

The Establishment of the Water Sector Regulatory Council

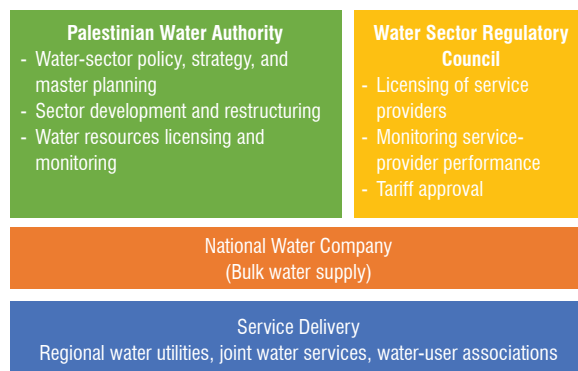


By Mohammad Said Al Hmaid

he water sector in Palestine faces many challenges, among them insufficient water availability, consumer orientation, lack of transparency and accountability, underinvestment in maintenance and infrastructure, and lack of cooperation between key stakeholders. These challenges have long been fully acknowledged by water-sector specialists, donors, and key stakeholders in the sector. Thus in 2009, the Action Plan for Reform was endorsed as a first step, while The

2014 Water Law – New Institutional Setup

Water-Sector Reform



Institutional Water Sector Review of 2011 and the New Water Law of 2014 constitute the subsequent milestones in the reform process that led to the establishment of the Water Sector Regulatory Council (WSRC) in 2014. The following chart outlines the various stakeholders and their respective duties.

There are a number of added values associated with a regulatory council.

Worldwide experience has shown that regulation increases the overall performance of a sector and the self-financing of utilities, makes the sector more transparent, stabilizes its development, increases the prominence and visibility of the sector, and strengthens national ownership. International experience has further shown that a regulator is especially needed for the water sector because the consumer doesn't have a choice among various providers but is rather dependent on one provider. This lack of alternative choices and competition might lead to higher prices and in extreme cases cause a lack of proper water supply or of well-functioning wastewater services. A regulator aims to assess the services and prices for the consumer while taking into account investments and cost recovery for the water-service providers, thus balancing the needs of the consumer with the needs of the water-service providers. In addition, the regulator helps to implement public policies and to create transparency, accountability, and sustainability of water-service provision.

In Palestine then, the added values of the council cover the entire water sector: the Palestinian Water Authority (PWA), donors, and service providers, as well as customers. An integrated management approach to water resources is to be emphasized and will lead to the better realization of sustainable financial strategies for the water sector. Regulation should stop the drain on the government's budget

that is due to unpaid bulk water bills; it will help to stop subsidies for utilities once cost recovery has been achieved, increase information on the situation in the sector, support the implementation of the governmental policies, and contribute to environmental safety.

The key stakeholders within the water sector are the **customers** who should be provided with better services.

Service providers (SPs) should feel the impact of the council in terms of being able to achieve full cost recovery and improve their sustainability; compatibility with PWA policies and readiness for amalgamation with other institutions should be facilitated, and customer satisfaction should be realized. Regulation recognizes good performance through a benchmarking system; it supports fund mobilization, provides orientation to boards of directors and management for better decision making (e.g., cost recovery, risk management), and gives arguments to protect management from external interference.

Donors working within the sector will find within the council a central, reliable, accessible, and updated database for service providers, more accurate and reliable cost and financial reports, and a needs-based future capacity-building and training program. With this, regulation leads to a higher credibility of the sector and the individual water utilities, enables a better overview of the sector for improved decision-making on funding, and supports sustainability of the sector.

At a national level, the council intends to minimize the drain of public money to Israeli authorities. It will work with other institutions on a gradual settling of SP debts to the PA (\$1.3 billion) and aim to make the SPs self-sufficient. The regulator shall be driven by the principle of balancing prices with level of services while keeping transparency and good governance as a guiding tool. A reduction of non-revenue water

(that is, water that has been “lost” before it reaches the customer; losses can be physical/real, such as through leakage, or apparent, such as through theft or faulty meters) should increase the availability of water and aim to satisfy basic customer health and social needs, thus improving the quality of life of the entire public. The regulatory council shall increase continuity of service, ensure fair water prices, ensure safe water quality, increase good management of consumer complaints, increase the functioning of the wastewater system, support efforts that lead to a cleaner environment, and provide more detailed and reliable information regarding all aspects of the sector.

A number of intermediate steps led to the institution of the regulatory council in Palestine. In December 2009, the cabinet of ministers of the Palestinian National Authority (PNA) endorsed the Action Plan for Reform to define and implement a comprehensive program of institutional and legislative reform in the Palestinian water sector. The overall framework of the reform process envisioned a new distribution of responsibilities and authorities and aimed to split policy from the regulatory functions, which previously (and since its establishment in 1996) had been carried out by the PWA. It envisioned the establishment of a Water Sector Regulatory Council as an entity that is independent from the PWA, included directives to transform the West Bank Water Department (WBWD) into a National Water Company to be owned by the State of Palestine, and finally gave the PWA the mandate for the establishment of the Regional Water Utilities and the Water User Associations.

In 2011, the Institutional Water Sector Review (IWSR) formulated the following needs for the sector.



In June 2014, the new water law was passed that incorporated solutions for the issues raised in the 2011 IWSR. The water law outlines the core functions of WSRC as follows:



Photo by Shareef Sarhan.

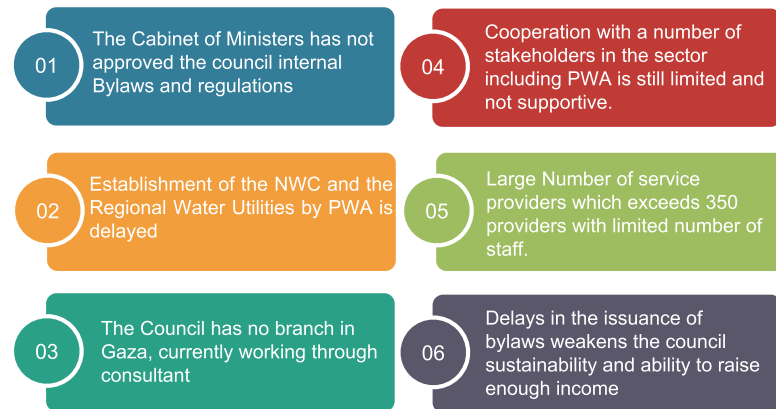
According to points 5 and 7 above, the water law issued the establishment of a WSRC. The cabinet of ministers recommended the institution of a board of directors made up of a chairperson and six members for oversight of the WSRC, and in August 2014, the president issued the decision that formed the seven-member board of directors, two of them to represent the public sector and the remaining five to represent experts and the private sector.

The establishment of the WSRC theoretically achieved a separation of responsibilities within the sector. A road map for its establishment and operation was prepared by its board of directors in October 2014 and comprised a description of the overall

implementation approach that included detailed implementation activities, the required amounts of donor support, and a work plan for the first year. According to these plans, the council is to ensure water- and wastewater-service quality and efficiency to consumers in Palestine at affordable prices; it will monitor operational, performance-related activities of water- and wastewater-service providers that include water production, transportation, distribution, and consumption. It furthermore covers wastewater collection, treatment, and disposal, as well as reuse of treated wastewater for irrigation. The internal bylaws and a number of technical procedures, guidelines, and modules that include water-tariff-adjustments modules, water-balance modules, and cost calculations were submitted to the cabinet of ministers for approval. A legal review of the water law that includes a comparison of the council’s mandate with other legal tools and financial procedures has been completed.

However, before the WSRC can claim full readiness for water and wastewater monitoring, there remain a number of other tools that are still to be completed. This includes the establishment of a baseline-data and situational report on the operational processes of water and wastewater services that covers

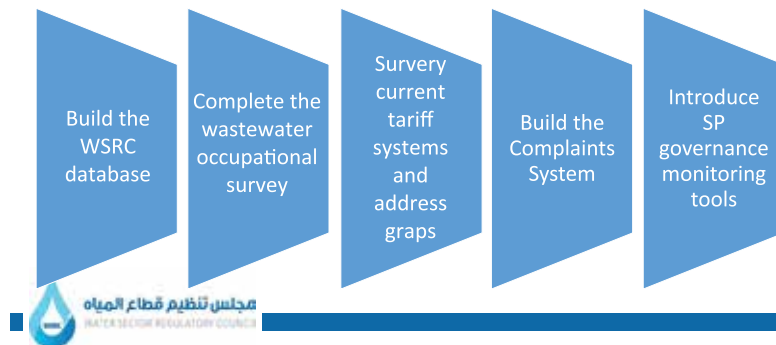
production, treatment, transportation, and distribution. At the same time, a situational report on the tariff structures and procedures adopted by service providers is to be documented and analyzed. Challenges that may delay the implementation of the mandated tasks include the following points.



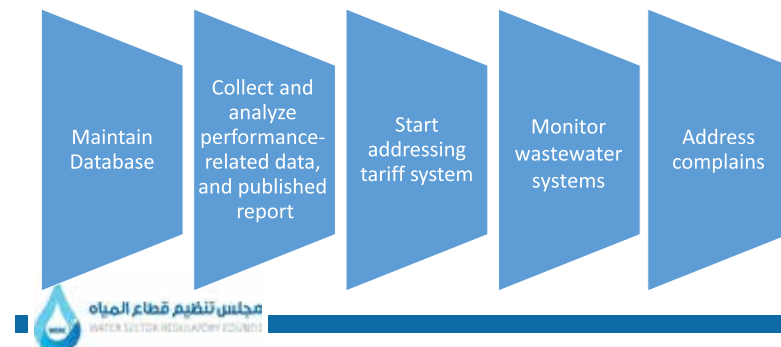
With the endorsement of the 2014 Palestinian Water Law and the corresponding establishment of the WSRC, a new water culture is desirable to deal with the numerous challenges the sector faces today; the demand for water services continues to increase, still controlled by the Israeli restrictions, and is driven by the growing population, urbanization. Thus, water resources are exhaustible. To improve access, we have to start by recognizing these challenges. It is true that water is a gift from God, but making it available requires collective efforts. Thus, it cannot be free.

Efforts are under way to address these challenges, and it is hoped that the regulatory council will be functioning and operational by the fall of 2016. Its tasks for implementation and long-term operation have been clearly established.

The Way Forward



The Way Forward



Mohammad Said Al Hmadi is a policy and strategic water and environmental specialist with broad professional experience in Palestine, Iraq, Jordan, and the United Arab Emirates, where he has been engaged in institutional building, waste management, infrastructure, food security, emergency response, employment generation, vocational training, and environmental improvement programs. A graduate of the University of Loughborough, United Kingdom, he is a key founder of a number of environmental institutions in Palestine that include the community health unit of Birzeit University, the environmental planning directorate within the Ministry of Planning, the Environmental Authority, Palestine Solar and Sustainable Energy society, CHF International in Palestine, the Palestine Recycling Company, and recently, the Water Sector Regulatory Council. Mr. Hmadi has published and presented various papers at international conferences, represented Palestine in international-related functions, and prepared institutional bylaws, manuals, policy papers, and procedures.

