

# The Preparation of Regional EU-Financed Development Projects: A Stakeholder-Based Approach for the Romanian Water Supply Public Service

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*The performances of water supply public service are influenced by a large number of organisations from public or private sector, of different importances and sizes. The actions of those “actors”, defined in the context of this paper as “stakeholders”, have a great impact on the key performance indicators related to the water supply market. By identifying the connections between the importance and influence of the key stakeholders, on the one part, and the management performance and service quality, on the other part, we can evaluate the efficiency and the potential risks of the current organisational and functional framework of the supply system. This analysis can be used to identify way of action in order to implement european directives regarding the operators regionalisation and the promovation of local council associations in order to access the financial resources needed to sustain regional development projects.*

## **Water supply system; stakeholder analysis; regional development projects**

The performances of water supply public service are influenced by a large number of organisations from public or private sector, of different importances and sizes. The actions of those “actors”, defined in the context of this paper as “stakeholders”, have a great impact on the key performance indicators related to the water supply market. This impact can be splitted in three categories:

1. *Technical impact:*
  - the quality of the service;
  - the rehabilitation of the supply network;
  - restructuring and reorganisation process;
  - the usage of modern technologies for water treatment, its distribution monitoring, and for the losses reduction;
  - the setting-up of purifying stations.
2. *Economical impact:*
  - the correct determination of the investments efficiency within external financing programs;
  - the promovation the economical analysis, according to the European standards;

- a scientific base for the determination of the two-part tariff structure for water supply public services;
  - establishing the organisational and functional structure necessary for the external payment of public services taxes and the introduction of the unique bill;
  - setting-up possibilities for the implementation of specific management methods and techniques regarding the competition conditions or the natural monopoly;
  - introduction of unique indicators of benchmarking in order to monitor the operators activity efficiency.
3. *Social impact:*
- the correlation of the population affordability level for these public services with their economic costs;
  - the reorientation of the operators activities in order to satisfy the needs of the consumers/beneficiaries;
  - conditions for economical water consumes, environment and limited natural resources protection.

Considering the fact that the public water system is used by most of the inhabitants and private companies, the water supply service must fulfill certain standards and quality criteria. For this reason, when we refer to the stakeholder problem, we must consider that in this category can be included many other organisations, not just water supply operators, which play different roles in planning, controlling, informing the consumers, and taking decisions in the areas covered by operators. Generally, we can identify *seven stakeholders categories*: operators, consumers, public administration authorities, governmental agencies and authorities, professional associations, research and development organizations and financing institutions.

We consider that the principal management technique that can be used in the analyse of the stakeholder sector for water supply services is the **stakeholder matrix**. In order to define the importance and influence of each stakeholder, we can consider the following **criteria**:

- a. The *capacity* of the stakeholder to influence positively or negatively the performances of the service, that can be quantified by using an international benchmarking system such like the benchmarks developed by IWA (International Water Association) and IBNET (International Benchmarking Network for Water and Sanitation Utilities) or the ones promoted by World Bank. The capacity of the stakeholder is determined by the power to promote and sustain his interests on the market, by controlling important resources or key informations.

- b. The *influence area* of the stakeholder, which is determined by the number of inhabitants that are affected by his decisions, and by the covered geographical area of the service.
- c. The *economic power* of the stakeholder, described by the principal techniques and financial indicators of his activity, by the quantity and quality of the controlled resources, and by his capacity to attract financing institutions.
- d. The *interest* manifested by the stakeholder regarding the achievement of a high efficiency and efficacy level for the management and quality of the service.
- e. The *social position* of the stakeholder, which is given by his visibility and credibility at local, regional, national or international level.

Considering this criterias, we can promote a classifying system for the stakeholders of water supply public service that groups them in 4 categories (A,B,C,D) and 16 subgroups (Figure no. 1).

		Stakeholder Importance			
		Unknown	Little/ No Importance	Some importance	Significant Importance
Stakeholder Influence	Significant Influence	C		A	
	Some Influence				
	Little/ No Influence	D		B	
	Unknown				

Figure no. 1 Water supply service stakeholder matrix

**The first area (A)** includes the most powerfull stakeholders from the water supply market, who have the greatest influence on the service performances. This means that any strategic action (legislative modifications, operators regionalisation, implementation of the binom tariff etc.) must satisfy their interests. In the A category we can identify the following „actors”:

- a. *The most important water supply operators* in the region, that covers a large geographical area and many beneficiaries. Generally, those stakeholders operates in big cities and has operating licences (from class I to III) from the National

- Regulatory Authority for Municipal Services). Also, they have a much greater financial capability than the other operators in the region.
- b. *Regional Council*, that administrate the public and private domain and is responsible to develop strategies, forecasts and economical development programs. This stakeholder can influence decisively the management of the service at tactical and strategical level, by increasing the cooperation between the local councils of the region, especially the small ones.
  - c. *A serie of operators with moderate influence and importance*, that operates in medium towns with more than 30.000 inhabitants. Their influence is limited to the covered area. Usually about 15-20% of the region's population is supplied by operators from this category.
  - d. *Local Councils*, with moderate influence which is given by their lack of capability to attract external financial resources. This is why European Union recommends their association in order to obtain finances to sustain regional development projects. Presently, in most of Romania's small towns, local councils are also water supply service providers.
  - e. The *Ministry of Administration and Interior*, with moderate influence because of his responsibility to analyse the legal situations of the water supply public services.
  - f. *Other ministries, authorities and governmental agencies* (ANRSC- National Regulatory Authority for Municipal Services, Ministry of Environment and Water). ANRSC has a direct influence on the service performance by licensing the operators from the market, and the Ministry of Environment and Water is one of the principal organizations that can accelerate the process of infrastructure and service quality development by promoting European financing programs like FEDR (European Fund for Regional Development).
  - g. *Representative international financial institutions* (European Bank of Reconstruction and Development, European Investment Bank, World Bank, Council of Europe Development Bank etc.), with medium influence on the market considering the fact they control a large amount of financial resources, but their influence does not affect directly the quality of the service. In this context, a priority that operators must consider in order to increase the interest of these stakeholders is the use of some specific techniques such as: masterplans, cost reduction programs, post-feasibility studies, mathematical models for forecasting evolution of the tariff etc.

**The second area (B)** includes the stakeholders that are very important for the continuity of the service, but with small influence on the service performance. Although, considering their significant importance, there is a strong need to protect their interests. In this category we can identify the following stakeholders:

- a. *Consumers* (population and companies), which represents the beneficiaries of the service. These stakeholders are affected first of all because of the monopolistic character of the service. Also, their actions are limited because of the lack of visibility and preoccupation of the organisations responsible for promoting the interests of the consumers, such as the Office for Consumer Protection, the Regional Directions of Public Health, some research&development organisations and the representants of civil society.
- b. *National Administration of Romanian Water*, represented by regional departments, who has the quality of unique operator for the surface and subsurface water resources. This stakeholder has a direct influence because of his responsibility to approve the regional water management strategic plan.
- c. *Federations and professional associations* (Romanian Water Association and Romanian Local Authorities Federation). The influence of this stakeholders is insignificant and hard to be quantified, but their importance is high because they can accelerate the transfer of knowhow, disseminate best practices and increase the operators visibility. Those are premises for an intensification of investments in research and development and training of operators personell.

***The third area (C)*** includes stakeholders with moderate influence on the market. Also, these stakeholders doesn't have a direct interest to increase the managerial performance and the quality of the service. For this reason, they can be considered a significant source of risk. Zone C includes:

- a. *A group of medium sized operators* with small importance and influence because they cover a small part of ther market (cities between 10.000 and 30.000 inhabitants).
- b. *The Prefecture* of the region, that cannot be considered a stakeholder with significant importance, but that strongly influence the performance of the service. This stakeholder monitorise the implementation of projects which are financed by international institutions and verify the legality of the local public authorities decisions in the field of water supply service.
- c. *National Authority for Consumer Protection*, represented by her regional offices, who monitorise the way operators respects the rights of the water supply service consumers.

Finally, ***the fourth area (D)*** includes the stakeholders with limited or unknown influence and importance. Even so, their interests must be considered in the regional development strategy. The stakeholders includes *the rest of the water supply operators*, who operates in small sized villages, with less than 10.000 inhabitants. Even their influence and importance is very limited, if they are grouped in associations, they can become a powerfull

decision unit. Generally, about 30-40% of the region's population are supplied by this type of stakeholders.

By identifying the connections between the importance and influence of the key stakeholders, on the one part, and the management performance and service quality, on the other part, we can evaluate the efficiency and the potential risks of the current organisational and functional framework of the supply system. This analysis can be used to identify way of action in order to implement european directives regarding the operators regionalisation and the promotion of local council associations in order to access the financial resources needed to sustain regional development projects.

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