

Regional Forum:

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

OPENING ADDRESS

Akira Seki
Director, Agriculture and Social Sectors Department (West)
Asian Development Bank

Good Morning Ladies and Gentlemen,

Introduction

For the next three days we have some 80 people from DMC Governments, DMC water authorities, private sector consultants and contractors, and external support agencies gathered here in Manila for this Regional Forum on Regulatory Systems and Networking of Water Utilities and Regulatory Bodies. I welcome you all and thank you for making the effort to be here and participate in this notable event.

This morning I would like to first talk to you about ADB's Water Policy that was approved by our Board of Directors earlier this year. I will then identify some issues in the water supply subsector in our developing countries. Finally, I will move to the substance of this forum and note some areas you may wish to give special consideration in your deliberations.

Water security is a rapidly growing issue in the Asian and Pacific Region. The threat of inadequate safe water is real. At the same time, water is a key development ingredient that impacts on a variety of factors that sustain and enhance life. As a critical natural resource, the issues connected with managing it involve allocation and distribution, equity, conservation, pricing, regulation, education, participation, and sustainable use. With the region's rapid population growth, rising industrialization, increasing environmental degradation and pollution, and the specter of a dwindling resource, stakeholders are now emphasizing the need to address issues related to integrated water resource management in a comprehensive and holistic manner. Policies for the sustainable use of water need to be developed in consultation with all stakeholders.

ADB's Water Policy

ADB's water policy, which was developed with extensive stakeholder consultation, has the following seven main elements:

- Promote a national focus on water sector reform (including policies, laws, institutional capacity building, information management, and sector co-ordination).
- Foster the integrated management of water resources especially in river basins.
- Improve and expand the delivery of water services (including private sector participation and emphasizing equity in access to water for the poor).
- Foster the conservation of water and increase system efficiencies.
- Promote regional cooperation and increase the mutually beneficial use of shared water resources within and between countries.
- Facilitate the exchange of water sector information and experience (including public-private-community-NGO partnerships).
- Improve governance (including the promotion of decentralization).

Ladies and gentleman you can see that this regional forum will address nearly all of the main elements of ADB's water policy.

Water Supplies in our DMCs

Now I would like to mention four of the main issues regarding water supplies in our DMCs which we all need to give much more attention.

Serving the Urban Poor

ADB's principal objective, as you no doubt know, is poverty alleviation in our DMCs. In the rural areas, for water and sanitation, this is manifested in distance to access water, female education foregone fetching water, the physical burden of carting water, and a lack of hygiene awareness. In the urban areas, among others, it is manifested in the cost of water, the unreliability of intermittent supply, the poor environmental sanitation conditions, and the lack of privacy for females in sanitation. Notwithstanding the privatization of some urban

water supplies in our region, millions of the poor are still unserved with piped water supply and paying 10 times the rich to procure water by the container.

Conflict of Water Use (Irrigation vs. Urban Domestic Water Supply)

As urban areas rapidly expand, (which is to a large degree unstoppable) more and more water is required from the areas surrounding cities, and we are finding that irrigation has already bespoken for most of that water. Our DMCs need to urgently develop policies and laws that will allow the most economic use of that water. Trading of water rights, cropping alternatives to paddy, and much more efficient operation and maintenance (O&M) of irrigation systems will have to become a reality in the near future.

Political Interference in Tariffs

Well, as you know this is one of the main reasons for regulatory bodies and this regional technical assistance. ADB has had experiences over the years where DMC water authorities have gone through a number of cycles of good and bad performance and these have all been the direct consequence of changing political influences. Tariffs are the lifeblood of a water authority and to have them controlled by political whim is to deny sustainable development and under-utilize the good human resources to be found in the DMC water authorities.

Intermittent and Unaccounted for Water

The example of the Malé Water and Sewerage Company Pvt Ltd (MWSC) in the Maldives, which runs a 24-hour piped water supply with domestic consumption of 20-30 liters per capita, is proof to all that it is not shortage of water that is the reason for intermittent water supplies on the sub-continent. The price of water and metering are at the core of the problem.

After 20 or more years highlighting the problem of unaccounted for water, we have still in our region (apart from such notables as Singapore and Macao), to see any real inroads in reducing unaccounted for water. Part of the reason for this is obvious. There is not adequate metering nor billing and collection. With computerized systems it should be very easy now to address these ills, if there is genuine willingness to change. And there is no excuse for not fixing visible leaks in the service connections (the main source of leakage).

Regulatory Bodies and this Forum

Now I come to my third and final subject, which is the focus of this forum.

The recent history of our region has shown that the advent of the regulatory body was a result of the push to privatization. Since regulatory bodies were not in place at the time of privatization, then we effectively got regulation by contract. The organization set to administer that contract was then appointed the regulator. Three conclusions emerged. First, regulation by contract was not working because there is a major difference between contract administration and regulation. Second, independent, sole purpose, regulatory bodies were needed for all water supplies not just those privatized. Third, more than ever, the need for a sound and transparent policy from the Government was seen as the foundation upon which regulation must be based.

I want to take up on that second point. In our DMCs at least 98% of our systems are not privatized. If we are going to have regulatory bodies, they must be very relevant to the existing conditions of urban water supplies in our DMCs. For example, to talk of rate of return on assets for many of our municipal water authorities is just not realistic right now. So in your deliberations in this forum, please above all keep this in mind. Our DMCs are not the United Kingdom (UK) or France or Australia and most have not, nor are likely in the near future, to have many privatized systems.

This forum is timely for ADB and our DMCs. ADB is actively working with other stakeholders to set up regulatory bodies right now in Sri Lanka and Nepal and a number of

those stakeholders, including some from the World Bank are here today. Indeed, tomorrow I will host a small working lunch with some of you to further pursue developments of both the regulatory body and privatization steps in Kathmandu.

You will see in the program at the end of today a presentation from the concerned consultant about another ADB regional technical assistance, Public-Private Community Partnerships in Urban Services for the Poor. Again, in your deliberations at this forum please pay special attention to the urban poor to see not only that they are not disadvantaged, but that special provisions are made in regulation to ensure their plight with respect to water improves. Feedback from this forum to the other regional technical assistance is important.

Let me mention corruption. Please don't ignore the potential for good regulatory bodies to reduce corruption in our development work. The opponents of change are most likely to be those who are unfairly benefiting from the existing water supply operations.

Finally, let me say to you that there are not so many occasions when a number of key players in the sector get together like this. Please take the opportunity to discuss also broader sector issues both with your fellow participants and ADB staff. We do not presume to know the answers. We most of all need to listen to what you are saying.

Once again, a very warm welcome to you all and I wish you all the best with your discussions. Thank you.

Regional Forum:

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

OPENING ADDRESS

**Ranjith Wirasinha
Former Executive Secretary
Water Supply and Sanitation Collaborative Council**

WATER SUPPLY AND SANITATION - TODAY'S SITUATION

The poor pay a terrible price for their poverty

Squalor, disease and death in and around Third World cities are daily reminders of the societal divide that condemns more and more people to marginal and undignified existence. Inadequate water and sanitation services add to the indignity, increase the disease burden, and make it ever more difficult for the deprived to escape the poverty trap.

About 6,000 people die every day from diarrhoeal disease. Why do we accept this? There are still 1,100 million people without access to an acceptable supply of drinking water and a shameful 2,400 million without hygienic means of sanitation. Why do we continue to pay the heavy price in health care, lost productivity and environmental degradation, rather than the lesser cost of fostering improved health and hygiene through sustainable water and sanitation services?

Improvements are barely matching population increase. Business as usual will not achieve fast enough progress.

Behind the Statistics

The WHO/UNICEF "Global Water Supply and Sanitation Assessment 2000 Report" (November 2000) records that through the 1990s:

- An average of 224,000 people a day gained access to improved water supplies;
- 205,000 people a day, had improved sanitation;
- Over the same period, however, the world's population grew by 216,000 per day;
- 2,000 million of the 2,400 million people without access to hygienic sanitation live in rural areas; and
- 900 million of the 1,100 million lacking access to the safe water are also in rural areas.

Global Water Supply and Sanitation Coverage

	1990 Population (millions)				2000 Population (millions)			
	Total population	Population served	Population unserved	% served	Total population	Population served	Population unserved	% served
GLOBAL	(76% of global population represented)				(89% of global population represented)			
Urban water supply	2,292	2,179	113	95	2,845	2,672	173	94
Rural water supply	2,974	1,961	1,013	66	3,210	2,284	926	71
Total water supply	5,266	4,140	1,126	79	6,055	4,956	1,099	82
Urban sanitation	2,292	1,877	415	82	2,845	2,442	403	86
Rural sanitation	2,974	1,028	1,946	35	3,210	1,210	2,000	38
Total Sanitation	5,266	2,905	2,361	55	6,055	3,652	2,403	60

Source: WHO/UNICEF, Global Water Supply and Sanitation Assessment 2000 Report.

Asian Water Supply and Sanitation Coverage

	1990 Population (millions)				2000 Population (millions)			
	<i>Total population</i>	<i>Population served</i>	<i>Population unserved</i>	<i>% served</i>	<i>Total population</i>	<i>Population served</i>	<i>Population unserved</i>	<i>% served</i>
ASIA	(88% of global population represented)				(94% of global population represented)			
Urban water supply	1,029	972	57	94	1,352	1,254	98	93
Rural water supply	2,151	1,433	718	67	2,331	1,736	595	75
Total water supply	3,180	2,405	775	76	3,683	2,990	693	81
Urban sanitation	1,029	690	339	67	1,352	1,055	297	78
Rural sanitation	2,151	496	1,655	23	2,331	712	1,619	31
Total Sanitation	3,180	1,186	1,994	37	3,683	1,767	1,916	48

Source: WHO/UNICEF, Global Water Supply and Sanitation Assessment 2000 Report.

The Vision 21 target for 2015 calls for the number without access to water supply and environmental sanitation to be halved. This requires a 30% increase in progress for water supply and double the progress made for sanitation in the 1990s.

The WHO/UNICEF assessment 2000 confirms the close correlation between the state of a country's economy and the availability of basic water and sanitation services, or between poverty and access to safe water and sanitation. That means that the need to improve water and sanitation services for the poor must be on the poverty eradication and economic growth agenda of governments and international development agencies.

A List of Issues in Water Supply and Sanitation Services

Immediate Issues

- Many without access to services - mostly the poor
- Rapid urbanization and the demands and issues in its wake
- Poor recovery of costs, other inefficiencies, corruption
- Approach more hardware oriented
- Centrally planned, over designed, not affordable
- Lack of participation of stakeholders, little consultation
- Limitation of funds (external and local)
- Inappropriate and inadequate regulatory frameworks
- Business as usual

Associated Issues

- Uneven distribution of water resources temporally and geographically
- Institutional fragmentation impeding proper water resources management

The Larger Overarching Issues

- Human development and environmental sustainability requires longer horizons than the 3-5 year horizons of politicians.
- Weak policy frameworks
- Lack of political will and action
- Lack of a vision

VISION 21: A Shared Vision for Hygiene, Sanitation and Water Supply

A clean and healthy world: A world in which every person has safe and adequate water and sanitation and lives in a hygienic environment.

Essence of the Vision

- Building on people's energy and creativity at all levels
- Holistic approach
- Committed and compassionate leadership and good governance
- Synergy among all partners

Vision 21 Core Points

- People come first
- A human right to basic services
- Entry-point to human development and poverty elimination
- Committed and compassionate leadership
- Synergy of action
- Hygiene and sanitation as a revolutionary priority
- Gender equity for lasting change
- The challenge of the urban poor
- Institutions as change agents
- Mobilization for affordable services
- Shared water resources management

