

**Regional Forum:**

**Regulatory Systems and Networking of Water Utilities  
and Regulatory Bodies**

**SUMMARY OF FINDINGS**

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The following is a summary of findings based on the presentations, discussions and workshop outputs during the Regional Forum, and the one-day stakeholders' workshops conducted by the domestic consultants in the eight DMCs that participated in the preparation of the country reports.

### Major Issues in Urban Water Supplies

Service provision for urban water supplies in the region is dominated by the public sector. Water utilities are characterized with providing unreliable service as shown by intermittent water supply, high unaccounted for water, deteriorating water quality and service quality. These utilities are unable to expand services with a large number of urban poor lacking access to adequate water and sanitation services. The major issues/factors contributing to this condition are the following:

- **Low tariffs** leading to inadequate income sufficient to cover operating and maintenance costs and expansion to improve coverage.
- **Shortage of development funds** to increase coverage.
- **Ineffective management** and **lack of human resource capacity** traced to low salaries, lack of autonomy, and political interference.
- **Institutional deficiencies** like overlapping responsibilities in service provision and regulation.
- **Weak regulatory systems** to enforce service and performance standards.

### Policy Approaches

Developing member countries and external support agencies agree that the following institutional and financial reform measures need to be taken by governments to address the issues confronting the urban water supply sector:

- Institute **reforms to give water utilities autonomy** and at the same time make them more accountable. Provide incentives for those reforms.
- **Separate** policy, regulatory, and operating **functions** among agencies of government.
- Enact **transparent policy** on cost recovery, coverage, and service levels.
- Establish **independent regulatory bodies** to enforce tariff and service policies.
- Support reforms with **public awareness and capacity building**.
- Adopt more effective measures to provide **affordable services to the poor**.
- Grant service providers with **incentives to provide good service**.
- Adopt financial reform measures that include **sound cost recovery** and **appropriate tariff policies**.
- Promote **private sector participation and finance**.
- Undertake **economic regulation as a first priority** and before private sector participation.

### What a Regulator Should Do

- **Protect consumers** against monopoly power.
- **Protect service providers** by promoting commercial viability.
- **Ensure quality of service and fair price** by enforcing compliance and imposing sanctions.
- **Implement tariff policy**.
- **Enforce policy** on coverage and service levels **especially service for the poor**.

- **Ensure good governance.**
- **Promote benchmarking** of performance.
- **Monitor, adjudicate, enforce**, but not control.

#### **Characteristics of a Regulatory Body**

- **Single regulatory body** for the sector with location determined by each country's assignment of sector responsibility.
- **Independent** and **autonomous** from government and service providers.
- **Transparent** through an open process and available to explain decisions.
- **Accountable** with a clear mandate and well-defined duties and responsibilities.
- **Predictable** by adopting a stable framework in pricing.
- **Professional** to gain respect and credibility by hiring well-qualified and respected regulators and support staff.
- **Flexible** to be able to deal with major changes in the enabling environment affecting consumers and service providers.
- **Participatory** by giving opportunity to all stakeholders including consumers to participate in the regulatory processes.
- **Comprehensive** to cover all aspects of service and performance.
- There are **several kinds of regulators**:
  - (i) **environmental** for wastewater and pollution control,
  - (ii) **economic regulators** for tariffs, service levels, and performance standards,
  - (iii) **public health authorities** for water quality surveillance, and
  - (iv) **water resource councils** for water resource allocation and groundwater licensing.

#### **Things to Consider in Establishing a Regulatory Body**

- There is **no universal model** in building a regulatory framework.
- Regulation is an **ever-changing process** that is always evolving. Framework must evolve over time.
- **Contracts are not static** documents. Re-negotiation results in a concession that is more mature, more stable, and more sustainable.
- Recognize the **current level of development** of the industry – current tariffs, levels of service, and governance.
- The **most powerful regulatory tool is the availability of information** and the public disclosure of information.
- The **level of skills required** to carry out the regulatory process should never be underestimated. There is a **need for long-term capacity building** for a regulatory body.
- The **appeals mechanism** to be effective **must be speedy**, relatively inexpensive **and binding**.
- The **customers are the ultimate regulators**.
- You **can not run a US\$100 million per year business with civil servant rules** and civil servant salaries.
- **Consumers need to be represented** by a body such as the Customer Service Committee of Ofwat.
- **Regulators are for all operators**, not just for private operators.
- **Sharing of operational and regulatory experiences and information** through networking among DMC water utilities and governments, ESAs, and international and regional organizations would be helpful to governments.