

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 provincial agencies and the Barangay and Municipal Development Plans and resolutions as well as other sources. 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 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. Through its secretariat (the PPDO), the PDC then endorses the finished provincial development plan 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 PDC and NEDA/RDC. 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 express through their elected representatives in the barangaymunicipal 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 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 development planning 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 PEO and PPDO with the support of agencies concerned like PHO, DILG, DPWH, etc. In addition to the preliminary study on water source development, water production and water demand are 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. WDs on the other hand submit to LWUA for approval and funding.

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

With the F/S report as its basis, the D/D of WATSAN facilities is prepared by the PEO. It must also be within 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 normally utilize consultants in planning and designing 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 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, the bidding is done to purchase materials (pipes, valves and fittings). The Committee on Awards or Pre-qualification, Bids and Awards Committee (PBAC) conducts the bidding and prepares bid documents. The PBAC secretariat prepares bid documents for straight contract projects, while the PGSO prepares documents for projects by administration. The current practice of bidding in the province is limited to projects for the 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 limited to roads/bridges/buildings.

Because of the large workload required in implementing the Medium-Term Development Plan (which includes the preparation of the required tender documents), there should be thorough evaluation of pre-qualification documents and the contract procedure. Presently, with the voluminous works/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/expeditiously.

2) Construction 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 on a "bay-anihan" (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, Maint., Rehab & Repair Division supervises the construction work, and the Planning, Designing & 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 re-

sources 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 quite impressive since not all caretakers were trained and equipped with O&M tools/kits. This is evident in the presence of numerous non-functioning/abandoned wells previously constructed by DPWH. Assorted problems such as lack of spare parts, drying up of water source, and water quality problems such as colored water, salty water, etc. are likewise experienced by the 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 sense of ownership. There have been cases, 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.

Other BWSAs especially those supported by their barangay governments have developed the capability to manage Level II water systems. However, when the system is expanded to Level III the LGU takes over, designating municipal staff in the O&M and repair of the system, and in the collection and receipt of monthly tariffs. The system is managed like a business enterprise to cope with the O&M requirements. In such cases, communal faucets are maintained for free or at a minimum charge to cater to the needs of those who cannot afford to pay for an individual household connection. There have been some cases, however, where expansion of distribution pipelines and additional service connections were undertaken without considering the technical aspects, e.g., capacity 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.

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/PEO or DEO requesting for immediate repair. However, most BWSAs have inadequate knowledge of the channel 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/RWSAs 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 many barangays -- e.g. inadequate toilet facilities, improper construction of depositories/latrines, lack of sludge/sewage disposal management, and absence of drainage facilities.

The provincial water analysis laboratory performs bacteriological examination and PHC media preparation. The Sanitation Inspectors (SIs) of the CHO/MHO collect the samples. Sampling using the PHC media is done for all level I water supply sources. Those found positive for bacteria are then subjected to sanitary survey & bacti-test and disinfected by sanitary inspectors if the result is positive for bacteria.

The existing provincial laboratory should include water quality parameters (physical and chemical) which are necessary to determine the potability of water as indicated in the Philippines National Drinking Standards. A regular program of disinfection at all service levels is done in newly constructed and newly repaired facilities, and in all water sources found positive for bacteria.

The incidence of water-borne/related diseases and the percentage of contaminated sources of drinking water is high. There is an obvious need for a budget for water quality surveillance for physical and chemical test.

(6) Private Sector Capability for the Sector Project

For the Level I water supply facilities, locally based private contractors have capability in the construction of deepwells up to 200ft. They have percussion drilling equipment for difficult areas. Local contractors have adequate knowledge and experience in the construction of Level I & II water system facilities.

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 certain 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 establish clear procedure to plan and supervise future projects.

Implementing capacity of municipal government is also limited, though a larger water supply system is managed by WDs with a higher level expertise. Sanitation projects are under direct responsibilities of municipalities and barangays with the coordination of the province. Commonly, qualified staff members are not adequate in number and training to strengthen capacity building is not sufficient due to budgetary constraints. The assistance from existing WDs to the associations (Level I & II) may be one of the practical arrangements to ensure transfer of technical and management know-how.

(2) Linkages among Concerns

The PEO, PHO and PPDO are the lead provincial offices responsible for the implementation of WATSAN projects, and they work either directly or indirectly with the national government's local offices and municipalities as well as other provincial offices. There is, however, no established arrangement and responsibility delineation among the agencies involved in the WATSAN sector implementation in the province where interrelationships/linkages are clearly shown. Some administrative and functional linkages are not too clearly spelled out, although in the area of PBME (planning/budgeting/monitoring/evaluation) the province is adopting the participatory monitoring and feed back mechanism developed through UNDP-assisted project (refer to 5.10.1 Project and Sector Monitoring). Subsequently fragmented planning and implementation of sector projects happen, and a number of agencies and offices have some overlapping activities and functions which need clarification/streamlining.

For tri-agency programs such as DPWH, DILG and DOH implementing water supply projects, weak coordination had been experienced. There was difficulty in synchronizing activities related to: i) physical construction of facilities (DPWH); ii) training of provincial and municipal water and sanitation task forces and formation of BWSAs where target facilities will be constructed (DILG); and iii) installation of latrines and promotion of health and education programs (DOH). Effective and efficient WATSAN project implementation needs to follow an integrated approach with assistance extended by NG agencies.

(3) Organizational 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, operating structures at the province, municipality and barangay levels and identified organizational tasks should be established. This will ensure the smooth implementation of the projects.

Previously, the organization of the associations at the barangay level was undertaken by the PWDTF (Provincial Water Development Task Force) spearheaded by the DPWH. Since locally-funded water supply projects have been devolved to the LGUs, the DPWH no longer initiates the organization of BWSAs. In the existing organization set up of the province, the implementation of the Provincial Water Program is placed under the PEO. However, it has been observed that the provincial staff (and also municipal staff) responsible for planning, managing, coordinating, implementing and monitoring the WATSAN projects are unable to devote enough time since staff are given additional assignments to work 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 (operation & maintenance), dried-up wells and other reasons. Most of the beneficiaries are not aware of the manner for O&M of the facilities. Beneficiaries still rely on LGUs even for a simple replacement of parts. Consequently, the barangay government takes care of O&M. Given these conditions, the LGUs should spearhead the formation of associations and require the beneficiaries' participation to ensure 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 Level II systems (and small Level III systems) in the province are mostly managed by barangay governments. There is a need, however, for a BWSA to be autonomous from the LGUs. Since they are the direct beneficiaries of the water system, the autonomous BWSA structure will motivate the people to operate the system effectively and efficiently. Failure to fulfill this function has a direct impact on them. Furthermore, merger or consolidation of these operation bodies can be explored to increase the capacity of BWSAs for more effective and efficient system operation as well as to consider system expansions and new developments. Merger or consolidation of the operating entities will need collaboration and agreement among concerned parties. The LGUs can act as a coordinator and facilitator to effect this arrangement.

(5) Health and Hygiene Education with Typical Program

There was a time when the PWDTF was active and performed the job of conducting the IEC campaign in selected barangays in the province. Currently, 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, relevant IEC activities are limited at the present time. They can only be undertaken if it is a component of a DOH/UNICEF/NGO project/ program. It is recommended that more attention to the needs of LGUs be accorded to ensure its 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. Since LGUs have employed the cascade-type of assistance in implementing WATSAN projects, strengthening LGU's staff capability in technical and institutional training for effective and efficient project implementation is important. Periodical trainers training program may 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 conduct the training, which are aimed at strengthening the capability of O & M personnel at the municipal and barangay levels (Actually, seven Level II waterworks were provided training course on book keeping and accounting in the past). It covers technical and management matters of a Level I facility before its turnover. Effective training program/s should be continuously undertaken by the LGUs 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 the effective and efficient sector planning and projects implementation. It is necessary to establish the database management system at both national and local levels.

5.7.3 Financial Aspect

(1) Budgetary Allocation to the Sector

Due to limited resources of the province, it has to prioritize projects, which require capital allocation in the budget. The GOP recently issued an administrative order (1998) 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 Asian financial crisis. 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 among other sources 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. PDC determines the sectoral allocation of the DF in the province.

(2) Access to External Funds

The Provincial Government is open to finding out other means by which the province can access funds to the sources other than its IRA, local taxes, and economic enterprises. The limitation that the province encounters is the lack of information by which it could access other financing options.

External assistance experienced by the province for the sector comes from foreign assisted projects in the past. However, participation of the province in projects of foreign funding for the sector was minimal. With the devolution of the sector pursuant to the LGC, the role of the LGUs is strengthened. 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 Third and Fourth Country Programs for Children and the National Poverty Alleviation Fund, which has a WATSAN component. It is 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-Operate (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. Meantime, the focus of BWSA operations 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 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. It is also common that insufficient qualified staff members are provided for planning and designing in construction/ expansion of the water supply sys-

tem. Therefore, the role of the provincial government is important in technical assistance/cooperation to/with municipalities and WDs.

(2) Experiences in project implementation

In many cases, Level I and Level II are developed with barangays' counterpart (mostly labor). The requests for assistance from the province are 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 municipal or 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 Negros Occidental 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 (details are referred to 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 barangays 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 a unit within the Provincial Planning and Development Office (PPDO) that is responsible for conducting or implementing community development (CD) work. However, there is no permanent staff that focuses on WATSAN projects. Assignment of staff members to the WATSAN sector depends on the availability of staff and/or the schedule of requests.

The Provincial Health Office (PHO), on the other hand, does not have a unit or a staff that is solely responsible for CD-CO work. The reason cited was that no staff member has been trained on CD 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 municipality of E. B. Magalona.

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 the PPDO have received some training on community organizing or community development. Mentioned was the Area-Based Child Survival and Development Program conducted in late 1988. Other more recent training participated in by other provincial employees, including those from the PPDO are: Orientation on SRA-MBN Implementation, the Community-Based Information System and Project Development and Management, all of which were conducted in 1997-1998 by the Associated Resources for Management and Development, Inc. or ARMDEV.

The PPDO has also been involved in the implementation of projects that had CO-CD components. These are the Strengthening of the Provincial Council for Women, conducted in 1999 and the Training of Barangay Water Sanitation Association on Operation and Maintenance, conducted in 1998.

The PHIO, on the other hand, has not received any training on CO or CD work. Nor could it identify any recent project where the CD component was handled by their office. The most "recent" project on the sector was the FW4SP implemented in 1984. This project, however, was without community development work.

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 Negros Occidental. While most of these NGOs' expertise, however, are focused on agriculture, livelihood and rural improvement, the PPDO has 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
Negros Economic Dev't Foundation (NEDF)	Ms. Rose Depra
First Farmer Human Dev't Foundation, Inc. (FFHDFI)	Ms. Edith Besa
University of St. La Salle (USLS)	Ms. Victoria Rallos

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 Negros Occidental).

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 con-

tracted, 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.

"Typical CD work," according to the PPDO involves providing technical resource persons in the conduct of Simple Bookkeeping and Accounting Seminars to existing water associations in the barangays. The SRA-MBN trainings have also become a venue for CD work considering that each barangay is mobilized to participate and the beneficiaries encouraged to provide full support and commitment to identified projects based on their own needs and requirements.

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.

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. Lectures and demonstrations, feedback sessions and consultations are also being performed.

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 area of 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 and the PHO in conjunction with other offices are the Quarterly Updates on Sanitation, the Prevention of the Spread of Communicable Diseases and the Food Handlers' and Food Operators' Training.

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, the school and hospitals. They also learned health education from radio/TV.

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 Negros Occidental 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 Negros Occidental administered to the officials of the select local communities; and (4) The Result of the Group Interviews for Negros Occidental conducted at the barangay level; and (5) Other documents researched on and provided by the national, regional, provincial, municipal and barangay level offices.

5.9.2 The Evolution of Gender and Development

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

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

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

The DILG implements gender responsive WATSAN projects. The DPWH implemented in 1991 the First Rural Water Supply and Sanitation Project which adopted the "Women in De-

velopment" (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 Negros Occidental is aware of gender and development, there has been no instance where gender sensitive approaches to planning and implementing WATSAN projects has been included and/or utilized either by the PPDO or the PHO.

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 23 females and 23 males, the majority of whom belonged to the 26-45-age bracket. Eleven interviewees completed their elementary education, with the males outnumbering the females, 7 to 5. Having graduated from high school were 12 respondents, six males and six females. Only nine respondents were able to complete college, five females and four males. The occupation of majority of the male respondents was farming/fishing and being a laborer; while that of the female respondents was being engaged in business.

In the two barangays surveyed for the group interviews, the total number of barangay council members was 19. Of this number, 15 were males and four were females. The barangay captains in both barangays were male.

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

As manifested by the key informants, none of the three barangays were serviced by a BWSA/RWSA. Thus, for the three barangays surveyed, it was the barangay council that provided safe water to the community through its committee on water and sanitation.

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:

A low 4% of the respondents (2 females) attended training programs for the year 1998. None was aware of any WATSAN-related training such as caretakers' training, finance/collection and repair/O&M trainings, except for four females who indicated some awareness on repair and O&M training. In addition, less than 50% of the male and female respondents were willing to attend sector training programs.

On participation in health and hygiene:

While all those interviewed recognized the importance of good health and hygiene education, only 26% of the interviewees, all females, actually participated in health education and training. On water-related illnesses, more men were afflicted compared to the women from illnesses as diarrhea and skin diseases.

On participation in operation and maintenance:

For future projects, the respondents generally showed their willingness to participate to the fullest extent possible. All the male and female respondents said that they would participate in operating and maintaining the WATSAN facilities; and such other activities as the formation of a WATSAN association and the formulation of water rates. Half of the females wanted to get involved in the selection of sites and levels of service and on the construction of facilities. While the majority of the respondents were uncertain as to who was responsible for minor repairs of the WATSAN facilities, 35% pointed to a male member of the community as the one responsible.

(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

Only 58% of the interviewees responded to the question of who was responsible for fetching drinking water. For the male interviewees who responded to the question, they pointed to the husband as the person who fetched drinking water for the household; while the remaining female interviewees pointed to the husband (2), the wife (5) and the male children (8) as those who shared in the burden of hauling water from source to home.

5.10 Existing Project and Sector Monitoring

(1) Sector Monitoring

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

(2) Project Monitoring

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

Monitoring activities under the Regional Development Council cover four components: 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 local and national government agencies concerned. Agencies to which the reports are submitted and the schedule of submission of reports 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 also report to the foreign assistance agencies such as ADB, WB, etc.

The monitoring for WATSAN related projects are conducted under the Regional Project Monitoring and Evaluation System (RPMES). The PPDO/MPDO and the PPMC (Provincial Project Monitoring Committee) concerned conducts monitoring from the start un-

til completion of the project. Projects that are getting negative feedback and require validation and verification are closely monitored. The report covers status of implementation, finance, percentage of accomplishment and slippage/ problems as well as evaluation and 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 and not systematic, though there are opportunities to do so, like during the PDC and RDC regular meetings. In addition, the absence of a reliable data management system not only adds 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; thus the monitoring reports are 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.

The monitoring activities will need an appropriate budgetary allocation annually. Participatory monitoring with associations/ barangays and municipalities would be a practical and cost saving method.

Chapter

6

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

6. PAST FINANCIAL PERFORMANCE IN WATER SUPPLY AND SANITATION

6.1 General

Based on the Local Government Code of 1991 and NEDA Board Resolution No. 4 (1994), the locally funded programs and projects for the water supply and sanitation sector have been devolved from the central government agencies to the LGUs since 1992. However, the central government still retains its role of providing support to LGUs in the form of technical, 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 23.12% 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 Negros Occidental during the period 1995-1999. Local tax revenues, which were 23.12% 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 69.97%, 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

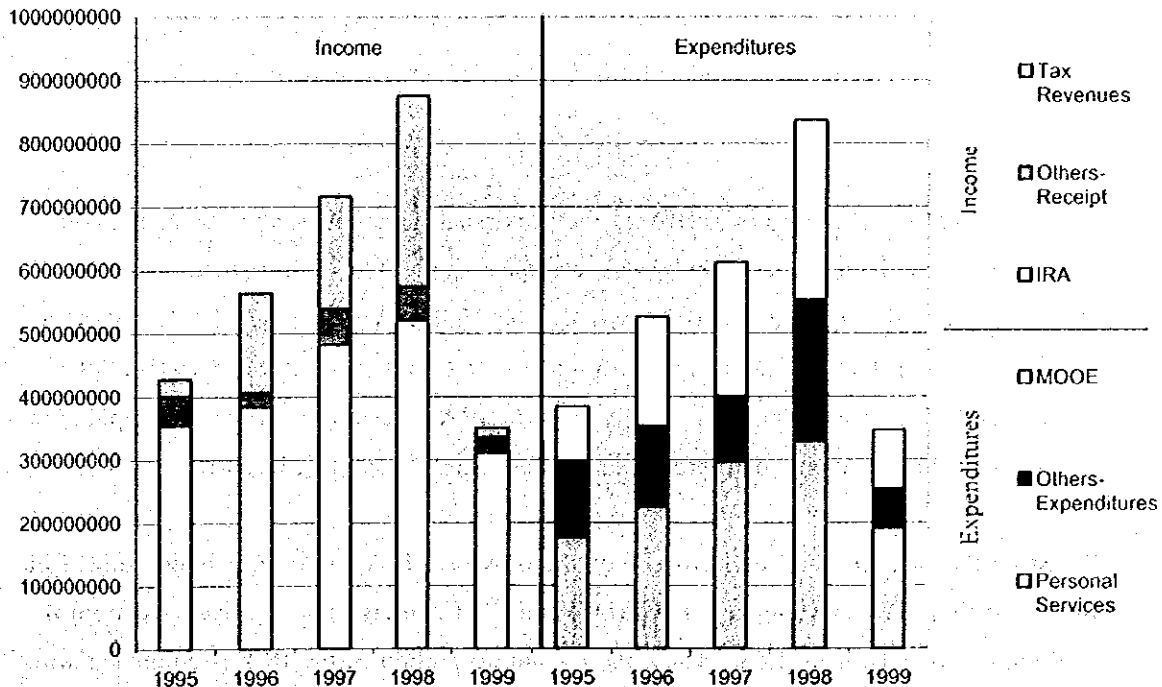
Province	1995	1996	1997	1998	1999
Receipts					(As of June 1999)
Tax Revenue					
- Real Property Tax	25,929,874.26	22,172,539.25	19,072,001.66	21,655,339.36	12,266,287.89
- Business Tax	1,066,355.40	2,876,639.02	3,589,686.31	3,174,204.68	2,267,542.01
- Others	52,629.26	132,427,188.76	155,274,576.93	276,840,909.73	46,412.00
IRA	355,666,902.00	384,386,335.00	482,729,638.33	520,446,041.00	310,842,384.00
Other (Non-tax)	45,771,370.66	22,368,603.76	55,828,817.63	53,812,863.91	25,128,735.30
Sub-total	428,487,131.58	564,231,305.79	716,494,720.86	875,929,358.68	350,491,361.20
Expenditures					
Personal Services	176,601,831.74	225,575,684.71	296,332,276.56	329,359,163.42	190,853,805.61
MOOE	86,080,065.17	173,015,786.10	211,914,175.90	283,662,316.78	93,870,654.69
Others	122,079,829.42	127,921,455.62	104,296,006.65	223,832,365.89	62,254,812.57
Sub-total	384,761,726.33	526,512,926.43	612,542,459.11	836,853,846.09	346,979,272.87
Net Operating Income	43,725,405.25	37,718,379.36	103,952,261.75	39,075,512.59	3,512,088.33
Add: Borrowings	95,548,648.37	84,803,753.38	39,524,359.89	123,557,627.40	-
Surplus (Income from prior	145,020,864.82	124,600,259.16	151,059,705.94	124,697,115.96	107,291,047.92
Less: Capital Outlays	152,000.00	2,355,465.00	64,140,942.20	65,983,265.28	25,365,352.88
Net Income	284,142,918.44	244,766,926.90	230,395,385.38	221,346,990.67	85,437,783.37

Source: PPDO and Provincial Accountant's Office

Note: 1/ Includes Tax Revenues (Real Property Tax, Transfer Tax, Franchise Tax, Tax on Peddlers, Occupation, Immigration Tax, Mining Tax, Sand and Gravel Tax, Community Tax, Amusement Tax, Miscellaneous, etc)

2/ Includes Secretary's Fees, and other charges.

Figure 6.2.1
Income and Expenditures of Negros Occidental



(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 41.51% to the total revenue, as a result of devolution. Maintenance and operating expenses of the province was 28.90% of total revenues. In addition, the province has a capital outlay with an average share of 5.38% 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 ₱56 million net operating income from operations. However, for 1999, the province only has a projected net operating income of ₱3.51 million. Combining this though with income surplus carried over from the previous year, funds would be more than adequate to cover projected capital outlays.

6.2.2 Availability of Funds

As previously noted, the IRA comprises 69.97% 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 2.69% of the provincial IRA nationwide in the period 1995-1998 and budget year 1999. Likewise, the total amount of IRA allotted to all its cities and municipalities in the years 1995-1999 was 6.41% and 2.04%, in the average, respectively. The IRA percentage of each municipality to total municipal IRA nationwide is presented in Table 6.2.2, Supporting Report.

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

deducted from the pooled income (75% IRA + all other income) before other appropriations are made.

Based on the income statement of the province, available funds of the province are mainly spent to cover personnel salaries, benefits, the MOOE and capital expenditures. The provincial government's combined income from IRA and its tax, and non-tax revenues are more than 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 DILG.

Table 6.2.3 presents the allotted funds for capital expenditures (20% DF) between 1995 and 1999. The 20% DF of the province were sufficient to cover the actual expenditures for the years 1995 to 1998. For 1999, it is projected that the 20% DF amounting to ₱124.34 million will be adequate to cover the capital expenditures of the province, which is projected at twice the January-June 1999 capital outlay, or ₱50.73 million. Thus, the province has a projected surplus in funding of about ₱73.61 million in 1999.

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%.

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	12,696,614,000	13,755,011,803	17,813,000,000	20,054,018,925	22,359,400,000
	b) IRA to All Cities	12,696,460,000	13,345,287,700	16,341,270,000	18,627,875,490	22,359,400,000
	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 Negros Occidental Province					
	a) Total: (b)+(c)+(d)	1,336,947,245	1,596,429,043	2,010,428,279	2,253,050,627	2,838,363,157
	b) Provincial Government	355,666,902	384,386,336	482,391,691	493,054,150	621,684,766
	Percentage of 1 a)	(2.80)	(2.79)	(2.71)	(2.46)	(2.79)
	c) Cities	693,555,491	742,039,452	985,893,782	1,253,845,219	1,627,011,848
	Percentage of 1 b)	(5.46)	(5.56)	(6.03)	(6.73)	(7.31)
	d) Municipalities	287,724,852	469,933,255	542,142,806	506,151,358	589,666,543
	Percentage of 1 c)	(1.53)	(2.40)	(2.18)	(1.79)	(1.79)
	3 Total Revenue	428,487,132	426,889,225	564,231,306	716,491,721	875,929,359
	Percentage of IRA	(83.01)	(90.04)	(85.50)	(68.81)	(70.97)
Municipalities	4 IRA to Municipalities					
	Total	287,724,852	469,933,255	542,142,806	506,151,358	589,666,543
	Hago City	155,441,881	166,866,798	185,599,254	188,590,280	205,487,650
	Binalbagan	15,741,554	17,071,749	20,990,938	21,679,435	27,977,055
	Cadiz City	172,429,543	184,991,339	195,469,530	198,301,296	215,958,372
	Calatrava	21,640,998	23,333,925	29,924,727	31,255,840	40,302,239
	Candani	9,032,553	9,719,381	12,043,011	12,498,173	15,927,185
	Cauayan	25,589,850	27,673,927	33,310,990	34,790,580	44,981,595
	Enrique B. Magalona	14,092,182	15,315,479	19,509,057	20,096,174	25,995,693
	Escalante	18,704,849	21,342,914	26,777,354	27,682,895	35,921,345
	Himamaylan	0	25,860,255	31,068,042	31,971,444	41,360,489
	Hinigaran	0	20,062,166	24,328,483	25,004,161	32,417,929
	Hinoba-an (Asia)	16,502,062	17,779,638	21,236,372	19,416,224	28,595,228
	Ilog	16,067,393	17,362,038	20,310,415	21,061,837	27,037,983
	Isabela	14,618,663	15,850,971	19,417,345	19,552,363	25,911,548
	Kabankalan City	36,911,324	39,973,136	48,837,139	247,371,306	269,532,729
	La Carlota City	88,030,557	94,643,719	104,972,943	106,932,331	115,520,947
	La Castellana	16,648,251	18,041,216	22,734,993	23,504,707	29,594,971
	Manapla	12,439,420	13,507,155	17,169,033	17,680,010	22,808,280
	Moises Padilla	11,071,441	11,983,876	14,664,073	15,133,827	19,436,569
	Murcia	17,623,512	19,026,110	23,845,840	23,899,403	30,739,706
	Pontevedra	12,395,077	13,457,527	16,677,555	17,179,772	22,159,309
	Pulupandan	8,108,451	8,798,257	11,343,654	11,544,494	14,769,194
	Sagay City	30,027,463	32,602,381	163,328,082	175,966,010	191,756,514
	Salvador Benedicto	8,012,737	8,628,713	11,455,199	11,917,246	15,251,244
	San Carlos City	157,653,510	169,098,561	184,132,306	186,452,400	202,728,951
	San Enrique	7,389,576	8,009,912	10,334,407	10,498,753	13,389,126
	Silay City	120,000,000	126,489,035	147,391,667	150,231,596	163,643,070
	Sipalay	20,655,857	22,337,811	26,715,694	27,978,962	36,186,725
	Talisay City	17,711,009	19,237,607	24,493,946	25,304,315	35,464,263
	Toboso	11,669,946	12,472,480	16,244,841	16,710,337	21,480,104
	Valladolid	9,720,480	10,550,548	13,292,978	13,579,665	17,423,026
	Victorias City	18,332,452	19,954,083	25,416,720	26,210,641	32,919,352

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	355,666,902.00	71,209,000.00		
1996	384,386,335.00	76,877,267.00	106,510,152.11	35,362,914.43
1997	482,729,638.33	96,545,927.66	162,263,677.14	114,698,593.87
1998	520,446,041.00	104,089,208.20	58,036,965.08	211,348,468.58
1999 ^{3/}	621,684,766.00			

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

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

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 ₱135.95 million 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 ₱29.04 million and ₱621.68 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, Water Districts, DILG and DPWH. The fund from the Countrywide Development Fund (CDF) was also availed of. The water supply sector obtained ₱120.77 million during the period 1995-1999 from various agencies, while the sanitation sector obtained only ₱9.23 million. Thus, actual amount to the WATSAN sector amounted to more than ₱130 million. The largest investments went to Level I systems at ₱6.07 million, followed by Level II and Level III systems at ₱34.95 million and ₱19.75 million, respectively.

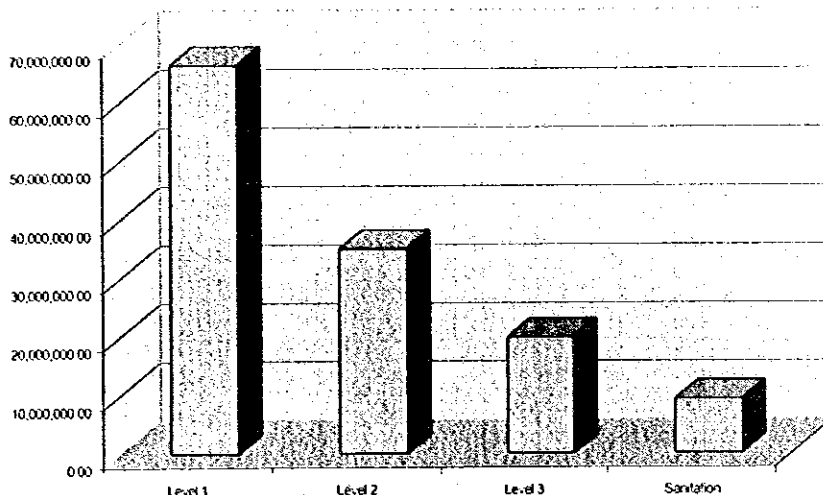
(1) Budgetary Allocation to the Sector

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).

Table 6.3.1 Previous Sector Investment to the Province by Concerned Agencies

Agency	Item Source of Funds	1995 - 1999				Sanitation
		Level I	Level II	Level III	Sub-total	
Unit: Pesos						
DILG	PAF II	1,217,750.00	487,250.00		1,705,000.00	
DPWH I (1995)	Foreign Assisted Projects (ADB-SIPRWSSP)	6,323,070.00			6,323,070.00	
	Assistance given to Cadiz City	1,302,746.99			1,302,746.99	
DPWH II	Assistance given to La Castellana			1,415,000.00	1,415,000.00	
	ADB - P 3,483,180.00	5,663,567.50			5,663,567.50	
	CDF - P 2,180,387.50		900,000.00			
DPWH III	ADB	3,465,285.00			3,465,285.00	
LWUA					0.00	
DOH (1996-1998)		105,000.00			105,000.00	2,266,940.00
Province	IRA, Supplemental Budget # 1, 2 & 3	18,400,000.00	20,540,000.00		38,940,000.00	780,780.00
City					0.00	
Bago City	20% IRA Dev. Fund	3,000,000.00			3,000,000.00	
Cadiz City	LGU Fund	21,364,000.00			21,364,000.00	
Kabankalan City	20% IRA Dev. Fund	838,950.00	1,490,000.00	11,895,000.00	14,223,950.00	4,983,284.65
La Carlota City					0.00	
Sagay City	LGU Fund	639,334.00		278,052.00	917,386.00	
San Carlos City			6,797,300.00		6,797,300.00	525,500.00
Silay City	20% IRA Dev. Fund/Gen. Fund	313,095.00			313,095.00	50,000.00
	LGU Loan from LWUA			1,000,000.00	1,000,000.00	
Talisay City					0.00	
Victorias City	20% IRA Dev. Fund	637,000.00			637,000.00	
Municipality					0.00	
Binalbagan					0.00	
Calatrava					0.00	
Candoni					0.00	
Cauayan		650,000.00	1,065,000.00		1,715,000.00	
Enrique B. Magalona	PNB (loan)			2,500,000.00	2,500,000.00	
Escalante	LGU Fund	250,000.00			250,000.00	
Himamaylan	20% Dev. Fund	250,000.00	450,000.00		700,000.00	
Hinigaran					0.00	
Hinoba-an (Asia)		300,000.00	200,000.00		500,000.00	100,000.00
Ilog		284,000.00	80,000.00	90,000.00	454,000.00	
Isabela	20% Dev. Fund	426,775.18			426,775.18	
La Castellana			1,121,030.00	1,700,000.00	2,821,030.00	524,000.00
Manapla					0.00	
Moises Padilla					0.00	
Murcia					0.00	
Pontevedra	20% MDF & Brgy. Fund	138,072.10	343,583.69		481,655.79	
Pulupandan					0.00	
Sagay City					0.00	
Salvador Benedicto					0.00	
San Enrique	20% IRA-Level I/ CIDSS-Level II	303,000.00	82,976.00		385,976.00	
Sipalay	20% Dev. Fund		1,390,000.00	870,000.00	2,260,000.00	
Toboso					0.00	
Valladolid		465,000.00			465,000.00	
Total		66,336,645.77	34,947,139.69	19,748,052.00	120,131,837.46	9,230,504.65

Figure 6.3.1
Actual Amount of Sectoral Investments to
the Province, 1995-1999



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 the annual planned activities in the water supply sector, the corresponding funding source and the amount of investment from 1995 to 1999, while Table 6.3.3 summarizes annual sector investments by service level. Levels II and II had the largest allocation with an amount of ₱20.86 million for the period, or 53% of the total sector allocation. In the AIP, a total investment cost of ₱39.268 million was planned for the water supply and sanitation sector during the period 1995-1998. Actual expenditures for the sector out of the 20% DF for the period was at ₱42.825 million, which is more than the planned amount.

Table 6.3.2 Annual Activities in the Water Supply Sector

Item	1995		1996		1997		1998		1999	
	IA	Fund Source Amount (P '000)	IA	Fund Source Amount (P '000)	IA	Fund Source Amount (P '000)	IA	Fund Source Amount (P '000)	IA	Fund Source Amount (P '000)
Construction (DW, SW, Spring Box, Reservoir, Tank)										
Various Foreign Assisted										
National										
Various Local Funding	20%	DF 4,020	20%	DF 1,200	20%	DF 8,700	20%	DF 4,681		
Construction of Rain Collectors/Water Tank										
Develop Spring Sources										
Various Foreign Assisted										
National										
Various Local Funding										
Spring Development with Level II										
Various Foreign Assisted										
National										
Various Local Funding										
Spring Development with Level III										
Spring Dev. w/ pipes, water tank										
Construction Level II/III										
Various Foreign Assisted										
National										
Various Local Funding	LWUA	38,975	PNB/LWUA	94,900	World Bank	20,930	DANIDA	1,178,088		
Loan	20%	DF 980	20%	DF 1,700	PNB/LWUA	39,192	LBP/LWUA	3,727		
Maintains/Rehab./Improve Level I/II/III & SD					20%	DF 10,640	20%	DF 7,220		
Expansion of Level II/III										
Construction of Health Center/BHS										
Water Disinfection/Chlorination of Water Sources	Prov. Fund	31	Prov. Fund	52	Prov. Fund	20	Prov. Fund	20		
Barangay Sanitation										
Construction of School/Public Toilet										

Table 6.3.3 Sector Allocation in the Annual Investment Plan

Item	1995	1996	1997	1998	Total
Unit: Pesos					
Level I Facility					
Foreign Assisted					
National					
Local (Provincial)	4,020,000.00	1,200,000.00	8,500,000.00	4,680,000.00	18,400,000.00
Level II/III System					
Foreign Assisted			20,430.22	117,808.94	138,239.16
National	38,975.17	94,900.00	39,219.87	3,726.41	176,821.45
Local	980,000.00	1,700,000.00	10,640,000.00	7,220,000.00	20,540,000.00
Loan - DBP/LBP			2,500.00	10,500.00	13,000.00
Expansion					
Repair/Maintenance					
Health Centers					
Water Quality	31.00	52.00	20.00	20.00	123.00
<i>Total - Water Supply</i>	<i>5,038,975.17</i>	<i>2,994,900.00</i>	<i>12,202,150.09</i>	<i>12,032,035.35</i>	<i>39,268,060.61</i>
<i>Total - Sanitation (Health)</i>					
Grand Total	5,039,006.17	2,994,952.00	19,202,170.09	12,032,055.35	39,268,183.61

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 37.84% of the DF in 1998 (i.e. ₱28.31 million out of ₱74.81 million actual expenditures). The WATSAN sector on the average obtained 14.3% of the 20%DF. In 1997, 30.95% of the actual expenditures went to the WATSAN sector. In 1998, out of the planned 20%DF of 104.09 million, the amount of ₱ 11.90 million was disbursed to WATSAN sector (which is equivalent to 11.43% of the 20%DF or 15.91% of actual disbursement).

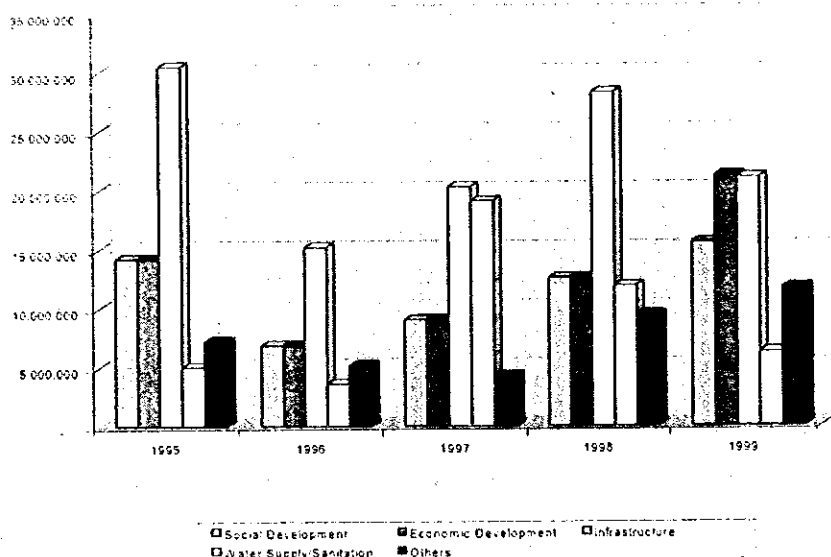
Table 6.3.4 Allocation of the 20% Development Fund, 1995-1999

Year	Planned 20% Dev't. Fund	Actual Expenditures					Sub-Total	% of Water Supply to Actual Disbursed Amount of 20% DF
		Social Development	Economic Development	Infrastructure	Water Supply/ Sanitation	Others		
1995	71,133,380.40	14,226,000.00	14,226,000.00	30,537,000.00	5,000,000.00	7,220,000.00	71,209,000.00	7.02%
1996	76,877,267.00	6,851,987.93	6,851,987.93	15,200,000.00	3,573,950.00	5,138,990.61	37,616,916.47	9.50%
1997	96,545,927.66	9,026,354.29	9,026,354.29	20,309,297.15	19,100,000.00	4,256,588.57	61,718,594.30	30.95%
1998	104,089,208.20	12,581,712.71	12,581,712.71	28,308,000.00	11,900,000.00	9,435,428.18	74,806,853.60	15.91%
1999	75,839,010.88	15,607,802.17	31,211,703.26	21,062,177.45	6,251,476.36	11,705,851.64	75,839,010.88	8.24%

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

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

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



In 1998, out of the planned 20% DF of ₱ 84.68 million, only the amount of ₱270,000 was disbursed to WATSAN sector (which is equivalent to 0.32% of the planned 20% DF or 0.37% of the actual total disbursements from 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 BC's directly request projects to Governor's Office.

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

6.4.1 Cost Sharing Arrangements / Counterpart Funding

The implementation of water supply projects funded by UNICEF was previously undertaken by 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 project implementation (Level I and II) since the PEO can undertake the design, construction and provide 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.

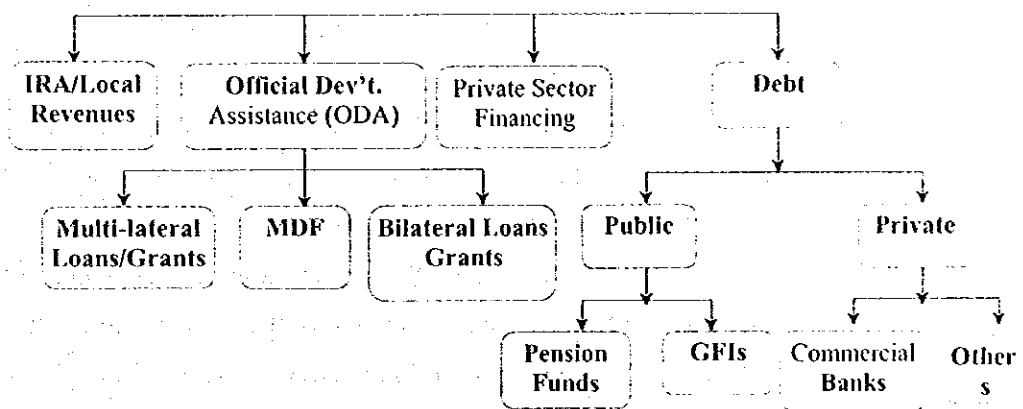
LGUs have the following financing options (refer to Figure 6.4.1): IRA, ODA, private sector financing and debt (both public and private sector debts). A more detailed discussion of the different financing options is presented in the Supporting Report. Below are the major commonly availed or financing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

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

Figure 6.4.1 LGU Financing Options



as the evaluation and control of local government transactions of the fund, are guided by the financial policies defined in the Joint Circular No. 6-87 of the DOF, COA and DBM. The policies include, among others, the following:

- On-lending terms for local governments or government corporations to be in accordance with the terms and conditions of the international agreements with foreign financial institutions;
- Loan repayments to conform with the terms and conditions of the corresponding Loan and Project Agreements;
- Annual debt service liabilities to all creditors to be at least 120 per cent of total net annual revenues from all sources after operating costs, unless otherwise provided in a mutual agreement among all parties concerned;
- Repayment to MDF to take precedence over all subsequent borrowings incurred;
- Payment of additional interest, charges and fees on amounts to be relented to local governments may be required by the Secretary of Finance in consultation or

agreement with foreign lending institutions and LGUs/Project Cities to cover foreign exchange risks, commitment charges and front-end fees applied on foreign borrowings by lending institutions; and

- Internal revenue/specific tax allotments to be withheld by the DOF in case of default or 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.

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:

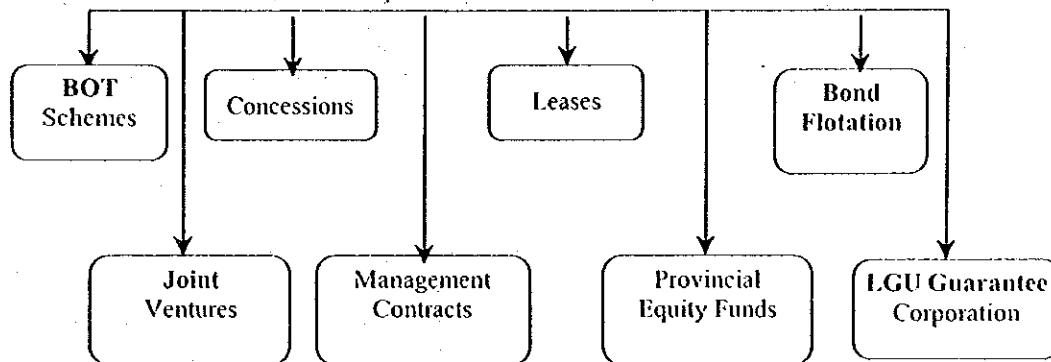
- 1) World Bank funds shall be channelled thru the Development Bank of the Philippines (DBP) which shall relend them as sub-project loans to the LGUs.
- 2) The DBP sub-project loan shall include the cost of feasibility study, technical design and construction of the water supply facility.
- 3) Basic 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 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.

Figure 6.4.2 Private Sector Financing



6.4.3 LGU-Financed and Managed Waterworks and Water District

As presented in Table 6.4.1, there are seventeen (17) WDs and fifteen (15) waterworks system, with La Carlota City WD having the largest number of metered connections at more than 4,300 connections.

The WDs adopted progressive charge method and have achieved relatively high efficiency of water charge collection, which range from 60 to 98%, and averaging 74.3%. The average monthly consumption per connection is 21.9 cu.m. per month.

Shown in Table 6.4.2, is the status of existing loans of provincial/municipal waterworks. The La Carlota and Bago City WDs are paying the highest amortizations, at ₱417,209, and ₱203,926, respectively.

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.

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 (%)
Bago City WD	1,118		10.00	29.00	291,616.20	304,060.30	78.08
Binalbagan WD	2,168		16.50	18.15	718,526.79	650,877.90	94.34
Cadiz City WD	1,903		13.75	19.00	448,730.00	499,961.00	87.00
Cadiz City WW							
Cadiz City WWS							
Calatrava WS	800		3.00	40.00	15,000.00		
Laa Water Assn.							
EBM Waterworks	450	327	6.00	20.00	50,000.00	85,000.00	65.00
Escalante WD	1,070		9.60	15.00	240,000.00	270,000.00	88.00
Escalante WW	146	5	7.00	18.00	12,000.00	13,748.00	98.00
Himamaylan WD	1,670		11.83	23.00	406,861.10	435,929.50	96.00
Hinigaran WD	515		2.22	22.60	130,174.28	147,495.15	77.01
Ilog WD	200	77	8.50	10.00	21,497.75	30,881.60	92.00
Kabankalan City WD	2,307	532	14.48	21.33	758,240.14	763,775.34	97.91
La Carlota City WD	4,330		10.70	25.00		1,100,000.00	
La Castellana WD	496		6.00	20.00	53,582.43	65,198.75	51.80
Manapla WD	730		14.76	21.00	461,405.27	256,065.76	92.00
Moises Padilla WW	476	41	1.33	30.00	50,000.00	20,000.00	99.00
Murcia WW		1,487	2.00		44,000.00	10,000.00	50.00
Pontevedra WD	355		10.00	20.00	11,000.00	50,000.00	50.00
Pulupandan WW	341	127	4.25	13.35	41,000.00	26,600.00	80.00
Lopez Sugar Corp.							
Phil-Sagay WS	250	100	7.00	15.00	15,000.00	21,200.00	76.00
Sagay Central Inc.							
Sagay WD	2,978		13.26	19.00	633,682.00	821,975.00	89.00
SCC Waterworks	2,361	3	6.38	31.00	588,537.64	600,291.65	94.85
Silay City WD	3,339		12.43	19.00			90.00
Sipalay WW							
Talisay WD	1,238	7	14.83	22.21	381,404.00	433,692.00	80.00
LGU-Toboso		315	2.64	22.71	45,968.04	12,025.42	64.00
Valladolid WD	322	105	3.00	60.00	10,800.00	360,000.00	60.00
Victorias WD	2,848		9.00	25.11	700,800.00	841,000.00	91.00

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.

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)
Bago City WD	2,325.00	461.00	203,926.00	396.53
Binalbagan WD	8,117.70		75,164.00	8,091.92
Cadiz City WD	8,391.46	238.00	11,699.00	
Escalante WD	5,109.02	312.00	55,000.00	4,737.24
Himamaylan WD	310.48	60.00	1,586.00	
Hinigaran WD	441.94		36,828.05	441.94
Ilog WD	369.87		3,975.00	409.43
Kabankalan City WD	11,905.41	504.00	97,650.00	253.14
La Carlota City WD	37,003.17	731.00	417,209.16	
La Castellana WD	500.00		10,000.00	365.50
Manapla WD	2,495.44	86.00	2,583.00	
Pontevedra WD	890.00		500.00	
Sagay WD	6,415.00		83,591.00	
Silay City WD				
Talisay WD	64,800.00	300.00	160,000.00	
Valladolid WD				
Victorias WD	7,793.90	760.00	87,335.00	

Note: Victorias WD and La Carlota WD data are sum of five (5) loan accounts.
Bago WD data are sum of two loan accounts.
Cadiz WD data are sum of three loan accounts.

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 ₱20.00 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 Binalbagan, Kabankalan City, Manapla, and Talisay are charging the higher amounts of ₱14.48, ₱14.76, ₱14.83 per cu.m., respectively. The other WDs of Hinigaran, Valladolid, and La Castellana are charging much lower amount of fees of ₱2.22, ₱3.00, and ₱6.00 per cu.m, respectively.

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 the barangay councils are willing to participate in sector projects by initiating the formation of a water and sanitation association. Almost all 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, none of the the respondents have participated in past water supply construction projects. However, for future projects, the respondents 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 6.27 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 100% of the respondents expressed willingness to pay for the O & M of future WATSAN facilities. Of those who were willing to pay, majority or around 46% of the total respondents claimed they could pay only below ₱ 5.00. per month. Around 20% were willing to pay water fees from ₱6.00 to ₱10.00, 26% of the respondents were willing to pay more than ₱50.00 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	4,802		
Average Level III: Monthly Water Bill ²	237.50	4.95	5.0 or less
Average Level II: Monthly Water Bill ²			2.0 -3.0
Mo. Level I Expenditures ³			1.0 or less
Private Toilet Construction Cost -- Flush Type Toilet ⁴	23,000.00	6.27xMonthly 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 21 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.