

Benchmarking and Best Practices in Municipal Services: A Comparative Survey on the Performance Indicator Systems Used by Romanian Water Supply Operators

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In the water supply sector, as in many sectors of the economy, the fundamental objective of benchmarking is to search and identify best practices. Collection of data is not benchmarking, but is a necessary step to conduct benchmarking. In many countries, such as Romania or Bulgaria, the lack of data prevents benchmarking as the data to do so is either unavailable or of insufficient quality to ensure any meaningful comparison of data. Although benchmarking is a highly used technique in European Union, in Romania there is a lack of experience in this field. In order to establish how benchmarking is used to evaluate managerial performance and quality of the service by Romanian's water supply operators, there has been conducted a SWOT analysis. The main objective of the analysis was to support access to comparative information that will help to promote best practice among water supply providers from Romania and eventually will provide consumers with access to high quality, and affordable water supply service.

Water supply system; benchmarks; management contracts; european standards; best practices

In Romania, the water supply public service is going to have a *more significant role* in the next few years. Taking into consideration economic importance of water as a strategic resource, the efficiency and quality of the service represent competitive factors on the water supply market, with an essential role in obtaining investments in all sectors, as well as in less promoted regions. Providing water supply public service in a performant and non-discriminating manner also represents an important condition for the functioning of a single market and for a faster integration in the European Union.

Also, the Romanian adhesion at the European Union requires the compliance with precised criteria regarding the *performant and quality public services* of general interest and, mostly, the development of the network industries and their connexions, in order to facilitate the European integration, the increase of the citizens wellbeing and the compliance in a short period of time with the European standards.

According to the European Union standards, Romania has to keep in mind the fact that, in the water supply service development and organisation process, the main principle regards the setting-up of those conditions able to offer to the consumers European services with affordable prices. The performant and quality water supply service are also essential for the increase of the citizens wellbeing and for their fundamental rights. The population has to be aware of the fact that the European Union considers very important the individual and non-discriminating access for everyone at the public services of general interest.

In this context, a very significant role is played by the organisations responsible to monitorise the water supply sector and to conduct surveys on the management performance

of the service. The first preoccupations in this area were started by the World Bank, in 1996, who developed an initiative that would enable water professionals with an interest in utility performance to compare data by working on **reducing the key barriers to benchmarking** through three principal ways of action:

- a. the agreement on a standard set of indicators;
- b. the use of a standard set of definitions;
- c. the sharing of results.

In the water supply sector, as in many sectors of the economy, the fundamental objective of benchmarking is to search and **identify best practices**. Collection of data is not benchmarking, but is a necessary step to conduct benchmarking. In many countries, such as Romania or Bulgaria, the lack of data prevents benchmarking as the data to do so is either unavailable or of insufficient quality to ensure any meaningful comparison of data. Although benchmarking is a highly used technique in European Union, *in Romania there is a lack of experience in this field*.

Inter-utility performance comparison is needed in the water sector, because the sector offers limited scope for direct competition. Water companies operating in competitive markets are under constant pressure to out perform each other. Water utilities are often sheltered from this pressure, and it frequently shows: some utilities are on a sustained improvement track, but many others keep falling further behind best practice. This matters, because a well-run water utility is essential to people's lives. Only the most efficient, financially viable utilities are able to respond to urban growth, connect the poor, and improve wastewater disposal practices.

Generally, benchmarking systems for water supply public service uses **three categories of criterias: technical, financial and continuity**.

- a. *Technical criterias* includes the operational ones (regarding cost reduction and implementing the environment policies) and consumer satisfaction criterias (regarding the quality of the service).
- b. *Financial criterias* are used in order to analyse the economic viability of water supply operators. In order to evaluate the performances of the service, financial criterias includes three subcategories: profitability, solvability and liquidity. This indicators offers a general view on the financial situation of the operators and the statistical database needed to generate forecasts for the market evolution. Also, there is a strong need to monitorise the evolutions of this indicators, in order to identify their tendencies.
- c. *Continuity criterias* includes relevant informations regarding the variation of assets and the investment policy. The investment effort must be considered as a complex process that must be subordinated to objectifs like the achieving of european standards for life quality, environment protection and sustainable development.

In order to establish how benchmarking is used to evaluate managerial performance and quality of the service by romanian's water supply operators, we conducted a **SWOT analysis**. The main objective of the analyse was to support access to comparative information that will help to promote best practice among water supply providers from Romania and eventually will provide consumers with access to high quality, and affordable

water supply service. We consider the results of this study can be used by various *stakeholders*:

- a. utility managers and employees can identify areas for improvement, adopt realistic targets and convince authorities of the need for change;
- b. local authorities can monitor and adjust sector policies and programs;
- c. National Regulatory Authority for Municipal Services can ensure that customers get value, and providers have incentives to perform;
- d. customer groups and other organisations that represents their interests;
- e. financial institutions can identify viable markets and opportunities for creating value.

The survey was concentrated in identifying the strenghts and weaknesses that describe how is the benchmarking technique applied by some of the most representative water supply services providers from Romania (Table no. 1).

Table no. 1 Strenghts and Weaknesses: How is benchmarking applied by Romania's water supply operators

Strenghts		Weaknesses	
1.	Generally, operators uses performance indicators systems in order to monitorise the management performance and the quality of the service. Also, in most of the cases, there exists the series of data needed to identify tendencies and trends.	1.	The lack of an unique indicators system at regional or national level, needed to assure an efficient benchmarking of the service.
2.	The complexity of the operational indicators. This permit a correct evaluation of managerial decisions at operational level.	2.	The indicators that are used are corelated only in a small part (just at technical level) with the one used at international level (IWA, IBNET, World Bank etc.).
3.	The existance, in a high proportion, of the technique indicators used in the international water supply benchmarks systems (IWA, IBNET, World Bank etc.).	3.	The unequilibrated structure of the indicators systems, which is due to the high proportion of operational indicators (over 80%), comparing to the continuity and the financial ones.
4.	The use of management contracts, as an instrument to evaluate managerial performance.	4.	There is a high preoccupation for evaluating operational management, unconsidering the stratgic and tactical level.
		5.	The lack of continuity indicators, needed to monitorise the investment policies practicated by the operators.
		6.	The lack of customer satisfaction indicators.
		7.	Deficiencies regarding the preparation and the structure of management contracts.

As we can see from the above analysis, one of the principal problem in measuring performances is the lack of continuity and financial indicators, especially in the field of the *quality of the service*. We consider that **IBNET (International Benchmarking Network**

for **Water and Sanitation Utilities**) can provide the right indicators for measuring the quality of the water supply service (Table no. 1).

Table no. 1 IBNET Water Supply Benchmarking System - Quality of Service Indicators

No	Indicator	Definition	Unit
1	Continuity of Service	Average hours of service per day for water supply.	Hrs/day
2	Customers with discontinuous supply	The percentage of customers with a water supply that is discontinuous during normal operation.	%
3	Quality of water supplied: nr of tests for residual chlorine	The number of tests carried out on samples taken from the distribution system, as a % of the number required by the standard that applies. This may exceed 100%. NB: Operational samples, or any others that were not taken to check compliance with the standard, are excluded.	%
4	Quality of water supplied: samples passing on residual chlorine	The percentage of samples tested for residual chlorine that pass the relevant standard	%
5	Complaints about W&WW services	Total number of W&WW complaints per year expressed as a percentage of the total number of W&WW connections	%
6	Wastewater – at least primary treatment	Proportion of collected sewage that receives at least primary treatment, i.e. involving settlement with the intention of removing solids, but not biological treatment. Both lagoon and mechanical treatment can be included, where appropriate.	%
7	Wastewater primary treatment only	Proportion of collected sewage that receives primary treatment only, i.e. involving settlement with the intention of removing solids, but not biological treatment. Both lagoon and mechanical treatment can be included, where appropriate.	%
8	Wastewater secondary treatment or better	Proportion of collected sewage that receives at least secondary treatment, i.e. removing oxygen demand as well as solids, normally biological. Both lagoon and mechanical treatment can be included, where appropriate.	%

Historically there has been limited attention paid to measures that capture the quality of service provided to customers. This, in fact, should be a particular focus of performance measurement. The measures presented above are a limited first step in the process of capturing information on quality of service. Complaints, while relatively easy to track, give only a glimpse of actual company performance - consumers may have become accustomed to poor service and not complain. In other instances it may be difficult for customers to report complaints. Capturing at least some customer derived data, however, is considered to be an important starting point.

Collection of wastewater does not mean that the waste is fully treated before discharge back to the environment. The wastewater treatment indicators will provide an understanding of the amount of effluent that is treated before being discharged. A more comprehensive set of quality of service indicators could be developed but the likelihood of

the data being collected by utility managers is limited in the short term. Expansion of the set is therefore a medium to long term objective. Water supply stakeholders routinely search for information about the performance of their service, and that of comparator organisations, both regionally and nationally. Unfortunately such information is not routinely available – not because of a lack of interest, but more because of a lack of a common framework within which to communicate and share the information effectively.

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