



National Policy Dialogue with Mongolia

April 11, 2024

Transformation of Water Services Through Public- Private Partnership (PPP)

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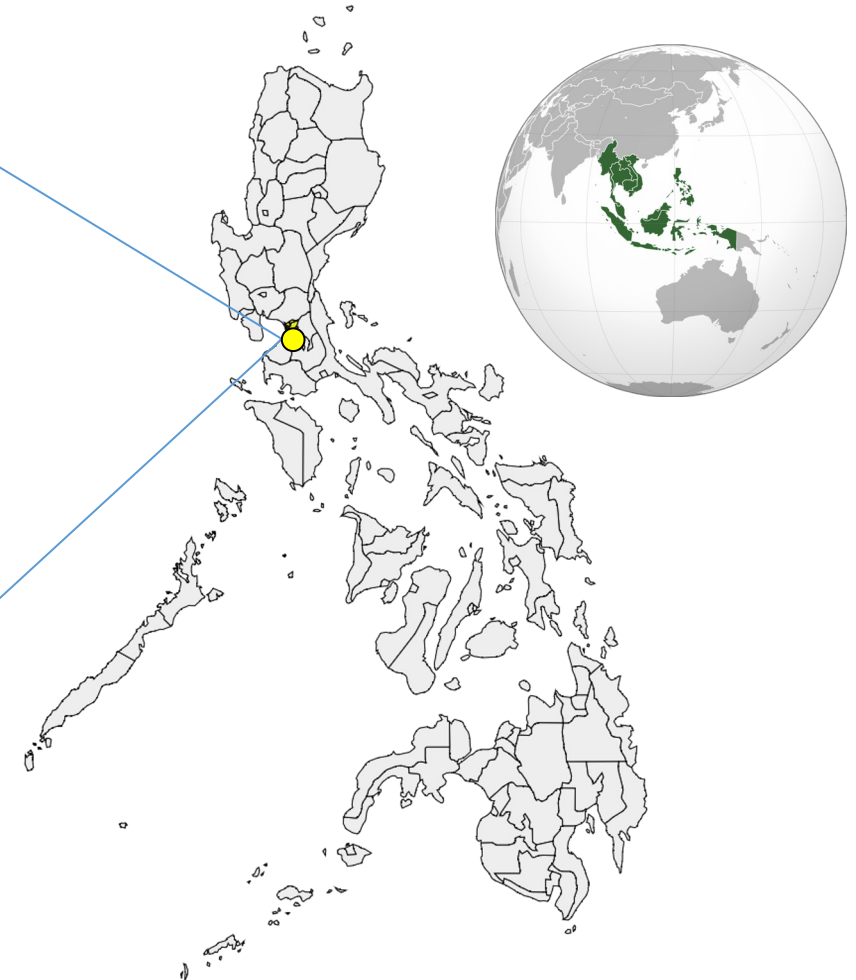
Image Credit: Manila Water

Profile of the Philippines and Metro Manila

PHILIPPINES*:
2022 Population: 115 million
2022 GDP: \$404 billion
2022 Per Capita Income: \$3,498
2021 Poverty rate: 18%



METRO MANILA*:
Population: 18 million
GDP share: ~37%
Per Capita Income: ~\$10,000
Poverty: 2.2%



Citation:
Philippine Statistics Authority
World Bank
Asian Development Bank

Key Messages

- Institutional and regulatory structure of the PH water market is highly fragmented in need of industry restructuring and massive investments
- Confluence of infrastructure crises, political leadership and enabling legal framework led to privatization of water services in Metro Manila
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- New challenges and opportunities will test dynamism of PPP
- Lessons learned and insights

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Philippine WS&S: Situation Analysis

WSS COVERAGE IN THE PHILIPPINES (2015)



people are getting water from unsafe sources



people do not have access to improved sanitation



people in the ARMM do not have access to flush to piped sewer systems or septic tanks

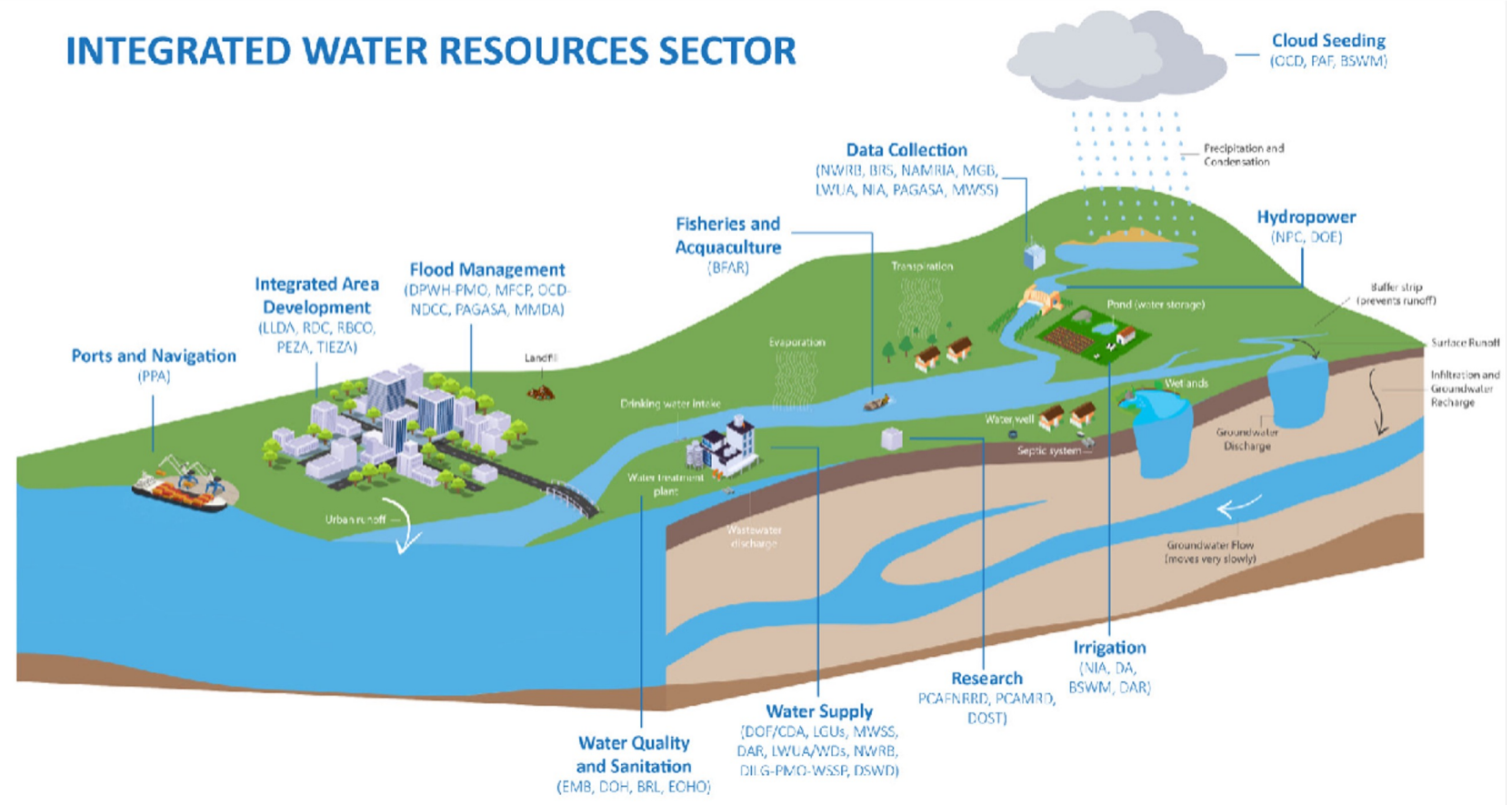


people in the ARMM is limited to basic sanitation facilities

More than **4 Million** Filipinos still practice open defecation

Fragmented Nature of the Philippine Water Sector

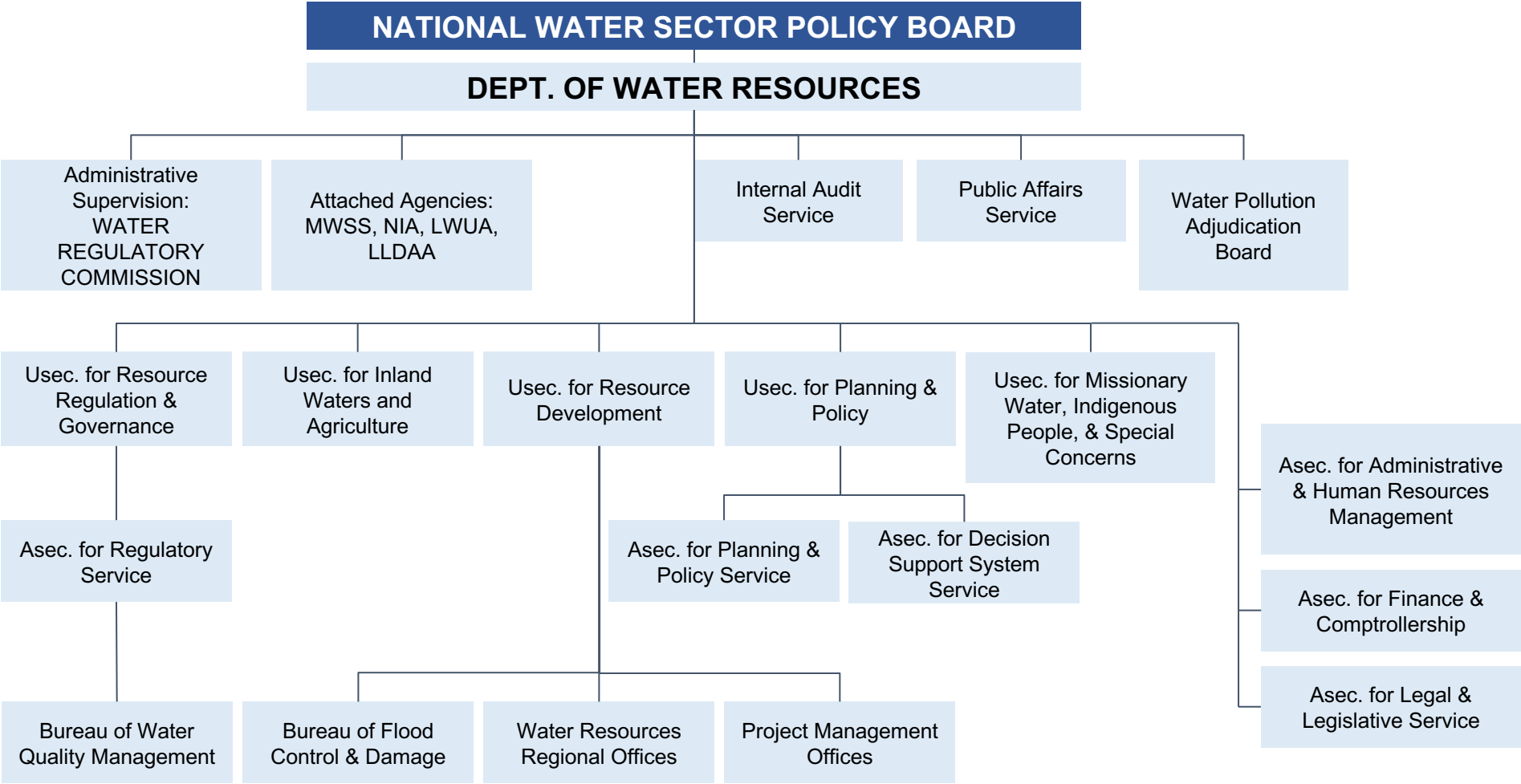
INTEGRATED WATER RESOURCES SECTOR



Citation: Fabella, Ma. Fiorella. (2023). *Water Security for Resilient and Inclusive Growth*. Philippine Economic Update.

Dynamic policy and regulatory framework is essential to the sustainability of the WSS Sector

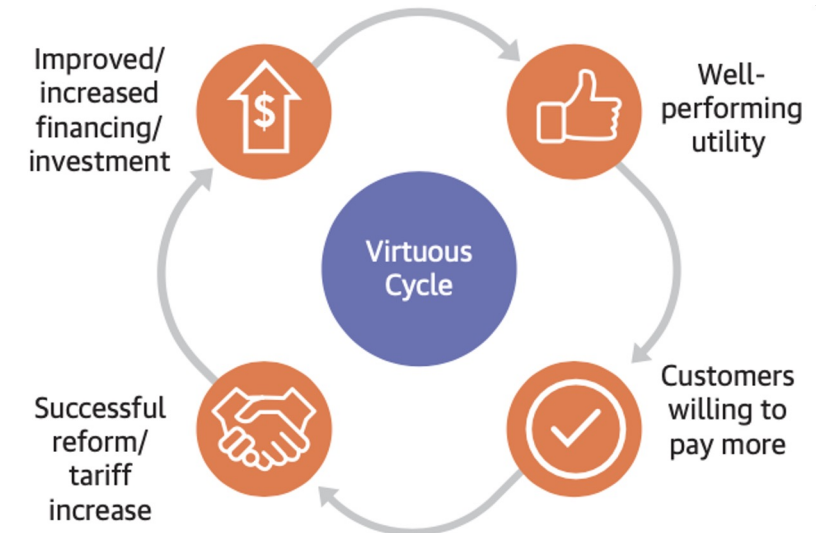
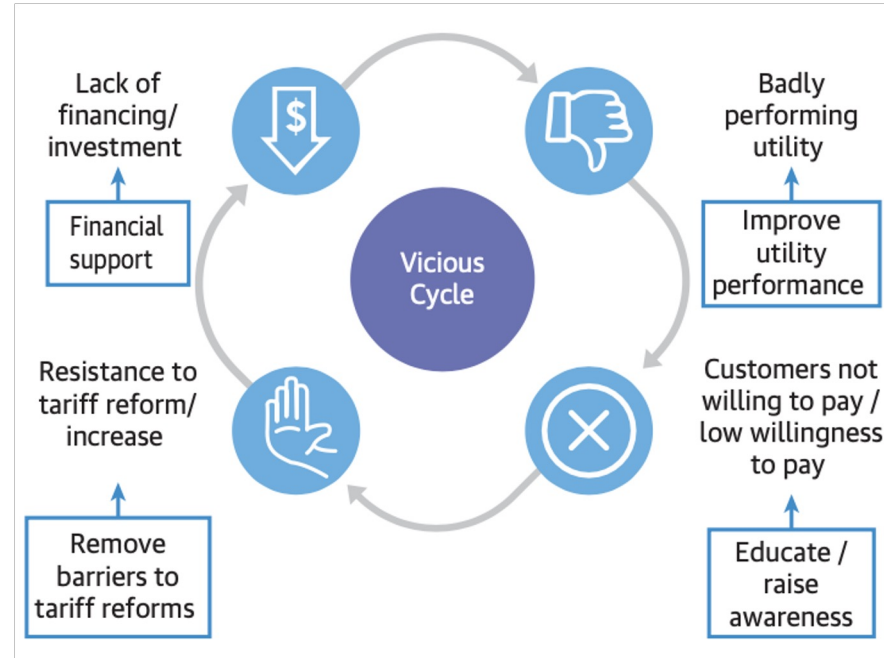
Industry restructuring to address institutional fragmentation



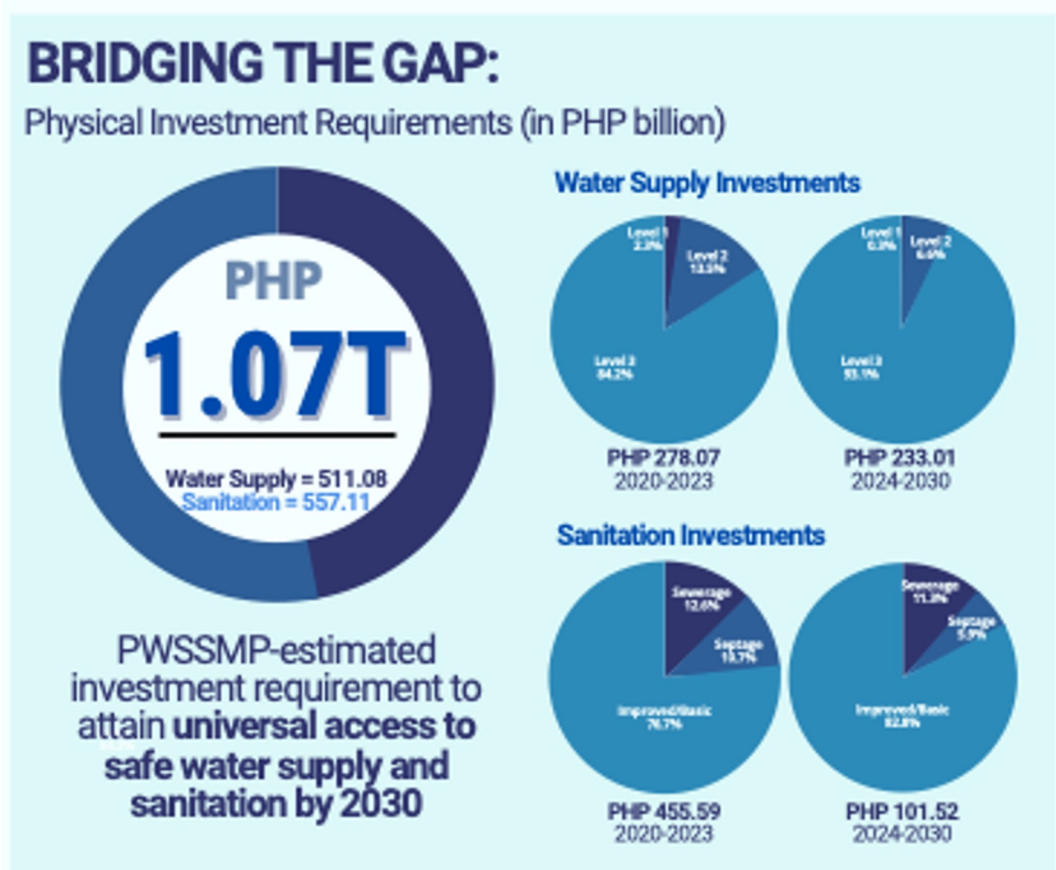
Citation: National Economic and Development Authority (2023)

Enhanced economic regulatory framework is essential to the sustainability of the WSS Sector

Focused and dynamic regulation to sustain investments and cost of service



Philippine WS&S: Situation Analysis



Citation: National Economic and Development Authority. (n.d.). *Philippine Water Supply and Sanitation Master Plan*.

RESULTS FRAMEWORK DIAGRAM



KEY REFORM AGENDA (KRA)

To improve the enabling environment of the WSS sector even as priority programs are being pursued, **eight key reform agenda** have been developed.

		LEAD AGENCY
	ESTABLISHING EFFECTIVE WSS SECTOR INSTITUTIONS FOCUS: Addressing the fragmented WSS sector	NEDA
	STRENGTHENING THE REGULATORY ENVIRONMENT FOCUS: Regulating and managing water resources and WSPs, including water tariffs	NEDA, LWUA, NWRB, DILG
	CREATING AND ENSURING EFFECTIVE WSS SERVICES FOCUS: Ensuring appropriate and sustainable operations of WSS service providers	LWUA, NWRB, DILG, DOH
	BALANCING WATER SUPPLY AND DEMAND FOCUS: Managing and maximizing finite water sources with end-users	NEDA, LWUA, NWRB, DILG
	BUILDING CLIMATE RESILIENCY FOCUS: Adapting to the effects of climate change	DPWH, NEDA
	ENABLING ACCESS TO FUNDING AND FINANCING FOCUS: Improving availability and acquisition of funds/financing for WSS services	NEDA, DOF, LWUA, DPWH
	MANAGING DATA AND INFORMATION FOCUS: Ensuring availability and accessibility of reliable WSS data	NEDA, NWRB
	DRIVING RESEARCH AND DEVELOPMENT (R&D) FOCUS: Investing on research and innovations	NEDA, NWRB

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Infrastructure crises in 1990s

Type of crisis	Condition	Enabling Reform	Outcome post-reform
Power supply crisis (1990-1992)	Power supply outage of up to 10 hours per day	BOT Law	Energy access from 65% to 97%
Telco service crisis (before 1995)	1m landlines for 62M population	Telecom Deregulation Law	150m mobile subscribers @ 110M population
Water Crisis (before 1995)	Water service coverage at 60% and System loss at 65% in 1995	National Water Crisis Act	Supply coverage over 95% (18M) NRW 30% combined (MWC at 13%)

Citation:

Energy stats - World Bank cited in World in Data

Telephony stats – International Telecommunications Union (via World Bank)

Water supply stats – Metropolitan Waterworks and Sewerage System (MWSS)

Track record of the Philippines in Infrastructure-linked PPP



Philippines

East Asia & Pacific

Income Group
Lower middle income

Population
115,559,009

Number of PPPs
22

GNI per Capita
\$3,950

PPP Investments
\$6,919.77

Number of PPPs: PPP projects that reached financial closure between January 2014 and December 2018.

PPP Investments: Total investment commitments in PPPs between January 2014 and December 2018 at the time of financial close.

Thematic Scores for Public-Private Partnerships in Philippines



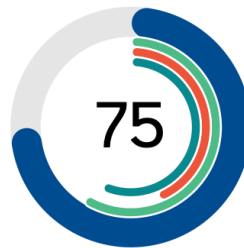
Preparation



Procurement



Contract Management



Unsolicited Proposals

● Global Average

● Regional Average

● Income Group Average

Source: World Bank.
Benchmarking
Infrastructure
Development

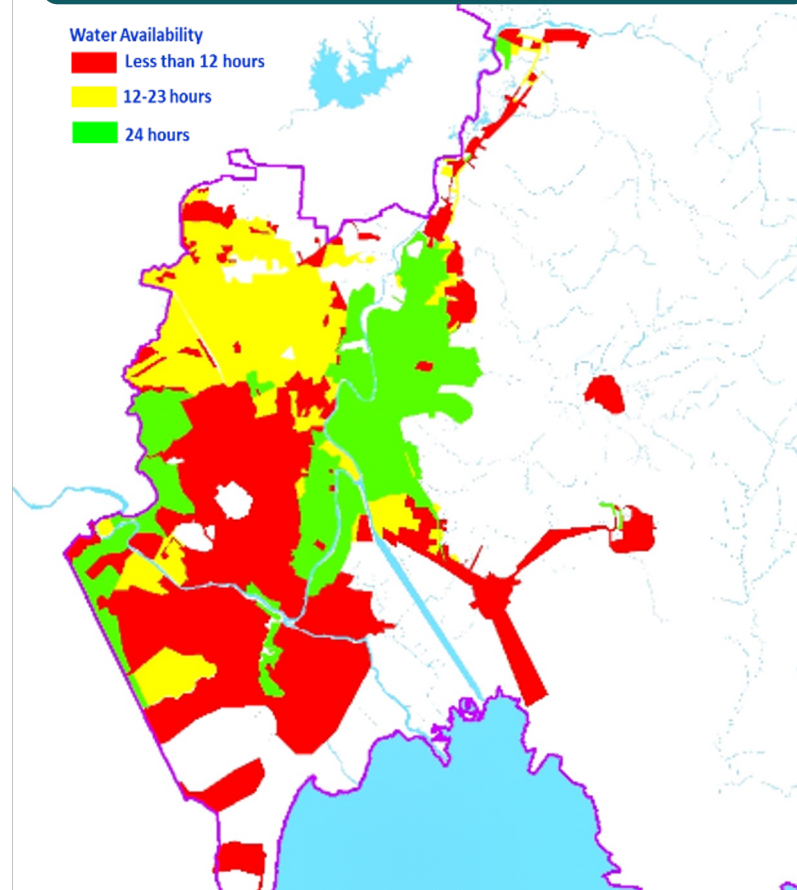
Pre-privatization initial condition

**ILLEGAL
CONNECTIONS**



**LOW WATER PRESSURE
TO NO WATER**

**WATER SUPPLY AVAILABILITY (1997):
3.1 million customers**



**MASSIVE
LEAKS**



**POOR CUSTOMER
SERVICE**

National Water Crisis Act 1995 as Basis for Privatization

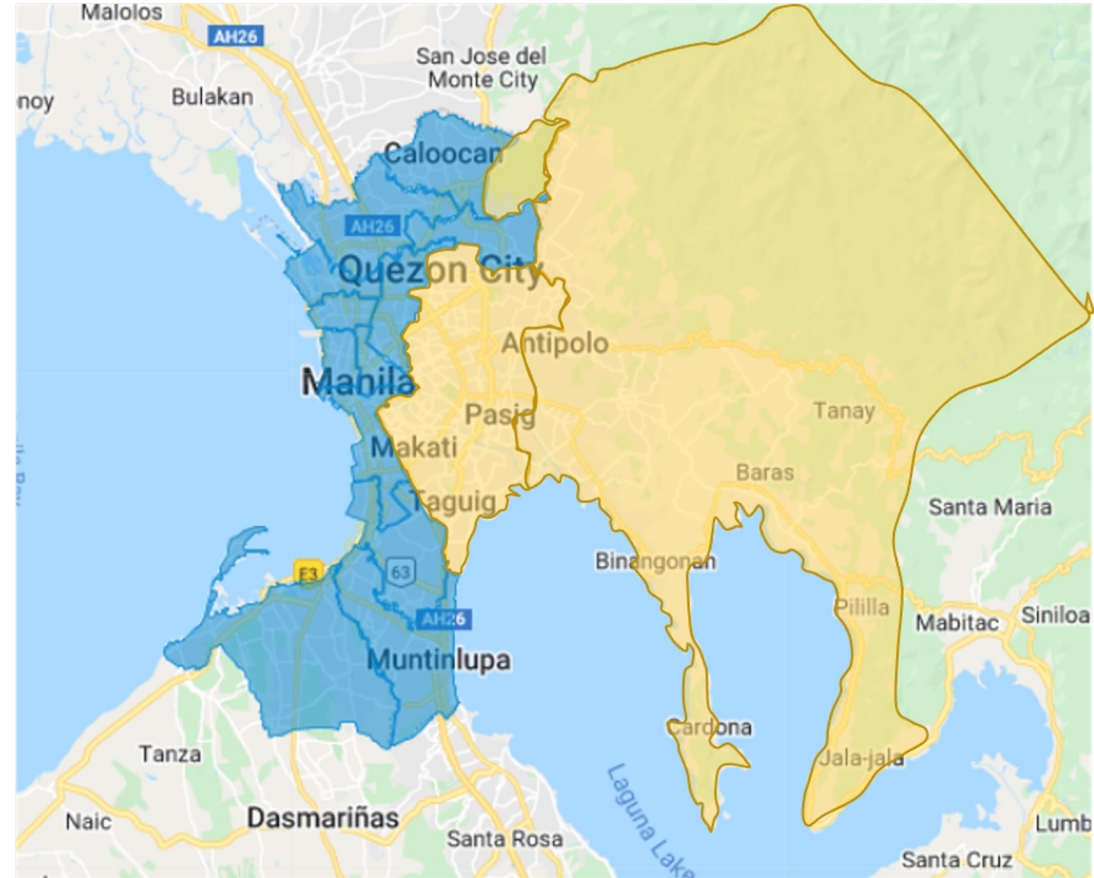


General Concepts of the **National Water Crisis Act**

- Reorganization of MWSS
- Criminalization of water theft
- Granting authority to the President to privatize water utilities
- Negotiate BOT contracts

Objectives of MWSS Privatization

- Improve procurement efficiency and transparency
- Increase labor productivity and operating efficiency
- Mobilize private finance (and service existing MWSS debt)
- Improve overall management of water services

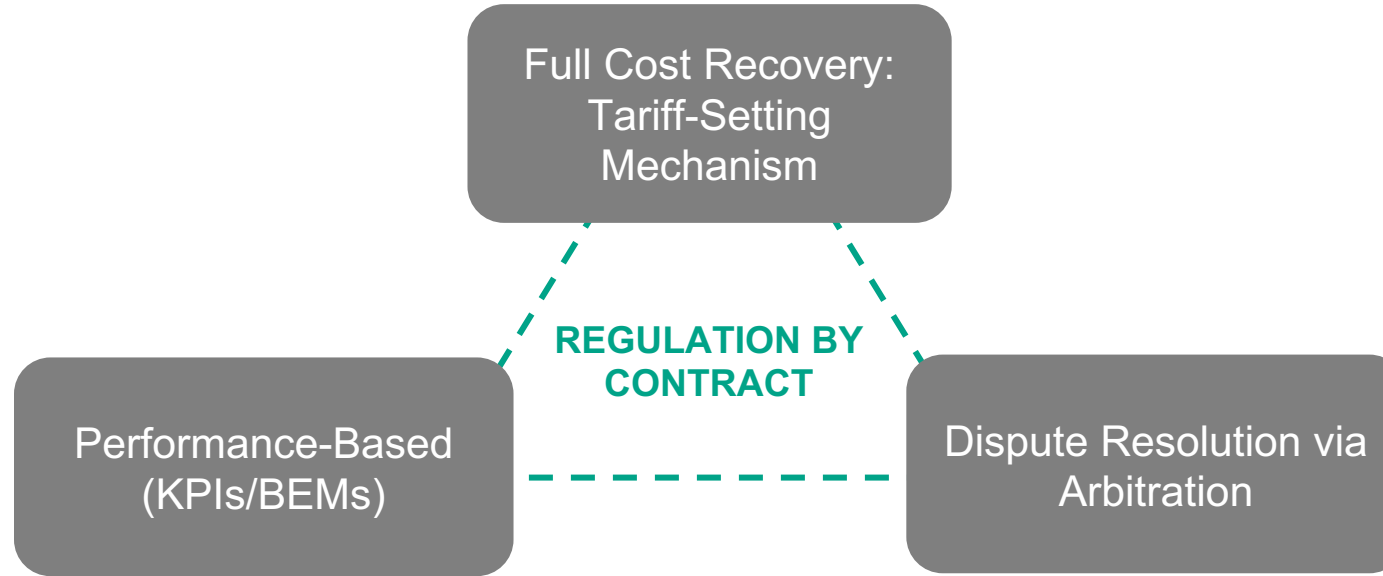


① Maynilad Concession Area

② Manila Water Concession Area

Concession Framework

Salient features and provisions



OTHER FEATURES:



Debt-servicing of MWSS loans



Absorption of MWSS employees



Gov't. Letter of Undertaking



MWSS as asset owner



Operator/contractor (in charge of procurement)



Obligation/Incentive to invest

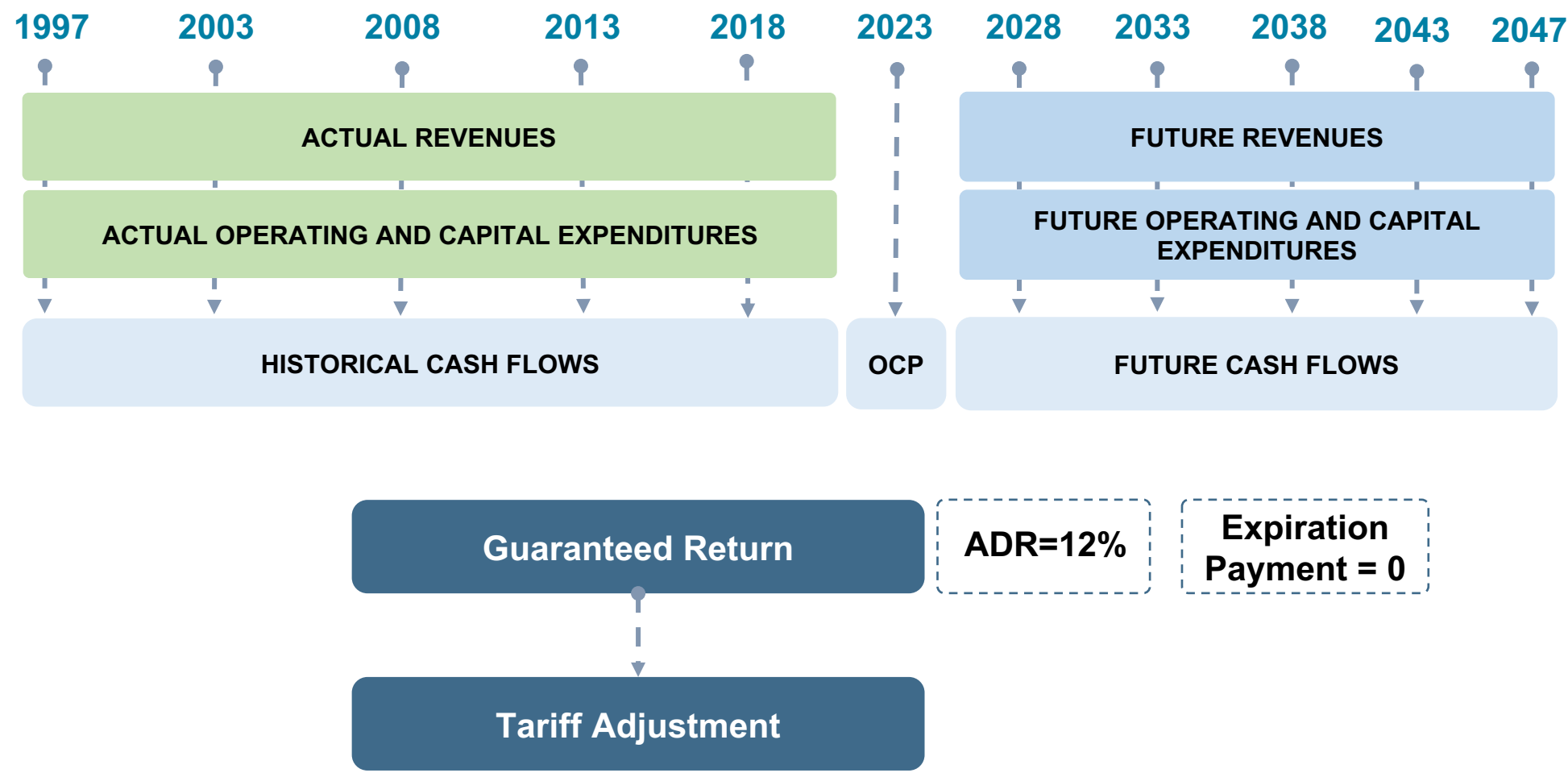
Concession Framework

Cost-recovery Mechanism



Concession Framework

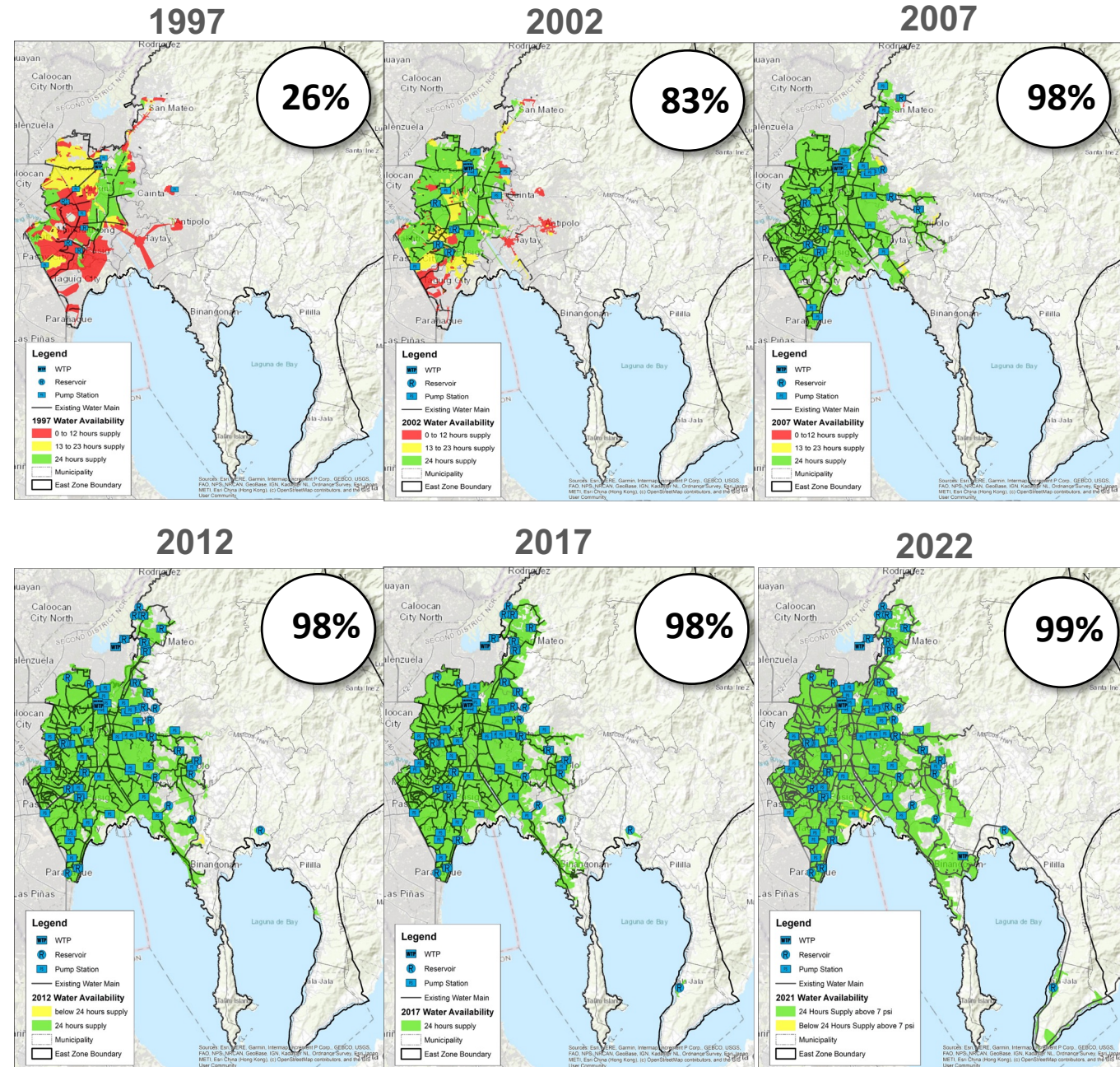
Rate Rebasing Mechanism – Provides guaranteed Return



Citation: Author’s framework based on provisions of the Concession Agreement

1997-2021 Water Availability in the East Zone

% customers with 24 hrs water availability

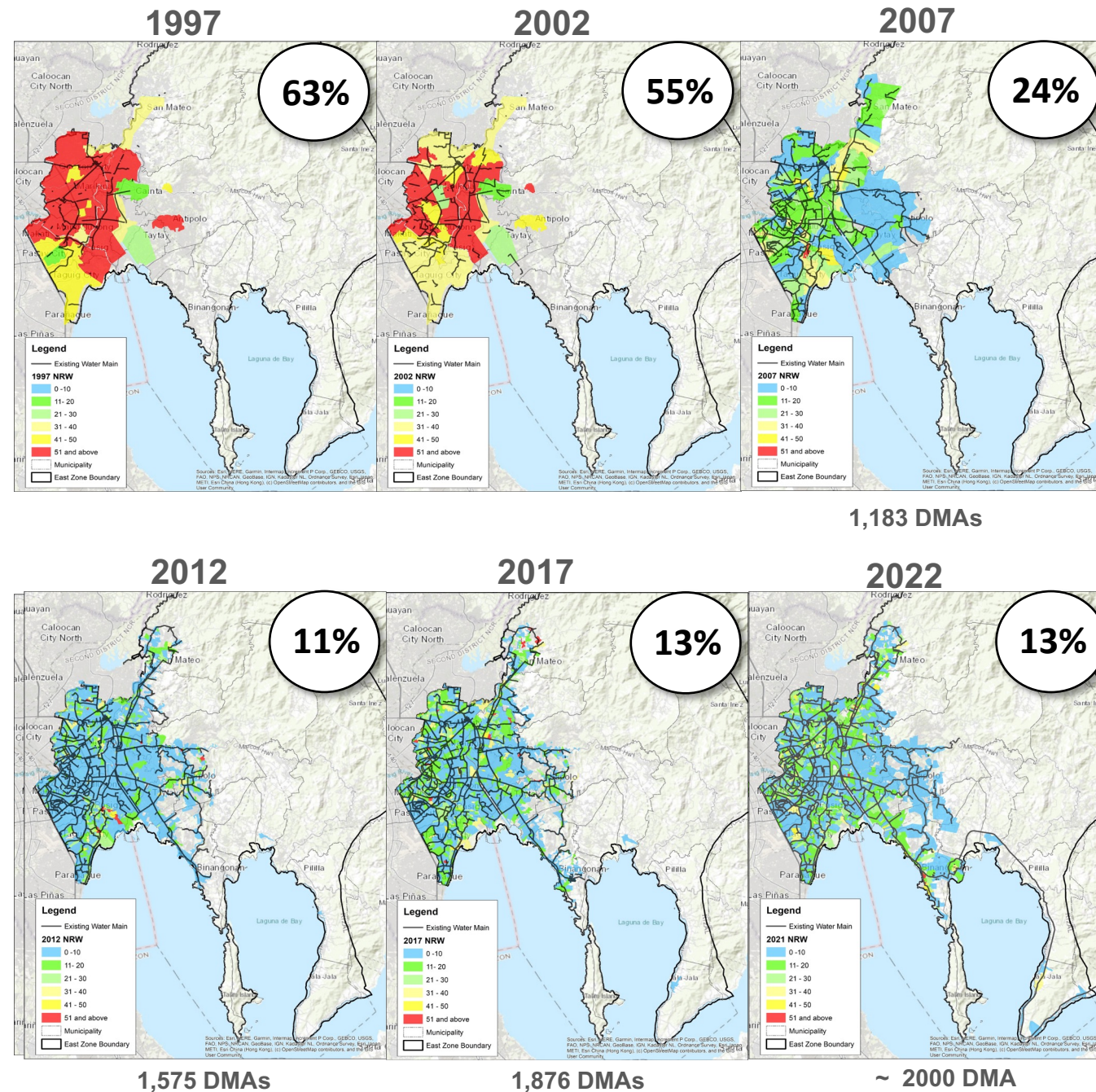


1997-2021 Non-Revenue Water in the East Zone

Non-Revenue Water (NRW)

DMA – District Metering Areas

Citation: Manila Water



Strategic response to address water supply for urban poor

INCLUSIVE BUSINESS

FOCUS	OBJECTIVE
Depressed/Low-income Communities	Help Build Communities
	
	

01

1.8 million people from marginalized communities served

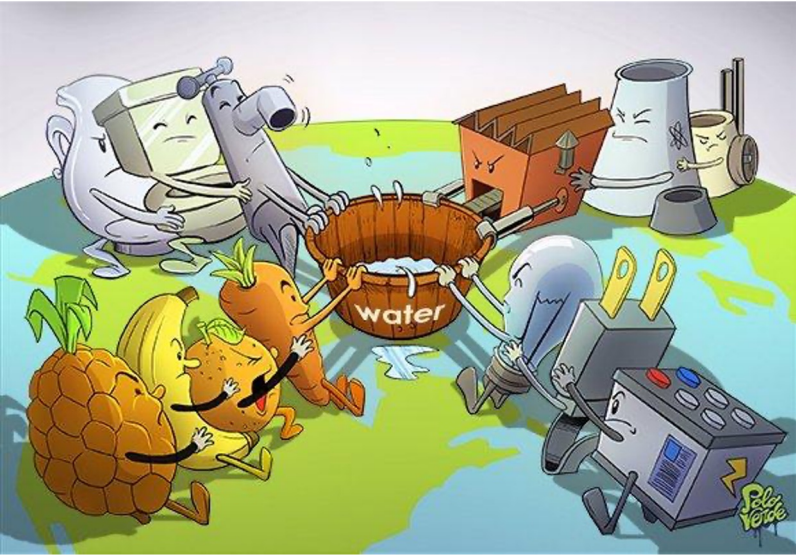
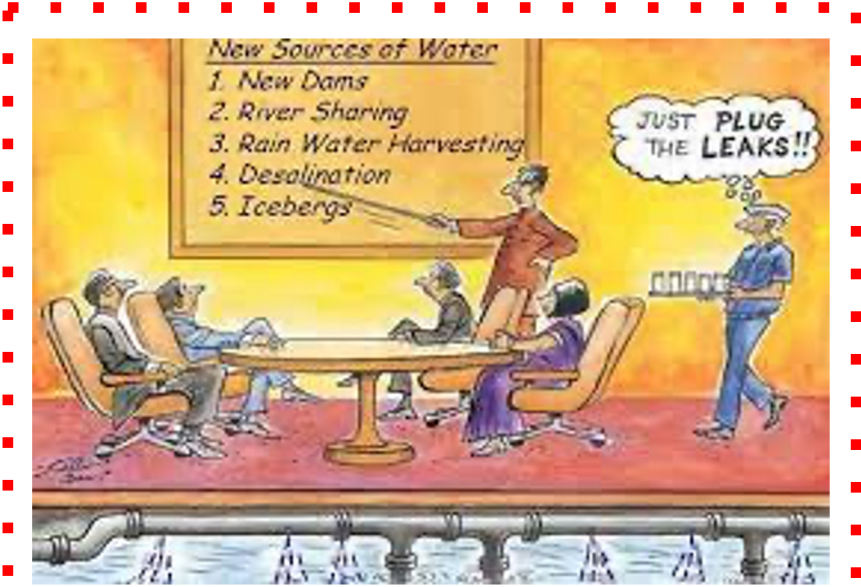
02

Urban poor communities granted access to **potable water**.

03

24/7 Potable Supply; Affordable Water; Adequate Pressure

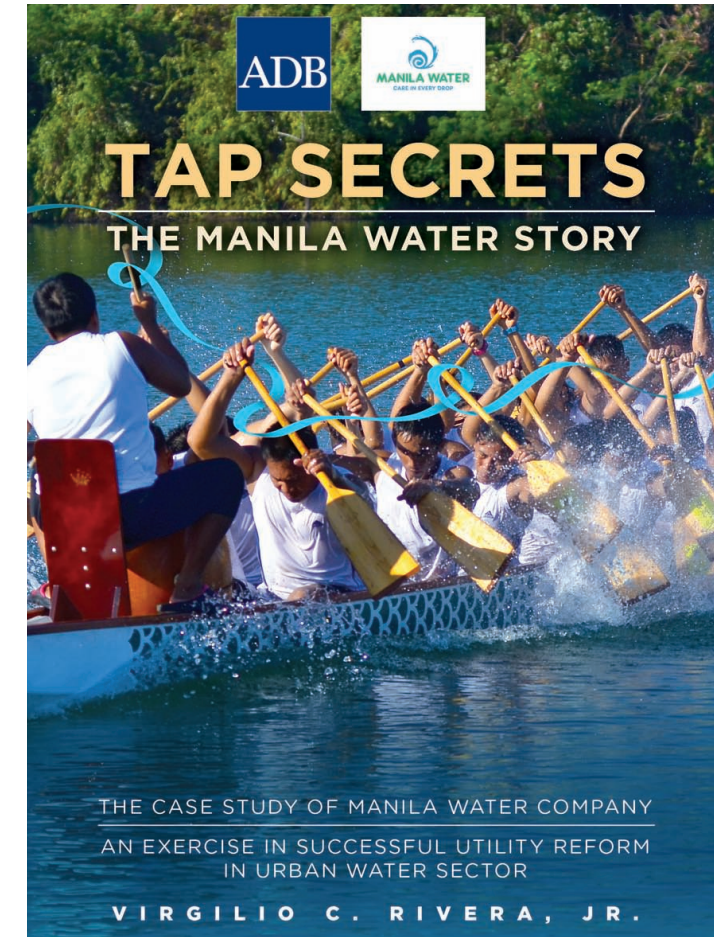
Urban water sector issues: Focus on NRW



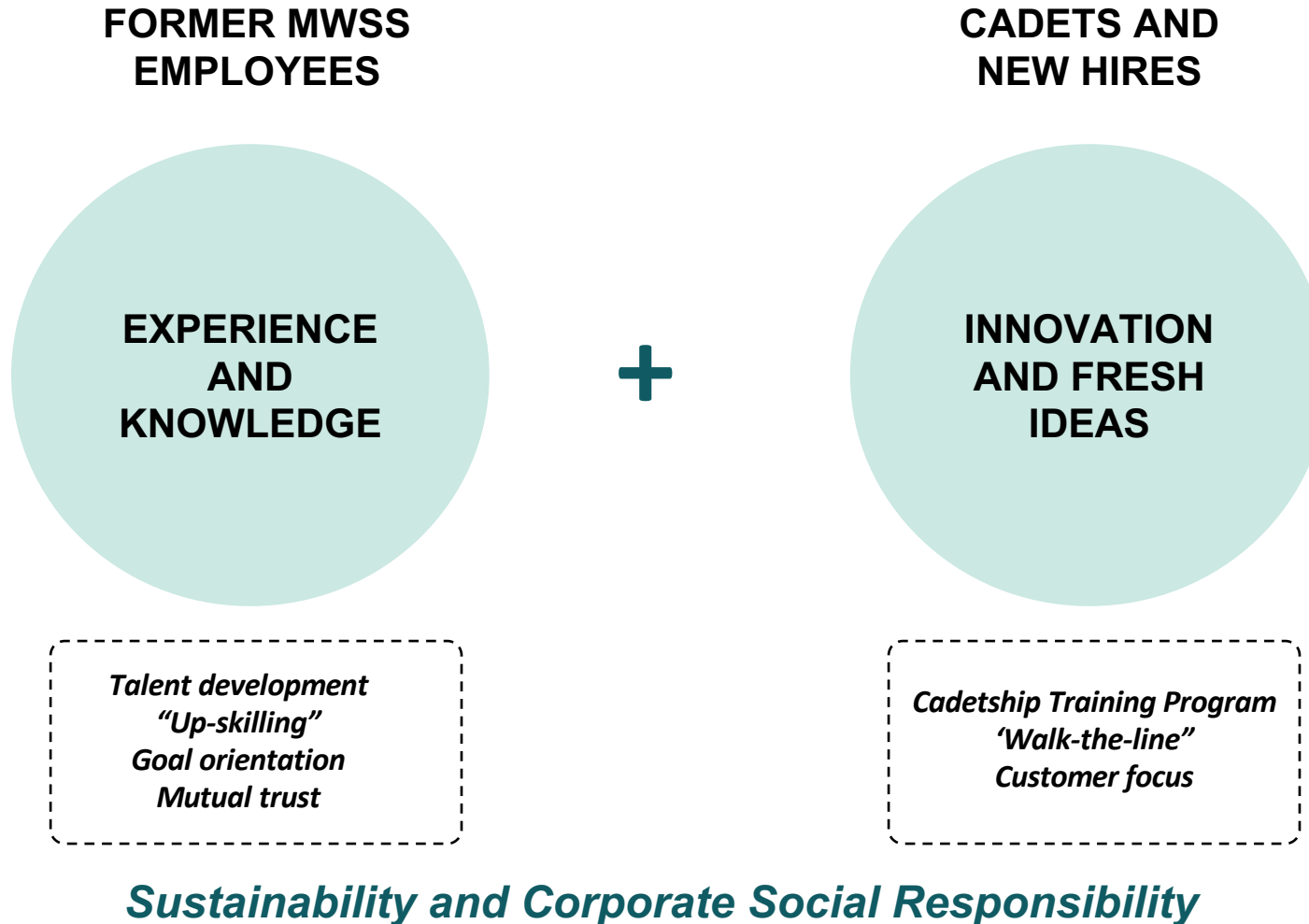
Key strategies to reduce NRW



- Leadership & Governance
- Decentralization and Empowerment
- Accountability for results through KPIs
- NRW as a cornerstone of a Utility's transformation



Tap Secret #1: ENABLE



Tap Secret #2: EMPOWER

TERRITORY MANAGEMENT APPROACH “The 5 Marbles”



Billed Volume



**Revenue
performance
and assurance**



**Collection
efficiency**



**After sales /
Customer service**



**Non-Revenue
Water**

Decentralized Approach
Accountability & Responsibility

Tap Secret #2: EMPOWER

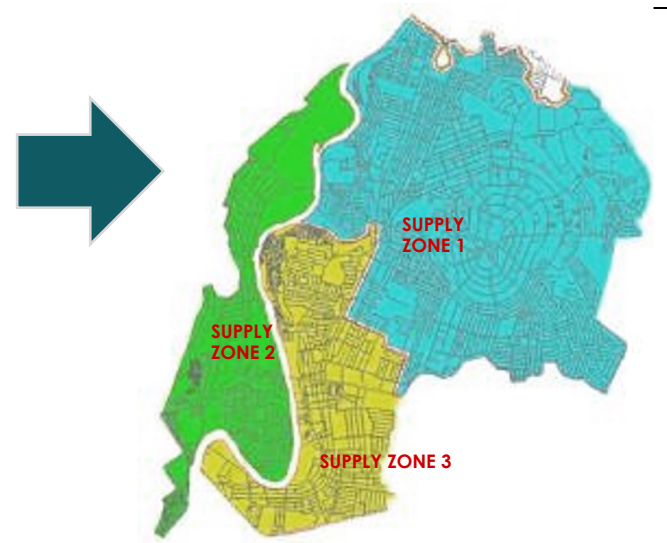
DECENTRALIZED APPROACH THROUGH TERRITORY MANAGEMENT

Area Business Manager



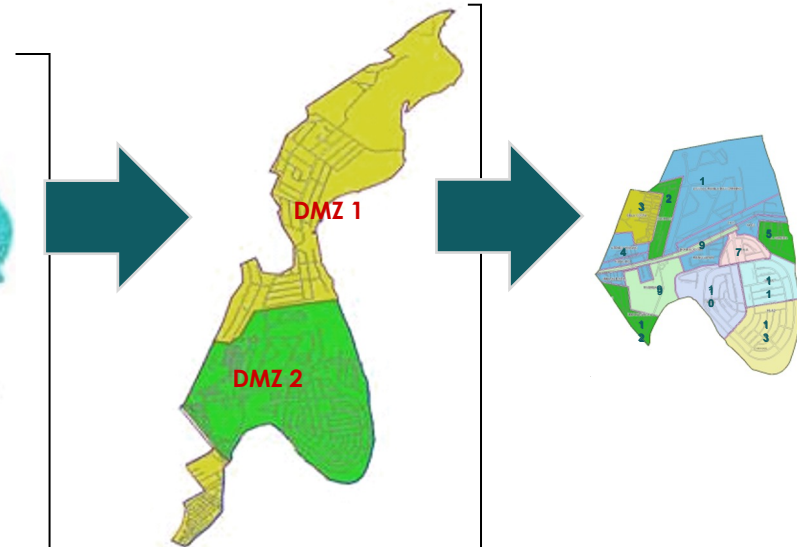
Key Service Business Areas

Business Zone Manager



36 Business Zones

Sr. Territory Manager/ Key Accounts Manager



230+ Demand
Monitoring Zones

1,800+ District
Metering Areas

Tap Secret #3: EXCEL



ENGINEERING / TECHNICAL SOLUTIONS

*Strategic NRW management
Laying new pipes
Upgrading facilities
Building new infrastructure
Manila Water University*



COMMUNITY ENGAGEMENT

*'Kasangga' system
'Tubig Para Sa Barangay' (TPSB)
Public Consultations
Partnership with local
governments*

***“Pipes & People”
Infrastructure & Individuals***

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The East Concession

by the Numbers

	Prior to August 1997	To 2022
Customers	3.1M	7.5M
Water Service Connections	310 K	1.1M
Water Availability (24/7)	26% (24/7)	99.8% (24/7)
Non-Revenue Water Percentage	63%	13%
Sewer Coverage (sanitation service for unsewered customers)	3%	33.5%
Private Capital Investments (cumulative)	0	Php111B



Novaliches-Balara
Aqueduct 4



Rizal Province Water Service
Improvement Project



North & South Pasig
Sewerage System



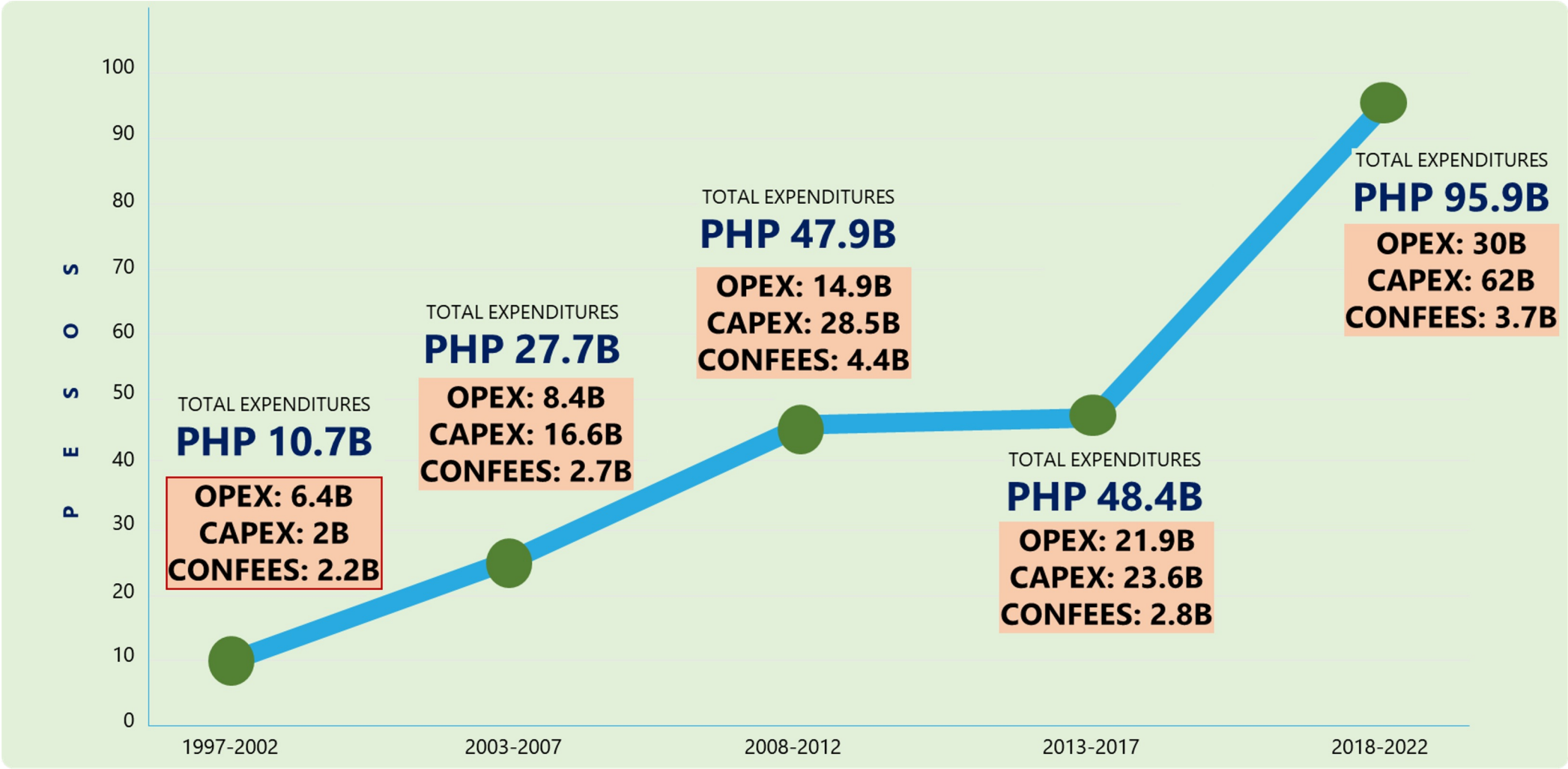
Northern Rizal Water
Supply Project



Cumulative Capital Investments
PHP0 to **PHP111B** (≈US\$ 2B)
PHP50B from 2017-2021



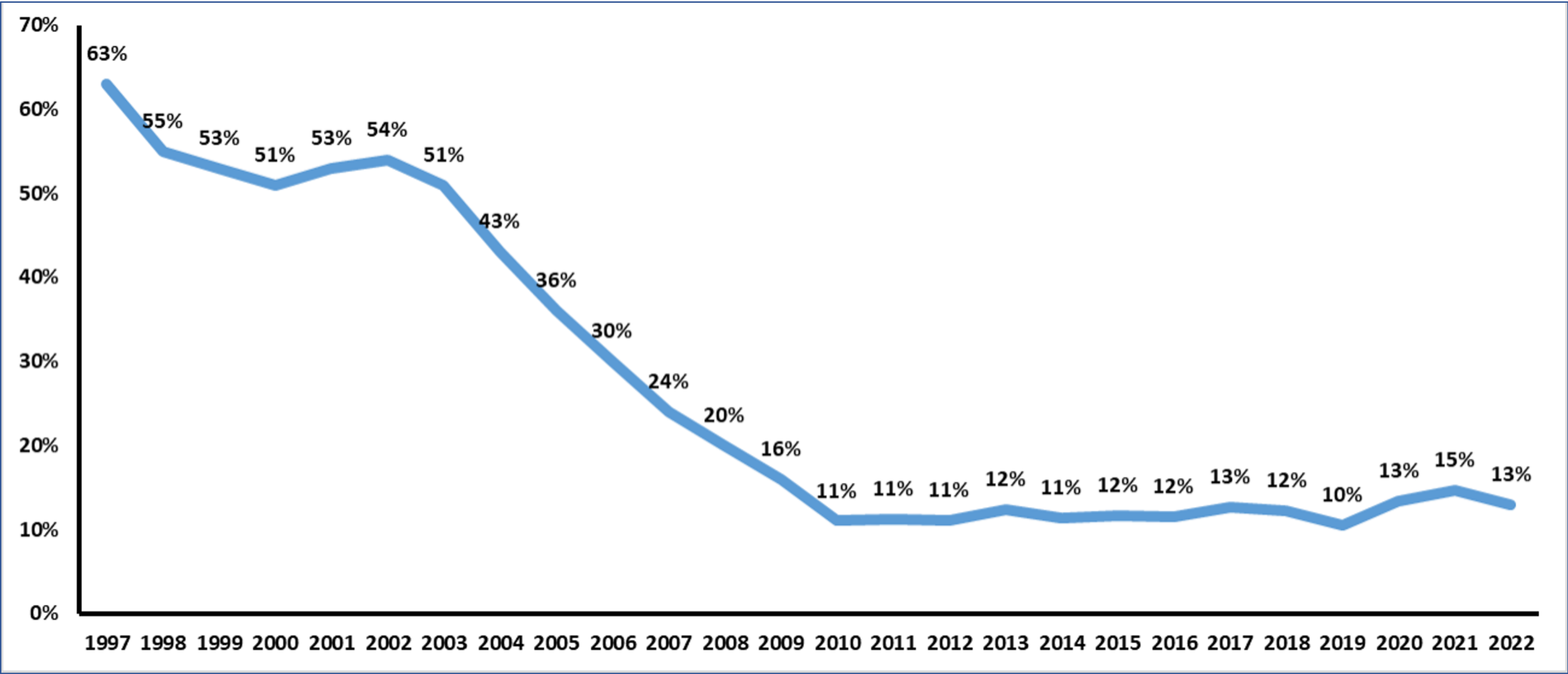
Manila Water’s **total expenditure** through the years to ensure **water security** and **sustainable services** while improving **operational efficiency**.



Latest Developments

- Manila Water secures congressional franchise for its East Zone concession
- Successfully completed its 5th Price Review / Rate Rebasing Process
 - Tariff rates will nearly double through 2027 anchored on \$2B capital investment commitment
- Revision of Concession Agreement to 2047 as set in its congressional franchise

Manila Water – East Zone NRW Performance, 1997-2022





MANILA WATER
CARE IN EVERY DROP

Manila Water Company, Inc.

**2022
WATER COMPANY
OF THE YEAR**



Available PPP Modalities and Frameworks for Water and Sanitation

Government Entity	Available PPP Legal Framework	PPP Modality
<i>Local Government Units</i>	Amended BOT Law	Build-Operate-Transfer (BOT) and other allowed modalities under the BOT Law
	Its own PPP Ordinance under its local autonomy	JV
<i>Water Districts</i>	LGC or the Constitution of the Philippines	Local Legislative or Congressional Franchises
	Amended BOT Law	BOT and other allowed modalities under the BOT Law

Water PPP Projects as of 2022



Contract Type	Age									
	1	2	3	4	5	6	7	8	NA	TOTAL
Bulk Water				1			2		2	5
NRW							1			1
Septage		2							2	4
Water Operations	12	4	25	24	13	6	7	1	9	101
Grand Total	12	6	25	25	13	6	10	1	13	111

Water Operations	101
Bulk Water	5
NRW	1
Septage	4
TOTAL	111

Key Messages

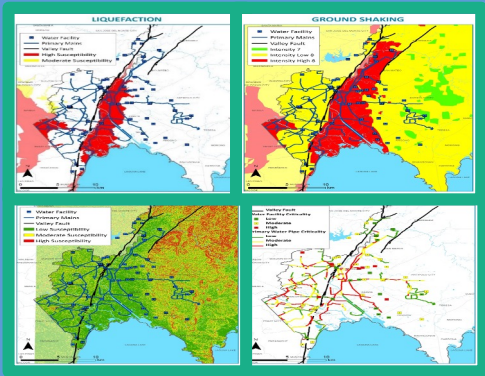
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Continuing Challenges

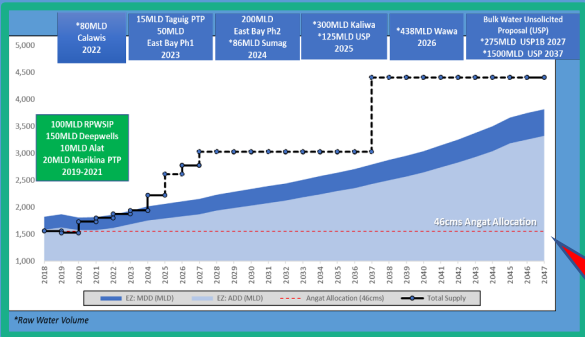
Climate Change



Seismic Risk



Long-term Water Sources



Changing Environmental Standards (CWA/BNR)



Regulatory Developments RCA / Tariff Freeze

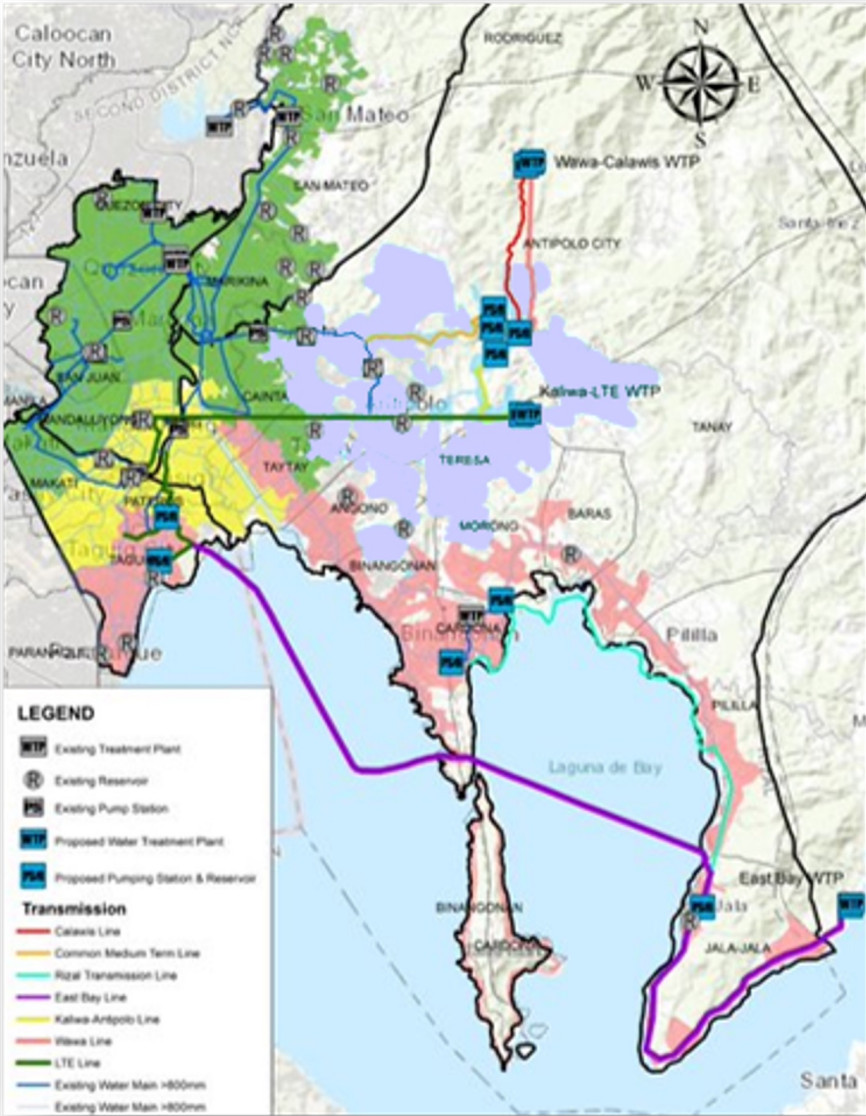
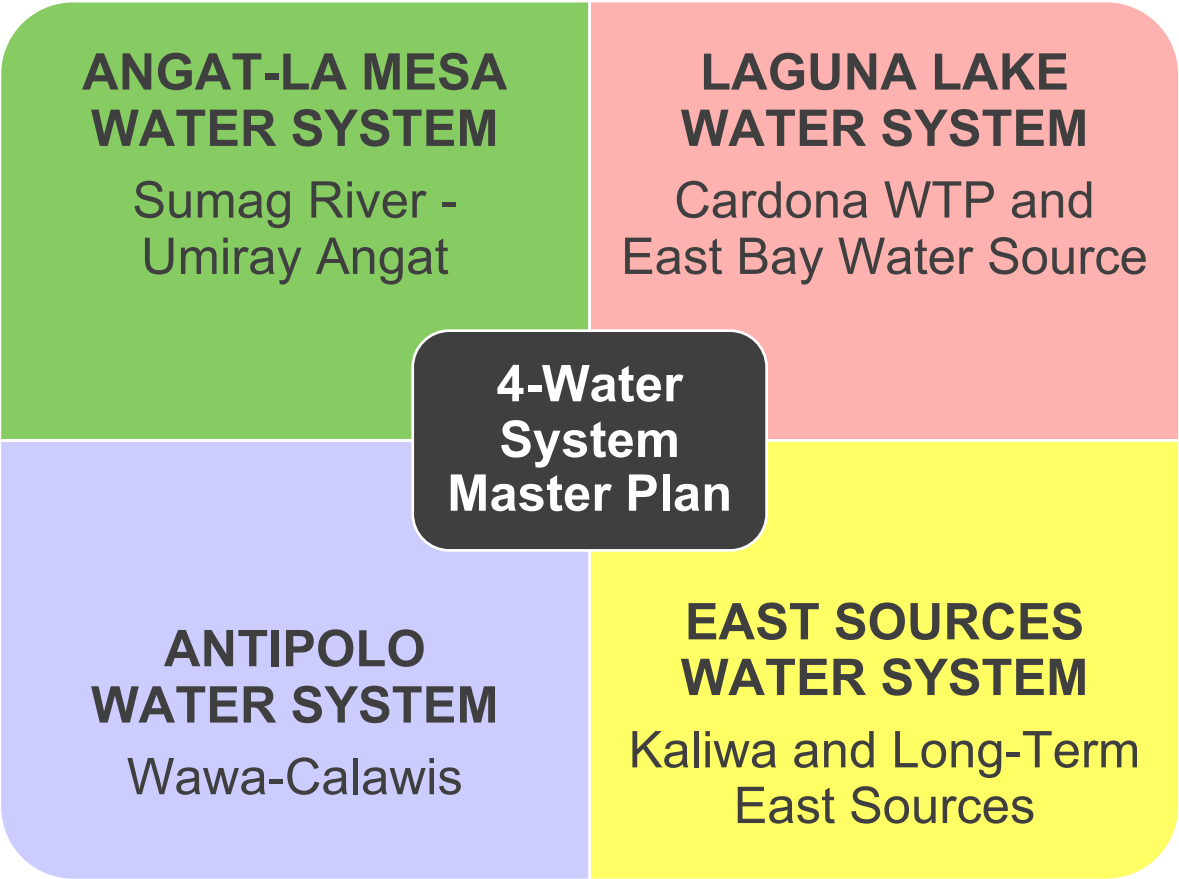


Covid-19

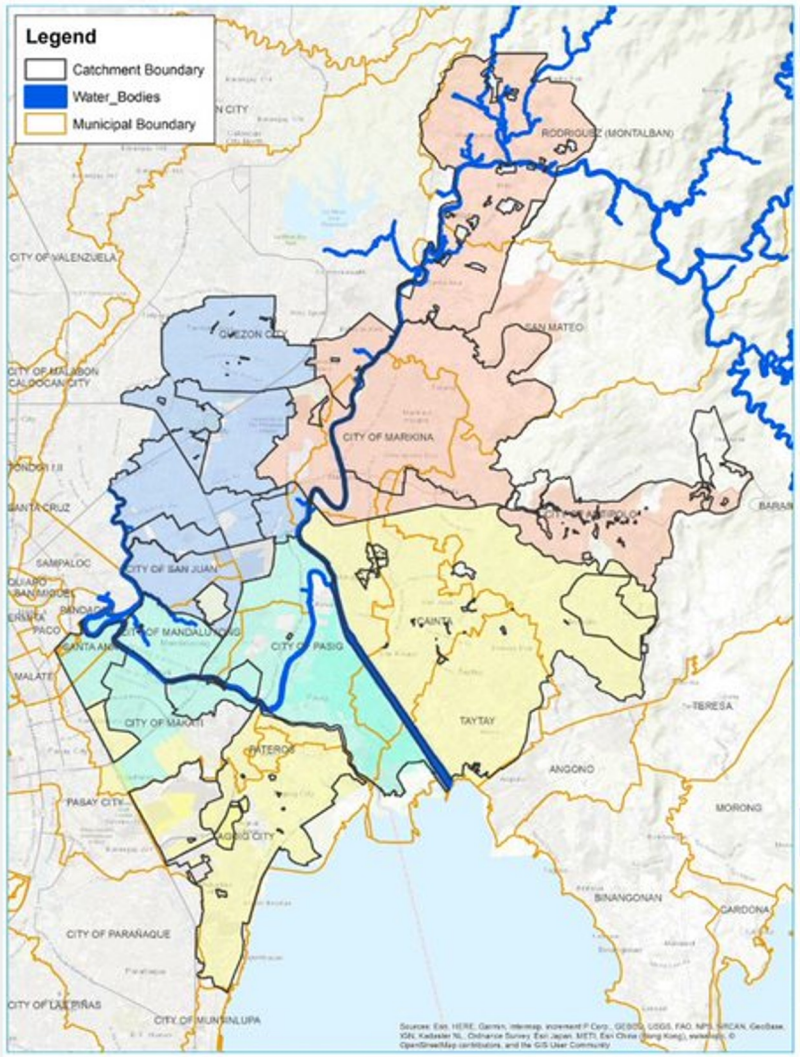


Geo-political risks

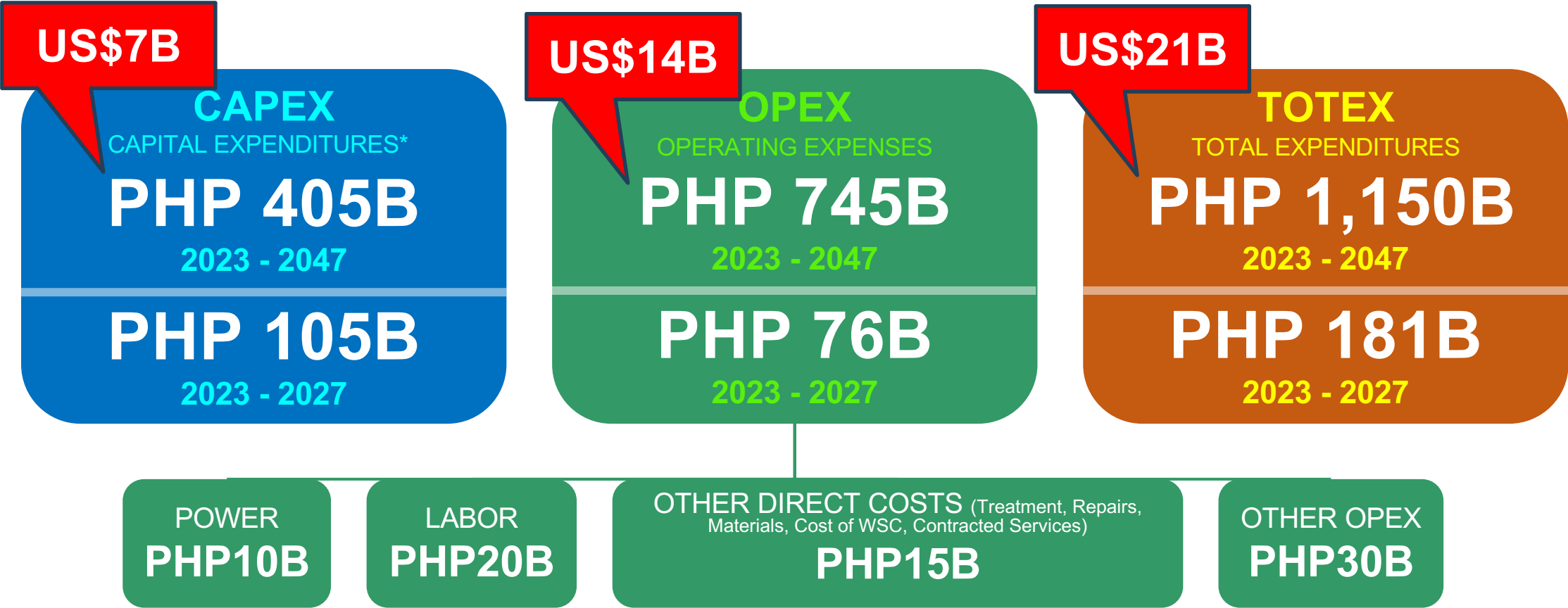
Proposed Water Service Improvement Plan



Three-River System Wastewater Master Plan



Manila Water plans to **invest in capital expenditure** to ensure **water security** and **sustainable services** while improving **operational efficiency**.



**Includes Concession Fee Payments*
Citation: Presentation of Manila Water during the public consultation related to its Rate Rebasing 2023 Review (2022)

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Lessons Learned and Insights

- Institutional, regulatory and environmental risks remain top concerns of both policy makers and utility operators
- Political will and enabling framework provided the spark for the transformation of water services in Metro Manila
- Concession framework was appropriate model for the structural or systemic problems faced by Metro Manila.
- Introduction of enabling legal frameworks has resulted in increased private sector participation in other urban areas of the Philippines

Lessons Learned and Insights

- Cost and quality of service will be a major challenge in the future due to rapid urbanization, climate change, raw water security concerns and stricter environmental standards
- Transformation of service delivery anchored on leadership, empowerment, decentralization and accountability for results
- Bias for the urban poor as part of social license to operate - it was important for the company that households at the “base of the pyramid” benefit from private sector participation.
- NRW Reduction program requires a holistic and multi-pronged approach and was integral part of the utility company’s Transformation Program

Thank you!

End of presentation