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OECD PRINCIPLES ON WATER GOVERNANCE

(Note by the Secretary-General)

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Introduction

1. This document presents the Principles on Water Governance (the “Principles”) aimed at providing guidance for decision-makers at all levels of government to enhance good governance in the water sector. It was developed by the Regional Development Policy Committee (RDPC) through the Water Governance Initiative (WGI)¹, in co-operation with the Regulatory Policy Committee (RPC) and its Network of Economic Regulators (NER), the Environment Policy Committee (EPOC) and its Working Party on Biodiversity, Water and Ecosystems (WPBWE) and in consultation with the Public Governance Committee (PGC), the Development Assistance Committee (DAC), the Committee on Investment and the Committee on Agriculture (CoAg).

2. These Principles were discussed at the 33rd meeting of the RDPC on 29-30 April 2015 [[GOV/RDPC\(2015\)7/REV1](#)]. In the light of the discussion, amendments were made and a revised version [[GOV/RDPC\(2015\)7/REV3](#)] was approved by the Committee under the written procedure on 11 May 2015. The aim is to have the Principles welcomed by the meeting of the Council at Ministerial level on 3-4 June 2015.

The rationale for developing the Principles on Water Governance

3. The global pressures on water and related sectors around the world call for action. Accessible and high quality freshwater is a limited and highly variable resource. OECD projections show that 40% of the world’s population currently lives in water-stressed river basins, and that water demand will rise by 55% by 2050.² Over-abstraction and contamination of aquifers worldwide will pose significant challenges to food security, the health of ecosystems and safe drinking water supply, and increase the risk of subsidence, among other consequences. In 2050, 240 million people are expected to remain without access to clean water, and 1.4 billion without access to basic sanitation. In addition, water infrastructure in the OECD area is ageing, the technology is outdated and governance systems are often ill-equipped to handle rising demand, environmental challenges, continued urbanisation, climate variability and water disasters. Significant investment is required, estimated at USD 6.7 trillion by 2050 for water supply and sanitation, while including a wider range of water-related infrastructure could triple that bill by 2030.³

4. The water sector holds intrinsic characteristics that make it highly sensitive to, and dependent on, multi-level governance. Water connects across sectors, places and people, as well as geographic and temporal scales. In most cases, hydrological boundaries and administrative perimeters do not coincide. Freshwater (surface and groundwater) is both a global and local concern, which involves a plethora of public, private and non-profit stakeholders in the decision-making, policy and project cycles. Water is a highly capital-intensive and monopolistic sector, with important market failures where co-ordination is essential. Water policy is inherently complex and strongly linked to domains that are critical for development, including health, environment, agriculture, energy, spatial planning, regional development and poverty alleviation. To varying degrees, countries have allocated increasingly complex and resource-

¹ The WGI is an “*international multi-stakeholder network of around 100 delegates from public, private and not-for profit sectors gathering twice a year in a Policy Forum to share on-going reforms, projects, lessons and good practices in support of better water governance in the water sector*” [[GOV/TDPC/WGI\(2014\)1](#)].

² OECD (2012a), OECD Environmental Outlook to 2050 – The consequences of Inaction, OECD Publishing, Paris

³ OECD (2015a), Water and Cities: Ensuring Sustainable Futures, OECD Publishing, Paris.

intensive responsibilities to sub-national governments, resulting in interdependencies across levels of government that require co-ordination to mitigate fragmentation.

5. This is why coping with future water challenges raises not only the question of “what to do?” but also “who does what?”, “why?”, “at which level of government?” and “how?” Policy responses will only be viable if they are coherent, if stakeholders are properly engaged, if well-designed regulatory frameworks are in place, if there is adequate and accessible information, and if there is sufficient capacity, integrity and transparency. Institutions need to adapt to changing circumstances, and political will and policy continuity are key in the transition towards more inclusive and sustainable practices.

6. Recent “water crises” have often been “governance crises”, and good governance has become a critical driver to manage the complexity of water policy design and implementation. The OECD currently has several Recommendations on water, developed by the Environment Policy Committee (EPOC) between 1974 and 1992, as well as other relevant Recommendations on governance issues.⁴ But the governance landscape for freshwater management has changed in the last 25 years. These Principles therefore aim to bring forward dimensions related to “governance”, as part of a broader OECD effort to update and consolidate existing Recommendations on water.

7. The Principles seek to respond to recent developments on water governance. Information flows more easily and potentially sheds greater light on deficiencies, failures and poor practices. Decentralisation resulted in opportunities to customise policies to local realities, but also raised capacity and co-ordination challenges in the delivery of public services. There is now an enhanced recognition that bottom-up and inclusive decision-making is key to effective water policies. In addition, a number of legal frameworks have triggered major evolutions in water policy; however their implementation has faced governance bottlenecks, as is the case of the EU Water Framework Directive which has spearheaded many recommendations hereinafter proposed [2000/60/EC], the United Nations Millennium Development Goals [A/RES/55/2] and the United Nations General Assembly Resolution of 28 July 2010 entitled “The Human Right to Water and Sanitation” [A/RES/64/292]. Last but not least, the application of the concept of “Integrated Water Resources Management” has brought uneven results within and across countries, and requires operationalisation frameworks that consider the short, medium and long term in a consistent and sustainable way. In the light of such implementation challenges, the Principles seek to assist governments at all levels to strengthen water *governance* to fit for current and future water challenges.

The process to develop the Principles

8. The Principles have been developed by the RDPC through a bottom-up approach within the WGI. They build on RDPC’s “*Multi-level Governance Framework: Mind the Gaps, Bridge the Gaps*”, which was used to review water governance in several OECD Member and non-Member countries,

⁴ Recommendation of the Council on Strategies for Specific Water Pollutants Control [C(74)221]; the Recommendation of the Council on the Control of Eutrophication of Waters [C(74)220]; the Recommendation of the Council on Water Management Policies and Instruments [C(78)4], the Recommendation of the Council on Water Resource Management Policies: Integration, Demand Management and Groundwater Protection [C(89)12] the Recommendation of the Council on Integrated Coastal Zone Management [[C\(92\)114](#)]; the Recommendation of the Council on Managing Conflict of Interest in the Public Service [[C\(2003\)107](#)]; the Recommendation of the Council on Transparency and Integrity in Lobbying [[C\(2010\)16](#)]; the Recommendation of the Council on Regulatory Policy and Governance [[C\(2012\)37](#)]; the Recommendation of the Council on the Public Governance of Public-Private Partnerships [[C\(2012\)86](#)]; the Recommendation of the Council on the Governance of Critical Risks [[C/MIN\(2014\)8/FINAL](#)]; the Recommendation of the Council on Effective Public Investment across Levels of Government [[C\(2014\)32](#)]; the Recommendation of the Council on Budgetary Governance [[C\(2015\)1](#)]; and the Recommendation of the Council on Public Procurement [[C\(2015\)2](#)].

including through policy dialogues.⁵ They also rely on RDPC's evidence and knowledge on territorial development, decentralisation, and urban policy, as well as RPC's work on regulatory policy and the governance of water regulators,⁶ (2014b, 2015c) and PGC's work on integrity, transparency, public procurement, budgetary governance and risk management.

9. A preliminary step was to prepare an inventory of tools, guidelines and principles on water governance to take stock of what already exists.⁷ This mapping shed light on the value added of an OECD set of Principles that would provide a systemic framework to address water governance gaps and to trigger policy change, building on international best practice. A preliminary scoping note was discussed at the 3rd meeting of the WGI (28-29 April 2014), followed by a discussion on the draft Principles at the 4th meeting of WGI (24-25 November 2014). The first consultation of relevant OECD bodies on the draft Principles [[GOV/RDPC/WGI\(2015\)1](#)] took place between 22 January and 19 February 2015, including a discussion at the 7th meeting of the Working Party on Biodiversity, Water and Ecosystems on 20 February 2015. A second consultation was held between 13 March and 1 April 2015 [[GOV/RDPC\(2015\)7](#)]. The draft Principles was also presented at the Working Party of Senior Public Integrity Officials on 24 March 2015, and subject to a high-level and multi-stakeholder consultation at the 7th World Water Forum under the auspices of the Secretary-General on 13 April 2015 (Daegu, Republic of Korea). A third consultation by written procedure was held between 13 and 27 April 2015, including a presentation at RPC's meeting of the Network of Economic Regulators on 17 April. The draft was discussed at the 33rd meeting of the RDPC on 29 April 2015.

The content of the Principles

10. Coping with current and future challenges requires robust public policies, targeting measurable objectives in pre-determined time-schedules at the appropriate scale, relying on a clear assignment of duties across responsible authorities and subject to regular monitoring and evaluation. Water governance can greatly contribute to the design and implementation of such policies, in a shared responsibility across levels of government, civil society, business and the broader range of stakeholders who have an important role to play alongside policy-makers to reap the economic, social and environmental benefits of good water governance.

11. The purpose of the Principles, set out in the Annex, is to contribute to this endeavour, based on three mutually reinforcing and complementary dimensions of water governance⁸:

⁵ See OECD (2015), *Water Governance in Brazil: A New World to be Invented*, OECD Publishing, Paris (forthcoming); OECD (2015d), *Stakeholder Engagement for Inclusive Water Governance*, OECD Publishing, Paris; OECD (2014), *Water Governance in the Netherlands: Fit for the Future?*, OECD Publishing, Paris; OECD (2013), *Making Water Reform Happen in Mexico*, OECD Publishing, Paris; OECD (2012), *Water Governance in Latin America and the Caribbean: A Multi-level Approach*, OECD Publishing, Paris; and OECD (2011), *Water Governance in OECD Countries: A Multi-level Approach*, OECD Publishing, Paris.

⁶ See OECD (2015), *The Governance of Water Regulators*, OECD Publishing, Paris; and OECD (2014), *OECD Best Practice Principles for Regulatory Policy - The Governance of Regulators*, OECD Publishing, Paris.

⁷ <http://www.oecd.org/gov/regional-policy/Inventory.pdf>.

⁸ Key definitions on water governance, stakeholder engagement, integrated water resources management and multilevel governance of water underpinning this document can be found in previous RDPC publications on water governance, especially OECD 2011 and OECD, 2015d.

- *Effectiveness* relates to the contribution of governance to define clear sustainable water policy goals and targets at different levels of government, to implement those policy goals, and to meet expected objectives or targets.
- *Efficiency* relates to the contribution of governance to maximise the benefits of sustainable water management and welfare at the least cost to society.
- *Trust and Engagement* relate to the contribution of governance to building public confidence and ensuring inclusiveness of stakeholders through democratic legitimacy and fairness for society at large.

12. The Principles are developed on the premise that there is no one-size-fits-all solution to water challenges worldwide, but a menu of options building on the diversity of legal, administrative and organisational systems within and across countries. They recognise that governance is highly contextual, that water policies need to be tailored to different water resources and places, and that governance responses have to adapt to changing circumstances. The Principles are rooted in broader principles of good governance: legitimacy, transparency, accountability, human rights, rule of law and inclusiveness. As such, they consider water governance as a *means* to an *end* rather than an end in itself, i.e. the range of political, institutional and administrative rules, practices and processes (formal and informal) through which decisions are taken and implemented, stakeholders can articulate their interests and have their concerns considered, and decision-makers are held accountable for water management.

13. The Principles aim to enhance water governance systems that help manage “too much”, “too little” and “too polluted” water in a sustainable, integrated and inclusive way, at an acceptable cost, and in a reasonable time-frame. They consider that governance is *good* if it can help to solve key water challenges, using a combination of bottom-up and top-down processes while fostering constructive state-society relations. It is *bad* if it generates undue transaction costs and does not respond to place-based needs. The Principles consider that water governance systems (more or less formal, complex, and costly) should be designed according to the challenges they are required to address. This problem-solving approach means that “forms” of water governance should follow “functions” of water governance. Structuring, institutionalising, and/or formalising institutions should not detract from the ultimate objective of delivering sufficient water of good quality, while maintaining or improving the ecological integrity of water bodies.

14. The Principles apply to the overarching water policy cycle and should be implemented in a systemic and inclusive manner. As such, they do not make distinctions across *water management functions* (e.g. drinking water supply, sanitation, flood protection, water quality, water quantity, rainwater, and storm-water), *water uses* (e.g. domestic, industry, agriculture, energy and environment) and *ownership* of water management, resources and assets (e.g. public, private, mixed).

15. The Principles provide a framework to understand whether water governance systems are performing optimally and help to adjust them where necessary. They can catalyse efforts for making good practices more visible, learning from international experience, and setting reform processes into motion at all levels of government to facilitate change where and when needed. They can also help avoid traps and pitfalls, learning from international experience.

16. The OECD can assist interested Member States and non-Members in reaching these standards and identifying best practices. In its future work, the Regional Development Policy Committee will make the necessary proposals for the follow-up on the Principles.

Proposed Action

17. In light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

- a) noted document [C\(2015\)71](#);
- b) welcomed the draft Principles on water governance set out in the Annex to document [C\(2015\)71](#);
- c) noted that the Principles will be transmitted to Ministers and declassified.

ANNEX OECD PRINCIPLES ON WATER GOVERNANCE

The Principles are based on the following considerations:

- Meeting current and future water challenges requires robust public policies, targeting measurable objectives in pre-determined time-schedules at the appropriate scale, relying on a clear assignment of duties across responsible authorities and subject to regular monitoring and evaluation.
- Effective, efficient and inclusive water governance contribute to the design and implementation of such policies, in a shared responsibility across levels of government and in co-operation with the relevant stakeholders to meet current and future water challenges.
- There cannot be a single, uniform policy response to the water challenges worldwide given the diversity of situations within and across countries in terms of legal and institutional frameworks, cultural practices, as well as climatic, geographic and economic conditions at the origin of diverse water challenges and policy responses.
- It is therefore appropriate for interested Members and non-Members to use these Principles to design and implement their national policies in light of country-specific circumstances.
- Water governance is an important component of the overall framework of water policies; broader principles of good governance apply to the water sector, and water governance outcomes can also be contingent on progress in other domains of the water policy framework.
- These Principles are relevant for all levels of government and could be disseminated widely within interested Members and non-Members.
- The OECD can assist interested Members and non-Members in reaching these standards and identifying best practices. In its future work, the Regional Development Policy Committee will make the necessary proposals for the follow-up on the Principles.
- These Principles will be taken into consideration during future OECD work on water.

Enhancing the effectiveness of water governance

1. Clearly allocate and distinguish *roles and responsibilities* for water policymaking, policy implementation, operational management and regulation, and foster co-ordination across these responsible authorities.

To that effect, legal and institutional frameworks should:

- a) Specify the allocation of roles and responsibilities, across all levels of government and water-related institutions in regard to water:
 - Policy-making, especially priority setting and strategic planning;
 - Policy implementation especially financing and budgeting, data and information, stakeholder engagement, capacity development and evaluation;
 - Operational management, especially service delivery, infrastructure operation and investment; and

- Regulation and enforcement, especially tariff setting, standards, licensing, monitoring and supervision, control and audit, and conflict management.
- b) Help identify and address gaps, overlaps and conflicts of interest through effective co-ordination at and across all levels of government.

2. Manage water at the *appropriate scale(s)* within integrated basin governance systems to reflect local conditions, and foster co-ordination between the different scales.

To that effect, water management practices and tools should:

- a) Respond to long-term environmental, economic and social objectives with a view to making the best use of water resources, through risk prevention and integrated water resources management;
- b) Encourage a sound hydrological cycle management from capture and distribution of freshwater to the release of wastewater and return flows;
- c) Promote adaptive and mitigation strategies, action programs and measures based on clear and coherent mandates, through effective basin management plans that are consistent with national policies and local conditions;
- d) Promote multi-level co-operation among users, stakeholders and levels of government for the management of water resources; and,
- e) Enhance riparian co-operation on the use of transboundary freshwater water resources.

3. Encourage policy coherence through effective *cross-sectoral co-ordination*, especially between policies for water and the environment, health, energy, agriculture, industry, spatial planning and land use through:

- a) Encouraging co-ordination mechanisms to facilitate coherent policies across ministries, public agencies and levels of government, including cross-sectoral plans;
- b) Fostering co-ordinated management of use, protection and clean-up of water resources, taking into account policies that affect water availability, quality and demand (e.g. agriculture, forestry, mining, energy, fisheries, transportation, recreation, and navigation) as well as risk prevention;
- c) Identifying, assessing and addressing the barriers to policy coherence from practices, policies and regulations within and beyond the water sector, using monitoring, reporting and reviews; and
- d) Providing incentives and regulations to mitigate conflicts among sectoral strategies, bringing these strategies into line with water management needs and finding solutions that fit with local governance and norms.

4. Adapt the level of *capacity* of responsible authorities to the complexity of water challenges to be met, and to the set of competencies required to carry out their duties, through:

- a) Identifying and addressing capacity gaps to implement integrated water resources management, notably for planning, rule-making, project management, finance, budgeting, data collection and monitoring, risk management and evaluation;
- b) Matching the level of technical, financial and institutional capacity in water governance systems to the nature of problems and needs;
- c) Encouraging adaptive and evolving assignment of competences upon demonstration of capacity, where appropriate;
- d) Promoting hiring of public officials and water professionals that uses merit-based, transparent processes and are independent from political cycles; and

- e) Promoting education and training of water professionals to strengthen the capacity of water institutions as well as stakeholders at large and to foster co-operation and knowledge-sharing.

Enhancing the efficiency of water governance

5. Produce, update, and share timely, consistent, comparable and policy-relevant water and water-related *data and information*, and use it to guide, assess and improve water policy, through:

- a) Defining requirements for cost-effective and sustainable production and methods for sharing high quality water and water-related data and information, e.g. on the status of water resources, water financing, environmental needs, socio-economic features and institutional mapping
- b) Fostering effective co-ordination and experience sharing among organisations and agencies producing water-related data between data producers and users, and across levels of government;
- c) Promoting engagement with stakeholders in the design and implementation of water information systems, and providing guidance on how such information should be shared to foster transparency, trust and comparability (e.g. data banks, reports, maps, diagrams, observatories);
- d) Encouraging the design of harmonised and consistent information systems at the basin scale, including in the case of transboundary water, to foster mutual confidence, reciprocity and comparability within the framework of agreements between riparian countries; and
- e) Reviewing data collection, use, sharing and dissemination to identify overlaps and synergies and track unnecessary data overload.

6. Ensure that governance arrangements help mobilise water finance and allocate *financial resources* in an efficient, transparent and timely manner, through:

- a) Promoting governance arrangements that help water institutions across levels of government raise the necessary revenues to meet their mandates, building through for example principles such as the polluter-pays and user-pays principles, as well as payment for environmental services;
- b) Carrying out sector reviews and strategic financial planning to assess short, medium and long term investment and operational needs and take measures to help ensure availability and sustainability of such finance;
- c) Adopting sound and transparent practices for budgeting and accounting that provide a clear picture of water activities and any associated contingent liabilities including infrastructure investment, and aligning multi-annual strategic plans to annual budgets and medium-term priorities of governments;
- d) Adopting mechanisms that foster the efficient and transparent allocation of water-related public funds (e.g. through social contracts, scorecards, and audits); and
- e) Minimising unnecessary administrative burdens related to public expenditure while preserving fiduciary and fiscal safeguards.

7. Ensure that sound water management *regulatory frameworks* are effectively implemented and enforced in pursuit of the public interest, through:

- a) Ensuring a comprehensive, coherent and predictable legal and institutional framework that set rules, standards and guidelines for achieving water policy outcomes, and encourage integrated long-term planning;
- b) Ensuring that key regulatory functions are discharged across public agencies, dedicated institutions and levels of government and that regulatory authorities are endowed with necessary resources;

- c) Ensuring that rules, institutions and processes are well-co-ordinated, transparent, non-discriminatory, participative and easy to understand and enforce;
- d) Encouraging the use of regulatory tools (evaluation and consultation mechanisms) to foster the quality of regulatory processes and make the results accessible to the public, where appropriate;
- e) Setting clear, transparent and proportionate enforcement rules, procedures, incentives and tools (including rewards and penalties) to promote compliance and achieve regulatory objectives in a cost-effective way; and
- f) Ensuring that effective remedies can be claimed through non-discriminatory access to justice, considering the range of options as appropriate.

8. Promote the adoption and implementation of *innovative water governance practices* across responsible authorities, levels of government and relevant stakeholders, through:

- a) Encouraging experimentation and pilot-testing on water governance, drawing lessons from success and failures, and scaling up replicable practices;
- b) Promoting social learning to facilitate dialogue and consensus-building, for example through networking platforms, social media, Information and Communication Technologies (ICTs) and user-friendly interface (e.g. digital maps, big data, smart data and open data) and other means;
- c) Promoting innovative ways to co-operate, to pool resources and capacity, to build synergies across sectors and search for efficiency gains, notably through metropolitan governance, inter-municipal collaboration, urban-rural partnerships, and performance-based contracts; and
- d) Promoting a strong science-policy interface to contribute to better water governance and bridge the divide between scientific findings and water governance practices.

Enhancing the trust and engagement in water governance

9. Mainstream *integrity and transparency practices* across water policies, water institutions and water governance frameworks for greater accountability and trust in decision-making, through:

- a) Promoting legal and institutional frameworks that hold decision-makers and stakeholders accountable, such as the right to information and independent authorities to investigate water related issues and law enforcement ;
- b) Encouraging norms, codes of conduct or charters on integrity and transparency in national or local contexts and monitoring their implementation;
- c) Establishing clear accountability and control mechanisms for transparent water policy making and implementation ;
- d) Diagnosing and mapping on a regular basis existing or potential drivers of corruption and risks in all water-related institutions at different levels, including for public procurement; and
- e) Adopting multi-stakeholder approaches, dedicated tools and action plans to identify and address water integrity and transparency gaps (e.g. integrity scans/pacts, risk analysis, social witnesses).

10. Promote *stakeholder engagement* for informed and outcome-oriented contributions to water policy design and implementation, through:

- a) Mapping public, private and non-profit actors who have a stake in the outcome or who are likely to be affected by water-related decisions, as well as their responsibilities, core motivations and interactions;

- b) Paying special attention to under-represented categories (youth, the poor, women, indigenous people, domestic users) newcomers (property developers, institutional investors) and other water-related stakeholders and institutions;
- c) Defining the line of decision-making and the expected use of stakeholders' inputs, and mitigating power imbalances and risks of consultation capture from over-represented or overly vocal categories, as well as between expert and non-expert voices;
- d) Encouraging capacity development of relevant stakeholders as well as accurate, timely and reliable information, as appropriate;
- e) Assessing the process and outcomes of stakeholder engagement to learn, adjust and improve accordingly, including the evaluation of costs and benefits of engagement processes;
- f) Promoting legal and institutional frameworks, organisational structures and responsible authorities that are conducive to stakeholder engagement, taking account of local circumstances, needs and capacities; and
- g) Customising the type and level of stakeholder engagement to the needs and keeping the process flexible to adapt to changing circumstances.

11. Encourage water governance frameworks that help manage trade-offs across water users, rural and urban areas, and generations, through:

- a) Promoting non-discriminatory participation in decision-making across people, especially vulnerable groups and people living in remote areas;
- b) Empowering local authorities and users to identify and address barriers to access quality water services and resources and promoting rural-urban co-operation including through greater partnership between water institutions and spatial planners;
- c) Promoting public debate on the risks and costs associated with too much, too little or too polluted water to raise awareness, build consensus on who pays for what, and contribute to better affordability and sustainability now and in the future; and
- d) Encouraging evidence-based assessment of the distributional consequences of water-related policies on citizens, water users and places to guide decision-making.

12. Promote regular *monitoring and evaluation* of water policy and governance where appropriate, share the results with the public and make adjustments when needed, through:

- a) Promoting dedicated institutions for monitoring and evaluation that are endowed with sufficient capacity, appropriate degree of independence and resources as well as the necessary instruments;
- b) Developing reliable monitoring and reporting mechanisms to effectively guide decision-making;
- c) Assessing to what extent water policy fulfils the intended outcomes and water governance frameworks are fit for purpose; and
- d) Encouraging timely and transparent sharing of the evaluation results and adapting strategies as new information becomes available.