Urban water governance and reform |
Lessons from Australian reforms for emerging economies?

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Overview

- Australian context
- Before reforms
- Drivers of reform
- Australian urban water reform journey
- Reform framework
- Implications for emerging economies
Urban water systems (1960 – 1980s)

Characterised as a
–‘build and supply’ era
–‘unlimited public resource’ assumptions
–legacy of debt, infrastructure and maintenance costs
–state-owned water bodies,
–highly fragmented
–Irregular pricing & metering

Cities: large, bureaucratic, publicly-owned institutions

Towns: multitude of small authorities providing sometimes unreliable and nearly always unprofitable services
Australian urban water reform journey

State and utility led reforms
- User pays in some utilities
- Bipartisan support for reform in Vic

Efficient and productive utilities, via
1. aggregation
2. separation of responsibilities
3. commercialisation.

Increased public good:
- Consideration of social and environmental goals and sustainability of supplies
National led reforms

1992 Council of Australian Governments (COAG) formed

Murray Darling Basin Agreement

1993 Hilmer Committee report on National competition policy (NCP)


1994 COAG water reform policy framework

1995 COAG adopted NCP package

Tools and mechanisms

- National competition policy
- benchmarking systems
- Federal incentives for reforms
- corporatisation of the utilities
- establishing professional regulators
- water knowledge and expertise

Responses

Three-staged approach to restructure utilities and agencies:

1. aggregation (or disaggregation in some cases),
2. separation of responsibilities, and
3. then commercialisation.
Second wave of reforms

<table>
<thead>
<tr>
<th>Year</th>
<th>Response</th>
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<tbody>
<tr>
<td>2004</td>
<td>National Water Initiative</td>
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<td>2005</td>
<td>National Water Commission established</td>
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<td>2006</td>
<td>Australian Water Recycling Guidelines</td>
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<td>2007</td>
<td>Water Act</td>
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Under the NWI, governments made commitments to:

- prepare water plans with provision for the environment
- deal with over-allocated or stressed water systems
- introduce registers of water rights and standards for water accounting
- expand the trade in water
- **improve pricing for water storage and delivery**
- meet and manage urban water demands
Australian urban water reform journey
Components of reform

Drivers
- Economic downturn
  - Heavy financial cost of sector inefficiencies
- Water scarcity
  - Competing uses for limited water resources

Determinants
- Building on best practice
- Vision and skills to communicate the need for change
- Incentives to induce 'buy in'
- Increased sectoral capacity and skills
- Political willingness and champions

Enabling Factors
- Coordination of reforms
- Sector economic regulation
- Capacity of Nat Govt to provide incentives
- Capacity of sector leaders and utilities to respond
- Awareness and support from within sector and the public

State Level Variations
- Process for decision making on service delivery models
- Creation of regulatory institutions
- How NCP reforms are implemented
Australia’s major urban water utilities in 2016

(BOM 2016, 18)
federations
water is devolved to the states
local authorities mandated for services
NG-enablement, funding & oversight, and seeking to chart directions
29 states & 7 unions, 1.3 billion water scarcity, infra, equity

value in considering which structural, institutional, organisational and individual factors were seen to influence change, or

the sequencing of change and how changes were applied at different levels and across different states

Translation of lessons?
Receptiveness of Indian stakeholders

• Building on existing reforms (SMART Cities, AMRUT) and focusing interventions at the state level and not focus on creating any additional institutions or programs at the central level.

• MoUD can incentivize state level reforms, criteria of engaging with states should include:
  • a focus on progressive decentralization of responsibilities to the local government level.
  • A direct presentation on the Australia Water Reforms and the possible relevance to the Indian sector would be welcomed by the MoUD as an initiation point for further dialogue.
Reflecting on each step along the journey

• understand the drivers in each context
• work is built on that has already proved effective;
• implementation issues are identified and solutions framed;
• understand the skills, capacity and appetite to lead reforms, then
• as community members see benefits of change, the drivers for the next phase of water reform are set in place.