Economic Evaluation within Water Governance

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Reference


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ECONOMIC EVALUATION WITHIN WATER GOVERNANCE

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IWA Water and Development Congress & Exhibition
October 21st., Sweimeh, Jordan
THE ISSUES

- A starting point
  - Fine solutions but bad implementation
  - Methodology proceeds of socio-technical solutions
  - Need for a viewpoint from Water governance

- The Issue
  - Deciding between options in respect of costing methodology and institutional feasibility

- Our discussion
  - In which interactions the methodology is involved?
OUTLINE

I. Governance general framework and costing meth
   • Multilevel and polycentric governance (Ostrom, 2009)
   • Urban Water systems framework (Bolognesi, 2014a)

II. Examples
   • Micro-level
   • Meso-level
Fig. 1. The core subsystems in a framework for analyzing social-ecological systems.

Institutional Environment

Territory
Socio-economic

Institutional structures

Legal
Political
Organizational

Urban water Institutions

Governance

Preferences

Urban water cycle

Provision
Technology
Prices
Volume

Uses
Demand
Quality

Costing methodology
Drinking water supply
(fig 2.1: 12)

Bolognesi 2014a: 58
II. DETAILS AND ILLUSTRATIONS: MICRO

- The case of Uchira, Tanzania *(Cleaver, Toner 2006)*
  - Efficiency and financial balance
  - Flexibility and equity

- Contracting complexity *(Saussier et al. 2009)*
  - Credibility (tariff, duration...); flexibility
  - Skills and capacity building

- Cost recovery rules impacts *(Jaglin 2002)*
  - Exclusion of poor
  - Variations in service delivery quality
II. DETAILS AND ILLUSTRATIONS: MESO

- The place for non formal rules
  - Modernization of provision VS Inherited regulation (Cocha-Bamba, Bolivia)

- A lot of rules → inconsistencies (Bolognesi 2014b)

- Economic model “more advanced” than regulation → non regulated uses and/or rivalries (Bréthaut, Pflieger, 2015)
CONCLUSION

- Costing method does not solve, it gives a set of financially efficient options

- Choice must consider implementation feasibility

- Policy implication (Ménard & Saleth 2013)
  - Feasibility supply side → good alignment
  - Acceptability demand side
  - Capacity building and technical upgrading
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REFERENCES


### Barriers to good implementation

| State failure | Water supply systems owned and operated or regulated by governments may fail to operate effectively when one or more of the following occur:  
1. Rent-seeking (by officials)  
2. Unincorporated externalities  
3. Poacher–gamekeeper problem (if both supplier and consumer externalities are present) |
| Market failure | Water supply networks operated by private companies may fail to operate efficiently when one or more of the following occur:  
1. Imperfect competition  
2. Asymmetric information (between regulator and company)  
3. Unincorporated externalities  
4. Public good (health benefits) |
| Gov. failure | The decision-making process for water management may fail to address the needs of poor households because of  
1. Absence of consumer entitlements to basic services (e.g., lack of universal service requirement on the part of utility)  
2. Political disenfranchisement (e.g., lack of “voice” on the part of poor households)  
3. Culture of governance (e.g., elite-focused, top-down)  
4. Economic disincentives for connecting poor households  
Individual households may be subject to institutions, incentives, or other factors, which undermine their capability to connect to the water supply system  
1. Tenure system (lack of clear property rights)  
2. Lack of skills (e.g., literacy) facilitating interaction with service provider  
3. Cultural beliefs (e.g., appropriate water treatment protocols)  
4. Tariff structure (e.g., high connection fees) |

Bakker et al 2008: 1895.