



PHILIPPINES

High-Priority Country Plan

GLOBAL WATER STRATEGY | 2022-2027

In 2021, the Philippines was designated as a High-Priority Country under the U.S. government Global Water Strategy (GWS or “Strategy”). Over the next five years of the Strategy period, USAID/Philippines will continue its strong partnership with the Government of the Philippines (GPH) and other stakeholders to improve the country’s long-term water security. This will involve initiatives to improve governance and strengthen institutions, increase access to climate-resilient water supply, sanitation, and hygiene (WASH) services, and improve water resources management (WRM), while addressing financing gaps and promoting water demand management. USAID/Philippines’ assistance over the next five years will help increase access to clean drinking water for 1.22 million people and sanitation services to 710,000 people, and mobilize roughly \$100 million for water security, sanitation and hygiene.

CONTEXT

Despite declining during the height of the COVID-19 pandemic in 2020, the Philippines’ economy rebounded and has posted 7.4 percent growth in 2022. Even with rising inflation and fuel prices, the economy is projected to grow by 5.8 percent in 2023, a sign of the country’s resilience.¹ In addition to economic growth, the population is expected to increase to 142 million by 2045.² In light of rapid population growth, food security is a national government priority; the aim is to increase productivity to ensure food availability, affordability, and accessibility.³ Since water is a vital input across all sectors, water security is imperative to meet the increasing demand for water supply and sanitation services. However, the Philippines faces significant challenges in closing present gaps in access to WASH, while ensuring a secure and sustainable water supply for its future needs.

According to the Philippine Water Supply and Sanitation Masterplan (PWSSMP), 12.4 million Filipinos do not have access to basic drinking water services, relying mainly on unsafe sources. Of the 90 million with access to varying water sources, about 55 percent need an upgrade to fully meet safely managed water access. About 26 million do not have access to basic sanitation, including four million that practice open defecation. Further, the PWSSMP estimates that service coverage of sewerage and septage systems in the Philippines ranges from 13 to 18 percent. Rural areas continue to lag behind urban areas in access to safely managed drinking water and sanitation.⁴

The Philippines has abundant water resources. However, increasing population and water use has led to a decline in overall water availability. The Philippines’ water availability is 1,446 cubic meters per capita per year (based on 2015 population levels); this is classified as “water-stressed” as it falls below the U.N. Water’s standard of 1,700 cubic meters per capita per year. Water shortages, particularly in urban areas, have been recurring in recent years, but water conservation is practiced minimally among households, with water reuse limited to commercial sectors.

These challenges in both WASH access and water resources are caused by several factors that also present important opportunities for the Philippines to achieve long-term water security.

Institutional fragmentation and weak regulation undermine service expansion, WRM, and overall sector performance. With over 26 agencies performing water-related functions, the Philippine water sector is institutionally fragmented, which has led to an incoherent policy framework, unclear mandates and roles, insufficient data coordination for policy- and decision-making, and weak coordination in planning for both WASH and WRM. The lack of clearly defined leadership to oversee the country's water resources has also led to significant contamination and over-extraction of water resources.⁵ Economic regulation is also fragmented, leading to weak enforcement of standards and targets that fail to engender water service provider (WSP) compliance or incentivize expansion and improvement of services.

Barriers to financing, including lack of a guiding financing policy, lead to significant underinvestment in WASH and WRM. Government investments in WASH infrastructure have been historically low, and public resources have not been fully optimized. The GPH estimates that a total of \$18 billion (PHP 1.07 trillion) is needed to achieve universal water and sanitation access between 2020 and 2030, which is 22 times more than public investments made in the past decade. The Unified Resource Allocation Framework (URAF), the GPH's financing policy to rationalize allocation of public resources and leverage private capital for water and sanitation, is still not operational; thus, public grants and subsidies are not channeled to where they are needed most, while other modalities such as blended finance, private equity, or commercial finance are underused by creditworthy utilities. Additionally, there is no clear policy for financing WRM programs; thus, public investments in WRM have been below 1 percent in most local government budgets.

Limited capacity and underperformance of WSPs impede the delivery of efficient and sustainable services. There is a total of 24,821 registered WSPs in the sector.⁶ Many lack the technical and financial management capacity to operate and maintain water systems, limiting their overall ability to expand or improve their services. As a result, service coverage in many cities and municipalities falls below 50 percent and is plagued with high non-revenue water or system loss rates above the standard of 25 percent.⁷ Adding strain to WSPs' financial resources and fragile financial systems are impacts of natural disasters on utility assets, which require capital for repair and reconstruction. Moreover, women's engagement in the sector is limited with low participation of women in decision-making and little opportunity for skills improvement.

Water quality and availability are declining and will worsen due to climate change. The Philippines has a total water resource potential of 145,990 million cubic meters per year from surface and groundwater sources. Poor water governance, environmental degradation, deforestation, and land conversion have affected water quality and availability over the years. These issues are exacerbated by climate change, including extreme rainfall that causes flooding and rising temperatures and dry spells that drastically reduce water levels in rivers, dams, and groundwater sources. Reduced water levels often result in strict rationing to cope with water shortages, particularly in urban areas. Future water shortages, as a result of lingering water scarcity, can heighten competition over water use among water-consuming sectors and potentially spark conflict in areas where livelihoods are threatened and needs for food and water are unmet.

Chronic vulnerability to natural and man-made disasters affects communities and disrupts WASH service delivery. Located in the Western Pacific tropical cyclone region and the Pacific Ring of Fire, the Philippines is frequently affected by natural disasters such as typhoons, earthquakes, and volcanic eruptions. In the 2022 World Risk Index, the Philippines ranked first out of 193 countries for disaster risk exposure, vulnerability, susceptibility, and lack of coping mechanisms. In addition to natural disasters, Mindanao, the country's southernmost island, has a long history of conflict and insurgency, but is on the road to re-establishing peace. Both natural and man-made disasters have caused loss of lives and injury, damage to infrastructure, including water supply and sanitation systems, and massive displacement of affected populations.

NATIONAL PRIORITIES

The PWSSMP states the GPH's vision on universal access to water supply and sanitation: "Every Filipino must have access to a sustainable and affordable safe water supply as well as adequate safely managed sanitation services." Achieving this goal requires the implementation of eight key priorities, namely: (1) Establishing effective water supply and sanitation sector institutions; (2) Strengthening the regulatory environment; (3) Creating and ensuring effective water supply and sanitation services; (4) Balancing water supply and demand; (5) Building climate resilience; (6) Enabling access to funding and financing; (7) Managing data and information; and (8) Driving research and development.

The current administration's priority is to create an apex body to address the long-standing institutional fragmentation of the Philippines' water sector. In the interim, the National Economic and Development Authority (NEDA) serves as the lead water agency, in charge of advancing water policies and programs and coordinating their implementation among the different water executive agencies. Other key agencies include the National Water Resources Board (NWRB), the Department of Health, the Department of the Interior and Local Government, the Department of Environment and Natural Resources (DENR), the Department of Public Works and Highways, and the Department of Energy. The Office of the President also created a new WRM Office in DENR to manage the country's water resources and address ecological threats.⁸ WSPs of varying management types, namely, local government-run systems, water districts, community-based organizations, and private utilities, distribute water. Regulation of these entities also varies, with the NWRB regulating private WSPs and some local government unit (LGU)-run systems, the Local Water Utilities Administration regulating the water districts, and the Metropolitan Waterworks and Sewerage System overseeing the two largest private concessionaires operating in Metro Manila and adjacent areas. By law, the provision of sanitation services is a function devolved to LGUs.

USAID APPROACH AND RESULTS FRAMEWORK

The USAID/Philippines has a long history of supporting the Philippine water sector. Initiatives since 2014 have increased access to clean drinking water for 3.8 million Filipinos and improved sanitation for 1.8 million people. Currently, USAID/Philippines investments in water security, sanitation, and hygiene are through its flagship activity, Safe Water (2019–2024), that works to improve water security for water-stressed communities. Safe Water's objectives align with Strategic Objectives 1, 2, and 3 of the GWS, as detailed by intermediate results below.



STRATEGIC OBJECTIVE I

Strengthen Water and Sanitation Sector Governance, Financing, Institutions, and Markets

USAID/Philippines is committed to supporting GPH initiatives to mobilize finance and strengthen the governance and regulation of the country's water sector as a foundation for achieving long-term water security.

Intermediate Results (IRs):

IR 1.1 Develop, strengthen, and implement inclusive laws, policies, and regulations: USAID/Philippines will continue to support NEDA and key water agencies in their initiatives to implement the PWSSMP and realize the reforms embodied therein. With the GPH's commitment to establish the Department of Water Resources and the Water Regulatory Commission, USAID/Philippines will provide NEDA with policy advisory services, strategic communications, and advocacy support to facilitate the passage of a stakeholder-endorsed bill in Congress. Within the Strategy period, there is opportunity to build on prior assistance to further the country's national water demand management policy to facilitate sector-wide compliance and actualize water and cost savings.

IR 1.2 Effectively mobilize and target public and private financing: Mobilizing finance—public and private—will remain a key focus of USAID/Philippines' assistance. As such, USAID/Philippines will support operationalizing the URAF as the sector's guiding policy on financing to catalyze investments in WASH programs, including advocating for higher WASH budget allocations under the GPH's Convergence Program. To increase financial flows for water supply and sanitation programs, USAID/Philippines will facilitate public-private partnerships, support access to national government grants or subsidy programs, and mobilize commercial finance for septage management projects. USAID/Philippines will work to scale up the implementation of output-based aid for blended finance to make sanitary toilets more affordable for poor households and payment-for-ecosystem-services (PES) schemes that encourage downstream users to engage in watershed conservation, while incentivizing upstream communities to undertake forest protection or reforestation activities. Finally, USAID/Philippines will facilitate the adoption and implementation of a new framework to finance WRM programs.

IR 1.3 Improve the capacity and performance of regional, national, and subnational institutions: USAID/Philippines developed a provincial-led and integrated water security planning process that increases institutional capacity for more evidence-based planning to bridge the gap between local-level water supply and sanitation and

WRM planning and link local and national WASH and WRM targets. Water security plans developed with USAID/Philippines' assistance will be cascaded from the provincial to municipal levels, and USAID/Philippines will provide support to implement priority WASH and WRM programs. At the national level, USAID/Philippines works with NEDA to scale and replicate water security planning in other regions and provinces. The creation of new water institutions highlighted in IR 1.1 is expected to open opportunities where USAID/Philippines can provide further support for greater transparency, accountability, equity, and efficiency in the water sector.



STRATEGIC OBJECTIVE 2

Increase Equitable Access to Safe, Sustainable, and Climate-Resilient Drinking Water and Sanitation Services and Adoption of Key Behaviors

USAID/Philippines will support capacity development of WSPs as an important step toward the Philippines meeting its targets on universal access to water supply and sanitation. USAID/Philippines' investments will facilitate a robust capacity development program that targets diverse skill sets and competencies to improve their performance and delivery of WASH services and sustain their operations.

Intermediate Results (IRs):

IR 2.1 Increase area-wide access to safe, equitable, and affordable sanitation services and IR 2.2

Increase access to equitable, safe, reliable, and affordable drinking water services: USAID/Philippines will provide WSPs with project development assistance to help undertake bulk water supply, water supply expansion, and septage management programs. This assistance includes development of pre-feasibility studies, programs of works, and detailed engineering designs that will facilitate access to financing and procurement of services. In disaster-affected areas of Palawan, USAID/Philippines will support LGUs in rehabilitating damaged water systems and rebuilding them to withstand future climate-related disasters.

IR 2.3 Improve performance and climate resilience of water and sanitation service providers: Expanding USAID/Philippines will increase WSP's capacity to undertake business and water safety planning, carry out operation and maintenance, implement pressure management, apply proper chlorination for water treatment, and supervise construction of water supply systems. USAID/Philippines will also promote the establishment and adoption of autonomous economic enterprises within LGUs as well as technology and digital solutions (e.g., e-payment) to enable more efficient and sustainable delivery of water services. Beyond the Safe Water activity, the implementation of the PWSSMP sets into motion several key reform areas where USAID/Philippines can play a pivotal role in capacity development to help WSPs respond to and cope with future changes. These include helping WSPs to comply more effectively with regulations, adopt more sustainable financial models, and upgrade their skills in project development, system loss reduction, and compliance with standards for climate-resilient WASH facilities.



STRATEGIC OBJECTIVE 3

Improve Climate-Resilient Conservation and Management of Freshwater Resources and Associated Ecosystems

The Philippines' water resources face multiple threats from climate and non-climate stresses, posing consequences to health, food security, economic growth, and peace and stability. To respond to this challenge, USAID/Philippines is building the capacity of various stakeholders to manage forests, watersheds, and water resources through a robust set of interventions. Under this plan, USAID/Philippines will continue and build on these initiatives.

Intermediate Result (IR):

IR 3.1 Allocate and use water resources more equitably and efficiently: To mitigate the impacts of recurring and future water shortages, USAID/Philippines will support the GPH in promoting a water demand management policy while building knowledge and disseminating information on water recycling and reuse among large industrial and commercial water users.

IR 3.2 Enhance reliability and quality of water resources through watershed management, including protection, restoration, and nature-based solutions: Given the interest in adopting nature-based solutions among government and local stakeholders, USAID/Philippines will continue to support initiatives in this area. In addition, USAID/Philippines will sustain and scale the use of mobile technology for forest protection and patrolling through DENR's Lawin Forest and Biodiversity Protection System. USAID/Philippines will continue to engage with nongovernmental organizations and Indigenous communities to promote sustainable livelihoods that help preserve the health of watersheds. Engaging the private sector will be a key approach to leverage value-added resources, expertise, and technologies. Empowering women beneficiaries and providing them with leadership skills, training, and economic opportunities will be critical.

IR 3.3 Improve the climate resilience of water resources management: USAID/Philippines will build on a previous initiative to introduce an evidence-based approach to water security planning by developing hydrologic studies, forest cover maps, and vulnerability assessments that provide reliable data and information on present and future water resources and forest conditions. This information helps to guide the development of provincial water security plans and local watershed plans, including decisions to allocate a budget for programs critical to sustaining the implementation of WRM programs. USAID/Philippines will also support LGU initiatives to strengthen watershed management councils and institute PES financing schemes to sustainably fund watershed management activities.



STRATEGIC OBJECTIVE 4

Anticipate and Reduce Conflict and Fragility Related to Water

The Philippines' vulnerability to disasters has affected millions of Filipinos in past years. As part of its broad life-saving response, USAID's Bureau for Humanitarian Assistance (BHA) may provide assistance to disaster-affected communities, including water and hygiene supplies as well as sanitation facilities, emergency shelter, food, and other humanitarian assistance based on assessed needs. As a key component of WASH assistance, BHA will support the promotion of proper hygiene behaviors to prevent the spread of COVID-19 and other infectious diseases. BHA will also continue to build the capacity of Philippine first responders to meet emergency needs related to WASH.

IR 4.1 Strengthen capacity to predict, prepare for, and adapt to shocks impacting water and sanitation systems in fragile settings and IR 4.2 Address humanitarian water, sanitation, and hygiene needs:

During an emergency response, USAID will prioritize humanitarian assistance to meet the immediate WASH needs of disaster-affected households; however, USAID will also explore opportunities to enhance rural and remote island hazard mapping and disaster readiness protocols, specifically highlighting opportunities to mitigate water supply vulnerabilities in disaster-prone locations to help communities prepare and respond to shocks and stressors.

PRINCIPLES

USAID/Philippines will integrate and apply key Operating Principles when implementing activities under this GWS High-Priority Country Plan. Drawing from past experiences, USAID/Philippines will incorporate resilience in WASH activities to prevent, reduce, and/or manage climate stresses and other disaster risks on communities, WASH systems, and water resources. This principle will also be applied during emergencies to enable USAID/Philippines to provide timely humanitarian and post-disaster assistance to support LGUs in their efforts to build back better. USAID/Philippines will **leverage data and evidence** through economic data analysis to inform LGUs' investment decisions and build LGUs' capacity to monitor and track changes over time and to identify solutions to persisting challenges. **Innovation** will be important when delivering assistance to mobilize financing, transfer technologies, and promote climate-adaptive solutions in WASH service provision and WRM. Finally, USAID/Philippines will **address the needs of marginalized and underserved populations** by increasing women's empowerment and leadership in the provision of WASH services and the management of water resources.

MISSION RESULTS FRAMEWORK

USAID/Philippines' work to improve water security is reflected across all three development objectives of its Country Development and Cooperation Strategy 2019–2024.

Development Objectives (DOs):

DO1: Democratic Governance Strengthened: This plan directly addresses the Mission's IR 1.4, More Responsive Local Governance, through local level engagement. Investments under this plan enhance the technical, financial, management, and planning capacity of local governments and WSPs to deliver water supply and sanitation services.

DO2: Inclusive, Market-driven Growth Expanded. This plan contributes to IR 2.1, Regulatory Quality Improved, by advancing WASH sector reforms and supporting the implementation of the PWSSMP and URAF to strengthen governance and regulation and mobilize financing for the sector. Safe Water's efforts to strengthen private sector partnerships (e.g., microfinance institutions, corporate foundations) will address the Mission's IR 2.4, Private Sector-led Growth Promoted, especially in WASH service provision, watershed management, and sustainable livelihoods.

DO3: Environmental and Community Resilience Strengthened: Through efforts to build the capacity of watershed management councils, establish sustainable financing schemes such as the PES, promote nature-based solutions, and facilitate partnerships that support WRM and sustainable livelihoods, this plan contributes to the Mission's IR 3.2, Sustainable Use of Natural Resources Strengthened. These interventions help increase self-reliance and improve long-term water security for vulnerable communities, contributing to the Mission's five-year outlook of increased investments in water source protection, water supply and sanitation service delivery, water efficiency, and conservation programs.

KEY RISKS AND MITIGATION STRATEGIES

The Philippines continues to face the triple threat of climate change, COVID-19, and conflict.

Climate change. Extreme weather events, including droughts, typhoons, and rising sea levels, increase the risks of too much or too little water. Typhoons also damage water and sanitation systems, which in turn, disrupt service delivery. In response, USAID/Philippines' key approach is to build the capacity of WSPs to integrate climate resilience in water and sanitation systems. For disaster-affected areas, USAID/Philippines helps LGUs build back better water systems that can withstand future climate stresses. The Mission will also improve WRM through investments in watershed conservation and forest protection, reforestation - especially in high water recharge areas - and the promotion of sustainable livelihood and nature-based solutions. To mitigate water shortages, USAID/Philippines is promoting the wider adoption of water demand management strategies.

COVID-19. While cases of COVID-19 transmission and infection have significantly dropped and the country is nearing pre-pandemic normalcy, the public is still urged to be cautious and to practice vigilance due to the unstable nature of the virus.⁹ USAID/Philippines is mitigating risks that arise from COVID-19 by improving access to water supply systems and handwashing facilities, ensuring that water is available for infection prevention and control.

Conflict. In recent years, the Philippines established the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)—a milestone and the culmination of decades of peace negotiations among the Philippine National Government and autonomous groups. Following this, there is a strong commitment among the national and BARMM governments to safeguard peace and security in the region. In the Sarangani Province of Mindanao, USAID/Philippines adopts inclusive and participatory approaches to ensure that various stakeholders take part in identifying and implementing solutions toward achieving water security.

BUDGET

This plan is costed based on prior year resources still available for programming, the FY 2022 estimated allocation of \$4.2 million, and the FY 2023 President's Budget Request of \$4.2 million.

EXPECTED RESULTS

From 2022 to 2027, USAID activities are estimated to provide the Philippines with:



300,000 people gaining access to basic drinking water

300,000 people gaining access to safely managed drinking water

600,000 people receiving improved service quality from an existing basic or safely managed drinking water service



360,000 people gaining access to basic managed sanitation services

350,000 people receiving improved sanitation services quality from an existing "limited" or "basic" service



500,000 people benefitting from the adoption and implementation of measures to improve WRM



40 water and sanitation institutions strengthened to manage water resources or improve water supply and sanitation services



\$100 million mobilized for climate-resilient WASH services and WRM

Endnotes

- 1 Reuters, [Philippines on track to lose growth momentum in 2023 -World Bank](#), December 2022..
- 2 Philippine Statistic Authority, [2010 Census-based National, Regional, and Provincial-Based Population Projections](#).
- 3 National Economic and Development Authority, [Philippine Development Plan 2023-2028 \(Primer\)](#).
- 4 Philippine Statistics Authority, [Most Filipino Families have Access to Improved Source of Drinking Water](#), March 2019.
- 5 National Economic and Development Authority, Philippine Water Supply and Sanitation Master Plan, September 2021.
- 6 Ibid.
- 7 The National Water Resources Board mandates that the rate of NRW should not go above 25 percent. Cited in National Economic and Development Authority, Philippine Water Supply and Sanitation Master Plan, September 2021.
- 8 Galvez, Daphne, [Marcos OKs creation of Water Resource Management Office](#), Philippine Daily Inquirer, February 2023.
- 9 Ragasa, Faith Yuen Wei, [We're almost there: Filipinos recall year 2022 as one nearly back to normal](#), CNN Philippines, December 2022.