

Ex Post-Evaluation Brief

Philippines – Water Supply in Provincial Towns



Project	Water Supply in Provincial Towns BMZ ID 1994 66 525 (project in sample) BMZ ID 1930 01 518 (training)	
Programme exe. agency	Local Water Utilities Administration (LWUA)	
Year of parent population/ex-post evaluation report: 2012/2012		
	Programme appraisal (planned)	Ex-post evaluation (actual)
Investment costs	EUR 17.6 million	EUR 20.3 million
Counterpart contribution	EUR 7.4 million	EUR 5.7 million
Finance, of which BMZ funds	EUR 10.2 million EUR 10.2 million	EUR 14.6 million EUR 14.6 million
Training measure	EUR 0.09 million	EUR 0.09 million

* random sample

Project description: The programme comprised the development and rehabilitation of water supply systems (pumping stations, reservoirs, pipelines and service connections, etc.) in 77 of the so-called Water Districts (WD), who are in charge of urban water supply infrastructure in the Philippines. The programme executing agency was the Local Water Utilities Administration (LWUA) based in Manila, which acts as regulator, funding agency and adviser to the WDs. The individual measures were jointly planned and implemented by the WDs and LWUA. LWUA was supported by a German-Philippine consulting syndicate. The training measure financed the further training of personnel of WDs and LWUA in technical and operational aspects. After numerous delays, the programme was implemented between 2003 and 2007.

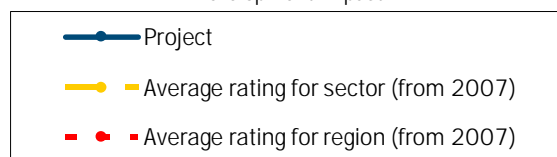
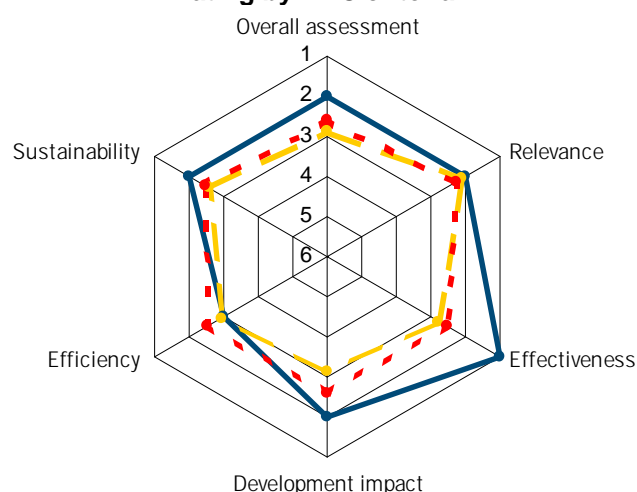
Objective: The overall objective was to contribute to reducing health hazards from water-induced diseases for the population in the programme sites. The programme objective was to ensure a sufficient and continuous supply of safe drinking water to the residents in the densely populated districts of selected small and medium-sized towns in the Philippines. **Target group:** all consumer groups in the respective supply areas (population, trade/industry and public administration).

Overall rating: 2

Good developmental impact with very good effectiveness and sustainability

Of Note: The professional way the local water infrastructure operators (WDs) were guided and have been developed during the programme and since by LWUA exceeds expectations. In almost all cases, the WDs also expanded their supply networks after programme completion with their own funds and increased the number of service connections. Most of the FC-financed infrastructure is still in good to very good condition. The WDs operate cost-effectively, in most cases even with full cost recovery (including depreciation). Effectiveness and sustainability of the programme are therefore extraordinary.

Rating by DAC criteria



EVALUATION SUMMARY

Overall rating: The relevance and developmental impacts of the programme are good, as is sustainability. Its effectiveness is assessed as very good and efficiency is assigned a satisfactory rating. **Rating: 2**

Relevance: The insufficient quality and quantity of water supply still impairs the quality of life of the population living in Philippine urban areas. The Philippine Government attaches great importance to municipal water supply. In the current national development plan 2011 – 2016, it is accorded priority as part of infrastructure facilities and is a major component of the “Water Supply Road Map”. The programme's focus on municipal water supply was appropriate in view of the high urbanisation rate in the Philippines, the high urban poverty rates and the large investment needs in urban infrastructure. Sanitation did not form part of the programme, which conformed to the state-of-the-art at project appraisal (1994). Today, relevant aspects of sanitation must always be taken into account in water supply projects.

For the executing agency, LWUA, the programme was of paramount relevance, as it enabled it to finance infrastructure in the WDs, which would not have been possible from the limited government subsidies available to it or from its own resources. It was also highly relevant for the WDs, above all the many small ones, which were able to set up a central water supply system for the first time. For WDs that either expanded or rehabilitated their existing systems, the individual measures served as kind of startup finance that resulted in major improvements in the quantity/quality of their water supply.

In its intervention logic – aiming at improved health conditions, the programme design is only partly plausible. It does apply to WDs to which supply infrastructure was provided for the first time. However, causalities are much less clear for WDs where existing infrastructure was predominantly rehabilitated. With hindsight, the causal logic should therefore at least equally have focused on improved living conditions for the affected population living s. The programme conformed to the development cooperation priorities at project appraisal. Donor coordination does take place to a certain extent in the Philippine water sector, e.g. via a donor coordination group. Sub-rating: still 2

Effectiveness: The intended outcome was to provide residents of densely populated districts in selected small and medium-sized towns of the Philippines with a sufficient and continuous supply of drinking water. The following indicators were set at appraisal and were only adapted slightly during programme implementation. They were also cited for the ex-post evaluation:

- Rise in the number of service connections (by 31,140)
- Adequate availability of drinking water (120 l/cd for Urdaneta, 80 l/cd for small WDs)
- Supply outages less than 20 days a year
- Reduction of total water losses to 29% one year after programme completion

Based on local sample checks, the indicators can be regarded as met. The water

availability indicator was quite comfortably quantified by today's standards.

As the indicators focus on the technical functionality of WDs in particular, two additional indicators are included in the assessment:

- The drinking water supplied meets national quality standards.
- The WDs recover their operating costs.

These indicators were also met. Most WDs even attained full cost recovery.

The objective of the training measure was to remedy shortcomings in individual functional areas of key importance for the success of the main investment, such as financial management and operation and maintenance in WDs. This was intended to ensure the smooth and sustainable operation of the respective WDs' systems. We deem this objective to have been achieved. Sub-rating: 1

Efficiency: Owing to the inclusion of a large number of WDs and, consequently, a variety of small-scale measures, the per capita costs of the programme are relatively high. This fragmentation is due to LWUA's strategy to also involve small WDs with limited investment needs and is therefore understandable. Many Philippine-manufactured components were used, which helped in the procurement of spare parts. The infrastructure installed is simple and robust at all locations and it is properly operated.

Programme implementation was considerably delayed by frequent changes of government, extensive bureaucratic approval procedures on the Philippine side and declining interest of WDs in – habitually delayed – financial support from LWUA. This incurred substantial administrative costs on the part of KfW and the executing agency.

The allocative efficiency of the programme is satisfactory. The WDs charge scaled rates depending on consumption, starting with a bloc rate for consumption of up to 10 m³ a month. The rates are socially equitable, with the prices for the lowest bloc rate restricted by national regulation to a maximum 5% of income for municipal residents who live below the national poverty line. These specifications are adhered to in the programme sites. Increased rates must be approved in public hearings organised by the WDs and LWUA. Collection efficiency is satisfactory (80-98%). The dynamic prime costs for water supply charged by the inspected WDs indicate that about 60% achieve full cost recovery. Sub-rating: 3

Overarching developmental impact: Owing to the inclusion of a large number of WDs and, consequently, a variety of small-scale measures, the per capita costs of the programme are relatively high. This fragmentation is due to LWUA's strategy to also involve small WDs with limited investment needs and is therefore understandable. Many Philippine-manufactured components were used, which helped in the procurement of spare parts. The infrastructure installed is simple and robust at all locations and it is properly operated.

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Sustainability: The WDs operate financially sustainable thanks to adequate tariff structures; they cover operating costs and - to a large part – even achieve full cost-recovery (60% of the sample). They have steadily expanded their systems in the past, often from their own resources. Various WDs conduct marketing campaigns to attract new customers. The WD staff appear well trained and highly motivated. Most of the infrastructure is still in a satisfactory condition even years after installation (largely completed in 2006).

LWUA is currently a sound operational system that adapts to the individual needs of the WDs: Adequately financed and staffed WDs have great autonomy, while weak WDs are closely supervised by LWUA. LWUA is currently faced, however, with different reforms. Firstly, the current Philippine President, Mr Aquino, is carrying out a strict austerity programme for ministries and state-owned enterprises. This has led to cuts in LWUA staff (today 570 employees compared with 800 in 2007, mainly through non-replacement of retirees) and to cuts in ancillary social services (daily allowances for business trips, service vehicles, etc.). This demotivates LWUA staff and can cause a possible exodus of qualified personnel. There has also been a discussion for several years that financially viable WDs should take out loans with state or private banks instead of LWUA. This would make sense in regulatory terms but could create financial constraints for LWUA, as it finances itself in part from interest payments by WDs. Finally, it is not yet clear what influence a future national water regulation authority will have on LWUA. LWUA will probably be deprived of its regulatory function, which will not, however, affect its financial and advisory role. We assess the long-term risks of those reforms to the sustainability of the programme as low. Sub-rating: 2

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

1	Very good result that clearly exceeds expectations
2	Good result, fully in line with expectations and without any significant shortcomings
3	Satisfactory result – project falls short of expectations but the positive results dominate
4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
6	The project has no impact or the situation has actually deteriorated

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).