

## Case Study

### Five Philippine Water Districts Say NO to the Asian Development Bank

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Water services in the Philippines are being provided by water districts (WDs), local government-operated waterworks, privately-owned water service providers, and user and/or community-managed water systems such as cooperatives, Barangay Water and Sanitation Associations (BWSAS) and Rural Water and Sanitation Associations (RWSAS). Over decades, the Philippine government under-invested in building water supply and distribution systems, thereby failing to fully provide safe, adequate and affordable potable water to its citizenry. By 2006, level of access to safe potable water declined to 82 percent (Social Watch Philippines, 2007; p. 88), threatening the achievement of Philippine commitments to attain 87 percent coverage by 2015.

The Water District Development Sector Project (WDDSP), a US\$50-million loan fund proposed by the Asian Development Bank (ADB), aims to assist the Philippine Government in its effort to improve water supply and sanitation services for urban populations. Purportedly, the project would rehabilitate and expand existing water supply systems, improve coverage in service areas, support institutional development and capacity building, and conduct public health and hygiene campaigns in five water districts, namely: a) Metro La Union WD; b) Quezon Metro WD; c) Legazpi City WD; d) Leyte Metro WD; and, e) Koronadal City WD. The criteria for the selection of the pilot WDs were: 1) the demand for improved water supply and sanitation in the WD service area; 2) the fiscal capacity, commitment to reform, financial management, and governance practices of the target WDs; 3) the focus on serving low-income communities; 4) well-defined investment needs; and, 5) the preparedness of the WD to undertake the project.

In 1994, the Philippine National Economic Development Authority (NEDA) Board ruled that the Local Water Utilities Administration (LWUA), a specialized lending institution created to promote, develop and finance local water utilities, would implement only financially viable projects. In a creditworthiness rating exercise undertaken by LWUA, 14, out of 430 water districts that were evaluated, were identified as creditworthy, 26 as semi-creditworthy and one as pre-creditworthy. Based on the rule, the LWUA would then confine its concession funds to the development of semi-creditworthy and pre-creditworthy water districts, so that these could graduate to become creditworthy. Water districts categorized as “non-creditworthy” had to wait until “non-traditional financing” mechanisms are put in place “to further enhance the flow of funds into the water sector.”

Field observations, dialogues and interviews with officials of WDs revealed that financially better-offs WDs had been approached by government financial institutions (GFIs) to offer financing services. Considering that WDs have been helping each other through Public-Public Partnerships (PuPs), financially-viable WDs find the mandate of the Lwua detrimental to the fulfillment of the mandate given to WDs, and think that the re-orientation of Lwua lending operations to favor smaller WDs would benefit all provincial water utilities.

Moreover, the Alliance of Government Workers in the Water Sector (AGWWAS) found that managers, workers and other WD stakeholders agreed with the aims of the WDDSP to rehabilitate and expand existing water supplies to provide water to the un-served population, and assist local water districts in water supply development and improvement. They suggested that the capacity-building component of the project should develop key personnel to improve the existing system, ensure reliability and sustainability

of service delivery, improve record-keeping and database management, and disseminate water technology updates. However, management, workers and other stakeholders were appalled by the following concerns:

### **Preparation of the Project Appraisal by LWUA and ADB consultants and not by the WDs**

The determination of the actual needs for infrastructure and rehabilitation improvement project of a WD is anchored on its actual requirement, and the required procurements of the project could only be established by the end user itself. It is, therefore, crucial for WDs to prepare their own work plans and/or feasibility studies as they are the useful source of information, experience and expertise about the WD operation. A feasibility study not conducted by the WD would result in an additional financial increment to the loan, which, as a consequence, would affect the consumers. Besides, the financial statements prepared by LWUA and ADB consultants made the project appear more reliable and efficient.

### **The Amounts of Loan Applied for by some WDs were “padded”**

An illegitimate transaction such as padding of the actual amount of loan applications was observed during the assessment. Such practice would tend towards an increase in the monthly amortization payment and interest rates, making WDs incapable of repaying the loan obligation because of huge financial losses that would eventually lead to a privatization. Consequently, an increase in water tariff for consumers would also increase the number of households without access to potable water supply due to the non-affordability of water supply.

### **Absence of Consultations with the Employees Unions during Project Preparation**

The non-consultation of WD workers and employees union during project preparation is a violation of the International Labor Organization (ILO) core labor standards, and the statutory rights of the workers to participate in the decision making processes. Undermining the role of the union in policy making processes is an indication of the lack of respect by management of the legitimate formation of the workers' organization. The right of the union to represent its ranks as the sole and exclusive bargaining agent in the WD is mandated by laws, and must at all times be upheld by management, and any acts or deeds to the contrary connotes deprivation of the fundamental principle for its existence.

### **Project Documents and Results of Socio-economic Surveys were not disclosed to the workers**

The workers, as a critical agent in the project development process, should be provided with good information of the project documents to come up with effective ideas useful in the decision making process. Such awareness would facilitate a more in-depth discussion and would increase the level of participation among stakeholders. Nonetheless, during the assessment, the transparency level among the WD management was observed to be deficient as some of the information of the feasibility study was not disclosed to the workers and there was uncertainty as to the accuracy and validity of some available materials.

### **Consultations with Local Officials and Communities focused on Sanitation Issues and not on the Loan**

There was compliance in the consultation process for sanitation but considering that only selected participants from the different sector were invited, it was done incompletely. The consultation process focused mainly on the sanitation issue, disregarding the issue on ADB loan. The handling of public consultation on sanitation is a sort of abstracted tactic employed by the WD and Lwua with the goal to derail and conceal the impact of said loan, and instead, give more importance to a sanitation project which is a grant in nature. The funds for WD Gender and Development (GAD) were being used to facilitate the conduct of a public consultation on sanitation.

### **WDs were concerned with the Projected Increase in Water Tariff**

Public hearings for WDDSP projects are mandatory and must be conducted before their final approval. This is the process wherein all stakeholders, particularly the consumers, are given the opportunity to discuss and interact with the WD management pertaining to water tariff increases. It is also the proper venue for WD to make transparent all the projected programs that are subject to the loan proposal for the stakeholders' information and understanding of the project. However, whatever the results of the public hearing, more weight/value must be given to the evaluation process and to projecting water tariffs increases. In carrying out a public hearing, it is imperative that important information and documents, i.e. financial statement, summary of expenditures, operational highlights, total assets, program of works, bulk water supply contracts, be opened and available to the public for inspection and evaluation two (2) weeks before the scheduled public hearing. The inputs and suggestions made by the public during the public hearing are to be given utmost consideration, particularly in the computation of proposed water tariff increases.

Consultations with, and support from, a broad range of stakeholders has strengthened the advocacy of AGWWAS for integrating Core Labor Standards (CLS) in ADB-funded projects, as well as the participation of workers, Local Government Units, NGOs, National Government Agencies, and civil societies in project preparation and implementation. Such participatory initiatives create greater transparency and strengthen accountability among local water districts.

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