



Philippines: Water District Development Sector Project

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|--|--|--|--|--|-------------------|---|--|----------------------------|--------------------|---|--|---|-----------------|--|-----------------|
| Project Name | Water District Development Sector Project | | | | | | | | | | | | | | |
| Project Number | 41665-013 | | | | | | | | | | | | | | |
| Country | Philippines | | | | | | | | | | | | | | |
| Project Status | Active | | | | | | | | | | | | | | |
| Project Type / Modality of Assistance | Grant Loan Technical Assistance | | | | | | | | | | | | | | |
| Source of Funding / Amount | <table border="1"><tr><td colspan="2">Grant 0477-PHI: Water District Development Sector Project</td></tr><tr><td>Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility</td><td>US\$ 2.00 million</td></tr><tr><td colspan="2">Loan 3389-PHI: Water District Development Sector Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 60.00 million</td></tr><tr><td colspan="2">TA 9103-PHI: Water District Development Sector Project</td></tr><tr><td>Multi-Donor Trust Fund under the Water Financing Partnership Facility</td><td>US\$ 500,000.00</td></tr><tr><td>Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility</td><td>US\$ 500,000.00</td></tr></table> | Grant 0477-PHI: Water District Development Sector Project | | Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility | US\$ 2.00 million | Loan 3389-PHI: Water District Development Sector Project | | Ordinary capital resources | US\$ 60.00 million | TA 9103-PHI: Water District Development Sector Project | | Multi-Donor Trust Fund under the Water Financing Partnership Facility | US\$ 500,000.00 | Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility | US\$ 500,000.00 |
| Grant 0477-PHI: Water District Development Sector Project | | | | | | | | | | | | | | | |
| Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility | US\$ 2.00 million | | | | | | | | | | | | | | |
| Loan 3389-PHI: Water District Development Sector Project | | | | | | | | | | | | | | | |
| Ordinary capital resources | US\$ 60.00 million | | | | | | | | | | | | | | |
| TA 9103-PHI: Water District Development Sector Project | | | | | | | | | | | | | | | |
| Multi-Donor Trust Fund under the Water Financing Partnership Facility | US\$ 500,000.00 | | | | | | | | | | | | | | |
| Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility | US\$ 500,000.00 | | | | | | | | | | | | | | |
| Strategic Agendas | Environmentally sustainable growth Inclusive economic growth | | | | | | | | | | | | | | |
| Drivers of Change | Governance and capacity development Knowledge solutions Partnerships | | | | | | | | | | | | | | |
| Sector / Subsector | Water and other urban infrastructure and services - Urban sanitation - Urban water supply | | | | | | | | | | | | | | |
| Gender Equity and Mainstreaming | Effective gender mainstreaming | | | | | | | | | | | | | | |
| Description | The Project will enable water districts (WDs), corporatized water utilities operating outside Metro Manila, to expand and rehabilitate supply systems and to build pilot sanitation facilities, in order to reduce water-related diseases due to unsafe drinking water and the lack of sanitation facilities. It will also provide capacity development technical assistance to strengthen the sustainability of WDs and promote partnerships between local government units (LGUs) and WDs in septage management. | | | | | | | | | | | | | | |

Project Rationale and Linkage to Country/Regional Strategy

The government seeks to urgently catalyze urban water supply and sanitation investments to expand access to potable water and to address water resources pollution and overburdened service and infrastructure capacities in many provincial cities and towns. 90% of Metro Manila's 12 million population has access to piped water, while less than half of the 33 million in provincial/other urban areas do. Sanitation remains a big challenge outside Metro Manila where there are no significant sewerage systems and most septic tank effluents are discharged without treatment.

The 1973 Provincial Water Utilities Act (Presidential Decree or PD 198) sought to address grossly inadequate water and sanitation infrastructure by encouraging local government units (LGUs) to form corporatized utilities called water districts (WDs). PD 198 also established LWUA, a government-owned specialized lender mandated by law to oversee the development of water supply systems in the countryside and to support WDs. This water district-specialized lender model has become a working model for other Asian countries.

A WD is a local corporate entity that operates and maintains a water supply system in one or more provincial cities or municipalities. Classified as a government-owned and controlled corporation (GOCC), a WD is run by a five-person Board of Directors appointed by the Mayor or Governor, through a General Manager. LWUA helps the WD develop its system and achieve sustainability, taking local conditions into account. WDs are not subsidized by LGUs and must operate on a cost recovery basis. To ensure affordability, WDs offer a lifeline tariff for poor households, and tariff increases are implemented only after a public hearing. Most WDs provide access to poor households through installment or socialized payment schemes for connection fees. For sustainability, tariffs are socialized, with big commercial/industrial users subsidizing smaller, more numerous, consumers. When a WD defaults on its debt obligations, LWUA can take over management, fully or partially, and assign a sixth Board member.

At the end of 2014, approximately 500 operational WDs were serving more provincial households than other types of water supply providers including LGU-run water utilities, private operators and small barangay/community systems. Private operators mostly target larger and dense franchise areas, while many LGU-run and community systems are small and struggle financially. WDs are GOCCs with a development mandate, with operations ranging in size from 30,000+ service connections to a few hundred. In general, WDs provide better service, according to studies, than LGU-run utilities, because of corporatization and LWUA's financing, training and technical assistance. But chronic underinvestment by WDs has resulted in resource pollution and over-extraction, limited system coverage, and high non-revenue water (NRW) levels. Most WDs have low efficiency and profitability and weak institutional and technical capacity, and are not yet bankable. 60% of operational WDs [305 WDs] are small with less than 3,000 connections and/or a low point-rating score; 271 WDs are non-operational.

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| Impact | Improved public health and living conditions for the communities outside Metro Manila that participating WDs serve. |
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Project Outcome

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| Description of Outcome | Increased access to safe drinking water and to improved sanitation for the communities outside Metro Manila that participating WDs serve. |
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Progress Toward Outcome

Implementation Progress

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| Description of Project Outputs | Extension and improvement of water supply systems; pilot sanitation projects Capacity and institutional development for participating WDs and LWUA; increased awareness about sanitation. |
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| Status of Implementation Progress (Outputs, Activities, and Issues) | |
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| Geographical Location | National |
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Safeguard Categories

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| Environment | B |
| Involuntary Resettlement | B |
| Indigenous Peoples | C |

Summary of Environmental and Social Aspects

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| Environmental Aspects | The Environment category is <u>B</u> as the subprojects are not expected to cause irreversible adverse environment impacts. An environmental assessment and review framework (EARF) has been prepared, embodying specific requirements for all subprojects to be financed under the sector loan. LWUA shall ensure that the EARF provisions are observed and that (i) all subprojects are selected in accordance with the environmental criteria for subproject selection in the EARF; (ii) the screening is conducted and environment safeguard documents are prepared for all subprojects in line with SPS; (iii) an initial environmental examination (IEE) including an environment management plan (EMP) that ensures mitigation of identified environment impacts along with related costs is prepared, and the IEE is consistent and complies with SPS and Philippine laws and regulations; (iv) the EMP is updated based on detailed design and relevant provisions are incorporated into the bidding documents; and (v) the implementation of the EMP is monitored and semi-annual monitoring reports are submitted to ADB. Implementation will be ensured by a designated officer in the PMU. Public consultations have been conducted and sample IEEs have been prepared for one water supply subproject (CKWD) and one sanitation subproject (CKWD), each including an EMP that ensures mitigation of identified environment impacts along with related costs. |
| Involuntary Resettlement | The Involuntary Resettlement category is <u>B</u> in accordance with ADB's Safeguard Policy Statement (2009) (SPS); land acquisition and resettlement impacts are limited. A resettlement framework (RF) has been prepared, embodying specific requirements for all subprojects to be financed under the sector loan. A resettlement plan (RP) will be completed for each subproject to be financed under the sector loan, in accordance with the RF, as required, during implementation. Under the PPTA, public consultations were conducted and a sample RP was prepared for one water supply subproject (MSFWD); initial costs for land acquisition and resettlement including implementing the RP have been estimated and integrated in the project cost. The RP follows a process consistent with SPS and Philippine laws and regulations, and ensures compliance with the same. |
| Indigenous Peoples | The indigenous peoples category is <u>C</u> in accordance with SPS. However, an indigenous peoples planning framework has been prepared which will guide the preparation of an indigenous peoples plan, if required for any subproject during implementation. |

Stakeholder Communication, Participation, and Consultation

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| During Project Design | A socio-economic survey, including household surveys and focus group discussions, was conducted as part of the preparation of the Project. |
| During Project Implementation | Project implementation will be complemented by further socio-economic surveys as part of the project performance monitoring activities. |

Business Opportunities

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| Consulting Services | tbd |
| Procurement | tbd |

Responsible Staff

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| Responsible ADB Officer | Tansengco-Schapero, Stella |
| Responsible ADB Department | Southeast Asia Department |
| Responsible ADB Division | Urban Development and Water Division, SERD |
| Executing Agencies | <i>Local Water Utilities Administration Katipunan Road, Balara Diliman, Quezon City Philippines</i> |

Timetable

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|---------------------|----------------------------|
| Concept Clearance | 10 Oct 2007 |
| Fact Finding | 17 Dec 2012 to 19 Jun 2013 |
| MRM | 08 May 2014 |
| Approval | 22 Apr 2016 |
| Last Review Mission | - |
| PDS Creation Date | 08 Jun 2010 |
| Last PDS Update | 05 Nov 2015 |

Grant 0477-PHI

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|---------|--------|
| | | | Original | Revised | Actual |
| 22 Apr 2016 | 19 May 2016 | 17 Feb 2017 | 31 Oct 2022 | - | - |

| Financing Plan | | | Grant Utilization | | | |
|----------------|--------------------------------|--|----------------------------|------|--------|----------------|
| | Total (Amount in US\$ million) | | Date | ADB | Others | Net Percentage |
| Project Cost | 2.00 | | Cumulative Contract Awards | | | |
| ADB | 0.00 | | 22 Apr 2016 | 0.00 | 0.00 | 0% |
| Counterpart | 0.00 | | Cumulative Disbursements | | | |
| Cofinancing | 2.00 | | 22 Apr 2016 | 0.00 | 0.00 | 0% |

Loan 3389-PHI

| Milestones | | | | | |
|-------------|--------------|------------------|-------------|---------|--------|
| Approval | Signing Date | Effectivity Date | Closing | | |
| | | | Original | Revised | Actual |
| 22 Apr 2016 | 19 May 2016 | 17 Feb 2017 | 31 Oct 2022 | - | - |

| Financing Plan | | | Loan Utilization | | | |
|----------------|--------------------------------|--|----------------------------|------|--------|----------------|
| | Total (Amount in US\$ million) | | Date | ADB | Others | Net Percentage |
| Project Cost | 73.00 | | Cumulative Contract Awards | | | |
| ADB | 60.00 | | 22 Apr 2016 | 0.00 | 0.00 | 0% |
| Counterpart | 13.00 | | Cumulative Disbursements | | | |
| Cofinancing | 0.00 | | 22 Apr 2016 | 0.06 | 0.00 | 0% |

TA 9103-PHI

| Milestones | | | | | |
|-------------|--------------|------------------|-------------|-------------|--------|
| Approval | Signing Date | Effectivity Date | Closing | | |
| | | | Original | Revised | Actual |
| 22 Apr 2016 | 17 Mar 2017 | 17 Mar 2017 | 30 Jun 2018 | 21 Sep 2018 | - |

| Financing Plan/TA Utilization | | | | | | Cumulative Disbursements | | |
|-------------------------------|--------------|-------------|---------------|-----------------|--------|--------------------------|-------------|-----------|
| ADB | Cofinancing | Counterpart | | | | Total | Date | Amount |
| | | Gov | Beneficiaries | Project Sponsor | Others | | | |
| 0.00 | 1,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,000,000.00 | 22 Apr 2016 | 33,213.00 |

Project Page <https://www.adb.org/projects/41665-013/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=41665-013>

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