

Regional Forum:

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

PROCEEDINGS OF THE REGIONAL FORUM

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Introduction

The Regional Forum on Regulatory Systems and Networking of Water Utilities and Regulatory Bodies was held at the Asian Development Bank (ADB) in Manila from 26 to 28 March 2001. The purpose of the Forum was to present and discuss the overview of regulatory systems and case studies, country reports, experiences of other countries, consultants, private operators, and international organizations. It was hoped that the presentations and discussions would help developing member countries' (DMC) governments in finding ways to establish independent regulatory bodies. The Forum also aimed to discuss the establishment of networks of water utilities and regulatory bodies.

There were about 75 participants and observers from 18 countries in the region representing governments, water utilities, consultants, private operators, external support agencies, and international and regional organizations who attended the Forum. The Forum Program and the List of Participants are given in Appendix 1 and Appendix 2, respectively. The Forum followed a format of presentations of related topics in PowerPoint slides, followed by open plenary discussions. A total of 25 presentations were made covering a theme paper on regulatory bodies, public awareness, and transparency; an overview of regulatory systems based on case studies in 10 developed and developing countries; country reports from eight DMCs; country experiences from England, Australia, Japan, and the Philippines on regulation and privatization; and, views from consultants, private operators, an external support agency (ESA), and a regional organization. Four working groups were formed to further discuss specific issues in three group discussion sessions and to allow more time for participants to express their views on the topics presented in the plenary sessions.

In the afternoon of the third day, participants discussed the establishment of networks among water utilities and regulatory bodies among the DMCs in the region. Presentations were made on the Water Utilities Partnership-South Asia (WUPSA) and the Pacific Water Association (PWA) with views from external support agencies (ESAs), international and regional organizations.

The opening addresses, the theme paper, the summary of findings, the overview of regulatory systems and case studies, and the summary of each country report are included in this report.

Opening Addresses

The participants were welcomed by the Director of the Agriculture and Social Sectors Department (West) of ADB, Akira Seki, who in his opening address underlined ADB's Water Policy, the main issues in the water supply subsector in DMCs, and the need for regulation in the development of water supplies. The seven elements of the Water Policy include: water sector reform, integrated water management, improved delivery of water services, conservation and efficiency, regional cooperation, sharing and exchange of information, and improved governance. Mr. Seki mentioned four main issues affecting the DMCs such as serving the urban poor, conflicts in water use, political interference in tariffs, intermittent and unaccounted for water. He emphasized the need for independent regulatory bodies and for sound and transparent policy from governments on which to base regulation.

Ranjith Wirasinha, former Executive Secretary of the Water Supply and Sanitation Collaborative Council (WSSCC), in his address, asked why 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. He continued by presenting the result of the WHO/UNICEF Global Water Supply and Sanitation Assessment 2000 Report with the global population coverage of 82% for water

supply and 60% for sanitation compared to Asia's coverage of 81% for water supply and 48% for sanitation. Mr. Wirasinha enumerated the issues affecting delivery of water and sanitation services and the essence and core points of Vision 21 which is a Shared Vision for Hygiene, Sanitation, and Water Supply for a world in which every person has safe and adequate water and sanitation and lives in a hygienic environment.

Regulatory Bodies, Public Awareness and Transparency

Arthur McIntosh, ADB Senior Project Engineer (Water Supply), in his paper on Regulatory Bodies, Public Awareness, and Transparency, presented the major problem of political interference in the autonomy of water utilities and the consequences of such interference. He said that water service to existing and potential consumers has suffered most and the unserved urban poor end up paying 10-20 times as much for water as those connected. Mr. McIntosh suggested the need for a transparent government policy addressing piped water coverage, service levels, operator's performance, and operator incentives. There is also a need for operators with incentives to perform against agreed criteria, and for water consumer societies to monitor the performance of the operators. Finally, there is a need for major tariff reform with tariffs set to cover the cost of new investments.

Overview of Regulatory Systems

William Stanley, the International Consultant for the regional technical assistance (RETA), made an overview of regulatory systems based on his Review of Regulatory Frameworks and case studies on regulation in 10 countries. The presentation included the purpose of regulation, the regulatory package with the duties of the regulator, criteria for successful regulation, international models, and building regulatory frameworks. Mr. Stanley said that economic regulation is for the protection of consumers and the commercial viability of service providers. To do these, the economic regulator determines service standards and targets, tariff levels and schemes, monitors and measures company performance, and enforces compliance and imposes sanctions. He also enumerated the criteria for successful regulation where the regulator must have a clear mandate of duties and powers, autonomy to make decisions, accountability in arbitration, transparency, stability by being consistent, professionalism to gain status and respect, and must be objective by being non-partisan and focused. Mr. Stanley added that there is no universal model in building a regulatory framework. One has to adapt to institutional arrangements, ensure primary obligations are met, provide conditions for effective regulation, and evolve the framework over time.

Country Reports - Major Issues, Policy Approaches and Recommendations

Representatives from eight DMCs (Bangladesh, People's Republic of China, India, Nepal, Philippines, Sri Lanka, Thailand, and Viet Nam) presented their country reports highlighting summaries of current situation and issues affecting delivery of services, policy approaches to address these issues, and recommendations on regulation of the sector in their countries. These are summarized as follows:

Current Situation

- Service provision is dominated by the public sector.
- There is a need to improve and extend water and sanitation services.
- Water is treated as a social good especially in South Asia.
- Private sector participation is encouraged.
- Regulation for the sector is weak.

Major Issues

- Funding deficit and inadequate resources
- Tariffs too low to cover basic operating expenses
- Ineffective management and lack of human resources capacity
- Overlapping responsibilities among sector agencies
- Lack of management autonomy
- Excessive political influence
- Poor service standards and performance

Policy Approaches

- Promote private sector participation and financing
- Financial reforms to include sound cost recovery mechanisms and tariff structures
- Institutional reforms with more autonomy and accountability
- Separation of policy, regulatory, and operating functions among agencies
- Establish independent regulators

Recommendations for Regulatory Body

- Single regulatory body which could be at the national or state level depending on the country's assignment of sector responsibility
- Characteristics of the regulatory body should include:
 - independence and autonomy
 - accountability and transparency
 - protect consumers
 - promote commercial viability
 - implement tariff policy

Country Experiences: Cost Recovery, Tariff Revision and Accountability

Participants from six countries (Hong Kong, China; Singapore; Malaysia; Maldives; Korea; and Indonesia) made brief presentations on their experiences on cost recovery, tariff revision and accountability. The presentations are summarized as follows:

Cost Recovery

Except for Singapore, all the other countries are operating on deficit, unable to recover costs of operations from tariffs. The Public Utilities Board (PUB) of Singapore maintains a rate of return on equity of 8%. Local governments provide some form of subsidy to cover the shortfalls in the other countries.

Tariff Revision

While there are systems for tariff revisions, tariff adjustments have always been a difficult exercise for most of the countries. Tariff reviews are rare in Malaysia, maybe once every 10 years. Malé Water and Sewerage Company Pvt Ltd (MWSC) in the Maldives has not applied for a tariff revision in the last five years. The last tariff revision in Singapore was in 1996 with the previous revision 10 years prior to the last.

Accountability

The Water Supplies Department (WSD) in Hong Kong, China is self-regulating with the Government of the Hong Kong Special Administrative Region providing check and balance. The respective state governments undertake regulation in Malaysia. The Maldives Water and Sanitation Authority (MWSA) regulates the MWSC, a joint venture between the Government

and a Danish firm. Consumers in Hong Kong, China can voice their concerns on services through consultative and advisory committees and district councilors in the government. An ombudsman can also hear complaints of consumers, which WSD has to address. PUB in Singapore is aware of consequences of not meeting standards of water quality-sensitive industries like wafer plants and oil refineries. It is finding it difficult to benchmark performance indicators as PUB is in uncharted territories in most areas of their work. Indonesia is undertaking a benchmarking project for 100 water enterprises that could be the start of making the utilities accountable to their customers.

Country Experiences: Privatization and Public Performance Assessment

Privatization in Japan

Mr. Osamu Ikeda made a short presentation on the privatization movement in Japan. He showed why the privatization movement is not moving fast in Japan where local governments operate about 2,000 water supplies with technical regulation by the central Government. Financing of local government projects are controlled by central Government and local governments cannot borrow without central Government permission. Mr. Ikeda added that only service contracts are allowed and a pending amendment to the Water Supply Act will allow management contracts with the private sector. While the Private Fund for Infrastructure Act of 1999 aims to mobilize funds for public works project, there are a lot of both public and private funds that are floating in the market looking for investment opportunities, he said.

Public Performance Assessment

Col. Angel Efen Agustin of the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS-RO) in the Philippines presented the result of the World Bank-funded Public Performance Assessment (PPA) Project with Mr. Vijay Jagannathan of the World Bank. Col. Agustin said that the PPA project is a public information feed back system to improve water services by focusing on key performance areas where the MWSS concessionaires can make improvements on network quality, water quality, health quality, service quality, and coverage. The PPA makes use of data provided by the concessionaires and those generated by a survey of water users that are then processed, analyzed, and synthesized for a combined performance rating. Mr. Jagannathan explained that the idea of the PPA came about during the bidding for the Manila concessions when bidders raised a lot of issues including regulation. He said that the most powerful regulatory tool is the availability of information, and the public disclosure of information on the essential attributes of services that consumers want. The PPA utilizes an independent third party to figure out a system and then to inform the community on what are the service attributes and characteristics. Mr. Jagannathan remarked that with modern technology and a geographic information system, it became possible to show through geographic boundaries how different parts of the city have been performing in terms of basic performance indicators.

Contractors and Consultants' Experiences

Ondeo Services

Mr. Yves Bories presented the experiences of Lyonnaise des Eaux (now known as Ondeo Services) in four countries, Northumbrian Water (United Kingdom), Palyja (West Jakarta, Indonesia), Maynilad Water (Manila West Zone, Philippines), and Aguas Argentinas (Buenos Aires, Argentina). On the common points of those experiences, he said that contracts are not static documents that cannot be adjusted to reflect the true intent of the parties. More often than not, there is a need to renegotiate a contract in order to meet its original objectives. He

added that their experiences show that re-negotiation results in a concession that is more mature, more stable, and more sustainable.

Based on Ondeo's experiences, the lessons learned include the following:

- The original design of a public-private partnership scheme can not foresee all possible evolution especially where the starting point is based on insufficient or inaccurate documentation.
- Contract adjustments are necessary to reflect the realities and the change in the operating environment.
- The rules and mechanisms should address the long-term financeability of the concession.
- Multi-lateral agencies play an essential role in structuring long-term instruments that concessions require.
- The customers are the ultimate regulator and the genuine owner of the economic equation of a concession because it is the willingness and capacity to pay that will determine the investment capacity and service level provided. Government and the private sector must cooperate in sharing the objective of maintaining this equation.

Katalyst 21 Pty Ltd

Mr. Chris Pollett presented water regulation in Australia and how it evolved. He noted that while there are different issues between the participants' countries and Australia, there are fundamental lessons to be learned. Among the key issues are: coordination of regulation – how to balance standards and price, economic regulation is in its infancy, role separation (service provider and regulator) is slow to evolve, most state governments are having a lot of trouble with the concept of independent regulator, and, rigor and transparency of regulation are quite limited.

Given the characteristics of the Australian water sector, lessons for the Asian water sector include:

- Clarity of accountability, and separation of owner, operator, regulator roles promote reform;
- When the community places a high value on standards, and when regulators are separately established, coordination and integration of regulation takes time to evolve;
- If there are strong and capable operators, adequate resources and a stable, accountable political system, and no competition, self regulation will operate reasonably well – but costs will be high;
- Development of economic regulation is slow in the absence of private involvement or competition;
- National policy oversight is valuable; national and international benchmarking promote change; and
- Economic regulation is important – to protect customers and provide incentives for public monopoly operators, in the absence of competition.

Mr. Keith Stallard made a presentation on behalf of Alfonso Guzman of Deloitte Touche Tohmatsu who was originally scheduled to present their experience in Chile and Colombia. Based on the experience in these two countries, the key issues in designing regulatory frameworks include the following:

- Recognize the current level of development of the industry, i.e. current tariffs, levels of service, and governance;
- Introduce measures that will gradually (transition) develop the industry. These measures include: levels of service that should be achieved, prices that should be charged, and transition period for achieving these;

- Separate political interest from key regulatory decisions, e.g. tariff increases, definition of levels of service; and
- Harmonize cost recovery requirements with intergovernmental transfers. Link these transfers to positive incentives for raising tariffs and increasing levels of service.

Public-Private Community Partnerships in Urban Services for the Poor

Dr. Richard Franceys presented the Public-Private Community Partnerships in Urban Services for the Poor regional technical assistance (RETA) of ADB that includes water supply, sanitation, and solid waste management. He also presented public-private partnership (PPP) and regulation as well as the customers' role in the Customer Service Committees (CSCs) under the regulator for England and Wales, which is the Office of Water Services (Ofwat). He said that CSCs are part of Ofwat and that the latter has a statutory duty to listen to the customers through the CSCs. On regulation, Dr. Franceys said, "Regulation is a process, ever changing. It is not fixed at one moment in time when the contract starts. It is always evolving." One recommendation made by the CSC is to try to sort out regulation first, otherwise, you are always learning as you go along, before going into the details of PPP.

Regulation of the Australian Water Industry

Mr. Peter Harford presented the reforms taken by the Government on the Australian water industry with the National Competition Policy. It includes price oversight to prevent monopoly and political price setting, application of competitive neutrality principles to remove advantages of government ownership, and restructuring of government business separating regulation, commercial function (service provision), and potentially competitive activities. The basic reason why the federal government was able to get all the six states to agree on the National Competition Policy was the huge incentives to undertake reforms. Large payments were made to the states on the achievement of their reform agenda. The agreed national strategic framework for water industry reform includes cost recovery and pricing, institutional reform, water allocation and trading, environment and water quality, and public consultation and education. Mr. Harford also discussed the state regulatory arrangements dealing with changes in progress on regulation in Victoria. Finally, he enumerated the principles for regulation emphasizing comprehensiveness to cover all aspects of service (price, service, water quality, and environment), independence (from government and service providers), and the expertise required. He said, "The level of skills required to carry out the regulatory process should never be underestimated. Perhaps, this is the major issue for developing countries. It is a specialized skill. There aren't many people and they are likely to be expensive and hard to get."

Regulation of the Water Industry in England and Wales

Mr. Brian Allum discussed some of the results and benefits derived over the last 10 years in England and Wales and the underlying processes behind them that may be transferable to the general situation of other countries. He described the changes brought about by the Water Act of 1989 that created water public limited companies (PLCs) and provided for their sale through an offer of shares, and the creation of a regulatory framework for the PLCs to prevent the abuse of monopoly power. This moved the industry from an environment of historic low pricing of utility services, subsidies, and untried or undeveloped regulatory framework to an environment with an economic tariff rate structure, fair and equitable charging pattern, and an appropriate tariff adjustment mechanism. This resulted in a regulated business with quality standards controlled, prices controlled, and service levels specified. The result of this is that after 10 years, the United Kingdom (UK) water industry is characterized by high levels of investment, higher prices in real terms, reduced leakage,

capital and operating costs down, and service levels up. The next 10 years will see the UK water industry focusing more on water conservation (mandatory leakage targets, metering options), even higher levels of service (European Union drinking water directive), pressure on prices (lower price with higher level of service), more competition and industry changes. Mr. Allum reiterated that regulation is an evolving process.

Halcrow

Mr. Colin Schoon provided some practical perspectives from Halcrow's experience in three countries in South and East Asia (Subic, Olongapo, and Manila in the Philippines; Karachi in Pakistan; and Negombo in Sri Lanka). He said that ideally, regulation should be in place before the start of private sector participation (PSP) but this is rarely the case. In fact PSP frequently is the catalyst for change. In Subic and Olongapo, their advice for a separate regulation was rejected resulting in sub-optimal benefits with conflict of interest, limited capacity building, limited accountability and information to customers, leading to inadequate tariff increases. There was fundamental misunderstanding of the nature of regulation in the PSP context. Mr. Schoon said that regulation should be monitoring, adjudication, and enforcement where necessary rather than control. In Karachi, Pakistan PSP preparation started in 1996 was abandoned in 1998 because government's wish for a concession was too ambitious for the circumstances at that time. Two key features of the regulatory framework and legislation designed were exclusivity and the appeals mechanism which to be effective, must be speedy, relatively inexpensive, and binding (preferable to international arbitration which can be lengthy and costly). On regulation by contract, Mr. Schoon said, "Rather than protecting each party against the other, a PSP contract should define and promote common goals for the party that has no voice in the contract, the customer. Provided that this interpretation is applied, it should be possible to introduce regulation after PSP without fundamental changes in the contract". He also added that the key to regulatory capacity is to understand what information is needed and how to use it – both to inform the public and to effectively monitor the provider. He said that capacity building should commence with the preparation for PSP, and suggested that staff who will be part of the regulatory office should be assigned to work alongside the transaction advisers and work through the very intricate work of analyzing options, preparing the contract/bid process, and designing the contractual framework. Mr. Schoon commented that the competitive bidding for the Manila concessions based on lowest tariff might send the wrong price signal.

External Support Agencies and International Organizations

World Bank

Mr. Jan Janssens presented the World Bank Group's strategy to support the urban water sector in South Asia. He said that in the light of the main sector issues, it was no longer possible to pursue development following the old agenda like large public sector institutions, predisposition to construct infrastructure rather than to better operate them, political opposition to tariff increases, etc. With poverty alleviation as the overarching objective of the strategy, the key reforms to move forward are: institutional and regulatory reforms, appropriate pricing policies and tariff increases, and targeting the poor more effectively. Its institutional and regulatory reforms include PSP and performance incentives, and establishing independent regulators. On public-private partnerships, Mr. Janssens added that the right design involves the clear definition of roles, tasks and responsibilities; an appropriate institutional, legal and regulatory framework; a communication plan with the objectives of reform; and, an incentive structure to serve the poor. To promote and facilitate reform in the

urban water sector, the World Bank will support this through policy dialogue, public awareness and capacity building using knowledge products and dissemination

Mr. Vijay Jagannathan presented the World Bank's initiatives in East Asia citing differences between South Asia and East Asia. He mentioned the greater demand for water due to faster economic growth in the area that gave rise to self-provisioning for water supply due to the inability of water utilities to cope with the demand. This has led to more use of groundwater and the attendant environmental problems. He also mentioned the economic crisis in 1997 and the slowing down of institutional reforms in the 1990s. The decentralization move in many governments shifted the partnerships to those of consumers, local governments, and the private operators. The other elements of the strategy include addressing the inefficiencies in service provision, pushing for regulatory reforms, and targeting the poor as the focus in all countries in the region.

Workshop Outputs

Participants were divided into four working groups for the three group discussion sessions. For the first session, all groups were asked to list the most important points about regulation they have heard in the presentations. They were also asked about some other considerations not yet heard nor discussed thoroughly. For the second session, each group was asked to discuss different topics on regulation. The third session was about the way or approach for the future on regulation that was discussed by all groups. Following are the summary of all the group outputs.

Group Discussion – Session 1

The most important points about regulation they have heard are:

- Regulation protects service providers and consumers (ensure commercial viability; brings fair pricing between provider and customers).
- It ensures service to the poor (regulate for the poor; design for the poor, but even the poor must pay).
- Roles must be clear among the provider, regulator, and consumers (separation of roles; clear separation of service provision and regulation).
- Regulator must be independent (regulation exists but is not independent; how to ensure independence of regulator).
- Design of regulatory framework should be suited to specific needs of the community (tailor-made to specific country situation; no blueprint for PSP regulation)
- Consider different levels of regulatory body (resolve levels of regulation; determine location of regulatory body; separate regulatory body for mega cities; regulatory body for all water supply systems).
- Regulation is a dynamic process (we can design the journey; it is an evolving process; it should be flexible; there is no blueprint for PSP process).

The above points are common to three or more groups. Other points mentioned by two to three groups are: the importance of government commitment to regulate; consequences or pitfalls of over-regulation; regulatory body needs strong and independent financing support; regulation ensures good governance; it improves quality, standards and performance; and regulatory body should come first before PSP.

The considerations that the participants have not heard or considered, or were not adequately discussed are:

- How to achieve independence of regulator (is independent regulation feasible when government is sole supplier?).
- Criteria for selection of regulator
- Regulation models (what model works best in DMCs)

- Separation of roles (how to clarify the roles and duties of regulator, provider, manager; how to manage conflicts between government agencies)
- How to set up a multi-sectoral regulatory system
- PSP and regulation of small service providers (rural and community supplies)
- Timing and development of regulatory skills
- Balance of water as an economic and social good
- Technical regulation (production)
- Implementation procedures
- Level of government to locate regulation
- Funding and budget needs

From the discussions, it is clear that the participants would like to hear more on how to do things that they have accepted are needed to set up a regulatory system.

Group Discussion – Session 2

Group 1 was asked to discuss what to regulate and who would be doing the regulation. The group said that the following should be regulated: tariff, water quality, service standards, performance standards, service to low income groups, environmental standards, water resources allocation, market regulation (to prevent monopoly), and balance of interests (politicians, providers, consumers)

There are several regulators: *environmental authorities* for environmental standards (wastewater, pollution), *economic/service regulator* for tariff, service standards and performance standards, *public health authorities* for water quality, and *water resources councils* for water resource allocation.

The main priority is to have the regulators in place. Cabinet or parliament should appoint regulators. Criteria for selection should include: no interest in the water company; no political affiliation; and understanding of economics, consumer protection, markets, and competition.

Group 2 was asked what are needed to create an enabling environment for a regulatory system. They proposed education of politicians and sector professionals that will lead to creating political will to form a regulatory body. This should create a consensus on clear objectives and idea of benefits of regulation after analysis of existing regulatory and institutional frameworks. There should be a change in government role from being a service provider to that of a facilitator. Standards should be appropriate to the situation. There should be a realistic set of regulators. The group proposed that the regulatory body be established by law with a sense and demand for accountability and enforcement of water conservation. Capacity building and benchmarking were also proposed in establishing the regulatory system.

Group 3 was asked whether regulation should be founded on policy or law and whether a regulator sets standards and tariffs. The group presented that policy based on consultations is the foundation that must be implemented by laws with enforcement. In the absence of laws, contracts should be based on policy, hence, the importance of having a policy first. On tariff, the setting of tariff policy is by government; the operators apply for tariff changes, and then the regulatory body approves the tariff based on government policy. The group also said that expertise or recourse to it is needed by the regulatory body to set standards.

Group 4 was asked to discuss the issue of affordability. The group analyzed two scenarios and solutions to problems of affordability. For a scenario where the whole community can not afford the proposed rates, the service provider should minimize costs (i.e., smaller scale and shorter design life). Any subsidy should go direct to the service provider. However, regulators should ensure that service providers give efficient service and value for money. For a second scenario where the poor cannot afford the rates, the group proposed cross subsidy, different levels of service, different levels of tariffs including a lifeline tariff.

Group Discussion – Session 3

Each of the four groups was asked to discuss the way or approach for the future in establishing a regulatory body. The consensus among the groups is as follows:

- Appoint consultant (DMCs need implementation help) and a task force and obtain funds.
- Obtain information on regulation (sharing of best practices).
- Educate consumers and politicians (education and social mobilization).
- Obtain decision on creating regulatory body (political commitment).
- Create steering committee (with broad representation).
- Seek information and advice (experience of other countries; SAFIR; review of applicability of various models).
- Review policy (including sector reform and regulation).
- Decision on policy (there must be a strong national policy)
- Develop master plan on sector reform; decide on master plan (approval).
- Decide on regulatory framework; reform in existing regulatory body (who and what to regulate, consult all stakeholders, consensus building).
 - clear objectives of regulation
 - clear rules for private sector
 - clear definition of roles
 - specific to country situation
 - financial requirements
 - sector institution required
- Establish legislation creating regulatory body.
- Create proper environment and build capacity (acquire or develop expertise)

The above should be done having in mind the following: (i) the government sets up policies, broad guidelines on tariff, level of service, and subsidy; (ii) the regulatory body should be independent, public-oriented, and must have sufficient power and authority; and (iii) the regulatory body sets standards (best standards, quality, service, quantity).

The need for capacity building for regulatory bodies was stressed in the discussions, as there is lack of experience in regulatory bodies in the DMCs compared to the experience of international private service providers thus creating an imbalance. What is needed is in-service kind of training, not just lecture sessions. There is also a need for caution, to go step-by-step in the establishment of the regulatory body and not to do it simultaneously with privatization.

Closing Statement

Mr. Arjun Thapan, Manager of the Water Supply, Urban Development and Housing Division (West), made the closing statement by summing up what had been collectively achieved over the last two and a half days and expressing ADB's commitment to helping its DMC partners to establish regulatory bodies for the sector. He agreed with the participants that the regulatory process is a journey with much to be done and that there is no universal solution. Mr. Thapan also expressed the need for governments to declare their sector policies especially on cost recovery, the need to ensure that performance standards are established and that these are fair standards, that incentives are developed for staff of public water utilities to improve their performance, and above all, the need to ensure transparency. Finally, he asked the support of the participants to ensure that these objectives are achieved.

Networking of Water Utilities

The meeting on networking of water utilities and regulatory bodies started with presentations on the Water Utilities Partnership - South Asia (WUPSA) and the Pacific Water Association (PWA). These were followed by statements from the WSSCC and the World Bank who were involved in the organization of WUPSA and discussions on commitments and support.

Mr. Dinesh Pyakural, Interim Managing Director of WUPSA, presented the situation among water utilities in South Asia and the need for sector reforms to break the low performance cycle that has further marginalized the unserved and the poor population. He said that the mission of WUPSA is to build a credible networking organization to foster the reform process for the provision of urban water and sanitation services in South Asia. He elaborated on the overall objective of WUPSA of poverty reduction and social equity, and improved performance particularly in meeting the needs of the urban poor. These will be achieved through three program initiatives, namely: benchmarking and performance improvement, sector reform program, and public awareness initiative in the region covering Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Upcoming event is the Benchmarking Workshop in Dhaka in July 2001 for which they are seeking financial support from ADB.

Mr. David Parish briefed the participants on the PWA, which covers 22 independent countries throughout the Pacific Region with a total population of 11 million people. He said each of these countries have unique problems with some having very fragile environmental conditions - some countries are barely above sea level. With PWA, he said that they can present a unified voice or approach gaining consensus among member countries as to the position in the water and sanitation sector for the islands in the Pacific Region. Mr. Parish proceeded with explaining the organization, funding, objectives, and the activities of the association, which include the just completed Phase 2 of the ADB-funded benchmarking project. Key areas PWA would like to be involved in are: work experience training (due to lack of resource base), leak/waste management program, management engineering and laboratory tests, community awareness and education, and sharing of useful information through international organizations. On his support for networking and his experience with it, he said, "There are lots of very committed, dedicated people out there. The trick is identifying them, harnessing some of this energy, and getting people to support and commit themselves. It is people sharing, being aware of what is needed and supporting each other."

Mr. Ranjith Wirasinha started by saying how Asia is heading towards a tremendous level of urbanization and that those responsible for providing services will be at the receiving end of many demands. He said that many of the regional fora that were held in Asia came up with recommendations that these utilities need to be provided with opportunity of exchanging experiences, learning from each other, and being together. Mr. Wirasinha cited ADB in initially taking a major step in developing the water utilities data books that have helped considerably in exchanging views and providing a good part of the information that would be helpful in looking ahead. He encouraged the participants to come up with some arrangements that are sustainable to make the above recommendation happen with less dependence on ADB, the World Bank, and the bilateral agencies. He further elaborated on WSSCC with its very small secretariat that is housed in WHO in Geneva with its mandate from the United Nations to bring about collaboration between the developing countries and the ESAs with a focus on the unserved and the poor.

Mr. Jan Janssens added that a network has a role of a facilitator that means bringing together people and institutions to learn from each other. He said that it has a catalyst function and that the utility partnership is there to help the learning and sharing happen. Mr. Janssens then explained how the partnership concept was created in early 1990s and the subsequent creation of the Water Utilities Partnership - Africa six years later.

Mr. Arthur McIntosh stated that ADB is interested in the benchmarking and performance improvement project of WUPSA. ADB is looking for something to sustain the water utilities data books that could lead to an exit strategy. He welcomed the WUPSA initiative on benchmarking and performance improvement and challenged them to marry what ADB has been doing with performance indicators to what they would like to do. Mr. McIntosh suggested to keep the organization small, and make it work first before expanding to the whole region covering the rest of Asia and the Pacific.

During the discussions that followed the presentations, the following comments were made.

- Dr. Khondaker Haq, team leader of the benchmarking and performance improvement project, said that the water utilities data books will form the nucleus of the project. The parameters and the indicators will be improved and replaced as they go along with the water utilities generating the data and the ADB disseminating these data through its website.
- Mr. David Parish asked if the Pacific countries would be part of the exercise, to which Ranjith Wirasinha expressed the importance of these countries' participation.
- Mr. Peter Harford expressed willingness to coordinate participation of the Australian water industry in benchmarking, networking, and other activities while noting that Australia was not included in the water utilities data books.
- Mr. Wilfrido Barreiro and Mr. Mario Quitoriano informed the participants that the Philippine water districts have been providing data for the water utilities industry averages since 1978 and that this is still done yearly for six categories of water utilities.
- Mr. Kumala Siregar also added that the Indonesian Water Supply Association (PERPAMSI) is currently benchmarking 100 water enterprises in Indonesia with World Bank assistance. He asked if the World Bank can help set up a water utilities network for South East Asia similar to WUPSA to which Jan Janssens expressed a willingness to help.

In the final session on the discussion of the WUPSA plans and commitment of support, Mr. Dinesh Pyakural presented the specifics of what support they are asking for the Dhaka Workshop on Benchmarking and Performance Indicators scheduled for July 2001. Both the World Bank and ADB committed to supporting the activity with WUPSA preparing the detailed proposal for ADB. Nick King of the International Water Association (IWA) Foundation also expressed support for the benchmarking project to use information generated to improve performance and citing IWA's comprehensive set of indicators that has been developed. It was proposed and agreed that Australia, the Pacific countries, WUPSA and the potential network in South East Asia will produce benchmarking data and bring them together to be available to all.