

Concept Note
Benchmarking for Performance Improvements in Punjab WASAs, Pakistan

1. Background

On the request of Government of Punjab (GoPunjab) the IDA/World Bank commissioned two “Urban Sector Review” missions in, June and October 2004, which had detailed discussions with senior officials of GoPunjab on urban planning and management, land & housing, water supply & sewerage, solid waste management, institutional development and municipal financing. The mission identified several key areas of interventions critical to urban economic potential and development. The missions also came up with a possible scope of Analytical and Advisory Assistance (AAA) studies and services in above mentioned sectors.

The Government of Punjab (GoPunjab) attaches great importance to municipal services and wishes to improve the provision of Water Supply and Sewerage (WSS) services in the largest cities of the province. The GoPunjab is well cognizant of the need, to improve municipal services, through policy, regulation and institutional reforms targeting the urban municipal services providers i.e. Water and Sanitation Agencies (WASAs) in the province. Provincial government is investigating options for improving efficiency of WSS service providers through reforms, capacity building, public-private partnerships (PPP) and financial incentives including output-based financing Assistance (OBA).

GoPunjab has obtained financial support from Public-Private Infrastructure Advisory Facility (PPIAF), Global Partnership on Output-based Aid (BPOBA) and Water and Sanitation Program South Asia (WSP-SA) to support the effort.

WSP-SA has been asked to support the GoPunjab initiatives in WSS sector. In this sector one of the key activities GoPunjab intends to undertake is introduction and institutionalization of benchmarking & performance data collection in five WASAs of Punjab.

2. Baseline information on WSS in Pakistan

Baseline information on the performance of urban water supply and sanitation (UWSS) agencies is a key mechanism to identify performance improvement initiatives and measure their impact. But, existing information on the performance of UWSS sector in Pakistan is largely anecdotal and seldom comparable across cities or internationally and it is hardly available on a regular basis. In general there exist mechanisms and processes practiced by many utilities in Pakistan for collection of information on their performance. However, collected information is rarely shared between utilities and in most cases it is for internal consumption of the utility for various purposes. The information is not comprehensive and consistent generally for inter utilities comparison. Moreover, some of the performance indicators used to collect information do not reflect global best practices in the UWSS sector, thus making comparability with other developing as well as developed countries difficult.

The indicators & definitions against which data is collected are not consistent across the utilities. True costs and revenue information in performance statistics compiled by many utilities is hidden amongst the costs and revenue of the municipality. This makes data collection difficult and requires the development of standard approaches for identifying and allocating the specific costs of service provision. In the longer term, only ring fencing of utility costs and revenues can bring clarity to the situation.

In Pakistan comprehensive assessment of utility's performance has never been undertaken for inter-utility comparisons. Thus good practices and areas with potential room for improvement are yet to be identified and shared with others for the benefit of the sector. This information is critical also for the evolution of government policy measures, for private sector lenders and for development partners to target their assistance appropriately.

3. What is performance benchmarking?

Benchmarking is a tool for comparative assessment to measure, monitor and improve performance and encourage adaptation of best practices in the provision of services. Benchmarking involves measurement of performance on certain key parameters and its comparison with peer organizations or oneself over time.

Inter-utility performance comparison is needed in the water sector because the sector offers limited scope for direct competition owing to its monopoly characteristics. Benchmarking, in this case, can help to understand the relative performance of the water utilities, to identify the potential for improvement, and to help inform the debate with various stakeholders. The transparent provision of performance information can assist in building relationships of accountability between the service provider, their customers and their regulators.

Performance benchmarking is a critical element of the utility management process also. Senior management of the utility can use this information to identify required performance improvements, set targets and monitor progress. Globally, the use of performance benchmarking practices has grown, as its usefulness is increasingly understood in guiding improvements in operating efficiency, quality of service provision, financial health, management information systems and processes and the general functioning and governance of utilities

4. Initiating performance benchmarking in Pakistan

This project, as elaborated in the coming sections, in addition to being part of a large activity in the province, is also a part of a regional level initiative that aims to encourage and institutionalize utility performance benchmarking practices from a cross section of utilities in South Asia. The initiative is not aimed at extracting performance data from utilities on a one-off basis, but rather to support utilities to develop and sustain rigorous

and regular performance benchmarking practices that allow them to identify appropriate performance improvement initiatives and measure their impact.

The project itself will be undertaken in three phases: each phase will build on the experience gained in the previous phase, with the intention being to develop & institutionalize the process of performance benchmarking through regular data collection.

The project will focus on five UWSS utilities in Punjab province. These are WASAs in Lahore, Faisalabad, Multan, Rawalpindi and Gujranwala. Under the devolution, introduced through the Local Government Ordinance in 2001 (LGO 2001), WASAs were to be devolved down to the district level and placed under the respective District Nazims. In Punjab, however, this is true for Lahore only. WASAs in other large cities have been devolved to one selected tehsil. By designation, elected LG public representative, Nazim of Town/Tehsil Municipal Administration is Chairman of local WASA. At the provincial level Housing & Urban Development & Public Health Engineering (HUD&PHED) department is the parent department of WASAs while administratively each WASA comes under the respective district Development Authorities which are five statutory bodies HUD&PHE department. Each WASA is headed by a Managing Director who is supported by a number of technical and other professional staff. According to LGO 2001, WASAs are responsible for planning, designing and construction and operating and managing of water supply, sewerage & drainage facilities. Main funding sources of WASAs are own-source revenues (OSR) (water and sewerage fee) and share of Urban Immovable Property Tax (UIPT) from provincial government. Poor billing and collection efficiency, high operating costs, irrational tariff, old and decaying infrastructure and inadequate technical staff are some of the common issues faced by WASAs.

5 Project Objective

The short to medium term objective of WSP-SA support, through this exercise, is to promote performance data collection practices, in a more systematic way, and its utilization for inter and intra WASA comparison. This project will promote the progressive development of benchmarking practices in the five mentioned WASAs of Punjab Province based on performance indicators. Regular data collection and analysis by WASA, on continuous basis, will help the management in understanding the performance of various sections in a better way and detailed analysis, with some technical assistance, will lead to identification of performance gaps.

Another important objective of the project is to scale up the learning from Punjab WASAs and introduce the benchmarking concept to other urban utilities cross Pakistan.

6. Project Concept

Accurate, timely and comparable performance benchmarking data of WASAs service delivery will take a number of years to develop and institutionalize. Keeping in view this reality this project will develop a systematic approach to performance benchmarking that is in line with global best practices.

As stated earlier the project is designed to be implemented in a phased manner so that experience can be gained on suitable methods to compile comparable data in those situations where information is currently not readily available for inter-utility benchmarking.

The starting point for the project is bringing on board the top management of the concerned department i.e. HUD&PHE Department by sharing with them this concept note and discussing the detail of activities. This will be followed by visits to each WASA, in the first phase, for concept clearance, discussion and agreement on proposed activities and timelines, on indicators and definitions, identification of nodal persons and training the relevant staff on data collection using the datasheets. It is foreseen that 2-3 visits will be required by the WSP-SA staff, to WASAs, to discuss and address the practical difficulties in data collection against the agreed indicators – before real and useful data starts flowing in. Phase 1 will culminate on a collective workshop in which all five WASAs will make presentation on their status and WSP-SA will present the comparison of WASAs and status of regional utilities (particularly India and Bangladesh) and other international good practices. The collective workshop will also give an opportunity to revisit the indicators and definitions and consequently some indicators may be included, dropped, expanded and or re-defined.

The World Bank benchmarking toolkit will be used as reference material to finalize the benchmarking definition and indicators. After modification and expansion to reflect local circumstances, and in consultation with the participating WASAs, these indicators and definitions will form the basis for data collection. This approach will speed up the exercise and allow local, regional and international comparisons.

The second phase of the project will focus on strategies to institutionalize benchmarking in WASAs. In this phase different options and strategies will be discussed with the participating WSASs to make the performance data collection activity a regular and continuous activity by linking it as a pre-requisite for other key processes like Annual Planning or Annual Budgeting etc. Performance data collection activity, on revised data sheets will continue as a regular time-scale activity. Other development partners will also be taken on board to discuss the ultimate utility of performance data. This will help in development of short and medium term plans to address the performance improvement related challenges.

In this phase over all plans will also be developed to share the standardized datasheets, performance indicators and performance data collection process with other urban utilities in Pakistan for scaling up the benchmarking process.

The third phase activities will depend on the outcome of 2nd phase.

The three phases of the project are:

Phase 1 – The preparation, planning & evolution phase

Phase2 – The consolidation and scale-up planning phase

Phase 3 – The institutionalization phase

Phase 1 – The preparation, planning & evolution phase

To initiate the project, discussions will be held with HUD&PHE department GoPunjab for concept clearance, bringing them on board and developing common understanding on process and activities. This will be followed by visits to each WASA to explain the project concept, spell out the roles and responsibilities of the WASAs (particularly regarding collection, verification and compilation of data in a timely manner), and WSP-SA (as networking hub provider, facilitator and addressing the technical queries), identification of WASAs' nodal offices, and developing an agreement on timelines for activities and subsequent visits. In these introductory visits sample datasheets will also be shared with the WASA staff and performance indicators and definitions will be reviewed and discussed. The designated staff and nodal officer will be trained in use of the datasheets. Dates of the next visits will be agreed for data presentation.

All WASAs will be visited again, after an interval of agreed gap to have intensive working sessions. In these working sessions the indicators and definitions will be reviewed in the light of practical difficulties faced during the data collection and information recording. Time frame will again be agreed for data submission to WSP-SA for review and analysis well before the collective workshop. Consensus date will agreed with participating WASAs for a collective workshop of all participating WASAs and other partners.

In the collective workshop each WASA will make a presentation on their performance while WSP-SA will present the analysis and comparison. Presentations will also be made on performances of large Indian and Bangladesh utilities and other regional and global best practices. Collective presence of WASA staff will also provide an opportunity to further discuss and refine the indicator and definitions leading to revise version of the datasheets. Workshop will also discuss the future activities/actions and timelines.

Key activities of phase 1 are:

1. Meeting with provincial government for concept clearance and agreement on activities and processes.
2. Individual visits to each WASA for
 - Concept clearance and clarification on roles & responsibilities
 - Presentation of sample performance indicators data sheet
 - Discussion on indicators and definition
 - Refinement of indicators and data sheets
 - Training of WASA staff on performance data collection and filling of data sheets
 - Agreement on dates for next visit
3. Working session with each WASA to
 - Review the collected data

- Review the indicators and definitions in the light of practical difficulties
 - Refine and modify the datasheets
 - Agreement on data submission date to WSP-SA for analysis & comparison
4. Data analysis & comparison by WSP-SA
 5. Feedback to WASAs of the outcome
 6. Collective workshop of all five WASAs
 - Data presentation by each WASA
 - Analysis & comparison by WSP-SA
 - Presentation on regional utilities performance
 - Global best practices
 - Discussion and refinement of data sheets
 - Agreement on future activities and time schedule

Phase 2 – The consolidation and scale-up planning phase

The second phase of the project will explore strategies to institutionalize benchmarking and linking it up with other strategic processes of WASAs.

Participating WASAs will be assisted to improve data collection practices and mainstream it into the management information system of the agency. This activity will include a review of existing information collection and dissemination practices and integration of performance related information into it. The emphasis in this phase will also be put on ultimate usage of performance data for development of short and medium term plan and strategies. In this phase possibilities will also be explored to establish linkages with other projects/incentives, like ADB funded output based financial assistance; Intergovernmental financial incentives, as a window for accessing funds. Interface between PPIAF consultants and WASAs will also be established to link and mainstream the whole process of performance benchmarking in the overall reform support program. Depending on the quality and consistency of data, time frame, commitment and interest of WASAs PPIAF consultants and WSP-SA might initiate the identification of performance gaps and come up with roll out plans to plan addressing the gaps.

On the basis of the lessons learnt in Phase 1, a strategy will be developed for the roll-out and institutionalization of an UWSS benchmarking network in Pakistan. This network will provide the framework for further UWSS agencies to initiate benchmarking activities. WSP does not intend to provide the detailed support outlined in Phase 1 to additional utilities, but rather to support the development of an appropriate vehicle that can undertake this task, using other development partners and industry associations. The roll out strategy will articulate the strategy to institutionalize data collection, how to disseminate results, and how to use benchmarking as a vehicle for capacity building among utility managers. These planning activities will consider, importantly, the costs and sources of funding for the roll out program.

A workshop will be held to present this roll-out strategy. The workshop will bring together participants from participating WASAs, other large urban utilities and selected regional utilities from India and Bangladesh.

Some of the activities of the phase II are:

- Performance data collection against agreed indicators and on data sheet (as per phase 1)
- Exploring options for institutionalizing benchmarking
- Mainstreaming of performance data into existing information systems of WASAs
- Establishment WASA linkages with projects/incentives for access of funds
- Establish linkages with PPIAF and other for development of short and medium term strategies
- Mainstreaming performance benchmarking into overall Urban WSS reform project
- Data analysis and identification of performance improvement areas
- Roll out plan for scaling up benchmarking process in other Pakistani utilities
- Data sharing with regional utilities in workshop
- 1-2 collective workshops to discuss and finalize plans and strategies

Phase 3 - The Institutionalization Phase

Phase 3 activities will largely be based on the outcome of phase 2 activities. It is anticipated that in this phase WASAs will be assisted in implementation of strategies and options agreed in phase 2 for institutionalizing benchmarking, linking it with other processes and mainstreaming and dissemination of performance data through existing information system.

7. Project Partners

The key project partners include the HUD&PHE Department, Government of Punjab, participating WASAs of Punjab, the World Bank, specifically the South Asia Energy and Infrastructure Directorate (SASEI), Public-Private Infrastructure Advisory Facility (PPIAF), Global Partnership on Output-based Aid (BPOBA).

8. Implementation

The project will be executed by the Water and Sanitation Program – South Asia (WSP-SA) in collaboration with the World Bank (SASEI), PPIAF, GPOBA and the participating WASAs.

Time Frame

	FY 2005-06											
	J	A	S	O	N	D	J	F	M	A	M	J
Phase 1												
Preparation and clarification of roles and responsibilities (meetings with HUD)												
Five visits, one to each WASA, for concept clearance, roles & responsibilities, presentation of sample performance indicators data sheet and discussion												
Training of WASA staff on performance data collection and filling of data sheets												
Data collection by WASAs and analysis												
Working sessions with each WASA to discuss and review collected data and refine performance indicators and data sheets												
Collective workshop of all five WASA												
Data presentation by each WASA												
Analysis & comparison												
Regional and global best practices												
Agreement on performance indicators												
Improvements in data sheets												
Agreement on future activities and time schedule												

<i>Phase II</i>	<i>J</i>	<i>A</i>	<i>S</i>	<i>O</i>	<i>N</i>	<i>D</i>	<i>J</i>	<i>F</i>	<i>M</i>	<i>A</i>	<i>M</i>	<i>J</i>
Performance data collection against agreed indicators and on data sheet (as per phase 1)												
Strategies & options for institutionalizing benchmarking												
Linkages of WASA with PPIAF, ADB and other projects and incentives												
Formation of roll out plan for scaling up benchmarking in other urban utilities in Pakistan											<i>FY</i>	<i>-07</i>
Sharing the standardized formats with other utilities in Pakistan												
<i>Phase III</i>												
<i>Technical assistance in implementation of plans of institutionalizing benchmarking</i>											<i>FY</i>	<i>-07</i>