

Changing Regulation: From Independent to Credible Regulators

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Water for the Poor: Setting the Rules and
Finding the Money

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Credible regulators support improved water services

- Safeguard consumers with respect to price and levels of service (quality and quantity)
- Provide for transparent tariff setting based on established rules and procedures
- Provide certainty for public and private sector investments
- Ensure accountability of service providers (information dissemination)
- Provide mechanisms for public input

Water Sector Regulators Around the World[#]

- Latin & Central America
 - Argentina*, Bolivia, Chile
 - Colombia, El Salvador,
 - Honduras, Nicaragua, Peru
- Caribbean
 - Dominican Republic,
 - Guyana, Trinidad
- Africa
 - Ghana, Mozambique, Zambia
- Eastern & Central Europe
 - Bucharest, Romania*
- Regulators in Asia
 - Manila (MWSS-RO)*
 - Subic Bay*
 - Jakarta*
 - Sri Lanka (2003)
- Asia - In process
 - Indonesia (national)
 - Philippines (national)
 - Cambodia
 - Laos (law enacted)

*regulates contract
representative list

Challenges to Establishing Regulators

- No clear overall sector strategy
 - role of regulator not well defined viz other actors
- Perceived as linked to PSP initiatives
- Governance framework & jurisdictional issues
- Resistance to establishing “independent” regulators
 - concern about loss of accountability and control by public sector
 - those asked to establish regulators have most to lose

Undermining Credibility

- Does the public receive benefits?
 - Is there better service? Is there increased access? Are prices perceived as fair and reasonable?
- Does the regulator have a clear mandate?
 - Is the mandate communicated to all?
 - Prone to criticism for not doing enough or doing too much (over-stepping authority)
- Is the decision-making process transparent and free from real or perceived capture?
- Is there sufficient funding and expertise?

Creating the Environment

- Develop sector strategy that maximizes public benefit and involves all in public dialogue
- Identify roles and responsibilities of regulator within the framework
 - what is the core objective of the regulator?
 - in particular, define degree of independence and scope of decision-making authority
- Make regulations applicable to public and private sector service providers - same rules apply to all
- Clearly define responsibility of regulator and policy-makers for safeguarding the poor

Starting on the Right Foot

- Establish legal basis to give authority and withstand challenges
- Enable fair and transparent decision making
 - free from influence
 - predicable, consistent and based on clear rules
- Measures to ensure accountability
 - public reporting, open forums/hearings
 - dispute resolution process
- Organizational set-up (term of appointment, funding, accountability)

Roles of Major Players

- Multilateral Development Banks
 - Foster strategic sector planning, support development of regulator, and regulatory capacity building
- Government
 - Develop sector policy, establish the rules, foster public and private investment, develop pro-poor programs
- Service Providers
 - Meet service targets, communicate coverage and service plans, provide information
- Civil Society/NGOs & Consumers/the poor)
 - Get involved in community programs and regulator consumer forums

Good Practices & the Poor

- Tariffs set to enable investment and increased coverage
 - incentives for efficiency
 - better understanding of affordability
- Improved quality of service through targets, monitoring and reporting
- Timely and transparent decision making with provision for public consultation
- On-going opportunities for consumer input

Conclusion

**Credible regulators
ensure fairness
while safeguarding
the publics' interests**

