



# Water and wastewater service performance monitoring in Palestine: An economic instruments for service efficiency improvement and sustainability

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The water sector in Palestine as well as in a number of Arab Countries is highly fragmented with approximately 500 water and wastewater service providers in the West Bank and Gaza Strip of varying types including utilities, municipal departments, joint service councils, NGOs and private service providers.

Given all above, the sector and in addition to the Israeli control over water resources is facing serious challenges including:

- One of the lowest per capita water availabilities in the region
- Territorial fragmentation leading to different approaches and different water service providers
- Operational inefficiencies lead to interruption, high NRW and pollution
- Insufficient customer satisfaction
- Chronic under investment for infrastructure development
- Insufficient ring-fencing of revenues in the water sector
- Insufficient corporate governance

It is clear from the foregoing that the country needs a well-defined regulatory framework that can respond to the challenges facing the sector, in particular if the long-term vision of “access to safe, adequate and sustainable water supply for all by 2025” is to be achieved.

In December 14th, 2009, the Cabinet of Ministers of the Palestinian National Authority endorsed the “Action Plan for Reform” towards the definition and implementation of a comprehensive program of institutional and legislative reform in the Palestinian water sector. The establishment of a Water Sector Regulatory Council was proposed. WSRC is to monitor operational performance related activities of water service providers including production, transportation, distribution, consumption, wastewater collection, treatment and disposal, and reuse of treated wastewater for irrigation.

## Basic functions of the economic regulator in Palestine

- Approval of water prices and construction costs of water and sanitation services.
- Issue operational licenses to S.P's.

- Supervise and inspect compliance with the conditions, requirements and indicators stipulated in the licenses.
- Develop performance incentives systems.
- Monitor operation processes related to the production, transport, and distribution of water and wastewater.
- Make sure that costs of production, transport, distribution and wastewater treatment protect the interests of all concerned parties.
- Monitor Water Supply Agreements.
- Set and disseminate quality assurance standards for technical and administrative services provided by S.Ps.
- Create a database with technical, financial and statistical information.
- Addressing complaints between service providers and consumers.

## Characteristics of a sound economic regulatory framework

The WSRC has completed reporting the “financial and commercial viability of water and wastewater service providers in Palestine” describing the findings and recommendations for developing the Action Plan (Road Map) for a fully sustained service. This road map, although prepared for Palestine, still, other SP can make use of it, and drivers for improvements can be implemented elsewhere.

Effective economic regulation benefits the sector through improved performance, increased coverage and enhanced private sector participation.

## Performance monitoring aiming at SP sustainability

The WSRC performance monitoring, although covers technical, financial, quality and other indicators including gender and governance, it gives high attention to economic-related issues and indicators including: tariff calculation, reviews and adjustments, collection efficiency, operational costs (personnel, energy, purchased water cost, O&M, and working efficiency), Service providers indebtedness, incentives, and Israeli deductions from the general taxes.

Based on all above, the council has completed the 2014, 2015, 2016 and 2017 service providers performance reports coupled with time-based comparative reports for the same period.

The 2017 performance report issued in December 2018 has covered 90 water and wastewater service providers in the West Bank and the Gaza strip; 22 key performance indicators were used in addition to 9 sub indicators covering the technical, financial and quality issues. In addition, indicator on staff efficiency and gender is included.

A decline in the percentage of collection of water fees for a large percentage of service providers was noted, this will inevitably have a negative impact on the overall performance and increase the burden of debt whether for the PA, and the decline in the follow up on maintenance of water systems or the capacity to develop and improve performance in general. The noticeable decline was in the increase in water losses which we noted for most of the service providers. Cost of energy and staff per cubic meter of water is still on a rise for several service providers. This is one of the direct reasons behind the increase of the total cost per cubic meter of water, and necessitates an immediate audit of the electricity systems and a quick review of the employment policy of SPs.

#### **Summary of the above can be as follows**

Low fees collection rates, limited cost coverages, non-approved tariff structures, unsuitable billing and accounting systems, limited assets and depreciation data, limited water quality in a number of localities including Gaza. The above findings are key instrument for prioritization of interventions, planning and policy update. The presentation will

show data regarding the above and a list of recommendations and follow up measures to be considered by related stakeholders.

#### **Drivers for SP sustainability and economic viability**

The council has recommended the following drivers for service providers:

- Regrouping service providers in larger and autonomous units, such as utilities and JSC;
- Defining SP individual targets based on national targets and benchmarks;
- Strengthening public awareness and stimulating client orientations;
- Increase the prepaid meters coverage;
- Strengthening management and operational capacities;
- Strengthening billing and collection procedures and system, including updating customer database;
- Carry out value chain analysis of the operators to see where cost reduction and performance improvement could be achieved;
- Review the options for outsourcing activities and possibly PPP;
- Target asset management and valuation, which would form the basis for defining the depreciation of assets;
- Reduce the percentage of non-revenue water, through institutional, operation and maintenance planning.