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**WATER FINANCING SYSTEM IN THE PHILIPPINES
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The Philippine Water Code of 1976 (Presidential Decree No. 1067) provides the legal framework for water financing system in the Philippines. The Code mandates the National Water Resources Board (NWRB) to regulate water appropriation through water rights allocation system and to collect and impose reasonable fees or charges for water resources development from water appropriators, except when it is purely single family domestic purpose.

Charges of raw water in the country are in the form of water appropriation charges being collected annually by NWRB. The water charges are based on the rate of water withdrawn, diverted or extracted from the natural source for domestic, municipal, industrial, power generation, irrigation or other uses, and on the surface area for the use of surface water at its natural location (e.g. fish culture).

The water charges are very nominal and it does not reflect the realities of scarcity or abundance of water with minimal attention on the economic value of water. Consequently, it does not serve the function of allocating the scarce resource to the most productive users and does not provide economic incentive for efficient use and conservation of water

Moreover, the collection efficiency is very low due to the weak enforcement of laws. It is also attributed to the protests of government agencies from paying raw water charges, claiming that they were exempted by their charters.

The revenue collected is not even enough to cover the current operational expenses of NWRB. Hence, the NWRB derives its financial resources from the national government budget and relies from foreign funding/assistance for financing the water resources development projects in the country.

Tariffs on raw water are not imposed systematically in the country because of the following issues and problems:

- 1) Insufficient administrative capacities and inadequate procedures of NWRB;
- 2) There is a lack of instruments, which would permit a standardized and environmentally sound regulation of water resources utilization in line with market principles and without excessive administrative efforts;

- 3) Insufficient know how and personnel to develop tariff and revenue collection model, make the necessary amendments to the legislation and implement the tariffs;
- 4). Collected revenues are being remitted to the national treasury and currently, neither specific data on the utilization of revenues nor an explicit policy regarding their utilization exist.

The NWRB recognized that having appropriate raw water pricing and enforced properly would generate revenues that could be used for water resources development, spearheaded a study on “Price Policy for Public Goods” under the German Technical Cooperation (GTZ). The overall objective of the study is an improved supervision and environmentally sound management of raw water resources in the pilot provinces. The undertakings of the Study are: a) methodical review and selection of a tariff alternative, b) support in the restructuring of NWRB into a regulatory body, c) exemplary testing and introduction of a raw tariff in two basins, and d) advice in the elaboration and amendment of the necessary legal framework as well as on the implementation and coordination procedures during the implementation of the tariff reform. The Study will be completed by 2007.

Aside from the conduct of the study on raw water pricing, the NWRB has initiated activities to improve its revenue collection. The management has made formal representations with the various heads of debtor-agencies, discussed with the Department of Budget and Management the possibility of increasing funding for manpower requirement, and possibly establishing regional offices in key areas, as part of the remedial actions of the agency on the said collection problem.