

Philippines

Civil society organisation involvement in urban water sector reform





A man fills water containers in a slum area in Tondo, suburban Manila.

REUTERS/
Romeo Ranoco

*Front cover photo:
A child carries plastic containers to collect water at a slum in Manila*

REUTERS/
Cheryl Ravelo

A WaterAid publication written by Nai Rui Chng.

Edited by journalists at ngo.media (www.ngomedia.org.uk) and Libby Plumb.

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This is one of a series of nine case studies outlining civil society organisations' (CSOs) involvement in urban water sector reform. The other case studies cover the following locations:

- **Bangladesh (Chittagong and Dhaka)**
- **Brazil (Recife) and Venezuela (Caracas)**
- **Ghana (Accra)**
- **Kenya (Kisumu, Nairobi and Mombasa)**
- **Nepal (Kathmandu)**
- **Pakistan (Karachi)**
- **Uganda (Kampala)**
- **Ukraine**

The case studies accompany the guidance manual ***Our water, our waste, our town***, which offers support to civil society in engaging in urban water and sanitation reforms.

The manual and case studies can all be downloaded at:
www.wateraid.org/urbanreform



WaterAid's mission is to overcome poverty by enabling the world's poorest people to gain access to safe water, sanitation and hygiene education.

Section one: Background and problem

In 1995, up to 3.6 million residents in the metropolitan area of Manila, the capital of the Philippines, had no access to water. In 1997, the Metropolitan Waterworks and Sewerage System (MWSS), which served 11 million residents, was privatised. It was the world's biggest water privatisation at that time. Metro Manila was carved into two zones. The Manila Water Company Inc (MWCI) and its foreign partner Bechtel were awarded the 'east zone', while the 'west zone' was awarded to Maynilad and Suez/Ondeo.

Ten years later, Maynilad had been declared bankrupt while MWCI was listed on the stock exchange. Maynilad had applied for early termination of its concession in 2002, and gone through financial rehabilitation between 2003 and 2005, and the re-bidding of the west zone concessionaire in 2006. The rehabilitation process involved a contentious arbitration between the Metropolitan Waterworks and Sewerage System-Regulatory Office (MWSS-RO) and Maynilad. CSOs were not granted observer status to numerous hearings but at times instituted legal interventions through the courts that allowed public interest debates to be aired. Some changes were secured during the process, but ultimately CSOs failed to stop a government bail out of Maynilad.

CSOs in Manila got involved in the urban water sector reforms for various political reasons. Regarding water privatisation, they were motivated by the following three aspects:

1. **Legitimacy**

Former Philippines President Fidel Ramos privatised MWSS by passing an Act that allowed his government to make closed decisions about its future. The process lacked transparency and accountability. Many also perceived privatisation to be a condition on aid imposed on the country by multilateral financial institutions such as the World Bank.

2. **Governance**

There was a perception that the water regulator, MWSS-RO, lacked independence. Stakeholders could therefore use their discretion on regulatory issues.

3. **Performance**

Between 1997 and 2004, the price of water rose by 275% in the east zone and by 350% in the west zone. When the water system was privatised in 1997, the two water companies agreed to aim for near universal water coverage by 2007. But according to government figures, there were still 212 waterless communities in Metro Manila in 2005.

Section two: What CSOs have done

Campaigning against rate increases and contract changes

Barely a year into its operations, MWCI petitioned for rate increases, blaming foreign exchange losses and the effects of El Niño. The Freedom from Debt Coalition (FDC), a leading Philippine NGO, took part in public hearings on the potential rate increases and the request for rate rises was rejected.

Between May and August 2001, NGOs waged unsuccessful public campaigns against proposed tariff increases on account of foreign currency fluctuations by both NWCI and Maynilad. The regulator's rejection of calls for tariff increases by the operators led to political interventions which undermined the regulatory process. NGOs also campaigned against Maynilad's attempts to modify the contract it entered into in 1997, seeking to postpone deadlines for service obligations and to reform MWSS-RO.

Campaigning to have a voice in decision-making

CSOs protested outside the hotel where talks between MWSS-RO and Maynilad took place when the water utility was experiencing financial difficulties. CSOs also took to the streets to protest against their inability to influence the management

of the urban water system or be provided a space in the discussions between the concessionaire and the regulator. The water advocacy network, Bantay Tubig, also held training workshops with water cooperatives on community water management and organised a press conference to express its position that changes to the contract were to the disadvantage of government and against the terms of the 1997 concession.

Advocacy

Water advocacy networks such as Bantay Tubig and the Citizens' Network for Adequate, Potable and Affordable Water, were set up by CSOs. Formal regulatory frameworks have provided little opportunity for civil society to participate, and the networks have proved valuable in giving civil society a voice. For instance, they have made representations to French citizens over Suez's role in Maynilad and its rehabilitation. The concessionaires have responded to the influence of civil society through internal reforms. For example, MWCI now has a senior staff member dedicated to 'stakeholder management', in other words, managing relations with NGOs. Since 2005, MWCI has adopted a strategy for engaging with NGOs and regularly invites NGOs to engage in dialogue.

Going to court

CSOs have made a number of complaints to the courts objecting to the way the private water sector is being run. For example, CSOs are waiting on a Supreme Court decision on the waiving of the 12% profit margin limitation under Section 12 of the MWSS Charter. CSOs contend that the concessionaires are utilities and hence, are bound to the Charter.

Forming community-based small-scale water providers (SSWPs)

Local communities have formed SSWPs, which are collaborating with MWCI, and increasingly, Maynilad, to deliver water services to communities previously unserved by the water utility. For example, MWCI's bulk water selling programme started in 2002 in Taguig. Under the programme, MWCI locates and engages with local CSOs (known as people's organisations or POs) that not only mobilise urban poor communities but also provide water services and even 'regulate' the urban poor on behalf of MWCI. Through negotiation with POs, MWCI now waives land tenure conditions for urban poor communities who are usually informal settlers occupying private property or public land.

Other local entrepreneurs, homeowners associations, cooperatives, water truckers and real estate developers work closely with the water concessionaires to provide water services to the urban poor through reselling bulk water supplied by the water operators.

Section three: Challenges and outcomes

Challenges

There are many CSOs operating in Manila, campaigning for many different changes – there is no unifying campaign. CSOs' objections to privatisation are varied. Most are based on the belief that water is a human right, which should be provided by the state. However, others are advocating for the fundamental restructuring of the state. Some CSOs are beginning to promote alternatives (eg SSWPs).

That CSO challenges to privatisation are being lodged through the legal system may suggest increased sophistication of civil society, but it also implies the failure of the political system to act on the concerns of its citizens. It also suggests an unpredictable post-privatisation regulatory space.

Some NGOs have found that water advocacy has often come second to municipal and national political issues. For example, the campaigns of water network, Bantay Tubig, have sometimes taken a backseat to issues like constitutional change and presidential impeachment.

Outcomes

CSOs have highlighted the gaps in the water utility system, including the existence of about 212 'waterless' communities. Civil society has

established itself as a player in the sector with an informal role. However, they have largely failed to influence regulatory outcomes and participate in decision-making. This may be because of CSOs' lack of formal status in the regulatory space in the privatised water sector. In the eyes of formal stakeholders, the role CSOs play may be deemed illegitimate.

The NGO, Action for Economic Research (AER), has attempted to encourage greater transparency in talks between the regulator MWSS-RO and Maynilad. Nonetheless, like other NGOs, they failed to alter the bail out of Maynilad by the government.

Partly as a result of pressure from CSOs, however, MWCI now has a senior staff member dedicated to stakeholder management and managing relations with NGOs.

Efforts of NGOs like FDC and Bantay Tubig have kept the issue of the 212 'waterless' communities on the agenda. It is an agenda that MWCI's recently developed sustainable development programme has also sought to engage with.

SSWPs, in the form of co-ops and POs, meanwhile, have helped water utilities meet their contractual agreements to serve the urban poor. POs are usually run by local people for



the local community. They ensure that bills are paid on time and that leaks and problems are sorted out promptly, unlike larger water utilities.

Earnings from POs can be ploughed back into local communities and used for projects such as street lighting, paving footpaths and securing formal ownership of the land on which the community is located.

There are between 50 and 80 POs currently serving 10,000 households in Taguig City in Metro Manila alone. Many POs, however, complained to

the regulator that MWCI has been undermining their bulk water selling business.

Children carry plastic containers to collect water at a slum in Manila
REUTERS/
Cheryl Ravelo

Section four:

Lessons learnt and top tips

Lessons learnt

CSO engagement in water sector reform in Manila has increased. Direct engagement between local civil society and water utilities has changed power relations between local politicians and their constituents. Before privatisation, local communities with water problems lobbied their local politicians, who used their development budgets for local water infrastructure projects like deep-well construction. Now CSOs work alongside minority politicians to put

pressure on the government to reform the urban water system.

More and more CSO challenges to the privatisation of the water system are being lodged through the courts. This shows that CSOs are taking action on reforms and also that people living in the Philippines do not feel that elected politicians and the institutions of representation can address problems caused by water privatisation. As CSOs become more organised, the courts in Manila are taking on the role of water regulator.

Top tips

1. **Be aware that local politicians have their own agenda when working with you on urban water sector reforms.**

A local mayor in one part of Manila, for example, capitalised on water rationing by ensuring tankers carrying water bore his name.

2. **Water is not a single issue in communities.**

CSOs need to incorporate other

issues, such as local politics, into their campaigning. Campaigning has to be contextualised.

3. **Local knowledge is key.**

The post-privatisation regulatory space is a dynamic and unstable one. Know your own turf well, especially in water-poor areas, and other stakeholders will come to you.

In 1997, the Metropolitan Waterworks and Sewerage System (MWSS), which served 11 million residents in the Philippines, was privatised. It was the world's biggest water privatisation at that time and split the provision of water services in capital city, Manila, between two large private companies.

This case study outlines the activities undertaken by various civil society organisations to increase accountability in the urban water sector and to provide water to those not served by the water companies.

WaterAid, 47-49 Durham Street,
London, SE11 5JD, UK
Tel: +44 (0)845 6000 433
Email: wateraid@wateraid.org

www.wateraid.org



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