

# **Wrap up and Closing Remarks**

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# Why is NRW reduction so important?

Reducing NRW delivers multiple benefits:

1. **Improves customer service levels** – higher pressures and/or better continuity and/or expanded coverage
2. **Enhances asset lives and utility management** – NRW reduction leads to improved level of service (24/7)
3. **Improves utility financial performance by reducing costs and increasing revenues** (also benefitting government finances!)
4. **Makes cities more competitive** when accompanied by service improvement
5. **Improves climate resilience** by reducing demand on scarce water resources
6. **Reduces emission of GHGs** – less energy/m<sup>3</sup> delivered

This is not a “win win” (W<sup>2</sup>) - it is a “**win win win win win win**” (W<sup>6</sup>)

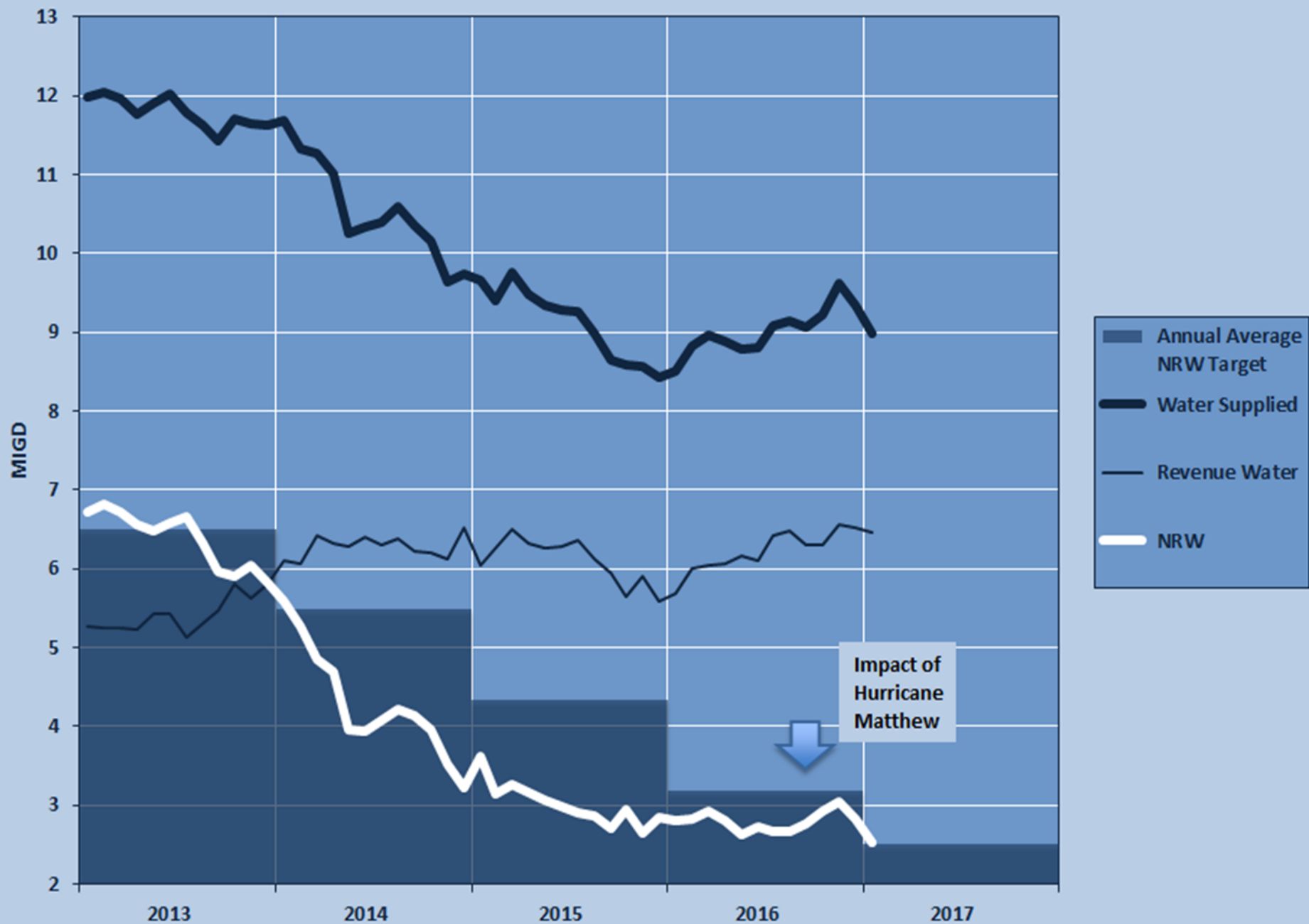
# What are the Key Features of a PBC?

- **Defines desired outputs** and outcomes within a given time frame
- **Links the achievement** of set targets to relevant remuneration
- **Focuses on results** and thus provides the contractor with some flexibility on deciding how it will achieve its targets, it is not prescriptive
- **Applies to a wide variety** of services and contracts

# Designing the contract and incentives framework: “...the devil is in the detail....”

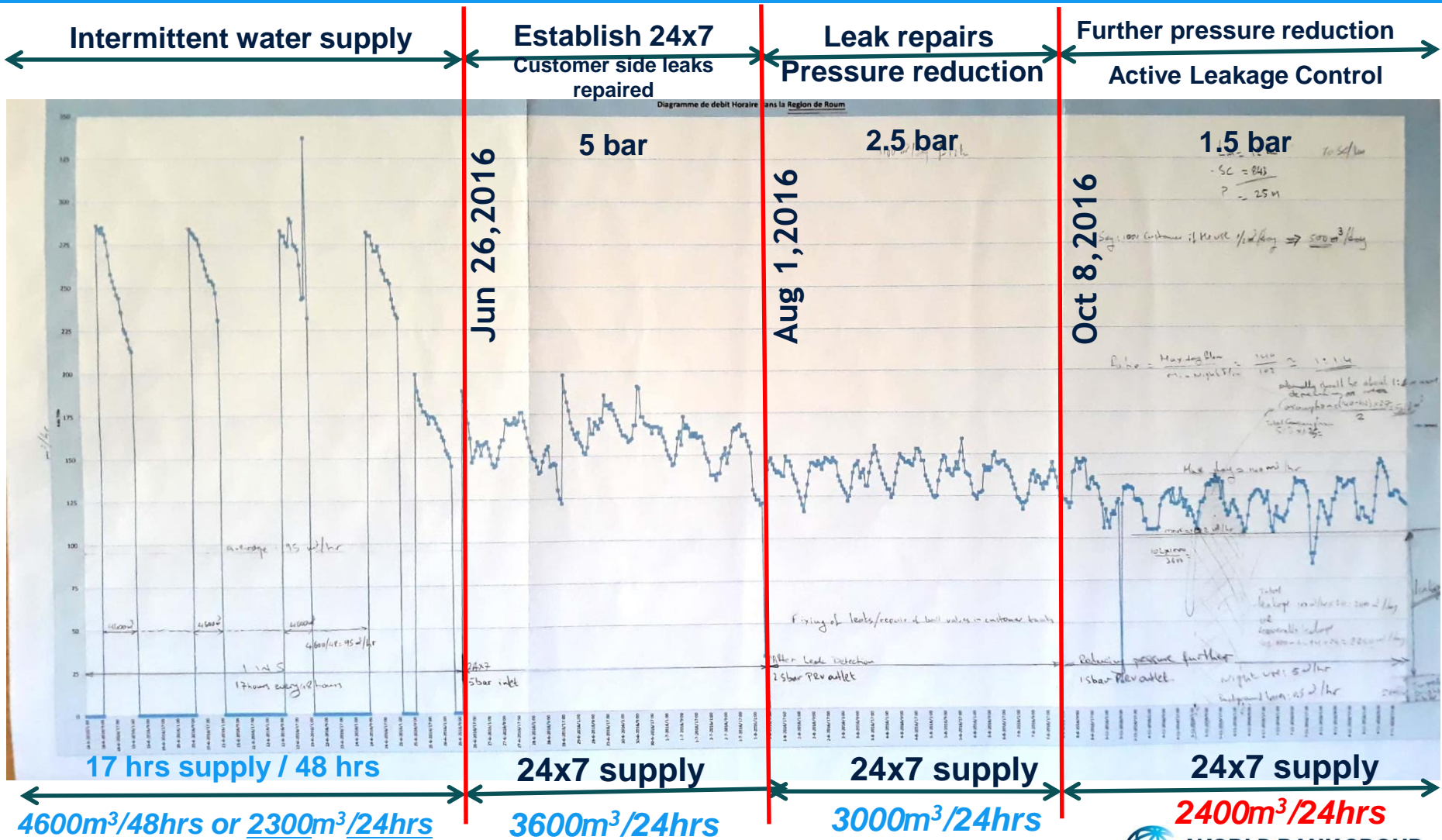
- **Ring Fencing** – interface between the contractor and utility’s operations needs to be carefully considered
- **Remuneration/Risk** – striking a proper balance between fixed and variable payment, fair sharing of risk
- **A good baseline is critical** – agreed by both parties
- **Target setting** – ‘achievable’ (i.e. realistic) and sufficiently ambitious
- **Performance measurement** – Choosing the right NRW indicator: e.g. **m3 reduction per day** instead of % losses
- **Sustainability** – ensuring that the gains achieved can be made sustainable
- **There is no blueprint** – well designed PBCs are heavily customized contractual PPP instruments

# New Providence NRW Reduction 2013-17

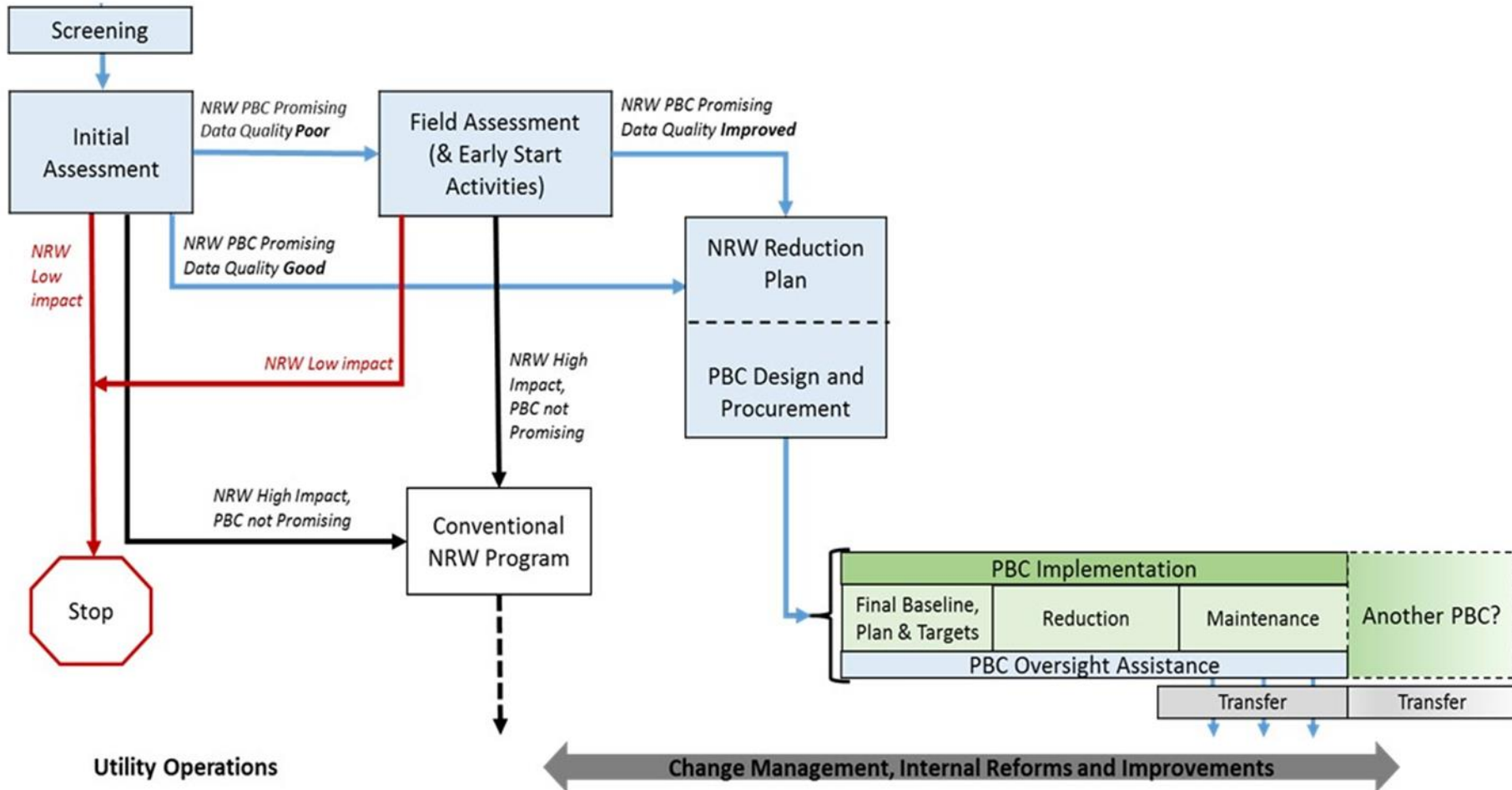


# Transitioning from IWS to 24x7

(DMA example: Lm=12km, Sc=840)



# PBC Implementation Process Overview



# Closing Remarks (1/2)

- **High NRW levels** in the Balkans and Eastern Europe – 40 to 60% of SIV
- **Little effort** has been made so far to reduce these levels
- Network is approximately **70% of utility's assets**
- **NRW is a core measure** of how a utility is managed
- Reducing water losses **is at the heart of utility management** – and always has been!
- **Why NRW levels** are high:
  - Capacity is not an issue
  - Equipment is readily available
  - Incentives are missing – you perform... you get paid
- **NRW PBCs are increasingly** seen as a tool to help utilities



# Closing Remarks (2/2)

- **PBC has incentives....** you perform ..... you get paid
- **Solutions have to be tailored** to address the specific problem and the varied risk/reward profiles of each client
- **PBCs are very relevant** in the Balkans and Eastern Europe
- **Need to change mind sets:–**
  - Leadership (water loss is our core business)
  - Incentive structure (e.g. extra payment to the staff)
  - PBC can help
- IFIs (WB, IDB, EIB, EBRD....) **are supporting projects** and the **global effort** for reducing NRW
- **SUCCESS REQUIRES THE COOPERATION OF ALL**

# Thank You For your Attention!!



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