



REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY

NEDA BOARD RESOLUTION NO. 41 (s. 2024)

**APPROVING THE DRAFT NEDA BOARD RESOLUTION ADOPTING THE
UNIFIED RESOURCE ALLOCATION FRAMEWORK (URAF) FOR WATER
SUPPLY AND SANITATION (WSS) AS APPROVED BY THE COMMITTEE ON
INFRASTRUCTURE (INFRACOM)**

On motion duly seconded, be it resolved, as it is hereby **RESOLVED**, to **APPROVE**, as it is hereby **APPROVED**, the latest version of the URAF FOR WSS embodied in the NEDA Board Resolution below.

NEDA BOARD RESOLUTION

ADOPTING THE URAF FOR WSS

WHEREAS, Article II, Section 16 of the Philippine Constitution enshrines the policy of the State to protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature;

WHEREAS, Section 6 (d) of Executive Order (EO) No. 230 (s. 1987) created the National Economic and Development Authority (NEDA) Board INFRACOM to: (i) advise the President and the NEDA Board on matters concerning infrastructure development; (ii) coordinate the activities of agencies including government-owned and -controlled corporations concerned in infrastructure development; and (iii) recommend to the President government policies, programs, and projects concerning infrastructure development consistent with national development objectives and priorities;

WHEREAS, the INFRACOM, through its Resolution No. 2 (s. 2008), created its Sub-Committee on Water Resources to coordinate all activities and policies pertaining to the water resources sector, including, among others, water supply, sanitation, sewerage, irrigation, and flood management, in view of the recommendations under the Philippine Water Supply Sector Roadmap;

WHEREAS, Section 17 of Republic Act (RA) No. 7160 or the "Local Government Code (LGC) of 1991" provides that the Local Government Units (LGUs) are responsible for the provision of basic services and facilities, including, among others, the provision of water supply and sewerage services and facilities related to general hygiene and sanitation;

WHEREAS, EO No. 138 (s. 2021), on the full devolution of the provision of basic services and facilities from the executive branch to local governments, provides that national government agencies (NGAs) can assume more strategic and steering functions to address persistent development issues;

WHEREAS, the United Nations 2030 Agenda for Sustainable Development endorses the international objective of ensuring the availability and the sustainable management of water and sanitation for all, as espoused in Sustainable Development Goal (SDG) No. 6;

WHEREAS, as the national action plan to achieve universal access to safe, sufficient, affordable, and sustainable water supply, hygiene, and sanitation by 2030 pursuant to SDG 6, the Philippine Water Supply and Sanitation Master Plan (PWSSMP) adopts a policy requiring a tandem development of water supply and wastewater management services to ensure that the latter is not neglected; further, the PWSSMP, through its Key Reform Agenda 6: Enabling Access to Funding and Financing, recognizes the need to improve the access to public, private, and commercial loan funds for the implementation of the WSS investments;

WHEREAS, in line with the PWSSMP grounded on the realities of every region, the Philippine Development Plan 2023-2028 calls for a framework for rationally allocating resources for the WSS sector, in which government support will be provided for: viability gap funding to economically viable but financially unviable projects; performance-based grants to enable access to WSS services; and funds or subsidies to leverage access to market-based lending or private equity;

WHEREAS, EO No. 22 (s. 2023) created the Department of Environment and Natural Resources-Water Resources Management Office (DENR-WRMO) to primarily be responsible for the integration and harmonization of all government efforts and regulatory activities to ensure availability and sustainable management of water resources in the country;

WHEREAS, the Integrated Water Resources Management Plan (IWMP), approved by the NEDA Board on February 27, 2024, endeavors to harmonize major water sector plans and strategies towards a common and concerted water security agenda; further, it identified, as one of the Priority Strategy Actions for operationalizing Integrated Water Resources Management, the financing of WSS investments and watershed management to expand and improve WSS service provision;

WHEREAS, adequate and equitable delivery of WSS services is hindered by inadequate public financing, poor governance, and low technical capacities of small service providers, and the absence of a single, independent, and effective economic regulator for the sector;

WHEREAS, the investment programs and financing plans of the government for WSS are disjointed, where WSS initiatives are funded by government agencies and instrumentalities through various programs that lack overall cohesiveness and complementation, and there is a need to review and rationalize current financing policies for the Philippine water supply and sewerage sector to allow for the efficient flow of resources thereto, including crowding in of market-based financing where appropriate;

NOW, THEREFORE, it is hereby resolved, by the Chairperson and the Board, to approve and adopt the resource allocation policy referred to as the URAF-WSS:

SECTION 1. Adoption of the URAF-WSS. As a policy directive to all government agencies stipulated under Section 2 of this Resolution, the State shall ensure the attainment of universal access to sustainable and affordable safe water supply, and adequate and safely managed sanitation services, through the development of a common structure for rationally allocating available resources towards expediting the improvement and expansion of WSS services provision. Towards this end, the URAF-WSS shall be adopted, considering the following principles:

- a. **Universal access.** Public investment policy for WSS shall be anchored on the attainment of universal access to sustainable and affordable safe water supply and adequate and safely managed sanitation services. All government agencies and instrumentalities that are concerned with and have responsibilities in WSS investments, financing, and regulation are hereby directed to always pursue universal access to WSS facilities as the primary development objective, and improved level of service and performance as concomitant objectives;
- b. **Increasing and rationalizing use of public funds.** The government shall promote the adequacy of funding going into WSS initiatives by increasing sources to fund WSS projects. Moreover, it shall provide a structure for rationally allocating available resources towards expediting the improvement and expansion of WSS services through the formulation of a prioritization criteria for public resource allocation, leverage access to market-based lending or private equity, and provide rational subsidies for capital investments; and
- c. **Providing targeted grants.** The government shall provide targeted financing for strategic utility reforms, capacity-building activities, and infrastructure through water supply connections and basic sanitation services to water service providers (WSPs). The nature of the government's assistance shall be determined by the fiscal and operational position of the WSP and the socioeconomic condition of the served population.

SECTION 2. Coverage. This Resolution shall cover all departments, agencies, and instrumentalities of the Executive Branch, and LGUs whose functions are related to the provision, regulation, and financing of WSS services in accordance with pertinent laws and other executive issuances.

SECTION 3. Recommendatory Committee on the URAF-WSS. The INFRACOM shall serve as the Recommendatory Committee for the implementation of the URAF-WSS. To fulfill this role, the INFRACOM shall perform the following functions:

- a. Guided by the IWMP and PWSSMP, set the strategic directions for the resource allocation as well as principles and criteria for financing in the WSS sector, including targets and outcomes for monitoring of the framework; and identify the reform agenda and how financing incentives can be used to drive this agenda. The approval of financing for WSS projects shall remain subject to the standard approval process of the government;

- b. Issue the implementing guidelines for the effective implementation of this Resolution, including, among others, fundamental prioritization criteria for grant recipients, rules for viability gap funding (VGF), caps on grant allocations, concessional loans, and technical assistance; thereafter, issue such other supplemental guidelines as may be appropriate;
- c. Review and monitor the annual implementation of this Resolution in terms of WSS sector development in financing, program implementation, achievement of targets, and evaluation of outcomes;
- d. Resolve issues and concerns that may arise in the implementation of this Resolution, without prejudice to the respective mandates of its member-agencies in individually resolving the same; and
- e. Call on any relevant department, agency, or office for the fulfillment of its functions as may be necessary to the effective implementation of this Resolution, and ensure convergence of all government efforts on the institutionalization of the framework.

SECTION 4. Implementing Agency. Given its role as the lead implementing agency for the Program Convergence Budgeting for the water sector, the DENR, through its WMRO, in coordination with NEDA, shall take the lead in implementing the URAF-WSS. The DENR-WRMO shall undertake the following responsibilities:

- a. Lead, in coordination with NEDA, the enactment of the URAF-WSS allocation mechanism, which shall duly consider the pertinent laws, rules, and regulations, including policies on National Government (NG)-LGU cost-sharing;
- b. Develop, in consultation with the INFRACOM, a strong communications plan and pursue strategies to effectively inform the public, as well as other stakeholders, on the functions of the NGAs and their respective accountabilities. For this purpose, the DENR-WRMO may tap the Presidential Communications Office and its attached agencies and offices, and call upon all NGAs, both the oversight and the affected agencies, to designate focal officials and personnel who shall participate in this information drive and ensure the integration of the DENR-WRMO's key messaging and communications plan to their respective agencies' communication efforts;
- c. Monitor the implementation of the URAF-WSS and submit to the INFRACOM an annual report on the implementation of this Resolution. The report shall include the status of the framework, as well as recommendations based on the annual assessment thereof; and
- d. Coordinate with the INFRACOM, as necessary, on any matters concerning the implementation of the URAF-WSS.

SECTION 5. URAF-WSS Modalities. In rationally allocating available NG resources to various WSS players, the NG funds would primarily be used to support the WSS subsector through the following:

- a. **Technical Assistance (TA) Grants.** Concerned agencies are proposed to provide TA grants to WSPs to enable them to improve operations and become viable entities to improve their access to commercial finance;
- b. **Capital Grants.** Complementary to loans from government financing institutions (GFIs) and private financing institutions (PFIs), VGF and Output-Based Aid grants will be made available to WSPs to address affordability constraints and target the needed assistance to the poor. Capital grants will also be used for making WSS infrastructure and services climate-resilient and climate-adapted, and for post-disaster reconstruction; and
- c. **Credit Enhancement.** To improve fund access for WSPs as well as to promote commercial lending to the WSS subsector, the capital of the Philippine Guarantee Corporation (PhilGuarantee) may be increased in order to adequately provide guarantees, if needed, for GFIs and PFIs. The PhilGuarantee may also set up a dedicated fund for such guarantees.

SECTION 6. Universal Service Access Targets. The URAF-WSS aims to achieve universal access for both water supply and sanitation (i.e., at 100 percent) ideally by 2030.

SECTION 7. Prioritization Criteria for NG fund allocation. The targeting and prioritization criteria for the recipients of grants shall be based on universal access gaps, poverty incidence, water-borne and sanitation-related disease incidence, and climate impact at-risk areas. Nevertheless, prioritized applications will be further screened based on the project proposal, eligibility requirements, and project implementation readiness, to determine justifiable government support.

The INFRACOM shall review the prioritization criteria every three years, or earlier, as it deems necessary, and recommend adjustments or a replacement policy, if necessary.

SECTION 8. Eligible Recipients. All water utilities, including LGU-operated WSPs with clear and accountable governance provisions, are eligible recipients.

SECTION 9. Local Government and Water District Counterpart Contribution. To promote the sharing of responsibility among the NG, LGUs, and water districts in WSS investments, LGUs and water districts shall provide counterpart contributions in accordance with the Department of Budget and Management's (DBM) NG-LGU cost-sharing policy, as confirmed by the NEDA Board on September 21, 2023, and its subsequent implementing guidelines to be issued by the DBM.

The INFRACOM shall review and determine the counterpart contribution every five years or earlier, as necessary.

SECTION 10. Grant Conditionalities. NG grants shall be subject to achievement of key performance indicators, utility reform targets, and compliance with economic regulatory requirements.

SECTION 11. Investments through Public-Private Partnerships (PPPs). Investments through water concessions and other PPPs on water supply projects in profitable areas shall continue to be guided by RA No. 11966 or the PPP Code of the Philippines and its Implementing Rules and Regulations, and the LGC as applicable.

SECTION 12. Implementing Guidelines. Within 60 working days after the effectivity of this Resolution, the INFRACOM shall issue the implementing guidelines of the URAF-WSS, in consultation with relevant government agencies and instrumentalities as may be necessary.

The Implementing Guidelines shall include the adoption of URAF principles for inclusion of funding and coverage of the National Septage and Sewerage Management Plan of the Department of Public Works and Highways.

SECTION 13. Transitory Clause. This Resolution shall serve as an interim measure to immediately address the present concerns warranting the need to rationalize current policies in the allocation of resources for WSS, pending the passage of the bill creating the Department of Water Resources. Upon the creation of such Department, it shall take the lead in implementing the URAF-WSS, and/or updating/amending the policy as may be necessary.

All valid and existing contracts entered into by the Government prior to the effectivity of this Resolution shall not be impaired and shall be upheld.

SECTION 14. Separability Clause. In the event that any provision or part of this Resolution is declared invalid, illegal, or unconstitutional, the provisions not thereby affected shall remain in full force and effect.

SECTION 15. Repealing Clause. All orders, rules and issuances, or parts thereof, which are inconsistent with the provisions of this Resolution are hereby repealed, or modified accordingly.

SECTION 16. Effectivity. This Resolution shall take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

UNANIMOUSLY APPROVED.

October 16, 2024

Certified correct:



ARSENIO M. BALISACAN

Secretary of the National Economic and Development Authority
Vice-Chairperson of the NEDA Board

