

# **WATER FINANCING: THE PHILIPPINE PERSPECTIVE**

by:

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# Overview of the Water Sector

- Water industry is highly fragmented.
- Classification of major service providers
  - Metropolitan Waterworks and Sewerage System (MWSS)
  - Water Districts (WDs)
  - Local Government Units (LGUs)
- Others
  - Individual wells
  - Small-scale independent providers (SSIPs)
  - Cooperative water service providers



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# Main challenges in water financing

- Insufficient capital expenditures to meet investment requirements
- Water service providers have poor access to financing.
- Low tariffs being implemented
- Private sector participation hampered by political risk and a poor regulatory regime



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# Strategies and Financing Options

- **Executive Order 123 series of 2002**

Laid the initial groundwork for the strengthening of NWRB as the overall agency responsible for the management and development of the water resources in the country as well as enhancing its role not only as resource regulator but also as an economic regulator, with the regulatory function of LWUA duly transferred to the same, and at the same time facilitated the reconstitution of NWRB's Board by members who are all non-claimants to the resource

- **Executive Order 279 series of 2004**

Seeks to gain substantial reforms in the financing policies for water supply and sanitation service providers. Specifically, the E.O. aims to veer creditworthy water districts to seek financing from government and private financial institutions (GFIs and PFIs) while those classified as pre-, semi- and non-creditworthy utilities will be provided with technical and financial assistance by LWUA to facilitate their "graduation" to being creditworthy.



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# Strategies and Financing Options

- **BOT Law and ICC guidelines**

Amendments to the implementing rules and regulations (IRR) of the BOT Law were also undertaken since December 2004 to accommodate a range of measures, as recommended by various private sector groups, individuals as well as government agencies, designed to improve private sector participation in the provision of public infrastructure.

The National Economic and Development Authority – Investment Coordination Committee (NEDA-ICC) also revised its guidelines and procedures to facilitate the fast-tracking of the processing of proposed government projects costing below PhP 500 million (except for BOT projects).



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# Strategies and Financing Options

## • **Joint Venture Agreements**

Memorandum Order No. 266 series of 1989 supports the creation of joint venture agreements between individuals, partnerships, corporations, the government or the combination of the four to undertake a business venture to accomplish a specific, limited or special goal or purpose. Moreover, the investment or joint venture must be made with a clear intent to assist in the development of the industry concerned (e.g. water supply) consistent with national goals and with the end-view of eventually withdrawing the said investment or joint venture agreement in the event that the private sector can fully take over.



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# Strategies and Financing Options

## • **Philippine Infrastructure Corporation**

The Philippine Infrastructure Corporation (PIC) is one of government's key interventions to deliver vital infrastructure in a timely and sustainable manner.

Among the core strategies of PIC are to: i) invest public sector equity in financially viable and market-oriented infrastructure projects; ii) introduce appropriate pricing mechanism in infrastructure projects to ensure sustainable operations and maintenance, as well as the replicability of these projects in other areas; iii) encourage private sector investments in infrastructure in partnership with the NDC by government co-investing in equity position up-front; and iv) develop infrastructure through project finance.



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# Strategies and Financing Options

- **Philippine Water Revolving Fund**

Cognizant of the financing gap in the water sector as well as the realization of the need to combine both public and private financial resources to provide adequate financing for water projects on affordable terms to the end-users, the PWRF is proposed to be created with the objectives of: i) using limited public resources to leverage private sector financing in the sector; ii) promote efficient use of sovereign guarantees and international financial institution loans for water and sanitation projects; and iii) attract private sector financing to the water sector on terms and conditions that are affordable to the local user.



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# Strategies and Financing Options

## •Raw Water Pricing

Raw water pricing is a mechanism by which raw water resources are priced to capture the economic value of the resource and effect efficient allocation of the same while at the same time generating revenue to address a variety of concerns ranging from watershed management and protection, water supply and sanitation, water efficiency programs as well as capacity-building programs, among others.

In order to arrest the apparent distortion with regard to the economic value of water, the rational pricing of raw water has to be established to ensure sustainability of the quantity and quality aspects of water resources in light of the growing water scarcity. Rational and enhanced water pricing of raw water is expected to create incentives to use water more efficiently and conserve water as a scarce resource, provide basis for efficient allocation and generate revenues for more effective water resource development and management.



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# PWP Major Accomplishments

## 2002

- Dialogue between LGUs and WDs
- Dialogue on Sanitation
- Dialogue on Water Governance
- National Consultation Workshop on the MTPDP – Water Resources Chapter

## 2003

- Consultation Workshop on the Bicol River Basin Water Resources Development and Management Plan



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# PWP Major Accomplishments

## **2004**

- Consultation/Dialogue with Stakeholders to raise awareness on IWRM
- Consultation/Dialogue with Stakeholders to raise awareness on IWRM (Baguio City)
- Consultation Workshop on the Amendments to the IRR of the Water Code

## **2005**

- National Dialogue on IWRM and Water Financing Challenges



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**Thank you very  
much for your  
attention!!!**



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