Chapter 9

Water Utility Performance Indicators (IBNET)

One way to increase the volume of investment towards sustainable water and sanitation infrastructures is to produce clear and accurate data that allows assessing and comparing performance across utilities. IBNET is a benchmarking tool developed by the World Bank and supported by a number of donors (including DFID and WSP) that promotes international benchmarking of water utilities and provides guidance on data collection and monitoring.

9.1. Background and rationale

The dilapidated state of urban water utilities in some transition and developing countries represents a growing public health concern and a threat to the environment (pollution of water resources and soils). This situation requires an increased mobilisation of financial resources, which will be possible only with the progress of reforms and the support of the population. One step towards a reversal of this situation is producing clear and accurate data on the conditions of the Water Supply and Sanitation (WSS) sector in general and of utility companies in particular.

In the EECCA countries, this need for general background information has been addressed by undertaking surveys of water utility performance since 2001. This raised the question of how such benchmarking data could be used in a more advanced manner so as to help with increasing the volume of investment in the WSS sector by providing:

- A standardised framework for public information (tariff increases being often a condition to the sustainability of an investment project, objective information on service quality improvements may help strengthening citizens' support);
- A management tool to identify and monitor the key areas for operational improvement (*e.g.* scope for efficiency savings). Such operational savings plans are often a condition for utilities to be able to reimburse their loans;
- A tool to identify priority areas for investment in a given utility (project design level);
- A basis for the establishment of contractual relationships between utilities and responsible bodies (usually municipalities);
- A tool for utilities to share experience and disseminate best practices among themselves.

The purpose of benchmarking is to search for and identify best practice in the water sector with the objective of implementing appropriate best practice and improving performance. The mere collection of data is not benchmarking although it is an integral step in the path towards improved performance.

IBNET provides a means and a set of tools for water and sanitation utilities to develop national or regional groupings for the purpose of undertaking regular benchmarking activities. The methodology for estimating the indicators was developed by the World Bank. IBNET provides the opportunity for these local benchmarking initiatives to undertake international comparisons by making available easy to use search and query features.

IBNET supports and promotes good benchmarking practice among water and sanitation services worldwide by:

- Providing guidance on indicators, definitions and methods for collecting data;
- Providing guidance on setting up national or regional benchmarking schemes;
- Enabling utilities to undertake peer group performance comparisons;
- Facilitating access to water utility performance data in the public domain.

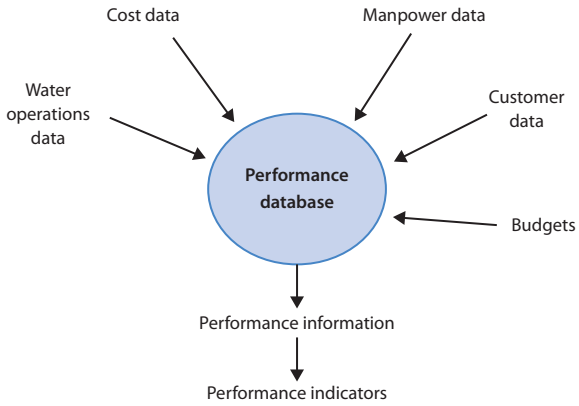
Benchmarking at a local, national and international level helps water and sanitation utilities to find comparators for identifying and sharing best practice, new knowledge and in ensuring that nothing is missed in the important job of delivering water and sanitation services to their customers. IBNET has an important role to play as a facilitator for the sharing of best practice between water and sanitation utilities across the world and for providing the information for all those working in the sector, be they funding agencies, consultants, academics and most importantly the water and sanitation utility managers.

9.2. Description of the tool

The IBNET Toolkit (Figure 9.1) has been developed to support the above concept and to provide initial support to newly establishing benchmarking schemes. The IBNET Toolkit is available in English, Spanish and Russian and includes the following resources:

- A set of core indicators (26) on which stakeholders can build their own customised measurement and monitoring system;
- A data list complete with robust data definitions;
- A data capture system that also calculates the complete indicator set;
- A method to share information on benchmarking.

Figure 9.1. **Overview of IBNET data sets**



Source: www.ib-net.org.

9.3. Where has it been applied?

The overview of current benchmarking practices in EECCA countries shows that while benchmarking data are rarely used for making investment decisions and setting performance targets, the practice of performance data collection is widespread. The main problem lies in the fact that such data is available in most EECCA countries but is collected and kept most often for its own sake. Actors of the WSS market possess a potentially powerful instrument but not the skills to employ it.

Demand for performance indicators by the actors in WSS sector is therefore limited as of today, but likely to increase significantly in the near future. The need for more efficient regulation and investment monitoring will stimulate the demand for performance indicators from local authorities and regulators. Another important driving force will probably be the growing private sector participation in the provision of WSS services. Private companies are interested in a greater transparency of the WSS sector and believe that benchmarking data will discriminate the innovative players in this market.

9.4. Lessons learned and the way forward

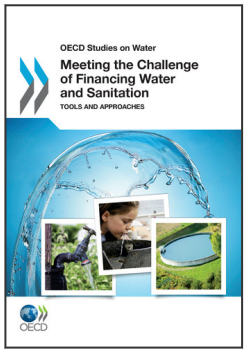
The provision of comparative information and its use in benchmarking becomes an important management tool for managers and professionals in water and sanitation utilities. Benchmarking and knowledge of best practice is important for all water and sanitation utilities:

- Benchmarking helps managers to understand the performance of their utility relative to others;
- Benchmarking facilitates the sharing of best practice information and supports decisions to improve performance.

If data definitions are shared and used by a sufficient number of participants, at least for a core set of indicators, this network will add value to all its users and contributors by providing them with useful international comparative information.

9.5. How to get started

Additional information about the tool can be found at the web-page: *www.ib-net.org*



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