

Regulatory Reform for the Philippine Water Sector

**Outputs from the Conference on
Strengthening Regulation to Improve Water
Service Performance 5-6 August, 2008**



National Water Resources Board



Proposed Measures for Regulatory and Utility Reform





I. Institutional Measures

❖ National Water Resources Board

- Provide regulatory guidance to the sector
- Act as an appellate body – provide alternative dispute resolution mechanisms
- Continue to be the economic regulator for private utilities
- Transition to full regulation of Water Districts, with the support of LWUA in the review of tariffs
- Regulate LGUs on consensual arrangement
- Institute benchmarking and set performance standards



I. Institutional Measures

- ❖ **Local Water Utilities Administration**
 - Focus on being a specialized lending institution and provider of technical services



I. Institutional Measures

❖ Local Government Units

- Ensure the provision of water supply and sanitation in their respective jurisdictions
- Ring-fence their water operations and enter in performance contracts for service delivery
- Adopt NWRB performance standards
- Provincial LGUs to institutionalize benchmarking of WSPs
- Clarify role of Provincial LGUs and Municipal LGU



II. Incentives

- ❖ Align public financing with governance, performance & regulatory reform objectives
- ❖ National Government to provide incentives to encourage financing to expand coverage especially in poor communities
- ❖ National Government to provide incentives to encourage financing of WSPs meeting performance standards



III. Capacity Building

❖ Strengthening of NWRB

- GOP approval of reorganization proposal
- Dialogues with LWUA on regulatory functions (tariff & standards)
- Formulation of light-handed regulation

❖ Strengthening LGU capacity

- Preparation of provincial master plans
- Ring fencing of LGU-operated systems



III. Capacity Building

- ❖ Strengthening of LWUA
 - Amendment of Eos 279 & 421
 - Review credit-worthy concept
 - Scrap conditions on post-retirement
- ❖ Review LWUA tariff methodology / benchmarking & Water District categorization parameters
- ❖ Organizational restructuring
- ❖ Review of lending terms and policies



III. Capacity Building

❖ Strengthening of WSPs

- Ring-fencing
- Business planning
- Performance standards



- ❖ Establishment of single economic regulatory body



❖ NWRB

- Continue to be economic regulator for private utilities
- Provide guidance to the sector especially on institutionalization of benchmarking and setting of performance standards
- Regulate LGUs on consensual arrangement
- NWRB as appellate body?
- NWRB & LWUA to coordinate to discuss transition mechanisms for full regulation of Water Districts



❖ LWUA

- To be provider of technical assistance to all water service providers especially to the LGUs

❖ LGUs

- To be responsible for the provision of water supply and sanitation in their respective jurisdictions
- Work on ring-fencing
- Adopt national performance standards
- Engage in benchmarking of WSPs



❖ Medium Term Action Agenda

- NWRB & LWUA to discuss regulatory issues
- Institutionalization of Benchmarking
- Disseminate contractualization of service delivery as an option for LGUs or WDs with either public or privately owned utilities
- Advocacy on WSS concerns and need for regulation
 - Advocacy with Mayors within the next 6 months
 - LPP to elevate WSS concerns to the President and support regulatory measures



Consensus Points

- Capacity building for LGUs on:
 - Ring fencing
 - Benchmarking
 - Master Planning
 - Others (corporatization of water utilities, contractualization and joint ventures for WSS projects)
- NWRB to finalize guidelines on light-handed regulation
- Review of proposed Eos and other legislations towards a single regulatory body to be led by the Road Map Committee / TWGs



Consensus Points

- Establish database on WSS coverage by level of services nationwide
 - Undertake formulation/updating of provincial water supply, sewerage and sanitation sector points)
- Set up the Water Sub-Committee under NEDA Infracom
- Follow up with DBM for additional NWRB budget



❖ Long Term Action Agenda

- Work for the establishment of a single economic regulatory body with the following functions:
 - Issue licenses
 - Formulate tariff principles / approve tariffs
 - Set licensee targets / performance standards
 - Monitor and enforce compliance
- Push for sponsorship and deliberation of a consolidated bill in the House and Senate
- Advocate with existing Congress through the appropriate congressional / senate committees

