

Serving the Urban Poor through Public-Private-Community Partnerships in Water Supply*

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Residents in major poor communities in Metro Manila are often illegally squatting on private or public lands left vacant either because they are reserved for future use, isolated, dangerous or unhealthy, and lacking in basic infrastructure. These squatters are often excluded from the formal provision of basic social services. One such service is water. In these cases, gangsters and profiteers operate a distribution system which takes advantage of this lack of access to the legal system. In these poor and unserved communities, the vulnerable groups are getting lower quality water, often from water vendors sourcing legally or illegally from the Metropolitan Waterworks and Sewerage System (MWSS) main lines or from private wells that are several times more expensive. Two household surveys conducted in 1995 and 1998 in Metro Manila by David and Inocencio (1996, 1999) indicated that the majority of low-income house-

holds do not have individual piped water connections but are mostly relying on vended water. So, even if many poor households live in areas within the pipe distribution network, they are not served by it.

This situation where squatters are "excluded" from piped water connections, being technically illegible to apply despite their indications of interest and willingness to pay, has led, in most cases, to a high level of nonrevenue water (NRW). When the MWSS was privatized, the private concessionaires came out with special water supply programs intended for poor communities by effecting certain policy changes in water connection applications. These programs which provide water connections to the poor contribute to both reductions in NRW and increases in revenues and, at the same time, address the service coverage expansion targets of the private concessionaires. The innovations introduced in the programs vary from individual connections to shared meters (group taps)

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to public faucets that deliver water by hose to a bulk water provision for a whole community.

This *Notes* discusses these major forms of water (and sanitation) services provided for the urban poor, highlighting the public-private-community partnerships forged in the process and the role of each partner, and drawing some lessons for improvement and replication in other areas. This paper is based on interviews of key informants and households in selected major depressed areas and a focus group discussion held in one poor community which now benefits from the pro-poor program.

Where are the poor getting water?

Prior to the MWSS privatization, the poor in depressed areas in Metro Manila obtained water mainly from water vendors and public faucets. Today, while vended water and public faucets remain, group taps, bulk water and individual connections are already available.

Vended water

- this source continues to be important even after privatization,
- it is, by far, the most expensive water with prices ranging from about P100 to P250 per cubic meter (cum),
- its quality is doubtful as water may be sourced from illegally tapped mains or lines of MWSS or from a shallow or deep well that can be contaminated,
- it is the least convenient source since water is either picked up from the source or delivered by a water carrier in 20-liter containers using a wooden or metal pushcart, bicycle, tricycle or jeepney with a small water tank.

Public faucets

- the old MWSS served depressed areas mainly with public faucets,
- the private concessionaires continue to serve unconnected households as the MWSS concession agreement provides for the establishment of public faucets with no installation charges for every 475 people within depressed areas (one faucet serving up to over 50 households) that are not yet given piped connection,

- Maynilad has a total of 402 public faucets while Manila Water has 533,

- they are less expensive than vended water with prices ranging from about P25 to P50 per cubic meter while the water tender pays the east concessionaire P3.98 per cubic meter,

- these are either managed and operated by an individual, barangay officials or community associations/community-based organizations.

Group taps

- group taps are installed through the "Tubig Para sa Barangay" program of one concessionaire where land title requirements are waived and connection fee installment is allowed up to 3 months,

- 2 to 5 households form groups and share one mother meter and may opt to install individual submeters with one household acting as the leader doing collection and remittance of payment to the concessionaire,

- Manila Water already has 6,577 connections (including some individual connections) as of December 2000 official figures,

- water is less expensive¹ than from public faucets at an average price of P5.08 per cum.

Bulk water supply

Community-managed water connection

- one concessionaire introduced this to squatter or poor communities as an alternative to group taps,

- requires active participation of the community,

- a community-managed mini water distribution system that serves its members through metered pipes and is billed as a single account with one mother meter for the entire community,

- the community does meter reading, billing and collection for all its member-households who were each given individual connections with respective submeters,

- cheaper than vended water but more expensive than group taps at an average price of P6.24 to P6.65

¹This price estimate assumes an average household consumption of 30 cubic meters per month and applies the concessionaire's corresponding water rate.

Box 1

One resident in Liwanag area in Barangay Old Balara, Quezon City, which is a beneficiary of the "Tubig Para sa Barangay" program, related her experience of having to spend up to P40 per day before for water bought from a vendor or obtained through a water carrier. Today, however, she pays only P25 to P50 per month because of the program. Another resident who used to pay a flat rate of P300 per month to a neighbor with water now spends only about P60 per month. The participants in the focus group discussion were one in saying that now, with the water program, they can enjoy the luxury of a daily shower. They now also have spare time to go "mall" or even watch movies or attend meetings such as the focus group discussion called by the barangay kagawad without having to worry^a about returning home without water for the day's use.



^aAlthough the residents in the area still need to store water because it is not yet available 24 hours, people are nevertheless sure to have water for each day. This problem of having less than 24 hours water may, however, be addressed soon by the ongoing projects in the area which include the rehabilitation of the Balara pumping station and new water supply lines.

per cubic meter. Final prices to households are a little higher than what the community pays the concessionaire since the community pays for its meter reader, billing and collection activities, and token honoraria for the overseers.

Privately managed water distribution

- a private subcontractor provides some water infrastructure investments required to distribute the water it gets from one concessionaire,
 - serves areas not yet given individual connections due to remaining institutional problems and bears a substantial amount of risk, as demolition can occur anytime and the local government cannot guarantee anything,
 - resells water to households at rates a little lower and more convenient than vended water as distribution is done through long hoses.

Individual connections

- "Bayan Tubig" (Maynilad has already 10,200 individual connections as of December 2000) and "Tubig para sa Barangay" waived land titles and spread connection fees over 3 months to 2 years,
 - this is the most convenient (no more queueing

for long and/or odd hours) and the cheapest, with the average price to households in the east sector of P3.08 (and about twice as much in the west sector) for a 30-cubic meter consumption in one month,

- households pay the same price as all the rest in a service area.

Forms of partnerships and roles of partners

Private sector participation in the water sector in the Philippines has encouraged various partnerships in water provision for the urban population especially the urban poor. With the privatization of MWSS in 1997, different forms and levels of partnerships became instrumental in extending a basic service to poor households. A number of important lessons can be gathered and learned from them in terms of addressing the needs of the poor and poor communities and alleviating poverty in the process.

One is the public-private partnership exemplified by the relationship of the 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 sanitation and sewerage project provision of land) to less formal that mainly involve the community at the beginning of the project implementation. Another partnership is that between private (Manila Water or Maynilad) and local government where the latter is represented by the barangay officials or the municipal/city officials. Yet another level is that of private, nongovernment organizations (NGOs) and community partnership as in the case of a Maynilad project in a Malabon village where the NGOs were instrumental in facilitating connections and providing a sanitation and drainage system. Private-private partnerships where the other private party is a subcontractor, and private (subcontractor)-local government unit (LGU) partnerships are also other forms of partnerships in the provision of water for the urban poor.

In almost all cases, both concessionaires have to work with barangay² or area association officials. Most of the coordination and linking is done with the barangay and/or association officials who do the community mobilizing so the concessionaires can have the opportunity to market the service, i.e., explain the project, convince the community to unite and cooperate in the project by agreeing to regularize illegal connections, and extending all necessary support. Barangays also give endorsements for the issuance of an environmental certificate of conformance (ECC) by the Department of Environment and

Natural Resources (DENR) which facilitates the granting of ECC.

The role of the city/municipality is mainly in giving permits to dig and fill. In some cases, the city/municipality shows more support by granting global permits which greatly facilitates water projects. In other cases, the municipality/city waives the excavation or digging fees while the barangay may also forego the permit fees. Sometimes, the city/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.

Meanwhile, the NGOs' role is primarily on information, education and communication campaigns as well as community mobilization.

While the partnership by Manila Water with another private entity in water reselling business is far from ideal, it made possible the provision of an alternative source of water for certain communities after the MWSS was privatized. The alternative source serves as an improvement to the existing provision in the area served. The private

²Mayors are usually invited during the inauguration of completed projects. This act promotes good rapport with the local government and gives advantage to succeeding water projects in terms of easily getting permits to dig and fill, among others.

Box 2

Community participation has been a key factor in the success of most partnerships forged.

In the case of Maynilad water projects, community participation took the form of involvement of area associations (especially officers) in mapping the areas, identifying member-residents, certifying residency, facilitating applications and submitting them to Maynilad (in some instances), and providing security for materials, tools and equipment, and assistance to workers in locating households thereby facilitating installation. The process starts with consultations with the community on the water project and the community's acceptance of the project.

Community participation in the case of Manila Water begins with the consultation by the concessionaires with the community, urging them to unite and agree on phasing out all illegal connections and decide on the form of service which is appropriate to the community. This may be through the bulk water or group tap system. Once the community agrees on the form of service, officers help collect the individual connection fees and pay Manila Water or a private contractor hired to do the individual household connections (in the case of bulk water). In the bulk water service, partnership with the community continues as the community association manages a local water distribution system in their area. In some water projects of Manila Water, community participation is in the form of labor contributions especially in the diggings and fillings during installations of pipes. This reduces the costs of installation accordingly.

partner shouldered the investment requirements to put up storage and preservation tanks, pipes and faucets in distribution points and long hoses that reach bathrooms and kitchens of households which otherwise would have a long wait because of the large capital required to bring better water service to households. Note that the area was serviced before by public faucets which were decommissioned by the old MWSS because of the nonpayment by the barangay officials operating them.

On the whole, the form, level and degree of partnerships formed differ from area to area depending on the local conditions. Participation of parties can be small, informal and immediate as in the contribution of labor and construction materials, mobilization of the community, capability-building and empowering of the community, or can be more substantial, formal and continuing such as in the management of a mini water distribution system or a billing and collection contract.

Benefits from the partnerships and factors for their success

From the interviews of households and the focus group discussion, it is clear that the serviced households have benefited in terms of: (1) access to and availability of safe and better quality water; (2) much reduced cost of water per cubic meter; (3) increased per capita consumption which is higher than the 30-70 liters per capita per day average for households buying from vendors; and (4) freed-up time from queueing which households now utilize for income-earning activities, caring for the children and more leisure. For households still without connections in depressed areas but were served by the water projects of both concessionaires, the benefits were in terms of slightly reduced prices (in some cases) and greater convenience since they do not have to walk far anymore to get water. Moreover, there is hardly any queue since they now buy from households just next to them.

The above benefits to the poor and poor communities have been realized through the relaxation of earlier stringent technical and institutional requirements such as the waiving of land title requirement and allowing of

installments in the payment of connection fees spread over 3 months to 2 years in providing water service connections by both concessionaires. In turn, such policy reduced the cost of connection and paved the way for regularizing illegal connections in squatter communities which in turn resulted in reduced nonrevenue water. This differentiated service approach (adapting technology) for the poor raises the quantity as well as quality (relative to the time before provision) of services delivered in poor communities.

Meanwhile, the success factors in local community participation and partnerships in water and sanitation and sewerage services provision include the (1) presence of a strong NGO or people's organization (PO) that contributes to the implementation of water projects in the depressed areas, and (2) cooperation and support from the barangay officials. In instances where there was some resistance from certain parties who were operating the public faucets or running the illegal water distribution, the majority of the community members provided support and protection to the construction workers with assistance from the local police.

For specific Maynilad projects, what contributed to their success were the (1) effective coordination with city and local officials; (2) effective information dissemination to the beneficiaries of the Bayan Tubig Program; (3) cooperation from the residents; and (4) gaining of public confidence by making good the promise to provide water (Maynilad 2001).

Poverty alleviation and water provision

There are indications and good reasons to believe that provision of water for the poor and poor communities can be a potent tool for poverty alleviation. Lack of water and sanitation impact on poverty through four channels: (1) health; (2) education; (3) gender and social inclusion; and (4) income and consumption (Bosch, Hommann, Sadoff and Travers 2000). In the case of the poor in Metro Manila, the lack of water and proper sanitation has certainly affected income-earning potentials due to time spent in collecting water that could have oth-

erwise been used for more productive activities, or due to poor health or lack of opportunity for businesses requiring water inputs. As gathered from the interviews of poor households, the provision of water by the two concessionaires has given them not only water but more time in their hands. In addition, while households used to spend so much on water and divide whatever is left for all the other basic needs, with their reduced water budget now, households can spend more money on food and the other needs. In the squatter areas in Metro Manila which have been given water by the concessionaires, the sprouting of small or micro enterprises is striking. For instance, in one Maynilad Bayan Tubig project which serviced a group of households along a creek in Manila, a candy-making business, which requires substantial water input, is said to have flourished with the current availability of clean and reliable water.

In the water projects of Maynilad, the collaboration or partnership directly contributed to employment through the concessionaire's agreement with its private contractor to hire local workers in the project construction, design and supervision of the work. In this sense, the provision of water contributes to poverty alleviation, albeit in a nonsustainable manner. The livelihood opportunity for the community-based organization that will be implemented through the billing and collection contract may be more sustainable and will benefit not only a few workers or households but the whole community itself through the community projects that will be undertaken by the association from the commission or payment from Maynilad.

With regard to social inclusion, the residents in the poor communities that now have water connections feel that they have become a legitimate part of society, receiving the same services that the rest have been enjoying. The water service has given some sense of self-esteem and encouraged many to pursue further improvements in their standard of living as evident in their changing of house structures into more permanent ones and maintenance of a cleaner environment.

Opportunities for improvement

To ensure that the benefits gained from the partnerships are sustained and even improved, areas for refinement and strengthening must be considered.

On partnerships. In the case of the community running a mini water distribution system, there is a need to properly empower the community water association while at the same time provide it with the right incentives to make the arrangement more equitable and sustainable. Specifically, discounts for technical losses may be granted. The discount should take into account the reduction in nonrevenue water plus the savings in the billing and collection costs on the part of the concessionaire. An example, which has been applied in computing charges for public faucets, is the 10 percent reduction in the total consumption of the community.

The MWSS regulatory office should also be able to monitor prices charged by the major partners of the concessionaires in distributing water, and if necessary, regulate. Part of the empowering and capability-building is the technical assistance in tariff-setting and subsequent adjustments. In the longer term when the service area is almost completely served, however, the concessionaire can choose to take over the operation and convert the mother meter or bulk water into individual connections. An alternative option would be to charge the community the price which would approximate individual connection charges so members would not be paying at least twice as much. The point is that while the immediate and deliberate effort to serve the poor is laudable, there should be plans and preparations for more long-term arrangements.

At present, the private subcontractor distributing water in "high" risk areas has unregulated price. A system must be set up to regulate prices by retailers of this type especially if water being distributed is obtained from one of the concessionaires. In the present set-up, the MWSS Regulatory Office is tasked with monitoring and regulating prices charged by the concessionaires with the basic idea of protecting the consumers from monopoly

prices. Since the prices charged by the private subcontractor are borne by the final consumers, they must then be regulated to ensure that reaping of monopoly profits is not merely passed on from the private concessionaire to the private subcontractor. However, regulation must be balanced with enough incentives for private subcontractors so that they are encouraged to continue to provide capital investments and bear more risks. This type of arrangement is especially relevant in areas or communities where the concessionaire is not willing to go into because of too much risk exposure or high initial investment/infrastructure requirement.

With the disadvantage and higher cost of billing and collection in squatters area, going into a billing and collection contract with an area association that has a tested track record appears to be promising. First, the contract will minimize cost as well as the risks on the part of the concessionaire. Second, it may also serve as an incentive for the community, through the association, to protect the concessionaire's interests by reporting leaks and illegal connections to minimize nonrevenue water.

On water pricing. The present rising block tariff structure which applies an increasing unit charge to successive blocks of consumption is supposed to ensure that a basic level of consumption is affordable to all consumers while providing a strong incentive for conservation at high levels of use. This principle of the progressive water price structure of MWSS water, however, ends up having regressive effects on the poorer households who have to rely on shared water connection or bulk water with residential rates or public faucets. Paying for bulk water would mean large total consumption charged with higher rate due to the stepwise rate structure, and the poor therefore pay higher prices per cubic meter of water. David (2000) suggests that the pricing policy must be evaluated more broadly as a means of establishing the correct level of incentives so that adequate water, sewerage and sanitation service may be provided to all at the minimum cost and the price the consumers are willing to pay. For equity, an adjustment formula to connections serving multiple dwellings especially in poor com-

munities may be applied to approximate average price for individual connections. However, given the complexity of implementing this proposal, targeting to provide individual connections before the end of concession may be more realistic.

On role of government and regulation. With regard to the impacts of privatization, the initial assessment of David (2000), done just a year after the privatization of MWSS, on the requirements to fully realize the gains of the privatization is still very much applicable four years hence. According to David, attainment of the full potential gains from the privatization will depend on the "ability of the Regulatory Office and the residual MWSS to enforce the contractual agreements such that potential problems arising from possible weaknesses in the contract design and changes in the underlying assumptions, data and analysis used in developing the contract and the technical and financial bids" can be anticipated and necessary adjustments in the contract and mode of operation be implemented. David further stressed that the "willingness of the Regulatory Office and the residual MWSS to adopt a more integrated and holistic approach in dealing with the inherently interrelated issues of water supply and sewerage planning and operations, demand management, pollution control, and watershed and groundwater protection" is critical. Another important factor is the "government's ability to undertake the necessary institutional, regulatory, and policy reforms in the water sector to ensure effective coordination of policies and programs and to establish appropriate incentive and control structures for more efficient, equitable, and sustainable management and utilization of water" (David 2000).


In practice, the price of MWSS water has been politically determined and ultimately even decided by the President of the Philippines (David 2000). A recent example is the bid of Maynilad to raise its tariffs to cover for foreign exchange losses that amounted to close to P3 billion. Without such increase, the concessionaire's viability is severely threatened. This bid was acted upon only after the May elections. It was deemed a high politi-

cal risk to raise water prices just before an election as it would adversely affect the administration's party candidates. Still, no final decision has been made as of this writing, with the concessionaire pushing for a large one-time increase while the President prefers gradual and spread increases. This experience clearly illustrates the government's strong intervention in the water sector especially in the case of MWSS which has been historically heavily subsidized. In view of this, the government's credibility as a long-term contractual partner or regulator may become a deterrent for future or expanded private sector participation in water. Credibility is critical to keeping the private sector interest and willingness to invest in the sector.

On poverty alleviation. As illustrated in the water programs for the poor with public-private-community partnerships, there are indications that such programs can contribute to poverty alleviation. The valuable lessons learned in the case of Metro Manila may be operationalized and improved to comprise good (if not best) practices applicable to other water utilities in the country. A well designed water and sanitation program that explicitly takes into account the situation and preferences of the poor and the interests and possible contributions of other stakeholders and potential partners can become a potent tool in alleviating poverty. Given a range of choices, many poor households will prefer individual connections rather than public faucets or vendor type service for convenience and consideration of cost. Providing a range of service levels for different consumer groups that includes a low-cost approach should be aimed in the immediate term. The approach should offer innovative engineering and community involvement. However, there should be plans and preparations for more long-term water provision that should be more equitable and sustainable.

Community support at the outset of the project can facilitate design and implementation. Thus, the extensive experience of NGOs in mobilizing community participation in depressed or poor communities should be tapped.

Conclusion

Finally, a participative type of service based on a partnership with the poor, LGUs, NGOs and private sector may succeed if partners are realistic and flexible. Partnerships take time to be forged since it takes time to design responses that meet the needs and goals of major players. It is therefore clear that partnerships formed in the provision of water, especially for the poor and poor communities, is a continuous process and would "need trust and patience and a willingness to compromise to achieve the objectives" (Franceys 2001). 

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