

Executive summary

The National Superintendence of Sanitation Services (Sunass) is the agency in charge of regulating, governing, and supervising the provision of sanitation services in Peru. Within its portfolio of functions, it regulates the tariffs that service provider companies (SPC) charge to their users and has a major role in setting access and quality standards for sanitation services. Sunass also carries out inspections, applies sanction, and resolves user claims and conflicts among service provider companies. In response to the 2016 OECD report *Regulatory Policy in Peru. Assembling the Framework for Regulatory Quality*, Sunass has begun to implement a system of regulatory impact assessment (RIA) to improve the quality of its regulations.

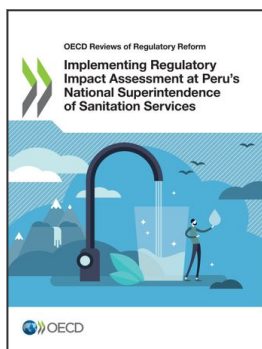
RIA requires a rigorous and transparent analysis, including a cost-benefit analysis to identify impacts. However, effectively implementing RIA will require Sunass to adjust its internal design and processes to ensure the quality and continuity of the analysis.

The report finds that Sunass has a fundamental role on regulation of tariffs, quality, and conditions for access. The General Regulation of Tariffs establishes the methodologies and procedures that govern the way tariffs are calculated. The Regulation of Quality of Sanitation Services defines the obligations that service providing companies have regarding the access to the service, quality of supply, and other topics, including the closure of services and rules for properties with common use areas. Sunass is in charge of overseeing the implementation and enforcement of both regulations. Additionally, Sunass applies the Regulation on supervision, oversight, and sanctions of sanitation service provider companies.

This report should serve as a manual for Sunass to undertake public consultation and prepare RIAs when modifying or updating these regulations, or whenever it has to issue or modify secondary legal instruments that emanate from these regulations, such as standards, and guidelines. The report also contains specific recommendations for designing and implementing a system for preparing RIA. Technical guidelines explain in detail how to prepare each element of an RIA. Key recommendations include the following.

- Sunass should undertake reforms to make an RIA obligatory whenever a regulatory proposal or amendment to an existing regulation implies compliance costs for stakeholders. Costs affecting any stakeholder, including service provider companies, users, and the state, should be considered, and the scope of these costs should be broad. Sunass should consider non-monetary externalities and opportunity costs. Waivers for applying RIA to regulatory amendments or new regulations should be limited and approved by the office monitoring the quality and approval of RIAs. These exceptions should be applied only to those regulatory projects whose costs are negligible or insignificant.
- As part of the reform, Sunass should officially approve the technical guidelines for the development of RIAs. This will provide a common basis for a rigorous and standardised quality analysis. Technical guidelines should be disseminated to Sunass staff on a regular basis.

- Sunas should embrace the proportionality principle in its RIA system by introducing differentiated types of assessment according to the level of impact. The different RIA types should be well defined, with clear distinctions on what is expected in the corresponding cost-benefit analysis, the number of alternatives to assess, and the scope of public consultation.
- RIA development and supervision should be conducted independently. Sunass should avoid having the same offices involved in both processes. This will enable, to the extent possible, an impartial and rigorous quality control. Moreover, the preparation process should evolve to become a collaborative process among the Sunass directorates involved in the regulatory project under development. The supervision process should be carried out by offices with sufficient authority to approve or reject the RIA.
- Sunass should have a clear and gradual implementation plan. For this purpose, it should define the critical path for the necessary administrative changes to implement the RIA system, a RIA communication and socialisation plan, recurrent training for Sunass technical staff, and the adoption of technological tools to allow for the efficient elaboration of the RIA and undertaking of the public consultation.



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