

Institutional Requirements for Improving Water Utility Effectiveness

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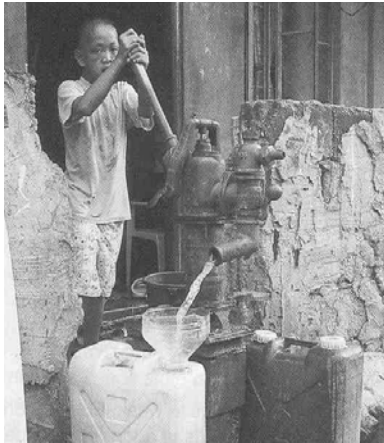
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Presentation Outline

- ❖ **Need for improved water supply services**
- ❖ **Role of water utilities**
- ❖ **Water utility performance and key issues**
- ❖ **Institutional approaches for improvement**
- ❖ **Lessons learned from previous experience**

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Background



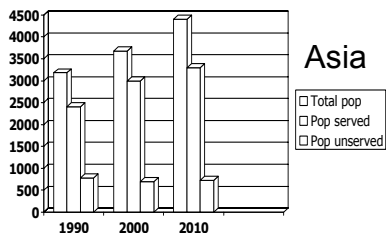
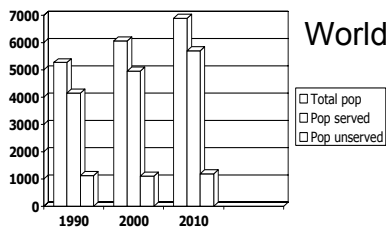
Courtesy of Arthur McIntosh, 2003

Increasing demand for safe water

supply

- 1.1b poor, 1.1b lack access to safe water supply (World)
- 750m rural, 100m urban population lack access to safe water (Asia)
- MDG: halve, by 2015, the number of people without access to drinking water (UN-Habitat)

Water Supply Statistics



Trend: 1990-2010

- Increase in % and absolute number of population served
- Decrease in % of unserved population
- Increase in absolute number of unserved population

Inequitable distribution of water supply



Courtesy of Arthur McIntosh, 2003

- Only 30% enjoy 24 hour access
- Consumers not connected to piped water pay 10-30 times for water needs
- The poor pay more for less quality service;
- The rich are twice as likely to use safe water than the poorest

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Role of Water Utilities



Source: USAID Indonesia

- Provide needed water supply services
- Provide investments requiring economics of scale
- What is needed: more efficient services – not necessarily more water resources

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Efficiency Indicators



Courtesy of Arthur McIntosh, 2003

- ❖ Production Capacity
- ❖ Service Coverage
- ❖ 24-hr Supply
- ❖ Non-revenue Water
- ❖ Working Ratio
- ❖ Staff/1000 Connections
- ❖ Collection Ratio

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Water Utility Performance

	CITY	PROD (CUMIC/D)	COVERAGE (%)	24HOUR (%)	NONREV WATER	WORKING RATIO	STAFF/ 1000 CON	CONFEE (\$)	COLLECT RATIO (%)
1	Chengdu	0.38	83	100	18	0.5	33.8	1	100
2	Colombo	0.48	69	60	55	0.52	7.6	129	95
3	Delhi	0.30	69	1	53	2.45	19.9	2	70
4	Dhaka	0.22	72	0	40	0.89	11.6	29	82
5	Ho Chi Minh City	0.37	84	75	38	1.13	3.5	53	100
6	Hong Kong	0.38	100	100	25	2.41	2.3	146	100
7	Jakarta	0.27	51	92	51	0.80	5.3	13	98
8	Karachi	0.34	58	0	30	1.00	6.4	3	54
9	Kathmandu	0.11	83	0	37	1.04	15.2	21	70
10	Kuala Lumpur	0.44	100	100	43	1.34	1.4	13	95
11	Manila	0.56	58	88	62	1.22	4.4	107	97
12	Phnom Penh	0.23	84	100	26	0.46	5.4	87	100
13	Shanghai	0.47	100	100	17	1.08	5.7	83	94
14	Vientiane	0.27	63	50	28	1.10	10.5	74	77

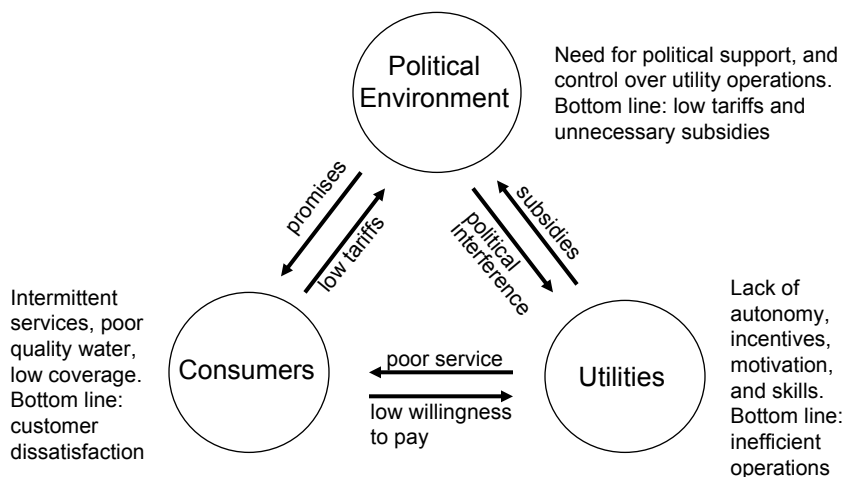
Source: ADB: Water for Asian Cities, 2002

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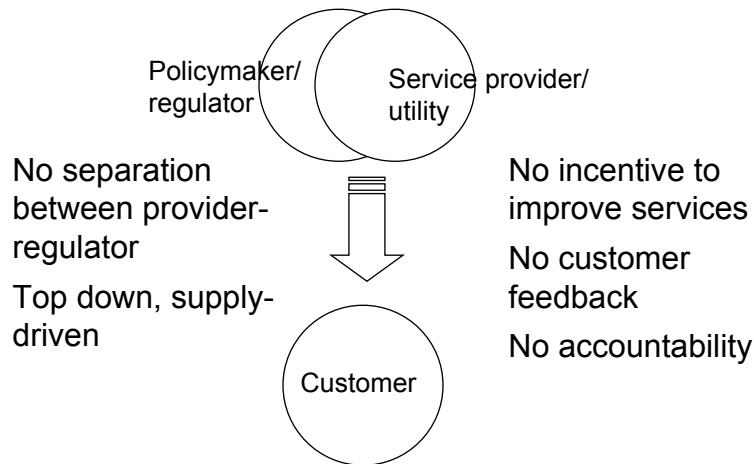
Key Issues

- | | |
|---|--|
| Utility operations | <ul style="list-style-type: none">• Ineffective management• Lack of human resource capacity• Lack of funding, poor cost recovery |
| Customer satisfaction | <ul style="list-style-type: none">• Poor quality services• Low willingness-to-pay• Lack of “voice” and participation |
| Political and institutional environments | <ul style="list-style-type: none">• Weak regulatory framework• Low tariffs• Unnecessary subsidies |

Current Situation



Nature of Service Provision



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Institutional Approaches

- ❖ Improve the policy environment
- ❖ Improve organizational effectiveness
- ❖ Improve customer-utility relations
- ❖ Build partnerships/networks

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Policy Environment

Separate ownership from operations

- Separate policy, regulatory, and operating functions

Lessen political interference

- Provide greater autonomy, but demand greater accountability

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Policy Environment

Introduce and strengthen regulatory framework

- Implement and enforce tariff policy
- Protect both customers and service providers
- Ensure adequate quality of service and fair pricing
- Promote benchmarking performance
- Monitor, adjudicate, and enforce regulations

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Organizational Effectiveness

Human resource development

- Improve managerial skills
- Improve technical skills

Incentive structure improvements

- Salary increases
- Recognition measures

Financial and efficiency improvements

- Adequate cost recovery
- Decrease non-revenue water
- Improve accounting, billing and collection procedures

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Client Orientation

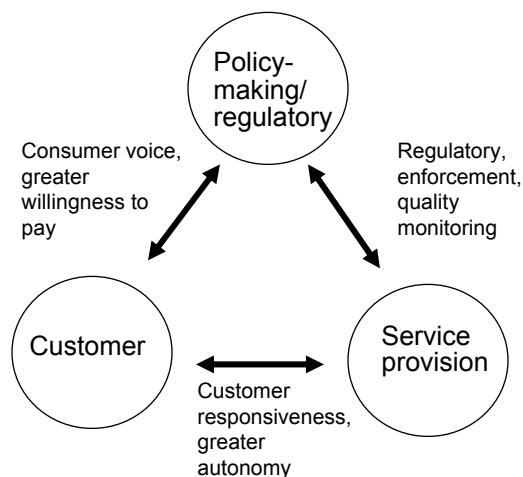
- ❖ Enable civic participation and “voice”
- ❖ Survey customer demands
- ❖ Conduct awareness campaigns
- ❖ Project image of professionalism
- ❖ Explore possibility of issuing bonds
- ❖ Improve quality of services

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Networking and Partnering

- ❖ Facilitate the exchange of water sector information and experiences
- ❖ Promote and support water utility associations
- ❖ Enhance water investments through public-private partnerships

Separation of Functions



Some Lessons Learned -

1

1. Institutional environments do matter; political interference, managerial autonomy, and accountability are inextricably linked. Institutional changes are required to enable utility effectiveness
2. Separation of policy, regulatory and operational functions is critical for sustainability and proper functioning of water utilities; it easy in theory, but not so in practice

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Some Lessons Learned -

2

3. Adequate incentives for utility managers and staff are imperative for increasing organizational efficiency
4. Incentives, however, must be complemented with human resource development and financial/efficiency improvements

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Some Lessons Learned -

3

5. Representation of customers and channels for participation must be provided; the most powerful regulatory tool is the availability of information to customers

7. Service quality improvements and awareness campaigns project a professional image and a strong message to customers

8. It makes sense to expand water coverage to the poor

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Some Lessons Learned -

4

9. Partnering, networking, and exchange of experience among water utilities provide added value to utility management

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Thank You!

Your interest in this presentation is greatly appreciated!

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