The template is a tool to assess the performance of an urban water supply and sanitation service provider by taking into account the governance, policy, and management context it operates in.

The Template: A Reality Based Assessment Tool

This P-note introduces a template to assess the governance of urban WSS service providers and its impact on the quality of service and performance of operations. The template can be used for diverse WSS service delivery models including decentralized autonomous public corporations and other institutional arrangements ranging from government departments to autonomous public WSS asset holding companies sub-contracting operations to professional operators.

The template complements extensive work done on comprehensive performance indicators through the International Benchmarking Network for Water and Sanitation Utilities (IB-NET). These metric indicators measure service coverage, efficiency, reliability, financial sustainability, environmental sustainability, and affordability to provide reliable data about the quality of WSS service and the performance of WSS service providers. This template complements IB-NET by providing a standard appraisal methodology for the governance of the WSS service provider and its environment.

The performance of a WSS service provider is obviously influenced by its corporate governance and the environment it operates in. Too often the functions of policy formulation, regulation of the WSS service, ownership of WSS assets, financing of WSS infrastructure development and provision of WSS service are governed by unclear and unenforceable mandates and/or contracts. It has been developed to help improve assessment effectiveness and efficiency, on a per city or country basis, including making performance comparisons over time (e.g. before and after certain interventions). Although not a benchmarking tool per se, it also allows to make cross comparisons—at least within countries if not between countries.

Building on lessons learned and field testing

This template is based on the body of research recently carried out by the World Bank on public utilities and the environment in which they operate. The draft template was reviewed by sector professionals across the World Bank. The draft template was field-tested in three West African countries (Benin, Guinea, and Togo).

What is a template?

A template is a document or file having a preset format that can be used as a starting point for a particular application so that the format does not have to be recreated each time it is used.

This note summarizes a template developed in late 2009 by Alain Locussol and Meike van Ginneken for the World Bank. Readers may download the complete paper from www.worldbank.org.
Using the template

The template can be used as terms of reference (TOR) for a team of consultants assessing a WSS service provider. It offers a set of questions to facilitate the organization of reviews for a meaningful understanding of any given WSS service provider rather than a rigid checklist. The template looks at the institutional set-up of WSS service providers, how they relate to their environment and customers, and how key functions are carried out.

What is covered

The Template includes a set of questions and simple instructions on how to attain the answers. It focuses on two main governance aspects: mapping the WSS service provider in its environment and key functions of WSS service provision.

Mapping WSS Service Providers and their Environment

This focuses on the overall legal and institutional environment where WSS service providers operate and on their internal functioning. Official policies are often not fully carried out in countries with weak governance regimes. Studying the actual functioning of institutions, rather than just the paper policy framework, is critical. Better mapping of WSS service providers begins with a review of the overall policy environment of the urban WSS sector with particular attention to: (i) discrepancies between official policies and their actual implementation; (ii) incentives that could affect the quality of the WSS service and the performance of WSS service providers; and (iii) the vested interests that may be affected by changes in the way the WSS business is carried out thus tempted to block their implementation.

The template contains an organized list of questions that guide the assessor through a comprehensive review of the service provider and its environment, including:

- Identifying the main actors of the urban WSS sector and clarifying their exact mandate;
- Clarifying the contractual arrangements that allow the actors to interact between each other; and
- Assessing the adequacy of the instruments (or procedures) used by the actors to fulfill their mandates.

The questions result in the definition of the accountability framework within which WSS service providers operate.

How are the Key Functions of the WSS Service Performed?

The second section of the template reviews how key functions are performed. The template provides a number of questions to review the following functions (i) development of the WSS infrastructure; (ii) operation of the WSS service; (iii) financing of the WSS service and WSS infrastructure; and (iv) economic regulation.

Presenting the results of the assessment

The template includes tools for presenting findings to experts and decision makers. These tools include snapshot descriptions, graphs of benchmarks illustrating the performance of the utility in relation to similar operators and visual aids to show the accountability framework.
Example of an Accountability Framework

The graph below describe a fairly unbundled accountability framework of a WSS sector where:

- A central ministry in charge of the urban WSS sector primarily: (i) sets urban WSS policies; (ii) provides grant financing to autonomous WSS utilities to support specific projects, such as pollution abatement; and (iii) directs targeted subsidies to low income residential customers;
- A provincial government, responsible for urban WSS in its territory, delegates the provision of the WSS service to an autonomous public WSS it owns;
- An autonomous public WSS utility finances its operations from cash generation, grants provided by the central government for specific projects and debt provided by a public financing institution.

- This financing institution raises funds mostly from the central government, international financing institutions and local capital markets;
- The public WSS service provider utility sub-contracts the technical and commercial operations of the WSS service to a professional operator through an affermage contract;
- The customers are under contract with the WSS service operator;
- The central government transfers to an independent regulator the responsibility for setting customer tariffs;
- A separate central government agency is responsible for allocating water entitlements to water users.

Example of Highly “Unbundled” Accountability Framework
### List of focus areas for each Key Function of the WSS Services

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Development of the WSS Infrastructure</th>
<th>Financing of the WSS Infrastructure Development</th>
<th>Economic Regulation of the WSS Service</th>
</tr>
</thead>
</table>
| **Development of the WSS Infrastructure** | • Mandate of WSS infrastructure developers.  
• Demand assessments.  
• Infrastructure development plans  
• Financing applications.  
• Project designs.  
• Procurement.  
• Project implementation procedures.  
• Suspected corruption associated with WSS infrastructure development | • Mandate of the financiers of the WSS infrastructure development.  
• Central and regional government financing mechanisms.  
• Government owned lending institutions.  
• Local capital markets.  
• International (and bilateral) financing institutions. | • Mandate of the regulator  
• Operations of the regulator  
• Tariff setting principles.  
• Tariff resetting.  
• Performance monitoring.  
• Service to the poor. |
| **Operation of the WSS Service** | • Mandate of WSS service operators  
• Technical operations  
• Commercial operations and customer relations  
• Affordability  
• Service to the poor  
• Public-private partnerships  
• Suspected corruption associated with WSS service provision | | |