OECD Water Governance Initiative
Thematic Working Group 2

Performance & Governance of Water Supply and Sanitation Services

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Scoping Note

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This scoping note describes the objective and scope of the work to be carried out by the thematic working group "performance & governance of water supply and sanitation services", coordinated by ASTEE with the support of IWA as part of the 2013-2014 OECD Water Governance Initiative activities.

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[1] An improved version of this scoping note will be issued after the 7-8 November meeting, based on comments received from the members of the OECD Water Governance Initiative.

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PREAMBLE

1. The OECD Water Governance Initiative was launched on 27-28 March 2013 as an **international multi-stakeholder network** of around 100 delegates from public, private and not-for-profit sectors gathering twice a year in a **Policy Forum** to share on-going reforms, projects, lessons and good practices in support of better governance in the water sector.

2. The OECD Water Governance Initiative aims to:

- **Advise governments** in taking the needed steps for effective water governance reforms through **policy dialogue** across decision-makers at different levels;
- **Provide a technical platform** to discuss analytical work on water governance through peer-to-peer exchanges and knowledge sharing;
- Provide a **consultation mechanism** to raise the profile of governance issues in the **Global Water Agenda** and Post-2015 Development Agenda ;
- Support the implementation of the **6 governance targets** designed for the 6th World Water Forum (Marseille, 2012) up to the 7th World Water Forum (Korea, 2015);
- Contribute to the design of **OECD Principles on Water Governance** and **OECD Indicators on Water Governance** to engage decision-makers at all levels, within and outside the water sector, commit to action;

CONTEXT

3. The current water supply and sanitation crisis can be largely considered as a governance crisis especially for what regards the performance of water policy and management.

4. As the UN-Budapest Water Summit final declaration (8-11 October 2013) stresses: *"Achieving universal, sustainable access to water and sanitation and managing water in an efficient manner requires*

good governance [...]Water governance effectiveness depends on the institutional quality of authorities at all levels, sectoral and territorial integration, the performance of utilities, the level and diversity of stakeholder engagement, social inclusion, transparency, and disclosure quality and consistent data and information, public awareness, the quality and consistency of data disclosed, capacity development and anti---corruption practices. Together, all of these provide good water governance that is required for both a sustainable and a water-secure world."

5. Indeed, water management involves a range of actors, which all play a role in the search for innovative and efficient solutions. Many organizations (e.g. IWA, OECD, UN-Habitat, the World Bank and AFD) have produced a series of tools to improve governance and performance of public water and sanitation services such as the document on "good practices" developed by the French Ministry of Health and UNECE, which provides policymakers with guidance, based on concrete examples, on how to fulfill their commitments to ensure equitable access to water and sanitation.

6. The diagnosis seems to be largely consensual and the debate focuses primarily on **regulatory framework, capacity building, strengthening of local authorities' prerogatives, financial tools and participatory processes**. Useful governance tools to bridge identified capacity, funding, accountability and regulatory gaps include: the knowledge of the assets, the quantification though performance indicators, the use of clear contracts between authority and service providers (whether public or private), and benchmarking. To track the effectiveness of the diversity of solutions identified, the extension of indicators to all fields of sustainable development concerning WSS services could provide for a major contribution to improve water governance of these services.

7. Performance of WSS has been discussed in all World Water Fora and many other international events. The 5th WWF Istanbul Water Consensus put emphasis on the contribution of local authorities, and called to know more about regarding performance and governance of WSS services.

8. In 2011, ASTEE (French Scientific and Technical Association for Water and the Environment, French branch of IWA and European Water Association (EWA)) joined the OECD-led "Good governance" Core Group for the preparation of the 6th world water forum and coordinated the "Target and solution group 2" on the "performance and governance of water supply and sanitation services" dedicated to performance measurement, regulation, capacity building in the water sector.

9. Four preparatory meetings (Manosque, June 2010; Bordeaux, October 2011; Nice, November 2011; Paris, November 2011) have been dedicated to debates, gathering more than 800 people in all. The material gathered by the TSG appeared rapidly so rich that ASTEE produced a book in English and French summarizing issues and evidence collected[2].

10. Target 2 is framed as follows:

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[2] Pierre-Alain Roche, Solène Le Fur et Guillem Canneva dir., « *Improving the performance of water and sanitation public services* », ASTEE, 190 pp., 2012, Paris, France. Free download : http://www.astee.org/publications/bibliographie/collection/fichiers/Ouvrage_Performance_UK_LD.pdf

"By 2018, all countries will have strengthened the monitoring framework for service delivery, including through the adoption of adequate performance indicators and the building of monitoring capacity both at the central and sub-national level".

11. A detailed action plan in support of the implementation of this general target has also been adopted (see section 3) and provided a critical roadmap for further action. Follow-up to this process Target 2 is being ensured through the contribution of ASTEE and IWA, in relationship with ISO and other partners, to the *OECD Water Governance Initiative* (OECD-WGI).

12. A large part of the IWA Congress held in Busan (Korea) –September 2012 and of the "EFFICIENT 2013 - solutions for difficult times" ASTEE-IWA conference held in Paris – October 2013 was dedicated to the issue of the governance of water services. The Lisbon IWA congress in September 2014 will also be a key milestone in this follow-up process, with a special support of Portuguese authorities to emphasize the importance of regulatory and institutional frameworks in efficient, sustainable and equitable water supply and sanitation management. A new IWA-MBP (Manuals of Best Practices) collection will be launched with the republishing of the two existing performance indicators (PI) manuals (3rd edition of the PI Water Supply Manual, 2nd edition of the PI Wastewater Manual), as well as a reprint (with minor revisions) of benchmarking MBP and two new manuals: "PI and benchmarking in developing regions" and "infrastructure asset management manual".

13. These high-level events show that there is a good set of PI's at an international level (to be adapted to local contexts) and good experiences within countries and across regions (experiences of monitoring frameworks, which could be regulatory, voluntary benchmarking etc.). Remaining challenges to be addressed include:

- The ***lack of knowledge*** on how to develop a context specific monitoring framework – what is the best option (regulation, voluntary benchmarking, etc.)? How do you introduce incentives to such a system? What could be considered minimum PI's to measure? How to design a monitoring framework to be progressively more sophisticated / mature as capacity improves?

- The ***lack of capacity*** (staff time and or financial resources) to collect, analyse and use relevant data (at the service provider level) – this is linked to the lack of knowledge; if there is little capacity to monitoring performance at the service provider level, a strict regulatory approach may not work successfully – hence, a more "formal" regulatory framework should rather be built over time (start with voluntary benchmarking, for example)

14. These challenges raise the following policy questions to be addressed by the Working Group 2:

- ***What*** **are the key regulatory functions for service provision and where should they be discharged?**
  The Working Group will map across selected OECD and non OECD countries who does what, at which level for the main regulatory functions in water supply and sanitation and draw policy lessons. Such functions include tariff regulation, quality and service standards for drinking water and wastewater, public service obligations, information and data gathering, monitoring and service delivery, incentives for efficient use of water and investment, consumer protection and dispute resolution, licensing of water operators and supervision of contracts with the private sector.

- ***How* to develop the appropriate frameworks for monitoring performance at the service provider level?**
  The Working Group will review and draw policy lessons from the range of monitoring frameworks across selected OECD and non OECD countries as well as existing capacity building programmes for different stakeholders; It will then provide guidance as to how identified gaps can be bridged and further bench-learning can be fostered across utilities and other stakeholders.

- ***What* are good practices for effective data gathering?**
  The Working Group will explore various options, be they regulatory, voluntary benchmarking, etc. The objective will be to provide evidence on the type of incentives to introduce, a list of minimum performance indicators to measure, and the necessary steps to design a progressively sophisticated monitoring framework as capacity improves.

- ***How* can dedicated regulatory bodies help foster effective governance of WSS?**
  The working group will study the organizational structure of water regulators from selected OECD and non OECD countries to provide insights and comparisons on the roles of management and staff, the rules for appointments, recruitment and termination and the professional competencies gathered across regulatory agencies. Measures taken to mitigate the risk of capture by special interests will receive particular attention, as well as the financial resources available to the various agencies and the sources of funding. Country examples will shed light on how the different approaches to mobilizing financial resources, staffing and managing the internal organisation of the regulator can help enhance the integrity and effectiveness of the regulator.

RATIONALE

15. The performance of water supply and sanitation services includes four dimensions:

- **Effectiveness** of services, i.e. the nature of services effectively provided to the users and the level of compliance with societal and regulatory constraints;
- Reality of the **implementation** of the policies targeted, i.e. the comparison between the objectives targeted by the responsible authority (often a local authority, or a national one) and the results actually achieved;
- **Efficiency** of services, i.e. the optimization of the resources and means mobilized to deliver the results.
- **Sustainability** of services (social, economic and environmental).

Concerns on performance and governance

16. Today the situation of effective performance is a matter of concern:

- Generally, ***performance in the water sector is insufficiently measured and monitored***, and is often not the subject of explicit and deliberate policies despite the benchmarking carried out in some cases at national level by regulatory agencies like ERSAR in Portugal or OFWAT in the UK
- Although we agree on the fact that around one third of the world-population does not have access to proper public services, ***few statistics actually exist on the levels of services delivered*** to the two other thirds of the population, whose situations are however extremely different;
- Performance is sometimes very far away from what the dedicated funding granted should enable to expect; such discrepancies between reality and intention are often due to the lack of control and the need of capacity building : ***with the same expenditure, better results could be obtained***;

- In many cases the ***funds mobilized do not allow to reach an acceptable level of performance*** – "In two-third of OECD countries surveyed, the funding gap is the main obstacle to vertical and horizontal co-ordination of water policies" (OECD, 2011);
- ***Information are often not made available*** to customers and service users;
- There is ***no commonly agreed definition of "performance" shared across the stakeholders*** (authorities, operators, users of the service including those unserved, donor agencies…). Definitions related to performance measurement are often context-specific, which hinders a monitoring strategy and policy underpinned by suitable means. This definition and vision cannot then be shared between the stakeholders.
- The ***four elements of the definition of performance are often mixed up*** in comparison between services leading to misinterpretation;
- Indicators dealing with only one aspect of the performance sometimes hide the lack of results in the other aspects.

Actors of the performance of public services

17. The four components of the performance's definition above concern directly:

- **Responsible bodies** (the authority in charge of the service), often a local authority called organizing authority or responsible authority;
- **Service providers** (pubic, private or mixed);
- Whenever relevant, **competent authorities** which define the overall objectives and regulations or monitor the compliance with rules and regulations for all water public services in their perimeter (e.g. a national regulator for instance).
- **Users and citizens**, who are essential stakeholders of the governance of those services;
- **Donors, banks and international financial institutions** that bring their support to the development of those services.
- **Manufacturers** and craftsmen ensuring the maintenance, upkeep and renewal of equipment.

The major issue is the improvement of services performance

- Development of access to water and sanitation services, in line with the implementation of the Human right to water and sanitation;
- Achievement of the Millennium Development Goals and of their likely successors;
- Credibility and trustworthiness of responsible organizations and operators towards citizens and consumers;
- Stability and sustainability of the financing of the services;
- Proper management and stewardship of infrastructure assets whose capital value is significant and often comes from successive generations of costly investments;
- Proper use of funds raised from users and taxpayers;
- Sustainable development in relation to socio-economic and governance issues, in addition to environmental issues.

Standardization and methodologies – Important bases for the performance of services

- The ***standardization has allowed making significant progress in the understanding of services effectiveness*** (cf. ISO in particular). It also helped promote exchanges between stakeholders in establishing a framework common to all and clarifying their respective roles and responsibilities.
- Many studies and reports (from OECD, IWA, World Bank, and so on…) have defined ***suitable methodological frameworks*** for assessing the effectiveness of service provision in both developed and developing countries contexts, taking into account the diversity of institutional as well as economic framework.
- However, to date ***there have been no full-fledge internationally-agreed indicators building consensus on how to measure the progress of*** the implementation of effective water policies, including but not only water supply and sanitation. A solution's form on the Solution for water platform (http://www.solutionsforwater.org/solutions/international-standardization-as-a-common-solution-for-improving-water-and-wastewater-services) is dedicated to the international technical committee ISO/TC224 "Service activities relating to drinking water and wastewater";
- Some countries (Australia, the United-Kingdom, Portugal, France, etc.) have defined very accurate methodological frameworks that allow making ***meaningful comparisons between different services***; Information from these sources, however, is hardly accessible, and provided reports have only limited relation to the needs of the developing countries.
- The IFIs set up standardized ***water benchmarking in many countries*** (e.g., Albania, Colombia, Bangladesh, Brazil, Kenya, Malawi, and Zambia). The IBNET program of the World Bank, supporting these initiatives, also generated some additional attention to the sector assessment based on IWA performance assessment tools. The IBNET dataset (www.ib-net.org) contains performance data from about 3,000 utilities from more than 110 countries. However ***the expansion of the IBNET methodology is slower than expected*** mainly due to limited funding.
- Networks like LO.RE.NET (LOcal REgulation NETwork), and many case study reviews, development of Water Information Systems (WIS), new benchmark approaches (AquaRating) have emerged and appeared as ***good signals of international awareness*** on these concerns.
- Still, the poor quality knowledge of the asset base, the absence of long-term asset management plans, etc.… are some well-***known factors of economic losses*** that have not led yet to an overarching framework measuring the progress in operational terms.

18. Then, standardization and methodologies exist for part of the performance scope in both developed and developing countries, but there is no objective of global progress in their implementation. Fostering effective, efficient and sustainable service provision requires knowing how to measure the maturity of the sector framework of each country and identify whether a regulatory system is implemented.

DETAILED TARGET ACTION PLAN

By 2015, making sure that 50% countries will have set up sound regulatory frameworks and have clearly identified the main actors for water regulation at central and sub-central level

19. The general lack of regulatory frameworks for water supply and sanitation services does not contribute to the overall clear vision for water stakeholders.

20. Making sure that countries clearly identify key regulatory functions in water supply and sanitation, as well as environmental and economic actors that (should) discharge them could contribute to clarifying the "*who does what, at which level*" and enhancing the performance of services.

Dedicate part of the responsible body budget to the activities of control and monitoring

21. The development of service's contracts, the knowledge of the network, and the monitoring and controlling of the execution of these services' contracts by authorities require the mobilization of resources and skills that responsible bodies' organisms may not have available currently. Without the development of these skills and resources, and their availability over time, the authorities cannot have a clear vision of the performance of their services. It is therefore necessary to consider that a portion of the budget of the services must be allocated to these activities to ensure their sustainability.

22. These resources necessary to obtain the expected performances are not specific to the developed countries. This is rather the number of users served, and the global budget of the service, that are the determining factors to know whether these resources can be made available locally at the level of the responsible body or whether, for small units, it is necessary to share/mutualize these resources in shared supporting services structures.

It is necessary to get an evaluation of adequate costs to grant (a proportion of turnover of service) to exercise that control activity.

Develop the reasonable use of performance indicators for competent authorities, responsible bodies and all actors involved

23. The services' contracts usually contain indicators allowing to measure operators performance against targets. Significant efforts have been made either at national level by national regulators (having themselves various responsibilities depending on the country), or at the level of networks of competent authorities and responsible bodies, or at regional scale, to measure the performance of services with systems of common standardized indicators. These systems are designed as tools for dialogue and exchange allowing everyone to find their own targets for progress from a given and particular situation. They foster the development of reporting mechanisms and systems of performance monitoring predicated on standardized set of indicators. However, these initiatives are often patchy and work on different bases and methodologies.

24. Although the literature on the subject is abundant and manuals of good practices exist, experience assessment and feedbacks are generally carried out through patchy academic works and are not organized over a long period. Moreover, the results of these indicators relating to two different services remain difficult to compare because of their constraints and their particular framework. The comparison over time of the data of a performance indicator for a specific service makes more sense and brings in more progress drive. Finally, most current databases are filled out on a voluntary and declarative basis without any resources barely dedicated to data audit and control.

It is necessary to include in the action plan a new step of accountability by the development of systematic independent control of data provided in performance reports and in indicators benchmarking systems.

Strengthen the role of professional associations to promote the development and enhancement of performance indicators by operators

25. Professional associations, i.e. associations which bring together public authorities and operator at national, regional or global levels (IWA for example), are actively involved in the development of performance indicators among their members and indicator systems within different member countries. Their role is essential to both facilitate the implementation of common features of systems of indicators used, and mobilize actors in their implementation and to interpret the results.

26. For the establishment of a system of performance indicators, the public water service of a particular responsible authority may rely on the institutions of its own country, as well as on national, regional or international professional associations, of which it is a member. It can also be assisted by another operator. This can be done for example through the WOP (« Water Operators Partnerships ») framework, supported by UN-Habitat, which aims to foster partnerships between operators faced with similar contexts. The objectives of a particular WOP may include the creation and implementation of tools required to produce local performance indicators. The professional associations (especially IWA and its national affiliates) are involved in the design of definitions, as well as the implementation of systems of indicator, and in the development of these partnerships. They provide valuable support in this field through their network. To enable this support, the creation of sustainable resources with the support of international donor agencies is deemed necessary. Performance indicators developed should also include the equitable access dimension.

27. **It is suggested to support the adaptation and use of performance indicators and encourage institutions and professional associations that promote partnerships between operators to include in the development of these partnerships performance indicators of public service taking account the indicators to assess the performance of the partnerships themselves.**

MAIN PRIORITIES TO DISCUSS

28. Many stakeholders produce very good methodologies and there is a lot of case studies and good practices available in the field of performance and governance of water supply and sanitation. These efforts, in most cases, are only known by very few experts of international groups, depending on their national, regional, and not international visibility.

29. Overall, there is a ***lack of dissemination of the information available***, as well as ***limited discussion and assessment of various approaches*** and irregular update and review of activities.

30. To address these concerns, two priorities, in coherence with the mandate of the other working groups of the WGI, would provide a real added value to existing initiatives:

Provide a "local needs and solution platform" on PI

31. This would help taking stock of activities and facilitating spread out of methodologies and best practices and feedbacks analysis, as well as getting more insight in expression of operational needs, in order to contribute to the development of a "demand-solution" platform for the 7th world water forum. Many of the contributions proposed by the members of the WG provide significant material to meet this objective.

Draft "performance and governance" guidelines and indicators

32. As previous discussions established (see section 2 and 3) we need to develop 3 components within the group:

- *Indicators* of what means "satisfactory regulatory frameworks" and assess the reality;
- *Tools* to appreciate what is the reasonable part of turnover to dedicate to indicator and control activities and what is the benefit of it;
- *Methodologies* to assess the quality and accountability of data in benchmarks activities and the independence of the control

33. Based on the outcomes of the 7-8 November discussion of the Working Group, roles and responsibilities will be allocated across members to develop these three components, with the ultimate goal to contribute to a larger effort of the OECD Water Governance Initiative to develop OECD Principles and Indicators on Water Governance by 2015.

PLANNING & APPROACH TO ENGAGE WITH STAKEHOLDERS

34. The indicative planning for implementation of the action programme needs to be developed jointly with members of the working group. Members of the working group will be expected to work out specific components using their contact network and presence in countries and regions for example.

35. It will be important that the working group contributes meaningfully to the governance stream of the 7th World Water Forum (Daegu-Korea April 2015), but the World Water Forum is not an end in itself.

36. As such the working group which will be launched on 7-8 November 2013 is expected to develop a plan for 2014, 2015 and 2016. The World Water Forum may provide an opportunity to share the first results with a wider group of stakeholders.

IMPLEMENTATION TASKFORCE

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