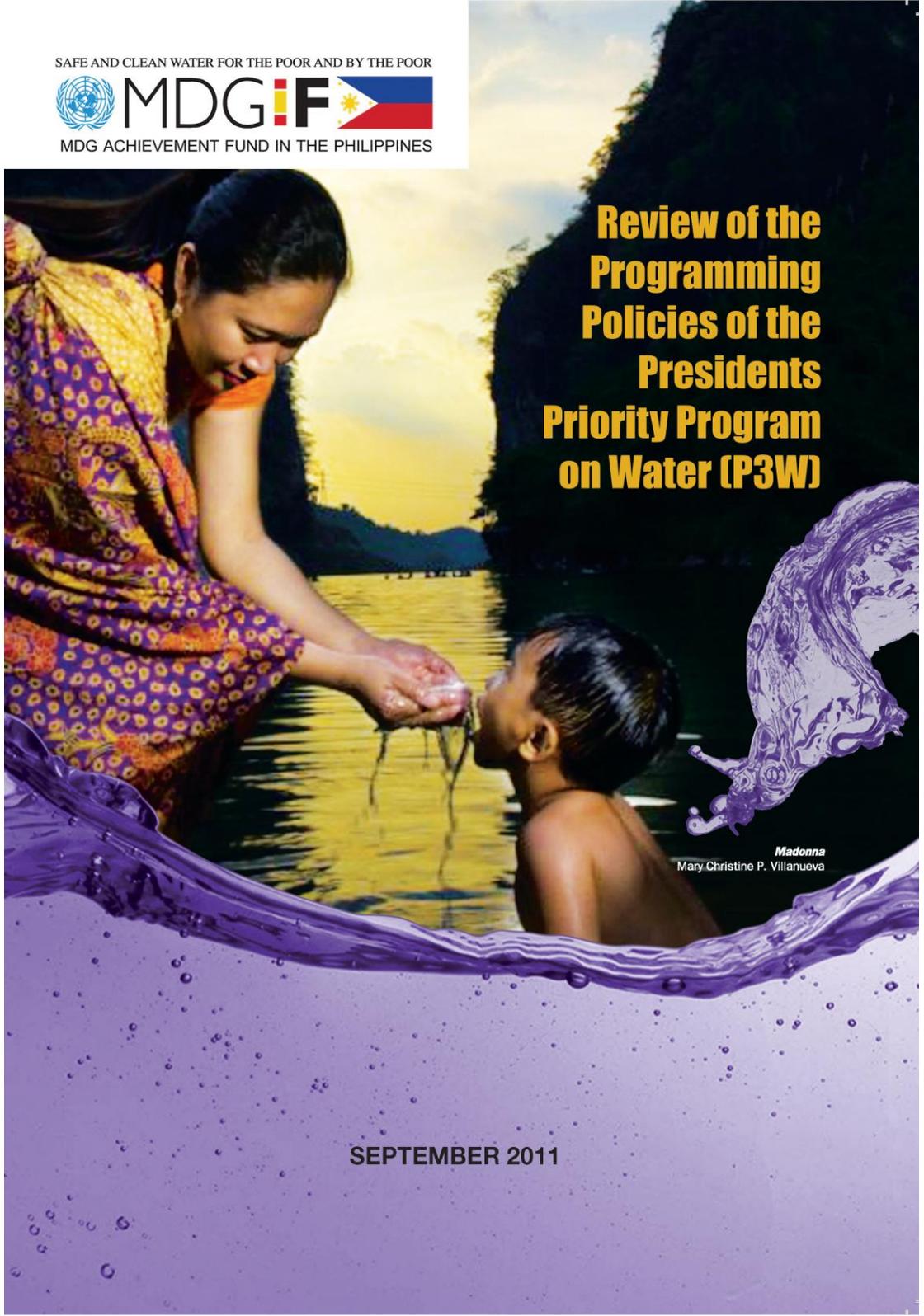


SAFE AND CLEAN WATER FOR THE POOR AND BY THE POOR



MDG ACHIEVEMENT FUND IN THE PHILIPPINES

A photograph of a woman in a purple and yellow patterned sarong pouring water from her hands into the mouth of a young child. They are positioned by a body of water, possibly a lake or river, with a sunset or sunrise in the background. The sky is a mix of orange, yellow, and blue. The water is dark, and the surrounding landscape is silhouetted against the bright sky. The overall mood is peaceful and caring.

Review of the Programming Policies of the Presidents Priority Program on Water (P3W)

Madonna
Mary Christine P. Villanueva

SEPTEMBER 2011

ABOUT THE MDGF ACHIEVEMENT FUND

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

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SAFE AND CLEAN WATER FOR THE POOR AND BY THE POOR



MDG ACHIEVEMENT FUND IN THE PHILIPPINES

MDG-F 1919:

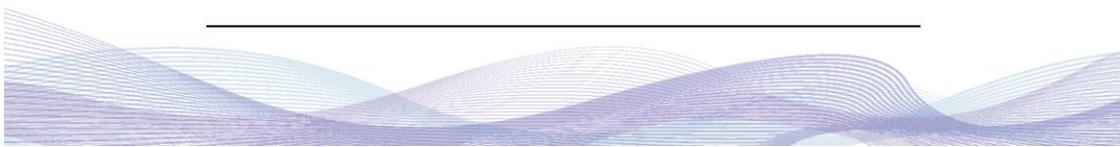
Enhancing Access to and Provision of Water Services
with the Active Participation of the Poor

Review of the Programming Policies of the Presidents Priority Program on Water (P3W)

SEPTEMBER 2011

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ABOUT THE MDGF 1919

Joint Programme on Enhancing Access to and Provision of Water Services with the Active Participation of the Poor

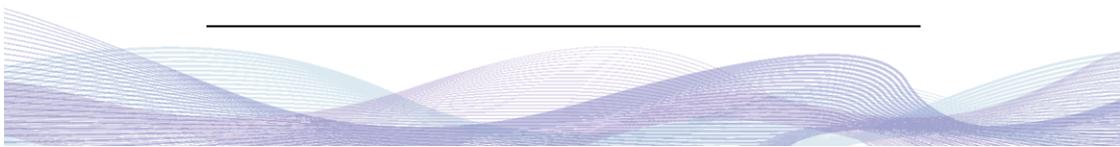
The MDGF 1919 Joint Programme on Enhancing Access to and Provision of Water Services with the Active Participation of the Poor is jointly implemented by the Philippine Government and United Nations partners to enhance provision of and access to water services by filling the “soft” component gaps of existing national government programs that focus only on infrastructure (“hard” components) provision.

Bringing together the NEDA, DILG, and the NWRB, with UNDP and UNICEF as UN Partners over a three-year period (starting May 2009), the Joint Programme specifically aims to contribute in partially addressing issues in low investments and low capacities by 1) establishing investment support mechanisms to improve efficiency, access, affordability and quality of water; and 2) enhancing capacities at the local level to develop, operate and manage water utilities, to benefit 122,000 households in 36 municipalities in Regions 2, 5, 9, 10, and 13.

OUTPUT	
Outcome 1:	Investment support mechanisms established for poor communities/municipalities to improve efficiency, access, affordability and quality of potable water
Output 1.1	Incentives mechanisms and partnership modalities developed and enhanced for public and private investments in “waterless” and poor communities
Output 1.2:	Financing and programming policies in the sector reviewed and amended as necessary to rationalize assistance and increase ownership and accountability <ul style="list-style-type: none"> • Output 1.2.1: NG-LGU cost sharing policy reviewed and amended, as necessary • Output 1.2.2: P3W programming policies reviewed and amended, as necessary
Output 1.3:	Local WATSAN councils and water user associations organized to effect participative provision of water supply services
Output 1.4:	Adjustment of NWRB’s tariff-setting guidelines for small water service providers
Outcome 2:	Enhanced local capacities to develop, operate and manage water utilities
Output 2.1:	Capacities at the local level strengthened, with participation of marginalized groups especially women. <ul style="list-style-type: none"> • Output 2.1.1: Skills and knowledge transferred/shared through institutionalization of local mentoring mechanisms • Output 2.1.2: WATSAN Toolbox rolled out and implemented.
Output 2.2:	Improved sector plans formulated and monitoring mechanisms established
Output 2.3:	Localized customer service code developed and adopted
Output 2.4:	Information, education and communication programs

LIST OF ACRONYMS AND ABBREVIATIONS

ARMM	Autonomous Region of Muslim Mindanao
BWSA	Barangay Water and Sanitation Association
DILG	Department of the Interior and Local Government
DOH	Department of Health
DPWH	Department of Public Works and Highways
ERR	Effective Rate of Return
HHs	Households
LGU	Local Government Unit
LWUA	Local Water Utilities Administration
MDG	Millennium Development Goal
MDGF	Millennium Development Goals Fund
MTPDP	Medium Term Philippine Development Plan
NAPC	National Anti-Poverty Commission
NEDA	National Economic and Development Authority
NG	National Government
NWRB	National Water Resources Board
P3W	President's Priority Program on Water
RWSA	Rural Water and Sanitation Association
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WATSAN	Water and Sanitation



DEFINITION OF TERMS

Adequately Served refers to those with access to safe water in accordance with the following rate of consumption:

Level I..... at least 20/liters/capita/day

Level II..... at least 60 liters/capita/day

Level III at least 100 liters/capita/day

Level I system (point source) a protected well or a developed spring with an outlet but without a distribution system, generally adaptable for rural areas where the houses are thinly scattered. A Level I facility normally serves an average of 15 households. It provides at least 20 liters/cap/day and the farthest user is not more than 250 meters from the point source.

Level II System (communal faucet system or standposts) is a system composed of a source, a reservoir, a piped distribution network and 2 or more communal faucets, with each faucet serving 4 to 6 households. The farthest house should not be more than 25 meters from the communal faucet system and the system should provide at least 60 liters/capita/day. Generally suitable for rural and urban fringe areas where houses are clustered densely to justify a simple piped system.

Level III System (waterworks system or individual house connections) Is a system with a source, a reservoir, a piped distribution network and household taps. It is generally suited for densely populated urban areas. The system should be able to provide at least 100 liters/capita/day.



Sandayong Sa Tabay Vengie Ravelo

Safe Drinking Water/Potable Water is water that is free of microorganisms or disease-producing bacteria (pathogens). In addition, the water should not possess undesirable tastes, odors, color, levels of radioactivity, turbidity or chemicals and it should pass the standards of the Philippine National Standards for Drinking Water.

Water Supply is the supply of water for domestic, municipal, industrial and commercial uses.

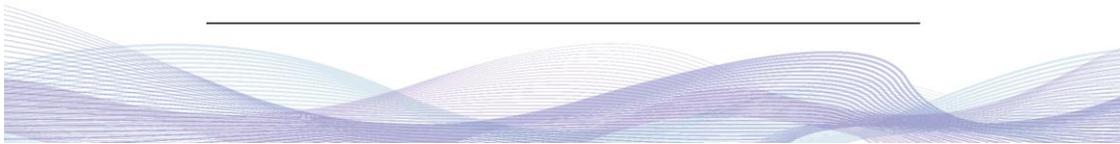
Water Supply Coverage refers to the number of people in a given community or geographical area who have access to safe water. The extent to which the population of a geographical area is covered (expressed in terms of the number of people served compared to the total population of that community or area).

Waterless Municipality is a municipality with less than 50 percent water supply coverage. This definition is used in the 2005 P3W Implementing Guidelines.

Reliable Water Supply is the efficient delivery of water supply in terms of quantity and quality.



Father and Son Jason Cardente



Executive Summary

Overall, the P3W was able to achieve 68.6 percent of its 449 waterless municipalities target by 2010, with only 8.7 percent of those served graduated to 50 percent coverage or more. One hundred forty one (141) municipalities remained unserved by 2010 and a total of 410 municipalities continue to be waterless.

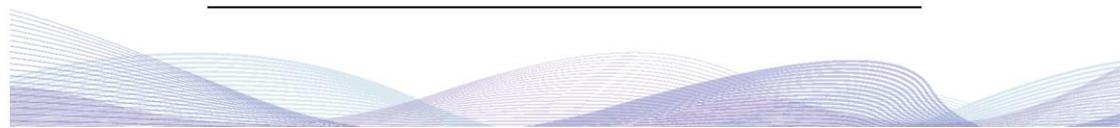
A closer inspection of the design of P3W revealed areas in implementation that could be improved in order to address the problems of political patronage and opportunism that have attached themselves to the program. The major findings that are detailed in the assessment of the guidelines and design of P3W are summarized below:

1. the list of beneficiaries need to be updated and a corresponding mechanism for regular review must be in place;
2. the existing institutional framework of P3W requires shifts in the composition of the national players, as some of those originally tasked to implement the program were not effective due to perceived corruption and susceptibility to political pressure;
3. the project development process has several steps which could be merged and streamlined;

Based on the assessment of the study, it concluded that the funds for water projects such as the P3W are an efficient use of public funds due to the social and economic benefits it brings. It also highlighted the need to increase the current investment of Php 1.5 billion a year to at least Php 89 billion in the next five years (or annual investment of Php 16.22 billion) to achieve the country's millenium development goal of 87% access coverage.

The study concluded that the P3W program is generally a worthwhile project—one that has the potential to effect significant welfare changes for society's marginalized sectors. It has passed the efficiency test with impressive numbers, with the social benefits to be generated from its implementation far outrunning the cost—significantly higher than the alternative use of the funds. But it barely met the equity standard when evaluated, which indicates that the program, although a good public investment in terms of economic returns, needs to be re-calibrated in order to reach the marginalized sectors. While the P3W program has attained the status of an efficient investment with equity-component, there is ample room for improvement to reach a truly efficient and equitable water program. For this, the program rates high in efficiency but low in true equity.

While the study made concrete recommendations in terms of the implementing policy guidelines for a new water project, the study pointed out the need to reform the sector's institutional framework by starting with the creation of a national agency that will manage and effectively regulate the country's water resources. It also recommends to look into strengthening institutions and development of capacities at national and local levels for water and sanitation planning and programming and for managing water supply infrastructures.



1.0 Introduction

The President's Priority Program on Water (or P3W as it is commonly referred to) was initiated in 2005 with a great deal of hope and expectation attached to it. The primary aim of P3W was simple and straightforward: to provide water infrastructure facilities to the "waterless" municipalities in the country, which in year 2000 numbered 432. Waterless was defined as municipalities with less than 50% water supply coverage.

P3W by design was intended to support the implementation of the Medium Term Philippine Development Plan (MTPDP) for 2004-2010 that aimed to provide potable water to the entire country by 2010. Under this program, priority was given to at least 200 "waterless" barangays in Metro Manila and 200 "waterless" municipalities outside Metro Manila. In specific terms, the program set to achieve at the end of six years five water-related outcomes as outlined below:

- Increased access to water supply and sanitation services coverage to at least 50%;
- Reduced incidence of diarrhea by 20%;
- Improved access of the poor to water supply and sanitation services by at least 20%;
- 100% sustainable operation of all water supply and sanitation projects constructed, organized, and supported by the program;
- Qualitative reduction of social tension and inequity brought about by inadequate access to water supply and sanitation in areas with peace agreements.

A recurring theme in the implementation of P3W is the focus on the improvement of welfare of the marginalized sectors in the country—a task that the proponents wanted to pursue (presumably out of equity and social justice objectives) but neglected to integrate in the design of the program.

The amount of funds allocated for P3W was modest – Php0.5 billion per year from 2005-2007 and Php1.5 billion annually from 2008-2010 – given the task at hand. In 2000, out of 11,899,386 households, only 67% (or 7,991,897) had access to safe water and 3.9 million without access. Out of 1577 municipalities, 432 had less than 50% water coverage, which translated to 1,623,623 households or about 8.248 million people without access to safe water. Despite the relatively moderate amount allocated for P3W, the success of the program seemed imminent especially given the declared support of then President Gloria Macapagal Arroyo who assured that funds for the program would continue to flow. Unfortunately, P3W fell short of its potential, and its success was interrupted; and water access to the "waterless" did not takeoff as many thought it would. When P3W was initially evaluated a year ago, many targeted waterless municipalities still remained waterless.

While the lack of hard data could not categorically and quantitatively describe the successes and failures of the program, the anecdotal information

gathered in the field showed that some of the targets had not been met and some objectives had to be written-off.

The assessment study discovered that the factors that caused P3W's shortcomings were mainly institutional in nature, and not technical. P3W had been politicized due to the weakness in the institutions that had been implementing it, which consequently led to it being diverted away from its objective of providing water access to the truly waterless.

A list of the specific problems in the implementation of the program is provided below:

1. insertions of "non-waterless" municipalities and barangays in the list of beneficiaries;
2. non-implementation of the (supposed) strict guidelines regarding the application for funding and the release of funds;
3. the involvement of DPWH, which, according to the information on the ground, has hampered instead of promoted the completion of the projects. It is worth mentioning that the level of distrust of the LGUs and communities in general against DPWH is acute;
4. weak (if not totally missing) monitoring of the completed projects;
5. lack of a training component that would have helped the LGUs and the beneficiaries run the water distribution system, maintain the facilities, and plan for future expansion;
6. the transfer of P3W from the management of DPWH to DOH, while proving to be unintentionally wise, was based on the desire of the Arroyo administration to gain additional access to funding from the international community instead of a genuine desire to make the program become institutionally stronger; and
7. alleged corruption.

2. Review of the P3W

2.1 Analytical Framework for Assessing P3W

The assessment looked at the accomplishments of P3W in terms of the number of households reached and infrastructures constructed vis-à-vis the program cost. At the program level, the assessment also looked at institutional and economic efficiency, equity and sustainability. These measures are defined below:

- a) Institutional efficiency – measures how the organizational structure and processes contributed to the success or failure in accomplishing the program objectives;
- b) Economic efficiency – measures the benefits and costs of the program, and compares the rate of return vis-à-vis other investments in other government programs;
- c) Equity –measures how the program is able to reach the most needy (poor and waterless); and
- d) Sustainability – measures the long-term viability of the project based on financial capability to maintain or continue the program or project (investment/equity structure, cost recovery, operations and maintenance, effectiveness of the program's organizational structure, systems and procedures, and management - community ownership and collaboration mechanisms.)

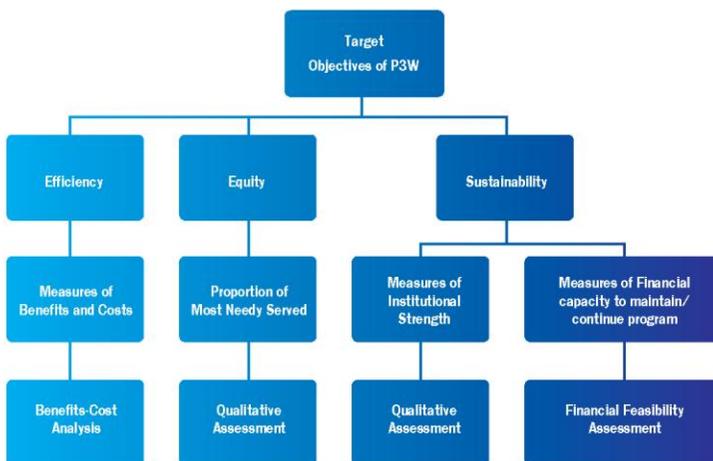


Figure 1. Analytical Framework for assessing P3W

2.2 Accomplishments

From 2005 to 2010, P3W provided support to 517 municipalities (Table 1). Using the 2000 baseline data of waterless municipalities, data from NAPC and DPWH showed a slight decrease in the number of waterless municipalities where it moved from 306 to 289 or an equivalent of approximately 3.3 percent decrease.

P3W was able to achieve 68.6 percent of its 449 target by 2010, with only 8.7 percent of those served graduated to 50 percent coverage or more. One hundred forty one (141) municipalities remained unserved by 2010 and a total of 410 municipalities continue to be waterless.

Table 1: Distribution of municipalities served by P3W from 2005 to 2010

% of HH with access to water	Number of LGUs		Distribution	
	2000 Baseline	2010	2000 Baseline	2010
0≤X<10	15	11	2.9%	2.1%
10≤X<20	44	39	8.5%	7.5%
20≤X<30	53	75	10.3%	14.5%
30≤X<40	100	81	19.3%	15.7%
40≤X<50	94	83	18.2%	16.1%
50≤X<60	44	66	8.5%	12.8%
60≤X<70	43	73	8.3%	14.1%
70≤X<80	51	48	9.9%	9.3%
80≤X<90	41	20	7.9%	3.9%
90≤X	32	21	6.2%	4.1%
Total	517	517		
X<50	306	289	59.2%	55.9%
X≥50	211	228	40.8%	44.1%

Sources: DPWH and NAPC; This covers only the municipalities served or provided water supply infrastructure facilities based on DPWH and NAPC reports (includes both identified 432 waterless municipalities and inserted municipalities).

Note: The 432 waterless municipalities identified by P3W in 2004 was based on the 2000 census. This number increased to 449 in 2010 due to the 17 new municipalities in ARMM formed out of the original 432.

Overall, P3W was able to provide safe water to over one million people nationwide from 2005 to 2011. Based on projections, however, the number of households without access to safe water in the waterless municipalities has doubled from 2000 to 2010. This means that the gains in water supply coverage have been eroded and government will need to either provide increase in financing or design more effective means of encouraging private sector investments in water supply infrastructures.

2.3 Financing Gap

As part of the assessment of P3W, this study re-visited the 432 municipalities originally listed as beneficiaries, and adjusted the population estimates. This was necessary in order to determine how many of these municipalities are still considered waterless, which would then be the basis for the financing need of the project to attain its goal. The calculations reveal that to service the waterless municipalities (based on the 432), a total of Php 34 billion is needed (based on the cost data of P3W). Adjustments in costs to reflect the Roadmap data indicate more than double that estimate, registering Php 89 billion in financing need to provide water to the waterless municipalities. Table 2 below lists the breakdown of the investment requirement for P3W based on categories of municipality-beneficiaries.

Table 2: Distribution of waterless municipalities and estimated investment requirement, 2010

% Access to Safe water	Waterless Municipalities based on the original 432 ¹			Average Cost of Level II Facility		Total Investment Required for 100% HH access, 2010	
	No. of LGUs	No. of House-holds	House-hold Popula-tion	(In Million Pesos)	Roadmap Bench-mark	P3W Benchmark	Roadmap Benchmark
<20	97	553,759	3,025,636	15,418	40,590	8,537.89	22,477.11
20≤ to <40	231	1,227,032	6,117,125	15,418	40,590	18,918.45	49,805.30
40≤ to <50	82	344,707	1,688,999	15,418	40,590	5,314.71	13,991.68
Subtotal <50	410	2,125,498	10,831,760			32,771.05	86,274.10
Subtotal X≥50	39	72,003	357,492	15,418	40,590	1,110.15	2,922.61
TOTAL	449	2,197,501	11,189,252			33,881.20	89,196.70

¹ This includes 17 additional municipalities created from 2005-2008, which were formed by splitting a few of the municipalities in the priority list.

2.4 Financial Efficiency Assessment

The financial efficiency of the P3W is defined in terms of whether the projected Php 33 billion funds would have benefitted the country better if it were used in an alternative way that is similar in risk. To do this, the study made an assessment on the returns on investment (ROI) of P3W quantifying the stream of benefits in terms of net present value of averted mortality and morbidity costs, and loss of income due to illness. The resulting estimate is an effective rate of return (ERR) of approximately 208%.

This indicates that P3W projects on water infrastructure from 2005 to present have a positive and significant return and thus, benefit society.

To establish whether the P3W funds could have benefitted society more had they been used to finance an alternative investment, the study decided to compare the ERRs between the P3W against the investment in treasury bills. Investing in treasury bills was selected among the range of all possible projects as it represents a similarity in risk levels (which is low as the P3W is a committed government project with clear target beneficiaries). For the same level of investment (Php 4.81 billion disbursed by the P3W to date), assuming that both principal and annual yield are rolled over until the end of the three years, the ERR is only 20.2%.

In nominal terms, this means that for the same amount of investment, water facilities construction for the use of the waterless has generated close to Php 14.8 billion in economic benefit as against Php 5.7 billion if the funds were invested in government bonds.

It can therefore be concluded that P3W is an excellent public investment, one that generates a high level of social welfare that is higher than its alternative, and the decision to construct water facilities generates an efficient economic and social outcome.



Tawid Tubig Nikki Sandino Victoriano

2.5 Institutional Efficiency Assessment

Adhoc Institutions

The implementing guidelines of the program signed in July 2005 specified the organizational design, roles of the various government and nongovernment institutions, project development cycle, fund management, and procurement policies. Based on consultations and stakeholder analysis, the weaknesses of the current guidelines emerged in the organizational design and project development cycle. The organizational design failed due to the number of ad hoc institutions created mainly to avail of funding and the seemingly lack of capability of the lead institution to effectively and efficiency coordinate the implementation of the program.

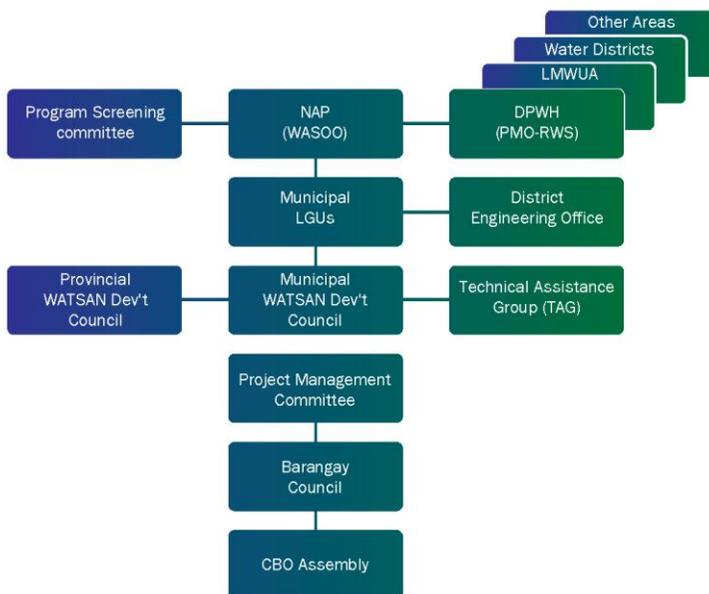


FIGURE 2. P3W ORGANIZATIONAL DESIGN (NAPC 2005)

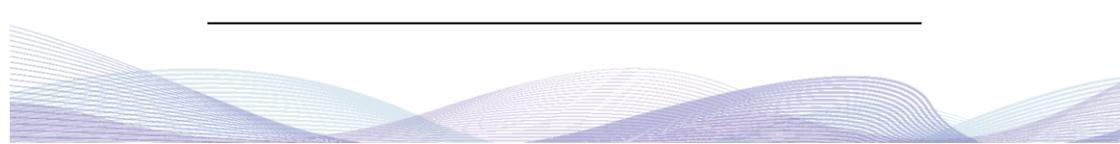
There were three main partners in P3W - the National Anti-Poverty Commission (NAPC), Department of Public Works and Highways (DPWH), and local government units (Figure 2). NAPC, through the Water and Sanitation Coordinating Office (WASCO), performed the overall coordinating functions for the implementation, specifically the identification of target barangays and municipalities, review of project documents with DPWH Rural Water Supply Project Management Office (RWS-PMO), monitoring, evaluation of program partners' capability and willingness to participate, and submission of regular status reports to the Office of the President. DPWH holds the national government counterpart funds for the program, and was responsible for providing technical assistance and advise on the design of the water supply and sanitation infrastructures, and prepare and administer various contracts and memorandum of agreements (MOA) entered into by DPWH, NAPC-WASCO, LWUA, LGUs, and other program partners, including the termination of contracts of projects incurring more than 15% slippage and the implementation of said projects by administration.

Local government units (LGUs) as another partner act as the custodian of grant money from the national government, provide counterpart fund to the project, and provide technical assistance to barangays within their jurisdiction. However, assistance from P3W is contingent on LGUs organizing its multi-sectoral municipal water and sanitation (WATSAN) development councils tasked with designing long term water supply and sanitation plans. The municipal WATSAN councils recommend policies, measures to generate resources, and oversee the implementation of the water and sanitation plans. LGUs are also required to form a project management committee to take overall management of the water supply and sanitation projects, evaluate feasibility of proposed projects, and provide orientation to participating barangay councils and community based organizations.

Inadequate Capacity of Implementing Institutions

While the above structure was aimed at providing checks-and-balance for the use of the funds and mechanism for sustainability through the local WATSAN councils, and at ensuring ample participation of local communities in the project, it failed because NAPC had little capability to implement the project. It lacked trained personnel to assess proposals and the budget to monitor implementation. LGUs reported during consultations that the approval process took one to two years. With NAPC's inability to coordinate effectively the implementation and follow the guidelines, the selection process became highly discretionary with political accommodation playing the major influence. While unsubstantiated, some LGUs report corruption in the selection process.

While DPWH, the other main partner, may have technical personnel in the regions, it failed to monitor the implementation and coordinate with local officials. The procurement process was also not transparent, which may have led to the perception of corruption and distrust in fund disbursement and prioritization of beneficiaries.



The requirement for the creation of WATSAN councils (municipal and provincial) and technical assistance groups (TAG) was aimed at providing coherence in the water and sanitation program of the municipalities. However, it was viewed as an unnecessary layer of requirement for participation in the program. While WATSAN councils could definitely play an important role in the overall water and sanitation planning for the provinces and municipalities, its creation should be based on need for multi-sectoral water and sanitation planning rather than compliance for fund eligibility. In most P3W-assisted municipalities, therefore, the WATSAN councils were not organized.

Another structure ad hoc body that was not really followed was the creation of the Project Management Committee (PMO). LGU saw this as unnecessary since their current structure, i.e., municipal engineering office, has the capacity to take on the identified functions. Designing and constructing Level 1 and Level 1 water systems are deemed very much within the technical capacity of their engineering department. Overall, LGUs saw their role being marginalized in the implementation of P3W.

Shifting Priorities

The transfer of the program to Department of Health (DOH) and Local Water Utilities Administration (LWUA) in the last quarter of 2008 shifted the priority away from the 432 waterless municipalities. While the funds were under the DOH, the water program was solely implemented by LWUA. With this structure, one would expect a more efficiently run water supply infrastructure program since this is the agency's core business and expertise. However, its mandate to provide Level III water supply systems within water districts effectively left out non franchise areas, municipalities without water districts, and remote areas where only Levels I and II systems were most appropriate. There were also unsubstantiated reports of corruption in the granting of projects to LGUs.

The other set of weaknesses in the P3W guidelines was the overall approach in taking waterless LGUs towards being non-waterless. The basis of the guidelines was the 2000 census of population and housing, which at the time was the only available national statistics for the determining waterless municipalities. However, there was no implementation strategy to package assistance to ensure that municipalities receiving P3W assistance would breach the 50% mark for the number of households with access to safe water. Additionally, there was no monitoring of how many of the facilities constructed are operational, how many households actually benefitted other than the number initially projected, and population growth was not considered a factor in the designing the assistance.

2.6 Equity Analysis

The basis for equity assessment centered on how the benefits generated by the P3W program have reached the poor and waterless.

Based on the Key Informant Interviews of the study, it is the waterless municipalities that are supposed to benefit from the program, with no

specific mention of the poor (or of women). It must be noted that with the design of the program, the poor and the non-poor can access the water infrastructure to be built under P3W—thus essentially re-directing the programs' focus from the poor to the waterless, and the unit of analysis from households, to municipalities. This is the basis for the choice of the 432 municipalities that were supposed to have been the sole beneficiaries of P3W. The P3W program did not intentionally exclude other potential beneficiaries of the program, nor did it seek these others purposely.

In terms of serving the most marginalized to highlight its equity component, there is no solid evidence that P3W was created to target the poorest communities, only the waterless municipalities.

Unfortunately, official reports points to P3W being redirected from serving the waterless municipalities, to an obscure target—one which may or may not include waterless (as has been defined) communities. That there have been insertions to the list of 432 municipalities clearly illustrates that the equity component of the P3W program has been compromised. Of the 546 municipalities that have benefitted from the P3W funding, only 60 percent or 331 municipalities and cities are truly waterless (and included in the list of 432 waterless municipalities identified by the program's inceptors). The remaining 40 percent or 215 municipalities and cities belong to the category of non-waterless communities in the Philippines.

Table 3. P3W Beneficiaries

Item	LUZON	VISAYAS	MINDANAO	Total
Number of 432 municipalities targeted by P3W	133	114	185	432
Number of 432 municipalities served	102	92	137	331
% of total municipalities targeted by P3W	76.7%	80.7%	74.1%	76.6%
% of total municipalities, including insertions, served by P3W	46.8%	72.4%	68.2%	60.6%
Number of inserted/ non-432 municipalities served	116	35	64	215
Number of unserved 432 municipalities	31	22	48	101
TOTAL SERVED	218	127	201	546

Sources: NAPC and DPWH

Note: projects under LWUA from 2009-2010 are not yet included.

What re-directed the thrust of P3W away from its equity component can be attributed to the weak institutions that have been implementing the program. It is because of this general institutional weakness that the various agenda of the political forces operating outside of the program have been inserted in the objectives of P3W—agenda that are often not centered on equity or efficiency, but rather on politics and patronage. In its original form, P3W had strong equity elements and a rather tentative

efficiency basis. It is reasonable to assume that P3W was designed more to re-distribute the benefits of access to water to those that do not have access, than to generate the highest return possible on government funds. That the equity-slant design of the program has been altered speaks of the weaknesses of the institutions that implement P3W. It is troubling to note that in its current form, P3W's impressive equity component has been re-defined to a weaker form even if on paper claims to be a program to benefit only the waterless. This is not to say that P3W does not benefit the waterless at all because it does; only that its equity objective has been diluted.

Having said this, it must be recognized that to have helped 331 waterless communities improve the access to quality water of its residents is still a significant step toward the right direction. But in order to preserve the equity-spirit of the program, it is necessary to stick to the original 432 list in order to ensure that all of those who benefit from this project are those that have the true least-access to water.

2.7 Summary and Conclusions

The study concluded that the P3W program is generally a worthwhile project—one that has the potential to effect significant welfare changes for society's marginalized sectors. It has passed the efficiency test with impressive numbers, with the social benefits to be generated from its implementation far outrunning the cost—significantly higher than the alternative use of the funds. But it barely met the equity standard when evaluated, which indicates that the program, although a good public investment in terms of economic returns, needs to be re-calibrated in order to reach the marginalized sectors. While the P3W program has attained the status of an efficient investment with equity-component, there is ample room for improvement to reach a truly efficient and equitable water program. For this, the program rates high in efficiency but low in true equity.

The review of the P3W reveals that the issues surrounding the program was mostly institutional in nature. In spite of the guidelines and mechanisms that were put in place at the start of the project, these were disregarded in the course of implementation leading to insertions of municipalities (about 39% of total project beneficiaries), which were not classified as waterless.

Disregard of the guidelines also resulted in transforming P3W into a highly politicized and highly discretionary program. Since there were no rules or standards followed, political considerations became the basis for decisions and decision-makers had a huge amount of discretion in approving and allocating projects. This resulted in projects that had no adequate technical feasibility study, therefore, failed in addressing, at the onset, problems with regards to adequacy of the water source, water quality, and other requirements needed to sustain the operations and maintenance of the facility, such ensuring that community water associations are adequately trained to manage and maintain the system, financing operations, and monitoring.

3.0 RECOMMENDATIONS

There are basically three categories of changes that the study suggests to improve P3W and allow it to meet its targets in the shortest time possible.

3.1 Institutional Framework Changes

The objective of the proposed changes in P3W is to tighten the guidelines in order to avoid the problems of interference from politicians and potential corruption; and to replace the institutions that were ineffective in the implementation of P3W according to its original intent and design. In addition, the revised guidelines are also intended to streamline the process of application and release of funds in order to facilitate an expedient construction of water facilities in the waterless municipalities.

A streamlined organizational structure is proposed based the mandate of the institutions and updated information about the situation on the ground, such as perceptions of the agency's capacity to efficiently implement a water supply project nationwide, perception on corrupt practices, and susceptibility to political influence. There were several choices of national agencies to take the lead or provide technical assistance as summarized below (Table 4).

Table 4. Summary of recommendations from the regional consultations on the participation of national and local institutions in future water program for waterless municipalities, 2010

Agency	Mandate on water	Capacity to Implement	Acceptability to Local Government Units	Recommendation
Department of Health	<ul style="list-style-type: none"> - Delivery of health services and safe water is essential to health - monitoring "access to safe water" achievement for MDG 	<ul style="list-style-type: none"> - Has nationwide network through the local health workers - Lacks technical expertise in water supply design 	<ul style="list-style-type: none"> - Most acceptable as lead national agencies - perceived to be least susceptible to political influence peddling - perceived to be least corrupt 	<ul style="list-style-type: none"> - Lead agency - DILG and NWRB as partners to provide technical assistance in the prioritization, evaluation of designs, assessment of water sources, and regulatory requirements
Department of Interior and Local Government	<ul style="list-style-type: none"> - Has supervision over LGUs 	<ul style="list-style-type: none"> - Has network of regional and local officers - may lack technical expertise 	<ul style="list-style-type: none"> - Acceptable but perceived to be highly politicized, therefore, may not be able to objectively implement the program 	<ul style="list-style-type: none"> - One of the main partners to provide technical assistance to DOH at the national, regional and local levels. - Provide TA to LGUs in capacity building

Agency	Mandate on water	Capacity to Implement	Acceptability to Local Government Units	Recommendation
Department of Public Works and Highways	<ul style="list-style-type: none"> - Main mandate is on construction of government facilities 	<ul style="list-style-type: none"> - Has regional network - Has technical expertise 	<ul style="list-style-type: none"> - Not acceptable to lead due to perceived corruption and susceptibility to political influence peddling 	<ul style="list-style-type: none"> - Not recommended to lead - May be tapped to provide technical assistance at the national level - Recommended to take the lead in large water source infrastructure development, e.g., dam design and construction
National Water Resources Board	<ul style="list-style-type: none"> - has regulatory mandate on water 	<ul style="list-style-type: none"> - presence at the national level only; no regional offices - may have technical expertise in water 	<ul style="list-style-type: none"> - Acceptable as partner but not to lead the program due to lack of personnel at the regional and local level 	<ul style="list-style-type: none"> - One of the main partners to provide technical assistance especially on regulatory requirements, tariff setting, and ground water source assessment and management.
Local Water Utilities Administration	<ul style="list-style-type: none"> - mandate over Level III facilities and water districts 	<ul style="list-style-type: none"> - mandate over Level III facilities and water districts 	<ul style="list-style-type: none"> - Not acceptable to lead due to limited mandate and perceived corruption in P3W implementation 	<ul style="list-style-type: none"> - Water districts can bid on projects within their franchise areas, i.e., upgrading of Level II to Level III systems.
Local Government Units	<ul style="list-style-type: none"> - has mandate to provide basic services at the local level 	<ul style="list-style-type: none"> - has technical capacity for level I and II only 	<ul style="list-style-type: none"> - Beneficiary and partner 	<ul style="list-style-type: none"> - main implementer through MOA with the lead national agency - Provide counterpart funding

The streamlined structure will have DOH as the overall lead in the water project with the DILG, NWRB, and local government units as main partners. DILG and NWRB provide technical assistance to DOH in the prioritization of LGUs and in the review of proposals for funding (Figure 3). At the local level, municipal WATSAN councils will not be requisite to obtaining support from future water program replacing P3W. However, LGUs are encouraged to have WATSAN councils to assist in crafting their water and sanitation plans. Priority will also be given to LGUs with annual investment plan that has water supply as one of the priorities to facilitate counterpart funding.

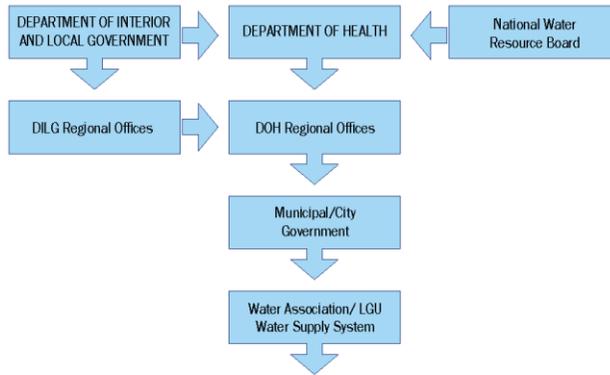


Figure 3. Proposed Organization Design

3.2 Streamlining of Procedures

The study also proposed streamlining of the procedures using the above organizational design. The new process being proposed will be divided in three phases:

- a) **Pre-construction Phase** – consists of signing of memorandum of agreement between DOH, DILG and NWRB to collaborate in the implementation of the water supply program, information dissemination to pre-qualified LGUs, i.e., waterless LGUs as of 2010, on the requirements for participation, submission of proposals by LGUs for all waterless barangays as one package, evaluation of these proposals by the DOH regional offices with assistance by DILG regional offices, endorsement by the regional office to DOH central office, and evaluation and approval by DOH, DILG and NWRB of the recommendations by DOH regional office.
- b) **Construction Phase** – will consist of signing of MOA between the selected LGUs and DOH Regional Offices, securing of all necessary permits by the LGUs, downloading of funds to the LGUs, procurement process for the construction by the LGU for the package following the provisions of Republic Act 9174, otherwise known as the Government

Procurement Reform Act of 2003, implementation and monitoring of the construction, and training of community water organizations.

- c) **Operational Phase** - With construction completed and accepted, LGUs enters into MOA with the beneficiary community water service providers to operate and maintain the facilities before turn over. Municipal LGU monitors the state of the facility and reports on an annual basis to DOH. The reports become part of the monitoring and database of DOH on access to safe water on an annual basis so that the department can make adjustments to the program when needed.

3.3 Guidelines for Prioritization

The closer examination of the list of priorities revealed the need to update this list, and to create a new set of guidelines that require a regular check of the list in order to determine if changes should be done. The sole updates done to the list was to cross out the municipalities that had been assisted by the program, whose status has been upgraded by the proponents of P3W to non-waterless as a result. This is a 'static' treatment of the municipalities as it ignores the fact that changes occur within the municipalities and barangays –especially migration that would cause the population to change significantly. As such, the facility constructed that would have been sufficient to lift the status of a municipality from waterless to non-waterless in 2007, may now be insufficient to provide water to all of its households if population increased between 2007 and the present. The need to address this issue, therefore, becomes imperative in order to accurately determine if the state of waterlessness in the country is correctly addressed.

As part of the assessment and the revision of the guidelines, the list of the 432 municipalities was updated by adjusting the size of the population of these municipalities. The calculations show that with population adjustments done to reflect the changes since the year that the municipalities were granted P3W funds, 410 municipalities could still be considered waterless (Table 5). This list could still change once the NSO collects new and updated data, which would then be the new basis for the list of waterless municipalities in the country.

Table 5. Remaining waterless Municipalities out of the original 432, 2010.

% Access to Safe water	Waterless Municipalities based on the original 432 ¹ , 2010		
	No. of LGUs	No. of Households ²	Household Population ²
<20	97	553,759	3,025,636
20 ≤ to <40	231	1,227,032	6,117,125
40 ≤ to <50	82	344,707	1,688,999
Subtotal <50	410	2,125,498	10,831,760
Subtotal X ≥ 50	39	72,003	357,492
TOTAL	449	2,197,501	11,189,252

¹ This includes 17 additional municipalities created from 2005-2008, which were formed by splitting a few of the municipalities in the priority list.

² Adjusted based on the 2000-2007 barangay population growth rates.

To address the issues of efficiency and equity which have also been neglected in the previous list of priority municipalities under P3W, the proposed revised guidelines aim to integrate these components in the creation of the priority list of municipalities. While one of the main objectives of P3W was to meet the 2015 MDG commitment that the Philippines made (to reduce the number of households who have no access to water by half), it also aimed to prioritize the most in need.

Marrying the equity and efficiency objectives is no easy task, but a creative compromise is possible. It is proposed, as shown in Table 6, that a fixed portion of the annual funds that P3W releases be earmarked for the municipalities with 40 percent and above water access, comprising 16 percent of the total number of households with less than 50% access, and for the 26 percent (adjusted a little from less than 20% percent and below water access) to reach the middle-ground of the efficiency-equity issue.

Table 6. Allocation of funds for the 410 P3W waterless municipalities, 2010

Categories of Access to Water	Estimated Total Cost to implement 100 percent access to safe water (Php)* (2010 prices)	Proposed Percentage Annual Budget Allocation	HH Coverage by 2015 for a Php1.5 billion annual investment	HH Coverage by 2015 for a Php3.0 billion annual investment
40-49 percent access to water	5.31 billion	40%	194,575 (56.45%)	344,708 (100%)
1-20 percent access to water	8.54 billion	30%	145,935 (26.35%)	291,865 (52.71%)
All others	18.92 billion	30%	145,935 (11.89%)	291,865 (23.79%)
Total	32.77 billion	100%	486,445 (22.89%)	928,438 (43.68%)

* This is based on the 410 waterless municipalities and an average cost of Php1,541.6 per household for a P3W Level II water facility

The rationale for the proposed proportions above leans a little toward meeting the MDG target because meeting the country's commitment to the international community is important in demonstrating that the Philippines is able and serious in keeping its word. It establishes goodwill to donors and other countries and could further assist the Philippines in meeting its development objectives. But to target the least cost and quickest route to meet the MDG objectives would be a half-success if the municipalities that are urgently in need of assistance—those with almost all of its population considered waterless—are not attended to. With this in mind, the proposal that the fixed ratio of the P3W funds be earmarked specifically for the "worst among the waterless" was conceptualized.

4. Future Directions

Taking off from the experiences and lessons learned from the P3W and outstanding issues of the water sector, the study suggests that the new water program consider the following:

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

A. Meeting Targets

The current rate of providing water access would have to increase if the country were to meet its MDG commitment in 2015. The P3W funding allocation of Php1.5 billion annually would not be sufficient to increase the rate of access to safe water supply.

Table 7 shows that by 2015, the same P3W level of funding would only achieve 22.89 percent of the target number of households in the 410 remaining P3W priority municipalities still below the 50 percent mark. To achieve, 100 percent coverage of these municipalities, the government will have to invest approximately Php6.6 billion annually for five years until 2015. More funding is required if government takes into consideration the additional 213 municipalities that have fallen below 50 percent access mainly due to increase in population in 2010.

The same P3W level of funding would only achieve 22.89 percent of the target number of households in the 410 remaining P3W priority municipalities still below the 50 percent mark. To achieve, 100 percent coverage of these municipalities, the government will have to invest approximately Php6.6 billion annually for five years until 2015.

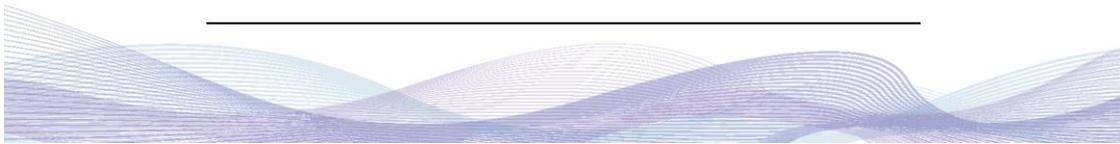


Table 7. Estimated investment required to achieving water supply goals, 2010

Program	No. of LGUs	No. of HHse	HH Population	Estimated Total Investment (In Million Php; 2010 prices)	Estimated 5-year Annual Investment
100% access ^{a/} (Waterless municipalities achieve 100% access)	621	3,773,595	18,726,060	58,182	11,636
P3W ^{b/} (Waterless municipalities 50% access)	621	876,533	4,461,102	13,514	2,703
MDG ^{c/} (87% of popn)	1,566	5,262,710	25,778,887	81,141	16,228
MTPDP ^{d/} (92% of pop.)	1,582	6,037,956	29,536,273	93,094	18,619

a/ 100% access – all municipalities falling below 50% will have 100% of HH with access to safe water.

b/ P3W – all municipalities falling below 50% will graduate to 50% access.

c/ MDG – all municipalities will have at least 87% of population with access to safe water.

d/ MTPDP – all municipalities will have at least 92% of population with access to safe water.

e Projected using population growth rate for 2000-2007 and adjusting the 2000 percent access with DPWH data on beneficiaries of P3W and LGU water projects.

f Based on the Php15,418/household average cost of P3W Level II water system report by DPWH and NAPC. The water supply sector roadmap estimated cost of Level II facility is Php40,590/household adjusted to 2010 prices (NEDA, 2009).



Oasis Ernie Peñaredondo

B. Strengthening Institutions

To improve service delivery, the sector has been repeatedly subjected to extensive reforms that created numerous institutions and responsibilities. To date, so many government agencies have overlapping functions and jurisdictions. With the lack of effective and efficient coordination, the fragmented institutional framework led to inefficiencies in the management of the sector and its inability to adequately respond to the increasing water needs of the population.

In the long term, the direction should be to identify, if not create, a national body that will have sole responsibility in managing both the supply and demand side of the water resources sector, including water economic regulation. In the medium term, the challenge is to clarify agency mandates under existing laws, and strengthen institutions, in particularly NWRB as the central water regulatory agency. The Philippine Water Supply Roadmap pushes for the creation of a separate national economic regulatory agency with enough resources and authority to effectively carry out economic regulation.

C. Enabling Effective Regulation

The inability of water service providers to expand coverage, perform satisfactorily and have a sustainable water service delivery program is due largely to a weak and fragmented regulatory regime. A clear, transparent and effective regulatory framework will help facilitate the strengthening of water supply institutions.

D. Managing Water Resources

The sector will have to respond not only to domestic water supply requirements, but also to the impact of climate change (extreme dry and wet seasons causing floods and droughts), rising urbanization and industrialization, increasing water for agriculture requirements and hydropower. The current structure and institutional arrangement obviously is not able to respond to the current challenges. It is questionable, therefore, whether the same institutional arrangement can respond to future challenges.

E. Developing Capacities

Building the capacities for water governance starts from the national to the local institutions, including service providers. The goal is to generate results that are translated into improved and efficient service delivery interventions, as well as coordinated water and sanitation plans and programs, improved monitoring and evaluation of services, improved water related databases and knowledge products, and strengthened water economic regulatory capacity of water related agencies, in particular the NWRB.

F. Unbundling the Water and Sanitation Budget

While the P3W guidelines included sanitation as one of its goals, actual implementation and budgets allowed only for water supply infrastructures. Water and sanitation has, historically, been a small fraction of public

infrastructure budget and expenditure. Sanitation comprises only about 3 percent of this fraction given to water. For this reason, there is a need to unbundle the sanitation from the water supply budget so that it can receive the attention and priority it requires. Furthermore, improving sanitation services deserves its own set of strategies and programs within an integrated water supply and sanitation framework.

5. Conclusions

Future water supply program cannot be effective if not viewed within an integrated planning framework. There are already a number of strategy documents and lessons that can provide guidance for an integrated planning and programming. Indeed, future programs can turn to P3W for lessons on how institutional inefficiencies and weaknesses, political influence peddling and corruption can make or break a program.

The recommendations borne out of the review of P3W are summarized below:

1. In the long term:

- the creation of national agency responsible for managing the water resources of the country. There were already two failed attempts in pushing for this and the less ambitious plan is an independent national agency responsible for water economic regulation vested with enough resources and authority. However, this plan may fall short of a holistic management of water resources;

2. In the medium to long term:

- Assessment of critical water resources for sustainable management;
- Strengthening national and local institutions for water and sanitation planning and programming;
- Building capacities of communities for integrated water resources management;
- Long-term comprehensive and integrated water and sanitation infrastructure program with clear targets and budgets for water supply and sanitation.

3. In the medium term:

- Financing, up to 2015, water supply and sanitation infrastructure to meet the country's MDG commitments with clear targets and priorities, clear policy on NG-LG cost-sharing, transparent processes and procedures, and greater role of LGUs;
- Building the capacity of LGUs and communities to manage water supply infrastructures;
- Support and assist LGUs in local water and sanitation planning.



Notes on the Study:

1. The full study was submitted in September 2011 by a Study Team commissioned by NEDA composed of Ms. Noela Lasmarias (Team Leader), Atty. Willman Pollisco (Institutional Expert) and Dr. Agustin Arcenas (Economist).

Ms. Noela Lasmarias (Team Leader) is an Environment Specialist with extensive experience in environmental and natural resources management and policy development, research, and participatory training design and delivery in such fields as water resources, environmental quality, biodiversity, solid waste management, health, climate change, and local economic development. She has worked in and with donor institutions, government agencies and nongovernment institutions.

Atty. Wilman Pollisco (Institutional Expert) is a lawyer with extensive experience in several fields. He is engaged in the practice of law and has worked with institutions in the areas of natural resources management, land tenure improvement, assessment of institutional and policy issues, policy development, solid waste and wastewater management, and environmental law.

Dr. Agustin Arcenas (Economist) is an environmental and natural resource economist, and Associate Professor at the U.P. School of Economics. He has worked extensively with international institutions in assessing existing and proposed programs on natural resource management in terms of efficient use and distribution of common pool resources, as well as valuation and management of damages and social costs caused by water and air pollution.

2. A copy of the full report can be requested from the National Economic and Development Authority (NEDA). Interested parties may contact Ms. Kathleen P. Mangune, Project Manager (kpmangune@neda.gov.ph)

3. This summary document was prepared by Ms. Rosario Aurora L. Villaluna based on the final report of the study. This report feeds into the Integrated Policy Document on Pro-poor Water Supply.

Ms. Rosario Aurora L. Villaluna is currently the Chairperson-elect of the Philippine Water Partnership and is an active member of the NEDA Sub-committee on Water Resources. She is currently the Chairperson of the Philippine Ecosan Network and the Executive Secretary of the Streams of Knowledge.

Implementing Partners:



Department of the Interior
and Local Government



National Water
Resources Board



National Economic and
Development Authority



United Nations Child-
ren's Fund



United Nations Development
Programme