



Public-private partnerships in Metro Manila, Philippines

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Many of the poor in Metro Manila used to buy water at huge prices from profiteering vendors. Since privatization, many more options are being offered: a community-managed supply, group taps and an alternative private distribution network.

Most of the poor in Metro Manila, Philippines, live in squatter communities, where they are excluded from the formal provision of basic social services. For water supply, in place of formal provision, criminal gangs and profiteers operate a distribution system that takes advantage of this lack of access to the formal system. In these poor or unserved communities, people often receive lower-quality water from water vendors sourcing legally or illegally from the Metropolitan Waterworks and Sewerage System (MWSS) main lines or from private wells, and this water is several times more expensive than mains water.

Against a background of increasing population and its need for basic services, together with the growing financial requirements of government corporations, and the poor performance of these corporations, the government is seriously considering privatization. In August 1997, the MWSS, which is responsible for water supply and sewerage disposal in Metro Manila, the province of Rizal and parts of Cavite

province (covering a total population of over 11 million in 13 cities and 24 municipalities), entered into a 25-year concession agreement with two private concessionaires to handle the east and west zones of its service area (see map). The bidding process resulted in the Ayala/International Water or the Manila Water Company, Inc. (or simply Manila Water) winning the concession for the east zone with a bid of \$0.09/m³, while Benpres/Lyonnaise des Eaux (now called Ondeo Services) or Maynilad Water Services, Inc. won the west zone with a bid of \$0.18/m³. These bid prices were considerably lower than the earlier price of \$0.24/m³, which was raised to \$0.32/m³ a few months before the financial bidding. The main reasons cited for privatization were:

- inefficient operations and performance because of a slow procurement system
- downsizing difficulties because political appointments had resulted in a high staff to connection ratio of

about 10 staff per thousand connections

- uncompetitive salaries contributing to the inability of the utility to attract good people
- financing difficulties severely limiting improvement and expansion of services.

The privatization aimed to transfer the financial burden of providing water to the private sector, improve service standards while rehabilitating and expanding the system, increase operating efficiency, as well as minimizing the tariff impact on consumers.¹

Innovations in delivery

Under the public-private partnership formed in the privatization of MWSS, some policy changes have been made

Group taps, bulk water and individual connections, which are now available in squatter areas, are much more convenient to use

in order to provide water to poor communities. Because the poor in the main squatter areas were technically not eligible to apply, illegal tapplings in these areas were prevalent, thus contributing to MWSS's non-revenue water levels. Encouraged by the experiences in other countries which show that serving poor communities can make good business sense, and the requirements of the concession contracts to expand the system, the private concessionaires have developed special water supply programmes for these communities. These programmes contribute to reductions in non-revenue water and increases in revenues, and at the same time also address the service coverage expansion

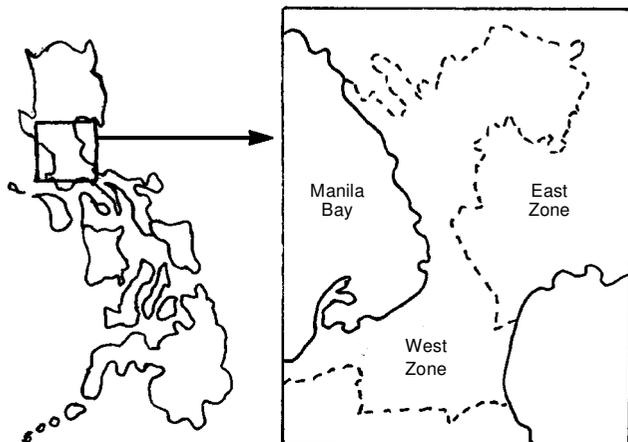


Figure 1 Metro Manila Water Supply concession areas – location in the Philippines

privatization

Table 1. Different levels of service with Manila Water and Maynilad

Type of connection	Comments	Coverage from Aug. 1997 until Sept 2002	Cost per cubic meter as of first quarter of 2001 (\$/m ³)
Individual connections	Most convenient and cheapest; households pay the same price as all the rest in a service area; requirement for land titles waived; connection fee spread over 3–24 months.	38 562 under Maynilad's programme	0.06 (Manila Water) 0.13 (Maynilad)
Group taps	2 to 5 households covered by one mother meter, households form groups and one acts as leader to collect bills and pay Manila Water; land title requirements waived and connection fee can be spread over up to 3 months.	20 788 connections under Manila Water's programme (includes some Individual connections and bulk water)	0.10
Bulk supply: community-managed water connection	Community water association runs a mini water distribution system, with own meter reading, billing and collection. Requires active participation by the community.		0.16
Bulk supply: private water distribution system	Private subcontractor buys bulk water and invests in a tank and a distribution system. More convenient than vended water but not as good as individual connections. High per cubic metre charge, though lower than before privatization, when households typically paid \$4–5/m ³ .		1.52
Public faucets	One faucet can serve over 50 households: maintained by concessionaires to serve unconnected households; less expensive than vended water.	402 for Maynilad and 533 for Manila Water	0.43–0.86
Vended water	More expensive; doubtful quality; least convenient; but continues to be an important source even after privatization.		1.01–5.58

targets. The types of services include individual connections, shared meters and public waterpoints, which deliver water by hose in bulk to a whole community with the community taking care of distribution to its members (see Table 1).

Prior to the MWSS privatization, the poor in depressed areas in Metro Manila obtained water mainly from water vendors and public standposts. Today, while vended water and public faucets remain, group taps, bulk water and individual connections are available in squatter areas and are much more convenient to use. Group taps have a single mother meter (which is the basis for billing by the private concessionaire) for a group of 2–5 house-

holds, but the member household has a tap in its yard (or inside its house depending on what it can afford to install) and members can decide to have sub-meters to help them divide up the group cost read from the mother meter. Bulk water (with a community water distribution system) also has a mother meter, but this time serving the whole community with members having their own individual meters (or individual household piped connection) so that they are billed as they consume. One standpipe, on the other hand, is supposed to serve at least 50 families and households fetch and carry water from this source to their respective houses or hire a water carrier to fetch water for them.

Forms of partnership

A positive consequence of private sector participation is the rise of various partnerships in water provision for the urban poor, making provision not the responsibility of one actor only but a joint effort by many. With the privatization of MWSS, different forms and levels of partnerships became instrumental in extending a basic service to poor households.

One is the public–private partnership exemplified by the relationship between MWSS and the two private concessionaires. Another is the private and community partnership between the concessionaire and the community, with the latter represented by community associations and leaders. Partnerships with the communities can range from formal (forged through a mini water distribution system or a water bill collection contract or the provision of land for a sanitation and sewerage project) to less formal, mainly involving the community at the beginning of project implementation. Another partnership is that between private concessionaires and local government where the latter is represented by the *barangay* officials (the *barangay* is the smallest political unit in the country; several *barangays* make up a town). Most of the co-ordination and linking is done with the *barangay* and/or association officials who mobilize the community so that the concessionaires can market the service, i.e. they explain the project, convince the community to unite and cooperate in the project by agreeing to regularize illegal connections, and extend all necessary support. *Barangays* also give endorsements for issuing environmental certificates of conveyance by the Department of Environment and Natural Resources.

The role of the city or municipality is mainly in giving permits to dig and fill. Mayors are usually invited to the inauguration of the project, which promotes good rapport with the local government and helps smooth the way for successive projects. In some cases, the city or municipality shows more support by granting global permits, which greatly facilitate water projects. In other cases, the city or municipality waives the excavation or digging fees, while the *barangay* may also forego the



Water now available from the metered pipes is probably cleaner than from the handpump. Photograph credit: Franceys

permit fees. Sometimes, the city or municipality provides financial support for some materials, as in the sanitation and drainage project in Malabon or in the water projects of Manila Water in Marikina and Pasig.

Partnerships also exist between the private concessionaire, non-government organizations (NGOs) and the community, as in the case of a Maynilad project in one village where the NGOs were instrumental in facilitating connections and providing a sanitation and drainage system. Partnerships between the private concessionaire and a private subcontractor have also proved effective in areas where risks were too high for the concessionaire to bear because the local government unit would not guarantee non-demolition of the squatter dwellings within the immediate future, and this made any investment unviable. The private subcontractor is able to bear the higher risk because it can charge a higher price than the concessionaires can officially charge.

Benefits

From my interviews with householders and focus group discussions undertaken as part of an Asian Development Bank study in 2001, it is clear that the newly served householders have benefited in terms of:

- access to and availability of safe and better-quality water
- much lower cost per cubic metre of water
- increased consumption, from the typical 2m³ per household per month for households buying from vendors to 22 m³ per month per connection for Maynilad's water programme for poor communities in 2002
- freed-up time from queuing, which households now utilize for income-

earning activities, caring for the children and more leisure.

For households in depressed areas still without connections but served by the water projects of both concessionaires, the benefits were in terms of slightly reduced prices (in some cases) and greater convenience. These householders no longer have to walk far to get water or to queue for hours, since they now buy water from households near to them.

Benefits to the poor and poor communities have also included the relaxation of the water utility's earlier stringent technical and institutional requirements. For example, land title requirements are no longer required and connection fees may be paid for in instalments over a period of three months to two years. This policy spreads the cost of connection and paves the way for regularizing illegal connections in squatter communities, which in turn reduces non-revenue water for the private concessionaires. The differentiated service approach (adapting technology by lowering standards somewhat without sacrificing quality of service) for the poor raises the quantity as well as quality of services delivered to the poor.

The lack of water and proper sanitation has in the past affected the income-earning potential of the poor because the time spent in collecting water could otherwise have been used for more productive activities, or because of poor health, or because some businesses require water. The provision of water by the two concessionaires has given the poor not only water, but more time as well. In addition, households used to spend so much money on water and divide whatever was left on all the other basic needs, but with their reduced water expenditure, they can now spend more on food and other needs. In the squatter communities of Metro Manila the sprouting of microenterprises has been striking.

The water projects of Maynilad have contributed to local employment since the concessionaire made an agreement with the private contractor to hire local workers for the construction work. The community-based association also has the opportunity to earn commission through a contract to manage billing and collection, and this long-term

income will benefit the whole community through projects that can be undertaken with the money earned. Maynilad is paying the Parola Association \$0.19 per water bill collected from the households and \$0.02 for each water bill paid at the office of the association.

Overall, a participative type of service based on a partnership between the poor, local government units, NGOs and the private sector may succeed if partners are realistic and flexible. Partnerships take time to be forged and it takes time to design responses that meet the needs and goals of major players. It is therefore clear that partnership formation in the provision of water, especially involving poor communities, is a continuous process and needs patience and a willingness to compromise to achieve the objectives.

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Further reading

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