

TS2D: Monitor economic and financial performance indicators at operator and national level

REGULATORY FUNCTION: TARIFF SETTING		TS2D
OBJECTIVE TS2 Compliance with approved tariffs and performance is monitored through financial and operational information received from operators	ACTION CARD TS2D MONITOR ECONOMIC AND FINANCIAL PERFORMANCE INDICATORS AT OPERATOR AND NATIONAL LEVEL	
COST: Low FREQUENCY: Regular TARGET GROUPS: Regulators, service operators, service clusters		
DESCRIPTION Given the importance of tariff accuracy, it is also necessary to monitor their values over time, and compare operators, and nationwide trends. This action is commonly performed through benchmarking exercises, where data collected through inspections is rated. Regulators then assess the results of audited data at operator, cluster, and national levels to rank operators' performance over several regulatory cycles. This mechanism allows regulators to develop a sector overview, and to draw important conclusions when defining or adjusting future tariffs. It also serves in refining visions for sector development. Regulators must however, predefine incentives aimed to reward operators whose tariff implementation could serve as an example for other players in the sector.		
EXPECTED OUTCOMES <ul style="list-style-type: none"> • Operators whose performance declines over time might face consequences. • Operators whose performance improves over time are awarded as sectoral champions. • Consumers are informed about sector performance. 		
EXAMPLE 1: ZAMBIA In Zambia , the Urban and Peri-Urban Water Supply and Sanitation Sector Report is produced annually to inform the public on the performance of water and sewerage companies. It highlights and benchmarks the performance of the 11 water and sewerage companies and six private schemes.		
EXAMPLE 2: ARGENTINA In Argentina, Law 26.221 stipulates that instruments of verification and supervision should allow entities and companies to provide the necessary information for benchmarking with other companies, both within the country and abroad, establishing that in order to prepare concessionaire benchmarking as well as analyses of projected and attained efficiency levels, the Enforcement Authority shall set forth Management Indicator reporting and monitoring mechanisms to facilitate the comparison between sectors connected to one type of service or with other services provided domestically or abroad. The data needed for these indicators should be submitted to the Regulator periodically by the concessionaire, along with the annual reports allowing for thorough management information and monitoring. In line with this regulation, the regulator's Benchmarking Management has been drawing up annual reports since 2006 to compare operator indicators with those of other providers under the Federal Association of Water and Sanitation Regulators of Argentina and the Association of Drinking Water and Sanitation Regulators of the Americas.		

EXAMPLE 3: PERU

The National Superintendency of Sanitation Services (SUNASS) of Peru, which heads the Regional Benchmarking Task Force (GRTB) of the Association of Drinking Water and Sanitation Regulators of the Americas (ADERASA) has been preparing Regional Benchmarking Reports since 2002. ADERASA gathers regulators from 16 countries in the Americas: Argentina, Bolivia, Belize, Colombia, Costa Rica, Chile, Nicaragua, Panama, Peru, Brazil, Honduras, Ecuador, El Salvador, Paraguay, Dominican Republic and Uruguay. The Benchmarking 2021 report, for example, includes information on 115 water and sanitation operators from 10 countries in the region. SUNASS has also implemented Benchmarking Reports for Providers and community organizations providing services, including economic and financial performance indicators that include service financing and user debt.

LINKS

Zambia: Zambian performance report: <http://www.nwasco.org.zm/index.php/media-center/news1/138-water-sector-scores-a-success>

Argentina: Annual Benchmarking Reports

<https://www.argentina.gob.ar/eras/institucional/informacion-tecnica/benchmarking>

Peru: Annual Benchmarking Report

<https://www.aderasa.org/grupos-de-trabajo/informes/>

<https://www.sunass.gob.pe/wp-content/uploads/2020/11/BENCHMARKING-REGULATORIO-DE-LAS-ORGANIZACIONES-COMUNALES-2020-1.pdf>

INTERNAL CAPACITIES NEEDED AND THE ROLE OF PARTNERS

Monitoring sector performance trends through benchmarking requires regulators to have solid strategic, financial, and planning skills. Given the importance of the results of this exercise, it is necessary to train regulators' staff on how to read different trends, and how to convert them into strategic decisions. Development partners can support operations by training in a range of required procurement, administrative and public relations skills. Other sector actors would also benefit from training to enhance their participatory capacity when working with regulators on future tariff adjustments.