



**Capacity Building Workshop on Partnerships for Improving the  
Performance of Water Utilities in the Asia and Pacific Region**  
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## **Managing Public Water Utilities for Efficient Service Delivery**

By

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### **PRESENTATION OUTLINE**

1. Some Reminders
2. Challenges in Urban Water Supply
3. Problems Facing Public Water Utilities
4. Improving Efficiency of Public Water Utilities
5. Concluding Remarks

## **REFERENCE TO CSD-13 DECISIONS**

- Strengthen governance of public water Utilities
- Enhance the contribution of small scale water providers to water supply
- Explore how the large scale private sector and public-private partnerships can contribute effectively to water service delivery.
- Build on capacities of community-based organizations in water supply

## **SOME REMINDERS**

- No-one-size fits all solution
- W&S agenda and overall MDG envelope
- Public sector capacities
- Increased financing
- W&S agenda and PRSPs
- Debate on PPPs
- Local contexts and global agreements

## **CHALLENGES IN EXPANDING W&S SERVICES IN URBAN AREAS**

1. Massive Urbanization
2. Urbanization of Poverty
3. Inadequate Capital Investments
4. Ensuring Sustainability of Existing and New Services
5. Improving the Quality of Services

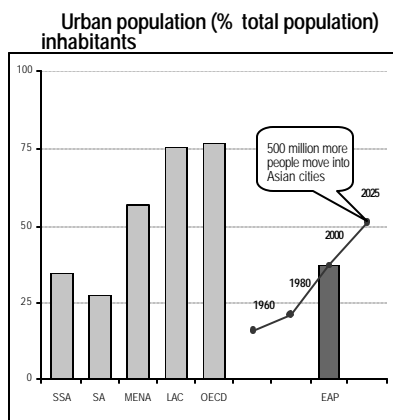
### **CHALLENGE 1**

#### **Massive Urbanization**

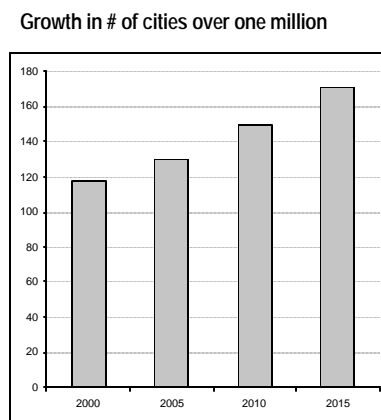
- ◆ In 2007: > 50% of population will be urban
- ◆ In East Asia and Pacific, 500 more people will be added over the next 5 years.
- ◆ Population of mega cities is going to increase from 80 to 100 million.
- ◆ In 2006, 438 cities of the world have population >1 million

## East Asia Pacific is Urbanizing Rapidly

...with 500 million People Moving into Cities over the next 20 years



Source: World Development Indicators, 2004; United Nations World Urbanization Prospects, 2003



Source: United Nations World Urbanization Prospects, 2003

**TABLE 5.2 DISTRIBUTION OF ADDITIONAL POPULATIONS TO BE SERVED TO MEET THE 2015 INTERNATIONAL DEVELOPMENT TARGET .**

Region	Urban %	Rural %	Total %
<b>Water supply</b>			
Africa	13.1	12.1	25.3
Asia	38.7	22.6	61.4
Latin America and the Caribbean	7.7	1.5	9.0
Oceania	0.3	0.2	0.5
Europe	1.4	0.0	1.4
Northern America	2.4	0.0	2.4
<b>Totals</b>	<b>63.6</b>	<b>36.4</b>	<b>100</b>
<b>Sanitation</b>			
Africa	9.7	9.1	18.8
Asia	31.0	39.4	70.6
Latin America and the Caribbean	6.0	1.5	7.4
Oceania	0.2	0.1	0.3
Europe	1.2	0.0	1.1
Northern America	1.8	0.0	1.8
<b>Totals</b>	<b>49.9</b>	<b>50.1</b>	<b>100</b>

## **CHALLENGE 2**

### **Urbanization of Poverty**

- In richer countries: < 16%
- In developing countries: > 36 %
- Number of slum dwellers has risen by 50 million.
- The urbanization-poverty nexus: one billion poor people living in urban areas without adequate shelter or access to basic services.

## **CHALLENGE 3**

### **Inadequate Capital Investments**

- **Current global spending on W&S = \$30 B/Year**
  - External aid: 17%
  - Int'l private sector: 9%
  - Domestic public sector: 69%
  - Domestic private sector: 5%
- **To achieve Int'l targets; additional \$25 B/year required**
  - \$8 B for water supply
  - \$17 B for sanitation

## **CHALLENGE 4**

### **Ensuring Sustainability**

- **Sustainability of water infrastructure**
- **Sustainability of water resource**
- **Issues of water quality**

## **KEY PLAYERS IN PROVISION OF W&S SERVICES IN URBAN AREAS**

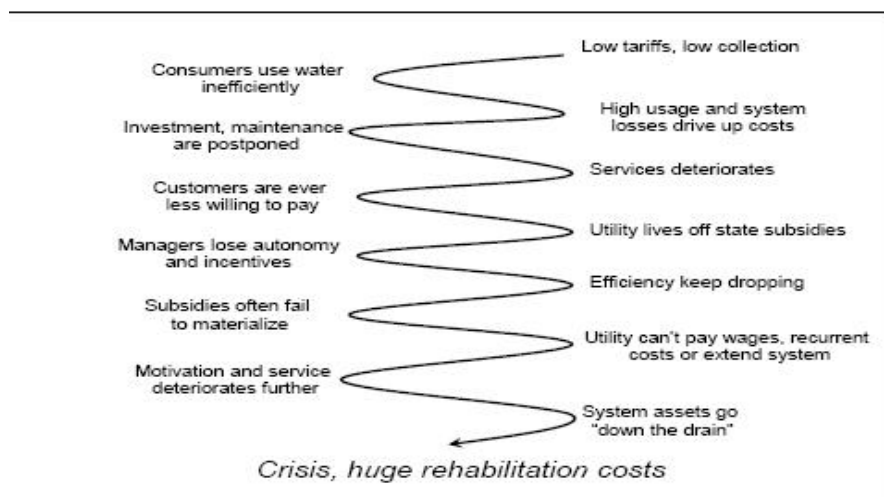
- **State/City Governments (Municipalities)**
- **Public Utilities**
- **Privately Operated Utilities**
- **Small Scale Water Providers**
- **Community Based Organizations**

## GENERAL STATE OF PUBLIC WATER UTILITIES

1. Low performance
2. High UFW (40% and 16%)
3. Failure to recover O&M costs (>1 and 0.7)
4. Over-inflated costs (20/1000; 2/1000)
5. Slow collection rate (10 months and ,3 months)
6. High connection fees (60%)
7. Low service coverage (<50% in 1/3)
8. Service is intermittent (42% for <12hrs)

◆ Source: World Bank/IFC Survey of 246 Utilities (small and large) in 51 developed and developing countries.

## SPIRAL OF PERFORMANCE DECLINE OF PUBLIC UTILITIES



Source: Characteristics of Well-Performing Public Water Utilities, Water Supply and Sanitation Working Notes, World Bank, May 2006

## **BEST PRACTICE TARGETS**

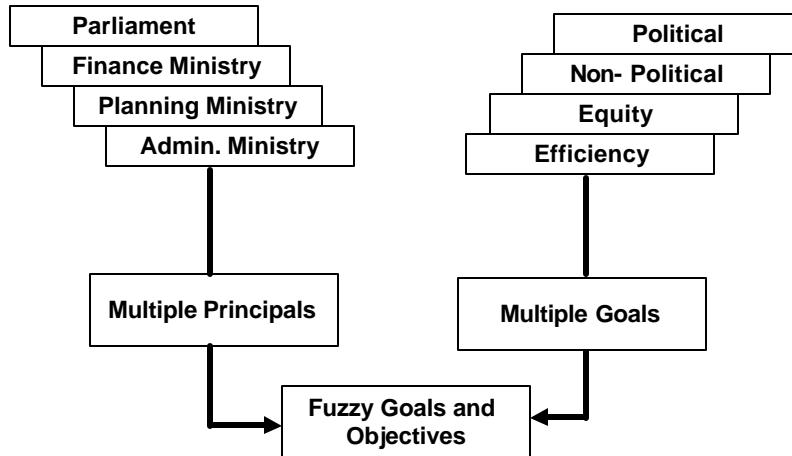
- Unaccounted-for water of less than 23%.
- Five or fewer staff per 1,000 connections.
- A working ratio of about 0.7.
- A collection period of 3 months or less for water billing.
- Connection fees no higher than 20% of annual per capita GDP.
- 24 hour service. (In fact, half the developing country utilities for which data are available achieve this target.)
- 100% coverage with appropriate levels of service for each household.

## **ACCOUNTABILITY BARRIERS FOR PUBLIC WATER UTILITIES**

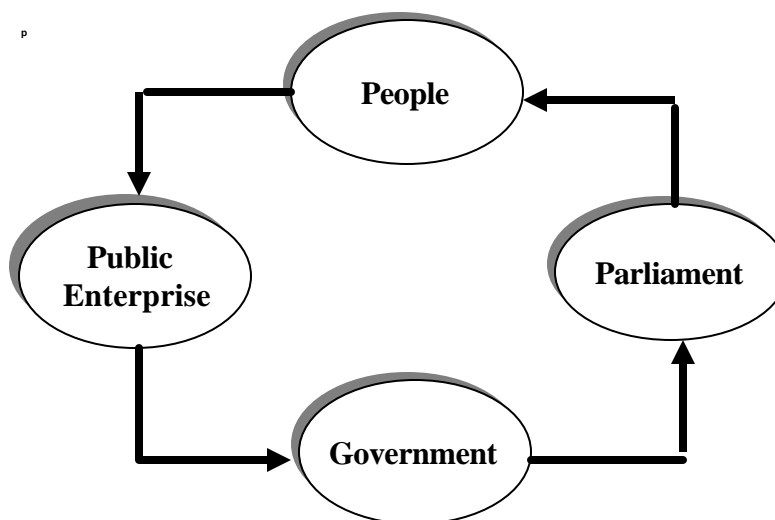
- Unclear expectations—multiple principals with multiple goals
- The “*Not Me*” syndrome
- Confusion between cause and effect



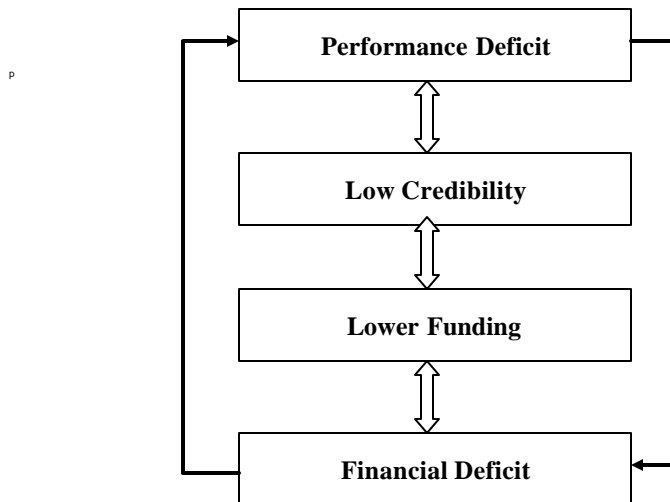
## MULTIPLE PRINCIPALS WITH MULTIPLE OBJECTIVES



## “NOT ME” SYNDROME



## **PERFORMANCE DEFICIT vs. FINANCIAL DEFICIT**



## **ACHIEVING GOOD PERFORMANCE: SOME LESSONS LEARNED**

- Reforming the external environment
- Balancing potentially conflicting objectives
- Promoting partnerships at all levels
- Decision making autonomy to utility managers
- Separating functions
- Encouraging consumers voice
- Improving technical and institutional capacities
- Improving staff motivation

## REGULATING PUBLIC WATER UTILITIES

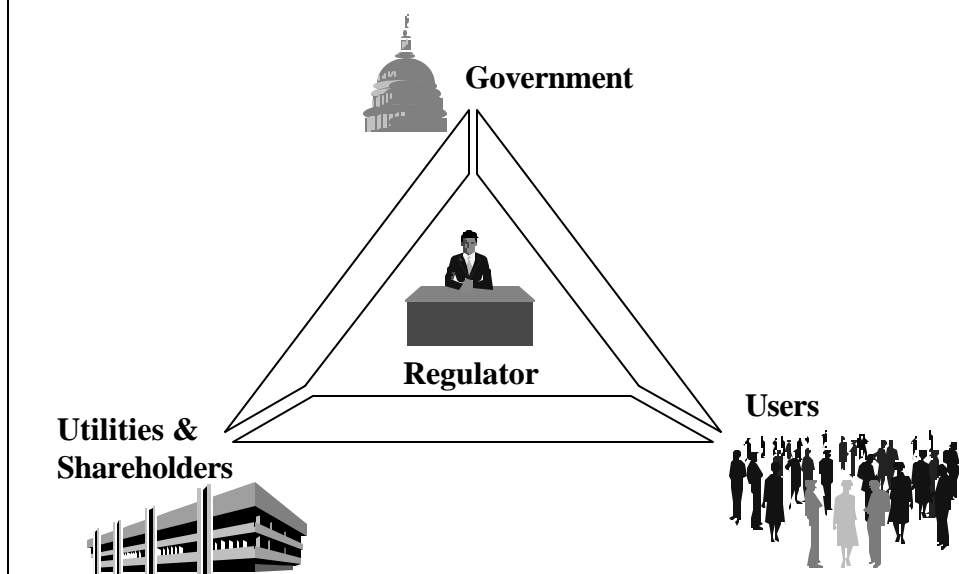
IT IS IMPORTANT TO REGULATE PUBLIC WATER UTILITIES BECAUSE:

- In general, they are natural monopolies
- But they are characterized by large sunk investments and economies of scale
- Parties may feel they are subject to opportunistic behavior

THEREFORE, A REGULATOR IS NEEDED TO:

- Achieve outcomes consistent with those from a competitive market
- Implement government policies
- Balance interests of all parties

## REGULATION IS ABOUT GOVERNING RELATIONS



## **WHY W&S IS NOT RECEIVING DUE ATTENTION IN PRSPs**

- ◆ Weak poverty diagnosis of the water sector
- ◆ Weak diagnosis is caused by weak capacities and poor information base for the sector
- ◆ Weak links between the central ministries, local water authorities and sector actors at the local level
- ◆ Multiplicity of actors in the sector
- ◆ Slow progress on sector reforms

## **CONCLUDING REMARKS**

1. Public utilities will remain the leading player
2. These utilities could be turned around
3. Instituting governance reforms is the key
4. Capacity building for forming partnership is an urgent priority
5. Networking with other utilities can contribute to capacity building