

**1st Meeting of the Philippines Development Forum (PDF)
Sub-Working Group on Water Supply and Sanitation**

**Meeting Rooms 4 and 5, Dusit Thani Hotel, Makati City
04 September 2008, 8:00-11:30 a.m.**

A G E N D A

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| 1. Welcome Remarks by the Chair (DOF) and Co-chairs (USAID and JBIC/JICA) | |
| - Formal Organization of the PDF Sub-Working Group on Water Supply and Sanitation | |
| 2. Feedback on the PDF Infrastructure Working Group (WG) August 22 Meeting | For information |
| - by Mr. Kohei Noda | |
| 3. Organizational Matters | |
| 3.1 Terms of Reference (TOR) of the PDF Sub-Working Group on Water Supply and Sanitation | For discussion and approval |
| 3.2 Resource Person/s for the Sub-WG Activities | For discussion |
| 4. Presentations on Recent Activities by the Government and Development Partners | |
| 4.1 Water Regulation Conference: Results and Follow-up Activities | For discussion |
| 4.2 Updates on the Philippine Water Supply Sector Roadmap | For information |
| 4.3 Sanitation Summit: results and follow-up activities | For discussion |
| 5. Existing and planned programs of development partners and possible complementarities | For comments |
| 6. Next Steps/Action Plan of the PDF Sub-Working Group on Water Supply and Sanitation | For discussion |

ATTENDEES

Chair and Co-Chairs

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| 1. Undersecretary Jeremias N. Paul, Jr., Chair | Department of Finance (DOF) |
| 2. Mr. Daniel Moore, Chief, Co-chair | US Agency for International Development (USAID) |
| 3. Mr. Jin Wakabayashi, Co-chair | Japan Bank for International Cooperation (JBIC)/ |

National Government Agencies

4. Mr. Niel A. Santillan
5. Ms. Marilen Tomelden
6. Mr. Nereo Tierra
7. Mr. Vicente B. Tuddao, Jr.
8. Ms. Fe Crisilla Banluta
9. Ms. Marilou Mahinas
10. Ms. Helen Habulan
11. Assistant Secretary Ma. Cataline E. Cabral
12. Mr. Ernesto S. Gregorio, Jr.
13. Ms. Hermie Balucan
14. Mr. Manuel T. Yoingco
15. Mr. Rogelio G. Concepcion
16. Mr. Dick Borbe
17. Ms. Kathleen Mangune
18. Ms. Maria Clarissa Laysa
19. Ms. Joylynn Accad
20. Mr. Ramon B. Alikpala
21. Ms. Belen Juarez

Development Partner Agencies

22. Mr. Kohei Noda
23. Mr. Norito Araki
24. Mr. Hanns-Bernd Kuchta
25. Ms. Agnes Balota
26. Ms. Lulu Baclagon
27. Ms. Flerida Chan
28. Mr. Kenji Kasamatsu
29. Ms. Kessy Reyes
30. Ms. Olga R. Caday-Asaña
31. Ms. Imee Manal
32. Ms. Jennifer Navarro
33. Ms. Cris Rollo
34. Ms. Mary Joy Jochico
35. Ms. R. Mukami Kariuki
36. Mr. Rey Ancheta
37. Ms. Leila Elvas
38. Mr. Ed Karl Galing

Representatives from the local government, civil society, financing institutions and private sector

39. Mr. Dan Lapid

Japan International Cooperation Agency (JICA)

Cooperatives Development Authority (CDA)

Department of Agrarian Reform (DAR)

DAR

Department of Environment and Natural Resources (DENR)

Department of Interior and Local Government (DILG)
DILG

DOF-Municipal Development Fund Office (MDFO)

Department of Public Works and Highways (DPWH)
DPWH

Local Water Utilities Administration (LWUA)
LWUA

National Anti-Poverty Commission (NAPC)

National Economic and Development Authority (NEDA)

NEDA

NEDA

NEDA

National Water Resources Board (NWRB)

NWRB

Embassy of Japan

Embassy of Japan

German Agency for Technical Cooperation (GTZ)
GTZ

International Finance Corporation (IFC)

JBIC

JICA

JICA

KfW Development Bank

United Nations Development Program (UNDP)

UNDP

UN-Habitat

USAID

World Bank

World Bank

Water and Sanitation Program (WSP)

WSP

Center for Advanced Philippines Studies (CAPS) [for

40. Mr. Florinio Diloy
41. Mr. Raymond E. Cunningham
42. Ms. Arlene L. Villarroel
43. Ms. Millette Cruz
44. Mr. Drexel Roque
45. Representative
46. Representative
47. Ms. Lydia Oriol

48. Ms. Elsa Mejia

49. Ms. Rory Villaluna

50. Mr. Antonio de Vera

Secretariat

51. Ms. Clyde Esguerra

52. Ms. Alma Porciuncula

53. Ms. Adora Navarro

54. Ms. Aida Mendoza

55. Ms. Karen Jacob

the Philippines Ecology Network]

Development Bank of the Philippines (DBP)

Joint Foreign Chambers (JFC)

Laguna AAA Water Corporation

Land Bank of the Philippines (LBP)

League of Cities of the Philippines

League of Municipalities of the Philippines

League of Provinces of the Philippines

LGU Guarantee Corporation (LGUGC)

National Water and Sanitation Association of the
Philippines, Inc. (NAWASA)

STREAMS of Knowledge

Water Supply Regulation & Roadmap Consultant

DOF-MDFO

Philippine Water Revolving Fund-Support Program
(PWRF-SP)

PWRF-SP

PWRF-SP

Water and Sanitation Program (WSP)

MINUTES OF DISCUSSION

Agenda Item A - Formal Organization of the PDF Sub-Working Group on Water Supply and Sanitation (SWG-WSS)

1. The chairperson, Undersecretary Jeremias Paul of DOF, and the co-chairs, Mr. Daniel Moore of USAID and Mr. Jin Wakabayashi of JBIC/JICA, welcomed the participants to the first meeting of the Philippines Development Forum (PDF) Sub-Working Group on Water Supply and Sanitation. The organization of the SWG, one of the three SWGs under the PDF Infrastructure Working Group (the other two being the SWG on Power, Energy and Electrification and the SWG on Transportation), was formally announced.
2. Mr. Wakabayashi also announced that beginning 1 October 2008, JBIC operations will be merged with JICA, thus the co-chairmanship will then be with JICA.

Agenda Item B– Feedback on the PDF Infrastructure Working Group August 22 Meeting

3. Mr. Kohei Noda of the Embassy of Japan, the PDF Infrastructure Working Group (IWG) co-chair, shared the results of the IWG's first meeting held on 22 August 2008. He pointed out that in addition to the three SWGs which have been discussed during the IWG plenary, additional SWGs may be created in the future (possibly Communications/Digital Infrastructure SWG and Social Infrastructure SWG). He also explained that concrete action plans by the different SWGs should be drafted in the next few weeks so that these could be presented to the second plenary session of the IWG in mid-October 2008; the consolidated IWG action plan will then be presented to the overall PDF in March 2009. He also emphasized that more coordination with the different working groups of the PDF are expected and it is up to the SWG-WSS to determine its scope of work.

Agenda Item C - Organizational Matters

4. Coverage of PDF SWG-WSS

In its first meeting, the PDF-IWG suggested a sub-working group for *water resources*, which covers flood control, irrigation, water resource management and water supply and sanitation. Ms. Mukami of the World Bank shared that PDF's Sustainable Rural Development Working Group tackles flood control and irrigation concerns.

Decision # 1. It was decided that without losing sight of the need to be consistent with the government's integrated water resource management framework, the SWG will focus first on water supply and sanitation and address the question on whether to expand to other water resources-related areas (such as flood control and irrigation) by adjusting the TOR of the SWG-WSS sometime in the future.

5. Terms of Reference of PDF SWG-WSS

While the TOR of the SWG-WSS was approved in principle, enhancements were recommended to ensure a balanced treatment of water supply and sanitation and emphasize linkage with the PDF-IWG and overall PDF.

Decision # 2. The TOR was approved in principle

6. It was suggested that the United Nations Development Program (UNDP) be replaced by UN Agencies as member of the Sub-working Group such as UNICEF. However, having a large membership may become untenable.
7. The use of resource person/s from the academe or local experts' pool, a suggestion which emanated during the PDF-IWG's first meeting, will be decided on an as-needed basis.

Agenda Item D– Presentations on Recent Activities by the Government and Development Partners

8. NWRB Executive Director Ramon Alikpala presented “Regulatory Reform for the Philippine Water Sector: Outputs from the 5-6 August 2008 Conference on Strengthening Regulation to Improve Water Service Performance.” He shared that the additional budget for NWRB, which is one of the recommendations during the conference, was not approved by the Department of Budget and Management (DBM).
9. Mr. Ray Cunningham of the Joint Foreign Chambers opined that it is uncertain if regulation is the answer to the problems in the Philippines' WSS sector. He also said that the lack of hard data, which can be used by the private sector in studying what and how much to deliver, presents a bigger challenge. Ms. Rory Villaluna of STREAMS explained to the group that the WSS sector is fragmented and in need of coordination; thus, one consensus that emerged from the conference is that regulation is necessary, not only as a control mechanism but also as a means to provide incentives.
10. Mr. Dick Borbe of NEDA presented “The Philippine Water Supply Sector Roadmap: Updates as of 04 September 2008.” The Roadmap document lists the activities which would lead to medium-term development outcomes on three key areas—institutional strengthening, capacity building, and strategic alliance building. Mr. Borbe explained that the document is being finalized and will be presented/discussed during the next inter-agency Roadmap Steering Committee meeting, which is tentatively set on September 17, 2008.
11. On the question about the Roadmap presentation failing to show the service gaps and the investment requirements, Mr. Borbe explained that the investment requirements are presented in a separate document accompanying the Roadmap.
12. On behalf of the Department of Health which was unable to send representatives to the meeting, Mr. Ed Karl Galing of the Water and Sanitation Program presented “Sanitation Updates” and talked about the results of the Sanitation Summit held on 9-10 July 2008 and the follow-up activities of the sanitation group. He also explained that the list of target deliverables in the sanitation sector as contained in “Social Contract: 8 for 2008” may be used in prioritizing activities.

13. **Decision # 3.** It was agreed that the recommendations from the WSS Roadmap, water supply regulation conference and sanitation summit will be used in identifying priority actions which will be articulated in the SWG's action plan.

Agenda Item E – Existing and planned programs of development partners

14. Representatives of the government's development partners took turns in validating the existing and proposed ODA programs for the WSS sector listed in the inventory prepared by the Secretariat. Corrections and suggested additional entries to the list were noted. The development partners were also requested to send their additional inputs to the Secretariat.

N.B. The inventory, which was sent to all members electronically, will be continuously updated and presented to the sub-working group from time to time.

Agenda Item F– Action Plan of the PDF SWG-WSS

15. **Decision # 4.** The SWG agreed that it will submit an action plan (AP) to the PDF-IWG, before its meeting in mid-October 2008. The AP would consist of activities doable within a six-month time frame (November 2008 to April 2009) and activities which would extend beyond April 2009.

For expediency, a smaller task force or drafting team for the AP will be formed from the SWG members and secretariat. The task force's draft AP will be presented in the next meeting, which is tentatively set on 8 October 2008. NEDA recommended that the themes and thrusts contained in the PDF-IWG work agenda be followed when drafting the AP.

Suggested Priority Activities

16. In addition to the priority activities which will be culled from the WSS Roadmap, water supply regulation conference recommendations and sanitation summit results, the following activities were suggested:
- a) Formulate a policy statement on private sector participation, specifically stating where and how the private sector can participate;
 - b) Encourage the finalization of guidelines for private sector participation (a joint venture guideline parallel to the one recently approved by the NEDA Board is being considered by the DILG);
 - c) Set up a system for establishing baseline WSS data and scale up the existing programs on building WSS database;
 - d) Implement ring-fencing as a strategy for LGU-run water supply systems, but make willingness to be ring-fenced as a loan eligibility criteria and do not completely strike out of the financing pipeline the LGU systems which are not yet ring-fenced;

- e) Follow up the draft bill on the proposed Water Regulatory Commission (the sub-working group may have to come up with a common position on the draft bill);
- f) Push for agri-agra compliance eligibility incentive for water supply and sanitation financing (The DOF said that although the Bangko Sentral Monetary Board disapproved the first request for agri-agra eligibility, a re-consideration will be sought.);
- g) Clarify the role of Mr. Jamora, the appointed Presidential Advisor for Water;
- h) Prepare a National Sewerage and Septage Management Plan;
- i) Institutionalize a project preparation facility, which can be used for pre-investment studies;
- j) Develop innovative financing products for sanitation infrastructure and capacity-building activities for LGUs, with focus on compliance with laws and ordinances related to sanitation; and
- k) Come up with strategies on how to tackle the issue of operation and maintenance of sanitation facilities.

Other Suggestions/Comments

17. Ms. Deng Oriol (LGUGC) recommended that co-financing with the private sector be required for future transactions involving public and ODA funds, whether re-financing, re-discounting or capital investment.
18. On the concerns of water districts with respect to taxation (i.e., while the Supreme Court ruled that they have no franchise, they are being made to pay franchise tax), the DOF clarified that the SWG may not be the proper body to address this issue.
19. Mr. Manny Yoingco (LWUA) suggested that the SWG coordinate with other WSS groups especially if such groups have plans which may be misaligned with those of the SWG, e.g., a proposal to have water cooperatives in all municipalities and a draft executive order recommending that MWSS and LWUA be merged and placed under DENR.

Matters Arising from the Discussion

Pending Matters	Status
1. Water and Sanitation Action Plan	Draft AP is for discussion under Agenda D (Annex C)
2. Creation of Task Forces/Technical Working Groups	For discussion under Agenda E. See Annex D for suggested composition of the Task Forces

20. The meeting adjourned at 11:30 a.m.