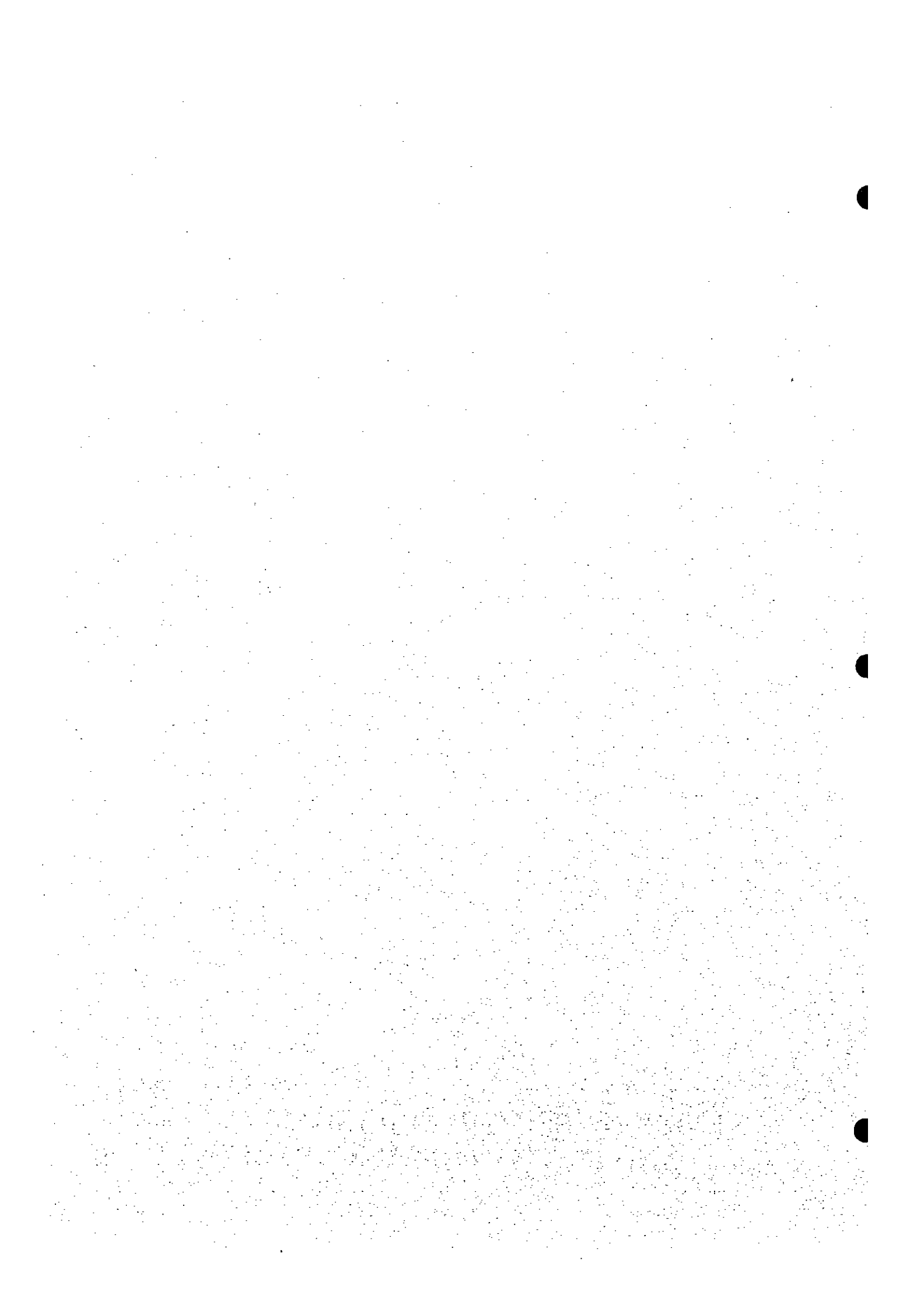


Chapter

5

**EXISTING SECTOR ARRANGEMENT
AND INSTITUTIONAL CAPACITY**



5 EXISTING SECTOR ARRANGEMENT AND INSTITUTIONAL CAPACITY

5.1 General

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

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

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

5.2 Sector Reforms

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

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

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

With the purpose of ensuring common interpretation of clause (g) of NEDA Board Resolution No. 4 (series of 1994), the Implementing Rules and Regulations or IRR was

prepared by the DILG and was approved by the NEDA in 1998. It delineates the responsibilities of government agencies involved in the sector and defines the role of LGUs in the provision of water supply and sanitation services, including O&M of the facilities. The new direction mandates the LGUs to play a larger role with an emphasis on institutional strengthening which is needed to adequately perform their devolved functions.

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

This resolution reaffirms the provision of urban sewerage and sanitation services. It designates LGUs as primary implementors of the sanitation/sewerage programs, also mandates the establishment of a Central Project Support Office (CPSO) at LWUA to assist LGUs in the formulation, preparation and implementation of sewerage/sanitation projects.

(3) NEDA Resolution No.6 (series of 1996)

Providing the national government assistance to LGUs in the implementation of devolved infrastructure activities/facilities under the LGC in support of national priority programs in order to ensure efficiency, effectivity and more focused implementation, it affirms DILG's responsibilities for overseeing and administrating the NG assistance to LGUs in the implementation of devolved infrastructure programs/projects, and institutional capacity and capability building of the LGUs (refer to 5.2, Data Report for the full text of NEDA Resolution No.4, 5 and 6).

5.3 Sector Institutions

(1) Existing Institutional Arrangements

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

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

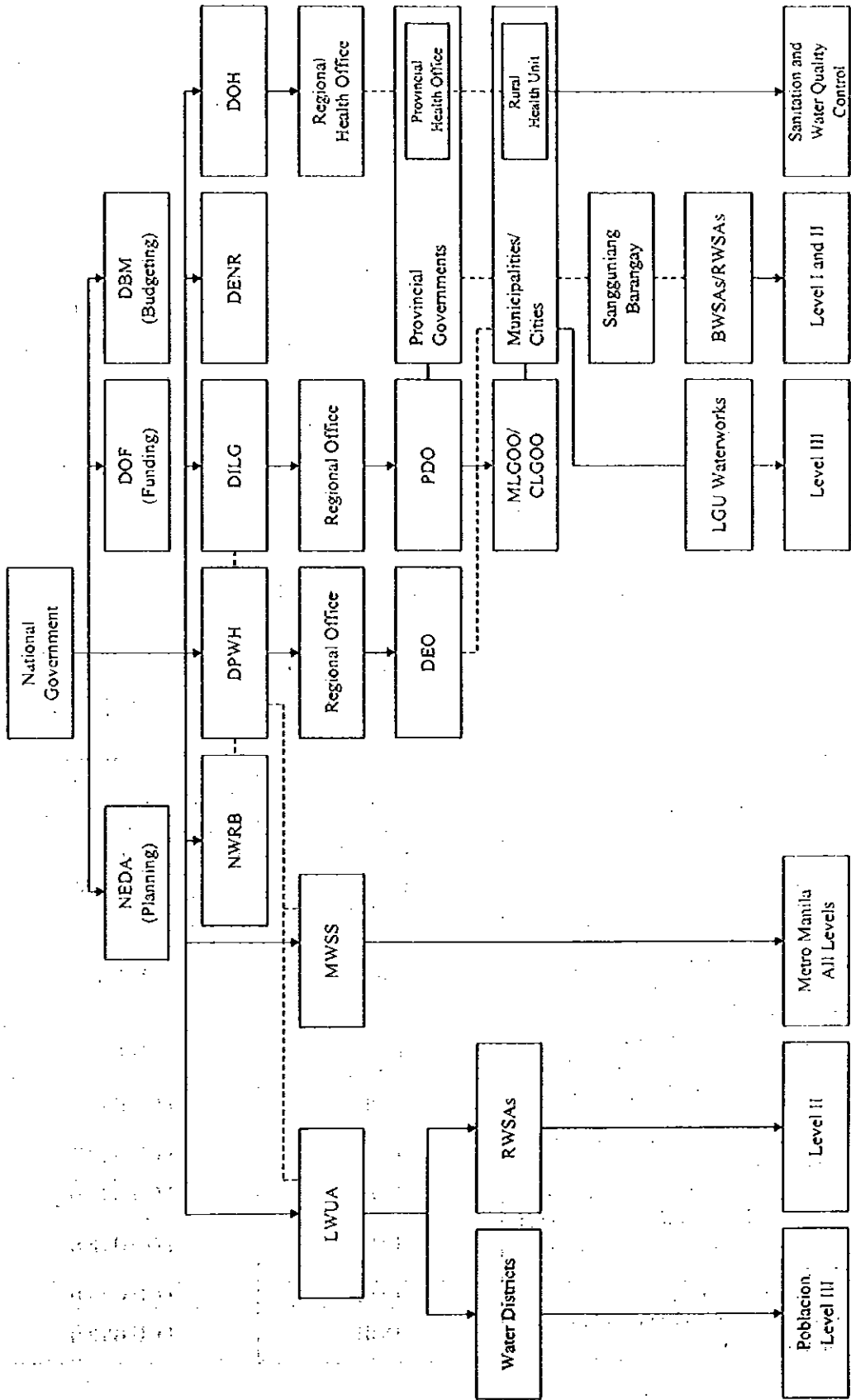


Figure 5.3.1 Functional Relationships

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

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

Table 5.3.1 Transition Functions of the DPWH, DILG and DOH

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

(2) Sector Finance

In financing WATSAN activities, LGUs have fund sources as follows:

LGUs may tap their Internal Revenue Allotments (IRAs) which comes from national government regularly, and/or locally generated revenues for leverage. Loans from government or private financing institutions may also be alternative resources.

In addition, grant funds from National Government are provided to LGU under its social infrastructure development. However, availment of these funds are regulated with conditions, e.g., from zero to 50 percent of development costs will be subsidized but limited only to Level I systems for 5th and 6th class municipalities. No subsidy will be provided for Level II and III systems.

LGUs can access ODA loans for devolved activities. However, they must pass through the Municipal Development Fund (MDF) and a Government Financial Institution (GFI). The policy-making bodies of MDF and GFI determine the re-lending/on-lending terms passed on to the LGUs. The policy on accessing loans through the MDF is currently under review by the central government to make the terms and conditions more concessional towards the LGUs.

LGUs may either finance the sector projects directly or involve the participation of the private sector through concession-, management- or service-contracts. (Details on sector finance is given in Chapter 6.)

5.4 Sector Agencies at the National Level

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

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

General administration and institution building support to LGUs entail the following: i) assistance in the formation and training of BWSAs, ii) coordination of master plan preparation, iii) provision of external funds, iv) formulation and installation of sector manage-

ment systems (including O&M) and BWSA management systems. The DILG also provides assistance to LGUs in terms of technical support for evaluation of water sources and design of simple water systems (Level I and II).

The Water Supply and Sanitation-Program Management Office (WSS-PMO), a unit within DILG, is primarily responsible for water and sanitation activities in the department. The Provincial Planning and Development Office (PPDO) and the Municipal Planning and Development Office (MPDO) are the immediate links of the DILG at the LGU level. For the purpose of ensuring coordination in implementing projects where there are other agencies involved, DILG facilitates the formation of Task Forces with the PPDO and the MPDO still assuming overall responsibility. Through the PPDO and MPDO, barangays that need improvements in water supply and sanitation are identified. Water supply and sanitation associations are then formed.

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

(2) Department of Public Works and Highways (DPWH)

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

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

(3) Department of Health (DOH)

The DOH is the principal health policy-making and implementing agency. Its main function is to develop and implement sanitation programs nationwide. It also administers health education campaigns aimed at reducing morbidity due to waterborne and sanita-

tion-related illnesses, specifically diarrhea, which is the second leading cause of morbidity in the past years.

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

Through the Provincial Health Offices and Rural Health Units, the DOH conducts health and hygiene education campaigns that focus on women and children health improvement in rural communities. The DOH has produced and distributed the Information, Education and Communication (IEC) materials on water supply and hygiene behavior nationwide. Through its field health workers, it gives orientation to BWSAs on protection and disinfection of water sources and construction and maintenance of toilets.

(4) Local Water Utilities Administration (LWUA)

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

Financial services include economic and financial analysis, tariff analysis and fund sourcing. Various types of loans are available to finance the following activities: i) construction of water systems; ii) reactivation of non-operating systems; iii) rehabilitation and expansion of facilities; and iv) training. Special loans finance watershed management projects: construction of administration buildings; purchase of service vehicles, communication and computer facilities; restoration of facilities damaged by calamities; and initial or emergency operational needs. Commodity loans support generation of additional service connections.

LWUA maintains and fields a pool of management advisors, trainers, engineers and other professionals to give WDs and RWSAs proper guidance in their operation and administration. In addition, the Central Sewerage and Sanitation Program Support Office (CPSO) was established at LWUA to coordinate the implementation of sewerage and

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

(5) Other National Agencies

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

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

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

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

The National Water Resources Board (NWRB) coordinates the overall policy framework for water resources development and management. NWRB was created by President Decree No.424 in 1974. The NWRB formulates policies, evaluates and coordinates water resources programs, regulates and controls the utilization, exploration, development, conservation and projection of the country's water resources including the regulation of private and LGU-operated utilities.

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

The Department of Education, Culture and Sports (DECS) implements hygiene education programs through schools using the Teacher-Child-Parent (TCP) approach. Health and sanitation messages are integrated in the curricula and special activities are designed to make the parents and other family members practice what they learn. A wide range of learning materials is available and prototypes of safe water sources and water sealed toilets are set up in schools. DECS identifies priority schools for the GOP's school toilet project and supports DOH's integrated health information, education and communication campaign using the formal and non-formal educational system.

5.5 Sector Agencies at the Local Level

(1) Provincial Level

The Provincial Governor, as the chief executive of the provincial government, exercises such powers and performs such duties and functions in pursuing general supervision and control over all programs, projects, services, and activities of the provincial government, including ensuring the delivery of basic services and the provision of adequate facilities.

The Sangguniang Panlalawigan (SP), as the legislative body of the province, enacts ordinances, approves resolutions and appropriates funds for the general welfare of the province and its inhabitants. It approves ordinances, which ensure the efficient and effective delivery of the basic services and facilities, including those that provide for establishment and maintenance of a waterworks system or a district waterworks to supply water to inhabitants of component municipalities and cities.

The offices of the provincial government involved in WATSAN activities are: the Provincial Planning and Development Office (PPDO), the Provincial Engineering Office (PEO), the Provincial Health Office (PHO), the Provincial Treasurer's Office (PTO), the Provincial General Services Office (PGSO), the Provincial Budget Office (PBO), and the Provincial Accountant's Office (PAO).

1) Provincial Planning and Development Office (PPDO)

The PPDO is in-charge of the formulation of comprehensive development plans and policies for the consideration of the provincial government and development council.

It conducts dialogues, studies, researches, as well as training programs to support plan formulation and promote people's participation in its planning activities. It likewise integrates and coordinates sectoral plans and studies undertaken by different func-

tional groups or agencies and monitors and evaluates the implementation of development programs and projects activities. This office is composed of four (4) sections (refer to the organization chart in Supporting Report, Figure 5.5.1), details of which are shown below:

- Administrative Section – This section's function is to provide efficient administration and timely and adequate support services. It has two staff members.
- Plans & Program Section – This section is primarily responsible for the formulation of goals, objectives and targets of local development plans in consonance with national and regional goals. It also prepares feasibility studies for projects earmarked for implementation in the province. It has nine (9) staff members.
- Research, Evaluation and Statistics Section – The section monitors and evaluates the implementation of different development projects and activities in the province. It analyses provincial income and expenditure patterns and formulates and recommends fiscal plans and policies for the consideration and approval of the SP and the governor. It has a total staffing complement of six (6).
- Special Projects Section – This section plans, directs, coordinates and undertakes conceptualization, formulation and design of provincial development plans or special projects. It prepares project proposals and project studies, conducts ocular surveys and investigations, and prepares recommendations. It has three (3) regular staff members.

2) Provincial Engineering Office (PEO)

The PEO is responsible for administration, coordination, supervision and control of construction, maintenance, improvement and repair of roads, bridges, waterworks and other engineering and public-works projects of the provincial government. It formulates policies, objectives, plans and programs, techniques and procedures/ practices in infrastructure development and provides engineering services such as investigation and surveys, design, and project management. The office has six (6) divisions (refer to the organization chart - Figure 5.5.2, Supporting Report):

- Administrative Division – This division provides general administrative services relative to personnel, accounting, clerical and property of the PEO. The division is composed of seven (7) staff.
- Planning, Programming & Designing Division – The division performs the pre-engineering topographic survey and construction survey, and prepares detailed plans, programs of work, specifications and cost estimates for all infrastructure projects, namely roads, bridges, buildings and others, of the province. The division is composed of eleven (11) staff.

- **Construction Division** – This division is further divided into two sections. The Road and Bridge section undertakes provincial road and bridge construction and the Building & Other Infra section is tasked with constructing building and other structures under the jurisdiction of the provincial government. Both sections provide over-all technical supervision of activities in their respective construction responsibilities, including cost estimation. It is manned with four (4) staff members.
- **Maintenance Division** – Like the Construction division, this division is organizationally divided into two sections. The Road and Bridge section undertakes routine and periodic maintenance of all provincial roads/bridges and culverts within the province. On the other hand, the Building & Other Infra section undertakes the periodic repair/ maintenance of other infrastructure projects of the province. It has a workforce of twenty (20) staff.
- **Quality Control Division** – The division is composed of two sections: (1) the Project Inspection Section which supervises, inspects and analyzes physical and engineering properties of materials used in projects, and (2) the Material Testing Section which conducts actual tests of materials using laboratory testing equipment.
- **Motor Pool Division** – This division maintains all heavy equipment, light equipment and other vehicles in running condition. The division also facilitates the dispatch of equipment to their respective areas of assignment/ project. There are 37 staff in this division.

3) Provincial Health Office (PHO)

The mandate of the PHO is to provide comprehensive health services to the people of the province. The health services of the PHO are divided into two components – the field health service which is in-charge of the preventive aspects of health service and the hospital operations which takes care of the curative side of health. Both are under the supervision of the Provincial Health Officer. The PHO provides technical assistance to all rural health units (RHUs) and barangay health stations (BHSs). The different programs of the Department of Health are coursed through the technical division down to the RHUs and BHSs. The sanitary inspector spearheads the promotion and maintenance of public sanitation and water quality monitoring province-wide. (refer to the organization chart - Figure 5.5.3; Supporting Report).

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

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

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

The PAO is tasked with the recording and review of financial transactions in accordance with government accounting principles, rules and regulations. It summarizes and prepares financial statements for submission to different offices to provide information on the financial condition and operation of the province. The office also conducts internal audits adhering to existing auditing rules and regulations and recommends measures to improve the utilization of government funds and properties. This function has been given to this office to ensure quality control.

The PGSO provides effective direction and coordination of the various administrative and support services necessary for the operation of the different provincial offices. It is responsible for the acquisition/procurement of supplies and materials as identified in the overall fiscal plan. It conducts regular bidding for supplies, materials and equipment, collates and disseminates information on prices and other costs of supplies and other items commonly used by the provincial government including the hospitals.

5) Provincial Development Council (PDC)

The main functions of the PDC are: to formulate long/medium term and annual socio-economic development plans and corresponding policies; to appraise and prioritize development programs and projects; to monitor and evaluate project implemen-

tation and program execution; and to perform such other functions as may be provided by law or competent authority. The PDC is headed by the Governor and is composed of the following: all Mayors of the province, SP Chairman, Committee on Appropriation, NGOs, and congressmen or their representatives.

(2) Municipal and Barangay Level

1) Municipality

The municipal LGU functions primarily as a general purpose government agency that delivers basic, regular, and direct services and provides effective governance of the inhabitants within its territorial jurisdiction. It has a similar organizational structure and legislative authority as that of the province. The municipal offices that are relevant to the sector are the Municipal Planning & Development Office (MPDO), Municipal Engineer's Office (MEO) and Municipal Health Office (MHO) -- Major tasks of these offices are shown below. Other offices such as Accounting and Budget are also involved in the sector projects.

- MPDO is in-charge of municipal planning and development. It is mandated to formulate an integrated economic, social and physical development plan and corresponding policies for the Municipal Development Council (MDC).
- MEO is responsible for formulating/ integrating infrastructure plans, programs/ projects of the municipal government, and it regularly performs engineering surveys for designs/ layouts and inspects the works of contractors.
- MHO, through Rural Health Units/ Barangay Health Stations (RHUs/ BHSs), provides health services to the barangay residents, and also undertakes water quality testing through Rural Sanitary Inspector (RSI).

2) Sangguniang Barangay

The LGC has designated barangays as independent units of local government. The Sangguniang Barangay (SB) acts as a legislative body of the barangay. It receives a share in the IRA from the National Government. The SBs can enact tax and revenue ordinances to raise funds for the discharge of the responsibilities conferred upon them by law and for the promotion of the general welfare of its constituents. They may also solicit funds for the construction of barangay facilities and charge reasonable fees for the use thereof.

(3) Field Offices of Central Sector Agencies

1) DPWH District Engineer's Office (DEO)

There is one (1) District Engineering Office (DEO) of the DPWH in the province. The DEO is mandated to undertake and evaluate the planning, design and construction, and work supervision functions for all public works within the district. They coordinate with other departments, agencies, institutions and LGUs within the district in the implementation of infrastructure projects. No water supply projects directly connected to DPWH presently; however, the DEO still provides assistance for barangays in constructing Level I and II water supply systems, which are financed by the Congressional Development Fund.

2) DILG Provincial Director's Office/Municipal/City Local Government Operations Offices (PDO/MLGOO/CLGOO)

The PDO/MLGOO/CLGOO is tasked to provide general administration and institution-building support to the WATSAN implementers to strengthen their capacity to deliver basic services. Training on WATSAN topics is spearheaded by this office in close coordination with the PPDO at the provincial level and MPDC at the municipal level.

3) NEDA Regional Office and Regional Development Council

NEDA Regional Office coordinates with DILG to establish the system for the regional sector master planning and the monitoring system. The NEDA Regional Office acts as a secretariat of the Regional Development Council and ensures that sector plans are consistent with regional and national priorities. The office requires that project proposals/plans and programs be approved and endorsed by the Provincial Development Council, whose task is to incorporate, consolidate, and prioritize municipal plans, programs and projects.

The NEDA Regional Office No.6 has already prepared the Regional (Region VI) Master Plan (period: 1999-2004). The PPDO itself was involved in the preparation of this plan, specifically on the part of the province.

(4) Community Institutions and Water Supply System Operation Bodies

1) Barangay Waterworks and Sanitation Association (BWSA)

The BWSA is an organization of water supply and sanitation beneficiaries in a barangay, which owns and manages the water supply system/s that are not covered by

Water Districts. RA 6716 requires its formation to ensure the provision of adequate, potable, and accessible water supply to its members through the proper operation and maintenance of Level I and II facilities. The size of the BWSA depends on the number of facilities, and the need, culture and situation in a particular barangay. Its structure is simple, consisting of the Board of Directors, a treasurer, bookkeeper, and caretaker/s.

2) Water Districts (WDs)

A Water District is formed pursuant to Presidential Decree No.198 and organized for the purpose of serving the water supply requirements of the residents within its franchise area. Technical and financial assistance (loans) are provided by LWUA to WDs. The LWUA also exercises regulatory functions over the WDs. To be self-sufficient, a WD is operated in a business-like manner to generate enough revenue from its water services. The income is used to meet operational expenses and debt service, and to build up reasonable reserves for future rehabilitation of facilities and contingencies. The province has five (5) WDs, namely Kalibo WD (covering Kalibo, Banga and New Washington municipalities), Libacao WD, Numancia WD (covering Numancia, Makato and Lezo municipalities), Ibajay WD and Malinao WD. They supply water to their respective franchise areas through Level III systems.

3) LGU Waterworks

In the province six (6) LGU waterworks are delivering Level III water supply services to residents and establishments in the areas not covered by the Water Districts. These waterworks presently operate and maintain their water supply systems by themselves. Fees are collected from water users to recover the cost of operating and maintaining the facilities.

(5) Private sector and NGO

Many water and sanitation systems are implemented by the private sector, NGOs, and community-based organizations. Oftentimes, they also undertake the operation and maintenance of the systems. For the past decade, NGOs and the private sector have been involved in water supply development through investments, technical studies and construction of water supply and sanitation facilities. They have also demonstrated the capability to undertake project implementation with community participation.

5.6 External Support Agencies Active in the Sector

(1) Multilateral Agencies

The World Bank supported the First Water Supply, Sewerage and Sanitation Sector Project (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 Bank prepared a new loan for DILG implementation - the Local Government Unit Urban Water Supply & Sanitation Project (LGU-UWSSP). This project aims to support the water supply requirement in the urban centers of approximately 250 small and medium-sized municipalities nationwide, benefiting 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. Further information on LGU-UWSSP is described in Chapter 9.

Asian Development Bank (ADB) support the Rural Water Supply & Sanitation Sector Project (RW3SP) through sector lending approach for the 20 priority 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 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 completed by the year 2001. More information on this project (RW3SP) is shown in Chapter 9.

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.

(2) Bilateral Agencies

The Japan International Cooperation Agency (JICA) has been extending a grant aid program for the Rural Environmental Sanitation Project, which was jointly implemented by DPWH and DOH. The project covered construction of rural water systems (Level I and Level II) and elementary school toilet facilities. Phase I (pilot project) of the project was implemented from 1985 through 1986 in four (4) provinces in Luzon, Phase II from 1990 through 1992 in eight (8) provinces (including Iloilo, Antique, Capiz and Aklan from Region VI). Phase III covered ten (10) provinces in Region IV, V and X, and the implementation started in 1996 to complete by the end of 1998. 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 nine (9) provinces in Luzon area, ten (10) provinces in Mindanao area and six (6) provinces in Visayas area were completed through previous technical cooperation.

The Overseas Economic Cooperation Fund (OECF), now the Japan Bank for International Cooperation (JBIC), 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 equipments. JBIC 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 (1998) to provide a loan for the Rural Water Supply and Sanitation Project V (RWSSP V) for the 6 provinces in Luzon (based on JICA assisted

PW4SPs). The project will achieve additional service coverage both for water supply and sanitation as follows: 549,100 persons with water supply, 9,579 households provided with latrines, 18,750 students with 375 school toilets and 72 public toilets.

The Australian International Development Assistance Bureau (AIDAB) supported the Central Visayas Water and Sanitation Project through a \$ 14.65M grant. The 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 terms and conditions, priority areas, programs and projects by donor are shown in Table 5.6.1, Supporting Report.

5.7 Project Management Arrangement, and Issues and Problems

With reference to the project management arrangements within the province, the current vision, policies, and practices in the implementation of WATSAN projects were investigated. The findings are discussed in terms of technical, institutional, financial, and community development aspects. Problems/issues are also discussed by sub-component. Current conditions within the municipalities were taken into account. Furthermore, some of the discussion items cover the entire sector management field.

5.7.1 Technical Aspect

(1) Project Identification and Prioritization

1) Project conceptualization and series of procedures to select a project

Annually, the provincial government identifies and prioritizes projects based on expressed needs. The PPDO consolidates WATSAN data extracted from the Barangay and Municipal Development Plans and resolutions. The PPDO conducts fieldwork together with its counterparts at the MPDO in order to validate project needs as expressed by communities through their barangays. The fieldwork involves a series of meetings with barangay people/officials. The PPDO and its counterparts at the MPDO then conduct the required surveys in the barangays where projects are clearly required.

Sangguniang Barangays regularly submit to the municipality their resolutions regarding priority projects, in addition to their Barangay Development Plan. These project proposals are incorporated in the Municipal Development Plan. Through its four sectoral committees, the Municipal Development Council reviews the plan and gives its recommendations for endorsement to the Sangguniang Bayan for the latter's adoption and approval.

Before incorporating it into the Provincial Development Plan, the PDC through its sectoral committees endorses the municipal development plan for consideration and prioritization. The PDC then endorses the project/s to the Sangguniang Panlalawigan for adoption and approval.

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

As discussed above, the PPDO and MPDO play a crucial role in determining which projects, from among the many submitted by the barangays, will be implemented. It is also the PPDO and MPDO who encourage the barangays to submit project proposals when they promote awareness regarding the basic need for clean water and hygienic sanitation.

In the final analysis, however, it is the barangay government which will have to express the need for a WATSAN project in the form of a barangay resolution which reflects the clamor of the residents themselves. Alternatively, the barangay government may include the WATSAN project in its annual Barangay Development Plan if only to stress the urgency of the requirement for better water and sanitation facilities.

3) Priority criteria for selection of the projects

Generally, project selection criteria are based on the indicators prepared by the NEDA Regional Office. These criteria were meant to identify the existence of problems constraining the achievement of certain development objectives and/or to determine the need for development projects.

While criteria are adhered to in selecting projects, the only criterion relevant to the people is whether or not government has responded to their aspiration for better WATSAN facilities which they expressed through their elected representatives in the barangay development council.

4) Technical consideration applied for project identification and prioritization

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

After the submission of a project request by the barangay, a series of procedures including identification, validation and prioritization is expected by the concerned LGUs. These results in considerable time consumed before funding is finalized. A systematic and coherent project identification and prioritization among concerned parties is required.

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

(2) Preparation of Feasibility Studies (F/S) and Detailed Design (D/D) of Facilities

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

The provincial government is able to conduct water source development for both spring and ground water sources. In the case of spring development, technical-related information is collected from the barangay. This involves the location of untapped springs and determining its discharge rate during the dry season. The preliminary topographic survey (elevation and distance) is then conducted to prepare the hydraulic profile of the transmission pipeline. For groundwater development, its technical feasibility is evaluated based on available technical data along with information from the barangay, duly supported by field inspection of the existing wells.

2) Feasibility Study of water supply systems

The F/S for developing Level I and II water supply systems is usually done by the PPDO with the support of agencies concerned like PEO, PHO, DILG, DPWH, etc. In addition to the preliminary study on water source development, water production and water demand is determined as required by the project. Tentative locations of communal faucets are identified in a Level II system. The hydraulic profile (pipe size,

length) and size of the intake box / reservoir are determined using methods learned in the International Training Network (ITN) / DILG training seminar. The BWP design standard is also applied in this case. Finally, a cost estimate of the required facilities is made. The F/S report is submitted to the Provincial Governor for approval while WDs submit their F/S to LWUA for approval and funding.

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

The D/D of WATSAN facilities is also prepared by the PEO based on the F/S report. It must also take into consideration the available budget. Design of Level II systems is made using existing manuals and references. Hydraulic calculation is limited to a single pipeline while the design of the spring box/ reservoir is a standard design of the BWP. However, the PEO has no experience in planning and designing large waterworks facilities including pumping stations/ water treatment facilities. The WDs utilize consultants to plan and design their waterworks systems.

Future water supply system/s will require water treatment facilities, particularly for those using surface water sources. Knowledge/practice not only in hydraulic analysis but also in structural calculation and water treatment technology may be necessary. Measures to increase the capacity of LGU technical staff in the area of planning and designing have to be considered. This may also involve a training package or consultancy services for the provincial waterworks technical staff.

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

1) Procurement of materials and equipment

In the water supply sector, bidding is done to purchase materials (pipes, valves and fittings). The Pre-qualification, Bid and Awards Committee (PBAC) conducts the bidding and prepares the bid documents. The PBAC secretariat prepares bid documents for straight contract projects, while the PGSO prepares documents for projects by the Administration. The current practice of bidding in the province is limited to projects for construction of roads, bridges, school buildings and repair works. During the last five years, there has been no experience in bidding out contracts for the construction of water supply facilities. Although PBAC is tasked to handle the bidding procedures for water supply sector, its technical capability in preparing bid documents and conducting bid evaluations is minimal.

Because of the large workload required in implementing the Medium-Term Development Plan (which includes the preparation of the required tender documents), there

have to be thorough evaluation of pre-qualification documents and the contract procedure. Presently, with the limited volume of work/projects, the procurement procedure already requires a long process, which results in delays in project implementation. The provincial government should examine the current procurement system so that it could handle/manage forthcoming projects more efficiently.

2) Construction, Supervision and Rehabilitation

Construction of WATSAN facilities is usually done by the LGUs, either by the municipal or the provincial office, whichever is the funding unit. For shallow well installations, the barangay government and the BWSA undertake the project using a "bayanihan" (free or discounted labor) scheme. The PEO, together with the MPDO and MEO, manages Level II projects by hiring skilled laborers. The PEO's Construction Division supervises the construction work while the Planning & Programming Division monitors and evaluates the progress of the construction.

In spite of the LGUs' efforts, it is apparent that their present implementation capability is limited to a certain number of projects due to insufficiency of manpower resources and the shortage of supporting vehicles/equipment. Contracting-out to the private sector may be practical. It is also necessary to increase the number of experienced water supply engineers to consider and supervise future projects.

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

1) O&M of facilities by service level

For Level I facilities, the BWSAs or beneficiaries are responsible for O & M; however, their performance has not been impressive since not all caretakers have been trained or equipped with O&M tools/kits. This is evident in the presence of numerous non-functioning/ abandoned wells previously constructed by DPWH. Also, problems such as lack of spare parts, drying up of water sources, and water quality problems such as colored water, salty water, etc. are likewise experienced by beneficiaries. In some cases, the facility malfunctions a few months after turnover; thus, the beneficiaries revert to using their private dug wells or get water from other doubtful sources to meet their water needs.

O&M of Level I facilities is not properly done by BWSAs/ beneficiaries due to a lack of a sense of ownership. There was a case, however, where the users contributed money to purchase spare parts when pump facilities broke down. It is necessary for

the users to consider not only repair/ replacement of mechanical parts but also re-development of wells and the future upgrading of the service level.

BWSA/municipal/barangay government manages Level II and/or III systems that are rather small in size. The required staff are designated to operate/maintain the facilities. These have been some cases, however, where expansion of distribution pipelines and additional service connections were undertaken without considering the technical aspects, e.g., capacities of water sources and distribution facilities. F/S and D/D should be prepared on a timely basis by qualified engineer/s to avoid the decrease of supply pressure and quantity. Preventive maintenance of the system cannot be undertaken due to the shortage of major spare parts stored furnished, which is in turn due to budgetary constraints.

2) Communication mechanism practiced in case of facility breakdown

It was observed that in cases where major repairs were required (non-functioning of hand-pump parts, etc. for Level I), the BWSA or barangay government merely passed a resolution to the municipality/DEO - DPWH requesting for immediate repair. However, most BWSAs have inadequate knowledge of the channels of communication with LGUs or the private sector. The request for repair is therefore improperly addressed. A better communication system has to be prepared and put into service.

For major repairs of Level II and III (e.g. burst pipe/leakage), the municipal government facilitates the restoration/ repair of the system. When the budget is insufficient, the waterworks submit a funding request to the municipal or provincial government. Under the LGC, the LGUs are responsible for developing a system that will ensure sustainable O&M of water systems.

(5) Water Quality Examination

It is common to find contamination at water sources in rural area. Water quality problems usually occur during floods. This is aggravated by poor sanitary conditions in most villages – e.g. inadequate toilet facilities, improper construction of depositories/ latrines, lack of sludge/sewage disposal management, and absence of drainage facilities.

Currently, water quality examinations (bacteriological index) are conducted at the laboratory of DOII-Region VI at the Western Visayas Medical Center (WVMC) in Iloilo City. The laboratory serves all five provinces of Panay Island. Through FW4SP, the provinces

of Aklan and Capiz have obtained examination equipment. These equipment are not yet being used due to lack of space but the problem should be remedied in the near future.

The existing equipment at the hospital includes: incubator, autoclave, drying oven, water bath, refrigerator, magnetic stirrer and analytical balance, etc. The equipment was provided by FW4SP together with the initial reagent and glassware, while subsequent operating requirements were financed by the DOH. However, physical and chemical examinations are not performed. Even bacteriological examinations using the PHC bottle are not done periodically due to insufficiency of equipment, required chemicals, and manpower which is in turn caused by budgetary constraints.

The collection of water samples is done by the sanitary inspectors and these samples are then hand-carried to the existing laboratories for testing. The laboratory conducts bacteriological examinations for free for public samples, while ₱110/sample is charged to private parties. The laboratory has the capacity to examine only 25 samples a week.

Since water quality examinations have to be conducted regularly, the PHO recognizes the need to establish at least one provincial laboratory, which will be in the provincial hospital. Adequate equipment and materials (enough to cover all municipalities/cities) must also be provided. The laboratory will even have to be expanded in the future to meet the increasing demand for water sampling examinations.

(6) Private Sector Capability for the Sector Project

For Level I water supply facilities, locally based private contractors have no capability to construct deepwells in provision of open-hole gravel packed wells. Qualified contractors from large cities shall be tapped to meet required capacity of the drilling equipment and knowledge.

5.7.2 Institutional Aspect

(1) Implementing Capacity of LGUs

In spite of the LGUs' efforts, it is apparent that their present implementation capability is limited to a limited number of projects due to insufficiency of manpower resources, unclear procedures, and the shortage of supporting vehicles/equipment. Contracting-out to the private sector may be practical. It is also necessary to increase the number of experienced water supply engineers and to establish clear procedures for planning and supervising future projects.

The implementing capacity of the municipal government is also limited. The Water District, however, has the ability to manage large water supply systems since they have more management expertise. Sanitation projects are the direct responsibility of municipalities and barangays in coordination with the province. Commonly, there are not enough qualified staff members since the required training to build their capacity is insufficient due to budgetary constraints. The assistance from existing WDs to the associations (Level I & II) may be one of the practical arrangements to effect a transfer of technical and management know-how.

(2) Linkages among Concerned Parties

The PPDO is the lead provincial office responsible for the implementation of WATSAN projects. It works either directly or indirectly with the national government's local offices and with the municipalities and other provincial offices. There is no clear delineation of responsibilities among the agencies involved in WATSAN sector implementation in the province and there is no organizational structure diagram where interrelationship/linkages are clearly shown. Administrative and functional linkages are not spelled out. In the area of PBME, the province has adopted the participatory monitoring and feedback mechanism developed through the UNDP-assisted project (refer to 5.10.1 Project and Sector Monitoring). Consequently, fragmented planning and implementation of sector projects happens since agencies and offices have overlapping activities and functions.

For tri-agency programs (e.g. involving DPWH, DILG and DOH) that implement water supply projects, weak coordination has been demonstrated. There was difficulty in synchronizing the activities of the DPWH (physical construction of facilities) with the activities of the DILG (training of provincial and municipal water and sanitation task forces and formation of BWSAs where target facilities will be constructed) with the activities of the DOH (installation of latrines and promotion of health and education programs). Effective and efficient WATSAN project implementation, the NG agencies involved have to use an integrated approach.

(3) Organization Set-up

LGUs are composed of provinces, municipalities, and barangays. These LGUs have respective responsibilities in implementing WATSAN projects. However, to ensure the delivery of water and sanitation services, the operating structure at the province, municipality and barangay levels should be clearly spelled out to ensure the smooth implementation of projects.

In the past, the task of organizing associations at the barangay level was undertaken by the PWDTF spearheaded by the DPWH. Ever since locally-funded water supply projects were devolved to the LGUs, the DPWH no longer initiated the organization of BWSAs. In the existing organizational set-up in the province, the implementation of the Provincial Water Program is the responsibility of the PPDO and PEO. However, it has been observed that the provincial staff (and also municipal staff) who are responsible for planning, managing, coordinating, implementing and monitoring the WATSAN projects are unable to devote enough time since staff are given additional assignments in other sectors.

(4) Waterworks and Sanitation Association Set-up

In most cases, operating bodies for the Level I facilities are not organized or are non-functioning. A considerable number of public wells are abandoned/non-functional due to lack of O&M, drying-up of wells, and other reasons. Most of the beneficiaries do not know how to operate and maintain the facilities. Beneficiaries still rely heavily on LGUs even for a simple replacement of parts. Consequently, the barangay government ends up taking care of O&M. There is clearly a need for LGUs to inform the beneficiaries about the need to form associations and to participate in the sound O&M of the facilities.

The organization responsible for the O&M of Level II has a complex set-up due to the complexity of water supply systems and more users (compared with that of Level I facility). Most of the Level II systems (and some small Level III) in the province are managed by barangay governments. There is a need, however, for a BWSA to be autonomous from LGUs. The autonomous BWSA structure will motivate the people to operate the system effectively and efficiently since failure to do so will directly affect the members of the BWSA themselves. Furthermore, mergers or consolidations of these operating bodies can be explored to increase the capacity of BWSAs to provide effective and efficient service and to consider system expansions and new developments. A merger or consolidation of operating entities of Level II (and Level I) requires prior agreement among concerned parties. The LGUs can act as a coordinator and facilitator to promote this arrangement.

(5) Health and Hygiene Education with Typical Program

When the PWDTF was still active, it undertook the IEC campaigns in selected barangays in the province. Today, it is the PHO that undertakes health and hygiene education as part of its regular programs. Due to the lack of financial support and manpower at the PHO, however, IEC activities are quite limited at the present time. IEC activities are un-

dertaken only when they are a component of a DOH/UNICEF/NGO projects/program. It is recommended that more attention be accorded to this need of LGUs in order to ensure sustainable implementation for the development of the sector.

(6) Training programs

The central government agencies provide technical training for the LGUs' staff on a project basis. The DILG-PMO recently conducted the "Trainers Training and Community Organizing Training/Workshop" for the WATSAN sector where one of the topics was gender and development (GAD). Since LGUs have employed the cascade type of assistance in implementing WATSAN projects, strengthening the LGUs' staff capability in technical and institutional training is important and periodical trainers training program will be necessary.

The provincial government provides technical assistance to the municipalities and barangays on a project basis or when the training is requested. The PPDO, PEO and other departments and national government agencies usually conduct the training programs which aim to strengthen the capability of O & M personnel at the municipal and barangay levels. It covers technical and management matters of a Level I facility before its turnover. Effective training program/s by LGUs should be continuous to ensure demand-responsiveness in community development.

(7) Database management

The major problems concerning database management are the inadequacy of the facilities and network coverage, scattered data collection responsibilities, lack of continuous data records, and lack of an integrated water resources database. Most data collection efforts are project-related and are usually discontinued once the project is terminated. The provision of a good database will contribute toward more effective and efficient sector planning and projects implementation. It is necessary to establish a database management system at both national and local levels.

5.7.3 Financial Aspect

(1) Budgetary Allocation to the Sector

The province has to prioritize projects, which require capital allocation in the budget due to its limited resources. The GOP recently issued an administrative order directing all government agencies, government corporations, and units (including LGUs) to implement austerity measures, i.e. to limit government spending and to cut capital outlays in order to

mitigate the negative effects of the peso devaluation. In view of the high social impact of the WATSAN sector, however, the province gives the sector funding priority.

The province pays for its capital expenditures using the 20% Development Fund (DF). The LGU may allocate more than 20% of its total IRA to capital projects on condition that the income of the LGU from all sources must first be applied to its contractual and statutory obligations. The PDC determines the sectoral allocation of the DF in the province.

(2) Access to External Funds

The Provincial Government would like to learn how to access funds other than its IRA, local taxes, and economic enterprises. The limitation that the province encounters is the lack of information on this subject matter.

The external assistance for the sector that the province has been able to avail of came from foreign assisted projects. However, the participation of the province in developing projects with foreign funding for the sector was minimal or even nil. With the devolution of the sector to the LGUs pursuant to the LGC, the participation of the LGUs will have to be increased. Before the devolution of the sector, the province was a beneficiary of foreign-assisted projects through central agencies. After the devolution, the province has become a direct recipient of foreign grants.

The province has been a recipient of the UNICEF Fourth Country Programme for Children and Poverty Alleviation Fund, which has a WATSAN component. It was also a beneficiary of the FW4SP Sanitation component and PW4SP. With the completion of the PW4SP, it is hoped that more external funds will reach the province so that the WATSAN situation in the province will improve.

In addition to its own funds source and foreign assistance, the province can also access funds from other sectors, such as the private sector through any of the Build-Transfer-Operating (BOT) schemes that can provide incentives to the private sector by minimizing the bureaucracy.

(3) Cost Recovery Practices by LGUs and by Users

Since government projects are considered dole-outs by most barangays, cost recovery schemes are difficult to enforce. However, with the partnership of the barangay government and the BWSA, people are beginning to appreciate the scheme but their capability to pay is rather low as compared to the WD. For the meantime, the focus of BWSA op-

erations is preventive maintenance so that disbursements of their meager funds can be minimized. Also, the barangay governments are encouraged to allocate funds for contingency use of the waterworks projects.

Cost recovery in the sector is dependent on how the community perceives its role. If the beneficiaries develop a sense of ownership of the facilities, they will contribute to sustain the project and practice preventive maintenance and repair of the system when necessary. For financing capital expenditures, the beneficiaries extend free or discounted labor when building the facility.

5.7.4 Institutional Arrangements/Capability of the Municipal Government

(1) General scheme in WATSAN project implementation

The municipalities through its MEO are responsible for the construction of infrastructure facilities to service the needs of the residents of the municipality. However, generally, technical capability of municipal governments is limited to construction/maintenance work for small-size water supply facilities using spring source. It is also common that insufficient qualified staff members are provided for planning and designing in construction/ expansion of the water supply system. Therefore, the role of the provincial government is important in technical assistance/cooperation to/with municipalities and WDs.

(2) Experiences in project implementation

In most cases, the MEOs develop Level I and Level II systems with barangays' counterpart (mostly labor). The requests for assistance from province will be made when the municipalities consider such to be beyond their funding capability. In addition to the municipal supporting in water supply system implementation, the provincial government extends direct assistance only upon request of the barangay officials. O&M of Level I and II are the responsibility of the barangay LGUs or communities.

For such cases, the following are pre-requisites: i) formation of the association in the relevant barangays, ii) exchange of MOA with the association, iii) understanding that the association shall collect water charges. A certain amount will be remitted to the municipality and the rest retained for O&M.

There are LGU waterworks providing Level III water supply systems besides WDs providing water supply services to their franchise area, because of the low income generation at the initial operation stage. The employees of the municipality are required to work on

the waterworks without additional compensation. Bookkeeping and accounting functions are also integrated into the regular municipal accounting function. However, to manage waterworks properly, at least accounts of waterworks shall be segregated from the general account of LGUs.

5.8 Community Development

5.8.1 General

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

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

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

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

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

Two barangays were made to participate in the group interviews and three in the key informant survey; thus the results of the key informant survey and group interviews are indicative of the situation prevailing in the entire province in so far as participatory community development is concerned on both the government's point of view and the side of the community. The current CD status is not without its share of problems; but this is exactly the purpose of the study, that is, to improve the WATSAN sector's performance by plugging all leaks that may get in the way of the successful implementation of sector projects, CD included.

5.8.2 Provincial CD Structure and Linkages for WATSAN Sector Projects

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

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

In the 1980s up to the mid 1990s, sector projects under the Barangay Water Program (BWP) and those funded out of OECF, WB and ADB were required some level of community participation but this was limited to the provision of free labor by a few beneficiaries during the construction of Level I facilities.

5.8.3 Assignment of CD Specialist to Sector Projects

There is no unit within the Provincial Planning and Development Office (PPDO) that is responsible for conducting or implementing community development (CD) nor is there any permanent staff that has been assigned to do CD work, particularly for the WATSAN sector. The reasons cited were the lack of budget and plantilla for the purpose.

Likewise, the Provincial Health Office (PHO) does not have a unit or a staff that is solely responsible for CD-CO work. However, many of the WATSAN sector's concerns are part of other broader health programs, and these programs usually have a CD-CO component. In this case, the technical personnel of the PHO are utilized for community development work.

Generally, the municipal planning and development office (MPDO) and the municipal health office (MHO) in the municipalities do not also have a CD unit to undertake municipal to barangay-level community development work for the WATSAN sector. This situation was indicated in the municipalities of Buruanga and Lezo.

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

This leads to the second situation. CD work, to be successful, is a continuous and consistent undertaking. Without a CD framework, a permanent structure or identified responsible people for said undertaking, then any CD work started cannot prosper to its successful completion.

The third condition is really a question of whether the provincial and municipal officials are cognizant of and committed to the true importance of CD as a foundation activity for sustainable sector projects. This awareness on the importance of CD must be translated to giving full support – financial, human and material – to sector projects in their entirety. Although there is no existing position for a community development specialist in the province and in the municipalities, the LGU officials are in agreement that there should be better community participation in future WATSAN activities and projects for the facilities to be sustained. However, there is a need to reorient staff who would be involved in sector-related projects in

order for them to learn some up-to-date techniques and strategies that are otherwise not present in previous CD processes.

5.8.4 Training on CD

The staff members of both the PPDO and PHO have not received any training on community organizing or community development. The PPDO, however, has been involved in the implementation of the CO-CD component Coastal Resource Management project since 1996 up to the present. The PHO, on the other hand, has also been involved in four WATSAN projects. These are the FRW4SP Project, implemented from 1983-1990, and the FW4SP, from 1996-1997, the Water for Life Project, also from 1992-1997 and the TKO (Kontra Kolera, Tubig, Kubeta, Oresaol), implemented from 1996-1998. Only the first two projects had a CD component, which was handled by the PHO.

The provincial and municipal LGUs showed willingness to facilitate CD training programs that are pertinent to the achievement of the sector plan under preparation as borne out by the discussions with the relevant officials and the Results of the Barangay Key Informant Survey.

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

5.8.5 Utilization of NGOs

The provincial and municipal governments consider non-government organizations or NGOs as partners in development in Aklan. While most of these NGOs' expertise, however, are focused on agriculture, livelihood and rural improvement, the PPDO and PHO have been able to identify a few NGOs/CBOs that can be tapped to do community development or community organizing work for sector related projects.

NAME OF NGO	CONTACT PERSON	ADDRESS
Process Foundation	Mr. Dante Mijares	Ibajay, Aklan
Arch Gabriel M. Reyes Memorial Foundation	Mr. Emmanuel Parco	1296 C. Laserna St. Kalibo
Uswag Development Foundation	Ms. Didi Quimpo	---

In any case, the NGOs currently working in the province, that have other areas of expertise other than the WATSAN sector, are known to have wide experience in dealing with the grass-roots levels and have knowledge of strategies on how to enter a community and blend with the local people. The provincial officials believe that they can tap the assistance of other NGOs should the need arise. The list of NGOs that have a track record of doing work in the province is updated on a yearly basis. (refer to the Supporting Report for the List of NGOs and CBOs for Aklan).

5.8.6 Existing Community Development Processes

(1) Manner of Participation in Sector Development

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

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

The results of the group interviews show that there has been little participation of the people in sector projects. However, these same survey results indicate that a big majority of the people are now receptive to playing a more dynamic role in sector projects as well as assume the responsibilities that go with the benefits derived from improvements in their water and sanitation facilities. Both the male and female beneficiaries professed willingness to form themselves into water associations, contribute cash, materials, and even sites for the construction of WATSAN facilities. In addition, they are already primed to assume higher responsibilities in managing, operating and maintaining the self-reliant WATSAN facilities.

Water Districts (WDs), on the other hand, generally practice participatory community development. Users-beneficiaries are consulted on practically all phases of project development, that is, from the start of the water district's operation, before loans to be contracted, and before water rates are set and/or adjusted. Maintenance of the WATSAN facilities before the water meter, however, remains the responsibility of the water district.

(2) Typical CD Work

According to the PPDO, the province does not have a set community development method or process being followed in organizing a water supply and sanitation association in the community/barangay except for the manner it was done in the past. This follows the general guidelines set forth by the government such as project orientation at the barangay level and the conduct of trainings participated in by members of the beneficiary community.

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

According to the PHO, their "typical CD work" involves providing technical resource persons during orientation seminars on health and sanitation projects as well their involvement in the implementation of WATSAN projects are through planning and design of community water and sanitation facilities. Also, many health programs are a vehicle for other programs of government to reach intended grassroots' beneficiaries giving the PHO a built-in advantage in community development.

The result of the Barangay Group Interviews, however, confirmed the lack of CO-CD process, or social preparation along all the major activities of the sector's projects as perceived by the beneficiaries themselves. The result of the Barangay Key Informant Survey, however, showed the willingness of the barangay councils to participate in sector projects, specifically on the operation and maintenance of WATSAN facilities. The barangay councils were also willing to facilitate and/or pay for the training cost of volunteers who would eventually operate and maintain constructed facilities. The same survey showed the willingness of local residents to contribute cash while others will provide free labor for the repair and maintenance works as a manifestation of their active involvement with the BWSA.

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

5.8.7 Information, Education and Communication (IEC) as Foundation Activities for Community Development

The province does not have an integrated IEC program on sector plans and programs. As such, CD, as the effective tool for getting full support and cooperation of the people toward the sustainability of WATSAN sector projects, is loosely established. The lack of an integrated provincial IEC program creates a gap in linking the municipalities and the barangays, important entities that could help generate the complete flow of community participation on sector projects. The provincial officials have attributed the lack of an IEC program to financial difficulties.

Nevertheless, the PHO indicated that specific programs undertaken and projects implemented have an IEC component, although the lack of funds/personnel hampers the production of needed materials for print and broadcast media. The office is left to make use of whatever materials are provided them by the project proponents.

In the municipal level, MPDOs collaborate with MHOs in undertaking comprehensive IEC programs. However, this has been limited in scale, again because of the lack of logistical support for such activities. What is done is the conduct of community assemblies, house-to-house and school visits to discuss health-related matters.

On the other hand, the water districts (WDs) generally implement a systematic and comprehensive IEC program. Most WDs produce printed information materials such as newsletters, leaflets and posters that are disseminated to the concessionaires. Regular press releases on WD development issues are submitted to local newspapers. There are some WDs that sponsor radio programs while others conduct regular dialogues with the community. Those that

do not possess enough expertise are assisted by bigger WDs within the province/region (the concept of Godfather Water District) or by the Public Affairs Office of LWUA. A region-wide Water Information Network has been established with all WDs as members. This network undertakes regular public information drive and helps smaller WDs to disseminate information.

5.8.8 Health and Hygiene Education

Health and sanitation education is within the responsibility of the Provincial Health Office and its municipal counterparts. These offices have their own health and sanitation education programs collaborated in by the Rural Health Units (RHU) and the barangay health workers and other community volunteers.

Programs that have a health and sanitation component being implemented by the PPDO in conjunction with other offices such as the PHO and the Population Office are: Population Program, the Family Planning Program, the Child Survival Program on Expanded Immunization and the Control of Diarrheal Disease. Corollary to these are the two programs being implemented by the PHO: the Male Motivators Training Course and the Training on CVHWs on Reproductive Health.

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

5.9 Gender

5.9.1 General

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

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

5.9.2 The Evolution of Gender and Development

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

The adoption of the Philippine Plan for Gender Responsive Development (1995-2025) paved the way for full participation of women and men in planning and implementation of technology for infrastructure projects, including those in the water supply and sanitation sector. In 1995, the Office of the President issued Memorandum Order No. 282 directing various government training institutions to incorporate "Gender and Development (GAD) Concerns and Programs" in their respective curricula in order to further institutionalize gender and development programs. The General Appropriations Act of 1997 mandated all departments, offices and agencies to set aside a minimum amount of 5% out of their 1997 appropriations to be used for projects designed to address gender issues. The Local Government Code includes a provision giving political empowerment to women by creating sectoral seat for women to be elected in every local legislative assembly all over the country. To facilitate the whole process, a gender conscious system of data gathering, processing and generation has been established.

The significance of RA 7192 has started to gradually filter down to the LGU levels. The DILG gives Gender Awareness Orientation and Training to its officials and employees, from the central down to the municipal level. The purpose for this is not only to establish a common awareness on gender, but also to recognize that they are catalysts of growth and devel-

opment for LGUs. In compliance with the policies enunciated in RA 7192, all government departments and agencies were directed to revise, review all their regulations, circulars, issuance and procedures to remove any gender bias. Thus, recent projects that national government agencies have incorporated gender concepts including the projects from the water and sanitation sector.

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

5.9.3 The LGUs and Gender

While the province of Aklan is aware of gender and development, there has been no instance where gender sensitive approaches to planning and implementing WATSAN projects have been included and/or utilized either by the PPDO or the PHIO.

5.9.4 Gender in WATSAN Sector Projects

(1) Gender Participation in Sector Development Projects

One of the objectives of the province-wide group interviews undertaken in this study was to assess gender sensitivity of the intended sector beneficiaries in the roles and modes of participation that they, as men and women, perceive for themselves in WATSAN projects. Another important objective was 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 respondents in the group interviews were composed of 20 females and 21 males, the majority of whom belonged to the 46-60 age bracket. Fourteen interviewees completed their elementary education, with the males outnumbering the females, 8 to 6. Having graduated from high school were 37 respondents, again with 8 males graduating as compared to the 7

males. A good 17 respondents were able to complete college, 5 females and 2 males. The occupation of majority of the male and female respondents was farming/fishing.

In the two barangays surveyed for the group interviews, the total number of barangay council members was 14. Of this number, 11 were males and 3 were females. The barangay captain of Dunga is male; while that of Lumanynay is female.

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

The key informants of the three barangays surveyed said that a BWSA is the one that provides service to their community. They added that their barangay councils had a committee on water and sanitation that also assisted in WATSAN activities.

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

On participation in WATSAN training:

Only 29% of the respondents (12 females) were able to attend training programs for the year 1998. As for sector-related training, only 10, all of them female, were aware of the caretakers' training. However, all the respondents indicated their interest in attending future WATSAN-related training programs. Around 34% of the respondents desired to be trained for a total of one day; but the rest indicated three days or more would be best.

On participation in health and hygiene:

All the respondents recognized the importance of good health and hygiene practices. However, none of the males respondents participated in health education and training; while only 11 out of 20 females did. On water-related illnesses, it was the women who bore the brunt of illnesses, particularly diarrhea, skin disease, kidney trouble and typhoid fever.

On participation in operation and maintenance:

For future projects, the respondents showed their willingness to participate to the fullest extent possible. All the male and female respondents said that they would participate in the formation of the BWSA, the formulation of water rates, in the selection of sites and levels of

services, and in operating and maintaining the WATSAN facilities. However, only the male respondents indicated their willingness to be involved in the construction of facilities. Most of the females and the males agreed that it was a male member of the community who was responsible for minor repairs on the WATSAN facilities.

(2) Gender in Water Supply and Sanitation Practices

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

Responsibility in Fetching Water

According to 18 out of 20 female respondents, the wife was still the one responsible for fetching water. Only five female respondents said that the husband helped. The male child helped in the task, according to 13 female respondents; but for another 11 female respondents, the female children also assisted in fetching water from source to home. For 18 out of 21 male respondents, it was the husband responsible for hauling drinking water for family use, although 17 of them admitted that the wife assisted in this task. Eighteen male respondents pointed to their male children as being responsible for fetching water, although another 10 said that the female children also helped out.

5.10 Existing Project and Sector Monitoring

(1) Sector Monitoring

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

(2) Project Monitoring

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

Monitoring activities under the Regional Development Council cover four components: Economic, Social Development, Infrastructure and Development Administration. Monitoring reports on the foreign assisted infrastructure projects, including water supply projects, are submitted by the PPDO to the national government agencies concerned. Agencies to which the reports are submitted and reporting schedules are defined in the Implementing Guidelines of the projects. The monitoring report is also sent to the NEDA Central Office by the agencies. The central government agencies in turn report to foreign assistance agencies such as ADB, WB, etc.

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

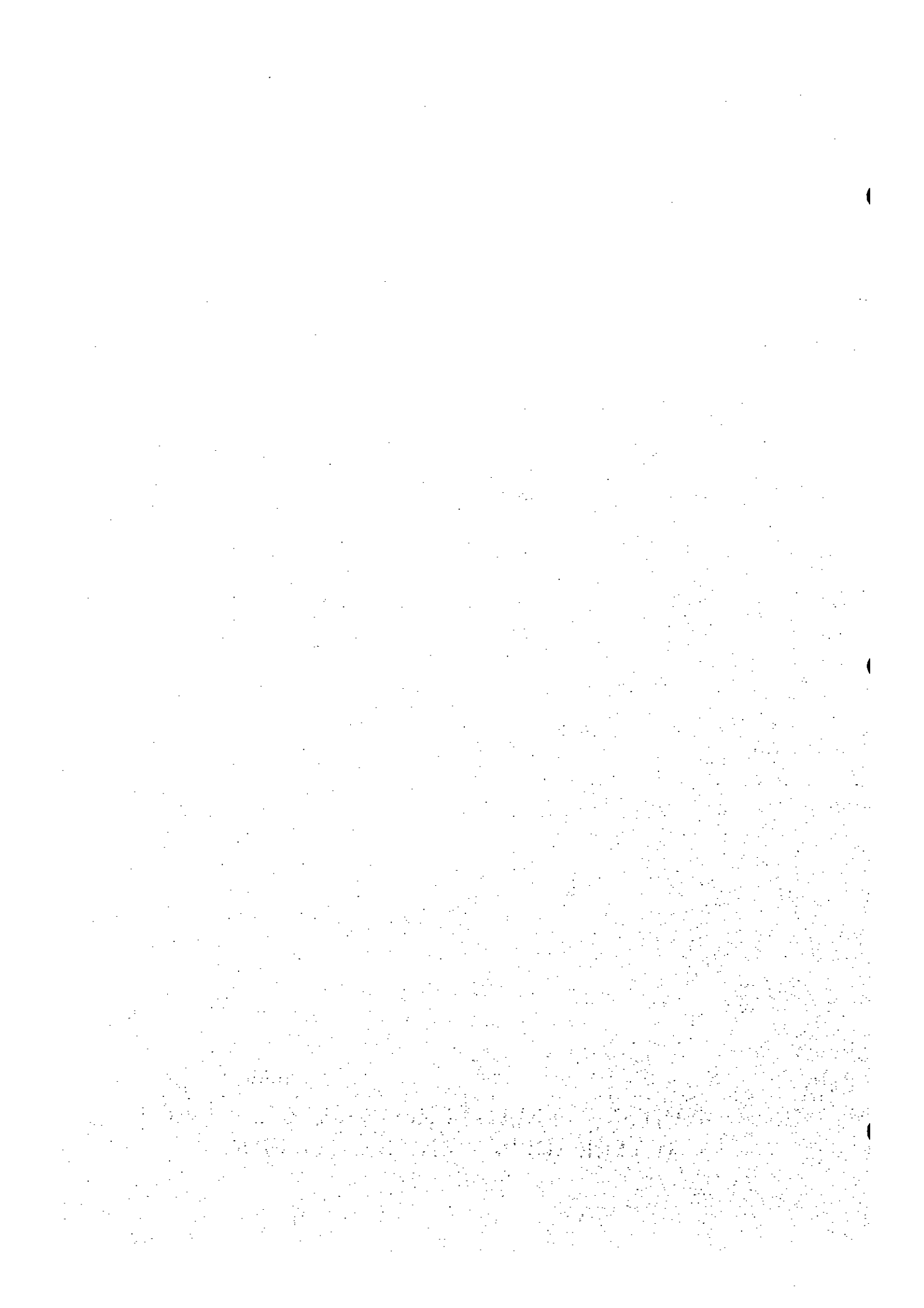
There are no differences in the current project monitoring systems at LGU level. Aside from local practices, the monitoring reports on foreign assisted projects are submitted to the concerned central government agencies through the regional offices.

In both sector and project monitoring, the exchange of information between concerned agencies is insufficient/not systematic. However, there are opportunities to systematize this, like during the RDC regular meetings. In addition, the absence of a reliable data management system not only adds a burden to the monitoring work but also causes wide dissatisfaction among project implementors themselves. The preparation of monitoring reports is seen by some as a nuisance to performing more important tasks. The monitoring reports are therefore haphazardly done. When this happens, the reliability of information presented in the reports is compromised. An effective monitoring mechanism and data management system must be in place and put to work by the concerned agencies.

Chapter

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

6



6. PAST FINANCIAL PERFORMANCE IN WATER SUPPLY AND SANITATION

6.1 General

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

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

6.2 LGU's Past Financial Performance

The provincial government's past financial performance for the period covering the years 1995 to 1999 was investigated. Actual financial data were obtained for the years 1995 to 1998, while the financial figures in 1999 are only budgetary estimates. The municipalities' past financial performance in the same period (1995 to 1998) are presented in the Supporting Report.

6.2.1 Sources and Uses of Funds

(1) Sources of Funds in the Province

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

- (a) IRA – LGU's share in the national internal revenue taxes is based on the collection of the 3rd fiscal year preceding the current fiscal year and is shown as follows: 1st year of effectivity of the LGC of 1991- 30% (1992), 2nd year (1993) – 35% and on the 3rd

- year (1994) and thereafter is 40% of the gross national internal revenue collections. A standard formula, which considers parameters such as population (50%), land area (25%), and equal sharing (25%) is used to determine the LGU share in the IRA. Provided, however, that in the 1st year LGUs were, in addition to the 30% IRA which included the cost of devolved functions for essential public services, entitled to receive the amount equivalent to the cost of devolved personnel services.
- (b) Tax Revenues – mainly consist of real property tax, accounting for an average of 5.19% of the total income of the province.
- (c) Grants, Aids and Subsidies – There are no grants and subsidies reported by the province. However, there are national projects being contracted by the province that are considered as grants.
- (d) Other Income – there are no economic enterprises, but receives minimal income from various fees and charges on certain services.

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

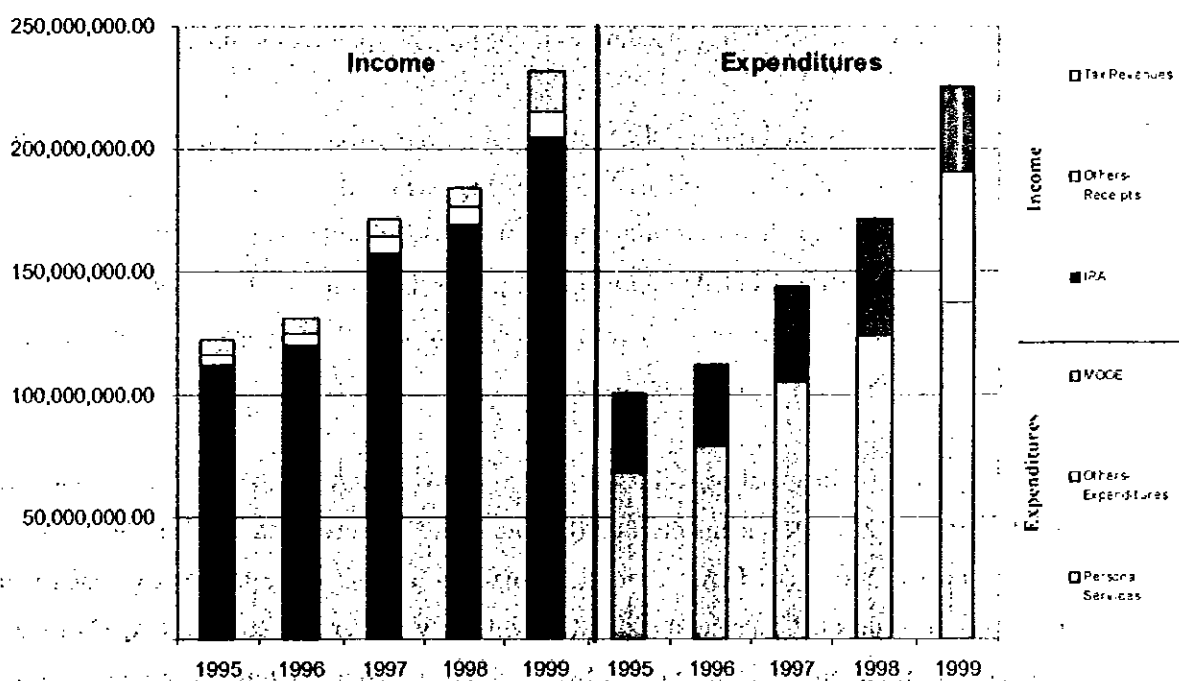
Table 6.2.1 presents the income and expenditures of Aklan during the period 1995-1999. Local tax revenues, which were 5.19% of the total income of the province, consist of real property tax, business taxes and licenses, and miscellaneous taxes. IRA's annual average share to total income was 90.84%, which indicates that the province has historically been dependent on IRA with its low tax and non-tax revenue collections.

In order to mobilize fund sourcing, the 1987 Constitution and the 1991 Local Government Code granted the Provincial Government to have its initiative to create new revenue sources. The LGU financing options are discussed in Section 6.4 and in the Supporting Report.

Table 6.2.1 Income and Expenditures between 1995 and 1999

Province	1995	1996	1997	1998	1999
Receipts					
Tax Revenue					
- Real Property Tax	3,805,714.66	4,108,253.05	4,684,105.48	5,935,334.23	13,500,000.00
- Business Tax	350,592.86	416,094.55	344,950.87	514,122.28	970,000.00
- Others	2,521,287.71	1,758,701.89	1,804,631.69	839,570.41	2,110,000.00
IRA	112,283,491.00	120,452,580.00	157,761,369.24	168,913,727.00	205,000,000.00
Other (Non-tax)	4,007,908.85	4,422,860.13	6,803,651.84	7,870,900.96	10,320,556.00
Sub-total	122,968,995.08	131,158,489.62	171,398,709.12	184,073,654.88	231,900,556.00
Expenditures					
Personal Services	68,242,387.61	79,055,199.70	104,918,774.63	124,417,391.65	137,889,777.00
MOOE	32,484,596.27	33,197,286.90	39,416,855.76	47,649,361.63	35,000,000.00
Others	-	-	-	-	52,630,000.00
Sub-total	100,726,983.88	112,252,486.60	144,335,630.39	172,066,753.28	225,519,777.00
Net Operating Income	22,242,011.20	18,906,003.02	27,063,078.73	12,006,901.60	6,380,779.00
Add. Borrowings	-	-	25,000,000.00	-	-
Surplus (Income)	-	-	-	-	-
Less: Capital Outlays	23,673,903.98	17,731,739.47	46,054,503.66	11,903,282.40	6,370,000.00
Net Income	(1,431,892.78)	1,174,263.55	6,008,575.07	103,619.20	10,779.00

Figure 6.2.1
Income and Expenditures of Aklan, 1995-1999



(2) Uses of Funds in the Province

Actual expenditures of the provincial government during the period from 1995 to 1998 show that personnel expenses comprise majority of expenses with an average of 61.14% to the total revenue, as a result of devolution. Maintenance and operating expenses of the province was 22.31% of total revenues. In addition, the province has a capital outlay with an average share of 12.56% to the total revenue. The funds for the water supply sector were part of the capital outlays of the province.

From 1995 to 1998, the province had an average of ₱20.05 million net operating income from operations. For 1999, the province has a projected net operating income of ₱6.38 million. This amount is enough to cover projected capital outlays of around the same amount.

6.2.2 Availability of Funds

As previously noted, the IRA comprises 90.84% of the total income of the province, which is tapped to finance most of its expenditures including capital outlays and even non-office expenses (incidental). According to the Provincial Treasurer's Office, the amount of IRA that will be received by the province is known in advance before the end of the preceding year. Thus, for budgeting purposes, the province just uses the actual amount of IRA it received in the preceding year as its estimate of IRA for the budget year. In the case where the IRA received is larger than that of the preceding year, the province prepares a supplemental budget.

Table 6.2.2 presents the historical IRA of the provincial government and its municipalities between 1995 and budget year 1999. As shown, the average IRA of the province was 0.86% of the provincial IRA nationwide in the period 1995-1998 and budget year 1999. Likewise, the total amount of IRA allotted to all its municipalities in the years 1995-1999 was 0.84% in the average. The IRA percentage of each municipality to total municipal IRA nationwide is presented in Table 6.2.2, Supporting Report.

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

Table 6.2.2 Past Internal Revenue Allotment to Province from Central Government

Unit: Pesos

Distribution of IRA		1995	1996	1997	1998	1999
National	1. National Total of IRA	55,202,000,000	58,022,990,000	71,049,000,000	80,990,763,000	96,780,000,000
	a) IRA to All Provinces	12,696,644,000	13,755,011,803	17,813,000,000	20,054,018,925	22,259,400,000
	b) IRA to All Cities	12,696,460,000	13,345,287,700	16,341,270,000	18,627,875,400	22,259,400,000
	c) IRA to All Municipalities	18,768,952,000	19,607,715,553	24,849,000,000	28,245,815,434	32,905,200,000
Provincial	2. IRA to Aklan Province					
	a) Total: (b)+(c)+(d)	247,605,424	288,481,311	372,491,636	380,402,016	480,921,046
	b) Provincial Government	112,283,491	120,434,305	157,620,465	160,023,531	198,878,455
	Percentage of 1 a)	(0.88)	(0.88)	(0.88)	(0.80)	(0.89)
	c) Cities					
	Percentage of 1 b)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	d) Municipalities	135,321,933	168,047,006	214,871,171	220,378,515	282,042,591
	Percentage of 1 c)	(0.72)	(0.86)	(0.86)	(0.78)	(0.86)
	3. Total Revenue of the Provincial Government	122,968,995	131,158,490	171,398,709	184,073,655	231,900,556
	Percentage of IRA of Provincial Government	(91.31)	(91.82)	(91.96)	(86.93)	(85.76)
Municipalities	4. IRA to Municipalities					
	Total	135,321,933	168,047,006	214,871,171	220,378,515	282,042,591
	Altavas	8,712,962	9,415,822	11,809,921	12,142,015	15,512,365
	Balete	8,840,269	9,542,723	11,654,174	11,994,569	15,302,797
	Banga	10,181,866	11,013,900	14,057,897	14,350,649	18,321,092
	Batan	9,161,852	9,927,944	12,686,713	12,987,191	16,609,146
	Buuanga	6,777,726	7,322,611	9,065,233	9,339,395	11,901,776
	Ibajay	0	12,733,077	16,298,932	16,803,734	21,566,376
	Kalibo (Capital)	14,529,800	15,754,232	20,728,578	21,037,119	27,402,222
	Lezo	5,799,785	6,166,963	8,163,811	8,275,170	10,473,734
	Libacao	11,628,542	12,484,567	14,532,441	15,128,285	19,321,740
	Madafag	9,493,815	10,182,336	13,589,114	14,140,588	17,961,874
	Makato	0	9,266,030	12,273,339	12,536,373	15,937,199
	Malay	7,077,975	7,650,906	10,100,878	10,354,376	13,500,768
	Malinao	9,938,027	10,668,739	13,316,099	13,762,643	17,538,895
	Nabas	8,509,713	9,203,925	11,524,449	11,846,905	15,144,680
	New Washington	9,804,707	10,634,475	14,063,674	14,351,666	18,360,730
	Numancia	7,611,823	8,247,277	10,913,796	11,098,610	14,163,084
	Tangalan	7,253,071	7,831,479	10,092,122	10,229,236	13,023,819

Based on the income statement of the province, available funds of the province are mainly spent to cover personnel salaries, benefits, the MOOE and capital expenditures. The provincial government's combined income from IRA and its tax, and non-tax revenues were sufficient to cover operating, capital and non-office expenses. Surplus income was tapped for capital outlays.

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

Table 6.2.3 presents the allotted funds for capital expenditures (20% DF) between 1995 and 1999. The 20% DF of the province was sufficient to cover the actual expenditures for the years 1995 to 1998. For 1999, it is projected that the 20% DF amounting to ₱41.00 million

will be adequate to cover the capital expenditures of the province, which is projected at ₱27.75 million. Thus, the province has a surplus in funding of about ₱13.25 million in 1999.

Table 6.2.3 Actual Funds for Capital Expenditures (20% DF), 1994-1999

Unit: Pesos

Year	IRA of the Province (a)	Planned 20% DF ¹ (b)	Actual Expenditures on 20% DF ² (c)	Surplus/(Deficit)
1995	112,283,491.00	22,420,798.00	11,130,798.00	11,290,000.00
1996	120,452,580.00	24,320,000.00	15,300,000.00	9,020,000.00
1997	157,761,369.24	30,941,950.00	19,940,000.00	11,001,950.00
1998	157,761,369.24	33,784,122.00	22,380,000.00	11,404,122.00
1999 ³	205,000,000.00	41,000,000.00	27,753,000.00	13,247,000.00

Source: Provincial Treasurer's Office

^{1/} The 20% DF allotted may not be equal to the computed 20% of IRA.

^{2/} These figures are not necessarily similar with the capital expenditures shown in Table 6.2.1 from Provincial Accountant's Office. Includes current and previous years. For 1999, no expenditures incurred have not been consolidated.

^{3/} Actual expenditures for 1999 is the non-office expenditures in Table 6.2.1

6.2.3 Financial Indicators

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

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

$$DSC = [RINC_1 (1 + AGR) + RINC_1 + IRA_2] \times 20\% - AMORT$$

Where:

DSC = debt servicing capacity of the LGU

RINC = regular income

AGR = average growth rate

IRA = internal revenue allotment

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

AMORT = amortization of the LGU's outstanding loan

1 =current year

2 =preceding year

Based on the above formula, the amount of the debt servicing capacity of the provincial government was computed to be ₱40.41 million, less amortizations, for the year 1999. This amount reflects the maximum loan that can be availed of from MDF. The local tax income (current year) and IRA of the province are projected at ₱16.58 million and ₱168.91 million (preceding year), respectively.

6.3 Past Public Investment and Present Plans

6.3.1 Past and Current Annual Investment Plans

The past and recent development of the water supply and sanitation sector in the province was undertaken by the provincial government through the Provincial Engineering Office (PEO) and PPDO (mainly monitoring). Based on the limited available data, there were minimal investments on water supply and sanitation sector for the period 1995-1998. Table 6.3.1 shows the form to summarize sector investments by concerned agencies in the past. However, there is no data available at present.

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

Unit: Pesos

Funding Category		1995-1998				
Agency	Funds	Level I	Level II	Level III	Sub-Total	Toilet
DILG						
DPWH						
IWUA						
DOH						
NGO (IPHC-DMSF)						
UNICEF						
PROVINCE 1/						
MUNICIPALITY						
Prov./Mun./Rehab Repair						
Total						

Source: Provincial Accountant, Treasurer and Budget Officer

Note: 1/ Includes other non-WATSAN projects.

2/ No data available as of December 1999

(1) Budgetary Allocation to the Sector

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

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

(2) Capital Expenditures in the Sector

The projects programmed for implementation in the province by sector, by funding source, and by implementing agency are consolidated and presented by the PPDO in the Provincial Annual Investment Plan (AIP). The AIP is based on the planned investment of the province, as well as on the submission to the PPDO from the municipalities on their planned investments for the coming year.

Table 6.3.2 shows the form to summarize the annual planned activities in the water supply sector, the corresponding funding sources and the amount of investment from 1995 to 1998 (Table 6.3.3 is the form for annual sector investments by service level for the period 1995 to 1998). However, there is no data available at present.

Table 6.3.2 Annual Investment Plan, 1995 – 1998

Unit: Pesos

Item	1995	1996	1997	1998	1999	Total	% Share
Construction (DW, SW, Spring Box, Reservoir, Tank) Various Foreign Assisted (OECE) National (DPWH/CDF/DILG/PAF2) Various Local Funding (Prov / Mun.)							
Spring Development with L2 Various Foreign Assisted (OECE) National (DPWH/CDF) National/Local Funding (DOH) Various Local Funding (Prov/Mun.)							
Spring Development with L3 Construction Levels 2/3 (Municipal) National (DPWH/CDF) Local funding (Municipal) Maintains/Rehabs/Improve L1/L2/L3 & SD (Prov/Mun) Expansion L2/L3 (Prov/Mun) Construction of Health Center Stations-Barangay (DOH) Water Disinfection Chlorination of Water Sources (DOH) Barangay Sanitation/Sanitary Toilets (DOH/DILG MUN)							
Special Water Supply Projects (Gov't Center, Hospital – Local) – Municipal							
Total							

Source: Provincial Planning and Development Office and Provincial Accountants.

Note: 1/ Includes non-WATSAN project.

2/ No data available as of December 1999

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

Unit: Pesos

Item	1995	1996	1997	1998	Total
Level 1 Foreign Assisted National Local					
Level 2/3 Foreign Assisted National Local					
Other: Expansion Repair/Maintenance Special Water Supply Projects (Gov't Centers, Hosp.) – Local Water Quality 1/ Sub-Total Water Supply					
Health Centers Sanitation Toilet (DOH)					
Sub-Total Sanitation					
Grand Total					

Note: 1/ includes non-WATSAN project.

2/ no data available as of December 1999

Source: Provincial Planning and Development Office, Provincial Accountant.

6.3.2 Past and Current Breakdown of 20% Development Fund

The allocation of the 20% DF is guided by DILG Memorandum Circular No.95-215 as amended by Memorandum Circular No. 96-263 issuing 'the Policies and Guidelines on the utilization of the DF and other related matters'. As presented in Table 6.3.4 and graphically shown in Figure 6.3.4, the infrastructure sector obtained 40.36% of the DF in 1998 (i.e. ₱13.64 million out of ₱33.78 million actual expenditures).

Table 6.3.4 Allocation of the 20% Development Fund, 1995-1999

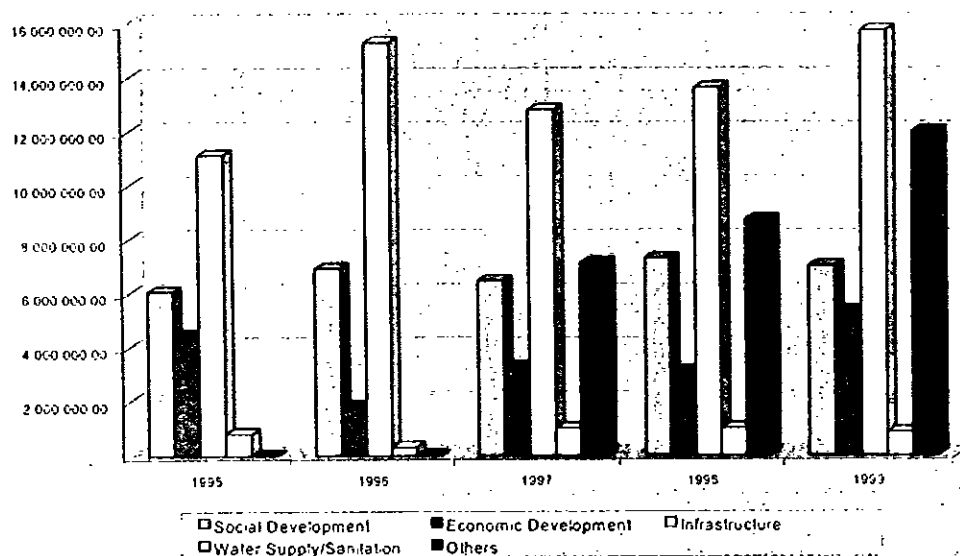
Unit: Pesos

Year	Planned 20% Dev't. Fund	Actual Expenditures					Sub-Total	% of Water Supply to Actual Dis-bursed Amount of 20% DF
		Social Development	Economic Development	Infra-structure	Water Supply/ Sanitation	Others		
1995	22,420,798.00	6,065,000.00	4,425,000.00	11,130,798.00	800,000.00		22,420,798.00	3.57%
1996	24,320,000.00	6,920,000.00	1,800,000.00	15,300,000.00	300,000.00		24,320,000.00	1.23%
1997	30,941,950.00	6,475,950.00	3,256,000.00	12,806,000.00	1,000,000.00	7,134,000.00	30,671,950.00	3.26%
1998	33,784,122.00	7,313,250.00	3,090,872.00	13,635,000.00	1,000,000.00	8,745,000.00	33,784,122.00	2.90%
1999	41,000,000.00	7,034,000.00	5,350,000.00	15,753,000.00	863,000.00	12,000,000.00	41,000,000.00	2.10%

Source: Provincial Budget Office and Provincial Accountant's Office.

¹ The 1999 figures for expenditures are allotted amounts only. Actual figures are not available.

Figure 6.3.4 Allocation of the 20% Development Fund, 1995-1999



In 1998, out of the planned 20% DF of ₱ 33.78 million, only the amount of ₱1,000.000 was disbursed to WATSAN sector (which is equivalent to 2.96% of the 20% DF).

6.3.3 Existing Plans of the LGUs for the Sector

(a) Logistic support with required funding

The LGUs through the course of project implementation shall ensure the provision of adequate logistic support with financial arrangements. The LGUs have not given priority to the requirements considering the budgetary constraint. The AIP needs to include the plan for the logistic support entailing manpower and vehicle allocation.

Also, the province shall determine financial arrangements for the implementation of Medium-Term Development Plan (2000-2004) to be prepared, entailing the share to the relevant sector from development fund of IRA and other financial sources to be availed of.

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

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

Based on the policy of the province, the following annual activities are undertaken in the province:

- Project proposals from the different municipalities and barangays are compiled;
- Consultation with the representatives of municipalities and barangays as to prioritization of the sector projects. During the occasion, the Governor announces the policy on the sector project implementation including budgetary allocation, the planned and implemented projects, and the obligation of the people/ beneficiaries (cost-sharing between province and municipalities according to financial capabilities of the municipalities concerned).
- For Level I and II water supply, LGUs implement the projects based on the available fund. Generally, projects are initiated by the BC. In case that project needs (finance, technology, etc.) exceed the capacity of BC, the request is made to municipality followed by action by the province. There are cases when BCs directly request projects to Governor's Office. For Level III water supply, funding comes from the internal cash of the WDs or loans from the LWUA.

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

6.4.1 Cost Sharing Arrangements / Counterpart Funding

The implementation of rural water supply projects was previously undertaken by the PPDO, PEO and PHO. The PEO receives requests for assistance from barangay people, although planning the sector projects is under the PPDO. The request, however, are granted on a case to case basis, usually if the manpower, materials, and budget are available. It was assigned to the PEO for implementation (Level I and II), since the PEO can undertake the design construction and O & M assistance.

Cost sharing among concerned parties (LGUs, central government agencies and barangay people) has been made within realistic arrangement/ current capacity (though the level of the practice is far from present GOP policy).

The following are other financial arrangements and issues:

- a) There is no priority list of projects for the municipalities and no budget allocation was made in advance to reflect in the AIP. There is a Local Finance Committee to decide on priority projects for their financing, the members of which come from Budget Office, Treasurer's Office, PPDO and Accounting Office. All projects must have barangay resolutions. The PDC (Provincial Development Council) also prepares its justification for the prioritization of projects.
- b) The PEO implements the Provincial government-funded projects under the General Fund. The implementation of these projects is closely monitored with reference to progressive disbursements. For the sector implementation, the following are the local funding sources and corresponding implementing agencies.

<u>Funding Source</u>	<u>Implementing Agency</u>
Provincial Government	PEO
CDF (Congressmen)	DPWH – District Office
Municipal Government	Municipal Government

A new cost-sharing scheme was authorized in 1998 in accordance with the policy on national government grants. It is stated that "this scheme shall be applied to all new ODA-assisted projects that are currently being packaged in support of LGUs". Programs of central government agencies that involve devolved functions, particularly those that have social and/or

environmental objectives are implemented through a cost-sharing arrangement between the central government agency and LGUs.

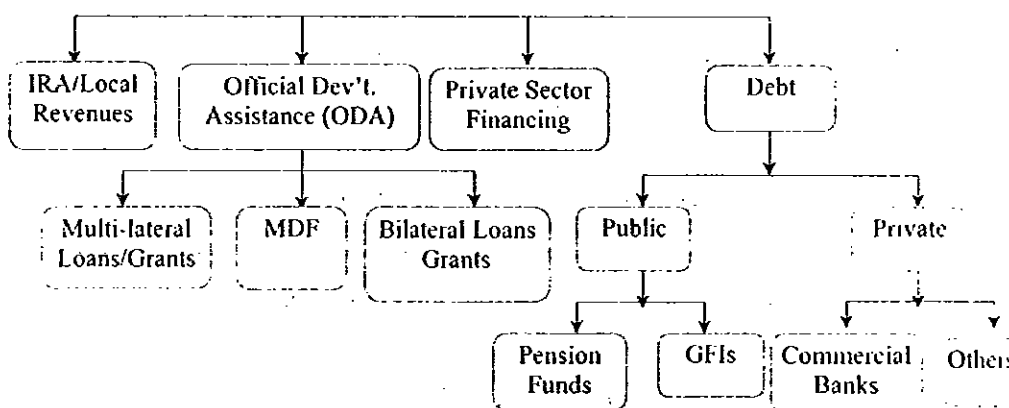
For any central government grants that are provided for the development of Level I water supply systems and sanitation facilities to the limited classes of municipalities, the LGUs and beneficiaries concerned shall share the capital cost required. No subsidies from the central government will be provided for the construction of Level II and III water supply systems.

6.4.2 ODA Assisted Projects and Grant/Aid

Other external source of funds of the province is foreign assisted projects either directly coursed through the province as in the case of the UNICEF funds (grant) and JICA (grant). Water districts in the province likewise avail of funding through loans that are directly obtained from LWUA.

LGUs have the following financing options (refer to Figure 6.4.1): IRA, ODA, private sector financing and debt (both public and private sector debts). A more detailed discussion of the different financing options is presented in the Supporting Report. Below are the major commonly availed or financing options by LGUs.

Figure 6.4.1 LGU Financing Options



Arrangement through Conduits

(1) Municipal Development Fund (MDF)

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

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

The Policy on accessing loans through the MDF is currently under review by the central government to make the terms and conditions more concessional towards the lower classes of LGUs, such as the 4th to 6th class municipalities.

(2) Governmental Financing Institutions (GFI)

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

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

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

Another condition that the bank usually imposes on the loan is the signing of a MOA between the LGU and the bank, where the LGU guarantees that the loan will be honored despite a change in administration in the next election. Interest rate is not fixed. Loanable amount may be based on the amount of time deposit of the province in the bank.

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

(3) Foreign Lending Agencies

The external assistance to the Sector in the province comes from foreign assisted projects. Before the devolution of the sector, the province was a beneficiary of UNICEF and JICA health services. After the devolution, the province became the direct recipient of foreign grants. The most recent experience of the province in foreign grants was the UNDP-WATSAN project, where the province is a direct recipient from the donor.

There is currently a World Bank-assisted project, the Local Government Unit-Urban Water and Sanitation Project (LGUWSP), which was conceived in mid-1995 by the

Government thru the DILG. The project is based on two underlying principles: "demand-driven approach in project development and implementation (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 the "adoption of commercial principles" in the management/ operation of the water utilities by involving the private sector or the facilities must be operated as commercial entities, and water treated as an economic commodity.

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. The system shall be operated by a private operator under a long-term lease contract with the LGU. It aims to support the water supply requirement in the urban centers of approximately 250 small and medium sized municipalities, benefiting about 6 million people. There are two (2) sets of target markets, namely:

- (1) Municipalities/ cities, irrespective of income class, which have not formed a water district; and
- (2) Municipalities/ cities, 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 event that the local water district is receiving a loan from LWUA, it shall seek clearance from LWUA prior to entering into an agreement with LGU concerned in any program of system expansion/rehabilitation. The LGU equity ranges from 10-25% of the total project cost.

The overall cost estimated nationwide and implementation time table of the project are as follows:

Unit:US\$ Million			
Phase	World Bank	LGU	Total
1999 – 2002	23.3	13.7	37.0
2000 – 2004	60.0	20.0	80.0
2003 – 2006	100.0	33.0	133.0
Total	183.3	66.7	250.0

Relending Terms are as follows:

- 1) World Bank funds shall be channelled thru the Development Bank of the Philippines (DBP) which shall relend them as sub-project loans to the LGUs.

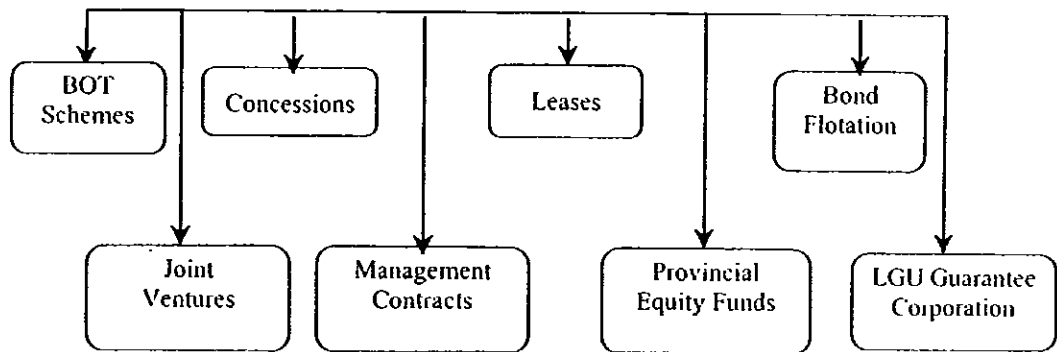
- 2) The DBP sub-project loan shall include the cost of feasibility study, technical design and construction of the water supply facility.
- 3) Basic terms of the loan are:
 - Interest per annum; 15%
 - Amortization Period; 15 years with 3-year grace period.

(4) Private Sector Financing Schemes

There are several private sector financing modalities that can be promoted to finance WATSAN sector projects particularly in urban areas, where existing service area coverage may warrant viability of WATSAN investments for a profit by the private sector proponent. Further, Level III water supply expansion projects are now increasingly financed thru private sector financing mainly thru concession contracts and BOT schemes.

Figure 6.4.2 presents the different modalities for private sector financing that may be tapped

Figure 6.4.2 Private Sector Financing



by LGUs for financing water supply and sanitation sector projects. A more detailed discussion of the private sector financing schemes is presented in the Supporting Report.

6.4.3 LGU-Financed and Managed Waterworks and Water District

As presented in Table 6.4.1, there are five (5) WDs and six (6) Waterworks Systems in the the province, with the Kalibo Water District having the largest number of metered connections at more than 6,000 connections.

The WDs adopted progressive charge method and have achieved relatively very high water charge collection efficiency, ranging from 75 to 96%. The average monthly consumption per connection is 19.8 cu.m. per month.

Shown in Table 6.4.2, is the status of existing loans of provincial/municipal waterworks. The Numancia and Malinao WDs are paying the highest amortizations, at ₱151,441, and ₱31,422, respectively.

Table 6.4.1 Financial Indicators of WD/Waterworks

Water District/Waterworks	Number of Metered Connections	Number of Flat Rate Connections	Average Monthly Rate	Average Consumption per Connection	Average O&M Cost	Average Revenue	Collection Efficiency
	Number	Number	Pesos/m ³	m ³ /Month	Pesos/Month	Pesos/Month	Percent (%)
Altavas	37		60.00	2.80	4,167.00	12,000.00	90.00
Batan RWW	347		12.50	6.00	24,807.05	25,000.00	90.00
Ibajay WD	376		12.50	13.00	48,040.00	46,911.00	79.00
MCRWSA	211	17	7.50	7.40	11,772.00	10,128.00	75.00
Rizal WW		278	15.00			3,500.00	80.00
Kalibo WD	6,684		13.50	24.15	1,983,400.00	2,267,200.00	96.12
Numancia WD (a)	1,733	1	17.00	15.41	436,135.00	337,926.00	90.00
Libacao WD	318	2	10.60	14.66	55,585.00	55,354.00	90.00
Madalag WW Coop.	116	4	10.00	10.00	9,000.00	10,000.00	90.00
Malinao WD	364		14.50	15.00	62,206.75	86,481.15	90.00
CBCP	327				31,128.00	46,293.00	95.00

Table 6.4.2 Loan Status of Water District

Water District	Description			
	Total Loan Availed (in '000 Pesos)	Remaining Payment Period (months)	Average Monthly Amortization (in Pesos)	Current Arrears (in '000 Pesos)
Ibajay WD	471.00		5,000.00	
Kalibo WD				
Libacao WD	780.00	276.00	5,891.00	
Malinao WD	3,672.77	219.00	31,422.00	2,090.95
Numancia WD	15,974.07	207.00	151,441.20	6,124.82

6.5 Existing Practices by the LGU on Cost Recovery

6.5.1 Capital Cost

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

For Level III system, WDs or RWSAs bear the entire capital cost financed by LWUA through loans with concessional terms of 8.5%-12.5% interest rate and repayment period extending up to thirty (30) years. Less capable WDs are granted soft loans that are interest free during the first five (5) years operation. In the occasion of the first assistance by LWUA, the loan for the full investment required could be provided for the WDs.

For the expansion/rehabilitation works of the WDs, 90% of required investment may be granted by a loan and the remaining 10% shall be arranged by the equity of WDs. The cost of amortizing the loan and operation and maintenance of the system is recovered through monthly water bills. In case of LGU's operating Level III systems, the capital cost is managed by the LGU using part of DF and other financial sources (borrowings and aids).

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

6.5.2 Operation and Maintenance Cost

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

When DPWH had been undertaking the construction of Level I water supply facilities, the DPWH through DEOs and PEOs assisted to form many BWSAs. However, most of these BWSAs are no longer functioning, due to the non-collection of water fees. As a consequence, the users had to go to the LGUs (usually barangay or municipal governments) to address the problem. In some cases, the users likewise requested the PEOs for assistance.

Although the DEO had no budget for operation and maintenance, it extended assistance in the form of materials (such as gaskets or joint pipes) from their supplies, if these items are available. Because of this situation, the emphasis was placed on the need of monthly contributions from the users for the O & M. While, some of the active BWSAs for Level I water supply collected monthly fees ranging from ₱5.00 to as much as ₱30.00 per household per month.

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

The Water Districts of Numancia, Malinao, and Kalibo are charging the higher amounts of ₱17, ₱14.50, and ₱13.50 per cu.m., respectively. The Libacao WD charge the lowest fee, at ₱10.60 per cu.m.

The water rate structure is based on LWUA's guidelines for water rate setting. The water rate structure is based on LWUA's guidelines for water rate setting. Water rates are socialized, based on O&M, operating expenses and capital expenditure requirements of the system for the period, and it should not exceed 5% of the low-income group's household income. Water rates are kept minimal since the Water District should be service-oriented and not profit-oriented.

6.6 Affordability of Users

This sub-section presents the affordability of users by sector service level. However, base information for the analysis is limited to the results from field survey at selected barangays and from the water districts in the province.

6.6.1 Capital Cost Contribution

Based on the results of the key informant survey, the respondents indicated that all the barangay councils are willing to participate in sector projects by initiating the formation of a water and sanitation association. All of the respondents indicated their willingness to contribute in cash or in kind for the construction of WATSAN facilities in their respective barangays.

Referring to the group interview results for Level I and II water supply conducted in this study, about 25% have participated by providing labor in past water supply construction projects. On the other hand, 29.3% have contributed either cash, materials or donated site. For future projects, the respondents, as a whole, were willing to participate and/or contribute for

future WATSAN projects. There were a few who volunteered to participate depending on the activity to be undertaken such as in the formulation of water rates and in the selection of sites.

With respect to the construction cost of private toilet, its cost seems to be expensive as compared with the family income. The estimated cost of flush type toilet facility is about 6.4 times higher than the median monthly family income in the province and since this is the case, subsidy may be provided by the LGU concerned.

6.6.2 Operation and Maintenance Cost

Based on the key informant survey for Level I services, the most common problem cited by the respondents was the absence of maintenance work for these facilities due to the lack of sufficient funds to operate and maintain WATSAN facilities. It is noted by the respondents that most barangays were recipients of financial and institutional development assistance from the provincial and municipal government. The assistance included the funds for repair and maintenance of WATSAN facilities and the provision of various training programs.

Referring to the results of the group interview survey (Level I services), about 24% of the respondents claimed it was the private owner that shouldered the cost of O & M of WATSAN facilities. All the respondents expressed willingness to pay for the O & M of future WATSAN facilities. Of those who were willing to pay, majority or around 49% of the total respondents claimed they could pay water fees of below from ₱ 5.00 only. Around 15% wanted to pay water fees from ₱ 6 to ₱ 10 only; the rest of the respondents would pay about ₱11.00 to ₱20.00 per month.

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

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

Table 6.6.1 Affordability in Water Supply and Sanitation Services

Income/ Level of Service	Amount (Pesos)	% to Monthly Income	Affordable Range (%) ²
Median of Monthly Income ¹	4,716		
Average Level III: Monthly Water Bill ²	273.80	5.04	5.0 or less
Average Level II: Monthly Water Bill ²	-	-	2.0 -3.0
Mo. Level I Expenditures ²	-	-	1.0 or less
Private Toilet Construction Cost - Flush Type Toilet ³	23,000.00	6.39 x Mo. Income	

Notes:

¹ 1994 Family Income and Expenditures Survey, NSO, escalated to 1998 prices using 7% inflation rate

² Data from PSPT; It is assumed that 19.80 cu.m. will be consumed per family.

³ No data available

⁴ Current prices estimated in this study

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