



## Sanitation as a Viable Business

VIRGILIO C. RIVERA, JR.  
27 January 2010

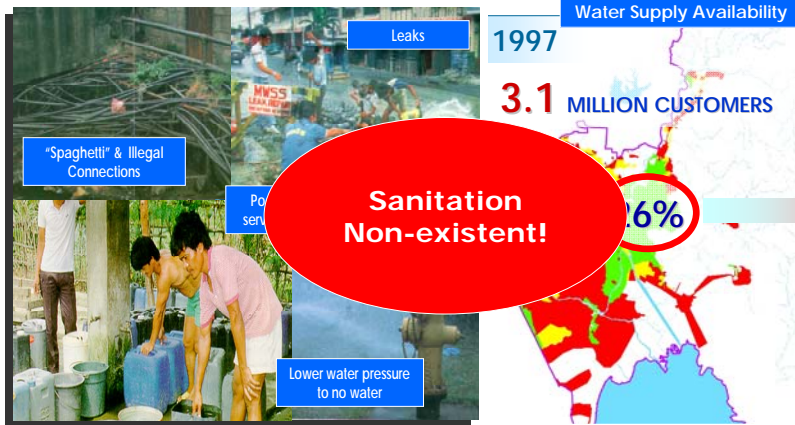
*Securing the Future Today*

### Outline



- ◆ **Conditions Prior to PPP**
- ◆ Sanitation Challenges
- ◆ Accomplishments in Water Supply and Sanitation
- ◆ Future Plans on Sanitation
- ◆ Financial Viability of Sanitation Business
- ◆ Summary

# Conditions Before Privatization

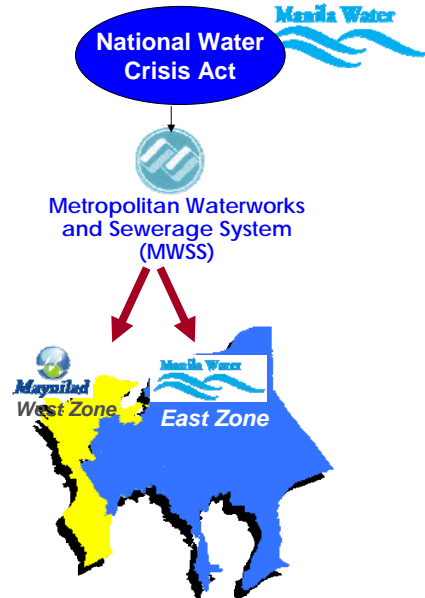


# 1997 Privatization

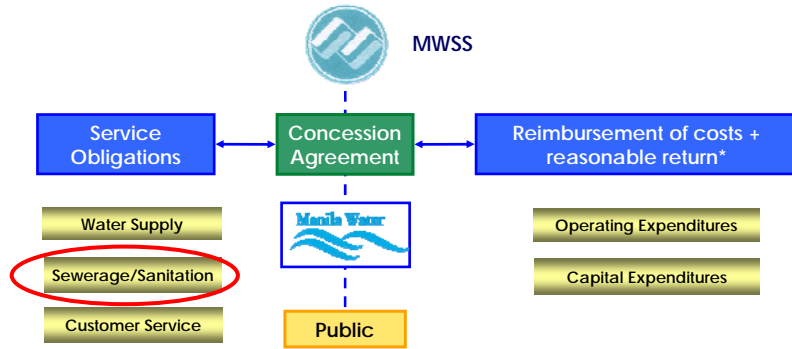


## Key Features

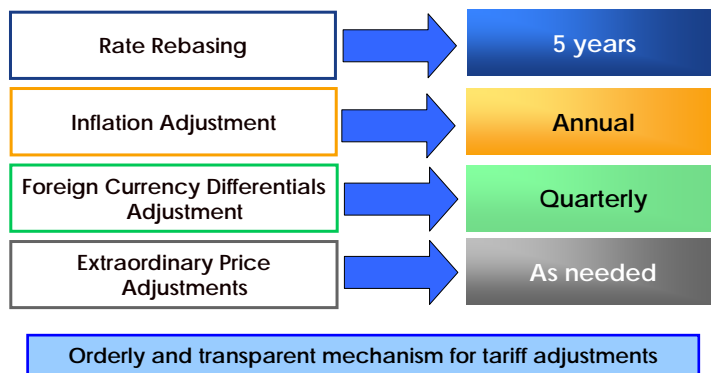
- ◆ Two 25-year concessions
- ◆ Concessionaire is agent and operator of MWSS
- ◆ Operators responsible for O&M, new investments and service of MWSS debt
- ◆ Service coverage targets
- ◆ Regulation by contract
- ◆ MWSS retains ownership of assets



# Progressive Regulation



# Tariff Adjustment Mechanism



# Performance Indicators



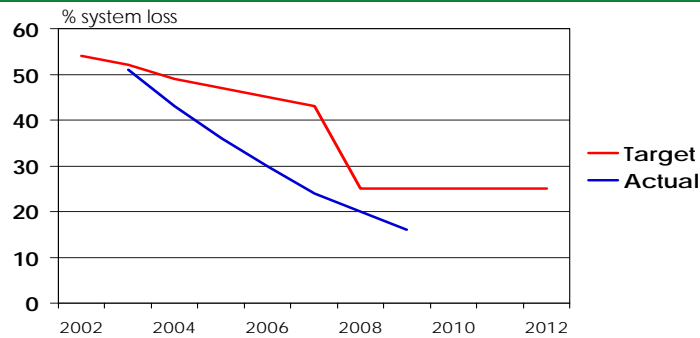
## Key Performance Indicators (KPI)

Water Service (6 KPI)  
Sewage and Sanitation (3 KPI)  
Customer Service (5 KPI)

## Business Efficiency Measures (BEM)

Income (2 BEM)  
Operating Expenses (3 BEM)  
Capital Expenditures (2 BEM)  
Non-Revenue Water (2 BEM)

### Example of BEM (non-revenue water) and incentive mechanism



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## Sanitation Challenges



In 1997, **only 3%** of Metro Manila had access to sewerage system

The **uncontrolled urbanization** of Metro Manila underlies poverty, congestion, and **environmental pollution**



9

## Sanitation Challenges



**35 percent** reside in informal **"slum" settlements** with improper sanitation facilities



Wastewater continues to discharge to rivers, **more than half** of which come from **households**

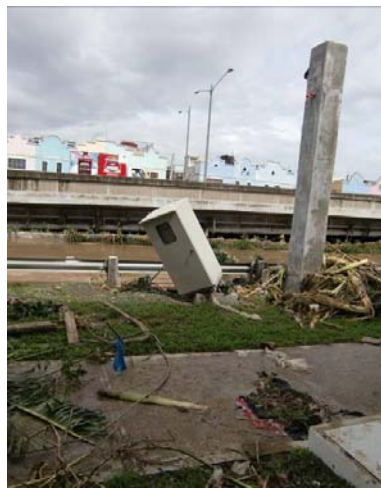
10

## Climate Change Threats



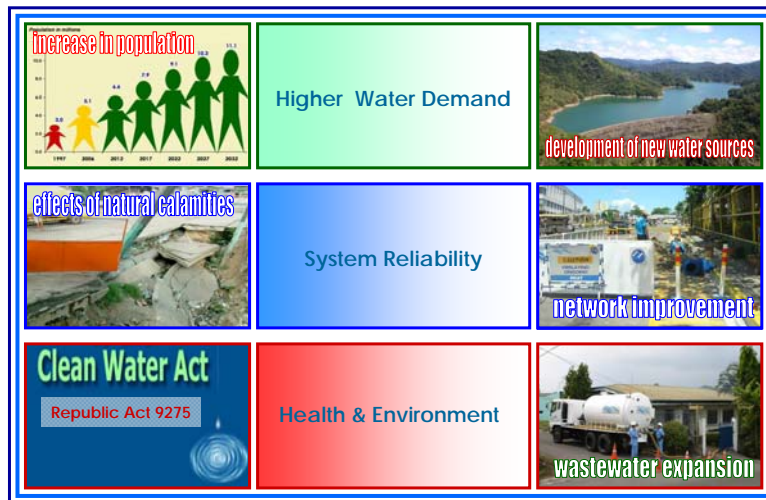
Critical water supply facilities

## Climate Change Threats



Wastewater facilities

## Other Challenges to Service Provision



13

## Outline



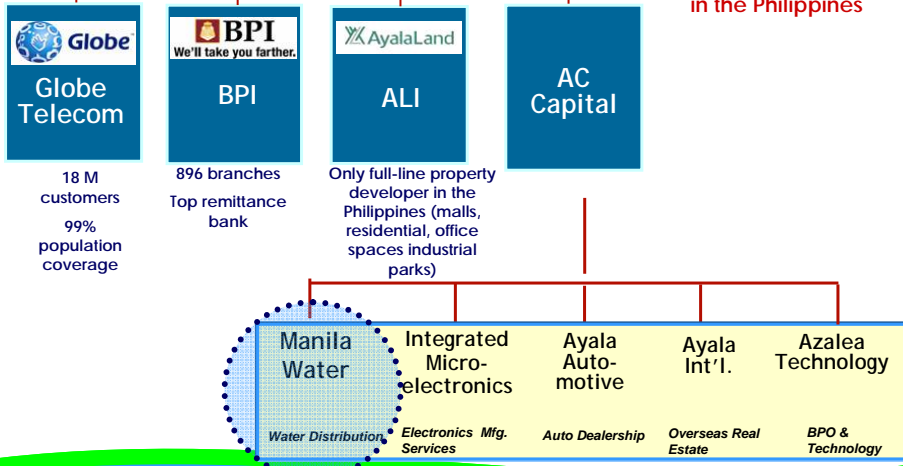
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14

# Profile of Manila Water Company



One of the largest and most successful business conglomerates in the Philippines

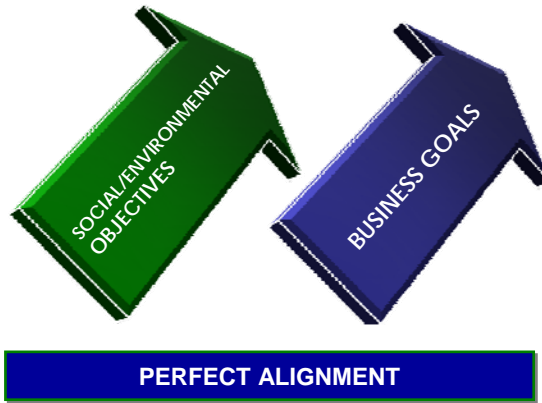


# Profile of Manila Water Company



	43.3%	Largest Philippine Conglomerate
	7.0%	A Premier Global Trading Company
	6.7%	World Bank Group
PUBLIC	43.0%	Listed in March 2005

## Manila Water Core Strategy



17

## Manila vs Asian Cities

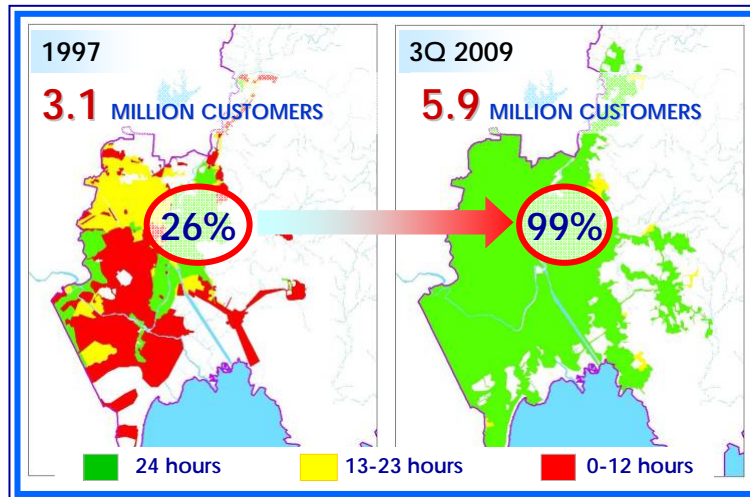


City	Population (million)	Water Availability (hrs/day)	Water Coverage (% of pop)	Non-Revenue Water (% of prod)	Staff/1000 Connections
Manila East (1996)	3.1	16	58	63	9.8
Manila East (3Q 2009)	5.9	24	99	15	1.4
Singapore	3.0	24	100	7	2.0
Hong Kong	6.3	24	100	36	2.8
Seoul	10.6	24	100	35	2.3
K. Lumpur	1.4	24	100	36	1.4
Bangkok	7.3	24	82	38	4.6

Source : *Asian Development Bank 1996 Data*

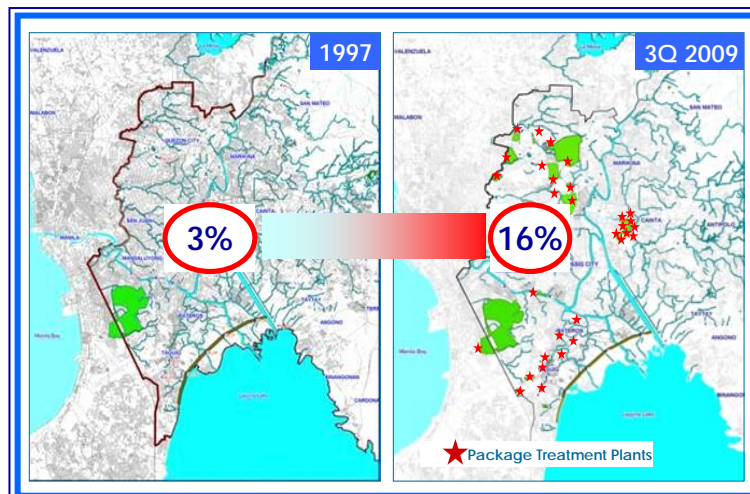
18

## Access to 24-hour Water Supply



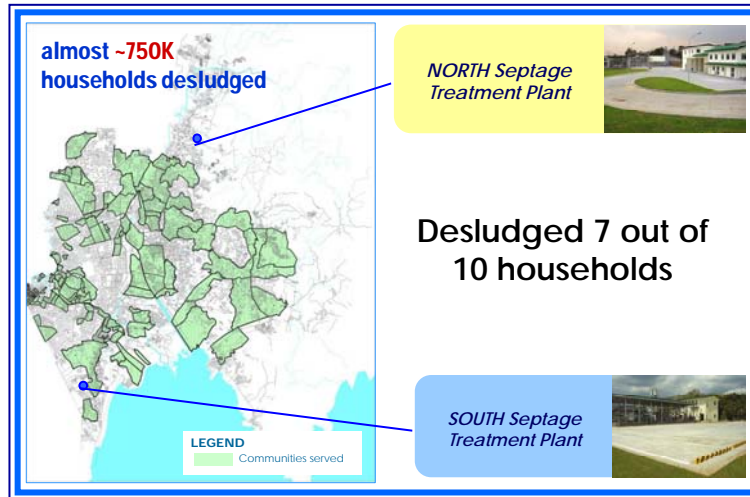
19

## Improved Sewerage



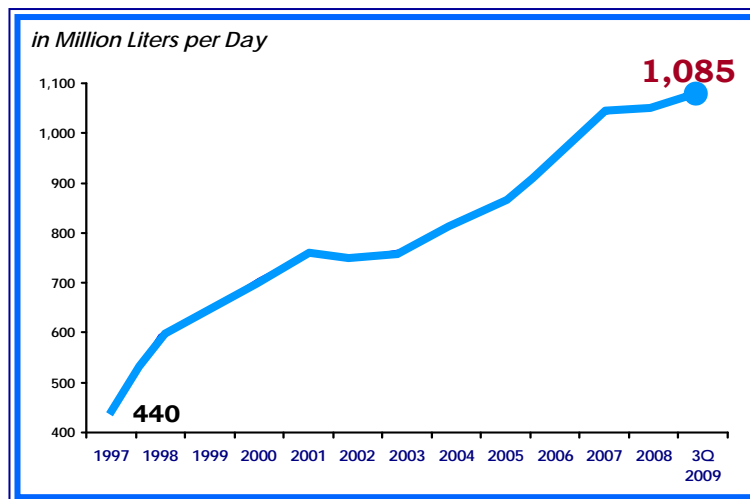
20

## Better Septage Management



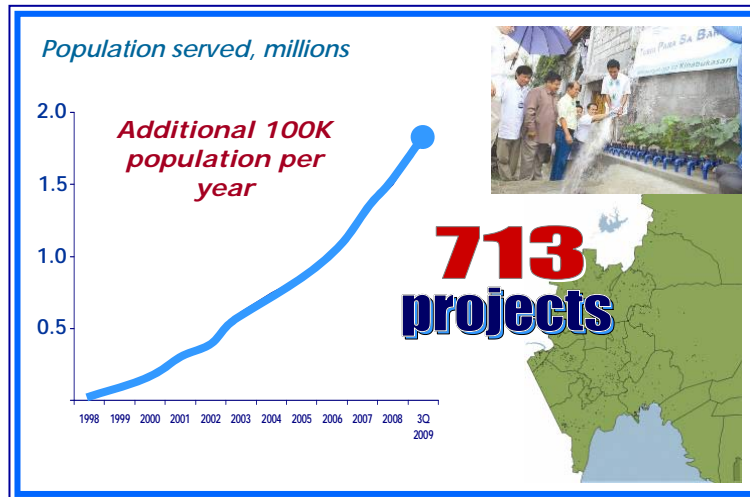
21

## More Water Delivered to Customers



22

## Water for the Poor Program



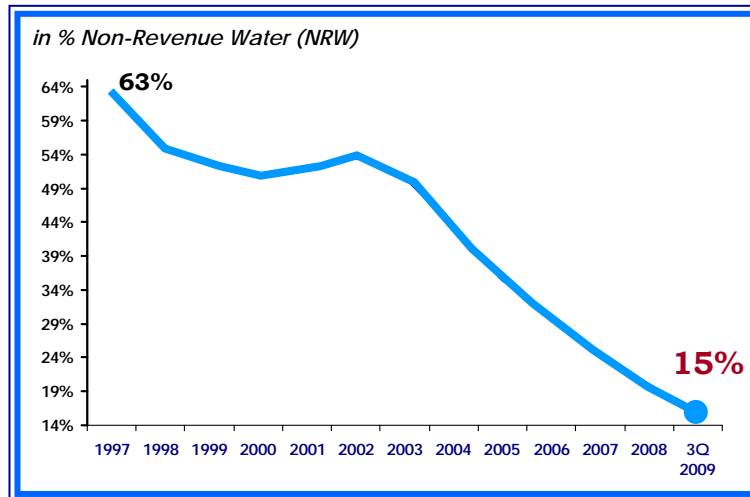
23

## Affordable Water for Everyone



24

## Reduction of System Losses



25

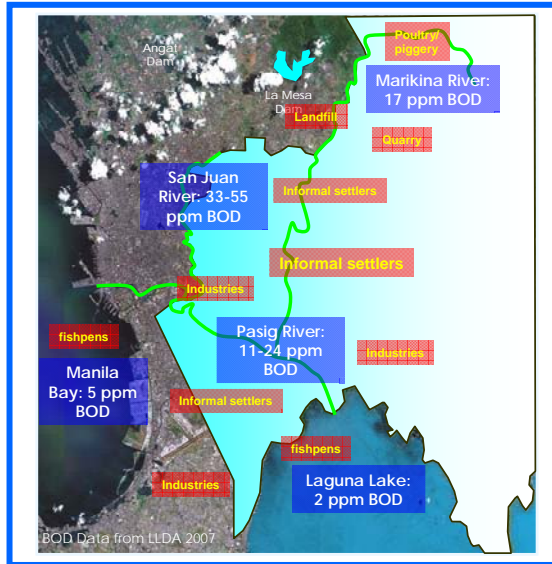
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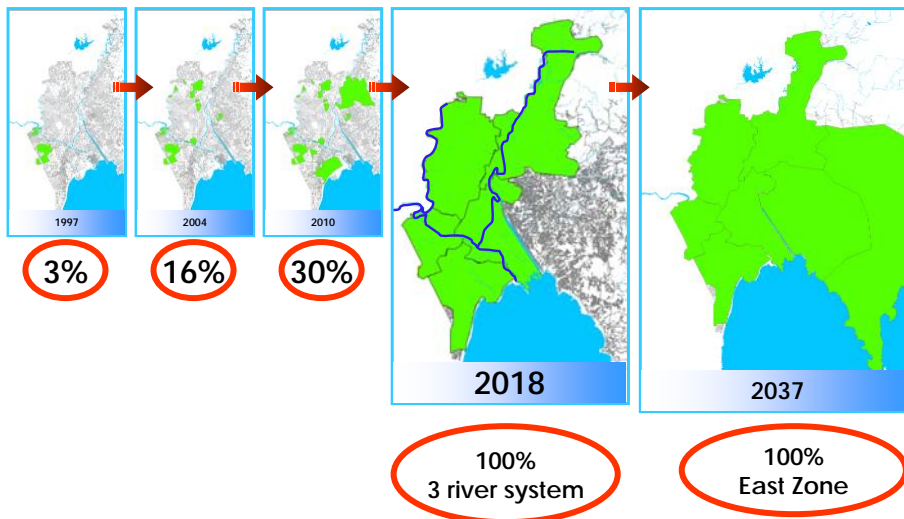
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26

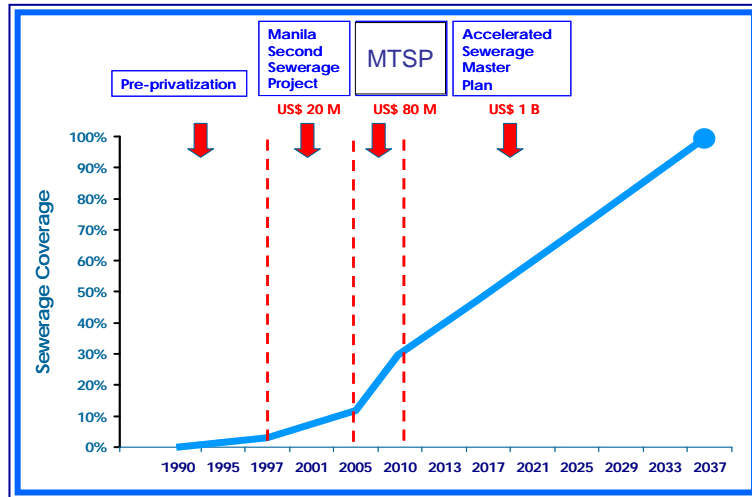
# Sources of Water Pollution



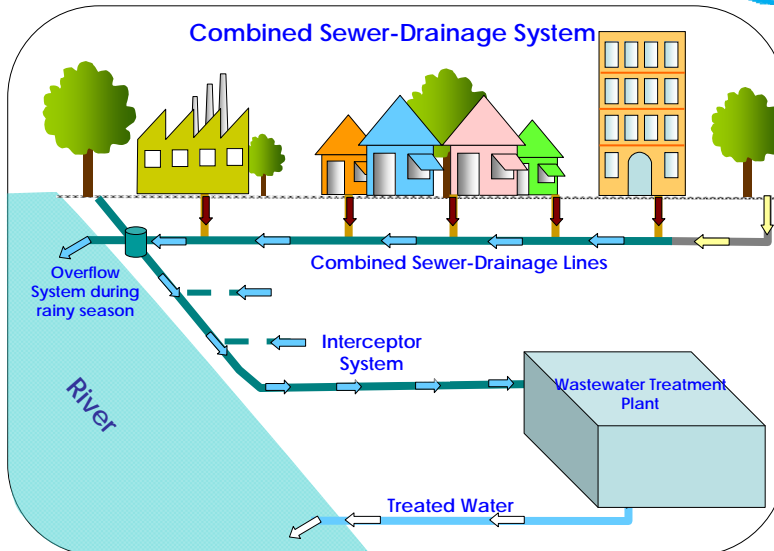
# Expand Wastewater Services



# Increasing Sewerage Coverage



# Strategy: Combined Sewer-Drainage System



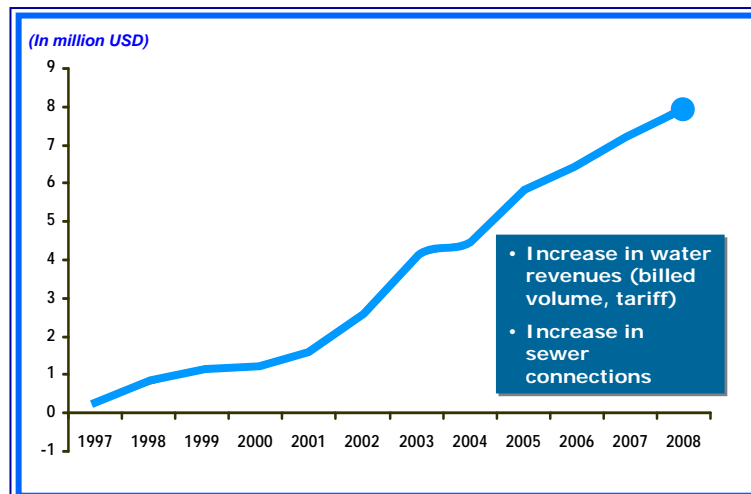
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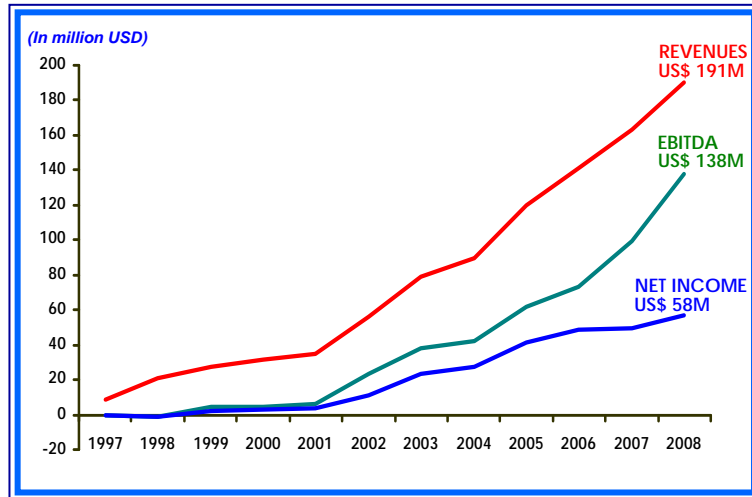
31

## Increasing Sewer Revenues



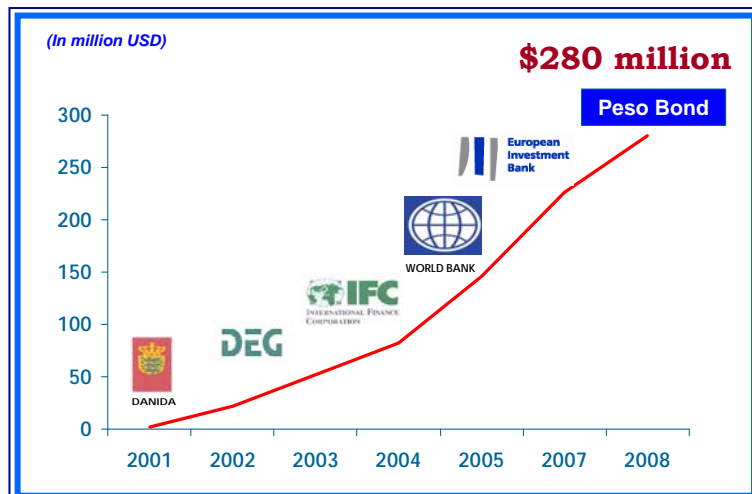
32

## Solid Financial Performance



33

## Access to Low Cost Funding



34

## Sanitation Charges Embedded in Customer Tariffs



	2007	2008	2009	2010	2011	2012
Environmental Charge (all customers)	10%	12%	12%	16%	18%	20%
<b>SEPARATE Sewer Network</b>						
Residential Sewer Charge	50%	40%	40%	20%	10%	0%
Commercial Sewer Charge	50%	45%	45%	35%	30%	30%
<b>COMBINED Sewer System</b>						
Residential Sewer Charge	0%					
Commercial Sewer Charge	0%					

35

## Summary



*Sanitation is a viable business ...*

- ◆ Because it is anchored on PUBLIC – PRIVATE PARTNERSHIP... a SOLUTION that WORKS,
- ◆ INCENTIVES are provided to the PRIVATE sector through a good REGULATORY FRAMEWORK and
- ◆ It should be complemented by consistent GOVERNMENT policies that improve sanitation, encourage investments and mitigate the effects of climate change.

36

Thank You