

Tariff Setting and Regulatory Strengthening:

Using the **EquiServe** Tool in Lusaka, Zambia

About the Tool:

The EquiServe tool is a web-based tool that helps decision-makers prioritize limited resources for sanitation interventions or investments that deliver safe sanitation services more equitably to all in a city, in a financially sustainable way. To learn more about the tool and to use it,

Please visit <https://www.equiserve.io>

User Category



Use Case



Quick Read

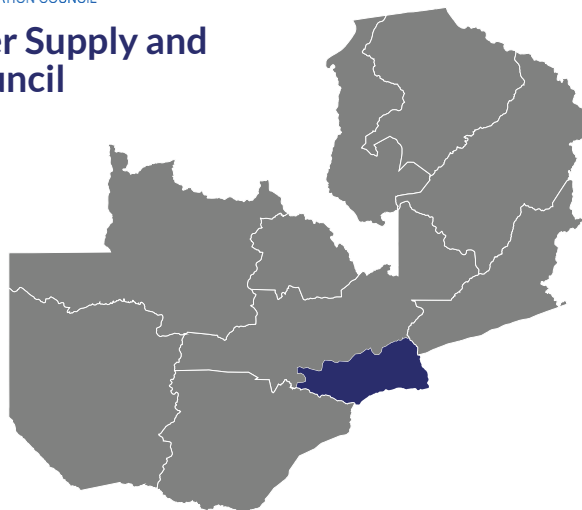
The table below summarizes NWASCO’s key needs and how those needs were addressed by using the EquiServe tool.

Perceived Needs	Evaluation of Needs	Outcomes
Understand data requirements for making various decisions around onsite sanitation and fecal sludge management; help utilities in making decisions that simultaneously address sanitation coverage, safety, affordability, and equity	Identify 1) weaknesses in utilities’ data systems; 2) service gaps across the full value chain	The tool helped NWASCO discover data gaps in the early adopter utility in onsite sanitation. NWASCO has since onboarded two more utilities onto the tool and helped them develop action plans to bridge data gaps. Using the EquiServe results, NWASCO is helping utilities identify interventions that target specific service gaps and seek investment.
Help with regulatory functions such as decision-making regarding tariff setting and approvals	Provide basis for tariff setting and approval; understand the impact of different tariff levels on equity	In the 2022-2025 tariff cycle, NWASCO has begun using EquiServe to determine the appropriate tariff levels with the early adopter utilities.
Refine regulatory framework which includes benchmarking and target setting for utilities	Identify 1) reporting indicators to strengthen benchmarking and performance management systems; 2) regulatory entry points in the service chain	NWASCO extracted key indicators from the EquiServe interface for utilities to report on a regular basis. The tool also helped NWASCO identify regulatory entry points around private sector emptying.

User Profile



National Water Supply and Sanitation Council (NWASCO)



Regulatory tools:
utility licensing, performance contracts, Service Level Agreements, tariff approvals, sanctions, etc.



Type of authority:
independent regulator



Mandate:
water supply, sewerated sanitation, non-sewerated sanitation



Regulatory responsibility:
11 regional commercial utilities across Zambia

User Needs

The National Water Supply and Sanitation Council (NWASCO) is the independent regulator¹ of water supply and sanitation services in Zambia. As the licensing authority, NWASCO regulates all eleven commercial utilities in the country. NWASCO monitors sector performance through a set of key performance indicators with annual reports, based on which decisions of award or penalty for each utility are made.

When the EquiServe tool was introduced, NWASCO had been spearheading a national reform to expand the sanitation mandate of all utilities beyond sewers. NWASCO looked to the tool for answering several regulatory questions it had in the process, both for the regulator's own purposes and from a utility support perspective:

- How to make decisions that **simultaneously address sanitation service coverage, safety, equity, and affordability for households?**
- What are the **data requirements for making various decisions** around onsite sanitation and fecal sludge management?
- How to use information on affordability to **determine the right tariff levels?**
- Can the tool provide utilities with the key numbers as a **basis for forming their strategic service plans?**

How Was EquiServe Applied?

NWASCO started the tool application with the best performing utility in the country, the Lusaka Water Supply and Sanitation Company (LWSC)². NWASCO subsequently onboarded two other utilities, one each in the central and southern parts of the country. To adequately prepare the utilities for best utilization of the tool and to foster tool ownership, NWASCO required each utility to have a team for data management. Each team comprises of different staff that play key roles in the utility's sanitation service provision, including those knowledgeable about financial data, service level data, the quantity and quality of fecal sludge, etc.

In parallel, NWASCO carried out internal capacity building to ensure that a NWASCO point of contact can provide continued guidance to all utilities as they onboard the tool.

Outcomes

From the application of the tool in Lusaka and now in two more utilities, NWASCO was able to:



Utility diagnosis and support:

The Regulator used the EquiServe analysis to both help utilities identify gaps in the service chain for interventions and investment seeking and support utilities to strengthen their data systems.

NWASCO helped utilities interpret the results of the tool analysis, zero in on the key aspects of the service chain requiring utility attention, and identify activities the utilities need to undertake to accomplish their objectives. Using evidence generated from EquiServe, NWASCO also helped utilities pinpoint specific needs in the sanitation service chain, for which the utilities could look for investments. On the other hand, **NWASCO also highlighted the need for development partners to adopt the tool**, so investment decisions could be made based on solid evidence to reduce mismatches of needs. With the help of EquiServe, NWASCO is pushing for utilities' investment planning to be more specific and focused on sanitation service delivery strategies, instead of abstract master plans that do not consider the entire sanitation service chain.

Meanwhile, the application of EquiServe in Lusaka revealed gaps in LWSC's sanitation data systems, of which neither the regulator nor the utility was aware. Based on the Lusaka experience, NWASCO took a more systematic approach when onboarding new utilities. Before onboarding a new utility, NWASCO would first assess the amount of data the utility had and how much progress the utility was making, and then build the utility's capacity. NWASCO also front-loaded the data requirements to the new utilities. For data that was not available, NWASCO helped the utilities make plans to acquire the data. This approach has facilitated the smooth onboarding of two new utilities in Zambia, and utilities were able to appreciate the insights generated from the tool as well as gaps identified in their data systems.

"In as much as the utilities would utilize the tool to really identify where their investment gaps are, the people that are giving the money and are making decisions with regards to where this money should be directed have no clue on the actual scenario. If development partners have a tool that indicates to them the investment requirement and backed by evidence, they can put money where it should be put. We think that one of the key uses of this tool is to ultimately direct investments in the right places."

--Chola Mbilima, NWASCO

¹ NWASCO is financed by a portion of the fees submitted by the utilities and does not receive funding from the central government.

² A more detailed user story for LWSC, from the utility's perspective, is available in the website.



Manage and benchmark sector performance:

NWASCO developed a guideline for Citywide Inclusive Sanitation, which includes recommendations on the EquiServe tool. EquiServe is now the default tool for CUs in Zambia to assess service levels, test business models, plan investments, and determine tariff asks. To better understand sector performance and identify areas for improvement, NWASCO has extracted key indicators from the tool and made those mandatory for utilities to report on a regular basis.

Meanwhile, **the tool application is allowing the regulator to see at which point in the service chain regulations need to be strengthened.** For instance, NWASCO is in the process of CU license revisions that would require utilities to bring the private desludging operators under their umbrella by issuing permits to the operators, so utilities could be more aware of what is happening with the private sector. EquiServe is supporting this process by asking for data that is mostly collected by the private sector and by showing the outcomes of an intervention for different stakeholders, thereby compelling the utilities to think from the private sector's perspective and work with all stakeholders. NWASCO comments that the EquiServe tool is blending in well with their new framework for onsite sanitation.



Set and reform tariffs

Starting with LWSC, the earliest adopter of the tool in Zambia, NWASCO is now using EquiServe-derived analysis as the basis for approving tariff petitions from CUs. In the 2022-2025 tariff cycle, the analysis helped NWASCO determine the appropriate tariff level for LWSC to recover costs and make critical NSS interventions, while ensuring its affordability for households.

Lessons

Most often, utilities already have many systems in place for managing various types of information, such as for finance, service provision and billing, operations, etc. The time and effort of shifting to new systems may cause some to be reluctant. To minimize utilities' hesitation to adopt new tools such as EquiServe, systems need to be integrated and interoperable. For instance, a utility may have a GIS system to map sanitation facilities at the household level; this GIS system would ideally automatically assess emptying needs and link to a system that coordinates emptying services; the EquiServe tool would in turn pull data from the GIS and emptying service systems, as well as from the utility's finance management and other systems, to populate the baseline scenario.

Next Steps

NWASCO is planning to scale up the EquiServe tool to all utilities in the country to strengthen utility data systems, determine appropriate tariff levels, and to obtain financial support for targeted investments. Meanwhile, NWASCO also plans to integrate EquiServe with existing data systems used by the regulator and utilities to streamline data processes and maximize data insights.



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EquiServe tool, previously known as CWIS Service Assessment and Planning tool

ATHENA
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