

**INTERNATIONAL TRAINING NETWORK
FOR WATER AND SANITATION,
PHILIPPINES, INC.
ITN (PHILIPPINES)**



**Development Plan
for
ITN (Philippines)
1995 - 2000**

PHILIPPINES

Network Center
ITN (Philippines)
LWUA Bldg., Balara, Quezon City

DEVELOPMENT PLAN FOR ITN (PHILIPPINES)
1995 - 2000

Table of Contents

	Page
Executive Summary	
1.0 Introduction	1
1.1 ITN - The Global Network	1
1.2 International Training Network (Philippines) Project	1
1.3 The Philippine Network and the Training Network Center	2
1.4 Accomplishments of the ITN (Philippines) Project	3
2.0 Overview of the Water Supply and Sanitation Sector	4
2.1 Coverage	5
2.2 Sector Plans, Objectives and Responsibilities	5
2.3 Sector Organization	6
2.4 Sector Funding and Financial Performance	7
2.5 Sector Development Issues and Constraints	7
2.5.1 Planning Issues	8
2.5.2 Technical Issues	8
2.5.3 Institutional and Management Issues	9
2.5.4 Financial Issues	9
3.0 Assessing the Environment : Opportunities and Threats	10
3.1 Opportunities	10
3.2 Threats	11
4.0 Summary of Market Needs	13

5.0	Network Vision and Goals	14
5.1	Vision	14
5.2	Mission Statement	14
5.3	Goals	14
6.0	Program Areas and Services	15
6.1	Program Areas	15
6.1.1	Networking	15
6.1.2	Training	16
6.1.3	Advocacy and Information Dissemination	17
6.1.4	Research	17
6.2	Services and Special Projects	18
7.0	Organization of ITN (Philippines)	19
8.0	Funding of the Organization	21
9.0	Detailed Business Plan	21

ANNEXES

- Annex 1 - List of Participating Institutions ITN (Philippines)
- Annex 2 - Organizational Structure
ITN (Philippines)
- Annex 3 - Philippine Water Supply and Sanitation
A Situation Analysis
- Annex 4 - 1995 Business Plan for ITN (Philippines)

EXECUTIVE SUMMARY

1. INTRODUCTION

The International Training Network for Water and Wastewater Management (ITN) was established in late 1984 as a joint initiative of bilateral and multi-lateral development agencies in support of the International Drinking Water Supply and Sanitation Decade. Its principal objective is to promote needed improvements in both the effectiveness of water supply and sanitation investments and the extension of service coverage.

The Philippines joined the ITN in 1989 and commenced operations in January 1990 through the ITN (Philippines) Project. The Local Water Utilities Administration (LWUA) is the project host providing the Philippine counterpart. The Netherlands Government is the sponsoring agency providing financial support to project operations from 1990-1994 with the International Institute for Infrastructure, Hydraulics and Environmental Engineering (IHE) in Delft as the Associated Institution that provides advisory and consultancy assistance to the project. The ITN (Philippines) Project has 17 Participating Institutions (PIs) that compose the Philippine network. (Please see list in Annex 1.)

In July 1992, an extensive mid-term evaluation of the ITN (Philippines) Project was conducted by a three-member team and, having found the project successful, recommended the continued existence of ITN (Philippines) beyond 1994. In August 1993, the International Water and Sanitation Training Network, Philippines, Incorporated [to be referred to as ITN (Philippines)] was registered with the Securities and Exchange Commission as a non-stock, non-profit organization.

2. REVIEW OF SECTOR NEEDS

A review of the sector situation, opportunities and threats to the network and the needs of the sector showed that ITN (Philippines) can actively serve the sector by assisting in the delivery of water supply and sanitation services to Filipino communities. These can be seen in the issues and constraints affecting the development of the sector where 24% of the Philippine population is without adequate water supply and 33% without sanitary toilets.

The national master plan lacks institutional support for community organization, human resources development, training and IEC development especially at the local level. There is a significant number of non-functioning wells due to construction defects and inadequate operation and maintenance program traceable to weak BWSA formation. Few local government units and BWSAs have the skills and personnel to plan, implement and maintain water and sanitation services. These problems are compounded by the reduced financial support from the traditional sector donor agencies.

3. NETWORK VISION AND GOALS

In embarking on a new existence, the heads of the founding institutions of ITN (Philippines) formulated the thrust of the network beyond 1994 with the following vision, mission statement and goals:

Vision

Progressive, healthy and self-reliant Filipino communities with equal access to water supply and sanitation services.

Mission Statement

To assist the sector in the delivery of water supply and sanitation services by promoting the use of appropriate technologies and approaches in the management of sustainable water supply and sanitation programs, by strengthening sector capacities, and by advocating improved policies and investments through a multi-sectoral network of organizations concerned with water and sanitation.

Goals

- a) To assist participating institutions, affiliate members and other organizations in the implementation of water supply and sanitation programs/projects;
- b) To provide information, education and communication on water supply and sanitation to opinion-makers and sector organizations;
- c) To provide assistance in policy formulation of policy-makers; and
- d) To provide assistance to action research projects and activities.

4. PROGRAM AREAS AND SERVICES

Four program areas have been identified as strategic to attaining the organization's vision. These are networking and special services, training, advocacy and information dissemination, and research. The focus of these program areas will be on appropriate technologies and approaches for community-managed water supply and sanitation services.

ITN (Philippines) has the capability to provide the following technical services to government implementing agencies, donor agencies and consulting firms in relation to the above program areas:

- community organizing
- use of appropriate technologies and approaches
- operation and maintenance of CWSS facilities
- training of local implementors and users
- monitoring and evaluation of CWSS projects
- preparation of CWSS programs and projects for funding and implementing agencies
- project management of local water and sanitation projects
- development of IEC materials and project support communication materials for specific projects.

5. ORGANIZATION OF ITN (PHILIPPINES)

ITN (Philippines) was registered as a non-stock, non-profit organization composed of its network members. Its corporate powers will be exercised and controlled by a Board of Trustees of seven members elected from among the network members. The day-to-day business of the organization will be managed by an Executive Director who will head the Network Center (NC). Under the Executive Director are four program units each headed by a Program Manager. The network center will be supported by an administrative staff headed by an administrative and finance officer.

Each of the program areas will be guided by a program committee composed of representatives of the network members. The program units will be responsible for the preparation of project proposals for clients. Project teams will be formed to provide the services called for in the proposals. Each team will be headed by a project manager and composed of sector professionals preferably from the network members.

6. FUNDING OF THE ORGANIZATION

The by-laws of ITN (Philippines) allow it to derive funds from fees, grants, donations and proceeds from contracts for services. However, the long-term sustainability of the network's operations will require the establishment of a trust fund with a funding level sufficient for the interest earnings alone to support the network center's annual overhead costs. While project expenses will be covered by project funds, the overhead costs will be supported by earnings from projects initially until such a time that the trust fund is sufficiently funded from both earnings and donations.

DEVELOPMENT PLAN
for
ITN (Philippines) 1995 -2000

1.0 INTRODUCTION

1.1 ITN - The Global Network

The International Training Network for Water and Waste Management (ITN) was established in late 1984 as a joint initiative of bilateral and multi-lateral development agencies in support of the International Drinking Water Supply and Sanitation Decade. Its principal objective is to promote needed improvements in both the effectiveness of water supply and sanitation investments and the extension of service coverage. ITN focuses its efforts to low-income population groups in the urban fringe and rural areas of developing countries where conventional piped water supply systems and water-borne sewerage are not affordable in the foreseeable future, hence, the need to redirect investments toward the use of lower cost technologies that are cost-effective and affordable, easily maintainable, and culturally acceptable to the users.

The focal points of the ITN are the Network Centers (NCs) established within existing institutions in developing countries that carry out training, dissemination of information, and research activities on water supply and sanitation. The NCs coordinate the network activities of its member-organizations called Participating Institutions (PIs). These centers disseminate information and conduct education and training activities of interest to decision makers, program planners, managers, practicing engineers and engineering students, consulting firms, and field staff working at the community level. The UNDP-World Bank Water and Sanitation Program is providing coordination, technical assistance and international liaison among the NCs.

1.2 International Training Network (Philippines) Project

The Philippines joined the ITN project in 1989 and commenced operations in January 1990 through the ITN (Philippines) Project with the Local Water Utilities Administration (LWUA) serving as project host and providing the Philippine counterpart to the project. The Netherlands Government acts as the Sponsoring Agency to the ITN (Philippines) Project providing financial support to project operations from 1990-1994. It contracted the International Institute for Infrastructure, Hydraulics and Environmental Engineering (IHE) in Delft, a world renowned educational institution offering graduate and post-graduate diploma courses on specialized knowledge for professionals from developing countries, to act as the Associated Institution that provides advisory and consultancy assistance to the project.

The objectives of the ITN (Philippines) Project are patterned after the objectives of the ITN global project which is to contribute to the improvements in the effectiveness of water supply and sanitation investments and the extension of service coverage. It aims to refocus these investments towards the use of appropriate water supply and sanitation technologies adaptable to low-income population groups in the urban fringes and rural areas of the country.

In pursuit of the abovementioned goals, the ITN (Philippines) Project established a program of action revolving around the following activities:

- a) training and education of relevant audiences on appropriate water supply and sanitation technologies;
- b) promotion of a multi-disciplinary approach emphasizing socio-cultural and health considerations in the planning, implementation and maintenance of water supply and sanitation projects;
- c) collection and dissemination of information on appropriate water supply and sanitation technologies and their successful application; and
- d) applied research leading to improvements in the cost effectiveness, large scale implementation and replication of appropriate water supply and sanitation programs.

1.3 The Philippine Network and the Training Network Center

The ITN (Philippines) Project has 17 Participating Institutions (PIs) who are involved in water supply and sanitation in different ways and who compose the local Philippine network. Please refer to Annex 1. The PIs can be classified into three groups. These are a) the line agencies (LWUA, DPWH/PMO-RWS, DOH-EHS, DENR-EMB, DILG/FW4SP) implementing water supply and sanitation projects, b) the research and academic institutions (UP-E, UP-PH, UP-SURP, TIP, NU, WRC-USC, SLU, XU) doing research on water resources and environmental management, and educating future engineers, and c) the non-governmental organizations (TSTF, KPPF, KKMK, JVOFI) building awareness in the community and implementing projects based on community management principles.

Acting as the Philippine network's policy-making body is the Network Coordinating Council (NCC) which is chaired by the LWUA Administrator and has as members the Director of DOH-EHS, the Director of DPWH/PMO-RWS, the Director of DILG/FW4SP, the Dean of UP-E, the Dean of UP-PH, and the Executive Director of TSTF.

Under the NCC is the Training Network Center (TNC) which coordinates all the activities and concerns of the ITN (Philippines) Project. While LWUA provides the office space, facilities and majority of the TNC staff, the Participating Institutions (PIs) assists/collaborates in training course and materials development, implementation of training program, research, information documentation/dissemination and development of project proposals. The PIs also made accessible to the entire network their library, laboratory and training facilities with some of them making their personnel available to serve part-time in the TNC.

1.4 Accomplishments of the ITN (Philippines) Project

The ITN (Philippines) Project has created awareness among the network members of the need for a multi-disciplinary approach in the implementation of water supply and sanitation projects. To improve the capability of the staff of its participating institutions, the project conducted training courses on appropriate water supply and sanitation. The TNC undertook course design and development, training materials development and production, conducted training, evaluation and documentation activities. From 1990 to 1993, it has conducted 39 training courses with 1,109 middle-level government and private practitioners trained.

To strengthen its capability to serve the network members, the TNC was equipped with a complete set of training and information materials which is available for use by PIs and other interested parties involved with the sector. This includes a Basic Library of 125 titles selected by the International Reference Center for Community Water Supply and Sanitation in The Hague and a complete package of audio-visual materials, training films and books written and prepared by the UNDP-World Bank Water and Sanitation Program unit. Furthermore, the TNC also maintains a pool of equipment which is essential for training and for the development and production of training and reference materials.

The TNC has developed the capability to undertake information, education and communication activities in support of its participating institutions' field operations. Almost 6,000 bibliographic data on water supply and sanitation from the Asian Development Bank's ENSICNET Project can be accessed through the use of a microfiche reader-printer. Collaboration with the ADB Project also enables the network to make available volumes of reference materials like the Interwater Thesaurus, bibliographic input manuals and ENSIC publications.

The TNC publishes the ITN (Philippines) Quarterly Newsletter which carries original and reprinted articles on relevant matters, news items on the local water supply and sanitation scene, profiles of sector agencies, updates on project activities and other features. It has also initiated a Union Catalogue of 1,500 bibliographic entries from available materials from its participating institutions to facilitate access from a common pool of information.

In July 1992, an extensive mid-term evaluation of the ITN (Philippines) Project was conducted by a three-member team composed of representatives of the Netherlands Government, the UNDP-World Bank Water and Sanitation Program and the Philippine Government. The mission, having found the project to be highly successful, recommended the continued existence of the ITN (Philippines) network no longer as part of a project but as a component of a long-term program beyond 1994. Moreover, the mission proposed that the next stage should be characterized by a decreasing dependence on external financing and instead by an increasing internal funds generation that could guarantee financial self-sustainability.

In August 1993, the International Water and Sanitation Training Network, Philippines, Incorporated [to be referred to as ITN (Philippines)] was registered with the Securities and Exchange Commission as a non-stock, non-profit organization as a first step to attaining self-sustainability. The next step is to prepare a development plan that will guide ITN (Philippines) as a self-sustaining organization that will be able to generate funds to sustain its operations and at the same time achieve its goals and objectives in serving the needs of the sector.

2.0 OVERVIEW OF THE WATER SUPPLY AND SANITATION SECTOR

The experience of the network members in participating in the ITN project over the last four years gave them insights into how their own institutions can promote the objectives of the ITN network while working within their respective mandates and programs. However, the preparation of a long-term development plan for ITN (Philippines) requires a common understanding of the water supply and sanitation sector which the network is trying to support. An analysis of the existing situation of the sector was prepared with the aim of determining how the network can help bring improvements in the effectiveness of sector investments and the extension of service coverage.

The situation analysis of the Philippine Water Supply and Sanitation is shown in Annex 3. The highlights of the analysis are given in the following sections.

2.1 Coverage

The Water Supply Sector Reform Study shows that in 1992, water supply coverage for Metro Manila was 62%, other urban areas, 58%, and rural areas, 84%, for a national coverage of 76%. The study also estimated that projects undertaken during 1988-1992 provided approximately 67% of the Philippine population with access to sanitary toilet facilities. Only about 8% of the population in the MWSS service area have access to sewerage facilities. However, the reform study data which came from MWSS, LWUA and DPWH may not have considered the operational status of installed facilities especially those of DPWH wells and handpumps, hence, the seemingly high rural water coverage.

Disaggregation of coverage between urban and rural area will show the disparity in the delivery of services to these two areas. DOH data for 1985 show that coverage of the rural areas lag behind the urban areas. Recent studies on health and nutritional status of people in urban poor communities in highly urbanized areas of Metro Manila, Metro Cebu and Cagayan de Oro City reveal greater inadequacy of water supply and sanitation services in slums and squatter settlements.

2.2 Sector Plans, Objectives and Responsibilities

Development of the water supply and sanitation sector is guided by the Water Supply, Sewerage and Sanitation Master Plan of the Philippines 1988-2000, the Medium-Term Philippine Development Plan (1993-1998) and the Provincial Water Supply, Sewerage and Sanitation Sector Plans of which about 22 provincial plans have been prepared as of the end of 1993. Furthermore, the government recently completed in September 1993 a National Urban Sewerage and Sanitation Strategy Plan and Feasibility Study to answer the need for a more strategic approach to the provision of sanitation and sewerage facilities.

The objectives of the sector are, a) to provide reliable and safe water supply that is easily accessible to the majority of the households within the shortest time practicable in a cost effective manner; b) to increase sanitation and sewerage service coverages; and, c) to institutionalize the delivery of services.

Other sector policies include a) the promotion of self-reliance in projects, b) organization of users into local water districts and barangay water and sanitation associations (BWSAs), c) emphasis on cost recovery and cost sharing, d) integration of water supply, sanitation and hygiene education, e) safeguarding water quality, and f) promotion of sanitary practices.

The levels of service for water supply are defined in the master plan. Level 1 service consists of point sources like wells with handpumps, development of spring sources or construction of raincollectors without any distribution system. It will provide water to 20-30 families at 30-50 lpcd with the households within 250 meters of the source. Level 2 service is a system of communal public taps with no yard or house connection, spaced so that each house served is not more than 25 meters away from the nearest tap, providing 40-80 lpcd to about 50 families. The system has its own source, transmission and distribution pipes, storage tank and pumping system for non-gravity systems. Level 3 service is the conventional piped system with house connections usually found in larger communities in most town centers.

2.3 Sector Organization

Sector developments in the late 1970s and the 1980s have led to the rationalization of the organization of the sector. The National Water Resources Board (NWRB) is responsible for coordination of water resources development and management including water supply. The Department of Public Works and Highways (DPWH) provides basic level 1 service to small rural communities. The Local Water Utilities Administration (LWUA) supports water supply and sewerage development of provincial urban centers outside Metro Manila. The sector reorganization in 1987 tasked LWUA with the responsibility for providing larger rural communities with levels 2 and 3 service. The Metropolitan Waterworks and Sewerage System (MWSS) is responsible for water supply and sewerage service in Metro Manila and adjoining towns.

The Department of Health (DOH) is responsible for the promotion of sanitation and monitoring of drinking water quality. The Department of Interior and Local Government (DILG) has the mandate of strengthening local autonomy and institutional capacity for the delivery of basic services, including water supply and sanitation. The implementation of the 1991 Local Government Code will result in the devolution of some of these responsibilities to local government units.

Management of water supply facilities is the responsibility of local water districts or communities through the BWSAs. The sector reform study estimates that 30% of the total urban population are served by LGU- or privately-owned and operated water supply systems while the rest are under the MWSS or more than 560 water districts.

2.4 Sector Funding and Financial Performance

Funding for the sector programs is heavily supported by external support agencies (ESAs) in the form of technical assistance, sector policy and management support, investment loans and grants for capital improvement. The MTPDP (1993-1998) sector budget of 39 billion is programmed to be funded from foreign (70%) and domestic (30%) sources. The domestic sources are mostly from government funds; local private financing has hardly been tapped. The major sector projects in recent years were funded by the Asian Development Bank (ADB), the World Bank, the Japan International Cooperation Agency (JICA), the Overseas Economic Cooperation Fund (OECF) of Japan, The Australian International Development Assistance Bureau (AIDAB), the Danish International Development Agency (DANIDA), the United Nations Development Program (UNDP) and the United Nations Children's Fund (UNICEF).

According to the sector reform study, public investments in the sector has declined in recent years due to a) poor credit situation and cost recovery, b) limited government resources, and c) other institutional difficulties. Allocated funds for the sector were found to be under-utilized due to low absorptive capacity of the sector institutions as well as unrealistic targets. Fund utilization from 1988 to 1992 ranged from 44% to 77% annually.

While collection efficiency as a percentage of billing from customers is high for MWSS and the water districts, repayment of water district loans to LWUA is not, with some having repayment rates of as low as 40%. There is practically no cost recovery from the rural water supply sector where even operation and maintenance costs can hardly be collected.

2.5 Sector Development Issues and Constraints

The development of the sector and the delivery of water supply and sanitation services to unserved communities are affected by policies, planning, technical, institutional and financial issues and constraints. These came out of recent sector studies, evaluations, and various project reports and documents. Many of the issues came out as early as the mid-decade evaluation workshops sponsored by the World Health Organization (WHO), in cooperation with DOH and DPWH during the International Drinking Water Supply and Sanitation Decade (IDWSSD). Recently, UNICEF funded an Evaluation of the IDWSSD in the Philippines for DOH and a Rapid Assessment of the Training Needs of LGU and Community Personnel Directly Involved in the Management and Implementation of Level 1 and 2 Water Supply and Sanitation Projects.

Other recent studies are the Philippine Water Supply Sector Reform Study and the Philippines National Urban Sewerage and Sanitation Strategy and Feasibility Studies. The critical issues are summarized in the following sections into four categories.

2.5.1 Planning Issues:

- a) There is lack of adequate, reliable sector data for realistic planning.
- b) Rural sector targets are high when compared to implementation capacity.
- c) The national master plan lacks institutional support component like CO, HRD, training and IEC with budgets set mostly for construction.
- d) Low priority is given to sanitation and to urban poor communities.
- e) Local Government Units are hardly consulted in the development of sector master plans.

2.5.2 Technical Issues:

- a) Many urban water systems have high unaccounted-for-water and non-revenue water.
- b) Water resources are dwindling as shown by lowering water levels and salt water intrusion in many utilities.
- c) There is a need for water conservation measures to protect sources, reduce distribution leaks, and reduce wasteful use by consumers.
- d) Many piped systems provide less than 24-hour service.
- e) High power cost and frequent power shortages are affecting utility operations.
- f) There is a significant number of non-functioning wells due to construction defects and inadequate O/M program for rural water systems.
- g) There is limited affordable technology options for sewerage and sanitation for urban areas.
- h) There is a need to improve the quality of locally manufactured handpumps and the quality of wells drilled by local drillers.

2.5.3 Institutional and Management Issues:

- a) There is inadequate coordination of programs at local levels and a need for integration of water, sanitation and hygiene education.
- b) Political interference in site selection, personnel hiring and tariff setting (increases) is hampering efficient operations and project implementation.
- c) Limited sector project planning/implementation experience of LGUs will hamper the rural sector development unless addressed soon.
- d) Present LGU organization may not be able to handle broader responsibilities brought about by the devolution under the Local Government Code.
- e) There are only a few BWSAs that are functioning to sustain O/M of facilities due mainly to inadequate CO and IEC support to the rural water supply and sanitation programs.
- f) There is lack of effective training programs outside the MWSS/LWUA areas for human resources development addressed to the needs of implementors and beneficiaries.
- g) The proposed restructuring of the sector and LWUA operations to purely development financing will affect the urban water sector.

2.5.4 Financial Issues:

- a) Dwindling ESA financing and national government debt cap ceiling will reduce sector support from its traditional funding sources.
- b) Insufficient local financial resources and debt service ceiling for LGUs will not allow them to seek loans for financing projects at the level needed by the sector.
- c) Low cost recovery and collection efficiency for rural systems are preventing the sector from becoming self-reliant.
- d) Most utilities are facing difficulties in raising tariffs to meet needed utility expenditures for proper operations and maintenance.

- e) Smaller urban provincial centers not viable under LWUA/WD operations are not covered by any existing programs.
- f) Low collection of water district loan amortization to LWUA hampers LWUA's ability to effectively provide more assistance to water utilities.

3.0 ASSESSING THE ENVIRONMENT: OPPORTUNITIES AND THREATS

The sector development issues are concerns of the government line agencies tasked with implementing water supply and sanitation line projects. However, many of the issues dealing with local initiatives at the LGU and BWSA levels can be supported by the programs of the network like community based water and sanitation technologies and approaches where they are strong.

A Market Study conducted in 1993 for the ITN (Philippines) project showed the following opportunities and threats for the network to consider in the preparation of its long-term development plan.

3.1 OPPORTUNITIES

1. There are few NGOs, private consulting or government agencies that are focused on community-based water supply and sanitation technologies and approaches. In the May 1993 conference to form a water and sanitation network of NGOs, only 19 NGOs of the over 3,000 registered with CODE-NGO formed the initial core group of the proposed network.
2. There are a good number of foreign-assisted programs that are on-going or are being developed, seeking to bring water supply to the rural populace or urban areas. Capacity building or institutional development components are part of some of these projects.
3. The sector in recent years has emphasized the operations and maintenance functions as being crucial to the management of water supply and sanitation facilities. This gives way to the continuous need for operator training in operations and maintenance.
4. The local government code redefines the dynamic role, relationships and linkages among central, provincial, municipal and barangay institutions in the provision of essential services, including water supply and sanitation. Networking will increasingly be required for exchange of information and appropriate technologies. Manpower skills at the regional levels have to be developed, i.e. planning projects, well drilling.

- ✓ 5. Waste and environmental management are issues which are becoming very popular worldwide. The networking required among international agencies and private sector groups regarding new technologies and state of the art is an opportunity.
- ✓ 6. There are few indigenous models of water and sanitation system management, particularly exploring the issue of cost recovery, i.e. water cooperatives. Research and materials development is an area that is not being undertaken by many agencies.
7. More and more, multi-sectoral partnerships are recognized as an important strategy to achieving goals. However, there are few models to show that this strategy can work. ITN (Philippines) is one.
- ✓ 8. Both development banks and cooperatives are interested in becoming involved in public utility projects (power and water) in terms of investment or organization of public utility cooperatives. This interest of the private sector, although limited to community-based system can fill a gap that is presently not being serviced by government.
9. Most of the foreign-funded projects have grant components for capability building and training. These can be tapped into by approaching the foreign donor or the government counterpart. However, these foreign donors continue to use traditional channels for funding such projects and have no mechanisms for channelling funds to private sector groups or NGOs.

3.2 THREATS

- ✓ 1. There are misperceptions about Level I water systems as being non-bankable. Few believe that poor communities can pay for water. With the government cash strapped, emphasis is on Level III systems. There are few studies that look into the cost recovery aspects of Level I or community managed systems.
2. Funding for Level I water supply has decreased since official data reports high coverage of service (80%).
3. Sector data used by governments and foreign donors in planning and policy making is inadequate.
- ✓ 4. Environmental degradation, particularly destruction of the watershed, has caused water tables to recede. It is becoming deeper and more difficult to dig for water.

5. The sector has a strong political orientation. Water is a promise given by politicians during campaigns. It is treated under the law as a basic service that governments should afford their constituents.
6. The government has very little funds. Growth rates are anticipated to be low (2% in 1993).
7. Funding for Level I water supply is no longer being given priority by private donors, i.e. Ford Foundation, CARE, USAID. If ever, it is funded as part of an integrated health or community development program.
8. Urban migration is expected to continue at high levels. It is projected that majority of the poor will be found in urban areas by the year 2000 (60%).
9. There are agencies that offer similar services as ITN (Philippines) and compete, in a sense, for the time, commitment and resources of those institutions or individuals who, it is hoped, will join the network. These include inter-agency steering committees such as the Technical Committee for Strengthening the Water Supply Sector with LWUA as the implementing agency, the Inter-Agency Committee on Environmental Health with DOH as lead, among others; agencies include the National Water Resources Board which presently holds the legal mandate for coordination of sector undertakings, the DILG which is mandated to undertake capability building of the sector or even UNICEF.

Because ITN (Philippines) has concentrated on training, it would be strategic to be aware of what makes the ITN (Philippines) training program apart from those that are being offered by various government training centers such as the LWUA and DPWH training centers, Local Government Academy or even the UP National Engineering Center. In the private sector, the various NGO training centers, such as Tulungan sa Tubigan Foundation are offering training in water supply management at the community level.

10. Funding from foreign and local donors is becoming limited due to global recession and conflict in Eastern Europe and need for reconstruction work in Russia and East Germany.

Both an opportunity and threat is the possibility of a very real water crisis in the future, particularly in areas where watersheds have been denuded. Crisis spurs action and can be the basis for putting together a strong, inter-locked effort. Also is the perception that the function of providing clean water is the function of government. Few people realize the scarcity of water supply and the reality that it is no longer free.

4.0 SUMMARY OF MARKET NEEDS

In addition to the threats and opportunities to be considered in the development of the long-term development plan, the Market Study identified the needs of the donor agencies supporting the sector as well as the needs of participating institutions. This was done through a survey conducted from March to April 1993 with network members, key members of the foreign and local donor community, engineering consulting firms and residents of low-income communities.

In general, current needs of the sector are: coordinated response to the provision of water supply and sanitation services, need for accurate planning data, funding for the sector and capacity building for sector institutions.

The donor agencies identified well designed and implemented programs that deliver sustainable solutions to social issues as the main need. Others include the search for new ways of doing things that a) require less donor investment, b) provide visibility and c) provide sustainable impact.

The participating institutions identified the need for a network that can help them in the following areas:

- advocacy
- technical consultancy in developing new training modules
- collaborative research
- linkage
- sharing of resources
- funds mobilization
- information exchange

These needs of the sector can be translated into services that ITN (Philippines) can provide to the sector institutions. The participating institutions and network members of the ITN (Philippines) Project can be clients and also service providers.

The large client groups would be the donor agencies and the implementing institutions in the government. Others would be the non-government organizations, the academe, consulting firms and the practicing sector professionals and engineering students.

5.0 NETWORK VISION AND GOALS

From May to September 1993, heads of the 17 founding institutions which are government and private sector institutions, NGOs and academic institutions met regularly to plan and shape an organization that seeks to unite sectoral organizations in improving health through proper sanitation and clean, safe drinking water to poor communities in the country. The group formulated the following vision, mission statement and goals of ITN (Philippines) that will respond to sector development issues and constraints and the needs of the sector that will guide the newly registered ITN (Philippines):

5.1 Vision:

Progressive, healthy and self-reliant Filipino communities with equal access to water supply and sanitation services.

5.2 Mission Statement:

To assist the sector in the delivery of water supply and sanitation services by promoting the use of appropriate technologies and approaches in the management of sustainable water supply and sanitation programs, by strengthening sector capacities, and by advocating improved policies and investments through a multi-sectoral network of organizations concerned with water and sanitation.

5.3 Goals:

- a) to assist participating institutions, affiliate members and other organizations in their implementation of water supply and sanitation programs/projects;
- b) to provide information, education and communication on water supply and sanitation to opinion-makers and sector organizations;
- c) to provide assistance in policy formulation of policy-makers; and
- d) to provide assistance to action research projects and activities.

6.0 PROGRAM AREAS AND SERVICES

6.1 Program Areas

Four program areas have been identified as strategic to attaining the organization's vision. These are networking and special services, training, advocacy and information dissemination and research. The focus of the program areas will be on appropriate technologies and approaches for community-managed water supply and sanitation services.

6.1.1 Networking

Networking refers to the bonding of various organizations and institutions to pursue a common agenda as in the promotion of appropriate technologies and approaches for community-managed water supply and sanitation services for ITN (Philippines). It will help improve coordination of sector activities among the implementing agencies. The network will provide the opportunity for the NGOs, the academe, consulting firms, sector professionals and students to determine how they can support the needs of the sector individually or as a group.

Major activities within this program area include the following:

- strengthening coordination among participating institutions through collaborative programs and projects;
- expansion of the network by campaigning for increased membership in the network;
- promoting awareness in the sector of the network's programs, services and capabilities to support sector institutions and programs;
- organizing national and international conferences that will promote discussions and resolution of issues affecting the development of the sector;
- expansion of linkages with other local ITN Centers and their members through such mechanisms as information exchange and publication of experiences; and
- establishment of regional ITN Centers in Luzon, the Visayas and Mindanao.

Within the present network membership are three distinct sector groups with their own needs that can be supported by other network members. The network can be strengthened if consulting firms, sector professionals and students can be invited as members of the network as they also have needs and capabilities that can help strengthen the network.

6.1.2 Training

The ITN (Philippines) Project has established a track record in training the staff of participating institutions in appropriate technologies and methods for water supply and sanitation. This program area will build on this strength and will expand the training programs to meet the needs of the network members and the sector institutions.

The local network's membership in the ITN global network will allow ITN (Philippines) to benefit from information on other countries' experiences that can be blended with local experiences to enrich the training courses.

Major activities of the training program include the following:

- regular assessment of the training needs of sector institutions to continuously improve the design of training programs to respond to sector needs;
- monitoring and evaluation of the effectiveness and impact of training activities in improving the delivery of water supply and sanitation services by the sector institutions;
- improving the capability of participating institutions to provide quality training programs in the sector;
- assisting participating institutions and other sector organizations in availing of training programs provided by the network and its members; and
- supporting LGU, private sector and government initiatives in developing and improving training programs on water supply and sanitation.

6.1.3 Advocacy and Information Dissemination

The main purpose of this program is to advocate for reforms in the sector that will improve the delivery of water supply and sanitation services to Filipino communities. Such advocacy will require creating awareness among policy makers, decision makers, planners, implementors and users on the issues affecting the development of the sector and the sustainability of projects and programs through information dissemination.

The program will promote policy dialogues among sector institutions to create awareness of issues as seen by different sector groups (implementors, NGOs, academe, LGUs, sector professionals/consulting groups and user communities). Coordination with the research program will be made for the conduct of policy research to support the need for changes or improvements in the sector.

The information component of this program will be developed to support the advocacy for reforms. In addition to the use of printed and audio-visual materials, seminars and conferences will be hosted to promote support for the development of the water supply and sanitation sector as a way of achieving better health and well-being of Filipino communities.

While support for the advocacy agenda is a concern of the program, its major task will be to source and disseminate information that will cater to the needs of the different sector institution groups. This includes scholarly research papers, publications and project reports which contain volumes of analyses and evaluation on the sector which are available from schools and universities, implementing agencies, donor agencies NGOs and other sector institutions.

6.1.4 Research

Basic and action research will be supported based on a research agenda to be formulated by the network members. It can focus on finding solutions to problems in the implementation of effective community water supply and sanitation projects such as sustainability and management of BWSAs, operation and maintenance of facilities, proper design and construction, cost recovery and efficient fund flow mechanisms among others.

Major activities of this program include the following:

- development and conduct of training programs on research and development for water supply and sanitation for sector institutions;
- promotion of research and development activities in the sector by linking the academe with sector implementing agencies;
- generation of research leads and agenda;
- presentation and dissemination of relevant and useful research results through seminars and publication;
- establishment of a clearing house for researches and other baseline data;
- linking up with national and international research institutions and networks; and
- sourcing of funds for meritorious research proposals which may not fall under the priority research agenda of the network.

6.2 Services and Special Projects

Unlike the ITN (Philippine) Project organization which was fully supported by the Netherlands Government, sustainability of the new non-stock, non-profit organization for the long-term will depend on the flow of funds to the organization that has to be generated from donations, grants and earnings from contracted services. A realistic assessment of funding availability will show that most of the funds to support ITN (Philippines) will have to come from payment for services rendered to sector organizations and donor agencies and not from grants.

The previous sections on the situation analysis of the sector, the assessment of threats and opportunities and the assessment of market needs will show that there is a need for services in training, development of IEC materials, applied research and consulting services in different aspects of water supply and sanitation.

The discussion on the program areas shows both the needs of the network participating institutions in terms of promoting appropriate technologies and approaches to community managed water supply and sanitation projects and the needs of sector institutions in the actual delivery of services to the communities. The ITN (Philippines) programs will address both needs through its four main programs.

Consulting services will most likely be in support of the preparation and implementation of projects. Clients can be the government implementing agencies, donor agencies and consulting firms wishing to tap the network's expertise in appropriate technologies and approaches to community-managed water supply and sanitation projects. Such services can include the following:

- community organizing
- use of appropriate technologies for water supply and sanitation
- operation and maintenance of community water supply and sanitation facilities
- training of local implementors and users
- monitoring and evaluation of water supply and sanitation projects
- preparation of CWSS projects for funding agencies and implementors
- project management of local water supply and sanitation projects
- development of IEC materials and project support communication materials for specific projects

7.0 ORGANIZATION OF ITN (PHILIPPINES)

The vision and goals can be attained with ITN (Philippines) no longer existing as a project but as an organization supporting the sector in the provision of water supply and sanitation services to Filipino communities. It can only do so by transforming itself into a self-sustaining organization by providing services needed by the sector that is focused on appropriate technologies and approaches to community-managed water supply and sanitation facilities.

While the ITN (Philippines) Project was funded by a sponsoring agency with a specific purpose of promoting appropriate technologies and approaches to help the sector attain its objectives, there is now a need to shift its mission to providing assistance to the sector organizations that are delivering the services. This is now possible with the development of the capacity of participating institution staff in promoting appropriate technologies and approaches through training and research activities of the project in the last 4 years.

The organizational structure of the ITN (Philippines) Project may need to be reviewed and revised for the organization to attain its vision and to support its mission and goals. The strategies adopted by ITN (Philippines) will dictate the type of organization and how it will evolve from its present form to what it will be.

A major change in how ITN (Philippines) will operate is in the definition of the business of the organization. The present project may have succeeded in the promotion of appropriate technologies with funding from a sponsoring agency. However, the long-term existence of the organization will depend on the demand for its services for which clients will be willing to pay for such services. Clients within the sector will pay only if the services provided will help them achieve their own goals and objectives and answer their needs. These needs were identified in the Market Study of both the network members as clients and the local and foreign donor agencies.

The by-laws of ITN (Philippines) defines the responsibilities of the different components of the organization. The corporate powers of the organization will be exercised and controlled by a Board of Trustees composed of seven members who are of good moral character and are willing to work for the attainment of the goals and objectives of the organization.

The officers of ITN (Philippines) will be composed of the Chairperson, the Vice-Chairperson, the Executive Director, the Treasurer and the Secretary of whom the Chairperson and the Vice-Chairperson should be members of the Board of Trustees.

The Executive Director will be the Chief Executive Officer who will manage and direct the day-to-day business of the organization. Under the Executive Director will be four major program units each headed by a Program Manager. The program areas are training, research, advocacy and information dissemination, and networking and special services.

The program units will be responsible for the preparation of project proposals for clients and project teams will be formed to provide the services called for under the proposals. Each project team will be headed by a project manager and will be composed of professionals from the sector preferably from the network members.

Each of the program areas will be guided by a Program Committee composed of representatives of network members dealing with such programs. They will provide technical advice on the directions and contents of the programs that can best help support the sector.

8.0 FUNDING OF THE ORGANIZATION

The by-laws of ITN (Philippines) allows it to derive funds from fees, grants, donations and proceeds from contracts for services. Ideally, the networking functions including the overhead for the core personnel, office rentals, utilities, equipment purchase and maintenance and communication expenses should be supported by the network members for services rendered to them by the Network Center. However, long-term sustainability and stability of network operations will require the establishment of a trust fund at a level sufficient for the interest earnings alone to fund the network center's overhead. The amount for the trust fund can be raised through grants by donor agencies for the purpose and through a build up of the fund from contributions of clients as part of their payment for consulting services rendered by ITN (Philippines) through its network members or its Network Center.

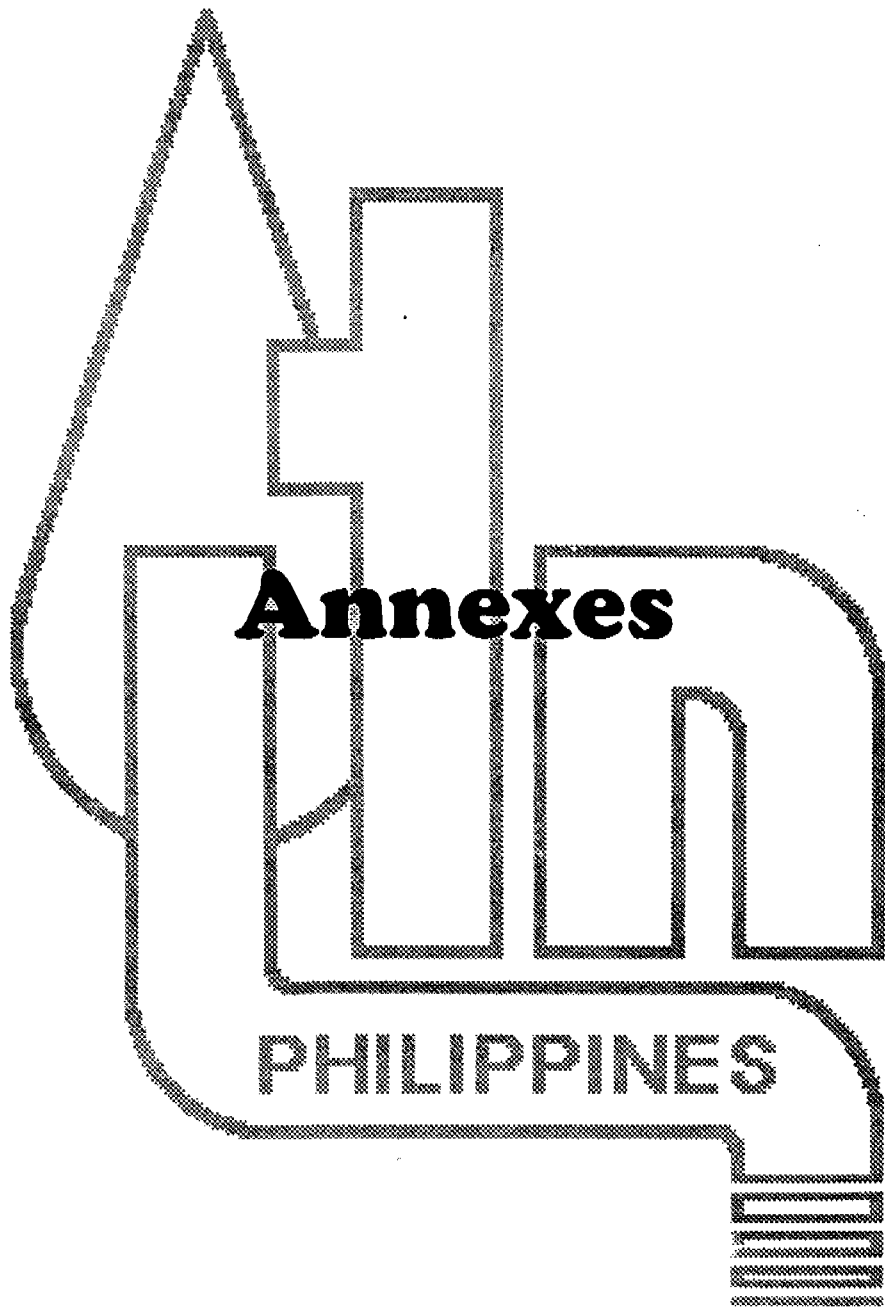
The build up of funds from earnings from service contracts is feasible considering the non-stock nature of the organization. This will allow it to develop a pricing structure that is competitive with consulting corporations and partnerships which require a certain level of profit for the shareholders. However, it does not mean that the Network Center will be competing with these groups since the focus of the network is hardly an area in which consulting firms has developed their capabilities.

The key to sustaining the network will, therefore, lie in its ability to raise money for the core funds to be placed in trust and the Network Center's ability to market the its services successfully such that it will lead to contracts for services.

Initial computations show that the network will need a trust fund of about 10 million to 15 million to generate an annual interest of 3.0 million to 4.5 million to support its operations. Funding requirements for the initial 3-5 years may not be at this level if the network center will start as a small and lean organization with an Executive Director, two program managers, and a support staff composed of an administrative and finance officer, clerk/secretary and an all-around utility person.

9.0 DETAILED BUSINESS PLAN

The overall framework presented in this development plan for ITN (Philippines) will have to be translated each year into an annual business plan. An example of such plan is shown in Annex 4 showing the critical activities for the first year of ITN (Philippines) in its new form. The development of such plans is a function of management which will have to be led by the new Executive Director with help from the program committees and the members of the Board of Trustees.

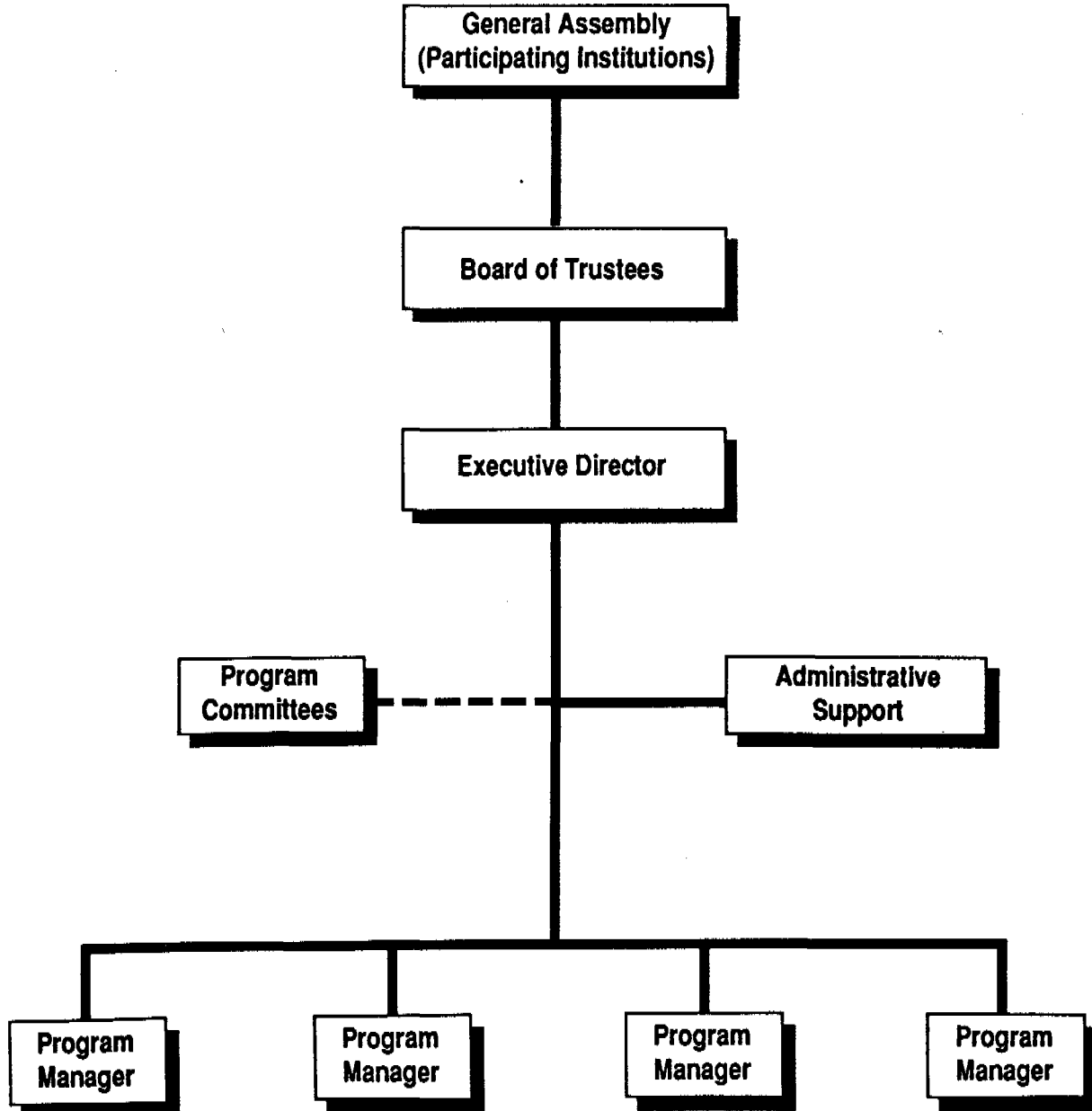


**List of Participating Institutions
ITN (Philippines)**

1. Local Water Utilities Administration (LWUA)
2. Department of Health, Environmental Health Service (DOH-EHS)
3. Department of Public Works and Highways, Project Management Office for Rural Water Supply (DPWH/PMO-RWS)
4. University of the Philippines, College of Engineering (UP/E)
5. University of the Philippines, College of Public Health (UP/PH)
6. Tulungan sa Tubigan Foundation, Inc. (TsTF)
7. Department of Environment and Natural Resources, Environmental Management Bureau (DENR-EMB)
8. Kabalikat sa Pamilyang Pilipino Foundation, Inc (KPPFI)
9. University of the Philippines, School of Urban and Regional Planning (UP-SURP)
10. Technological Institute of the Philippines (TIP)
11. National University (NU)
12. Department of Interior and Local Government (DILG)
13. Kapwa Ko Mahal Ko Foundation, Inc. (KKMK)
14. Jaime V. Ongpin Foundation, Inc. (JVOFI)
15. Saint Louis University (SLU)
16. Water Resources Center, University of San Carlos (WRC-USC)
17. Xavier University (XU)

Annex 2

**ORGANIZATIONAL STRUCTURE
ITN (Philippines)**



PHILIPPINE WATER SUPPLY AND SANITATION

A Situation Analysis

I. THE CURRENT SITUATION

A. Water Supply and Sanitation Coverage

1. The Philippines attained modest improvements in the provision of water supply and sanitation services during the water decade. Data from the 1990 Census of Population and Housing (NSO, 1992) show that safe water coverage improved from 65.7% to 73.0% from 1980 to 1990 and sanitary toilet coverage from 48.7% to 58.1% for the same period. The Water Supply, Sewerage and Sanitation Master Plan 1988-2000 (WSSS) had a target coverage for 1990 of 77% for safe water and 74% for sanitary toilets. The Department of Health annual report shows 1990 coverage of 80% and 70%, respectively, for safe water and sanitary toilet. The large discrepancies stem from differences in definition of safe water sources and sanitary toilets between NSO and DOH. For example, NSO does not consider pit latrines, even if properly constructed, as sanitary and considers only pour-flush type of toilets as sanitary.
2. The Water Supply Sector Reform Study shows that by 1992, water supply coverage for Metro Manila was 62%, other urban areas, 58%, and rural areas, 84%, for a national coverage of 76%. It was also estimated that projects undertaken during 1988-1992 provided approximately 67% of the country's population with access to sanitary toilet facilities. Only about 8% of the population in the MWSS service area have access to sewerage facilities. However, the reform study data which came from MWSS, LWUA and DPWH may not have considered the operational status of installed facilities especially those of DPWH wells and handpumps, hence, the seemingly high rural water coverage. Furthermore, they may not have included facilities constructed by users using their own funds.
3. Disaggregation of coverage between urban and rural areas will show the disparity in the delivery of services in these two areas. DOH data for 1985 show that urban areas enjoyed 83.1% water supply coverage while the rural areas had only 53.2%. Sanitation coverage for the same year was 79.5% in urban areas and 56.0% in rural areas. Recent studies on health and nutritional status of people in urban poor communities in highly urbanized areas of Metro Manila, Metro Cebu and Cagayan de Oro City reveal greater inadequacy of water supply and sanitation services in slums and squatter settlements. Unfortunately, available data are no longer presented in the form that disaggregates urban and rural coverage. It is also more difficult to get coverage figures for low-income groups.

4. Any effort to improve coverage will have to target the low coverage areas that are keeping the coverage statistics down. It is also in these areas where efforts to improve the delivery of basic services will provide a greater impact on the health and well-being of people and on achieving coverage targets of the national program defined in the master plan.

B. Sector Plans

5. The Philippine Government has manifested its commitment to the development of safe and dependable water supply and sanitation facilities in the Water Supply, Sewerage and Sanitation Master Plan of the Philippines 1988-2000. It laid down the policies and investment programs that will accelerate sector development through an equitable mobilization of resources and institutional reforms with emphasis in the rural areas. The master plan presents a good indication of targets and investment needs.
6. In addition to the national master plan, sector development is guided by the Medium-Term Philippine Development Plan (1993-1998) and the Provincial Water Supply, Sewerage and Sanitation Sector Plans of which about 22 provincial plans have been prepared as of the end of 1993. Furthermore, the government completed in September 1993 a National Urban Sewerage and Sanitation Strategy Plan and Feasibility Study to answer the need for a more strategic approach to the provision of sanitation and sewerage facilities.

C. Sector Objectives and Policies

7. The objectives of the sector are: a) to provide reliable and safe water supply that is easily accessible to the majority of the households within the shortest time practicable in a cost-effective manner; b) to increase sanitation and sewerage service coverages; and, c) to institutionalize the delivery of services.
8. Sector policies include a) the promotion of self-reliance in projects; b) organization of users into local water districts and barangay water and sanitation associations (BWSAs); c) emphasis on cost recovery and cost sharing; d) integration of water supply, sanitation and hygiene education; e) safeguarding water quality; and f) promotion of sanitary practices.

D. Coverage Targets

9. The water supply coverage targets under the master plan are 77% in 1990, 90% in 1995 and 94% in 2000. For sanitary toilets, the targets are 74% in 1990, 83% in 1995 and 93.4% in 2000. These rates of development seem to be ambitious compared to the the past performance of the sector. Furthermore, the devolution of major sector responsibilities to local government units under the 1991 Local Government Code requires changes in the the manner that project planning, implementation, monitoring and evaluation are conducted.

E. Levels of Service

10. There are three levels of service for water supply that are defined in the master plan. Level 1 service consists of point sources like wells with handpumps, development of spring sources or construction of rain collectors without any distribution system. Each system provides water to 20-30 families at 30-50 lpcd; households are within 250 meters of the source. Level 2 service is a piped system of communal public taps with no yard or house connection, spaced so that each house served is not more than 25 meters away from the nearest tap, providing 40-80 lpcd to about 50 families. The system has its own source, transmission and distribution pipes, storage tank and electric or mechanical pump for non-gravity systems. Level 3 service is the conventional piped system with house connections usually found in larger communities in most town centers.

F. Sector Organization

11. Sector development in the late 1970's and the 1980's have led to the rationalization of the organization of the sector. The National Water Resources Board (NWRB) is responsible for coordination of water resources development and management including water supply. The Department of Public Works and Highways (DPWH) provides basic level 1 service to small rural communities. The Local Water Utilities Administration (LWUA) supports water supply and sewerage development of provincial urban centers outside Metro Manila. The sector reorganization in 1987 tasked LWUA with the responsibility for larger rural communities with levels 2 and 3 service. The Metropolitan Waterworks and Sewerage System (MWSS) is responsible for water supply and sewerage service in Metro Manila and adjoining towns. The Department of Health (DOH) is responsible for the promotion of sanitation and monitoring of drinking water quality. The Department of Interior and Local Government has the mandate of strengthening local autonomy and institutional capacity for the delivery of basic services, including water supply and sanitation. The implementation of the 1991 Local Government Code will result in the devolution of some of these responsibilities to local government units.

12. Management of water supply facilities is the responsibility of local water districts or communities through the barangay water and sanitation associations (BWSAs). The reform study estimates that 30% of the total urban population are served by LGU- or privately-owned and operated water supply systems while the rest are under the MWSS and more than 560 water districts.

G. Funding of the Sector

13. Funding for the program is heavily dependent on external support agencies (ESA). These are generally in the form of technical assistance, sector policy and management support, investment loans and grants for capital improvement. The MTDPP (1993-1998) budget of 39 billion is programmed to be funded from foreign (70%) and domestic (30%) sources. The domestic sources are mostly from government funds; local private financing has hardly been tapped.
14. According to the reform study, public investment in the sector has declined in recent years due to: a) poor credit situation/cost recovery, b) limited national resources, and c) other institutional difficulties. Allocated funds for the sector were found to be under-utilized due to low absorptive capacity of the sector institutions as well as unrealistic targets. Utilization ranged from 44% to 77% annually from 1988-1992. While collection efficiency as a percentage of billing from customers is high for MWSS and the water districts, repayment of water district loans to LWUA is not, with some having repayment rates of as low as 40%. There is practically no cost recovery from the rural water supply sector where even operation and maintenance costs can hardly be collected.

H. Major Sector Projects

15. The major externally-supported sector projects in the rural areas in recent years are described below.
 - a) The Island Provinces Rural Water Supply Sector Project (812-PH) supported by the Asian Development Bank (ADB) has developed about 6,930 Level 1 facilities in 18 island provinces. About US\$24.0 million in ADB loan funds and 66.82 million in local funds were allocated for the project. This DPWH-executed project started in 1987 and was due to be closed in June 1992 after an extension of one year and an increased target of 3,800 systems. The sub-projects generally consisted of rainwater collection facilities, shallow or deep wells fitted with handpumps, spring sources and gravity flow systems.

- b) The Second Island Provinces Project (1052-PHI-SF) is on-going and it provides US\$24.0 million in ADB loan to a counterpart budget of 202.45 million. A technical assistance component of US\$50,000 has been allocated for well drilling training, water quality and pump installation. This DPWH-executed project will be effective through 1994. Both the Island Provinces Projects focus on technology and installation of physical facilities and do not fully address the development of capacity for sustainable community management of water and sanitation systems.
- c) The Japan International Cooperation Agency (JICA) supported a Rural Environmental Sanitation Project jointly implemented by the DOH and DPWH. It provided a grant of up to 965 million for the construction of Level 1 and 2 systems and sanitation facilities. Additional grant financing of 1.65 billion has been provided for its second phase (1991-1993).
- d) The Overseas Economic Cooperation Fund (OECF) is financing the construction of about 15,000 Level 1 and 125 Level 2 systems through its Rural Water Supply III (PHP-75) Project. The project started in 1987 and ran through 1992. A loan of up to 1.454 billion and counterpart funds of 444.5 million was allocated. A follow-up RWS IV Project which has been launched to maintain the momentum through 1994 provides a loan of up to 5.08 billion to counterpart funds of 400 million. The focus of these projects has been on the construction of Level 1 facilities with less attention given to operation and maintenance. A recent evaluation of earlier OECF-funded projects (RWS I and II) found out that only 10% of the systems had organized and registered BWSAs, and that 42% of the Level 1 systems constructed were non-operational.
- e) The Australian International Development Assistance Bureau (AIDAB) has approved a grant of A\$14.65 million for the Central Visayas Water and Sanitation Project to be implemented by the the Cebu Provincial Government in Region VII through the regional development council. The grant is intended to augment current capital investments from other local and foreign sources. It has three components, namely, planning and monitoring information systems, infrastructure planning and rehabilitation, and institution building with strong emphasis on developing a capacity for community-based management.
- f) The World Bank currently supports the First Water Supply, Sewerage and Sanitation Sector Project (FW4SP) with capital funds of up to US\$85.0 million for rural water supply in Luzon provinces and sanitation nationwide based on provincial master plans developed by GOP with the assistance of other bilateral agencies. The project design calls for a community-based approach operating through BWSAs. A Second Provincial Water Supply Project with US\$40.0 million funding from the World Bank is currently under preparation.

- g) The Danish International Development Agency (DANIDA) has provided grants for the formulation of eight provincial master plans under the FW4SP framework. The United Nations Development Programme (UNDP) has also approved additional funds to support provincial master planning in another six provinces. The Government is actively seeking bilateral grants for the preparation of provincial master plans in other provinces. The initial master plans prepared are of mixed quality. In most cases, plan preparation has been contracted out to consulting groups, with little consensus building or sense of ownership or responsibility for implementation at the provincial level.
- h) The International Training Network (ITN/Philippines) is assisted by the Royal Government of the Netherlands to improve training capacity of sector and educational institutions on low-cost appropriate technologies and community-based approaches for water and sanitation. ITN/Philippines is a collaborative undertaking among sector and educational institutions led by a core group composed of LWUA, DPWH, DOH, the University of the Philippines and Tulungan Sa Tubigan representing the NGOs.
- i) The United Nations Children's Fund (UNICEF) is providing assistance through its Country Program for Children (CPC) dating back to the 1970s. Its Third CPC concentrated assistance to hard-to-reach areas which are usually neglected by government agencies in the delivery of basic services where coverage is low. The program consisted of area-based packages of integrated services with planning, implementation, monitoring and evaluation of projects done at the provincial government level down to the communities. The approach involves heavy community participation with government-NGO collaboration. The Fourth CPC commencing 1994 will continue the strategy and approach covering more areas but still focusing on the neglected, disadvantaged low-income groups.
16. Both the UNICEF programs and the World Bank-assisted Urban Health and Nutrition Project of the DOH are basically social development projects with water supply and sanitation components integrated with health, nutrition and education programs.
17. There are several projects that were recently completed or are still on-going for water supply and sewerage for Metro Manila. The Manila Water Supply Rehabilitation Project I (1983-1991) and MWSRP II (1988-1992) involved the replacement of tertiary distribution lines, installation of public faucets and replacement of water meters. The Metropolitan Manila Water Distribution Project (1986-1992) involved the construction of distribution lines and installation of house service connections including the interconnection of 72 housing subdivisions. The Angat Water Supply

Optimization Project (1989-1994) involves the tapping of additional supply, construction of a tunnel and aqueduct, a new treatment plant, pumping stations, distribution lines and house service connections. The Metro Manila Sewerage and Sanitation Project (1980-1989) involved the improvement of the central Manila collection system, expansion of the sewer system to the north and south and sanitation improvement in the densely populated and urban poor areas. External funding support to these projects were provided by IBRD, ADB and OECF.

II. DELIVERY OF SERVICES TO COMMUNITIES

18. The delivery of water supply and sanitation services to unserved communities is affected by policies, planning, implementation capacity, availability of resources, operation, maintenance and use of the facilities.

A. Water Supply Services

19. In rural areas, the needs of communities for water supply are normally expressed in barangay resolutions or requests sent to the DPWH District Engineering Offices (DEO) through the mayor's office. The requests are evaluated at the DEO after which technical personnel are sent to investigate the area to determine the most appropriate feasible system. Under the 1987 reorganization of the sector, DILG through its local government unit is now responsible for organizing the community or at least the potential users into a BWSA. The BWSA participates in the planning, contributes in the construction of the facility and takes full responsibility for operation and maintenance upon completion of the project. Once the project is approved, construction is programmed with delivery of materials that are procured either locally at the regional level or from central office through international competitive bidding for foreign-assisted projects. Construction is undertaken either by contract or by administration under the supervision of the DPWH/DEO. Upon completion and commissioning, the project is turned over to the BWSA.
20. In urban areas, water supply is provided by water utilities like the water districts in provincial towns or city centers and by MWSS in Metro Manila. Systems are larger and takes longer to plan and construct. Users apply for service connection to the system to the water utility which does not take long in areas within the distribution system. Households in areas outside the coverage of the distribution system but within the utility's area of responsibility take longer to be connected and will have to wait until the distribution system is expanded to these areas. Where it is not viable to extend service connections to communities by reasons of distance or insufficient water source capacity, smaller piped systems may be

constructed for the community as in the rural areas. LWUA is responsible for providing technical, financial and institutional support for the development of the water utilities under the water districts. Operation and maintenance of facilities is the responsibility of the the water district. Similar to the water districts, MWSS is responsible for the total development of the water supply and sewerage system of Metro Manila and adjoining towns under its service area including sourcing of funds and operation and maintenance.

21. In recent years, the installation of public faucets has been recognized by the utilities in big cities and MWSS as a way of providing water at reasonable cost to low-income groups who normally get their supply at exorbitant costs from water vendors who could afford house connections. Users of public faucets have to organize themselves to manage the use of the metered faucets, to collect from users and to pay the water utility for water used.

B. Sanitation Services

22. The provision of toilet facilities for the home is the responsibility of individual house owners. However, it is the responsibility of the government to promote the construction and use of sanitary toilets for the proper disposal of excreta to protect the environment and the health of the community.
23. In the rural areas, the rural sanitary inspectors (RSI) are responsible for the promotion of environmental sanitation. Upon the request of residents who are convinced of the importance of proper sanitation, the RSI recommends the appropriate type of toilet for the kind of soil condition, water table and water availability in the community. In areas with adequate water supply, pour-flush toilets are recommended. The RSI either provides plastic/fiberglass toilet bowls or he constructs with the residents concrete toilet bowls. The residents are then guided in the construction of the pit, the flooring and toilet house out of locally available materials that the house owner can afford.
24. In urban areas, construction of houses requires the approval of plans including plumbing and sanitation facilities that assures the proper disposal and treatment of excreta usually in septic tanks. It is in urban poor communities in slums and squatter settlements where drainage systems are not commonly laid out and where available land limits the construction of individual toilets and even public toilets. Priority of sanitary inspectors in the urban areas is in food sanitation and seldom in the slums especially in areas with tenure problems like squatter settlements.

III. CONSTRAINTS AND ISSUES AFFECTING THE DELIVERY OF SERVICES

25. There are several constraints and problems preventing the effective delivery of water supply and sanitation services to unserved communities especially those in low-income areas. While the institutions are there, the approach to delivery of services and sustainability need to be reviewed in the light of funding limitations brought about by the country's poor economic performance and the enactment of the Local Government Code. The latter provides opportunities for greater local government involvement in the planning and implementation of projects.

A. Low Coverage Areas

26. Previous analysis of water supply and sanitation coverage indicates that low coverage areas are almost always in the low-income communities whether in the rural or urban areas. In general, rural areas are also lagging behind the urban areas as a whole. However, when it comes to environmental conditions, the sanitation coverage figures alone do not show the entire picture of the urban poor communities' problems in excreta disposal, drainage, garbage disposal and water supply brought about by crowding in undeveloped settlements.
27. There are many reasons for the low coverage in these areas. In the rural communities, these are areas where access is difficult being far from the main roads with few public transportation and are seldom visited by government workers. These may also be areas where drilling is made difficult by hard formations or where sources are not sufficient or are far from the communities. It is easier for implementing agencies to construct in less needy areas that are more accessible.
28. In urban poor communities, the question of land tenure has, in the past, been used by government agencies in not giving priority to these areas despite the greater need for basic services. This is particularly so for water supply and sanitation which involve construction of physical facilities that are permanent in nature. Unlike health or nutrition services which can be delivered without permanent physical facilities, water and sanitation investments may become useless once the squatter-users have to be resettled somewhere else.
29. These are the areas that need to be targeted for delivery of basic services if the target coverage set in the master plan are to be attained and for projects to have greater impact on the health of people in unserved communities. There must be a deliberate effort to identify these communities and to develop strategies to overcome the physical and institutional obstacles in delivering basic services to them.

B. Utilization and Maintenance

30. Utilization of water supply and sanitation facilities depends on functioning of the facilities which in turn depends on proper construction and maintenance. Unfortunately, targets for the sector are given in terms of water supply systems and toilets to be constructed without emphasis on the more important indicator of how many facilities are operating and are being used. In this sense, the lower coverage figures given by the NSO Census may reflect a more accurate picture of coverage because these are based on survey of what type of facilities are being used by the household.
31. Water utilities operated by water districts are better maintained because they are managed by trained professionals and trained technicians. LWUA has institutionalized the development of such capacities in the water districts that they are supporting. The same can not be said of BWSAs many of whom are not properly organized and trained to operate and maintain facilities due to institutional weaknesses in this aspect of the sector. This was shown in the result of an evaluation of the OECF-funded RWS I and II projects discussed earlier and in the UNICEF-funded evaluation of the Water Decade in the Philippines.

C. Sector Planning

32. Sector planning is hampered by lack of reliable data on the water supply and sanitation situation. There is a tendency among the sector agencies to formulate over optimistic plans. The difference in coverage figures between DOH and NSO results in confusion among macroeconomic planners and sector planners. Furthermore, available data are difficult to disaggregate into information for urban and rural areas, and into those for low-income communities. It will be useful for the sector if the DOH implements the government plan to adopt the UNICEF/WHO-assisted Water and Sanitation Monitoring System (WASAMS) with the participation of NSO. Furthermore, the lower coverage for sanitation is the result of low priority given to the sub-sector as a whole and within the DOH when compared to the other health programs.
33. Over optimistic plans are shown in the unrealistic targets set by the master plan considering the implementation capacity at the local levels and funding limitations. This stems from lack of understanding of non-technical issues affecting project implementation among the planners at the central government level such as the need for a process of consultation, coordination and collaboration among the technical agencies, local governments and communities. The preparation of provincial water supply, sewerage and sanitation master plans was initiated by the government as part of FW4SP framework. It should have

been both a learning process for the LGUs and an opportunity for central government to consider local implementation issues. However, the consultants tasked to prepare the plans hardly involved the LGUs and local technical agencies except in data gathering. Planners should also consider that funding limitations require the use of low-cost appropriate technologies hand in hand with mobilization of local resources if the needs of the remaining unserved population are to be met.

D. Coordination Among Sector Agencies

34. While mechanisms for coordination and consultation were provided for at the national/central offices level, these mechanisms seem not to work at the local implementing levels where they are most needed. The master plan recognizes the need for integration of water supply, sanitation and hygiene education to maximize health benefits from these interventions. Experiences of non-government organizations (NGOs) also indicate that implementation of water and sanitation projects are more successful if they are taken as part of an overall community development effort. The enactment of the Local Government Code presents an opportunity to adopt an effective coordinating mechanism under the local government unit. The devolution of responsibilities for the delivery of basic services to the local government units as provided for by the code will require the development of their capacity to undertake planning, implementation, monitoring and evaluation activities with the sector agencies.

E. Focus on Difficult to Reach Low-Income Communities

35. It was earlier presented that the majority of the unserved areas are those that are difficult to reach due to inadequate roads or transport facilities in the rural areas. It is areas like these that innovative approaches to project implementation involving greater government-community collaboration are needed. These areas also provide opportunities for government agencies to maximize use of resources through the delivery of integrated packages of basic services and sharing of efforts in community organizing, project planning, monitoring and evaluation. NGOs working in target communities can be partners of the local government units in the delivery of basic services through collaborative effort with the NGO assisting the community in their participation in government-assisted projects. The Urban Health and Nutrition Project under DOH has already shown government's resolve to improve delivery of basic services to the urban poor. The overcrowding and space limitations in slums will require adaptation of innovative technologies and approaches to water supply and sanitation planning that are appropriate to the environment of the areas. Targeting these urban and rural low-income communities will also support the government's effort to fight poverty. Initial priority can be given to areas already identified by the Presidential Commission to Fight Poverty.

F. Institutional Capacity at the Local Level

36. The decentralized implementation of basic services programs under the Local Government Code highlights the need to develop implementation capacity at local government levels. DILG who has supervision over the local government units has limited institutional capacity to support the LGUs. The Rural Water Supply Project Office at DILG is limited to the World Bank-assisted FW4SP. Efforts to support LGUs in water supply and sanitation project implementation in the late 1970s and the 1980s were not sustained with the abolition of the Barangay Water Project under DILG and the Rural Waterworks Development Corporation then under the Ministry of Human Settlements. However, there is a move to create a permanent office at DILG to support water supply projects of LGUs.
37. While the master plan described the institutions responsible for the implementation of the water supply and sanitation program together with the training programs of each sector agency, there was no indication of support to institutional strengthening in the budget presented. Funding for operations and institutional support activities like community organization, training of local institutions, IEC materials and programs were not included in the master plan. This were subsequently reflected in the current and recently completed projects where institutional support activities were very weak and ineffective owing to inadequacy of funding to support the activities.

G. Sustainability of Projects

38. The focus on the provision of physical facilities rather than services have led to less emphasis on the sustainability of projects particularly on operation, repair and maintenance. Furthermore, lack of hygiene education and awareness of health benefits from the proper use of water and sanitation facilities made project beneficiaries continue their practice of using alternate sources of water that are not necessarily safe. Inadequate operation and maintenance programs has led to non-operating facilities due to causes that could easily be remedied by the users given the proper training and the use of commonly available tools. Handpump malfunction, when reported to DPWH DEOs, may take time to be repaired due to inadequate number of personnel to go to the villages or because of lack of spare parts. Yet it is not difficult to conclude that people have the capacity to repair and maintain simple handpumps if we consider that more than 80% of wells with handpumps are privately owned and are being maintained by the owners. Any effort to install an operations and maintenance program can not be effective without a properly organized and functioning BWSA. Health and hygiene education will help in creating awareness and appreciation of benefits that can be derived from water supply and sanitation facilities. This can increase motivation of the community in keeping their facilities working well and properly.

H. Community Organization

39. The most important factor for the success of any water supply and sanitation project are the people who will use the facilities. A small community water supply like a well with handpump is in many ways similar to a large water supply run by a water district. Both need an organization to manage, operate and maintain their respective systems. People are needed to be organized and trained in management, operation and maintenance including collection of sufficient funds to carry out their functions. The kind of attention and resources given by LWUA in organizing and training their water districts is not found in the rural water supply program. The approach taken to organizing BWSAs is not effective considering the lack of expertise in community organization among the technical agencies. It should be noted that the evaluation of the OECF-assisted RWS I and II projects indicated that only 10% of the sub-projects have organized BWSAs. However, NGOs have successfully implemented community development projects including water supply and sanitation through strong community organization efforts drawing local resources from the active participation of the beneficiaries.

I. Technical Constraints

40. There are also technical issues affecting the delivery of water supply and sanitation services to both urban and rural communities. The high unaccounted-for-water (UFW) and non-revenue water (NRW) in large urban utilities in a situation of increasing demand and dwindling water resources will require determined efforts for water conservation, leak detection and waste reduction. Metro Manila's total water requirement can be provided by existing sources if its 54% unaccounted-for-water can be reduced by half.
41. Similarly, reducing the number of non-functioning wells through proper construction, operation and maintenance can raise the real rural water coverage closer to the 84% level reported in the reform study. This will also reduce the annual capital requirement for new water sources needed to increase coverage and to serve the growing population. However, this is still hampered by a weak operation and maintenance (O/M) component of current and recent projects. Quality control for well construction and manufacture of handpumps will be needed to support any operation and maintenance program.
42. In many fairly large utilities, water resources are dwindling as shown by lowering of water levels in wells, reduced production and salt water intrusion. Spring sources have also shown signs of gradually reduced flows. Both phenomena are due to decreased recharge of aquifers brought about by reduced forest covers and overpumping of wells beyond their recharge capacities.

43. Dwindling water resources have led to less than 24-hour service in many utilities. This has been made worse with frequent power shortage and high power cost in areas supplied through pumped groundwater. Intermittent supplies have been responsible for contamination of distribution systems through leakage of polluted water from canals into old empty distribution pipes.

J. Financial Issues

44. The development of the sector is affected by the dwindling ESA financing caused by shifting priorities of official development assistance (ODA) to the CIS countries, Eastern Europe and Indo-China. Furthermore, the debt cap ceiling imposed by the fiscal agents of the government is reducing the traditional funding sources of the sector which is also affecting the local governments to whom delivery of basic services is being devolved.
45. Rural water supply projects are not designed for cost recovery although 10% local cost contribution by the communities is required. With weak BWSAs, collection of O/M expense contributions can hardly be sustained.
46. Urban utilities have built-in cost recovery mechanisms in their water tariffs. However, the present economic situation is making it more difficult for water utilities to increase rates to levels needed to sustain viable operations without resistance from consumers. Politicians are not helping the program by their meddling in utility personnel hiring, management and tariff setting.
47. Furthermore, smaller provincial urban centers are now finding it more difficult to finance improvement of their water utilities as they are considered not viable under LWUA's present criteria. LWUA's ability to support the water districts is also being eroded by the low collection of loan amortizations from the water districts inspite of the high collection efficiency of most districts from their consumers.

BUSINESS PLAN FOR ITN (PHILIPPINES)

1. INTRODUCTION

ITN (Philippines) is a non-stock, non-profit organization which is a network of agencies and institutions directly or indirectly involved in water supply and sanitation. Its members are a) government agencies implementing water supply and sanitation projects, b) research and academic institutions doing research on water resources and environmental management, and educating future engineers, and c) non-governmental organizations (NGOs) building awareness in the community and implementing projects based on community management principles.

Its aim is to assist the sector in the delivery of water supply and sanitation services by promoting the use of appropriate technologies and approaches in the management of sustainable water supply and sanitation programs, by strengthening sector capacities, and by advocating improved policies and investments through a multi-sectoral network of organizations concerned with water and sanitation.

ITN (Philippines) is in its first year as a duly registered organization after five years of existing as a project attached to the Local Water Utilities Administration. It will provide services to the network's participating institutions and to sector organizations in the areas of training, IEC materials development, information dissemination, community organization, research and consultancy services. Focus of these program areas is in appropriate technologies and approaches for community-managed water supply and sanitation projects.

Services to the sector agencies and to the network members will be provided by a Network Center of ITN (Philippines) headed by the Executive Director with a staff of experts from its network members.

2. OVERVIEW OF THE MARKET

Planning, programming and implementation of projects for communities using appropriate technologies and community-based approaches is a growing market. Reduced financial resources from the traditional donor agencies and the devolution of responsibilities for the water and sanitation sector to local government units will create a demand for people to use such technologies and approaches. Donor agencies are demanding less expensive and cost effective projects in the sector that can be used and maintained over longer periods of time. This will require the provision of services in the form of technical assistance to local implementors and communities.

Capacity building for the local institutions (LGUs and BWSAs) are anchored on training and community organization which are among the program areas of ITN (Philippines). Other organizations conduct training activities and community organization focusing on livelihood, health and nutrition programs. ITN (Philippines) has an advantage in providing its services because of its focus on water supply and sanitation and the capacity it has developed among its member organizations whose staffs compose the pool of experts of the network.

Most engineering consulting firms have concentrated on the hardware and engineering aspects of water supply, sewerage and sanitation projects. These firms are not competitors for the market segment that ITN (Philippines) is targetting. In fact, these consulting firms will require ITN's services in the software aspect of large water supply and sanitation projects. But the major client group for ITN (Philippines) are the donor agencies and the government agencies implementing community water supply and sanitation projects as opposed to the urban utilities.

3. KEY SUCCESS CRITERIA FOR ITN (PHILIPPINES)

ITN (Philippines) should operate as a self-sustaining organization with the capability to generate funds to support its activities as a network and as a service provider to the water supply and sanitation sector. The main criteria for success for the organization is if it can attain its mission of promoting appropriate technologies and approaches that will result in communities managing and maintaining their water supply and sanitation facilities.

The most important criteria for success for ITN (Philippines) in its initial years is to build up a well managed and highly effective under the Executive Director. While the Network Center may be lean in the first year, it is important that the organization recruit highly qualified program officers and personnel.

The funding base of the organization will have to be broadened by expanding the membership and their support to the network. Services to the network members must be made relevant and useful to the members for them to pay for the services. Core funds from donor agencies should be sought in exchange for services that ITN (Philippines) can provide to them in project planning, preparation, monitoring, evaluation among others. Another major source of funds would be from contracts for technical assistance to local government units, NGOs, consulting firms and government implementing agencies.

At the end of three years, ITN (Philippines) should:

- a) have increased network membership to about 100 members with members in each of the regional centers of the country;
- b) have raised about 1.5 million placed in a trust fund as part of the network's core funds;

- c) be earning a gross of 2.0 million per annum from contracts;
- d) have a fully manned Network Center based on its organizational structure;
- e) be providing regular services to its network members;
- f) be known to the sector with contracts for technical services from donor agencies, LGUs, NGOs and other consulting firms.

4. DEFINITION OF SERVICES TO BE PROVIDED BY ITN (PHILIPPINES)

The focus of ITN (Philippines)'s services is in the promotion of appropriate technologies and approaches for community-managed water supply and sanitation projects. The Development Plan of ITN (Philippines) defines four program areas in which the network will provide services to the network members and to the sector organizations involved in the delivery of water supply and sanitation services to communities.

The program areas are :

- a) networking activities and special services for members;
- b) training of implementors and users;
- c) advocacy and information documentation/dissemination; and
- d) basic and operations research to improve sector technologies and approaches.

Services to the network members will be in the form of training of network member staff, dissemination of information on newly acquired materials on water supply and sanitation, publication of quarterly newsletter, exchange of information useful to members, promotion of services that can be provided by network members to clients.

Services for technical assistance will most likely be in support of the preparation and implementation of projects. Clients can be the government agencies, donor agencies, NGOs and consulting firms wishing to tap the network's expertise in appropriate technologies and approaches to community-managed water supply and sanitation projects. Such services can include the following:

- community organizing
- use of appropriate technologies
- developemnt of operation and maintenance systems
- training of local implementors and users

- monitoring and evaluation of projects
- preparation of CWSS projects for funding agencies and project implementors
- project management of local water supply and sanitation projects
- development of IEC materials and project support communication materials for specific projects

5. STRUCTURE OF THE BUSINESS

ITN (Philippines) was organized and registered as a non-stock, non-profit organization with the Securities and Exchange Commission in August 1993. Under its by-laws, its corporate powers will be exercised and controlled by a Board of Trustees composed of seven members. These members should be of good moral character and should be willing to work for the attainment of the goals and objectives of the organization.

The officers of the organization will be composed of the Chairperson, the Vice-Chairperson, the Executive Director, the Treasurer and the Secretary. The Chairperson and the Vice-Chairperson should be members of the Board of Trustees.

The Executive Director will be the chief executive officer who will manage and direct the day-to-day business of the organization. Under the Executive Director is the Network Center with four major program units each headed by a Program Manager. The program units are a) networking and special services, b) training, c) advocacy and information dissemination, and d) research.

The program units will be responsible for the preparation of project proposals for clients. Project teams will be formed to provide the services called for in the proposals. Each project team will be headed by a project manager and will be composed of professionals hired from the sector preferably from the network members.

Each of the program areas will be guided by a Program Committee composed of representatives of network members dealing with such programs. They will provide technical advice on the directions and contents of the programs that can best help support the sector.

The qualifications of the the Executive Director and the Program Managers should be such that they are familiar with the sector, they are experts in their respective program areas, and they have managerial and supervisory experience. The Executive Director should have the capability and the personality to market the services of the organization to clients including foreign funding institutions.

While the organization will have a core staff, it may have to sub-contract projects to network members or create project teams composed of professionals who could be network or non-network members.

The core staff of the organization will be the officers, the program managers, an administrative and finance officer and a support staff of a clerk/secretary, a computer operator/encoder and an all-around utility person. These personnel will be augmented from time to time with project personnel as projects are contracted to the organization. Initially, two program officers may be hired who may ultimately be promoted to the program manager's posts.

6. BUSINESS PLAN STRATEGIES

- a) Position the organization as composed of experts in training, community organizing, IEC development for and appropriate technologies for community-managed water supply and sanitation projects.
- b) Expand the network by attracting members from the different regional centers of the country to promote ITN (Philippines) and its programs.
- c) Establish and maintain continuing contact and dialogue with sector organizations and donors to keep informed of their needs and to develop business opportunities for ITN (Philippines).
- d) Promote the organization and its programs through active participation in sector associations like the Philippine Waterworks Association (PWWA), attending seminars, workshops and conferences where sector issues and policies are discussed.
- e) Develop a culture of providing excellent service to clients among the organization's core staff and project teams.
- f) Seek the help and commitment of the network members in promoting the programs and services of the network and enter into partnerships with regional members in promoting ITN (Philippines)'s business in these areas.

7. COMPANY OPERATING PLANS

7.1 Office Space and Equipment

During the last five years of the existence of ITN (Philippines) as a project, resources were provided by the Netherlands Government as the sponsoring agency and the Local Water Utilities Administration as the host agency. Most of the office equipment and furniture, books, publications and reference materials were provided by the sponsoring agency. Office space, telephone lines, airconditioning and most of the personnel were provided by the host agency.

With the completion of the project and the conversion of ITN (Philippines) into a private corporation, it will now have to look for a suitable office space, and invest capital for equipment, furniture, pay for utilities like electricity, water supply and telephone.

Prior to the conclusion of the project, ITN (Philippines) will have to make an inventory of what resources will be left at the end of the project and determine with the sponsoring agency and the host agency which among those resources can be turned over to ITN (Philippines).

7.2 Operating Capital

Operating capital will have to be raised either through an extension of the project with the new organization implementing it or through project funds from consultancy services. This will require the successful negotiation of contracts for services with the FW4SP and the UNDP Institution Building Projects.

The Network Center will have to develop proposals and get funding for them even before the end of the ITN (Philippines) Project. The possibility of the sponsoring agency donating savings from the project to the new network organization should also be explored.

7.3 Recruitment of Staff

With limited funding at the start and secondment of personnel from network members doubtful with the new character of the organization, ITN (Philippines) will have to work with a small staff composed of the following:

- 1 - Executive Director
- 2 - Program Officers
- 1 - Admin. & Finance Officer
- 1 - Clerk/Secretary
- 1 - Utility Person

Recruitment can be started such that by the start of the year, the personnel will be in place. Project personnel who are qualified and are willing to join the organization will be given priority. Salary scales and job descriptions will have to be determined.

7.4 Development of Programs and Proposals

The program of the network will have to be re-developed considering the reduced capability of the Network Center that used to be the Training Network Center (TNC). While the thrust and focus are still the same, activities may have to be scaled down with reduced resources. This will have to be worked out by the Network Center's Executive Director with the Program Committees.

At the same time, the Network Center will have to work with the network members in the preparation of their proposals and the marketing of these proposals to funding agencies.

7.5 Development of Marketing Plan

The Market Study prepared for the ITN (Philippines) project provides enough information on the needs of the sector and donor agencies. This can be used as a starting point in further defining the market, the target clients and their needs for the organization's services. The plan will involve discussions and presentations to the clients with the aim of getting them to invite the organization to send them proposals for projects.

This will require the preparation of presentation materials to be used in meeting with the prospective clients. In addition to the presentations, brochures will have to be developed, selling materials and leave behind promotional pieces.

7.6 Organizational Development

The Network Center will have to define the relationship among the different organizational units of ITN (Philippines) from the Board of Trustees down to the program units. It will have to define job descriptions, responsibilities, reporting schemes and compensation levels.

ITN (Philippines) will have to define how project teams will operate within the Network Center as projects are awarded to the Network Center by clients.

8. **FINANCIAL PLANS AND PROJECTIONS**

An estimate of the budget requirement for ITN (Philippines) for the first year alone will cost 1,520,000 including rental advances and deposits and physical improvements. Monthly expenses is about 122,000. This will correspond to the overhead for the company which will have to be paid from earnings from contracts for services with gross revenues of about 4 million.

If the overhead will be funded from earnings of the core funds placed in trust, it will require a trust fund of about 10 million to 15 million.

Using the projected monthly expenses, the required revenues and the timing of their availability can be targetted in the marketing and sales effort of the organization.

Revenue and cash flow projections will have to be prepared on the basis of projects contracted to ITN (Philippines) and those that are under various stages of negotiation.

These projections will also be used in determining the fee structure of the organization.

9. ASSUMPTIONS, RISKS AND CONCERNS

The assumptions being made in this business plan is based on the organization being totally independent of financial support from any host agency or a sponsoring agency. This is the worst case scenario where ITN (Philippines) will be practically starting from scratch.

However, the World Bank and the UNDP/World Bank Programs are seeking support (from the external support agencies) to the efforts of ITN (Philippines) to become a self-sustaining organization that will support their programs. There is a big possibility that funds will be provided to support ITN (Philippines) after the project but on a gradually decreasing level until it can be totally self-supporting in maybe about 5 to 10 years.

The network's chances for sustaining itself will depend on the support and commitment that its members will give it.

BUDGET PROJECTION FOR ITN (PHILIPPINES)

1. Salaries and Benefits	
1 - Executive Director @ 25,000/mo	25,000
2 - Program Officers @ 15,000/mo	30,000
1 - Accountant @ 8,000/mo	8,000
1 - Clerk/typist @ 5,000/mo	5,000
1 - Utilityman/messenger @ 4,000/mo	4,000
	72,000
Board Allowance per month @ P 1,000 x 7 members	7,000
2. Office Space Rental @ 20,000/mo	20,000
Expenses upon transfer:	
2 months deposit	40,000
2 months advance	40,000
- installation/use of telephone	10,000
- physical improvements	50,000
	140,000
3. Utilities expenses per month	
Power and light	4,000
Water Supply	2,000
Telephone	1,000
	7,000
4. Management operating expenses	
Communications	4,000
Fuel/oil	4,000
Maintenance	4,000
	12,000
5. Office supplies	4,000
Budget requirement per month	122,000
Budget per year (122,000 x 12)	1,464,000
Budget for First Year	1,604,000