Manila Concessions: The Experience of Manila Water Company

OECD Global Forum on Sustainable Development
“Public-Private Partnerships in Water Supply and Sanitation – Recent Trends and New Opportunities”
Paris, France November 29-30, 2006

Discussion Points

- MWSS Concession Framework
- Performance of Manila Water Company
- Manila Water’s Growth Strategy
- Conclusion
MWSS Concession Framework

- 25-year concession with price review every 5 years
- Operator is responsible for O&M and investments
- Service obligations (water and sanitation)
- Reward/Penalty linked to KPIs

The Problem

- Decades of under-investment
- High system losses
- Very poor service level
- Servicing of MWSS debt

Profile of Manila Water Company

Manila Water Stockholders

- Ayala: 30.5%
- United Utilities: 11.8%
- Bank of the Philippine Islands Capital: 3.9%
- IFC: 7.4%
- Mitsubishi Corporation: 7.9%
- Employees: 2.7%
- PUBLIC: 35.8%
Manila Water’s Performance

Improved access to 24-hour water supply

1997

26%

Q2 2006

97%

24 hours 13-23 hours 0-12 hours

Manila Water’s Performance

Public Assessment of Water Services (PAWS)

2001

37 Barangays

Very Good

97%

2003

188 Barangays

Good

28%

72%

2006

187 Barangays

Very Good

98%

2%

Source: PAWS Performance Rating Report Phase II, October 2006
University of the Philippines – National Engineering Center
6-point Strategic Framework to Deliver Results

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<th>Organizational Transformation</th>
<th>Decentralization and empowerment of former public employees</th>
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<td>Customer Service</td>
<td>Improvement of service level with bias for the urban poor</td>
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<td>Territory Management</td>
<td>Zonal approach to address system losses and service improvement</td>
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<td>Manage Regulatory Risks and Stakeholder relations</td>
<td>Establish transparent and professional relationship with regulator. Ensure success of 2003 price review. Forge partnerships with CBOs and NGOs</td>
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<td>Creditor Support</td>
<td>Gained support of creditors which resulted in steady inflow of debt to fund capital investments</td>
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<td>Commitment to Sustainable Development</td>
<td>Alignment for corporate, social and environmental goals to ensure sustainability of concession</td>
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Manila Water’s Growth Strategy

- **Strategy**
  - Philippines
    - Invest in bulk water / concession projects
    - Acquire existing projects
  - Asian Region
    - Bid for O&M contracts preferably supported by MFIs

- **Market**
  - Projects having strategic fit with MWC shareholders’ interests
  - Key cities in the Philippines and emerging economies in Asian region

**East Zone As Core**
**Conclusion**

- Stable and efficient concession framework which effectively addresses the WS&S problems of Manila.

- In partnership with the Philippine Government, Manila Water has successfully improved service to 5.5 million people.

- Key strengths of Manila Water:
  - Strong shareholder base
  - Organizational capability and flexibility
  - Management capability and track record of operating efficiency
  - Financial strength and ability to raise financing at competitive rates

- Manila Water is exploring new opportunities in WS&S in the Asian region.