



**EUROPEAN ASSOCIATION
OF PUBLIC WATER OPERATORS**

AQUA PUBLICA EUROPEA POSITION ON THE EUROPEAN COMMISSION'S INITIATIVE FOR BENCHMARKING WATER QUALITY AND SERVICES

22 October 2014

ABOUT AQUA PUBLICA EUROPEA

Aqua Publica Europea (APE) is the European Association of Public Water Operators. It brings together 100% publicly owned water and sanitation services, and their national and regional associations. Our mission is to promote public water-management at both European and international level.

Overall, APE members provide water and sanitation services to over 70 million Europeans, covering the rich and varied landscape of our continent - from the North Sea to the Mediterranean, and from capital cities to remote rural areas.

- APE is a platform, facilitating knowledge exchange and joint projects among members to improve performance.
- APE is a forum for public operators to meet and discuss water policy issues with the objective of contributing to international policy-making in the water sector.
- APE is a catalyst, supporting the development of the international water community by promoting a dialogue between public water operators, the business sector, the academic world, and public institutions.

EXECUTIVE SUMMARY

- Aqua Publica Europea welcomes the Commission's decision to give a positive answer to the European Citizen Initiative (ECI), *Right2Water*, regarding the need to increase transparency in the water sector. We are persuaded that transparency and accountability are crucial to ensuring an effective and democratic management of water resources.

DISTINGUISHING BENCHMARKING FROM TRANSPARENCY

- Benchmarking is a process through which water operators compare their activities and processes on the basis of standardised reference frameworks. The aim of the exercise is to learn from each other, share best practices and, ultimately, improve performance.
- Transparency is an approach – we would say a duty – by which water operators make information available to users or other stakeholders to increase accountability and public trust.
- As a consequence, participating in a benchmarking exercise and improving transparency responds to different rationales, which may also entail different sets of practices.
- **We call on the European Commission to clarify which goal it intends to pursue, as this was not completely evident from the first stakeholders' meeting minutes.**

ON BENCHMARKING

- There are a significant number of benchmarking initiatives at EU and international level. Many APE members do actively participate in several of these exercises and, in some cases, they have even contributed to their development. Drawing on this experience, we can confidently state that benchmarking (if voluntary) is a useful tool to improve operators' performance.
- However, we also observe that these initiatives differ from each other in many aspects. Such differences also relate to the fact that water management is influenced by a multitude of local factors. In order to produce comparable measurements and informative results, these factors need to be factored in through complex combination of standard and "context" indicators, discursive explanations, etc. There is not a unique, universally accepted approach to achieving this, and the greater the distance (geographical, institutional, etc.), the more difficult is to offset these intervening factors.
- **The establishment of a EU-wide benchmarking system based on a unique (short) list of indicators, therefore, appears to be methodologically complex, potentially controversial, and inadequate to respond to the ECI requests. Having regard also to the subsidiarity and proportionality principles, the EU Commission should rather promote a dialogue between existing initiatives, with the aim of exploring and comparing their different objectives and approaches, thus also favouring a better coordination.**

- If, despite all these drawbacks, the Commission still intends to establish a set of EU-wide indicators, **then the process leading to the definition of such indicators must be consensual and truly representative - including geographically - of all stakeholders. The European Innovation Partnership (EIP) on water is not an adequate context for this aim.**
- Finally, we note that benchmarking is a highly resource-intensive exercise. If the Commission intends to promote benchmarking as a management-support tool, then it should primarily support smaller operators, or operators in less favoured regions, who may face difficulties in participating in international initiatives. Further, and drawing on APE's *Performance Working Group* experience, we are persuaded that **mentoring, twinning, and other forms of not-for-profit voluntary cooperation among water operators can be effective in helping these operators step up their performance and increase participation in benchmarking initiatives.**

ON TRANSPARENCY

- Transparency means providing useful information to users and other stakeholders. This often involves adapting technical information to make it intelligible to different stakeholders, according to their specific knowledge needs. Simply publishing the benchmarking results does not necessarily equate to more transparency. The way in which the work is carried out is then very much dependent on local exigencies and objectives.
- However, **the EU could promote transparency by providing information and visibility for existing transparency initiatives at local level.** More precisely, information could be collected and disseminated on the (local) availability of data in the fields related to the ECI (for example, accessibility to water-quality data, financial information and investments; the availability of sustainability-related reporting; Corporate Social Responsibility (CSR), public service charter for users, etc.). Therefore, this approach would not create an additional reporting mechanisms based on questionable indicators, but would rather disseminate existing information through web-based tools, also with a view to sharing best practices and stimulating emulation.
- **The same approach could be also adopted to promote participatory governance mechanisms** that, coupled with transparency, empower citizens when it comes to decisions on the management of water resources. Over the last years, several APE members have been successfully experimenting with participatory governance approaches to include civil society, consumer organisations or other stakeholders in decision-making processes and some case-studies have been collected in a forthcoming OECD report. This approach could be usefully replicated also within the EU.

AQUA PUBLICA EUROPEA POSITION ON THE EUROPEAN COMMISSION'S INITIATIVE: BENCHMARKING OF WATER SERVICES

In its response to the European Citizen Initiative (ECI), *Right2Water*, the European Commission stated that it would, “explore the idea of benchmarking water quality as a way of empowering citizens” and, more generally, improve transparency and accountability in the water sector.

Aqua Publica Europea welcomes the Commission's decision to give a positive answer to the ECI on the need to improve both the quality and quantity of information available to citizens on water quality and services. We are persuaded that transparency and accountability are crucial to raising public awareness of common challenges, increasing ownership of decisions and, ultimately, improving the protection of water resources.

Following the first meeting of the stakeholders' dialogue on benchmarking, which took place on 9 September 2014, we wish to outline our views on the potential scope of an EU-led benchmarking initiative, and the contribution we would be ready to give within this framework.

1. DISTINGUISHING BENCHMARKING FROM TRANSPARENCY

Benchmarking is a (usually voluntary) process through which water operators compare their activities and processes on the basis of standardised reference frameworks. The aim of the exercise is to learn from each other, share best practices and, ultimately, improve performance.

Transparency is an approach – we would say a duty - by which water operators make information available to users or other stakeholders to increase accountability and public trust.

As a consequence, participating in a benchmarking exercise and improving transparency responds to different rationales, which may also entail different sets of practices. Naturally, some information generated through benchmarking can be used for transparency purposes, but this often involves work on adapting the information to make its technical aspects intelligible to recipients according to their information needs. In other words, information provided to local policy-makers will be presented differently from information provided to users, and different again from that provided to employees, etc.

Given this background, we believe that, first of all, the European Commission needs to clarify whether its initiative is intended to promote benchmarking as a way of improving performance, or to increase transparency for users and stakeholders. Each of these objectives implies different strategies.

We also believe that the ECI is primarily concerned with affordability, transparency, and accountability issues.

2. WHAT KIND OF BENCHMARKING AT EU LEVEL?

Recognising the role of existing initiatives

If the objective of the Commission is to promote benchmarking as a way of improving water operators' performance, the first element to be considered is that there already exists a plethora of ongoing benchmarking initiatives in the water sector, at both national and international levels. A non-exhaustive list would include:

- IWA's Specialist Group on Benchmarking and Performance Assessment.
- European Benchmarking Cooperation.
- Aquabench.
- French water operators benchmarking, led by the *Fédération nationale des collectivités concédantes et régies* (FNCCR) since 2009, including both public and private operators, and based on the software developed by Aquabench.
- OECD – Water Governance Initiative (Working Group on *Performance and Governance of Water supply and Sanitation Services*).
- Global Water Operators Partnerships Alliance (a UN-Habitat initiative; they are working to develop indicators in the field of transnational cooperation partnerships among operators).
- Italian water operators benchmarking (the *Bluebook exercise* carried out by the national water operators federation - *Federutility*).
- Flemish water operators benchmarking (carried out by Aquaflanders on behalf of the Flemish Regulator for Water – *Vlaamse Milieu Maatschappij*).

Many APE members actively participate in these initiative; indeed, some members are even involved in the definition and development of the mechanism (the FNCCR itself in France, and CAP Holding in Italy, for example).

While these initiatives tend to respond to a similar performance objective outlined above, they differ widely in approach. Even when the data collected or the indicators employed are similar, variations in data analysis methodology may be significant; as we all know, there is a very lively debate in literature about the use of metrics vs. process benchmarking, or partial indicators vs total factor analysis, etc.

There are at least two reasons that explain this difference. Firstly, the objectives and, consequently, the objects of benchmarking can be different and non-additive: measuring technical efficiency is not necessarily the same as measuring financial efficiency, or environmental sustainability, etc.

Secondly, even when the same (technical) aspect is considered, the measurement can be influenced by a wide range of intervening factors that need to be taken into account

to achieve results that can be meaningfully compared across time and space¹. Further, some of these factors are themselves strongly influenced by exogenous local contexts and conditions that are not under the control of the management, such as geographical and geological conditions, institutional settings, macro-economic financial conditions and taxation regimes.

It is precisely because of this variability and complexity that decisions regarding the integration of some factors instead of others may become controversial, as the results may “structurally” favour some contexts or typologies of entities.

This is also why standard indicators are then often coupled with “context indicators” or discursive references which enable participants to “explain” (or not) differences in results. Without such “explanation”, benchmarking loses its utility because it is no longer possible to understand the real source of variability in results and thus adopt appropriate intervention. The greater the distance in cultural, functional, political, and geographical terms, the more difficult it is to identify indicators that accurately offset the impact of these factors.

What is more, we observe that most of existing benchmarking initiatives are based on voluntary participation. This appears indeed as an important condition to stimulate cooperation and mutual learning processes. In this framework, confidentiality may also be relevant (at least at an early stage) to incentivise participation.

Finally, the subsidiarity principle advises against the establishment of a unique set of performance indicators at EU level, unless the Commission intends to move from voluntary mechanisms to regulation. On this issue, we note a contradiction in the stakeholders’ meeting minutes when first it is stated that “there was general consensus that EU coordinated action can provide added value in following areas [including] the identification of performance indicators” and then it is correctly reported that “it was concluded that benchmarking should be voluntary based and organised on local, regional or national level”.

Against this background, we are persuaded that the establishment of a unique set of performance indicators at EU level would be methodologically complex, potentially controversial, and inadequate to respond to the ECI requests. If the Commission aims to support benchmarking as a means to improve performance, it should rather and primarily promote a dialogue between existing initiatives, with the aim of exploring and comparing their different objectives and approaches, thus also favouring a better coordination.

¹ For example, to measure the average leakage rate of the network, it is important to specify whether only actual leakages or also “virtual” ones are to be considered. What is more, the leakage rate can be influenced by other factors, such as the pressure of the network, the average age of meters, the density of connections per kilometre of the main pipe, and so on. Even when all these elements are factored in – assuming that this is possible – the result cannot be assessed without considering the context. Indeed, it is evident that the economic and environmental impact of leakages will be different in areas where water resources are abundant (and water from leakages smoothly re-enter the water cycle) or an area affected by water-scarcity phenomena.

The process to establish EU-wide performance indicators

If, despite all the cons and drawbacks above outlined the Commission still intends to set up a benchmarking framework at EU level, then the choice of indicators must be made carefully and consensually.

The establishment of a European Platform to develop these indicators may represent a possible approach. In this framework, it is essential that the platform be truly inclusive of all relevant stakeholders, and geographically balanced. **Relying on the European Innovation Partnership to carry out this work – as suggested in the meeting minutes – is not a valid option**, precisely because of the unbalanced nature of its membership. For instance, the public sector is scarcely represented, if at all; the same can be said for representatives of civil society and users.

The establishment of performance indicators at EU level should be made carefully and consensually, to avoid generating data that are biased by exogenous conditions or that can be misinterpreted. A balanced representation of all relevant stakeholders is essential for the success of the initiative. The EIP on water is not an adequate context.

Supporting non-profit partnerships to help involve smaller operators in benchmarking initiatives

There is a consensus that benchmarking is resource-intensive. We observe that many operators in rural or less favoured areas face cultural and economic difficulties in participating in benchmarking exercises.

We are persuaded that the possible establishment of a benchmarking framework at EU level should not lead to penalising these operators. On the contrary, it should help them raise standards and catch up with better-performing utilities.

Also, drawing on the experience of APE's Working Group on performance, we are persuaded that twinning, cross-auditing and other forms of voluntary partnerships among water operators can play a role in improving each other's performance, especially smaller operators who would otherwise not be prepared to participate in more structured initiatives.

The EU should actively support operators in rural or less-favoured areas. Mentoring, twinning, and other forms of voluntary not-for-profit co-operation among water operators have been effective in improving overall performance, and should be promoted as a tool to support smaller operators' readiness to participate in more structured initiatives.

APE members have developed significant experience with not-for-profit partnerships among operators, also involving smaller operators. We would be ready to share this experience to promote and replicate these mechanisms in other contexts.

3. IMPROVING TRANSPARENCY

Citizens' requests for more transparency is not only legitimate; it is also an important condition for good, democratic management of water resources.

As mentioned above, benchmarking does not necessarily equate to transparency. Benchmarking exercises are based on complex sets of indicators that take into account an extensive range of intervening factors to generate more accurate and less distorting comparative frameworks. Publishing the results of these exercises does not necessarily give rise to more transparency, however, because the highly technical nature of this information may not be easily understood by non-experts.

Transparency thus needs a process by which information is selected and translated to make it intelligible to its final recipients. This process is not just a simplification either of benchmarking results, as the information provided could not be derived from these exercises (think for example to environmentally- or affordability-related initiatives, etc.)

The choice of how this process is implemented then necessarily responds to local objectives and rationalities, and is shaped according to the characteristics and information needs of different categories of recipients. In our experience, users are usually more interested in getting a better picture of the characteristics of local services than reading comparisons with distant contexts.

Moreover, the considerations we have already outlined on the methodological difficulties and political opportunity of establishing a univocal set of indicators at EU level also apply to the field of transparency.

In this framework, we are persuaded that transparency could be promoted at EU level not by ranking operators and authorities according to a questionable set of indicators, but by giving support and visibility to existing local transparency initiatives. For example, information could be collected on the presence or absence of a series of actions, and/or on the availability or unavailability of data in the domains highlighted by the ECI. A non-exhaustive list could include:

- Accessibility to data on water quality (distribution and sanitation).
- Accessibility to financial reporting (balance sheet, etc.) and to data regarding investments.
- The existence of, and accessibility to, a sustainability-related reporting exercise.
- Initiatives to ensure minimum water provision to marginalised people.
- The existence of a public service charter for users.
- The existence of a Corporate Social Responsibility strategy, and accessibility to related information and engagement.
- Information on local water governance framework and the existence of a strategy for stakeholders' engagement.

This approach would provide information about existing initiatives, the kind of information available, and the tools employed to disseminate it, without measuring against different contexts. Nevertheless, we believe that this approach could represent a first step towards stimulating an exchange of information on different practices and

promoting a virtuous dynamic. It would also be less resource-intensive both for participating stakeholders and the European Commission.

We also believe that transparency can have greater significance if coupled with mechanisms that allow for the active participation of users and other stakeholders.

In this framework, several APE members have been successfully experimenting with participatory governance approaches to include civil society, consumer organisations or other stakeholders in decision-making processes. Some case-studies have been collected in a forthcoming OECD report, *Stakeholders' Engagement in the Water Sector*, to which APE has contributed. Some of these experiences could be usefully promoted by giving them visibility. Again, this is not a question of assessing or ranking different initiatives, but rather of promoting an exchange of ideas and practices to stimulate aspiration.

The concrete realisation of transparency in the water sector is related to - and dependent on - local actors and local conditions. However, transparency could be promoted at EU level by providing information on what data are locally accessible in the fields related to the ECI (such as accessibility to water quality and financial information; availability of sustainability-related reporting, quality charters, etc.). This information could be made available through web platforms and events to share best practices and stimulate emulation. The same approach can also be used to promote participatory governance approaches that, coupled with transparency, empower citizens when decisions are made on the management of water resources.

Over the years, APE members have been testing innovative tools, including web-based applications, to improve citizens' access to information and increase stakeholders' participation in water-related decision-making. We are ready to share these experiences at EU level, as we are already doing within the OECD.



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