1. Name of the Project

Country: The Republic of the Philippines
Project: Non-Revenue Water Improvement Project in the West Zone of Metro Manila
Loan Agreement: June 7, 2017
Borrower: Maynilad Water Services, Inc.

2. Background and Necessity of the Project

In the Republic of the Philippines (hereinafter referred to as “the Philippines”), Metro Manila is the large urban area with the total population of 12.9 million people in 2015 (National Statistics Office of the Philippines). The water and wastewater services in the Metro Manila and its surrounding area have been provided by private companies under a concession agreement (~2037) with the Metropolitan Waterworks and Sewage System (hereinafter referred to as “MWSS”) since 1997. Maynilad Water Services, Inc. (hereinafter referred to as “Maynilad”) is the operator in the west zone of Metro Manila.

Potential development need is high in the west zone as its average household income level is lower than the east zone. Non-revenue water in the west zone is 31.0% in 2015. The demand for water there is projected to increase due to factors that include an increase in the per capita water consumption accompanying a rising standard or living and an improvement of water pressure in accordance with Maynilad’s business strategy, therefore achieving an efficient water supply with little water loss through activities aimed at reducing non-revenue water are priorities.

The Philippine Development Plan 2017-2022 published in February 2017 highlights the importance of ensuring water supply in Metro Manila.

“Country Assistance Policy for the Republic of the Philippines” in April 2012 lists the “Achieving Sustainable Economic Growth through Further Promotion of Investment” as one of the Priority Areas and manifests that Japan provides assistance on the improvement of traffic and transportation network of the Greater Capital Region and the improvement of infrastructure related to energy and water.

As the West Zone of Metro Manila has a high potential development need by considering the factors that include the West Zone has areas with lower average household income level, this Project is to achieve an efficient water supply with little water loss by updating water facilities including water distribution pipes and water meters, thereby enhancing improvement of water services including improvement of water pressure and sustainable water supply in drought season.

As discussed above, this project is in line with the development issues and development policy of the Philippines and assistance policy of Japan and JICA. This Project will also contribute to Sustainable Development Goal 6 (Clean Water and
Sanitation), For these reasons, there is significant necessity for JICA to support implementation of this Project.

3. Project Description

(1) Project Objective
   The objective of the Project is to achieve an efficient water supply with little water loss by installing and updating water facilities which contribute to non-revenue water improvement, thereby enhancing improvement of water services in the west zone of Metro Manila.

(2) Project Site/Target Area
   the West Zone of Metro Manila

(3) Project Component
   non-revenue water improvement program (including updating water distribution pipes, installing water meters and procuring a water distribution control system)

(4) Schedule
   The last day of the Availability Period is considered as Project Completion.

(5) Necessity of JICA Private Sector Investment Financing
   In the west zone of Metro Manila, the demand for water is projected to increase due to factors that include a rising population, and achieving an efficient water supply with little water loss through activities aimed at reducing non-revenue water are priorities. To ensure the implementation of non-revenue water improvement program which require long-term payout period, it is in great need to provide assistance through long-term concessional funding by Private Sector Investment Financing. In addition, a part of the financing will be based on the Philippine peso, which is expected to mitigate the exchange rate risk for Maynilad.

(6) Environmental and Social Consideration/Poverty Reduction/Social Development
   1) Environmental and Social Consideration
      ① Category : B
      ② Reason for Categorization : This Project does not located in a sensitive area, nor has sensitive characteristics, nor falls into sensitive sectors under the JICA Guidelines for Environmental and Social Considerations (April, 2010), and its potential adverse impacts on the environment are not likely to be significant.

   2) Promotion of Poverty Reduction : The tariff follows a discount structure which takes consideration of less consumption by residential customers of the poor area.

   3) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases Including HIV/AIDS, Participatory Development, Consideration for the Person with Disability etc.) : None
(8) Collaboration with Other Donors: World Bank and JICA (ODA Loan) had provided two-step loan for Maynilad’s wastewater program.

(9) Other Important Issues: Under this Project, Japanese Commercial Banks will provide the funds required for water service expansion projects (such as laying new water distribution pipes and expanding existing water treatment plants).

4. Targeted Outcomes

As Quantitative Effects, non-revenue water (%), 24-hour water service (%), and Project Internal Rate of Return of non-revenue water improvement program (%) will be monitored. As Qualitative Effects, improvement of water services, such as improvement of water pressure, is expected as the result of non-revenue water improvement program.

5. External Factors and Risk Control

None

6. Lessons Learned from Past Projects

The ex-post evaluation of the “Urban Water Supply and Sanitation Improvement Program” in India and others pointed out that, not only constructing infrastructure facilities, it is needed to provide training to improve efficiency of the operation and to utilize experts and consultants with necessary techniques and knowledge for the Borrower. In this project, the Technical Assistance related to Private Sector Investment Finance would be provided for leakage control as well as non-revenue water improvement and management.

7. Plan for Future Evaluation

(1) Indicators to be Used

1) non-revenue water (%)
2) 24-hour water service (%)
3) Project Internal Rate of Return of non-revenue water improvement program (%)

(2) Timing: 3 years after project completion (scheduled)

(end)