

Third Party Evaluator's Opinion on Asuncion Metropolitan Area Potable Water Project

Cesar Cabello
President
Instituto Desarrollo
Paraguay

Effectiveness

The gaps between predicted and current figures of water supply reach and Unaccounted for water are significant enough to deserve further analysis. Whereas the former could be explained by unexpected exogenous factors, such as short falling of financing resources due to exchange rate movements (Yen depreciation against the USD) which reduced the total amount money to roughly 30%, a migration and population growth causing unplanned development, the later is the symptom of issues that should be address to achieve sustainability.

Among the various reasons accounting for the deterioration of the Unaccounted for water: lack of water meter, aging pipes, stealing, etc, the most influential could be the company (ESSAP S.A.) in charge of the system operation and maintenance itself. In this regard, it is quite interesting that the jump over forty percent (year 96) in the Unaccounted for water correspond to a period when discussion about possible privatization could had brought a wait-and-see attitude that continues still today. This attitude certainly affect new decision – making and employee morale.

Sustainability

Although ESSAP S.A. is theoretically incorporated, it is in fact a state owned company, where the managers are appointed and prices are set by the government. Unless it leads to an opening to private investment or a new and creative form of regulation, the incorporation of the company, with the loosening of public control that it entailed, may not improve the sustainability of the company.

As a result of the agreement signed by the Paraguayan government with The International Monetary Fund, ESSAP S.A. was required to undergo an auditing of the company technical and financial standing. The results and recommendations of the auditing are currently reviewed and will be part of a plan that intends to establish a set of performance indicators and goals which accomplishment is expected to enhance the sustainability of the company. Resulting of the auditing, there is a master plan of activities that the company should complete in the coming 2 years: price updating plan, maintenance plan, updating of the information system, process and personnel functions manual, and finishing of the incorporation process. Also, the company should undergo two more finance and operations audit.

It is still early to asses the effect on improving sustainability. However, the fact that the company went through a third party auditing process with international standard which resulted in a set of indicators that is setting performance standards for the company, it is a truly positive development.