Performance Improvement Planning

Enhancing Water Services through Performance Agreements

Increased operational autonomy, performance-related incentives, clear definition of stakeholder roles and responsibilities, an enabling environment including strong leadership, willingness of all stakeholders to adopt such practices, an appropriate policy and legislative framework, and a good monitoring system for reviews—will ensure that service improvements targeted by such agreements remain sustainable in the long run.
Institutional arrangements within which water and sanitation services are delivered are deficient, and accountability issues are the key constraints to securing the delivery of improved and efficient services.

Executive Summary

The challenge of providing improved water and sanitation services (WSS) in India is substantial. More than 300 million people in urban India are unable to reach or afford safe WSS services. While in recent years investment in, and access to, infrastructure have increased, there are still severe deficiencies in the availability, quality, and equity of these two basic services. Typically, poor and inadequate water service delivery outcomes have been ascribed to the lack of adequate capital investment, poor finances of service providers or capacity, and staff constraints. Increased investments have not necessarily resulted in better outcomes but rather in short-lived performance improvements that remain stand-alone initiatives, unviable in the long run. It is increasingly being recognized that institutional arrangements, and the incentives and accountability measures associated with them, need to change if services are to improve. Although the 74th Amendment to the Constitution of India has made urban local bodies responsible for WSS services, the water departments of these bodies continue to depend extensively on central and state governments for technical and operational direction. Since they do not have functional or financial autonomy to run their departments sustainably, incentives to improve services remain weak.

Performance agreements could help bring about a change in the way services are delivered in a sustainable manner, through a change in the institutional arrangements and associated incentives. In recent years, many public water utilities and service providers across the globe have brought about improved accountability and better services through contractual arrangements based on the principles of customer orientation and financial viability.

Performance agreements include arrangements that public entities and service providers have signed with lower tiers of government or urban local bodies and operating arms of public service providers. Such arrangements have stressed operational efficiency, sustainable revenue strategies, improved cost recovery, and enhanced service delivery accountability as a means for improving the delivery of WSS services in a public service provision setting. The field note uses global experiences to explain some of these arrangements and brings out lessons they have to offer for the Indian context.

Context

The urban WSS utilities and service providers across India continue to be characterized by deficiencies in the delivery of services, with access to reliable, sustainable, and affordable WSS services remaining poor in general. Typically, poor services have been attributed to poor finances or capacity constraints. However, increased investments to improve the quality, equity, and reliability of services have not necessarily produced better outcomes and commensurate service delivery improvements.

So why are WSS services still lagging behind in India? There is increasing recognition that (a) the institutional arrangements within which WSS services are delivered are deficient, and that (b) accountability issues, and not investments, are the key constraint to securing the delivery of improved and efficient services. Even though the 74th Amendment to India’s Constitution has made municipal governments or urban local bodies responsible for WSS services, their accountability to deliver better services to their customers is hampered by numerous institutional constraints.

Most water service providers in India today, whether a department within a public works department, a department in a municipality or a semi-autonomous organization dedicated solely to the provision of a water and sewerage service, lack the right incentives to plan and implement steady and consistent improvements and remain accountable for the quality

1 Indian National Census. 2001.
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Box I: Can Performance Agreements Lead to Sustained Service Improvements?

The basic aim of the performance improvement series is to help water utilities and service providers understand and adopt mechanisms that promote cost recovery and sustainable revenue strategies, as well as help achieve financially viable and sustainable improved services. The objective is to focus not only on specific performance improvement areas by advancing technical, commercial, and operational efficiency—such as leak reduction, billing and collection, customer service, and tariff setting, among others—but also ensure that such improvements remain sustainable and viable in the long term through arrangements such as performance agreements, monitoring, and evaluation.

This field note is No. 5 of the series and analyzes performance agreements that have been used across the world for implementing performance improvements. For such agreements, a conducive institutional framework is needed to foster, incentivize, and sustain service delivery improvements in the long term. Performance agreements are contractual arrangements signed between different tiers of government (national or state government with local government departments) or between different operating arms of a public service provider and its market-based counterparts.

of service that they deliver. State level control and dependence has resulted in little role for local bodies. In some cases state monolithic parastatals exist, with little role separation across policymaking, regulation, and service provision. In other cases, some degree of decentralization may have occurred, but there remain significant shortcomings in the empowerment of the municipal governments and urban local bodies in aspects like staffing, expenditure, and revenue authority to deliver good quality services.

Since the spheres of financing, policymaking and sometimes even implementation are all external to urban local bodies, there is very little ownership or accountability on their part to ensure cost efficiency and revenue sufficiency for the delivery of efficient and reliable services. In addition, since regulation and implementation are usually in the same hands, issues of efficiency, equity, and quality are difficult to address. The institutional structure also lacks the enabling financial incentives that could encourage improvements in service delivery, especially in the context that survival of service providers does not depend on meeting the objectives of cost recovery and efficiency. Instead, service providers often survive on the back of virtually unconditional financial support from government and, in the absence of ring-fenced arrangements, on numerous opaque cross-subsidies that operate within municipal accounts.

An improvement in WSS services in India can be encouraged through systematic reforms that provide clear policies for universal service and for the monitoring of service provider performance on specified standards of service. This shift will mean that the institutional framework clearly defines the way in which the sector is governed, regulated, managed, incentivized, and financed. The framework will need to create the foundation and transformation of service providers for delivering sustainable and more accountable services while ensuring operational and financial sustainability.
Performance agreements could help bring about a change in the way services are delivered in a sustainable manner, through a change in the institutional arrangements and associated incentives.

Performance Agreements for Better Services

Urban water service providers in India will need to significantly enhance performance by effectively balancing affordable service coverage expansion with financial viability. Such improvements must be coupled with institutional reform for autonomy and accountability if they are to remain sustainable in the long run. Performance agreements could provide the means for implementing these service delivery improvements in a public service provision setting on a long-term and sustainable basis.

What are Performance Agreements?

Performance agreements are formalized contractual arrangements to achieve efficient and financially sustainable services, signed between different parties involved in WSS service delivery. They attempt a market-based approach to the delivery of public services. In some cases, these agreements are internal managerial ones signed between different tiers of government (national or state government with local government departments). They can also be between different operating arms of a public service provider, between a state water board and the respective urban local body it is serving, or between an urban local body and its respective water service department.

Such contracts were introduced as early as the 1970s, in France. The concept slowly spread to the rest of the world—to Sub-Saharan Africa; North Africa; Argentina, Brazil, and Mexico in Latin America; and also to South Asia. At that point the success of these agreements was limited and they became less commonly used in the 1990s, especially with the emergence of private sector participation. However, despite their weaknesses, these agreements are again being used in recent years for the delivery of WSS services and, in some cases, they are producing good results.

Performance agreements provide a good framework for defining roles and responsibilities of all parties involved in WSS services, as explained in the subsequent case studies (see Box 2 for synopses of the case studies). Under such arrangements, the public sector, higher tiers of government or state-level water boards (Board) contracts with those who actually provide the service, that is, lower tiers of government, or the operating arm of the public service provider (the service operator). Clarity in roles and responsibilities is important for performance agreements to function well. The Board defines the overall policies and strategies, the services desired, and performance standards, and also monitors performance towards these set objectives. The service operator is responsible for the actual delivery of services in accordance with these principles as set by the Board. The service standards may be defined, but the manner in which the work is performed is mostly left to the service operator’s discretion. Along with increased autonomy comes greater accountability for delivering the service outcomes, since performance is measured against some predetermined targets.

How is a Conducive Environment for Improving Services Created?

Performance agreements ensure improved accountability and a commercial orientation to the delivery of WSS services.

Commercial orientation: Performance agreements form a more commercial-based approach to the delivery of public services. Usually formalized as a Memorandum of Understanding, these agreements operationalize performance improvements through the utilization of private sector management principles, especially that of a commercial orientation to service delivery, in a public setting. In such service delivery models, different tiers of government or the public entity work independently, each responsible for a set of performance targets that help in regulating their mutual obligations. Such mechanisms encourage improved operational efficiencies, by lowering costs and incentivizing performance improvements.

Increased operational autonomy: Well-structured performance agreements encourage increased managerial autonomy. Increased operational autonomy is encouraged...
Box 2: Synopses of Case Studies

The Delhi Jal Board, provider of water services to Delhi, the capital city of India, was in the process of designing a Performance Memorandum of Understanding in 2005. The aim of this agreement was to define the (a) framework within which water and sanitation services reforms were to be undertaken; and (b) conditions for generating greater accountability and performance tracking. Even though the agreement did not go through, the engagement had important lessons to offer.

Haiphong Water Supply Company in Vietnam has used performance agreements to encourage operational improvements through the adoption of the phuong4 model since 1993. It focused on decentralizing service delivery functions down to the lowest administrative level and bringing about improvements focusing on an overhaul of water services.

India power sector reforms were initiated since the early 1990s through a series of reforms in the power sector’s legal framework, institutional structures, policies and procedures that collectively attempted at improving the performance of the sector in delivering more reliable and efficient services. The power sector structural reforms replaced government control by autonomous and independent regulatory oversight for providing the institutional support for performance enhancement of power utilities through incentive-compatible performance contracts.

ONEA, Burkina Faso, is an autonomous water board that is responsible for water supply and sanitation service provision in all urban areas with more than 10,000 inhabitants. Reforms have strengthened ONEA by focusing on improving performance of the public operator through internal reforms, especially through the three-year performance contracts (Contrat plans) since 1993 that it signed with the Government of Burkina Faso. The performance contracts set the targets for technical, financial, and commercial performance through 34 performance indicators that are monitored regularly.

Tanzania has used performance agreements since the late 1990s for bringing about urgent reform of its water sector, through the creation of semi-autonomous Urban Water and Sewerage Authorities to operate and maintain water supplies in the urban towns. It designed a unique performance agreement that detailed operational guidelines, including personnel, financial, commercial, technical, procurement, reporting and monitoring mechanisms, within which the authorities would operate. The performance agreements also provided an incentive scheme for encouraging improved performance in service delivery and operations.

Uganda started its urban water sector reform process in 1997 with a series of short-term performance improvement initiatives for improving the management of its urban water services. The reform process initiated performance contracts within the areas of operation of its national water utility—the National Water and Sewerage Corporation. Since then the Corporation has used various programs, including Area Performance Management Contracts and Internally Delegated Management Contracts, for encouraging operational and financial efficiencies within a more professional environment for improving services.

through the decentralization of decisionmaking to the business units operating in the smaller towns, the lower tiers of government or the operating units at the city level. Performance agreements hence target improved performance by breaking down overall strategic goals into specific operational processes and output-oriented targets in exchange for increased operational autonomy and performance-related remuneration or incentives. The operator faces reduced external interference, is granted reasonable autonomy in day-to-day management and operational decisions, and is ensured adequate resources to bring about performance improvements. This incentivizes the operator to become more accountable for delivering on targets and for improving services in a cost-effective manner.

Improved accountability: Well-designed performance arrangements are expected to result in service improvements since they introduce commercial principles of operation through explicit performance targets, well-defined budgets linked to revenues from users, and greater managerial and financial autonomy. The roles and responsibilities of various institutional parties are defined and allocated upfront, and then a performance agreement is drawn up.

4 The ward or phuong is the smallest local unit of the socialist government in Haiphong. More details in Box 6.
A formalized agreement specifies clearly the performance targets, outcomes and timeframes, and how the outcomes will be monitored and measured. The operator is monitored against performance targets that are defined in a performance standards’ chart and is encouraged to exceed these targets through financial incentives set out in an incentive compensation chart. Internal incentives such as bonuses, rewards, and cash prizes are used for encouraging managerial efficiencies and for surpassing performance targets. Hence, performance agreements hold operators more accountable for their particular function and performance, since the operator needs to meet the specific targets as defined in the performance agreement.

**Key Features and Elements of Performance Agreements**

Well-structured performance agreements are characterized by the key elements of simplicity and periodic updation, role separation and clarity, a commercial orientation to services and financial viability, increased autonomy in operations, performance standards, regulatory aspects, and improved accountability.

**Simplicity and Links to a Strategic Business Plan**

Performance agreements must be kept short and simple so that adjustments can be made easily, especially updatings for performance standards and incentive compensation. Such agreements must also allow for incorporating results accruing from performance improvements.

The design of these plans must be supported by a strategic business planning exercise that forms the basis for drawing up such agreements. A strategic business plan supported by a sound baseline allows the utility to understand the shortcomings in service delivery. The planning exercise also helps identify the specific areas that require performance improvements, as well as the actionable areas and business objectives that need to be addressed to overcome the identified shortcomings. Such a planning exercise can help in identifying the expected levels of performance which, when achieved, could support the provider in meeting its overall business strategy and objectives.\(^5\)

**Role Separation and Clarity**

Performance agreements must explicitly define, separate, and allocate roles and responsibilities of all stakeholders, so that there is no conflict and confusion between different roles. This appears simple but the fact is that the ambiguity of goals and conflicting objectives is one of the major obstacles to the effective and efficient performance of public enterprises.

Performance agreements delink service provision from policy and regulation

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\(^5\) In some cases, the operator is allowed to take some months to focus only on constituting a sound baseline. The incentive during this period is, therefore, not to meet improved performance targets but to collect data and constitute a robust baseline through the implementation of sound data collection and storing systems including business management and reporting systems.
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functions, and create the appropriate regulatory and enforcement mechanisms for making service providers more accountable (Figure 1). This role clarity leaves no room for ambiguities or overlap in functions. By clearly allocating responsibilities and defining the performance targets that are sought to be achieved at the end of the contract period, it is also possible to control and monitor service delivery performance more effectively, structure adequate sources of funding and, at the same time, hold the appropriate stakeholder responsible for its respective and designated function.

Performance agreements are an internal reform tool, where the ownership and regulation of the water and sanitation facilities remains with public entities while specific service delivery functions are handed over to the operating units. They attempt at separating the day-to-day operational functions from that of policymaking, performance monitoring, and regulation so that accountability can be enhanced at the operational level.

The policymaking function guides the management of the utility, its service delivery objectives, and quality standards. As a rule, the higher tiers of government or the Board would retain the functions of policy, strategy, and regulation; the service operator would retain responsibility for service delivery functions. Their accountability would be strengthened through performance standards and incentives, to ensure that service delivery remains efficient. The role of the Board shifts from the existing role of an operator or service provider to that of one that defines the strategy and priorities for the operator. While the Board sets the guidelines and defines overall objectives of a plan for performance improvements, the operating units define what is needed to implement the performance plan and comply with overall objectives.

An appropriate regulatory framework must also exist to monitor compliance with obligations and service standards in the agreement, and ensure that issues such as tariff determination are efficient and commensurate with service quality while protecting the interests of all consumers. These regulatory functions could be looked over by the Board, or in some cases, an independent regulator, for approving and monitoring business plans, and regulating the operations and obligations of the contracted operator against set performance standards.

As demonstrated in the case of Uganda in Box 9, the roles and obligations of both the operator and the Board were clearly defined and allocated. The obligations of the operator (the area offices in the respective towns) included safeguarding, using, maintaining and controlling assets, providing operation and maintenance management services, carrying out rehabilitation and extension of systems, and billing or collecting revenues. The obligations of the Board (the head office) included setting tariffs, rates, charges, paying management fees, monitoring and evaluating performance, providing general strategic guidance, and carrying out major capital works.

**Commercial Orientation and Financial Viability**

Performance agreements attempt at ensuring improved commercial management through higher efficiencies in current operations and enhanced service quality—both adequacy and reliability. Such agreements use the same parameters that business units use and target the delivery of improved services by applying the principles of operational efficiency and financial viability and sustainability. They result in improved and accountable services by focusing on both the demand side in terms of optimizing water revenues, and the supply side in terms of cost efficiency.
Performance agreements introduce improved commercial orientation and require that every water and sanitation service provider undertakes a tighter control over existing revenues and cost.

A commercial orientation to services would require that every WSS service provider undertakes its functions and responsibilities as a business entity, realizing that such a business has income and costs, needs cash flows to survive, and requires capital to invest. Such agreements would hence undertake a tighter control over existing revenues and costs through financial planning and management and by linking performance measures to operations. This is, however, not in conflict with an orientation to provide affordable services to everybody, with special consideration to poor people (as demonstrated through the case study of Delhi in Box 3). Delivering affordable services to poor populations requires a detailed involvement with financial issues, for example, for setting up cross-subsidization mechanisms within tariff setting for keeping tariffs affordable for poor people.

**Box 3: Performance Memorandum of Understanding in Delhi**

The Delhi Jal Board is the primary service provider of water supply and sewerage services in the north Indian city of Delhi that has a population of approximately 16 million people. WSS services suffer from severe deficiencies that are a result of institutional weaknesses, large gaps in service delivery, operational efficiencies, low cost recovery, and excessive reliance on financial assistance from the Government of the National Capital Territory of Delhi.

The Delhi Government was in talks for a Performance Memorandum of Understanding with the Delhi Jal Board in 2005. The Performance Memorandum of Understanding, to be developed for a six-year period, would have defined the framework within which WSS reforms and conditions for generating greater accountability and performance tracking could be undertaken. It was to be updated annually to reflect actual past achievements and hence update the assumptions and achievements. Even though developments, largely of a political nature, led the Government of Delhi to put things on hold, the engagement had important lessons to offer.

The Performance Memorandum of Understanding was to address two key issues of (a) a performance improvement plan that would focus mostly on an improvement and rehabilitation of the water distribution system in two operational zones; and (b) a financial recovery plan that would include an increase in the Delhi Jal Board’s operating revenues, a reduction in operating costs, and a capping of operating subsidies from the government so that the Board could reach full cost recovery. This was to be achieved and monitored through a financial model.

To support the preparation and implementation of the Performance Memorandum of Understanding as well as provide the Delhi Jal Board and the government with an effective tool for monitoring progress in implementing the reform milestones, a Performance Assessment and Management System set out key performance indicators. These included operational indicators related to the performance of the WSS system (such as coverage, metering level, technical and commercial losses, energy efficiency, continuity of service, water quality, and quantity and quality of wastewater disposed), institutional indicators (for instance, organizational staffing, redressal of complaints, and status of any special projects), and financial indicators (such as operating ratio, unit cost of water produced and sold, collection efficiency, extent of cross subsidy, and debt service coverage).

The engagement also opened a broader debate around the true facts of service delivery as they exist currently in Delhi. It improved the understanding of issues in providing services to poor people, particularly of providing water through group connections, that was taken up for consideration by the Jal Board.
These agreements help introduce improved and enhanced productivity, managerial capacity, technical expertise, revenue collection practices, and investment strategies in specific areas of operation and strive to acquire and efficiently use capital investments. The efficiency gains and improved management practices help provide incentives for improving operational efficiency. Box 4 illustrates the key goals of commercial orientation that require to satisfy the twin goals of revenue adequacy and cost efficiency.

In some cases a commercial orientation may also mean that utilities and service providers look for opportunities to lower costs through outsourcing certain functions, but keeping the core functions of service delivery for themselves. This attempts at making more use of market forces and inculcating more market-style incentives within their organization, even within the ambit of a performance agreement. One option for service providers is to outsource certain functions such as information technology and related services, engineering design and project implementation, maintenance of buildings and equipment, billing and collection functions (including meter reading, meter maintenance, and repair), data management systems, and so on. Outsourcing is usually undertaken because such ‘noncore’ functions may be better performed by private contractors that specialize in these functions. However, these functions must be carefully defined so that it is clear that the subcontractors, to whom the functions are being outsourced, are in control and run these functions efficiently. As demonstrated in Box 5, ONEA in Burkina Faso has used performance agreements for improving overall WSS services and, within them, service

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**Box 4: Commercial Orientation and Performance Improvement Agreements**

The objectives of performance improvement agreements are to bring about a commercial orientation to service delivery for efficient and reliable services, improved internal organizational accountability, and a customer orientation to service delivery by satisfying the twin goals of (a) revenue adequacy; and (b) cost efficiencies in service delivery.

**Revenue Adequacy**
- Nonrevenue water
- Appropriate tariff design
- Effective billing and collection
- New connections including poor people

**Cost Efficiencies in Service Delivery**
- Nonrevenue water
- Energy efficiencies
- Staff cost rationalization
- Chemicals efficiency

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<sup>6</sup> In some cases the entire operations and management of water service delivery may be outsourced through various contracting arrangements such as leases, management contracts, concessions, and so on, which are beyond the purview of this paper. A subsequent field note will discuss these contractual models.
contracts for bringing about improvements in specific areas of performance.

**Autonomy**

Performance agreements require that service providers have increased autonomy in operational decisions and resource management. Autonomy is concerned with the degree of independence that utility managers have from external interference for undertaking important decisions that could significantly affect their performance.

For instance, providers need to have the independence to take important decisions that can have a significant impact on their performance. These could include making tariff proposals based on prudent cost and revenue practices, allocating resources, procurement and personnel decisions. The example of Haiphong city in Vietnam (Box 6) shows that decentralized services to the lowest administrative level helped service delivery improvements in a sustainable manner because of the increased autonomy that it placed on its ward level offices at the operational level. The case of the Indian power sector reforms (Box 8) also demonstrates efficiency improvements, resulting from the operator’s increased autonomy in putting forward tariff proposals that are consistent with overall revenue requirements.

**Performance Standards**

Setting well-defined and targeted performance standards in performance agreements ensures that expectations and goals are identified clearly right at the start. This also enables the appropriate measurement of performance results as per the desired goals and targets set in the performance agreement. Appropriately set performance targets ensure that there is improved coordination and cooperation between all stakeholders involved with WSS service delivery.

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**Box 5: ONEA, Burkina Faso**

The national water utility in Burkina Faso, ONEA, was restructured between 1990 and 1998 to create a commercially viable enterprise while expanding services to the poor and low-income areas with a commitment to ensuring that the poor people pay affordable rates. The utility is responsible for producing and distributing drinking water to the population in urban and semi-urban centers in Burkina Faso. It is in charge of water supply and sanitation services in over 35 cities with more than 10,000 inhabitants.

Reforms in the water sector in the country have mostly focused on improving the performance of the public operator through internal reforms, especially with the three-year performance contracts (Contrat plans) since 1993 that it signed with the Government of Burkina Faso. The performance contracts set the targets for technical, financial, and commercial performance which ONEA is expected to deliver upon. The performance agreement specifies 34 indicators that are monitored regularly to check if ONEA’s performance is in compliance with these indicators.

The implementation success of the performance contract is assessed through these performance indicators by an external technical auditor and a follow-up committee that includes representatives from the government as well as from ONEA and consumers. The committee meets thrice a year and submits a report to the Board of Directors on the performance of ONEA as against the performance indicators that are included as a part of the performance contract. While the monitoring arrangements are good, the performance contract does not have a system of incentives and disincentives and does not provide for penalties or rewards for rewarding or penalizing performance.

The utility has also outsourced some of its functions to bring about cost efficiencies while inducing improvements in services through performance contracts. In 2001, it entered into a five-year service contract for strengthening commercial management and the financial and accounting systems of ONEA. The contract aims at optimizing the commercial and financial management of ONEA and creating a customer services department so that customer satisfaction is improved.

Up until now, the performance criteria of the contracts have largely been met. The utility has seen marked improvement in water supply coverage, water losses, collection efficiencies, metering, and cost recovery through all these initiatives.
Any performance target must portray all relevant aspects of the water service provider in a true and unbiased manner, allowing for a global representation of the system so that there could be easy comparison with better performers from the better performing utilities. The indicators should be specific, clearly defined, and easily measurable, with a concise meaning and a unique interpretation for each indicator. They must be realistic and time bound and should be easy to verify, especially since they need to be monitored and checked regularly.

Box 6: Decentralized Service Delivery in Haiphong, Vietnam

The Haiphong Water Supply Company is a public utility that provides water supply services to the urban population in Haiphong city in Vietnam. The city is divided into five urban districts with a total population of 1.7 million people (year 2002), of which 0.7 million people live in urban areas. The company reports to its owner, Haiphong Provincial Peoples’ Committee, through a regulator, the Department of Transport and Public Work Services. The Haiphong Provincial Peoples’ Committee has considerable influence over the company and is responsible for decisions relating to investments and tariffs, but does not interfere much in the day-to-day functioning of the utility as long as there are no problems in the provision of water services.

The utility has witnessed impressive performance improvements and is considered a turnaround utility in the Vietnam water sector. It set itself a mission to provide an adequate supply of good quality water for all users and the responsibility to plan, implement, and operate the water supply system in the most effective way possible. As a first step, it decentralized responsibility within the company to the lowest possible level through the implementation of the phuong model, whereby it started the rehabilitation of the water supply network in 1993 at the individual ward level. The target was to operationalize improvements through the phuong model by completely overhauling the water supply services of a whole phuong at a time, installing master meters to record input flow, installing consumption meters to every household, and setting up a local consumer service office at the phuong to offer easily accessible and prompt services to the customers. The phuong model also addressed the concerns of the poor population living in Haiphong. The company made special efforts to bring improvements in Dong Quoc Binh, a ward distant from the major treatment plant and the city center that housed primarily poor city workers, so that they were not left out of service improvements.

The phuong model enabled the creation of ward-level local consumer service suboffices, staffed with five or seven members of the community, including a manager, two water meter readers, two bill collectors, and a technician who were responsible for the overall operations and maintenance functions of the phuong. These offices undertook meter reading, maintenance, and revenue collection once the network was rehabilitated and established, thus being held completely accountable for water service delivery at the ward level. Annual performance agreements between the Haiphong Provincial People’s Committee and the Haiphong Water Supply Company made the latter accountable for revenue and water production as well as for water quality. The utility is expected to submit quarterly and annual reports to the Local Financial Department on its financial performance. Service standards are set by the company itself that include pressure in the network, continuity of supply, and response time to complaints as indicators for the service standards. Staff members are also incentivized to exceed performance through a performance enhancing incentive system that gives staff financial rewards for meeting the service standards.

*The ward or phuong is the smallest local unit of the socialist government in Haiphong.*
Performance agreements can also meet the objectives of regulation, especially since they can incentivize utilities and water service providers to achieve a mandated level of performance.

Performance Contracts as a Regulatory Tool

Performance agreements can also meet the objectives of regulation, especially since they can incentivize utilities and water service providers to achieve a mandated level of performance. Through performance contracts, water service providers can be made to focus on various performance parameters such as quality, continuity, and reliability of services. At the same time, performance contracts serve as a regulatory tool and check if utilities are actually promoting efficiency and economy in their operation as well as providing a fair deal to their consumers, through indicators such as pricing, investment and cost of services, quality

Box 7: Typical Performance Targets as Used in Different Performance Agreements

Performance can be measured against several indicators as demonstrated in the cases of Uganda, Vietnam, and Tanzania. In Uganda, performance was monitored against indicators such as billing and collection efficiency, bad debt recovery, improved water distribution, coverage and connectivity, and operation and maintenance management to reduce water losses. In Tanzania, better cost recovery and efficiency was continuously monitored for assessing if service operators were truly improving performance for delivering better WSS services. In Haiphong city, Vietnam, service standards monitored include pressure in the network, continuity of supply, nonrevenue water, and response time to customer complaints.

Some of the common performance standards include the following:

**Working ratio:** Ratio of operating expenses (less depreciation) over operating revenues/income that is considered to be accruing from the billings and hence is a measure of how costs are minimized while increasing the income. It would show the possible savings and, thus, the extent of cost recovery.

**Unaccounted-for water and nonrevenue water:** Percentage of water produced that is not sold. It represents the losses that may be physical or administrative. Unaccounted-for water is used as measure for investment efficiency and asset maintenance. In some cases, even nonrevenue water is monitored, which is measured as the difference between total water produced and total water sold, expressed as a percentage of total water produced. This indicator highlights the extent of water produced that does not earn the utility any revenue.

**Staff productivity:** Measured as the number of staff members per 1,000 connections and is used as a measure of the efficiency of the workforce. It also partly projects on the employee-related costs. Staff productivity is an indicator of operating efficiency.

**Coverage and new connections:** Coverage includes the total number of households in the service area that are connected to the water supply network with a direct service connection, as percentage of the total number of households in that service area. The number of new connections is usually looked at, since most contracts look for improving service coverage. New connections are measured as the number of connections that are newly registered in the year, and reflect mainly on the responsiveness of the operator to the consumers’ demand for increased coverage and access. Both these indicators reflect on the commercial orientation of the operator through widening the customer base.

**Collection efficiency:** This is defined as the current year revenues collected, expressed as a percentage of the total operating revenues for the corresponding time period. It is an indicator for commercial efficiency as it measures how effectively a utility is able to collect revenues from the services it bills the customers.

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9 The cases of Uganda, Vietnam, and Tanzania are illustrated in Box 9, Box 6, and Box 10, respectively.
Box 8: Regulatory Experience of the Power Sector in India

The power sector in India faces similar challenges as the water sector when it comes to quality of service and the associated costs of service delivery. It is characterized by high transmission and distribution leakages, inefficiencies in metering and collection, and highly subsidized tariffs that have resulted in deteriorating the financial health of providers and hence the quality of services that they offer. To address some of these challenges, power sector reforms in India were initiated in the early 1990s. A series of reforms in its legal framework, institutional structures, policies and procedures, collectively attempted at improving the performance of the sector in delivering more reliable and efficient services.

Under the new institutional arrangement, a regulator was expected to provide incentives to the utilities by designing incentive-compatible performance contracts. The regulator would act as a buffer between the service provider and the consumer, hence distancing the government from the politically sensitive task of tariff-setting. The regulator enjoyed a certain degree of autonomy and authority that enabled it to take independent decisions, establish clear guidelines, fix tariffs, issue licenses, set standards, and so on. These were to be documented in the form of a license issued to the service provider (licensee) by the regulator. Independent Electricity Regulatory Commissions were created to scrutinize and evaluate the performance of the providers on various performance parameters including quality, continuity, and reliability of services by the licensees as well as check whether licensees were promoting efficiency and economy in the electricity industry. Regulators were also expected to inspect the aggregate revenue requirements and subsequent tariff orders that power utilities placed for approval, to see if cost estimates of service providers for explaining tariff proposals were justifiable and valid, and if they were indeed increasing their revenues through efficiencies in technical and commercial operations. Utilities were hence encouraged to become more accountable to the regulators for the delivery of improved services.

For instance, in the state of Uttar Pradesh, the Electricity Regulatory Commission devoted a full chapter of its Tariff Order in reviewing the actual performance of the licensees with respect to sales, revenue collection and losses, and expenditure control. Tariff orders could also be put up for public review; only after they were cleared could the regulator decide on the revenue requirement. In the case of the city of Delhi, several respondents filed their responses to the petition filed by North Delhi Power Limited, one of the licensees in Delhi, and objected to the high level of Aggregate Technical and Commercial losses, pilferage and theft of energy, and so on. The licensee was asked to justify the expenditure and take action for curbing technical losses by improving cable faults, faults in transformers, and faults in feeder lines.

To improve reliability and quality of supply, the Electricity Regulatory Commissions also notified ‘Standards of Performance’ to be adhered to by the licensees. Some of the performance indicators include collection per unit power input, cost of power purchase per unit of input, cost per unit of power purchase, database management, commercial losses, and metering and billing. Regulatory commissions review these standards and, in some cases, also prescribe the compensation payable to consumers for noncompliance of the standards. In other cases, the commissions could also incentivize performance improvements. For instance, in Delhi, the regulator adopted certain incentive mechanisms for incentivizing loss reduction, by rewarding the operator with a part of the additional revenue that accrued as a result of loss reduction. In Maharashtra, the commission specified compensations in case of failure to meet the specified standards of performance, and punitive damages have been specified by the regulator in case of failure to meet the standards set by the commission for the particular supply activity.

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10 Under the Electricity Act 2003, licenses are issued for a period of 25 years. Prior to the implementation of the Electricity Act 2003, ERC/State Reform Acts prescribed varying durations for the license. For instance, in Andhra Pradesh, licenses were issued for 30 years. Licenses contain the terms and conditions under which the utility (service provider) should operate. Violation of terms of the license could invite penalties that can even extend to cancellation of the license.

11 The determination of Aggregate Technical and Commercial loss involves the estimation of three parameters, namely the transmission and distribution loss, collection efficiency, and units realized.
Performance agreements put in place a monitoring process, which aids the utility to compare its own performance over time, and also with better performers, and helps to judge if it is on track with the performance standards.

**Box 9: Using Incentives within Performance Agreements in Uganda**

_**Uganda**_ introduced its urban water sector reform process in 1997, facilitated by a series of performance improvement initiatives in the operation and management of its National Water and Sewerage Corporation (NWSC). Performance improvement was operationalized through the utilization of private sector management principles in a public setting, where the head office and the operating unit of the NWSC would work independently, each responsible for a set of performance standards that would help in regulating their mutual obligations. These performance improvement strategies were crystallized as a three-year Corporate Plan that outlined the yearly strategic goals for each operating unit of the Corporation. As demonstrated below, the plans were, in turn, operationalized through subperformance contracts signed with respective operating areas of the Corporation.

The basic principle to the performance drivers for the Corporation’s performance contracts related to increased managerial autonomy, through the decentralization of decisionmaking to the business units operating in its service towns. There was a deliberate effort to separate day-to-day operational functions from that of performance monitoring and regulation to enhance accountability at the operational level. The internal reforms of the organization also stressed the importance of increased commercial, cost-effective, and customer-based orientation to service delivery.

The performance agreements used a commercial orientation to improving services through internal incentive contracting with financial incentives for encouraging managerial efficiencies. All utilities within the Corporation, with the exception of Kampala, went through two sets of performance contracts in 2000 and 2004. Signed between the Government of Uganda and the NWSC, the contract clearly defined the operating framework including the contract duration, obligations of stakeholders, termination conditions, and arbitration terms. It also detailed a set of annual performance targets, which if met, were rewarded. For instance, staff members were incentivized to meet targets as they would receive bonuses over and above their regular salaries.

The contracts also specified some disincentives if performance was not up to the mark: if the quarterly target review assessment showed less than 85 percent achievement in all targets, the area management team would forfeit 25 percent of the three-month basic payment to be deducted in three equal installments in subsequent consecutive months. Further, if there were three consecutive months of less than 85 percent of target achievement, the NWSC would reserve the right to withdraw the area manager after giving a month’s notice. These incentives ensured that the employees worked hard to meet their performance targets and become more accountable.

The implementation of these initiatives to improve services in the Corporation service areas resulted in a marked turnaround in its performance. Unaccounted-for water was reduced from 51 percent in 1998 to 39 percent in 2003 for the entire region; there has been an increase in total connections served by 13 percent between 1999 and 2003; and most areas now have 24-hour supply. A marked improvement was also seen in its staff productivity, which—expressed as a percentage of staff cost relative to total operating costs—improved from 45 percent to 26 percent between 1999 and 2003.

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12 The National Water and Sewerage Corporation is the key executing agency responsible for the planning, provision, and management of urban water supply and sewerage services.

13 A series of short-term enhancement programs were also used for accelerating the achievement of performance improvement. These included the 100-Days Program (February-May 1999) and the Service and Revenue Enhancement Programs (August 1999-August 2000).
appropriate incentives and institutional mechanisms to discipline and improve the performance of state-run utilities. The reforms targeted an improvement in operational efficiency and a rationalization of tariffs to encourage the supply of electricity under more efficient conditions in terms of costs (pricing strategies and investments) and quality (continuity and reliability of service).

**Encouraging and Improving External Accountability**

External accountability refers to the accountability that the utility has to fulfill to external stakeholders who play an important role in its planning and operations. These include the policymaking, regulation, and service delivery functions that are met by different parties involved in the delivery of WSS services. The exercise of all these functions means that there are multiple accountabilities that the utility has to various stakeholders.

Service provider accountability to all these stakeholders could be strengthened through the performance standards that the provider has to meet. One way could be to have the Board or an independent regulator regularly monitor the standards. Another way could be to have the service operator report regularly and consistently on specific standards.

The areas of performance monitoring include service quality and operational efficiency indicators such as water losses, energy cost, revenue collection, water production, drinking water quality, customer service, financial performance, new connections, and so on. The setting of these standards would need to be done by the Board in close consultation with the operator, so that there is ownership of such a monitoring mechanism. Monitoring of performance is important as it helps the utility compare its own performance over time, and also with better performers (usually a benchmarking exercise or through balanced scorecards). Such a monitoring mechanism helps to see if performance is on track with the set standards. Consumers could also provide feedback on services through consumer grievance redressal mechanisms or could rate their providers through mechanisms such as citizen report cards, and hence hold their service provider more accountable for matching services to consumer expectations.

**Encouraging and Improving Internal Accountability**

Internal accountability addresses how the management and staff of the utility are held accountable for efficiently delivering services and, at the same time, how the work culture transforms itself for bringing about improved sustainable change. This involves a progressive empowerment of workers and their proactive involvement at all levels of operations. It also involves devolution of power to the operator.

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14 A benchmarking exercise measures, compares, and analyzes key performance data on a regular basis and uses such data to share good operating practices across service providers to build capacity where there are performance gaps. Balanced scorecards involve a performance management approach that focuses on various overall performance indicators such as financial performance, customer perspectives, internal business processes, operational performance, learning and growth potential, and helps monitor progress towards some strategic goals set by the provider.

15 See Field Note #4 in this series, “Implementing Robust Consumer Voice Mechanisms” for an explanation of consumer complaint resolution mechanisms that enable utilities to not only meet specific standards of service but to constantly raise these standards.

16 Citizen Report Cards are used to obtain consumer feedback on satisfaction levels regarding various aspects of services. They record consumer voices through participatory methodologies such as focus group discussions and sample household surveys for understanding service-related problems.
Not only performance bonuses and cash prizes, awards and recognition at the overall level could also provide the means for ensuring improved internal accountability.

including increased autonomy for improving team accountability. Staff members must feel proud of their company, be given more autonomy, and be made to feel more responsible if they are to become more accountable for the services that they are made to deliver. Hence any reform process that targets improved governance and accountability can succeed if it is well planned, adapted, and owned by all implementing stakeholders.

One of the key ways to encourage internal accountability is by inculcating a good corporate culture that inspires staff to be more accountable. Typically good corporate culture is shaped by the chief executive and top management and involves moral, social, and behavioral norms that can help inspire staff and managers to do well and excel in their job functions. Corporate culture is created through vision statements of the company and well-defined and clear performance objectives for service quality and coverage. This helps shape the beliefs, core values, attitudes, and ability of staff members to set priorities to achieve their mission. These in turn must be supported by having in place criteria for promotion and salary hikes that encourage good performance. At the same time, training should be provided to staff and management for improving their skill sets and delivering improved services.

Incentivizing staff to meet well-defined performance targets as set in the performance agreement is key to strengthening internal accountability. Annual staff performance evaluations are also considered important for giving managers and staff feedback on their performance. It is important that there are incentives, sanctions, or both, for encouraging or discouraging the provider in meeting these performance targets. A utility must use incentive-based systems to reward good performance if it is looking to encourage the delivery of improved services.

Not only performance bonuses and cash prizes, awards and recognition at the overall level could also provide the means for ensuring improved internal accountability. At the same time, sanctions could be imposed if performance is not up to the mark. Staff members could also be encouraged to perform better through capacity-building and interesting staff training programs that they could take part in. As demonstrated in Box 9, the water utility in Uganda encouraged service delivery performance through special incentives for staff members.

Another innovative case of providing incentives for improving accountability is Tanzania (Box 10) where increased degrees of autonomy in operations provided the incentive for the utility to improve services through better cost recovery and efficiency.
Performance Improvement Planning: Enhancing Water Services through Performance Agreements

Box 10: Using Incentives and Increased Autonomy to Spur Performance Improvements in Tanzania

Unsatisfactory performance of the urban water sector prompted the Government of Tanzania to call for urgent reform of the sector in 1993, through the creation of semi-autonomous Urban Water and Sewerage Authorities to operate and maintain water supplies in the urban towns. Advisory boards for these Authorities were created for overseeing their activities, including looking after key management issues such as budgeting and tariff-setting. The Urban Water and Sewerage Authorities were responsible for operations and would be allowed to retain revenue collected through the sale of water and related services to meet operation and maintenance costs. A memorandum of understanding was signed that detailed all the guidelines including personnel, financial, commercial, technical, procurement, reporting, and monitoring mechanisms within which authorities would operate.

The unique feature of the memorandum of understanding was that it designed a distinctive incentive scheme for encouraging better performance in service delivery and operations through improved cost recovery and efficiency. As indicated in the table, three categorizations were developed for the Urban Water and Sewerage Authorities, based on the levels of costs that they could recover. Depending on this categorization, different degrees of autonomy were granted to them for undertaking operating and management decisions.

<table>
<thead>
<tr>
<th>Categorization</th>
<th>Costs Covered</th>
<th>Autonomy Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A</td>
<td>Met all operations and maintenance (O&amp;M) costs</td>
<td>Fully autonomous, with no government control</td>
</tr>
<tr>
<td>Category B</td>
<td>Met all O&amp;M costs save personnel emoluments</td>
<td>Partial government support in operations</td>
</tr>
<tr>
<td>Category C</td>
<td>Met all O&amp;M costs except plant electricity and personnel emoluments for permanently employed staff</td>
<td>Complete government support in operations</td>
</tr>
</tbody>
</table>

Accordingly, Urban Water and Sewerage Authorities were incentivized for improving their respective financial performance so that they would achieve a higher category status, improved cost recovery and hence a higher level of autonomy in operations. Simultaneous to this reform process, a World Bank-funded government-executed Urban Sector Rehabilitation Program was also implemented in 1997 for capacity building in nine of the Urban Water and Sewerage Authorities. Today four out of those nine authorities (Arusha, Moshi, Tanga, and Mwanza) are able to meet all operation and maintenance and staffing costs and have been granted the Category ‘A’ status, or complete autonomy in operations.

17 These nine Urban Water and Sewerage Authorities were Arusha, Moshi, Mwanza, Tanga, Shinyanga, Dodoma, Mbeya, Iringa, and Morogoro.
Concise content and effective processes make performance agreements more effective. The contract preparation and design process should also be well-organized and transparent, involving frequent stakeholder consultations.

Lessons for Designing Performance Agreements

As the pressure increases for water utilities and service providers to provide quality services to their customers in a financially sustainable manner, the need to ensure sound management and cost efficiencies in service delivery will require that utilities opt for performance improvement strategies that satisfy the key principles of enhanced autonomy, improved accountability, and a commercial orientation to service delivery.

Performance agreements are an important tool that can pave the way for a utility or municipality’s overall service improvement program, helping them reform and restructure their urban water sector for sustainable and improved performance and cost-effectiveness. The incentives to perform better and be more accountable could be strengthened within the institutional structure of performance agreements, so that all stakeholders are indeed encouraged to work towards better service delivery outcomes.

This section draws on some lessons that such agreements have to offer for the successful design and implementation of performance agreements.

Enabling Conditions

The case studies demonstrate that successful implementation of performance agreements depends on the presence of strong leadership as well as a conducive institutional and legal framework supporting such agreements. The specific design and the appropriate model for performance agreements and their constant monitoring is important for bringing about sustained performance improvements, but focusing only on these elements will not necessarily lead to their effective and sustainable implementation. In Tanzania, a series of amendments was made to existing legislation in 1997 and 1999, and a revised National Water Policy in July 2002 set forth the environment for reform. This was also the case in Uganda and of the reform process for the power sector in India.

The cases demonstrate that good and strong leadership is important. They demonstrate how strong leadership helped bring about a work culture change that is pro-reform of the water sector and, at the same time, helped support a culture of learning and transparent systems that enforce accountability and autonomy. The management needs to work hard on changing the corporate culture of the utility and convince everyone of the need for change. Strong commitment from top level management, including the politicians, was reflected in the case of Uganda and Vietnam where political will and government support during project preparation and implementation helped the successful roll-out of the agreements.
In Uganda, the required push for reform came from the presence of a champion—a strong leader—who was committed to bringing about a new corporate culture, to moving towards more professional, customer-oriented, and commercially-run services by putting in place systems that enforced accountability and autonomy with the heads of the operational units. Change management was mostly internal and driven by the managing director himself, and this helped gain acceptability with the staff.

In India’s context this will mean that performance agreements are signed. A political will and buy-in and ownership from all stakeholders will be required if such agreements are to be successfully implemented. This is especially true because the issues of water supply are hugely politicized in India, and the willingness to adhere to the objectives of financial sustainability often remains blurred. All stakeholders will need to be fully consulted and kept in the loop during the process, development, and implementation of performance agreements.

Well-Structured Design of Performance Agreements

Concise content and effective processes make performance agreements more successful. The contract preparation and design process should also be well organized and transparent, involving frequent stakeholder consultations. This process has to be supported with strong leadership that is pro change of the existing work culture.

The contract needs to spell out clearly the roles of all stakeholders, their responsibilities and risks, reflecting the accountability of all parties and avoiding conflicts between different roles. Extensive and systematic stakeholder consultations on central issues such as distribution of the roles and responsibilities of each actor in the sector, risks in the reform process, and the exact design of the contract can help create mutual learning and build trust among stakeholders. This was
An effective monitoring process (like a benchmarking exercise) systematically reviews and monitors service levels and key performance data at regular intervals.

demonstrated especially in the case of Haiphong, where regular consultations and a pilot helped prove, especially to the communities, the benefits of reform and the phuong model and made its implementation easier. Performance agreements also need to secure the right incentives to deliver and demand better services. The agreements will need to create more autonomy for the provider in operational matters if they are being expected to take on full ownership of service delivery. Again, the cases of Tanzania and Uganda demonstrate how performance agreements encouraged autonomy in operations of the providers and encouraged them to become more accountable for improved services.

In India, this will require a true implementation of the 74th Amendment Act that empowers urban local bodies to take full and actual responsibility of WSS service delivery. This may be difficult to implement immediately because of the complex nature of existing relationships between different WSS stakeholders, and because some local bodies may not have adequate capacity or finances to undertake full responsibility for WSS services with immediate effect.

A start could at least be made by a separation of policy, regulation, and service delivery functions and clarity in their respective roles and functions. The state’s role (state parastatal or state government) could focus on setting standards, establishing regulatory systems for environmental and health-related quality issues, monitoring performance, ensuring information generation on adherence to standards, and building capacity of local bodies. Local bodies could be increasingly empowered and made to take ownership and responsibility of service provision, with the choice of how to provide services being left to the local body itself. For this to happen, new relationships on capital expenditure, staff issues, revenue-raising ability, and inter-governmental transfers for empowering local bodies in taking over full responsibility and accountability for service delivery would need to develop.
Specific Targets and Incentives for Performance Improvements

Performance agreements enforce the monitoring side to performance improvements through performance targets. The agreements need to set up performance targets that are specific, measurable, ambitious, realistic, and time bound. Utilities and service providers must also be incentivized to meet these performance standards through rewards and bonuses that honor and encourage good performance. Most of the case studies—Tanzania, Uganda, and Haiphong—demonstrated how incentives were used to encourage the service provider in meeting service standards and targets that were defined in the agreements.

In the Indian context this will be important, especially because there are very few instances where performance targets are set for utilities. Even if they are set, very little monitoring of performance is undertaken on a systematic basis. The recent roll-out of the Handbook on Service Level Benchmarks by the Ministry of Urban Development is an important step in this direction. The objective of this handbook is to identify a minimum set of standard performance parameters for the water sector that is commonly understood and used by all stakeholders for monitoring service performance. The framework would make it possible to eventually link the disbursement of centrally sponsored schemes to the improvement and achievement of these standards of performance, and would hence encourage more accountability from service providers.

Monitoring Performance Agreements, Outcomes, and Deliverables

An effective monitoring process is important for the successful implementation of performance agreements. Such a system must systematically and consistently review and monitor service levels and performance targets at regular intervals. A formalized organization of such performance monitoring could be undertaken through processes such as benchmarking—which involves a constant process of measuring, monitoring, and analyzing key performance data of the service provider on a regular basis; such data can then be used to share good operating practices and build capacity. The case study of Delhi demonstrated that the creation of a performance assessment and management system would provide the city government with an effective tool for monitoring progress in implementing reform milestones. A similar exercise is now being planned by the Ministry of Urban Development
Consumers could also hold the service provider more accountable through carefully designed consumer feedback mechanisms that could be incorporated as part of performance improvement planning. Such mechanisms ensure that service providers satisfy the obligations of meeting specific standards of service and respond to consumer complaints in a speedy, appropriate, and efficient manner. Consumer feedback mechanisms also help service providers receive constant feedback about services provided. Constantly monitoring this feedback helps improve performance and deliver services that are closer to consumer expectations. Some performance agreements require setting up of effective customer complaint systems that are robust and receptive in addressing consumer complaints and grievances in a speedy manner.18

In some cases performance agreements also require that a financial model is instituted so that the results and outcomes as expected out of the agreement are indeed met, since they help in analyzing and monitoring the financial implications of these agreements.

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18 See Field Note # 4 in this series, 'Implementing Robust Consumer Voice Mechanisms' for an explanation of consumer complaint resolution mechanisms that enables utilities to not only meet specific standards of service but to constantly raise those standards.
that performance agreements have to offer. Financial models are diagnostic tools that track the financial health of service providers and help assess whether service providers are moving towards the target of delivering financially sustainable services. The case of Delhi had plans for a financial model that would have helped the Board in planning its performance improvements along with viability.

Concluding Remarks

Performance agreements help set up a conducive institutional environment for fostering, incentivizing, and sustaining service delivery improvements on a long-term basis. Their careful design is important, and they must include measures for increased operational autonomy and performance-related remuneration or incentives to achieve them. The agreements must also include an appropriate definition of stakeholder roles and responsibilities of those who are involved in the contract, so that service delivery functions are clearly delineated from those of policymaking and regulation. These features—along with an enabling environment for adopting these agreements including strong leadership, willingness of all stakeholders to adopt such practices, an appropriate policy and legislative framework, and a good monitoring system for reviewing service improvements—will ensure that, first, such agreements are implemented successfully, and second, that the service improvements targeted by such agreements remain sustainable in the long run.

References


ABOUT THE SERIES

WSP Field Notes describe and analyze projects and activities in water and sanitation that provide lessons for sector leaders, administrators, and individuals tackling the water and sanitation challenges in urban and rural areas. The criteria for selection of stories included in this series are large-scale impact, demonstrable sustainability, good cost recovery, replicable conditions, and leadership.

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