



**AMCHAM PHILIPPINES**

The American Chamber of Commerce of the Philippines, Inc.

## STATEMENT ON WATER SECTOR REFORM BILLS

December 6, 2011

**HON. CESAR G. JALOSJOS**

Chairman  
Committee on Government Reorganization  
House of Representatives  
Quezon City

Dear Chairman Jalosjos:

Thank you for your letter inviting us to the public hearing and requesting our views on House Bills 1679, 4137 and 4282 on water sector reform.

More than a decade ago, the Senate Technical Committee on Energy introduced three bills to reform the power and water sectors in the Philippines: the Electric Power Industry Reform Act (EPIRA), the Water Reform Act, and the Electric Cooperative Reform Act. Of the three bills, only EPIRA has been passed. There is an immediate need to revisit the proposal for a Water Reform Act, in effect an EPIRA for water. Currently there is extremely inadequate institutional and legal framework to guide private and public cooperation in developing water sources throughout the country.

In 2010, the Joint Foreign Chambers published *Arangkada* Philippines 2010: A Business Perspective about creating a bright future for the Philippines, the 12th most populous country and probably the 10th or 9th by 2030. *Arangkada* is a guidebook to a better Philippines, with the per capita income of a middle-income economy, robust investment levels, better infrastructure and higher government revenues to pay for social services, especially education and health. It contains 471 recommendations from Filipino and foreign businessmen and women for building a more competitive economy, reform-by-reform, leading to high growth and millions of new jobs. A section of *Arangkada* contains an extensive discussion on the state of the Philippine water sector and concludes with a list of recommendations for the sector.

For purposes of the committee hearing, we quote relevant portions of the *Arangkada* to express our position on the matter:

“Prospective investors in the water supply sector have noted the lack of an economic regulator and the inadequate capacity and resources of the current resource regulator. This discourages foreign

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investors from entering the field. The absence of an independent regulator forced the Metropolitan Waterworks and Sewerage System (MWSS), Manila Water Company, and Maynilad Water Services to establish one by contract. While the arrangement is novel and apparently works, establishing an independent regulator via legislation will afford greater comfort and long-term stability.

Currently, the water resource developer (MWSS) is also the regulator. The regulatory office is under the supervision and management of the MWSS Board of Trustees. There is a need for a separate and independent Water Regulatory Commission.

Most of the country is dependent on separate local water districts each with its own plans, regulations, and policies. A private investor has to deal with individual local water districts to develop water supply projects to serve local communities. The present legal framework has some 30 governmental agencies (e.g. DENR, DILG, DOH, DPWH) with varying scopes and limited jurisdictions, in the water sector and also must be rationalized. The fragmented nature of regulation and policies diffuses focus and confuses and dissuades new entrants.

The water supply situation in Metro Manila and 8 other urban centers (Metro Cebu, Davao, Baguio, Angeles, Bacolod, Iloilo, Cagayan de Oro, and Zamboanga) has been described in various studies as critical. Immediate solutions to cope with the anticipated water deficit should be identified and implemented.

To address the water supply needs of local government units, particularly cities and towns, a water supply company must deal with countless local officials and organizations. Working with so many small administrative units is inefficient compared to dealing with a central agency.

We reiterate the top three recommendations in *Arangkada* on the water sector as follows:

1. The National Water Resources Board's (NWRB) efforts towards adopting an integrated water resource management framework should be pursued and encouraged. Central to this is the establishment of an independent water regulator. A Department of Water (similar to the DOE) should be created to develop the country's water system.
2. Legislate a Water Reform Act that will establish the institutional and legal framework to guide cooperation by on private and government entities in developing water sources throughout the country as well as a separate government agency for water regulation. The proposed industry regulator ideally should be empowered to set water tariffs; set and monitor compliance with service levels; set policies, rules, and standards; enforce competition policy; and approve proposed investment in the sector. The proposed legislation would include the institutional framework for sustainable water resource development, require the formation of a long-term management plan, and establish river basin organizations. The budget should provide funding for a realistic capacity building program; and
3. The Water Reform Act should lead to a master plan and integrated water policy on how to develop each water source, the capacity each source creates taking into account future demand supported by technical feasibility studies, as well as policies to attract large investors and lenders. The Water Reform Act should clarify the limits of LGU authority regarding national projects.

We urge this Committee to fast track legislation that will pursue the above recommendations.

The Philippines has lagged for too long, losing competitiveness, despite its immense potential and location in the fastest growing region with 60% of the global population. More than ever, opportunities abound for the Philippines to improve trade and investment ties in Asia and elsewhere and advance towards high-income status. Catching up and keeping up is an imperative, not a choice.

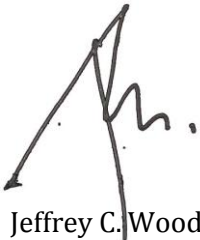
Mr. Chairman, thank you for considering our views.

Regards,



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Investment Climate Improvement Project  
American Chamber of Commerce of the Philippines



Jeffrey C. Woodruff  
Executive Director  
American Chamber of Commerce of the Philippines

Attachment: Section of *Arangkada* on Water