

URBAN WATER MANAGEMENT – A Transformation Strategy for KWSB

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Introduction

- Urban water management (UWN) was one of the priority areas identified by HF Think Tank.
- We have used KWSB as a model, as it is the largest water utility in Pakistan.
- The paper focuses on water governance issues – core problem as we feel that if the governance issues are answered, other solutions will fall in place.
- Most of you are from the water sector and well informed about the problems of KWSB and water in Karachi, so I will not dwell on stating the issues.
- Given the limited time available, I am presenting the recommendations made in the paper.

Some statistics related to the Water in Karachi

Water Availability in Karachi

Population of Karachi (projected)	16 million
Total available supply	670 MGD
Water loss 35%	235 MGD
Net supply	435 MGD
Demand	1270 MGD
Current short fall (demand – supply)	600 MGD
Non-revenue water (NRW)	40 - 60 %
Additional water required every 5 years for next 15 years at current projection rates next 15 years	100 MGD
Water demand by 2020	1400 MGD
Average duration of water supply available	2 - 4 hours/day

Source: Karachi Water Supply and Sewerage Board

- Enough of debate, discussions and deliberations – time for actions
- Solutions focusing on governance – a major aspect if addressed will have domino effect and will cure many of the problems facing KWSB

- The government has failed and will continue to fail, not an option for solution, needs help
- No need to re-invent the wheel, enough regional and global examples available for us to learn, adapt and implement

- “Good Practices Urban Water Management” study by ADB in 2012 covering 8 major cities of Asia, success stories.
- Colombo, Singapore, Phnom Penh, Kuala Lumpur, Shenzhen, Bangkok, Jamshedpur and Manila
- Our recommendations are based on the success of other water utilities in Asia who have transformed their operations. City of Manila comes closest to Karachi and we can learn and borrow from their experience.

Manila Alternative – The Success Recipe

Fundamentals

- Having dynamic leadership at top
- Use of integrated water management policy
- Corporatization of water utilities (PPP/strategic investor)
- Effectively regulating private sector participation

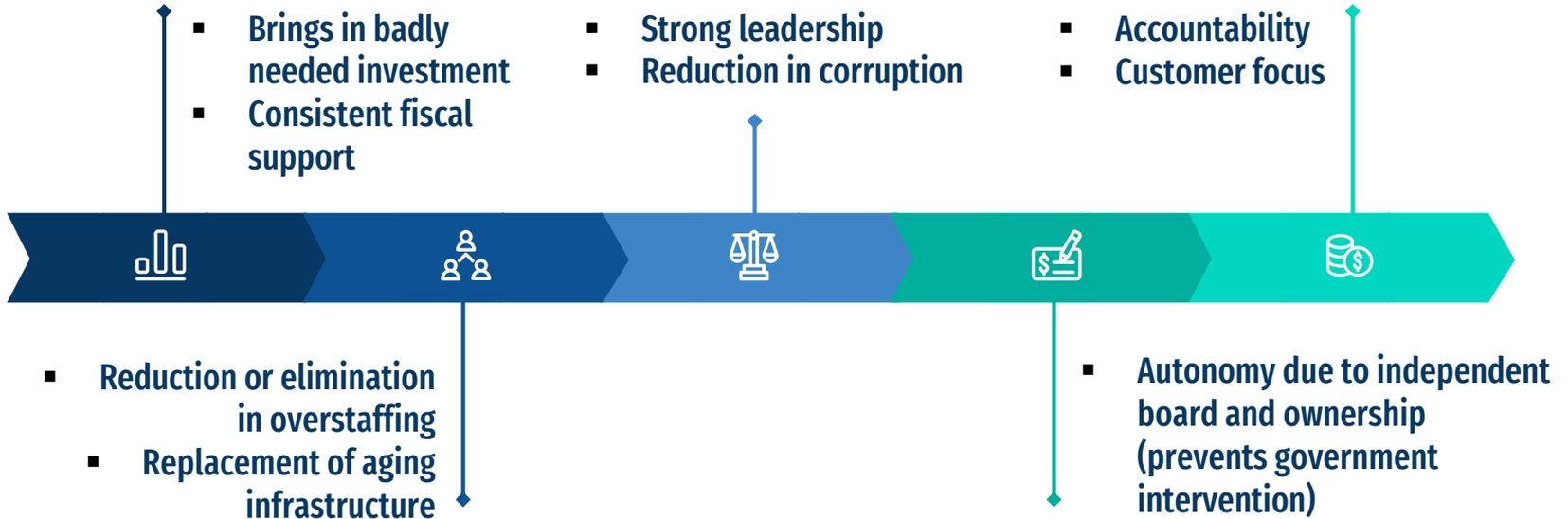
Financial and Human Resource Management

- Improving staff productivity
- Pricing water for efficiency and sustainability
- Improving revenue collection
- Setting wastewater tariffs

Service Delivery

- Increasing coverage and improving water availability
- Reducing non-revenue water
- Securing clean, safe and reliable water supplies
- Adopting the practices of demand-side management
- Improving the wastewater and sewerage systems
- Monitoring and reporting effectively

Partnering with Investor/Operator



Telecom Sector | Banking Sector | Karachi Electric

Entity	Pre-Privatization (profit after tax)	Current Stature (profit after tax in billions)	Number of Employees before Privatization	Number of Employees after Privatization
UBL-Bestway	267 million loss	21.96	22,500	13,000
HBL-AKFED	4.1 billion loss	31.80	31,000	19,000
KE-Abraaj	8.11 billion loss	3.73	17,436	10,603
PTCL-Etisalat	27 billion	1.86	64,000	32,000
MCB-Mansha	231 million	25.55	8,000	10,601

KWSB must immediately plan to embark on a modernization strategy to tackle the rising demand for its service in accordance with the international best practices.

This drive towards modernization may be based on a deregulation model. As opposed to traditional model of Public Private Partnership, we suggest an alternate vehicle to be called **“Government Investor Public Partnership” (GIPP)**

Primary goal of this transition should focus on the governance and institutional reform and creating an enabling environment

Formulation of revised vision, mission, strategy and business plan for KWSB.

The GIPP agreement should result in the corporatization for accountability of KWSB.

Define a clear course of its action to engaging with the key stakeholders, especially a citizens body for direct engagement with the customers and the citizens. This would also include a initiating a continuous media campaign (social media, print, broadcast) and connecting with a new generation of users (under 40 age group which constitute the bulk of city's population).

Make financial sustainability the center piece of its 'turnaround' strategy. This would require entering into new relationships with its partners, i.e. the provincial government, municipal bodies and independent private investors.

“Government Investor Public Partnership” (GIPP)

- a) **Government:** will be represented by bureaucrats or officials nominated by the government)
- b) **Investors:** Representative of the investors/contractors to be contracted for operations of KWSB
- c) **Public:** will be represented by elected officials (city councillors and local body representatives or members from citizen’s bodies). This may fully address the governance challenge that KWSB has been encountering for last many years and it now requires a bold and innovative method of dealing with it.

As part of its 'modernization and turnaround strategy', we strongly recommend entering into an arrangement with Investor/Operator through a transparent process of a "Concession" Agreement:

- The government to remain an Asset owner and Regulator.
- The government will remain a sizable shareholder with representation on board
- Given the size of Karachi, consider appointing more than Investor/Operator
- Ensure induction of financial resources for investment into infrastructure and human resources.
- Pro-poor strategies and connecting the under-served as integral element of the Agreement.

More specifically the "Concession Agreement" should ensure that:

- Involves investment of private capital to design, finance, construct, operate and maintain a project for public use for a specific term during which the investor is entitled to collect revenue from the users-agreement/ concession agreement.
- Frees state resources and brings in income through taxes
- Goal- must be to provide safe piped water to all residents.
- Continuous water supply for all 24 x 7 availability of water (this should be aim).
- Universal metering
- Effective management of Unaccounted-for-Water and Non-revenue Water.
- High revenue collection efficiency

THANK YOU



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