Joining Forces for Better Services?

When, Why, and How Water and Sanitation Utilities Can Benefit from Working Together

Global Study on WSS Utility Aggregation

March 22, Zabjlak

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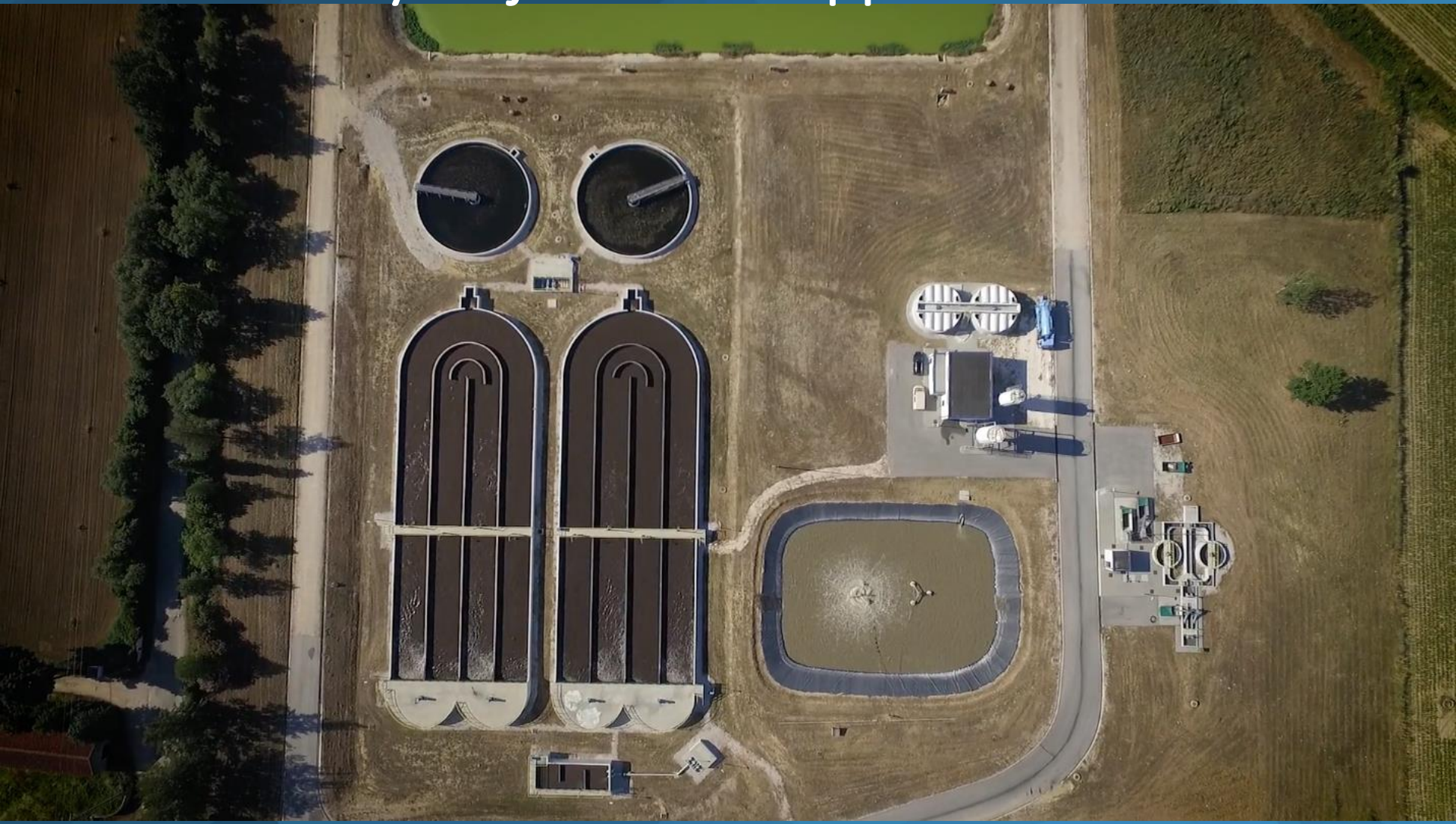
Global Study Objectives & Approach



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Motivation

Policy makers and practitioners around the world have looked at getting utility companies to "*work together*" as one way towards achieving SDG6.

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A Global Study on WSS Utility Aggregation

Objective. To provide evidence-based guidance on *when, why, and how* water and sanitation utilities can work together ("aggregate") to successfully deliver specific policy outcomes (such as better services or lower costs).

Target audience. Policy makers, practitioners, Bank task teams

Purpose. Facilitate decision-making: whether to implement an aggregation reform; and if so, on design & implementation.

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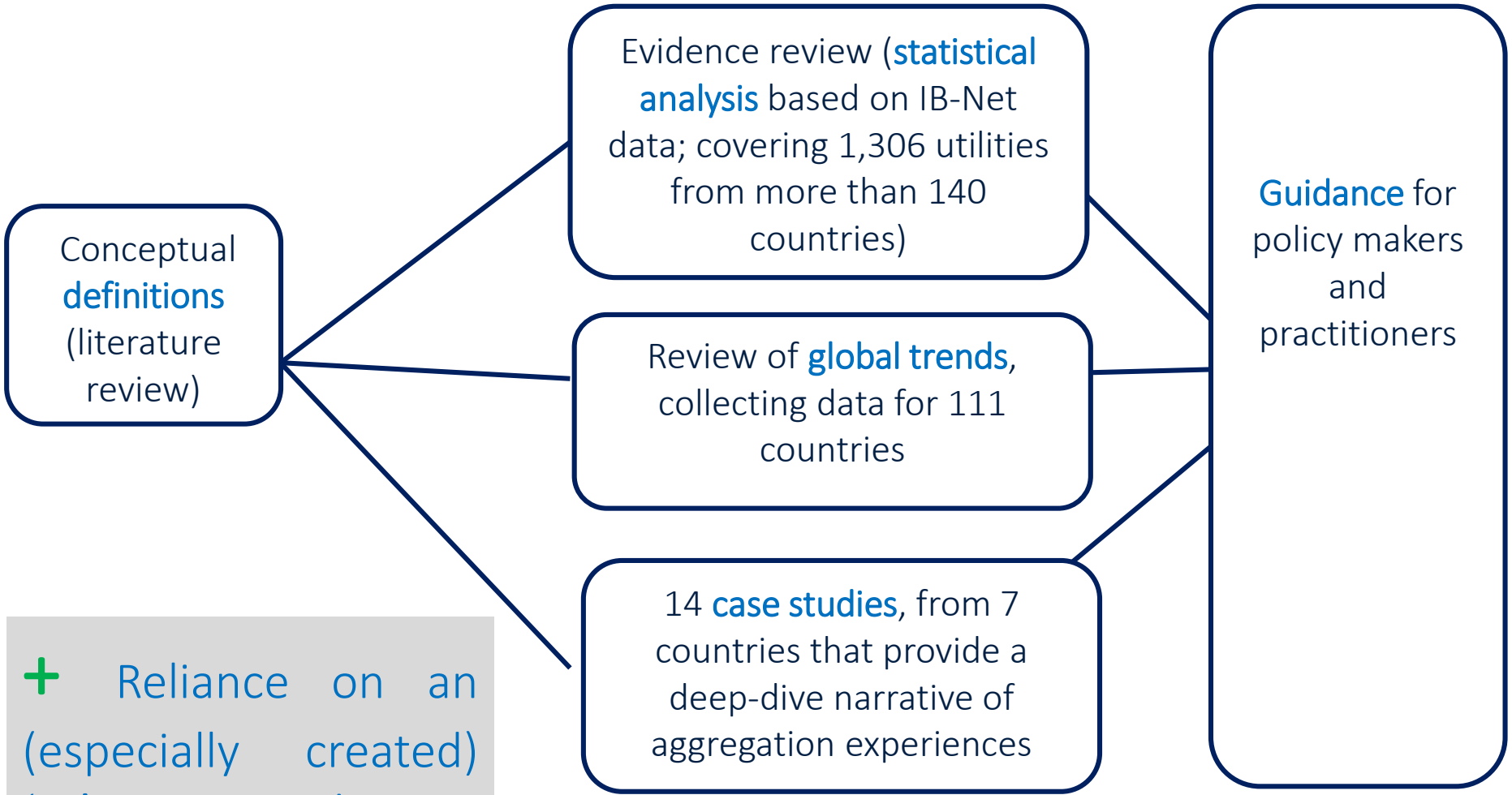
The Evidence Base



+ Reliance on an (especially created) '**Advisory Team**'

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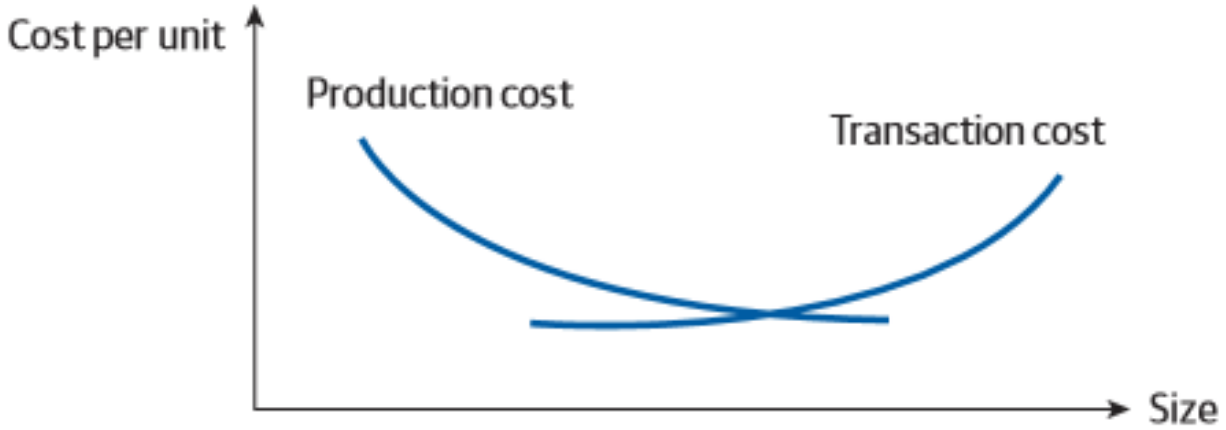
Defining a Successful Aggregation

= *"where the aggregated service provider performs significantly better than the previously disaggregated entities with regard to the intended purpose, without unreasonable deterioration of other performance dimensions"*

➡ However, why does success does not always materialize?



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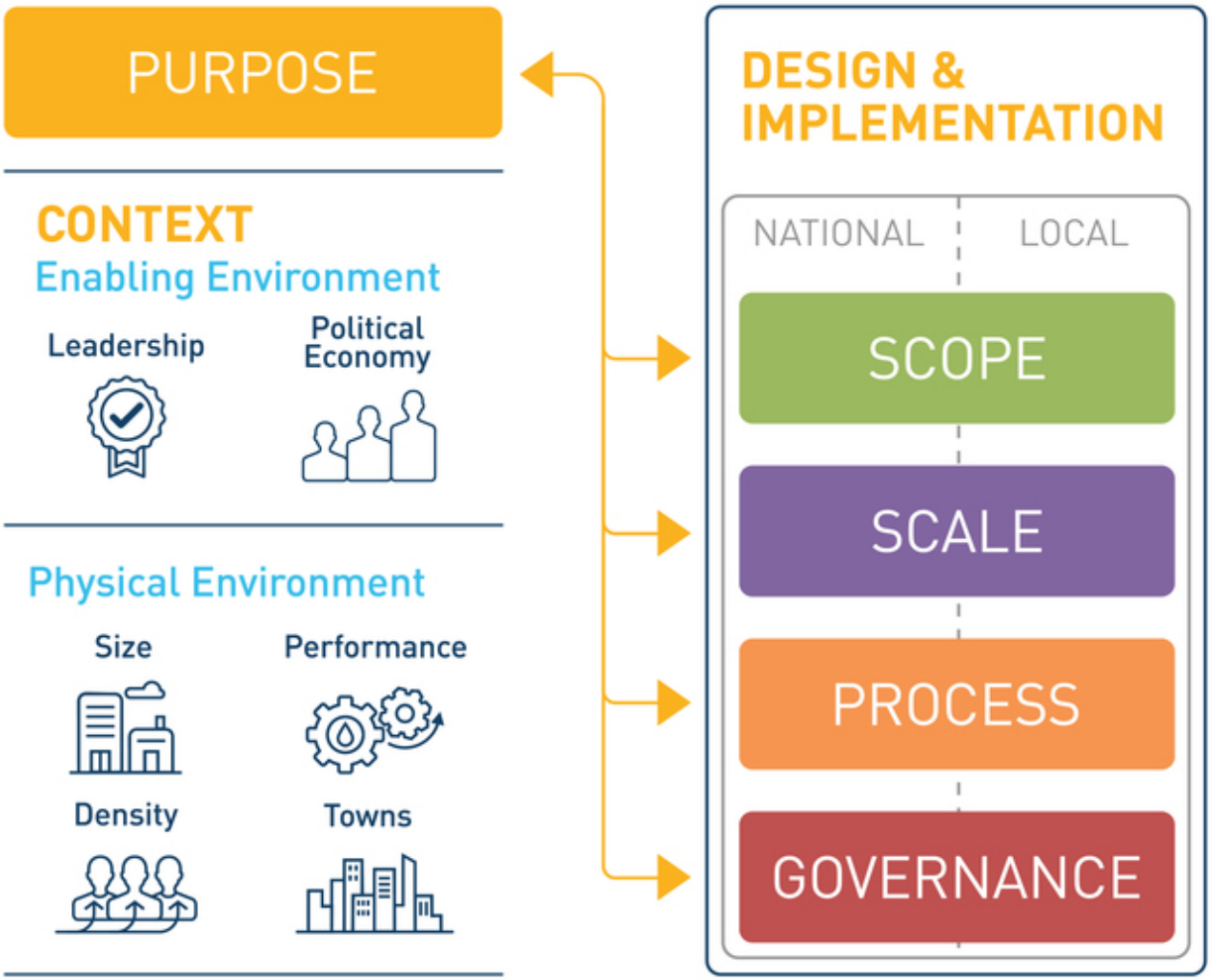
Aggregation Typology

Purpose and *context* influence the design of the aggregation process



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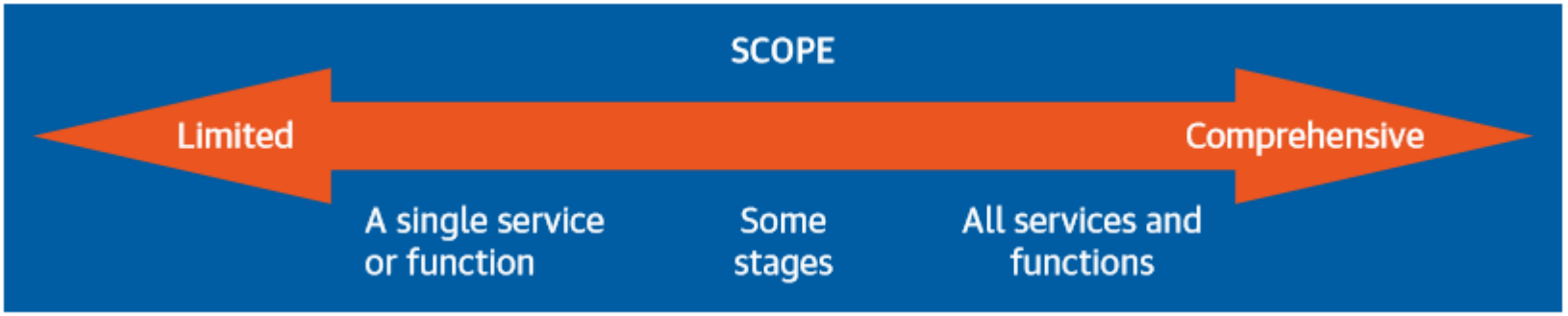
Design of Aggregation: Purpose, Scope



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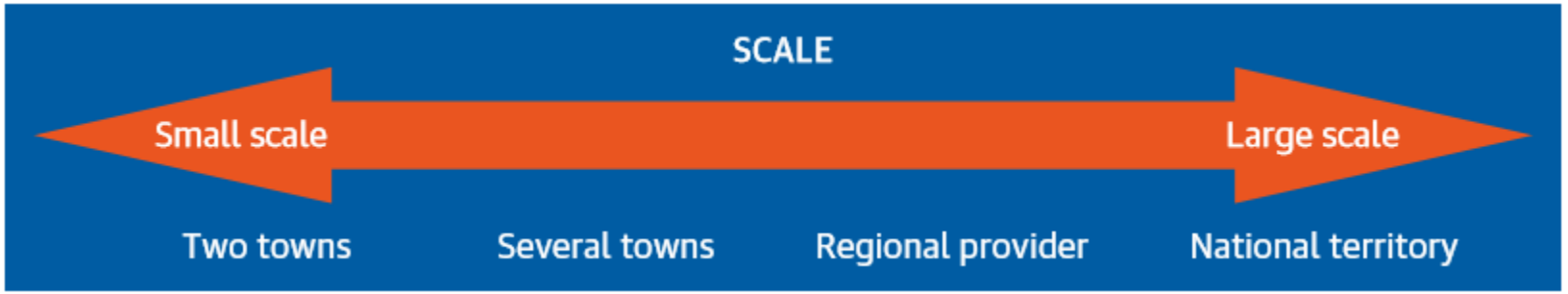
Design of Aggregation: Scale, Process



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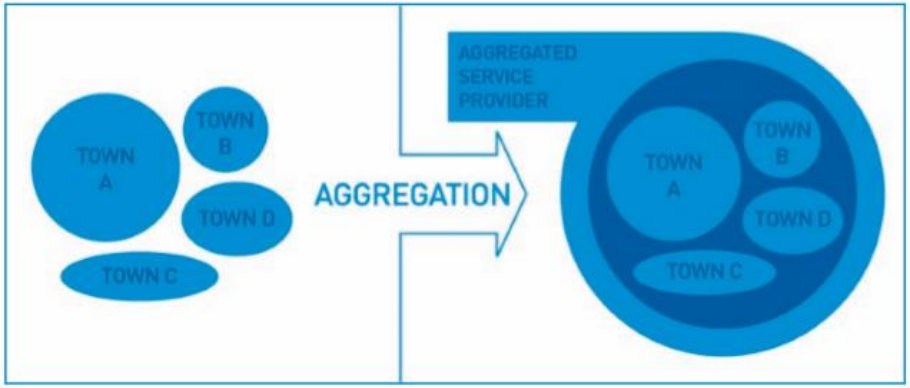
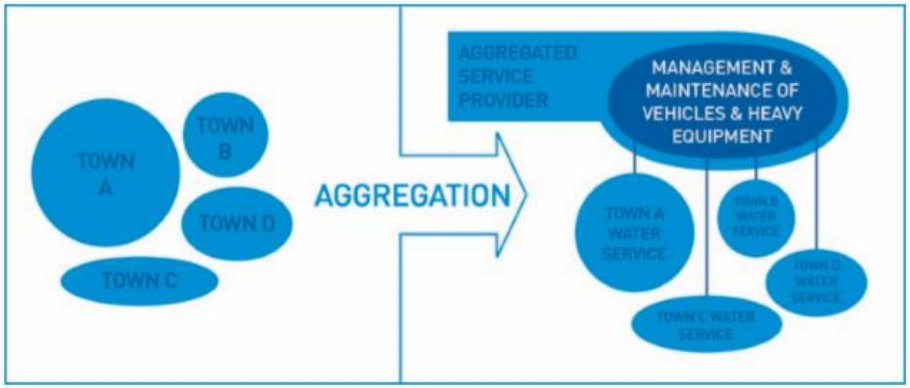
Defining Aggregation: Examples

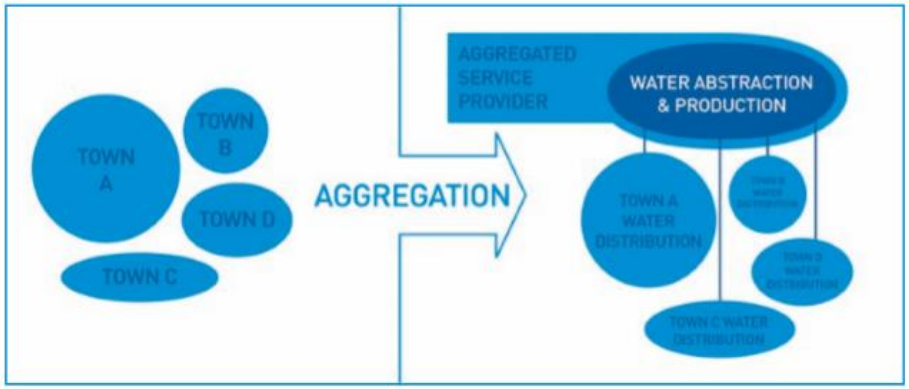
Aggregation of all functions & stages



Aggregation of some functions for all stages



Aggregation of all functions & some stages



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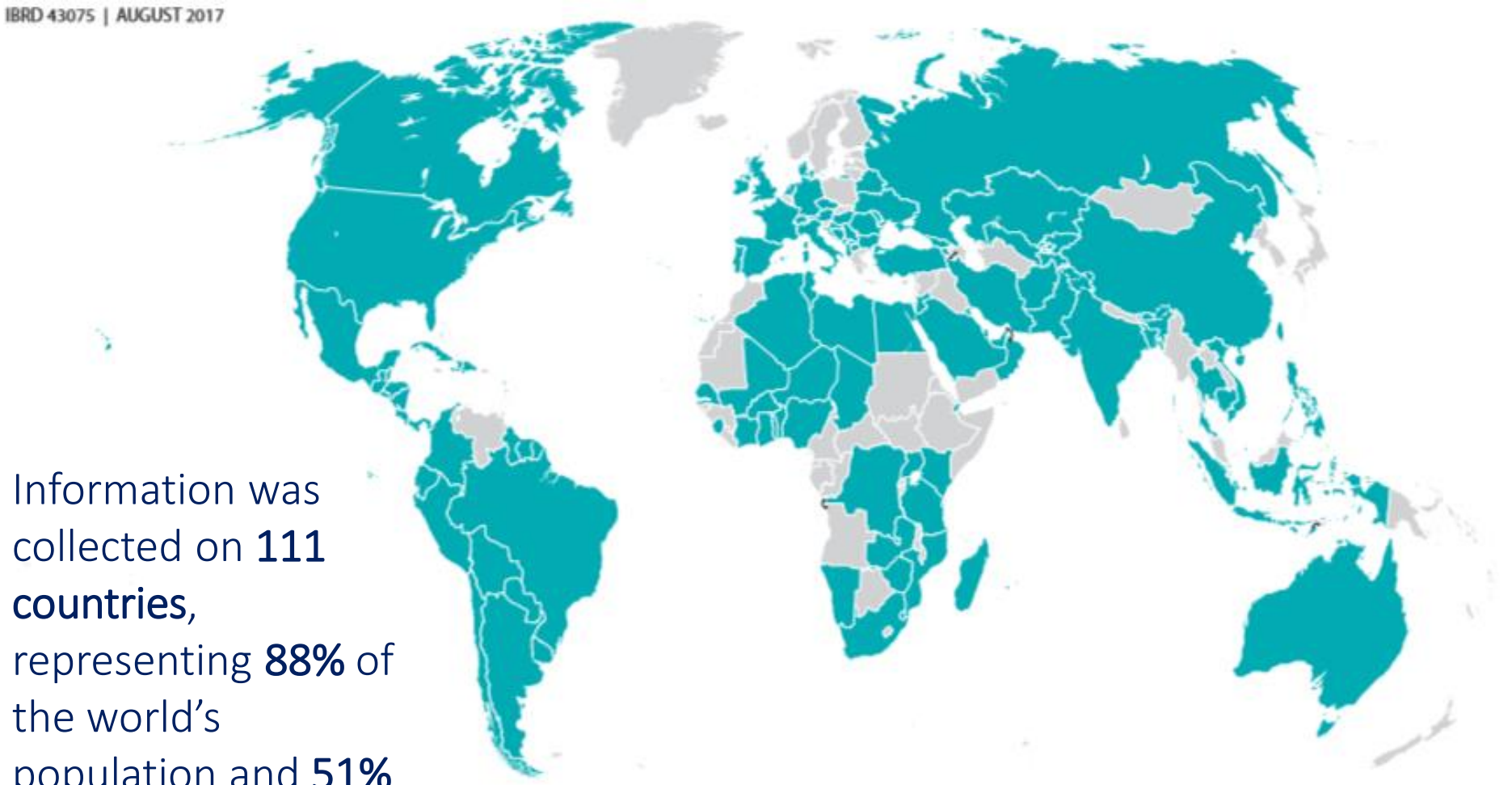
Countries for which Data were Collected



Information was collected on **111 countries**, representing **88%** of the world's population and **51%** of all countries.

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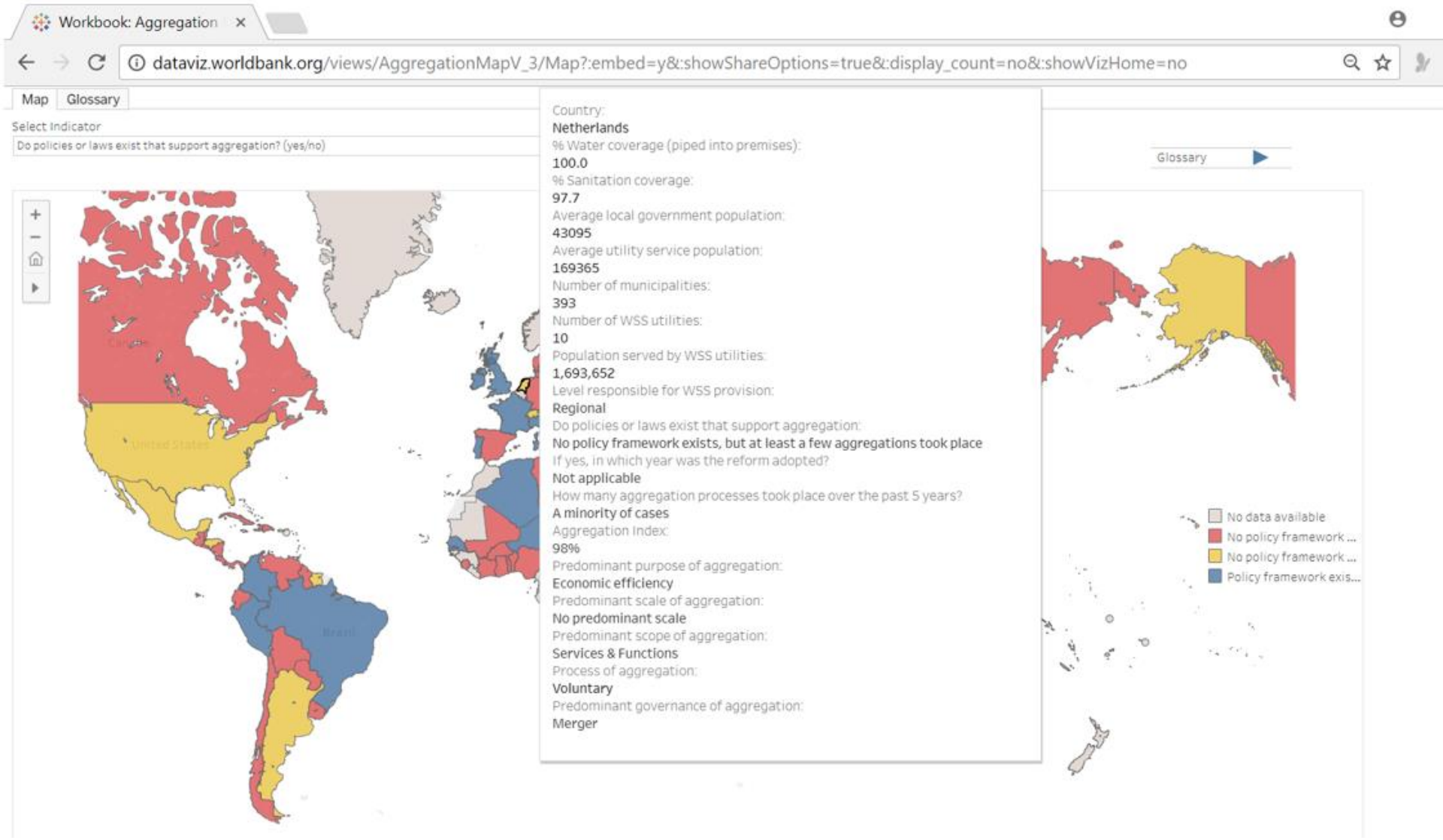
Interactive Map: *global overview of aggregation trends*



Key Findings: overview aggregation trends (1)

- The **level of decentralization** of WSS services increases in countries with higher levels of development and overall service coverage.
- Aggregation is **a relatively recent trend**, observed in African, European, and Latin American countries.
- Aggregation is more predominant in countries **where local governments are responsible for WSS** service delivery.
- The predominant aggregation type is a top-down, mandated process, targeted toward economic efficiency, encompassing all functions and services, following administrative boundaries, and taking the form of a merger.

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Key Findings: overview aggregation trends (2)

- Aggregations are happening in a diversity of contexts but are more **frequent in countries with high WSS services coverage**.

- Aggregations in countries with limited sector performance are predominantly aiming at **improving services**, whereas in countries where the coverage is high, **economic efficiency** is the main driver

- Countries with **smaller utilities and more fragmented** water sectors pursue **voluntary aggregations** more frequently

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Evidence Review: Statistical Analysis

Descriptive work. describe utility structure & performance, build clusters and describe how utility structure relates to performance.

Analytical work. assess effects of aggregation on utilities structure and performance by comparing peer utilities that have undergone aggregation versus those which have not.

Data used. utility level data from IBNET

→ *1,306 utilities from more than 140 countries*

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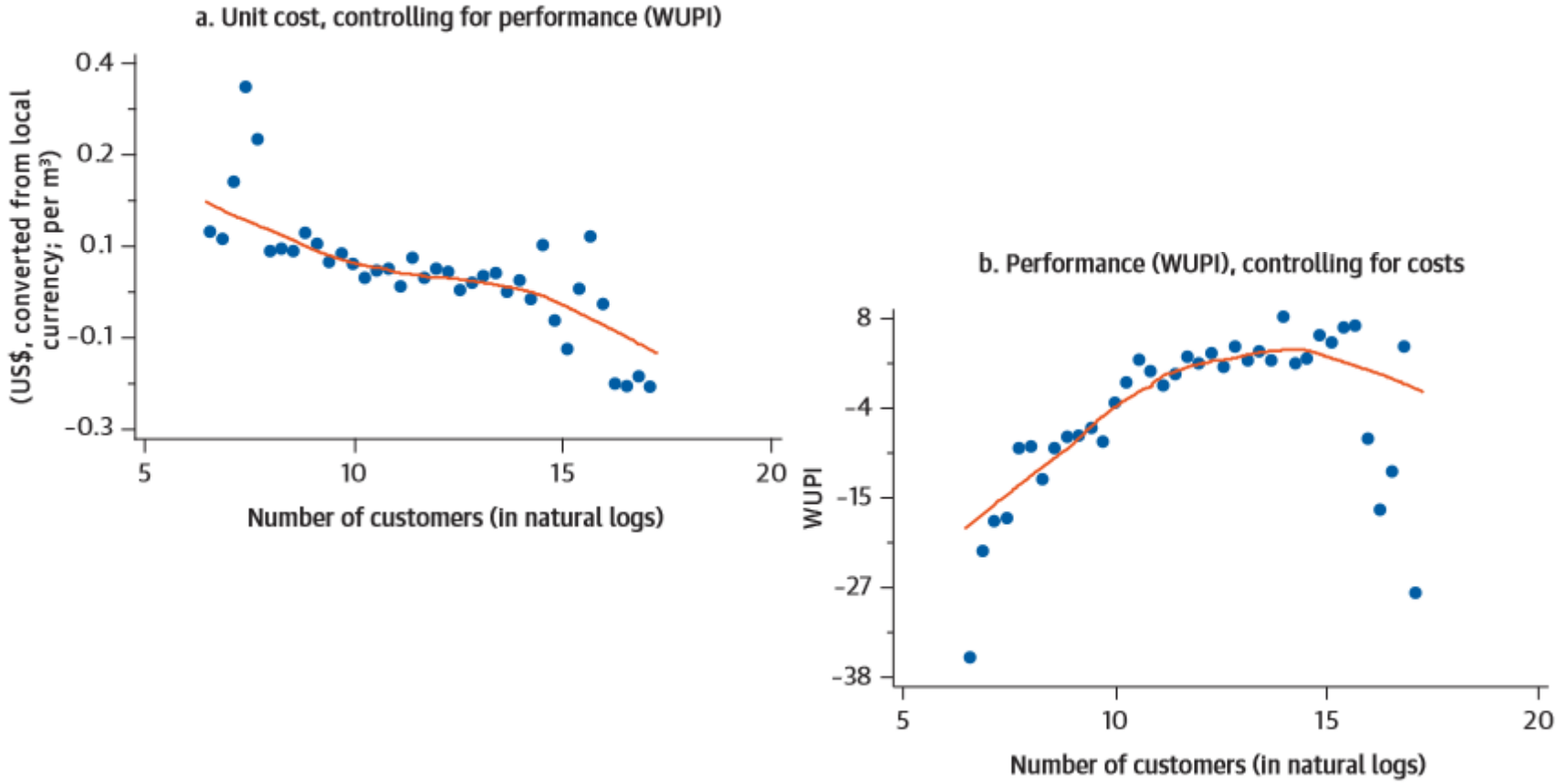
Bigger is Generally Better….



Unit cost and Performance, Depending on Size

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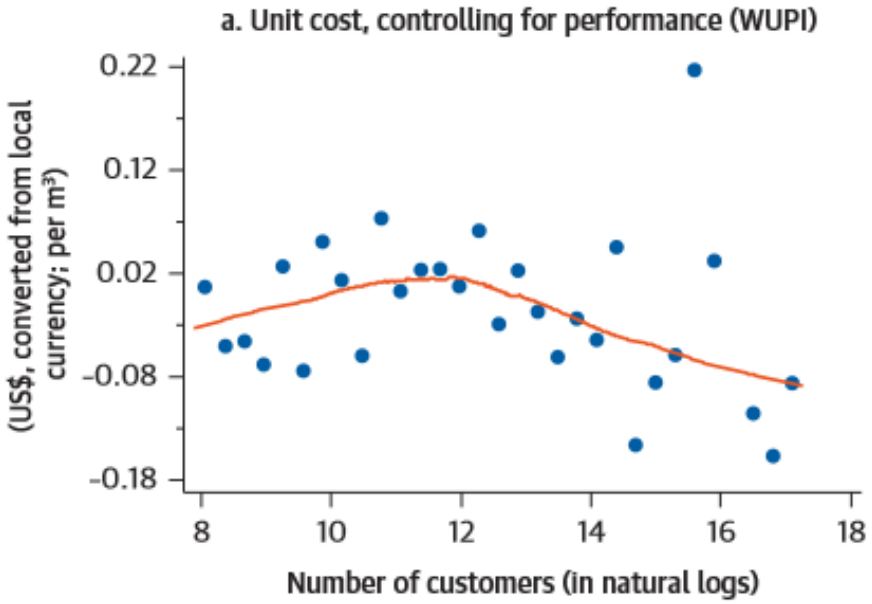
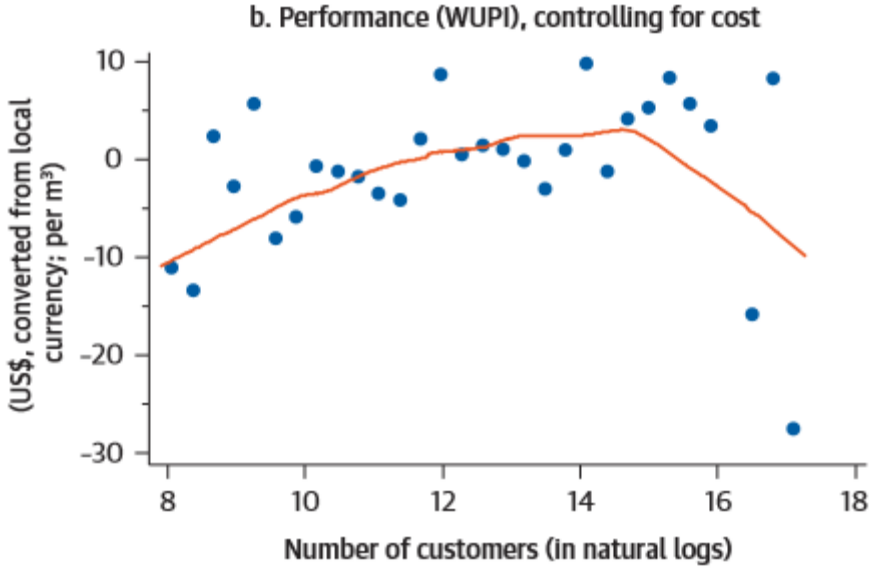
But with Increasing Size and Number of Towns, Transaction Costs Emerge…





Unit Cost and Performance for Utilities Serving more than One Town, Depending On Size

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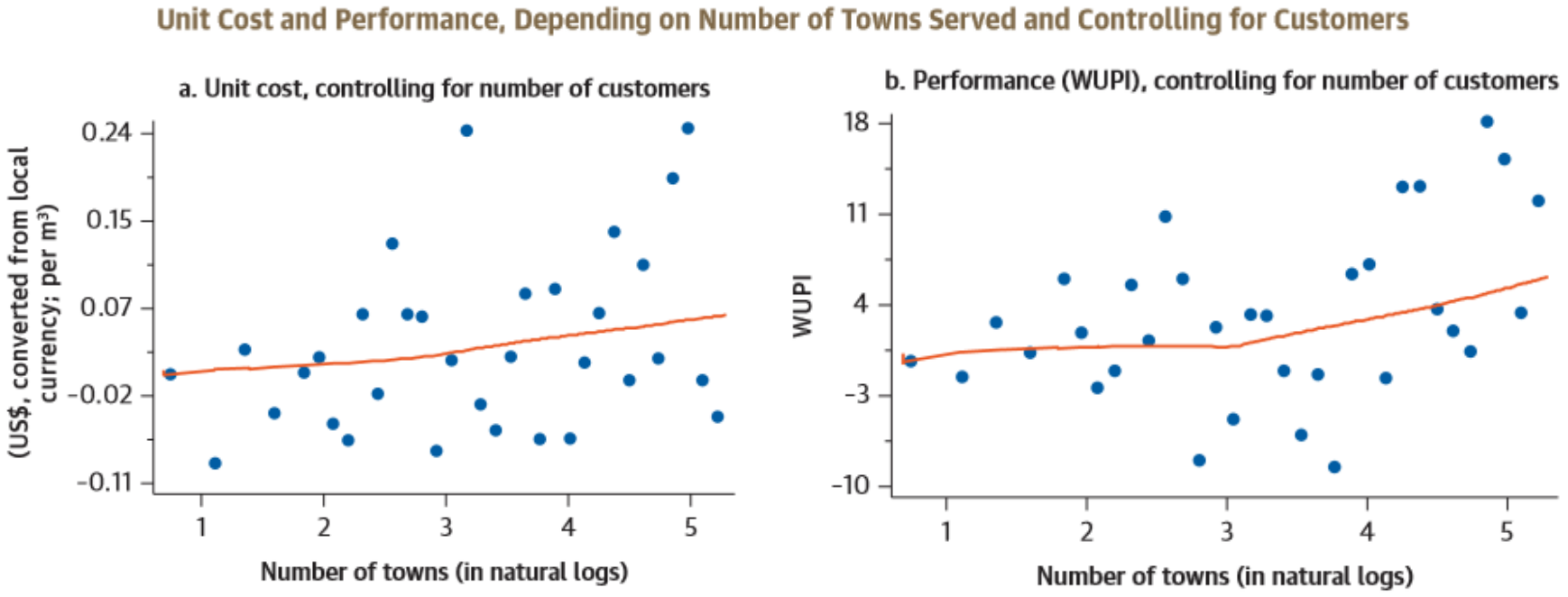
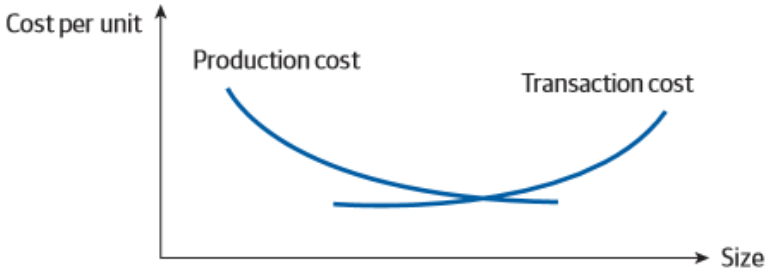
…Transaction Costs…





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…And Specific Outcomes Depend on the Context and Purpose of Aggregation

- Limited, less complex aggregations, and aggregations of utilities that are already serving multiple towns, are more likely to achieve cost savings.
    - merging a large number of previously independent utilities in a single step seems more challenging and prevents performance improvements and cost savings.

- Aggregations that involve small or weak utilities tend to improve their overall performance, but costs do not decrease as economies of scale are reinvested into maintaining the improved services.

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Key Findings: Statistical Analysis

- Small, less complex aggregations and aggregations that involve utilities that are already serving multiple towns are more likely to achieve cost savings.

- Aggregations that involve small or weak utilities tend to improve their overall performance rather than lowering their costs.

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Diversity of the 14 Case Studies

Diversity in:

- purpose and design of aggregation
- country context (urban, rural)
- performance level
- level of development (income)
- processes and scopes of aggregation

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Guidance & Key Messages

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The Nature of the Guidance Provided

- **Recommendations based on evidence and observed experiences**

- Evidence base is not as clear cut as a policy maker would want; some **conclusions might appear counter-intuitive**

  *E.g. Consider one-off or long-term **transaction costs** that may prevent the economies of scale*

- **Recommendations do not advocate for or against aggregation**

  *Rather, it encourages a better understanding of the practicalities behind designing a successful aggregation reform, starting with identifying and formulating the **purpose** of the reform considering the **local context**.*

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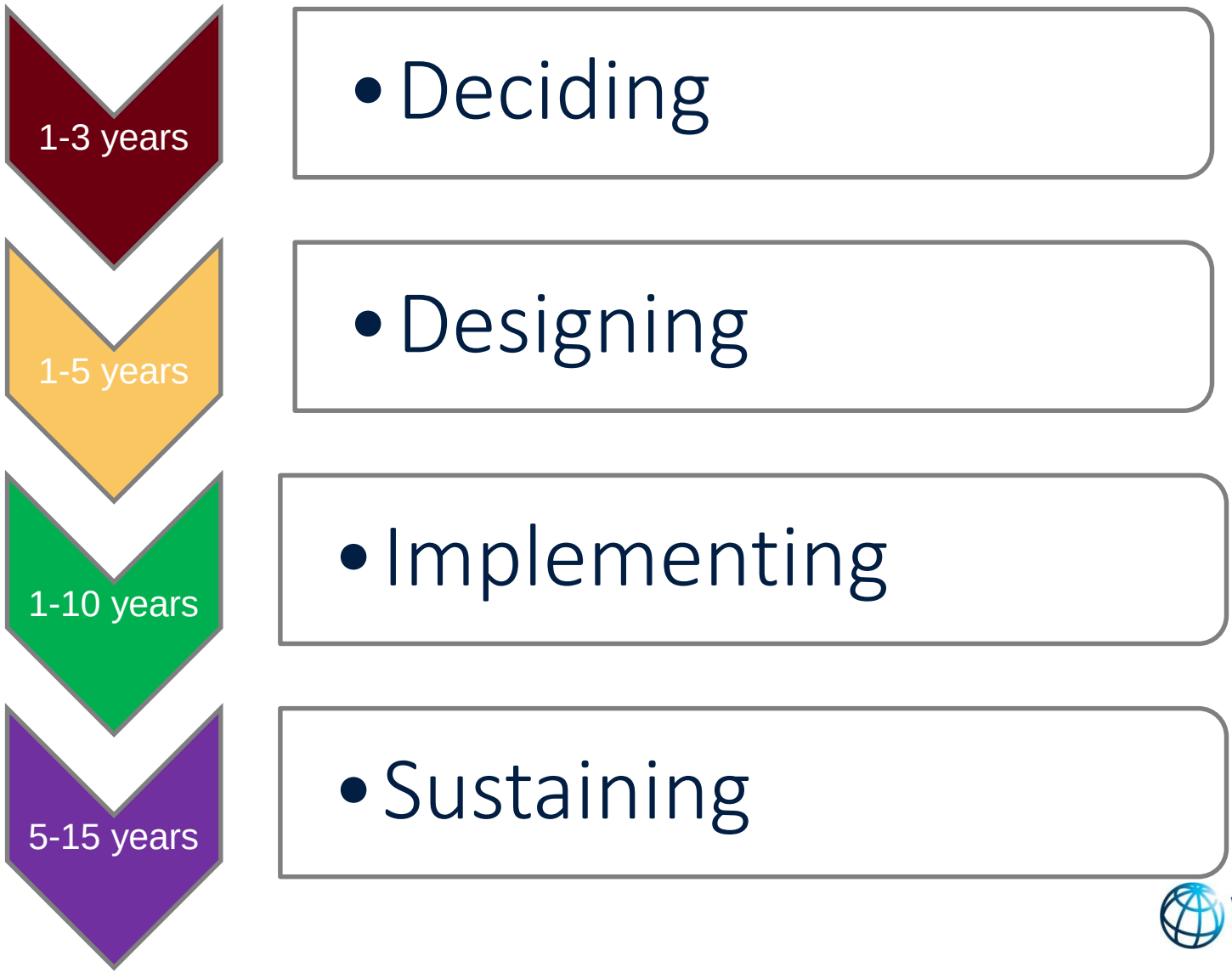
Roadmap: A Long-Term Process of 4 Stages



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Roadmap: *Deciding* Stage

- Deciding whether aggregation is the appropriate policy instrument to achieve the purpose sought

- Understand the policy purpose you seek to achieve and the context in which it takes place
- Decide whether aggregation is the right policy option to achieve your purpose
- Identify other complementary policy actions that will be necessary

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Roadmap: *Designing* Stage

1-5 years

- Designing the aggregation reform

- Engage with stakeholders to build ownership and defuse conflict
- Define the appropriate scope and scale to achieve the purpose intended
- Select a governance model that will ensure success
- Discuss and reach agreement on the governance of the future aggregated provider
- Agree on the process that will most likely lead to success

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Roadmap: *Implementing* Stage

- Implementing the aggregation reform

- Establish the appropriate legal framework for the aggregation
- Involve stakeholders throughout the process
- Define the necessary incentives to align interests at various levels
- Provide the necessary technical and financial support to aggregating entities
- Manage the risks linked to the aggregation process

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Roadmap: *Sustaining* Stage

5-15 years

- Sustaining the achievements of the aggregation reform

- Document the process and publicize success to all stakeholders
- Learn from challenges and adjust accordingly
- Deal with longer-term harmonization issues

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Additional Insights Provided

Refer to the Report for a complete list of **lessons learned from aggregation experiences**, exploring:

- What Are Global Aggregation Trends?
- When Do They Work? The Quantitative Evidence
- Why Do They Work? The Qualitative Evidence
- How do they work? (scope, scale)
- Lessons on Process
- Lessons on Governance

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Knowledge Products

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Overview Knowledge Products

Main Products: (1) **main global study report,** and (2) **online toolkit,** providing access to all additional products listed below, *and more*.

Supporting Papers/Products:

(3) literature review, annotated bibliography

(4) statistical analysis based on IB-Net data covering 1,306 utilities from more than 140 countries

(5) review of global aggregation trends, collecting data for 111 countries, displayed in an interactive map

(6) 14 case studies from seven countries, providing a deep dive qualitative narrative of aggregation experiences.

(7) Knowledge Brief on the global study

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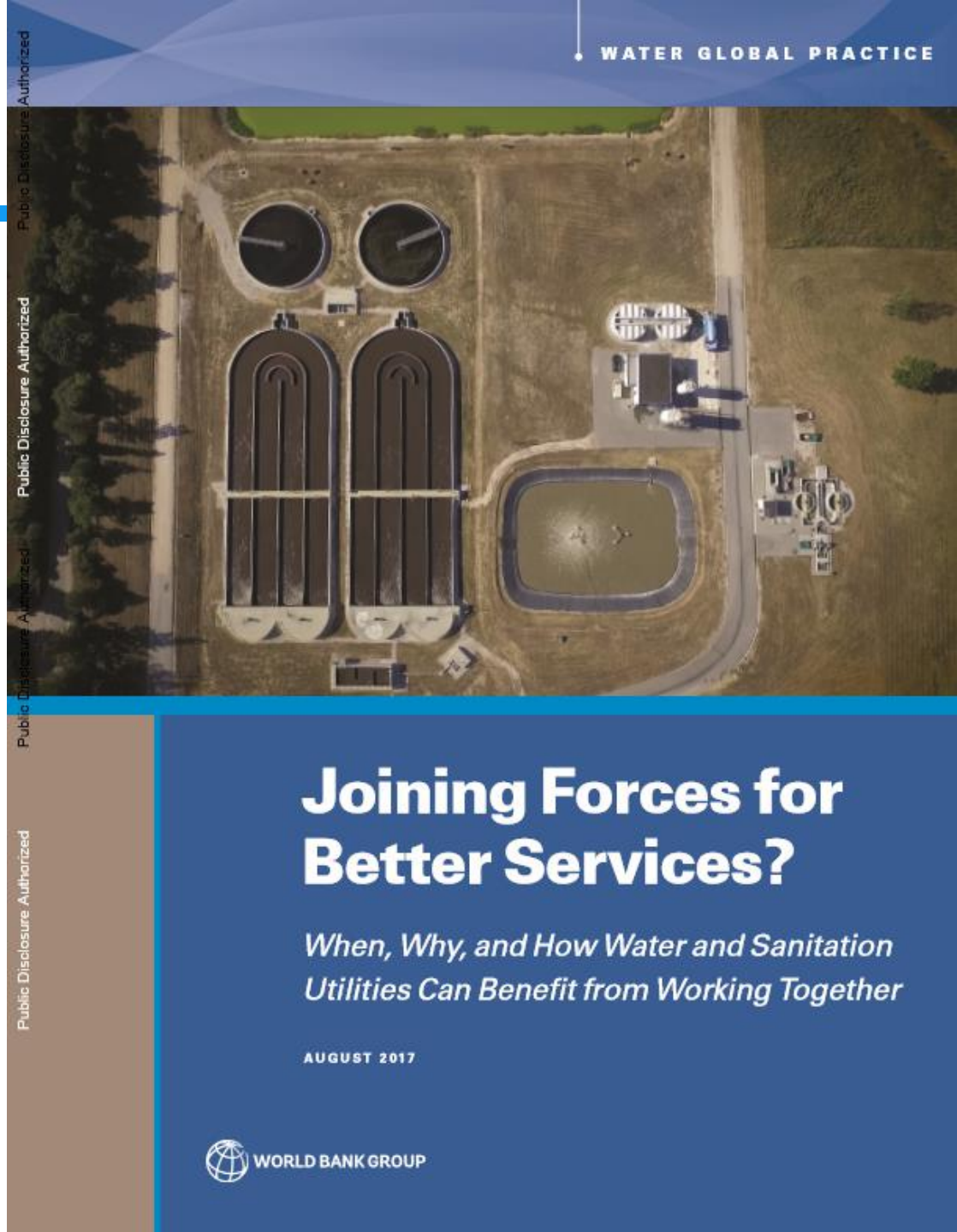
Main Report

Available on the **Open Knowledge Repository** and accessible via the **online Toolkit**



Online Toolkit on the Aggregation of WSS Utilities

Including..

- videos with first-hand interviews
- interactive map highlighting global trends in utility aggregation glossary of aggregation typology
- case study accounts: Hungary, Brazil, Colombia, Romania, Portugal, Mozambique, and Indonesia)
- main study report, statistical analysis, and all other supporting documents/papers
- *and more…*

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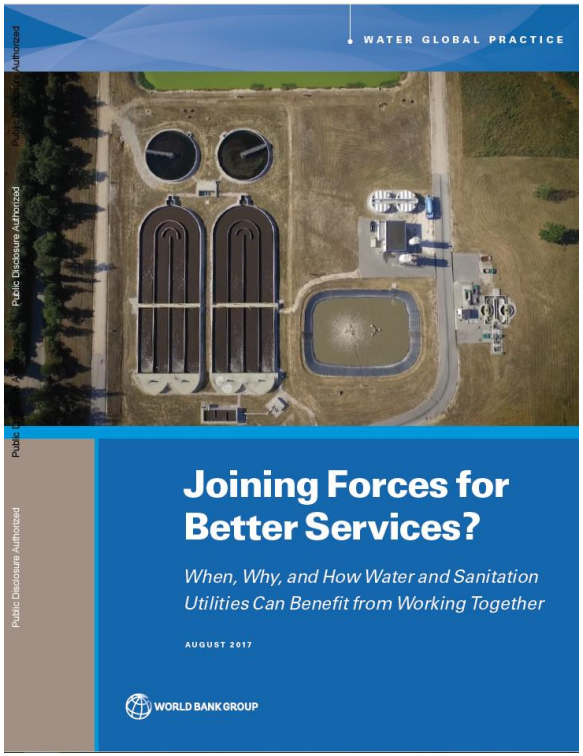
Review of WSS utilities Aggregation Experience

- http://www.worldbank.org/en/topic/water/publication/water-aggregation-toolkit



https://openknowledge.worldbank.org/handle/10986/28095

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THANK YOU FOR YOUR ATTENTION !

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