



**USAID**  
FROM THE AMERICAN PEOPLE

# GOOD PRACTICES IN PUBLIC WATER UTILITY CORPORATIZATION

November 2006

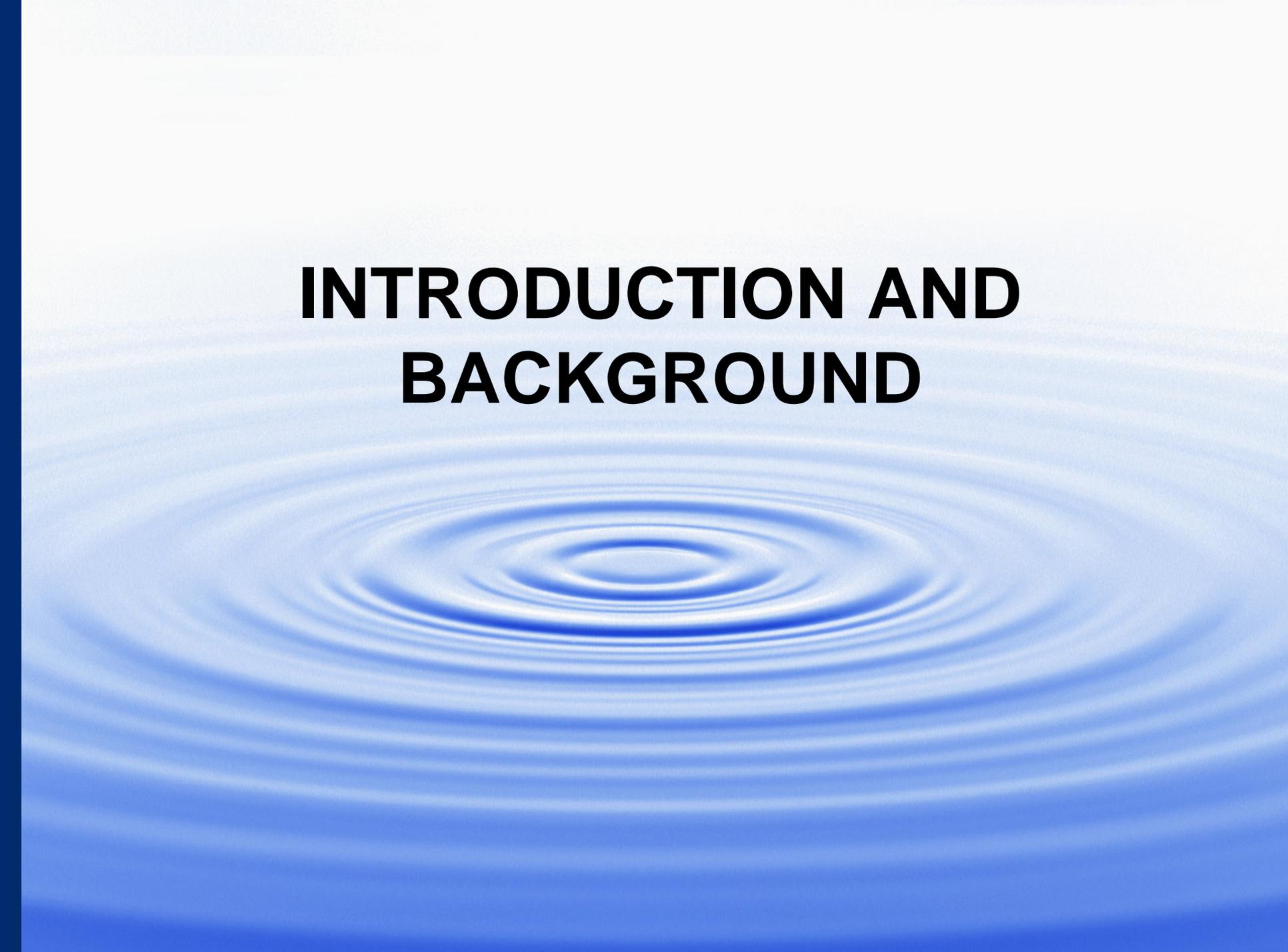


## NAVIGATION NOTE

**Links** are provided in this PowerPoint presentation to the case studies and supporting documents. These documents are in a variety of formats, including Microsoft® Word and Excel and Adobe® PDF.

To **return** to the presentation, after viewing the supporting document, simply press the **back arrow** on the top menu of your window, as you would to return to a previous page on the Internet.





# **INTRODUCTION AND BACKGROUND**

# PURPOSE OF THIS ANALYSIS

- USAID is developing a framework to support design of programs and projects to transform water service utilities into financially self-sufficient, reliable, good quality providers.
- Four sets of framework tools have been, or are, under development:
  - Good Practices in Providing Service to the Poor;
  - Private Sector Participation in Water Toolkit (prepared by the World Bank);
  - Good Practices in Water and Sanitation Regulatory Practices; and
  - Good Practices in Water and Sanitation Corporatization, the focus of this activity.



# THE OUTPUT

- This analysis provides USAID missions and clients with guidance on approaches and tools that have been successful in improving utility performance through corporatization.
- This PowerPoint presentation summarizes the principles and mechanisms associated with successful corporatization.
- The summary is informed by Case Studies of utilities who have undergone corporatization and appear to be on a path to sustainable improvement.
- Documents were collected which served as instruments in structuring the specific corporatization and might be tailored by other countries engaging in corporatization.
- The presentation and the sample documents are available on a CD.





# METHODOLOGY

- The analysis was conducted by a team from ARD, Inc. from June through September 2006.
- The ARD team worked in close collaboration with USAID personnel in headquarters and missions and with other TA teams.
- The ARD team benefited from the collaboration and support of key personnel at the World Bank engaged in related analysis.
- Finally, utility personnel in the Case Study countries provided documents, data, and other information.





# METHODOLOGY

The experiences of seven water utilities were examined for examples of good practice in corporatization. These represent a geographical range, variety of ownership structures and different levels of maturity. The Case Study utilities are:

- [Aqaba, Jordan;](#)
- [AQUA, Poland;](#)
- [COPASA, Brazil;](#)
- [Johannesburg Water, South Africa;](#)
- [National Water and Sewerage Company, Uganda;](#)
- [Public Utility Board, Singapore;](#) and
- [Sydney Water, Australia.](#)



# APPLICATION OF THESE MATERIALS

- This framework document provides information on the basic tenets of corporatization—the key principle, characteristics, mechanisms, and considerations.
- It does not attempt to provide detailed information on how to implement corporatization under a full range of operating environments.
- The audience should be able to use the principles, guidance, and samples contained here as a starting point in crafting the corporatization approach as needed for a particular utility and context.



# The Magnitude of Possible Application

According to the May 2006 Report by the World Bank, *Held by the Invisible Hand: The Challenge of SOE Corporate Governance for Emerging Markets:*

- In India there are 240 Public Sector Enterprises outside the financial sector
- The Ministry of State Owned Enterprises in Indonesia controls 161 SOEs
- In China the central government is responsible for 17,000 SOEs and local governments control another 150,000
- Companies controlled by the federal government of Russia produce 20% of the countries industrial output
- In South Africa there are 270 SOEs.





# **DEFINITION AND PRINCIPLES OF CORPORATIZATION**



# DEFINITION OF CORPORATIZATION

Corporatization is a process by which a public sector service provider is transformed to one with the commercial orientation of a private company. The transformation would typically include three ring-fencing activities:

1. Establishment of a distinct legal identify for the company under which the government's role is clearly identified as owner;
2. Segregation of the company's assets, finances, and operations from other government operations; and
3. Development of a commercial orientation and managerial independence while remaining accountable to the government or electorate.



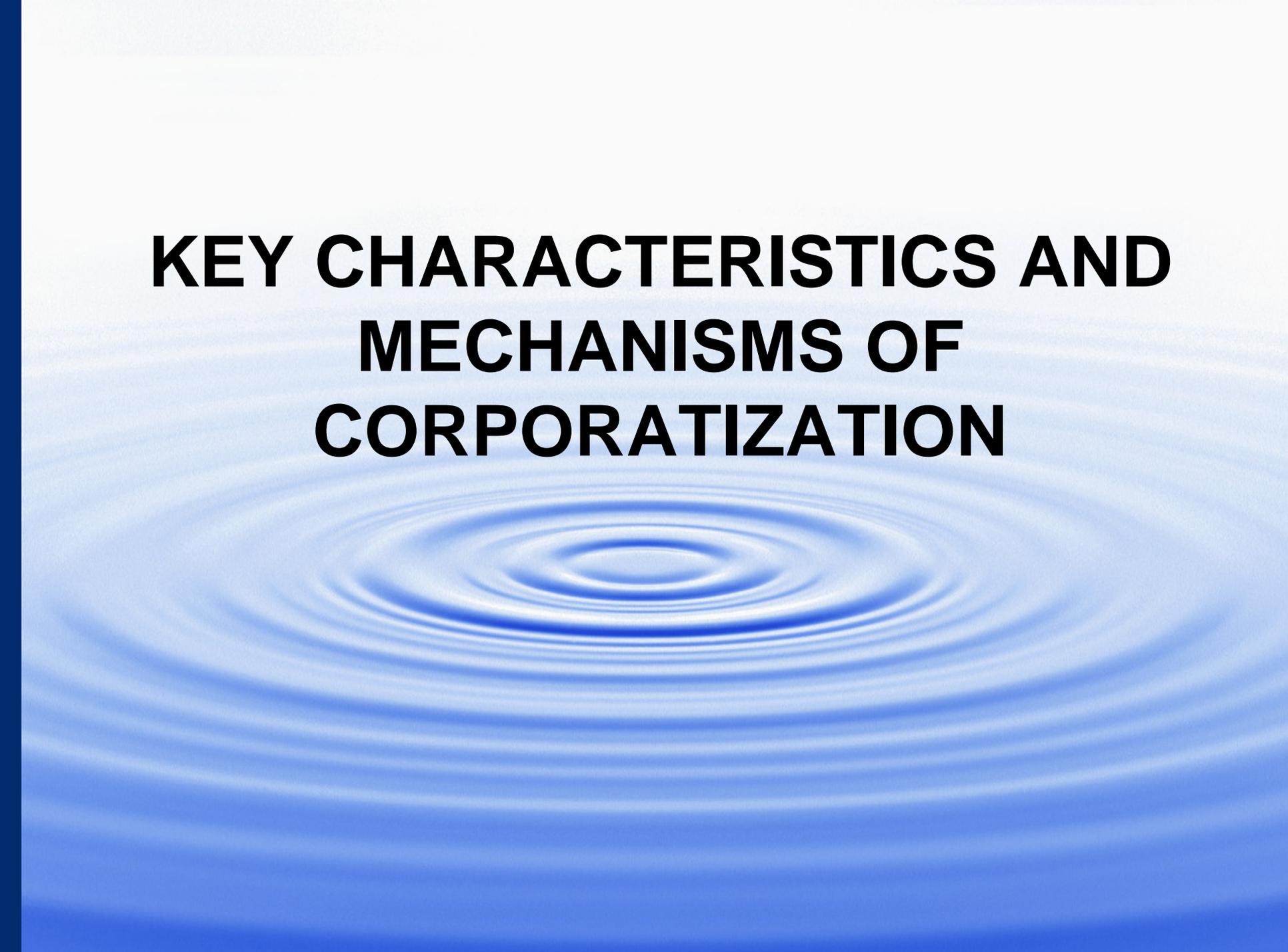


# KEY PRINCIPLE OF CORPORATIZATION

The guiding principle of corporatization is the intent to capture the advantages of a privately run company—including efficiency, productivity, and financial sustainability—while retaining government accountability.

***A successfully corporatized company will be able to demonstrate positive or improved performance results.***

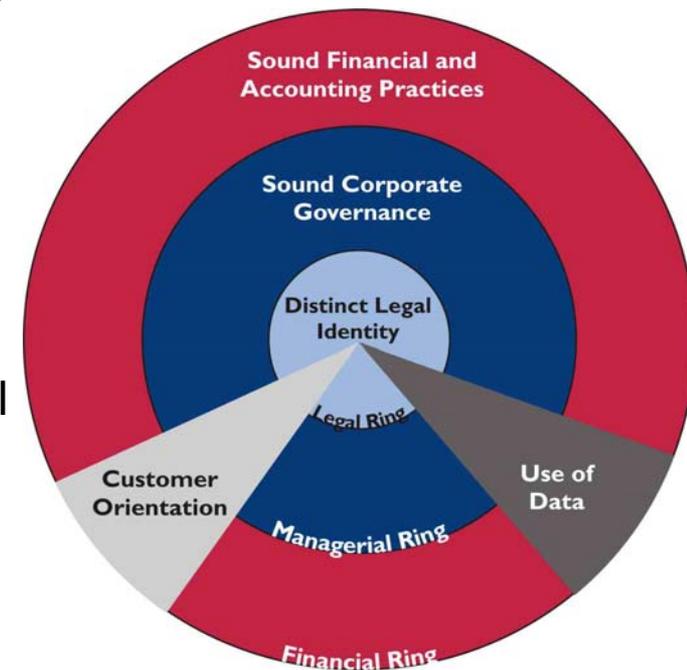




# **KEY CHARACTERISTICS AND MECHANISMS OF CORPORATIZATION**

# KEY CHARACTERISTICS OF CORPORATIZATION

- In order to capture the advantages of a private company, a corporatized company has to emulate the behavior of a private company.
- It does this by adopting 5 key corporate characteristics:
  - Sound **corporate governance**;
  - Separate **legal entity** or company at least partially owned by government (often local government);
  - Modern **financial management and accounting** practices;
  - **Customer orientation**; and
  - **Effective and transparent use of data** to assess and monitor performance.

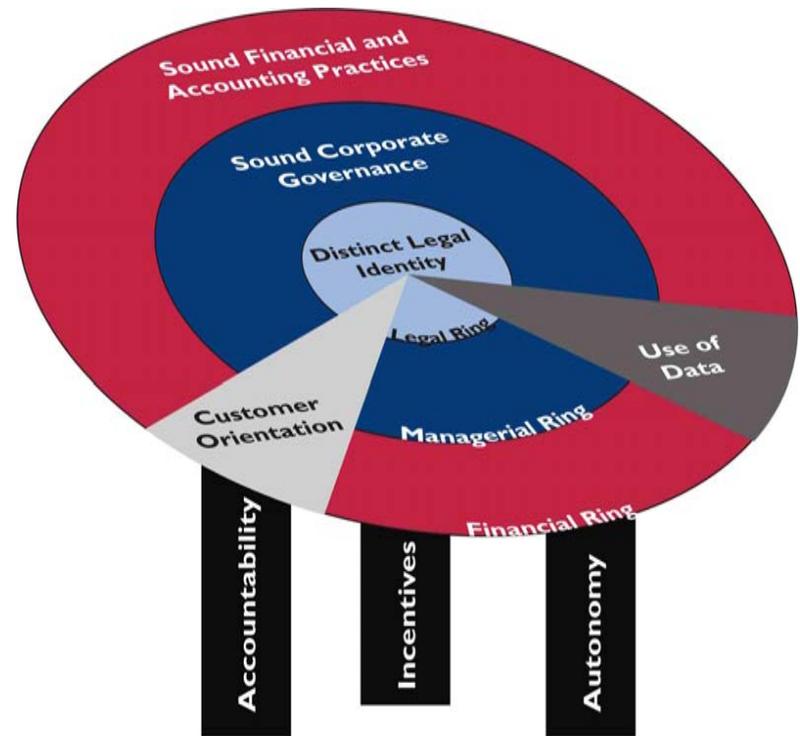


*These characteristics are interwoven and mutually supporting.*

# KEY CHARACTERISTICS OF CORPORATIZATION

Each characteristic should be designed to ensure a balance of:

- **Autonomy.** Each characteristic has to be designed to give the utility the autonomy to make sound corporate decisions.
- **Incentives.** The characteristics should be reinforced by a system of targets and incentives.
- **Accountability.** The company should be externally accountable for achievement against each of the characteristics.



Framework of a Corporatized Company

# KEY CHARACTERISTICS OF CORPORATIZATION

In this section, we discuss each of the key characteristics in turn, including:

- The **rationale** for adopting the characteristic,
- The **ways** it might be achieved, and
- The **mechanisms** and tools to support the characteristic.



# KEY CHARACTERISTIC

**CORPORATE GOVERNANCE**

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# CORPORATE GOVERNANCE

Corporate governance is the core of corporatization. It is the model of governance chosen to emulate a private corporation.

- A **governance model** refers to allocation of performance obligations among stakeholders and a related allocation of monitoring and enforcement obligations.
- The model makes transparent the objectives, rules, and procedures by which all stakeholders will engage with the utility.
- Business tools and mechanisms are used within the company to achieve, monitor, and enforce commercially oriented performance.



# CORPORATE GOVERNANCE

- A **fundamental goal of corporate governance** is to protect and enhance the long-term value of the company for the shareholders (government and others). This means increasing sales, controlling costs, and increasing revenues.
- Corporate governance has to protect against the siphoning of revenue and profits by politicians or others.
- A corporatized water company typically has a narrowly defined service obligation—specific to the delivery of water.





# CORPORATE GOVERNANCE

A Corporate Governance regime is implemented at three levels:

1. At a national level – establishing the commitment to corporate governance;
2. At the level of company/owner – establishing the relationship between the utility and its owners; and
3. At the company level – establishing the:
  - The Board, with associated powers and capacity;
  - The motivation and ability of staff to fulfill the Board's vision; and
  - The company's integrity among consumers, the general public, and investors.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 1: The National Commitment

- This commitment might take the form of a policy statement, a strategic framework for state-owned enterprises or a sector reform strategy statement.
- The statement makes transparent the government's intention to conform to its specified role and to delegate responsibilities to the level appropriate to the governance framework.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 1: The National Commitment

*There is a stated commitment to commercialization and improved corporate governance at a national level....*

- In **South Africa**, the [King Report on Corporate Governance 2002](#) set out a Code of Corporate Conduct which was widely adopted among government-owned companies.
- **Australia** implemented the [Council of Australian Governments' Strategic Water Reform Framework \(1994\)](#) which sets out long-term goals for economic and environmental sustainability. The framework includes pricing reform based on consumption-based pricing and full-cost recovery, the reduction or elimination of cross-subsidies and making subsidies transparent. Service providers are to have a commercial focus, whether achieved by contracting out, corporatization or privatization. Service providers are to benchmark their performance and achieve international best practice. Progress against the framework is reported annually by the water companies and assessed regularly by the National Competition Council.





# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 1: The National Commitment

*There is a stated commitment to commercialization and improved corporate governance at a national level....*

- India has developed The Principles of Corporate Governance for Public Enterprises (2001)
- Indonesia's Ministry of State Owned Enterprises has a mandate to reform SOEs to conform to sound corporate governance.
- Bangladesh has issued a corporate governance code which includes principles applicable to SOEs

*Even before full commercialization, there is increased commitment to corporate governance improvement.*



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

- The utility owners will include national and/or municipal government, local and/or international private sector, and others.
- The relationship between the owners and utility is established by a contractual document(s) such as a license, a performance agreement or a shareholders agreement.
- The type of contract is influenced by the ownership structure, the legal environment, and local precedent.
- The document typically contains the agreed obligations of each party, the reporting and monitoring requirements, and any incentives or penalties.
- The document helps establish the channels of accountability and the degree of autonomy.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract(s) reiterates the higher level commitment to commercial sustainability....*

- **Sydney Water** is governed by an Operating License issued under the Sydney Water Act 1994. The License sets out a requirement for Sydney Water to:  
*be a successful business and to this end operate at least as efficiently as any comparable business, maximise the net worth of the State's investment in Sydney Water, and exhibit a sense of social responsibility by having regard to the interests of the community in which it operates....*
- **Under the State-Owned Corporations Act 1989**: Sydney Water's Board must prepare, each fiscal year, a Statement of Corporate Intent (SCI) which is submitted to voting shareholders for comment and change. Wholly owned by the New South Wales government on the community's behalf, Sydney Water's shareholders are the NSW Minister for Finance and the Assistant Treasurer. The SCI specifies the commercial performance targets agreed between Sydney Water and its shareholders. Sydney Water's revenue, operational and capital budgets form the basis of these targets.





# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract reiterates the higher level commitment to commercial sustainability....*

- **National Water & Sewerage Corporation (NWSC)** of Uganda has a performance contract with the Government of Uganda (2003) which commits NWSC to:
    - *Increase efficiency by consolidating and enhancing the financial and commercial sustainability of NWSC....*
    - *Provide for the continued maintenance of financial equilibrium and sustenance of the achieved financial viability to improve operations; expand services; and provide a good platform to attract a higher level private sector operator in the NWSC.*
    - *Focus on the three key areas of Management & Operations, Sustainability and Tariff reform with emphasis to the provision of services to the urban poor.*
    - *[Measure progress in achieving financial viability and creditworthiness (NWSC's over-riding objective) against sound financial criteria as detailed in (an Appendix)].*
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# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract reiterates the higher level commitment to commercial sustainability....*

**Contract also calls for the government to:**

- *Permit full financial freedom to NWSC in all areas of operation.... (including capital expenditure, commercial borrowing to fund investment programs, staffing and salary levels, and tariffs), subject to the provisions of Legislation, The National Water Policy Document 1999 and the terms of this Performance Contract.*



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract(s) sets out respective obligations....*

- The relationship between the Municipal Government of Biesko-Biala (Poland) and **AQUA** is established through a performance agreement which is reviewed and updated annually between the two parties. A key provision of the performance agreement is:  
*a tariff adjustment clause including the ultimate tariffs to be approved by a municipal body.*
- The City of Johannesburg developed a service delivery agreement with **Johannesburg Water** which reflects overall municipal goals. The service delivery agreement includes:  
*Key Performance Indicators (KPIs) including quantifiable targets for UFW, revenue collection, and training targets.*  
On an annual basis, Johannesburg Water's performance against plan is published in the form of a scorecard.

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# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract(s) sets out respective obligations....*

- In Government's Performance Contract with **NWSC**, government agreed to grant NWSC full commercial freedom in carrying out a number of its activities including capital expenditure, commercial borrowing, staffing and tariffs. This arms-length approach from government helped depoliticize pricing and employment issues.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract establishes the monitoring and reporting framework....*

- Sydney Water's [Operating License](#) requires it to develop a Monitoring and Reporting Protocol within 6 months of License start. The Protocol shows how Sydney Water will record, compile, monitor, measure and report against the service quality and system performance indicators set out in the license.
- According to the Annual Reports Act 1984, Sydney Water must deliver an Annual Report including a section describing and explaining any deviation from targets set out in the Statement of Corporate Intent for the year.
- The Independent Regulatory and Pricing Tribunal has the mandate to ensure that an operational audit is done in accordance with the License. It monitors and reports to the Minister on License compliance.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract establishes the monitoring and reporting framework....*

- The [Assignment Agreement](#) between the **Water Authority of Jordan and the Aqaba Water Company (AWC)** requires AWC to issue an annual report (within 60 days of the end of the year) to the shareholders in the form prescribed by the Management Committee and as required by the Companies Law.
- The Agreement also requires that within ninety (90) days after the end of each calendar year, the General Manager shall prepare and submit to regulators an annual report on the management, operations, and finances of AWC during the preceding year, including copies of the audited financial statements with the auditors' notes and comments.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract establishes the monitoring and reporting framework....*

- Under the Performance Contract between **GOU and NWSC**, the Board commits to:
  - *Make recommendations on reporting procedures, the frequency and conduct of Board meetings, aimed at enhancing the effectiveness of NWSC as a whole....*
  - *Constitute a Monitoring and Evaluation Unit within NWSC ...keeping track of ...activities impacting reform and to collect and consolidate data and information on all the aspects of NWSC....*

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# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*The contract establishes the monitoring and reporting framework....*

- **The following information will be supplied to GOU:**
  - *Annual Corporate plan, presented prior to start of financial year, to include 3-year financial projections.*
  - *Annual Revenue and CAPEX budget to be submitted to GOU prior to start of financial year;*
  - *Audited Accounts to be submitted to GOU not later than 3 months after year end;*
  - *Annual Report submitted to GOU not later than 6 months after year end;*
  - *Quarterly management accounts to be submitted to GOU not later than 4 weeks after quarter end.*
  - *Monthly returns on the Key summary indicators for all the NWSC areas 3 weeks after month end. Key summary indicators include Sales, collections and arrears.*
  - *Any other information that may be requested by GOU in order to make an informed assessment of the performance of NWSC.*



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 2: Relationship between Owners and Utility

*Incentives and penalties are set out....*

- **AQUA** has to establish long-term plans for the development and modernization of its facilities; if targets in this plan are not met, it may lead to a withdrawal of the license for providing services. Under its company statutes, AQUA must provide quarterly information about the financial situation of the company to its Supervisory Board, which in turn has to report to the shareholders annually. If the company does not reach targets, the shareholders may take action as provided for in the regulations.
- The **Sydney Water Act** includes guidance on the enforcement of the operating license including authority for the regulator to require remedial action, imposition of monetary sanctions and even termination of the license.
- If the government is not satisfied with the performance of the **NWSC**, the minister may remove any or all of the NWSC directors other than the managing director.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

**An Independent Board** is one which is able to act independently from the controlling shareholder and to act in the best interest of ensuring the long term sustainability and value of the company.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

#### An Independent director means a director who:

- has not been employed by the Company in an executive capacity within last five years;
- is not, and is not affiliated with a company that is, an adviser or consultant to the Company or a member of the Company's senior management;
- is not affiliated with a significant customer, supplier, creditor or debtor of the Company (consider "significant" if over 5% of revenues);
- has no personal services contract(s) with the Company, or a member of the Company's senior management;
- is not affiliated with a not-for-profit entity that receives significant contributions from the Company;
- within the last five years, has not had any business relationship with the Company (other than service as a director) for which the Company could have been viewed as having a conflict of interest;
- is not employed by a public company at which an executive officer of the Company serves as a director;
- is not a director or senior management of companies in which the issuer's President or senior management have a seat on the Board;
- has not had any of the relationships described above with any affiliate of the Company; and is not a member of the immediate family of any person described above.

Source: [Deutsche Bank Corporate Governance Research](#)





# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and able to make independent decisions. Different Board structures are possible with differing degrees of independence....***

- [AQUA](#) has a Supervisory Board and a Management Board—a two-tier board structure. The Supervisory Board (at least 5 members) oversees the company’s activities and reports to shareholders. Three members are appointed by the municipality (51% owner) and the other two by the strategic partner (33%). The five members are approved by a majority vote of shareholders. During its first session, the Supervisory Board appoints the Chairman and Vice Chairman.
- In the case of AQUA, the two person Management Board is appointed (and can be dismissed) at a shareholders meeting. The Management Board is responsible for day-to-day operations of the company.
- The Warsaw Stock Exchange Best Practices Code 2005 calls for at least two directors to be independent.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and represent independent decision making. Different Board structures are possible with differing degrees of independence....***

Sydney Water's Chairman and Board of Directors (up to 10 members) are appointed by the Shareholder Ministers. Advertising for nominations to the Board is a requirement under the Sydney Water Act 1994. Advertising ensures that Board composition and candidacy is sourced widely. It is a statutory requirement that the Board is composed of Directors with separate expertise in:

- Business management,
- Protection of the environment, and
- Public health.

The Governor appoints the Managing Director following an initial recommendation by the Board.





# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and represent independent decision making. Different Board structures are possible with differing degrees of independence....***

- [Johannesburg Water](#) has a single-tier Board of 11 members. Board members cannot be members of the City Council. The Board selected by a committee of City Councillors, from applicants responding to a public advertisement and includes a specified range of sector professionals and community representation including legal, financial, community, environmental, commercial, and human resource skills. The Chair is appointed from a short list of two people identified by the Board itself.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and represent independent decision making. Different Board structures are possible with differing degrees of independence....***

- [Singapore's PUB](#) is a statutory board governed by the Public Utilities Act 2001 and can be classified as a utility under direct public management. It is owned by the government through the Ministry of Environment. The utility is governed by a Board of Directors comprising a Chairman and not less than 5 or more than 10 members who are selected by the Minister of Environment. The members of the Board are selected so as to represent a broad spectrum of the stakeholders who can contribute to discussions on the workings of the organization. At present, there are 10 board members and they are from the academe, union, parliament, investors, finance and auditing sector, semiconductor industry, petroleum industry, military, NGO, and the public sector.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and represent independent decision making. Different Board structures are possible with differing degrees of independence....***

- The [NWSC](#) Board of Directors consists of the Chairman, the Managing Director and seven other Directors, one of which must be the Director of Directorate of Water Development. The Board of Directors is appointed by the Minister of Water, Lands and Environment. In appointing the Board of Directors, the Minister selects people with qualifications in: (i) the business of NWSC, (ii) public finance, banking or economics, (iii) water supply or sewerage engineering, (iv) business management, (v) commerce or industry, (vi) environmental management, and (vii) public health. The Minister reserves the right to select directors from persons in the public or private sectors.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***A Board is appointed to ensure the long-term value and sustainability of the company. To be most effective, the Board members have to be qualified and represent independent decision making. Different Board structures are possible with differing degrees of independence....***

- The [Aqaba Water Company](#) has a single tier Board of 7 members—5 members (including the chairman) from the Ministry of Water and Irrigation/Water Authority of Jordan (85% owner), and 2 members from the Aqaba Special Economic Zone (15% owner, the service area). The Company Law requires that board representation for government and corporate shareholders be proportional to ownership. Finally, the government can (and does) own a golden share with a veto over any AGM or board decision, per Article 14 of Privatization Law 25 of 2000. The Members elect a Chair and Deputy Chair from their number.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***Board and management have appropriate guidance on designated roles...***

- **Sydney Water's** corporate governance is built upon a statutory framework prescribed by the [Sydney Water Act 1994](#) and the [State-Owned Corporations Act 1989](#). The Board is accountable to the NSW government through a Portfolio Minister and two Shareholder Ministers.
- The Board of Sydney Water has adopted a Code of Conduct based on Principles developed by the Australian Institute of Company Directors:
  - To act honestly, in good faith and in the best interests of Sydney Water Corporation as a whole;
  - To use care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
  - To use the powers of office for a proper purpose, in the best interests of Sydney Water Corporation as a whole;
  - To recognize responsibility and accountability to the State of New South Wales, the Shareholder Ministers and other stakeholders of Sydney Water Corporation;
  - Not to make improper use of information acquired as a Director; and
  - Not to take improper advantage of the position of Director.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

### Level 3: Internal to the Company

***Board and management have appropriate guidance on designated roles...***

- **The Polish Institute of Directors** has developed training courses for directors of listed companies and helped develop the Best Practices Code.
- The Board of Directors governs **National Water and Sewerage Corporation** on behalf of the Government of Uganda. The Board of Director's functions and responsibilities are set out in the National Water and Sewerage Corporation Act 2000 and these include:
  - Developing strategies and major policies for the Corporation;
  - Approving the annual operating plans, the financial statements and major procurements and disposals;
  - Ensuring that appropriate systems and practices are established for the management, financial planning and control;
  - Ensuring high standards of corporate and business ethics;
  - Regularly reporting to the Minister of Water, Lands and Environment on the performance of the Corporation; and
  - Overseeing the performance of senior management.

# CORPORATE GOVERNANCE

## Mechanisms and Examples

*There is an established system of personnel incentives to support corporate objectives....*

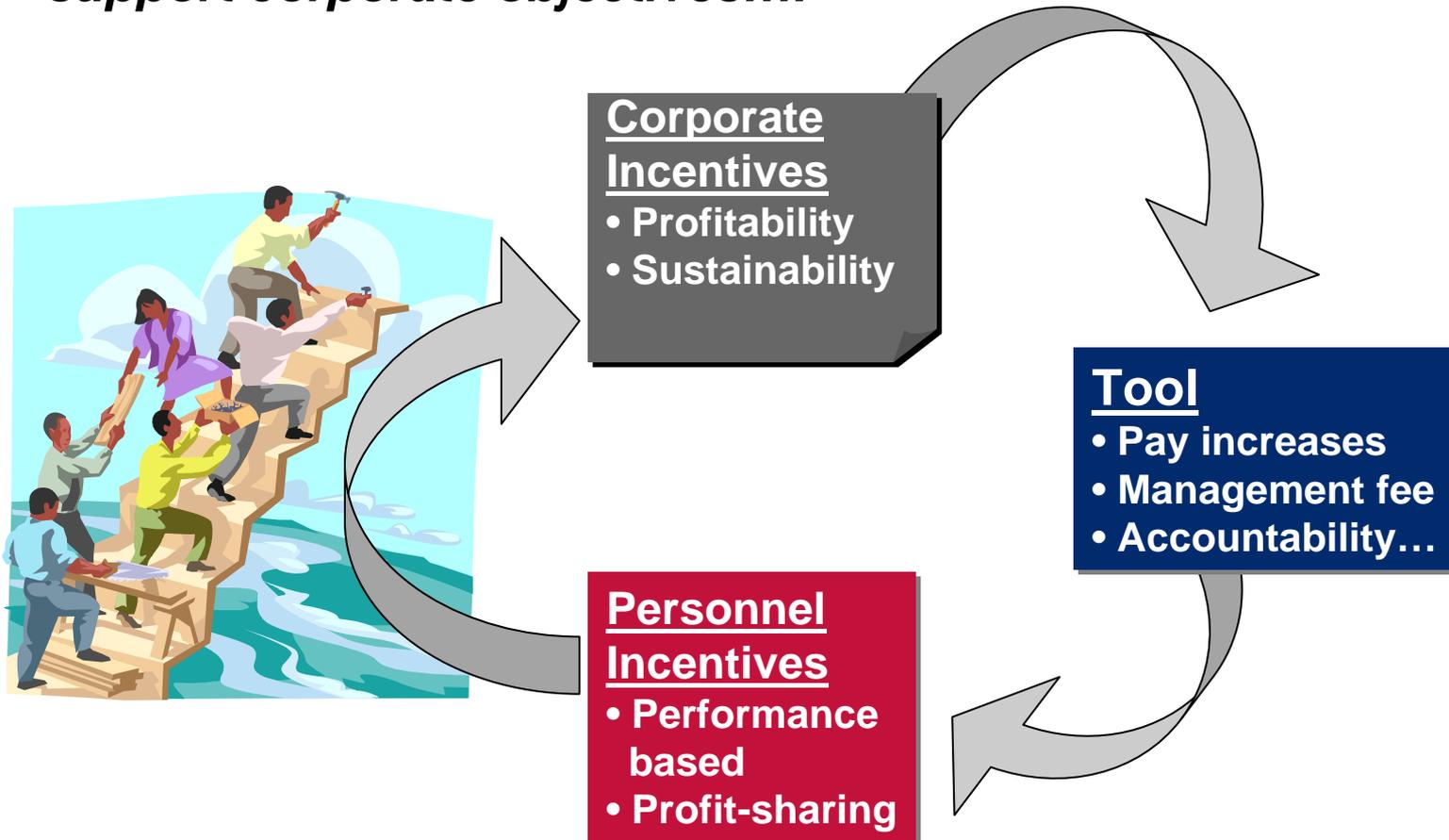
- In 2004, **Singapore's Public Utility Board** moved from tenure-based fixed incremental pay increases to a system of performance-based merit increases. The system was introduced first to executives and then negotiated with the PUB Employees' Union.
- In **Uganda**, the key staff members of the regional utilities are paid a management fee which includes a Fixed Fee (covers 100 % of uncontrollable and 75 % of controllable monthly costs), Performance Fee (covers 25 % of controllable costs provided all minimum performance standards are met), and Incentive Fee (extra payments for exceeding minimum performance standards)
- **Sydney Water's** Managing Director is accountable to the Board through an Instrument of Conferral of Powers and Authority granted by the Board, an Employment Agreement, and a Performance Agreement. Performance of the Managing Director is reviewed every six months. The Managing Director is the sole Executive Director on the Board.



# CORPORATE GOVERNANCE

## Mechanisms and Examples

*There is an established system of personnel incentives to support corporate objectives....*





# CORPORATE GOVERNANCE

## Mechanisms and Examples

***The operations and performance of the Board and company are transparent to the public, fostering a reputation of integrity...***

- The Web sites typically contain the Annual Reports, guiding legislation and regulation, and biographical details on Board members.
- **Sydney Water's [Annual Report](#)**, available on the Web site, reviews Sydney Water's performance against Corporate Plan, records financial performance, reviews Sydney Water's performance against its Indicators and reports voluntarily against sustainability reporting guidelines developed by the Global Reporting Initiative (United Nations).
- Some countries choose to televise their Board meetings or the Board appointment interviews.
- Open advertisement of the open Board positions provides transparency in the identification of candidates.

# CORPORATE GOVERNANCE

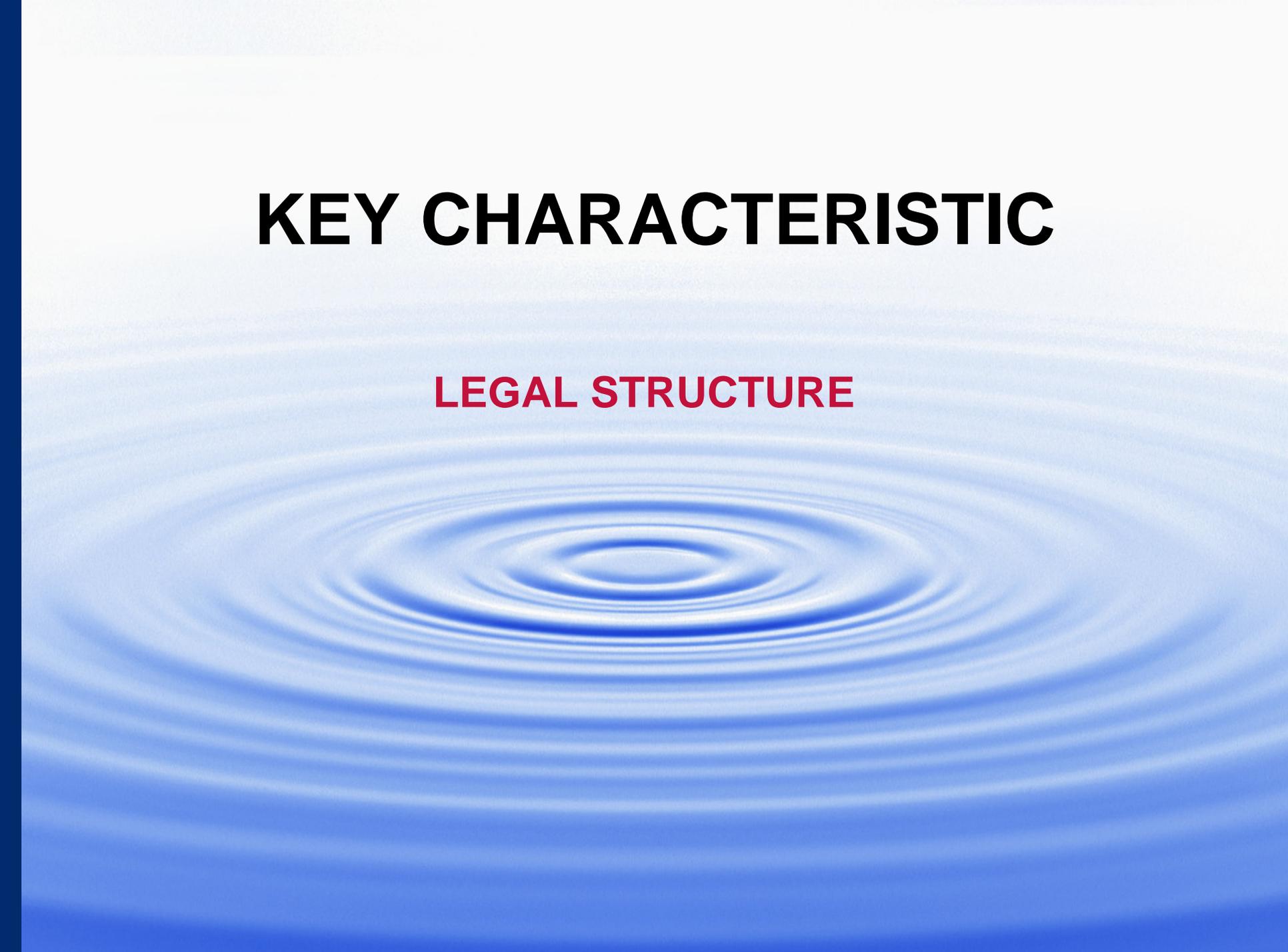
## ***Common to the effective corporate governance structures are....***

- Defined and transparent mechanisms to monitor performance
- Non discrimination of government against other shareholders
- Vesting the appropriate authority in the company and its Board
- Creating confidence and sustainability through transparency, documentation, and training.
- Clear channels for reporting and accountability
- Alignment of individual incentives with corporate incentives with owner incentives.



# KEY CHARACTERISTIC

**LEGAL STRUCTURE**

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# LEGAL STRUCTURE

## Importance to Corporatization

- The legal transformation to a corporate entity changes the relationship of the government to the utility, giving government a clear role as owner.
- Under a corporatized legal structure, the corporate board has defined interests or priorities in relation to the company.
- In most cases, the legal regime for a corporatized utility provides a more rigorous system of performance expectations and oversight than the system within which a government department operates.
- Typically, the legal regime for a corporatized utility provides a greater degree of organizational autonomy.



# LEGAL STRUCTURE

## Mechanisms and Examples

### *Different legal and ownership structures are possible....*

- **Aqaba Water Company** is a limited liability company formed under the Companies Law, 85% of its shares are with the Water Authority of Jordan and 15% with the Aqaba Special Economic Zone Authority.
- AQUA S.A. of Poland is a Joint Stock Company, 51% owned by a municipality and 33% by a strategic investor, among others. It is incorporated and operates under the Code of Commercial Partnerships and Companies (CCC) 2001. The CCC governs the company's activities, the relationship to shareholders, and the disclosure and audit requirements.
- COPASA is a mixed public-private corporation (or mixed capital company) owned by the State (Minas Gerais, 60%), the largest city (Belo Horizonte, 30%), a market float (10%), and other shareholders (-1%). It was established under the State company law. Under a municipal law, Belo Horizonte was able to sell its water and sewerage network to COPASA in return for ownership of about 10% of COPASA's capital and ability to participate in the Administrative Council.

Companies governed by private corporate law and operating as private sector corporations in which government is just a shareholder



# LEGAL STRUCTURE

## Mechanisms and Examples

***Different legal and ownership structures are possible, including public companies or statutory bodies....***

- **Johannesburg Water** is a Limited Liability Company spun off from local government in 2001 under the Local Government Affairs Act. The City of Johannesburg is the sole shareholder.
- **NWSC** is a government parastatal, or “autonomous water board”, wholly owned by the Government of Uganda. Its responsibilities are set out in the Water Statute 1995.
- **PUB** is a statutory board under the Singapore Ministry of the Environment and Water Resources established under the Public Utilities Act 2001 (PU Act).
- **Sydney Water** is a state-owned corporation owned by the people of New South Wales, Australia. The corporation has two shareholding ministers—the Minister for Infrastructure and the Minister for Finance and Commerce. The guiding legislation is the State-Owned Corporations Act of 1989 and Sydney Water Act of 1994.

Government-owned corporations are regulated by the laws of public enterprises, and in the case of statutory bodies, they are defined as public corporations by virtue of the law that created them.



# LEGAL STRUCTURE

## Mechanisms and Examples

### ***Government ownership and oversight is through different vehicles....***

- In some cases, like Poland or Singapore, government ownership is centralized. That is, one government entity holds all the shares in the variety of state-owned corporations. This entity might be a national holding company or a Ministry of Finance or Treasury.
- Some countries, like Kenya and South Africa, have a dual system where the line ministry is responsible for certain aspects of performance while a Ministry of Finance or Public Enterprises plays a role in ensuring financial performance and asset management.
- Some countries decentralize ownership to a state shareholder.
- Pension funds and privatization/restructuring funds may also hold shares.

[Held by the Visible Hand: The Challenge of SOE Corporate Governance for Emerging Markets, World Bank, May 2006](#)



# LEGAL STRUCTURE

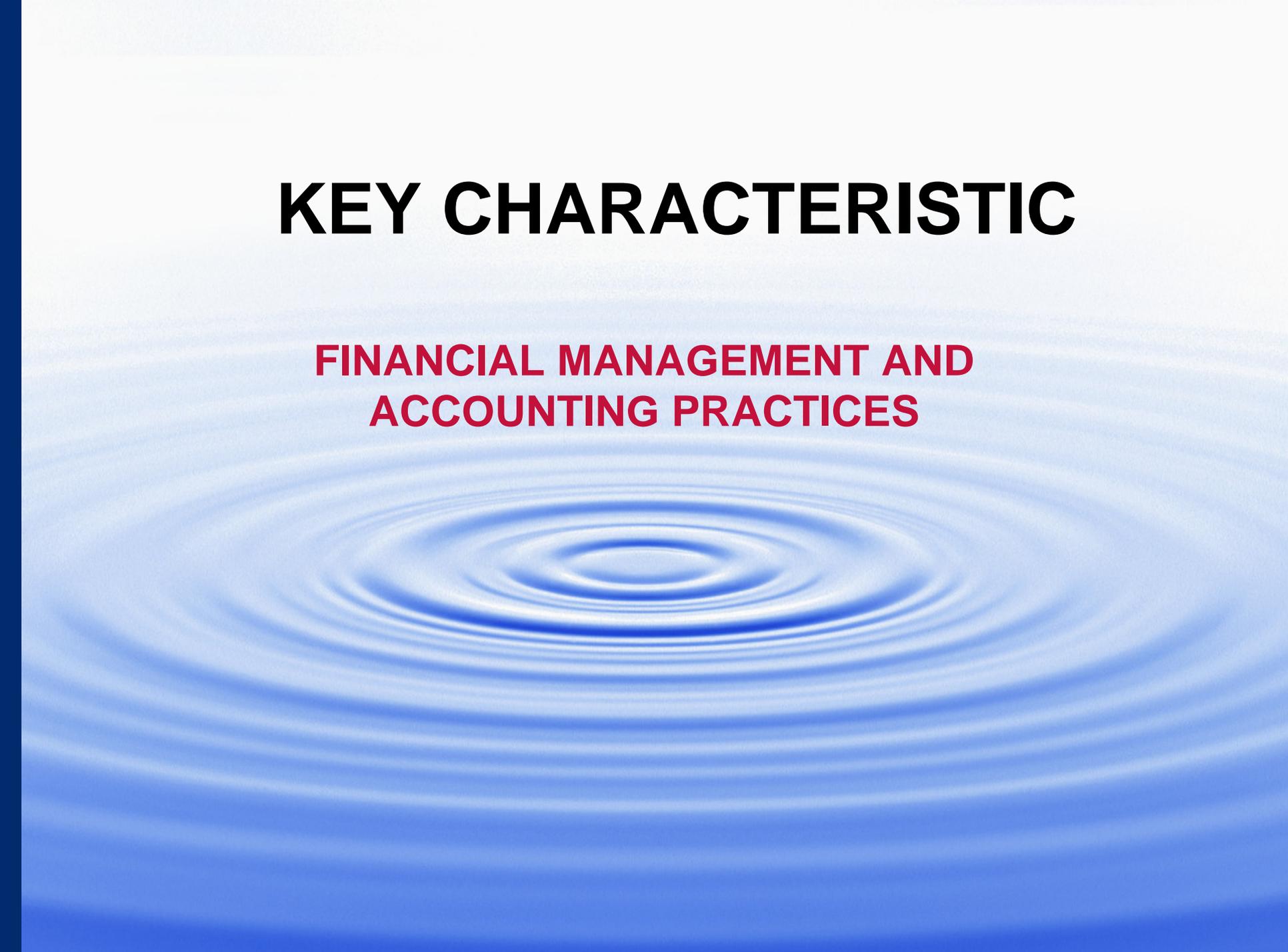
## *Common to the effective legal structures are....*

- A legal framework comparable to that of non-government owned commercial companies,
- Provision for Boards of Directors,
- Clarity of corporate objectives,
- Transparency of obligations of each party,
- Requirement for commercial orientation,
- External accountability, and
- Documented targets and performance expectations.



# **KEY CHARACTERISTIC**

**FINANCIAL MANAGEMENT AND  
ACCOUNTING PRACTICES**



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Relevance to Corporatization

Within a corporatized utility, it is more likely that:

- The utility will have a documented and demonstrated commitment to achieving financial sustainability.
- The utility sees customer revenue generated through core services as a key source of financing (rather than, for instance, government transfers) and treats consumers and customer accounts accordingly.
- The utility has defined goals to recover, at least, O&M and possibly investment costs, depreciation, and debt service.
- The service goals are established with due consideration of the financial resources available to the utility (including customer revenue, loans, and government subsidies). There is no financing gap.
- There are channels to ensure that the tariff setting and approval process is appropriate to the overall business, investment, and financing plans.



## Relevance to Corporatization

A corporatized utility is likely to achieve its commercial goals through improved financial management and accounting tools and effective use of financial information:

- Financial information is proactively collected, analyzed and used for improved planning, management and oversight;
- GAAP is in place; and
- Audit tools are used to verify appropriate financial practices.

# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

### *There is a commitment to long-term financial sustainability...*

- The [Memorandum of Understanding](#) among the Jordanian Ministry of Water and Irrigation, the Water Authority of Jordan, and the **Aqaba Special Economic Zone Authority** sets out an agreement that all parties agree that the Aqaba Water Company will be...”operated as a financially viable, self-sustaining entity that will be run under commercial principles and promote private sector participation.”
- In 2004, **PUB** implemented the [Price – Minus Philosophy](#) which seeks to drive down costs while increasing value to customers. PUB is the first statutory board in Singapore to adopt this government-wide initiative. The philosophy seeks to balance the need for water sustainability with financial sustainability through development of deliberate cost-effective strategies for the future. The philosophy is underpinned with an organizational structure that improves accountability for performance and employee rewards for performance.



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

*The emphasis is on planning for long-term financial sustainability...*

- A [Memorandum of Understanding](#) between the Government of Uganda (GoU) and the **National Water and Sewerage Corporation** identifies the “...perpetual accumulation of arrears by Government of Uganda Ministries...as a threat to both the smooth operations and financial viability of NWSC....

The Memorandum sets out an agreement by which the GOU resolves current arrears and takes necessary steps to prevent accumulation of future arrears.

- According to its [Performance Agreement](#) with the municipal government, **AQUA** commits to maintaining financial viability in order to be able to invest. The Agreement includes projections of the financial position required for financial viability and annual financial performance indicators which AQUA must attain for a satisfactory financial position. AQUA commits itself to maintaining these indicators through a combination of revenue increases and expenditure decreases.



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

### ***A corporatized utility values customers as a source of revenue...***

- NWSC states as one of its core values:

#### **SATISFIED CUSTOMERS**

Happy and satisfied customers pay their bills promptly.

- [Volume 3, Issue 2 of The Water Herald, the NWSC Newsletter](#), states:  
*By keeping customers happy, they can increase sales and profitability for the business. This will also lead to both the acquisition of new customers as well as the retention of the old ones. Any change in service delivery should always bear a customer focus because “The Customer is the Reason we exist.”*
- COPASA states as part of its [strategy](#) an intent to:  
*...continue to enhance the quality of the Company's services and operating procedures, operating in a safe, expeditious and efficient way in meeting the needs of the Company's customers and by offering new products and services. COPASA believes that by operating in this way COPASA can help to ensure the satisfaction and the loyalty of the Company's customer base.*



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

*The utility has defined goals for cost recovery...*

### **Sydney Water Annual Report:**

*Our user-pays policies encourage water conservation and reflect competition policy commitments to water pricing based on full cost recovery and the amount of water used. This initiative covers water users, sewer users and dischargers of trade waste. Sydney Water's user pays approach to pricing extends to new developments. To ensure that the true cost of providing water and sewerage services to new developments is covered, Sydney Water raises revenue via developer charges.*



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

*The utility has defined goals for cost recovery...*

### **NWSC Performance Contract with the Government:**

- *The parties to this Performance Contract agree that the current NWSC tariff is not a full cost recovery tariff and has a distorted structure. The tariff policy must therefore be reviewed based on the following principles:*
- *The level of tariffs must in the long run cover the total costs of NWSC and must provide a return on the assets employed in the business.*
- *NWSC's costs must be limited to those, which are necessary to deliver an acceptable level of service to its customers in an efficient and effective manner, and which provide for a adequate risk management costs.*
- *In the long term the level of tariffs must be sufficient to provide for the rehabilitation, the on-going maintenance and eventual replacement of ageing assets, and to provide a partial self-financing component for future investments.*
- *In the longer term, tariffs should be based on Long Run Marginal Cost (LRMC) principles to ensure the economic allocation of resources.*
- *Tariff policy should be based on minimising the level of cross-subsidization between customer classes.*



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***The tariff setting and approval process supports the service, business, investment and financing plans...***

- AQUA's tariffs for water supply and sanitation services are determined annually by the utility and approved by the commune council. AQUA and the Municipality of Bielsko-Biala agree to annual tariff increases for the core services connected with water supply and wastewater collection in the area of the municipality in accordance with an indexing formula which distinguishes between increases in real terms and those necessitated by inflationary cost.
- Under the [Performance Agreement](#) with AQUA, the municipality confirms its full support for effective collection of tariffs by AQUA. In particular, it will uphold AQUA's right to discontinue service after appropriate notice in accordance with the Civil Code provisions for delinquent customers. In the event that for social reasons the municipality requests that AQUA continue service delivery for a customer or group of customers in arrears, the municipality will reimburse AQUA for the sums due by these customers before the normal date of the service cut. Likewise, any request by the municipality to AQUA to provide free or discounted services to any persons, associations or enterprises for social or other reasons will be acted upon by AQUA only after it receives from the municipality full financial compensation for the lost revenues arising from this request.



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***The tariff setting and approval process supports the service, business, investment, and financing plans...***

- **NWSC** management initiates tariff-setting procedures and proposes changes or improvements in the tariff to the board. After board review and approval, the tariff changes are forwarded to the ministry for approval and eventual gazetting. In effect since April 2002, the tariff is indexed annually to take into account inflation and the depreciation of the Uganda shilling against foreign currency.
- **COPASA** went from a loss situation in 1992 to a positive result in 2003 through implementation of a strategic plan developed through a participatory process. The plan included implementation of a re-evaluation of the tariff model and adjustments of tariffs.
- **In Johannesburg**, the municipal government publishes a [Service Delivery and Budget Implementation Plan](#) which explicitly links the service targets for the coming year with the sources of financing.



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***The tariff setting and approval process supports the service, business, investment and financing plans...***

- The [Development Agreement](#) between the **Aqaba Water Company** and the Aqaba Special Economic Zone Authority sets out a schedule of current subsidies being provided by the Government of Jordan.

The Agreement states:

- *AWC shall provide its services on commercial terms according to a Tariff Schedule based on the Allowed Revenue formula and, wherever practical, work towards reducing or eliminating any Services to any Customer on any subsidized basis.*

and

- *AWC shall not subsidize any Service in any other manner whatsoever except as permitted by ... the Performance and Operating Procedures.....*

and

- *Any additional subsidies beyond the current levels, will be fulfilled pursuant to AWC's Management Committee decisions based on feasibility results and policies determined by the Council of Ministers.*



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

### ***Financial information is proactively collected, analyzed and used...***

- With the admission of [COPASA](#) to the *Novo Mercado* (New Market) of the São Paulo Stock Exchange (BOVESPA), COPASA, its shareholders, managers and members of the Fiscal Council are subject to the provisions of the *Novo Mercado* Listing Rules of BOVESPA. COPASA now operates a Financial Accounting System, following a transition and training program of its finance staff. The FAS system generates necessary financial reports including Income Statements, Balance Sheets, Cash Flow Analyses, Payroll and others on a monthly basis, with all accounting transactions addressed in accordance to international accounting standards. The fixed assets register and assets transactions and corporate inventories are also maintained and managed through the FAS. The company is currently finalizing the assignment of a specialized external entity to conduct the assessment of re-evaluating fixed assets assigned by the owners at the time of transfer. Once finalized, this valuation will help the management to develop financial indicators for benchmarking and performance measurement.



# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***Financial information is proactively collected, analyzed and used...***

- [Aqaba Water](#) has a newly implemented finance and accrual-based accounting system based on Oracle® e-business will allow managers to keep track of the daily operations of the company with accurate estimations and a transparent way to handle the finances. The new system will allow AWC determine precise costs so subsidized activities will clearly be identified.

# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***Laws and regulations specify the financial and accounting practices to be implemented...***

- The **New South Wales (Australia)** [State-Owned Corporations Act of 1989](#) requires each corporation to develop an annual Statement of Corporate Intent which includes the accounting policies to be applied in the financial reports.
- The Public Finance and Audit Act of **New South Wales** further requires that the financial report should be in accordance with Australian Accounting Standards and according to other statutory requirements.

# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

***Laws and regulations specify the financial and accounting practices to be implemented...***

- The Municipal Finance Management Act of South Africa requires the City of Johannesburg to appoint an Audit Committee for **Johannesburg Water**.
- The Memorandum of Association related to **Aqaba Water** states that the Management Committee shall, at a minimum, keep accounting records according to Generally Accepted Accounting Practice. The Assignment Agreement has also the same principle although referred as to International Accounting Standards.

# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

### *There is provision for independent audit...*

- **Aqaba Water** is now independently audited in accordance with International Standards on Auditing.
- **NWSC** produces an Annual Report, and the NWSC accounts are audited by an External Auditor appointed by the Auditor General. The Annual Report, Audited Accounts and Auditor's Report are forwarded to the Minister and Parliament for review and further action if necessary.
- **PUB's** annual accounts are required to be audited by the Auditor-General or an auditor appointed annually (external auditor) by the Minister in consultation with the Auditor-General.

# FINANCIAL MANAGEMENT AND ACCOUNTING

## Mechanisms and Examples

### *There is guidance on dividends and investment...*

- Provision of dividends has to be balanced against social objectives, reinvestment requirements, and the financial strength of the company
- In South Africa companies have to assess and report the potential value of reinvestment and maintain a specified capital structure before approving any dividend pay out.
- In 2006 The Productivity Commission in Australia became concerned at the dividends being paid to state governments in Australia, raising questions about the appropriateness of these payments versus reinvestment.

# FINANCIAL MANAGEMENT AND ACCOUNTING

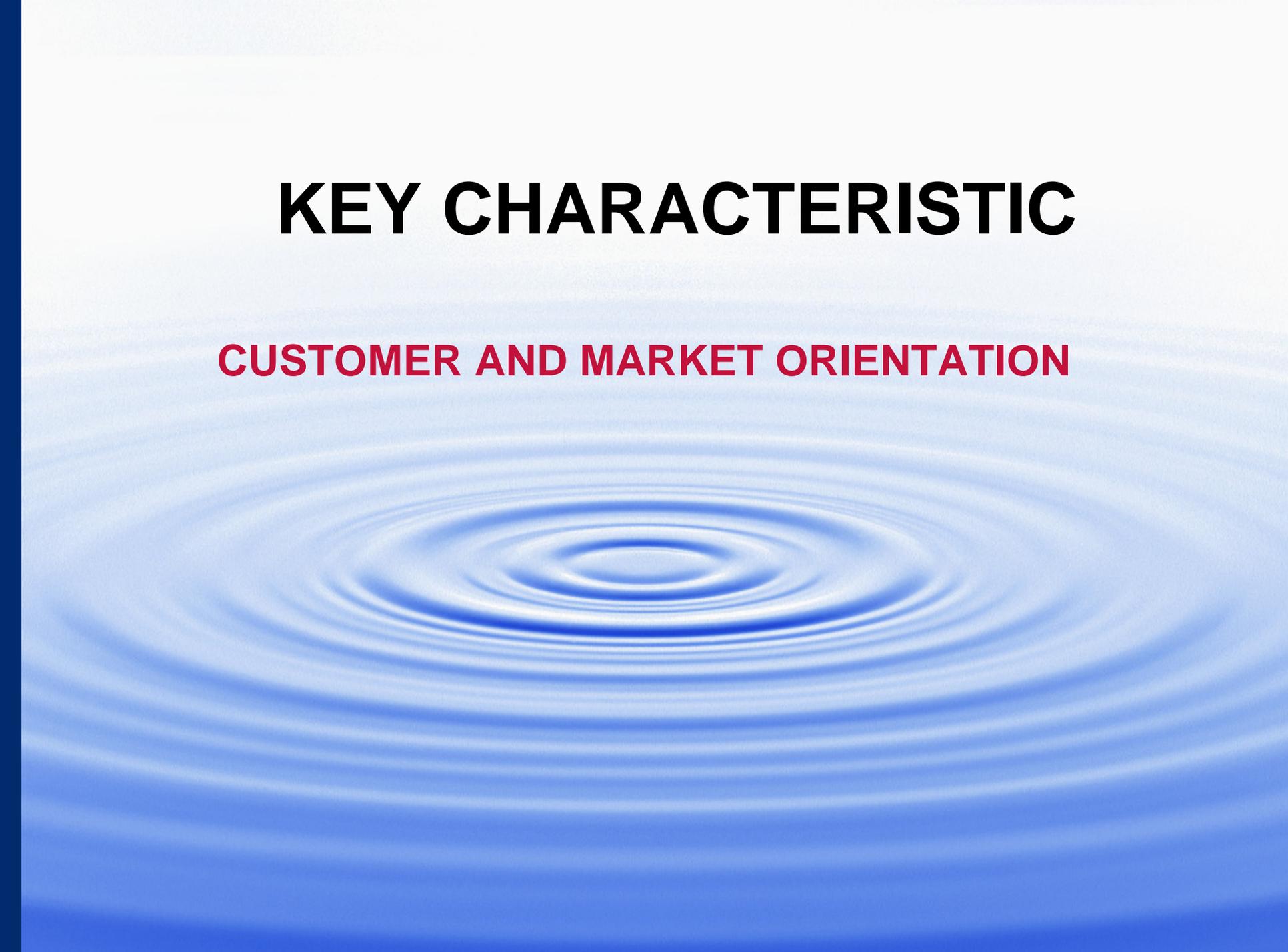
***Common to the effective financial management and accounting mechanisms are....***

- Clear financial targets and policies related to cost recovery, profitability, dividends, subsidies and other performance indicators.
- An adequate financial reporting system and trained staff
- Internal financial controls through the Board and external (independent) audit, including potential for special audits
- Publicly available financial information complying with international standards
- A willingness to evaluate financial results of the corporatized company in the same way a private company would be evaluated



# **KEY CHARACTERISTIC**

**CUSTOMER AND MARKET ORIENTATION**



# CUSTOMER AND MARKET ORIENTATION

## Relevance to Corporatization

Within a corporatized utility, it is more likely that:

- There is a formal contract with customers or statement of its service obligations to customers.
- Techniques and mechanisms are developed to encourage and facilitate bill paying and customer outreach.
- Customer satisfaction is measured and evaluated. Satisfaction is seen as important to maintaining a positive revenue stream even when there is limited competition.



# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

### ***Customer Contracts or Charters spell out the respective obligations...***

- The rights and duties of customers in **AQUA's** service area are provided for in the [permit](#) for providing services issued by the commune. A customer can receive compensation for services below the agreed standards.
- The [Operating License](#) for **Sydney Water** includes Schedules for Customer Service and the Customer Charter.
  - The Customer Contract sets out the rights and obligations of customers and Sydney Water in relation to the services provided through systems required under the License.
  - A copy of the Customer Contract, and any variations to it must be made available from Sydney Water's offices on request free of charge and posted on Sydney Water's Web site on the Internet for downloading by any person also free of charge.

# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

### ***Customer Contracts or Charters spell out the respective obligations...***

- **NWSC** has a [customer charter](#), which specifies the service standards that NWSC commits itself to meet while providing water supply and sewerage services to its customers. These standards include, among others, the quality of the water, the continuity of service, the speed of new connections and reconnections, the conditions for disconnections, etc.
- In **Aqaba Water**, the [agreements](#) on customer service procedures were incorporated in company by-laws. The content of the procedures is very detailed, with clauses to be included in customer contracts, special information to be part of required forms, amount of deposits, notices, rendering of payment of bills and treatment of disputed bills, discontinuance and restoration of service. The agreements also included information that should be publicly available to customers, characteristics of temporary service, continuity of service, characteristics of service to main extensions, service connections and meters and customer facilities. Detailed information on meters such as relocation, tests, and adjustment of bills for meter errors were part of the agreements between parties.

# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

***Techniques and mechanisms are developed to encourage and facilitate bill paying and customer outreach...***

At the start up of **Aqaba Water**, there was a focus on the Customer Services Department and customer outreach including:

- The Customer Services Center was remodeled and is now open 24 hours a day, 7 days a week.
- Department staff has received training on their new roles, the importance of serving customers, and communication methods.
- Customer service guides for residential and non-residential customers were produced explaining how to apply for connections, the importance of paying their bills on time and other information they need.
- Many of the forms used for customers have been revised and made easier to use.
- An information sheet for community and industry leaders entitled “Introducing the New Aqaba Water Company” has been produced in Arabic and English to explain why the company was established and how it operates.
- The billing system has been computerized and the bills made easier to understand.
- A briefing to community leaders was held to introduce the AWC as a business-oriented company and to answer their questions and gain their support.



# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

***Techniques and mechanisms are developed to encourage customer outreach...***

The [Operating License](#) of **Sydney Water** allows it to make use of a customer council to provide it with high quality advice on the interests of customers and consumers of Sydney Water and on the customer contract and on such other key issues related to Sydney Water's planning and operations. Sydney Water must appoint the members of a customer council and the membership of the customer councils must include a representative from at least each of the following:

- Business and consumer groups,
- Low-income households,
- People living in rural and urban fringe areas,
- Residential consumers,
- Environmental groups,
- Local government, and
- The Ethnic Communities Council.



# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

*Customer satisfaction is measured and assessed....*

PUB has an extensively defined commitment to customer service:

- **Customer Service Philosophy.** “PUB is a customer-focused water utility, providing quality water, used water, and drainage services in Singapore. PUB believes in caring for customers. Our customer-centric culture is illustrated through one of our core values ‘we proactively strive to meet our customers’ needs’.”
- **C.A.R.E Model.** “The ‘C.A.R.E’ model illustrates the cycle of interaction between PUB and its customers. When feedback is received from the public (CALL), immediate action (ACTION) should be taken by recording all necessary information and/or forwarding it to the relevant department for follow-up actions (RESPONSE).”
- “The feedback must be monitored and tracked. Once follow-up actions have been taken, and the matter resolved, the department should evaluate (EVALUATE) the causes and take measures to prevent recurrence. Finally, we should inform the customer of the outcome and results.”

**Key Performance Indicators.** PUB tracks against a range of indicators requiring response



# CUSTOMER AND MARKET ORIENTATION

## Mechanisms and Examples

### *Customer satisfaction is measured and assessed....*

- The annual [Scorecard](#) of **Johannesburg Water's** performance issued by the City of Johannesburg includes reporting on responsiveness to customers.
- According to its [license](#), **Sydney Water** must maintain records that are sufficient to enable it to accurately measure its performance against the customer service indicators set out in a schedule to the license. Each year, Sydney Water must report to the regulator its performance against the customer service indicators.

# CUSTOMER AND MARKET ORIENTATION

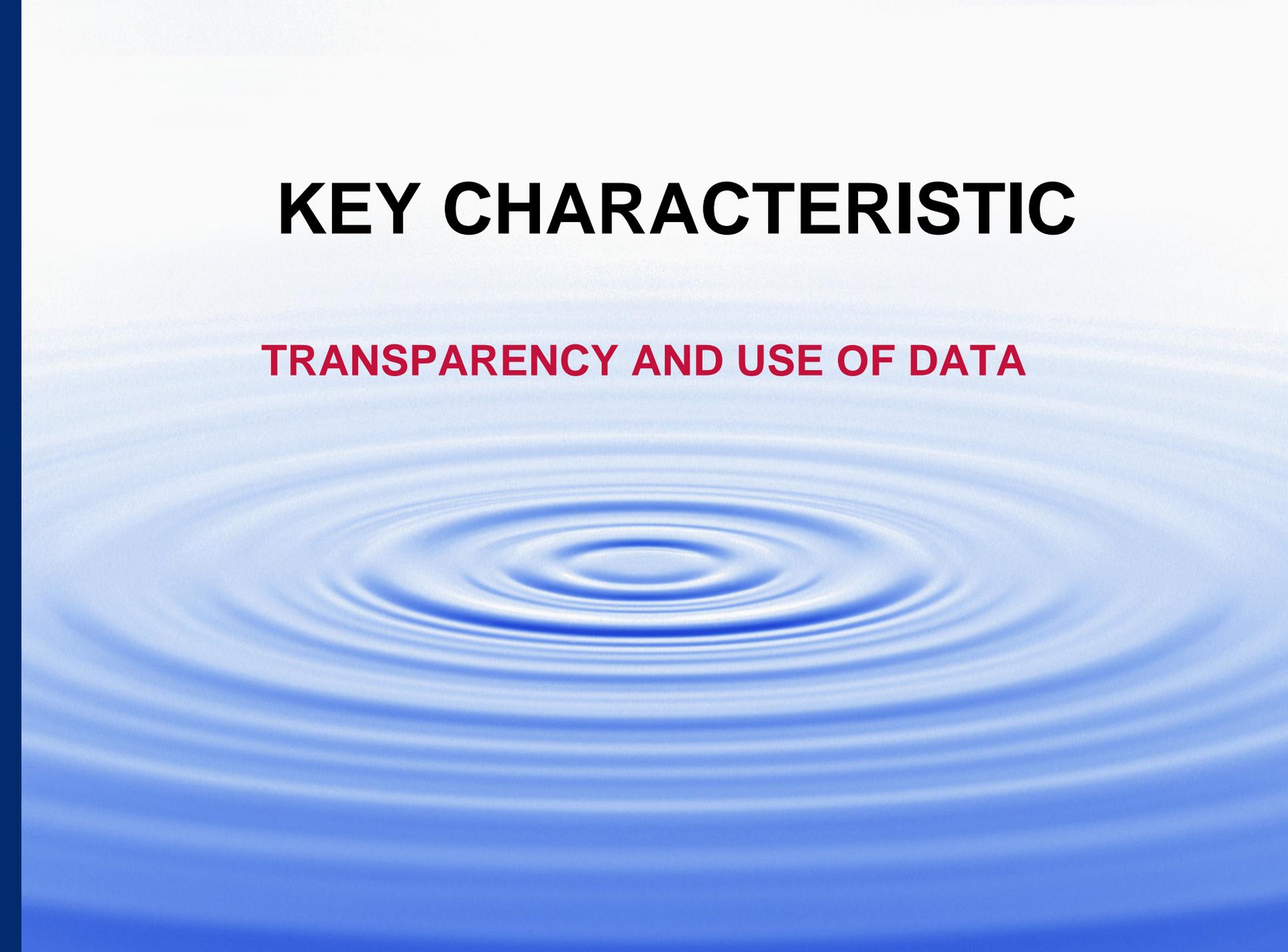
***Common to the effective customer and market orientation are....***

- Recognition of customer value as a source of revenue
- Consultation and communication with customer to establish demand responsive service
- Monitoring and reporting on clear targets for improving customer satisfaction
- Transparent commitment to the customer through a customer contract or charter and through actions



# KEY CHARACTERISTIC

TRANSPARENCY AND USE OF DATA

The background of the slide features a blue gradient with a central focus on concentric ripples, resembling a drop of water hitting a surface. The ripples are most prominent in the lower half of the slide, creating a sense of depth and movement. The overall color palette is various shades of blue, from light to dark.

# TRANSPARENCY AND USE OF DATA

## Importance to Corporatization

- Transparent framework for setting and measuring achievement against government objectives establishes public credibility, confidence, and accountability.
- Information provided to oversight bodies allows for Board and management to be held accountable for results.
- Information flows within a company allow better management and targeted activity.
- Data can be used effectively to create a system of incentives linking personal goals (compensation) and corporate performance.

# TRANSPARENCY AND USE OF DATA

## Mechanisms and Examples

*There is a transparent framework for measuring progress against government's objectives...*

- The Municipal Finance Management Act of South Africa requires production of a [Balanced Scorecard](#) for **Johannesburg Water**. This Scorecard focuses on technical and financial results as against strategic priorities previously set out.
- The **Sydney Water Act** authorizes the Independent Pricing and Regulatory Tribunal to ensure that an operational audit is conducted annually against the operating license.
- The Research, Monitoring, and Evaluation Department of the **NWSC** collects and analyzes local performance data and develops a [benchmark](#) reports.

# TRANSPARENCY AND USE OF DATA

## Mechanisms and Examples

### *Information provided to oversight agencies for monitoring and enforcement...*

- Because **AQUA** operates under the [Code of Commercial Corporations](#), it must submit reports (quarterly and annually) to the Securities and Exchange Commission and the Central Table of Offers (which is responsible for organizing and operating public trading in securities). These are in addition to reports required under its company statutes.
- **Johannesburg Water** must report to the [City of Johannesburg's](#) Mayoral Committee and the Contract Managing Unit on the predicted and actual cash flows according to the different sources of the funds. This is done quarterly.
- A qualified audit opinion of **Johannesburg Water's** audit report related to the utility's lack of control over billing and the customer database, much of which was retained by the municipality. The qualified opinion galvanized an ongoing negotiation on the transfer of those responsibilities.

# TRANSPARENCY AND USE OF DATA

## Mechanisms and Examples

### *Information flows within the company provide greater commitment to corporate goals...*

- **NWSC's** [Corporate Plan for the period 2003–2006](#) outlined 16 strategic goals, including implementation of a corporate-wide Management Information System to facilitate an effective information management in the corporation. At a local level, key staff (including commercial and accounts officers, union representatives and area managers) form partnership agreements and agree to share any Performance Fee earned through achievement above specified standards.
- The Singapore [\\$10K-Ideas Challenge](#) creates value at work places. Developed by **PUB's** Chief Executive Khoo Teng Chye, this program encourages PUB staff to propose ideas that will save the organization at least S\$10,000 within six months, rewarding staff with S\$100 for every idea implemented.



# TRANSPARENCY AND USE OF DATA

## Mechanisms and Examples

### ***Financial and other information is made transparent and used for public assessment of performance...***

- The city water managers of the six major cities of South Africa have recently created a forum with the aim of collecting data on performance in certain key areas. **Johannesburg Water** also benchmarks internally.
- The **City of Johannesburg** informs the public of changes in the tariffs using generally the press, the radio and Ward Committee meetings for the public.
- **Sydney Water** provides a Consumer Confidence Report to each customer with its bill. The report details the quality and quantity of water available to and provided by the utility. The report is also available on the [Web site](#) and to the public free of charge.

# TRANSPARENCY AND USE OF DATA

## Mechanisms and Examples

***Financial and other information is made transparent and used for public assessment of performance...***

- In **Brazil**, the [National Information System for WS&S \(SNIS\)](#) has been used since 1995 to collect data on the range of water and sanitation service providers. The utilities provide the data through a tailored software package, which includes an automatic consistency analysis. The package includes a complete glossary of terms, concepts, definitions and measurement units, as well as formulae with which indicators are calculated. The SNIS is used for:
  - *Performance assessment* by utilities on their development and comparison with others;
  - *Government control*: state and municipalities government demand performance improvements from their utilities;
  - *Transparency*: society demands information on service provision (general public, media, politicians, NGOs, etc.); and
  - The federal government has started to use SNIS in order to help *prioritizing financing*.

# TRANSPARENCY AND USE OF DATA

***Common to a transparent and effective use of data are....***

- Reporting regimes that require disclosure to stakeholders apart from those who directly own or oversee the company
- Reporting in an understandable form that allows for sector comparisons, comparison with other companies and comparison with previous time periods
- Reporting of financial and non-financial results
- Linkage of internal incentives with publicly reported results
- External confirmation of reporting results
- Integrating the collection and use of data into management processes