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**Folder Title:** Privatization - Lessons of Experience - Public Utilities - Other Sector Specific Materials - Water - Correspondence

**Folder ID:** 30455513

**Series:** Background Materials Compiled by the Public Sector Management and Private Sector Development Division (CECPS), Country Economics Department (CEC) for Privatization: The Lessons of Experience

**Dates:** 11/13/1990 - 11/13/1990

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**ISAD Reference Code:** WB IBRD/IDA DEC-03-66

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THE WORLD BANK

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R1997-401 Other #: 17 Box # 127566B  
Privatization - Lessons of Experience - Public Utilities - Other Sector Specific  
Materials - Water - Correspondence

*Water*

~~Water~~

# OFFICE MEMORANDUM

*Utilities  
Bo Stuart -  
Pls. keep  
on file as  
we will  
need to  
interview  
some of  
these  
people  
at  
some  
stage  
5.*

DATE: November 13, 1990

TO: Distribution

FROM: A. Pellegrini, Chief, EMTIN and John Briscoe, Chief, INUWS

EXT.: 32445

SUBJECT: Seminar on Privatization of the Water Industry

1. Attached is a revised agenda for the proposed seminar for Bank Staff on privatization in the Water Industry. We have added to the list of topics, presentations on the experience of France and Spain, where concessions rather than outright sale of assets is the typical approach.
2. Please pass the information on to staff in your divisions who would benefit from attendance at the Seminar.
3. As noted in the October 5 memorandum announcing the Seminar (Attachment II) we will need firm nominations of attendance by November 16. Please send your response to Walter Stottmann, EMTIN, Tel. 473-2495.

Attachments

Distribution:

Messrs./Mmes. Al-Khafaji (EM2IN); Apitz (EM4IN); Barrientos (AF4DR); Blanc (AF3IN); J.C. Brown (AF2IN); Buky (OEDD2); Carnemark (INUWS); Chaudry (LATPS); Chevallier (AF3DR); Christie (AS1IN); Cleave (AS2DR); Costa (EM2DR); Dia (AFTPS); Donovan (EM1IN); Doyen (AFTIN); Ecevit (AS3IN); Garcia-Zamor (LA3DR); Groves (AS1DR); Hallgrimsson (AF1IN); Halperin (LA2IE); Heron (CODOP); Hinds (EMTTF); Hinkle (AF1DR); Humphrey (AS4DR); Jeurling (AS5IN); Kimura (AS3DR); Knotter (LA2DR); Krishna (EM1DR); Landell-Mills (AFTIN); Lethem (AF2DR); Ludwig (ASTIN); Moscote (LATIE); Nankani (LA1IE); Patel (AS2IN); Pommier (EM3IN); Rowat (LA4DR); Sam (AF6IN); Schebeck (AF4DR); Shirley (CECPS); Singh (AF6DR); Skolnick (AS4IN); Smith (LA3IE); Thys (LA4IE); Watson (AF5IN); Weissman (LA1DR); Wright (AF4IN); Zaidan (EM4DR); Zavala (INUWS); Zincir (AS5DR); Zulfiqar (EM3DR).

cc: Messrs. Bouhaouala (EMTDR); Pouliquen (INUDR); Kohli (ITFDR).

PRIVATISATION OF THE WATER INDUSTRY IN ENGLAND AND WALES

A PRESENTATION TO OFFICIALS OF THE WORLD BANK GROUP

AND INTER-AMERICAN DEVELOPMENT BANK

28 January - 1 February, 1991

Cannizzaro House, Wimbledon Common, London SW19

Monday 28 January 1991

- 9.30-9.45 a.m.      Introductory Remarks by Co-Chairmen:
- John Bellak, Chairman,  
                            Water Services Association of England and Wales, and  
                            Chairman, Severn Trent Water plc
- Anthony J. Pellegrini, Chief, Infrastructure Division,  
                            Technical Department, Europe, Middle East and North Africa  
                            Region, World Bank
- 9.45-10.15 a.m.      OPENING ADDRESS: THE PHILOSOPHY BEHIND PRIVATISATION
- David Heathcoat-Amory FCA, MP  
                            Parliamentary Under-Secretary of State,  
                            Department of the Environment
- 10.15-10.45 a.m.      Refreshments
- 10.45-11.30 a.m.      THE UTILITY VIEW
- Sir Gordon Jones,  
                            Chairman, Yorkshire Water plc
- 11.30-12.30 p.m.      Questions and Discussion
- 12.30-2.10 p.m.      LUNCH
- Co-Chairman: Sir Michael Straker,  
                            Chairman, Northumbrian Water Group plc
- 2.10-2.40 p.m.      ENVIRONMENTAL AND QUALITY REGULATION
- The Rt Hon The Lord Crickhowell,  
                            Chairman, National Rivers Authority
- 2.40-3.00 p.m.      Miss Dinah A. Nichols,  
                            Under-Secretary, Water Directorate,  
                            Department of the Environment
- 3.00-3.30 p.m.      Refreshments
- 3.30-5.00 p.m.      Questions and Discussion

Tuesday 29 January 1991

- Co-Chairman: W. Nicholas Hood,  
Chairman, Wessex Water plc
- 9.00-9.30 a.m. ASSOCIATED ISSUES  
Peter Hall, Assistant Secretary,  
The Water Services Association of England and Wales
- 9.30-10.00 a.m. ASSET MANAGEMENT PLANS  
John Brindley, Technical Director and Head of Water  
Certification Unit, W.S. Atkins Consultants
- 10.00-10.30 a.m. Refreshments
- 10.30-11.00 a.m. ECONOMIC REGULATION  
Dermot Glynn, Managing Director  
National Economic Research Associates (NERA)
- 11.00-11.45 a.m. D. Alan Booker, Deputy Director-General,  
Office of Water Services
- 11.45-12.45 p.m. Questions and Discussion
- 12.45-2.15 p.m. LUNCH
- Co-Chairman: W. Nicholas Hood,  
Chairman, Wessex Water plc
- 2.15-3.00 p.m. LEGAL AND ADMINISTRATIVE FRAMEWORK :  
THE WATER ACT  
Richard Bond, Herbert Smith, Lawyers
- 3.00-3.30 p.m. Refreshments
- 3.30-4.00 p.m. THE UTILITY VIEW  
Graham Heyes, Chief Solicitor,  
Southern Water plc
- 4.00-5.00 p.m. Questions and Discussion

\* \* \*

Wednesday 30 January 1991

SITE VISIT TO BRISTOL AND BATH - WESSEX WATER PLC

VISIT BY WORLD BANK DELEGATION TO WESSEX WATER

WEDNESDAY 30 JANUARY 1991

08.15 am Coach collects delegates from Cannizaro House, Wimbledon and departs for Bristol.

10.30 am Arrive Avonmouth Sewage Treatment Works.

10.45 am Tour of Works.

11.30 am Leave Avonmouth for Portway and the Northern Foul Water Interceptor.

11.45 am Tour of Works.

12.15 pm Return to Wessex House - View Control Room.

12.30 pm Presentation  
Drinks and Lunch.

2.00 pm Depart for Regional Scientific Centre (RSC).

2.15 pm Arrive Saltford.  
Tour of RSC.

3.00 pm Depart Saltford for Bath.

3.15 pm Tour of Bath attractions, to include Royal Crescent/  
Bath Abbey.

3.45 pm Arrive Bath Office.  
Visit Computer Aided Design Centre.  
Tea and Review.

4.30 pm Depart for Wimbledon.

6.45 pm Arrive Cannizaro House, Wimbledon.

Thursday 31 January 1991

Co-Chairman: Dennis Grove,  
Chairman, North West Water Group plc

9.15-10.30 a.m.

FINANCIAL ISSUES:

UK EXPERIENCE AND SPECIAL PROBLEMS  
RELATED TO EASTERN EUROPE

Richard Gledhill,  
Deputy Director of Privatisation,  
Price Waterhouse

(plus Associate)

10.30-11.00 a.m.

Refreshments

11.00-11.30 a.m.

THE UTILITY VIEW

David Cranston, Finance Director,  
Northumbrian Water Group plc

11.30-12.30 p.m.

Questions and Discussion

12.30- 2.00 p.m.

LUNCH

Co-Chairman: Dennis Grove,  
Chairman, North West Water Group plc

2.00- 2.30 p.m.

LEASING AND OTHER SCHEMES IN LDCs

McKenna and Co., Lawyers

2.30- 3.00 p.m.

THE FRENCH VIEW

Jack Jeffery, Chairman and Managing Director,  
North Surrey Water Company  
(a subsidiary of General Utilities Group)

3.00 - 3.30 p.m.

Refreshments

3.30 - 4.00 p.m.

THE SPANISH EXPERIENCE

(Speaker to be determined)

4.00 - 5.00 p.m.

Questions and Discussion

Friday 1 February 1991

Co-Chairman: William Courtney  
Chairman, Southern Water plc

9.15-10.00 a.m. FLOTATION

Simon Linnet  
Director, N.M. Rothschild & Sons Limited

10.00-10.30 a.m. MARKETING

W. Nicholas Hood  
Chairman, Wessex Water plc

10.30-11.00 a.m. Refreshments

11.00-11.45 a.m. PRIVATISING THE WATER RESEARCH CENTRE

Michael House, Managing Director, WRC

11.45-12.30 a.m. Questions and Discussion

12.30-2.00 p.m. LUNCH

Co-Chairman:

2.00-2.30 p.m. APPLICATION OF PRIVATISATION IN DEVELOPING COUNTRIES

David Young, Managing Director, International Operations,  
North West Water plc

2.30-3.00 p.m. Questions

3.00-3.30 p.m. Refreshments

3.30-4.30 p.m. FINAL ROUND-TABLE DISCUSSION AND QUESTIONS

4.30-4.45 p.m. CLOSING REMARKS FROM CO-CHAIRMEN

12 November 1990



**OFFICE MEMORANDUM**

DATE: October 5, 1990

TO: Distribution

FROM: Anthony Pellegrini, Chief, EMTIN and John Briscoe, *JRB.*  
Acting Chief, INUWS

EXT.: 32445 and 35557

SUBJECT: Seminar on Privatisation of the Water Industry  
in England and Wales

1. The International Aid-Funding Advisory Service has agreed to prepare a seminar for officials of the World Bank and the Inter-American Development Bank on the privatisation of the water industry in England and Wales. The seminar is scheduled to take place during the week of January 28, 1991 in London.
2. The purpose of the seminar will be to present the recent experience in the UK with the transfer of water sector management from the public domain to private enterprise. Prominent speakers from both government and private enterprise will reflect on the philosophical, legal, administrative, financial and economic aspects and issues of the privatisation initiative. Participants in the seminar will also be given the opportunity to visit some of the new enterprises.
3. A preliminary and tentative outline of the program is attached. We are still working with the organizers of the Seminar to broaden its scope by including discussions on the prospects and strategies for introducing and promoting similar initiatives in our client countries. We invite comments and suggestions on the proposed program by cob October 17, 1991. Please direct them to Mr. Walter Stottmann, EMTIN, Tel. 473-2495.
4. The recent privatization of the water supply sector in the UK is an extraordinary initiative and experience of great importance with major implications and lessons for our work in the Bank. We therefore would like to encourage you and your staff working in the Sector to take advantage of the opportunity to learn about the developments in the UK.
5. Participation is restricted to a total of 25 attendees. While the costs for the preparation and execution of the seminar will be born by the UK organizers, travel and per diem expenses would have to come from your unit's budget. We would like to obtain firm nominations for attendance of the seminar by November 16, 1990.

Attachment

Distribution

Messrs./Mmes. Al-Khafaji (EM2IN); Apitz (EM4IN); Buky (OEDD2); Blanc, (AF3IN); J.C.Brown (AF2IN); Buky (OEDD2); Carnemark (INUWS); Chaudry (LATPS); Christie (AS1IN); Dia (AFTIE); Donovan (EM1IN); Doyen (AFTIN); Ecevit (AS3IN); Hallgrimsson (AF1IN); Halperin (LA2IE); Hinds (EMTTF); Jeurling (AS5IN); Ludwig (ASTIN); Moscote (LATIE); Nankani (LA1IE); Patel (AS2IN); Pommier (EM3IN); Sam (AF6IN); Shirley (CECPS); Skolnick (AS4IN); Smith (LA3IE); Thys (LA4IE); Watson (AF5IN); Wright (AF4IN); Zavala (INUWS).

## Republic of Guinea, Urban Water Supply Sector

### Institutional Framework

Oversight Ministry: Ministry of Natural Resources and the Environment,  
Secretariat of State for Energy

- establishes long-term objectives for water service,
- approves the National Water Authority's investment program, decisions regarding loans, lease contracts, etc.
- approves tariff changes.

National Water Authority: SONEG, a state enterprise

- owns urban water supply facilities,
- is responsible for sector accounts and debt service, planning and new investments, proposes tariff changes
- monitors the performance of the Water Management Company.

Water Management Company: SEEG, a mixed enterprise owned by the State (49%)  
and a Foreign Investor/Manager (51%)

- operates and maintains urban water supply facilities,
- bills customers and collects charges.

Foreign Investor/Manager: FIM, a consortium of two French companies

- is a shareholder in SEEG,
- provides management assistance under a separate management contract.

Thelma Tuche -

Reasons → effcy inputs

→ Ties in coverage of water supply.

3 key issues -

① Inst arpts →

- Contractual arpts used to deliver water
- relative roles of pub + pte sec

② Comp → how introduced + maintained.

- inputs in revs → link bt effcy + revs.  
in pte sec ops.

③ Cap regmkts for oversight agency.

→ Main role that PS can take

① - hlt stds, ptre bens  
- distrib policies② - nat. monop → not feasible for  
more than one agency → gov't  
has to alloc. monop rts → raises  
issues of priv + regulation.

## 4 types of contracted arpts:

- TA contracts for with pte firms or unids - mgt contracts.
- Lease agmt - comm. risk for lessee.
- ~~service~~ most extr. cost of risk concessions.

## How to contract out services

- call for bids.
- on basis of lease agmt
- lowest bidder → fee to be retained → wd get contract.
- Recd 6 bids; 2 bids dropped out.
- 2 lowest bids formed a consortium and ~~the~~ got the bid.
- Contract for 10 yrs → elims some competition. Possibly for shorter contracts.

## Facilitative Feature

- ① consensus built
- ② crisis sit unslc,

③ - Mini of Nat Res → interconnector.  
had prev expe with pte sec in  
Omea.

⑤ good expertise - lawyers, etc.

⇒ Agreed early on complex legal work before  
selection of pte partner.  
Agreed that risk to be borne by pte partner.

④ || → V. little left to regs. after pte.  
Unlike in BOT, where pte partner  
selected & then by regs.

⑤ Criteria for sel of partner: simple  
- price of water  
- cost of connection.

added to transp. of sel. process

DIV Paper  
short &  
long  
run  
beers.

John  
→ How to ensure that short run profits  
won't be done at expense of long-run  
maint costs.

↓  
- built into contract  
- inventories for wh op. responsible  
are drawn up - evald at end  
of period. Then direct

charge to contractor.

→ Also, contractor has continuous  
duty to maintain eqpt.

→ Bond submitted.

→ Periodic monitoring by Water Auth.

→ Prerequisite - only water utility.

→ Labor - 500 peop in pub util.

→ New co - free of previous emp's;  
free to hire outside peop.

→ 300 of 500 were rehired.  
<sup>five staff</sup>

→ 30 retained in civil service

→ Others rehired.

→ Combined with staff testing  
program.

→ Process of New Tariffs -

Commitment to gradually raise tariffs

to cover op cost, depreciation,  
& debt service.

→ Govt paying debt service in  
meanwhile; IDA financing  
forex cost.

Compensa of co indep of tariff.

↓  
fees based on collection of revs.



WATER