

# Guiding Regulatory and Institutional Reforms: The Lisbon Charter's relevance for African reforms

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# The question we need to face

*Why do people face such different water supply and sanitation conditions around the world?*



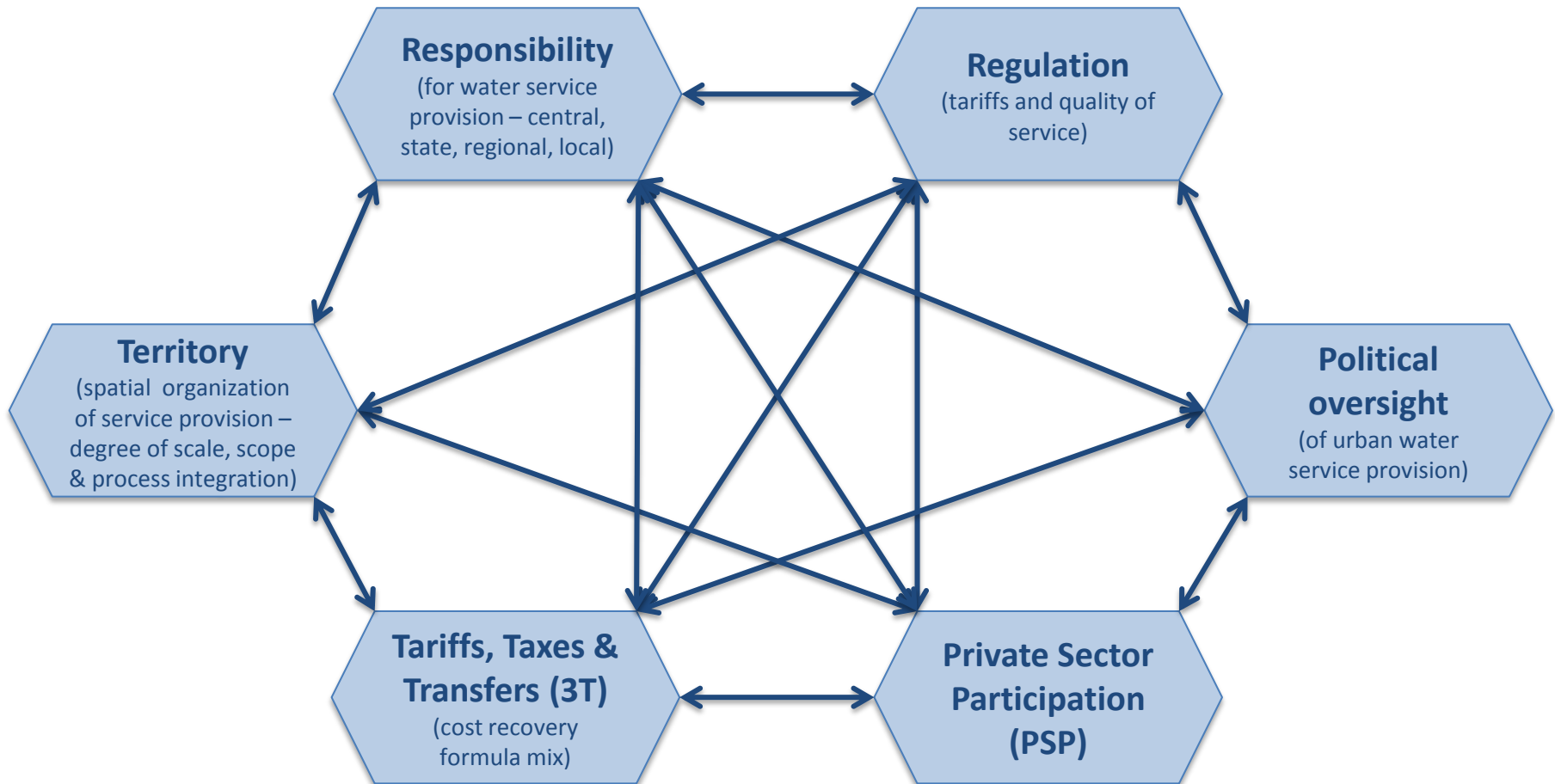
# The question we need to face

## *Overview of types of urban water service providers*

Infrastructure type	Operator description	Institutional forms
<b>Fixed networks</b>	<ul style="list-style-type: none"> <li>Fully integrated utilities drawing water from public water sources and/or public/private wells (or boreholes) or desal facilities</li> <li>Private or communal sub-networks, connected to greater public networks</li> </ul>	<ul style="list-style-type: none"> <li>Public: fully integrated public utilities</li> <li>Private for-profit: variety of PPP arrangements</li> <li>Non-profit: formal non-profit network providers</li> </ul>
<b>Point sources</b>	<ul style="list-style-type: none"> <li>Private or communal well (or borehole)</li> <li>Public standpipes</li> <li>Fixed location vendor selling water sourced from network or standpipe (or packaged water)</li> </ul>	<ul style="list-style-type: none"> <li>Public: public standpipes</li> <li>Private for-profit: private well or borehole; fixed location vendors</li> <li>Non-profit: communal well or borehole</li> </ul>
<b>Mobile operators</b>	<ul style="list-style-type: none"> <li>Mobile tanker water sourced from private well (or borehole), standpipe or network; mobile collection of septic tank effluent or sludge</li> </ul>	<ul style="list-style-type: none"> <li>Public: public tankers for water supply and/ or effluent collection</li> <li>Private for-profit: private mobile tanker operators</li> </ul>

# The question we need to face

## *Key drivers of sector structure and water service governance – fundamental linkages*



# The question we need to face

## ■ Several international initiatives:

- UN resolution 64/292 of 2010 recognizing water and sanitation as a human right.
- UN Sustainable Development Goals approved in 2015.

## ■ An operator's perspective:

- Explicit urban water service regulation is a growing phenomenon globally.
- International Financial Institutions are equally promoting regulatory institutional frameworks as a key element to ensure the “bankability” and financial sustainability of water sector investment.
- In any case, may utilities face excessive political interference impeding:
  - managerial autonomy and accountability;
  - the ability to plan and manage beyond the one-year budget cycle; and
  - the social legitimacy and political backing required for reasonable cost recovery.

## ■ Preamble:

- **The number of countries with regulators is increasing.**
- **In September 2014, the First International Regulators Forum, jointly organized by IWA and ERSAR, brought together in Lisbon 100 out of 164 water service regulators.**
- **A second edition of the Forum has already taken place recently in London.**



# Lisbon Charter



LABORATÓRIO NACIONAL  
DE ENGENHARIA CIVIL



## The Lisbon Charter

Guiding the Public Policy and Regulation  
of Drinking Water Supply, Sanitation and  
Wastewater Management Services

### IWA decided to approve a Lisbon Charter:

- With the principles for good public policy and effective regulation of water services;
- Declaring the respective rights, duties and responsibilities of the governments and public administration, regulatory authorities, service providers, and users.

# Lisbon Charter

- **Governments must create a public policy with the necessary conditions to attend the population.**
- **Principles for public policy:**
  - **Water services are essential for sustainable development, with major implications for the quality of life, environment and public health**
  - **The provision of water services should preserve accountability and transparency.**
  - **Service provision should take into account the financial, social and environmental aspects.**
  - **Effective service provision relies upon the collective actions of interdependent stakeholders: governments; regulators; operators; end-users/ citizens.**





# **Public policies for water services: Lisbon Charter highlights**



# Public policies for water services

- **Adoption of strategic plans for the sector:**
  - **Formulation of national strategies with stable implementation.**
  - Definition of goals & measures.
  - **Annual monitoring of implementation and public reporting.**
- **Definition of the legislative framework:**
  - Approving legislation (framework for services and regulation, tariffs, quality of service, water quality, etc.).
  - Clarification of rules governing the sector.
  - Issuing regularly sound recommendations for the sector.
- **Definition of the institutional framework:**
  - Definition of responsibilities of owner and operator of the service.
  - **Definition of responsibilities of authorities on services, environment, water resources, public health, and competition.**

# Public policies for water services

- Definition of the governance of the services:
  - Public, private or public-private governance.
  - Political decisions must be based on sound studies.
  - Healthy competition between models.
- Definition of quality of service targets:
  - Quality of service based on performance indicators.
  - Annual assessment of the quality of service for each operator.
  - Annual benchmarking between operators.
  - Assessment of the evolution for each indicator.
- Promoting water quality for human consumption
  - Monitoring compliance in real time.
  - Annual assessment of the water quality for each operator.
  - Annual benchmarking between operators.
  - Assessment of the evolution of the water quality on time.

# Public policies for water services

- **Definition of the tariff policy:**
  - **Promoting (a trend toward) full cost recovery.**
  - **Promotion of efficient and affordable tariffs + social tariffs.**
  - Annual assessment of economic performance of operators.
  - Annual benchmarking between operators.
  - Assessment of the evolution of the performance.
- **Mobilization and management of financial resources:**
  - Large investments in water infrastructure
  - **Securing a sustainable “3 T” cost recovery formula to ensure “financiability/ bankability” of the sector**
  - Management of important ODA resources.

# Public policies for water services

- Improving the structural efficiency:
  - “Corporatization/ professionalization” of operators.
  - Aggregate of local operators resulting in a smaller number of larger and modern regional operators.
- Improving the operational efficiency:
  - Improve of efficiency by the utilities (commercial water losses, physical water losses, energy efficiency, human resources, etc.).
- Human resources capacity building:
  - Skilled human resources.
  - Experience on planning, design, financing, construction and operation of water infrastructures with appropriate technologies.

# Public policies for water services

- **Promotion of research and development:**
  - Activity on research and development with increasing **links between university and industry**.
  - Increasing participation in international R&D projects.
- **Development of the economic activity:**
  - Improving the development of a **water industry cluster**.
  - Generating new activities with the creation of **employment**.
- **Introduction of competition:**
  - Competition encourages innovation and technical progress.
  - In the case of natural or legal monopolies, it must be promoted via virtual competition, ex. through **benchmarking**.
  - In the case of private involvement, **“competition for the market”** (tender procedures for the allocation of delegations, concessions and the provision of services).



# Public policies for water services

- **Protection, awareness and involvement of users:**
  - **Assessment of the economic accessibility to the service based on an indicator of affordability.**
  - **Creation of tools to protect consumers in general.**
    - **Right to be served when the public system is available.**
    - **Right to be served within few days of subscription request.**
    - **Right to have a 24h x 365 days of service.**
  - **Creation of tools to protect poor consumers.**
    - **Right to benefit from a social tariff (poor families).**
    - **Right to benefit from a family tariff (large families).**
- **Provision of information:**
  - **Providing rigorous and comprehensive information to all.**
  - **Guaranteeing ease-of-use by less informed consumers.**

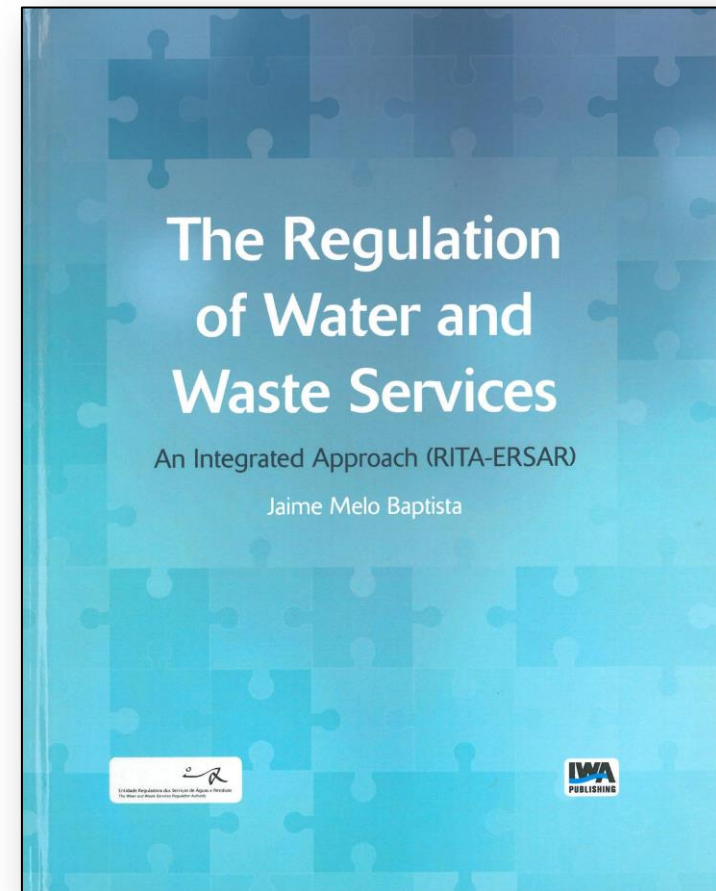
# Public policies for water services

- **The success of a public policy:**
  - The success depends on the ability to manage the implementation of all these components with a effective global and integrated approach.
- **The role of the regulation:**
  - Regulation should be seen as a component of public policies on water services, one out of various.
  - But has a very important role given the fact that it promotes or controls most of the remaining components.

# **Illustration - The results of public policy and the features of the regulatory model for water services in Portugal**

# Regulatory model for water services

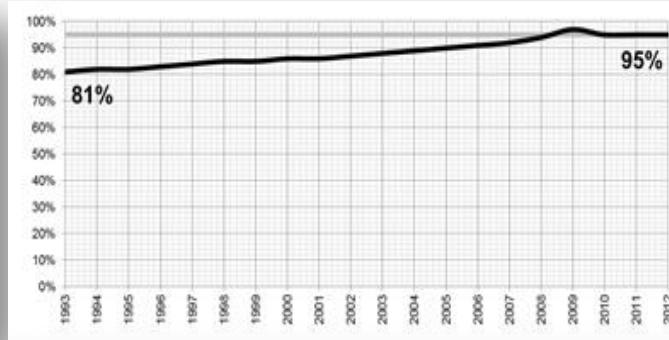
- We can approach the regulation of the water services in different ways.
- In Portugal we decided to implement regulation:
  - With an integrated (holistic) approach.
  - Operating at national level (mainland).
  - Regulating all the utilities, regardless their governance model (State-owned, municipal-owned and private).
  - Adopting a collaborative and pedagogic approach.



# Portugal: key indicators on water services

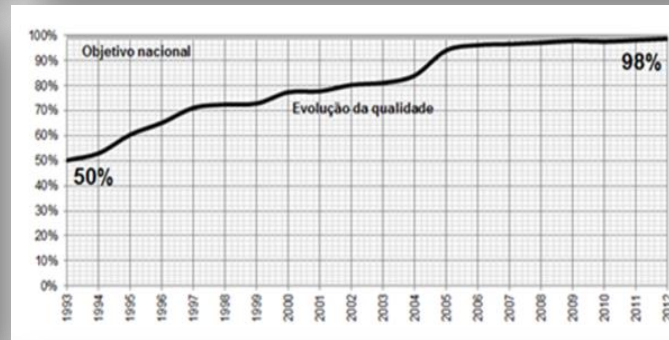
## ■ Water supply:

1993 - 2015



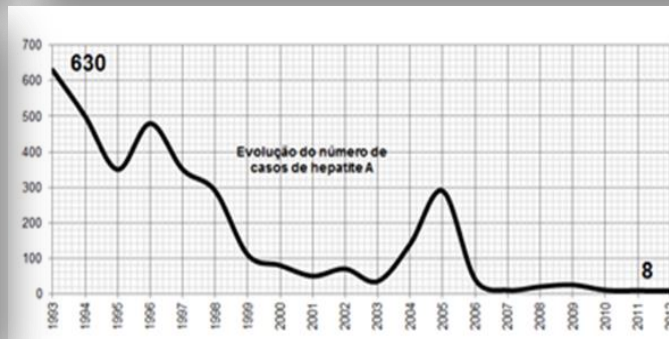
**81% ⇒ 95%**

Access to water supply



**50% ⇒ 98,2%**

Safe water: fully monitored and  
in compliance



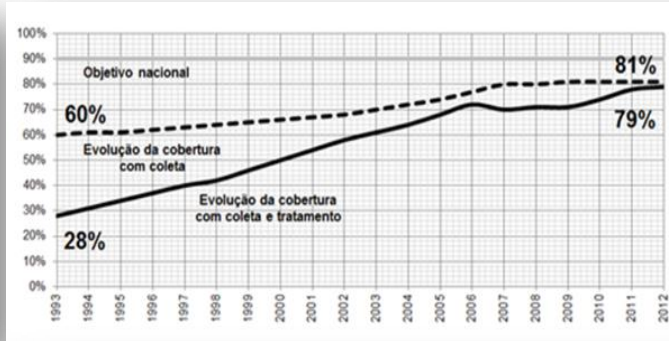
**630 ⇒ 8**

Hepatitis A incidents

# Portugal: key indicators on water services

## ■ Pollution abatement:

1993 - 2015



**60% ⇒ 81%**

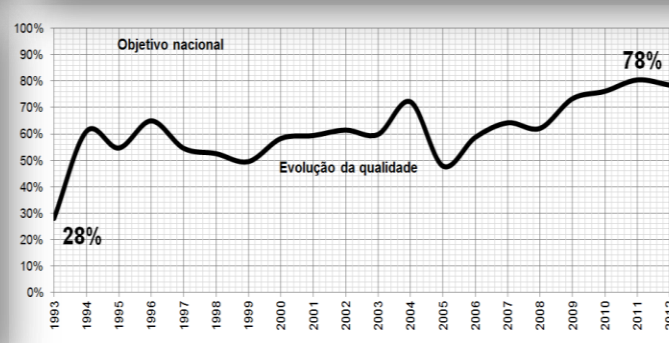
**28% ⇒ 79%**

Wastewater collection  
and treatment



**22% ⇒ 100%**

Waste management



**28% ⇒ 78%**

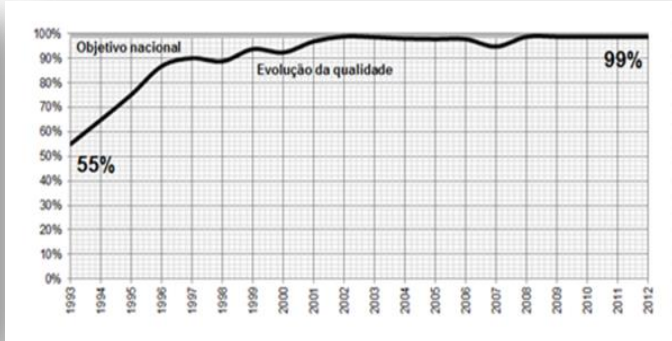
Water body quality



# Portugal: key indicators on water services

## ■ Environmental services:

1993 - 2015



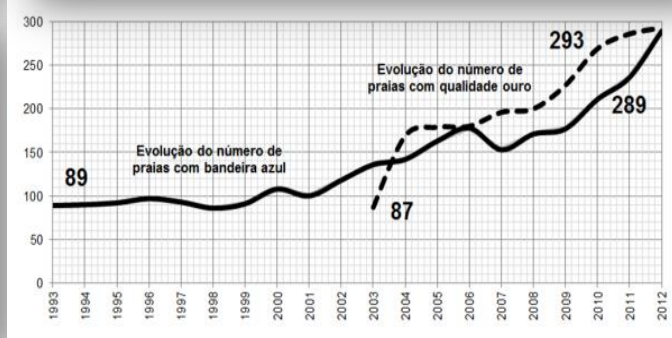
**55% ⇒ 99%**

Costal water quality



**17% ⇒ 95%**

Inland river beach quality



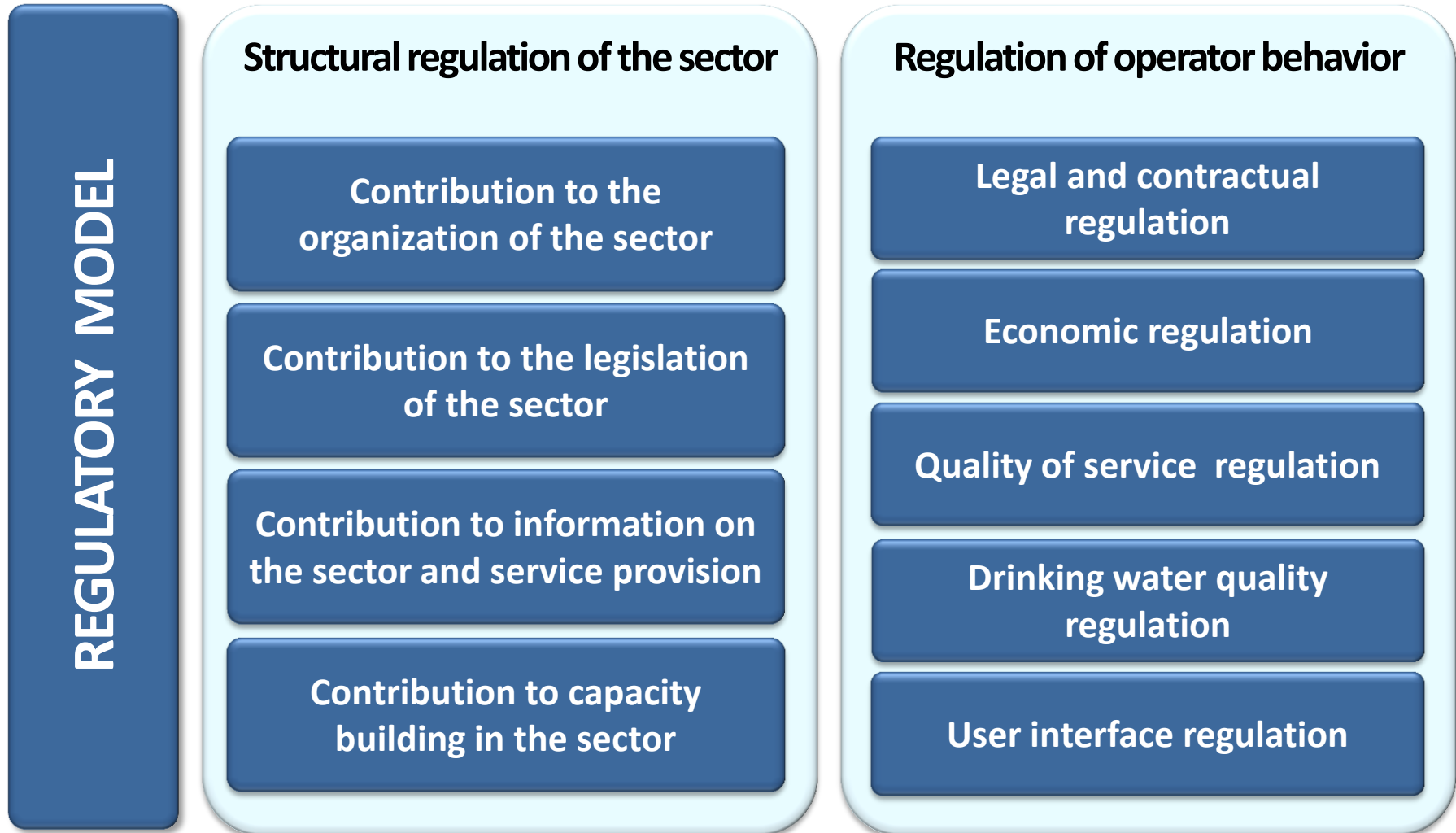
**89 ⇒ 289**

**87 ⇒ 293**

Coastal beach quality

# Regulatory model for water services

- The Portuguese Regulatory Integrated Approach (RITA-ERSAR regulation model):



- **Principles of effective regulatory frameworks:**
  - Regulation should be a part of public policies;
  - Ensure that all contributors to the service have clear objectives and means of action;
  - **Ensure an integrated regulatory approach;**
  - **Ensure an adequate level of institutional, functional and financial independence;**
  - **Providing separation between technical and political dimensions;**
  - **Ensure accountability and public scrutiny of activity;**
  - Promote the constitution of a competitive market;
  - Fosters a culture of comply standards and good practices;
  - Contribute to modernisation of public administration.

# Regulatory model for water services

The success of regulation depends on the ability to manage the implementation of its components, ensuring an effective **regulatory integrated approach** (ex. RITA-ERSAR model)



# Final remarks



# Final remarks

- **Based on 12 years of experience in Portugal, we can identify positive impacts of regulation:**
  - It is a powerful tool for an effective “public policy”.
  - It promotes or controls most of the components of the “public policy”.
  - It promotes short / medium / long term technical approach instead of short term politic approach.
  - It guaranties stability across time.
  - It introduces efficiency and effectiveness.
  - It guaranties more harmonization in the sector.
  - It guaranties independence from stakeholders.
  - It guaranties more transparency in the sector.
- **A Regulatory Integrated Approach with a “collaborative” and “pedagogic” environment can be an effective model.**



# Thank you for your attention!

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