

Myths, Misconceptions, and Realities

As an introduction to this book, I would like to be provocative in identifying what I feel are myths and misconceptions and in suggesting the corresponding realities. These realities are proposed at the outset in the hope that they will be considered by each reader but not fully accepted until the ideas presented in the following chapters have been explored. My views have purposely been polarized to bring attention to these matters, but I recognize that what I am stating will not apply across the board. The lack of awareness and understanding of the subject of Asian water supplies was recently illustrated during the Asian Development Bank (ADB) regional consultation in Manila (*Water in Asian Cities—The Role of Civil Society*). This explains why there are so many interrelated problems in the sector yet to be resolved. With that in mind, let me briefly examine some of the beliefs, which I have found to be commonly held, that have shaped perceptions related to urban water supply in Asia.

- 1. Coverage with piped water requires major urban water utilities to seek funds from external sources.** I suggest that, in most cities with more than a million people, the development of urban water supplies can be funded directly through tariffs. Support for this statement comes from the millions of urban poor not being served in places like Manila (Philippines). These people pay up to \$5 per cubic meter ($/m^3$) for water bought by the container, while those served with piped water often pay only \$0.10/ m^3 . In Malé (Maldives), all people pay \$5/ m^3 for piped water. The People's Republic of China (PRC) is already heavily funding new investments directly from tariffs. Raising the tariffs of those served (most of whom are not poor) is feasible and will provide the funds needed to serve the poor, who will be happy to pay a fraction of their current costs for a reliable piped water supply. On a more practical note, I suggest that achieving this status could be a 5-year policy objective.
- 2. Shortage of water is the reason for intermittent water supply.** I suggest that sound hydraulics and demand management through pricing and strict metering can assure a 24-hour piped water supply with very little water. In Malé, they deliver 34 liters per capita per day (l/c/d) with a reliable 24-hour supply.
- 3. The poor are unwilling and cannot afford to pay the full cost of piped water.** I suggest that the poor pay many times the amount the rich pay for water, in unit rate and total cost terms. An example of this comes from Manila, where a household helper pays 900 pesos per month for vended water (water sold by itinerant vendors) while her employer pays 200 pesos per month for piped water.
- 4. It is possible to run a \$20–100 million per year commercial operation (selling water) with civil servant rules and salaries.** I suggest that management and staff must be the best available on the open market, and incentives must match performance. The Singapore Public Utilities Board, perhaps the best water utility in the world, pays its management staff more than \$150,000 per year, compared with the average of \$5,000 per year paid to managers employed by many Asian water utilities. Other good examples come from the water utilities of Malé (Maldives), Phnom Penh (Cambodia), and Bangkok (Thailand).
- 5. Reducing non-revenue water (NRW) below about 20% of production is not economically justified.** I suggest that this is influenced by developed country costs and artificially low tariffs in developing countries. The Singapore Public Utilities Board and some cities in Japan have reduced NRW to less than 10% of production. I further suggest that many systems with NRW above 40% have numerous visible leaks in service connections, high rates of estimated consumption, and thousands of illegal connections that can all be addressed to reduce NRW. In these cases, the priority should be to fix visible leaks.
- 6. The private sector will bring much needed funds for development to the table and improve water utility efficiency.** I suggest that the reality is that the private sector has brought funds to the table in areas such as water production and treatment (mostly through build-operate-transfer [BOT] contracts) but has failed to invest adequately in extending piped water supply services to those not yet served. Likewise, efficiency gains in terms of reducing NRW have generally been well below expectations. Jakarta and Manila are two examples.

7. **In answer to rapid urbanization, it is necessary to go farther and farther a field to find more water sources.** I suggest that there are simple options not yet seriously addressed, including demand management, rainwater harvesting, trading water rights, building check dams, and rehabilitating watersheds. These only require political commitment to be realized.
8. **Intermittent water supply is OK.** I suggest that people believe this because they are unaware of the coping costs and health risks tied to intermittent supply and, in many cases, do not know that 24-hour supply to the home is the norm in most countries.
9. **Appropriate legislation allows a water utility to operate with autonomy.** I suggest that legislation is a necessary but not sufficient condition for autonomy. Governments frequently do not allow corporate bodies to exercise their autonomy, especially in terms of staffing, tariffs, and investments. Examples of this come from the National Water Supply and Drainage Board in Sri Lanka and the Nepal Water Supply Corporation (see Appendix 2).
10. **Water utilities do not suffer when the money trail runs through governments.** I suggest that some elected officials are reluctant to raise tariffs, not to protect consumers but to protect their own power and access to funds. When there are major subsidies, the bulk of the money trail goes through governments. When consumers, through tariffs, pay the full cost of water supply, the money trail is direct from consumer to operator, and there is less chance for corruption because consumers will demand accountability. The latter is the case in Bangkok and Singapore.
11. **Households in Asia need at least 200 l/c/d.** The average domestic consumption in Europe is around 130 l/c/d. The average domestic consumption in Malé is 34 l/c/d. In major cities in Asia, half the people use less than 40 l/c/d. I suggest that there is a need for more equitable water use in Asian cities and that the average domestic consumption can be in the range of 100–150 l/c/d.
12. **Private operators are the cause of higher tariffs.** I suggest that, in general, higher tariffs are long overdue. It is therefore unfair to saddle private operators with this criticism. Moreover, I believe that the converse of this belief is true. In my opinion, there is no future for private operators while tariffs are kept artificially low. The reason for this is that some funds for investment will have to come from tariffs.
13. **Regulatory bodies are only needed because of private sector contracts.** I suggest that they are needed just as much for public water supplies, where accountability, efficiency, transparency, and equitability need to be monitored.
14. **Private operators are eager to serve the urban poor.** I suggest that the record shows that private sector efforts to help the poor connect to piped water are to some extent “showcased.” The increase in new domestic connections tells the real story. The private sector sells water to vendors and distribution contractors, provides connections serving multiple households, and asks those connected to share water with their neighbors. The correlation between low service coverage and high NRW is no coincidence. Those with vested interests will try to maintain the status quo.
15. **Private sector participation (PSP) brings competition.** I suggest that the bulk of private sector contracts in the water sector has gone to just a few firms from two countries and that this is because prequalification criteria have restricted bidding. A recent example was the prequalification for a lease contract for the Kathmandu Valley water supply. PSP has not brought much competition.

Realities in a Nutshell

- Coverage with piped water does not always require major urban water utilities to seek funds from external sources.
- Shortage of water is not the reason for intermittent water supply.
- The poor are willing and can afford to pay the full cost of piped water.
- It is not possible to run a \$20–100 million per year commercial operation (selling water) with civil servant rules and salaries.
- Reducing NRW below 20% of production is economically justified.
- The private sector will not always bring much needed funds for development to the table and improve water utility efficiency.
- In answer to rapid urbanization, it is not necessary to go farther and farther afield to find more water sources.
- Intermittent water supply is not OK.
- Appropriate legislation does not always allow a water utility to operate with autonomy.
- Water utilities suffer when the money trail runs through governments.
- Households in Asia do not need 200 l/c/d.
- Private operators are not always the cause of higher tariffs.
- Regulatory bodies are not only needed because of private sector contracts.
- Private operators are not always eager to serve the urban poor.
- Private sector participation does not always bring competition.