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Rev 85732

PRIVATIZATION AND RATIONALIZATION OF EMPAGUA: INITIAL IMPLEMENTATION STEPS

FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

Prepared for: USAID/Guatemala

*Prepared by: Jean-Pierre Schwartz,
Washington Trade and Investment Group*

*Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03
Contract Number PDC-2028-Z-00-7186-00
Prime Contractor: Coopers & Lybrand*

November 1993

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PREFACE

The following report is based on a visit by Jean-Pierre Schwartz to Guatemala from July 5 to July 14, 1993. The main objective of the visit was to confirm and fine-tune the approach and concepts outlined during an earlier visit in April and initiate the implementation of the work plan. Mr. Carmen Guarino, an engineer with considerable water and waste-water management experience, accompanied Mr. Schwartz during the first week.

The report's first chapter provides a summary of main accomplishments and overall issues to be addressed in the short term. The second chapter provides details on the task forces' main tasks and the project organization and procedures. The third chapter provides a revised schedule of activities.

CHAPTER I: SUMMARY OF VISIT AND OF MAIN ACCOMPLISHMENTS

This visit is the first step in the implementation of the plan outlined in the report "Privatization of EMPAGUA: Diagnostic and Concepts".

A. FINE-TUNING THE PLAN

Several issues have been brought out or emphasized by Mr. Guarino (the water specialist) and integrated in the plan and approach. These include:

- A sense of urgency, reflecting both health concerns and water supply issues. Intermittent operation in most of the network is an invitation to major health problems, i.e., bacteria can grow rapidly in unpressurized pipes and tanks, and siphon effects can bring contaminated water into the distribution network. Intermittent operation would not be allowed in any U.S. system due to these concerns.
- A concern with the quality of water intake (superficial and subterranean) requiring immediate attention to waste-water treatment issues. Guatemala City is the only major city in Latin America without any waste-water treatment. The issue is complex and will require substantial investment. Consequently, an additional task force was added to our initial plan (bringing the number from four to five).
- Water pricing is far too low in relation to costs and in comparison to other Latin American countries. Sewer rates should be higher as well (typically even higher than water rates).
- EMPAGUA's structure is largely overstaffed. In the U.S., many tasks -- particularly in the construction and maintenance areas -- are typically subcontracted. Overstaffing is estimated at one-third to one-half above normal levels.
- The concept of privatization/concession of water distribution by geographic unit is feasible and should be explored further. The first geographic unit selected should be the most "attractive" in terms of quality of assets (plants, network), water supply (projected and potential), and clientele's ability to pay, so that this unit can be turned into a "model" for continuous high-quality water service.
- For the waste-water system, the most feasible option is a privatization/concession of the whole area under EMPAGUA's responsibility. Adequate sewage and industrial waste collection and treatment should be addressed as part of any concession to a private party.

B. IMPLEMENTATION HIGHLIGHTS

Decisions made and actions taken during the visit are summarized below:

- A complete presentation of the Diagnostic and Action Plan was made to the Mayor and *Junta Directiva*. The Mayor voiced strong support for the plan and the work program. The *Junta* was also supportive and requested a longer one-day seminar to be held during the next visit.
- One-on-one meetings were held with several members of the *Junta Directiva* to elicit support, answer questions, and strengthen the overall plan.
- Agreement was reached with the Mayor to set-up the EMPAGUA 96 Committee and five task forces: Revenue Task Force; Costs Task Force; Water Supply/Demand Task Force; Waste-water Task Force; and Privatization Task Force.
- The Mayor and EMPAGUA's management have identified and selected, but not yet formally confirmed, the Committee members as follows:

Oscar Berger Perdomo, City Mayor
President, *Junta Directiva*
Lawyer

Edgar Balsells Conde
Director, *Junta Directiva*
Economist and Consultant

Roberto Gonzalez Flores
Director, *Junta Directiva*
Lawyer

Gustavo Molina Lazzari
Director, *Junta Directiva*
Businessman

Alfredo Vila
Ex-Director, *Junta Directiva*
Businessman

Both EMPAGUA's General Manager and the Manager of Administration and Finance will also take part as observers in all Committee proceedings.

- The overall Project Manager/Director coordinating and supervising the work of the task forces would be EMPAGUA's Administration and Finance Manager, Mr. Roberto

Gonzalez. For this activity he would report directly to the Committee. However, Mr. Gonzalez's on-line responsibilities will naturally restrict his time availability for the project. To increase the professional execution of the project, it was decided to recruit a Deputy Project Manager. A qualified Guatemalan professional with extensive project management expertise is being sought for the position.

- Heads for several Task Forces were identified and nominated:

Costs Task Force:

Mr. Julio Escoto (EMPAGUA staff), presently Administration Director, is an engineer with a broad knowledge of the institution, having held numerous technical management positions until he was promoted to the present position.

Water Supply/Demand Task Force:

Mr. Jorge Garcia (Consultant), an engineer, was technical director at EMPAGUA until he left the institution in 1991 to start a consulting practice. He has provided consulting services to EMPAGUA in 1992 and 1993, most recently on water supply studies.

For the other Task Forces, possible candidates have been identified and nominations are expected through July and August. Mr. Julio Santolino, an ex-EMPAGUA manager and now a consultant, has also been approached to assist in selecting the optimum geographic area for privatization, a crucial first task of the Privatization Task Force.

The overall project organization structure is described below. Annex 5 presents a chart of the structure.

- The Mayor will formally confirm all appointments for the Committee members and Task Force heads. The Mayor expects Committee members to make sufficient time available (at least once a week) to effectively contribute to the project. Some remuneration incentives are envisioned for Committee members as well as for EMPAGUA's staff members who participate substantially in the Task Forces.
- Work to be carried out by the Task Forces was discussed at length with the Project Manager and the Heads of the two Task Forces already nominated. The latter were asked to prepare a more detailed work plan and schedule for their respective task forces.

CHAPTER II: TASK FORCES AND ORGANIZATIONAL ASPECTS

A. TASK FORCES

It was decided to form five task forces with relatively broad mandates and lifespans running through 1994. Some sub-task forces may have to be formed for very specific problems. A summary description of tasks and issues follows.

1. Revenue Task Force

Main Objective: Increase overall revenues by at least 50% by 1995.

Main Issues/Subjects to be Addressed:

(i) Pricing

- Review/fine-tune pricing for potable water. Capitalize on information and contacts from the Alicante seminar. Examine the possibilities of summer/winter tariffs and differentiated tariffs for areas with full service (24 hours/day).
- Review pricing structure for waste-water system.
- Review situation with water titles.

(ii) Volume

Water Theft

- Review existing historical information on water theft and illegal connections.
- Review options to report illegal uses and take corrective (and perhaps punitive) measures.

Water Metering

- Review prior studies and recommendations concerning faulty or non-existent water meters.
- Make cost/benefit analyses of several options to provide accurate water metering to some 30-40,000 users with defective meters.

Physical Losses

- Review information on distribution methods and measurement of losses.
- Review completed results of pilot project to renovate distribution network in city (downtown).
- Review alternatives and respective investment needs to decrease water losses; conduct cost/benefit analyses.

(iii) Procedures

- Review all procedures, including interface between EMPAGUA and the recently nominated private contractor which will handle all metering and billing functions.
- Ensure smooth coordination, particularly relating to: theft reporting, defective meters, accounts receivable management, and overall service to the clientele.

2. Costs Task Force

Main Objective: Decrease cash outlays by at least 20% by 1996.

Main Issues/Subjects to be Addressed:

(i) Energy (i.e., energy audit)

- Review all studies and recommendations previously made.
- Review adequacy/consistency of energy consumption information for all major equipment.
- Review methods and needs for improved metering data.
- Assess options to decrease electricity consumption including: improved operating management, equipment maintenance, equipment replacement, and new facilities.
- Estimate investment costs, timing of each alternative, cost/benefit analysis.
- Review options for "cheaper" electricity tariff structure (peak/off-peak rates).
- Review strategy for negotiation with EEGSA.

(ii) Chemicals and Major Supplies

- Review impact of the public sector Contractor's Law on optimum choice of products/suppliers, excess inventories, product shortages, and overall supplies cost.
- Review historical consumption and cost data to identify possible inconsistencies and waste for various supplies consumption.
- Review alternative purchasing policies to decrease volumes and unit prices on major supplies and to streamline ordering procedures (to the extent feasible under Law).

(iii) Personnel

- Review role/function of EMPAGUA in the medium-term after all or part of the service area has been privatized.
- Review alternative organizational structures (and necessary functions) for the short/medium term, and "reasonable" staffing levels.
- Review possible elimination, spin-off, or contracting-out of present EMPAGUA activities, e.g., pipe manufacturing and construction work.
- Review/clarify overlapping tasks with the Municipality.

(iv) Finance

- Review possible renegotiation of some of EMPAGUA's existing debt (i.e., transferring some debt to Municipality or Government, obtaining lower interest rates, etc.).
- Review cash management policies, impact of current assets level (i.e., lower A/R and lower inventories) on cash management and financial expenses.

3. Water Supply/Demand Task Force

Main Objectives: Reduce water shortage overall by at least 30% from present levels by 1996. Design strategic plan to address long-term supply issue.

Main Issues/Subjects to be Addressed:

(i) Overall Legal/Institutional Framework

- Participate in the overall water management debate at the national level, i.e., discussion of the draft Water Law and consideration of alternative approaches such as water basin management, which is practiced in France (as described in Annex 4).
- Review impact of various national policies on the Guatemala City area.
- Promote real dialogue with other municipalities for effective cooperation on both water production and distribution issues.

(ii) Demand from existing clientele

- Expected water needs to provide 24 hour service and to meet future increases/needs in household consumption.
- Review clientele expectations regarding quality of service, metering issues, etc.
- Projected needs in medium/long term.

(iii) Demand from potential clientele

- Review additional connection needs in Guatemala City.
- In close collaboration with other municipalities, review actual consumption/connection needs of adjoining suburbs and present water supply means (e.g., private wells and water trucks).
- Prioritize connection areas to be addressed in the future, based on health risks, shrinking supplies, socio-political impact, etc.

(iv) Present water supplies

- Review present losses of EMPAGUA's own system (such as physical losses and theft).
- Review in detail and quantify all other water distribution systems in Guatemala City and adjoining municipalities including other distribution systems, e.g., private wells, water trucks, and bottled water.
- Review present water quality issues.

(v) Water supply in the medium/long term

- Review water supply needs in the medium/long term based on projected demand.
- Review additional water supply sources, required investments, environmental impact aspects, legal aspects (i.e., national policies and other municipalities' issues).
- Compare and prioritize supply alternatives in terms of economic viability, financing requirements, and legal constraints.

4. Waste Water Task Force

Main Objective: Prepare strategic plan for waste water treatment and initiate implementation by 1994/95.

The main tasks will consist in the preparation of a feasibility study and a strategy outlining feasible options (including B.O.T. approach, operating concession, etc.). Carrying out such a study will require the following:

- Review of all existing data and taking steps to generate additional information as appropriate.
- Review and update existing studies (municipality studies and others).
- Review and develop familiarity with other on-going activities (national and regional) concerned with waste water and water pollution (e.g., the Lake Atitlan committee).
- Investigate current technologies and systems for water treatment in developed countries and Latin America.

- Taking into account technical and financial constraints, review project options most suited for EMPAGUA.
- Design investment project including estimated capital expenditure program, potential sources of financing, rates of return analyses, etc.
- Prepare implementation strategy and schedule.

5. Privatization Task Force

Main Objective: Carry out and complete the privatization of EMPAGUA's operations for all or part of EMPAGUA's present service area by 1995. This would be done under an affermage/operating concession approach. Privatization would involve both potable water distribution and present/future waste water collection and treatment.

Many of the preparation tasks for privatization will require, as input, the analyses performed and decisions made by the other Task Forces. Some of the key tasks include:

- Reviewing all legal issues related to privatization and/or concession for whole or parts of EMPAGUA's activities including water distribution and waste water treatment. Review possible legal forms (S.A., cooperatives, joint venture, etc.) and legal requirements for competitive bidding.
- Delineating location and boundaries of the first geographic unit to be privatized. Criteria would include: availability of additional water supply for 24 hours/day service, quality of assets (plants and distribution network), physical boundaries issues, water transfer measurement (in and out) with the other service areas, and existing and potential clientele for expansion.
- Preparing a business plan for the first geographic unit covering past performance (operations, finance), existing assets, clientele, production and clientele prospects, personnel issues, capital expenditures required to provide water service, relationship with other distribution units, financial projections, and rate of return analyses.
- Reviewing EMPAGUA's future role/function in a "privatized" environment, including: operations role (i.e. regulatory, tariff setting, dispatching between geographic units, quality control, and liaison with National Policy), long term water production role (including long term investment planning and financing), and organization and staffing levels.
- Initiating and maintaining contacts and inputs from potential investors/bidders (domestic as well as from other Latin American and industrial countries) and

potential financiers (World Bank, etc.).

- Prepare prospectus/tender documentation for the concession of the first geographic unit and the waste water collection and treatment operations.

B. ORGANIZATION AND PROCEDURES FOR COMMITTEE AND TASK FORCES

1. The Committee

The committee is set-up for a limited period of time (for instance, one year with extension possible) to provide:

- more efficient/professional coordination and supervision of the work of the task forces; and
- faster review/analysis of options and quicker decision making.

The Committee operates in close coordination and consultation with the other constituted bodies which legally supervise and direct EMPAGUA (i.e., *Junta Directiva* and Municipal Council).

The main tasks and responsibilities of the Committee are to:

- Review on a quarterly basis the overall work program including task priorities, staffing, and work schedule of each Task Force.
- Provide consultation and input, at the initiative of the Project Manager, on the objectives, staffing, work content, and schedule of particular tasks.
- Maintain monthly follow-up on progress of tasks carried out by the Task Force.
- Review in detail the reports (i.e., options, investment, economic analyses, and recommended actions) prepared by each task force.
- Make decisions among alternative courses of action, empower EMPAGUA's management to implement the decisions, and follow up on implementation.
- Screen all major policy decisions and actions which must be submitted to the *Junta Directiva* for review and approval.

- Actively participate and support EMPAGUA's management (by delegation of individual committee members) for major discussion and negotiations related to international finance (i.e., multilateral, bilateral, and concessionary aid) and privatization/concession with investors and operators.

2. The Project Manager

The Project Manager, and his deputy, provide dynamic and professional leadership to the work of the Task Forces. As overall "manager", he is involved in planning and preparation, supervision of timely execution, quality control of work performed, guidance on possible options, participation in the decision making process, and some follow-up on implementation. The Project Manager reports directly to the Committee.

3. The Task Forces

The Task Forces have been intentionally limited to five key areas and designed with a broad, objective-oriented scope (i.e., the Revenue Task Force is to increase revenues by xx%); as appropriate, sub task forces can be set up to tackle specific problems.

Personnel assigned to the task forces should be from EMPAGUA to the extent feasible (i.e., on a part-time or full-time basis). The number of personnel should normally fluctuate according to the specific tasks undertaken. In addition to local consultants, the task forces should also call on foreign experts on a limited and ad-hoc basis.

The Task Force Head is broadly responsible for timely and quality execution of the tasks assigned to the Task Force. Depending on the size of the Task Force and the tasks involved, the Head will both manage and carry out some of the task work.

The Task Force Head should initially prepare and present for discussion/approval by the Project Manager an overall Master Work Plan for the next 6-9 months of the Task Force including:

- Tasks to be carried out and levels of priority.
- Broad idea of work to be carried out and difficulties involved.
- Broad idea of staffing needed including possible local and foreign consultants.

This Master Work Plan should be reviewed and revised on a monthly basis.

For each specific task to be carried out, the Task Force Head should obtain initial approval from the Project Manager with the following procedure:

- Preparation of a 2-3 page "task order" (in "telegraphic" style) describing the task to be performed, i.e., objective, main activities, personnel required, costs involved to perform

the task, and time schedule. Ideally this "task order" should also include as an annex a detailed table of contents of the report which will be prepared.

- Presentation/discussion with the Project Manager and possible consultation with the Committee (at the initiative of the Project Manager).

The Task Force Head meets weekly with the Project Manager for coordination and guidance.

All work performed should result in the preparation of an "action oriented" report outlining:

- Qualitative and quantitative objectives of the task.
- Background of the problem(s) or issues.
- Analyses of data (historical, present, and future) highlighting the problems or issues and possible solutions.
- Review/analysis of various options including: pros and cons, cost/benefit analysis, investment estimate and rate of return, financing issues, legal/structural/timing constraints, and implementation schedule.
- Recommended course of action and implementation strategy.

Reports are first discussed with the Project Manager to ensure quality standards and completeness of analyses. They are then presented to the Committee for review and decision making.

CHAPTER III: WORK SCHEDULE

Based on experience and progress made to date, a revised and expanded schedule is presented below, along with the individuals or groups which will perform or participate in the activity. The abbreviations used to indicate who will perform the task are: FM -- Project Manager and Deputy Project Manager; EC -- Executive Committee; GM -- General Manager; and HTF -- Head of Task Force. The mayor of Guatemala City will also participate in some activities.

August 1993

- Executive Committee is officially constituted and holds its first meeting (mid-August). (Mayor, EC)
- Heads of Costs Task Force and Water Supply/Demand Task Force officially confirmed. Heads for the other 3 Task Forces are identified and confirmed (late August). (EC, PM, GM)
- Search for deputy Project Manager continues. (PM, GM)
- Meeting is organized by EMPAGUA's general manager to present overall program concepts and workplan to the other managers. (PM, GM)
- Heads of Task Forces prepare their "Master Plans". (HTF, PM)
- Official request for technical/financial assistance made to the World Bank (letter sent to World Bank by the Mayor as President of Empagua). (Mayor)

September 1993

- Heads of Task Forces complete their "Master Plan" and discuss it with Project Manager. (HTF, PM)
- Staffing issues, consultant contracting issues discussed and resolved. (PM, GM, EC, USAID)
- Overall work plan is presented by Project Manager to the Committee. (PM, HTF)
- Initial steps are taken to organize/cosponsor a water seminar for Central America/Latin America. (PM, GM, CAEM)
- Task Force Heads prepare their first "task order" and discuss it with Project Manager. (HTF, PM)
- Several Task Forces initiate work on specific tasks. (HTF)

- EMPAGUA management/directors visit World Bank and IDB executives in Washington. (GM, PM, EC)
- Visit to EMPAGUA by Lyonnaise des Eaux and SOGREAH. (PM, GM)
- Top management and/or directors visit water companies in Latin America to strengthen contacts and learn pros and cons of other Latin American companies (end September). (PM, GM, EC)
- Committee holds weekly coordination/supervision meetings. (EC, PM)

October 1993

- Task Forces carry out their work and present interim report on activities (late October). (HTF, PM)
- Follow up on meetings/contacts made with the International Financial Organizations. (PM, GM)
- Organize visits to EMPAGUA by other potential investors/operators (CGE, Lyonnaise des Eaux, Chilean companies, etc.). (PM, GM)
- Committee holds weekly meetings. (EC, PM)
- Water seminar is being organized. (PM, GM)

November 1993

- Some Task Forces terminate a specific task and present their findings and report to Committee. (HTF, PM, EC)
- Decisions are made regarding key areas: tariffs, energy plans and corresponding capital expenditures, short term program issues (Emergency I, II, and III, etc.). Water Supply/Demand Task Force completes First Phase of work and presents it to Committee. (EC, PM, GM, Mayor)
- Foreign companies (CGE, etc.) visit EMPAGUA and provide ideas and feedback. (PM, GM, EC)
- Committee holds weekly meetings. (PM, EC)

December 1993

- Privatization Task Force completes analysis to determine most feasible geographic unit to be privatized. Decision is made concerning viability of privatizing by geographic units. (HTF, PM, EC, GM, Mayor)
- Privatization Task Force initiates preparation of a business plan for the identified geographic unit. (HTF, PM)
- Privatization Task Force reviews all legal aspects/constraints associated with privatization/operation concession. (HTF)
- Water Seminar is held in Guatemala City (early December). (PM, GM, CAEM)
- Preliminary decisions are taken concerning options for long term water supply. (EC, PM, GM, Mayor)
- Committee holds weekly meetings. Committee supervises implementation of decisions already made. (EC, PM)

January/February 1994

- Discussions with International Financial Organizations enter into more active phase. (PM, GM)
- Waste water Task Force completes first phase of work and presents it to Committee. (HTF, PM)
- Preliminary decisions are made concerning water treatment options. (PM, GM)

March 1994

- Business plan for first unit to be privatized is completed. (HTF, PM)
- Intensify contacts with potential investors/operators. (PM, GM, EC)
- Enter execution phase for privatization/concession of the first unit, including preparation of prospectus and all other necessary documents and obtain necessary agreements and authorization. (PM, HTF, GM)
- Committee holds weekly meetings. (EC)

April/May 1994

- Committee receives preliminary External Auditor report for EMPAGUA, including audit of unit to be privatized. (PM, GM)
- Potential project funded by World Bank and/or IDB is agreed upon and enters the preparation/appraisal phase. (PM, GM)
- Feasibility study for waste water treatment project is completed; concession options are reviewed. (PM, HTF)

June 1994

- Finalize all privatization documents for the first unit. Obtain formal approval to proceed from the Junta Directiva and other Authorities. (PM, HTF, EC)
- First unit is officially put up for bids. (EC, Mayor)

August 1994

- Selection of winning consortium and final negotiations. (EC, Mayor, PM, GM)

August/October 1994

- Documentation is prepared for concession of waste water treatment system. (HTF, PM)
- Waste water system is put up for bids and awarded. (EC, PM, GM)

Sept. 1994-June 1995

- Other EMPAGUA units are prepared and put up for privatization. (PM, GM, EC)
- Task Forces continue their work. (HTF)
- Potential loan from World Bank/IDB proceeds; possible approval date by fourth quarter 1994.

ANNEX 1

CONTACTS MADE DURING VISIT

Mrrs. Carlos Quezada Vega, Roberto Gonzalez and other EMPAGUA management and staff

Mr. Oscar Berger P., Mayor Guatemala City

Mr. Edgar Balsells, Director EMPAGUA

Mr. Marco Roberto Gonzalez, Director EMPAGUA

Mr. Becker, General Manager CAEM

Mr. Steve Maber, UNDP/World Bank

Mr. Jorge Garcia, Consultant

Mr. Julio Maria de la Riva, Xaya Pixcaya Project

Mr. Pablo Schneider, President CiEW

Ms. Veronica Spross, Officer CiEW

Ms. Kim Delaney, USAID

ANNEX 2

JUNTA DIRECTIVA MEETING SCHEDULE



EMPRESA MUNICIPAL DE AGUA DE LA CIUDAD DE GUATEMALA
Gerencia

PROV.
REF.

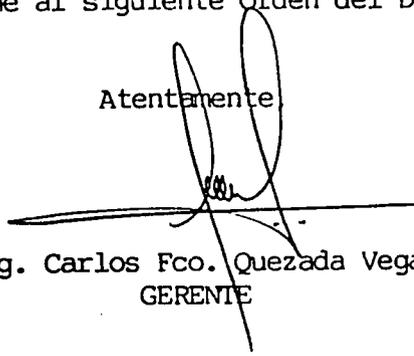
8 de julio de 1993

Señor Miembro de
JUNTA DIRECTIVA DE EMPAGUA
Presente.

Estimado Señor Directivo:

En nombre del señor Presidente, tengo el agrado de invitarlo a la sesión extraordinaria de Junta Directiva de EMPAGUA, a celebrarse en el salón **PERGOLITA DEL HOTEL CONQUISTADOR**, ubicado en Vía 5, 4-68, Zona 4, el día viernes 9 de julio de 1993, a partir de las 7:15 horas, conforme al siguiente Orden del Día.

Atentamente


Ing. Carlos Fco. Quezada Vega
GERENTE



ORDEN DEL DIA No. 46-93. Correspondiente a la sesión extraordinaria de Junta Directiva de EMPAGUA, a celebrarse el día viernes 9 martes de julio de 1993, a partir de las 7:15 horas, en el Salón Pergolita del Hotel Conquistador.

- Primero: Lectura y aprobación del Orden del Día.
- Segundo: Lectura y aprobación del Acta No. 45-93, correspondiente a la sesión celebrada el día martes 6 de julio de 1993.
- Tercero: Primera Exposición del Proyecto de Modernización y Descentralización de los Servicios de Agua Potable y Alcantarillado de la Municipalidad de Guatemala.
- Cuarto: Cierre de Sesión.

**PRIMERA EXPOSICION DEL PROYECTO DE MODERNIZACION Y DESCENTRALIZACION DE LOS
SERVICIOS DE AGUA POTABLE Y ALCANTARILLADO DE LA MUNICIPALIDAD DE GUATEMALA.**

CONQUISTADOR RAMADA HOTEL, 9 de julio de 1993.

P R O G R A M A

- 7:30 - 7:35 Reunión de la Junta Directiva de EMPAGUA.
- 7:35 - 7:45 Introducción al Proyecto
Sr. Roberto González Díaz-Durán.
- 7:45 - 8:30 Exposición del Proyecto
Sr. Jean Pierre Schwartz
Washington Trade And Investment Group - Coopers & Lybrand -
USAID.
- 8:30 - 8:50 Preguntas y Respuestas.

PRIVATIZATION OF EMPAGUA: Diagnostic and Concepts

DRAFT REPORT

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June 1993

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**** LA EXPOSICION SE REALIZARA EN IDIOMA ESPAÑOL.**

ANNEX 3

FOLLOW-UP LETTER TO MAYOR

818 Connecticut Avenue, N.W.
Suite 800
Washington, D.C. 20006
Tel: (202) 785-5135
Fax: (202) 785-5214

July 21, 1993

Mr. Oscar Berger P.
Alcalde
Municipalidad de Guatemala
GUATEMALA

Dear Mr. Berger:

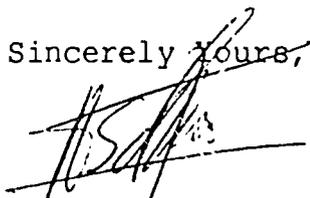
It has been a pleasure meeting you again in Guatemala. I hope the presentation that I made to you and the Junta Directiva will have helped explain the concepts and action plan of our privatization project and solidify the Junta's support for it.

While it is an ambitious program, I believe its goals are achievable if a consistent focus and hard work can be maintained throughout the next few years. In that respect, I believe that reinitiating a constructive dialogue with the World Bank is necessary and timely, as EMPAGUA will undoubtedly need technical and financial assistance to meet such objectives; as you know, the World Bank would welcome such dialogue.

Although we made substantial progress the past week to set up the necessary task forces and the Executive Committee, I wish to call your attention to an important matter which may determine the success or failure of our program. I have been concerned for some time by EMPAGUA's management. No matter how dynamic Mr. Gonzalez is, he will need the strong support and participation of the General Manager. More generally, I would strongly urge that all issues related to both the General Manager as well as the Technical Manager be resolved as soon as possible so that the three member top management team can strongly support this project.

I look forward to seeing you again, probably in September.

Sincerely yours,



J. P. Schwartz

ANNEX 4

WATER BASIN MANAGEMENT IN FRANCE -- SUMMARY DESCRIPTION

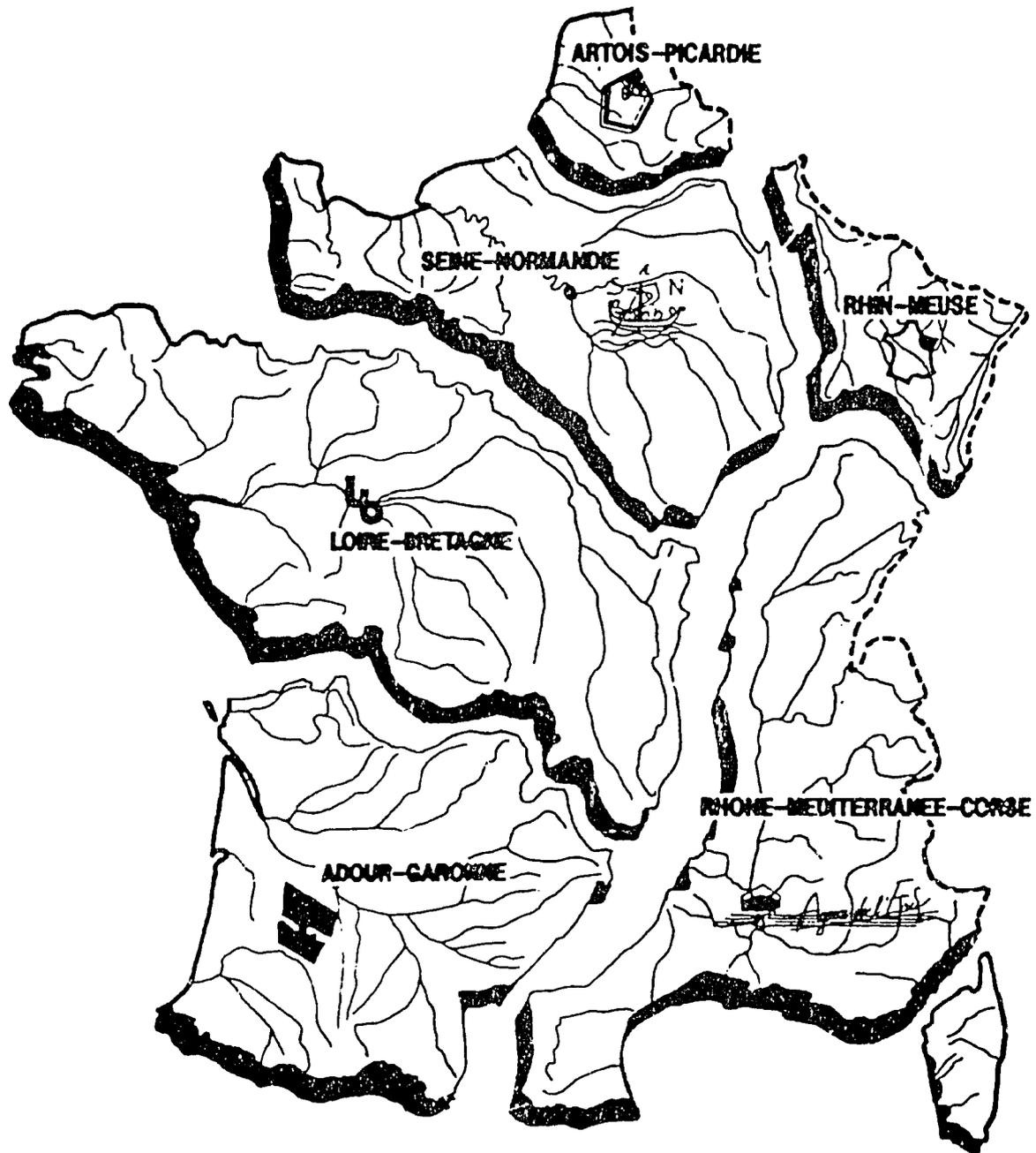
LAS AGENCIAS DE CUENCA

MODO DE EMPLEO



AGENCE DE L'EAU
SEINE-NORMANDIE

LAS 6 AGENCIAS DE CUENCA



FRANCIA



AGENCE DE L'EAU
SEINE-NORMANDIE

LAS AGENCIAS DE CUENCA EN FRANCIA O LA ECONOMIA AL SERVICIO DE LA ECOLOGIA

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I. EL VIRAJE DECISIVO DE 1964

Hasta 1964 la gestion de las aguas en Francia se funda en un conjunto de textos y reglamentos elaborados poco a poco conforme a las necesidades. Varios Ministerios estaban implicados conforme a los diferentes usos de agua :

- Ministerio de Obras Publicas por las obras urbanas ;
- Ministerio del Interior por el financiamiento de las zonas urbanas ;
- Ministerio de la Agricultura por los problemas rurales ;
- Ministerio de la Industria por la Contaminacion industrial ;
- etc...

El numero de participantes conducia a hacer ineficaces las acciones del Estado.

El incremento de las necesidades en agua y la extension de la contaminacion de los rios condujeron al Gobierno a elaborar en 1964 una ley mas global para manejar la cantidad y la calidad de las aguas del pais.

La originalidad de esta ley se puede resumir en tres puntos :

- La base geografica de gestion del agua es la **cuenca** ;
- La gestion politica del agua la deciden los **usuarios** de la cuenca ;
- Los medios economicos para realizar esta politica se obtiene por la aplicacion del principio de que **quien contamina paga**.

II. LA GESTION POLITICA DEL AGUA.

Un interés esencial de esta ley de 1964 consiste en la transferencia del poder de gestion a los usuarios del agua en el **Comité de Cuenca**.

Este Comité esta compuesto :

- de personalidades elegidas (Alcaldes, Diputados, etc...)
- de representantes de los usuarios (Industriales, empresas de abastecimiento de agua, pescadores, Agricultores, defensores de la naturaleza, etc.) ;
- de representantes del Estado.

Hay que notar que, en el Comité de cuenca, tienen la mayoría los usuarios mas los elegidos y que son dueños de decidir la política que les parece más adecuada para manejar las aguas de su cuenca. El gobierno es minoritario y no puede imponer su propia política en el dominio del agua.

Cada Comité de cuenca tiene un promedio de cien miembros y no puede reunirse frecuentemente, por eso el poder ejecutivo es asumido por la Agencia de Cuenca dirigida por su Consejo de Administracion.

Este Consejo de Administracion es compuesto de 26 personalidades elegidas en el seno del Comité de cuenca :

- 8 elegidos ;
- 8 representantes de los usuarios;
- 8 representantes del Estado;
- 1 representante del personal de la Agencia de Cuenca;
- El Presidente del consejo de administracion es designado por el Gobierno.

La mayoría también es detenida por los usuarios.

Francia esta dividada en 6 Cuencas con 6 Agencias integradas por especialistas en las disciplinas scientificas y el derecho del agua.

III. LA TRADUCCION FRANCESA DEL PRINCIPIO: QUIEN CONTAMINA PAGA.

Una de las ventajas generalmente reconocidas de las Agencias de Cuenca es su poder financiero. Son habilitadas a percibir cánones sobre los usuarios del agua.

La herramienta economica funciona gracias a un redistribucion por los agencias de los cánones bajo la forma de subvenciones y préstamos a los municipios y a los industriales que establecen instalaciones tendentes a mejorar el recurso de agua tanto en calidad como cantidad.

¿ QUIEN TIENE QUE PAGAR ?



TOMA Y CONSUMO DE AGUA

HABITANTES

INDUSTRIALES

AGRICULTORES (RIEGO)

CONTAMINACION

HABITANTES

INDUSTRIALES

AGRICULTORES

CRIADORES

Hay dos tipos de cánones :

- Cánones por toma de agua pagados por todos los usuarios conforme a las cantidades extraídas de los rios o de las capas ;
- Cánones por contaminación pagados por todos los que vierten aguas contaminadas .

Los parametros tomados en cuenta por los cánones son los siguientes :

- el volumen extraído en cuanto a los cánones por cantidad ;
- los solidos suspendidos ;
- las materias oxidables ;
- las materias toxicas ;
- el nitrogeno ;
- las sales solubles ;
- el fosforo ;
- los metales pesados ;
- los organohalogenados.

Otra dificultad que se tuvo que solucionar fue la implantacion de una evaluacion sencilla de las contaminaciones industriales. Tras un largo estudio realizado sobre diferentes tipos de efluentes industriales, tanto en Francia como en el extranjero, se ha adaptado una tabla global que permite estimar, por cada tipo de actividad, la contaminacion considerada para establecer la base del canon debido por el industrial.

El industrial tiene la posibilidad de no aceptar la evaluacion global del canon y solicitar que se efectuen medidas en su efluente con el fin de determinar su contaminacion real. A su vez la Agencia puede decidir por si misma realizar una medida cuando los elementos de que dispone demuestren que la estimacion global esta por debajo de la realidad.

El presupuesto de la Agencia, constituido por los cánones, sirve principalmente para aportar fondos a los municipios y a las industriales cuando construyen obras para mejorar la disponibilidad de agua y su calidad.

Como ejemplo el presupuesto distribuido por las 6 Agencias francesas en 1991 fue cercano a los 1000 millones de dolares.

IV. EL BALANCE.

Despues de mas de 20 anos de funcionamiento las Agencias de Cuenca han obtenido un exito significativo en el manejo de los recursos de agua. Lo esencial del ingreso (85%) fue dedicado a las inversiones y a la realizacion de estudios y medidas necesarias a la gestion global de las cuencas.

DOS CLASES DE TASAS PARA FINANCIAR LAS OBRAS

TASA POR TOMA Y CONSUMO DE AGUA

con arreglo al volumen de agua bombeada y a la cantidad de agua no restituida

TASA POR EMPEORAMIENTO DE LA CALIDAD (contaminación)

con arreglo a la cantidad de contaminación añadida al agua natural

La flexibilidad del systema ha permitido exitos notables en cuencas con geologia, geomorfologia, clima, sociologia y estructuras económicas diferentes.

Año tras año el dialogo permanente entre actores con intereses muy distintos y frecuentemente contrarios ha permitido acelerar la resolucion de los conflictos de uso.

Las Agencias trabajan segun programas de cinco anos. En el quinto programa (1987-1991) los 6 Agencias Francesas han podido distribuir 3.200 millones de dólares que han generado obras por mas o menos 9 mil millones de dólares.

El sexto programa (1992-1996) es mucho más ambicioso y estan previstas 7 mil millones de dólares de ayudas para generar 16 mil millones de dólares de obras.

PRESUPUESTO SEINE-NORMANDIE 1993

(EN MILLONES DE US\$)

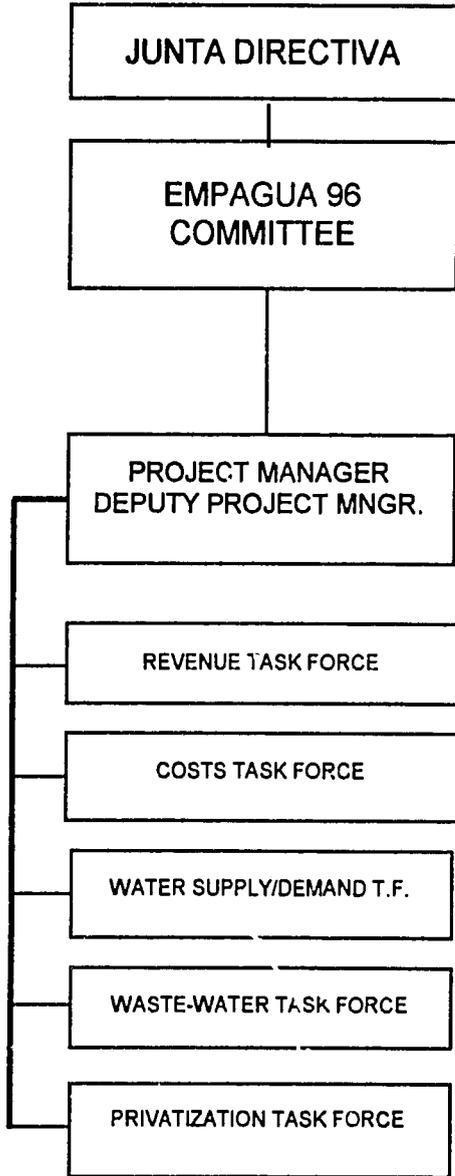
INGRESOS :

TASAS POR LA TOMA DE AGUA	82
TASAS POR LA CONTAMINACION	792
REEMBOLSO DE LOS PRESTAMOS	56
OTROS	22
TOTAL	952

GASTOS :

SUBVENCIONES	280
PRESTAMOS	158
PREMIO POR DEPURACION	456
FUNCIONAMIENTO	56
TOTAL	950

ANNEX 5
ORGANIZATIONAL STRUCTURE



President: Mr. Oscar Berger P.
 Members: Mr. Edgar Balsells Conde
 Mr. Roberto Gonzalez
 Mr. Gustavo Molina Lazzari
 Mr. Alfredo Vila

Observers: Mr. Carlos Quezada
 Mr. Roberto Gonzalez

Mr. Roberto Gonzalez

.....

Head:
 Members:

Head: Mr. Julio Escoto
 Members:

Head: Mr. Jorge Garcia
 Members:

Head:
 Members:

Head:
 Members: