Policy, Institutions, and Regulation (PIR)

Danube Water Forum

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Water

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What is PIR?

- PIR is a conceptual framework and a methodology for understanding governance bottlenecks in water and sanitation service delivery
- Developed by the World Bank's Water Global Practice in 2017
- Applied in 20 countries so far
- Recently updated to include 3 emerging priorities: i) intergovernmental relations; ii) financing and iii) resilience

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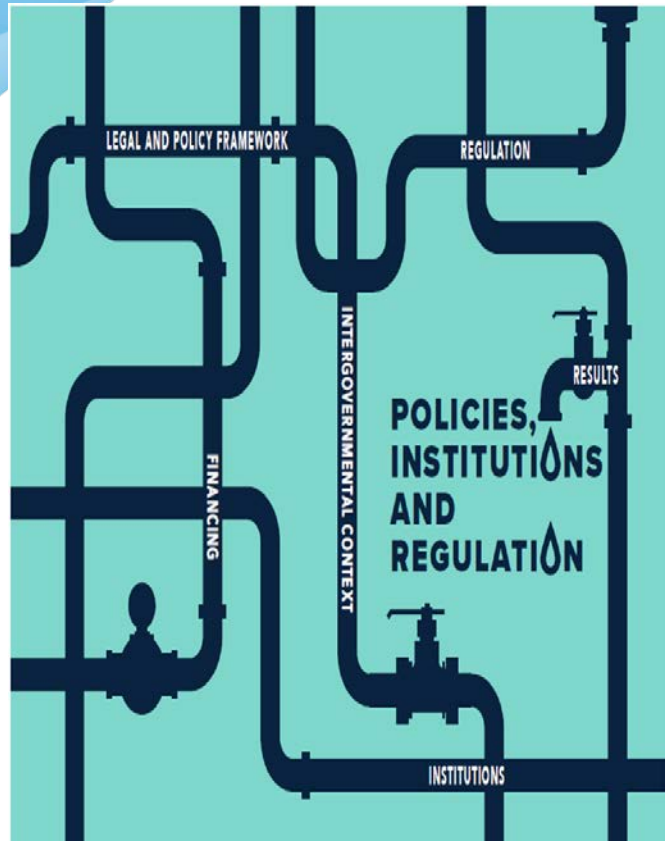
Report on Key Findings from PIR



- Forthcoming report will provide findings on what we have learned about PIR in the past few years
- Builds on the previous “Aligning Institutions and Incentives” report (WB, 2017)
- Based on application of PIR methodologies in ~20 countries
- Companion PIR tool developed to support analytics and operations
- Initial findings were shared and discussed at the World Water Forum in Dakar

Countries where PIR support has been provided (2019 – 2022)

1. Bosnia-Herzogovina
2. Cambodia
3. Colombia
4. Dominican Republic
5. Kenya
6. Liberia
7. Mozambique
8. Nepal
9. Nigeria
10. Philippines
11. South Africa
12. Sudan
13. Turkey
14. Uruguay
15. Uzbekistan
16. Brazil
17. India (Chennai)
18. Central Asia

And more to come…

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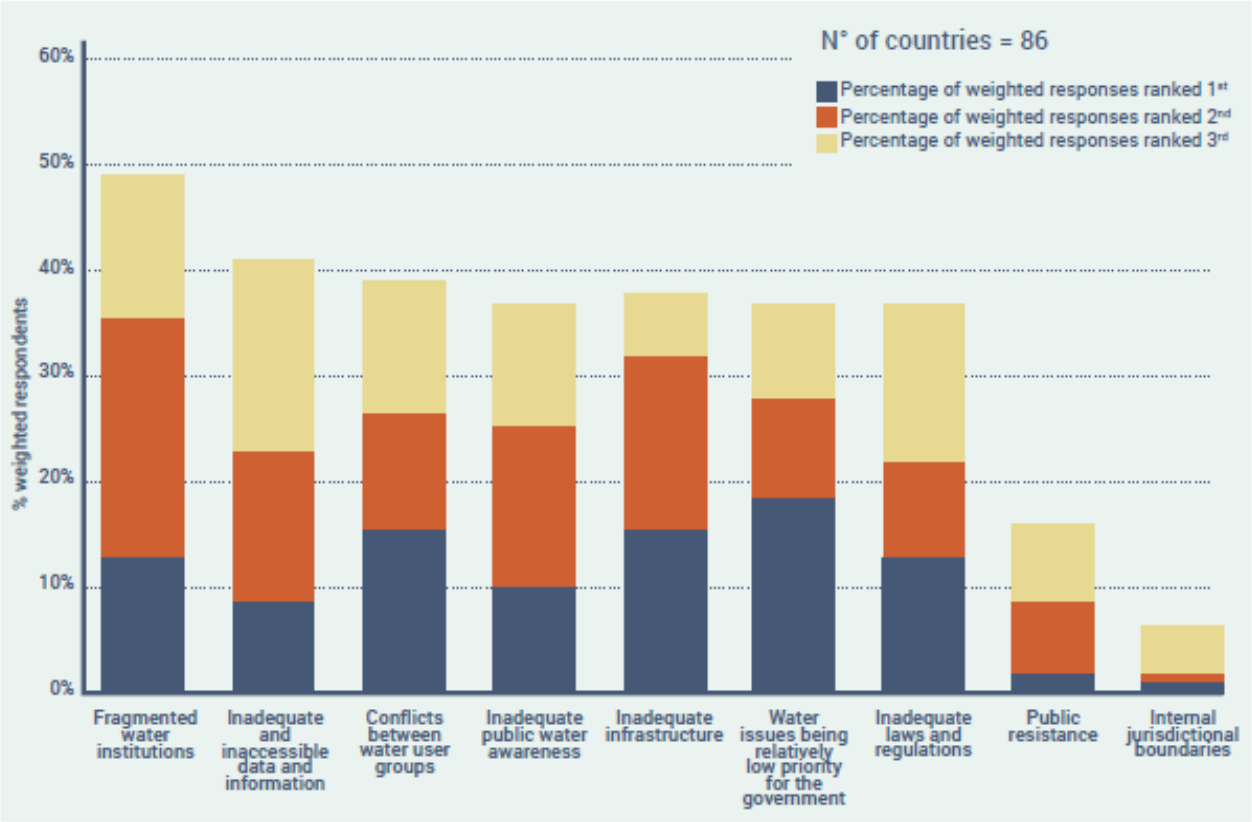
Key message 1: PIR – and water governance more generally – is the missing link for resolving some of the chronic challenges undermining WSS

Policymakers rank PIR-related issues as the top water sector challenge



Emerging and intensifying challenges are behind the renewed interest in PIR

- Day zero events >> due to lack of planning
- Financial viability of many water utilities very weak >> due to political influence on utility management
- COVID 19 and WASH >> need for integrated approaches across sectors
- Millions of people still without access to water >>infrastructure and investments aren't enough to meet SDGs

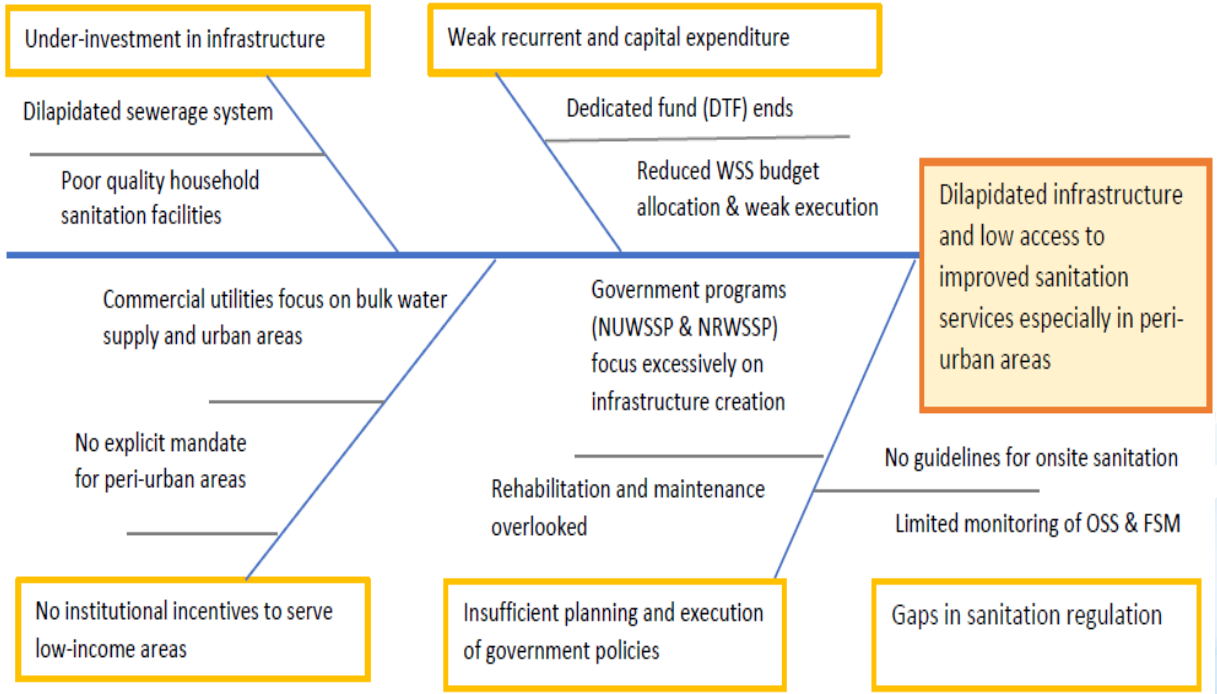
But emerging opportunities also call for stronger PIR

- Climate change impacting water services >> need to change operating models and provide incentives for GRID
- Technological innovation e.g. smart meters >> but require regulatory and policy incentives

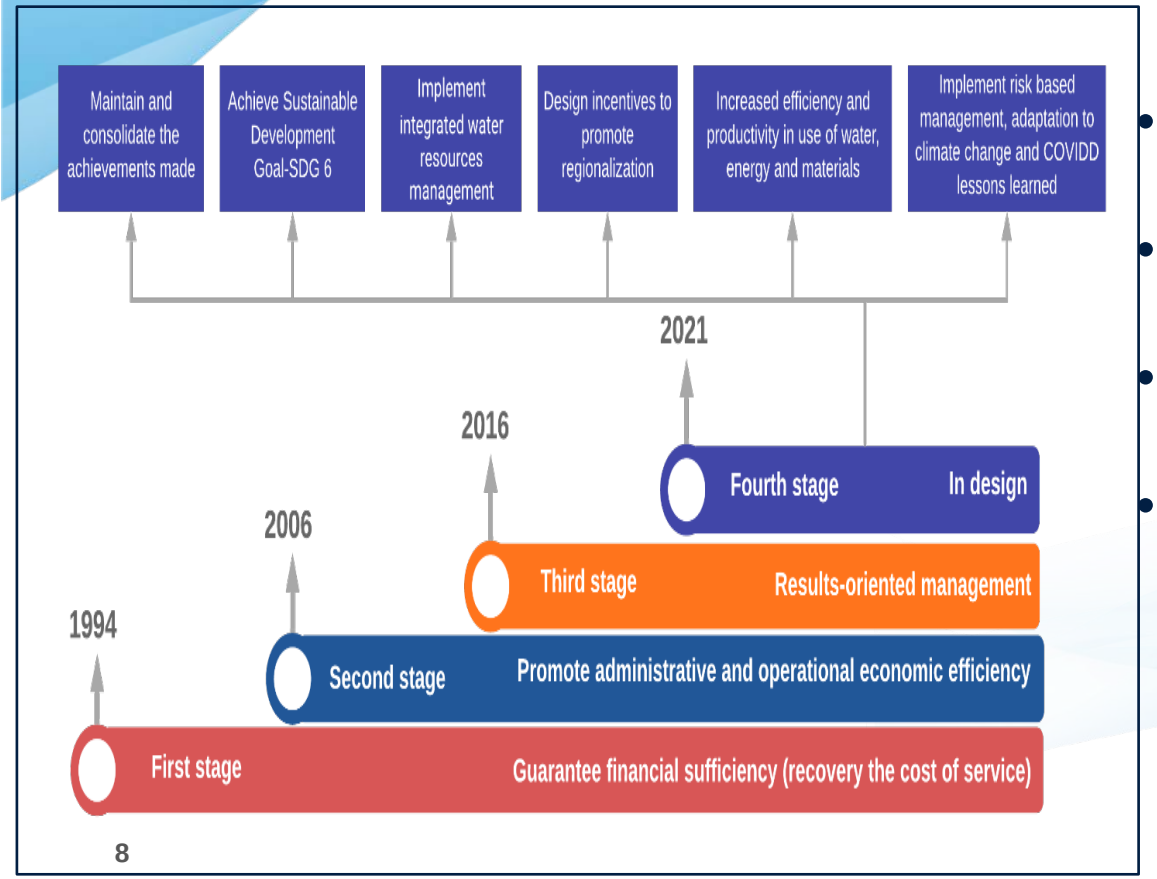
Key message 2: More rigor is needed to identify the root causes of poor WSS services

- Recurrent service delivery challenges due to Misdiagnosed problems
- Need more systematic analysis of service delivery challenges

Example: understanding gaps in access to sanitation in Zambia using the fishbone approach



Key message 3: PIR reforms are long-term in nature and require mechanisms that foster evaluation, learning and adjustment



- Too many one-off, short-term measures with limited impact
- Little attention paid to risks and emergency plans
- Evaluation, learning and course correction is key
- Example: Colombia's regulator (CRA) – 25 years of reforms

How PIR can be applied for energy-water in WSS

1. Setting the right policy signals for clean energy uptake
2. Providing regulatory incentives for utilities to be more energy efficient and adopt climate-adaptive solutions
3. Planning for the long-term and implementing resilience measures for service providers
4. Operationalizing these measures in projects, TA etc

1. Setting the right policy signals for clean energy uptake

Example:

- **United Kingdom**: Net Zero Strategy to decarbonize all sectors of the UK to meet the national net zero strategy by 2050
- Has cascaded down to the sector and to water and wastewater utilities e.g. Water Innovation 2050 – alliance of 19 water companies
- Importantly, policy incentives have been developed e.g. the Innovation Fund > €200 million that companies can compete for
- One winner provided a solution to reduce the energy required for wastewater treatment

2. Regulatory incentives for efficiency/ innovation

- Regulatory indicators to monitor energy consumption
  - e.g. ERSAR Portugal monitors indicators on energy consumption in water and in wastewater

- Use of sanctions to incentivize energy efficiency in water operations
  - e.g. Hungary Energy and Public Utility Regulatory Authority – KPI on energy efficiency (water and wastewater) – kWh/m3) and on energy production (own energy)
  - Regulator can impose fines equivalent to a maximum of 1% of net revenues

3. Strengthening the long-term perspective & resilience

- **Example**: The *United States Environmental Protection Agency (EPA)* developed :
    - A **Public Safety Power Shutoff (PSPS) Standard Operating Procedure (SOP)** template was developed to help water utilities prepare, respond and recover from unexpected power shutoffs
    - **Power Resilience Guide** provides water and wastewater utilities with information and strategies for strengthening relationships with their electric providers and increasing their resilience to power outages
- In Bank country clients: move towards energy efficiency measures in utilities

4. Integrating PIR into projects and TA

Example: Uzbekistan

- PIR assessment highlighted the historical and political economy roots of the energy efficiency challenges of today:
  - Soviet paradigm of heavily subsidized electricity led to energy intensive water facilities
  - But this misguided policy is proving to be onerous under the new reality of a market economy
  - Water utilities are now required to operate as self-sufficient commercial entities at a time when energy costs are increasing constantly
- PIR process highlighted consensus on the challenge and confirmed this as a reform area with strong buy-in from key stakeholders
- Assessment influenced the design of the Uzbekistan Water Services and Institutional Support Project (WB financed) > includes a significant energy efficiency financing facility ($13 million) + TA component ($3 million)

Concluding: PIR Main Messages

- **Technical solutions alone are unsustainable.** Understanding institutional and political economy context is critical to design and implementation of sustainable institutional reforms
- **No one-size-fits-all solutions.** Best fit, not best practice. Understand the binding constraints to service delivery.
- **Incentives are essential for any meaningful impacts** – budget allocations, regulatory requirements, human resources > anchored in projects, TA and investments.

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