

Continue but redesign the grant program for water supply and sanitation

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Addressing the water supply and sanitation requirements of all Filipinos has been an overriding objective in development plans of past administrations. In the past two administrations, the successive medium-term Philippine development plans supported the Millennium Development Goals for water supply and sanitation. Moreover, sectoral plans pursued universal coverage or universal access objectives. The *Philippine Water Supply Sector Roadmap-2010 Update* set the provision of universal water coverage by 2025 as a national goal. The *Philippine Sustainable Sanitation Roadmap*, likewise, envisioned universal access to safe and adequate sanitary facilities by 2028.

Among the strategies to achieve these goals is to provide grant financing to the so-called “waterless” municipalities, wherein less than 50 percent of the household population have access to safe water supply. Two grant financing

programs have been implemented: (1) the President’s Priority Program for Water Supply (P3W), which ran from 2005 to 2010 during the Arroyo administration, and (2) the *Sagana at Ligtas na Tubig para sa Lahat* (Salintubig) Program, which started in 2011 and will last until end-2016.

This *Policy Note* summarizes the main findings of the study on these two programs.¹ It also recommends policy and program design improvements that may help guide the actions of the new administration in expanding water supply and sanitation coverage.

¹ A more extensive discussion is presented in the PIDS Discussion Paper titled “Results of the process and impact evaluation for selected government water supply and sanitation programs.”

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The study involved process evaluation to check if program execution had been effective and transparent. It also involved qualitative impact evaluation to examine if the grant programs were able to achieve their developmental objectives, and if the capital investments are sustainable and could be built upon to further expand access to safe water supply and improved sanitation services. The research methods employed are desk research, focus group discussions, key informant interviews, and field visits. The study team visited 10 local government units (LGUs), 2 water districts, 18 barangays, and 1 resettlement area.

Evaluation results

The P3W initially identified 432 waterless municipalities using the *2000 Census of Population and Housing* (NAPC and DPWH 2005). Its target grew to 449 waterless municipalities when the municipalities in the Autonomous Region in Muslim Mindanao (ARMM) were split, resulting in the formation of 17 new municipalities. The current Salintubig Program targeted 455 municipalities and 1,353 barangays²—all of which were identified as waterless. These municipalities were prioritized based on their level of access to safe water, poverty incidence, and manifestation of waterborne diseases. Salintubig also allocated funds to so-called “thematic areas” (i.e., health, resettlement, and poverty) for (1) the poorest waterless barangays with high incidence of waterborne diseases, (2) informal settlers’ resettlement areas in selected provinces, and (3)

² Similar to waterless municipalities, the identified waterless barangays are those wherein less than 50 percent of the household population have access to safe water supply. There are barangays that fall under the waterless category even if the municipalities they belong to are no longer considered waterless.

health centers without access to safe water (DILG et al. 2012).

In the last 10 years, the grant programs had a cumulative budget of more than PHP 11 billion: PHP 5.4 billion for P3W and PHP 5.8 billion for Salintubig. In addition, the Salintubig funds require counterpart contribution from LGUs—amounting to 10 percent of the total grant funds—for sanitation-related activities.

Each program formally adopted guidelines in implementing grant projects. The P3W, however, lacked a defined monitoring and evaluation (M&E) system, which resulted in inconsistencies in reported accomplishments. Moreover, there was no formal turnover of records on the program when the Department of Public Works and Highways (DPWH) dissolved the ad hoc P3W project management office.

The Salintubig M&E system, on the other hand, is guided by a logical framework that focuses on the outcomes envisioned under the program, describes both physical accomplishments and fund utilization, and estimates access level based on the capacity of the systems that were put in place. However, it has no impact assessment framework, and there were no baseline data collected during the initial stage of its implementation.

Table 1 summarizes the features and accomplishments of the two programs.

The interviews and focus group discussions in the visited project sites revealed evidences of positive outcomes, such as safer sources of water, time saved in fetching water, money saved due to lower amount paid, longer time

that water is available, better water pressure, decline in waterborne diseases, improvement of hygiene especially among children, toilets becoming operational with water availability, and opportunity to engage in income-generating activities that use water (e.g., piggeries and car wash business).

However, important challenges remain. These are:

- *Lack of focus on sanitation.* The sanitation program is, for all intents and purposes, non-existent. In the case of P3W, it was not part of the design. In the case of Salintubig, there is no coherent framework and no monitoring of the use of the counterpart funds intended for sanitation development.

- *Water resource limitations.* Many LGUs had to deal with the problems involved in finding viable bulk water sources. Allocations from the programs for water source assessment are small, yet such assessment is important to establish a fully functioning system—a water system with source development; raw water extraction; and water treatment, transmission, and distribution. Because the capacity of a water supply system is limited by the capacity of the source, an incorrect assessment can make the service inadequate or, worse, put to waste the investments on the other components of the system.

- *Capacity constraints among LGUs.* The P3W did not include capacity development as part

Table 1. Features and accomplishments of the P3W and Salintubig programs

	P3W (2005–2010)	Salintubig (2011–present)
Targets	449 waterless municipalities	455 waterless municipalities, 1,353 waterless barangays, thematic areas
Spending	PHP 5.423 billion	PHP 5.810 billion
Agencies involved	National Anti-Poverty Commission (NAPC) as coordinator, DPWH and Local Water Utilities Administration (LWUA) as executing agencies, Department of Health (DOH) as budget conduit in 2009–2010	NAPC as coordinator; Department of the Interior and Local Government (DILG) and LWUA as executing agencies; DOH for health and sanitation technical assistance
Percent of “graduates” ^a	8.7% (39 of 449 municipalities)	14% (62 of 455 municipalities)
Number of beneficiaries	1.3 million people—865,000 of which are from waterless municipalities	1.7 million people—all from 333 waterless municipalities (2011–2014)
Insertions	Inserted 215 municipalities, 90% of LWUA funds (or 62% of total P3W allocation) were used for “nonwaterless” municipalities	No insertion; although 225 “nonwaterless” municipalities and 34 “nonwaterless” water districts were assisted, these were for waterless barangays ^b
Sanitation	No strategy and direct interventions from the program	10% LGU counterpart for sanitation-related activities but not monitored

^a Government program implementers define “graduates” as those previously categorized waterless areas that eventually attained access levels of more than 50 percent (i.e., more than 50% of households have access to safe water supply).

^b The distinctions can become confusing for those not working in the sector, but “nonwaterless” municipalities or water districts are those wherein more than 50 percent of the household population have access to safe water.

Sources: Las Marias et al. (2011) and various DILG office reports

of project implementation. Fortunately, this need was recognized and capacity development was included in the Salintubig Program. The government has allocated a regular budget for it. The LGU grantees of Salintubig have also been required to allocate a portion of their counterpart funds for capacity-development activities. The DILG, in particular, has been active in providing training for project development, procurement, construction supervision, fund management, and operation and maintenance. However, the resources for capacity building are still inadequate. The DILG recently embarked on organizing Regional Water and Sanitation (WATSAN) Hubs. This is certainly a step in the right direction, but it is still too early to determine its effectiveness.

- *Poor sustainability of investments.*

Sustainability of investments is the most critical issue faced by both programs. Investments in water supply and sanitation can be sustained if intended beneficiaries are being reached, the operations can be expanded to cover unserved or underserved areas, and the level of service of constructed facilities can be upgraded (e.g., from communal taps to piped-to-household systems). Sustainability is a critical issue given the following findings in some of the sites visited: (1) there are indications of substandard design and construction; (2) the maintenance of facilities is mainly reactive

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rather than preventive, as most of the work is devoted to repairs and troubleshooting; (3) the operators (i.e., loosely formed barangay associations or barangay councils) do not adopt sound operation and maintenance practices, and do not collect adequate tariffs to recover operating and maintenance expenses, much less capital investments; (4) tariff setting is not rationalized, and no key performance indicators are set and monitored; and (5) there are no apparent strategic plans for expansion and upgrading of services.

Given these sustainability issues, program gains can be reversed once the water supply systems cease to be going concerns—that is, once the systems' revenues become inadequate to cover operation and maintenance.

- *Inadequate monitoring and evaluation system.* Program and project development accountabilities could be improved if a robust monitoring and evaluation system is in place, particularly one that would go beyond the tracking of physical and financial accomplishments.

Recommendations

The current state of economic regulations for the water supply and sanitation sector is not effective enough to compel LGUs and water districts to expand, improve the quality of their services, and upgrade their service standards. This situation is most pronounced in LGU-run utilities given their conflicting proprietary and regulatory mandates. Without a regulatory “stick”, the realistic option for government to drive investments in the medium term is to offer financing incentives. Grant resources, therefore, will still be necessary to achieve the goal of

universal coverage for water supply by 2025 and sanitation services by 2028, especially for poor households. At the same time, ongoing efforts to build the capacity of water service providers to undertake financially viable projects (e.g., public-private partnerships) should gain momentum.

Despite the challenges in the implementation of the P3W and Salintubig programs, the expansion of services that benefited more than 3 million people would not have been achieved without the grant assistance. Given that the Salintubig Program is about to wind down in 2016, the executive must propose a national successor program—one with an improved program design.

Below are some specific recommendations:

- *Ensure consistency in the application of the criteria for prioritizing program beneficiaries.*

The following stricter controls can be imposed: (1) officially adopt the criteria for prioritizing beneficiaries through a resolution from the National Economic and Development Authority (NEDA) Board to avoid arbitrary changes, or the insertion of ineligible beneficiaries during implementation, and to ensure a high-level oversight; (2) earmark the program budget to the list of eligible and prioritized municipalities; and (3) incorporate an M&E system in the design of the program, starting with tracking the intermediate outcomes, or number of target beneficiaries connected to water systems, and then the more direct outcomes. Should the government approve the proposed Unified Financing Framework for the sector (WB and AusAid 2015), which is currently pending NEDA Board approval, the next water supply and sanitation grant program and its guidelines should be subsumed under this framework.

- *Carve out a component for water source identification and development.* This approach will lessen the risk of having insufficient water supply during the operation stage, as experienced in many Salintubig projects, as well as contribute to a more efficient use of scarce water resources that is consistent with integrated water resource management. A possible subprogram for water source assessment can be undertaken by a national government agency, such as the National Water Resources Board (NWRB), DILG, or LWUA. Priority should be given to water-stressed areas or areas where sources are difficult to identify. In areas where the source is apparent (e.g., spring sources and verified groundwater sources), the grant recipient can be allowed to submit a proposal including source development. The subprogram should also assess the option of building a number of decentralized sources, which are mostly groundwater, relative to options that have economies of scale (e.g., surface water source development that can serve a cluster of barangays or LGUs).

- *Increase the budget for technical assistance to LGUs and water districts.* This should cover technical assistance for strategic sector planning, project preparation and design, and procurement and construction supervision. In addition, the government should pursue the strengthening of Regional WATSAN Hubs and tap the services of accredited technical service providers, which are sector experts registered with the NWRB.

- *Address sustainability-related issues.* To address sustainability issues, the following must be considered:

- A defined management structure should be a minimum requirement for the provision of grants. In the case of an LGU grantee, this can be done by setting up a ring-fenced economic enterprise for water utility. If a water district exists, the LGU can append the new system to the water district's network. If the whole system is viable for water concessions, the LGU or water district can contract a private concessionaire to run the utility.
 - LGUs should be required to track performance indicators and the adoption of NWRB economic regulatory guidelines as a condition of the grant. This will give water system operators a standard system for setting and adjusting tariffs, which will allow them to sustain maintenance activities. (Note that in the case of water districts, the LWUA sets guidelines on tariffs and performance.)
 - Grantees should be required to participate in the *Listahang Tubig*—the water service providers' registry project of the NWRB. This will also require them to participate in annually reporting their benchmarking indicators. The publication of the benchmarking results is a means for light-handed regulation. The comparison of performance exerts peer pressure for laggards to do better.
- *Deliberately design the components of and funding for an integrated sanitation subprogram.* The sanitation subprogram must have a nationwide scope. Its design must also consider the following aspects:
 - Program designers should come up with a comprehensive assessment of the (1) sanitation access coverage in the country, (2) households' levels of access to improved sanitation, (3) households' levels of linkage with the community's sanitation value chain, (4) types of investments necessary nationwide, and (5) service providers or partners that deliver or can deliver sanitation services. A design for updating assessments is also warranted.
 - Program designers should come up with specific interlinked strategies for each step in the sanitation value chain, namely, (1) waste capture (e.g., influencing behavioral change of communities and households, and giving incentives for the installation of improved sanitation facilities), (2) waste storage (e.g., giving incentives for the installation of septic tanks), (3) transport (e.g., integrating into the service obligations of water districts and utilities the emptying of household and community septic tanks every five years), (4) treatment (e.g., giving incentives to or financing package for water districts and utilities for the establishment of septage treatment facilities), and (5) reuse (e.g., reusing waste as fertilizer, and partnerships with LGUs, civil society organizations, or business establishments for such).
 - Program designers and implementers should formulate specific and measurable targets, identify where the sanitation problems are most severe, identify what the gaps are, and come up with a prioritization scheme for deploying resources.
 - *Address the gaps in program outcome and impact evaluation.* The current monitoring system should be expanded to include outcome and impact monitoring. This implies allocating a higher budget for M&E.

Lastly, program designers should stop calling the water supply program priority areas as “waterless” and, instead, come up with coverage targets—both for water supply and sanitation—in terms of percentages, which need not necessarily be stuck at 50 percent. The waterless label has no sound logical basis; it creates confusion every time there is a change in the set of decisionmakers. Moreover, it unnecessarily introduces the question of what to do with the municipalities that “graduate” from being waterless, when what is necessary is that every time targets are met, we ask what new targets and strategies toward achieving universal access should be defined using available public and private financing mechanisms.

An illustration of a possible target setting for water access is as follows: (1) start with the *universal access objective as the long-term goal* and (2) then have *medium-term access expansion targets in terms of percentage* wherein LGU accountability can be established or, in the case of water districts, LGUs can be made partners in monitoring water districts. For instance, within three years, decisionmakers may target to increase to 50 percent the safe water access rate in LGUs with less than 30-percent access rate (most of which are in ARMM), increase to 70 percent the access rate in LGUs with 50–30 percent access rate, and achieve universal coverage in LGUs with more than 50 percent access rate.

Medium-term targets can be achieved through a combination of grants, loans, equity, or public-private partnerships. The grants will be for those areas where safe water access rates are lowest and, at the same time, have low capability to pay or where poverty is most severe (e.g.,

measured in terms of magnitude of poverty or number of poor people). Note again that the described target setting is just an illustration for decisionmakers. 📄

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