

Chapter 14

Making Water Reform Happen

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In 2011, Mexico launched an ambitious 2030 Water Agenda to achieve, within the next 20 years, clean water bodies, balanced supply and demand for water, universal coverage, and settlements safe from catastrophic floods. This strategic planning exercise is an example of clear political leadership to design a long-term vision for the sector. But making water reform happen is always challenging, especially in Mexico where past experience has shown the difficulty of translating policy objectives into action. Mexico does have a well-developed policy framework for water resource management, with a number of institutions and policy instruments in place. However, policy implementation is still uneven; river basin councils are not fully operational twenty years after their creation; the regulatory framework for drinking water and sanitation is scattered across multiple actors; and harmful subsidies in other sectors (energy, agriculture) clearly work against water policy objectives. Efforts are particularly needed to increase water productivity and the cost-efficiency of water policies; to address multi-level and river basin governance challenges (in particular bridging inconsistencies between federal and basin priorities); to sequence and prioritise reform needs; and to support greater policy coherence with agriculture and energy.

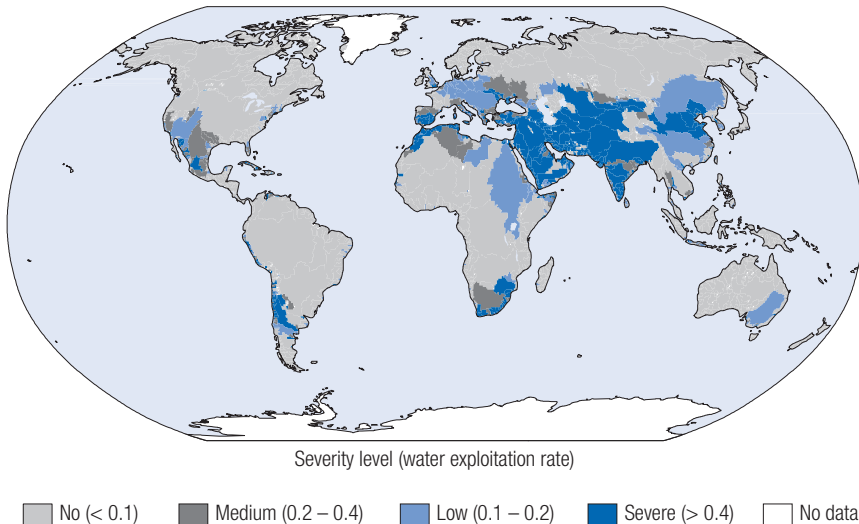
There is momentum in Mexico towards more inclusive, integrated and coherent water policy that goes beyond business as usual. The 2030 Water Agenda proposes a strategic vision for the water sector in Mexico with challenging reforms that require a thorough analysis and diagnosis of both the factors that will foster or hinder implementation, and the measures likely to overcome them.

Mexico's water reform challenge

Several parts of Mexico are under severe water stress

Water users in Mexico are vulnerable and will be even more so in the coming decades, especially in the Lerma and Grande river basins. Water availability per capita declined by 75% since 1950, due to population growth. Uneven distribution of water around the country is also a challenge, and several basins are and will remain under severe water stress (see Figure 14.1). Mexico has 653 aquifers, of

Figure 14.1. **Water stress by river basin: Baseline, 2050**



Source: Baseline from OECD (2012a), Water Chapter in *OECD Environmental Outlook to 2050*, OECD.

which 101 are overdrawn, especially in Lerma, Valle de Mexico and Balsas. At present, 77% of the population are located in regions where there is little water, hence the efforts needed to both enhance water supply and focus more closely on demand management.

The quality of water bodies is at stake

Improving the quality of rivers, lakes and aquifers is a major challenge in Mexico. Surface and groundwater quality is threatened by pollution loads from point and diffuse sources, and insufficient attention to wastewater discharges (see Chapter 11 on green growth and OECD, 2013b). The current state of water bodies has adverse effects on the environment (poor water quality, reduced stream flows, drying up of wetlands); adds costs to the provision of water services (as water has to be treated before it can be used); and threatens the economic viability of farming.

Providing safe drinking water and adequate sanitation to all requires further action

Mexico has arguably met the water and sanitation Millennium Development Goals, but further progress is needed to make sure that the water supplied is safe to drink. Currently, 91.3% of the population has access to drinking water services and 89.9% has sanitation coverage. Considering the current coverage and future population growth projections, in the next 20 years Mexico will need to provide an additional 36 million inhabitants with drinking water services and 40 million with sanitation services. States facing the greatest challenges in this regard are Baja California, Chiapas, Mexico, Jalisco, Puebla and Veracruz. Beyond access, the efficiency and reliability of service provision and the financial sustainability of service providers are also major concerns.

Exposure to floods and droughts is increasing

Between 1980 and 2007, hurricanes and droughts affected more than 8 million people and caused MXN 130 billion worth of damage. Historically, floods and investments in flood protection were mainly concentrated in the Valley of Mexico and Southern Border but the Central Gulf and Yucatan Peninsula are now also at risk. The hurricanes that occurred in 2010 affected 118 municipalities in Coahuila, Nuevo León, and Tamaulipas; 138 municipalities in the states of Campeche, Puebla, Veracruz; and 56 municipalities in the states of Chiapas and Oaxaca. Projections concentrate future flood trends in 17 states, where 62% of the population lives.

The policy framework for water management has evolved, but institutional reforms are needed

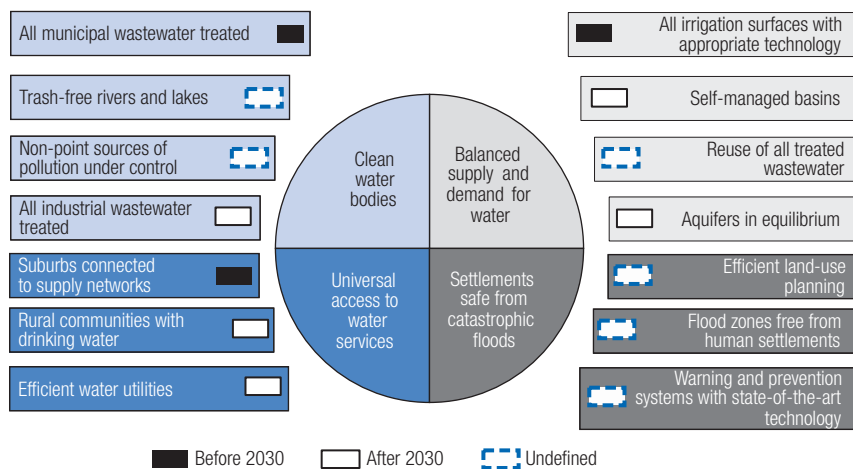
Mexico has a well-developed policy framework for water resource management; a number of institutions are in place at federal and state level, and Mexico has developed an array of policy instruments (from abstraction charges to water markets). However, policy implementation is uneven, river basin councils are not yet fully operational, and the regulatory framework for drinking water and sanitation is fragmented. Efforts are particularly needed to increase water productivity and the cost-efficiency of water policies. This will require addressing multi-level governance challenges (in particular bridging inconsistencies between federal and basin priorities), sequencing and prioritising reform needs, and supporting greater policy coherence with agriculture and energy.

The 2030 Water Agenda

In 2011, to address these concerns, Mexico developed an ambitious 2030 Water Agenda. It was conceived as a forward-looking exercise linked to the national planning system. The Agenda:

- seeks to achieve 4 policy goals within the next 20 years (see Figure 14.2): balanced supply and demand for water, clean water bodies, universal access to water services, and settlements secured from catastrophic floods
- lays out five principles (sustainability, integral long-term vision, catchment vision, local control, subsidiarity) and two strategic lines related to governance structures and capacity of water managers, as well as the distribution of competences at the three tiers of government
- sets up 38 initiatives covering a wide range of issues, including river basin institutions, polluting behaviours, soil conservation, land use, the role of state governments, capacity building, tariff setting, legal frameworks, and information and monitoring systems
- benefitted from a one-year consultation process of key stakeholders at local, state and national level through thematic discussions, a web forum and 13 regional roundtables
- requires an overall annual investment of EUR 3 billion over the next two decades
- is grounded in a technical prospective analysis.

Still, making water reforms happen is always very challenging, especially in Mexico where past experience has shown the difficulty of translating policy objectives into action. An OECD-Mexico water policy dialogue was carried out

Figure 14.2. **The 2030 Water Agenda: Goal and timeline**

Source: CONAGUA (The National Water Commission) (2011), *2030 Water Agenda*.

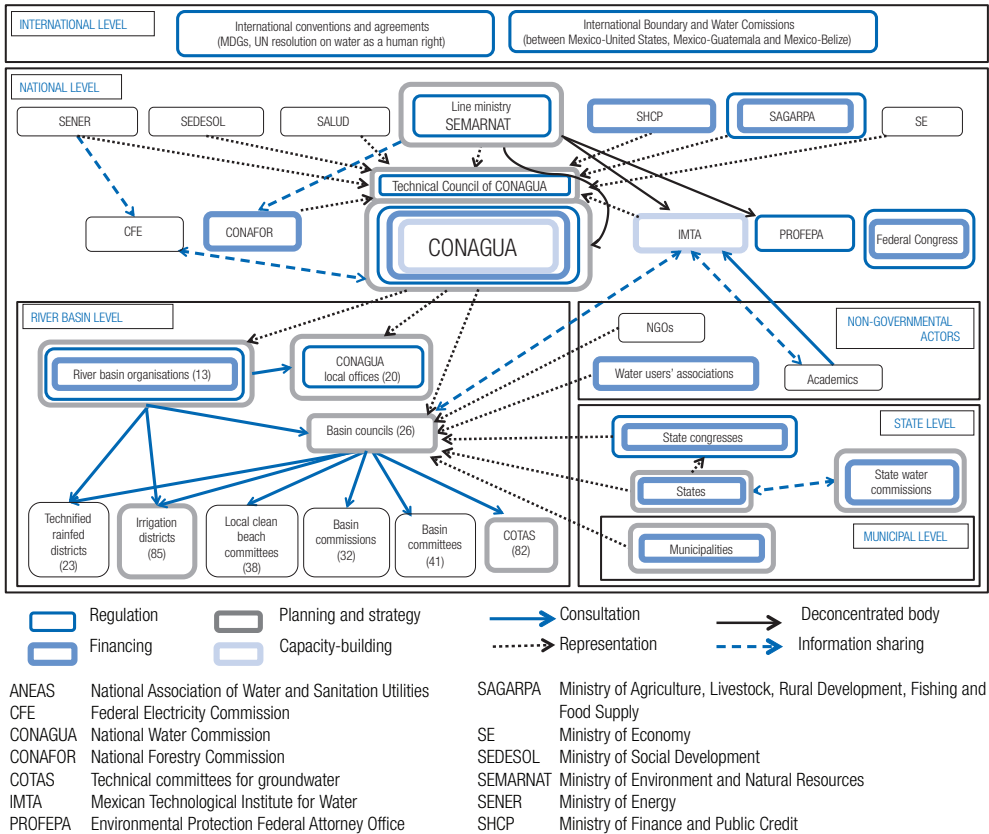
in 2012 to provide analytical guidance in support of the Water Reform Agenda. It resulted in tailored policy recommendations, which built on OECD tools and concepts and the involved high-level peer reviewers from Australia, Brazil, Italy and the United Kingdom. The dialogue focused on four key areas considered to be critical to make water reform happen in Mexico: multi-level governance, river basin governance, the economic efficiency and financial sustainability of water policies, and regulatory frameworks for service provision. Key findings will be published in the OECD 2013 Report *Making Water Reform Happen in Mexico*, and are hereinafter summarised.

Improve multi-level governance to address territorial and institutional fragmentation

Manage interdependencies across multiple actors and stakeholders

Mexico's fragmented institutional setting raises important capacity and co-ordination challenges to integrated, coherent and inclusive implementation of water reform. Several institutions, agencies and bodies are involved in water management at federal, state, municipal and basin levels (see Figure 14.3).

Figure 14.3. Key actors in Mexico's water resources management



Source: OECD (2013a), *Making Water Reform Happen in Mexico*, OECD Studies on Water, OECD..

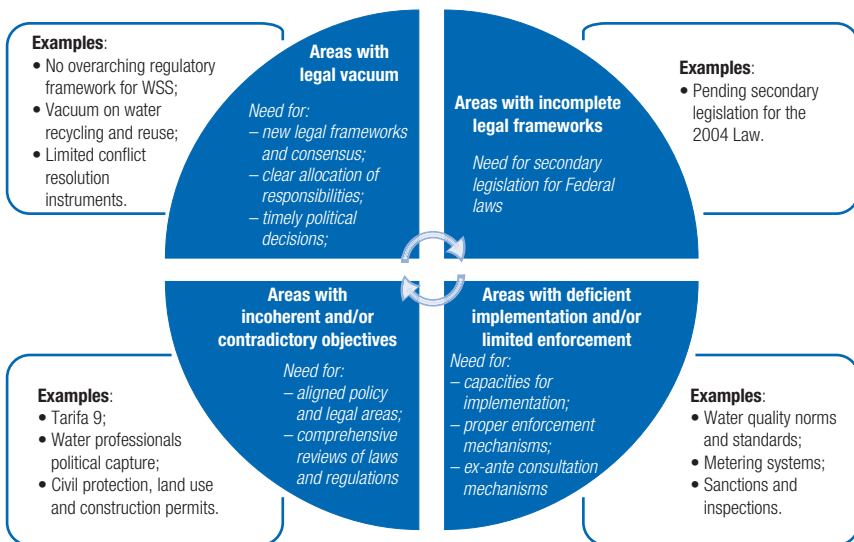
To address multi-level governance challenges, a first step is to understand who does what at which level. At federal level, the National Water Commission (CONAGUA) is the main body in charge of water planning, financing and strategic setting; there is no overarching framework for the provision of water services which, according to the Constitution, is the responsibility of municipalities with varying levels of capacity and resources. The 1992 National Water Law has gradually transferred water resource responsibilities to 13 river basin organisations, which operate as CONAGUA implementing agencies. While some progress has been achieved in better managing interdependencies across stakeholders and creating an overarching framework for water resources management, much remains to be done to overcome the scattered regulatory framework for water services.

Address grey areas in the legal framework, including the informal sector

A wide range of informal actors play an important role in Mexico's water setting and significant grey areas remain in the legal framework (see Figure 14.4). Irrigation units typically operate without a legal identity and are not organised to voice their concerns. In small communities, where resources and capacities are limited, community-based organisations have often been successful in terms of improving coverage and generating health benefits (*e.g.* in the state of Oaxaca). However, uncertainty about their status complicates oversight and monitoring.

Initiatives in other sectors (particularly agriculture and energy) can work against water policy objectives, increasing costs and putting water security at risk in several basins. For instance, energy subsidies to farmers have detrimental impacts on water demand and groundwater management demand (see Chapter 13 on agriculture and rural development). Policy coherence is essential, but flexibility needs to be improved through multi-stakeholder platforms and effective multi-level governance to manage risks and trade-offs, create incentives for behaviour change, and prioritise. Initiatives at local and state levels (*e.g.* voluntary schemes with accompanying measures to remove harmful subsidies) can be shared and replicated. International best practices provide valuable references.

Figure 14.4. **Grey areas in Mexico's water legal frameworks**



Bridge co-ordination and capacity gaps, building on good practices at local, state and federal levels

Many water governance gaps faced by Mexico (see Table 14.1) are not specific to the sector but relate to the country's broader governance challenges. They concern issues of enforcement and compliance, accountability, the uneven nature of decentralisation, informality, quality and capacity of public administration, and limited transparency. Further effort is needed to bridge accountability, information and capacity gaps across levels of government. In this respect, the high-level commitment of the Mexican government to reform the water sector is a good signal and, should positive results be forthcoming, that commitment is likely to spill over to other sectors and benefit wider institutional and economic reforms.

Table 14.1. **Multi-level governance gaps in Mexico's water sector**

Type	Description and examples
Administrative gap	<ul style="list-style-type: none"> Mismatch between administrative and functional units (water bodies, municipalities, metropolitan areas, regions, states) on the one hand and hydrological boundaries and imperatives on the other
Information gap	<ul style="list-style-type: none"> Significant progress has been achieved to develop databases and water information systems in Mexico, but these are fragmented across institutions and not always standardised, coherent, consistent, or shared with/disclosed to the public
Policy gap	<ul style="list-style-type: none"> Fragmentation of water-related tasks across ministries remains a significant bottleneck to water reform. There is a need to align water, energy, agriculture and territorial development policies
Capacity gap	<ul style="list-style-type: none"> Service providers and river basin organisations lack the necessary staff, expertise, skill, know-how and infrastructure to carry out their duties
Funding gap	<ul style="list-style-type: none"> Limited bill collection and insufficient charges undermine the financial sustainability of the sector, which largely relies on federal subsidies
Objective gap	<ul style="list-style-type: none"> Different rationales from different stakeholders hinder convergent objectives (e.g. three-year mandate of Mayors, contradictory water, zoning and construction policies, etc.)
Accountability gap	<ul style="list-style-type: none"> The 2030 Water Agenda showed the potential for public participation, but improvements are still needed to establish appropriate channels between users and government bodies

Source: OECD (2013a), *Making Water Reform Happen in Mexico*, OECD Studies on Water, OECD.

There has been some progress in addressing the institutional fragmentation of water policy at federal level. Some of these efforts were undertaken via the technical council of CONAGUA and the development of cross-sectoral planning. However, co-ordination efforts are often led in a bilateral way between CONAGUA, ministries and public agencies such as the Federal Commission of Electricity and the Federal Commission of Forestry. A solution could be to translate the 2030 Water Agenda policy goals in the multi-level planning apparatus, including

among others the National Development Plan, the National Water Programme, the National Water Information System, regional and state water programmes, and the multi-annual investment plan. In addition, the potential for policy coherence at watershed level is not fully exploited. There are many good practices on the ground that could be further replicated, while letting the governance system adjust to local features.

Encouraging co-ordination and building capacity are critical steps towards bridging multi-level governance gaps in water policy. In the case of Mexico, four main areas need to be considered to achieve horizontal and vertical co-ordination in support of the Water Reform: i) foster policy coherence across water-related areas, especially agriculture, energy, environment and territorial development; ii) strengthen capacity at basin, municipal and state levels for effective decentralisation and place-based policies; iii) improve access, quality and disclosure of information at all levels to guide decision-making processes; and iv) encourage public participation for more open, responsive, sustainable and inclusive water policy.

Strengthen river basin governance for effective integrated water resources management

A comprehensive system of river basin organisations, councils and auxiliary bodies has been in operation since 1992. While Mexico was a river basin management pioneer among Latin American countries (OECD, 2012b), 20 years later the system is not as yet fully operational. In addition to the 13 river basin organisations implementing CONAGUA's policies in each hydrographic region, 26 river basin councils have been created as consultative bodies, working closely with tens of river basin committees (local discussion forums), technical groundwater committees (dealing with over-exploitation of aquifers), local clean beach committees (overseeing the environmental quality of national beaches), irrigation districts, and technified rainfed districts (providing technical advice and infrastructure in irrigation). These multiple river basin institutions raise significant co-ordination challenges and there is room for improvement for effective integrated water resources management on the ground.

Strengthen river basin councils' prerogatives and capacities

Decision making related to river basin management is still highly centralised. River basin councils lack the necessary planning, regulatory and financing powers to carry out their functions. They should also be better co-ordinated with state and municipal governments. Giving river basin councils real planning powers and a degree of autonomy to raise and allocate funds for priority investments could be considered if policy objectives are well defined, regularly reviewed, and subject to

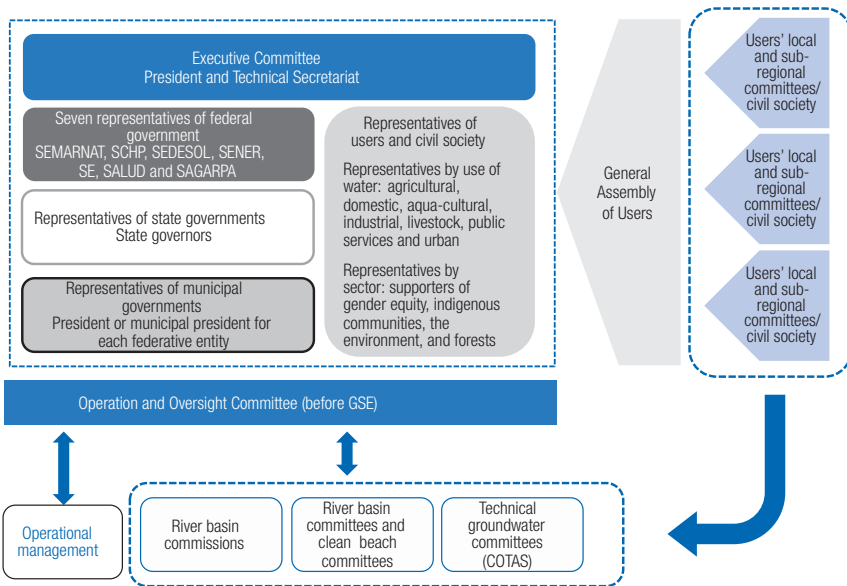
appropriate oversight. Strengthened river basin councils could therefore be better equipped to co-ordinate and articulate river basin plans within state and national priorities and programmes. They could also foster more coherent and effective decision making and information sharing, and could minimise transaction costs and overlaps.

Ensure that all relevant stakeholders are represented

Some progress has been achieved towards decentralisation of water resources management, but further efforts are needed to ensure that all stakeholders are engaged. Originally, government representatives constituted the majority of river basin council membership. Today, most council members are citizens and civil society has a seat at the table (see Figure 14.5). But some groups are still underrepresented, such as small farmers and indigenous communities. There is also scope to increase the participation of irrigation districts and units; doing so would significantly contribute to the sustainability of catchments and the balance of aquifers.

Actions need to be taken to strengthen public participation in river basin councils. These councils served as intermediaries between local stakeholders (irrigation associations, environmental organisations, academics and citizens)

Figure 14.5. **Structure and constituency of Mexico’s river basin councils**



Source: OECD (2013a), *Making Water Reform Happen in Mexico*, OECD Studies on Water, OECD.

and government agencies during the design of the 2030 Water Agenda. However, incentives to attend their meetings are weak since these are mainly consultative bodies whose decisions are not binding. Social participation should not be limited to generic consultation but extended to an active role in the decision-making process. It is also important that the work accomplished by river basin councils is consolidated and refined – for example through the establishment of operative management offices within the river basin councils and in groundwater committees widely disseminated, for example through the launch of viable websites in each river basin council. In parallel, it is necessary to revitalise users' associations within the framework of joint responsibility, transparency and accountability.

Share lessons and align objectives and strategies across river basin institutions

Even though river basin institutions face common challenges, there are limited opportunities for them to share lessons and experience. River basin organisations and councils report to different constituencies and co-ordination is currently undertaken on an *ad hoc* basis. More systematic communication and sharing of experience would contribute to building the technical and managerial capacities of river basin institutions, in particular as they formulate policies and the design of instruments such as water pricing to manage water demand. Good governance practices in various river basin councils could be further replicated in Mexico. Initiatives in Jalisco, Guanajuato, Colima and Hidalgo have helped overcome key water challenges such as aquifer over-exploitation. These states explored innovative approaches to set water tariffs and put a price on ecosystem services. But replication has been slow, because there has been no robust assessment of the prevailing river basin governance scheme or of local experiments.

An objective and independent assessment of river basin organisations, councils and auxiliary bodies' performance would help them learn from good experiences and improve the overall setting. Regular communication, design of action plans and information sharing should also be fostered. Several actions may be considered, including the following:

- organise periodic meetings for real inter-fitting between executive boards of river basin councils and their respective auxiliary bodies, to exchange on local issues and specific matters.
- develop exchanges of practices among river basin authorities at the national level, or by groups of authorities sharing similar concerns. This would allow enhancement of capacities through peer-learning mechanisms.

- increase the participation of irrigation districts and units, to save water and contribute to aquifer sustainability.
- carry out evaluation of the outcomes of projects, programmes and experimentation at the basin level. Share the results build on better assessments and monitoring.

Enhance the economic efficiency and financial sustainability of water policy

Three main issues hamper the economic efficiency and financial sustainability of the water sector in Mexico. First, initiatives taken in other areas such as agriculture and energy, which have consequences on water use and availability, clearly work against water policies and increase the cost of water resources management. Second, financial capabilities are not aligned with responsibilities, a misalignment that can generate high costs and reduce the cost-effectiveness of public expenditures. Third, the sector has many public expenditure plans, but lacks strategic financial plans at both federal and basin level. In addition, the contribution of users to total water sector expenditures remains relatively low.

Improve the institutional organisation of water policies

To overcome this situation, several institutional measures could be considered, including the following:

- clarify the respective roles of federal, state and basin councils regarding water financing;
- complement plans for water-related infrastructures or services with financial plans in order to clarify *who* pays for *what* and *when*;
- use economic instruments to enhance intergovernmental co-ordination; and
- better align national expenditures and basin priorities by strengthening the role of basin authorities in spending decisions and/or by making a more systematic use of rules of operation, to improve the performance of sub-sectors.

Enhance the cost-effectiveness of water policies

CONAGUA is the single biggest spender in the water sector. Its budget was MXN 38.8 billion in 2012, i.e. close to 55% of the estimated total sector expenditures. This budget has almost tripled in real terms in the last two

presidential administrations, and has resulted in a high rate of water infrastructure development.

Although most of these investments were essential to improve access to water and water-related services, there are some concerns about their cost-efficiency. For instance, it is less costly to operate and maintain water infrastructures properly than to let them decay and rebuild them once the community cannot access the service. Closing unlicensed wells is usually more effective than mitigating the consequences of illegal water use. Technification is costly but fails to contribute to water policy objectives if the water saved is used to irrigate additional surfaces. And buy-back programmes are more cost-effective when based on the volume of water saved, not the cost of the action taken; moreover, they leave farmers the choice of the appropriate technique.

Overall, while levels of investment in water infrastructures have been high, water services (above all sanitation) remain poor in large parts of the country, in particular in rural areas. The Pact for Mexico, signed on 1 December 2012, includes a series of infrastructure-oriented commitments (to harvest rainwater, complete flood control works, rehabilitate dams, promote seawater desalination, in commitments 50-52). Such investments should align with basin and state priorities, and be backed by strategic financial plans. Accompanying measures to reduce vulnerability to floods and droughts and to tap alternative sources of water (*e.g.* reclaimed water) can enhance their cost-efficiency.

Make better use of economic instruments for water management

Mexico has a number of economic instruments supporting water policy objectives in place, but they do not always succeed or prove effective. For instance, low rates and lax enforcement (*e.g.* illegal abstractions, underreporting of consumption) prevent abstraction charges from being effective instruments for water policies, while low pollution charges do not significantly change the behaviour of polluters. Water markets are a step in the right direction, but they tend to be poorly designed and can lead to over-abstraction. Payment for ecosystem services (PES) schemes are in place and the Pact recently adopted by the new Mexican administration explicitly requests that they be strengthened (commitment 66). This is an opportunity to ensure that i) existing schemes contribute to conservation, and ii) new schemes are designed so as to contribute to policy objectives in a cost-effective way. There is room to improve the design of the instruments in place in Mexico, so that they better contribute to cost-effective water policies and make the best use of public funds. Reforming subsidies is also a major area of potential reform (OECD, 2013b). The subsidies to electricity for irrigation pumping amounted to MXN 6.8 billion in 2010 – which is over 9 times more than the financing provided for efficient water infrastructure (MXN 773 million). Around 80% of electricity subsidies to irrigation water pumping

accrue to only the richest 10% of farmers, making this a particularly regressive subsidy. The effects on the environment are catastrophic – over 100 major water aquifers in Mexico are now over-exploited. And this impacts on the farmers and local communities: they are the ones primarily affected when the water runs out. Since July 2011 there has been a trial replacement of these subsidies with the equivalent in cash transfers in 13 aquifers; such trials should be scaled up.

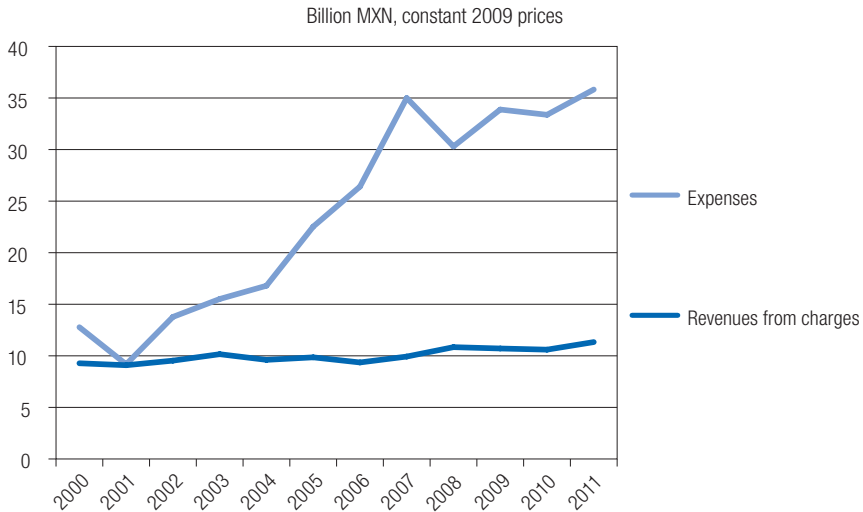
Action needs to be taken in several directions for better use of economic instruments:

- First, improve the collection rates of water-related taxes and charges. Good practices in the country can be used as benchmarks.
- Second, adjust the rates and the structure of charges and tariffs so that they reflect water policy objectives. Other objectives, such as social or economic ones, are better addressed by other means, such as targeted social support to address affordability issues (see Chapters 2 and 10 on combating poverty and inequality and on Green growth, respectively).
- Third, identify and assess water harmful subsidies, with a view to phasing them out.
- Fourth, strengthen the knowledge and database on which economic instruments rely. For instance, tariffs operate best where water is metered, which is seldom the case with irrigation in Mexico.
- Fifth, allocate more resources to monitoring of water uses; at present, they account for less than 1% of CONAGUA's budget.

The international experience of countries faced with similar challenges indicates that the right accompanying measures can overcome the political barriers to reform. For instance, the Australian case confirms that irrigators are ready to pay a price to secure their water entitlements, in particular when there is high uncertainty about future water availability. Other countries have recycled parts of the revenues from water levies to support investment in water-efficient farming practices for a transition period.

Raise revenues from water users

In Mexico, tariffs are in place for bulk water, irrigation water, water services and sanitation services. However, users' contribution to total water sector expenditures remains low (about 45%). This puts the financial sustainability of water policies in Mexico at risk, as it increasingly relies on public finance (see Figure 14.6) and as competition to access scarce budgetary resources is getting fiercer. Prices for water services need to reflect at least the operation and maintenance costs of providing those services, and be aligned with policy

Figure 14.6. **CONAGUA's budget: Increasing reliance on public funding**

Source: based on data provided in CONAGUA (2011), *2030 Water Agenda*; additional data for 2010 and 2011 provided by CONAGUA.

priorities (regarding, for instance, investment, reliance on commercial finance, and demand management). Although politically difficult, such reforms are facilitated by a robust analysis of the social impacts of water tariffs: international experience suggests that cheap water hurts the poor, as it prevents the proper extension and operation of reliable public supply. Targeted social measures are more effective and less costly than using cheap water to address affordability issues. Putting Mexican water policies on a sustainable financial basis can effectively contribute to several commitments of the Pact for Mexico, in particular the one related to the National System of Programmes to Combat Poverty (commitment 6) and the one related to making farming a more productive activity (commitment 65).

The 1992 Mexican National Water Law includes the concept of the Water Financing System; the creation of such a system has been pending since 2004. Should this initiative be revived, it would be an opportunity to ensure that the framework conditions are set to enhance the cost-effectiveness of water policies in Mexico, and to make sure that initiatives in other sectors do not work against and add costs to water policies. It would aim to make the best of public budgets and to enhance the financial contribution of water users. Well-designed and targeted accompanying measures would be needed to facilitate transition.

Improve the regulatory frameworks for service provision

The regulatory framework for water supply and sanitation is scattered

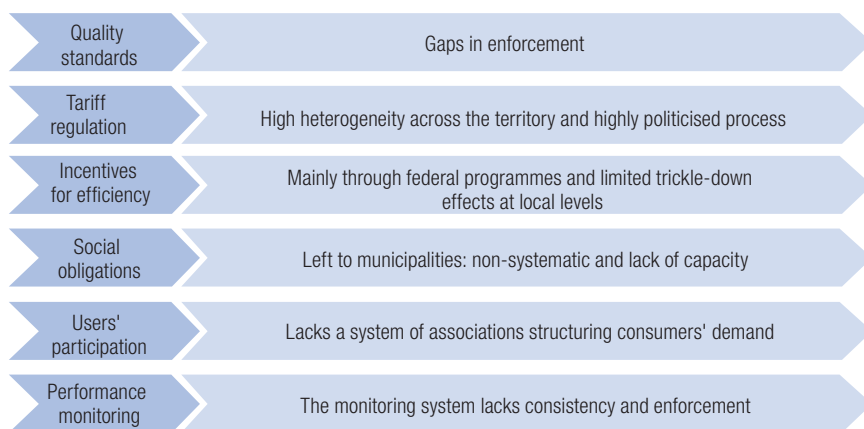
In the absence of an overarching regulatory framework for water and sanitation services at federal level, regulatory responsibilities for water supply and sanitation are scattered across different levels of government and various legal instruments. Under the Constitution, water supply and sanitation management is primarily the responsibility of municipalities, and these have varying levels of capacity and resources. Municipalities change government every three years, and water service providers change general directors every 18 months on average. This high turnover of local officials and managers has significant consequences, including discouraging long-term planning and impeding the building of capacity. Major local political interferences affect the performance of service providers. Water tariffs are for instance rarely set according to technical criteria or with a view to contributing to covering costs.

There is an opportunity to clarify and improve regulatory responsibilities

The recent adoption of the Human Right to Water and Sanitation in Mexico creates a momentum for change. The constitutional amendment to article 4 provides an opportunity to revise the legal framework and revive the debate around a federal law that would provide an overarching framework for service provision. Such a law, which is contemplated in the Pact for Mexico (commitment 66) would help clarify regulatory responsibilities. Crucially, regulation of services needs to be separated from service provision and policy making, through the clear allocation of regulatory functions to specialised entities and strengthened autonomy of service providers. Regulation of water supply and sanitation is not only about tariff setting. It involves other functions, such as the setting and monitoring of standards for access to and quality of services; efficiency incentives; social regulation; collection of information and monitoring of performance; and the organisation of users' participation. These functions remain underdeveloped in Mexico (Figure 14.7), and would benefit from greater clarity about their allocation.

Accompanying measures are needed to support autonomous, efficient and financially sustainable water providers

The trend towards the corporatisation of providers needs to be strengthened and supported by capacity building and the professionalisation of staff. This involves notably a recruitment process based on competences and terms

Figure 14.7. **Synthesis of regulatory functions and gaps**

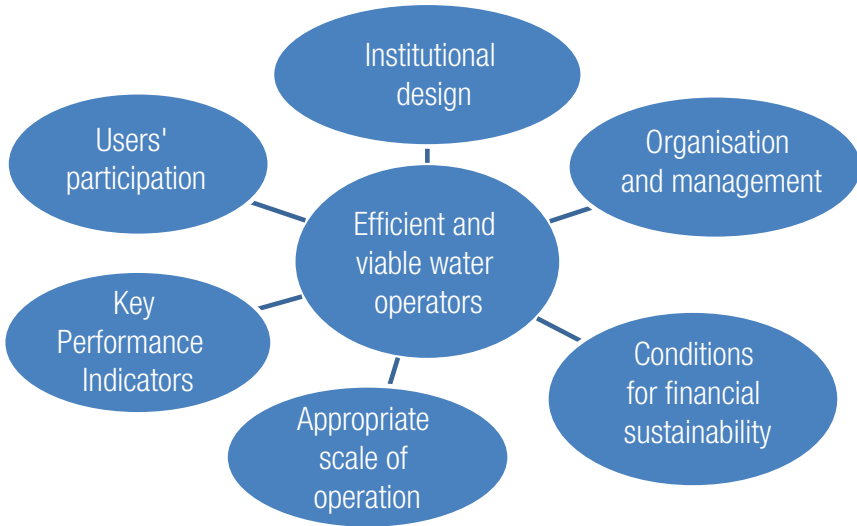
Source: OECD (2013a), *Making Water Reform Happen in Mexico*, OECD Studies on Water, OECD.

of appointment that do not coincide with political cycles. The necessary accompaniment to increased autonomy of water operators is the establishment of appropriate accountability mechanisms, such as a consolidated monitoring framework for water supply and sanitation (involving performance indicators agreed by all) and strengthened users' participation in the consultative bodies of water utilities and in water decision making.

The financial capacity of providers to carry out their activities also needs strengthening. Tariff regulation, while not the only determinant of the financial sustainability of water operators (Figure 14.8), is an important one. Consensus building and awareness raising on its role – in supporting the financial sustainability of providers while providing incentives for efficient service delivery – remain much needed. This can effectively contribute to the National System of Programmes to Combat Poverty mentioned in the Pact (commitment 6).

OECD Key Recommendations

- Meeting the water reform challenge in Mexico requires action on several fronts. The OECD (2013a) highlights a number of actions that a new administration may wish to consider, and that can contribute to a cohesive and cost-effective water policy framework in Mexico.
- *Develop a whole-of-government implementation action plan, building on the 2030 Water Agenda.* This plan should foster policy coherence with agriculture, energy and territorial development; bridge identified governance gaps;

Figure 14.8. **The critical dimensions of efficient and viable water operators**

Source: OECD (2013a), *Making Water Reform Happen in Mexico*, OECD Studies on Water, OECD.

sequence priorities; and align policy objectives across federal, regional and state water plans and programmes. It will help “Rethink the country’s water management”, as proposed by the Pact.

- *Set up mechanisms and incentives for enhancing water policy outcomes in the current decentralisation framework.* Flexibility is needed to adjust to the features of each state’s and basin’s institutional structure, and bring consistency in water governance. Tools such as multi-annual budgeting, a professional career system for water professionals, and co-ordination of local, state, regional and national water-related plans can help. Capacity building will also be required at all levels.
- *Fully exploit the benefits of existing economic instruments in line with the polluter-pays, beneficiary-pays, equity and policy coherence principles.* Abstraction and pollution charges, water tariffs, PES schemes, buyback programmes, and water markets should be designed and implemented in line with water policy objectives. In some states, there is scope to increase tariff levels and change tariff structures to enhance efficient uses of water, allocate water where it creates most value, and at least cover the operation and maintenance costs. Setting Mexican water policies on a sustainable financial path will contribute to commitments 6 and 65 of the Pact, and will facilitate the implementation of commitments 50, 51 and 52.

- *Clarify the regulatory framework for water services to address the overlaps and gaps in regulatory functions.* There is a need to identify and clearly allocate the responsibilities at each level of government; strengthen enforcement and compliance; and sharpen focus on the capacity and financial sustainability of utilities, the efficiency and quality of service provision, and the responsiveness to users. Commitment 52 of the Pact, to approve a new law on drinking water and sanitation, provides the opportunity and the political momentum to define responsibilities.
- *Strengthen the role, prerogatives and autonomy of river basin councils and their auxiliary bodies* so that they can design context-tailored policies, develop real basin plans, identify and prioritise projects, and generate the resources needed to carry out their duties. A tailored approach may be required as basins are faced with specific challenges and are endowed with distinctive capacities.
- *Establish a platform to share the good practices that are developing at basin, state and municipal levels.* Building on institutions such as CONAGO, IMTA and ANEAS, there is ample room to collect, review and benchmark success stories, innovative mechanisms or institutional organisations in support of effective decision making, and better water policies at all levels.
- *Foster transparency, information sharing and public participation* for more inclusive decision-making processes, better evaluation, monitoring, integrity and accountability in the water sector. This is concrete implementation of the commitments related to human rights, anti-corruption and democratic governance mentioned in the Pact.
- *Evaluate the contribution of federal programmes to policy objectives and their cost-effectiveness.* These constitute an important lever to incentivise better performance in the water sector; systematic assessment of the programmes would provide feedback on their contribution to water policy objectives, help reform rules of operation, and create synergies among them.

Further Reading

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