



Memo

To: Lucia Meza, CAF; Ellen Zeytoun, DOC; Diego Rodriguez, IDB

From: Colleen S. Morton, IOA

CC:

Date: August 9, 2002

Re: Santiago conference

Overview

The Andean Summit on Water, Irrigation and Sanitation attracted 60 participants, including 27 speakers. The event featured presentations from national, regional and local government officials, as well as representatives of the private sector water industry, finance and legal firms.

Participants exchanged views on recent changes to the Chilean privatization process, and on the appropriate role for municipal authorities and the private sector. Speakers made presentations on new projects being supported by the Corporación Andina de Fomento (as well as the World Bank and IDB), including efforts in Venezuela and Ecuador to incorporate more public participation in the decision-making process on water allocation, source protection and supply infrastructure. Several presentations related to regulatory development and reform, and to transforming government utilities into efficient corporate-like entities.

Several speakers dealt with the challenges facing municipal, regional and national authorities in trying to find financing for new water projects and discussed the criteria that should be applied in order to assess the credit-worthiness of a water utility. Tariff regimes, concession terms, the legal framework for water rights, and the state of infrastructure development, were all mentioned as factors in determining the financeability of a specific project.

One of the main conclusions of this event was that the social compact that used to govern the water sector when it was under public control has been weakened with the introduction of private operators and owners, and that this needed to be remedied by increasing the participation of the citizenry to a degree commensurate with the role of the private sector. This implies the need for stronger citizen-based oversight institutions, which would legitimate investment plans, tariff increases and other company initiatives as being in the interests of the public as a whole. Regulatory institutions, per se, cannot fulfill this role.

A second important conclusion was that with respect to the overall health and well-being of the region, much more attention needed to be paid to sanitation and hygiene relative to water supply. Nevertheless, with respect to water supply, the region needs to focus on conservation, efficiency and appropriate allocation in order to avoid expenditures on costly

infrastructure that may serve only to more rapidly deplete a scarce resource, rather than protect it for future generations.

Third, the countries of the region can learn a great deal from each other, particularly at the sub-national level, about what works and what doesn't work in terms of privatization, concessions, efficiency, conservation, community involvement, institutional development and regulation. The Chilean case is an excellent one to be disseminated widely throughout the region, not necessarily because they have done everything right, but because they have proceeded more rapidly down the road of private sector ownership and involvement than elsewhere, and have learned valuable lessons in the process that will be applicable in other countries.

Two very strong counter currents were visible at this event. One is the view that reliable access to clean drinking water is a public good and a basic human right. The other is that water is an economic good, and that economic principles need to be more effectively applied in order to efficiently supply the ever-growing demand for this scarce resource. Most governments in the region are caught between these two perspectives, but the deciding factor is often the overwhelming cost of providing the basic infrastructure for water supply, sanitation or irrigation and the need to attract private sector capital to make up for the deficiency in public spending.

All the presentations are currently available to participants via the Institute's FTP site (<ftp://water.ioawater@132.239.192.94/chile2002/>) and the Institute is preparing a final report which summarizes the discussion and outcomes of the event. This report is expected to be completed by the end of August.

We also received a number of evaluation forms which we are currently working on summarizing in a short report. Generally speaking, we got excellent reviews on the event. Our own assessment is that the speakers were excellent, but that in the current economic climate, it is difficult to attract private sector participants, particularly when travel is involved. The Chilean opportunity is also quite a bit smaller than it was four years ago when the largest utilities were up for sale. That being said, it was a good introduction for some firms to the Andean market and provided a wealth of information about planned projects and regulatory changes in the region that will affect the water sector.

Financial summary:

Description	Chile Summit
REVENUE AND SUPPORT	\$ 58,519.00
TOTAL ALL COSTS	\$ 59,999.72
NET	\$ (1,480.72)

Note: IDB funding for their sponsored speakers is off budget.

Attachments: Participant List and Agenda

Andean Water, Irrigation & Sanitation Summit

Final Agenda

Wednesday, July 17

8:00 am **Registration and Breakfast**

Breakfast sponsored by Caterpillar

Opening Plenary Session*

9:00 am **Overview of Water, Irrigation and Sanitation Issues and Opportunities in the Andean Region****

Moderator: Colleen S. Morton*, Vice President & Director for Water Program, Institute of the Americas
Humberto Peña*, Director, General Directorate of Water (DGA), Ministry of Public Works, Chile
Lucía Meza*, Principal Executive for Water & Sanitation Sector, Corporación Andina de Fomento

10:30 am **Break**

11:00 am **Lessons Learned from Concessions in the Andean Region**

Moderator: Rodrigo Mayo*, Editor, Infoagua
Santiago, Chile – Carlos Alonso Mladinic*, President, Consejo de Sistema de Empresas (SEP)-Comité CORFO
Edgar Quiroga*, Regional Coordinator, Consejo de Colaboración en Abastecimiento de Agua y Saneamiento, Región Andina y Centroamericana – Colombia

11:45 am **New potable water, irrigation and sanitation/treatment projects**

Moderator: Lucía Meza*, Principal Executive for Water & Sanitation Sector, Corporación Andina de Fomento
Astrid Alvarez Hernández*, General Manager, EAAB, Bogotá, Colombia
Daniel Albarrán*, Director Ejecutivo, Sistema de Empresas (SEP) Comité CORFO-Chile
César Lathulerie*, Gerente Comunitario del Agua, HIDROPAEZ-Venezuela
Integrated Water Resource Management in the Manabí Basin - Carlos Villacreses*, Presidente, Centro de Rehabilitación de Manabí, Portoviejo, Ecuador
Saving the Basin - Marina Contreras*, Gerente de Conservación y Desarrollo, Sistema Hidráulico Yacambú – Quibor, Venezuela
Juan Antonio Garcés*, Jefe del Area de Medio Ambiente, Aguas Andinas S.A., Chile

1:30 pm **Lunch**

Lunch sponsored by Aguas Andinas

3:00 pm **New Financial Developments in the Municipal Water Sector**

Moderator: Alejandro Bertrand*, Gerente Banca de Inversiones, BBVA Banco BHIF
Public-Private Financial Partnerships - Gustavo Enrique Zang*, Manager Business Development for Latin America, Biwater/Nuon (Casal)
The Experience in issuing bonds - The Chilean process for accessing private capital markets - Jorge Dominguez*, Director for Corporate Finance, Banco Santander, Chile
Key Factors (or Drivers) for the Valuation of Water Assets – Guido Cerini*, Managing Director, JPMorgan

4:15 pm **Break**

* Plenary sessions will be in Spanish and English with simultaneous interpretation. Breakouts and private meetings will be in Spanish only.

** All speakers are tentative unless noted otherwise.

4:30 pm **Fundamental Pillars of the Regulatory Framework for the Sanitation Sector**
Moderator: Juan Pablo Díaz de Valdés*, DyH Asesorías y Consultorías Ltda.
Tariff-setting and Subsidies for Integrated Water Services - Guillermo Pickering*, President, National Association of Sanitation Service Companies (ANDESS)
Private sector Operator and Investor perspectives on Management Contracts, Concessions and BOTs - Ricardo Peña*, Partner, and José Manuel Larraín, Carey y Cía Ltda. (Law Firm), Chile
Options for Improving the Profitability of Municipal Utilities - Juan Dieguez Manfredini*, CEO, Empresa de Servicios Sanitarios del Bio Bio (ESSBIO S.A.)

6:00 pm **Networking Reception**

Thursday, July 18

8:00 am **Breakfast** *Breakfast sponsored by Thames Water*

Morning Plenary Session

9:00 am **Opportunities for Private Sector Firms in the Chilean Water Sector**
John Harris*, Commercial Counselor, US Embassy Chile
Eduardo Verdugo*, Managing Director, Thames Water Latin America

10:00 am **Best Practices for handling Political Risk, regulatory risk, termination and payment risk, convertibility and transferability, and contract renegotiations**
Moderator: Colleen S. Morton*, Vice President & Director for Water Program, Institute of the Americas
Alberto Pascó-Font Q*, President for Infrastructure and Public Service Projects, Commission for Promotion of Private Investment (COPRI)
Diego Fernández*, Asesor, EAAB Acueducto y Alcantarillado de Bogotá

11:00 am **Break**

11:30 pm **Regulatory Institutions and Capacity Building. What do independence and accountability mean?**
Moderator/Speaker: Miguel Solanes*, Regional Consultant in Water Resources Legislation, Economic Commission for Latin America and the Caribbean (CEPAL)
Chile – Magaly Espinoza Sarria*, Deputy Superintendent, Superintendency for Sanitation Services (SISS)
Sergio Salinas*, Presidente del Consejo Directivo, SUNASS (Superintendencia Nacional de Servicios de Saneamiento), Perú
Carlos Mora Beltrán*, Subsecretario de Saneamiento Ambiental, Subsecretario de Saneamiento Ambiental, Ministerio de Desarrollo Urbano y Vivienda, Ecuador

1:15 pm **Networking Lunch**

2:45 pm **Improving Irrigation Efficiency in the Andean Region**
Moderator: Ricardo Islas*, Coordinator de Departamento Estudios y Políticas de Riego, Comisión Nacional de Riego, Chile
Pablo Anguita*, Director, Concesión Embalse Illapel, Mendes Júnior & Asociados S.A.
Humberto Gandarillas*, Coordinador del Componente CAT, PRONAR, Programa Nacional de Riego, Cochabamba, Bolivia
Gabriel Cabezas*, Vicepresidente Directorio, CEDEGE (Comision de Estudios para el Desarrollo de la Cuenca del Rio Guayas), Ecuador

4:00 pm **Closing Remarks and Discussion**

4:30 pm **Reception**

Participant List

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