

Lessons learned from water reform in Portugal

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WATER AND SEWERAGE CORPORATION
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INDAQUA



Parceria Portuguesa
para a Água

The international context on water services

- **UN Sustainable Development Goals 2016-2030:**
 - **Constitute the new agenda of action until 2030, to:**
 - end poverty;
 - promote prosperity and well-being;
 - protect the environment;
 - fight climate change.
 - **All countries come to share a common vision of the challenges of water.**
 - **Applicable to developed & developing countries, but not legally binding.**
 - **Monitored through indicators.**



How to comply with the new SDG and other international references?

The proposal of the Lisbon Charter

■ IWA adopted in 2015 the:

- **Lisbon Charter for Guiding the Public Policy and Regulation of Drinking Water Supply, Sanitation and Wastewater Management Services.**
- **With the principles for sound public policy and effective regulation of water services.**
- **Declaring the respective responsibilities, rights, and duties of the: governments; regulatory authorities; public administration; water utilities; users.**



The need for a sound public policy for water services

- **Public policies for water must in general includes several building blocks.**
- **Let's see it in more detail!**



- **Adoption of strategic plans for the sector:**
 - Formulation of national water resources strategies.
 - Formulation of national water services strategies.
 - Annual monitoring and reporting of execution.
- **Definition of legislative framework:**
 - Clarification of rules governing the sector.
 - Approving legislation (1st, 2nd and 3rd levels)
- **Definition of institutional framework:**
 - Clear responsibilities of service owners and providers
 - Clear responsibilities of the authorities: water resources, water services, environment, public health, consumers, competition, etc.



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



- **Definition of the tariff and tax policy:**
 - Promoting (a trend toward) full cost recovery.
 - Promotion of efficient & affordable tariffs.
 - Assessment of economic performance of operators.
 - Annual benchmarking between operators.
 - Assessment of the evolution of the performance.
- **Management of the financial resources:**
 - Large investment in water infrastructures.
 - Management of important financial resources.
- **Construction and renovation of the infrastructures:**
 - Planning, design, financing & construction.
 - Use of appropriate technologies.
 - Infrastructures asset management.



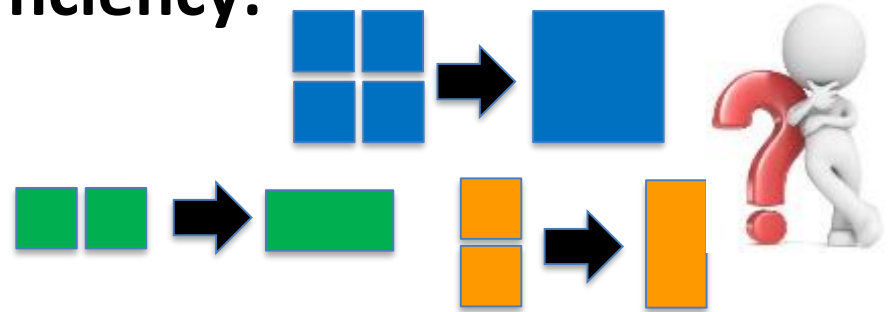
How to get more added value from each Euro?



■ Improving the structural efficiency:

- Search for:

- Scale economies;
- Scope economies;
- Process economies.



- Current trend to aggregate those local utilities (smaller number of larger and integrated utilities).

■ Improving the operational efficiency:

- Improve of efficiency by the utilities (commercial & physical water losses, energy efficiency, etc.).



■ Human resources capacity building:

- Skilled human resources.
- Experience on planning, design, financing, construction and operation.



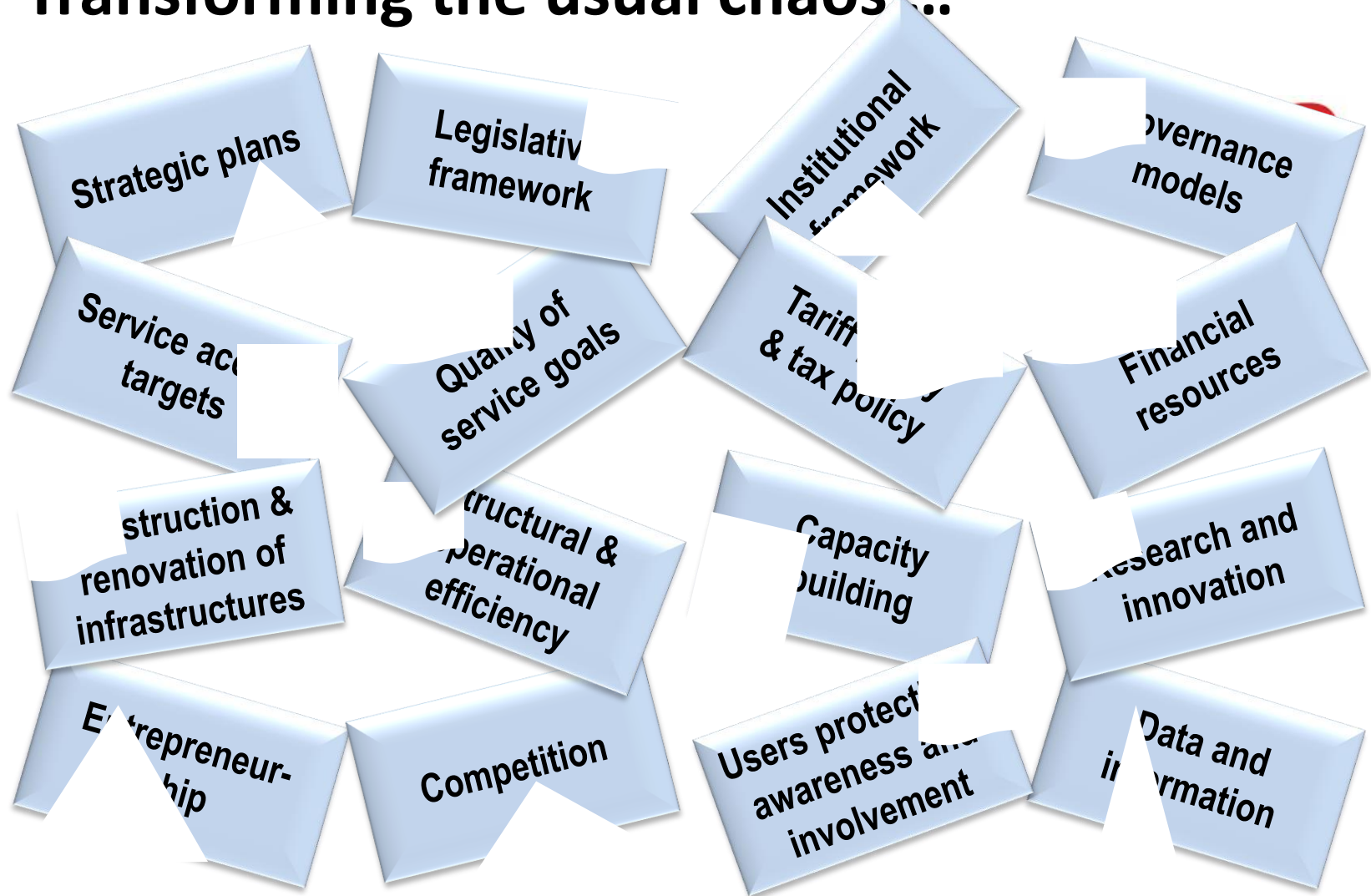
- **Promotion of research and development:**
 - Increasing participation of the Universities.
 - Activity on research and development with increasing links between university and industry.
- **Development of entrepreneurship:**
 - Improving the development of the water economy.
 - Generating new activities with employment creation.
- **Introduction of competition:**
 - Competition encourages innovation and progress.
 - In the case of natural or legal monopolies, promote virtual competition, ex. through benchmarking.
 - In the case of private involvement, competition in the market (tender procedures for the allocation of delegations, concessions and the provision of services).



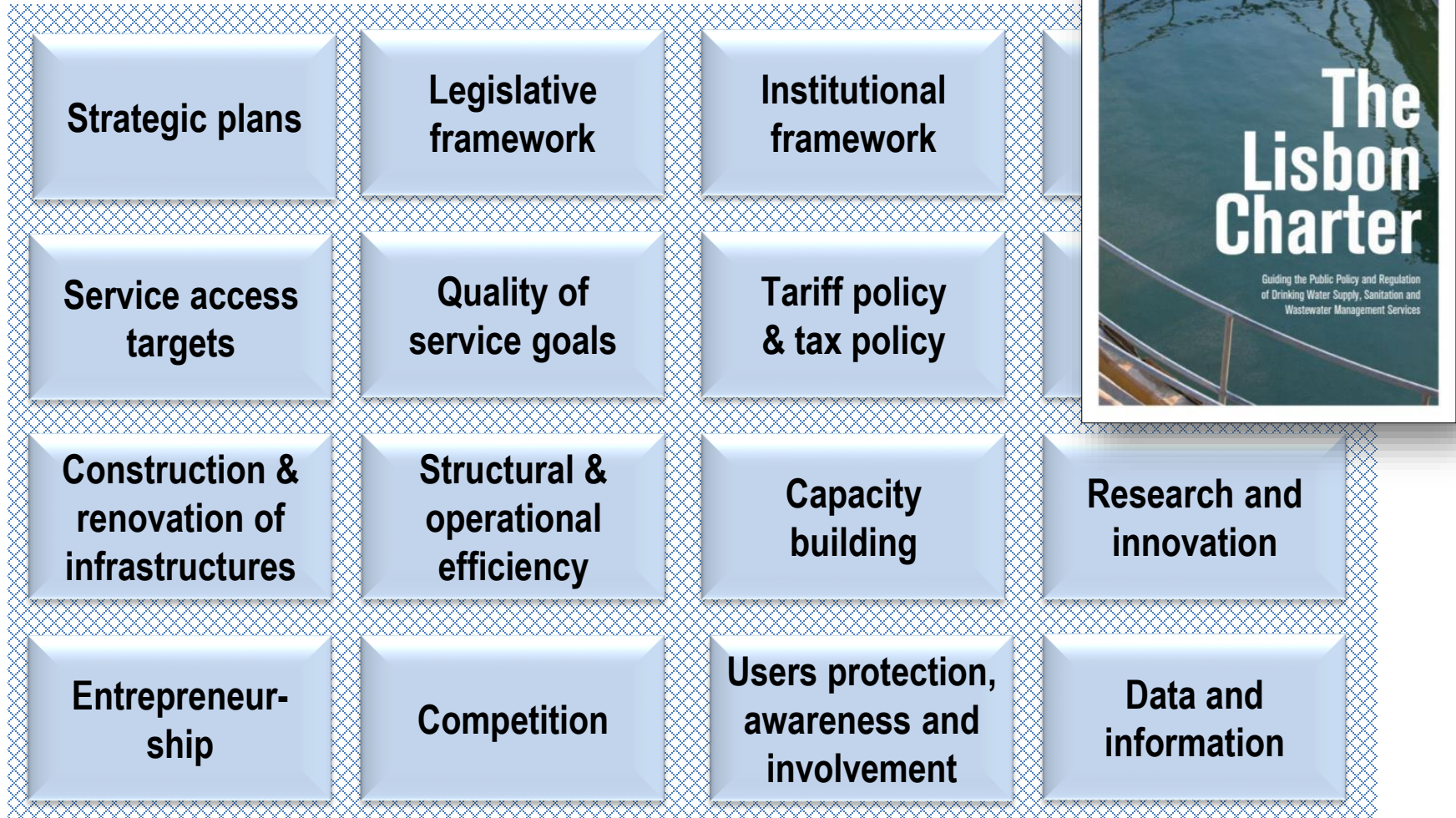
- **Users protection, awareness and involvement:**
 - **Assessment of the economic accessibility to the service based on an indicator of affordability.**
 - **Creation of tools to protect consumers in general.**
 - **Creation of tools to protect poor consumers.**
- **Provision of information:**
 - **Providing rigorous & comprehensive information.**
 - **Disseminate information at public level.**
 - **Guaranteeing ease-of-use by consumers.**
- **The success of a sound national public policy depends on a effective global and integrated implementation.**



■ Transforming the usual chaos ...



■ ... into an effective public policy:



The role of the regulation in the public policy for water services

- **Regulators have an very important role:**
 - **Regulation should be seen as one block of public policies on water services, one out various.**
 - **But it has a very important role given the fact that it promotes and or controls the remaining blocks.**



- **What is the regulation of water services?**
 - **Water services:**
 - Are of general interest services.
 - Have local or regional basis.
 - Are natural or legal monopolies.
 - **Risks associated with:**
 - There is no incentive in seeking greater "efficiency" and "effectiveness" by operators.
 - Increase the risks of prevalence of operators before users.
- **What is the aim of the regulation?**
 - Promote access to water services (provided under monopoly) with appropriate quality and socially affordable prices.



■ Regulatory model:

• Structural regulation of the sector:

- Contribution to the organisation of the sector.
- Contribution to the legislation of the sector.
- Contribution to the information of the sector.
- Contribution to the capacity building of the sector.



• Behavioural regulation of the utilities:

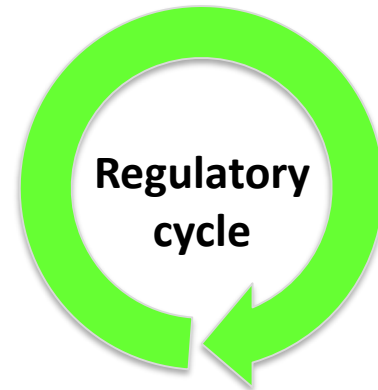
- Legal and contractual regulation.
- Economic regulation.
- Quality of service regulation.
- Drinking water quality regulation.
- Consumers interface regulation.



- **Contribution to the sector organisation:**
 - Cooperation with Government in the formulation of the national strategies.
 - Proposal of measures with the aim of resolution of dysfunctions.
 - Monitoring and regular reporting on the degree of implementation of the national strategy.
- **Contribution to the legislation of the sector:**
 - Proposing new legislation.
 - Proposing the upgrading of legislation.
 - Approving regulations.
 - Issuing recommendations.

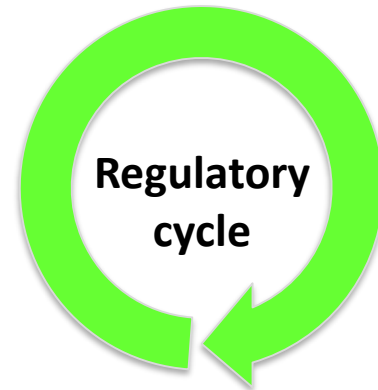
- **Contribution to the information of the sector:**
 - Providing rigorous and comprehensive information to all stakeholders.
 - Reducing information asymmetry.
 - Guaranteeing ease-of-use information for consumers.
- **Contribution to the capacity building of the sector:**
 - Promotion of innovation and technology in partnership with research centers and universities.
 - Edition of free technical guides for the utilities.
 - Promotion of training events.

- **Legal and contractual regulation:**
 - **Analysing the creation of new utilities.**
 - **Analysing tender processes.**
 - **Analysing contract documentation.**
 - **Analysing contract modifications.**
 - **Approving utility contracts with consumers.**
 - **Monitoring contractual compliance.**
 - **Promoting the conciliation.**
 - **Analysing contract terminations.**
 - **Assessing the global situation annually.**
 - **Disseminating information annually.**

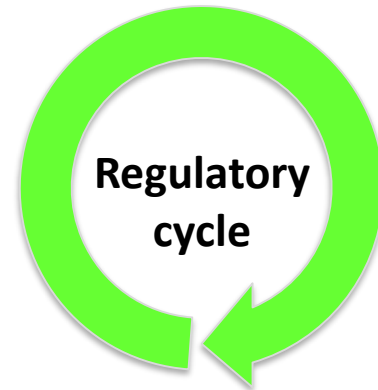


■ Economic regulation:

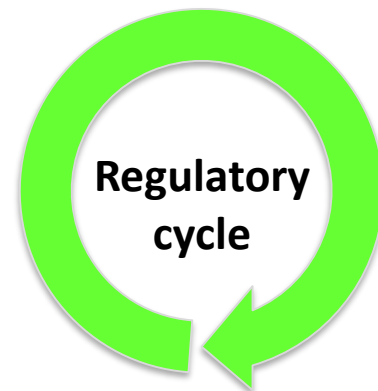
- Defining tariff principles and rules.
- Analysing proposals for updating tariffs.
- Allowing contradictory from the utility.
- Approving the tariffs.
- Auditing utility, monitoring tariff application.
- Requesting utility and validating input of data.
- Accessing the performance of the utility.
- Allowing contradictory from the utility.
- Benchmarking utilities.
- Accessing the evolution.
- Disseminating information annually.



- **Quality of service regulation:**
 - **Defining indicators for quality of service.**
 - **Defining targets for those indicators.**
 - **Requesting utility to input of data.**
 - **Validating data (1st stage - at office).**
 - **Validating data (2nd stage - local audits).**
 - **Accessing the utility's performance.**
 - **Allowing contradictory from the utility.**
 - **Benchmarking between utilities.**
 - **Accessing the evolution on time.**
 - **Disseminating information annually.**

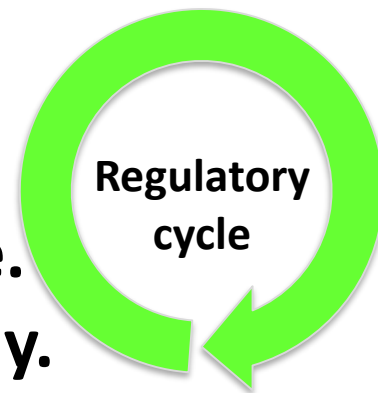


- **Drinking water quality regulation:**
 - **Defining indicators / targets for water quality.**
 - **Approving the monitoring program.**
 - **Auditing utility and laboratory.**
 - **Receiving on time incompliances information.**
 - **Monitoring the resolution of compliances.**
 - **Asking utility to input data from the last year.**
 - **Validating data.**
 - **Accessing the utility's performance.**
 - **Allowing contradictory from the utility.**
 - **Benchmarking utilities.**
 - **Accessing the evolution on time.**
 - **Disseminating information annually.**



■ User interface regulation:

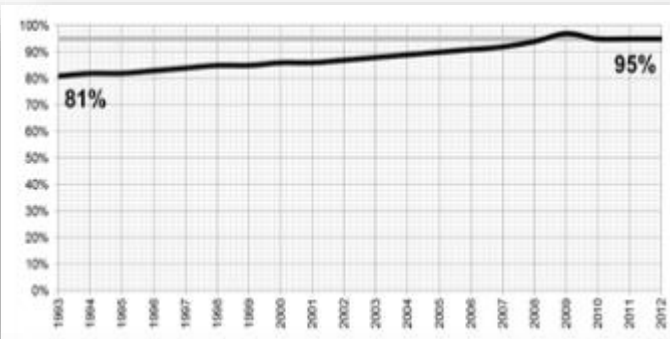
- Guaranteeing the information to the consumer.
- Guaranteeing the right to consumer complaining.
- Receiving the complaint in 10 days max.
- Contacting both parts.
- Recommending the solution.
- Suggesting court if someone do not agree.
- Monitoring the set of complaints annually.
- Disseminating information annually.



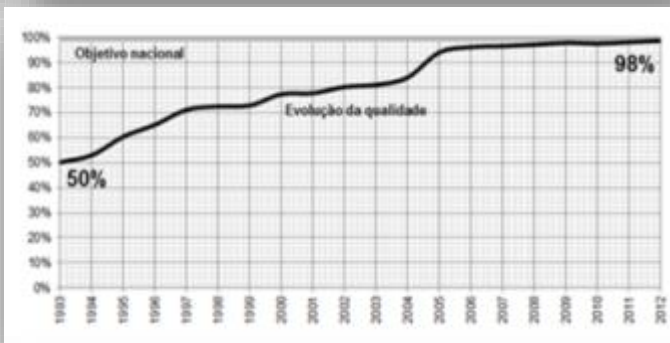
The results in Portugal between 1993 and 2017

- **Portugal as case study:**
 - **Notable water reform in Portugal (1993-2015).**
 - **A strong regulator (ERSAR) was created (2000).**
 - **Mobilized large investments (10 000 M €) on water services in the last 25 years.**
 - **Planned to invest more 3 700 M€ until 2020.**
 - **Spend 2 000 M€ annually with management. operation & maintenance of the services.**
 - **Currently has valuable public infrastructure assets,.**
 - **Many successes have been achieved but also some mistakes was made.**

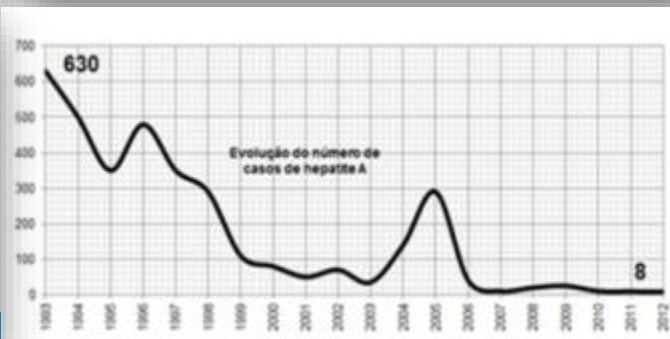
■ The Portuguese public policy results:



Water supply:
81% ⇒ 96%

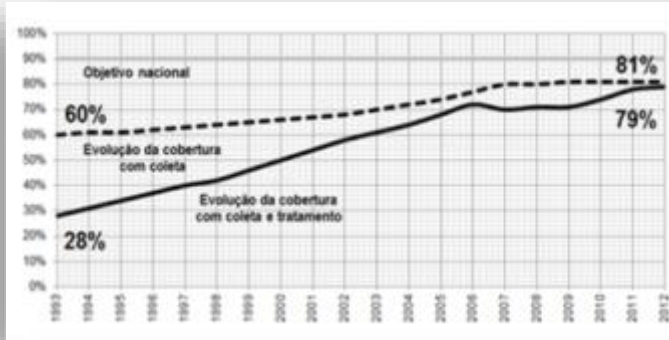


Water quality:
50% ⇒ 99%

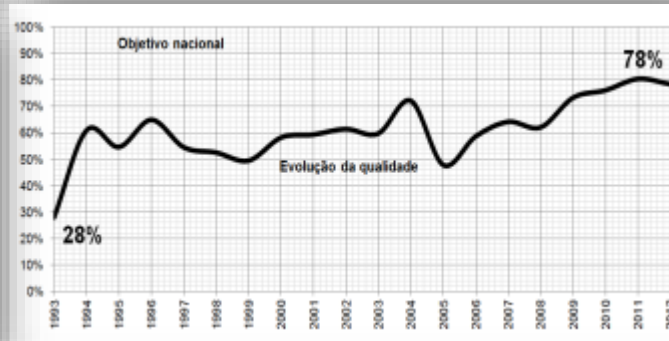


Hepatitis A:
630 ⇒ 8

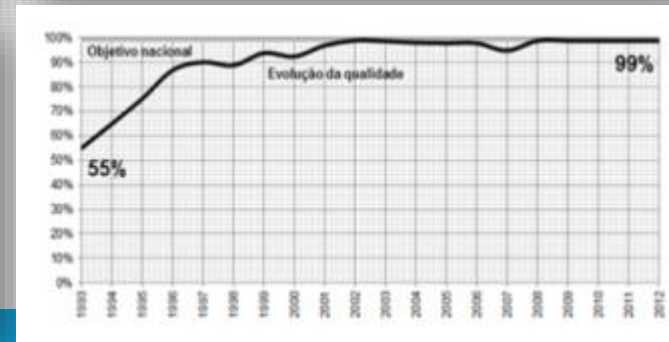
■ The Portuguese public policy results:



Wastewater:
28% ⇒ 82%



Water resources:
28% ⇒ 78%



Costal beaches
55% ⇒ 99%



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Better water governance for a better world!