

3. PROJECT OBJECTIVE

The objective of the Project is to assist small-scale and less financially viable water districts in achieving sustainable growth and self-reliance to be able to provide better access to safe and sufficient drinking water to the people. The specific objectives include:

- (1) Improvement of water quality and service coverage of the selected water districts.
- (2) Improvement of financial sustainability of the selected water districts.
- (3) Enhancement of management and O/M capacity of target water districts

4. PROJECT DESIGN

4.1 Target Water Districts

The target of the Project is those small and less financially viable water districts that have a possibility to improve services and achieve financial viability through the Project. The Project has two pillars: (1) improvement of water supply service and financial viability of selected WDs and (2) enhancement of management and O/M capacity of target WDs. Approximately twenty (20) WDs will be selected for the pillar (1), while 50 to 70 WDs will be targeted for the pillar (2).

4.2 Project Purpose

The purpose of the project is to improve the services and financial viability of selected water districts (approx. 20) by the end of the Project in 2010, so that they will be able to renew or expand their facilities from their own sources in the longer term.

4.3 Project Approach

In order to achieve the project purpose, the project will take the following approaches:

➤ **Demand-driven**

To make sure that the Project's technical and financial assistance takes maximum effect on the improvement of WDs' service and management condition and to ensure greater participation of water districts in the Project, the Project will consider willingness of the water districts to participate in the Project in the selection of target water districts.

➤ **Greater involvement of general manager and key personnel of water districts**

To secure ownership of water districts, the Project will involve the staff of the selected water districts (general manager and key personnel) in all the activities of the Project such as on-site survey activities to understand present service and operation condition, planning, engineering work, O&M of water supply system and financial management.

➤ **Assistance for improvement and rehabilitation of existing water supply systems**

To ensure that our assistance would benefit those who receive services from our target water districts, the Project will not only strengthen technical and management capacity of water districts through the development of improvement plans, but also actually improve or rehabilitate existing water supply systems identified in the improvement plan.

➤ **Generation of savings to ensure long-term sustainability of the WDs**

In order to secure long-term sustainability and future replacement or expansion of facilities after the investment by the Project, the selected WDs must improve the accountability of its financial management while making sure that the depreciation is properly accumulated. For this purpose, increased revenues resulting from the investment by the Project must be put aside in a separate account as savings based on an agreement between the WD and the Project, instead of increasing operation expenses.

➤ **Monitoring and follow -up assistance**

To make sure that water districts are moving toward self-sufficient and financially viable entities, the Project will regularly visit water districts and provide advice on operation and management.

4.4 Scope of Work

(A) The first pillar of the project, i.e. improvement of water supply service and financial viability of selected WDs, will be conducted in the following four stages. Selected WDs will be divided into two groups, and the implementation of activities of (3) and (4) will be conducted by group in two stages during the project period.

(1) Selection of, and preparation of the profiles of, target water districts

- 1) Selection of "target WDs" by applying the following criteria:
 - Those WDs that are classified as "small" by LWUA's criteria;
 - Those WDs that have difficulties in repaying loans from LWUA;
 - Those WDs that have a possibility of achieving long-term financial viability, i.e. those WDs that are not too indebted; and
 - Those WDs that are not financed by either KfW or ADBThe number of target WDs is expected to be approximately 60, as shown in attachment 3.
- 2) Field survey on target WDs to identify their technical and financial needs and to roughly estimate the investment costs and future revenues. The results will be compiled as target WD profiles to enhance the knowledge of LWUA counterparts.

(2) Selection of the water districts to be improved through the Project

- 1) Based on the profiles prepared in (1), WDs (approximately 20 WDs) to be improved by the Project ("selected WDs") will be selected by developing selection criteria including:
 - Communities' needs of piped water
 - Possibility of improvement in financial viability after the investment

- Possibility of future self-financing for the replacement and/or expansion of facilities
- 2) Signing of Records of Agreement, between the selected WD and the Project, to undertake activities required.
- (3) Preparation of an improvement plan for each selected WD.
- 1) Conduct of a workshop for orientation and guideline for selected WDs to prepare management and facility improvement plans. The general managers and key personnel of selected WDs will be invited to this workshop.
 - 2) Assistance in the assessment of their current operation, among others:
 - Assessment of management, financial and technical condition of the WDs
 - Assessment of existing water supply system/facilities, operation & maintenance and services
 - Assessment of the needs of water supply of local communities, including their socio-economic, health and sanitation conditions
 - 3) Assistance in the preparation of the improvement plan, among others:
 - Population and demand projection
 - Water source development plan
 - Long- and short-term facility/equipment rehabilitation/development plan
 - Cost estimation
 - Cash flow projection
 - Management and financial condition improvement plan
 - Operation & maintenance plan
 - 4) Assistance in the preparation of a monitoring plan to ensure long-term financial viability. An agreement to put aside savings from increased revenues for the purpose of future replacement / extension of facilities between the WD and the Project will be drafted and discussed.
- (4) Implementation of facility improvement construction works
- 1) Assistance in the organization of a public hearing in order for the WDs to explain to the local community on the project outline and to ensure the signing of sufficient number of connection contracts
 - 2) Designing of a small-scaled pilot water treatment plant. Construction of a cost-efficient water treatment plant will be proposed in order to demonstrate its effectiveness in improving the operation of WDs that have poor raw water quality.
 - 3) Preparation of detailed design and procurement plans in consultation with WDs
 - 4) Implementation of bidding
 - 5) Construction of water supply facilities in collaboration with WDs. Construction is considered as completed when the construction completion reports are submitted and the facilities are inspected by the WDs and the Project.
 - 6) Signing of Records of Agreement, between the selected WD and the Project, to ensure long-term financial viability of the WD, i.e. saving money for future replacement / extension of facilities

- * The local consultants to be employed by the Project will prepare detailed design, procurement plans and tender documents, and supervise the construction works.
- * Local contractor(s) will carry out construction works under the contract with the Project.
- * The Project will procure materials such as pipes, valves and meters based on the procurement plans.

(B) As the second pillar of the Project, management and O/M capacity of the "target WDs" as well as the "selected WDs" will be enhanced. More specifically, the following activities will be conducted:

(1) Training of personnel and chairpersons of the boards of directors of target WDs on management and O/M skills

- 1) Training courses on small districts' common problems, namely "general management", "water supply system" and "water quality monitoring"
- 2) Case studies on the improvement of services and management of water districts by using the cases of selected WDs

(2) On-the-job training of selected WDs personnel on planning, design, construction supervision, management and O/M

- 1) Training through actual improvement of general and financial management, including proper depreciation, reduction in operation expenses, financing, increase in collection, and review of tariff structure.
- 2) Hands-on training of operation skills, including pump operation, water pressure control, maintenance technology.
- 3) Training for water quality control

In addition to (A) and (B) described above, the Project is also aimed at enhancing LWUA staffs' capacity to support small WDs. Throughout the project period, Japanese experts will conduct field surveys together with LWUA counterparts, where LWUA counterparts will learn how to assess and improve WDs' financial and technical condition. Upon completion of each of the WDs' construction activities, inspection will be conducted jointly by JICA experts, LWUA counterparts and WD personnel, through which LWUA counterparts will learn the importance and proper methodology of inspection. Upon necessity, JICA experts will provide advice on LWUA's Water District Graduation Policy so that the policy will be able to effectively achieve its intended objectives.



4.5 Implementation Schedule

The project will be implemented in accordance with the timeframe specified below. For detailed schedule, see "PDM" attached.

Time Frame	Major Activities
2005.7~2006.1	Preparation of the profiles of target WDs, i.e. small and less financially viable WDs.
2006.1~2006.2	Selection of the water districts to be improved through the Project.
2006.5~2007.3 2008.5~2009.3	Preparation of an improvement plan for each selected WD.
2007.4~2008.3 2009.4~2010.3	Implementation of facility construction works.
2006.8~2009.10	Training of target WDs personnel on management and O/M skills.
2006.5~2010.6	On-the-job training of selected WDs personnel on planning, design, construction supervision, management and O/M.

4.6 Inputs

The following inputs will be provided by JICA:

- (1) JICA Experts namely, Chief Advisor (Specialist for Water Supply System) , Coordinator, Specialist for Management & Finance, Specialist for Water Supply Facilities Design, Specialist for Hydro Geological and Groundwater Development, Specialist for O/M of Water Treatment Plant.
- (2) Provision of equipment to selected water districts, such as water quality test kit / equipment and P/Cs for tariff collection & management and photocopy machines.
- (3) Necessary expenses for the implementation of improvement plans of selected water districts and for the training program/seminars/workshops of water districts personnel.

The Philippine side will provide the following inputs:

- (1) Philippine counterpart namely, Project Director, Project Deputy Director, Project Manager, Project Staff (Specialist for Management & Finance, Specialist for Water Supply Facilities Design, Specialist for Hydro Geological and Groundwater Development, Specialist for O/M of Water Treatment Plant, Specialist for Water Quality Monitoring, and Specialist for Training).
- (2) Office space and necessary facilities in LWUA for the project activities
- (3) Land, buildings and necessary facilities in the water districts for the project activities.

5. PROJECT ORGANIZATION

For the effective and efficient implementation of the Project, the Project Organization as described in attachment 2 is established.

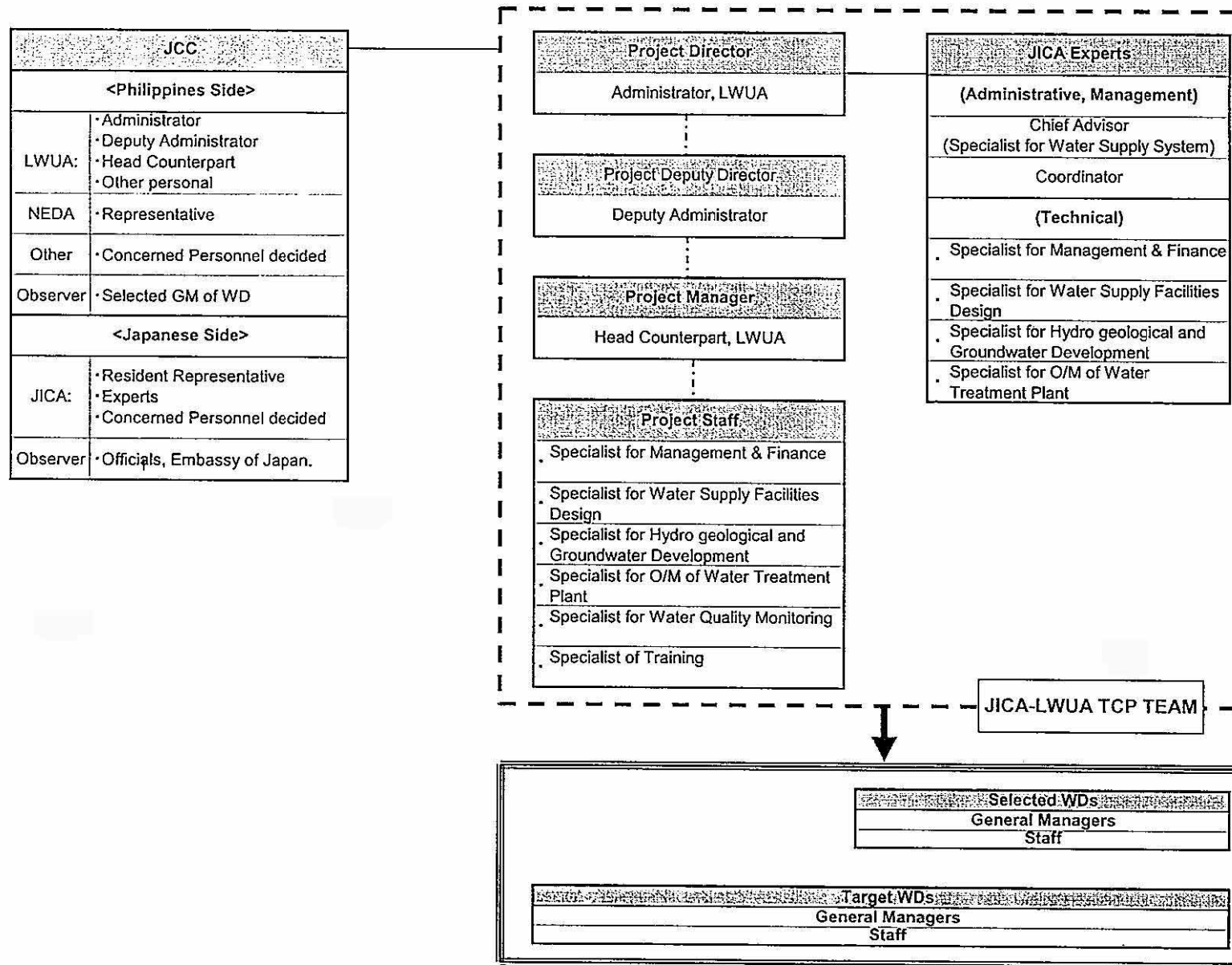
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Attachments:

1. Project Design Matrix (including Plan of Operation)* Please refer to Annex II of Minutes of Meeting
2. Project Organization Chart
3. Tentative Selection Flow of the WDs subject to the Project



Organization Chart of the Small Water Districts Improvement Project



TENTATIVE SELECTION FLOW of the WDs subject to the Project

Attachment 3

