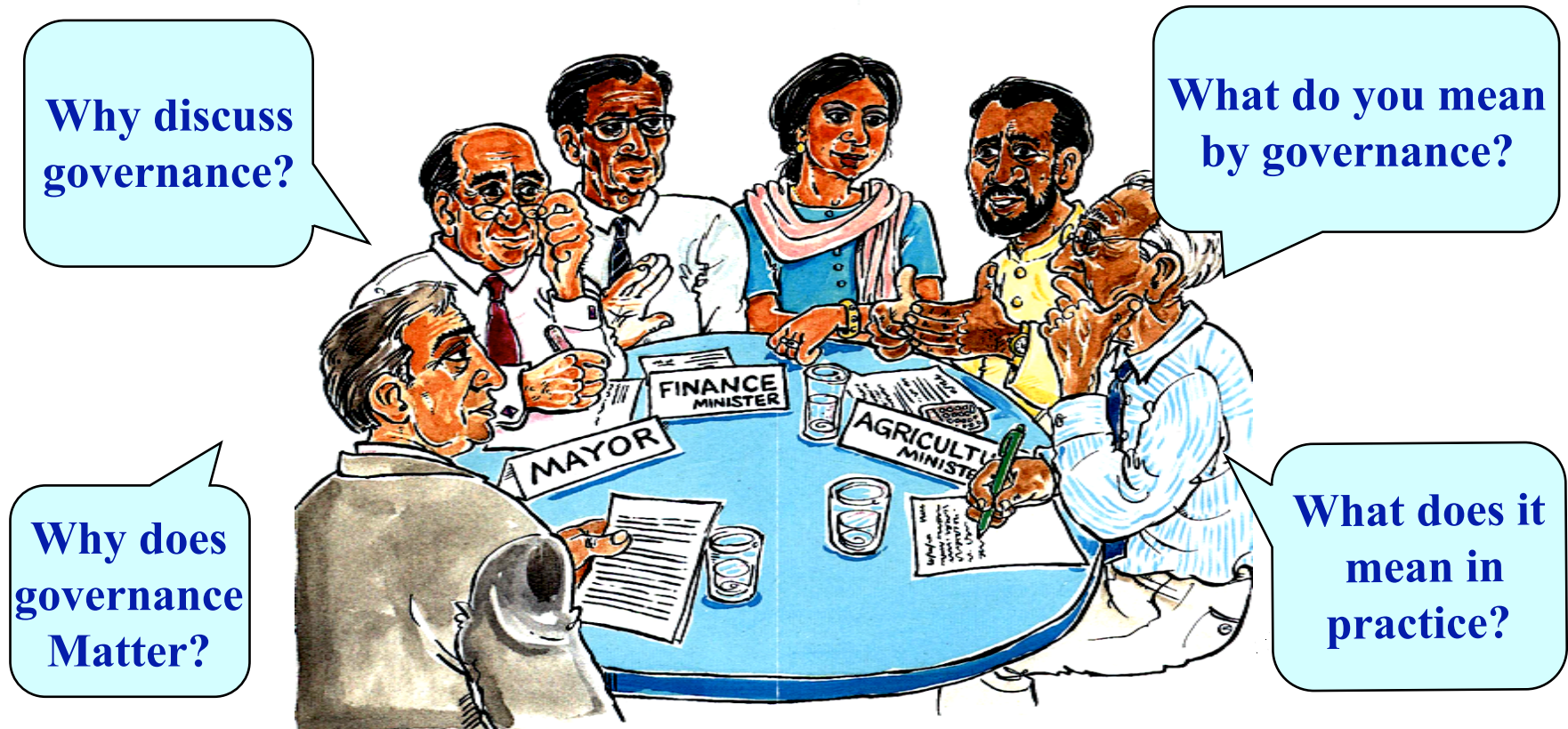


# *Good governance for effective water demand management*




*Alan Hall, Senior Adviser, GWP*



## *Why discuss 'governance' at a water meeting?*

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- Governance addresses the political science aspects of water management.
  - Water management is multi-objective based on conflicting interests so water governance adds a political dimension to IWRM
  - Water has a contradictory character: essential for human livelihoods and for ecosystem life.
  - Through water use people become interdependent in ecological, economic and social terms.
  - With economic growth water management is increasingly about social change and conflict and not just about technical issues.
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# *What do we mean by Governance?*

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**Governance covers the manner in which power is balanced in the administration of a country and embraces the traditions and institutions by which authority is exercised**

*It is not government and it is not management*



# *Governance is ....*

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**the way in which society organises itself providing:**

- a functioning system,
- checks and balances,
- the rules of the game,
- legitimacy,
- Mediation between conflicting interests.

**Good governance could be said to exist when the system leads to decisions and trade-offs of benefit to society as a whole.**



## *... and Water Governance?*

**Water Governance refers to the range of political, social, economic and administrative systems that are in place to develop and manage water resources and the delivery of water services at different levels of society.**

**Water is problematic: taken for granted, poor administrative record, weak capacity, too ideological, not politically attractive.**



# *What types of governance?*

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- **Hierarchical governance- how the state steers society:**

DECIDE, ANNOUNCE AND DEFEND

- **Market-led governance - how the market allocates resources:**

DELEGATE AND REGULATE

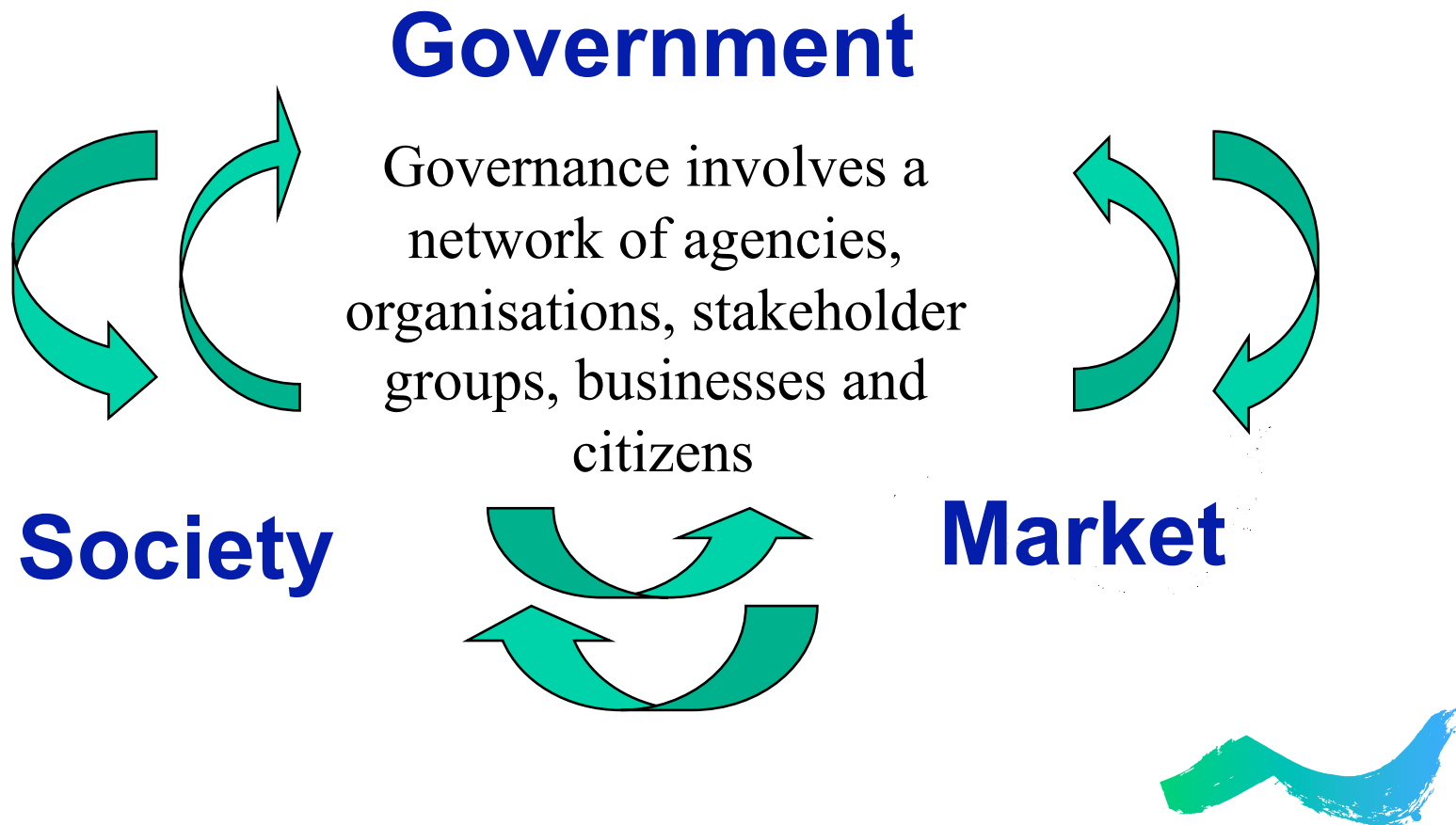
- **Distributed or contemporary governance - how society co-ordinates and manages itself:**

MEET, UNDERSTAND AND MANAGE



# *Distributed Governance*

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# *Attributes and Functions*

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## **Attributes:**

- **Open & Transparent**
- **Accountable**
- **Equitable**
- **Inclusive and responsive**
- **Coherent**

## **Functions:**

- **Policy setting**
- **Allocation**
- **Regulatory framework**
- **Coordination**
- **Dispute resolution**





# ***Governance matters***

- ... for development - There is evidence of a strong causal relationship from better governance to better economic and social development**
- ... for investment - More effective water governance unlocks investment. Banks use governance indicators to assess risk**
- ... for water – without effective governance cannot tackle allocation conflicts, corruption, resource management.**



# ***Governance and investment***

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**Investment constrained by weak governance :**

- **High risk: Commercial, Reputational, Political**
- **Lack of administrative capacity (need to improve quality of the civil service)**
- **Inefficiencies and money wasted or unspent**

**Good Governance gives Confidence to different agents.**



# ***Governance and service delivery***

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- **Reform of a public utility or introduction of a private operator depends on getting the governance right.**
- **Water supply operators can be public or private but in both cases can lead to inefficient monopolies.**
- **Transparent and accountable management of water services is essential to avoid corruption and equitable use for society and the environment.**



# *Service delivery*


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- **Good service delivery requires effective regulatory mechanisms (for public and private suppliers)**
- **Mechanisms letting/negotiating service contracts and clear accountability is often weak**
- **Weak governance, in India, resulted in politically driven and perverse subsidies to give free electricity for farmers. This led to over exploitation of aquifers, corrupt practices, bankruptcy of the electricity generating company.**



# *Governance and resources management*

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- ❑ **Water has characteristics that suggest participation, through networks and partnerships work best: distributed governance.**
  - ❑ **Applying an IWRM approach depends on effective governance.**
  - ❑ **Managing water resources requires tough decisions and trade-offs requiring strong governance systems.**
  - ❑ **Dialogue is needed between sectors, stakeholders, administrative levels, to create consensus and avoid unintended consequences.**
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# *Governance and water rights*

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- **Water Rights are needed to enable effective DM – especially if water markets are envisaged**
- **A transparent means to resolve conflicts is needed**
- **Rights and markets must be acceptable to society**
- **Have to take account of customary law and avoid ‘capture’ by special interest groups**
- **In Namibia, the 2002 Water Act includes DM as an alternative form of ‘supply’ and recognises the need to curb luxury water demand and the need for property rights for effective DM.**



# *Devolved responsibilities*

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- ❑ **Central government cannot do everything – good governance is needed at all levels.**
- ❑ **Basin level has become popular and laws need to set out responsibilities of National, Basin and State level agencies as well as promote better integration across sectors** (MURRAY-DARLING BASIN, EU FRAMEWORK DIRECTIVE).
- ❑ **Decentralisation can only be successful if accompanied by the required decision making powers and resources and capacity at the lower levels** (SOUTH AFRICA).



# *Governance success - Chile*

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- NEW WATER CODE IN 1981 DRIVEN BY MARKET ORIENTED POLICIES AND AN OPEN ECONOMY.
- WATER AND LAND RIGHTS ADDRESSED AND WATER MARKET ESTABLISHED – ALLOCATING WATER RIGHTS DIFFICULT AND MISTAKES WERE MADE AS TOO LITTLE PARTICIPATION INITIALLY
- SOME MISTAKES SINCE RECTIFIED – WITH MORE PARTICIPATION AND CONCERN FOR ECO-SYSTEMS
- A TRANSPARENT MEANS TO RESOLVE CONFLICTS ESTABLISHED FOR WATER MARKETS.
- REGULATORY AND ADMINISTRATIVE SYSTEMS PUT IN PLACE – THIS WAS MUCH HARDER THAN ENVISAGED.





# *Governance Failure - Cochabamba*

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- MUNICIPAL AUTHORITY WEAK, LACK OF TRANSPARENCY, CORRUPTION AND VESTED INTERESTS DOMINATED.
- UNREALISTIC OBJECTIVES, POLITICAL INTERFERENCE, WORLD BANK CONDITIONS, POOR CONTRACTS WITH PRIVATE SECTOR.
- LACK OF PARTICIPATION AND CONSULTATION, SO LACK OF SOCIAL COHESION – PROPOSALS WERE NOT ACCEPTABLE TO LOCAL SOCIETY. CUSTOMARY RIGHTS IGNORED.
- PROTESTS AND PRIVATE SECTOR DISMISSED BUT SITUATION NOW WORSE THAN BEFORE.
- INTRODUCING THE PRIVATE SECTOR IS COMPLEX: LACK OF REGULATORY CAPACITY, LACK OF TRANSPARENT MEANS FOR LETTING/NEGOTIATING SERVICE CONTRACTS AND UNCLEAR ACCOUNTABILITY.



# *Links to Demand Management*

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- **Demand management has to reduce the side effects (consequences) of what is wanted by society (progress), such as waste, erosion, pollution, excess abstraction.**
- **Governance has to be able to tackle vested interests, deals/trade-offs – including allowing for ‘unknown’ trade-offs through preparedness and monitoring.**
- **Governance system has to facilitate not prevent government – business – community dialogues**



# *Where to start*

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- **Assess existing governance system and identify gaps or bureaucratic obstacles**
- **Use the “governance scorecard” to assess:**
  - **Legislative framework**
  - **Organisational framework**
  - **Regulatory instruments**
  - **Local authority involvement**
- **Assess mechanisms for effective participation**



## ***Some closing observations***

- **Water governance is about local change and reform - there is no blueprint and no 'quick fix'.**
- **Governance needs to be addressed within IWRM planning and weaknesses addressed.**
- **Partnerships and participation necessary for social cohesion BUT beware of excessive *transaction costs*.**
- **Need to take a step at a time and in a proper *sequence*. Conflicts often arise doing too many things at the same time.**



# **“The price of prosperity is eternal reform”**

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GWP Background Paper 7 **“Effective Water Governance”**

GWP Background Paper 12 **“Water Governance and  
Financing”**

GWP ToolBox for IWRM: [www.gwptoolbox.org](http://www.gwptoolbox.org)

***Terimah Kasih***

