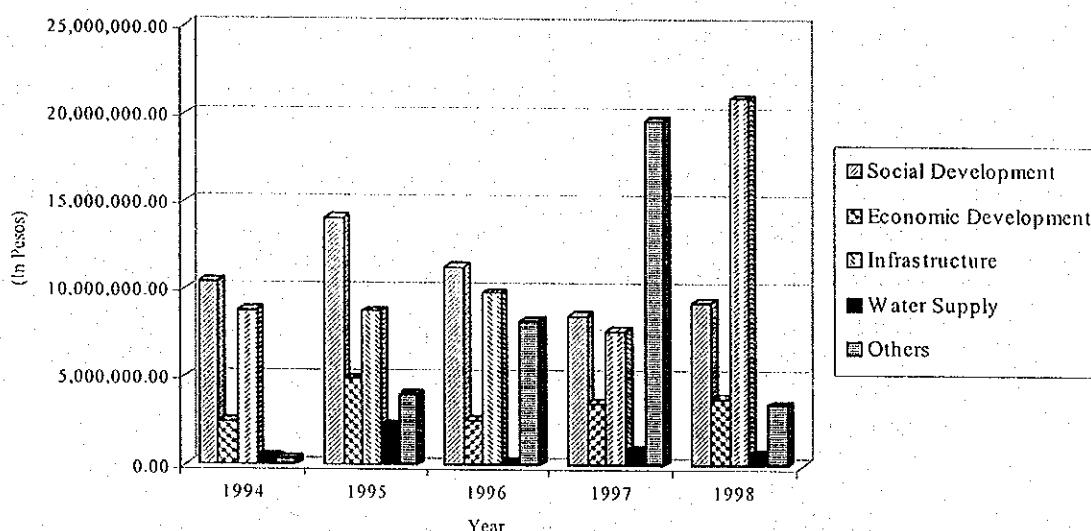
Table 6.3.4 Allocation of the 20% Development Fund, 1994-1998

Unit: Pesos

Year	20% Dev't. Fund	Actual Expenditures					Sub-Total	% of Water Supply to 20% DF
		Social Development	Economic Development	Infrastructure	Water Supply	Others		
1994	26,765,872.60	10,409,996.49	2,435,837.16	8,836,282.10	452,862.62	352,109.59	22,487,087.96	2.01
1995	29,275,123.40	14,089,312.63	4,904,319.73	8,742,305.75	2,288,114.70	3,962,834.32	33,986,887.13	6.73
1996	31,383,891.40	11,289,166.34	2,537,645.19	9,802,827.45	142,275.60	8,200,000.00	31,971,914.58	0.45
1997	41,920,383.40	8,503,545.40	3,524,164.15	7,635,277.95	835,145.95	19,625,733.35	40,123,866.80	2.08
1998	45,800,000.00	9,247,000.00	3,839,000.00	20,958,558.00	605,000.00	3,462,000.00	38,111,558.00	1.59

Source: Principal Planning and Development Office and Provincial Treasurer's Office.

Figure 6.3.4 Allocation of the 20% Development Fund, 1995 - 1998



6.3.3 Existing Plans of the LGUs for the Sector

The Provincial Government has been undertaking various programs for the water supply sector and continues to fund specific projects to be implemented.

(a) Logistic support with required funding

The LGUs through the course of project implementation shall ensure provision of adequate logistic supports with financial arrangements. The LGUs have not given priority to the requirements considering the budgetary constraint. The Department of Agriculture (DA) is coordinating with various LGUs in implementing water supply projects e.g. installation, construction of shallow tube wells. The AIP needs to include the plan for the logistic supports entailing manpower and vehicle allocation.

(b) Raising funds and provision of subsidies to support capital development.

The province provides subsidies to support capital development at the municipal and barangay levels through its 20% DF. However, barangays and municipalities that request funding must be prompt in submitting the necessary documents to PPDO for processing. Out of the 20% DF, the province provides logistics for manpower requirement of devolved functions.

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 and DILG (BWP - institutional building). The DPWH, through its DEOs, still receive requests for assistance from barangay people. This is due to lack of awareness on the part of people regarding the new institutional arrangement and this proved the DEOs' technical ability. 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 on 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 classes 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.

6.4.2 ODA Assisted Projects and Grant Aid

Other external source of funds of the province is foreign assisted projects either directly coursed through the province as in the case of USAID technical assistance in various infrastructure improvement projects. Water districts in the province likewise avail of funding through loans that are directly obtained from LWUA.

There was no NGO counterpart funding experienced by the Province for water supply and sanitation projects. The province intends to increase its income from other sources and attract foreign grants for its projects.

(1) Arrangement through Conduits

1) Municipal Development Fund (MDF)

The MDF is a revolving fund created under Presidential Decree No. 1914 to provide LGUs 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 relented 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 (Sangguniang Panlalawigan SP for the Province, Sangguniang Panlungsod; 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 in order 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 in the time deposit account of the LGU in the bank. The LGU is allowed a maximum loanable amount of up to 90 per cent of the total amount of its time deposit account in the bank. One of the terms for this kind of loan includes deduction of amount due 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.

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.

The province has acquired a loan amounting to ₱7.2 million for heavy equipment from the Land Bank of the Philippines to be paid within five (5) years (up to year 2000). At present, they have outstanding loans from the MDF.

3) Foreign Lending Agencies

The external assistance to the Sector in the province comes from foreign assisted projects. After the devolution, the province became the direct recipient of foreign grants. The most recent experience of the province in foreign grants was the USAID technical assistance projects, where the province is a direct recipient from the donor.

6.4.3 LGU-Financed and Managed Waterworks/Water District.

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

There are 15 Level III systems in the province operated under different kinds of ownership (authority or association) and these are:

- 5 WDs in the municipalities of Koronadal, Norala, Polomok, Surallah and Tupi;
- 10 waterworks operated by barangays / associations in the municipalities of Koronadal (2), Polomok (3), Surallah (2), T'boli (2) and Tupi.

Tables 6.4.1 and 6.4.2 show the financial indicators and loan status of WDs in 1998, respectively. The WDs adopted progressive charge method and have achieved 68% efficiency of water charge collection earning surplus income. The average monthly consumption per connection/household is about 20 cu.m.

Table 6.4.1 Financial Indicators of Water Districts and Provincial/Municipal Waterworks in the Province (as of June 1998)

Waterworks	Description							
	No. of Metered Connections	No. of Flat Rate Connections	No. of Households Services	Average Monthly Rate	Average Consumption per HH	Average Expenditures	Average Revenue	Collection Efficiency
	Nos.	Nos.	Nos.	Pesos/cu.m.	Cu.m./mo.	Pesos/mo.	Pesos/mo.	(%)
A. Level III Systems (RWSA/WD)								
Koronadal, South Cot.								
Esperanza Water System	n.a.	n.a.	215	10	12	40,500.00	n.a.	85.00%
Zulueta BWP Water System	n.a.	n.a.	150	10	12	40,000.00	n.a.	75.00%
Koronadal Water District	1,992	n.a.	580	n.a.	n.a.	n.a.	n.a.	n.a.
Polomok, South Cotabato								
Glamang Water System	n.a.	n.a.	170	n.a.	9	122,000.00	n.a.	n.a.
Klinan Water System	n.a.	n.a.	500	10	12	60,000.00	n.a.	n.a.
Palkan Water System	n.a.	n.a.	250	n.a.	n.a.	13,000.00	n.a.	n.a.
Polomok Water System	6,200	n.a.	9,000	10.88	69,859.00 ^{1/}	13,458,251.00	14,724,553.90	n.a.
Surallah, South Cotabato								
Lambontong, BWP Water Sys.	n.a.	n.a.	175	n.a.	10	6,000.00	n.a.	n.a.
BWP	n.a.	1,080	136	n.a.	n.a.	n.a.	n.a.	n.a.
Colongolo RWSA	n.a.	n.a.	12	n.a.	n.a.	n.a.	n.a.	n.a.
Surallah Water District	385	n.a.	n.a.	65	n.a.	597,124.64	648,524.11	
Tupi, South Cotabato								
Palian Water System	n.a.	n.a.	195	10	12	35,000.00	n.a.	n.a.
Tupi Water District	350	n.a.	320	8.8	3,221.25 ^{1/}	407,400.93	654,332.60	67.37%
T'boli, South Cotabato								
Edwards	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RWSA	150	n.a.	150	n.a.	n.a.	n.a.	n.a.	n.a.
Norala, South Cotabato								
Norala Water District	305	39	n.a.	55	5,637.00 ^{1/}	59,160.00	580,249.23	68.81%

Note: ^{1/} All households

6.5 Existing Practices by the LGU on Cost Recovery

6.5.1 Capital Cost

In the previous arrangements, the capital cost for Level I system was free to the community, while operation and maintenance was the responsibility of the association. As for Level II systems, the capital cost was shouldered by the RWSA through loan 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' 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 through a loan and the remaining 10% shall be arranged as equity of WDs. The cost of amortizing the loan and operation and maintenance of the system is recovered through monthly water bills. In case of LGU's operating Level III systems, the capital cost is managed by the LGU using part of DF and other financial sources (borrowings and aids).

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

6.5.2 Operation and Maintenance Cost

The operation and maintenance cost for Level I and II water supply systems are envisioned to be the responsibility of the users. As such, the users shall form an organization (or association) to handle the collection of water charges.

When DPWH had been undertaking the construction of Level I water supply facilities, the DPWH through DEOs assisted to form many BWSAs. However, most of these BWSAs are no longer functioning, due to non-payment of water fees. As a consequence, the users had to go to the LGUs (usually barangay or municipal) for assistance in case of operational problems. In some cases, the users likewise request the DEOs.

Although the DPWH had no budget for operation and maintenance, it extended assistance in the form of materials (such as gaskets or joint pipes) from their supplies, if these items are available. Because of this situation, the emphasis was placed on the need of monthly contributions from the users for the O&M. Some of the active BWSAs for Level I water supply collected monthly fees ranging from ₱10.00 to as much as ₱50.00 per household per month. Of the four BWSAs interviewed, two BWSAs depended on the barangay council for O&M, while the other two BWSAs had association members who were trained to operate and maintain the facilities.

Cost recovery for Level III systems, particularly those covered by Water Districts is managed through different systems. The households covered by the Water District can be disconnected in case of no payment by the users.

Tupi Water District is charging the amounts of ₱8.80 per cu.m. 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 expenditure requirements of the system for the period, and it should not exceed 5% of the low-income group's household income. Water rates are kept minimal since the Water District should be service-oriented and not profit-oriented.

6.6 Affordability of Users

This sub-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 the water districts in the province.

6.6.1 Capital Cost Contribution

Based on the results of the key informant survey, each of the three barangays has a committee on water and sanitation within the barangay council. The key informants indicated that all the barangay councils are willing to participate in sector projects by initiating the formation of a water and sanitation association. All of the respondents indicated that the barangay council is willing to pay for and/or facilitate the training for the user beneficiary volunteers on O&M.

Referring to the group interview results for Level I and II water supply conducted in this barangay survey, majorities of respondents are willing to participate in the water supply projects in the future. Of those who are willing to share, majority (41 of 57 respondents or 82%) indicated that they are willing to form BWSA. Only 5% or three (3) respondents wanted to be in-

volved in water rates formulation and 58% wanted to participate in the construction of facilities as well as in O&M of the system. All respondents are willing to contribute free labor during construction. Hence, for Levels I and II water supply, due to insufficient household income, there is a need for LGUs to provide some sort of subsidy.

On the other hand, the construction cost of private toilet seems to be expensive as compared with the family income. The estimated cost of flush type toilet facility is about 6.3 times higher than the median monthly family income in the province and since this is the case, subsidy may be provided by the LGU concerned.

6.6.2 Operation and Maintenance Cost

Based on the key informant survey, the common problems cited by the respondent range from defective pumps to lack of funds for the maintenance work. The problem show that the users/beneficiaries still have the thinking that the O&M is a task that belongs to others such as the barangay council or the municipality.

According on the group survey for Level I and II water supply, the respondents could not determine who were responsible for maintaining water supply facilities.

Only two respondents indicated that the residents pay a small amount (below ₱ 10.00) for water.

The purok treasurer was responsible for collecting fees, according to the few respondents.

Government subsidies requested by end-users. Barangay Talisay and Lahit (Lake Sebu) were recipients of technical and financial assistance from the provincial and municipal government. Barangay Talisay was given two units of jetmatic pumps by the municipal government. At the same time, it is also received from the provincial government, five shallow wells/ handpumps and five units of jetmatic pumps. Barangay Lahit, on the other hand, received from the municipality 12 units of jetmatic pumps and G.I. pipes for the construction of deep and shallow wells.

Table 6.6.1 presents the affordability of households by service level and it is shown that water fees are within the affordable ranges. At present, the current water bills in the province seem to be within an affordable range based on experience, although the actual income level varies from municipality to municipality and barangay to barangay. (Urban barangay population has

higher income than that in rural barangays, because of the more diverse economic and commercial activities).

Table 6.6.1 Affordability in Water Supply and Sanitation Services

Income/ Level of Service	Amount (Pesos)	% to Monthly Income	Affordable Range (%) ^{3/}
Median of Monthly Income ^{1/}	3,386.67	-	-
Average Level III: Monthly Water Bill ^{2/}	120.00	3.54	5.0 or less
Average Level II: Monthly Water Bill	65.00	1.92	3.0 or less
Mo. Level I Expenditures	30.00	0.88	1.0 or less
Private Toilet Construction Cost – Flush Type Toilet ^{4/}	21,300	6.30	-

Notes:

1/ 1994 Family Income and Expenditures Survey, NSO. Average income (mean is ₱61,435 annually for South Cotabato and median income is ₱48,823.00 but for Region XII, the median income is ₱40,064 and the mean income is ₱61,282. Average salary based on barangay surveys is ₱4,000.00 – ₱5,000.00.

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

3/ Current prices estimated in this study

4/ Based on the experiences mainly from I.WUA, DPWH and DILG.