Service Delivery & Local Empowerment:
Turn Around of Public Utilities

Regulating Commercial Utilities
-Making a Difference in Zambia

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Director-NWASCO

Mexico 2006
Separation of Water Resources
Separation of Water Supply and Sanitation (WSS)
Devolution to Local authority and private enterprises
Full cost Recovery through user charges
Effective Institutions through HRD
Appropriate Technology for local conditions
Increased GRZ Spending on WSS

Policy Framework
7 sector principles
RESULTS OF WSS REFORMS
decentralisation, commercialisation and PSP

MLGH

Water Supply & Sanitation

1. Water Resources
2. Sector Leader

MEWD

Council

Water Supply & Sanitation

Private

Private

Private

Zambian Company

49% participation on capital

Management, leasing etc. contract

Reports to Parliament

Regulated

National Water Supply & Sanitation Council (Nwasco)
Status of water and sewerage companies in Zambia

Chart A2: Proportion of Urban Population served by different Service Providers -2004/05

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Utilities (Cus)</td>
<td>9 (51 towns)</td>
</tr>
<tr>
<td>Local Authorities (LAs)</td>
<td>22</td>
</tr>
<tr>
<td>Private Schemes</td>
<td>7</td>
</tr>
</tbody>
</table>

CU < 1995

CU > 1999

Under Establishment
## Performance Improvements from Utilities

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pop</td>
<td>9,600,000</td>
<td>10,200,000</td>
</tr>
<tr>
<td>Urban Pop</td>
<td>4,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>No. of Connections</td>
<td>181,000</td>
<td>215,000</td>
</tr>
<tr>
<td>Coverage Rate</td>
<td>73%</td>
<td>58%**</td>
</tr>
<tr>
<td>Total Production</td>
<td>290 Mio m3</td>
<td>300 Mio m3</td>
</tr>
<tr>
<td>UfW</td>
<td>56%</td>
<td>49%</td>
</tr>
<tr>
<td>Average Tariff</td>
<td>570 ZK</td>
<td>1250 ZK</td>
</tr>
<tr>
<td></td>
<td>(14 Cent)</td>
<td>(38 Cent)</td>
</tr>
<tr>
<td>Collection Efficiency</td>
<td>58%</td>
<td>74%</td>
</tr>
<tr>
<td>O &amp; M Cost Coverage</td>
<td>60%*</td>
<td>75%</td>
</tr>
</tbody>
</table>

* At almost no maintenance works

** Includes Peri-urban Areas

**Increased consumer satisfaction**
Institutional set-up of Regulation

Power and Responsibility
- Water + Sanitation ACT
- Statutory Instruments
- Minister of EWD
- High Court - Appeal

Arbitration
- Statutory not ministerial body
- Own budget from fees
- Transparent selection of staff
- Private sector salaries
- Reports to Parliament / MEWD

Large Autonomy

Small size Lean Structure
- Personnel 14
- Fees 2% of provider’s Turnover
- Part-time Inspectors

Delegated Authority to Water Watch Groups
Tools for regulation

- Licensing of providers / SI
  - Determine service areas and key responsibilities

- Tariff negotiation
  - Sustainability and efficiency

- Publication of sector reports
  - Promote comparative competition / efficiency

- Trust Fund – urban poor
  - Service to the poor

- Guidelines on Provision of services
  - Minimum Service Level
  - Business Plan
  - Investment Plan
  - Tariff adjustment
  - Corporate Governance
  - Reporting by provider

- Interactive Information System
  - Baseline data on Urban poor

WSS ACT 1997
Institutional Setup

- Local Authority
- Delegate Operations
- Professional Providers Commercialised/PSP

Gives sufficient Independence & Promote Professionalism

Several Commercial Units Allows for Competition

Independent Professional Regulatory Agency

**ENABLING ENVIRONMENT THROUGH REGULATION**

- Gradual tariff adjustment to cost covering levels
- Clear Minimum Service Level Requirements with Targets
- Support: performance management systems & Recruitment of Magt
- Good Management Information System from Utility to Regulator
- Publication of performance results and Rewards
Pro-poor Regulation

- Defining service area in the license/jurisdiction of local authority
- Provider remains responsible for quality and tariffs of other players (NGO, communities) within licensed area
- Providers have to offer sufficient adequate outlets Kiosk – commercialized public stand posts
- Extending service delivery into low income areas is integral part of investment plan from providers

Need for professional management of low-cost systems
Need for Targeting the Poor

Resistance by professional providers to cover All areas:
- Take over and extend low-cost systems
- Play a role in onsite sanitation

Less professional LAs + NGOs are left to serve the poor with low-cost technology – and little sustainability

Regulator has to set conducive framework to ensure:
- Efficiency
- Sustainability
- Value for Money
Standards for sustainable low-cost solutions
Devolution Trust Fund: grant funding to extend infrastructure and introduce management system

Results:
Successful pilot phase – access to safe water for 90,000 additional people
Scaling up - Resources mobilised to reach over 500,000 people by 2010
Thank You For Your Attention!