

**Water Sector
Development and Governance:**
Complementarities and synergies
between Sector-Wide Approach
and Integrated Water Resource
Management

December 2009



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The whole water sector of the Unit E7 of EuropeAid actively participated in the preparation and drafting of this document and in particular Cédric Merel and Benoist Bazin, currently working at the Delegations of the European Union to Ghana and Zambia.

The Unit E7 is responsible for this document and its updating which will aim to be, like for this first version, as consultative as possible.

This document is a translation into English of the original text in French.

TABLE OF CONTENTS

Abbreviations	4
Introduction	5
1. The water sector	12
1.1. The complexity of the sector	12
1.2. Challenges faced by the sector	14
2. Approaches and definitions	16
2.1. Integrated water resource management	16
2.1.1. Origin, definition and principles	16
2.1.2. IWRM problems and lessons learned	19
2.2. The sector-wide approach, the sector programme and the sector policy support programme	22
2.2.1. Origin, definitions and criteria	22
2.2.2. Sector-wide approach and sector programme: lessons learned	27
3. Complementarities and synergies between the sector-wide approach and IWRM	28
3.1. Contribution made by IWRM to sector policy and strategy	28
3.2. IWRM and the medium-term expenditure framework	29
3.3. Sector coordination, a common principle	30
3.4. Performance monitoring system	32
3.5. Institutional capacity building	32
Annexe 1: Drawing up and implementing a roadmap	34
1. Analysis of governance in the water sector	35
2. Raising awareness about a national dialogue	35
3. Dialogue preparation	36
4. Official launch of the dialogue: the first stakeholder forum	37
5. Sector diagnoses by working groups	40
6. Annual sector reviews (stakeholder forums)	45
Annexe 2: Governance: a stakeholder analysis methodology	42
Annexe 3: Arrangements for water supply and sanitation service management	46

ABBREVIATIONS

IWRM Integrated Water Resource Management

SWAP Sector Wide Approach

MDG Millennium Development Goals

MTEF Medium-Term Expenditure Framework

NSA Non-State Actors

SBS Sector Budget Support

SP Sector Programme

SPSP Sector Policy Support Programme



The full text of the document can be downloaded from AquaKnow:

<http://www.aquaknow.net/wg/water-sector-development-and-governance>

INTRODUCTION

Over the course of the UN's "Decade of Water" (1981-1990), international organisations focused on promoting access to drinking water. The goals set were not achieved as a result not only of insufficient investment, but also because of a too strong focus on building infrastructures and a too weak focus on sustainability and management.

Experience and careful consideration have shown that, although additional financial efforts had to be made in order to achieve the goal of universal access, it was just as important to take into account matters such as governance. This implies considering organisational arrangements specific to each individual country towards a policy for water use and management focused on sustainable development, environmental protection and socio-economic factors.

Following the International Conference on Water and the Environment held in Dublin in January 1992, and over the course of the subsequent decade¹, principles were laid down with a view to ensuring the effective and sustainable management of water resources. An approach was developed with this in mind: **Integrated Water Resource Management (IWRM)**.

Later, at the end of the 1990s, at the same time as this thematic tool was established, it became clear that it was necessary to rethink development aid and deal with sectors in their entirety by means of the **sector-wide approach**, as opposed to isolated interventions as part of traditional projects.

The European Commission advocates the use of both IWRM and the sector-wide approach for cooperation programming and implementation.

After setting out the context of the water sector (Chapter 1), this paper goes on to explain the principles of IWRM and the features of the sector-wide approach (Chapter 2). Then, the merits of integrating IWRM principles when implementing a sector programme are considered (Chapter 3), with a view to combining the two

approaches with the goal of better water resource management. On the basis of this joint contribution, a number of possible ways forward are proposed in the annexe for the development and implementation of a roadmap for the sector in a particular country.

The purpose of this document is to highlight common principles and synergies between sector-wide approach (SWAP) and Integrated Water Resource Management (IWRM) in order to show how these two processes can make a joint contribution to the development of the sector. The aim is not to identify arguments in favour of one or the other approach. Nor is this paper intended to set out the European Commission's vision and objectives for the sector. Separate guidelines also produced by Unit E7 of EuropeAid will focus on these aspects. The document is nonbinding and intended as a guidance tool for use by European Commission Delegations and other partners involved in the water sector.

Although, by definition, IWRM can involve a geographical area covering more than one country at river basin level, in practice it tends to be developed at sub-basin and national level. For its part, the sector-wide approach is a country policy. This document will therefore focus primarily on national issues. Even though issues relating to transboundary basins are not the main topic of this document, their implications at national level (particularly as regards institutional and budgetary matters) will be considered.

For both approaches (IWRM and SWAP), it may prove necessary for practical reasons to focus on sub-sectors (particular uses of water such as irrigation, sanitation, etc...) which could particularly benefit from national ownership and political support. Nevertheless, the concepts of sector-wide approach and IWRM will continue to be used in this document even in the case of sub-sectors.

The integration of the two processes is proposed as general guidance; however the approach will have to be tailored to countries and sub-sectors peculiarities.

(¹) The main conferences were held in Dublin (International Conference on Water and the Environment – 1992), Rio de Janeiro (United Nations Conference on Environment and Development, Earth Summit – 1992), Bonn (International Conference on Freshwater – 2001) and Johannesburg (World Summit on Sustainable Development – 2002). In particular, the Bonn Conference recommended that priority action be taken in the following areas: governance, mobilising financial resources, capacity building and sharing knowledge. The content of these various declarations was reproduced in the Ministerial Declaration at the 4th World Water Forum in Mexico (2006). For information, Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishes a framework for Community policy in the field of water, the content of which could be a source of inspiration for other regions. Finally, Communication COM/2002/132 from the Commission to the Council and the European Parliament of 12 March 2002 sets out the broad lines of the European Commission's vision of supporting developing countries in the field of water management, as does the Council's response (Resolution 8951/02 – May 2002). *Waternet*

CHAPTER 1: THE WATER SECTOR

“Water is a primary human need and water supply and sanitation are basic social services. It is a fundamental economic and environmental resource, and is thus a key issue for poverty reduction and sustainable development.”

(Draft Resolution of the Council of the European Union of 17 May 2002)



1.1. The complexity of the sector

The distinguishing feature of the water sector as compared to other sectors is its complexity:

The many, and sometimes conflicting, uses of such a unique natural resource as water

In addition to being used for domestic consumption, water is required for a number of activities, particularly agriculture and industry. Over the years, the world demographic growth and the subsequent increase in demand for water lead to greater pressure on water resources.

Unlike other natural resources, water can be found both at surface level [surface water] and below the surface [ground water] and flows gravitationally. As a result, upstream water usage can have a negative impact on downstream users.

Careful consideration must be given to the water cycle at the level of the river basin in order to guarantee the renewal of freshwater supplies, taking into account that a river basin can cross national borders.

*In the **Middle East**, where water resources are inadequate and unequally distributed, access to water is crucial and constitutes a major geopolitical challenge. The Jordan River flows through Lebanon, Syria, Israel, Palestine and Jordan and is of strategic importance in providing these countries with access to water. Similarly, the ground-water in the West Bank is a source of tensions between the Israelis and Palestinians.*

Water: a human right, a public good, an economic commodity and a vulnerable resource

Water is necessary for life, so having access to it is vital. In spite of this, access to water is not currently internationally recognised as a universal human right, and the 2009 World Water Forum in Istanbul did not establish a consensus on that point².

Water is a public good and access to it should not be restricted or called into question. However, it is also an economic good which can be traded. Therefore, its value can be calculated according to the law of supply and demand and even, in the absence of any state regulation, be subject to speculation.

Water supply services are also subject to different economic and political criteria depending on whether they are being delivered by a private sector or public sector operator. However, all citizens need to have sustainable access to good quality water, and therefore water access management and quality control must remain in the hands of the public authorities.

*In 2000, the Cochabamba valley in **Bolivia** saw clashes between public authorities and farmers, when the latter refused to pay for water transported by means of water supply networks which they had built themselves at a time when the government was failing to fulfil its obligations in that regard.*

Varying interest in a cross-cutting sector which unites several actors

In the revenue-generating sub-sectors, water resources attract much interest both from businesses and the government. Conversely, water supply services in rural areas or sanitation services have, essentially, a social dimension and there can be a lack of interest on the part of leaders at the highest level in financing the sector.

As a resource which impacts on a number of sectors (agriculture, industry, health, tourism, environment etc.), water is different from other issues such as education or health in that it is rarely the responsibility of just one minister of a national government.

Finally, the complexity of the water sector arises from the broad range of stakeholders: public bodies – both at central and decentralised levels – users, private sector, civil society etc.

⁽²⁾ See boxed text in section 2.1.

⁽³⁾ The Convention on the Elimination of All Forms of Discrimination against Women (Article 14), the Convention on the Rights of the Child (Article 24) and the African Charter on the Rights and Welfare of the Child (Article 14) all recognise the right to water for women and children.

See also the box “Is water an economic good?”, chapter 2.1

1.2. Challenges faced by the sector

Rationalisation of water use

The challenge over the coming decades will be less one of dealing with the scarcity of water resources than one of encouraging sensible water use. Despite the growing pressure on water resources, few countries have made progress in the rationalisation of the sector.

Pressure on water resources in Latin America

A large proportion of the world's freshwater resources are in Latin America. However, water resources within that region are very unevenly distributed, essentially because of its geography. Furthermore, the population distribution in Latin America is not always such that the areas where water is accessible and abundant are the most densely populated, and often the poorest segments of society living in suburban and rural areas suffer the worst water supply service coverage.

The Economic Commission for Latin America has indicated that water demand has increased dramatically, primarily as a result of world population growth, but also due to the uncontrolled expansion of agriculture (which accounts for 70 % of water use), livestock farming and industry, urbanisation and the reduction in the quantity of water available due to soil sealing and deforestation.

As regards water quality, in addition to natural sources of pollution, failure to treat wastewater accentuates the vulnerability of water resources and explains the serious water contamination. Agricultural and mining practices are the principal causes of this rapid degradation.

Access to water for the poor and the question of pricing

Equitable access to water is not often guaranteed, nor is it uncommon for peripheral areas in developing countries to be deprived of the continuous water supply service enjoyed in towns. In the suburbs particularly, those who live in the most disadvantaged areas pay the highest price for their water supply, as it is provided by private companies which can be unscrupulous or may be experiencing difficulties.

It is commonly accepted that water is a public good, which means that every person should have access to drinking water within a reasonable distance, but does not imply that water should be free or that, in particular, water distribution services should be provided free of charge. Access to water and the water itself must,

therefore, be distinguished from access to water supply services.

The question of water supply service pricing currently constitutes a real challenge in a number of countries. It is worth noting, in particular, that financing the sector exclusively through water tariffs, without any contributions from the State budget, conflicts with governments' commitments to the poorest.

Water pricing in Samoa and South Africa

For social reasons, it is often favourable to introduce an increasing block rate pricing system, with a low block rate for the first litres of water consumed by individual users. This allows users to satisfy their basic water needs at low cost.

In Samoa, the "Water for Life" government policy established that households would receive their first 500 litres of water per day free of charge³. Although this is clearly a social policy, it could endanger the sustainability of the whole system, since for that reason in particular, the Samoan water agency cannot ensure a balanced budget.

In South Africa, the 2001 water pricing review established a tariff where 6m³ of water per household per month would be free. That equates to 200 litres per household per day or 40 litres per person per day for a family of five or 25 litres per person per day for a family of eight.

Changing mentalities

In a sector as complex as the water sector, rationalising the use of resources often raises another challenge: that of changing the mentalities and behaviours both of individual water users and, in particular, of agricultural and industrial businesses.

In many developing countries, where the lack of coordination between the actors in the water sector and the lack of expertise of local stakeholders are highly prejudicial, changing the mindset also involves strengthening national capacities. The most unstable countries, in particular, are incapable of fulfilling their minimum responsibilities, such as providing basic services, or enforcing laws and rules, where they exist.

⁽⁴⁾ The minimum threshold is normally considered to be approximately 20 litres of water per person per day.

Learning from experience

Another major challenge in the water sector is to learn from past experience, namely to:

- ensure transparency and active involvement so that all the actors in the sector take ownership of the process and contribute to its regulation,
- manage water demand equitably by involving both men and women,
- develop mechanisms and instruments to improve coordination and dialogue between actors from different sectors and institutional levels,
- provide access to information for all the actors and ensure that the information available is reliable and consistent,
- develop mechanisms and methods for planning the use of water resources,
- adopt an approach, at national and decentralised levels, which takes into account all the sub-sectors.

Changing habits...

A number of current practices should be improved, in particular by:

- avoiding the discharge of untreated wastewater used in agriculture, industry or domestic settings,
- improving the management of the currently uncontrolled and unregulated underground aquifer exploitation by digging wells,
- improving the efficiency of irrigation systems such as flooding, which requires large quantities of water and causes soil compaction and salination and organic matter decline,
- reducing deforestation, which seriously affects the recovery capacity of underground aquifers and can result in soil erosion and abnormal flooding,
- improving methods for biofuel production, which leads to a further increase in water consumption etc.

CHAPTER 2: APPROACHES AND DEFINITIONS

2.1. Integrated Water Resource Management

2.1.1. Origin, definition and principles

Water governance

The concept of **governance in the water sector** arose in order to guarantee more rational water resource management, ensure that the poorest people have access to water and generally contribute to changing attitudes within the sector.

Governance comprises the range of measures, rules, decision-making bodies, information services and supervisory bodies which make it possible to guarantee the proper functioning and monitoring of a State, organisation or, in this case, a sector.

Its main concern is to ensure that the interests of “right-holders” (citizens, public authorities, partners etc.) are respected and it is underpinned by four fundamental principles:

- **accountability** (reporting etc.), according to which policymakers must prove to stakeholders that public goods are being managed properly,
- **participation** of all the actors in the sector and their ownership of governance processes,
- **inclusion** of all actors in the sector, particularly the most vulnerable, such as women and children, who have the same rights as other stakeholders,
- **transparency** in financial management, the award of contracts and the results obtained as well as providing easy access to information.

Integrated Water Resource Management (IWRM) is the approach that implements governance measures aimed at conserving and ensuring the sustainability of water resources.

The origins of IWRM

From a historical perspective, Integrated Water Resource Management (IWRM) was conceived by water sector experts as a way of dealing with structural water crises at local and regional level, for example in Gujarat (India), in the Sahel and even in large areas of Spain.

IWRM came about as a result of the International Conference on Water and the Environment held in

Dublin in 1992. The **principles of the Dublin statement** are as follows:

- freshwater is a **finite and vulnerable resource**, essential to sustain life, development and the environment,
- water development and management should be based on a **participatory approach**, involving users, planners and policy-makers at all levels,
- **women** play a central part in the provision, management and safeguarding of water,
- water has an **economic value** in all its competing uses, and should be recognised as an economic good.

Since the Dublin conference of 1992 there has been a long list of interpretations and revisions of these principles (WHO, AGENDA 21, GWP, etc..) which anyhow remain the agreed reference. In the following paragraph they have been analysed and grouped following general governance principles.

Is water an economic good?

The fourth principle (above) has long been the subject of debate because it places greater importance on water’s economic value – which is undeniable where agricultural or industrial interests are concerned – than on the universal human right of access to water. The debate is ongoing to this day: several countries formally recognise access to water as a universal right (Venezuela, Bolivia, Uruguay) and South Africa has even incorporated it into its constitution. At the 2006 World Water Forum held in Mexico, the European Parliament, for its part, unanimously adopted, on 16 March, a resolution calling for access to water to be recognised as a human right, but many Member States were opposed to this principle.



Definition

IWRM is defined as a process aimed at ensuring that water is used more efficiently (economic dimension), promoting equitable access to water (social dimension) and guaranteeing sustainability (environmental dimension).

→ The term “integrated” stresses that there is a need to adopt a global (holistic) approach which brings together different sectors such as health, agriculture and industry – horizontal integration – and different levels (regional, national, municipal, household etc.) – vertical integration.

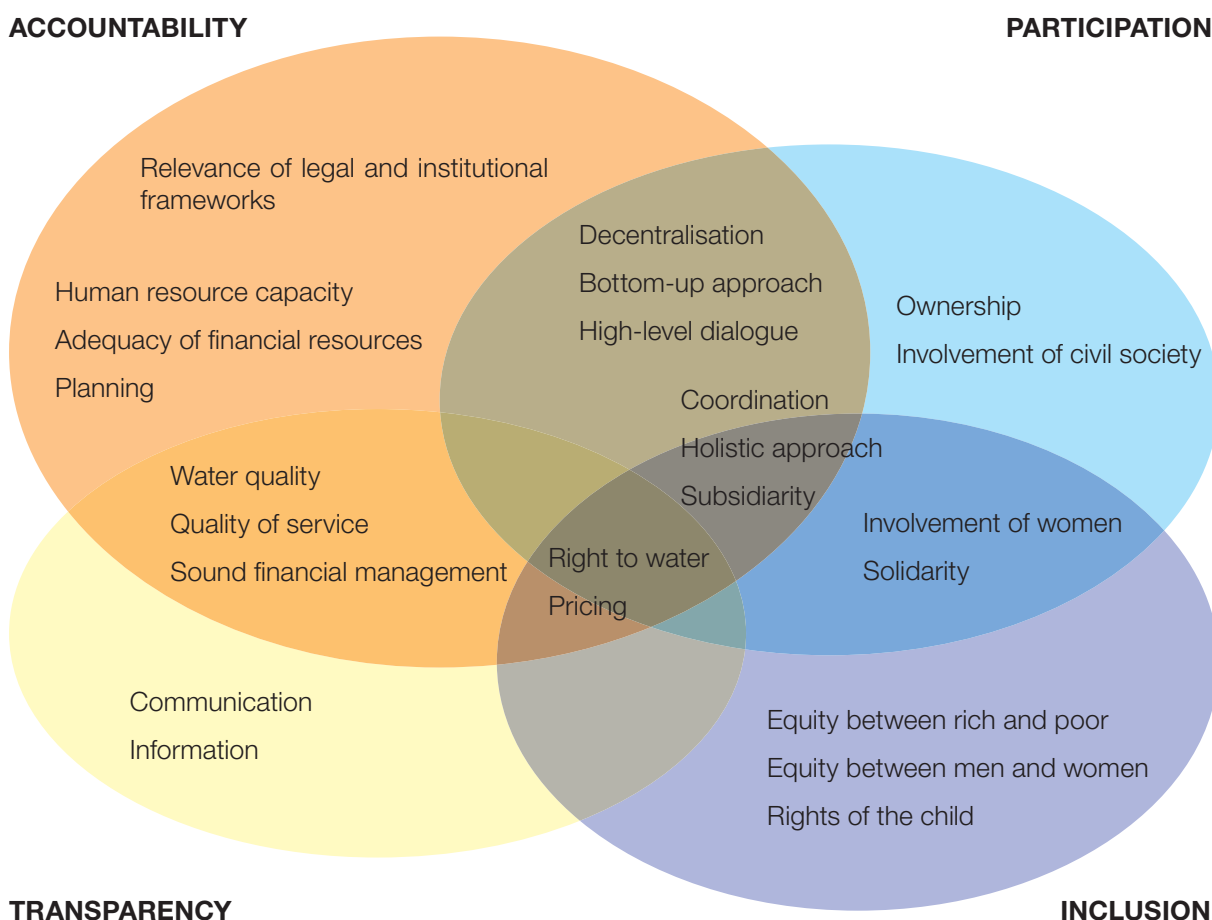
In its action plan for Integrated Water Resource Management, **Burkina Faso** defines IWRM as “a process which promotes the co-ordinated development and management of water, land and related resources, in order to maximise the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems (...).

By favouring an integrated approach, the new method of water management seeks to contribute significantly to the integration between water policy and the policies of other sectors, in particular agriculture, livestock rearing, environment, health, industry and mining and land-use planning.”

IWRM principles

The above definition makes reference to some of the constituent aspects of IWRM (the following list provided by think-tanks is not exhaustive) which are shared at an international level and can be grouped according to the four principles of governance. These are closely linked to one another and some aspects of IWRM can relate to more than one principle of governance, as indicated in the diagram in Fig. 1.

Fig. 1: Position of IWRM aspects in relation to the four principles of governance



2.1.2. IWRM problems and lessons learned

The need for strong political will

The adoption of an integrated view of water resources has most frequently manifested itself in proposals to amend or reformulate legal frameworks. However, political progress has been slow: although IWRM has appeared occasionally on political parties and governments agendas, the actual implementation of IWRM principles has been limited. Political will and engagement are essential to translate declarations of principle into action.

IWRM is not an end in itself

In the past, IWRM was promoted largely as an objective of the sector. IWRM came to be considered a sub-sector of the water sector, just like, for example, sanitation or irrigation. Quite the opposite, IWRM must remain an approach for dealing with a given problem in the water sector.

IWRM: integration beyond the water sector

By definition, IWRM is concerned with the water sector. However, in order to follow the principle of taking a holistic view of the sector, it may be necessary to extend that view and consider integration with other sectors. For example, rainwater purification should not be divorced from urban development policies.

An urban development project in Senegal

The aim of the restructuring plan in the districts of Pikine and Koumassa is to install sustainable drainage systems in the areas affected by flooding due to rainfall.

In order for the project to be successful, a full range of urban integration measures were planned: relocation, compensation, resettlement, land regularisation, granting title deeds, building road infrastructure, moving electricity and telecommunications networks, collection of solid waste etc.

As a result of its holistic approach, some conclusive results can be achieved in terms of traffic, improved access, land valuation and, of course, water management, but this last result cannot be reached alone.

Problems in river basin management

The main difficulties encountered by IWRM arise from the cross-border application of IWRM and the operation of the river basin management agencies. There are, however, also problems at national level. Firstly, the link between river basin agencies and traditional

administrative structures (national, regional or municipal) is often poorly defined, and secondly, there is frequently no financing facility in place for the river basin agencies.

River basin agencies

Today, it is a recognised fact that the river basin level is the most suitable level at which IWRM can be applied. A river basin is a natural unit providing resources which can be shared between all the potential users.

When a river basin crosses national borders, it is most often regional authorities which are responsible for the management of water resources in that area. Those authorities, known as river basin agencies, appear to have a key role to play in the management and regulation of such resources in the countries of the region.

These agencies are a relatively new arrival in developing and emerging countries, their role is not always clearly defined or recognised and they often struggle to fulfil their duties as moderator and regulator. However, the river basin agencies have an essential role to play in respect of the allocation of water resources among different countries and the management of the water cycle, and although the operating processes of the agencies are slow and complicated they are of fundamental importance in the long term.

Some of the actors in the sector are keen to promote an approach whereby, through decentralisation, IWRM is applied at a local level with a view to those initiatives contributing to IWRM at river basin level later (see section on 'light' IWRM below).

Lessons learned: IWRM tools

A number of management tools for institutional development, which vary depending on the country, have been put in place to promote cross-sector coordination and capacity building:

- IWRM action plans

Burkina Faso's Action Plan for Integrated Water Resource Management was approved in March 2003. The main objectives of this new tool, covering the period 2003-2015, are to refocus the missions undertaken by the State, set up a national water council bringing together State, local authorities, private sector and civil society, establish new management areas based on river basins and strengthen the intervention capacity of local authorities, private sector and civil society in the water sector.

asuaKhow

- Comprehensive Memoranda of Understanding

In **Ethiopia**, the water, health and education ministers have signed a Memorandum of Understanding on arrangements for implementing integrated programmes in the water distribution, sanitation and health sectors. This document sets out the respective responsibilities of the principal partners concerned and is aimed at facilitating their cooperation in terms of the planning, implementation and monitoring of activities in communities, schools and health centres, with the shared objective of attaining the Millennium Goals.



- Platforms for dialogue

National platforms – coordinated, for example, by the Global Water Partnership (GWP) in Central America – have been created to promote the participation and involvement of all partners within the sector through coordination and consultation forums, but they still have only a minor influence on decision-making. There are ongoing reforms to introduce participatory mechanisms on an equitable and sustainable basis. The process is, therefore, underway but it remains a politically and socially sensitive subject. As all social process, also a participatory multi-stakeholders' dialogue in the water sector is a slow and long process.

- 'Light' IWRM

In line with the principle of subsidiarity, according to which water resources should be managed at the lowest possible geographical level, as close as possible to the resources in question, and in the belief that participation should be the rule, the river basin level is often not the only relevant level. National administrative bodies – districts, towns, communities – need to be made more aware, so that they may contribute to the participatory decision-making process and that the smallest possible geographic unit is used for water resource management.

'Light' IWRM: a local solution

When IWRM cannot be implemented fully because the river basin in question is too large, because the involvement of all the sub-sectors is too complex or even because the authority responsible for the sector is ineffective, it can prove useful to adopt a pragmatic approach and implement IWRM principles at local level or to a single sub-sector. As a result, the different sub-sectors progress at different speeds and fulfil the need for flexibility. This is known as 'light' IWRM. Adopting a 'light' IWRM approach does not mean that larger-scale reforms are no longer necessary, but it can lead to more global integration if local initiatives prove successful.

Source: Integrated Water Resources Management and the domestic water and sanitation sub-sector – Thematic Overview Paper by Patrick Moriarty (IRC), John Butterworth (NRI) and Charles Batchelor, reviewed by Annette Bos and Frank Jaspers (IHE)



2.2 The sector-wide approach, the sector programme and the sector policy support programme

2.2.1. Origin, definitions and criteria

Origin

Until the mid-1990s, the project-based approach was the predominantly used financing modality used by the cooperation agencies to give aid to third countries. However, after thirty years of cooperation, the results have proved unsatisfactory: ownership by the beneficiary countries was weak, aid was fragmented and transaction costs were high. The subsequent lack of sustainability of the interventions – stand-alone, uncoordinated projects of limited duration – led to a re-think of the cooperation at a more strategic level.

As a result, and in order for the government, the development partners and other key actors in the sector to unite behind a joint programme, the sector-wide approach was born. The sector-wide approach, coherently with the Paris Declaration⁴, aims to ensure that external resources are used consistently and effectively.

⁽⁶⁾ The 2002 Monterrey Conference followed by the 2003 Rome Forum provided the basis for the Paris Declaration on Aid Effectiveness (March 2005) and the sector-wide approach was thus redefined. In fact, according to the Declaration, the sector-wide approach is specifically focussed on the following principles:

ownership: partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions,

- **alignment:** donors base their overall support on partners' national development strategies, institutions and procedures,
- **harmonisation:** donors' actions are more harmonised, transparent and collectively effective,
- **managing for results:** managing resources and improving decision-making for results,
- **mutual accountability:** donors and partners are accountable for development results.

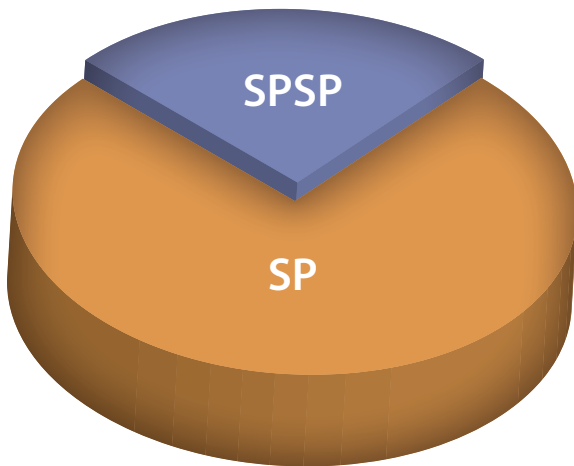
Definitions

The **sector-wide approach** is a joint dialogue process (government, technical and financial partners, other actors in the sector) which allows the government to define and implement its sector programme.

The government's **sector programme (SP)** includes all the documents required to establish and implement its vision for the sector, with particular regard to policy, strategy, budget and the coordination framework of the sector.

The **sector policy support programme (SPSP)** is the European Commission's strategy to support the government of a given country in its sector programme.

Fig. 2 : The SPSP as part of the SP



→ Logic dictates that the SPSP should support a sector programme, not just the sector policy.

→ Depending on the donors, the terms used to identify the sector-wide approach and the sector programme may differ, but the content is the same.

The South African model: Masibambane

In 1994, South Africa had a population of 45 million, water was scarce and water service structures were fragmented.

At a time of democratic change, the sector was facing a number of challenges, but the beginnings of a sector-wide approach were there: there was a real political will to foster the development of the sector. In 1997, the traditional project-based approach was abandoned and a programme-based approach was implemented. In 2000, a political decision was made to decentralise the water supply service at the community level. This was followed by the launch of a EUR 335 million programme, three-quarters financed by the government, and supported also by the European Commission and certain Member States. The sector-wide approach was encapsulated by the term “Masibambane”, which means “let’s work together” in Nguni, and consisted of two key concepts: a shift from a traditional project-based approach to a sector-wide vision and a real government-led coordination between the actors in the sector.

The success of the sector-wide approach is also owed to the fact that the IWRM principles were integrated (see next chapter).

Core elements of a sector programme

Where a sector-wide approach is adopted, governments gradually develop their sector programmes. A sector programme comprises the following three core elements:

→ **sector policy and strategy**: a sector policy is a statement of a government’s long-term vision (ten years or more) for the sector, setting out the government’s objectives for that period. The sector policy also specifies the institutional aspects (roles of different actors in the sector, division of responsibilities, financing, etc.), sets out the main principles of service management (state control, private operator etc.) and the priority action areas (geographical areas, maintenance or extension of the network etc.) and explains which legal and regulatory decisions are deemed necessary. The sector strategy action plan, also known as master plan describes how, in terms of the physical and financial execution, the government intends to implement sector policy over a medium-term perspective (3-5 years). It may be necessary to set intermediate targets or priorities to meet policy objectives;

→ [the sector budget](#) and its expenditure perspective (known as Medium Term Expenditure Framework MTEF): the two must form the financial expression, on an annual and multi-annual basis, of the sector strategy. They are drawn up in conjunction with the sector strategy and on the basis of the available resources in the sector;

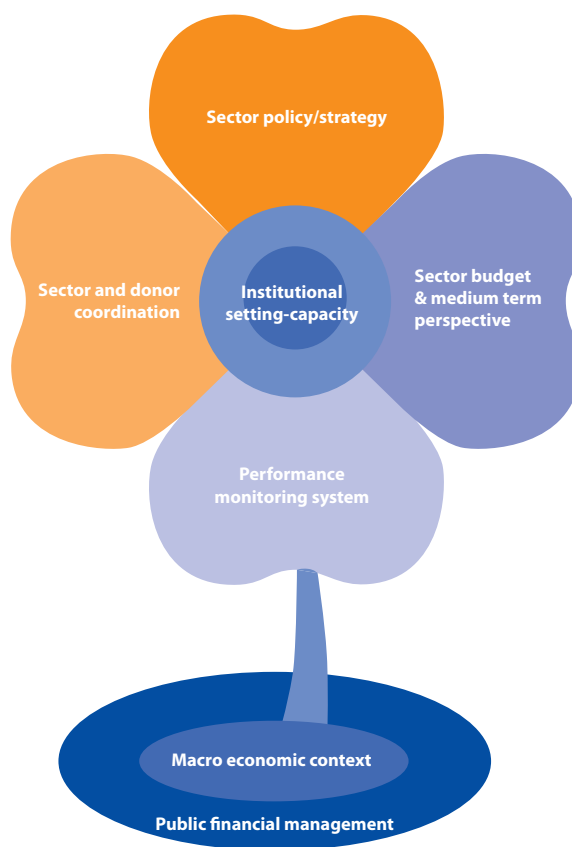
→ [a sector coordination framework](#), through which the sector policy, action plans and budget are reviewed and updated.

Together with those three core elements, there are also two key components: the [monitoring system](#) and [institutional capacity](#). These two components are of equal importance and often constitute stumbling blocks within sector programmes. Sector programme monitoring systems are often weak, which is detrimental to future management and programming in the sector and can call into question, from the European Commission’s point of view, the use of sector budget support as a financing modality, for instance. As regards institutional capacity, capacity building assistance must be targeted and often involves most national partners.

The mnemonic device used to illustrate these sector assessment criteria is the diagram of the flower below. The “root” of the flower consists of two contextual elements: the macro-economic context and the public finance management.

→ These factors also serve as **assessment criteria** for the sector programme.

Fig. 3: “Flower” showing the seven assessment criteria for a sector programme



Moving towards a sector-wide approach

This transition comprises certain key stages, in particular:

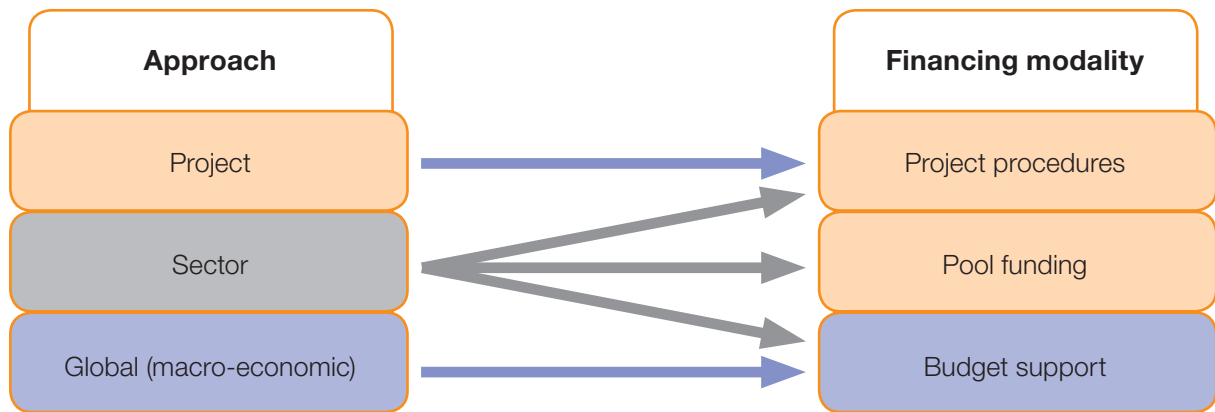
- moving away from individual projects towards a harmonised system in terms of approach and procedure,
- reorganising institutions by replacing individual [project] implementation units with a single executive agency for the sub-sector (such as the Community Water and Sanitation Agency in Ghana) or a joint implementation unit within the ministry,
- implementing a pool fund which should ultimately be the State budget in place of individual project accounts.

Financing modalities

In the European Commission’s view, an SPSP can be financed using project procedures, pool funds or sector budget support.

The use of different financing modalities depending on the planned approach is illustrated in the diagram below.

Fig. 4: Links between the approach and the financing modality according to the European Commission



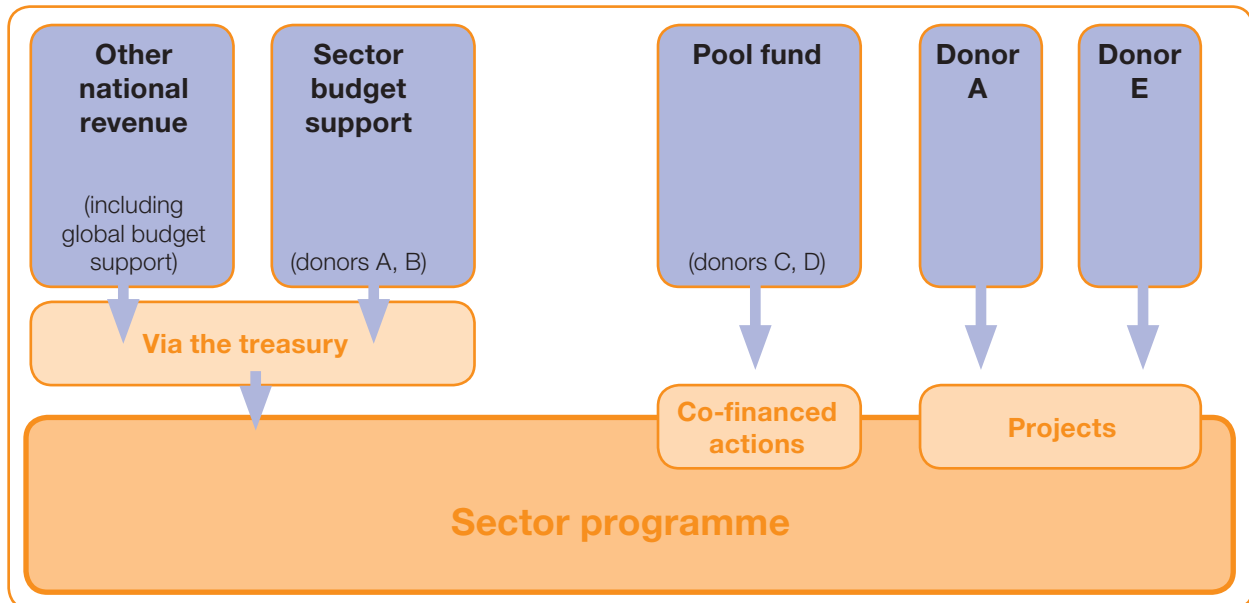
→ There may be some confusion between the project *approach* and the project procedures *financing modality*, due to the fact that the term “project” is used to identify both an *approach* which is now no longer in use (isolated actions and fragmented aid) and a *financing modality* which refers to specific procedures and financial instruments (e.g. European Development Fund) used to implement cooperation,

through an action which is also of limited duration, but is coordinated and appropriate within the context of a sector-wide approach.

Summary

The diagram below illustrates the different financing modalities available to contribute to governments’ sector programmes.

Fig. 5: Financing modalities available for sector programmes



To find out more...

For further information, please refer to the European Commission’s Guidelines No 2 on Support to Sector Programmes

2.2.2. Sector-wide approach and sector programme: lessons learned

Past experience has shown that:

- leaders need **time to fully develop a sector policy** and embarking on a sector-wide approach is pointless without full government involvement. If the government is not ready for this, it is up to the donors to begin discussing and reviewing the situation together, drawing on the experiences of other countries or any training on the subject etc., if necessary. This relatively new approach requires all those involved, including the donors, to engage in a collective learning process;
- it is essential to try to build **trust** between the actors in the water sector and to establish mechanisms for sharing information which itself generates trust within the sector;
- developing a sector-wide approach must be a **participatory** process;
- it is necessary to produce a **sector diagnosis** which consists of analysing the water sector in order to formulate and update the sector programme;
- capacity building is essential, from the formulation of the sector-wide approach until the implementation of the sector programme;
- donors must take a coherent, common stance in order to assist the government in establishing its position on, for example, the respective roles of the public and private participants;
- donors should be more engaged in the process in order to adapt to the new framework for cooperation (with **resources dedicated to the various cooperation frameworks within the sector**): the principle of appointing lead donors for each area of activity makes it possible to dedicate sufficient human resources to policy dialogue and to the consultation framework within the sector;
- **monitoring** and measuring indicators is paramount for the success of any programme which, even if well-prepared, may be unsuccessful in the absence of a proper framework.

Different levels of progress in different countries

In the majority of countries in Africa, the Caribbean and the Pacific, the sector-wide approach in the water sector is in its infancy. However, sector-wide approaches have been adopted in other closely related sectors, such as rural development, and in certain sub-sectors (in Uganda, Tanzania, Mozambique, for example). Project procedures are the most commonly utilised financing modality.

In some countries, such as Lesotho, Burkina Faso and Samoa, where the governments' sector policies are solid enough, the European Commission has chosen to show its support through sector budget support. The funding, which is about to be implemented, was structured on the basis of the experiences of other countries such as Bolivia, Morocco, Egypt, South Africa and Mauritius, which have made greater progress and can already reap the benefits of the knowledge they have acquired from past experiences.

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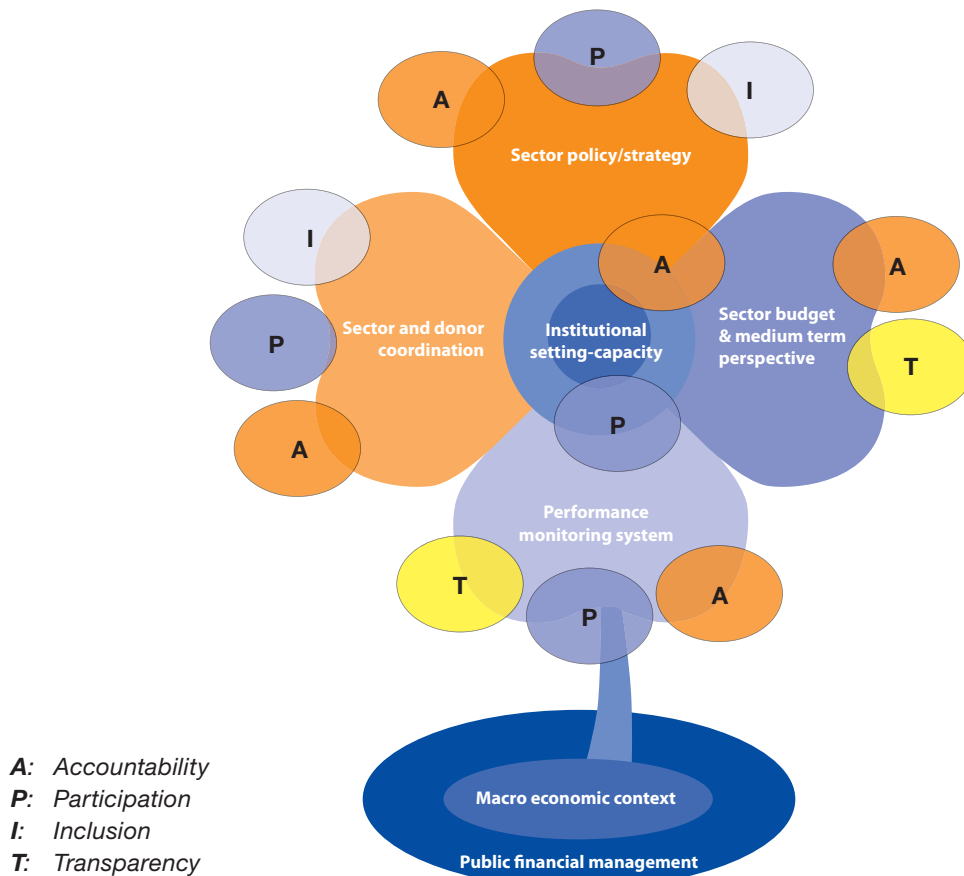
CHAPTER 3: COMPLEMENTARITIES AND SYNERGIES BETWEEN THE SECTOR-WIDE APPROACH AND IWRM

IWRM can be described as a **process of integration** (between sectors partially involved with water resources and stake holders in the sector), a tool of governance and a way of understanding the issues faced in the sector, whereas **the sector-wide approach** is an **organisational process**, a structured methodology which enables a sector programme to be defined and implemented.

This chapter will look at the possible complementarities and synergies between the two processes by considering how IWRM principles can be integrated into the sector-wide approach.

Given the importance of taking into account governance at all levels and of accepting the principle of complex management, IWRM must no longer be viewed from a purely technical point of view but rather from a more political perspective. Accordingly, IWRM principles can be adapted for each component of a sector programme (policy and strategy, medium-term budget, coordination mechanisms, monitoring system, institutional capacity) so that they can be integrated into one single coherent approach. The sector-wide approach may be understood through the “lens” of IWRM.

Fig. 6: Integration of IWRM principles into the sector-wide approach



3.1. Contribution made by IWRM to sector policy and strategy

IWRM and sector policy

The aim behind the process of drawing up a sector policy is to strengthen the vision, and therefore the governance, of the sector. Such a policy comprises a statement of sector-specific goals and the ways to achieve them, which will involve in particular the legal, institutional, administrative and budgetary decisions necessary for its implementation.

When defining or redefining sector policy, provisions will have to be made to modify the legal and institutional frameworks and align such modifications with IWRM principles.

Ideally, sector policies should emerge from wide **consultation processes** between the legislative and executive branches of government, other national actors and donors, and form the subject of a focussed **high-level dialogue**, so that subsequent political acts can be taken in line with resolutions.

IWRM and sector strategy

Sector strategy describes how the government intends to implement its sector policy in the medium term. This action plan may establish intermediate goals or priorities amongst the goals. It enables the global coordination of all interventions in the sub-sectors (the links between financing for drinking water and sanitation in urban areas, for example) to ensure that they are well integrated.

Any action required in order to make changes to **legal and institutional frameworks** or strengthen **human resources** and logistics, for example, is set out as part of this **strategic planning** work. Identifying areas of weakness makes it possible to target the appropriate actions and necessary financial resources in order to achieve, ultimately, the sector goals.

This strategic plan is likewise an occasion to define methods of implementation and monitoring based on the principles of **equity, ownership, information** etc.

In addition, it also provides an opportunity to redefine, at local level, the role of the **decentralised services**. These actors, who play a key role when a traditional project is implemented within their area of responsibility, could find themselves marginalised if a sector-wide approach was to be adopted by central government without consultation. **Dialogue** and **subsidiarity** can help to avoid this risk and strengthen the decentralised authorities, and the resources needed to implement these principles should be provided for in the action plan.

→ The relationship between the decentralised authorities and central government can, to a degree, be reproduced in the context of a review of the river basin agencies.

In conclusion, if everyone involved in the sector is able to contribute to the dialogue, innovations and improvements are possible, on the basis of which policy and strategy goals can be readjusted *a posteriori* (**bottom-up** approach).

3.2. IWRM and the medium-term expenditure framework

A State's budget is the financial expression of its government's political decisions and is the financial counterpart of the action plan. When the strategy is defined, it will be possible to plan and decide the programmes and the multi-annual budget for the sector, the most developed form of which, in sector budget support, is the medium-term expenditure framework – MTEF. The MTEF includes not only fiscal revenues – taxes, duties, etc – but also external resources provided by international cooperation agencies in the form of loans or grants.

Over the period of the following three to five years, this MTEF brings together the estimated contributions to the water sector of the ministries responsible for the management of one part of water resources – environment, agriculture, health etc. The MTEF is therefore an **integrated document** from the perspective of IWRM. The sector MTEF will not be an extract from the overall MTEF, or a consolidated version of all the departmental MTEFs, but coherence is necessary between all the documents. The purpose of producing a document specific to the water sector is to coordinate interventions and optimise resources (particularly human and financial).

However, for practical reasons, MTEFs may be produced at sub-sector level. For example, where a directorate-general of a ministry is responsible for water and sanitation in rural areas whilst the management of the service in towns and cities is entrusted to the private sector, it will be able to draw up its integrated MTEF for rural areas, leaving aside issues relating to urban areas.

→ Where water service management is entrusted to a partly state-owned enterprise in the form of a public utility or to the private sector, an MTEF will not generally be drawn up. Instead a business plan will be produced for the company, normally for a longer period of time corresponding to the term of the concession, for example.

Bringing together all State budget expenditure in the water sector in a sector MTEF means that all publicly-financed interventions will be set out in this document. This provides an opportunity to:

- compare the physical programming of sector interventions with the financial resources necessary for its implementation,
- bring together local demands and government priorities in a coherent and **coordinated** way,
- promote suitable mechanisms and tools for **decentralisation** and **participation**.

→ **Fiscal decentralisation** is a key factor in the success of decentralised water management. Aside from the financial aspects, this involves strengthening local government bodies in order to enable them to perform their functions as the authorities responsible for regulation, financial resource monitoring and service supply at local level under the best conditions.

Furthermore, managers at both central and decentralised level will provide proof that income and expenditure are being managed properly, **by accounting for** the use of funds to the public, the parliament and the cooperation agencies.

→ With regard to the financing of cross-border resource management, *ad hoc* budgetary measures must be integrated into the national budgets of the countries concerned.

3.3. Sector coordination, a common principle

Under the sector-wide approach, the government is the **driving force** behind the sector’s development. It is for the government to provide leadership and ensure **coordination** between the national actors – both governmental and non-governmental – and donors. In the context of IWRM, this leadership can be shared with the other actors in the sector. This is the case in the Netherlands, for example.

The two approaches agree on the need for the sector to be well coordinated. Extensive consultations must enable **local actors and non-State actors to get involved** – the two groups which are often the most

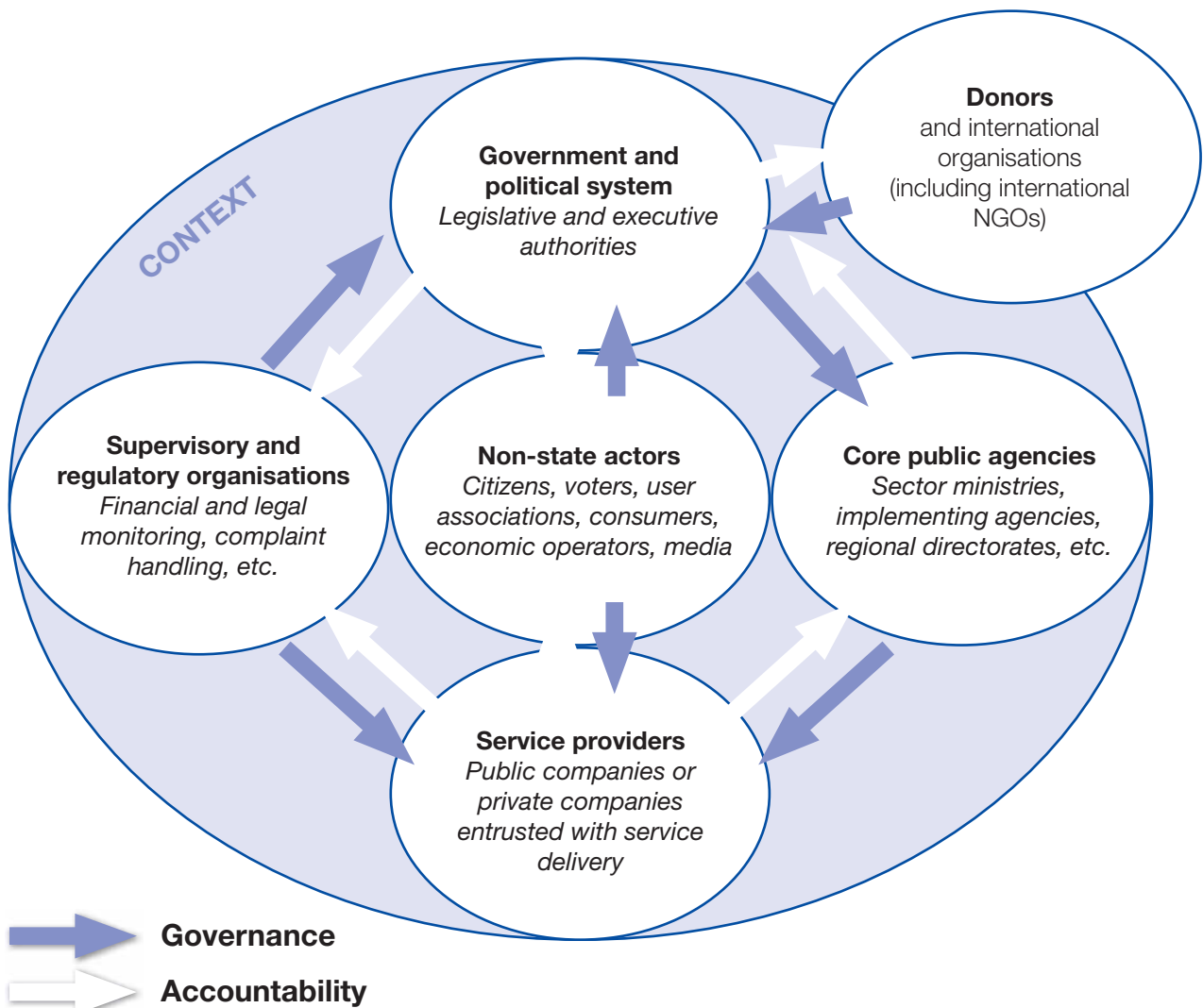
marginalised. The interaction between the stakeholders can be shown in the diagram below, which is taken from the reference document on governance, written by EuropeAid Unit E4, entitled “Addressing Governance in Sector Operations” (*Waternet*). The relationships between those who govern (the bodies or officials in charge) and those who are governed (the people on the demand side of governance) are shown by arrows representing the demand for governance and accountability.

→ Annexe 2 provides further information on governance analysis and national dialogue.

Government coordination of donors offers several key advantages when applying IWRM principles as part of a sector-wide approach:

- **planning** interventions by donors into the State budget will enable public funds to be used in a joined-up and effective way,

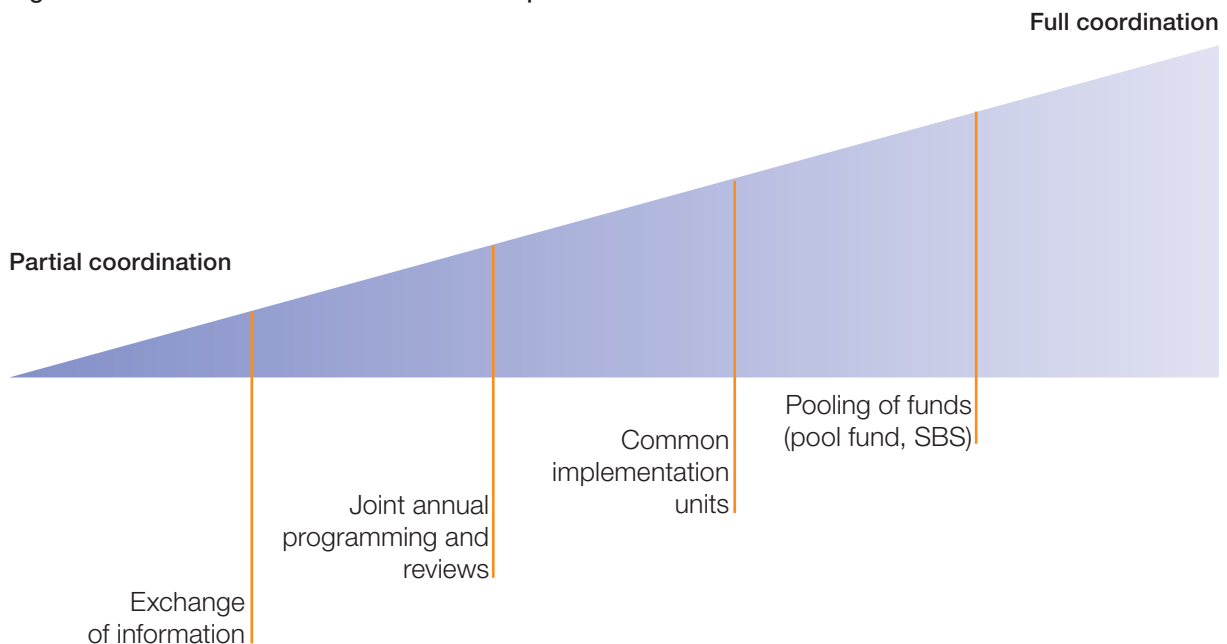
Fig. 7: Governance and accountability relationships between actors in the sector



- **consultation** on the conditions laid down and requirements made by donors will make it possible to guarantee that goals are realistic and convergent,
- **trust** between the various donors and between donors and the government will generate a virtuous circle as far as progress in the sector is concerned,
- keeping in mind a **holistic vision** of the water sector, **communication** pursued with development partners in neighbouring countries will facilitate the integration of the different actors into a regional framework.

→ The harmonisation process can be illustrated by the figure below.

Fig. 8: Donor harmonisation and coordination process



3.4. Performance monitoring system

As an essential element of the sector-wide approach, performance monitoring is key to tracking the development of the sector and rectifying any slips. This is in line with the principles of results-oriented management set out in the Paris declaration. Two methods are generally used to provide such monitoring:

- data collection and processing at State level, on the assumption that a reliable and organised structure exists to perform these functions. The data must in general be collected at regional level, and the more advanced the process of **decentralisation** the easier such activity will be.
- Access to an improved source of drinking water and to improved sanitation, both of which are Millennium Development Indicators, should be measured on a country-by-country basis and, in this regard, the role

of the local authorities and regions in data collection is fundamental.

- specific studies to gather the data necessary to calculate the indicatorsthe number of connections to a public sewage network, for example.

In so far as possible, preference should be given to a system of data collection and processing which is integrated within the competent ministry and can be repeated, over specific, irregular studies. The institutional system may need to be bolstered to allow the State to perform this function.

However, performance assessments conducted by independent bodies should also be undertaken on a regular basis (once a year, for example) in order to guarantee sector **transparency**.

→ Where the European Commission contributes to the financing of the government's sector programme in the form of sector budget support, payment of the successive tranches is dependent on compliance with the general conditions (fixed tranches) and achievement of the target value of sector indicators (variable tranches). The values of these indicators are measured by government monitoring and/or assessments conducted by independent bodies.

With regard to **water quality**, inspections by independent bodies are necessary in addition to those carried out by the implementing agency or the enterprise operating under a concession.

Communication of the outcomes (institutional and legal reforms, balance sheet, service functionality, water quality) is a requirement of governance which the government should accept. It can represent an opportunity to gather useful information to improve management of the sector.

3.5. Institutional capacity building

The dynamism of the sector will be dependent on a strong political will, and the quality of the water service on the redefinition of the institutional and legal framework. However, these essential conditions are not enough: the actors must also have a vision for the sector and a genuine capacity to give effect to legal and institutional provisions.

From an institutional point of view, it is important that the **organisation** of public structures and any partners from the private sector or civil society is **functional**. Accordingly, it is essential to understand the roles, responsibilities and resources of the various actors in the sector.

→ Experience shows that the structures required to implement sector policy must take account of the existing institutions and their capacities, and that the establishment of new institutions and platforms is not always the best solution, let alone the simplest.

It is also vital to have the right number of **competent staff**. Individual capacity should be assessed in particular in terms of ownership, motivation and experience.

National capacities could be built up, as required, at the following levels:

- government, where political will, which is proof of ownership of the sector, and competence of individuals are essential conditions in terms of **leadership**,
- local authorities, decentralised bodies, water agencies and deconcentrated structures, which are to implement policy on a day-to-day basis,
- concession holders, other contractors whether public or private or water cooperatives, which must have the technical and management skills to provide the water service,
- user associations and beneficiaries, in general by means of **communication, information** and **awareness** campaigns,
- structures responsible for monitoring management (audits), to ensure that **performance monitoring** skills exist nationally.

→ The various ministries, local authorities, agencies, associations etc. of the country concerned and of neighbouring countries involved in sector-wide approaches could benefit from joint training. The development of training channels in the beneficiary States and regions could make capacity building a sustainable process.

→ These principles apply at both national and regional level. The particularities of cross-border management lie in the fact that it adds an additional institutional level – the river basin agency – as compared with national management.

In conclusion, the principles of IWRM, a governance tool in the water sector, are embedded in each of the assessment criteria under the sector-wide approach.

Over time, the two approaches have shared an increasing number of principles and, in this sense, the *modus vivendi* – IWRM – and the *modus operandi* – the sector-wide approach – can be said to be gradually becoming one and the same tool.

Annexe 1 proposes stages for a roadmap to take forward the implementation of a sector programme based on the principles of water governance. It is necessary to specify that since such an exercise is quite a new approach, only very minimal experience exists in the area.

ANNEX 1. DRAWING UP AND IMPLEMENTING A ROADMAP

A roadmap is a document setting out the stages of the process agreed with all the actors concerned: the sector-wide approach. This does not involve working through the different assessment criteria of a sector programme in sequence. The focus is rather on proposing an organisational structure and a timeline of activities to be undertaken in order to progress the step-by-step implementation of the programme. The roadmap, which is the product of agreement among all the partners, defines clear and specific goals to be achieved within agreed timeframes.

At each of the stages proposed below, the assessment criteria and the principles of governance and IWRM will be integrated, in particular participation and inclusion through dialogue with all the partners in the sector.

This tool can be produced at any time in the course of the sector’s development and then updated subsequently. There are no prerequisites to satisfy before beginning to adopt a sector-wide approach and drafting an initial version of the roadmap. Where exceptional circumstances dictate, the roadmap could even be the first of the documents belonging to the government’s sector programme.

Implementation of the roadmap through the different stages is a constantly evolving process, the detail and scope of which will be addressed in progressively greater depth (see figure below).

→ The stages proposed below are indicative only. They are neither exhaustive nor unique and, most importantly, they should be tailored to the particularities of each country.

Fig. 9: Implementation stages of the roadmap



1. Analysis of governance in the water sector

In order to encourage the government to embrace the dynamic aspects of a sector-wide approach, the technical and financial partners, and in particular the European Commission delegation, must have a good knowledge of the governance-related issues, both in the country in general and in the water sector in particular.

With delegations in mind, EuropeAid's thematic unit E4, which has responsibility for governance, has developed a **stakeholder analysis methodology** with a view to identifying potential drivers of change towards better governance. *Waternet*

→ Sharing this analysis with all the actors in the sector may not be an easy task, since its focus is not only to highlight the drivers of change but also to indicate which actors wish to maintain the *status quo*, because change would threaten their interests. A shared and transparent analysis may be possible on the basis of participative or self-evaluation methods. However, this does not mean that, in some countries, such an analysis cannot be performed in a discrete and confidential way.

This methodology, set out in detail in Annexe 2, is made up of four stages:

- evaluation of the context of water governance,
- inventory of the actors: interests, powers and motivations,
- evaluation of the relationships between those who govern and those who are governed,
- a summary forming the basis of evaluation of the sector's readiness for governance reform.

The objective of this exercise is to inform the delegation, the other technical and financial partners or all the actors in the sector, so that the partners who most favour change are able to argue in favour of appropriate reforms.

2. Raising awareness about a national dialogue

"National dialogue" is the term used to describe a process consisting of a series of meetings, round tables, forums etc. These allow all stakeholders in the water sector to meet and get to know each other, and to exchange views so that a consensus can be reached vis-à-vis the development of the sector, sometimes from a starting point of differing opinions.

Meetings between actors are generally organised on a regular basis at different levels of participation. In particular, a high-level dialogue is essential in order to inject dynamism at a political level. Equally, all the actors must come together in order to ensure inclusion in and ownership of the process.

A national dialogue can be established only by government initiative and only when the government feels ready for such dialogue. This means that awareness-raising work – on the part of the different actors driving forward governance identified in the course of the governance analysis (and in particular the donors) – may be necessary beforehand in order for people to realise that the way things are done must be changed.

→ Establishing this dialogue represents the first concrete stage in the sector-wide approach, but the dialogue itself should be continued throughout and beyond the process which is to result in the implementation of a sector programme.

3. Dialogue preparation

Once the government has decided that it itself will be the driver of change (principle of accountability), several points must be decided:

Identification of the leaders

- which ministry (or institution) will take the lead role on behalf of the government and who will therefore be responsible for organising and chairing the dialogue;

→ In some countries, if the Environment Ministry were to play that role, it may offer the advantage of not being focussed on one particular sub-sector (drinking water, sanitation, agriculture etc.) and having the holistic vision required by IWRM. By contrast, it may not have the political weight which, for example, the ministry responsible for water resources and mining might have.

- who will be the lead donor and represent all the donors in the sector.

→ Donors are often represented in the beneficiary countries and regions but may also be active in the country in which they are established, where thematic experts are often located. It is therefore interesting to note that there may be a broader coordination platform than just the actors on the ground, with the aim of guaranteeing complete harmonisation.

→ The choice of a lead donor can be made within a multi-sector framework, with this role being shared between different partners and different sectors.

Appropriate human resources within each cooperation agency are necessary for participation in a sector-wide consultation framework.

Choice of forum participants

The invitations to be launched will have to be largely open at this stage, both in terms of the sectors and sub-sectors of intervention (for example, the Ministry of Education should be involved, taking into account the issue of raising children's awareness of hygiene and sanitation issues) and the nature of the participants (supervisory and regulatory organisations, government and the political system, public agencies in the sector, donors, non-State actors, service providers, universities and research centres).

Participants at the 2006 Stakeholder Forum in Ethiopia

- *Federal governments: ministries responsible for water resources, education, health and agriculture**
- *Local governments: regions and districts*
- *Development partners: donors and NGOs*
- *Civil society organisations*
- *Universities*
- *Private sector: operators, sub-contractors, consultants*

** Difficulties associated with involving the Ministry of Finance slowed down the financial integration of the process*

Preparing the dialogue methodology

[The facilitator](#) is the person or an organisation chosen by the leaders to organise the dialogue before its formal launch. The work involved should be carried out by a **non-political** individual or group, who neither contributes to nor is involved in the discussions. The facilitator is to assist the dialogue but under no circumstances to direct it. The role of facilitation is fundamental requiring high level of knowledge and dedicated skills.

→ In addition, this facilitator, [whether national, foreign or a mixed group](#), should also possess discussion-leading and organisational skills and have a good general knowledge of the water sector.

[The methodology used](#) to establish the dialogue is determined by the facilitator, in agreement with the government and possibly the donors. The work of the facilitator in this regard is solely to provide organisational and logistical support to facilitate and give structure to this dialogue.

This support may, for example, take the form of preparing guidance documents relating to the operation of each stage of the dialogue (an example of one such document produced in Ethiopia is available on the [Waternet](#) site).

In order to facilitate the authorities' launch of the dialogue, the facilitator may also be called upon to prepare draft agendas and draft presentations of the principle of the national dialogue (organisation, functioning, calendar, terms of reference of the forum's different working groups – see below).

[A status report](#) can be produced as part of work carried out prior to the involvement of the facilitator. This exercise involves gathering, for the benefit of the actors in the sector, a certain amount of objective and verified data to serve as the basis for the sector diagnosis.

The status report may consist of:

- general background information: key figures in the sector (levels of access to water and sanitation etc.), quality and quantity of water resources, different uses of water, actual and potential conflicts relating to the use of water;
- a report on the sector from an institutional point of view: organisation of the sector and the institutions (organigrams etc.), centralisation / decentralisation, service management, actors (interests, organisation, capacity etc.);
- details of the legal situation: legislation, regulations and standards in force, their consistency, their implications;
- data on financial investments and commitments made to benefit the sector in the medium term;
- other factors such as the operation of the sub-sectors linked to the water sector and the links between them, the integration of the sector into existing national and regional initiatives, the current monitoring system etc.

A summary of the key points contained in all existing documents will enable all stakeholders to have the same level of understanding of the sector from the moment the dialogue is launched.

- Production of the status report may be preceded by an exhaustive study in order to determine the “zero value” of some of the indicators which are difficult to obtain via the national statistical system. This exercise, consisting in the collection and definition of values at the very beginning of the sector-wide approach, can also be a subject for discussion and be carried out as part of the dialogue itself.

4. Official launch of the dialogue: the first stakeholder forum

Taking place over the course of one or two days, the first meeting of the forum which brings together all stakeholders is the opportunity for an official ceremony which should be chaired by the minister responsible for sector policy, in conjunction with other ministers, on behalf of the government. Ideally, the minister should be assisted by a director-general from a technical ministry respected within the water sector in order to give the dialogue the dual focus, i.e. political and technical.

Presentation of the principle behind the dialogue

Following an opening speech by the minister, the dialogue can be presented by the director-general, for example, who will be involved throughout the dialogue. Information relating to the methodology behind the organisation, operation and objectives of the dialogue is to be provided to all participants.

The definition of the field of intervention and the associated priorities (sector in its entirety, sub-sector, urban/rural areas etc.) may be decided by the government if it takes the view that only part of the water sector is ready for a sector-wide approach, or form the subject-matter of wider consultation as part of which all the actors decide on the scope of the dialogue jointly.

Identification of the representatives for each category of actors

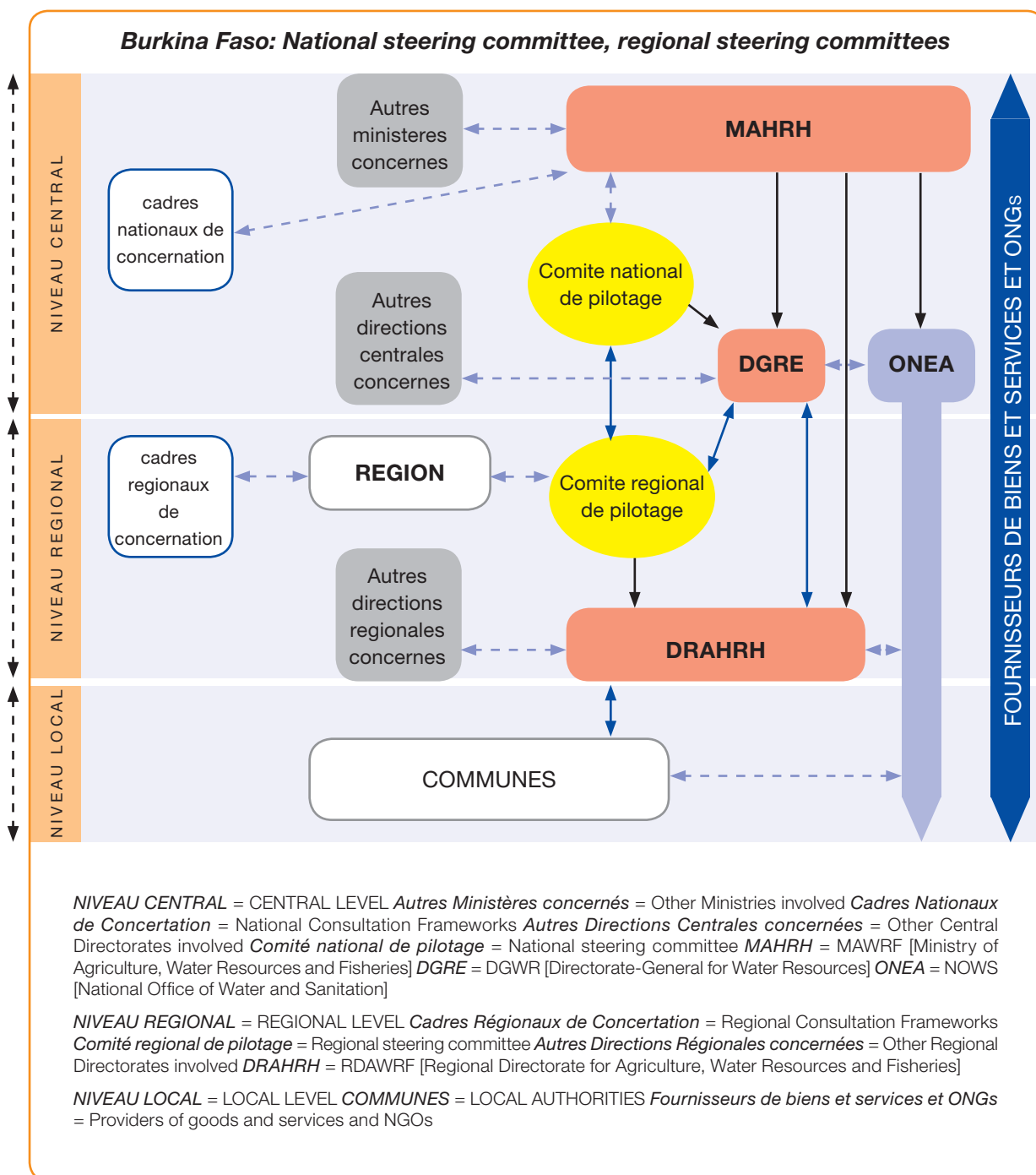
The actors will meet in groups according to their category, in order to decide within their group who will be their representative on the steering committee (see below).

- In the case of both the donors and the government, this decision is taken in advance because it may be more difficult to reach agreement during the forum than it is for the other actors (the donors' choice must be made giving due regard to multi-sector considerations, whereas for the government the choice is a policy decision).
- The selection of representatives is an opportunity to identify so-called “champions”, i.e. motivated and competent partners in each category. In addition to the fact that attendance fees are not paid, membership of the steering committee on a voluntary basis could alone be proof of genuine commitment.

Steering committees and discussion leaders

A national steering committee is formed in order to accompany the dialogue, respond to questions put by stakeholders at any time during discussions and disseminate certain information amongst the different categories of actors. Its role is not to approve the work carried out and it must offer guidance to the participants solely in terms of organisational matters rather than content. The steering committee is made up of one representative from each of the categories of stakeholders, plus the facilitator – a minimum of around ten people are therefore involved – and chaired by the government representative.

- For practical reasons, given that the discussions should take place simultaneously throughout the country, in particular where a process of decentralisation is ongoing, it may also be a good idea to have steering committees in the different regions of the country. In this case, the organisation described centrally is mirrored at regional level.



Discussion leaders are the people who, in the course of a stakeholder forum, support the facilitator in the management of the forum, in particular during the working sessions of the different groups. The members of the steering committee plus one resource person – with experience if possible – per working group play the role of the discussion leaders.

Defining areas of work and group composition

Distributing a copy of the status report to all participants will provide everyone with objective information previously unknown to them. The participants will decide on the areas to be focussed on during the diagnosis on the basis of the status report.

From the point of view of methodology, discussion as to the choice of areas of work could take place in plenary session – despite the number of participants – in order to ensure that the exercise is participative from the very start of the dialogue. As part of a “brainstorming session”, and focussing on the current situation, participants would suggest areas of work which they consider to be important for their country. There could be between three and five such areas.

➔ In a country which has no sector policy or whose policy needs to be updated extensively, the general objectives of the sector are not well understood. This can have a detrimental effect on the quality of the

discussion of other areas of work. A specific area of work could therefore be previously devoted to sector policy and be the focus for a dynamic and receptive group. That group's preliminary findings could then be communicated to the other discussion groups instead of waiting for approval by all participants at the next forum.

- **Potential areas of work are likely to include assessment criteria for sector programmes and IWRM principles.** The areas of work will be decided on a country-specific basis and depend on progress in the sector and sector weaknesses.

The three areas of work forming the focus of the national dialogue in Ethiopia:

- *Policy and regulation*
- *Planning, financing, information, monitoring and evaluation*
- *Implementation and coordination*

Working groups corresponding to the different areas of work decided in plenary sessions are to be formed according to the interests of the participants. Each group should have an acceptable number of representatives from each category of actors.

- These groups should also be formed on the basis of geographical location. Aside from the financial importance of limiting travel, the more spread out a country is, the more difficult it is to travel around, and the need for such travel could prevent certain actors from forming part of groups based in the capital. Furthermore, setting up discussion groups within the country which have links with the regional steering committees is a way of ensuring ownership and communication within the different geographical areas themselves.

Guided in their working methods by the facilitator and the discussion leaders, the groups decide on activities and priorities, assign responsibilities within each group (group representative, rapporteur etc.), specify the resources required for their work (meetings, external support etc.) and determine indicators and deadlines for the lists of tasks to be performed.

- The costs associated with the various meetings forming part of the dialogue (forum, groups) should be borne by the government, but the donors most involved in the sector could also provide financial support.

Drawing up and approving the roadmap in plenary sessions

Based on the activities planned within the different working groups, an initial, generic roadmap is drawn up, setting out the milestones to be achieved and the provisional calendar. The content of the roadmap is approved by all the stakeholders. This content will be updated at the subsequent forum, on the basis of the findings of the diagnostic exercise – see below.

- The roadmap may be accompanied by a timetable of activities, as was the case in Burkina Faso. *Waternet*
- The roadmap in question here is the sector roadmap, not the roadmap prepared by the European Commission, purely for internal purposes, with a view to providing sector budget support. However, the latter should to a great extent be guided by the former.

A summary of the discussions and the roadmap should be sent by the steering committee to all participants as soon as possible.

5. Sector diagnoses by working groups

Unlike the status report which provides a snapshot of the sector at a given time, a diagnosis consists of an analysis of the situation carried out by working groups across the country, which subsequently make their recommendations to the steering committee on how to achieve sector objectives. The steering committee brings together all the recommendations and coordinates them.

- Working group representatives may be called to the capital to participate in steering committee meetings, share their thoughts and enable the committee to ensure a good level of coordination between the work of individual groups.

In order to facilitate their discussions, the working groups are advised on diagnostic appraisal methods such as, for example, carrying out an analysis of the strengths, weaknesses, opportunities, threats/risks, requirements etc. A methodology document was drawn up as part of the dialogue in Ethiopia. *Waternet*

The working groups are to focus on different areas such as, for example:

Sector policy

This group will:

- set [the sector objectives](#): safeguarding environmental heritage and biodiversity, providing better access to water or sanitation for the poor etc.,

Some sector policy objectives in Lesotho:

- *Improving water resource management at national level*
- *Improving management of transboundary watercourses*
- *Safeguarding water quality*
- *Increasing access to water resources*
- *Promoting equal treatment*
- *Increasing awareness of water resource allocation*

The theoretical objectives need to be translated into **concrete objectives** and, in particular, must be **measurable**: for example, one objective may be to meet Millennium Development Goals (MDG). Firstly, these objectives must be realistic and tailored to the needs of the country: it may be more appropriate to give up meeting the MDGs, to focus, instead, on providing good sanitation in public places (which are not taken into account by MDG indicators), promoting the thorough clean-up of villages for health reasons etc.

- draw up [strategy guidelines](#): ownership of the resources (country, town, community), decentralisation policy, priority action areas, compliance with IWRM principles, choice of service management system, water pricing policy etc.

Sector strategy

The sector strategy:

- sets out [how those objectives will be achieved](#).

If, for example, meeting the MDGs is an objective, the aim would be to “cut in half, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation”. Accordingly, if 46% of

people had access to drinking water and 14% to sanitation in 1990 (reference year for the MDGs, figures from World Health Organisation), the goal would be for these figures to rise to 73 % and 57% respectively in 2015. Furthermore, since the status report will have allowed these percentages – often in the form of estimates – to be calculated for the year in which the diagnostic appraisal was carried out, it will therefore also be possible to determine what remains to be achieved, identify how much progress is being made annually and, above all, establish (on the basis of the population) the impact in terms of the new infrastructures which need to be built and maintained. On that basis, the action plan can set out the nature and number of works to be completed in line with the available financial resources, as well as envisage the necessary supporting measures (trainings, communication, etc...)

- determines the [choice of water service management system](#) for drinking water distribution and for sanitation in both urban and rural areas on the basis of the guidelines provided in the sector policy statement.

The most frequently used methods of management in the water sector are direct state control and lease contracts. The adoption of one or the other depends on the country’s experience on each management system, its political choices and those of its government at that time, and its different possible capacities.

- The most commonly used service management contracts, which involve varying degrees of delegation, are listed in the table in Annexe 2 and Annexe 3.

In any event, the State must retain control over certain key elements such as water quality and pricing policy, bearing in mind that pricing policy will have an impact on the operator’s profits.

- Some small centres in Rwanda, Madagascar, Uganda and Benin, have opted for delegated management instead.
- [Establishes the pricing structure](#) for the water supply and/or sanitation service in urban and rural areas on the basis of the guidelines provided in the sector policy statement.

In **Senegal**, the key player in the sub-sector is the National Sanitation Utility [Office national d'assainissement du Sénégal] (ONAS), an agency with the status of a public institution of an industrial and commercial nature, which is responsible for the collection, treatment, recovery and disposal of wastewater and rainwater in urban and suburban areas. In fact, ONAS also undertakes typically governmental activities such as planning and regulation. It proved necessary to develop and secure the sector's financial resources and to redefine the role and responsibilities of ONAS in favour of delegating water service operation to local authorities or private companies.

In the **Ivory Coast**, a lease contract to supply drinking water in urban areas was awarded to SODECI (SAUR)* in 1991. In the area of sanitation, SODECI is responsible for maintaining and operating sewerage and drainage networks and works exclusively in the town of Abidjan, in return for which it levies a sewerage charge which is included in users' water bills.

*Note: The Ivory Coast Water Distribution Company (French acronym: SODECI) replaced its parent company SAUR [Urban and Rural Development Company] in 1960.

Access to water for the poorest people in suburban areas

Community management of water services has been developed as a solution in the most disadvantaged suburban areas. The populations in these areas form user associations, water committees, community assemblies or water cooperatives. The recipient population makes the investments, thereby compensating for the authorities' inability to provide the service.

The absence of control measures to guarantee water quality, along with maintenance problems and the lack of sanitation, limit the success of solutions such as community management. The networks are not interconnected and, since each network has its own water supply system, there is no control over how the resources are used.

Making changes to the legal and institutional framework to enable community management and ensure that appropriate support is provided remains one of the sector's greatest challenges.

The **World Bank** has carried out a **study on water pricing**, the main findings of which are as follows:

- the principle of a social pricing structure whereby industrial users are charged more than domestic users is encouraged;
- as regards price structure, block pricing arrangements whereby the first block of water consumed is supplied free of charge, or for a low flat rate, is also looked upon favourably. However, if the first block is charged at a flat rate, this is discriminatory to low consumers who do not reach the required threshold usage;
- the highest operating costs are the costs of network extension and user connection;
- for this reason, users have to pay a connection charge, and this penalises the poorest people who, in addition, are sold water from a stand-pipe which costs more than water distributed by the network;
- the principle of block pricing means that heavy consumers pay more, which enables good recovery of running costs, but not of investment costs;
- sewerage fees are often included in water bills because this sub-sector often receives insufficient funding from the State budget. With the possible exception of irrigation water, where the amounts of water discharged are approximately equal to the amounts drawn, a sewerage charge added to the water bill appears to be fair.

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- Depending on the complexity or sensitivity of the issue in the country in question, the choice of service management system and the issue of pricing could constitute whole areas of work in themselves.

Sector financing and medium-term expenditure framework

The medium-term expenditure framework includes all the financing requirements to achieve the intermediate sector policy objectives over the duration of an action plan. It covers, in particular:

- the costs of building and maintaining infrastructures, pollution control etc. which are directly linked to objectives,
- the costs of introducing and implementing institutional, legislative, regulatory and normative processes, matching the needs of the sector to human capacities (staff, skills) and materials, ensuring that there is sufficient knowledge and monitoring of water resources and generally promoting the sector.

This working group, in conjunction with the sector strategy working group, prioritises the available financial resources, defines programme stages according to those priorities and formulates valid arguments to attempt to persuade sector partners to invest.

This group will also look at how to make the best use of resources across the whole sector.

*In **Burkina Faso**, the government and nine donors have signed a **Memorandum of Understanding** to implement the national programme for drinking water supply and sanitation. Although there have been no firm commitments in terms of financing, this move shows recognition of the framework set out by the government for the implementation of its sector programme and an interest in principle in financing the sector.*



Institutional capacity

By means of the sector diagnosis, the sector-wide approach also aims to identify services where the existing human resources need to be strengthened to ensure that the whole sector has the capacity to operate at optimum level. Working groups in this area must, therefore, produce a capacity inventory and compile a list of human needs, which, depending on the country, can occupy all of a working group's time.

Furthermore, it is clear that this working group would have to collaborate with other groups, such as those with strategy or budgetary responsibilities.

Implementation and monitoring modalities

Examining the modalities for implementing the sector-wide approach makes it possible to determine control and coordination mechanisms (within each category of actors and between categories), rules, norms, standards (e.g. which models of latrine should be taken into account when calculating levels of access to improved sanitation) etc.

The sector's **performance monitoring system** is essential and should be established during the diagnosis. Working groups may request that further studies be carried out if necessary. A number of 'families' of indicators can be identified (for example: action indicators, result indicators, public service performance indicators, financial performance indicators, governance indicators etc. *Waternet*) and, depending on the sector objectives, the selected indicators should be used to monitor the implementation of the sector-wide approach from start to finish.

Information and communication

Communication and dissemination of information guarantee transparency and act as vehicles for reporting to the various actors in the sector, particularly water service users.

Knowledge management and capitalisation of experiences and results can be considered in connection with access to information. A specially constructed website dedicated to the process could represent an easy-to-use source of documentation which would be available to all. Modern technologies such as content management systems (e.g. *Wiki*) provide a large community of actors with an easy way to upload information to websites and share information amongst one another. Interfaces must also be provided for interlocutors who do not have access to IT equipment or the internet.

Communication within the sector must also include increasing user awareness, which will be achieved by alternative means such as posters, radio and television. Actors in the sector can use their experiences in the field as part of communication campaigns: for example, it is interesting to note that the improvement in water quality and the reduction in medical expenses incurred as a result of waterborne diseases have made certain groups, particularly in rural areas, more aware of the economic benefit of funding the maintenance of water supply systems. Indeed, some people have suggested that for every euro invested in the sanitation sub-sector, eight euros are saved in the health sector.

Depending on the country in question, other areas of work, such as decentralisation or institutional reform, may be appropriate.

After the diagnosis, the steering committee coordinates the dissemination of information based on the contributions made, without however changing the content. Its aim is to produce, with the help of the regional committees if they exist, a document which is consistent across the different areas of work and which can ultimately form the basis of a text to be discussed at a future stakeholder forum.

6. Annual sector reviews (stakeholder forums)

Depending on the country, stakeholder forums are referred to as, *inter alia*, “annual sector reviews” or “joint reviews of the progress of the sector programme”.

Just as the working groups begin with many participants which decline as the process continues until only a hard core of the most motivated participants remain, the new stakeholder forums are likely to attract slightly different actors to those who were present at the launch of the process, in order to refocus on the real actors: the drivers of change and, conversely, those who are resisting the change expected to be brought about by governance.

Forum to approve the diagnosis and update the roadmap

The working group forums at which the diagnosis findings are reported can take place over several days. Additional workshops are run to help all the actors to reach a consensus, which will eventually lead to the endorsement by the government and other actors of long-term policies and priorities for the year in progress.

The recommendations of the working groups are amended and translated into **resolutions**. Those resolutions are then adopted by all the stakeholders.

*This is the case in **Ethiopia**, where the three groups each identified three priorities for the sector. Those nine priorities, approved by all the actors, became resolutions which were to be implemented the following year.*

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The diagnosis findings also make it possible to **update the roadmap** and establish more specific objectives and ways forward than were possible at the first forum. The annual review also provides the opportunity for the government, cooperation agencies and all the other actors to make **joint pledges** to implement the updated roadmap.

→ For countries which did not have a sector policy, or which chose to reformulate their sector policy during the course of their sector diagnosis, gaining the approval of all the stakeholders is an essential stage in the process in terms of ownership. At the end of the approval process, the policy can be ratified by national authorities, such as the parliament, which may have had some involvement at the dialogue stage. Similarly, in order to make changes to the institutional and legislative framework, it is generally necessary to adopt implementing laws and decrees.

→ Although the stakeholder forum is the key decision-making body in the process, round table meetings may be held throughout the year in order, for example, to attract new financial contributions to the sector.

Subsequent annual reviews

In the years that follow during the period in question, more forums are held to take stock of the past, set new priorities, endorse the updated action plan, etc. Different working groups are created to meet the new needs of the sector.

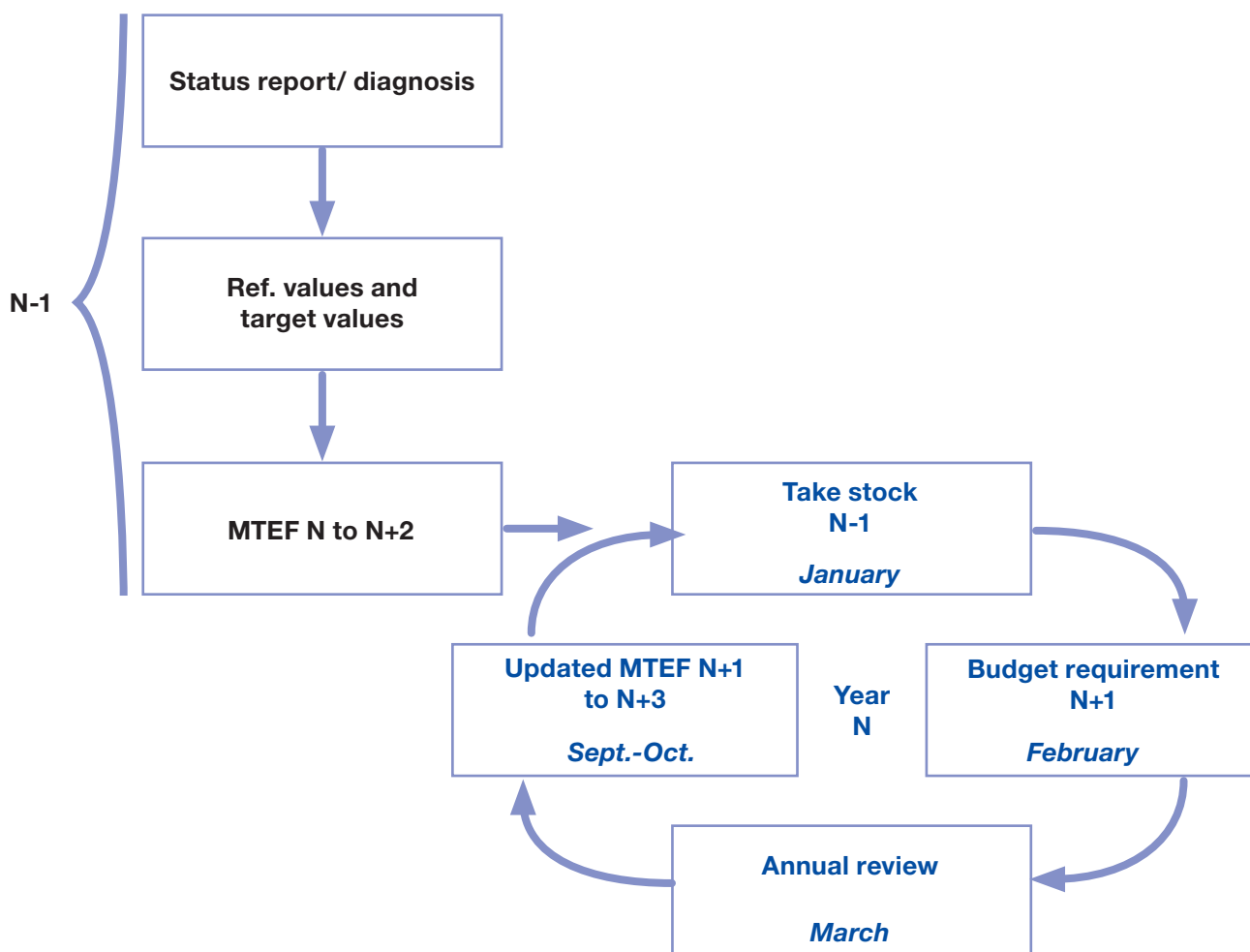
Unlike the first forum, which is a meeting of the different actors, subsequent annual reviews are more demanding as far as the accountable bodies and officials are concerned. Monitoring the sector-wide approach will actually point to the successes and failures of the activities implemented. Through collective learning, the different actors will report on the choices best suited to their particular level and identify ways in which the sector policy might be amended.

By way of example, the following diagram illustrates the cycle of the main stages of the sector-wide approach (year N), giving an indication of the months in year N in which activities take place.

→ Even in the case that the initial stages of implementation of a sector-wide approach do not comply with the most basic governance principles or with other aspects which seem to be institutional or legal preconditions, and even though progress has been slower than anticipated, it will be necessary to remain flexible to ensure that participants in the sector remain motivated.

At the end of each annual review, *aide-mémoires* should be produced, so that the progress made in the sector can be measured. Evaluation of the activities carried out and the initiatives taken since the launch of the national dialogue will also make a positive contribution to the process of adopting a sector-wide approach.

→ At European Commission level, it may be advisable to feed the assessments carried out as part of Result Oriented Monitoring, mid-term reviews etc. into the sector agenda as far as possible.



ANNEX 2. GOVERNANCE: A STAKEHOLDER ANALYSIS METHODOLOGY

1. Assessing the context of water governance

Documents assessing the general context of governance in the country (or region) often already exist and may prove useful when analysing the water sector.

The assessment can be summarised in a table identifying the key factors linked to that context and the sources of verification, both at national level (or regional level in the case of river basin management) and at sector level.

The following general issues may prove relevant to the sector:

- focus on the sector by the political government legislative and executive,
- capacity of the institutional system (judicial and financial capacity in particular),
- other information such as the management of public finances, depending on whether or not it has been the subject of reforms, the country's position internationally, whether positive or negative: ratification of protocols, money laundering hub etc.

An example is provided in the table below.

Level	Key factors	Source of verification
National	General weakness of the legislative and regulatory framework	Significant delay in the promulgation of draft laws, implementing decrees are published long after the laws or are not published at all
	Insufficient State capacity, poor decentralisation	Significance of the informal sector, poor access to services in rural areas
	Effective parliamentary powers	Parliament has a genuine decision-making role in relation to the national budget and exercises its right to monitor government acts
Sector	Resistance of the Urban Water Agency (UWA) to separation of the State's governing powers and service provision; lack of work maintenance; UWA's Executive Director highly politicised	UWA has full powers (programming, service provision, cost recovery), poor access to water in towns and cities
	Donors heavily involved in the sector, ongoing process of decentralisation	Significant financial commitments to the sector

2. Inventory of the actors: interests, powers and motivations

This involves identifying the categories of actors who are or should be involved effectively – whether formally or informally – in governance or accountability.

The categories of actors are as follows: non-State actors, supervisory and regulatory organisations, government and political system, public agencies in the sector, service providers and donors.

For each actor, consideration will have to be given to whether they are on the “demand side of governance” or the “supply side”, i.e. a government body or official which should be accountable. The people on the demand side of governance are those who would benefit from a change, whereas those on the supply side are the bodies or officials with the formal means to effect the change.

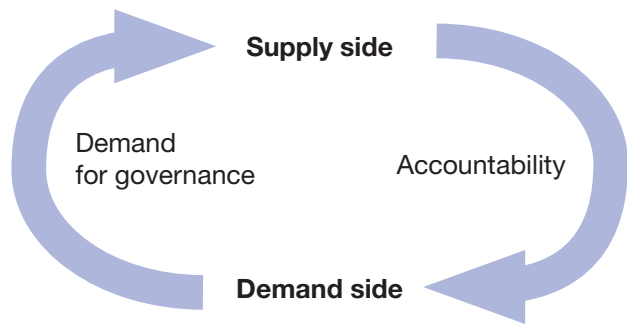
Finally, it is appropriate to determine the interests and decision-making powers of each actor, as well as their motivation for change, as shown in the example below concerning the supply of drinking water in urban areas.

Actor	Supply side / demand side	Interests, powers	Motivation for change
Non-State actors			
Water user associations	Demand side	Interest in transparent management in order to lower the cost of water. Powers of influence depend on number of “members”	Driver of change
Media	Demand side	Quest for the “sensational”: interest in cases of poor governance. Very considerable powers of disclosure	Driver of change
Supervisory and monitoring organisations			
Audit authorities	Demand side	Own governance problems. Legislation confers considerable institutional powers, but such powers are weak in practice	Poor driver of change
Government and political system			
National Authorising Officer	Supply side / demand side	Interest in effective cooperation with donors. Powers of influence over the Water Minister	Potential driver
Parliament (Water Sector Committee)	Supply side / demand side	Interest highly dependent on the committee members. Genuine legislative powers	Potential driver
Ministries and public agencies in the sector			
Ministry of Water	Supply side	Ministry also responsible for other sectors (mining etc.), little interest in principle in the water sector, which is managed by the UWA. Key to achieving institutional reform	Resistance / potential driver of change
Urban Water Agency (UWA)	Supply side	Interest in the status quo to ensure non-transparent management of sub-sector funds. Strong link between UWA's Executive Director and the party in power	Strong resistance to change
Regional Directorates for Water (decentralised)	Supply side	Budget and prerogatives of the central administration.	Resistance to change
Service providers			
UWA	Supply side	Multiple functions (see above)	Strong resistance to change
Donors			
European Commission	Supply side / demand side	Sector of concentration	Driver of change
Bilateral development agencies	Supply side / demand side	Campaigns supporting decentralisation: the (deconcentrated) regional directorates could disappear	Drivers of change

3. Assessing the relationships between those who govern and the governed

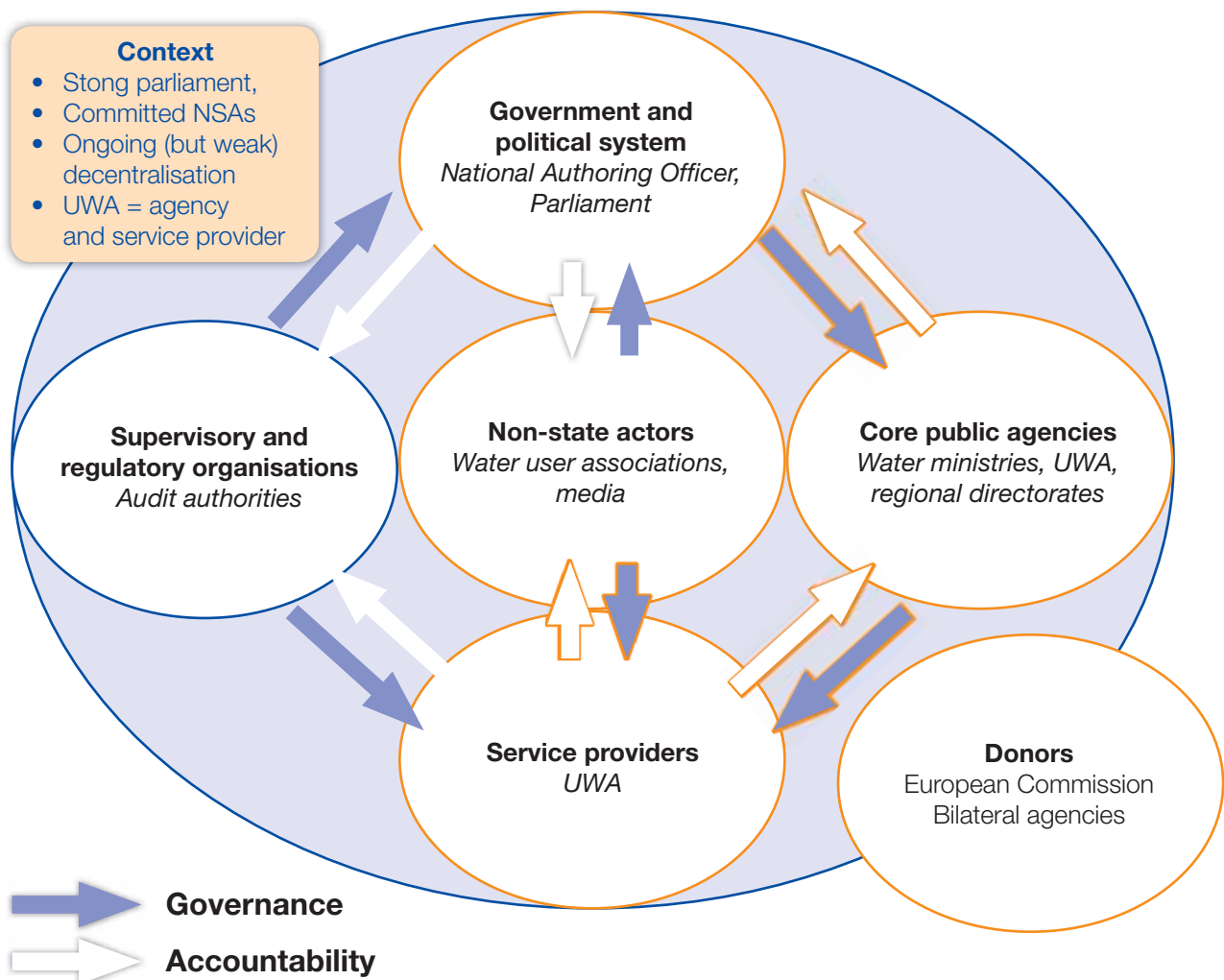
Having identified [the main actors](#) in each sub-sector examined (in the example above, the supply of drinking water in urban areas only), consideration is now given to the relationships between them in terms of governance and accountability. Those who govern are on the supply side of governance and should be accountable to stakeholders, the governed, who on the demand side of governance.

→ There are several possible ways of describing the relationships which exist between the actors: hierarchical, patrimonial, market-based and voluntary network-based.



The result here is to show the relationships between actors through the use of diagrams.

The figure below is a possible representation of the relationships between the actors referred to in the example above. The red bubbles and arrows indicate the main actors and relationships.



4. Summary: assessment of readiness for governance reform

The final stage of the analysis of governance in the sector consists in summarising the findings. The purpose of this consolidation exercise is to anticipate governance trends in the sector and measure the sector’s readiness for change.

In certain circumstances, if the sector does not appear ready to comply with the principles of governance, it might be more appropriate for the European Commission and the other technical and financial partners to focus on support for civil society and the private sector, whilst maintaining dialogue with the key ministries and possible drivers of change within government, rather than support actors opposed to the principles of governance.

The table below summarises the analysis of governance in the example given above.

	Characteristics	Strengths / opportunities	Weaknesses / threats	Trend
Context	<ul style="list-style-type: none"> Strong parliament, Committed NSAs, Ongoing (but weak) decentralisation, UWA opposed to change 	Decentralisation may require the complete reorganisation of the urban water sub-sector (disappearance of regional directorates)	The Executive Director of the UWA plays an influential role and is resistant to change	The decentralisation process will continue – this is an opportunity to make the authorities aware of the need to reform the UWA
Actors, interests and motivations	<ul style="list-style-type: none"> National Authorising Officer, parliament water user associations, Water Ministry UWA: agency and service provider donors 	Possible influence of parliament, user associations, the National Authorising Officer and donors on the Water Ministry	Reluctance on the part of the Water Minister to replace the Executive Director of the UWA	It will be difficult to relieve the Executive Director of the UWA (who enjoys political support) of his duties. He could, however, find himself isolated and have to negotiate with other actors
Governance relationships	Demands for governance are made by the users, the state apparatus and the donors to the Water Minister and the UWA	The demands for greater transparency are converging: establishment of a national dialogue could be a catalyst for change	Individually, those on the demand side of governance have less weight than governments resistant to change	Unless work is carried out to raise awareness and coordinate the different drivers of change, the situation could remain the same for years yet
Other factors	General elections are planned in the medium term	Political parties are more concerned about meeting citizens’ expectations in the run-up to elections	The re-election of the party in power could strengthen the government’s position in relation to its management of the sector	Trend depends in part on the election results

To find out more...

For further details, please refer to the reference document “Addressing Governance in Sector Operations” produced by the European Commission



ANNEXE 3. ARRANGEMENTS FOR WATER SUPPLY AND SANITATION SERVICE MANAGEMENT

Public service delegation is a contractual arrangement under which a legal person in public law (a local authority, for example) entrusts the management of a public service for which it is responsible to a public or private delegatee, whose remuneration is substantially linked to the results of its operation of the service. The delegatee can be commissioned to build structures or acquire goods necessary for the service. The key difference between a public work or supply contract and public

service delegation lies in the method of remuneration. In the case of a public work or supply contract, payment is made immediately and in full by the public buyer. As far as public service delegation is concerned, remuneration is determined by the operation of the service. In all cases, the person under public law remains the owner of the installations, irrespective of whether or not they were built and financed by a private company.

Method of management	Financing and investments	Operation and maintenance of works	Risks	Responsibility for water quality and pricing	Remuneration of the delegatee	Characteristics
Direct state control	Local authority	Local authority	Local authority	Local authority	Not applicable	No delegation. The local authority has financial autonomy and may act as a legal person. Service management may be delegated to a specialist company
Lease (the operator is a /lease-contractor)	Local authority (lease-contractor may be involved in modernisation or extension)	Lease-contractor	Lease-contractor	Lease-contractor (tariffs or tariff brackets usually fixed by the contract)	Delegatee paid by users. Fee paid to the local authority to pay off the investments made and a surcharge is payable to use existing works.	Possible public-private partnership. Contract duration: usually up to ten years
Public service concession/ management	Local authority	Manager acting on behalf of the local authority	Local authority	Local authority	Bonuses paid under a results-based incentive scheme laid down in the contract.	Possible public-private partnership. In the case of third party management, bonuses are fixed.
Concession	Concession holder	Concession holder	Concession holder	Concession holder (tariffs or tariff brackets usually fixed by the contract)	Delegatee paid by users. Possible surcharge paid to local authority for controls, service-user information etc.	Possible public-private partnership. Contract duration: usually up to 30 years

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