

## 5. EXISTING SECTOR ARRANGEMENT AND INSTITUTIONAL CAPACITY

### 5.5 Sector Agencies at the Local Level

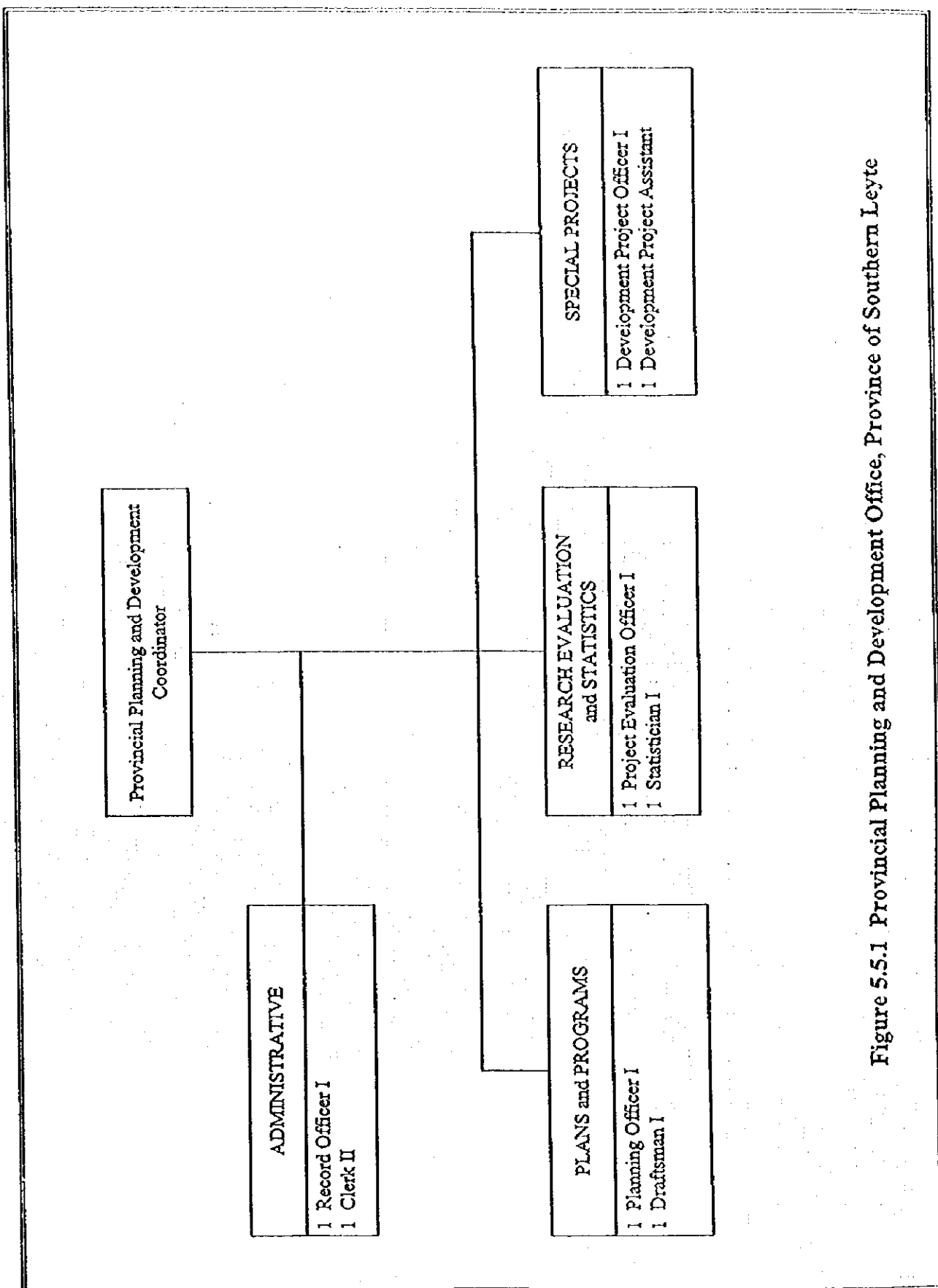


Figure 5.5.1 Provincial Planning and Development Office, Province of Southern Leyte

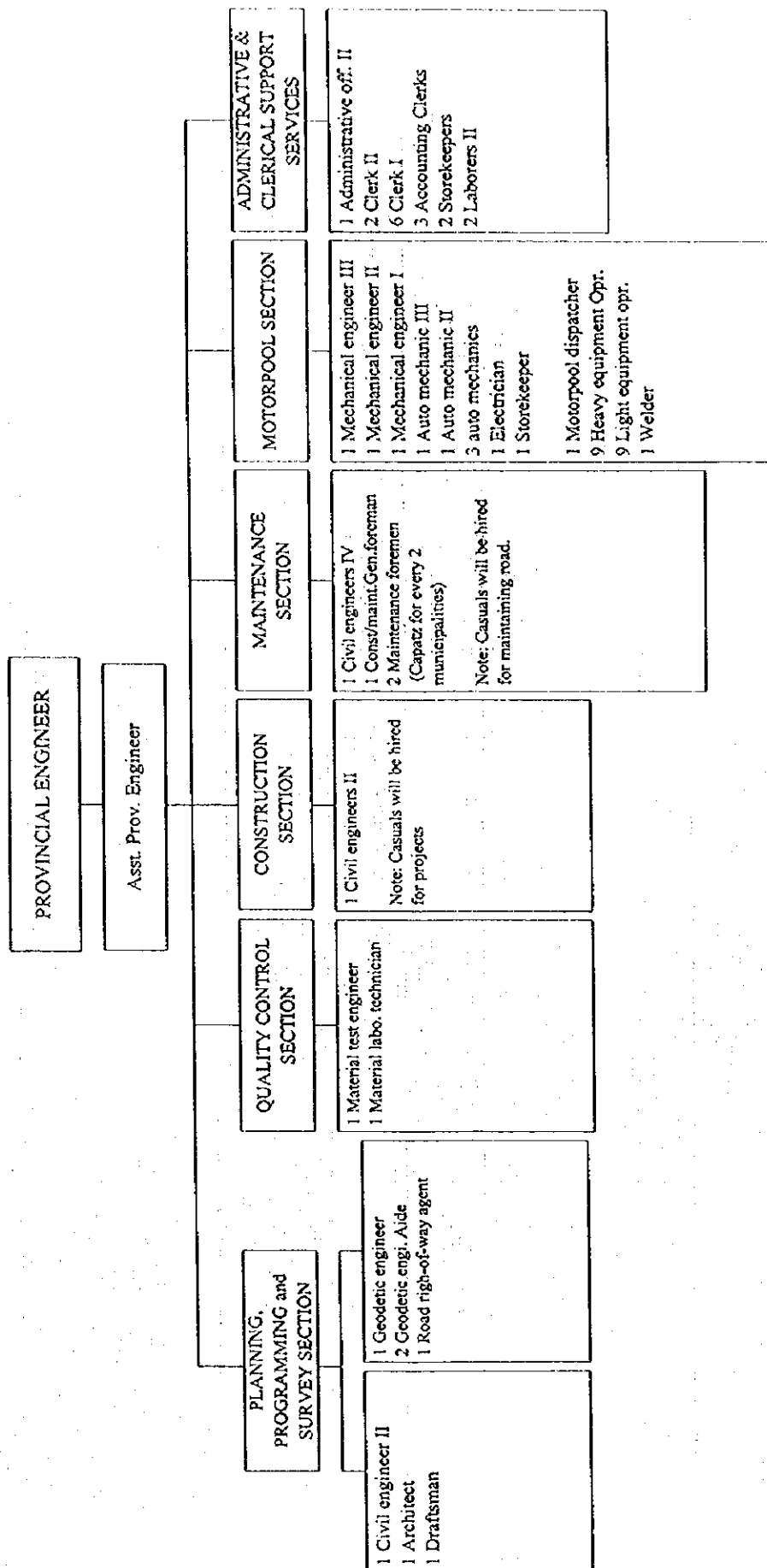


Figure 5.5.2 Provincial Engineer's Office, Province of Southern Leyte

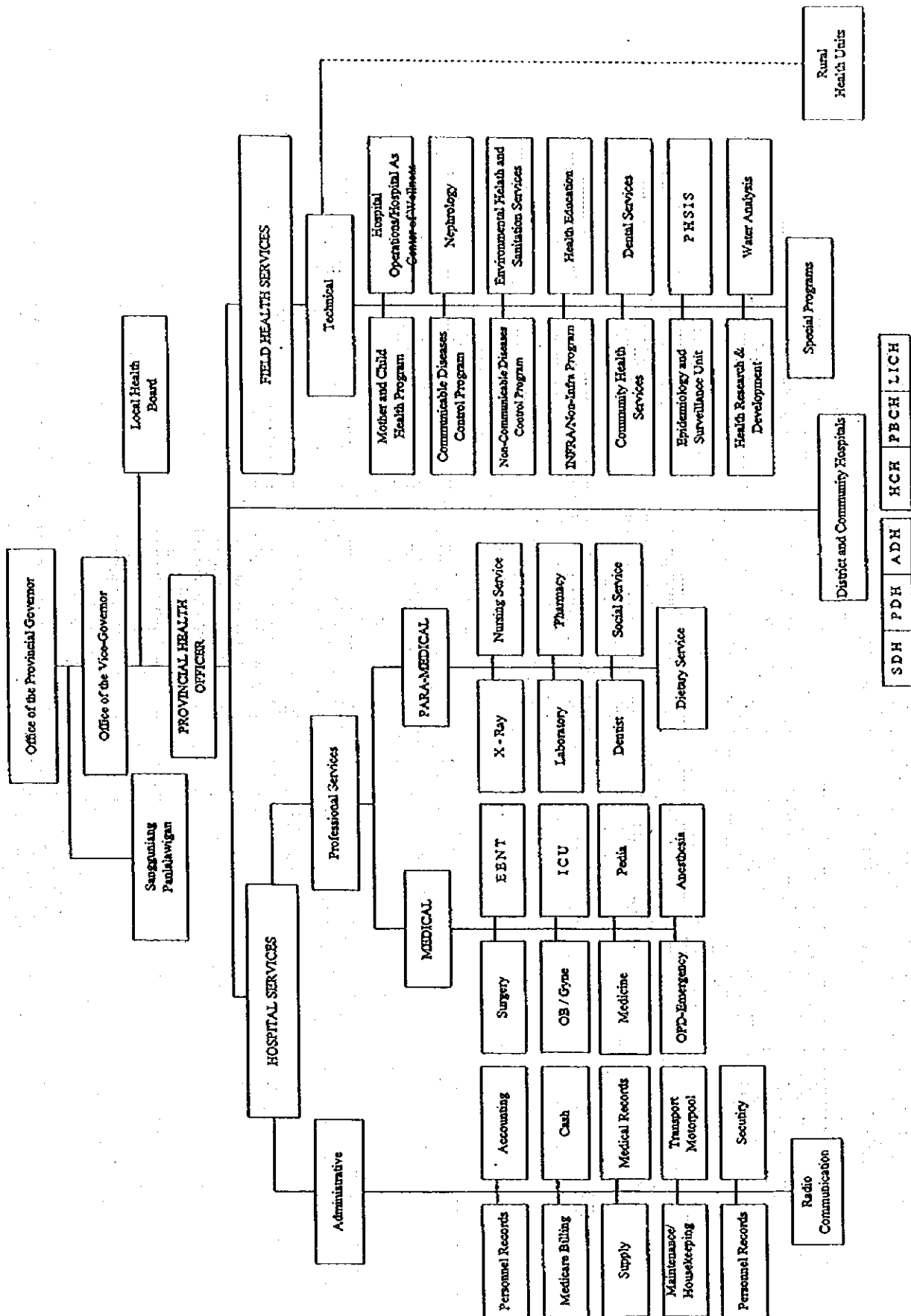


Figure 5.5.3 Provincial Health Office, Province of Southern Leyte

## 5.6 External Support Agencies Active in the Sector

Table 5.6.1 Priority Areas/Terms and Conditions, Programs and Projects by Donor

Donor	Priority Areas/Terms and Conditions	Programs and Projects in the Sector/Executing Agency
OECD	Providing project loans for <i>capital infrastructure (urban/rural)</i> , <i>agricultural development</i> , <i>export promotion</i> . Can finance 75% of total project cost of total foreign exchange component, whichever is higher. Interest Rate: 2 to 3%; 30-year amortization with 10-year grace period. Environmental projects. Interest free.	Water Supply and Sanitation Project-23rd Yen Package/DILG; Co-financing AWSOP, with World Bank and ADB/MWSS.
ADB	Providing both capital and technical assistance; Project loans: <i>agriculture, agri-industry, energy, social infrastructure, transport and communications</i> ; Program Loans: sector loans (e.g., <i>forestry, livestock, environment</i> ). Can finance 60% of total project cost or 100% of foreign exchange cost whichever is higher. Special cases can finance up to 80% of total project cost. Terms: Interest rate- pool-based variable; commitment charge of 0.75% per annum; 25 years amortization period including 5-year grace period.	Rural Water Supply and Sanitation Sector Project/DPWH; Small Towns Water Supply Sector Project/LWUA; Technical Assistance for Water Supply and Sanitation Sector Study/NEDA; Co-financing AWSOP with World Bank and OECF/MWSS.
AUSAID	Providing grant aid for <i>education, training, development planning, resource management, environmental management, health/population, infrastructure (e.g., water supply, coal, energy development), social infrastructure, community development and agriculture</i> ; providing also supplies of commodities (steel, cattle, drilling).	Water supply program in Central Visayas/RDCs and LGUs; Feasibility Study for Northern Mindanao Water and Sanitation Project.
DANIDA	Providing capital and technical assistance for <i>water supply and sanitation services and facilities, telecom ancillary equipment, small-scale power projects, environmental project, fishery and cold storage and post-harvest facilities</i> ; Can finance up to 100% of foreign exchange goods and services of Danish origin, 10% local cost on a case-to-case basis. Technical assistance can be negotiated for conduct of feasibility studies if implementation of the project will require Danish financing in the future.	Water supply projects for 10 towns/LWUA; Feasibility Study for control of pollution in the Pasig River-Metro Manila; Water Supply and Sanitation Data Bank.
Government of France	Grants for feasibility studies and detailed design for projects in priority areas, e.g., <i>power generation, telecommunication, research involving high technology, water supply, air navigational equipment, etc.</i> Can finance 100% of foreign exchange costs of goods and services of French origin.	Feasibility Study for water supply project in Rizal province.
German Agency for Technical Cooperation (GTZ)	Providing grants for technical assistance. Promotion of <i>small and medium-scale industries, rural development, technical training, health/family planning, and environmental protection (forest management)</i> .	Water Supply for 20 Towns/LWUA; a national water supply and sanitation on-going program; special TA programs for cost recovery monitoring and evaluation.
JICA	Providing a combination of capital assistance thru grant-aid and technical assistance thru Technical Cooperation for development survey and project type assistance which is a combination of experts, equipment and training. Technical assistance for <i>conduct of feasibility studies/master plans, provision of training, limited provision of equipment</i> . Capital assistance for <i>provision of equipment/materials for construction of hospitals, schools, research, social welfare centers</i> . Priority areas include basic infrastructure, e.g., <i>construction of facilities and supply of equipment; project development for sectors dealing with basic services (agriculture, health public welfare, environment) and human resource development (education, research, training)</i> . Can finance 100% of foreign exchange costs of civil works, equipment, training (in Japan) and of all goods and services of Japanese origin.	Groundwater study in Manila; Feasibility Study for Balara Water Treatment Plant Feasibility Study.

Table 5.6.1 Priority Areas/Terms and Conditions, Programs and Projects by Donor

Donor	Priority Areas/Terms and Conditions	Programs and Projects in the Sector/Executing Agency
UNDP	Providing technical assistance for capacity building, human resource training, technology transfer, policy research, planning, technology development and pre-investment studies; Technical assistance are formulated within country program (CP) frameworks: 6th CP (1997-2001) -poverty and sustainable livelihood, protection and regeneration of the environment and sound governance, gender equality.	WATSAN Program for LGUs and selected BWSAs/DILG.
UNICEF	Providing grant aids for technical assistance. Priority areas: social services, particularly for children.	Community-based water supply program in Palawan Province; Water supply and sanitation Study for Southern Mindanao.
USAID	Providing grant aid within its strategic objectives. Six strategic objectives and one special objectives are: Accelerate the economic transformation of Mindanao; Improve national systems for trade and investment; Reduce population growth and improve maternal and child health; Enhance management of renewable national resources; reduce emissions of greenhouse gas; broaden participation in public formulation/implementation (selected areas); prevent rapid increase of HIV/AIDS.	Barangay Water Program (BWP) for communities with populations of less than 10,000; TA for private sector participation in the sector.
World Bank	Providing capital assistance in the form of under IBRD and IDA. IBRD (Project/Program) Loans: Interest rate = less than 7%; 20 years amortization with 5 years grace period; IDA Loans: interest free with 30 to 40-year amortization period; Providing also technical assistance in the form of ESW, IDF, Poverty and Human Resource Development Project Preparation and Policy Notes. Can finance 100% of foreign exchange costs of the project. Priority areas: power and energy, roads and railways, telecommunications, ports, water supply and sanitation, agriculture and social services.	AWSOP co-financed with ADB and OECE/MWSS; TA for a Water Supply Sector Program Study/DILG; TA on private sector participation in the water supply and sanitation sector; Water Districts Development Project LGU-Urban Water and Sanitation Project.

## (1) Foreign Agencies

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. The project 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 World Bank prepared a new loan for DILG implementation - the *Local Government Unit Urban Water Supply & Sanitation Project (LGUWSSP)*. This project aims to support the water supply requirement in the urban centers of approximately 250 small and medium-sized municipalities nationwide, benefitting about 6 million people. The project consists of three components, namely: i) Water and Sanitation Facilities Component, ii) Institutional Development Component and iii) Technical Assistance Component. The project is to be implemented from 1999 to 2006 in three phases, and estimated cost is US\$ 250 M. More information on this project is attached on the following pages.

UNDP assists 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 responds to the government's Poverty Alleviation Program. UNDP provides assistance in strengthening the institution involved in the delivery of water supply and sanitation services with emphasis on support to local government units, NGOs, and communities through the BWSAs. The project will complement earlier efforts by UNDP (through the UNDP/ World Bank Water and Sanitation Program) to promote appropriate cost effective technologies in water and sanitation and to improve the training capacity of the sector. The project covered seven (7) provinces; 180 sub-projects were implemented in the objective areas during implementation period 1994-1997.

The United Nations Children's Fund (UNICEF) supports the sector through the 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 Eastern Visayas (Region VIII) and Southern Mindanao (this was compelled by the sudden and unexpected occurrence of water-borne epidemics that hit Region XI).

Asian Development Bank (ADB) support the *Rural Water Supply & Sanitation Sector Project (RW3SP)* through sector lending approach for the 20 prospect provinces of the country. The project area covers about 3,000 rural communities with population ranging from 200 to 5,000 persons in provinces located in Luzon, Visayas (Biliran, Eastern Samar and Southern Leyte included from Region VIII) and Mindanao. RW3SP will: i) provide capacity-building to local government units (LGUs) to enhance the delivery of social services, ii) improve social infrastructure for basic needs such as water supply and sanitation, and iii) reduce poverty incidence. The project also includes: i) comprehensive institutional capacity-building, ii) community development program, iii) point source water supply systems, and iv) public and household latrine facilities. This will be implemented from 1995 -- 2000. More information on this project is attached on the following pages.

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

The Overseas Economic Cooperation Fund (OECF) provided financial assistance for the *RWS IV Project*. It provided a loan 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 various 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 or 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 *Barangay Water Program (BWP)* was a special project being implemented by the then Ministry of Local Government (now DILG) with financial assistance from the USAID. The program envisions to alleviate 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; Phase II started in 1982 and was extended until December 1987. Phase II operations officially ended in December 1987, but a one-year winding-up period was agreed upon between the GOP and 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, 22 cities and 7 municipalities.

The Australian International Development Assistance Bureau (AIDAB) supported the *Central Visayas Water and Sanitation Project* through a \$ 14.65M grant. The project was implemented by the LGUs and the Regional Development Council. Project components include: planning and monitoring information systems; infrastructure planning and rehabilitation; and institution building with an emphasis on community management based on experience from other AIDAB-funded projects. The project period was extended until 1997.

The *Water Supply and Sanitation Performance Enhancement Project (WPEP)* funded by AusAid through WSP-EAP aims: i) to initiate a systematic program of applied research examining what works and what does work in the field from the recent past and from the new generation of WATSAN projects, ii) to provide technical advice to any privately sponsored community-based field experiments which would seek to apply demand-responsive approaches to bring sustainable WSS; iii) to enhance capacity building programs and implemented to LGUs about operationalizing demand-responsive approaches in the field and; iv) to help refine policy implementation guideline, and policy where were learned from the field. WPEP is an applied research activity. It will help National Government consolidate its facilitative role in the future. Its structured approach will be a key collaborative activity with NEDA's new Project Performance Monitoring System (PPMS). The project will be executed by DILG in coordination with NEDA in two years from 1999.



The Canadian International Development Agency (CIDA) carried out until March 1998 pre-feasibility study of *Malalag Bay Alliance Water Supply Project*. This project covers ten (10) coastal municipalities. 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.

## **(2) WATSAN project by GOP**

To provide safe/accessible water and sanitation serves to the basic sector groups within the 5<sup>th</sup> and 6<sup>th</sup> class municipalities; to enhance the capabilities of the target LGUs in terms of WATSAN planning, implementation and maintenance of the facilities; and to minimize the incidence of water borne diseases through proper site selection, disinfection of contaminated water sources and management waster water, the project of the WATSAN component of PAF 2 (Poverty Alleviation Fund 2 – Potable Water Development and Sanitation Component) was implemented with GOP fund in all the 960 municipalities belonging to the 5<sup>th</sup> and 6<sup>th</sup> class. The project started from 1997 to 1998. GOP provided project fund of P533M (P485,000 for each municipality as capital outlay). The project was implemented with a strategy: i) facility construction by the LGUs themselves; ii) water supply facilities limited to Level I hand pumps with some Level II on a case to case basis; iii) provision of skills enhancement training for LGU personnel; iv) provision of assistance to LGUs in the organization, training, and sustainability of BWSAs; v) installation of an effective projects monitoring and evaluation network; and other effective arrangements.

## **(3) Local Government Unit - Urban Water Supply and Sanitation Project (LGUWSSP)**

### **1) Project Objectives**

The Project has the following objectives: (i) to assist LGUs in improving and sustaining the provision of water, sanitation, drainage and other environmental services to their urban populations; (ii) to build institutional capability for decentralized planing, implementation and management of water and sanitation services at all levels of government national provincial and municipal; and (iii) to test the implementation of the government policy framework vis-a-vis LGU financing of local infrastructure.

### **2) Basic Project Principles**

The project is based on two underlying principles aimed at ensuring project sustainability, to wit: (i) The "demand driven approach" in project development and implementation, meaning

that the project shall provide services that the consumers want and are willing to pay for and that the services shall be managed at the lowest appropriate levels; and (ii) The adoption of commercial principles in the management/operation of water utilities by involving the private sector, or simply put, the facilities must be operated as commercial entities and water treated as an economic commodity.

### 3) The Project Rules

- i) The project promotes full cost recovery, that is, the tariff to be paid by the consumers should cover the cost of operation and maintenance and the repayment of the LGU DBP loan.
- ii) The system shall be operated by a private operator under a long-term lease contract with the LGU.

### 4) Project Coverage

The project aims to support the waters supply requirement in the urban centers of approximately 250 small and medium-sized municipalities, benefiting about 6 million people. There are two sets of market targets, namely: (i) Municipalities/cites, irrespective of income class, which have not formed a water district; and (ii) Municipalities/cites, irrespective of income class, which have water districts but are not in LWUA's current program of assistance (in which case, the LGU should secure a certification/clearance to that effect. In the even that the local water district is servicing a loan from LWUA, the local water district shall seek clearance from LWUA prior to entering into an agreement with LGU concerned in any program of system expansion rehabilitation).

### 5) Project Components

The project consists of three components, namely:

#### Part A Water and sanitation facilities component

- construction/improvement/rehabilitation of Level III water facilities
- provision/improvement of sanitation facilities construction/improvement
- construction/improvement of urban drainage

#### Part B Institutional development component

- Training of LGUs in decentralized planing, implementation and management of water facilities applying the following commercial principles:
  - i) Demand-driven approach, ii) Private sector participation, iii) Full cost recovery

#### Part C Technical assistance component consists of

- This component consists of i) Feasibility study and ii) Detailed engineering

6) Estimated cost and implementation timetable

Phase	World Bank	LGU	Total	LGU Coverage
I. 1999 - 2002	\$ 23.3 M	\$13.7 M	\$ 37.0 M	40
II. 2000 - 2004	60. 0 M	20.0 M	80.0 M	80
III. 2003 - 2006	100.0 M	33.0 M	133.0 M	130
Total	\$ 183.3 M	\$ 66.7 M	\$ 250.0 M	250

\* The required LGU equity ranges from 10% -25% of the total project cost.

7) Relending Terms

World Bank funds shall be channeled thru the Development Bank of the Philippines (DBP) which shall relend them as subproject loans to the LGUs. The DBP subproject loans shall include costs of feasibility study, technical design and construction of the water facility. Basic terms of the loan are: i) Interest per annum: 15 % per annum, ii) Amortization period: 15 years with 3-year grace period.

8) DBL Scheme

The subprojects will be implemented thru the DBL (Design, Build and Lease). A qualified private constructor designs and constructs the facility (while F/S is done by WB consultant), and another private entity, qualified, undertakes the system operation thru a lease contract with LGU (respective municipality).

(4) Rural Water Supply & Sanitation Sector Project (RW3SP)

1) Project overview

The RW3SP's objectives are: i) to improve the capacity of sector agencies in enhancing the delivery of social services; ii) to provide safe, adequate and reliable WSS services to selected low-income rural communities through community-based arrangements; and iii) to support health and hygiene education, water quality surveillance, and community management activities. The project will help develop the technical capability of LGUs and communities in the planing, implementation and O&M of basic WSS services, promote a sense of subproject ownership and enhance community management of rural WSS services, and improve health and hygiene education in the Project areas to ensure the sustainability of Project benefits.

The project will cover about 3,000 rural communities (barangays) with populations ranging from 200 to 5,000 persons. This represents about 50% of the total number of communities in the SRA (Social Reform Agenda) provinces, spread through Luzon, Visayas and Mindanao. They are also the least developed provinces in the country. Presently, only about 40% of the

rural population in these provinces have adequate access to safe and reliable WSS facilities compared with the nation wide average of 70% for the rural areas.

SRA provinces: Batanes, Benguet, Abra, Ifugao, Apayao, Kalinga, Mt. Province, Aurora, Masbate, Romblon, Antique, Guimaras, Biliran, Eastern Samar, Southern Leyte, Agusan del Sur, Surigao del Sur, Basilan, Sulu, Tawi-tawi

The project involves institutional development and improvement of WSS in about 3,000 rural income communities through the construction and rehabilitation of WSS facilities serving approximately 2.0 million persons and thereby increase the coverage of the project areas rural population from 40 to 90 percent by the year 2000. The project will cover five years and 50% of the rural communities in the poorest provinces under the National Rural WSS Development Programs. The project consists of two main parts; Part A: Institutional Development, and Part B: Water Supply and Sanitation Facilities.

**Part A. Institutional Development** consists of four components

- Capacity –building program for local institutions covering training courses for LGUs
- Community management program to help the communities to design and set up cost recover, O&M and the community management organization
- Health and hygiene education program focusing in safe drinking water, good habits for personal hygiene and the control of diarrhea. Various media will be used. Educational material (handouts, posters, cassettes and vide tapes) will be developed. A total of 750 person-months of sanitary inspector and 750 person months of midwives will implement the education program covering the target communities
- Water quality control and surveillance program: A total of 500 person months of sanitary inspectors and 500 person months of water quality technicians will establish this program in the project provinces, in addition, 50 laboratories will be constructed and equipped.

**Part B. WSS Facilities** consists of subprojects for the construction and rehabilitation of point source (Level I) water supply systems. It is estimated that over 6,100 new water supply systems will be constructed. In addition, 2,000 shallow and deep wells, 130 springs, and transmission lines will be rehabilitated. The subprojects will also selectively cover sanitation facilities, such as the construction of sanitary public and household latrines, and district laboratories.

2) Cost estimates and budgetary requirement

Based on the cost estimates of the eight representative subprojects appraised and the subprojects proposed for about 200 communities the total cost of the designated segment of the rural was investment program the project is estimated at \$57.4 million equivalent, including taxes and duties as well as interest during construction. The foreign exchange cost is estimated at \$20.0 million equivalent (including \$1.4 million for interest and service charge during construction) or about 35 percent of the project cost, and the local currency cost is \$ 37.4 million equivalent of about 65% of the project cost. The fund to be provided by the government to the executing and implementing agencies will be channeled through regular budgetary allocations. Each province participation in the project will provide for the contribution of 10% for the total cost of each subproject in a particular province.

3) Implementation Schedule

Designed to commence in mid 1997, the project is planned to implement over a period of five years, with completion expected by 1 August 2001. The advance project preparation activities that have been carried out in about 200 communities in the project areas through the community management approach will ensure that the project gets off to a fast start.

Table 5.7.1 Matrix of Current Practices and Issues from Rapid Assessment of Subject Provinces and Local Offices of Central Government Agencies

Areas	Institutional	Technical	Financial	Community Development
1. Provincial Government Offices of Northern Samar, Eastern Samar, Samar, Biliran, Leyte and Southern Leyte	<ul style="list-style-type: none"> <li>Sector implementation is project-based arrangement by setting up a multi-agency team/task force. There is no overall mechanism and responsibility delineation among members wherein interrelationships/linkages are clearly shown.</li> <li>There is no current provincial plan for the sector except for the annual investment plan that serves as the basis for project funding and Local Development &amp; Investment Plan (LDIP) as a "Shopping List". As planning is budget centered, it focuses on the completion of facilities resulting in haphazard planning and poor/absence of maintenance of constructed facilities.</li> <li>Management is a process requiring input at every level. At the barangay level, facilities are to be managed by the community. Management at higher levels is also necessary to effectively and efficiently implement a plan and requires administrative abilities, and technical, negotiation, finance and economic skills.</li> <li>Qualifications and experiences of the provincial office staff are sometimes inadequate/inappropriate for their allotted responsibilities. This is important as the municipal government, having no permanent staff for water supply, requires support from the provincial government.</li> <li>Training has been irregularly organized. Course materials are complicated and provided a very wide range of topics that are difficult to absorb by the participants at one given time considering their background and experience.</li> </ul>	<ul style="list-style-type: none"> <li>Project identification is usually upon the request of the barangay/municipal officials and approval is done by the Sangguniang Panlalawigan (SP).</li> <li>Most of constructions are by administration with procurement of materials done by the LGUs.</li> <li>Majority of the wells constructed by DPWH is abandoned/non-operational due to user's attitude which suggest the need of community organization.</li> <li>O&amp;M is participated by barangay officials with LGUs providing technical and material supply assistance upon request.</li> <li>Dry-type sanitary toilet shall be considered in areas where water is not available.</li> <li>Water quality problems, such as coliform contamination, salt water intrusion, high iron and manganese content, etc. are often encountered, especially in shallow wells resulting to abandonment of these wells.</li> <li>There is a shortage of equipment and supplies at all levels of administration. Technologies are sometimes inappropriate to local conditions (e.g., no readily available spares for pumps).</li> <li>More extensive data on groundwater resource is required to determine potential yields and chemical quality. Very limited drilling expertise/equipment.</li> <li>Proper O&amp;M is unlikely without significant training and equipment support at the barangay/association level.</li> <li>Toilets in schools are not used because there is no water. FW/4SP design has to be redesign.</li> </ul>	<ul style="list-style-type: none"> <li>Income of the province comes from local taxes, IRA, national wealth share (3 provinces), and revenues from economic enterprises.</li> <li>Budgeting is guided by DILG circulars and approval is by the SP.</li> <li>Budgetary allocation to the sector comes from 20% development fund capital expenditures for projects. However, the allocation by sector is lumped under general headings, so that allocation for WATSAN projects cannot be readily identified in the listing.</li> <li>Counterpart fund of LGUs for sector projects is usually for material purchase and the community is providing their labor. Sometimes, the provincial government allocates funds for WATSAN projects and the municipal government put up its counterpart fund provided by the province.</li> <li>Cost recovery mechanisms by LGUs and the users are not in place. BWSAs and RWSAs charge water fees for O&amp;M purposes only and do not consider capital costs. Rates are usually based on agreement among association members.</li> <li>Logistics and incentives for water associations are sourced through the barangays but are limited and most often subject to availability of funds.</li> <li>Most of the provinces have accessed development banks to finance infrastructure projects and purchase of equipment. Foreign assistance, e.g., CIDA, UNICEF, is availed through the Regional Development Council.</li> </ul>	<ul style="list-style-type: none"> <li>Limited involvement of local communities/end-users particularly in the planning and maintenance of facilities.</li> <li>Active involvement of religious NGOs as community organizers.</li> <li>No established arrangement on gender-responsiveness.</li> <li>There is little investigation of socio-cultural issues related to WATSAN; there is not enough commonsense understanding of the community it is working with. Little attention is given to or understanding of ethnic groups which is a serious constraint on sustainability.</li> <li>BWSAs formed by the DPWH-DEO are mostly not functioning now. A case of one BWSA which was formed thrice, the first by the DEO, then the last two times by themselves is finally working and earning income from water fee collection. The failure for the first two times was due to low collection efficiency and money mismanagement.</li> <li>No formal system for community participation in site selection and project request; participation at the grassroots level is only considered if willingness from the beneficiaries is required for project request from the provincial government. Process is for barangay government to submit request to MDO/PDC, but no regular process for barangay to formulate projects from consultation and community participation.</li> <li>DILG's experimentation with social preparation by requiring beneficiaries to put up its equity contribution through certain amount of money or labor. Until now, the system is still functioning.</li> </ul>

Table 5.7.1 Matrix of Current Practices and Issues from Rapid Assessment of Subject Provinces and Local Offices of Central Government Agencies (cont'd)

Areas	Institutional	Technical	Financial	Community Development
	<ul style="list-style-type: none"> <li>For monitoring and reporting, no arrangements are made to merge reports of line agencies/offices resulting in fragmentary information and difficulty of feedback. Lack of manpower to monitor.</li> <li>There are a few functional BWSAs, then majority needs reactivation through a joint effort of the Province and DILG.</li> </ul>		<ul style="list-style-type: none"> <li>IRA is not sufficient. 20% development fund is used for other sectors as well.</li> <li>LGU managed waterworks can directly source funds from the Land Bank for initial capitalization and operation. They can request funds from the Province, particularly the barangay-based waterworks.</li> </ul>	<ul style="list-style-type: none"> <li>In some BWSAs, the practice is to ban those who get water but are not paying.</li> <li>Participation of NGOs in the planning process is through their membership in the MDC/PDC.</li> </ul>
2. NEDA Regional Offices	<ul style="list-style-type: none"> <li>Communication between central and regional offices is deficient. Not all information on the on-going projects is reported to central office. Some multi/bilateral assistance projects are directly extended to the regional offices under certain amount, such as funds from UNICEF, Japanese government grass-root assistance. Only foreign assisted and national projects are reported regularly (quarterly reporting) by the regional office to NEDA central office.</li> <li>Regional office has just started and staffing is minimal compared to other regional offices causing difficulty in smooth implementation of the work. Plans to start computer-aided information control system. Project monitoring and evaluation system in regional level is a requisite including information on infrastructure status and investment.</li> <li>NEDA follows a general flow of reporting system within its organization. In spite of this, the central office has no complete or any information on region-specific projects.</li> </ul>			
3. DILG Regional Offices	<ul style="list-style-type: none"> <li>The DILG has field offices down to municipal level.</li> <li>Increasing responsibilities of the DILG as a result of devolution and decentralization of authority to the LGUs, would require greater logistic support, i.e., administrative support, not only technical support.</li> </ul>			
4. DPWH - DEO			<ul style="list-style-type: none"> <li>The DEO has no more budget for WATSAN activities because this has been devolved to the LGUs. However, the people still approach the office and request for financial help for its O&amp;M.</li> </ul>	

### 5.7.2 Institutional Aspect

Office/Agencies	Nature of Involvement
Provincial Planning & Development Office	<ul style="list-style-type: none"> <li>Formulates of comprehensive development plans and policies for the PDC</li> <li>Integrates and coordinates sectoral plans by functional groups and monitor and evaluate program(s)/project(s) implementation.</li> </ul>
Provincial Engineering Office (Provincial Waterworks Task Force Division)	<ul style="list-style-type: none"> <li>Assists in the construction, operation and maintenance of the WATSAN facilities</li> </ul>
Provincial Health Office	<ul style="list-style-type: none"> <li>Conducts water quality examination</li> </ul>
DILG, Provincial Office	<ul style="list-style-type: none"> <li>Conducts/assists training especially on topics related to human resource development</li> </ul>
Barangay/Municipal governments thru MPDO	<ul style="list-style-type: none"> <li>Identifies projects</li> <li>Provides counterpart support during implementation</li> </ul>
District Engineering Offices I & II, DPWH	<ul style="list-style-type: none"> <li>Provides pipes</li> <li>Implements central govt. funded projects</li> </ul>
Water Districts	<ul style="list-style-type: none"> <li>Provides water supply coverage in urban areas</li> </ul>
CIDA-PMO Regional Office	<ul style="list-style-type: none"> <li>Provides technical and financial assistance through its Local Govt. Support Program</li> </ul>
Provincial General Services Office	<ul style="list-style-type: none"> <li>Responsible in procurement of materials</li> </ul>
Provincial Accounting and Audit Office, Provincial Budget Office & Provincial Treasury Office	<ul style="list-style-type: none"> <li>Responsible in financial releases maintain adequate financial records</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>Provides consultancy services especially in CO/CD works</li> </ul>
Sangguniang Panlalawigan	<ul style="list-style-type: none"> <li>Appropriates priority programs and projects and appropriates funds</li> </ul>



## **Sector Issues and Problems**

The implementation of the water supply and sanitation undertaken by the different agencies encounters issues and problems which primarily concerns with existing policy, existing institutional arrangement and management, access to financing institutions and capability building issues that needs to be addressed if LGUs are now given the full responsibility in project implementation.

### **(1) Issues on Policy**

#### **1) Weak enforcement of laws, policies and regulations**

The apparent weakness in the enforcement of water resources laws, rules and regulation could be seen in the prevalence of illegal tapping of urban and irrigation water by parties who do not possess permits, the unregulated exploitation of ground water resources through drilling without permits secured at NWRB or any deputized agencies for that matter, in inefficient use of limited resources available, pollution of water bodies and degradation of the environment.

#### **2) ICC – Financing policy to devolved services**

One of the constraints in the implementation of this policy is obviously seen in the varied level of capability and readiness of the LGUs to provide and manage reliable water supply and sanitation services and the lack of political will to pursue development initiatives without depending too much on grants assistance from the national government.

#### **3) Economic regulation and market**

While it has been established that there are significant advantages to adopting economic and market- based instrument, the actual policy shift has been slow. Most apparent is the lack of technical capabilities and data required to enable to design and implement these policy reforms. Political difficulties encountered under the current institutional and regulatory framework and the viewing of water as free and public good to one which has a price should be fully understood.

### **(2) Issues on Institutional and Management Framework**

#### **1) Lack of integrated management and non-systematic approach to water resources**

For the water resources sector, the existing institutional and regulatory framework is the result of incremental developments for the past years, each in response to

particular changes. This had led the absence of an integrated water resources management system that adopts a holistic approach in the organization of the system. Though NWRB is seen to be the over all coordinating and regulatory body for this sector, yet it lacks technical capabilities and still needs institutional strengthening to fulfill its functions.

2) Too many agencies involved in the sector

These are more than twenty government agencies involved in different aspects of the water sector resulting inevitably in a fragmented approach to water management. With this number of agencies involved, it resulted to overlapping of work, varied types of data needed depending on the agency that implements which creates confusion at the LGU level.

3) Inter-agency coordination

For tri-agency program such as DPWH, DILG and DOH implementing water supply projects, weak coordination had been demonstrated. There was difficulty in synchronizing activities which deals on physical construction of facilities (DPWH) as to activities that entails training of provincial and municipal water and sanitation task forces and formation of BWSAs where target facilities will be constructed (DILG) and the installation of latrines and promotion of health and education programs (DOH).

4) Absence of an over all planing framework to guide investment activities.

As a result of too many agencies involved in the sector and the fragmentation of water resources management, there are no cross-sectoral water resource plans to integrate effectively the various water and land use activities. Water quality and quantity management, and proper utilization of surface and groundwater.

5) Lack of data management

The main problem concerning to data management are the inadequacy of the network coverage, outdated monitoring equipment, scattered data collection responsibilities, lack of continuous data records and lack of an integrated water resources data base. Most data collection efforts are project related and are usually discontinued once the project is terminated.

6) Accountability and responsiveness of stakeholders

A lot has been said about improving the delivery of water supply and sanitation services by LGUs in the light of the devolution policy of the government. However, little attention has been given on the extent of which these LGUs carried out their devolved functions and responsibilities to their constituents. While its true that some problems were attributed to varying levels of preparedness and capacity to implement projects at their level, it can also be due to lack of political-will and commitment of the LGUs to perform their tasks and accountabilities.

7) Absence of over-all coordination body

Due to fragmental planning and implementation of sector projects, a number of agencies and offices had overlapping activities and functions. For the development of the sector to progress, there must be a body/agency/office that will serve as a focal point, responsible for all related initiatives.

8) Lack of available staff at the LGU level

In the light of devolved policy as enacted in the LGC and NEDA Board No.4 where LGUs could now implement all levels of water supply services, a need to develop their capability and interpersonal skills to ensure sustainability of projects. But it has been observed that the provincial and municipal planning staff who are supposed to be responsible for managing, coordinating, implementing training programs at the local levels and monitoring the performance of BWSAs/RWSAs are unable to devote full time due to lack of staff and too many job assignments with other projects.

9) Large demand for training

Various training programs have been developed and designed to suit the needs for training with different levels of approaches for foreign and locally funded projects. However, due to lack of funds to support the training programs, training opportunities were not fully delivered to the recipient LGUs. And, there is another issue on training that due to large number of barangays to be covered nationwide, some of these were not able to access training provided by the different agencies like DILG. This could also be attributed to the geographic location, accessibility to these areas and lack of initiative of the LGUs to request training which could then be prioritized based on immediate need.

### **(3) Issues on Financial Aspects**

#### **1) Access of the LGUs to other financing institutions**

Most of the LGUs depend on their IRA to fund waters supply projects which often times limit them to implement only for level I facilities. Although the LGUs initiated to take risk in borrowing from banks to financed Level II or III systems, they are constraints to pursue the loan due to high interest rates imposed by the financing institutions, requirements needs the hold-out of their IRA, and some LGUs lack information where to access funding.

#### **2) Cost sharing arrangement**

With the limited available funds to be used in implementing water supply and sanitation projects, cost sharing mechanism have been encourage to LGUs to feel sense of ownership of the system. However, the lack of political-will and lack of commitment of the leaders hinders the success of its implementation.

#### **3) Varied level of preparedness of the LGUs**

In the light of NEDA-ICC financing policy where no subsidy from the national government will be provided for Level II and III systems and 0 (zero) to 50 percent will be subsidized by national government but limited only to Level I for 5<sup>th</sup> and 6<sup>th</sup> class municipalities, it has been observed that most of the LGUs are dependent on grants/assistance provided by the national government or other funding institutions.

## **5.8 Community Development**

### **5.8.1 General**

#### **(I) RESULTS OF THE BARANGAY KEY INFORMANT SURVEY FOR SOUTHERN LEYTE**

##### **I. BARANGAY**

###### **A. General**

The barangay is the smallest political unit in the Philippines. It is headed by a barangay captain who is elected for a three-year term. Together with the barangay council, the barangay captain is responsible for running the affairs of the barangay. Water supply and sanitation sector projects are important to the barangay. Benefits are directly related to health and productivity, as well to improved economic activities in the community.

The key informant survey was conducted in three barangays representing three municipalities in Southern Leyte. The key informants were either an official of the barangay council, an official of the BWSA, or a recognized community leader. The purpose of the survey was to find out the degree and type of government assistance on the sector that cascades from the national government down to the barangay level. The barangays surveyed were: Cabul (Anonan-Malitbog), Olikon (Libagon) and Pangi (Libagon).

###### **B. Community Organization**

###### **1. Manner of Participation in Sector Development**

The need for water supply and sanitation facilities is discussed within and prioritized by the Barangay Development Council (BDC). If the barangay is not able to finance the WATSAN project from its own funds, the BDC then endorses the project to the municipality. Again, the prioritization and funding of the endorsed project is discussed in the municipal development council (MDC). If the municipality can finance said project, then it does so, usually by providing technical and material support. The barangay is asked to contribute its share, which is usually in the form of free labor. If, however, the municipality cannot fund the barangays request, the project is once again endorsed, but this time to the province. The project is then discussed/prioritized and provided funding by the provincial development council. If implemented by the province, a counterpart is

asked of the barangay and sector participation is in the form of free labor and/or donations in cash or in kind.

**2. Existing Community Organization Serving /Acting as the Water Association**

The BWSA is the existing WATSAN organization that provides water service in the barangays surveyed. However, in the barangays with no organized BWSA, it is the barangay councils that have been actively assisting the communities in providing safe, potable water to their constituents.

**3. Role of the Barangay Council in O&M Assistance in the Form of Funds/ Manpower/Materials**

The barangay councils provide direct assistance in the operation and maintenance of the water systems. They coordinate with the local government units (PHO/MHO) in extending technical and functional assistance to the BWSA.

The barangay councils are also willing to pay for the training of community members/volunteers on the various operational activities that pertain to sustaining and maintaining WATSAN facilities.

**II. COMMUNITY PARTICIPATION**

**A. General**

The beneficiaries' participation is recognized as one of the determining factors in the success of the WATSAN sector plans on the community level. Participation by the barangay people is measured by their willingness to organize themselves into a water association and contribute their share towards its operationalization. This may come in the form of free labor, donations in kind or in cash, or their active involvement in the management, operation and maintenance of the WATSAN facilities.

**B. Socio-Economic Conditions**

**1. Average Monthly Income in the Rural Area**

The average monthly income of the households in the barangays surveyed ranges from P1,000 to P5,000. The list of economic activities shows the following: livestock and poultry raising, vegetable gardening, and operating a sari-sari-store from which the

people earn an additional monthly income of P1,000. The list shows that both genders are equally involved in these economic activities.

## **2. Waterborne/Water Related Diseases**

Incidences of waterborne and water related diseases were reported in all the barangays surveyed. Most prevalent diseases are intestinal disorder, diarrhea, and kidney trouble. The lack of an effective drainage system in the areas surveyed contributed to the worsening health condition of the people in the area.

## **C. Willingness to Participate**

### **1. Initiating the Organization of a WATSAN Association**

Each of the three barangays surveyed has a committee on water and sanitation within the barangay council. The key informants indicated that the barangay councils are willing to participate in sector projects and in the operation and maintenance of WATSAN facilities. All of the respondents indicated that the barangay councils are also willing to pay for and/or facilitate the training for the user-beneficiary volunteers on O&M. In the area of health and sanitation education, almost all interviewees believed that the barangay councils have the capability to implement information dissemination activities.

## **D. Status of BWSAs/NGOs/CBOs/POs**

### **1. Number of Barangay with Functional BWSAs**

Almost all of the respondents indicated that there is no BWSA in their communities. Only one male key informant from Barangay Cabul-anonan reported having a BWSA in their barangay, with 20 members (14 males and 6 females). This BWSA was organized by the barangay council. At present, however, this BWSA is not functional.

### **2. Status of NGOs/CBOs/POs**

Majority of the informants reported having NGOs/CBOs that do work in their communities. The areas of concern are in livelihood and credit cooperative.

## **E. O&M Practices by Beneficiaries**

### **1. Facility Conditions**

Groundwater is widely used as source of water in the barangays surveyed although some also utilized surface water especially in Barangay Pangi (Libagon). Water facilities that were constructed were mostly shallow and deep wells that were constructed in as early as in 1960. Springs were also developed in Barangay Pangi. Majority of the systems/ facilities are still functional but occasionally have problems. Almost all of the respondents indicated that the water is safe for drinking.

### **2. Common Difficulties and O&M Problems Encountered**

Common problems cited by the respondents range from defective pumps to lack of funds for the maintenance work. This can be attributed to the fact that almost all of the beneficiaries do not pay for their water supply.

## **F. Water Charges Adopted and Collection Efficiency**

### **1. Sufficiency of Collected Charges for O&M**

Almost all of the barangay residents do not pay for the operation and maintenance of their WATSAN facilities. However, the respondents indicated that people are now willing to pay for their water supply.

### **2. Current Practices with Affordability by Users and Manner of Fee Collection**

The Barangay Treasurer of Otikon (Libagon) was responsible for collecting the fees from a very few residents.

## **G. Requests by the Beneficiaries on O&M of the Facilities from LGUs and other Sources**

### **1. Government Subsidies Requested by End Users**

The provincial and municipal governments provided very little sector assistance to the three barangays. Assistance was mostly in the form of livelihood training for selected residents.



### **III. GENDER**

#### **A. General**

The survey results do not point to a severe lack of gender responsiveness to sector projects, but awareness of the key informants must be enhanced as to why both genders' participation is important in the WATSAN sector plans and implementation.

#### **B. Gender in the Composition of the Barangay Council**

In the three barangays surveyed, the total number of barangay council members is 25. Of this number, 17 were males and 8 females. Significantly, two barangay captains are female.

#### **C. Gender in the Composition of the BWSA**

There are no functional BWSA in the three barangays.

#### **D. Gender in Participation in the O&M of the Water Facilities**

Most of the key informants indicated that women do not participate in the O&M of the water facilities.

#### **E. Gender in Knowledge or Awareness of Sector Related Information**

There is no gender bias when it came to awareness of sector related information. Both women and men were knowledgeable as seen from the answers to questions such as assistance extended by LGUs, facility conditions, and O&M practices.

### **(2) RESULT OF GROUP INTERVIEWS**

#### **A. General**

Group interviews were conducted in two selected barangays representing two municipalities in the province of Southern Leyte. 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 Project Team conducted the interviews on two sets of interviewees: an all female group and an all male group each consisting of a minimum of 10 and a maximum of 30 participants. None of the respondents belonged to the same household. Answers to interview questionnaires were made by raising of hands. The group interviews were conducted in the following barangays: Cawayan (Libagon) and Pasil (Malitbog).

## B. Demographic Profile

### 1. Population

The aggregate population in the two barangays was 1,296 broken down as follows: Cawayan (Libagon), 828 and Pasil (Malitbog), 468.

### 2. Households

As indicated by the respondents, there were 268 households in the two barangays, that is, Cawayan (Libagon), 162; and Pasil (Malitbog), 106.

The figure represents an average of five (5) members per household.

**TABLE 1: TOTAL POPULATION OF BARANGAYS AND  
NUMBER OF HOUSEHOLDS**

BARANGAY (MUNICIPALITY)	M	F	T	NO. OF HH
1. Cawayan (Libagon)	413	415	828	162
2. Pasil (Malitbog)	232	236	468	106
<b>TOTAL</b>	<b>645</b>	<b>651</b>	<b>1,296</b>	<b>268</b>

### 3. Composition of Barangay Councils

There were 14 barangay council members in all two barangays. Of the barangay council members, 10 (71%) were males and 4 (29%) were females. The barangay captains in both barangays were male.

## C. Respondents' Profile

### 1. Number and Gender of Respondents

There were 57 respondents in the group interviews. Of this number, 23 (40%) were males and 34 (60%) were females. Table 2 presents the number of respondents by gender for each barangay:

**TABLE 2: NUMBER OF RESPONDENTS**

BARANGAY (MUNICIPALITY)	M	F	T
1. Cawayan (Libagon)	13	19	32
2. Pasil (Malitbog)	10	15	25
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>

**2. Age Bracket**

A total of 28 respondents (8 males, 20 females) was within the 26 to 45 age bracket; 17 respondents (8 males, 9 females) constituted the 46 to 60 age bracket; four respondents (2 male, 2 females) were under 25 and below age bracket; while eight respondents (5 males, 3 females) belonged to 61 and above age bracket.

**TABLE 3: AGES OF THE RESPONDENTS**

AGE BRACKET	M	F	T	%
25 and Below	2	2	4	7
26-45	8	20	28	49
46-60	8	9	17	30
61 and above	5	3	8	14
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**3. Level of Education**

About 53 % of the respondents (11 males, 19 females) reached but did not complete elementary education; while 28% (4 males, 12 females) graduated from high school. Only seven respondents (4 males, 3 females) were able to complete college. Four interviewees pursued vocational courses.

**TABLE 4: RESPONDENTS' LEVEL OF EDUCATION**

EDUCATION LEVEL	M	F	T	%
1. Elementary Level	11	19	30	53
2. Elementary Graduate	-	-	-	-
3. High School Level	-	-	-	-
4. High School Graduate	7	9	16	28
5. College Level	-	-	-	-
6. College Graduate	4	3	7	12
7. Vocational	1	3	4	7
8. Post Graduate	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

#### 4. Occupation

At the time of the interview, the majority of the respondents (16 males, 9 females) was engaged in either farming or fishing; 12 female respondents were laborers; six respondents (2 male, 4 females) were service workers; and nine respondents (1 male, 8 females) were engaged in business. One listed herself as a professional; and one male as equipment operator. Three other male respondents had other occupations.

**TABLE 5: OCCUPATION OF RESPONDENTS**

OCCUPATION	M	F	T	%
1. Farmer/Fisherfolk	16	9	25	44
2. Laborer	-	12	12	21
3. Service Worker	2	4	6	11
4. Businessman/woman	1	8	9	15
5. Professional	-	1	1	2
6. Office Worker	-	-	-	-
7. Tech. Equipment Operator	1	-	1	2
8. Others	3	-	3	5
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>109</b>

#### D. Socio Economic Profile

##### 1. Level of Education of Household Members

An almost equal number of the respondents' household members graduated from the elementary and high school levels. Of the household members who moved on to college, 15 males and 10 females were able to complete a college degree.

**TABLE 6: LEVEL OF EDUCATION OF HH MEMBERS**

EDUCATIONAL LEVEL	EDUCATED HOUSEHOLD MEMBERS	
	M	F
1. Elementary Level	-	-
2. Elementary Graduate	25	24
3. High School Level	-	-
4. High School Graduate	26	22
5. College Level	-	-
6. College Graduate	15	10
7. Vocational	-	-
8. Post Graduate	-	-

##### 2. Employed Household Members

More male household members were employed compared the females. Twenty of the employed males belonged to the 26 to 45 age bracket; 10 to the 25 and below age bracket and two to the 46 to 60 age bracket. Most of the female household members employed

belonged to the 25 and below age bracket. Only four belonged to the age 26 to 45 age bracket.

**TABLE 7: EMPLOYED HH MEMBERS**

RESPONSE	EMPLOYED HOUSEHOLD MEMBERS	
	MALE	FEMALE
25 and Below	10	13
26-45	20	4
46-60	2	-
61 and above	-	-

### 3. Occupation of Household Heads and Other Members

Male household members constituted the working group where 32 were employed compared to only eight female household members. Majority of the men was engaged in farming or fishing (18); while the others were laborers (7), professionals (3), and other occupations (4). The women employed were either engaged in farming/fishing (4), business (2), professionals (2), office workers (3), laborer (1) and other occupations (4).

Most of the household members who were gainfully employed earned a monthly income of P 5,000.00 and below. Only six household members (4 male, 2 females) earned P 5,000.00 to P 14,999.

**TABLE 8: OCCUPATION OF HH MEMBERS**

OCCUPATION	M	F
1. Farmer/Fisherfolk	18	4
2. Laborer	7	-
3. Service Worker	-	-
4. Businessman/woman	-	2
5. Professional	3	2
6. Office Worker	-	3
7. Technician	-	-
8. Others	4	6

**TABLE 9: AVERAGE MONTHLY INCOME OF HH MEMBERS**

ITEM	M	F	T	%
Below P 5,000.00	28	16	44	88
P 5,000 to 14,999	4	2	6	12
P 15,000 to 24,999	-	-	-	-
Above P 25,000	-	-	-	-
<b>TOTAL</b>	<b>32</b>	<b>18</b>	<b>50</b>	<b>100</b>

#### 4. Average Expenditures of Household

As indicated by an overwhelming majority, the average monthly expenditure of a family was below P 5,000.00. Three respondents reported that the family spent an average of P 5,000.00 to P 14,999.00 a month.

**TABLE 10: AVERAGE MONTHLY EXPENSES OF HH MEMBERS**

ITEM	M	F	T	%
Below P 5,000	21	33	54	95
P 5,000 to 14,999	2	1	3	5
P 15,000 to 24,999	-	-	-	-
Above P 25,000	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

#### 5. Practices

*Source of Drinking Water.* Fourteen respondents said that the source of their drinking water was from communal shallow wells; 16 from communal deep well; one from communal faucet; seven from private shallow wells; and two respondents from private deep well. There were 17 respondents who reported to have been getting water from springs (not listed).

**TABLE 11: SOURCES OF DRINKING WATER**

SOURCES	USER RESPONDENT		T	%
	M	F		
1. Communal Shallow Well	11	3	14	24
2. Communal Deep Well	-	16	16	28
3. Communal Dug Well	-	-	-	-
4. Communal Faucet	1	-	1	2
5. Private Shallow Well	1	6	7	12
6. Private Deep Well	2	-	2	4
7. Piped Water Supply	-	-	-	-
8. Private Dug Well	-	-	-	-
9. Others	8	9	17	30
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

*Responsible for Fetching Water.* According to the 22 female respondents, the wife was still the one responsible for fetching water. Only 10 female respondents said that the husband helped. The male child helped in the task, according to 13 female respondents; but for another nine female respondents, the female children also assisted in fetching water from source to home. For 19 male respondents, it was the husband was the one responsible for hauling drinking water for family use, although six of them admitted that

the wife assisted in this task. Ten male respondents pointed to their male children in being equally responsible for fetching water, although another four said that the female children also helped out.

**TABLE 12: RESPONSIBLE FOR FETCHING DRINKING WATER**

FAMILY MEMBER	USER RESPONDENT	
	M	F
1. Husband	19	10
2. Wife	6	22
3. Male Children	10	13
4. Female Children	4	9
5. Others	-	-

*Frequency of Fetching Water.* Thirteen male respondents indicated that it took more than five times a day to fetch drinking water. For 12 respondents, it was once a day; for 11, it took three times a day; for six, twice a day; and for 5, it took four times a day to haul water for domestic use. Ten respondents did not reply.

**TABLE 13: FREQUENCY OF FETCHING DRINKING WATER**

DURATION	RESPONDENTS		T	%
	M	F		
1. Once a Day	1	11	12	21
2. Twice a Day	3	3	6	11
3. 3x a Day	4	7	11	19
4. 4x a Day	1	4	5	9
5. More than 5x days	13	-	13	23
6. No Response	1	9	10	17
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

*Duration of Fetching Water.* While the majority of the respondents did not reply on how long it took for them to fetch water from the source to their homes, 21 who did said it took about 10 minutes to fetch water while five replied it took about 20 minutes.

**TABLE 14: DURATION FOR FETCHING DRINKING WATER**

DURATION	RESPONDENT S		T	%
	M	F		
1. Less than 5 Minutes	-	-	-	-
2. About 10 Minutes	12	9	21	37
3. About 20 Minutes	4	1	5	9
4. About 30 Minutes	-	-	-	-
5. More Than 30 Minutes	-	-	-	-

6. No Response	7	24	31	54
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

*Problems with Source.* Ninety-six percent (21 males and 34 females) reported that they have problems with the current water source. Only two male respondents said they have not encountered any problem with the current source.

**TABLE 15: PROBLEM WITH SOURCE OF WATER**

RESPONSE	RESPONDENT		T	%
	M	F		
1. No Problem	2	-	2	4
2. There are problems	21	34	55	96
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

#### **E. Institutional**

##### **1. Presence of BWSA**

All of the respondents (23 males, 34 females) indicated that there was no BWSA in their barangays.

**TABLE 16: KNOWLEDGE OF THE EXISTENCE OF BWSA**

RESPONSE	RESPONDENT		T	%
	M	F		
1. Yes	-	-	-	-
2. No	23	34	57	100
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

##### **2. Membership to BWSAs**

There being no BWSA in their barangay, would mean that all respondents could neither be a member nor be actively involved in the affairs of the BWSA.

**TABLE 17: MEMBERSHIP TO THE BWSA**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	N/A			
2. No				
<b>TOTAL</b>				



**TABLE 18: HOW ACTIVELY ARE YOU INVOLVE IN THE AFFAIRS OF THE BWSA**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. As BWSA Officer	N/A			
2. As Collection Officer				
3. Assist in the repair/maintenance of facilities				
4. Attend/ Facilitate Training				
5. Not active				
6. BWSA Member				
<b>TOTAL</b>				

**3. Who maintains the facilities of the BWSA?**

All the respondents did not know who was responsible for maintaining the facilities.

**TABLE 19: RESPONSIBLE FOR MAINTAINING BWSA FACILITIES**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Someone in the Barangay	N/A			
2. Professional caretaker				
3. Someone from the BWSA				
4. No one				
5. Don't know				
<b>TOTAL</b>				

**4. Interested to be a member of BWSA**

The majority of the respondents indicated interest in becoming a member of BWSA once it will be formed and/or activated in their respective barangays. Two respondents did not respond to this question.

**TABLE 20: INTEREST OF RESPONDENTS TO JOIN BWSA**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Interested	21	34	55	96
2. Not Interested	-	-	-	-
3. No Response	2	-	2	4
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**5. How can respondents become actively involve in BWSA affairs?**

Most of the male respondents were willing to contribute cash and labor, be a BWSA officer, collect water fees or do repair and maintenance work as a manifestation of their active involvement with the BWSA. None of the male respondents wanted to be just a plain member. The female respondents were also willing to be as active as the male, but none indicated wanting to do repair and maintenance work for the BWSA should this be put up in their communities.

**TABLE 21: HOW RESPONDENTS CAN BECOME ACTIVELY INVOLVED IN WATSAN PROJECTS**

RESPONSE	RESPONDENTS	
	M	F
1. Contribute Cash	21	31
2. Contribute labor	21	20
3. Be Officer	21	10
4. Collection of Fees	21	21
5. Do Repair/Maintenance	21	-
6. Just Member	-	5

**6. If not interested, where to get source of water**

All the respondents, except for two, showed interest at becoming member of the BWSA.

**7. Responsible for minor repairs of water facilities**

Forty-nine percent of the respondents said it was the male members of the community who were responsible for doing minor repairs on the water supply facilities; while around 45 % was uncertain. Two said the facilities were being cared for by a professional caretaker; while one respondent said it was a female member of the community who did minor repairs.

**TABLE 22: RESPONSIBLE FOR MINOR REPAIRS**

SOURCE OF WATER	RESPONDENTS		T	%
	M	F		
1. Female Member	1	1	1	2
2. Male Member	17	11	28	49
3. Somebody in the Brgy.	-	-	-	-
4. Professional Caretaker	2	-	2	4
5. Owner of the Well	-	-	-	-
6. Uncertain	4	22	26	45
7. Others	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

## F. Training Activities

### 1. Training Program attended in 1998

Only 35% of the respondents, 7 males and 13 females, attended training programs for the year 1998. The rest did not respond.

**TABLE 23: TRAINING ATTENDED BY RESPONDENTS IN 1998**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	7	13	20	35
2. No	-	-	-	-
3. No response	16	21	37	65
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

### 2. Kinds of Training Program

For respondents who attended various training programs in 1998, Table 24 summarizes the training programs/seminars they had attended.

**TABLE 24: TRAINING COURSES ATTENDED BY RESPONDENTS IN 1998**

BARANGAY	MALE	FEMALE
1. Cawayan (Libagon)	Disaster Management Red Cross DILG Re: Barangay Management	Nutrition, BHW Basic, Hilot Ecological Waste Management Food Handlers Course
2. Pasil (Malitbog)	BATP, BPLK Barangay Official Multipurpose Coop	Budget Management Nutrition

### 3. On BWSA Training

All the female and half the male respondents were not aware of any training program for BWSA members. Only 12 male respondents were aware of the caretakers' training, finance and collection, and repair/O&M. However, all the male respondents were interested in attending any BWSA training for the barangay. Only 16 females were interested, and the rest, or 18, were uncertain.

**TABLE 25: AWARENESS ON THE FOLLOWING TRAINING FOR BWSA**

TRAINING PROGRAM	YES		NO	
	M	F	M	F
1. Caretaker's Training	12	-	11	34
2. Collection/Finance	12	-	11	34
3. Repair/O&M	12	-	11	34

**TABLE 26: WILLINGNESS TO ATTEND BWSA-RELATED TRAINING PROGRAMS**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	23	16	39	68
2. No	-	-	-	-
3. Uncertain	-	18	18	32
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**4. Training on Health Education**

Only two male interviewees participated in health education and training programs compared to 11 female respondents. The rest either did not attend or did not respond to the question. If given a chance, the female respondents wanted to attend WATSAN related training programs such as: BWSA Training, Management and Financial Training and Leadership Training while the male wanted Livelihood, Livestock Raising.

**TABLE 27: PARTICIPATION IN HEALTH EDUCATION AND TRAINING**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	2	9	11	19
2. No	11	-	11	19
3. No response	10	25	35	62
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**TABLE 28: TYPES OF TRAINING RESPONDENTS WISH TO ATTEND**

BARANGAY	MALE	FEMALE
1. Cawayan (Libagon)		Management Training Bookkeeping, Finance
1. Pasil (Malitbog)	Livelihood Training Livestock Raising	BWSA Training Leadership Training

**5. Desirable Training Period**

The female respondents were divided on the number of days allotted for training. While 15 wanted more than three days, 13 desired only one day of training. The rest wanted less than a day (4), two days (1), three days (1). The male respondents, however, opted for either three days or more.

**TABLE 29 : DESIRABLE TRAINING PERIOD**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Less Than 1 Day	-	4	4	7
2. One (1) Day	-	13	13	23
3. Two (2) Days	-	1	1	2
4. Three (3) Days	13	1	14	24
5. More Than Three Days	10	15	25	44
6. Others	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**G. Community Development**

**1. CBOs and contact person**

All the male respondents were aware of NGOs working in their communities. Fifteen out of 43 female respondents, however, did not know of NGOs or CBOs doing different development works in the barangays. Table 31 lists down these NGOs/CBOs and their contact persons:

**TABLE 30: ARE THERE NGOs WORKING IN THE BARANGAY**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	23	19	42	74
2. No	-	15	15	26
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**TABLE 31: NGOS/CBOS IN THE BARANGAYS**

BARANGAY	AREAS OF CONCERN	CONTACT PERSON
1. Cawayan (Libagon)	Senior Citizen Plan International	Expectation Cescon Adelina Fabe
2. Pasil (Malitbog)	Pasil Religious Organization Biliran River Side Association Pasil Senior Citizen Couples of Christ Youth Dreamery Organization	Elizabeth Falia Robert Zamora Antonio Anduyan Eduardo Pumento Juanas Maceda

**2. Were the respondents consulted on their respective roles and responsibilities?**

All the respondents, except for three females, indicated they were not consulted and/or briefed on their proposed roles and responsibilities on the planning, design and

construction of their water supply facilities. This was also true for the operation and maintenance and financing aspects of the system.

**TABLE 32: RESPONDENTS CONSULTED IN PAST WATSAN PROJECTS**

BWSA ACTIVITIES	YES		NO	
	M	F	M	F
1. Planning & Design	-	3	23	20
2. Construction Facilities	-	3	23	20
3. O&M of the System	-	3	23	20
4. Financing of the System	-	3	-	-

**3. Were the respondents consulted when BWSA was formed?**

Since there was no BWSA in the community, then the process of consultations has not been in effect as of the time the interviews were held.

**TABLE 33: WERE YOU CONSULTED WHEN:**

ACTIVITIES	YES		NO	
	M	F	M	F
1. BWSA was formed in the Brgy.	N/A			
2. Water fee was decided upon				
3. Level or type of service was agreed upon				
4. Facilities were constructed				

**4. How did the respondents participate in past construction projects?**

Since there was no BWSA formed, the respondents were uncertain/ not sure of the nature of their participation.

**TABLE 34: PARTICIPATION IN PAST CONSTRUCTION PROJECTS**

TYPE OF PARTICIPATION	RESPONDENTS		T	%
	M	F		
1. Contributed Cash	N/A			
2. Provided labor				
3. Donated Site				
4. Provided Materials				
5. Others				
6. No Contribution				
<b>TOTAL</b>				

5. Will the respondents participate in future projects?

For future projects, the respondents showed varying degrees of willingness to participate and/or contribute for future WATSAN projects. There were those who did not volunteer to participate depending on the activity to be undertaken such as in the formulation of water rates, the selection of sites, construction, operation and maintenance of the facilities.

TABLE 35: WILLINGNESS/TYPE OF PARTICIPATION IN FUTURE PROJECTS

PROJECT ACTIVITIES	YES		NO	
	M	F	M	F
1. Formation of BWSA	23	24	-	9
2. Formulation of water rates	11	34	12	-
3. Selection of sites and levels of services	11	34	12	-
4. Construction of facilities	11	15	12	19
5. Operation and maintenance	11	15	12	19

H. Financial Aspects

1. Are respondents presently paying for their water supply?

The big majority of the respondents, or 88% claimed that they do not paying for their water supply. Only seven respondents, 1 male and 6 females, paid their bills.

TABLE 36: NUMBER OF RESPONDENTS PRESENTLY PAYING WATER FEE

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	1	6	7	12
2. No	22	28	50	88
TOTAL	23	34	57	100

2. If so, how much per household per month?

The few who paid spent more than P 50.00 a month for water.

**TABLE 37: PRESENT WATER FEES PAID**

WATER FEES	RESPONDENTS		T	%
	M	F		
Below P 5.00	-	-	-	-
P 6.00 to P 10.00	-	-	-	-
P 11.00 to P 20.00	-	-	-	-
P 21.00 to P 30.00	-	-	-	-
P 31.00 to P 40.00	-	-	-	-
P 41.00 to P 50.00	-	-	-	-
Above P 50.00	1	6	7	12
No Pay/No Response	22	28	50	78
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**3. Is the water fee enough for O&M?**

The majority of the respondents was uncertain if the water fee being collected was adequate for the operation and maintenance of the system. Fifteen female respondents claimed that the fees being collected were not enough.

**TABLE 38: ADEQUACY OF WATER FEE FOR O&M**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	-	-	-	-
2. No	-	15	15	26
3. Uncertain	23	19	42	74
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

All the respondents were uncertain or were not sure of the reasons why fees being collected were not adequate for the operation and maintenance of facilities.

**TABLE 39: IF NOT ADEQUATE, STATE THE REASON/S**

REASON/S	M	F	T	%
1. Water fee is low	-	-	-	-
2. O&M cost is too high	-	-	-	-
3. Not all water users pay their Water fee	-	-	-	-
4. Others/Uncertain	23	34	57	100
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**4. Who shoulders the O&M of Facilities?**

The majority of the respondents claimed it was the barangay council that shouldered the operation and maintenance costs. The rest did not respond.



**TABLE 40: RESPONSIBILITY FOR SHOULDERING THE O&M COSTS**

PERSON	RESPONDENTS		T	%
	M	F		
1. Barangay Council	23	15	38	67
2. WATSAN Association	-	-	-	-
3. Private Owner	-	-	-	-
4. Don't know	-	-	-	-
5. No response	-	19	19	33
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**5. Are the people willing to pay for O&M of future facilities?**

Ninety-six percent of the respondents expressed willingness to pay for the operation and maintenance of future WATSAN facilities.

**TABLE 41: RESPONDENTS' WILLINGNESS TO PAY FOR FUTURE FACILITIES**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	21	34	55	96
2. No	2	-	2	4
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**6. How much are respondents willing to pay?**

The majority of those who were willing to pay claimed they could pay from P21.00 to P30.00. Eleven male respondents wanted to pay water fees of about P6.00 to P10.00 only; while 15 females were ready to pay around P11.00 to P20.00.

**TABLE 42: AMOUNT RESPONDENTS ARE WILLING TO PAY**

RESPONSE	RESPONDENTS		T	%
	M	F		
Below P 5.00	-	-	-	-
P 6.00 to P 10.00	11	-	11	19
P 11.00 to P 20.00	-	15	15	26
P 21.00 to P 30.00	12	19	31	55
P 31.00 to P 40.00	-	-	-	-
P 41.00 to P 50.00	-	-	-	-
Above P 50.00	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**7. Are you willing to contribute for future projects?**

About 80% of the respondents indicated their willingness to contribute in cash or in kind for the construction of WATSAN facilities in their respective barangays. Around 20% respondents did not respond.

**TABLE 43: WILLINGNESS TO CONTRIBUTE FOR FUTURE FACILITIES**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	23	23	46	80
2. No	-	-	-	-
3. No response	-	11	11	20
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**TABLE 44: IF NOT WILLING, STATE THE REASON/S**

REASON/S	M	F	T	%
1. Cannot afford to pay	N/A			
2. Gov't must provide water for free				
3. Water service is not good				
4. Others (Specify)				
5. No Response				
<b>TOTAL</b>				

**8. If so, what kind?**

Only the male respondents indicated the type of contribution they were willing to give. They preferred either providing free labor or materials for the construction of WATSAN facilities.

**TABLE 45: TYPES OF CONTRIBUTION**

RESPONSE	RESPONDENTS		T
	M	F	
1. Will free provide labor	26	-	26
2. Will donate site	-	-	-
3. Will provide materials	11	-	11
4. Others	-	-	-

**9. Reason/s for not Contributing**

Some of the female respondents said that they had no land/site to donate. The rest of the respondents no longer responded to the question.

**TABLE 46: IF NOT WILLING TO CONTRIBUTE, STATE REASONS:**

REASONS	RESPONDENTS		T	%
	M	F		
1. Cannot afford to contribute	-	-	-	-
2. No land/site to contribute	-	15	15	15
3. Government should provide water for free	-	-	-	-
4. No Response	23	19	42	42
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>57</b>

# **I. Health and Sanitation**

## **1. Type of toilet**

The majority of the respondents (45, or 79%) used water sealed toilets (not listed in the table). The rest were divided on the following: toilet with flushes to septic tank on the site (5); public toilet (3); and bush or other open outdoor site.

**TABLE 47: TYPES OF TOILETS RESPONDENTS USE**

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Toilet w/ flushes to septic tank on the site	5	-	5	9
2. Toilet w/ flushes/ drops straight to sea	-	-	-	-
3. Private pit latrine	-	-	-	-
4. Shared flush toilet w/ septic tank	-	-	-	-
5. Public toilet	2	1	3	5
6. Bush or other open outdoor site	4	-	4	7
7. Pour Flush Water	-	-	-	-
8. Others	12	33	45	79
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

## **2. Who got sick during the past year? What sickness?**

About 75% were uncertain as to the types of illnesses that afflicted their family members in the past year. But reported illness were kidney trouble (4), followed by gastro-enteritis and skin diseases (2 each). Others were also hit by influenza. The children were the household members most afflicted with illnesses in the past year.

TABLE 48: WATER ILLNESSES

DISEASE	RESPONDENTS		T	%
	M	F		
1. Diarrhea	-	-	-	-
2. Kidney trouble	-	4	4	7
3. Gastro-enteritis	-	2	2	4
4. Cholera	-	-	-	-
5. Typhoid fever	-	-	-	-
6. Malaria	-	-	-	-
7. Skin Disease	-	2	2	4
8. Schistosomiasis	-	-	-	-
9. Others/ Influenza	2	4	6	10
10. Uncertain	21	22	43	75
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

TABLE 49: HOUSEHOLD MEMBERS FREQUENTLY GOT SICK IN 1998

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Husband	-	4	4	7
2. Wife	-	3	3	5
3. Father	-	1	1	2
4. Mother	2	1	3	5
5. Male Children	6	2	8	14
6. Female Children	2	4	6	11
7. Grandmother	-	-	-	-
8. Grandfather	-	-	-	-
9. Others	-	-	-	-
10. Uncertain	13	19	32	56
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

### 3. Health and hygiene practices

All of the respondents recognized the importance of good health and hygiene practices. They learned about health and sanitation matters mostly from health workers/inspectors, radio and television. For other females, family and friends were also a good source of good information.

TABLE 50: DO YOU RECEIVE/GET INFORMATION ABOUT HEALTH AND SANITATION

RESPONSE	RESPONDENTS		T	%
	M	F		
1. Yes	23	34	57	100
2. No	-	-	-	-
<b>TOTAL</b>	<b>23</b>	<b>34</b>	<b>57</b>	<b>100</b>

**TABLE 51: WHERE PEOPLE LEARNED HEALTH AND HYGINE EDUCATION**

RESPONSE	RESPONDENTS	
	M	F
1. Radio	1	15
2. Newspapers	-	-
3. Television	7	21
4. NGOs	-	-
5. Family and Friends	-	15
6. Health Sanitation/Clinics/Hospitals	18	-
7. Health workers/ inspection	18	34
8. School	-	15
9. Others/HMO	-	-

### 5.8.5 Utilization of NGOs

**List of NGOs/CBOs for Southern Leyte**

Name of NGOs/PSOs/POs	Contact Persons	Address / TEL. #
1. Hinunangan - CCF - St. Peter & Paul Multi-Purpose Cooperative	Jesusa Carlon Epifanio Edicto	St. Bernard, Hinunangan, Southern, Leyte
2. KINDERHILPE PHILIPPINEN	Juergen Schneidt	Poblacion, P. Burgos, Southern Leyte
3. Federation of Omega Beneficiaries Inc.	Boy Bantug	Mantahan, Maasin, Southern Leyte
4. Kandu Multi-Purpose Cooperative	Ms. Elizabeth Garrido	Sogod, Southern Leyte

### 5.8.6 Existing Community Development Process

#### Detailed Typical CD Process in Agusan del Sur

1. **Make courtesy calls.** Courtesy calls are made to barangay/sitio officials prior to the conduct of meetings with the community. Then, a series of meetings and community assemblies are done where the WATSAN program is introduced, its significance and impact taken up and the importance of organizing promoted. This is followed by a more detailed presentation/orientation of the project – its concept, features, history, stakeholders, and the CO process utilized. Depending on the level of community awareness regarding the program/project, two or three meetings/assemblies are needed before doing the baseline survey.
2. **Preparation of profile (secondary information) and survey forms.**
  - (a) **General information.** Distance from barangay to poblacion, mode of travel, time and fare; no. of sitio/purok; dominant ethnic groups, common occupation of residents; demographic data (no. of household, male and female population) by sitio/purok, no. of dwelling structures, school buildings, other buildings, availability of electricity by sitio/purok.
  - (b) **Barangay WATSAN status.** Existing water supply system, by sitio/purok, by type and service level, no. of facilities (functioning), portability, no. of HH served, who installed, who operates, user charges, if any; HHs toilet facilities, by sitio/purok, no. of

HHs with private toilets by type, no. HH using shared toilets by type, no. of HH without toilets; no. of community waste disposal systems by sitio/purok, by method and wastewater system; no. of reported morbidity and mortality cases of water-borne/contact/vector-borne disease of barangay residents.

(c) WATSAN related programs and project in the barangay. Existing WATSAN program/project by type of activity, implementing organization/agency, sponsoring funding agency, specify years when operated in barangay, name of community association organized, if any; past WATSAN programs/projects by type of activity, implementing organization/agency, sponsoring funding agency, specify years when operated, name of community association organized, if any; Community organizations in the barangay, WATSAN related groups/organization and other community organizations, its name of group/organization, sitios where members are, sponsoring agencies, year organized and status; other barangay facilities.

(d) Resources for barangay water supply and toilet facilities fabrication. Brief description of water sources-undeveloped springs, streams and other water sources which can be tapped and developed, source which can be improve including estimated distance to center of HHs to be served, availability of water, estimated flows during dry and wet seasons; water and well depths by sitio/purok, by season; availability of construction materials for water supply and toilet if available for free at barangay or at hardware/other stores, its sources, name and address of store, materials available, distance from barangay and means of transport for materials, sources of pumps and spare parts for pumps – name and address of dealer/store, types of pumps/parts available and distance from barangay; barangay residents with skills in water supply system construction and maintenance, type of skill, no. of persons and remarks; well drillers and water supply contractors who can be tapped for barangay works, their name address, services rendered and charging rates; local fabricators of toilet bowls, their name, location, type/description of toilet bowl.

3. **Identify of community volunteers.** As an initial step in community organizing, a core group of about 7 persons consisting of community leaders is formed. This is the formation of an informal community organization that will assist the CD worker in the preparation of CO strategies, community profiling, identification of project sites, and other work.
4. **Conduct baseline survey.** In the conduct of this survey, focus group discussion was applied and the result validated during barangay spot mapping. The barangay spot map

reflects the location of structures (scaled) and different facilities/infrastructure. This serves as a planning tool in the development of WATSAN program for the area.

5. **Inspect/Identify project sites and validates projects.** An assembly is called again to present the results of the survey, its profile, assessment and needs. The CD team situates the community, i.e., where they are now in the sector. A member of the CD team will then facilitate the surfacing of thoughts from the group in terms of identifying the needs for WATSAN facilities, how project will be implemented in their area, how the facility will be designed and constructed, and how the community perceives their role in the project. In some cases, the community request technical assistance from the Center on site selection of identified areas.
6. **Conduct technical and community consultative meetings** of members and officers together with barangay officials. By this time, the one group has already specific projects to be implemented. Together with these interim officers, meetings with barangay officials are undertaken to determine local counterpart funding support to the program/project.
7. **Facilitate project implementation.** After funding has been assured, the CD team facilitates the implementation of the project through supervision and monitoring progress of construction. Contribution from the community comes in the form of free labor (pahina).
8. **Consolidate BWSA Organization.** The core group formulates the by-laws and policies of the organization and have these ratified by the members. The election of BWSA officers follows. A barangay resolution is passed endorsing the association and submitted to the Municipal Development Council/Sangguniang Bayan for registration/accreditation. Parallel to this activity is the completion of the facility and in most cases, the turn-over of the facility to the newly-organized BWSA, which can coincide with the swearing-in of BWSA officials.
9. **Conduct training on skills and management to BWSA officials** by the Center. The module includes topics on: human resource development (self and group awareness, communication skills, group facilitation and conducting meeting, effective community work, leadership skills and roles of officers and members, and conflict management); technical (hydrogeology and site selection, well construction and identification of handpump parts, equipment plumbing tools and materials for construction and repairs,



hand pump principles of operations, maintenance and approach in trouble shooting, spring development, types of spring, their characteristics and method of developing, operation and maintenance of tank, spring box and distribution line, excreta, liquid and solid disposal system, water related diseases-prevention/control and water quality surveillance); financial management; project planning management; and action planning.

- 10. Undertake follow-up activities.** The CD team after the construction of the WATSAN facilities undertakes follow-up activities such as monitoring and evaluation and the provision of recommendations/adjustments on the O&M of the facilities, where needed.

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Source: DILG/WATSAN UNDP-PHI as modified by Province of Agusan del Sur



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

### 6.2 LGU's Past Financial Performance

#### 6.2.2 Availability of Funds

Table 6.2.2 Past Internal Revenue Allotment for the Province of Southern Leyte

Item		1995	1996	1997	1998	1999
1.	IRA to all municipalities (National total)	18,768,952,000	19,607,715,553	24,849,000,000	28,245,815,434	31,830,589,345
2.	IRA by Municipality	146,201,337	158,079,937.00	196,043,738.19	224,215,519	265,722,721
1	Anahawan	5,234,682	5,655,646.00	7,005,046.75	7,993,488	9,464,170
2	Bontoc	9,314,566	10,090,880.00	12,113,568.07	13,862,096	16,453,208
3	Hinunangan	9,734,699	10,503,841.00	12,848,003.28	14,152,158	16,760,250
4	Hinundayan	5,914,105	6,390,716.00	8,144,510.24	9,280,286	10,977,178
5	Libagon	6,527,919	7,048,238.00	8,781,453.59	10,066,267	11,942,417
6	Liloan	7,995,461	8,650,290.00	10,347,123.53	11,840,499	14,043,434
7	Limasawa	3,818,357	4,159,544.00	5,213,147.92	5,958,619	7,118,462
8	Maasin (Capital)	18,975,054	20,544,203.00	25,029,595.65	28,532,984	33,700,160
9	Macrohon	8,357,364	9,034,880.00	11,247,806.35	12,771,570	15,046,552
10	Malibog	7,591,575	8,199,924.00	11,419,608.57	13,105,183	15,547,100
11	Padre Burgos	5,177,072	5,598,782.00	7,058,054.55	8,049,153	9,536,708
12	Pintuyan	5,456,737	5,898,461.00	7,421,539.04	8,469,428	10,034,364
13	Saint Bernard	8,561,404	9,262,285.00	11,494,486.57	13,144,921	15,586,354
14	San Francisco	5,885,432	6,365,463.00	8,052,063.23	9,183,865	10,862,900
15	San Juan (Cabalán)	5,655,785	6,141,455.00	8,247,354.03	10,023,556	11,922,170
16	San Ricardo	5,519,088	5,981,297.00	7,002,805.00	7,989,837	9,475,919
17	Silago	7,779,911	8,343,294.00	10,736,825.43	12,422,968	14,765,472
18	Sogod	11,814,930	12,771,148.00	15,380,247.63	17,704,501	21,067,325
19	Tomas Oppus	6,887,196	7,439,590.00	8,500,498.76	9,664,140	11,418,578
3.	% Share by Municipality	100.00	100.00	100.00	100.00	100.00
1	Anahawan	3.58	3.58	3.57	3.57	3.56
2	Bontoc	6.37	6.38	6.18	6.18	6.19
3	Hinunangan	6.66	6.64	6.55	6.31	6.31
4	Hinundayan	4.05	4.04	4.15	4.14	4.13
5	Libagon	4.47	4.46	4.48	4.49	4.49
6	Liloan	5.47	5.47	5.28	5.28	5.28
7	Limasawa	2.61	2.63	2.66	2.66	2.68
8	Maasin (Capital)	12.98	13.00	12.77	12.73	12.68
9	Macrohon	5.72	5.72	5.74	5.70	5.66
10	Malibog	5.19	5.19	5.83	5.84	5.85
11	Padre Burgos	3.54	3.54	3.60	3.59	3.59
12	Pintuyan	3.73	3.73	3.79	3.78	3.78
13	Saint Bernard	5.86	5.86	5.86	5.86	5.87
14	San Francisco	4.03	4.03	4.11	4.10	4.09
15	San Juan (Cabalán)	3.87	3.89	4.21	4.47	4.49
16	San Ricardo	3.77	3.78	3.57	3.56	3.57
17	Silago	5.32	5.28	5.48	5.54	5.56
18	Sogod	8.08	8.08	7.85	7.90	7.93
19	Tomas Oppus	4.71	4.71	4.34	4.31	4.30

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

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
1. Municipal Development Finance (MDF)	<p>Multilateral lending sources for LGU projects have principally come from three main sources, the World Bank (WB), the Asian Development Bank (ADB) and the Overseas Economic Cooperation Fund of Japan (OECF). The funds have been channeled through the MDF, a revolving fund created by a Presidential Decree in March 1984 to consolidate the fragmented and uncoordinated borrowing and grant system to the LGUs. The MDF is administered by the Bureau of Local Government Finance (BLGF) under the DOF. Before the creation of the MDF, the donor agencies required a central agency for monitoring the foreign loans and grants. With the establishment of the MDF, a separate monitoring agency was no longer needed, and thus, the MDF became the conduit for foreign loans and grants. The MDF also played the role of a monitoring unit and project accounting support for foreign funds directed to the LGUs.</p>	<p>The MDF operates under the direction of a Policy Governing Board chaired by the DOF with three other Government agencies as members, i.e. the National Economic and Development Authority (NEDA), the Department of Interior and Local Government (DILG) and the Department of Budget and Management (DBM). The MDF consists of two major units, the Financial Unit, headed by the Executive Director of the BLGF and the Central Projects Office (CPO), the project implementation unit for each project located in participating agencies in the MDF. Aside from providing loans, the MDF also provides technical assistance to LGUs for project identification and feasibility studies and for other projects such as the Real Property Tax Administration Project, which assisted more than 800 LGUs in improving their real property tax collection.</p>	<p>The MDF was created as a revolving fund and made available to LGUs in undertaking their socio-economic development programs. It was active in providing loans to LGUs in the 1980s when the OFIs stopped lending to the LGUs on account of mounting uncollectible accounts. During this time, the MDF channeled some P7.9 billion of long-term finance to LGUs. LGU projects that have benefited from assistance from the MDF include:</p> <ul style="list-style-type: none"> <li>• public markets</li> <li>• heavy equipment and machinery</li> <li>• bus terminals</li> <li>• slaughterhouses</li> <li>• drainage and waterworks</li> <li>• roads</li> <li>• solid waste</li> <li>• telephone systems</li> <li>• health centers</li> </ul> <p>At present, nine loans have been provided by the World Bank, ADB, OECF and Eximbank of Korea through the MDF.</p> <p>Total loans extended under the nine projects for all regions amounts to \$290 million (P10.7 billion at current exchange rates). The greater access by higher income LGUs to the MDF credit facility can be attributed to the requirement of financial capacity and the ability of the LGU to repay the loans. Other criteria also favor the higher income LGUs, such as urban population, minimum requirements and annual population growth rates, annual income and equity requirements, and commitment to establish a separate project office with full-time staff. Considering that the higher income LGUs have access to</p>	<p>Terms of Credit. The MDF is, at present, the only source of credit finance that is offering long-term financing with a maturity period of 15-25 years. The interest rate is currently set at 2 percent above the weighted average interest rate of 61-90 day domestic time deposits. No collateral is required since the IRA intercept mechanism guarantees the loan repayment. Aside from providing loans, the MDF can also provide a package of a loan and a grant, which effectively lowers the LGU's borrowing costs. The loan component carries the terms and conditions set by the lender through the MDF. Because of the liberal terms of the MDF, particularly the long-term principal repayment feature, the MDF has been extremely attractive to LGUs.</p> <p>Funding Limitation. At the moment, MDF funding to the LGUs is experiencing constraints for several reasons:</p> <ul style="list-style-type: none"> <li>• the increased demand for MDF credits by other developing countries;</li> <li>• funding limitations of the multilateral institutions that support the MDF;</li> <li>• constraints imposed by the government budgetary process; and</li> <li>• increasingly limited eligibility for MDF assistance to the Philippines due to the increased economic development of the country.</li> </ul> <p>First, the worldwide demand for MDF assistance and the increase in requirements by other less-developed countries in the world has constrained the availability of funds to meet the increased demand for MDF funds from the Philippines. The multilateral agencies, in the pursuit of poverty alleviation objectives, are shifting attention to poorer regions of the world such as Africa. Second, the multilateral institutions that support the MDF are experiencing funding limitations themselves and are encouraging LGUs to tap private sources of financing for development assistance worldwide. Third, the MDF's present lending capacity is constrained by the budgetary process of the Government. Each department of the national government observes a budgetary ceiling imposed by Congress and the Development Budget Coordinating Committee. In practice, the budget submission of the National Government departments, which include budgetary requests for MDF counterpart funds, are subject to the ceiling. Finally, as the Philippine economy progresses, its eligibility for increased MDF assistance is adversely affected, as one of the principal criteria for MDF assistance is the economic standing of the recipient country.</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
MDF (cont'd)			other sources of funding, the Government, in implementing its new vision for LGU financing, is discussing with the multilateral financing agencies, re-focusing MDF assistance toward less creditworthy LGUs.	<p><b>Assessment</b></p> <p>The MDF continues to be a major source of concessional credit finance for LGUs. Since its first loan (Municipal Development Project 1 of the World Bank), the MDF has been actively contributing to the economic development of LGUs by providing long-term financing for LGU projects. It is the long-term feature of MDF loans and the concessional rate that has attracted the LGUs. Lately, however, some LGUs have voiced concern regarding the long processing time of MDF loans. Therefore, steps need to be taken to streamline the approval process. At the same time, consistent with the new vision of the Government for LGU financing, the MDF is being re-oriented to be a more effective instrument in lending to lower class municipalities, which have limited access to private sources of capital. Reform of the MDF is being undertaken with World Bank assistance. Because of the favorable terms of MDF lending, the MDF is expected to continue to be attractive to LGUs for financing basic services.</p>
2. Local Water Utilities Administration (LWUA)	<p>In order to promote, develop and finance local water utilities, optimize public service water operations, and facilitate the improvement of local water services, the Local Water Utilities Administration (LWUA) was created in September 1972 under the Provincial Water Utilities Act. The LWUA is a specialized lending institution, which provides financing to water districts for water supply development, expansion and improvement. LWUA has evolved to be primarily a financing agency with the following functions:</p> <ul style="list-style-type: none"> <li>• provide loans to qualified local water utilities for their capital expenditure programs;</li> <li>• establish standards for local water utilities such as water quality, design and construction of new or additional facilities for water supply, treatment, transmission and distribution, and for wastewater collection, treatment and disposal.</li> </ul>			

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
LWUA (contd)	<ul style="list-style-type: none"> <li>furnish technical assistance and personnel training programs for local water utilities;</li> <li>effect systems integration, joint investments, water district annexation and de-annexation.</li> </ul> <p>LWUA has, over the years, on-lent funds from ODA sources at concessionary rates. LWUA has extended loans to rural waterworks and sanitation associations, which are non-stock, non-profit cooperative associations, and franchised to operate rural water supply systems in remote areas where access to a water district is difficult. Many water districts have benefited from low-interest, long-term loans of up to 25 years with ample grace periods. However, because of funding source constraints from its donor agencies, LWUA has not been able to accommodate funding requests from all the water districts. As a result, some water districts (Bulacan, Metro Cebu, Puerto Princesa and Batanes have turned to alternative sources of financing such as BOT schemes and joint ventures).</p>			
3. DBP	<p>Provide loans to qualified LGUs for projects which will enhance and facilitate the delivery of basic services to their constituents and at the same time, capture sizeable deposits from LGUs.</p>	<p>To qualify under the Program, the province, municipality or city shall:</p> <ol style="list-style-type: none"> <li>have beneficiary population of at least 10,000;</li> <li>perform important local, commercial, transportation, industrial, educational or similar activities;</li> <li>have gross annual average revenues of at least ₱3.0 million over the last three years;</li> <li>have balanced or surplus prospective income streams for the next three years (computation to be validated by the concerned RMT/Branch);</li> <li>have no adverse findings from banks and major suppliers both for the LGU and the current Chief Executive and Treasurer; and</li> </ol>	<ol style="list-style-type: none"> <li>Revenue-generating projects include, but not limited to public markets, slaughter-houses, transport terminals, municipal water systems, storage/refrigeration facilities, and hospital/health facilities which are self-liquidating;</li> <li>Projects under the PCCD-CEP are primarily designed for income generation by barangay residents who will be organized into 4 to 6 member groups which will be funded by the LGUs out of the loan proceeds from GFIs like DBM. Initially, the pilot operation will cover 40 pre-identified barangays located at the 20 priority provinces.</li> </ol>	<p><b>DBP Environmental Credit Facilities</b></p> <p>Environmental projects are actually eligible under all of DBP's credit facilities. Two of these facilities are dedicated to environmental credit funding. These are the Environmental Infrastructure Support Credit Program (or EISCP), and the Industrial Pollution Control Loan Project (or IPCLP). Both are policy-based lending programs to support investment projects of industrial enterprises in promoting the protection and enhancement of the quality of the environment.</p> <p><b>Environmental Infrastructure Support Credit Program</b></p> <p>EISCP is by far the most successful of all DBP's environmental credit facility. The project is actually just on its 1 and 1/2-year pilot stage with 5 Billion Yen (equivalent to about 1.4 Billion Pesos) funding from the OECF. Total loan approvals has reached ₱1.3 Billion, almost exhausting the total fund.</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
3. DBP		6. have shown efficiency in the collection of real estate and other local taxes based on the steady growth rates over the last three (3) years	<p>For the expanded operation, 4,000 out of 42,000 barangays will be targeted annually.</p> <p>3. Non-revenue generating projects include but are not limited to construction of roads and bridges, and acquisition of heavy equipment which are not intended to generate revenues but to enhance efficiency in the provision of services to their constituents</p> <p>4. The project to be financed shall have passed the first and second screening following the Simplified Screening Criteria of World Bank (available with DBP);</p> <p>5. The project to be financed shall be included in the approval of local development plan and public investment program (Local Government Code Section 296);</p> <p>6. The project shall be duly endorsed by the local council as evidenced by the relevant enabling resolution</p>	<p>With the success of EISCP, DBP is working with Japan's OECF to continue to extend a second tranche of the credit facility on a larger scale.</p> <p><b>Industrial Pollution Control Loan Project</b></p> <p>IPCLP is a DM 10 million credit facility entrusted to DBP by the KfW of Germany. Although smaller in amount, the IPCLP also offers concessional rates to industries, particularly the small to medium scale industries, who are intending to invest in environmental projects.</p> <p>More or less, both EISCP and IPCLP carry the same features.</p> <p><b>Comparative Features of Environmental Infrastructure Support Credit Program and Industrial Pollution Control Loan Project</b></p> <p><b>Amount:</b> Yen 5.158 Billion (United Facility) DM 10 Million (United Facility)</p> <p><b>Loan Denomination:</b> Pesos</p> <p><b>Purpose:</b> To provide financial assistance to environmental investment projects for pollution abatement and promotion of industrial efficiency. To support investment projects of new and existing industrial firms for the reduction of pollution and reduction of utilization of natural resources</p> <p><b>Eligible Borrowers:</b> Filipino citizens or corporations organized under the laws of the Philippines at least 70% of whose capital is owned by citizens of the Philippines. Existing and new SMEs with pre-funding asset size of ₱60 million or less.</p> <p><b>Interest Rate to End-Users:</b> 11% fixed p.a.</p> <p><b>Tenor:</b> 3 to 15 years with a maximum grace period of 5 years. Up to 10 years with a maximum grace period of two (2) years.</p> <p><b>Loan Size:</b> 80% of total project cost Maximum of 70% of the total investment cost or P24 million whichever is lower.</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
DBP (contd)			<p><u>Eligible Projects</u></p> <p>Four basic types of pollution control projects:</p> <ul style="list-style-type: none"> <li>• Pollution treatment</li> <li>• Pollution minimization / clean technology</li> <li>• Toxic and hazardous waste substance management</li> <li>• Solid waste management</li> </ul> <p>Investment in pollution reduction including improvement of occupational situation and/or the reduction of raw material inputs to cover waste minimization technology in industrial processes.</p> <p><b>THE CREDIT LOAN PROCESS</b></p> <p>All loan applications are accepted through the Lending Units at the Head Office and DBP Branches. The staff of these lending units have undergone training and are now familiar with the common environmental terms and practices. Lending Units advise applicants of the types of projects that are eligible for financing and conduct initial review of loan documents. All loan applications go through the usual credit evaluation at this stage.</p> <p>The Lending Units then request the Environmental Management Unit (EMU) for technical appraisal and evaluation of proposed projects. Sometimes, credit evaluation and technical appraisal are done simultaneously. EMU not only conducts paper review of the project but also site visits and inspection of the proposed project. The new thing here in this process, is that from mere evaluation of credit worthiness, EMU's endorsement and findings are now integrated into the CA submitted to proper authorities for credit approval. The project's impact and benefits are thus clearly presented. Along with the Account Officers, EMU also monitors progress of the project.</p> <p>a. <u>Amount of Loan:</u></p> <p>a. <u>Window III Loans</u></p> <ol style="list-style-type: none"> <li>1. Revenue-Generating Projects - The minimum-maximum loan limits shall be ₱1 million and ₱50 million, respectively, subject to periodic review by WINCOM; and with a minimum equity participation of at least 15% of the total project cost.</li> <li>2. PCCD-CEP Projects - ₱1.5 million per Barangay Business Center.</li> </ol>	



Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
DBP (contd)				<p>b. <u>Loans Secured by Deposits</u> - Total project cost; but not to exceed 50% of the ADB deposits of the past six-month period reckoned from the preceding month which shall be maintained during the term of the loan and covered by a "Hold Out Agreement".</p> <p>b. <u>Terms of Payment:</u></p> <p>a. <u>Window III Loans</u></p> <ol style="list-style-type: none"> <li>1. <u>Revenue-Generating Projects</u> - The term of the loan shall be kept within project requirements and projected cashflows. Maximum term of the loan is 12 years inclusive of a maximum grace period of 2 years. The loan shall be payable monthly, quarterly or semi-annually depending on the cash generation of the project.</li> <li>2. <u>PCCDP-CEP Projects</u> - Maximum of 5 years inclusive of up to one year grace period payable quarterly. The on-lending terms from Barangay Business Centers to their respective group members is maximum of 2 years inclusive of up to 6 months grace period payable monthly.</li> </ol> <p>b. <u>Loans Secured by Deposits</u> - Maximum of five (5) years payable monthly</p> <p>c. <u>Interest Rate:</u></p> <ol style="list-style-type: none"> <li>a. <u>Window III Loans</u> - Variable and reviewable every January 1 and July 1 based on prevailing 91-day T-Bill rate plus two (2%) provided that the rate is not higher than "AAAA".</li> <li><u>PCCDP-CEP</u> - The LGU shall be charged 12% p.a. to be passed on to the BSC without spread. The on-lending rate by BSC is 14% p.a.</li> <li>b. <u>Loans Secured by Deposits</u> - Based on the formula prescribed in ALMA Circular No. 01-95 covering the Revised Guidelines from Loans Secured by Deposits.</li> </ol> <p>d. <u>Drawdown:</u> Drawdown shall be on one time or in multiple basis. The loan proceeds shall be credited to a special project account to be opened by the LGU with DBP, withdrawals of which shall be subject to approved operating guidelines of the loan</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
DBP (contd)				<p>e. <b>Collateral Requirements:</b></p> <p><u>For Window III Loans:</u></p> <p>Loans with maturities beyond 5 years shall be secured by:</p> <ol style="list-style-type: none"> <li>Registered first real estate mortgage and/or registered first chattel mortgage in favor of DBP, with loan values based on existing DBP policy, subject to final verification by DBP;</li> <li>Such other collateral or security arrangements as may be acceptable to DBP.</li> </ol> <p>Loans with maturities of up to 5 years shall be on best effort basis. In addition, the following shall be obtained:</p> <ol style="list-style-type: none"> <li>Assignment of specified portion/amount of the LGU's Internal Revenue Allotment (IRA) in favor of DBP in an amount at least equivalent to one (1) amortization payment which shall be maintained while the loan is outstanding. For PCED-CEP Projects, this would be sufficient;</li> <li>Assignment of profits or income from the project to be financed until the loan is fully paid;</li> <li>Endorsement in favor of DBP of insurance policies on mortgaged properties. The insurance shall be placed, based on sound value, by DBP, through its appointed insurance broker.</li> </ol> <p><u>For Loans Secured by Deposits:</u></p> <p>Project assets and deposit agreement with a minimum balance of 200% of the outstanding balance of the loan and shall automatically be applied to the loan in the event of default.</p> <p>f. <b>Other Conditions</b></p> <ol style="list-style-type: none"> <li>The LGU shall include appropriation for debt amortizations in its annual budget in accordance with the LGC until the loan shall have been fully paid.</li> <li>The LGU shall maintain Special Depository Account under the General Fund, where repayment of obligations to DBP shall take precedence after operating expenses of the project. Only when the debt amortizations have been satisfied will excess from part of the General Fund.</li> </ol>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
DBP (contd)				<p>c. The LGU shall open a CASA account for the assigned IRA with the understanding that DBP shall automatically offset the amortization for the period against this deposit account. A minimum balance equivalent to one amortization payment shall be imposed.</p> <p>d. The LGU shall execute a Deed of Undertaking making DBP its main depository bank.</p> <p>e. The LGU shall maintain a debt service cover of at least 1.2 times. Debt service coverage is defined as yearly revenue from all sources less operating costs and maintenance expenditures, divided by yearly debt service to all creditors.</p> <p>f. The LGU shall maintain constitute a Local Prequalification, Bids and Awards Committee (PBAC), which shall primarily be responsible for the conduct and prequalification of contractors, bidding, evaluation of bids and recommendation of awards concerning the Project, with at least one (1) DBP representative as an observer.</p> <p>g. The LGU shall constitute a Local Technical Committee, which shall primarily be concerned with providing technical assistance to the local PBAC, with at least one (1) DBP representative.</p> <p>h. The LGU shall commit to establish a project office with full-time staff and operating budget for project preparation/implementation.</p> <p>i. The LGU shall constitute and commission a competent consultancy firm to be tasked with validating and certifying the acceptability and compliance with the approved specifications of all acquired materials and supplies.</p> <p>j. The LGU shall only engage the professional services of such parties and commission such works as are customary for industrial development operations and projects similar to the financed project, which services must be reasonably priced, considering the quality and competence of the parties rendering them and in case of works, the technical quality and competitive costs of the same, if approved in writing by the DBP.</p> <p>k. The LGU shall submit resolution passed by the appropriate Sanggunian Board (Pantlawaigan, Panlungsod or Pamayan) expressly authorizing the following:</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
DBP (contd)				<p>1. The loan being contracted by the Local Chief Executive:</p> <ol style="list-style-type: none"> <li>1. The Authority of the Local Chief Executive (Governor or Mayor) to negotiate and enter into the contract of the loan applied for and to mortgage or assign or otherwise into a collateral agreement to secure the payment of the loan applied for;</li> <li>2. The continuing assignment of the LGU's applicable portion of its IRA, realty taxes and all other revenues to DBP until the loan is fully paid;</li> <li>3. The continuing assignment of profits or income from the project/economic undertaking to be financed until the loan is fully paid;</li> <li>4. Authorization to the DBM for it to remit the IRA for deposit to the account of the LGU with DBP duly acknowledged/received by DBM, Manila;</li> <li>5. The authority for the Mayor and/or Treasurer to open and maintain deposit account with DBP where its IRA and revenues shall be deposited during the term of the loan; and</li> <li>6. Authority for DBP to debit the LGU's deposit account to cover payments of its loan obligation with the Bank</li> </ol>
4. Philippine National Bank (PNB)	<p><b>Purpose of the Loan:</b></p> <ol style="list-style-type: none"> <li>1. To finance the establishment, development, or expansion of income generating projects such as:               <ol style="list-style-type: none"> <li>a) Revenue-Generating/Cost Savings                   <ul style="list-style-type: none"> <li>• Public Market</li> <li>• Trading Center/ Terminal</li> <li>• Water System (Construction/Expansion)</li> <li>• Asphalt Plant</li> <li>• Heavy Equipment</li> <li>• Telephone System</li> <li>• Commercial System</li> <li>• Slaughterhouse</li> <li>• Grains Procurement/ Trading</li> <li>• Post-Harvest Facilities</li> </ul> </li> </ol> </li> </ol>	<p><b>Prospects for Commercial Bank Lending to LGUs.</b> Recently, commercial banks' attitude toward LGU financing has undergone a transformation. Some commercial banks now recognize that LGUs represent a potential market for credit lending because of the large financing requirements of LGUs associated with the devolution of basic services and infrastructure requirements. Other reasons for the attractiveness of LGUs as a growing market for commercial lending are:</p> <ul style="list-style-type: none"> <li>• the increase in LGUs' share of the national wealth;</li> <li>• presence of a legal framework for LGU financing;</li> <li>• flexibility and expanded borrowing powers of LGUs under the LGC.</li> </ul>		<p><b>Eligible Borrowers:</b></p> <ul style="list-style-type: none"> <li>• Municipality</li> <li>• City</li> <li>• Province</li> </ul> <p><b>Amount of the Loan</b> The amount of the loan is equivalent to the project's requirement (100%) but not to exceed the aggregate of five time (5x) the sum of the 20% portion of the Annual regular income and the Annual Internal Revenue Allotment (IRA) share of the LGU.</p> <p><b>Term of Loan</b> Maximum of seven (7) years provided that amortization shall be payable on a monthly or quarterly basis. A longer term may be considered by PNB Board of Directors, if justified.</p> <p><b>Interest Rate</b> Interest rates shall be prime rate based subject to periodic interest resetting.</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
PNB (cont'd)	<p>b) Others</p> <ul style="list-style-type: none"><li>• Irrigation</li><li>• Renovation/Const. Of City/ Capital Town's Municipal Hall</li><li>• Purchase of lots</li><li>• Reclamation</li><li>• Sports Complex</li><li>• Diagnostic Equipment/Building</li><li>• Road Construction/ Repair</li><li>• Hospital Building with Pay Wards</li><li>• School Building</li></ul> <p>2) To finance acquisition of property, plant, machinery, equipment, and necessary accessories for the implementation of the items enumerated in the preceding section</p> <p>Note: Combination of revenue &amp; non-revenue generating project in one loan package.</p> <p>Philippine National Bank (PNB). Consistent with its mission of achieving an "enduring involvement in socio-civic endeavors that uplift the quality of life", the PNB is among the largest, most active institutions lending to LGUs. Until recently a GFI, PNB, which was privatized in May 1996, has total resources amounting to ₱197 billion as of the end of 1996. Its loans to LGUs have reached ₱14 billion as of end-March 1997 for 225 different projects.</p>	<ul style="list-style-type: none"><li>• increasing financial sophistication of some LGUs (some provinces are exploring private foreign financial instruments), and</li><li>• the growing market opportunity in financing LGU infrastructure requirements (some ₱20 billion are in the project pipeline of LGU BOT Projects).</li></ul> <p>Commercial lending to LGUs will also get a boost from the establishment of the LGU Guarantee Corporation, which will guarantee commercial loans to LGUs. In the past, the lack of a guarantee facility was a major factor that inhibited commercial lending to LGUs as commercial banks were concerned with the certainty of repayment. As the guarantee facility will provide the repayment "comfort" to commercial banks, it is expected that private commercial lending to LGUs will finally develop.</p>		<p><b>Collaterals</b></p> <ul style="list-style-type: none"><li>• Assignment of applicable regular income of the LGU.</li><li>• Internal Revenue Allotment share of LGU and Net Revenue generated by the project financed.</li><li>• Chattel Mortgage of Equipment Financed by the Loan.</li><li>• Real Estate of Local Government Units.</li></ul> <p><b>Standard Conditions</b></p> <p>a. <b>Common Condition</b></p> <ol style="list-style-type: none"><li>1. Submission of a Resolution of the Sangguniang Bayan/ Panglungsod authorizing the loan and designating the Local Chief Executive (LCE) as the authorized signatory. The resolution should also contain the following:<ol style="list-style-type: none"><li>a) The continuing assignment to PNB of the project revenue if applicable; LGU's applicable portions of the Internal Revenue Allotment (IRA), realty taxes and all other revenues until the loan is fully paid;</li><li>b) The authorization of the LGU to the Department of Budget and Management (DBM) for the remittance of all its IRA thru PNB for deposit to the LGU's account maintained with PNB;</li><li>c) The duly notarized undertaking of the LCE and/or Treasurer to remit to PNB applicable portion of the LGU's realty taxes and other revenues on a monthly basis as payment of the amortizations on the loan;</li><li>d) The authority for the LCE and/or Treasurer to maintain the LGU's deposit account with PNB wherein the project's revenues, the LGU's IRA and other revenues shall be deposited until the loan is fully paid and the PNB to debit the LGU deposit accounts to cover payment of its obligations;</li><li>e) The duly notarized undertaking of the LGU to include in its annual budget its loan obligations with PNB.</li></ol></li><li>2. Submission of the LGU's letter-authorization to the DBM for the latter to remit all IRA directly to PNB for deposit to the LGU's account with PNB until the loan is fully paid, duly acknowledged/received for DBM, Manila.</li></ol>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
PNB (contd)	<p>The types of projects that were lent to LGUs include income-generating and cost-saving projects such as commercial centers, public markets, transport terminals, slaughterhouses, power generators, water systems, construction projects and acquisition of heavy equipment. Other projects supported by PNB lending include: telecommunications facilities, grains procurement, and post-harvest facilities. Lending to the NCR accounted for 56% of the total amount (P6.1 billion).</p> <p>Luzon projects accounted for 26% (P3.0 billion), Visayas, 10% (P1.1 billion), and the rest was for Mindanao, 8% (P0.8 billion). On a per project basis, Luzon Projects averaged P31.0 million per project; Mindanao, P22.2 million and the Visayas at P20.6 million per project.</p> <p>Majority of the loans lent to LGUs were for heavy equipment, infrastructure and public markets</p>			<p>2. Submission of a duly notarized certification by LGU that:</p> <ol style="list-style-type: none"> <li>the 20% limit provided under the law in the servicing of loan obligations have not been exceeded;</li> <li>Legible copies of the Loan Agreement and Security Agreement have been posted at the conspicuous place in the Municipality/City Hall/Provincial Capitol;</li> <li>The proposed sources of repayment of the loan are available and not restricted by law.</li> </ol> <p>3. PNB shall continue to be the LGU's principle depository Bank until such time the loan is fully paid.</p> <p>4. Approval and confirmation by the Sangguniang Bayan/Panlungsod of the terms of the covering Credit Agreement and all other documents executed by the LGU in the implementation of the loan.</p> <p>5. Undertaking by the LGU that they will not incur additional obligation/ indebtedness without the written consent of PNB which consent will not be unreasonably withheld.</p> <p>6. Any amount in excess of the approved amount of loan shall be shouldered by the LGU.</p> <p>7. Subject to SEL Cir. 4-315/94 of May 17, 1994 on Interest Rate Setting and Adjustments.</p> <p>8. All insurable improvements financed by the loan shall be insured up to the full insurable value and policy endorsed in favor of the Bank.</p> <p>9. All applicable provisions of PNB's standard loan conditions and such other conditions our Legal Department may impose to protect the interest of the Bank.</p> <p>b. Loans for Machinery/Equipment/Vehicle</p> <ol style="list-style-type: none"> <li>Loan proceeds shall be paid directly to the supplier/seller of the equipment/vehicle in an amount equal to the selling price or amount of the approved loan whichever is lower.</li> <li>If to be imported, the letter of credit shall be opened at the Bank and the loan proceeds be equivalent to the             <ol style="list-style-type: none"> <li>corresponding import bill upon negotiation computed at the prevailing selling rate at the time of negotiation.</li> </ol> </li> </ol>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
PNB (contd)				<p>b) amount of the LC in case of cash LC computed at the prevailing selling rate on the LC opening date.</p> <p>1) LGU to execute a chattel mortgage on the equipment within 60 days upon acquisition.</p> <p>2) Submission of a duly notarized certification that all government policies rules and regulations in the award of the contract to the local supplier have been complied with.</p> <p><b>For Construction/Development Loans</b></p> <p>1) Releases shall be staggered basis which are to be made only upon presentation of progress report and billing certified by the project engineer and the Municipal/City/Provincial Engineer and approved by the project owner and to be validated by the Bank appraisers.</p> <p>2) Where the contract calls for a mobilization outlay, such amount for initial release shall not exceed 15% of the approved loan.</p> <p>3) Submission of a duly notarized certification that all government policies rules and regulations in the award of the project to the contractor have been complied with.</p> <p>4) PNB shall have the option to buy or lease space of its choice for a branch site within the project to be financed.</p> <p><b>Terms of Credit:</b> Eligible loans for PNB financing under its LGU financing program include those, which finance the establishment, development or expansion of income-generating projects. Other projects that qualify include irrigation, construction of municipal halls, sports complex, medical diagnostic equipment, road construction, hospitals and school buildings.</p> <p>The maximum loanable amount can be as much as 100% of the project requirements but will not exceed the aggregate of five times the sum of the 20% portion of the annual regular income and the IRA share of the LGU. The term of the loan is generally</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
PNB (cont'd)				up to 7 years, but the Board of Directors may consider a longer term if justified. The interest rate is prime rate-based subject to periodic interest resetting. Collateral requirements can include the assignment of applicable regular income of the LGU, IRA share and the revenues generated by the project financed. Other collateral include the chattel mortgage of equipment financed by the loan and real estate mortgage on patrimonial property of LGUs.
5. Land Bank of the Philippines (LBP)	<p>Created in 1963, the Land Bank of the Philippines (LBP), one of the top five universal banks in the country with total resources of some P134 billion, has been lending actively to LGUs over the years. It has a social mission of promoting countryside development and has been a major contributor to rural credit delivery in the Philippines. Through LBP's main portfolio of loans is in the agrarian sector, it has a very active LGU financing program consistent with its mission. Foremost in LBP's LGU financing program is its "Total Development Options - Unified Land Bank Approach to Development or TODO-UNLAD program." The program offers a comprehensive package of loans that links farmers' cooperatives, private companies, rural banks, non-governmental institutions and LGUs around an income generating project in a specific area.</p> <p>The Land Bank's LGU program has financed projects in various sectors amounting to over P11.6 billion as of March 1997, primarily in infrastructure, bus terminals, public markets, telecommunications, housing, water systems, road construction and traffic systems.</p>	<p><b>Pre-Release Requirements</b>  Loans to the LGU's shall be covered by the regular documentary requirements for regular loan accounts. In addition, the following documents shall be required:</p> <ol style="list-style-type: none"> <li>Borrowing Resolution. Passed by the Sangguniang Panglungsod and expressly: <ul style="list-style-type: none"> <li>Confirming, approving and ratifying all previous representations and warranties and all the terms and conditions of the loan, and authorizing the Local Chief Executive to sign all documents pertaining to the loan;</li> <li>Designating the person authorized to negotiate and sign all documents pertaining to the loan;</li> <li>Authorizing the mortgage/assignment for certain personal and/or real properties and declaring that the properties offered as collateral are patrimonial and not actually devoted to public use and prohibiting the conversion of said properties to public use or service;</li> </ul> </li> <li>Committing not to contract other loans/credits with other creditors/banks are to impair the LGU's paying capacity for the duration of the loan;</li> <li>Directing the LGU Treasurer and the accountant to enter the loan in the appropriate books of the LGU;</li> </ol>		<p><b>Terms of Credit.</b> As mentioned in the previous paragraph, Land Bank lends to provinces, cities and municipalities that are rated medium-grade or higher. Using this criterion, some 960 LGUs are eligible for Land Bank assistance. Eligible loans finance local infrastructure and other socio-economic development projects under LGUs' local development plans. The maximum loan amount is based on the requirement of the project but does not exceed the "Net Borrowing Capacity" calculated for LGUs as defined in the Local Government Code. LGUs typically will contribute 25% of the total project cost; the terms of the loan will not exceed 5 years and the maximum grace period on principal is two years. Interest rate charged is the prevailing market rate. Collateral requirements can include a holdout on LGU deposits; real estate property, machinery and equipment; and a deed of assignment on IRA, regular taxes or net income. The LGU lending program requirements and procedures of Land Bank are reproduced in Annex 4.</p>



Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
LBP (cont'd)	<p>Majority of Land Bank lending to LGUs has been directed to infrastructure financing (61%). These projects included integrated development projects in Metro Manila and Metro Cebu consisting of roads, reclamation, ports, schools, municipal and commercial buildings, etc. The next major exposure of Land Bank was in heavy machinery (15%), which are used by LGUs in carrying out their development and infrastructure projects. Lending to construction projects amounted to 7% and the rest were for sport complexes, public markets, bus terminals and others. To assist Land Bank in making their investment decisions, it has developed a creditworthiness ranking system for LGUs. This system classifies LGUs into four credit categories.</p> <p>Land Bank utilizes a set of criteria for its LGU credit rating system, including financial capability, socioeconomic profile, political stability and the technical, economic and financial viability of the proposed project. About 17% of LGUs are classified by the LBP as prime clients and high grade, while 40% are classified as medium grade. Land Bank's lending policy is limited to LGUs with a medium-grade or higher classification.</p>	<ul style="list-style-type: none"> <li>Designating LBP as the LGU's major depository bank for IRA and for its other deposits which designation shall be revoked while the loan obligations remains outstanding and directing the LGU Secretary to provide a copy of this Resolution to DBM or other IRA-administering office;</li> <li>Appropriating the amount for loan repayment on the LGU's annual budget until the loan, interest and other charges are fully paid;</li> <li>Undertaking by the LGU to secure from DBM a written certification of its commitment to withhold the LGU's IRA in favor of LBP in the event of payment default;</li> <li>Authorizing LBP to deduct for set-off and/or deduct amounts from any deposits or funds of the LGU with LBP and apply the same to the payment of the loan or any portion thereof, or interest and penalties thereon as may be deemed necessary to LBP.</li> </ul> <p><b>Processing Requirements</b></p> <ol style="list-style-type: none"> <li>Sangguniang Resolution authorizing the Local Chief Executive to negotiate a loan with LBP</li> <li>Budget for the Current Year</li> <li>COA Audited Financial Statements for the past 3 years</li> <li>List of Elected Officials and Key officers</li> <li>Schedule of LGU's IRA for the past 2 years</li> <li>Feasibility Study</li> <li>Regular Documentary Requirements pertaining to offered collaterals</li> <li>For Projects involving Construction <ul style="list-style-type: none"> <li>Cost estimates</li> <li>Plans and specifications</li> </ul> </li> </ol>		

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
LBP		<ul style="list-style-type: none"> <li>• Bill of materials</li> <li>• Work program /schedule duly approved by the Local Chief Executive and the City/District Engineer.</li> <li>• For Acquisition of Machinery and Equipment</li> <li>• List of Machinery and Equipment, its Description &amp; Estimated Cost based on Firm Quotation</li> <li>• Guarantee from the Dealers/Suppliers as the Availability of Spare parts in the Local Market</li> </ul>		
6. Municipal Bond Flotation (MBF)	Municipal bond flotation is another private source of debt financing that is generating a lot of interest from LGUs. Municipal bonds represent an additional source of financing for LGUs, which hitherto had not been tapped. To date, six LGU bond flotations have been successfully floated, the first one in infrastructure development (Cebu equity bonds), and the rest in housing	<p><b>Legal Framework for Bond Flotations.</b> The 1991 Local Government Code allows, subject to the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), to "issue bonds, debentures, securities, collateral, notes and other obligations to finance self-liquidating, income-producing development or livelihood projects pursuant to the priorities established in the approved local development plan or the public investment provinces, cities and municipalities are authorized under the LGC to issue municipal bonds under two conditions: (i) the obligation should finance self-liquidating income producing development or livelihood projects; and (ii) the projects to be financed must be in accordance with priorities established in the approved local development plan or the public investment program. Thus, at the moment, LGUs cannot utilize a bond flotation for recurrent obligations or general obligations of LGUs and other non-revenue earning expenditures such as the reconstruction of a city or municipal hall or payment of staff salaries.</p>		<p><b>Bond Flotations Issued.</b> The Province of Cebu pioneered LGU bond flotations in the country when they floated the first bond issue in July 1990 (Cebu Equity Bond Unit). The ₱300 million issue had a term of three years, tax free interest income at 16 percent and called for principal repayments in five (5) equal semi-annual installments in the form of class "A" shares of Cebu Property Ventures and Development Corporation (CPVDC), a joint venture of Cebu Province and Ayala Land, Inc. (ALI). Cebu had contributed land and ALI contributed cash for their shares in CPVDC. With the tax-free feature, the investors effectively earned 20% on their investment plus the capital appreciation prospects of the CPVDC shares.</p> <p>Since the Cebu bond flotation, there have been five more issues (all in the housing sector):</p> <ul style="list-style-type: none"> <li>• Victorias Pabahay Bonds - Negros Occidental (₱8.0 million)</li> <li>• Legazpi Suerte Bonds - Albay (₱26.0 million)</li> <li>• Clavenna Housing Bonds - Misamis Oriental (₱20.0 million)</li> <li>• Sto. Domingo Housing Bonds - Nueva Ecija (₱10.0 million)</li> <li>• Puerto Princesa Housing Bond Palawan (₱20.0 million)</li> </ul>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
MBF (contd)		<p>In addition, the LGU concerned is obligated to formally adopt a public investment program for the province, city or municipality, and the project to be financed through a bond flotation must be part of the public investment program. Bond flotations require endorsement/ approval of the BSP.</p> <p>National Government Guarantee. In order to enhance the market prospects of bond flotations, some LGUs, such as the province of Palawan, have requested a national government guarantee for their planned foreign bond flotations. However, the national government is not empowered to grant a guarantee to LGU foreign bond issues by virtue of R.A. 4860 (Foreign Borrowings Act) which limits the issuance of sovereign guarantees to loans of government-owned or government-controlled corporations and government financial institutions. With regard to local bond flotations, there have been instances where a national government agency has guaranteed the obligations of an LGU. Of the five LGU housing bond issues floated in the country, four have carried a partial guarantee from the Home Insurance Guarantee Corporation (HIGC), a national government agency. The housing bond issue floated in Sto. Domingo, Nueva Ecija, however, did not carry an HIGC guarantee, but nevertheless was fully subscribed.</p> <p>For non-housing bond issues, it is unlikely that a National Guarantee would be granted primarily because such guarantees run counter to the principles laid down in the Local Government Code, i.e. with the increase in the share of LGUs in the national wealth, and allowing LGUs the freedom to obtain should financing from various sources, the LGUs assume responsibility for financing basic services and infrastructure requirements.</p>		<p>These bonds were issued on a taxable basis with interest rates ranging from 14 - 16%. The term of the issues ranged from 3 years. All issues earned the guarantee of HIGC except the Sto. Domingo housing bonds. A description of the bond issuance process is presented by the Multinational Investment Bank Corporation, one of the major underwriters in the municipal bond market. Since the bonds floated were of relatively small size and short in maturity, it is clear that additional incentives are needed to promote development of a broader municipal bond market. In this regard, the Government is taking concrete steps through its policy initiative, New Vision and Policy Framework for LGU Financing, to initiate policies that will develop the municipal bond market.</p>

Financing Source	Objectives	Prerequisite	Eligible Projects	Loan Features
M&B (contd)		In addition, the Government's fiscal policy is to limit extension of guarantees in order to protect its fiscal position. Because of the absence of a National Government guarantee, one can surmise that only the most creditworthy LGUs would be able to successfully float the first few non-housing municipal bond flotations.		
7. Build-Operate-Transfer (BOT)	<p>BOT or "Build-Operate-Transfer" is a project-financing scheme that uses private investment to undertake infrastructure projects historically financed and implemented by the public sector.</p> <p>BOT schemes are generally characterized by the participation of the private sector as the major sponsor of the project. The private sector proponent is given the rights and privileges by the public sector (the LGU) to build and operate the facility, transferring the facility to the LGU after the concession period. One very important characteristic of BOT schemes is that they allow proper allocation of risks. The private sector proponent assumes certain risk, the design, construction and operating and maintenance risks.</p> <p>In addition, BOT schemes, by virtue of requiring little or no upfront investments, provide local governments with a viable vehicle to overcome their budgetary resource constraints and accelerate the implementation of infrastructure projects. With BOTs, local government units need not depend on financial assistance from the National Government. If a local government unit can develop and package a financially viable project, it only needs</p>	<p>Legal Framework of the LGU BOT Scheme. The Local Government Code of 1991 allows the LGUs to tap both Government and private sources of capital to finance basic services, local infrastructure and other development projects. Realizing that the cost of financing these services and infrastructure projects is huge and considering that the Philippines had a highly successful BOT program at the national level, the LGC made specific and liberal provisions for the use of BOT schemes by LGUs. Section 302 of the LGC states, "Local government units may enter into contracts with any duly pre-qualified individual contractor for the financing, construction, operation and maintenance of any financially-viable infrastructure facility, under the build-operate-transfer agreement, subject to the applicable provisions of RA 6957, as amended by R.A. 7718 (the BOT Law).</p> <p>Coverage of LGU BOT Scheme and LGU BOT Pipeline. In the late 1980s and early 1990s, the BOT scheme was the Government's answer to solving the power crisis. Since then, the BOT scheme has been utilized to finance other infrastructure projects at the national level (transportation, information technology and water). Under the BOT law, LGUs would be able to utilize the BOT scheme in many sectors so long as they are revenue-generating.</p>		<p>Characteristics:</p> <ul style="list-style-type: none"><li>A private company or consortium is given the right to build and operate a facility previously provided for by the government</li><li>The private company is responsible for financing, design, constructing, operating and maintaining the project;</li><li>Lenders look to the projects assets and revenue stream for repayment; Concession period is agreed typically (20-25 years) after which the facility is transferred to the LGU.</li></ul> <p>Advantages:</p> <ul style="list-style-type: none"><li>BOT offers an alternative source of financing;</li><li>A transparent legal framework already exists for BOT financing;</li><li>LGUs benefit from a project with a typical no or very little initial investment;</li><li>BOT schemes offer proper allocation of risks;</li><li>BOT projects usually result in better and reliable service and consistent supply;</li><li>Long concession period and contractual agreements assure project sustainability;</li><li>Technology and skills transfer usually result from BOT projects;</li><li>BOT Projects may stimulate local capital market development.</li></ul>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
BOT (contd)	to solicit investor interest in the project and undergo the processing procedures prescribed under the BOT Law and the LCC.	<p>Thus far, BOT schemes are being planned for infrastructure requirements in the LGUs such as water supply and sewerage, solid waste management, commercial centers, public markets, slaughterhouses, and telecommunications. One example of a successful LGU project implemented under a BOT scheme is the Mandaluyong Public Market.</p> <p>Concerning countrywide LGU BOT projects, there are a number of projects in an advanced development stage. These projects are in the following areas: bulk water supply, solid waste management, public markets, slaughterhouse, integrated bus terminals, and commercial complexes. The largest projects are the Batangas Water Supply Project which is at the conceptual stage (\$275 million), the Metro Manila Solid Waste Management Project under negotiation (US\$270 million); the Metro Cebu Water Supply Project (\$110 million) and the Bulacan Bulk Water Supply Project (\$50 million). There are eight projects in an advanced stage of development with a project cost of US\$188 million or about P7 billion, consisting of commercial centers, public markets, a waste recycling plant, slaughterhouse, solid waste management and a combined power and water supply project. In addition, there are 21 other short listed projects amounting to \$690 million or about P27.6 billion, which are in various stages of processing.</p>		
8. LGU Guarantee Corporation (LGUGC)	Aware of the funding problems besetting the LGUs, particularly their limited access to commercial finance, the Development Bank of the Philippines (DBP) and the Bankers Association of the Philippines (BAP) took the initiative in establishing the LGU Guarantee Corporation (LGUGC).	<p>The establishment of the LGUGC was necessitated by the inability of LGUs to access private sector funding chiefly because of the perception of lack of creditworthiness and political succession risk. To mitigate these "perceived" risks, the DBP and the BAP composed of some 53 different universal and commercial banks operating in the country.</p>	<p><b>Joint Ventures</b></p> <p>Many LGUs also contemplate on entering into joint venture partnerships with the private sector. Indeed, what is required in a joint venture undertaking is the consummation of the legal agreements</p>	<p><b>Others Forms of Private Sector Participation in LGU Infrastructure Projects</b></p> <p>Aside from BOT schemes and the innovative provincial equity funds, there are other forms of private sector participation in LGU infrastructure projects (mostly in the water sector) which have improved service delivery and facilitated increased access to finance for new investments. It shows how responsibility for</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
LGUGC (conmid)	<p>The LGUGC is expected to enhance the flow of commercial funds to the LGUs, and play a "catalytic" role by providing a guarantee on loans and credits granted to LGUs from commercial funding sources, and to municipal bond flotations.</p> <p>Ultimately, the LGUGC will enable LGUs to expand their borrowing capacity, develop their ability to issue a variety of credit instruments, reduce their financing costs and improve their operating flexibility. The LGUGC's implementing rules and regulations, guidelines and by-laws are being drafted, and formal incorporation was completed in March 1998. It is expected that the guarantee facility will begin operations by the mid-part of 1998.</p>	<p>established the LGU Guaranty Corporation to guarantee loans and credits granted by participating member commercial banks for various capital investment projects of LGUs. The joint venture partnership between DBP and the BAP is geared towards accelerating the competitive access of LGUs to financial markets, especially private sector credit. So far, twenty local banks and three foreign banks have signed up as participating investing banks. The specific objectives of the LGUGC are as follows:</p> <ul style="list-style-type: none"> <li>• expand the LGUs' borrowing capacity and credit availability;</li> <li>• reduce the LGUs' financing costs;</li> <li>• improve the operating and financial flexibility of the LGUs;</li> <li>• reduce the credit and other perceived risks (e.g. political risk) of lenders; and</li> <li>• contribute to the development of the local capital market by creating a market for a variety of credit instruments.</li> </ul> <p>The corporation is capitalized at ₱600 million with paid up capital of ₱250 million. As a first step, the LGUGC will set-up an LGU database, and develop internal LGU credit rating system. Next, the LGUGC will accredit financial institutions which have expressed interest in participating in the guarantee program as investing banks. Finally, the LGUGC will receive and process the guarantee applications from the appropriate bank under the BAP, which will provide financing for the LGU project. In case of default by the LGU on the loan, the guarantee can be called or a restructuring exercise undertaken by the leading financial institution. The guarantee facility will have a gearing ratio of 10 times its paid-in capital; therefore, it can provide guarantees of up to ₱2.5 billion. Initially, the LGUGC can provide a credit guarantee of up to 85% of the LGU loan until a credit rating mechanism is put in place. Based on recent discussions, LGUs are excited about the prospects of obtaining a guarantee facility for its loans to finance its various projects.</p>	<p>and once the financing and the contractors are in place, the project can commence. However, joint ventures do not have any specific legal framework at the moment such as the one for BOTs, which makes the arrangement subject to potential legal difficulties. In comparison, BOT schemes have the legal framework with its own specific law and implementing rules and regulations, mitigating the likelihood of a protracted legal challenge if legal issues arise</p>	<p>certain functions are allocated, such as asset ownership and how these different schemes impact on certain parameters such as level of investments by LGUs and consumer tariffs. These schemes vary in the type of private sector participation:</p> <ul style="list-style-type: none"> <li>• Service contracts are short-duration engagements for specific tasks to be undertaken by the private sector participant. The purpose is to utilize certain expertise considered to be more cost-effectively undertaken by the private sector. Overall coordination remains to be the function of the utility.</li> <li>• Management contracts have a longer-term duration giving the private sector a larger operational role in the utility. Similar to the purposes of service contracts but in more expanded form, management contracts allow the private sector to introduce efficiency in operations (usually through performance objectives) for a management fee. Responsibility for investments remain with the Government.</li> <li>• Leases or affermage contracts allow the private sector to lease the assets of a utility and takes on the responsibility for operating and maintaining them. The contractor (lessor) makes lease payments to the utility in exchange for the operation of the assets and the revenue collections from operations. Similar to management contracts, responsibility for investments remain with the Government. Commercial risk is borne by the contractor.</li> <li>• Concessions give the private sector the right to operate and maintain the assets of the utility and to make necessary investments in exchange for fixed concession payments paid to the utility or the Government.</li> <li>• BOT contracts give the private sector the right to build, operate and transfer the facility to the utility or the Government after a fixed period of time (see section on BOT schemes).</li> <li>• Divestiture involves the outright sale of a utility's assets to the private sector.</li> </ul> <p>It is important that the LGUs truly understand the different forms of private sector participation and evaluate which of these schemes is most suitable and cost-effective for achieving their objective of improving the delivery of basic services.</p>

Financing Source	Objectives	Prequalification	Eligible Projects	Loan Features
9. NDC -- Agri-Agra Erap Bonds	Auction Date: April 15, 1999 Issue Size: ₱5.0 billion Interest Rate: 7.875% Reception : Oversubscribed amount tendered is five times the ₱5.0 billion bonds available, with significant participation by the foreign banks.		<p><b>Project Selection/Evaluation Criteria</b></p> <p>NDC is open to partnership with the private sector. The projects should conform with the following set of guidelines:</p> <ol style="list-style-type: none"> <li>1. The project should be for agri-agra development.</li> <li>2. It should be in accordance with any or in support of development framework such as the Development Plans of the NEDA, DRIVE and Regional Growth Areas Development of DTI, Investment Priorities Program of BOI, Priority Investment Program of DA, DAR and NDC, or, the Sectoral Development Plans mandated by law.</li> <li>3. It should be larger than those classified under the Small and Medium Enterprises with a project cost greater than ₱60 million.</li> <li>4. It should be ready for implementation with identified specific site, with definite proponent and is accessible to major infrastructure.</li> <li>5. The project selection shall ensure diversity of products, sectors, and geographical location.</li> <li>6. Preference will be given to project that utilize proven modern technology and have program for technology transfer to the farmers and/or project beneficiaries.</li> <li>7. The project should directly or indirectly benefit farmers and marginalized communities in line with the "ERAP Para sa Mahirap thrust.</li> <li>8. It should have an IRR of at least 18% with reasonably short payback period and an economic rate of 15% based on NEDA's Economic Evaluation Procedure.</li> <li>9. The proponents should be able to show its financial capability and ability to access market of product.</li> <li>10. The project should have a clear exit mechanism for NDC.</li> <li>11. It should be environment-friendly and have necessary environmental controls.</li> </ol>	

