

# VERAGON IN THE PHILIPPINES: SCALING IMPACT THROUGH PUBLIC-PRIVATE PARTNERSHIPS CASE (B)

## EXECUTIVE SUMMARY

VERAGON TECHNOLOGIES, FOUNDED IN 2014 BY DR. ALESSIO LUCATTELLI, HAS DEVELOPED INNOVATIVE ATMOSPHERIC WATER GENERATION (AWG) TECHNOLOGY TO ADDRESS GLOBAL WATER SCARCITY SUSTAINABLY. RECOGNISING THE URGENT NEED FOR ACCESS TO CLEAN WATER IN SOUTHEAST ASIA, VERAGON ENTERED THE PHILIPPINE MARKET IN 2024, STRATEGICALLY SELECTING THE PROVINCE OF CAMARINES SUR AS AN AREA TO FOCUS ON DUE TO ITS SEVERE WATER CHALLENGES AND STRONG GOVERNMENT SUPPORT.

By partnering with local leaders through a public-private partnership (PPP), Veragon developed a business model that reduced financial risks and operational barriers, benefiting from tax incentives, government-backed infrastructure, and regulatory assistance. The initiative not only improved water access but also contributed to local industrialisation and workforce development.

With Camarines Sur as its regional base, in 2025 Veragon aimed to scale operations across the Philippines and ASEAN, leveraging its cost-efficient production and strong governmental ties.

## 1. INTRODUCTION: THE URGENT NEED FOR SUSTAINABLE WATER SOLUTIONS

In 2025, Veragon had emerged as a leading provider of innovative water technology, committed to addressing global water scarcity and promoting sustainable development through its patented Atmospheric Water Generation (AWG) technology. Veragon's AWG technology harnesses humidity from the air and transforms it into clean, safe, mineralised drinking water. Recognising the critical need for advanced clean water solutions in Southeast Asia, Veragon identified the Philippines as a strategic entry point into the market.

With a population of 113 million and a staggering 53% of households lacking access to a safely managed water supply, the Philippines in 2024 faced a severe national water crisis. These challenges, intensified by rapid industrialisation and climate change, highlighted a pressing social need and presented a significant opportunity for Veragon's expansion.

Recognising the urgent need to address water scarcity across the region, Veragon focused its initial efforts on Camarines Sur - a province that faced substantial water access and quality issues. While water scarcity was indeed a nationwide issue in the Philippines, Veragon recognised that production was managed at the provincial level, therefore collaborating with local governments was going to be essential. In the province of Camarines Sur, the local government's forward-thinking embrace of public-private partnerships (PPPs) and strong leadership, created a conducive environment for Veragon to deploy its innovative technologies and contribute to a more sustainable water future.

The support of Governor LRay Villafuerte and Congressman Luigi Villafuerte was instrumental, as they recognised Veragon's alignment with the province's development goals and the transformative potential of PPPs.

## 2. THE ECONOMIC & INDUSTRIAL CONTEXT OF CAMARINES SUR: CHALLENGES AND OPPORTUNITIES

### **The economic landscape**

Camarines Sur, the largest province in the Bicol Region, possessed an economy historically rooted in agriculture. Vast lands dedicated to rice, coconut, and abaca farming underscored agriculture's role as the province's backbone. Despite the rich natural resources, Camarines Sur struggled to transition towards a more industrialised economy, especially in water-related technologies. The industrial activity remained underdeveloped, with fewer manufacturing hubs compared to urbanised areas like Metro Manila or Cebu. A limited presence of manufacturing expertise, particularly in large-scale water purification, storage, and distribution, resulted in a reliance on imported technology and external suppliers.

### **The infrastructure and industrialisation efforts: bridging the gap**

Infrastructure gaps and accessibility issues further complicated the industrial development. Remote areas continued to grapple with limited access to modern infrastructure, and the lack of well-equipped industrial zones and robust water distribution networks posed significant challenges for companies seeking to establish operations.

Recognising the imperative for economic diversification, the provincial government actively pursued industrialisation. They implemented programs to attract investments, including tax incentives, the development of industrial parks, and partnerships with academic institutions aimed at workforce upskilling. Public-private partnerships (PPPs) were identified as a viable mechanism to bridge the industrialisation gap. Collaboration with companies like Veragon held the promise of introducing advanced water technology solutions, developing localised manufacturing expertise in water-related industries, and addressing infrastructure bottlenecks through coordinated efforts.

### **The workforce and talent availability: balancing local and external expertise**

The Camarines Sur's workforce was primarily engaged in agriculture and service industries, resulting in a smaller pool of workers with specialised skills in advanced manufacturing. In planning operations in the region,



Veragon faced the challenge of balancing the local workforce development with the selective importation of skilled labour. While some highly specialised roles necessitated external expertise, Veragon recognised the long-term importance of training and upskilling the local workforce to reduce dependence on outside employees.

A key opportunity was leveraging the strong ties between the region and its overseas workforce. A significant portion of Camarines Sur's population worked in the Middle East, possessing technical skills deemed potentially valuable to Veragon's operations. Competitive incentives could have attracted these skilled professionals back home for the long-term, contributing to the province's industrialisation efforts more sustainably than importing labour from Manila and potentially mitigating social integration challenges.

### **Uplifting the local community: a long-term vision**

The shortage of trained technicians meant Veragon would have needed to invest heavily in structured training programs to develop local talent capable of operating modern machinery. While this investment would have increased short-term expenses and extended time-to-productivity, it was viewed as crucial for building a competent and adaptable workforce in the long run. Partnerships with local vocational and technical institutes were also considered essential to align educational curricula with Veragon's specific needs and create a sustainable pipeline of skilled workers. Despite the skills shortage and development challenges, Veragon's expansion represented a significant opportunity to transform the local economy. By diversifying employment options beyond agriculture, Veragon could have contributed to steadier incomes and increased economic stability.

The new factory planned by Veragon would have pushed the demand for local components, logistic providers, and maintenance providers, stimulating the growth of smaller enterprises and fostering broader regional development. Therefore, Veragon aimed to contribute to both the economic growth and social sustainability by focusing on workforce localisation, skills development, and reintegration of overseas Filipino workers, ensuring long-term benefits for Camarines Sur and its people.

### 3. VERAGON'S MARKET ENTRY

Upon entering the Philippine market, Veragon quickly understood the critical role of government collaboration. Navigating regulations, securing infrastructure, and establishing local partnerships required strong public sector support. Veragon strategically aligned itself with key government leaders in Camarines Sur, ensuring a smoother market entry.

The company's expansion followed a Public-Private Partnership model, aligning with national priorities for water security and industrial development. This approach provided stability and mutual benefit for both the local government and Veragon. Strong leadership from policymakers proved crucial in securing regulatory approvals, financial incentives, and key supply chain connections.

#### **Veragon's industrial plan**

In 2024, Veragon successfully delivered its first AWG units in the Philippines. The overwhelmingly positive feedback from both the local communities and government leadership prompted the company to make a long-term industrial commitment to the region.

As a result, Veragon decided to establish an assembly plant in the province of Camarines Sur. In February 2025, a ceremony was held to mark the beginning of the construction of this new facility, which was scheduled to be completed before the end of 2025.

Once operational, the factory would have had the capacity to manufacture up to 100 AWG units per month, with flexibility built into the design to support future expansion.

To ensure the highest standards of production and knowledge transfer, Veragon's technical teams from Italy would have relocated to Camarines Sur to train and mentor the local workers. This structured training initiative would have covered all stages of the manufacturing process, aiming to build a skilled, self-sufficient local workforce capable of sustaining and growing the operations independently over time.

This industrial investment not only would have strengthened Veragon's operational presence in the region but also embodied the company's commitment to sustainable development, community empowerment, and long-term economic impact.

## Key elements of the PPP

A core element of the PPP approach was the factory ownership. The local government retained ownership of the manufacturing facility, while Veragon would have operated under a rental agreement. This arrangement significantly reduced Veragon's upfront costs and financial risks, allowing the company to focus on production and expansion. Integrating local suppliers further ensured cost-effective manufacturing but also, crucially, long-term stability - a key objective of the project.

The government support extended beyond infrastructure, encompassing financial incentives such as tax holidays and import duty exemptions, which lowered operational costs. Regulatory assistance streamlined compliance with water and environmental policies. Access to development loans from institutions like the Asian Development Bank (ADB) also reinforced the project's financial sustainability. The government-backed pricing models helped justify expenditures and ensure long-term financial viability through a pathway for debt servicing too.

In 2025, Veragon planned a phased entry strategy to ensure long-term success. Initially, the government agencies would have served as early adopters, providing a stable revenue stream and building market trust in Veragon's Atmospheric Water Generation (AWG) technology. The second phase would have focused on expanding into the consumer market, leveraging digital payment systems for accessibility. In the final phase, with production costs decreasing, the AWG technology was going to be positioned for widespread adoption, particularly in underserved communities.

However, despite the advantages of the PPP model, there were also challenges. Bureaucratic inefficiencies could have delayed approvals, necessitating proactive engagement with policymakers. Consumer awareness remained a hurdle, requiring education campaigns to build trust in AWG technology. Developing and strengthening local supply chains, particularly for critical components like filtration systems and metal frames, was also going to be critical.

Despite these challenges, the benefits of the cooperation model were significant. Veragon would have gained lower operational costs, regulatory support, and stable demand through government contracts. The local

government would have improved water access, created jobs, and spurred industrial development. The communities, the ultimate beneficiary of the project, would have benefited from clean water, employment opportunities, and enhanced infrastructure. Because of these benefits, in 2025 the PPP structure was emerging as a scalable model for replication across other provinces, firmly positioning Veragon and the Philippines as a regional manufacturing hub for sustainable water solutions.

## 4. THE VILLAFUERTE'S LEADERSHIP: A CATALYST FOR VERAGON'S SUCCESS

Veragon's success in Camarines Sur was a direct result of the visionary and proactive leadership of Governor LRay Villafuerte, supported by Luigi Villafuerte. Their forward-thinking governance and dedication to public-private partnerships cultivated a thriving environment for innovative industries and collaborations with companies like Veragon.

Governor Villafuerte, drawing upon his experience as former Congressman, brought a wealth of experience and deep understanding of the region's needs. His leadership fostered significant infrastructure improvements, investment-friendly policies, and a strong push for industrial diversification. His continued influence on national policies ensured Camarines Sur remained a priority for sustainable growth. His return to the role of Governor (he got elected in May 2025 from the previous role of Congressman) presented an exciting opportunity to build upon these achievements, further leveraging public-private collaboration, investment, and large-scale infrastructure development.

Working in collaboration, Congressman Luigi Villafuerte (formerly Governor) and Governor LRay Villafuerte institutionalised Public-Private Partnerships as a core governance strategy in Camarines Sur. Recognising that sustainable development required collaboration between government and the private sector, they had enacted a dedicated PPP ordinance back in 2010, years before the arrival of Veragon, making Camarines Sur the first local government unit in the Philippines to do so. This groundbreaking initiative provided a stable regulatory foundation for private-sector participation in public projects, facilitating Veragon's smooth market entry in 2024 and attracting other global investors seeking innovation and economic expansion.

Governor LRay Villafuerte articulated a bold vision for Camarines Sur to become a regional powerhouse for advanced manufacturing and technology, moving beyond the traditional economic models. His statement, "The opening of a manufacturing facility in the capital complex, Pili, CamSur... This will be the first in the country, first in Southeast Asia, and this will be their Asian manufacturing hub," signaled a strategic shift, positioning Camarines Sur as a destination for cutting-edge industries and providing companies like Veragon the confidence to invest.

Strategic infrastructure development, championed by the Villafuertes, served as a catalyst for investment. Transformative projects like the CamSur Expressway Tollway, the New Naga Airport, and the Mt. Isarog Cable Car Project improved the connectivity, reduced the logistical barriers, and enhanced the overall business environment, proactively building the groundwork to attract high-value industries.

The Villafuertes also embedded environmental consciousness into Camarines Sur's growth strategy, aligning perfectly with Veragon's core values. Governor LRay Villafuerte's El Verde Movement, recognised by the Guinness World Record for setting the record of planting the most mangrove trees within one hour (1,009,029 trees were planted on March 8, 2012), had demonstrated his dedication to sustainability. This commitment to green development played a key role in attracting Veragon. Beyond policy, the Villafuertes actively engaged with investors, ensuring businesses entering Camarines Sur received the necessary support to thrive. Their proactive engagement earned the province multiple recognitions as the 'Most Business-Friendly Province' by the Philippine Chamber of Commerce and Industry (PCCI) for three consecutive years.



## 5. THE PUBLIC-PRIVATE PARTNERSHIP FINANCIAL MODEL AND BENEFITS

### Veragon's financial plan

Veragon's financial model heavily relied on strong governmental collaboration, which served as a cornerstone of its credibility. Government backing provided Veragon with the legitimacy to approach financial institutions with confidence. The government's endorsement facilitated access to bank loans and provided assurance to lenders regarding investment security. Having the local government as a strategic partner allowed Veragon to clearly define factory financing and ownership structures, enhancing transparency and trust for the financial stakeholders. This approach enabled Veragon to prioritise local collaboration and market penetration, extending beyond Camarines Sur through partnerships with other provincial governments and participation in national infrastructure projects.

This multi-tiered strategy of leveraging government support while securing key local partnerships formed the foundation of Veragon Technologies' financial model, ensuring sustainable growth and long-term viability. This framework proved crucial for maintaining financial stability as the company scaled production. Key financial benefits included:

- **Board of Investment (BOI) incentives:** 5-7 Years Corporation Tax Exemption, Import Tax Exemption, Pioneer Status (enhanced market access).
- **ASEAN Common Effective Preferential Tariff (CEPT) scheme:** Eliminated cross-border tariffs within ASEAN for locally produced goods.
- **Local sourcing:** Local sourcing reduced dependency on imported materials and lowered overall costs.
- **Lower labour costs:** The Philippines offered significantly lower labour costs compared to European manufacturing hubs.
- **Infrastructure development support:** The Camarines Sur government financed the production facility, reducing Veragon's capital expenditure. Enhanced supply chain efficiency through national infrastructure projects (port, airport, road, rail improvements) further decentralised industrial development from Manila, where infrastructure costs were considerably higher.

- **Cost savings associated with the government incentives**

Government incentives provided substantial cost savings. Tax exemptions (Corporation Tax: Approx. 25%) on a taxable profit of \$1 million per annum would have saved Veragon \$1.75 million over seven years. Import duty exemptions reduced costs on imported components by 12% (VAT) and an average of 6% (Import Duty). For example, if 40% of components were imported, per-unit production costs would have decreased by \$4,000 (approximately 10% of manufacturing costs). The classification under ASEAN manufacturing ensured zero duties on exports to other ASEAN nations. Labour cost savings from manufacturing in the Philippines were estimated at approximately 5% per unit compared to European production, with potential for further gains through the specialised training of the local workforce.

By integrating government incentives, tariff exemptions, local workforce development, and infrastructure financing, Veragon would have ensured a cost-effective and financially sustainable approach to its expansion in the Philippines.

## 6. SCALING AND EXPANSION

### STRATEGY: FUTURE GROWTH TRAJECTORY

#### Expanding in the Philippines

The shared vision for Camarines Sur was to create a sustainable manufacturing hub, to which Veragon was the initial component. The vision extended to the expansion of renewable energy, which combined with adequate water supplies for the community, would have formed the basis for economic growth across the region.

Already plans existed to further upgrade the infrastructure in the Province to include roads, ports and airports, all of which would have improved the local supply chains, creating economies of scale.

Taking advantage of this momentum in the region, Veragon in 2025 activated discussions with the National Project Holders regarding initiatives focused on community development and disaster relief. These discussions would not have been possible without the commitment of the Provincial Government, and without Governor Villafuerte's efforts to provide access to key decision-makers in the central government.

These partnerships would have formed the basis for Veragon's growth, not only in Camarines Sur but in other regions of the Philippines. Veragon's expansion within the Philippines offered significant growth potential, providing a strong foundation for future success. As other provinces observed the progress and success of Cam Sur, it was highly likely that they would have adopted a similar approach. With its established presence in the country, Veragon benefited from the advantage of having been a first mover, which had built brand awareness and trust in the country.

## Expanding in the Asian region

On a broader scale, Veragon's entry into the Philippine market also acted as a strategic blueprint for its international expansion. In fact, the Philippines offered several key advantages, including low labour costs and efficient access to the wider Asian market.

By leveraging the Philippines as its primary hub, Veragon could have accessed favourable tariffs thanks to the ASEAN scheme, where a common zero duty rate compares to a minimum of 6% for external parties, thus making it a cost-effective gateway for further growth. This strategic positioning not only benefited the company's immediate operations in 2025, but also strengthened its ability to scale in the future by providing a cost-effective model, the benefits of which were seen during the Covid-19 pandemic, when local trade increased as a result of increased supply chain fragmentation.

From a future standpoint, the Philippines were going to play a vital role in Veragon's supply chain and initial commercial strategy; but in the region, other larger markets could have theoretically provided greater expansion opportunities.

The exploration of additional markets would have called for several strategic reflections, a key one being the possibility of creating a seamless supply chain between countries for optimising operations, access to components, and transferring technology and expertise.

## 7. WHAT NEXT?

In 2025, the ongoing collaboration between Veragon and the local government, spearheaded by Governor LRay Villafuerte and Congressman Luigi Villafuerte, positioned Camarines Sur as an exemplary model for economic growth and environmental stewardship, demonstrating a viable path for other regions seeking sustainable and impactful development.

Leveraging on the success of this PPP, Dr Lucattelli and his partner Stephen White in May 2025 were reflecting on what should have been the next moves of his company. It was time to develop a comprehensive 3-year international strategy to grow in the Asian region. Key questions to be addressed included:

- Which countries should Veragon have targeted?
- Was the PPP model going to be duplicable in the new target countries?
- What resources and capabilities did Veragon need to further expand internationally?
- What risks did further international expansions entail?

## EXHIBITS

### EXHIBIT 1: CAMARINES SUR LOCAL GOVERNMENT REPRESENTATIVES AND VERAGON FOUNDER ENJOYING VERAGON WATER



*From left to right - Congressman Luigi Villafuerte, Governor LRay Villafuerte, Secretary of Trade Hon. Christina A. Roque, Veragon founder Dr. Alessio Lucattelli and Secretary of Social Welfare and Development Hon. Rex T. Gatchalian*



**EXHIBIT 2:**  
**GOVERNOR**  
**LRAY**  
**VILAFUERTE**  
**SPEAKING**  
**ABOUT**  
**VERAGON**  
**PARTNERSHIP**  
**AND PROJECT**



EXHIBIT 3:  
VERAGON  
FOUNDER DR.  
ALESSIO  
LUCATTELLI  
SPEAKING  
ABOUT  
VERAGON'S  
PARTNERSHIP  
WITH THE  
CARAMINES  
SUR  
COMMUNITY



EXHIBIT 4:  
REPRESENTATIVES  
FROM THE LOCAL  
GOVERNMENT  
AND VERAGON AT  
THE CEREMONIAL  
EVENT TO KICK-  
OFF THE PROJECT  
AND PARTNERSHIP



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## Biography:

Paolo Taticchi is a Professor of Strategy and Sustainability and Deputy Director at UCL School of Management, where he co-directs the UCL Centre for Sustainable Business. A global expert in sustainability and strategy, he has trained thousands of Fortune 500 executives, taught at top business schools such as Imperial College London, and developed business projects across five continents.

His widely cited research includes over 50 publications and books such as *How to Be Sustainable* (2025) and *Disruption* (2023). In 2025, his research on impact investing was highly commended by the Financial Times for making a real difference. A sought-after speaker and advisor, he has delivered 250+ talks attended by more than 100,000 people and serves on several international advisory boards.

As an entrepreneur, he co-founded four companies and led major educational initiatives. His accolades include *Poets & Quants* “Top 40 Under 40 Business Professors in the World” (2018), being mentioned by *Sole 24 Ore* as the most influential Italian under 40 (2021-23), and inclusion in the *Thinkers50 Radar List* (2025).

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