CHAPTER 5

EXISTING ROAD NETWORK IN THE STUDY AREA

5.1 ROAD NETWORK PATTERN AND ADMINISTRATIVE ROAD CLASSIFICATION

The following roads within the Study Area were selected for the Study and the road/bridge inventory survey was carried out:

National road	:	All national roads
Provincial road	:	All provincial roads
City road	:	Selected roads which are important in terms of road network formation
Municipal road	:	Not selected
Barangay road	:	Selected roads which are important in terms of road network formation

Figure 5.1-1 shows administrative road classification of studied roads. Figure 5.1-2 shows the road network by hierarchy (or functional classification).

5.1.1 Road Network Pattern

Due to different condition and intensity of urban development in Iloilo City and the rest of study areas, road network pattern is separately discussed for the Study Area as a whole and for Iloilo City.

Study Area

- Road network in the Study Area is composed of only radial roads, all of which start from the Iloilo City Proper.
- Urbanized area (or town proper) of Municipalities of Oton, Pavia and Leganes is formed at about 10 km radius from the Iloilo City proper, those of San Miguel, Sta. Barbara and Zarraga at about 15 km radius and Cabatuan at about 23 km radius. Those urbanized areas are connected with the Iloilo City Proper by radial roads, however, circumferential roads directly linking those urbanized areas each other (such as a Oton-Pavia-Leganes Link) are not formed yet.
- Due to lack of circumferential roads, trips between above town propers (such as Oton to Pavia or vice versa) have to pass through Iloilo City.
- Among inter-city roads, Iloilo-Roxas Road carries the heaviest traffic, followed by Iloilo-Sta. Barbara-Kalibo Road and Iloilo-Antique Road. When the airport is transferred to Cabatuan, Iloilo-Sta. Barbara Road will carry the heaviest traffic.
- The inter-city road passes through the town proper of Oton, Leganes and Zarraga where a bypass is needed to separate through traffic and local traffic.
- At Pavia and Sta. Barbara, the mini-bypass was constructed.

Iloilo City

- A mesh-type road network is formed within the Iloilo City proper. Roadsides of all roads have been densely built-up, widening of existing roads or construction of new road within the Iloilo City Proper is extremely difficult, or close to practically impossible.
- Road network outside the Iloilo City proper is a complex one. Roadsides of most road have also been densely developed.
- Trip desire line (see Figure 4.2-11) shows that there are high demand of trips which wishes to travel along circumferential direction at about the Iloilo City boundary.
- The City Government of Iloilo plans to expand urban areas outside the existing urbanized areas, particularly along the city boundary areas by controlling further development of City Proper area and its adjacent areas. However, a road which guides the planned urban expansion does not exist yet. The City Government's top priority is to construct the proposed Iloilo City Circumferential Road (C-1).

5.1.2 Administrative Road Classification

Road length by administrative classification is shown in Table 5.1-1, and summarized below:

National road	:	170.10 km
Provincial road	:	69.56 km
City road	:	26.50 km
Barangay road	:	47.90 km
Total		**314.10 km**

TABLE 5.1-1 ROAD LENGTH IN METRO ILOILO

City	Area (km2)	Population (1,000)	Road Length by Administration (km)					Road Density (1)	Road Density (2)
			National Road	Provincial Road	City Road	Barangay Road	Total		
Iloilo City	71.2	366.9	58.2	0	26.5	22.6	107.3	0.66	1.51
Oton (M)	85.3	65.7	31.5	4.1	0	0.0	35.6	0.48	0.42
San Miguel (M)	33.2	20.8	11.4	7.2	0	0.0	18.6	0.71	0.56
Pavia (M)	27.2	33.1	7.8	9.9	0	3.9	21.6	0.72	0.79
Leganes (M)	32.2	23.6	7.2	10.7	0	4.0	21.9	0.79	0.68
Sta. Barbara (M)	68.6	46.3	12.1	25.3	0	10.7	48.1	0.85	0.70
Zarraga (M)	39.7	18.3	19.3	6.9	0	0.0	26.2	0.97	0.66
Cabatuan (M)	103.6	46.1	22.6	5.5	0	6.7	34.8	0.50	0.34
Total	461.0	620.8	170.1	69.6	26.5	47.9	314.1	0.59	0.68

Note: Road Density (1) = L/√(PxA): Road Density (2) L/A, L=Road Length, A=Area.
Source: Road Inventory of the Study by the JICA Study Team

It is noted that i) high share of national roads ii) one link road (Oton-Sta. Barbara Road) is administered by two different agencies, i.e. about one half by DPWH and the other one-half by Provincial Government, which makes difficult for systematic development as well as maintenance operation.

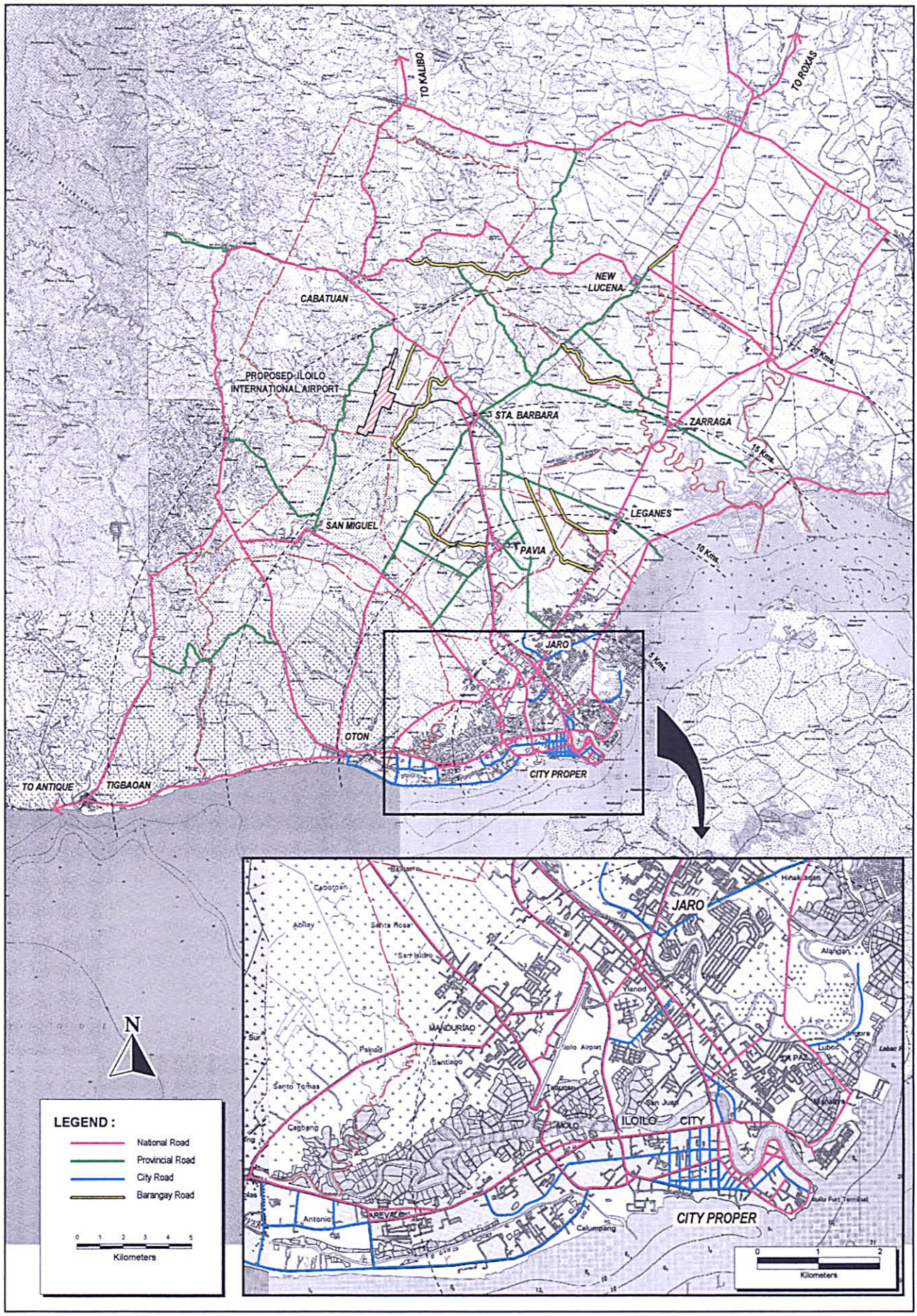


FIGURE 5.1-1 EXISTING ROAD NETWORK BY ADMINISTRATIVE CLASSIFICATION

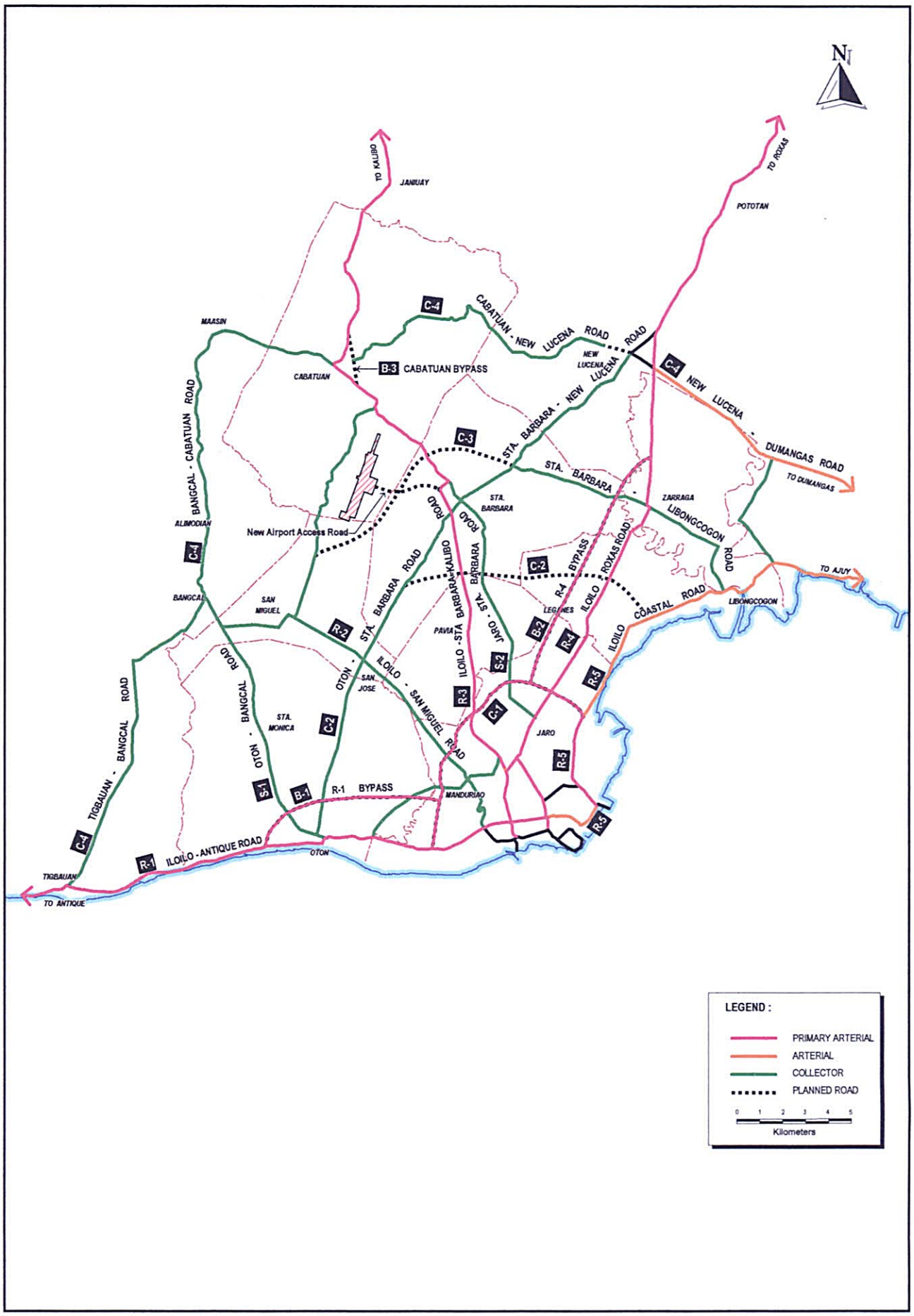


FIGURE 5.1-2 METRO ILOILO PRESENT ROAD NETWORK BY HIERARCHY

5.2 ROAD CONDITIONS

5.2.1 Number of Lanes and Road Cross-Sections

Figure 5.2-1 shows number of lanes of the surveyed roads and summarized in Table 5.2-1.

TABLE 5.2-1 NUMBER OF LANES OF SURVEYED ROADS

Road Classification	Road Length By No. of Lanes (km)					
	4-lane		2-lane		Total	
National	24.85	(15%)	145.15	(85%)	170	(100%)
Provincial	0.85	(1%)	68.65	(99%)	69.5	(100%)
City	7.1	(27%)	19.4	(73%)	26.5	(100%)
Barangay	0	(0%)	48	(100%)	48	(100%)
Total	**32.8**	**(10%)**	**281.2**	**(90%)**	**314**	**(100%)**

Source: JICA Study Team

Existing road cross-sections in Iloilo City Proper area and its adjacent areas are shown in Figure 5.2-2. It is said that many of roads have a road right-of-way width of 20m, however, many structures have been built within the road ROW.

Road cross-sections of major roads outside Iloilo City Proper area are presented in Appendix 5.2-1.

5.2.2 Pavement Conditions

Pavement conditions of Metro Iloilo is depicted on Figure 5.2-3 and by City/Municipality and by administrative road classification are shown in Table 5.2-2 and 5.2-3, respectively. Roads in Iloilo City have been mostly paved. National roads in the Study Area have high pavement ratio at 84%.

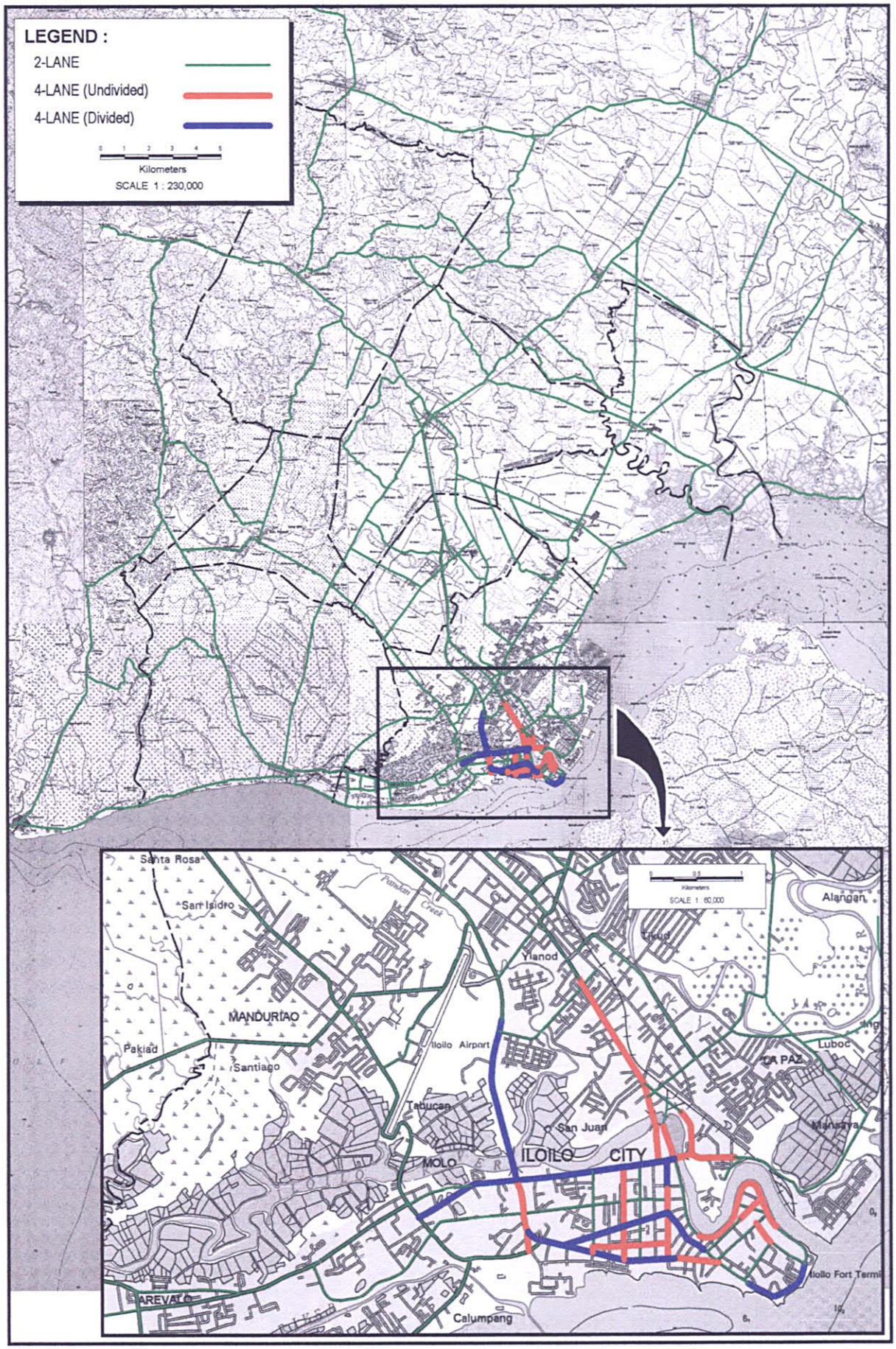


FIGURE 5.2-1 NUMBER OF LANES IN METRO ILOILO

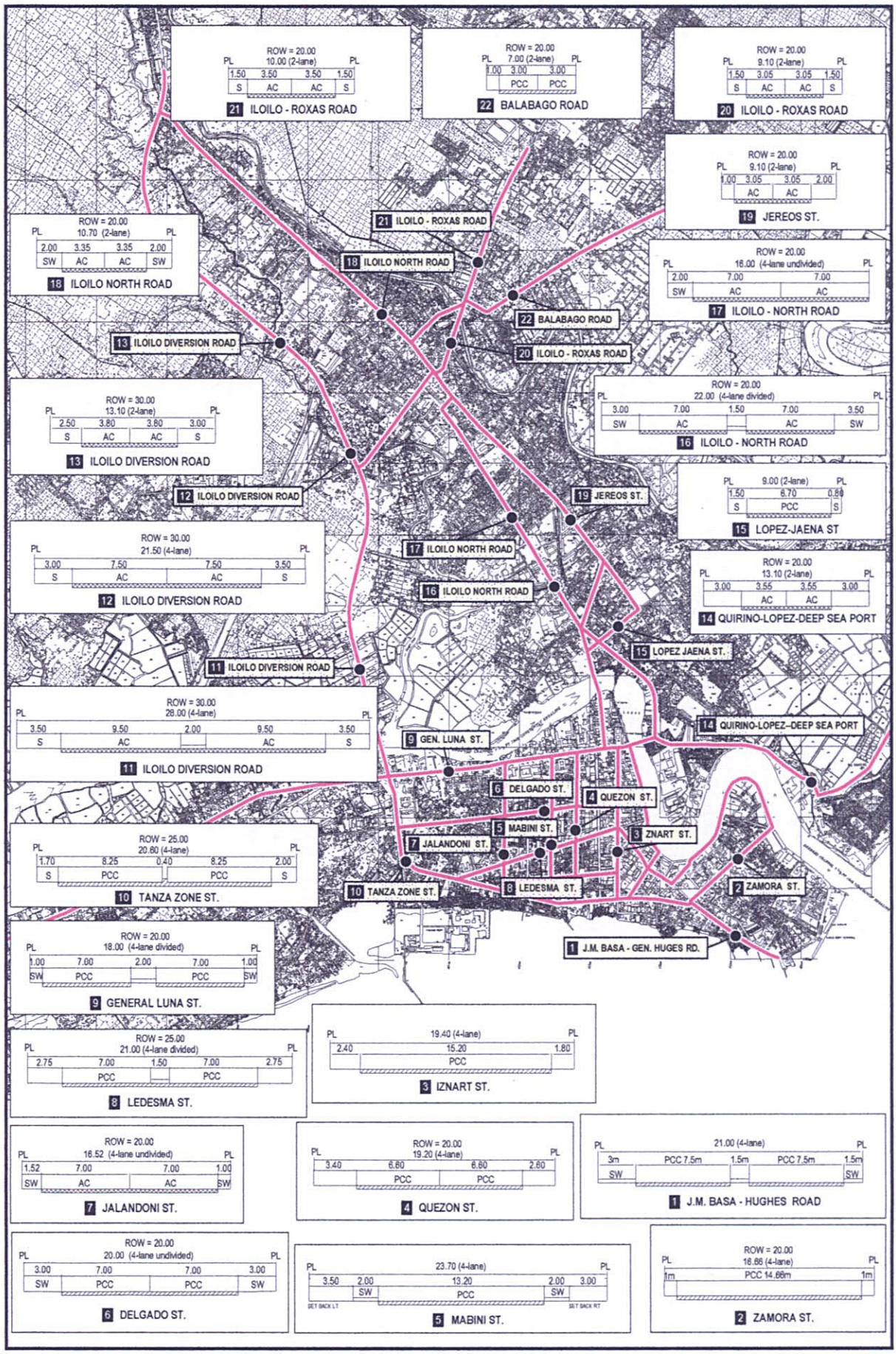


FIGURE 5.2-2 TYPICAL CROSS SECTIONS OF EXISTING ROADS IN URBAN AREA METRO ILOILO

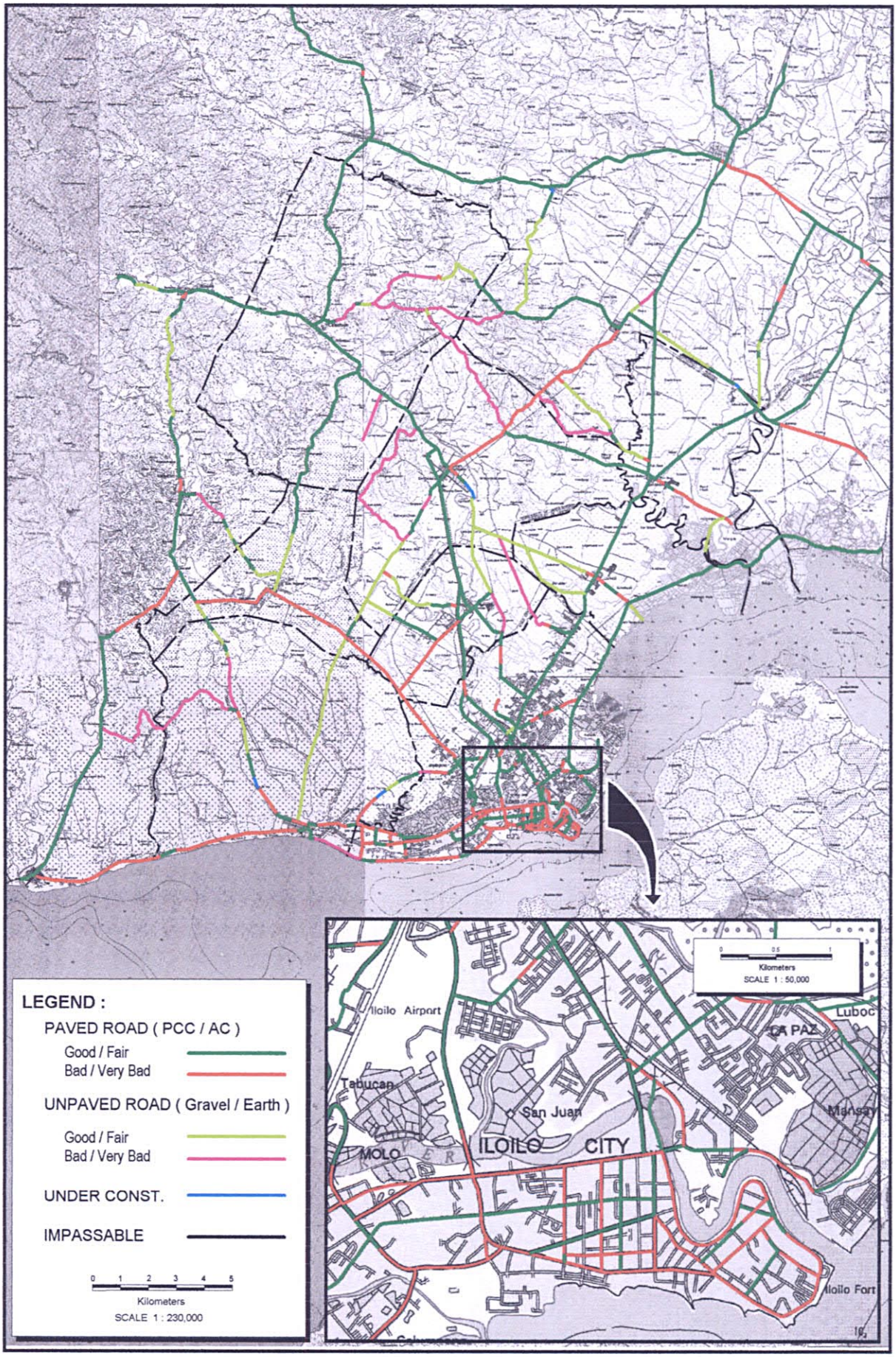


FIGURE 5.2-3 PAVEMENT CONDITIONS IN METRO ILOILO

TABLE 5.2-2 PAVEMENT CONDITIONS BY CITY/MUNICIPALITY

Name	Pavement Condition (km)						Total	Pavement Ratio
	Paved		Unpaved		Under Construc-tion	Impassable		
	Good/Fair	Bad/V.Bad	Good/Fair	Bad/V.Bad				
Iloilo City	59.5 (55%)	43.5 (41%)	1.8 (2%)	2.5 (2%)	0 (0%)	0 (0%)	107.3 (100%)	96%
Oton (M)	6.5 (18%)	10.5 (29%)	11 (31%)	6.7 (19%)	0.9 (3%)	0 (0%)	35.6 (100%)	48%
San Miguel (M)	3.8 (20%)	10.6 (57%)	4.2 (23%)	0 (0%)	0 (0%)	0 (0%)	18.6 (100%)	77%
Pavia (M)	10.6 (49%)	6.3 (29%)	1.2 (6%)	3.5 (16%)	0 (0%)	0 (0%)	21.6 (100%)	78%
Leganes (M)	7.9 (36%)	1.6 (7%)	11.2 (51%)	0 (0%)	0 (0%)	1.2 (5%)	21.9 (100%)	43%
Sta. Barbara (M)	14.2 (30%)	4.2 (9%)	9.7 (20%)	19.3 (40%)	0.7 (1%)	0 (0%)	48.1 (100%)	38%
Zarraga (M)	14.8 (56%)	2.6 (10%)	8.8 (34%)	0 (0%)	0 (0%)	0 (0%)	26.2 (100%)	66%
Cabatuan (M)	19.1 (55%)	0.4 (1%)	2.6 (7%)	12.8 (37%)	0 (0%)	0 (0%)	34.9 (100%)	56%
Total	**136.4** (43%)	**79.7** (25%)	**50.5** (16%)	**44.8** (14%)	**1.6** (1%)	**1.2** (0%)	**314.2** (100%)	**69%**

Source: Road Inventory of the Study by the JICA Study Team

TABLE 5.2-3 PAVEMENT CONDITIONS BY ADMINISTRATIVE CLASSIFICATION

Unit:km

Administration	Pavement Conditions (km)							
	Paved		Unpaved		Under-construc-tion	Impass-able	Total	Pavement Ratio
	Good/Fair	Bad/V.Bad	Good/Fair	Bad/V.Bad				
National	104.9 (62%)	38.6 (23%)	18.5 (11%)	7.1 (4%)	0.9 (1%)	0 (0%)	170 (100%)	84%
Province	14.4 (21%)	12 (17%)	23.7 (34%)	17.5 (25%)	0.7 (1%)	1.2 (2%)	69.5 (100%)	38%
City	7.4 (28%)	17.4 (65%)	0 (0%)	2.1 (8%)	0 (0%)	0 (0%)	26.9 (100%)	92%
Barangay	9.7 (20%)	12.2 (25%)	8.1 (17%)	18 (38%)	0 (0%)	0 (0%)	48 (100%)	46%
Total	**136.4 63%**	**80.2 37%**	**50.3 23%**	**44.7 21%**	**1.6 1%**	**1.2 1%**	**314.4 (100%)**	**216.6**

Source: Road Inventory of the Study by the JICA Study Team

5.2.3 Bridge Conditions

Existing bridge locations are shown in Figure 5.2-4 and their conditions are summarized in Table 5.2-4 and Figure 5.2-5.

TABLE 5.2-4 BRIDGE CONDITIONS IN METRO ILOILO

Road Classification	Number	Length	Bridge Condition (No.)			
		(m)	Good	Fair	Bad	U/C
National	49	2396.3	33	9	6	1
	100%		67%	18%	12%	2%
Provincial	25	1055.3	13	1	9	2
	100%		52%	4%	36%	8%
City Road	3	103.4	1	1	1	
	100%		33%	33%	33%	
Barangay Road	7	152.4	2	1	4	
	100%		29%	14%	57%	
Total	**84**	**3707.4**	**49**	**12**	**20**	**3**

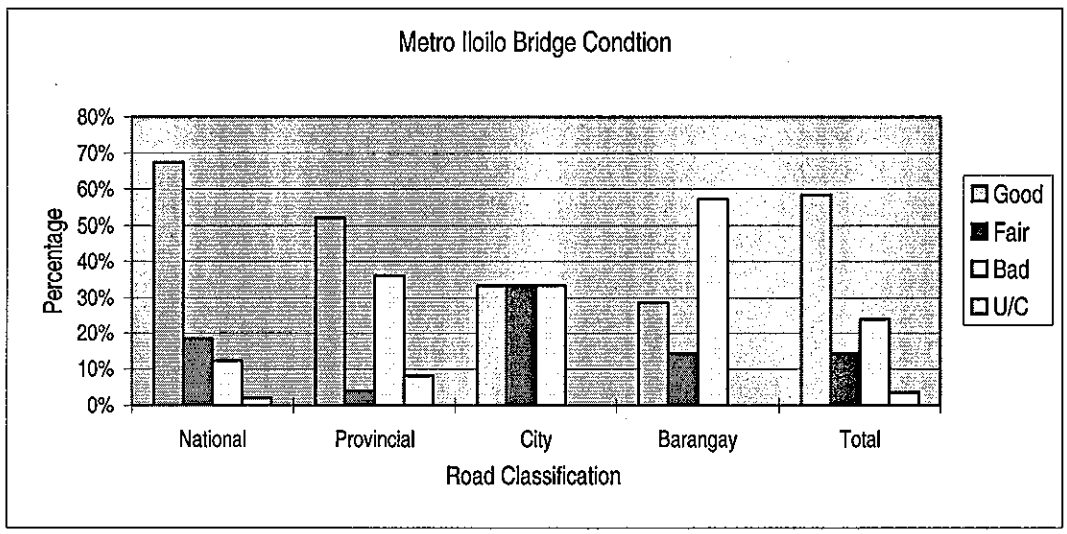


FIGURE 5.2-5 METRO ILOILO BRIDGE CONDITION

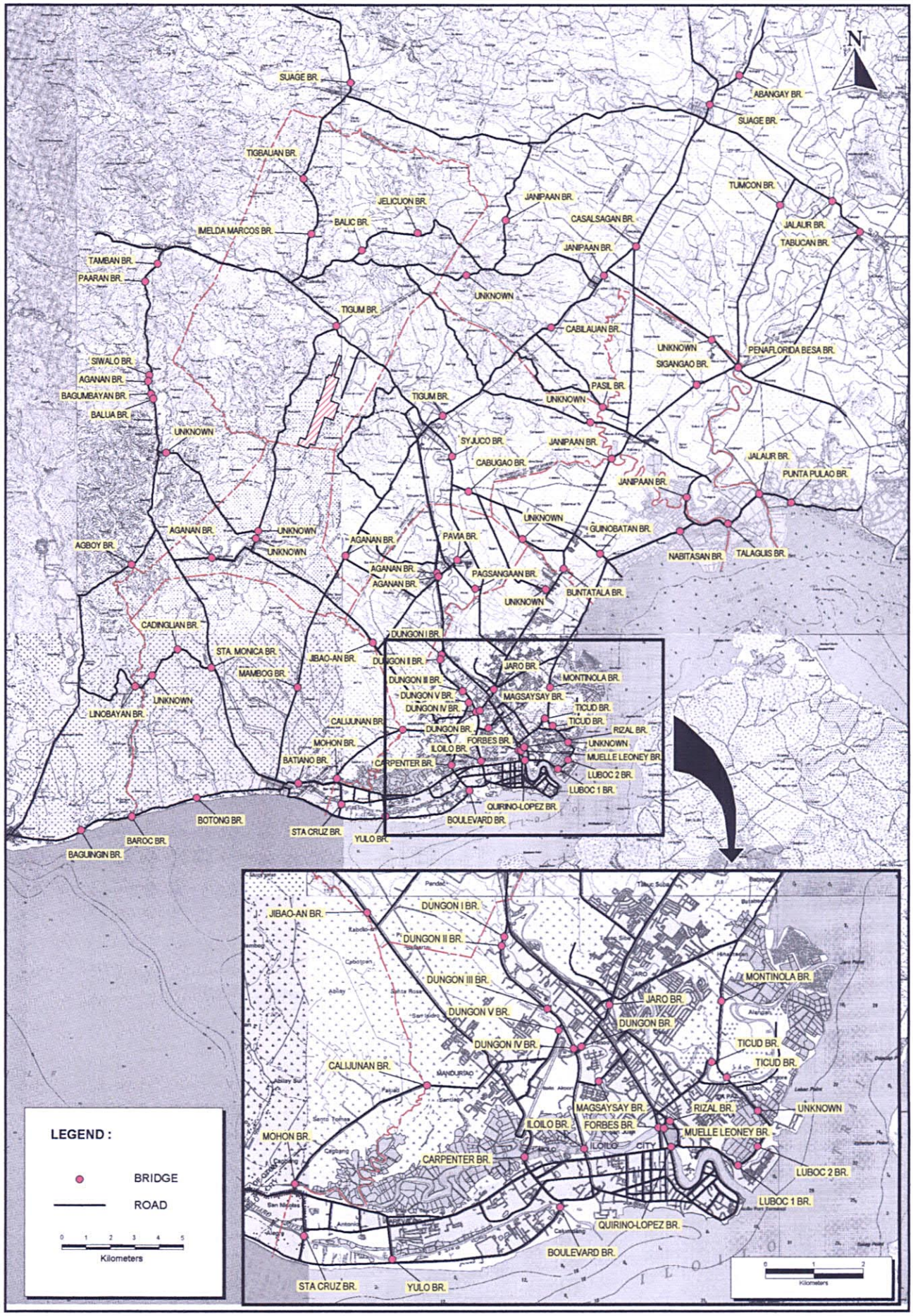


FIGURE 5.2-5 METRO ILOILO EXISTING BRIDGES LOCATION MAP

5.3 LEVEL OF SERVICE OF EXISTING ROADS

Level of service (LOS) of a road is well expressed by a travel speed. The Study Team developed criteria of LOS by referencing "Highway Capacity Manual 2000" (HCM2000 by TRB of the United States) as shown in Table 5.3-1.

TABLE 5.3-1 LEVEL OF SERVICE CRITERIA

Level of Service	Travel Speed (km/hr)		Remarks
	Inside Iloilo City	Outside Iloilo City	
A	> 50	> 60	—
B	40 – 50	45 – 60	—
C	30 – 40	35 – 45	• Ideally maintained this level.
D	20 – 30	25 – 35	• Countermeasures should be planned and implemented in the near future
E	15 – 20	20 – 25	• Countermeasures immediately implemented.
F	< 15	< 20	• Countermeasures immediately implemented.

Source: JICA Study Team

Figure 5.3-1 shows the present level of service of roads in Iloilo City. Road sections under LOS E or D are as follows:

LOS E : Short section at Jaro

LOS D :
- Road sections in the down town area in City Proper
- Roads in Jaro
- Iloilo – Roxas Road
- Iloilo – Sta. Barbara Road
- Short section of Iloilo-Antique Road
- Manduriao-Jaro Road

Other roads in the Study Area are still maintaining level of service of C or B.

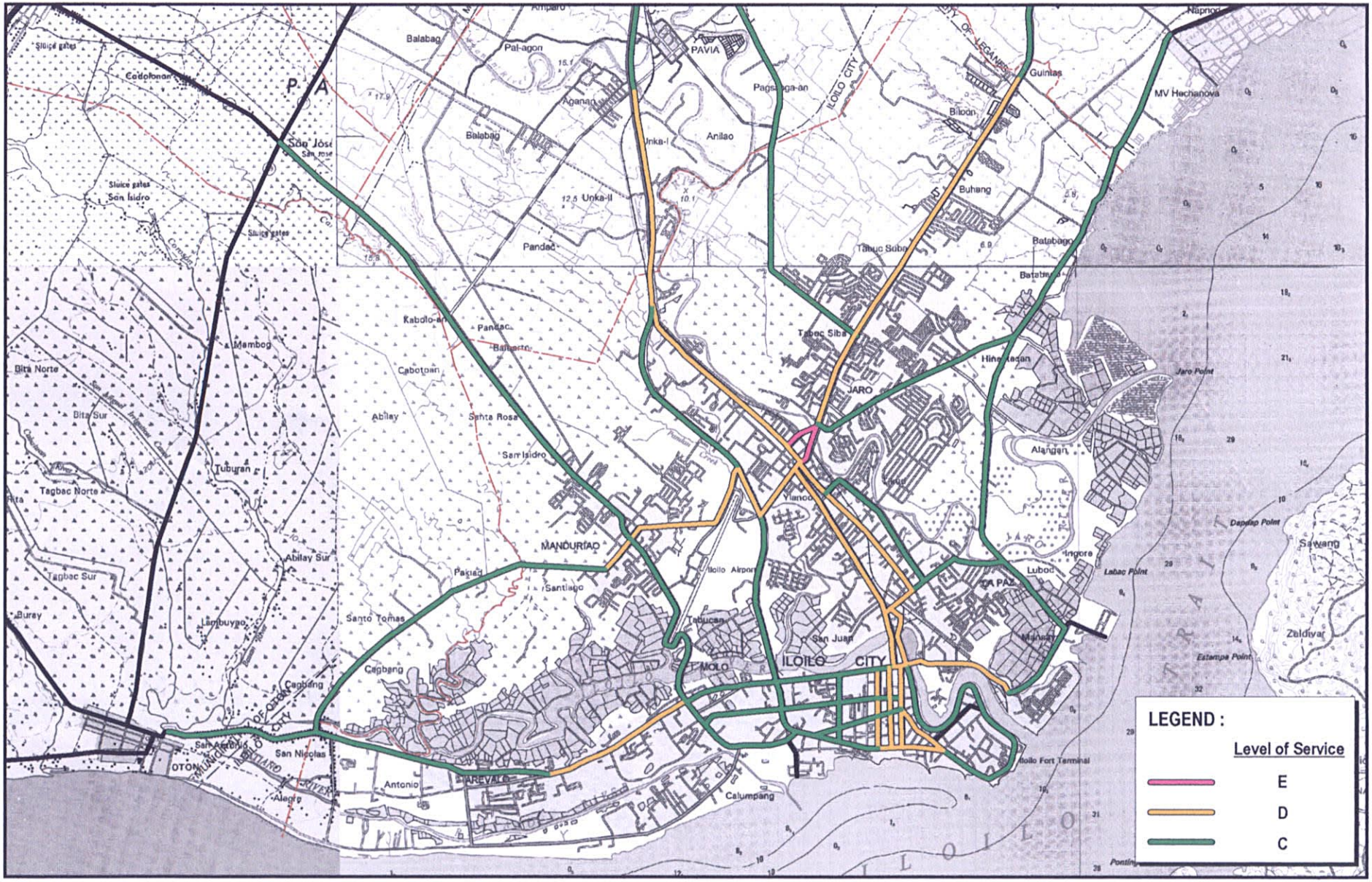


FIGURE 5.3-1 PRESENT LEVEL OF SERVICE OF ROADS IN ILOILO CITY

CHAPTER 6
ROAD MAINTENANCE

6.1 NATIONAL ROAD

6.1.1 Maintenance Responsibility

A maintenance program is planned by District Engineering Offices (DEOs) in accordance with the Guideline prepared by the Bureau of Maintenance of the DPWH Central Office. The various maintenance activities are implemented by DEO under the supervision of the Regional Engineering Offices (REO). In the Study Area, the following DEOs under the Region VI of REO are in charge of road maintenance for national roads.

TABLE 6.1-1 DISTRICT ENGINEERING OFFICES (DEO) IN METRO ILOILO

Metro Iloilo	
District	**Location**
Iloilo First District	Iloilo City
Iloilo Sub-District	Sta. Barbara
Iloilo Second	Sara, Iloilo
Iloilo City	Iloilo City

Source: REO, Region VI

Table 6.1-2 shows the summary of roads and bridges for maintenance by respective DEO.

TABLE 6.1-2 MAINTENANCE RESPONSIBILITY OF DEO IN ILOILO

District	Road Length (km)				Bridge	
	PCC	AC	Gravel	Total	Numbers	Length (m)
Iloilo First District	41.8	65.8	59.7	167.4	59	2554.5
Iloilo Sub-District	34.0	43.7	27.4	105.1	21	895.4
Iloilo Second	58.1	148.8	150.2	357.0	59	2986.0
Iloilo City	48.3	37.1	2.1	87.6	21	1315.4
Total	182.3	295.4	239.4	717.1	160.0	7751.3

Source: DPWH Region VI

6.1.2 Maintenance Budget

Road maintenance budget and allocation to the Regional Offices and DEO/CEO are determined by Equivalent Maintenance Kilometer (EMK) system. The EMK is as follows;

Maintenance Budget = Basic Cost x EMK

Basic Cost: Cost per one equivalent – maintenance – kilometer for one year
EMK: Equivalent – Maintenance- Kilometer to be determined by a physical length multiplied by EMK factors. EMK factors are determined for type of pavement, width of roadway and traffic volume.

The based cost in 2003 is 82,000 peso/km.

Maintenance budget is released to the respective DEO/CEO every quarter. Five percent (5%) of the total maintenance budget allocated for each region is set aside for the maintenance for roads which are newly converted to or taken over as national roads for the current year. In addition, to provide a ready fund for emergencies, another five percent (5%) of the budget is retained at the Regional Offices as Immediate Response Fund (IRF). This fund is used for the immediate repair of roads and bridges damaged by natural calamities, or for emergency activities.

6.1.3 Maintenance Budget Allocation

Table 6.1-3 and Figure 6.1-1 show the maintenance budget allocated to each DEO in Metro Iloilo in the last four years (2000 to 2003).

TABLE 6.1-3 MAINTENANCE BUDGET OF DEO IN ILOILO

(in Million Peso)

District	Budget/Year				
	2000	2001	2002	2003	Total
Iloilo First District	24,101	27,244	25,598	30,236	107,179
Iloilo Sub-District	24,101	13,912	14,849	10,236	63,098
Iloilo Second	41,284	52,156	52,579	65,110	211,129
Iloilo City	9,686	9,824	8,657	10,236	38,403
Total	**99,171**	**103,136**	**101,683**	**115,818**	**419,808**

Source: DPWH Region Office VI

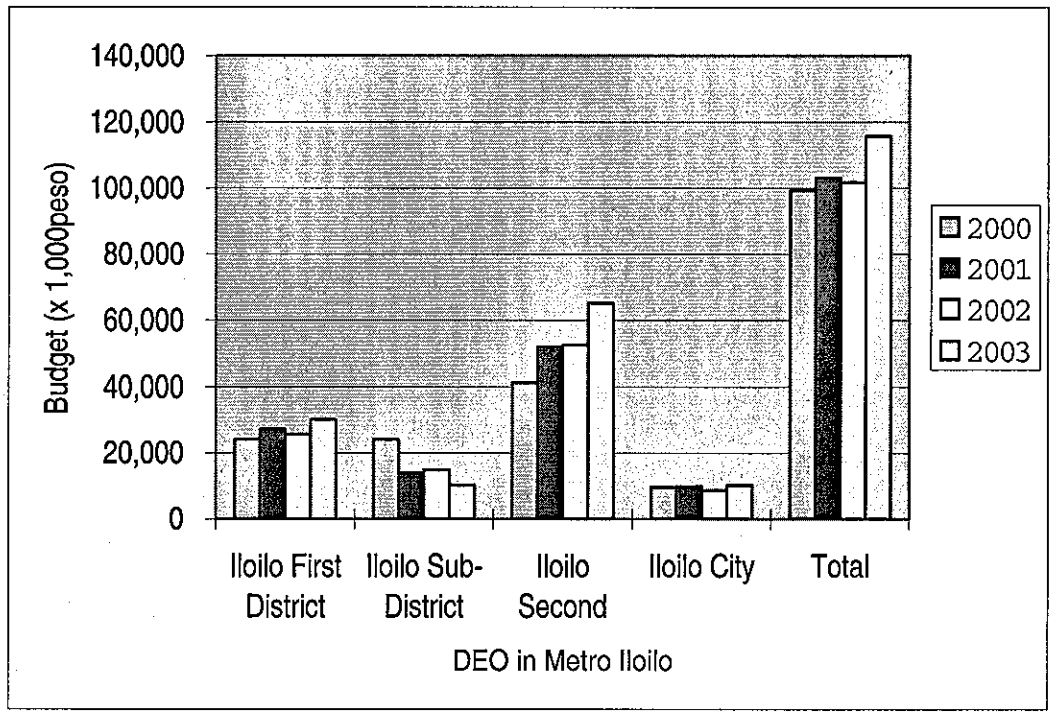


FIGURE 6.1-1 MAINTENANCE BUDGET ALLOCATION (2000 – 2003)

6.1.4 Maintenance Activity

Table 6.1-4 shows the definitions of maintenance activities by frequency.

TABLE 6.1-4 MAINTENANCE ACTIVITIES

Activity	Definition	Frequency
Routine maintenance	Maintenance is regularly performed throughout the year and includes roadway and related features, road side maintenance, traffic services, etc.	Regular and daily base
Periodic Maintenance	Maintenance that is more extensive than routine maintenance and planned using long-term intervals. It includes resurfacing unpaved roads; bituminous surface treatment, redecking timber bridge decks, and repainting steel bridge members, etc.	Based on annual plan.
Special Maintenance	Small improvement work like installation of new culvert, construction of concrete lined canal, slope protection works, etc.	Based on road inspection
Preventive Maintenance	Works that is more expensive than routine maintenance and helps to prevent (a) undue road way deterioration, (b)increase routine maintenance requirements, and (c) vehicular accidents.	Based on plan

Source: DPWH

6.1.5 Maintenance Operation

There are two types of maintenance operation; Maintenance by Administration (MBA) and Maintenance by Contract (MBC). Table 6.1-5 shows the definition of MBA and MBC.

TABLE 6.1-5 DEFINITION OF MBA AND MBC

Operation Category	Agent	Scope of Work
MBA	Force account, in-house staff and equipment of DPWH District Office	Other than MBC
MBC	Maintenance Contractor	Work of which quantity and unit of measurement are determined

Source: DPWH

For the past three years (1999 to 2001), 70% of the total maintenance allocation to budget is allotted for MBC and the remaining 30% for MBA.

6.1.6 Organization

Figure 6.1-2 shows the organization chart of the Regional Engineering Office in Region VI. Typical organization chart of DEO is shown in Figure 6.1-3.

DPWH REGION VI, WESTERN VISAYAS
Organization Chart

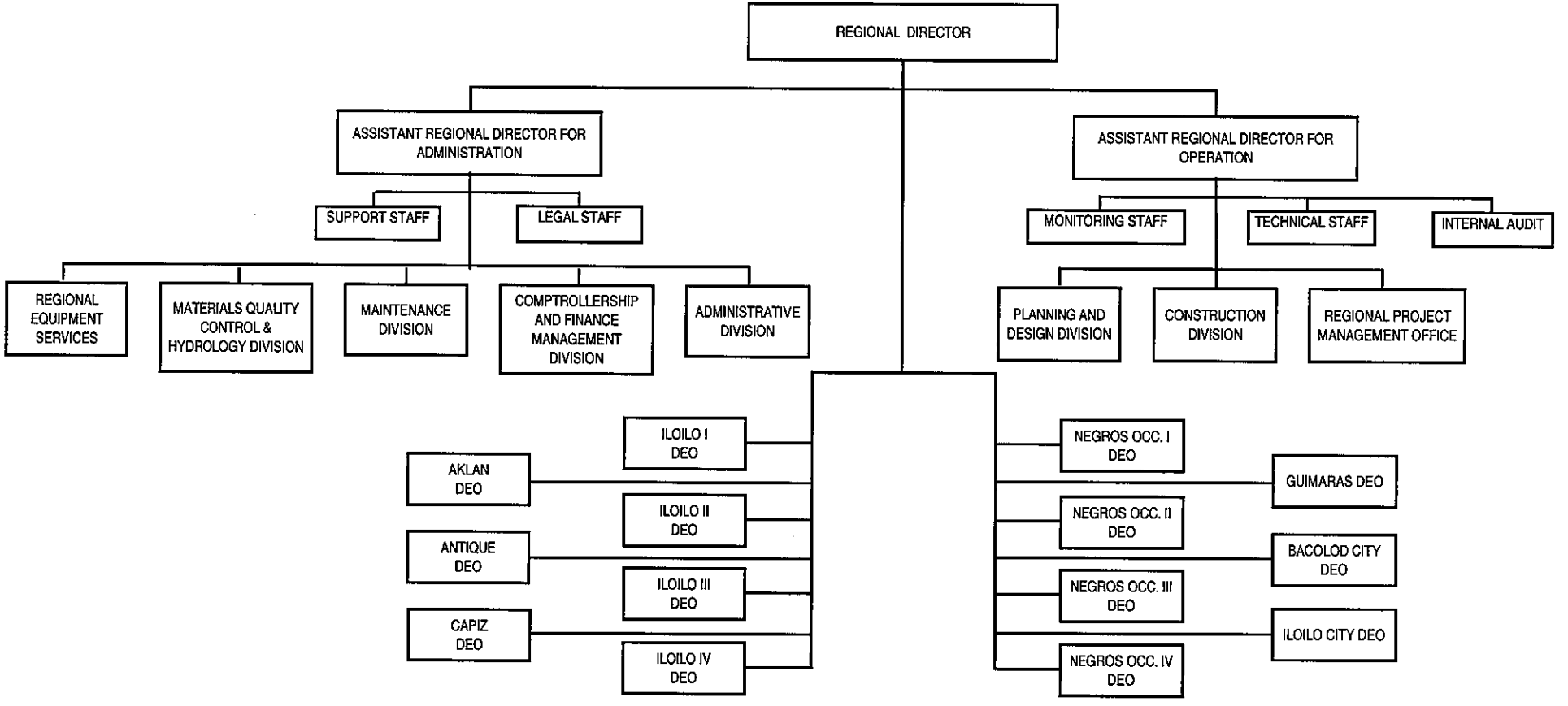


FIGURE 6.1-2 ORGANIZATION CHART OF DPWH REGION VI

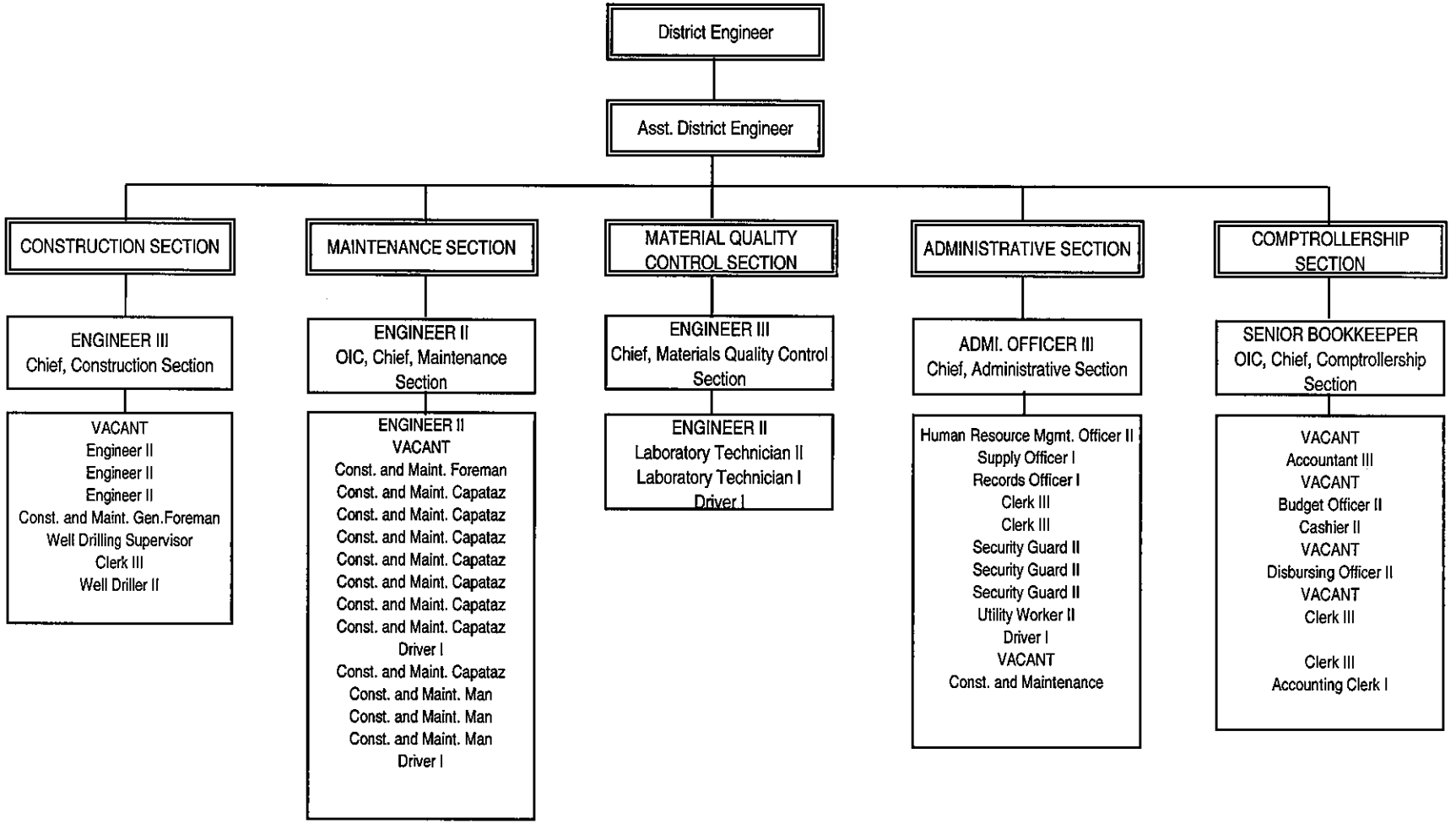


FIGURE 6.1-3 TYPICAL ORGANIZATION CHART OF DPWH DISTRICT ENGINEERING OFFICE

6.2 LOCAL GOVERNMENT ROADS

6.2.1 Maintenance Responsibility

1) Provincial Roads

Maintenance of provincial roads is under the responsibility of the Provincial Engineer's Office (PEO). The name and location, and the summary of provincial roads by type are shown in Table 6.2-1 and Table 6.2-2, respectively.

TABLE 6.2-1 PROVINCIAL ENGINEER'S OFFICE FOR ROAD MAINTENANCE

Metro Iloilo	
Name	Location
Iloilo Provincial Engineer's Office (PEO)	Iloilo City

TABLE 6.2-2 MAINTENANCE RESPONSIBILITY OF PROVINCIAL ROADS IN METRO ILOILO

Name	Road Length (km)				Bridge	
	PCC	AC	Gravel	Total	No.	Length (lm)
Iloilo Provincial Engineer's Office	43.351	16.400	628.929	688.68	58	1,339.79

Source: PEO

2) City and Municipality Roads

Maintenance of City and Municipal Roads belong to the responsibility of the City Engineer's Office (CEO) and Municipal Engineer's Offices (MEO), respectively. The list of name and location are shown in Table 6.2-3.

TABLE 6.2-3 CITY AND MUNICIPAL ENGINEER'S OFFICE FOR ROAD MAINTENANCE

Metro Iloilo	
Name	City /Municipality
Iloilo City Engineer's Office	Iloilo City
Oton Municipality Engineer's Office	Oton
San Miguel Municipal Engineer's Office	San Miguel
Pavia Municipal Engineer's Office	Iloilo
Leganes Municipal Engineer's Office	Leganes
Sta. Barbara Municipal Engineer's Office	Santa Barbara
Zaraga Municipal Engineer's Office	Zaraga
Cabatuan Municipal Engineer's Office	Cabatuan

Source: DPWH, REO, Region VI

Maintenance of Barangay Roads is under Barangay unit. However, the PEO and CEO assist all barangays in maintenance works, because they are facing with lack of budget, equipment and human resources in the barangay unit.

Road length and bridges under responsibility of each CEO and MEO are shown in Table 6.2-4.

TABLE 6.2-4 ROAD LENGTH AND BRIDGES UNDER RESPONSIBILITY OF CEO AND MEO

CEO / MEO	Road Length (km)				Bridge	
	PCC	AC	Gravel	Total	No.	Length (m)
Iloilo City Engineer's Office1)	30.94	0.44	0.28	31.66	4 (Barangay) (3)	899 (174)
Oton Municipal Engineer's Office	0.00	0.00	19.97	19.97	-	
San Miguel Municipal Engineer's Office	0.20	0.00	5.89	6.09	-	
Pavia Municipal Engineer's Office	7.84	0.00	9.36	17.20	-	
Leganes Municipal Engineer's Office	9.77	0.00	4.72	14.49	-	
Sta. Barbara Municipal Engineer's Office	8.73	0.00	28.04	36.77	-	
Zaraga Municipal Engineer's Office	1.10	0.00	6.39	7.49	-	
Cabatuan Municipal Engineer's Office	0.12	0.00	21.45	21.57	-	
Total	**58.70**	**0.44**	**96.1**	**155.24**	**1,073**	

Source: Province of Iloilo, Socio-Economic Profile, 2001. Data as of Feb.2000.
Iloilo CEO data was in answered questionnaires. Road length was surveyed as of Jan 23, 2002
Note: 1) Iloilo city has 66.572km of barangay road.

6.2.2 Maintenance Activity

Maintenance activities are focused on routine maintenance.

6.2.3 Maintenance Operation

All LGUs adopt MBA method.

6.2.4 Maintenance Budget

1) Province

Maintenance budget of Iloilo PEO is shown in Table 6.2-5.

TABLE 6.2-5 MAINTENANCE BUDGET OF ILOILO PEO

Metro Iloilo Province	Item	Year		
		2000	2001	2002
Iloilo Province Engineer's Office	Construction	NA	400,000	-
	Maintenance	-	7,000,000	7,000,000

Source: PEO, Answered Questionnaires.
Note: ( ) :Maintenance portion.
NA: Not available

2) City and Municipality

Budget for road construction and maintenance of CEO and MEO of Metro Iloilo are shown in Table 6.2-6.

TABLE 6.2-6 MAINTENANCE BUDGET OF CEO AND MEO IN METRO ILOLO

Metro Iloilo	2000		2001		2002	
City /Municipality	Const.	Maint.	Const.	Maint.	Const.	Maint.
Iloilo City Engineer's Office1) (road construction)	9,520,000	2,500,000	(8,850,000)	2,000,000	600,000	1,400,000
Oton Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
San Miguel Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Pavia Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	350,000 2)	
Leganes Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sta. Barbara Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	900,000 3)	
Zaraga Municipal Engineer's Office	N.A.	N.A.	N.A.	N.A.	504,000 4)	
Cabatuan Municipal Engineer's Office 5)	N.A.	498,257		243,249	N.A.	N.A.

Source: 1) Iloilo CEO 2) 2002 DEV. Fund. 3) Annual Plan 2003. 4) 2002 Municipal Annual Development Plan . 5) Incomes and expenditures report

6.2.5 Organization and Staffing

1) Province

Organizational chart of the PEO is shown in Figure 6.2-1.

2) City

Organization chart of the CEO of Iloilo City is shown in Figure 6.2-2.

3) Summary of Staffing

Table 6.2-7 presents summary of staffing by Province, City, and Municipality.

Technical capabilities for planning as well as for engineering services vary across LGUs in the Study Area. Provincial offices usually keep permanent skilled staff and equipment capable of dealing with the majority of small to medium size projects. Any special needs require the assistance of larger government agencies such as DPWH, DILG, etc.

PROVINCIAL ENGINEER'S OFFICE
Province of Iloilo

CONSTRUCTION & MAINTENANCE DIVISION

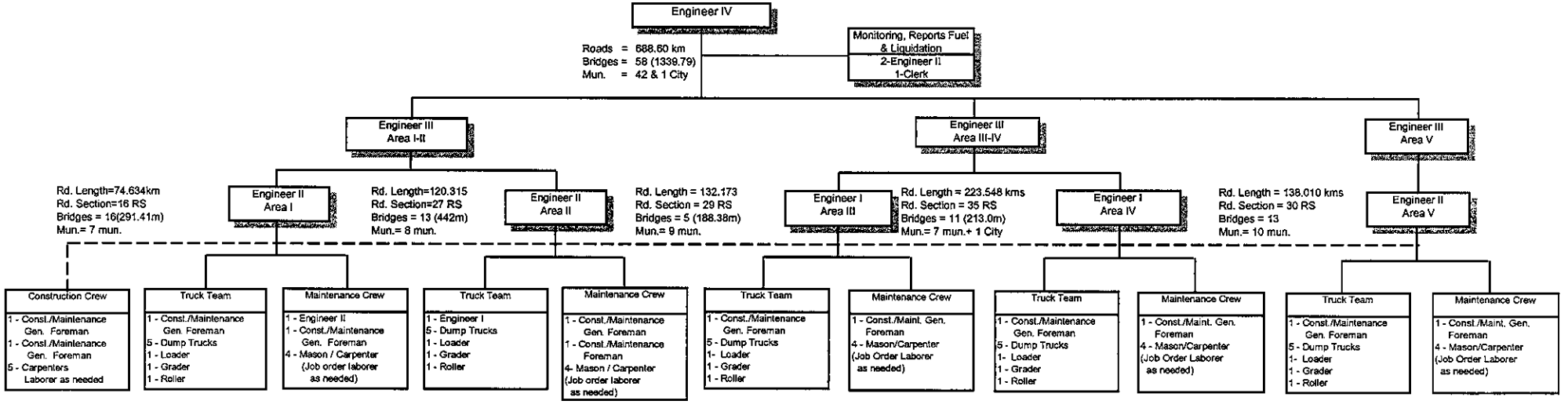
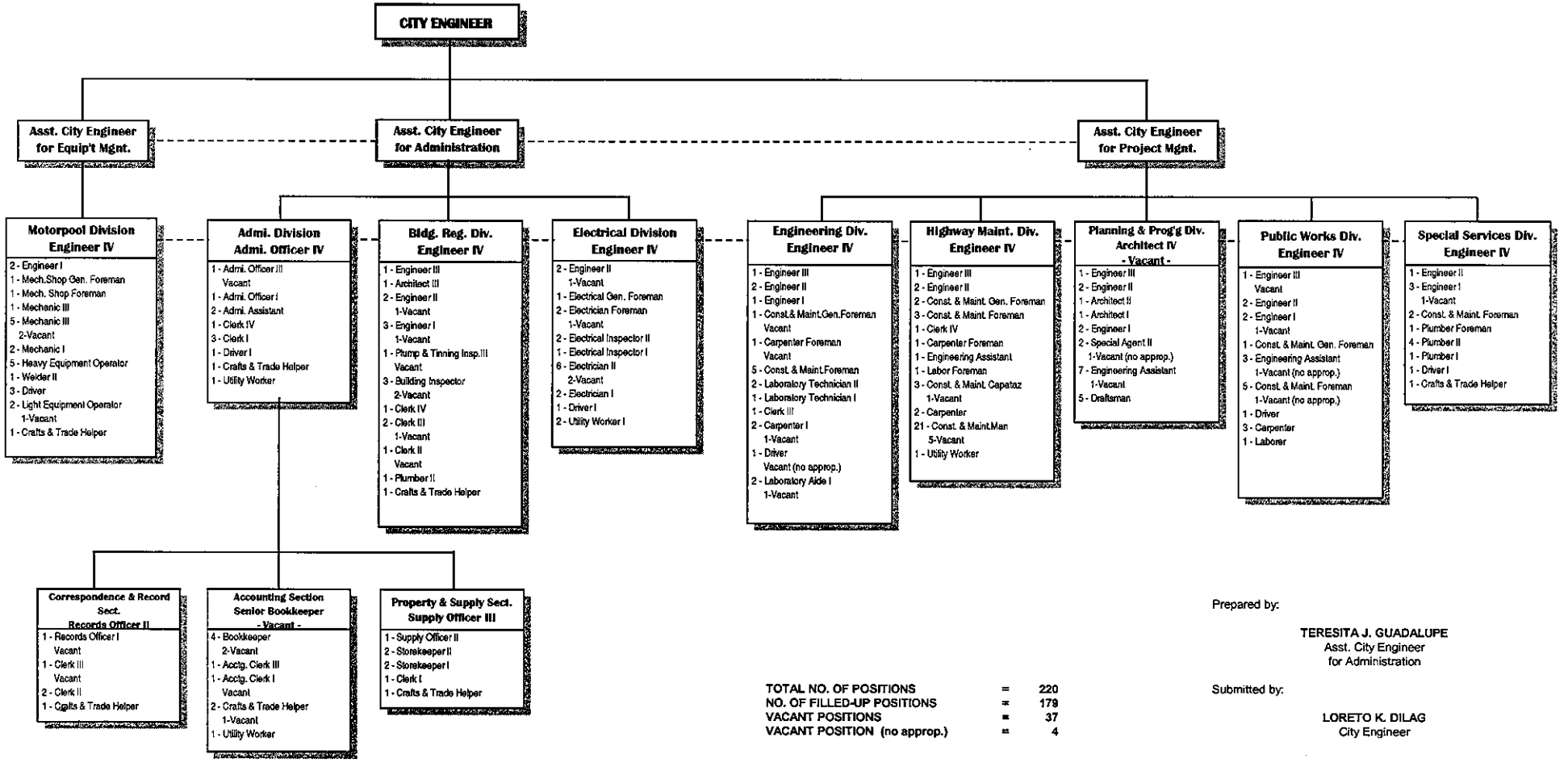


FIGURE 6.2-1 ORGANIZATION CHART OF ILOILO PROVINCIAL ENGINEER'S OFFICE

ORGANIZATIONAL CHART
CITY ENGINEER'S OFFICE



TOTAL NO. OF POSITIONS	=	220
NO. OF FILLED-UP POSITIONS	=	179
VACANT POSITIONS	=	37
VACANT POSITION (no approp.)	=	4

Prepared by:

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Asst. City Engineer
for Administration

Submitted by:

LORETO K. DILAG
City Engineer

FIGURE 6.2-2 ORGANIZATION CHART OF ILOILO CITY ENGINEER'S OFFICE

TABLE 6.2-7 SUMMARY OF STAFF AND ORGANIZATION

	Province of Iloilo	Iloilo City	Mun. of Leganes	Mun. of Zarraga	Mun. of Sta. Barbara	Mun. of Pavia	Mun. of Oton	Mun. of San Miguel
Planning Office								
Career Prof.	25	30	3	3	5	5	N/A	N/A
Supporting Staff	9	20	4	0	4	0	N/A	N/A
Sub-Total	**34**	**50**	**7**	**3**	**9**	**5**	**N/A**	**N/A**
Planning Office								
Career Prof.	221	137	3	3	3	4	N/A	N/A
Supporting Staff	14	0	2	0	2	0	N/A	N/A
Sub-Total	**235**	**137**	**5**	**3**	**5**	**4**	**N/A**	**N/A**
Total	**269**	**187**	**12**	**6**	**14**	**9**	**N/A**	**N/A**

Source: DPWH

6. 3 MAINTENANCE PROBLEMS

6.3.1 National Road

1) General

The Study Team conducted interview surveys to the DPWH Regional VI Office and District Offices in Iloilo. The following maintenance problems for national roads are identified by DPWH field offices and summarized by the Study Team.

2) Maintenance Budget

Maintenance budget allocated in Metro Iloilo was decreased in 2000 and has been stable in the recent three year (2001 – 2003). However, the budget is not sufficient to meet maintenance requirements. The insufficient budget has caused two effects; (i) delay of timing of maintenance that resulted in more deterioration and then request of higher cost of repairing and rehabilitation, and (ii) priority allocation to paved road maintenance to prevent from extending further damages, which has caused neglecting of gravel road maintenance. However, gravel road covers 30% of the all national road.

3) Maintenance Problems

Table 6.3-1 shows maintenance problems raised by DEOs.

TABLE 6.3-1 MAINTENANCE STATUS BY DEO

District	Maintenance Issue
Iloilo First District	(i) 60% of road are beyond economically maintenable condition and require rehabilitation. (100km out of 167km) (ii) Structural overlay is being conducted for asphalt roads. (iii) Delay of release of 2003 budget.
Iloilo Sub-District	(i) All asphalt roads require rehabilitation. (ii) Budget is not enough to meet the requirement.
Iloilo Second	(i) Payment was delayed to the contractor. (ii) Present EMK system should be modified to reflect actual maintenance needs. (iii) Intending to introduce full contract based maintenance (MBC). (iv) 3 graders of 30 year-old were out of order. But no order of procurement of spare parts was issued, because of introducing privatization policy.
Iloilo City	(i) Maintenance is concentrated on drainages. (ii) Drainage system of Iloilo City has insufficient capacity because its was constructed 30 years ago.

4) Priority of Budget Allocation

The limited budget has been utilized for; (i) the roads that are strategically important and high traffic routes such as the primary road; (ii) the area such as traveled way, and (iii) the works that prevent easily increasing damages and need emergency repair work: patching of potholes, drainage cleaning, and other roadside act ivies are included. Most of attention is paid to maintain and keep PCC/ AC pavement from further deterioration.

5) Maintenance Operation

The issues on MBA and MBC are summarized in Table 6.3-2. According to DEO's opinion, MBC does not always improve maintenance efficiency.

TABLE 6.3-2 PRESENT STATUS OF MBA AND MBC

Item	MBA	MBC
Schedule	MBA has generally three phasing; (i) defect inspection, (2) maintenance scheduling for three month, and (3) MBA operation.	In year 2003, MBC started in the 2nd quarter by advertising in March or April and end on 31 December. No extension in using the budget beyond the fiscal year is allowed. In the 1st quarter when no maintenance operation proceeds by MBC, MBA should cover this gap. Delay of budget release also caused extension of MBA period.
Urgent Work	Emergency work was carried out by MBA, and the regular work volume was reduced from MBA. In case of huge damage, calamity fund will be released; but in recent 3 ~4 years no calamity fund was released. Roads damaged by the typhoon requires rehabilitation frequently.	For typhoon damages, MBC cannot be applied for repairing.
Equipment	Since 1970, no more equipment has been procured. Required equipment was to be rented from the private company, which required a lot of administrative procedures.	(No Comment)
Inspection and Supervision	Service vehicles for inspection are not enough.	Area Engineer and Inspector team of DEO check work schedule, log books, no. of dump truck, work performance of MBC contractors. No efficient supervision is being carried out because of lack of service vehicles.
Budget and Expenditures	For MBA, 50% of the total maintenance budget is used, but it will be reduced to 30%.	For MBC, 50% of the total maintenance budget is utilized, and it will be increased to 70%. But 60% is practical maximum limit under the present circumstances.

Source: Interview with DEOs by the Study Team

6.3.2 Local Government Roads

Maintenance problems of local government road by PEO and Iloilo CEO are summarized in Table 6.3-3.

TABLE 6.3-3 MAINTENANCE PROBLEMS OF PEO AND CEO

Issue	Iloilo Provincial Engineer's Office	Iloilo City Engineer's Office
Barangay Road	No, but the PEO assists in the maintenance of barangay roads in equipment support.	Yes. Maintenance of roads and bridges.
Road/ Bridge Inventory	Yes	Yes. For example in Jan 2003, partial road inventory was carried out and approved by the City Engineer.
Planning Division	35 staffs	15 staffs.
Construction Division	53 combined maintenance crew: 5 Truck Team	15 staffs
Maintenance Division	Included in the Construction Division	53 staffs skilled and permanent personnel
Motor Pool Division	126 staffs	29 staffs
Road Maintenance		
Maintenance manual	No specific maintenance manual	No specific maintenance manual
Road inspection	Very often	Daily base
Maintenance Activity List	None	Routine maintenance
Maintenance program	Quarterly/Monthly	Annual
Maintenance Operation	MBA	MBA
Equipment	Dump truck: 50 units (20 in 1995) Bull doze: 9 (1 in1995) Pay loader: 12 (5 in 1995) Motor Grader: 8 (4 in 1995) Road Roller: 13 (1 in 1995) Truck Crane: 2 Hydraulic excavator: 1 Service Vehicle: 11 Axially Field Units: 5 (1 in 1995) Miscellaneous: 5 Shop Equipment for repairing: lot	Dump truck: 4 units Pay loader: 2 (unserviceable) Motor Grader: 1 (4 in 1995) Road Roller: 13 (1 in 1995) Hydraulic excavator: 1 Service Vehicle: 15 (11 serviceable) Axially Field Units: 5 (1 in 1995) Miscellaneous: 2 Shop Equipment for repairing: lot
Problems	(1) Inadequate funds (2) Aging/depreciating equipment (3) Barangay/municipality request for truck team (maintenance crew)	(1) Limited budget (2) Lack of equipment (3) Lack of personnel

Source: PEO, CEO, Answered questionnaires of the Study.

CHAPTER 7
LOCAL GOVERNMENT SYSTEM

7.1 LOCAL GOVERNMENT UNITS

7.1.1 Levels of Government

The four levels of local government units (LGUs) in the Philippines, in terms of political corporate entities, are as follows (in hierarchical order):

a) Provinces,
b) Cities,
c) Municipalities, and
d) Barangays.

Provinces are the highest political and corporate unit of local government composed of municipalities and component cities. They are created only by an Act of Congress, subject to approval by majority votes in a plebiscite. As a requirement, they should have an annual income of not less than P 20 million, a population of not less than 250,000 residents and a land area of at least 2,000 square kilometers. The provinces are administered by a set of elected officials headed by governors.

Cities are urbanized communities with a population greater than 150,000 inhabitants and an annual income of at least P 20 million. They are composed of several barangays. Their economy is much more varied than the rural communities since they rely less on agricultural outputs. Elected mayors are the chief executive officers of the cities.

Cities are classified as follows:

1) High Urbanized City (HUC) – is a city with an annual income of at least P 50 M based on 1991 constant prices as certified by the city treasurer, a land area of at least 100 square kilometers and a population of at least 200,000 as certified by NSO. HUC are created by declaration of the President within 30 days after it has met the minimum requirements and upon ratification in a plebiscite.

2) Independent Component City (IC) – is a city that is independent of the province and has an annual income of at least P 20 M, a land area of at least 100 square kilometers and a population of at least 150,000 as certified by NSO. It is created only by an act of Congress and upon ratification by its residents in a plebiscite.

3) Component City (CC) – similar to an IC, a CC should have an annual income of at least P 20 M, a land area of at least 100 square kilometers and a population of at least 150,000. It is also created the same way as the IC. However, the city is a component of the province in which they are geographically located and unlike the HUC and IC voters of the CC can vote for elective provincial officials.

Municipalities are political corporate bodies consisting of several barangays. A unit must have at least 25,000 inhabitants and an annual income of more than P 2.5 million. Like the cities, mayors head the municipalities.

Barangays are the smallest political unit of government that cities and municipalities are made up of. It serves as the primary planning and implementing unit of government policies, plans, programs and projects. It consists of at least than 2,000 inhabitants residing within the territorial limit of a city or municipality and administered by a set of elective officials, headed by a barangay chairman (*punong barangay*). The National Statistical Office (NSO) usually certifies for the resident population of the above local government units. There are approximately 42,000 barangays in the country.

The provinces have some limited power over lower levels of governments (i.e, the municipalities). The same is true for municipalities over the barangays but it is also limited. Only the cities have administrative independence from any other government level.

All of these LGUs have revenue-raising powers through taxes or fees. Only the provinces, cities and municipalities are required to establish government offices. Their responsibilities and functions are described in detail in the Local Government Code of 1991.

7.1.2 Income Classification

The LGUs are classified based on their income, which is used, among others, as basis for fixing the maximum tax ceiling imposable by the LGU, for determining administrative and statutory aids, financial grants and other forms of assistance to LGUs, and for the implementation of salary laws and administrative issuances on allowances and emoluments for local government officials and personnel. The recent income classification for LGUs nationwide is based on Department of Finance Department Order No. 32-01, which took effect last November 20, 2001 (refer to Table 7.1-1).

Each LGU may maintain their organization structure and offices necessary to carry out their government's functions. The typical officials within each structure are listed in Table 7.1-2.

7.2 THE LOCAL GOVERNMENT CODE OF 1991

The enactment of the Local Government Code of 1991 paved the way for local autonomy of communities within the hierarchy of the local government units. Basically, the law is founded on the principle of decentralization focusing on devolution. By definition, devolution is the creation or strengthening – financially or legally – of subnational units of government, the activities of which are substantially outside the direct control of central government. Under devolution, local government units are autonomous and independent, and their legal status makes them separate or distinct from the central government.[1]

[1] Bautista, Arnell, "Rules and Regulations Implementing the Local Government Code of 1991," 1993, p 403.

TABLE 7.1-1 INCOME CLASSIFICATION OF LGUs, 2001 [1)]

LGU Level	Classification	Average Annual Income[2)]
Province	1st	P 255 M or more
	2nd	P 170 M or more but less than P 255 M
	3rd	P 120 M or more but less than P 170 M
	4th	P 70 M or more but less than P 120 M
	5th	P 35 M or more but less than P 70 M
	6th	Below P 35 M
City	Special	Per Presidential Decree No. 465
	1st	P 250 M or more
	2nd	P 155 M or more but less than P 250 M
	3rd	P 100 M or more but less than P 155 M
	4th	P 70 M or more but less than P 100 M
	5th	P 35 M or more but less than P 70 M
	6th	Below P 35 M
Municipality	1st	P 35 M or more
	2nd	P 27 M or more but less than P 35 M
	3rd	P 21 M or more but less than P 27 M
	4th	P 13 M or more but less than P 21 M
	5th	P 7 M or more but less than P 13 M
	6th	Below P 7 M

1) DOF Dept. Order 32-01 of November 20, 2001 (Amending Department Order 94-97 of March 26, 1997)
2) Income in pesos for the last 3 calendar years
Source: Philippine Standard Geographic Code (PSGC)

TABLE 7.1-2 STRUCTURE OF LGU OFFICIALS

Provincial	City	Municipal	Barangay
Elective Governor Vice Governor *Sangguniang* Panlalawigan Members	Elective Mayor Vice Mayor *Sangguniang* Panlungsod Members	Elective Mayor Vice Mayor *Sangguniang* Bayan Members	Elective Punong Barangay *Sangguniang* Barangay Members *Sangguniang* Kabataan Chairman
Mandatory Appointive Sec of *Sanggunian* Prov'l Treasurer Prov'l Assessor Prov'l Accountant Prov'l Engineer Prov'l Budget Officer Prov'l Planning & Dev't. Coordinator Prov'l Legal Officer Prov'l Administrator Prov'l Social Welfare & Devmt. Officer Prov'l Veterinarian	Mandatory Appointive Sec of *Sanggunian* City Treasurer City Assessor City Accountant City Engineer City Budget Officer City Planning & Dev't. Coordinator City Legal Officer City Administrator City Social Welfare & Dev't. Officer City Veterinarian City Health Officer City Civil Registrar City Gen. Services Officer	Mandatory Appointive Sec of *Sanggunian* Municipal Treasurer Municipal Assessor Municipal Accountant Municipal Engineer/Building Official Municipal Budget Officer Municipal Planning & Devmt. Coordinator Municipal Health Officer Municipal Civil Registrar	Mandatory Appointive Barangay Secretary Barangay Treasurer
Optional Appointive Prov'l Population Officer Prov'l Natural Resources & Environment Officer Prov'l Information Officer Prov'l Cooperative Officer Prov'l Architect	Optional Appointive City Architect City Information Officer City Agriculturist City Population Officer City Environment & Natural Resources Officer City Cooperative Officer	Optional Appointive Municipal Administrator Municipal Legal Officer Municipal Architect Municipal Info. Officer Municipal Agriculturist Municipal Social Welfare and Dev't. Officer Municipal Environment & Natural Resources Officer	Optional Appointive Executive Officers of Various Community Bridgades

Source: Primer on City, Province, Barangay and Municipality; AVB Printing

The Code is divided into four books, to wit:

1) Book I - General Provisions
2) Book II - Local Taxation and Fiscal Matters
3) Book III- Local Government Units
4) Book IV- Miscellaneous and Final Provisions

The Code has several sections that are relevant to the development of roads. Those with bearing on this study are as follows:

1) Section 3 on Operative Principles of Decentralization. Specifically states in provision (f) that "local governments may group themselves, consolidate or coordinate their efforts services and resources for purposes commonly beneficial to them." This could very well provide the foundation for a metropolitan entity that could undertake infrastructure projects in a coordinated and consolidated manner.
2) Section 17 on Basic Services and Facilities. This section sets out the responsibilities of each LGU level for the delivery of basic services and facilities. Among others, the municipal, city and provincial governments are responsible for providing and maintaining infrastructure facilities (incl. roads and bridges) the while the barangays are responsible only for the maintenance of roads and bridges.
3) Section 18 on Power to Generate and Apply Resources. "LGUs shall have the power and authority to establish an organization that shall be responsible for the efficient and effective implementation of their development plans and programs, to create their own sources of revenues, levy taxes, fees and charges, and have a share in national taxes directly released to them."
4) Section 19 on Eminent Domain. This section provides the LGU with the power of eminent domain for public use upon payment of just compensation to the land owner. Further, the LGU may "take possession of the property upon the filing of the expropriation proceedings and upon, making a deposit with the proper court of at least 15% of the fair market value of the property."
5) Section 37 on Local Pre-qualification, Bids and Award Committee. LGUs can establish their own committee to conduct pre-qualification of contractors, bidding, evaluation and recommendations for award of contracts for local infrastructure projects.
6) Section 155 on Toll, Fees and Charges. LGUs may construct, operate or maintain roads, bridges, etc either directly or by tie-up in which case they may charge toll fees to boost local revenues.
7) Section 287 on Local Development Projects. This section requires LGUs to reserve 20% of their IRA for "development funds." A development plan, duly approved by the local policy making body (*Sanggunian*), for the utilization of this fund is submitted DILG , DBM and DOF.
8) Section 296 on Policy for Credit Financing. This section states that "LGU may create indebtedness, and avail of credit facilities to finance local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program.
9) Section 297 on Loans, Credits and Other Forms of Indebtedness of LGUs. It is mentioned that the "LGU may contract loans, credits, and other forms of indebtedness with any government or domestic private bank and other lending institutions to finance the construction, installation, improvement, expansion,

operation, or maintenance of public facilities, infrastructure facilities, capital investment projects, subject to such terms and conditions as may be agreed upon by the LGU and the lender."

10) Section 300 On Inter-Local Government Loans, Grants, and Subsidies. LGUs, upon approval of their respective policy making bodies, " may jointly or severally contract loans, credits, and other forms of indebtedness for purposes mutually beneficial to them." This may be explored for infrastructure projects benefiting several connecting LGUs.

11) Section 301 on Loans from Funds Secured by the National Government from Foreign Sources. On the whole, this section provides that funds, as secured from foreign sources, can be relent to the LGUs (as directed by the President or his/her representative) for financing, among others, infrastructure facilities. Repayment "may be financed partly from the income of the projects or services and from the regular income of the LGU, which must be provided for and appropriated regularly in its annual budget until the loan and interest thereon shall have been fully paid."

12) Section 302 on Financing, Construction, Maintenance, Operation and Management of Infrastructure Projects by the Private Sector. This section provides an avenue for private sector intervention in infrastructure projects, through the build-operate-transfer scheme, with technical supervision from the LGU concerned.

13) Section 324 on Budgetary Requirements. It is stipulated in (b) of this section that "the amount of the appropriations for debt servicing shall not exceed twenty percent (20%) of the regular income of the local government concerned."

7.3 RELEVANT AGENCIES FOR THE DEVELOPMENT OF LOCAL ROADS

The Code provides a clear delineation of functions across levels of government but not in the area of public works. The LGUs are tasked with the primary responsibility for the construction and maintenance of local roads but the Department of Public Works and Highways (DPWH) continue to undertake similar activities. The DPWH implements public works and infrastructure projects and other facilities, programs and services funded by the national government under the Annual General Appropriations Act, other special laws, pertinent executive orders, and wholly or partially funded from foreign sources.[2]

Prior the implementation of the Local Government Code of 1991, the Department of Public Works and Highways (DPWH) held the major responsibility for all roads in the country. National government agencies (NGAs) can, with the approval of the Investment Coordinating Committee (ICC) of the National Economic and Development Authority (NEDA), also fund and provide local roads. The Department of Agriculture (DA) and Department of Agrarian Reform (DAR) both provide farm-to-market roads as part of their development efforts, while the Department of Environment and Natural Resources (DENR) and the National Irrigation Administration (NIA) can also provide roads relative to their program. On the LGU level, the Provincial Engineers' Offices (PEOs) were mainly responsible for the maintenance of local roads. When deemed necessary, the DPWH provided technical assistance to the PEOs.
With the implementation of the Code, all local roads were devolved to the corresponding level of LGU. The responsibility of DPWH was focused on national

[2] Rosario G. Manasan, Fiscal Decentralization: the Case of the Philippines, 2002.

roads. However, other NGAs still continue developing/providing roads relative to their programs.

7.4 LOCAL GOVERNMENT FISCAL MANAGEMENT

7.4.1 Local Fiscal Administration

The LGUs, with the exception of the barangays, maintain two types of funds. These are the General Fund and the Special Fund. Within the General Fund, the following special accounts are maintained:

a) public utilities and other economic enterprises;
b) loans, interest, bond issues, and other contributions;
c) development projects funded from the share of the internal revenue allotment (IRA); and
d) other special accounts created by law or ordinance.

The Special Fund, on the other hand, consists of the following:

a) Special Education Fund, which is the share in the proceeds of additional tax on real property; and
b) Trust Fund, which consist of private and public monies that officially came into the possession of the LGU as trustee, agent, or administrator to be used for a specific purpose.

All LGUs have their Local Finance Committee composed of the Planning and Development Officer, Budget Officer, and the Treasurer. Among others, their functions are to determine the income projected as collectible for the ensuing fiscal year, recommend appropriate tax and other revenue measures, recommend the level of annual expenditures, recommend proper allocation of expenditures, recommend the amount allocated for capital outlay for infrastructure projects, and conduct semi-annual review and general examination of cost and accomplishment against performance standards applied in undertaking development projects.

As to budget processes, this is undertaken in four (4) phases, namely: (a) budget preparation, (b) budget legislation or authorization, (c) budget execution or implementation, and (d) budget accountability or review. Budget preparation starts with the determination of budgetary policies and activities guided by the LGUs development plans, with ceilings and constraints imposed by available revenues.

Among the documents contained in the budget are the following:

a) the actual income and expenditures during the immediately preceding year,
b) the actual income and expenditure of the first two quarters and estimates of the same for the last two quarters of the current fiscal year;
c) the estimates of income for the ensuing fiscal year from existing laws and ordinances,
d) the estimated expenditure necessary to carry out the functions, projects, and activities of the LGU for the ensuing fiscal year,
e) all essential facts regarding to bonded and other long-term obligation and indebtedness, if any,

f) summary statement of all statutory and contractual obligations due, and
g) other financial statements and data which are deemed necessary.

7.4.2 Revenues and Expenditures

Revenues of the LGUs are basically composed of the locally generated income and the national government distribution of the Internal Revenue Appropriation (IRA). The IRA is a system of sharing national internal revenue collections received by the Bureau of Internal Revenue with the LGUs. A predetermined formula (referred to as the CODAL formula in the Code) is adhered to for the distribution of the IRA.

Following the formula, the allotment of 40% of the total IRA collected three (3) years back is distributed to the different local governments, to wit:

a) 23% of total revenue to be divided among provinces,
b) 23% to cities,
c) 34% to municipalities, and
d) 20% to barangays

Computation of the shares of each LGU level (except the barangays) is as follows:

a) 50% is distributed based on population (i.e., Population of city/ Total population of all cities)
b) 25% is based on land area (i.e., Land area of city/ Total land area of all cities)
c) 25% is shared equally among all cities

For the barangays, those with more than 100 inhabitants will get P 80,000. The remaining balance of the IRA is then distributed as follows :

a) 60% based on population
b) 40% is equally shared among all barangays

For the locally generated income, the Code has listed various types of taxes and levies allowed by different levels of government. It is noted that some taxes are allowed for all levels of government. As traditionally practiced, major part of local government tax receipts is derived from real property tax, the local business tax, and the community tax. The coverage of taxes by LGU is listed in the Table 7.4-1. Each tax is defined by central government legislation, which limits ceiling on the tax rates that an LGU can impose. Only cities and municipalities are authorized to levy the local business tax and community tax.

Based on the review of financial resources of LGUs in the ADB sponsored Rural Roads Development Project, the LGUs are highly dependent on the IRA with the provinces turning out as the most dependent. It has been found that cities have the greatest opportunity to raise local revenues. On the whole, the LGUs have not maximized their revenue raising powers.
The expenditures of the LGUs are basically reported in many forms. One is by service (general, economic, and social services) in the Statement of Fund Operation and the Status of Appropriations. Another is a dichotomy of personal services and maintenance and other operating expenses in the Certified Statement of Income and Expenditures, which is supported with reports by office and functional category.

TABLE 7.4-1 TAX AND REVENUE-RAISING POWERS OF LOCAL GOVERNMENTS

Provinces	Cities	Municipalities	Barangays
• Tax on transfer of ownership of real property • Tax on business of printing and publication • Franchise tax • Tax on sand, gravel, and other quarry resources • Professional tax • Amusement tax • Annual fixed tax for every delivery truck or van of manufacturers or producers, wholesalers, dealers or retailers of certain products • Other fees and charges for services rendered as prescribed/approved by the *Sanggunian*	• Tax on business • Community tax • Basic realty tax • Special levy such as Special Education Fund • Ad Valorem tax on idle land • Professional tax • Amusement tax • Business and occupation tax outside scope of Province • Printing businesses • Sand and gravel tax • Fees on scaling, licensing and weights • Fishery rentals • Fee and charges on cockfighting • Operation of tricycles • Fees on approval of subdivision plans • National Building Code enforcement fees • Inspection of food products fees • Other fees and charges for services rendered as prescribed/approved by the *Sanggunian*	• Tax on business • Community tax • Fees and charges on businesses and occupations except those reserved to the province • Fees for sealing and licensing of weights and measures • Fishery rentals, fees, and charges • Basic realty tax • Special levy such as the Special Education Fund • Ad Valorem tax on idle lands • Amusement tax • Fees on scaling, licensing and weights • Fee and charges on cockfighting • Fee on operation of tricycles • Fees on approval of subdivision plans • National Building enforcement fees • Fee on Inspection of food products • Other fees and charges for services rendered as prescribed/approved by the *Sanggunian*	• Taxes on sales of stores or retailers • Service fees or charges on use of barangay-owned properties or service facilities • Barangay clearance fee • Fees and charges on commercial breeding of fighting cocks, cockfights and cockpits • Fees and charges on recreational places • Fees and charges on billboards, signborads, neon signs and outdoor advertisements • Other fees and charges for services rendered as prescribed/approved by the *Sanggunian*

Source: The Local Government Code of 1991 and Law of Basic Taxation in the Philippines

As noted in numerous reviews on LGU fiscal management, the largest item of expenditures is usually personnel. External expenditures on road maintenance are not continuing expenses or appropriations but are usually lodged in the Development Fund when and where deemed necessary. It is difficult to decipher actual amounts spent on roads in the current LGU accounting system although a new system is under trial by DILG.

7.4.3 Local Borrowing and Credit Financing

The Bureau of Local Government Finance (BLGF) is the arm of the Department of Finance responsible for the formulation and execution of policies concerning the development of the financial viability of local government units. It focuses on the function of assisting the local government sector improve their fiscal status. Under a decentralized environment, BLGF promotes fiscal autonomy and effective financial management of LGUs. The agency plays an important role in LGUs accessing credit financing from domestic banks and foreign sources of funding. Among others, it determines the level of borrowing for LGUs.

The Code provides that LGUs may enter into indebtedness (Section 297). However, LGUs should maintain depository accounts with banks (preferably GFIs) located within their respective jurisdiction (Section 311). The GFIs that benefited from this requirement are the Land Bank of the Philippines, the Development

Bank of the Philippines and the Philippine National Bank[3]. However, for instances that LGUs have no access to any GFIs, "depository accounts may be opened with a bank duly designated as government depository by the Bangko Sentral ng Pilipinas (BSP) upon prior authority of the *Sanggunian* and approval of the chief executive." With such limitation, relationships between the LGUs and private banks have not been promoted.

Local borrowing is highly regulated and centralized. Total amounts of credit available, eligible projects, terms of the loan, and the actual distribution among LGUs are usually established by the central government.

There are two major controls on LGU borrowings. One is the borrowing limitation provided by Section 324 of the Code at 20% of their regular income. Another is the loan application requisite of funding institutions for the Certification of Borrowing Capacity issued by BLGF, which states the amount the LGU is capable of paying.

There were previously two methods for determining the borrowing capacities of the LGUs; one for the income generating projects and another for the non-income generating. However, BLGF simplified the computation in 2002 to only one method, which is applicable to any type of project. This employs the following computations:

Debt Service Ceiling = (average local source income for 3 years + IRA for year 2003) x 20%

Net Debt Service Ceiling = Debt Service Ceiling – loan amortization for 2003

Borrowing Capacity = Net Debt Service Ceiling x annuity factor for loan

The Net Debt Service Ceiling is the amount an LGU has available to pay a loan in a year with due consideration made as to the limitation imposed by Section 324 of the Code. The Borrowing Capacity is the total amount of a loan an LGU can avail. The current annuity factor used is 6.194, which is computed based on the MDF interest rate of 12% for a loan period of 12 years with 3 years grace period (on principal only). The BLGF-determined borrowing capacity is valid only for the year computed and has to be updated yearly.

The LGUs are required by the BLGF to submit the following documents for the computation and the issuance of the Certification of Borrowing Capacity (citing computation for year 2003):

1) Statement of Actual Income and Expenditures for the past three (3) years duly certified and audited by the local accountant and auditor with the following supporting documents for CY 2002:
   - Trial Balance
   - Balance Sheet
   - Statement of Operations
   - Report of Revenue and Receipts
   - Status of Appropriations, Allotments and Actual Obligations Incurred

[3] The PNB has been privatized recently but has been able to secure a BSP authorization allowing it to keep deposits from LGUs provided that there exists a creditor and debtor arrangement between the bank and the LGU.

2) Current year Annual Budget CY2003

3) Annual Investment Plan for 20% Development Fund CY 2003

4) Certification of existing loans duly certified by the Local Treasurer and/or lending institution with the following details;

   - Kind of loans and other obligations
   - Purpose of loans and other obligations
   - Name of the lending institutions
   - Date of approval and maturity
   - Terms and conditions (interest rate and number of years to pay)
   - Latest balance of loans and other obligations (current and arrearages)
   - Annual amortization schedule (principal and interest segregated)

Another source of funding is credit financing through bond floatation or build-operate-transfer schemes. However, LGUs cannot be expected to borrow, issue bond, or tap other forms of credit financing due to the following constraints:

- The general perception that LGUs are "high risk" credits as the limited tenure of elected local chief executives connotes probability of discontinuity in local programs;
- Knowledge of the securities market and available credit instruments at the local level are inadequate;
- The absence of local credit rating system for information on creditworthiness of LGUs and absence of local staff resources for management of credit financing; and
- The absence of adequate incentives to invest in long-term securities.

7.5 AVAILABLE FUNDING MECHANISMS

There are a number of existing funding mechanisms employed for infrastructure projects for the LGUs, including the provision of roads. Among these are the Municipal Development Fund, the Congressional Fund, borrowing from Government Financial Institutions, and the recent funds generated under the Motor Vehicle Users Charges.

7.5.1 Municipal Development Fund

The Municipal Development Fund (MDF) was created in 1984 through Presidential Decree 1914 to serve as a centralized conduit of foreign loans and grants to LGUs. The MDF Office (or MDFO) was created as a separate office under the Department of Finance in November 1998 through the issuance of Executive Order No. 41. Prior this, the operations of the MDF was managed the Director of the BLGF.

The MDF is a facility for channeling the proceeds of various loans, assistance and grants that the central government has obtained from foreign governments and multilateral lending institutions.[4] The loan amortizations received by the MDF from the first generation funds are used to build-up a second generation loan revolving fund.

When the GFIs stopped lending to LGUs following the default of many LGU loans in the mid-1980s, the MDF became virtually the only source of long-term finance for LGUs (Llanto 1998). The different ODA funded projects that are under the umbrella of the MDF include the following:

a) Metro Cebu Development Project Phase III under OECF PH 158 & PH 175
b) Local Government Finance and Development Project (LOGOFINDP) – IBRD Loan No. 446 Ph
c) Bukidnon Integrated Development Project– ADB Loan No 1453 PHI
d) Subic Bay Area Municipal Development Project– ADB Loan No. 1599 PHI
e) Southern Mindanao Integrated Coastal Zone Management – JBIC Loan No. PH-P194
f) Infrastructure for Rural Productivity Enhancement Sector Project – ADB 1772 PHI
g) Palawan Integrated Development Project
h) Third Elementary Education Project
i) Philippine Regional Municipal Development Project – ADB Loan No. 1367 PHI
j) Early Childhood Development Projects – ADB Loan No. 1606/1607 PHI
k) Clark Area Municipal Development Project – ADB Loan No. 1658 PHI
l) Community Based Resource Management Project – IBRD Loan No. 4299 PH
m) Metro Iligan Regional Agro-industrial Center Project / Metro Iligan Infrastructure Development Project – JBIC Loan No. PH-P191
n) Southern Philippines Irrigation Project
o) Secondary Education Development and Improvement Project – ADB 1654 PHI / JBIC PHP200

[4] It was created under Presidential Decree 1914 in 1984.

The MDF also provides technical assistance/support to LGUs in terms of project identification and feasibility studies. Some of the projects are under a loan and grant mix scheme. This is usually given to poorer LGUs.

The MDF is supervised by an inter-agency policy governing board chaired by the Undersecretary of the Department of Finance (DOF, DILG, NEDA and DPWH). Members of this body are from the Department of Budget and Management (DBM). The MDFO is managed by an Executive Director with full time staff performing such tasks as project promotion, project development, appraisal and financial management. The operating characteristics of the MDF are as follows:

Target Beneficiaries: Projects within the umbrella of MDF are basically for all LGUs except for specific project component that has been designed for a specific geographic location or specific sector. Until mid 1995, the profile of borrowers of MDF were mostly LGUs in the 1st and 2nd class income category. However, recent projects are catering more to the lower income class LGUs (3rd to 6th class). To mention a project in particular is the LOGOFIND of World Bank. To qualify for the MDF projects, the LGUs need to have an urban population of at least 10,000 with a population growth rate not lower than the national average, an annual income of at least P 3 million, and a commitment to establish a project office with full-time staff.

Types of Projects: MDF loans are for both revenue and non-revenue generating projects. The former are geared more for public economic enterprises such as public markets, bus terminals, slaughterhouses, acquisition of heavy equipment, etc. The non-revenue generating projects include environmental projects, social projects and other non-revenue projects.

Loan Terms and Conditions: The maximum term of the MDF loans is 12 years with a grace period of 3 years on the principal (total of 15 years). Amortization schedules are either due monthly or quarterly and interest rate is fixed for the duration of the loan term. Interest rate of the loans has been recently lowered from 14% to 12%. Total amount of the loan allowed is usually calculated by the BLGF (refer to Section 7.4.3 for computations on issuance of Certificate of Borrowing). Mostly, the IRA is required as collateral except for some cases where additional collateral is required.

The MDF requires an appropriate *Sanggunian* resolution authorizing the local chief executive (governor or mayor) to negotiate and enter into a loan contract. It also obliges the LGU to open and maintain a deposit account with an MDF-designated bank. The MDF also requires that the projects to be financed should be listed and approved in the Local Development Plan.

Evaluation Criteria: The evaluation of the financial capacity of the LGU to repay the loan is based on an assessment of the cash flow (actual and projected) of both the LGU itself and the project to be funded. In particular, LGUs' ability to comply with debt service ceiling provided under the Code is emphasized. Some projects have their own additional requirement, such as the LOGOFIND, which requires the adoption of a fiscal improvement program.

7.5.2 Government Financial Institutions

With the enactment of the Code in 1991, the Government Financial Institutions (GFIs) reopened their LGU loan windows.[5] Inasmuch as GFI loans to LGUs reached the P 10 billion mark in 1998, it still remained a low 10% of total loan portfolio of the banks. The three main players in GFI-LGU credit market are the Land Bank of the Philippines (LBP), the Philippine National Bank (PNB), and the Development Bank of the Philippines (DBP).

Target Beneficiaries: GFI loan windows are open to all LGUs regardless of their income class. As with MDF loans, the average loan size of GFI LGU loans was on the high side.

Types of Projects: Relative to the MDF, GFIs have shown a marked preference for revenue generating projects like public markets, slaughterhouses, bus terminals, and acquisition of heavy equipment up till mid 1990s. Recent review showed that LGU projects in the GFI loan portfolios now also include some social projects.

Loan Terms and Conditions: The term of the GFI loan varies from a short term of 3 years to a long-term of 12 years. Amortization payments are usually made quarterly. Interest rates are either fixed or varies based on 2% to 5% spread over the prevailing 90-day Treasury Bill rate (interest rate re-pricing is done quarterly). Maximum allowable loan depends on the requirements of the project and repayment capacity of the LGU. DBP requires a minimum equity of 15% or project cost but LBP and PNB allows 100% financing of total project cost.[6]

The GFIs require collateral which generally comes in three forms: assignment of the IRA, hold out deposits and real estate or a chattel mortgage.[7] Although the GFIs have not made use of the IRA intercept, they have required LGU borrowers to maintain a deposit account with them and to execute deeds of assignment. Thus a *de facto* IRA intercept. This has considerably reduced the credit risks associated with LGU borrowings.

The GFIs also require the appropriate Sanggunian resolution for local chief executives to enter into a loan contract.

Evaluation Criteria: The GFIs conduct an appraisal of the financial performance of the LGU itself as well as the projected cash flow of the project that will be financed. A major hurdle that LGUs have to pass is the ability to comply with the debt service ceiling as stated in the Code.

7.5.3 Congressional Fund

The Congressional Fund, otherwise known as the Priority Development Assistance Fund (PDAF) is another source of revenue for the LGUs. Funds are equally allotted to the congressmen for development programs and projects that are wide ranging within their district, which comprises of several LGUs. Among others, infrastructures such as highways, farm-to-market roads, school buildings and the like are supported by these funds. The use and distribution of said funds

[5] GFIs stopped this loan facility in 1985 due to loan defaults of LGUs which rose to P 2.1 billion (Llanto et al 1998)
[6] A review by the Rural Roads Development Project, DILG-ADB, 2002
[7] PNB grant loans to LGUs on a clean basis. It only requires that assignment of IRA and make the PNB the depository bank of their IRA remittances from DBM.

are left entirely to the discretion of the congressmen. The General Appropriations Act of 2003 has earmarked at total of P 8.3 billion for the PDAF.

The congressmen can also sponsor local roads in their districts, through the infrastructure funds under the DPWH that are apparently earmarked for the legislators (including the senators).[8] However, the congressmen would have to lobby for funding of their projects. Once the project proves to be of some merit (after undergoing assessment and evaluation processes in the department), then funding is allocated. .

7.5.4 Motor Vehicle Users Charges

Another major source of funds for roads is the Motor Vehicle Users Charges Act (MVUCA) or Republic Act 8794, which was enacted in July 2000. It basically creates a fund source for the maintenance of national and provincial roads. There are four (4) funds generated under this act. These are show in Table 7.5-1 with their corresponding distribution and use.

TABLE 7.5-1 TYPES OF MVUC GENERATED FUNDS FOR ROAD MAINTENANCE

Fund Name	% of MVUC Income	Responsible Agency	Use of Funds
Fund 151 Special Road Support Fund	80.0	DPWH	For maintenance of national roads; 70% for primary roads and 30% for secondary roads.
Fund 152 Special Local Road Fund	5.0	DPWH	For maintenance of local roads, traffic management and road safety devices. Apportioned to provincial and city government according to vehicle population and road network.
Fund 153 Special Road Safety Fund	7.5	DPWH	For safety on road uses.
Fund 154 Special Vehicle Pollution Control Fund	7.5	DOTC	For pollution control uses.

Source: Rural Roads Development Policy Framework; ADB-DILG (TA PHI 3805)

Implementation of the MVUCs is at a graduated rate with full force expected by year 2004. A Road Board is established to receive and disburse revenues of the MVUC as collected by the Land Transport Office (as part of annual vehicle registration) of the Department of Transportation and Communications. It is estimated that collections have reached P 3.01 billion (as per the Bureau of Treasury) in 2001. It was projected that this amount will increase as the rate of charges and growth in traffic escalates. A yearly collection of P 10.3 billion will be realized in 2010.[9] The Special Local Road Fund (or Fund 152) is to be distributed among provincial and city governments but no such fund has been received by the LGUs yet.

The General Appropriations Act of 2003 has only earmarked a total of P 182.2 million for MVUC Fund as "*support for road maintenance and improvement of road drainage, installation of adequate and efficient traffic lights and road safety devices and air pollution control.*" This amount is but a fraction of what is expected to be available for funding the maintenance of local roads.

[8] As per DBM's summary From Legislators' Allocation, the DPWH fund is a main funding source for projects and programs.
[9] As computed in the ADB - Rural Roads Development Project (Part 1) Working Papers, February 2002.

7.6 CAPABILITIES OF METRO ILOILO LGUS FOR ROAD IMPROVEMENT

7.6.1 Administrative Profile of LGUs in Metro Iloilo

There are nine LGUs covered in the study area of Metro Iloilo. The LGUs in Metro Iloilo are listed in order of income classification and administrative coverage in Table 7.6-1.

The latest classification of the LGUs by the Department of Finance is as of November 2001. The classification of LGUs is reviewed every four consecutive calendar years whereby LGUs may be reclassified based on their respective previous four-year incomes (or based on lesser number of years for newly organized province, city or municipality). In the case of diminishing revenues, the Secretary of the Department of Finance may order a readjustment of classification anytime (Executive Order No. 249 – 1987).

TABLE 7.6-1 INCOME CLASS AND ADMINISTRATIVE COVERAGE OF LGUs IN METRO ILOILO

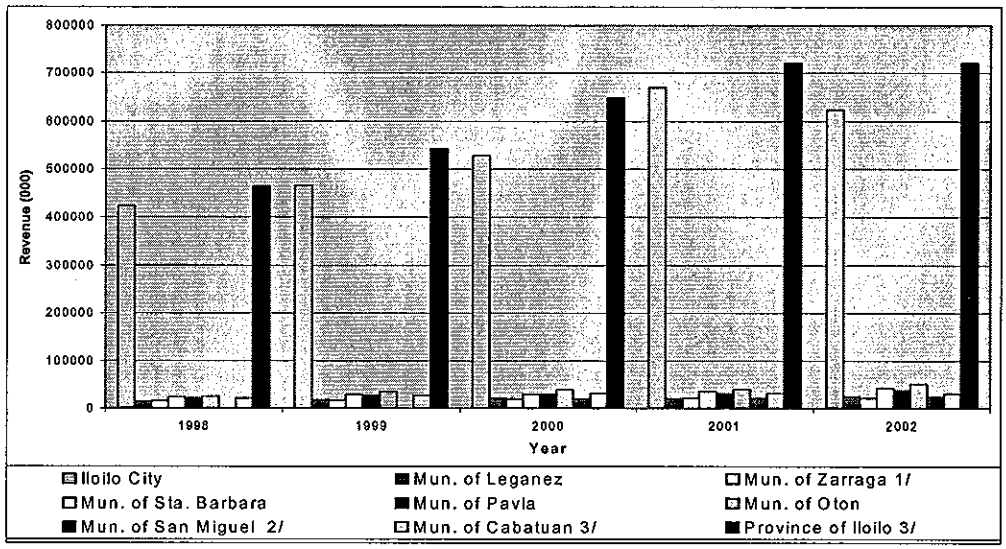
Local Government	Income Class[1)]	2002 Gross Income (P 000)	Land Area (sq. km.)	Population 2000	No. of Barangays
1. Iloilo City [2)]	1st	622,720	70.23	366,949	180
2. Mun. of Oton	2nd	51,497	84.56	65,691	37
3. Mun. of Sta. Barbara	3rd	41,909	77.48	46,315	60
4. Mun. of Cabatuan	4th	31,178[3)]	82.48	46,067	68
5. Mun. of Pavia	4th	37,220	35.02	33,056	18
6. Mun. of Zarraga	4th	21,043	82.53	18,278	24
7. Mun. of Leganes	4th	24,845	32.16	23,637	18
8. Mun. of San Miguel	5th	23,264	21.34	20,824	24
Subtotal		853,676	535.64	620,817	429
Province of Iloilo	1st	720,747	4,663.40	1,931,339	1,721

Sources: NSO 2000 Population and Province of Iloilo 2002 Profile
1) Based DOF Dept. Order 32-01 Effective November 20,2001
2) Independent City
3) Income for CY 2001

The organizational set-up of the LGUs are basically all the same. At the helm is the office of the governor or mayor as the executive arm and the office of the Sangunnian as the legislative arm. Under the governor's or mayor's office are the administrative and the various operational and planning offices. Appendix 7.6-1 shows the organizational chart of each LGU in Metro Iloilo.

7.6.2 Assessment of Financial Capabilities

Revenues of the LGUs in the Metro Iloilo study area have shown a generally upward trend for the five fiscal periods from 1998 to 2002 (refer to Figure 7.6-1).



Source: Accomplished Questionnaires of LGUs.

FIGURE 7.6-1 REVENUE HISTORY OF LGUs IN METRO ILOILO

The revenue profile of the LGUs in the study area is varied but with one distinct feature; all LGUs rely heavily on the IRA. The provincial government showed the highest dependence on the IRA with percentage shares to total revenues of 90% in 2000 and 87% in 2001. Among the LGUs, Iloilo City has the highest capability for generating local tax revenues accounting for about 48% to 53% of total income in 2000 and 2001, respectively. This is followed by the Municipality of Pavia with locally generated income ranging from 34% to 45% of total income for the past three years. The rest of the municipalities experience a high dependence on IRA averaging between 80% to 87% during the same period.

TABLE 7.6-2 REVENUE PROFILE OF METRO ILOILO, 2000- 2002

LGU	Share in Total Revenue (%)								
	Tax Revenues			Non Tax Revenues			Allotments (IRA)		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
1. Iloilo City	38.3	43.7	-	10.4	9.5	-	51.3	46.7	-
2. Mun. of Oton	-	-	-	-	-	-	-	-	-
3. Mun. of Sta. Barbara	13.2	13.9	9.2	3.9	9.4	8.5	82.9	76.7	82.3
4. Mun. of Cabatuan	5.1	4.9	-	6.4	8.1	-	88.5	87.0	-
5. Mun. of Pavia	26.5	33.5	24.8	7.8	9.4	10.2	65.8	57.1	65.0
6. Mun. of Zarraga	8.9	17.5	4.6	0.0	3.2	2.2	91.1	79.3	93.2
7. Mun. of Leganez	13.8	7.7	6.8	4.3	12.4	7.9	81.8	79.9	85.3
8. Mun. of San Miguel	14.0	15.1	15.1	5.7	8.7	8.7	80.3	76.1	76.1
Province of Iloilo	4.1	5.1	-	6.0	7.8	-	89.8	87.1	-

Source: Report on Revenues and Receipts, Certified Statement of Income and CLUPs.

The average growth rate of revenue items of the LGUs is shown in Table 7.6-3. It is noted that many municipalities are increasing their revenues by way of improving collections of non-tax items. These includes fees from LGU operation and services such as registration, medical, sanitary, inspection, mayors permits, burial permits, garbage, police clearance, etc. Likewise, it includes receipts from local government-owned business operations such as income of waterworks, markets, slaughterhouse, public cemetery, etc.

TABLE 7.6-3 AVERAGE GROWTH RATE OF INCOME, 1998 TO 2002

LGU	Average Growth Rate (%)			
	Tax Revenue	Non-Tax Revenue	IRA	Total Revenue
1. Iloilo City	8.3	-1.9	7.7	6.9
2. Mun. of Oton	-	-	-	-
3. Mun. of Sta. Barbara	1.0	28.4	17.1	15.3
4. Mun. of Cabatuan	-1.0	53.9	11.8	12.4
5. Mun. of Pavia	6.2	63.8	17.1	15.4
6. Mun. of Zarraga	-0.1	0.0	10.0	8.5
7. Mun. of Leganez	5.5	34.7	15.7	15.7
8. Mun. of San Miguel	9.6	27.5	4.4	6.5
Province of Iloilo	-4.1	16.7	5.9	5.7

Source: Calculated based on Report on Revenue and Receipts and Certified Statement of Incomes of LGUs
1) Based on FY 2000 to 2001 only
2) Based on FY 1999 to 2001 only.

As to expenditures, the overall financial performance of the LGUs reflected how well they could operate within its income without going over. However, the amount of surplus it retains is not a reliable gauge as to its efficiency in financial resource use but rather an indication of conservative fiscal management (see Table 7 6-4).

TABLE 7.6-4 TREND OF LGUS' FISCAL PERFORMANCE; 1998 TO 2002

₱ 000

LGU	1998			1999			2000			2001			2002		
	Income	Expenditures	Surplus/ (Deficit)	Income	Expenditures	Surplus/ (Deficit)	Income	Expenditures	Surplus/ (Deficit)	Income	Expenditures	Surplus/ (Deficit)	Income	Expenditures	Surplus/ Deficit
1. Iloilo City	424,039	379,401	44,638	46,5261	411,684	53,577	527,742	550,255	-22,513	668,327	630,358	37,969	622,720	598,773	23,947
2. Oton	24,723	29,701	-4,978	35,226	30,399	4,827	39,718	37,305	2,413	39,921	41,187	-1,266	51,497	39,695	11,802
3.Sta.Barbara	22,602	21,557	1,045	27,994	24,201	3,793	29,370	28,370	1,000	35,164	36,983	-1,819	41,909	38,557	3,352
4. Cabatuan	20,838	20,986	-148	26,138	24,269	1,869	31,562	27,299	4,263	31,178	30,221	957	NA	NA	NA
5. Pavia	21,170	20,431	739	26,108	23,820	2,288	29,036	27,486	1,550	31,051	28,541	2,510	37,220	32,466	4,754
6. Zarraga	14,771	14,771	0	16,321	16,321	0	19,420	19,420	0	21,358	21,358	0	21,043	21,043	0
7. Leganez	13,916	12,473	1,443	17,604	14,829	2,775	20,763	18,524	2,239	20,651	19,928	723	24,845	18,618	6,227
8. San Miguel	NA	NA	NA	NA	NA	NA	19,479	17,091	2,388	21,149	20,625	524	23,264	22,885	379
Province of Iloilo	464,306	460,359	3,947	541,759	486,745	55,014	648,151	595,793	52,358	720,747	702,815	17,932	720,747	NA	NA

Source: Accomplished Questionnaire by LGUs.

A review of the various forms of financial reports and records maintained by the LGUs in the study area revealed that spending on improvement, development and maintenance of roads in most of the municipalities are not continuing items in their expenditures. This indicates that funding is not regular and that special allocation is made only when deemed necessary. As such, it is difficult to decipher the actual amount spent on these activities. Most instances point to periodic and often small allocations made in the Annual Development Fund of 20% of Revenue for new road construction or for road improvement. Even smaller allocations in the same fund are allocated for road maintenance. Expenses on maintenance and construction of roads by the LGUs in Metro Iloilo are given in Chapter 6.

7.6.3 Borrowing Capacities of LGUs

As the road network envisioned for the Metro Iloilo area would require a huge investment, funding participation will be explored for the realization of the network. In this connection, the Bureau of Local Government Finance was requested by the study team to calculate the borrowing capacities of the LGUs in Metro Iloilo. The resultant borrowing capacity of each LGU is shown in Table 7.6-5.

TABLE 7.6-5 BORROWING CAPACITIES OF METRO ILOILO LGUs, 2003[1)]

(P'000)

LGU	Local Source Income	IRA	Annual Regular Income	Maximum Debt Service	Annual Amortization of Existing Loan	Net Debt Service Ceiling 2003 (P 000)	Net Borrowing Capacity (P 000)
1. Iloilo City	250,541	309,652	560,193	112,039	24,750	87,289	540,666
2. Oton [2/]	6,557	43,657	50,214	10,043	-	10,043	62,205
3. Sta. Barbara	5,607	36,182	41,789	8,358	-	8,358	51,768
4. Cabatuan	3,624	29,564	33,188	6,638	-	6,638	41,116
5. Pavia	11,671	26,371	38,042	7,608	-	7,608	47,126
6. Zarraga	3,243	20,016	23,259	4,652	-	4,652	28,813
7. Leganez [2)]	3,313	21,998	25,211	5,042	-	5,042	31,231
8. San Miguel	2,591	19,701	22,292	4,458	-	4,458	27,615
Province of Iloilo	57,905	687,382	745,287	149,057	-	149,047	923,262
Total	344,452	1,194,523	1,539,475	307,895	24,750	283,135	1,753,802

1) Indicative amounts calculated by BLGF as some LGUs did not submit certification of outstanding/absence of loan.
2) Calculation by the study team based on financial statements provided by the LGU.
Source: Bureau of Local Government Finance – Department of Finance

7.7 ANALYSIS OF TECHNICAL CAPABILITIES

The staffing complement of each planning and engineering offices of each LGU in Metro Iloilo is shown in Chapter 6 Table 6.2–7 of Part B Report. Although the planning offices of most municipalities are able to handle most of the required planning and programming works, it is apparent that the engineering offices do not have sufficient manpower to undertake road maintenance and construction works for their respective areas. As such, they rely heavily on the engineering offices of the provincial governments in terms of both technical supervision and equipment.

The provinces and cities in the study area, on the other hand, are in a better position to undertake construction and maintenance of roads based on their staffing of their Engineers' Office and the list of equipment they have (refer to Table 6.3-3 of Chapter 6 Part B Report). However, fund constraint is a common cited problem for efficient delivery of this service.

7.8 LGU INITIATIVE FOR ROAD NETWORK DEVELOPMENT

Local governments have tried on their own to cluster themselves mostly for the purpose of planning and delivery of basic public services. The Code itself provides that LGUs may group and coordinate among themselves for purposes that would be beneficial to them. Thus, there are clusters of local governments in various parts of the country.

It should be noted that among the criteria adopted by the LGUs to cluster themselves are the following: common geographic boundaries and groupings based on natural resources, common issues on environment, natural flow of goods and services, and corridors of economic trade.

In the study area, there already exists an LGU clustering referred to as the Metro Iloilo Development Council (MIDC). The MIDC was recently created with the signing of a Memorandum of Agreement among the mayors of the municipalities of Leganes, Oton, Pavia and San Miguel and the City of Iloilo.in October 2002. Its creation is basically geared to serve as a "coordinating and project implementing body of metro-wide programs and projects."

Although MIDC only holds five LGUs at present, there is a move to invite the municipalities of Sta. Barbara, Cabanatuan and Zarraga. Such expansion of LGU cluster will in effect encompass the LGUs of this study.

The scope of services of MIDC includes infrastructure development, which entails the "review, coordination and monitoring of programs and projects related to transportation, traffic management, road networks, water works, power and telecommunications." Already the MIDC formulated major thoroughfares that would improve connectivity among member LGUs. These have been considered in the formulation of the road network by the study team.

The MIDC would be a good springboard for accessing loans, grants and assistance of any kind for major road improvements such as that envisioned by this study. In partnership with the national government, the MIDC may also initiate the much-needed arrangement among LGU members for the right-of-way contribution for construction of new roads.