



**MDGIF**

MDG ACHIEVEMENT FUND IN THE PHILIPPINES



BITAN Joef Forte

# EMERGING ISSUES PAPER



SAFE AND CLEAN WATER FOR THE POOR AND BY THE POOR



MDG ACHIEVEMENT FUND IN THE PHILIPPINES



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**ACRONYMS**

<b>APIS</b>	Annual Poverty Indicators Survey
<b>BEMONC</b>	Basic Emergency Obstetric and Neonatal Care
<b>BWSA</b>	Barangay Water and Sanitation Associations
<b>CDA</b>	Cooperative Development Authority
<b>CHD</b>	Centers for Health Development
<b>CPC</b>	Certificate of Public Convenience
<b>DOH</b>	Department of Health
<b>DPWH</b>	Department of Public Works and Highways
<b>EO</b>	Executive Order
<b>GAA</b>	General Appropriations Act
<b>GFI</b>	Government Financing Institutions
<b>HRBA</b>	Human Rights Based Approach
<b>JP</b>	Joint Programme
<b>KALAHI</b>	Kapit Bisig Laban sa Kahirapan
<b>LGU</b>	Local Government Unit
<b>LHR</b>	Light Handed Regulation
<b>LWUA</b>	Local Water Utilities Administration
<b>MDG</b>	Millennium Development Goal
<b>MDGF</b>	Millenium Development Goal Fund
<b>MIPH</b>	Municipal Investment Plans for Health
<b>MWSS-RO</b>	Metropolitan Waterworks and Sewerage System Regulatory Office
<b>NAPC</b>	National Anti-Poverty Commission
<b>NEDA</b>	National Economic and Development Authority
<b>INFRACOM</b>	Infrastructure Committee
<b>NG</b>	National Government
<b>NRW</b>	Non-revenue Water
<b>NSO</b>	National Statistics Office
<b>NWRB</b>	National Water Resources Board
<b>O&amp;M</b>	Operation and Maintenance



<b>ODA</b>	Official Development Aid
<b>P3W</b>	President's Priority Program on Water
<b>PIPH</b>	Provincial Investment Plans for Health
<b>PDF SWG-WSS</b>	Philippine Development Forum Sub-Working Group on Water Supply and Sanitation
<b>PWRF-SP</b>	Philippine Water Revolving Fund Special Project
<b>PWSSR</b>	Philippine Water Supply Sector Roadmap
<b>RWSA</b>	Rural Waterworks and Sanitation Association
<b>SBWRB</b>	Subic Bay Water Regulatory Board
<b>SCWR</b>	Sub-Committee on Water Resources
<b>UN</b>	United Nations
<b>UNDAF</b>	United Nations Development Assistance Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations Children's Fund
<b>WSP</b>	Water Service Provider
<b>WSS</b>	Water Supply and Sanitation



## I. INTRODUCTION

It is estimated that there are more than 18 million Filipinos who do not have access to safe water<sup>1</sup>. They are mostly located in rural areas that have been deprived of these basic services. With the recent declaration of the United Nations recognizing water supply and sanitation as a basic human right, national and local government are now compelled to make sure that these rights are ensured for all, including and most especially for the poor and the marginalized.

Since 2005, the Philippine Government has launched the President's Priority Program on Water, which is aimed to address the needs of 432 waterless municipalities outside of Metro Manila. These municipalities are those whose total households with access to safe water number less than 50%, based on the 2000 National Statistics Office (NSO) data. The previous administration, through the Department of Public Works and Highways (DPWH) has allocated an annual budget of Php 1.5 billion to put up the water supply infrastructure required in priority waterless municipalities. As priorities and implementing arrangements are being redefined, the annual allocation remains available for waterless municipalities and is currently being managed under the Department of Health (DOH) together with the Department of Interior and Local Government (DILG) and the National Anti-Poverty Commission (NAPC) in a project now called the *Sagana at Ligtas Tubig Para sa Lahat*.

In 2008, the National Economic and Development Authority (NEDA) and the National Water Resources Board (NWRB) jointly spearheaded the preparation of the Philippine Water Supply Sector Roadmap (PWSSR). The PWSSR is the product of a multi-stakeholder consultative process that developed the blueprint to address the problems preventing the efficient and sustainable water supply service delivery in both urban and rural areas in the country.

Taking off from the recommendations of the PWSSR, a joint programme (JP) was developed by NEDA, DILG, and the NWRB with United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) to support 36 target municipalities in 5 regions in the Philippines. The JP was designed to contribute to United Nations Development Assistance Framework (UNDAF) Outcome No 2: *By 2009, good governance reforms and practices are institutionalized by government, local government units (LGUs), civil society organizations, and the private sector at all levels toward poverty reduction, protection of rights, and sustainable human development*.

The JP was designed with two programme outcomes:

**Outcome 1:** Establish support mechanisms to improve efficiency, access, affordability and quality of water services provided by utilities at the local/community level.

**Outcome 2:** Enhance local capacities to develop, operate, and manage water utilities by fostering inclusive participation in decisions relating to water service provision.

This particular paper contributes to Outcome 1 of the JP program by harmonizing and integrating the five different policy studies produced under the JP program. These studies include the following:

- a) Incentives Mechanisms and Partnership Modalities (Output 1.1)
- b) National Government and Local Government Cost Sharing Policy (Output 1.2.1)

<sup>1</sup> Philippine Water Supply and Sanitation Roadmap, 2<sup>nd</sup> Edition, 2010, NEDA.



- c) Programming Policies of the President's Priority Program on Water (P3W) (Output 1.2.2)
- d) Strengthening Economic Regulation to Enhance Water Service Delivery Performance (Output 1.4)
- e) Institutionalizing Mentoring Practices and Mechanisms (Output 2.1.1)

All these studies are geared towards creating the enabling environment for more sustainable, efficient, and effective water services that are pro-poor, giving priority to waterless municipalities.

In the course of the development of the above-mentioned policy studies, several issues have emerged in discussions at various levels. While all of these studies have made their own policy recommendations and action plans, some of these recommendations touch on common concerns and some cross cutting issues have further emerged as gaps that have to be dealt with.

This paper is meant to surface these common issues and attempts to harmonize and integrate these concerns with other sector developments and initiatives such as the 2010 update of the PWSSR and the new implementing guidelines for the *Sagana at Ligas Tubig* flagship program of the new Aquino administration and other initiatives that may have an impact on the proposals made by the different studies.

## II. OVERVIEW OF THE FIVE POLICY STUDIES

### A. Incentives Mechanisms and Partnership Modalities (Output 1.1)

This particular study takes stock of existing policies, laws, issuances, rules and regulations that encourage or discourage either public or private entities to invest at the local level. It characterizes water service providers (WSPs) in terms of operation and business practices and provides a compendium of evidence-based effective incentives and partnership modalities from international and local experience. It also recommends a framework for partnerships and incentives required in the provision of water supply services in poor and waterless communities. Finally, it recommends an action plan for the implementation of the recommended mechanisms by the different WSPs.

As of this writing, the study is still a work in progress and is awaiting approval at the NEDA Sub-Committee on Water Resources.

### B. National Government And Local Government Cost Sharing Policy (Output 1.2.1)

This policy study revisits the current national government (NG)- local government units (LGU) Cost Sharing arrangements specifically for the water supply and sanitation sector, recommends amendments to the cost-sharing policy, as well as rationalizes assistance to promote better targeting of national government assistance to achieve the following objectives: halving the population without access to potable water by 2015; improved efficiency, access, affordability and quality of water supply and sanitation services in waterless communities; increased ownership and accountability among LGUs; and increased sustainability of water

supply and sanitation systems. The proposed framework for cost-sharing between NGs and LGUs is intended to balance social subsidies with better accountability and responsibility.

The study recommends an 80% NG grant and a 20% LGU counterpart only for Level II water supply and sanitation projects. The local counterpart is proposed to include a minimum cash equity of 10% and a maximum of 10% local counterpart in kind. Local counterpart in kind may include pre-implementation costs including the conduct of feasibility studies, acquisition of right of way, and social preparation. The study further recommends that the amount of investment required to finance sanitation facilities is to be included in the computation of total project costs. Furthermore, it argues for the use of *Access to Water* as a main determinant for the provision of NG-LGU grants, instead of the usual *LGU income classification*.

The study also suggests a performance-based policy indicating that the grant component shall be converted to the local counterpart in proportion to the rate of success determined 6 months to one year after the project turn-over. It also requires LGUs to initiate the formation of community-based water associations to operate the facilities and ensure the collection of user fees to cover maintenance and operation costs for sustainable operations.

### C. Programming Policies of the P3W (Output 1.2.2)

The P3W is a six-year program of the national government that began in 2005 with intended outcomes by 2010 outlined in its Implementing Guidelines as follows:

- a. Increased access to water supply and sanitation services coverage by 50%;
- b. Reduced incidence of diarrhea by 20%;
- c. Improved access of the poor to water supply and sanitation services by at least 20%; and
- d. 100% sustainable operation of all water supply and sanitation projects constructed, organized and supported by the program

The NAPC was tasked by the Office of the President to oversee and coordinate the planning and implementation of the P3W. The funds for the program came from the General Appropriations Act budget of the DPWH. A priority list of 432 waterless municipalities was identified based on the NSO 2000 data on LGUs with total households having less than 50% access coverage.

By the last quarter of 2008, the Office of the President transferred the funds to the DOH and included the Local Water Utilities Administration (LWUA) in the process. It then appointed LWUA as lead implementor of the projects. LWUA used the funds to support the creation, revival and expansion of water districts.

This study reviews the design and implementation of the P3W. The study identifies issues and concerns in the design of the program, the targeting methodology, and the implementation arrangements between the agencies tasked to oversee program implementation.



Highlights of the study are as follows:

- a. The P3W assessment reports that as of 2010, thirty-nine municipalities are no longer classified as waterless translating to about 1,304,613 Filipinos with access to safe water.
- b. The rate of return was considered high (estimated at 200% with the benefits representing avoidable health costs).
- c. The program fell short of its desired outcomes due to a combination of factors:
  - Institutional weakness of those implementing it, including corruption
  - Politicization of the project which led to insertions of non-priority municipalities
  - Weak (if not totally missing) monitoring of completed projects
  - Lack of a training component that would have helped LGUs and the beneficiaries run the water system, maintain the facilities, and plan for expansion
- d. Despite its weaknesses, the continuing allocation of Php 1.5 billion a year is a sound investment for the country. However, at the current rate of population growth, with the same level of investment for five years for waterless municipalities, the allocation may achieve only 22.89% of the target households in the remaining 410 municipalities.
- e. The list of target municipalities has to be updated regularly to account for changes in population resulting from migration and the adequacy and sufficiency of water supply facilities.
- f. There is a need to merge equity and efficiency objectives in attaining the millennium development goals (MDGs). The study suggests allocating resources for three different types of target LGUs: a) LGUs with 0-20% water access, b) LGUs with more than 20% but less than 40% coverage and c) LGUs with over 40% but less than 50% coverage.
- g. The study recommends changes relating mainly to two issues: a) the institutional framework of the program and b) the priority setting mechanism of the project.

Finally, the study also offers recommendations on the future direction of a new water program for the medium term and beyond for consideration:

- a. Meeting the country's MDG commitment;
- b. Attaining 100% water access for all Filipinos;
- c. Strengthening institutions that are involved in providing water-access;
- d. Creating a water-body that will oversee all these institutions for a consistent direction in addressing all water-related issues in the country;
- e. Establishing policies and programs/projects (infrastructure, awareness, etc) that will ensure water supply access despite threats such as climate change; and

- f. Successfully integrating sanitation policies/programs and water access policies/ programs.

**D. Strengthening Economic Regulation to Enhance Water Service Delivery Performance (Output 1.4)**

This study is intended to strengthen economic regulation of water supply services in order to facilitate the sustainable and efficient delivery of water services by WSPs to waterless poor communities. Specifically, the study aims to a) categorize WSPs nationwide, by type, management models, size, and location; b) formulate a framework or guidelines for Light Handed Regulation (LHR) and c) review the existing NWRB 5-year tariff methodology that caters to small WSPs in order to improve their cost recovery performance.

While this study is a work in progress, it has already identified some recommendations for approval at the NEDA Sub-committee on Water Resources and for the National Water Resources Board:

- a. The scope of LHR will only include the following unregulated WSPs that are located in poor rural areas; those that serve a clientele which include poor households; and those WSPs that earn very little net income: cooperatives, Barangay Water and Sanitation Associations, Rural Water and Sanitation Associations, and Local Government Utilities and the undetermined number of P3W and KALAHI projects with Level III systems. Other WSP types, like subdivisions, homeowners associations, condominiums, economic zones, and peddlers drawing water illegally from unlicensed deep wells or from pump owners without a water permit will not fall under an LHR regime.
- b. The following are recommended LHR guidelines:
  - 1. Informal WSPs covered by LHR will first go through a simple registration process. Registration will provide information on the number and characteristics of the current informal WSPs. With registration, their operations will be valid for one year during which time they will be trained and mentored to draft business plans and set their tariffs under the LHR regime. The NWRB, the Cooperative Development Authority (CDA), and DILG will complete the registration process until they are able to cover all informal WSPs that fall within their mandate.
  - 2. Registration fees will be discounted by 50% from their current levels.
  - 3. Informal WSPs will be assisted in the drafting of their business plans. The coverage period of the business plan may not necessarily be for a period of five years. The WSP will determine the appropriate planning horizon that is applicable to them, e.g. one year, two years, etc. Furthermore, business plans under LHR will not necessarily have all of the expected strategic goals, but must at least have one, if not all of the following strategic objectives:
    - a) Improve the operational efficiency of utility, in general and raise collection efficiency, in particular;
    - b) Reduce non-revenue water (NRW) and the high cost-revenue ratio; and
    - c) Prioritize investment for the rehabilitation of the existing system and provide access to the poor.

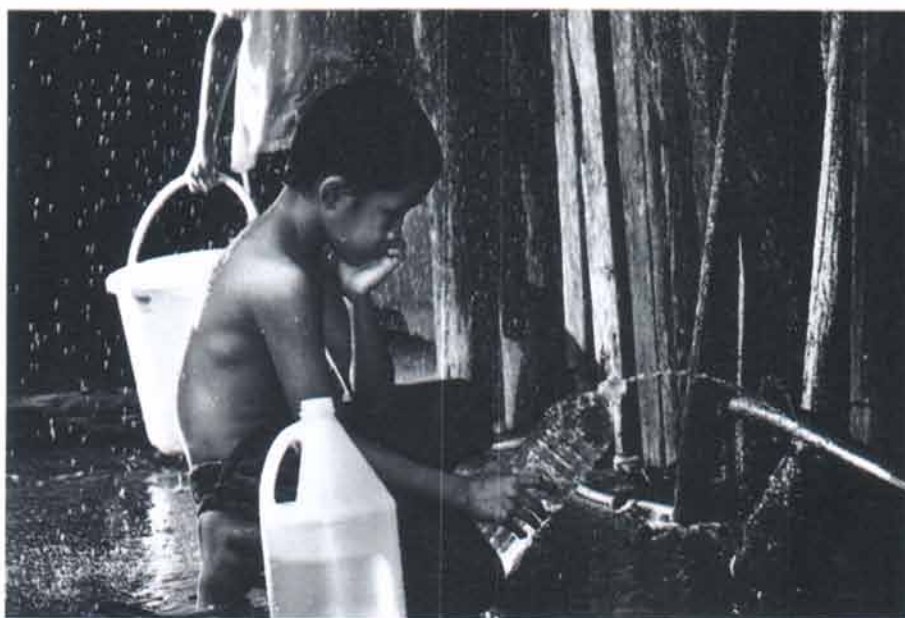


4. Tariffs will be set using the tariff-setting methodology presented in a simplified manner. Computations of tariff rates will make use of simpler spreadsheets and formulas. The above three business plan objectives will entail the use of particular formulas for computing the appropriate tariff rates. The WSP will apply the set of formulas that are applicable to the business plan objective it has set out for itself. Annex 3a contains the Manual for Tariff-Setting under LHR. Spreadsheets will be provided to the WSP for inputting the required data and the automatic computation of tariff rates for particular business plan objectives.
5. Pro forma income statements and other recording forms will be made available for the documentation and assessment of the utility's baseline condition. Technical information and data not readily available will also be provided to enable applicants to draft their business plan and compute the various tariff options. Other basic data requirements that are needed to apply a simplified version of the NWRB tariff-setting methodology must first be identified and made available.
6. The informal WSP will be covered by LHR for a maximum period of five years, after which the WSP is expected to be able to go through NWRB's regular process of applying for a Certificate of Public Convenience (CPC).

#### **E. Institutionalizing Mentoring Practices and Mechanisms (Output 2.1.1)**

The study assesses the effectiveness of current mentoring and coaching practices and practitioners in the water supply sector, analyzes their processes and mechanisms, and recommends practices for replication.

The study highlights best practices and mechanisms on coaching and mentoring which may be adopted and replicated in favor of small WSPs.



**TAGAS** Photo by Danilo Victoriano

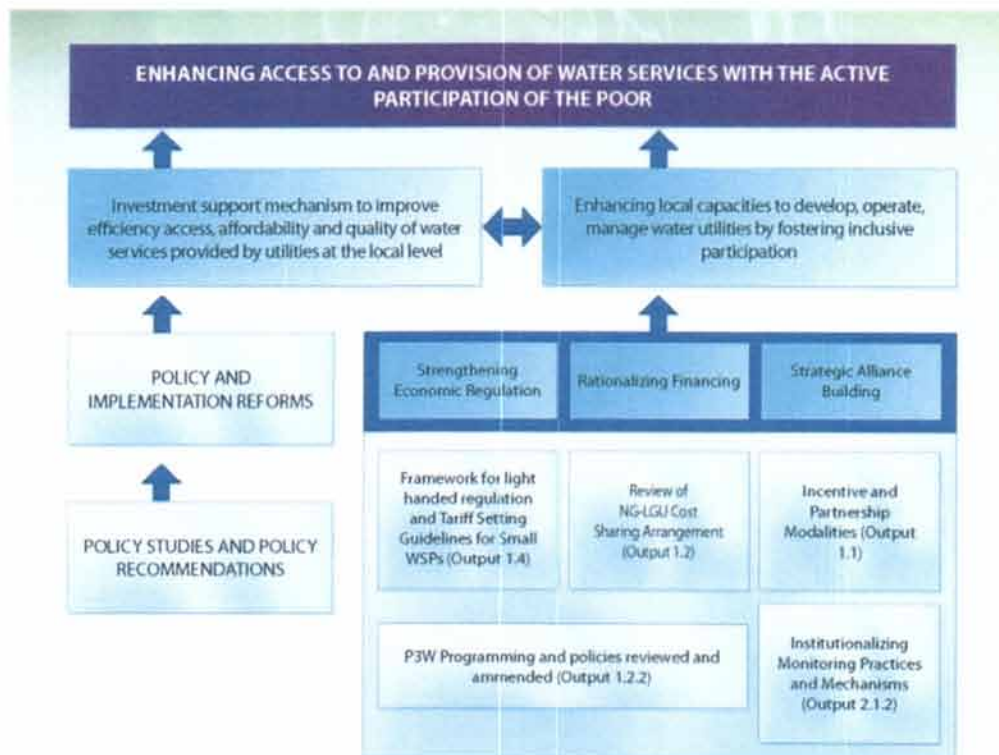
In assessing the practices, the study looks at three major parameters: a) relevance, b) performance to include efficiency and effectiveness, and c) success to include impact, sustainability and contribution to capacity building or institution building

Highlights of the study findings include the following:

- The “godfather” scheme worked as it capitalized on “pakikipagkapwa and pakikisama”
- The early acceptance of the concept may also be explained by the generally non-competitive operation of WSPs
- Mentoring and coaching is largely adhoc and demand-driven

The study suggests that the policy should encourage (not obligate/penalize non-compliance) coaching and mentoring through incentives and support through the intervention of NG agencies.

In sum, all the five studies formulate recommendations on policy and implementation reforms to facilitate provision of services to waterless poor and underserved communities. They generally contribute to improving efficiency, access, affordability and quality of water services through investment support mechanisms for water utilities. The policy recommendations of these studies focus on three major areas: strengthening economic regulation, rationalizing financing, and strategic alliance building.





### III. SAGANA AT LIGTAS TUBIG PARA SA LAHAT

The new national government program on water is now called *SAGANA AT LIGTAS TUBIG PARA SA LAHAT*. This is a program jointly managed by the DOH, NAPC, and the DILG.

The intended outcomes at the end of the Program, are the following:

- A. Increased water service for the waterless population by 50%
- B. Reduced incidence of water-borne and sanitation related diseases by 20%.
- C. Improved access of the poor to sanitation services by at least 10%.
- D. Sustainable operation of all water supply and sanitation projects constructed, organized and supported by the Program by 80%.

Some highlights of the implementation strategy of the new water program are as follows:

- A. *Targeting approach.* NAPC uses the National Household Targeting System for Poverty Reduction (NHTS-PR) to update priority target municipalities using the combination of criteria including access of water, poverty incidence, incidence of water-borne diseases and population to be served. This is consistent with the proposed policy on *Rationalization of Public Resource Utilization for the Water Supply and Sanitation Sector*. The latest list circulated by NAPC identified 455 municipalities nationwide as waterless. Out of these, 115 municipalities will be served this 2011 and 150 municipalities have already been targeted for 2012.
- B. *Compliance with DILG's governance policies.* The program also requires the Seal of Good Housekeeping from among the LGUs or at the minimum, compliance to the Full Disclosure policy of the DILG.
- C. It adopts a *demand driven approach, supports partnership building, and encourages the organization and institutionalization of water and sanitation development councils.*
- D. The 2011 appropriation of Php 1.5 billion has been allocated by the DOH as follows:
  - a. Php 1B or 66.7 for waterless municipalities
  - b. Php 150 M for waterless resettlement areas ( in Cavite, Bulacan, Rizal, Laguna)
  - c. Php 150 M for waterless BEMONC facilities
  - d. Php 200 M for barangays in non-priority municipalities
- E. The program adopts an open menu of projects eligible for grant funding:
  - Rehabilitation/expansion/upgrading of Level III water supply systems including appropriate water treatment systems.
  - Construction/rehabilitation/expansion/upgrading of Level II water supply systems.
  - Construction/rehabilitation of Level I water supply systems in areas where such facilities are only applicable.

- Provision of training for existing or newly organized water users associations/ community-based organizations.
- Support for new and innovative technologies for water supply delivery and sanitation systems.
- Training, mentoring, coaching, and other capacity development assistance to LGUs on planning, implementation, and management of water supply and sanitation projects.

## IV. EMERGING ISSUES FROM THE DIFFERENT STUDIES

### A. Meeting Targets with Equity

The Philippines is committed to meeting the MDG goals of halving those without access to safe water by 2015. This is a United Nations (UN) commitment using the 2000 baseline. The official MDG reports state that the Philippines is one of the countries that is on track in meeting its water MDGs and it is highly probable that the goals will be met by 2015. The 4<sup>th</sup> Country Progress Report on the MDGs prepared by NEDA in October 2010 quoted the Annual Poverty Indicators Survey (APIS) of 2008 indicating an increase in those with access to safe water from 73.8% in 1991 to 81.8% in 2008. According to the same report, the MDG target of 86.9% of the population to have access to safe water by the 2015 posted medium rate, despite minimal decline in access in 2008<sup>5</sup>.

However, the same report also indicates that one in five (or about 15.74 million) still do not have access to safe water. This refers to the remaining 18.6% of the population who still obtain their water from sources that are considered unsafe such as unprotected wells, undeveloped spring, rivers, streams, ponds, and lakes among others.

The P3W study reveals that the annual allocation of Php 1.5 billion would not be sufficient to increase the rate of providing safe water access if the country were to meet its MDG goals. It further indicated that based on the 2010 population-adjusted water access data, investments would have to increase by Php 16.34 billion for five years in order to meet its MDG goals.

The Philippine Progress Report on the MDGs 2010 also claims that for the MDG targets, 85.9% access to sanitary toilet facilities has been achieved in 2008. But it also acknowledges that one in ten persons (or about 9.62 million people) still do not have access to sanitary toilet facilities.



Figure 1. Proportion of Population with access to safe drinking water and sanitary toilet facilities



The current main strategy to meet the MDGs is a convergence of resources in priority municipalities. NAPC has identified priority municipalities and barangays using a combination of additional parameters such as access to water, poverty incidence, water borne mortality and morbidity rates, and population to be served. The project is essentially demand driven and the first two batches of target municipalities have already been identified. The P3W study specifically recommends disaggregation of targets based on access coverage and the allocation of funds accordingly.

The P3W study suggests an increase in investments and a strategy of allocating 30% of funds for areas with less than 20% coverage, another 30% for areas with more than 20% but less than 40% coverage and the remaining 40% for areas which are most likely to graduate (i.e. areas which have over 40% but less than 50% coverage). However, reaching 50% is not and should not be the goal but a strategy to meet the goal of universal coverage.

The MDG targets are just one of the many targets identified by different government agencies. The Medium Term Development Plan (2004-2010) ambitiously wanted to achieve 92% access coverage for water supply, which implies higher investment requirements. The current Philippine Development Plan covering 2011-2016 has affirmed the country's commitment to ensure achievement of MDG 7 and continuing 100% access to water in the medium term.

The latest data cited in the MDG Progress Report indicate that access to safe water among the poorest 30% of the population is only 71.8%, compared to 86.9% in the higher income group.

The challenge is how to reach the MDG goals in the coming four years while ensuring that the poorest and marginalized groups are not left behind, hidden in the remaining unserved and underserved percentage of the population. The bigger challenge is when can the country expect to achieve universal coverage for all Filipinos regardless of income status.

## B. Governance Issues

**Weak sector leadership.** There is no single lead agency tasked to coordinate development in the water supply and sanitation sector. The different studies cite the NWRB as the one who may have the legal mandate to do so, but its existing structure and budget limit its capacity to exercise this function. For water supply alone, there are several agencies involved in water service planning, regulation, financing, and other areas but these agencies are not accountable to a sector leader. There are discussions that put water supply and sanitation as a governance issue and suggest that the DILG assume the leadership role in institutionalizing effective and efficient local water governance.

**No comprehensive master plans.** There is no comprehensive water supply and sanitation master plan and program covering both urban and rural areas. This implies no performance targets and no country strategy to achieve universal coverage. The last national water supply and sanitation master plan was prepared in the mid-1980s with 2000 as the target year. No agency is tasked to review other agencies' plans and budgets and no agency has the authority to influence compliance from other agencies, especially among the LGUs. This greatly hampers a coordinated approach to ensure sustainable service provision, especially to the poorest communities.

Another issue that should be taken into account is the lack of awareness of the importance of having a comprehensive watershed management plan in the country. Considering that the Philippines is one of the most densely populated countries in the world, options for the development of new affordable water sources to meet the ever increasing demand are becoming extremely limited.

Moreover, the inability to institutionalize Climate Change Adaptation mechanisms on local water policies/plans may also be considered as one of the emerging issues in the water resources sector considering the unpredictability of changes in weather patterns, among others, which have either brought excessive flooding or extreme drought. Another perennial issue to contend with is the unabated pollution/contamination of water sources, both surface and groundwater. These are just some of the numerous problems contributing to a situation where access to potable water is becoming increasingly difficult particularly for the marginalized sectors of society.

**Weak Sector Coordination.** The creation of the NEDA Sub-Committee on Water Resources (SCWR) in August 2008 was an initiative resulting from the PWSSR. The SCWR functions mainly as a coordinating body, a clearing house of sector information, and a forum/platform to discuss and resolve arising issues in the sector. It is jointly chaired by NEDA and the NWRB. However, it is not a decision-making/policy making body and its members are not obligated to implement the plans and programs stipulated in the roadmap. Attendance to the SCWR meetings are usually by technical people representing Assistant Secretaries, at the most. The SCWR has only the power to review and make recommendations to the NEDA Infrastructure Committee (INFRACOM) Technical Board, a higher level of policy makers (usually undersecretary level) although the real decision makers are the Cabinet-level Infrastructure Committee. Recent discussions at the NEDA Infrastructure Committee (Cabinet-level) required further review and Cabinet approval of the Roadmap and its recommendations.

**Lack of reliable sector information.** There is still a lack of updated reliable sector information that can serve as the basis for updating plans, programs, and targets. The information is so fragmented and one would need to go through a number of agencies at the national and local level to get clear, updated information. There is no systematic and regular monitoring being done at the sector level and the tracking of services and sector performance is very limited. Provincial water supply masterplans badly need updating and have to be tempered with data on water availability. But even this kind of information at the NWRB dates back to 1998 and while it is still being utilized as basis for the water permits, it urgently needs updating, especially in light of increasing water scarcity in some areas and flooding or drought in others.

**Institutionalizing the water program.** Institutionalizing service provision to the poor will continue to be a major challenge and will probably continue to be piece-meal and project-based. Effective planning and targeting will always be hampered by project-based approaches. The lack of or inadequacy of data is also affected by this weakness. Up to now, there is still vagueness as to the universe of local water service providers and actual coverage levels.

The studies recognize that there are many small water service providers who directly serve the poor communities and have recommended policies and mechanisms to



encourage a) more efficient and effective service provision; b) expansion and partnership arrangements; c) mentoring and coaching arrangements; and d) proper targeting and use of limited public funds. The different studies also recognize that there are many existing water programs under different agencies that have different policy arrangements (NG-LGU cost sharing, for instance) and while there are proposals to rationalize financing in the sector, it seems that the projects will continue to operate within their frameworks unless an overarching policy framework is adopted, institutionalized, and monitored.

**Short-term institutional arrangements.** The current *Sagana at Ligas Tubig* program is jointly managed by three national agencies: the DOH, the NAPC and the DILG. Budget is currently coursed through the DOH but this arrangement is not permanent. DOH as the budget holder is accountable for the disbursement of funds and is mobilizing its regional offices to help facilitate the transfer of funds through its regional Centers for Health Development (CHDs). The CHDs support the LGUs in the preparation and implementation of their respective Provincial and Municipal Investment Plans for Health. This is similar to the arrangement with the DPWH under the P3W where its regional offices are also mobilized. Information has to be disseminated and capacities have to be built at various levels of the different institutions involved to ensure smooth implementation. But this could change once a decision has been made to transfer the management of the funds to another agency. It is inevitable that the holder of the "Water for Waterless" funds will mobilize their local offices to facilitate the process of planning and implementation. If there is change in leadership and project institutional arrangements, corresponding capacities will have to be built again. Until a sector institution is held permanently accountable, the pro-poor waterless programs will be project-based and may suffer not only from lack of funds but from lack of supervision, monitoring, and provision of technical support to ensure that the facilities constructed through these funds are maintained efficiently and services are sustained viably.

Other agencies have significant roles to play but are significantly constrained by many factors that impede services for the poor. This could include lack of mandate, lack of resources, lack of initiative, and lack of motivation to directly serve the poor.

For instance, the LWUA, who inherited the Rural Waterworks Development Corporation two or three decades back, is mainly focusing its resources in favor of Water Districts who mostly operate in viable areas, which are usually urban centers that are densely populated and can afford to pay tariffs on full cost recovery basis. They have not adequately regulated water districts to ensure progressive improvements towards universal coverage.

Many different types of arrangements are also occurring in poor communities. For instance, Public-Private-Community Partnerships have evolved to be an important tool in mobilizing partnerships not only between the private sector and LGUs but also with the communities. It should be noted, however, that involving the private sector and/or local communities does not, in any way, relieve the government from its responsibilities in promoting public welfare. In establishing collaborative undertakings with the private sector and other parties, the government is obligated to ensure that water resource development and management is carried out according to the policies and strategies outlined in the country's development plans.

**Corruption in and outside the sector.** The current allocation for water supply and

sanitation is already limited as it competes with other local development priorities. However, it is further aggravated by the lack of accountability, transparency, and integrity of leading water agencies and water utilities. Not only is the sector affected by corruption within but also corruption outside the sector which is felt in terms of lost resources for water supply and sanitation development. Corruption contributes to poor/inadequate construction of facilities, inadequate service provision, and unsustainable operation. As always, those most affected by corruption are those who are already marginalized and whose voices are rarely heard in the course of decision-making.

***Water and sanitation as a human right.*** Last July 28, 2010, the United Nations General Assembly through Resolution A/RES/64/292 declared water and safe and clean drinking water and sanitation to be a human right, essential to the full enjoyment of life and all other human rights.

The Human Rights Based Approach (HRBA) toolkit<sup>6</sup> has defined the right to water as the entitlement of the people to sufficient, safe, acceptable, physically accessible, and affordable water, water facilities, and services for personal and domestic use. The right to water has five normative elements: a) water availability, b) water quality, c) water physical accessibility, d) water economic accessibility, and e) water information accessibility.

These elements may also be seen in terms of sanitation: a) sanitation availability, b) sanitation and wastewater quality, c) sanitation physical accessibility, d) sanitation economic accessibility, e) sanitation information accessibility, and an additional angle: f) cultural acceptability.

The HRBA states that water availability is further defined as at least 20-40 liters per person per day, based on World Health Organization standards. Accessibility to water and sanitation is not just about water, facilities, and services. Rather, it includes affordability for all and access to information.

While the policy studies do not clearly elaborate on the right to water and sanitation, many of these studies harp on the role of the state (LGUs and national government) as duty bearers and the non-discriminatory delivery of entitlements to all on a universal basis. The obligations arising from the recognition of these entitlements demand a deliberate, well-targeted, and concrete plan, policy, strategy, program, project, and action.

The biggest challenge is meeting the principal obligation of progressive realization of these rights, which imposes an obligation to move as expeditiously and effectively as possible to meet the goals of water and sanitation for all. The other big challenge is for unserved and underserved claimholders to appreciate their rights and exercise due diligence in asserting their right to participate and make informed decisions that will ensure the continued and satisfactory fulfillment of their water and sanitation rights.

Recognition of water and sanitation as a human right, alongside with enhanced accountability, are important elements in bringing people together to analyze the real problems and explore shared solutions, which may deliver low-cost solutions that rely more on better organization and task division. In many instances, tighter accountability for water management and ensuring poor peoples' rights to access potable water works better. Accountability and rights are both a key prerequisite in attaining the goals and objectives of water and sanitation



policies and should be made an integral part of all stakeholder processes. A concerted effort is needed to ensure that national water strategies take into account the multiple dimensions of water resource management in a way that the interests of the stakeholders are all considered, given that water as a resource has many competing users.

### C. Capacity development and utility improvement

***Inadequate capacities at various levels.*** The capacity for efficient, effective, and sustainable service delivery is also a major challenge. The capacity to plan, implement, monitor, and continually support water service delivery programs is a major concern that is not only evident at the water service provider level but also at the implementing agencies level (both national and local) and even at the household/consumer level. These capacities include a combination of awareness of roles, rights, and responsibilities, as well as institutional, technical, and financial capabilities.

It must be noted that the current arrangements under the *Sagana at Ligas Tubig* funds do not explicitly include capacity development but the DILG is trying to mobilize resources to ensure capacity development in support of the LGUs expected to run the program at local level. There are a number of initiatives addressed towards building the capacities of different service providers, including but not limited to the LGUs a) ring fencing their water accounts; b) engaging in performance contracting; c) benchmarking; and d) business planning.

***Service performance of water service providers still needs to be improved.*** There are many issues that confront small water service providers. Common issues are slow service expansion, low water tariffs, poor collection efficiency, low coverage, high non-revenue water, limited access to funds, and limited access to technical, financial, and institutional support. RWSAs, BWSAs, water cooperatives, and other types of small water service providers need further institutional, technical, and financial support to enable them to sustain their services, as well as expand and upgrade them.

The NWRB has organized a training system to assist small WSPs improve their performance and encourage them to be mainstreamed as a regulated entity. The program called Accreditation of Training Service Providers was recently launched to mobilize a core of consultants that can assist these small WSPs in improving their technical and financial performance and capacities. A small revolving fund is made available as a loan for water utilities to avail of this support. This program has just started and needs to be rolled out.

LWUA is also organizing training seminars but these are generally accessible only to the water districts. A package of water and sanitation training toolkits exist and are being developed or enhanced but these are not yet adequately being disseminated and utilized.

Large Water Districts are supporting small service providers in many different ways. The "Godfather" approach, while not institutionalized has worked in some areas and should be replicated and encouraged. Engaging the services of academic institutions, which offer comprehensive education programs on water and sanitation, may also be considered in mentoring processes.

The sector may consider including delivery of capacity building trainings in the form of collegial information and know-how exchange through the organization of nationwide

practical experience and networking circles on a regular basis.

**Ensuring basic services for all.** LGUs play a major role in ensuring the provision of water and sanitation services to the poor. However, many have not absorbed their role as duty bearers. Many LGUs are not yet fully convinced of the importance of investing in the sector by allocating a certain percentage of their development fund to initiate water and sanitation projects or to augment the limited resources that national government is able to provide. The provision of water and sanitation services is oftentimes a lesser priority for local resources may it be financial, technical, or even institutional in nature. Some projects suffer from too much political intervention, which can hamper efficiency.

LGUs with more than 50% access to safe water but have pockets of waterless barangays should find resources/partners to provide services to their unserved populations. Ideally, they should be encouraged to avail of other sources of financing.

The challenge is for the National Government to put in place a system to motivate and compel LGUs to meet their goals in the most efficient, effective, equitable, and sustainable way. Including the provision of basic water and sanitation services in the governance policy, the LGU scorecard and performance benchmarking are some of the innovative ways to motivate LGUs.

The task to motivate local government units (LGUs) in achieving their goal of providing basic services to their constituents is daunting and it would take a strong political and institutional will and capacity from the Department of Interior and Local Government, the National Water Resources Board (NWRB) and other concerned agencies to ensure that all relevant stakeholders are actively involved. The National Government should make funds available to provide the enabling environment, enforce the rules, and support local water authorities in carrying out their mandates of ensuring that every person has access to basic services in the community.

#### D. Strengthening economic regulation

The regulatory framework for service provision needs to facilitate an enabling environment of providing services to the poor. However, the current regulatory regime does not provide a framework nor does it provide adequate incentives for pro-poor service provision. Many water utilities need/prefer to work in viable areas to enable them to operate viably and sustainably.

**Fragmented economic regulation.** There are different policies that either conflict or overlap with each other. For instance, LGUs and LGU-run systems are not required to secure a certificate of public convenience (CPC). If they enter into a partnership arrangement with a third party provider, the third party, claiming this partnership arrangement, will not be required to secure a CPC. LWUA regulates the Water Districts and its tariffs but at the same time, is responsible for financing water districts so most if not all tariffs are designed to protect the loans, not the interest of the consumers, especially the poor consumers. The NWRB regulates the homeowners associations, the private developers, the cooperatives and other non-water district, non-LGU operators. By contract, special regulatory units have been created for specific areas like the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS-RO) to regulate the two private concessionaires operating in the East Zone and West Zone of Metro Manila and the Subic Bay Water Regulatory Board (SBWRB) created specifically for Subic Bay.



In 2002, the NWRB by virtue of Executive Order (EO) 123 was tasked to include the regulation of water districts to address the conflicting role of LWUA as regulator and financier of water districts. However it has not been effected due to lack of capability and resources within the NWRB. In 2010, EO 806 superseded EO 123 and transferred the regulation of water districts back to LWUA.

**Different tariff methodologies.** The NWRB uses the return on assets basis but unfortunately, donated assets which form the asset base of many community-based rural/barangay waterworks associations and water cooperatives are not entitled to return hence, they are unable to earn a little profit over these assets for operations and other expenses. The NWRB further limits maximum return on assets to only 12% but another Millennium Development Goal Fund 1919 (MDGF1919) study on legal jurisprudence reports that there is no explicit law on the ceiling of 12% and that this may need to be reviewed further by the regulatory agency.

LWUA's tariff methodology is based on cash flow. The MWSS RO is using Return on Investments with Appropriate Discount Rate. SBWRB uses Return on Equity. LGUs commonly use cash flow and other considerations but have difficulties in doing proper economic regulation due to their political environment, multi-functions, and short term planning horizon.

This kind of arrangement does not encourage or motivate small WSPs to be regulated by the NWRB. Some even claim that while private companies are assured of profits, the small water providers are not. Most of the prevailing tariff levels of small WSPs are not enough to cover operating expenses. Donated assets, once fully depreciated, cannot be replaced and the capacity to invest in new assets may not be present at all. Small WSPs resort to looking for sources of grants and donations to improve or replace the old water systems.

**The need for effective regulation.** The issue is how to use effective regulation to encourage or demand for the expansion of services, especially in poor communities and motivate and compel improvement of performance of WSPs. Effective regulation can serve as a driver to push performance targets to aim for and can create a sanction and reward systems to ensure compliance. One of the possible solutions identified is the proposal to create an independent water economic regulator but this would need legislation and inter-agency buy-in which is very difficult to obtain.

**Light Handed Regulation.** The concept of LHR was proposed as an approach towards constructive regulation to encourage small WSPs to surface and be mainstreamed as partners in service provision. The number and coverage of different WSPs are critical in reaching a great number of poor people. The study on strengthening economic regulation recommends an LHR regime that would include, among others, capacity building interventions, lower filing and renewal fees, a simple registration as a start for unregulated service providers, expanded and strengthened institutional arrangements with deputized agents, simplified documentation requirements, and five-year grace period before it is required to submit itself to the regular regulatory requirements. The study further recommends a 50% reduction of fees from their current levels.

**Simplifying the tariff methodology.** Simplifying the tariff methodology was another area of discussion and debate in the context of light-handed regulation. The current NWRB

system is a five-year excel-based tariff methodology that requires the submission of a five-year business plan with detailed operating and capital expenditures. Many small WSPs have difficulties complying with these requirements due to a number of factors that include, among others: a) lack of technical and financial capacity, b) inability to supply important and critical information (such as production volume, where in many small water systems, production meters do not exist), c) lack of information, knowledge, or capacity to perform as expected within the five-year time frame.

The study on tariff methodologies recommends a system for simplifying the computation of appropriate tariff rates and also suggests the use of pro-forma income statements and other recording forms to establish baseline condition that will provide substantive inputs to the NWRB tariff setting methodology.

### E. Rationalization of financing to the sector

The scarcity of public resources for water supply and sanitation is a compelling reason for NG to rationalize the allocation of government funds.

There are many attempts to propose policies that will rationalize financing to the sector to ensure resources for the *neediest among the needy*. This is still an on-going discussion and the MDGF studies are now informing sector discussions especially on the following specific areas of concerns: NG-LGU cost-sharing arrangements, balancing burden of financing in areas where private sector investment would be difficult, public-private partnerships, and performance-based incentive policy and performance-based grant system.

#### Funding for Pro-poor Water Services

Many of the small community-based water systems depend on grants provided by national government and non-government programs or the generosity and political gifts that Mayors, Congressmen, and Senators give the people. Unfortunately, these resources are not sufficient enough to address the growing safe water and sanitation requirements of a growing population. Furthermore, they are not always readily available and are subject to political patronage.

Financing through loans is a limited option as most financing institutions hesitate to lend money to small WSPs while, at the same time, there is absence of the appetite to borrow as there is low confidence level of small WSPs to perform efficiently and pay off the loans. One of the policy studies recommends a partnership between large and





small utilities where the small can also build on the credibility and bankability of the large utility, which provides the guarantees and ensures performance standards. The CPC life of five years limits the water supply and sanitation loans to a similar time frame unless there is assurance that the WSP will continue to enjoy the rights and privileges as a legitimate WSP throughout their loan life.

Making WSPs more bankable and credit worthy is necessary to enable more WSPs to expand their services or even upgrade their systems.

### ***The PWRF Rationalization Policy Study***

A separate study was prepared by the Philippine Water Revolving Fund Support Program (PWRF-SP) and presented in February 2011 to the NEDA SCWR for endorsement to the INFRACOM Technical Board. The output of this study had been presented for comments and recommendations to the Philippine Development Forum Sub-Working Group on Water Supply and Sanitation (PDF SWG-WSS) chaired by the Department of Finance. Subsequently, a draft Executive Order that aims to establish the broad policy framework for reform in the water sector of the Philippines was formulated as a result of the study.

This proposed policy study aims to rationalize the allocation of scarce public financial resources by:

- a. Sustainably combining government assistance and private sector financial resources;
- b. Creating a national water supply project screening system for eligibility to receive government assistance;
- c. Establishing an objective and transparent evaluation criteria to rank such eligible projects; and
- d. Creating an incentive-based government assistance framework for water service providers that are unable to access commercial financing.

The study defines rational public resource allocation for water supply and sanitation investments as one that: 1) promotes universal access to water supply and sanitation, thereby reducing poverty; 2) corrects the market failure situation characterized by huge funding gap and credit constraint in the water supply and sanitation sector; and (3) motivates WSPs to be financially and operationally viable.

The proposed rationalization program is based on the three cornerstones of setting out the national investment policy, determining the target beneficiaries, and identifying the financing strategies or modalities.

While the objectives of this study and the other MDGF studies similarly relate to the issue of financing including the allocating grants, NG-LGU cost sharing, and targeting approaches, some of the recommendations of these individual studies conflict with other recommendations and the implementation guidelines of the *Sagana at Ligtas Tubig* Program.

The following matrix compares the recommendations of the Rationalization Study with the P3W study and the NG-LGU cost sharing study with the *Sagana at Ligtas Tubig* Program.

**COMPARISON OF POLICY RECOMMENDATIONS, THE SAGANA AT LIGTAS TUBIG PROGRAM,  
AND SCWR DISCUSSIONS**

TOPIC/ISSUE	Proposed National Rationalization Framework Study	Proposed Framework for the new President's Priority Program on Water	Proposed NG-UGI Cost-Sharing Arrangement	SAGANA AT LIGTAS TUBIG PROGRAM	COMMENTS
1. Scope of Proposed Financing Scheme	All water and sanitation projects (1) grant window for the waterless municipalities and (2) credit financing window for the other municipalities.	Only for waterless areas, as updated by implementing agency	All water and sanitation projects regardless of source of funds. Revised cost sharing scheme only up to 2015 and shall be subject to review afterwards where subsidies could be dramatically reduced..	Waterless municipalities identified through criteria, Basic Emergency Obstetric and Neonatal Care (BEMONC), resettlement areas and identified waterless barangays outside waterless municipalities	No comprehensive investment plan for the water and sanitation sector.  No concrete plan for universal and pro-poor services.
2. Source of Funds	Official Development Aid funds, National government and local government budgets, GFIs, Private Sector	Php 1.5 billion earmarked in DOH budget for waterless areas	ODA/NG Grants (including Php 1.5 billion for waterless areas) to be mixed with local funds	Php 1.5 billion earmarked in DOH budget for waterless areas	Almost all the studies are recommending different ways of managing the same "waterless funds" of Php 1.5 billion which is not enough to support the requirements of getting water and sanitation services especially to poor communities.
3. Allocation of funds	Not specified.	30 percent for those with 0 to 20% coverage 30% for those with over 20% but less than 40% coverage. 40% for those with over 40% but less than 50% coverage.		For 2011: Php 1 billion for waterless municipalities Php 150 million for waterless BEMONC facilities, regardless of whether the municipalities are waterless or not Php 200 million for non-waterless municipalities with very poor waterless barangays identified by NAPC Php 150 million for waterless government resettlement/relocation areas outside Metro Manila (Bulacan, Cavite, Rizal, Laguna) identified by DILG	<ul style="list-style-type: none"> <li>SCWR meeting recommends that financing should include scope for Level I systems, especially for areas that may not be feasible/viable for Level II systems</li> <li>Sanitation is only a counterpart for the Sagana Project. SCWR recommends that the release of the final payment be contingent upon submission of a local sanitation plan.</li> </ul>



4. Eligible Projects for financing	<p>New infrastructure for unserved and underserved areas;</p> <p>Expansion of water supply services;</p> <p>Available to all water service providers except Manila concessionaires</p>	New level I or II, as appropriate facilities	<p>New levels I and level II – communal water systems and sanitation projects</p> <p>Rehabilitation of existing WSS systems;</p> <p>Preparation of pre-implementation activities (feasibility studies, social preparation and land acquisition)</p> <p>Include sanitation as part of total project costs.</p>	<ul style="list-style-type: none"> <li>• Rehabilitation/ expansion/upgrading of Level III water supply systems including appropriate water treatment systems.</li> <li>• Construction/ rehabilitation/ expansion/ upgrading of Level II water supply systems.</li> <li>• Construction/ rehabilitation of Level I water supply systems in areas, where such facilities are only applicable.</li> <li>• Provision of training for existing or newly organized water users associations/ community-based organizations.</li> <li>• Support for new and innovative technologies for water supply delivery and sanitation systems.</li> <li>• Training, mentoring, coaching and other capacity development assistance to LGUs on planning, implementation and management of water supply and sanitation projects.</li> </ul>	<ul style="list-style-type: none"> <li>• SCWR meeting recommends that financing should include scope for Level I systems, especially for areas that may not be feasible/ viable for Level II systems</li> <li>• Sanitation is only a counterpart for the Sagana Project. SCWR recommends that the release of the final payment be contingent upon submission of a local sanitation plan.</li> </ul>
5. Selection Process Flow	<p>3-step process</p> <ul style="list-style-type: none"> <li>- Eligibility</li> <li>- Prioritization</li> <li>- Readiness assessment</li> </ul>	<ul style="list-style-type: none"> <li>- Needs assessment and preparation of proposals at the local level</li> <li>- Identification by NAPC</li> <li>- Prioritization by DOH</li> </ul>	<p>2-step process:</p> <ul style="list-style-type: none"> <li>- 1) Municipal – level ranking of priority communities</li> <li>- 2) Community/ Barangay – level ranking of priority projects</li> </ul>	<ul style="list-style-type: none"> <li>• NAPC pre-identifies eligible municipalities with preliminary ranking</li> <li>• DILG checks if LGU complies with governance policies.</li> <li>• Assessment of proposals, counterparts and governance conditions and other criteria</li> </ul>	<p>As the Sagana is a full program, there are other steps and criteria involved. Some of these steps are lodged at different levels for different agencies. (i.e. DOH facilities like the Provincial Investment Plans for Health and the City/Municipal Investment Plans for Health which are additional requirements that impact on funding eligibility)</p>

6. Prioritization Criteria for Ranking	<p>Under grant scheme:</p> <ul style="list-style-type: none"> <li>- % of households without access to piped water</li> <li>- Poverty incidence</li> <li>- Incidence of water-borne and sanitation-related diseases</li> </ul> <p>Access to lending window funds:</p> <p>Poverty incidence:</p> <ul style="list-style-type: none"> <li>- Incidence of water-borne and sanitation-related diseases</li> <li>- Incremental population to be served</li> <li>- Affordability of tariffs</li> </ul> <p>Note: Area may be de-prioritized due to lack of project or WSP readiness</p>	<p>Ranking of Specific Projects:</p> <ul style="list-style-type: none"> <li>- Percentage of local counterpart contribution (min. 20%)</li> <li>- Cost-effectiveness</li> <li>- Benefits for the poor</li> <li>- Adequacy of the proposal in addressing WS- or sanitation-related issues</li> <li>- Institutional capacity</li> <li>- Strategic value</li> <li>- Sustainability</li> </ul>	<p>Municipal-level:</p> <ul style="list-style-type: none"> <li>- Access to water</li> </ul> <p>Community-level:</p> <ul style="list-style-type: none"> <li>- Incidence of water-borne diseases</li> <li>- Low water access</li> <li>- Water source availability</li> <li>- High poverty incidence of the community</li> <li>- Willingness to put up counterpart</li> <li>- Willingness to be trained in operation and maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>- % of households without access to piped water</li> <li>- Poverty incidence</li> <li>- Incidence of water-borne and sanitation-related diseases</li> <li>- Population to be served</li> </ul> <p>Other criteria considered in project evaluation are:</p> <ul style="list-style-type: none"> <li>- Financial sustainability</li> <li>- Weight for those who offer "pay-back" schemes</li> <li>- Detailed plans for capacitating a community-based organization that will run the system</li> <li>- Technical Sustainability</li> <li>- Social and Institutional Sustainability</li> <li>- Environmental Sustainability</li> </ul>	<p>The SCWR agreed that the most rational way to use the limited financing is to limit its use in the NAPC priority list of target municipalities.</p>
7. NG - LGU counterpart arrangements	100% grant for waterless municipalities.	Not specified.	Recommends 80% NG grant to match the LGU counterpart of 20%. (i.e., includes preparatory activities, for which LGU equity may be utilized)	At least 10% of the total project cost. This could be in cash or in-kind, e.g., social preparation, feasibility study, land acquisition, etc.	The SCWR agreed on at least 10% counterpart contribution. This recommendation was adopted by the Sagana Project. The minimum was decided to ensure local ownership of the project.
8. Graduation Policy for Waterless Areas	Based on the definition, once the municipality has hurdled the 50% population without access to water then it is not anymore considered as waterless; thus, it is not eligible for grant funding.	Not specified but NAPC has been tasked to monitor implementation and periodically update the list of waterless municipalities	Not specified but includes independent verification one year after turnover to assess improvement in level/scope of service; [proposes final payment of grant based on percent of project success after six months to one year of operation]	Based on the definition, once the municipality has hurdled the 50% population without access to water then it is not anymore considered as waterless; thus, it is not eligible for grant funding.	There is a need to specify or include a mechanism that will ensure efficient reduction in the list of waterless areas and successful achievement of the targeted coverage and levels of service such as a firm graduation policy.



9. Performance-based incentive policies and performance-based grant system

Grants will be proportional to the extent of project accomplishment to be evaluated six months to one year after construction. Final payment is withheld pending satisfactory performance.

Priority will be given to LGUs with the Seal of Good Housekeeping or at the minimum compliance to the Full Disclosure policy of the DILG.

There exists a policy paper approved by the Development Budget Coordination Committee on performance-based incentive policies and performance-based grant system for LGUs. There might be further need to review the policy and offer recommendations to apply to pro-poor water and sanitation projects.



FETCHING WATER Robert John Cabagnot

## V. SUMMARY AND CONCLUSIONS

Reaching the MDG goals on water and sanitation is not and should not be the end goal. It should only be seen as an intermediary goal, an enabling goal that the UN General Assembly collectively agreed to sign on to push the issue of increasing access to water supply and sanitation.

Given the current scenario of water service provision in the country, unless there is really a strong and credible institutional leader that is recognized by the sector, universal coverage for all Filipinos will remain a huge challenge for all.

Water and sanitation is everybody's business and now that both are declared as human rights, the obligation to progressively address this right requires immediate action. Probably, the biggest challenge for the sector is the task of identifying, strengthening, and empowering a sector institution to lead the different stakeholders towards a common goal of water and sanitation for all Filipinos and soon! This is an agency that the sector has to lobby for in the corridors of power, perhaps at the Office of the President. Having an official sector leader is expected to result into an institutionalized water and sanitation program, including a pro-poor master plan. Such an institution must not only have the mandate but enough resources to support the needs of the growing number of households without access to safe water and sanitation both in rural and urban areas.

The current levels of investment towards pro-poor water projects are laudable but not enough. Furthermore, there is also a need for more transparency, accountability, and integrity within the water sector, a real challenge and threat if not addressed openly and with moral conviction.

Perhaps it is high time for the sector to develop long-term goals including a comprehensive master plan for water supply and sanitation based on the two sector roadmaps. The provincial and municipal master plans have to be updated and revised as inputs to this comprehensive national water and sanitation master plan.

The policy studies have provided the inputs for a rational approach towards enhancing access to and provision of water services with the active participation of the poor. Whether the policy recommendations and action plans proposed by the different studies will be adopted and implemented remain to be seen.



BEATING SUMMER HEAT  
*Melody Sandoval*



## END NOTES

- <sup>1</sup> Philippines Progress Report on the Millennium Development Goals 2010 published by NEDA in October 2010
- <sup>2</sup> HRBA Toolkit for Planning 2010 Volume 1 (Abridged)
- <sup>3</sup> Basic Emergency Maternal Obstetric and Neonatal Care

## REFERENCES

Draft final reports of the following MDGF 1919 studies:

- a) Incentives Mechanisms and Partnership Modalities (Output 1.1)
- b) National Government and Local Government Cost Sharing Policy (Output 1.2.1)
- c) Programming Policies of the P3W (Output 1.2.2)
- d) Strengthening Economic Regulation to Enhance Water Service Delivery Performance (Output 1.4)
- e) Institutionalizing Mentoring Practices and Mechanisms (Output 2.1.1)

Draft final report: Water Supply and Sanitation Assessment Report, July 2010

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SAGANA AT LIGTAS TUBIG PARA SA LAHAT Implementing Guidelines, April 2011



TIL THE LAST DROP Erwin Lim



unicef



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The United Nations (UN) MDG Achievement Fund was created in December 2006 with a generous donation from the government of Spain in fulfillment of its aid commitments in relation to MDG 8 (developing global partnership for development). With almost \$700 million invested in 128 programmes in 49 countries around the world, the MDG Achievement Fund is currently the largest global fund dedicated to achieving the MDGs. The MDG Fund represents a unique initiative of the United Nations that brings together more than 22 UN agencies and programmes, building on the strength of each to deliver effective multisectoral interventions that improve the lives of poor and marginalized citizens.