

REGULATING WATER SUPPLY IN A SMALL TOWN IN PHILIPPINES

Mohamed Elrawady, Water Engineer
Shiela dela Torre, Water Services (Institutional)
Lavinia Savoiu, Water Economist
Blerta Mjeda, Water Economist
Martin K. Vimmr, Political Scientist



Who We Are?

- SLMBM is a small private water operator that operates in the city of Tanauan, Philippines.
- SLMBM main priority in the next 10-15 years is to establish itself in the market by expanding its current service, high profits are not the main concern at this phase.

Water resources at Phillipines

- Country's water resources to support 94 million
- Unserved population 18.6%(private wells, tanks, or vended water, unsafe)

Area of Interest



Area of Interest (2)

- The Tanauan city lies in Calabarzon region, which is one of the main industrial regions of the Philippines.
- The city has a total population of almost 19 000 inhabitants, however only 10 400 of them are assigned to SLMBM. The rest of the population is served by the big public provider.

Regulatory Framework

- National Water Resources Board is the main body responsible for the regulation of water at Philippines.
- The regulatory institutions are very fragmented and somewhat ineffective.
- Only 40% of water operators have water permits and the volumes extracted by the rest are unaccounted for, as the regulators are unable to monitor or penalize over-extraction.

Our Mission

- Increase the water supply coverage in Tanauan from 65% to 100%, that entails covering the whole 10 400 inhabitants assigned to SLMBM, i.e. 3640 inhabitants will benefit from new water supply connections. The Total number of new connections will be 728.
- Increase the per capita share of domestic water from 60 to 120 cubic meters which can be achieved by doubling the current production capacity of 557,000 cubic meters .
- Decrease the Non-Revenue Water from 30% to 16%.

Project Description

- SLMBM will make an investment of 5 million Pesos in the first year.
- 50% is financed by equity, with the minimum rate of return of 8%.
- 50% are financial debts, with a rate of interest of 6%.
- Depreciation for the investments is just for the first year , because we are investing the 5 million Pesos in the first year (all of them).
- It is expected that the initial investment will be repaid in 10 years.

Investment Analysis

- The NPV was found to be

34, 238, 670 Php

- The discount rate used was based on the Weighted Average Cost of Capital (WACC), which was calculated to be 0.066.
- For this case the cost-recovery method was used to calculate the tariff. Based on this method, the average unit price is

3.46 Php per cubic meter.

Conclusions

- The small private owned companies may not make much profit, but when run professionally, they offer low tariffs, effective operation and maintenance, and good cost recovery.
- On the part of the regulatory body (NWRB) this case could be important to consider a different approach and to develop incentives for the small private companies to expand