

**RESUME  
OF THE  
“WHITE” PAPER**

**ON**

**VALUING WATER FOR BETTER GOVERNANCE**

**HOW TO PROMOTE DIALOGUE TO BALANCE SOCIAL, ENVIRONMENTAL, AND  
ECONOMIC VALUES?**

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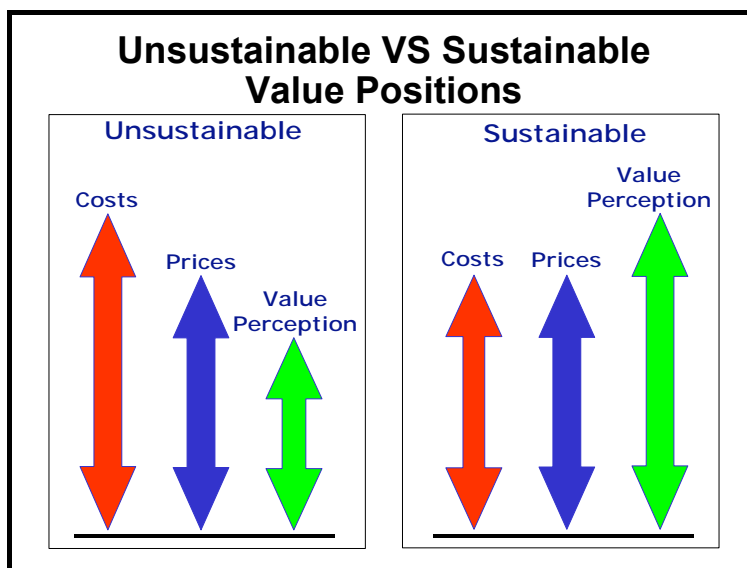


**C E O P A N E L**  
BUSINESS AND INDUSTRY

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## 1 The Problem

In attempting to define what the world's water problems are, we are immediately struck by the paucity of information and data about value. This situation in itself reflects the relatively low political and organisational value that is placed on water as compared with other public concerns (e.g., telecommunications). The value of water must be made more evident if the real crisis facing us all is to be averted. The figure below illustrates the current unsustainable value position often encountered and the value position that must eventually be achieved for sustainable solutions to be implemented.



Achieving the Millennium Development Goals (MDG's) requires large capital investments and large increases in on-going budgets for water system operation and maintenance. Water systems include water for agriculture, urban and environmental uses; sewerage and wastewater treatment; and runoff and flood control.

It should be remembered that the MDGs only set out to meet half the water supply and sanitation problem. In addition, there are other urgent water problems besides these that extend to water for irrigation, energy production, decay of existing infrastructure in developed countries and the preservation of the aquatic environment.

The 'Framework for Action' of the Second World Water Forum (2000) called for private funding of 95% of new investment in water systems. We question whether this level of private investment is a realistic solution to under investment in water systems. We believe that both public and private expenditure needs to increase significantly to stave off the water crisis.

The Paper addresses several inter-related causes of under investment and operational neglect, whether public or private. All contribute to the relative unattractiveness of the water sector for either public or private investment. The causes are:

- Failing to recognise the full value of water services.
- Inability of groups that do recognise the value of water services to convince political leaders to give these services a high enough priority.
- The belief of many people, businesses, and political leaders that increased expenditure will not actually lead to delivery of services that are valued.

They collectively lead to the problem: under investment in infrastructure, inadequate operation and maintenance, and inadequate funding for protection of natural water resources. The result is lack of access, low quality or failed service provision, and infrastructure or environmental degradation.

## 2 Solution Approach

A sustainable solution would create a 'virtuous' spiral. "Full" costs and benefits would be recognised and recovery systems established that show ratepayers and taxpayers that the real value to them exceeds what they are being asked to pay.

The Paper contributes to demonstrating the importance of values when addressing each of the problem causes, above:

- Clarifying the issues that make value discussion difficult helps people to understand the full value of water services.
- Showing that continuous dialogue between stakeholders can increase the priority that political leaders give to water-related issues, and therefore improve water governance.
- Showing that improved information and communications about what people value can build understanding and trust between those who pay for, deliver, and regulate water systems. Such understanding and trust are a pre-requisite for good governance and sustainable finance of water systems.

There are two levels of value in economics:

- Market values
- Non-market values

Market values are revealed in exchanges of goods and services, but should not be confused with 'price' which represents the marginal value of exchanges in a particular market. Market value refers to the total value of goods and services exchanged in each market.

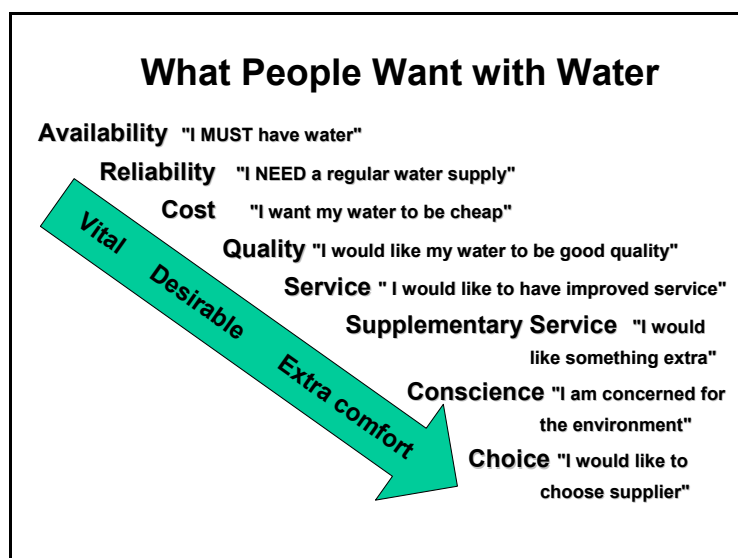
Non-market values are a category within what economists refer to as preferences (or tastes). They are "deep" preferences including family values, value of freedom, etc. Much of the tension around the value of water is due to this deeper level of values, and to the fact that people hold very dearly to the non-market values that they fear will get lost if water systems are managed through market approaches.

The Paper covers these values in detail and introduces the following value issues:

- What is being valued? Water – the substance, water resources, or water services
- Geography and scale
- Dynamics (water systems change over time)
- Time Horizon
- Quality
- Water as a human right
- Individual and collective rights
- Human rights and property rights
- Relative "position" of people and their relationships (e.g., upstream/ downstream)
- Natural monopoly, competition, and regulation
- Profit

### 3 Value Differences, Divides, Perspectives & Conflicts

People's values can and do change as their perceptions change. The following figure illustrates the wide range of perceived needs and wants related to water.



There is strong evidence to suggest that people have a tendency to forget the value of the higher order vital benefits once these become readily and reliably available. However this does not negate the value of the “vital” benefits that will re-emerge quickly in a crisis situation. More importantly it explains why those who do not have the water they need value it highly, whilst those who do have it value it much less.

### **Value Differences & Divides**

The value of water varies from use to use, user to user, and place to place. These differences can be large or small. We refer to large value differences as 'value divides'. Value divides between important stakeholder groups need to be "bridged" in some way if sustainable water management solutions are to be found.

A simple example of a value divide is between those who advocate more water markets and those who are worried about possible inequities from using market mechanisms to allocate water.

### **Value Perspectives**

Can consensus be built across such vastly different non-market value perspectives? We think so. Consensus is achieved when people with differing perspectives agree to governance processes under which their perspectives can co-exist. **An important task as this work goes forward will be to define more comprehensively the variety of perspectives that exist, the common ground, and the value divides between them.**

Consequently, we acknowledge that our list of value perspectives is a “work in progress” and that many people would classify perspectives differently. Some examples of value perspectives are:

- The environmental value of healthy aquatic ecosystems and the things that depend on them (fisheries, tourism, recreation, survival of all species (including humans, etc.).
- The social values of water the substance, water resources, and water services.
- The value of public health.
- Economic values such as operational and allocational efficiency.
- The value of water in production and product use, especially for water dependent industries and agriculture.
- The value of low priced water (and other basic services) to politicians whose re-election or hold on power depends on the perception that they are serving their constituencies.
- Values related to gender.

### **Value Conflicts and Governance Failures**

The Paper provides two very brief examples of value divides. We believe that these divides could have been bridged before they became conflicts via appropriate dialogue (missing conversations).

## **4 Achieving Good Governance Through Valuing Water**

Governance is about setting an equitable policy framework and then using it to balance and accommodate diverse wants. Effective governance satisfies stakeholder groups enough that they can “live with” the outcome, even when it is not what they would like ideally. Economic research shows that effective governance is essential for societies to become wealthy. After all, governance failures mean that opportunities that require cooperation are not being captured or that resources that could be spent productively are being spent on disputes.

Trade-offs and compromises are part of effective governance. So is creative bridge building.

Achieving effective governance depends on many factors:

- Participation
- Rule of Law
- Transparency
- Responsiveness
- Consensus oriented
- Equity and inclusiveness
- Effectiveness and efficiency
- Accountability

Causes of ineffective governance include corruption, inadequate financial resources, inadequate labour and managerial skills, low prioritisation and poor communication.

**Low prioritisation and poor communications** are the focus of the Paper. If they can be overcome the others are likely to be less troublesome. We believe that better valuation processes can make a significant contribution to both prioritisation and communication.

Value perceptions change according to a variety of factors. Effective governance needs to respond to and also influence these changes. To do this the decision-maker needs to receive, decode and react effectively to the value signals people send about their value perceptions.

We believe that one of the problems of water governance is that the signals are too weak to command the influence needed. This is because water values are not sufficiently strongly held or articulated by some of the stakeholders. Our work begins to address this deficiency, but much more needs to be done (see Section 10 of the Paper).

The other problem arises from value differences. In many cases value differences don't substantially interfere with the effectiveness of the water system. But in some cases, they become value divides. These eventually erupt into value conflicts that prevent the system from functioning adequately or from being improved or expanded. In those cases, people and businesses suffer unnecessarily, either directly or as a result of environmental degradation.

### **Value in Decision-Making Processes:**

People have developed various strategies for working out their differences productively. Three strategies include:

- Formal political processes which operate through structured institutions and which are essential when a decision outcome is needed;
- Market processes which are another way of reaching compromises and trade-offs between different value perspectives. In the majority of cases, water services and resources are natural monopolies. They thus lack at least some of the essential market characteristics and this makes markets an imperfect and incomplete tool as far as water is concerned. Of course competition for the market (for exclusive service contracts for example), as opposed to competition in the market (between non-exclusive service providers), is possible. In limited circumstances, markets for water the substance can be established successfully, as in the irrigation water market in the Murray Darling Basin in Australia and the drought bank in California.
- Consensus Processes: A modern form of this is the multi-stakeholder dialogue that potentially leads to consensus. These are a third avenue through which people can and do express their values and try to work out conflicts between them (prioritise and reconcile their values). Such dialogues tend to be relatively informal and time consuming. They usually have the advantage of being inclusive and driven from the bottom up and less driven by wealth or power considerations. They are also well adapted to situations like water governance that requires regular review and adjustment.

We believe, as do many others these days, that stakeholder dialogue is an important but neglected adjunct to market and political decision-making processes. The processes need to be more widely developed and integrated better with the other processes so that the strengths of markets, formal political processes, and dialogue can operate in a complementary manner.

### **Dialogue Space**

The seven value perspectives mentioned above and others are the sources of value differences and divides. The White Paper explores these concepts in detail. Although we believe firmly that creating dialogue spaces within which at least some value differences are worked out can greatly help to solve water-related problems, we are also aware that dialogue tools are difficult to apply at the scale often experienced in the modern world. Adapting and strengthening dialogue tools to cope with water problems at larger scales is an important task for future work.

## **5 Suggested Next Steps**

There is much to do and work should continue. As a start, we suggest the following steps:

- Publicise more widely the ideas in the Paper.
- Expand participation of the network of people who have begun to discuss these ideas.
- Develop a better understanding of value drivers and how people communicate their value priorities to decision makers. (Section 7.2, of the Paper)
- Look at ways to stimulate missing conversation to take place. (Section 7.4, Paper)
- Comprehensively define the range of value perspectives that exist, the common ground and divides between them (Section 8.2, of the Paper)
- Encourage local, “on-the ground” efforts to use the power of dialogue about values to guide policy, operational, maintenance, and investment decisions.
- Develop the concept of the ‘dialogue’ space and ways to use it as a practical tool. (Section 9.4, of the Paper)
- Foster applied and practical research on value measurement.
- Foster research on the value of information sharing and exchange.
- Encourage a programme of measurement of the value and benefits of good water service provision in a way similar to that started in the mid 1980s in health by WHO.
- Encourage development of process guidelines for dialogues in the water sector.

## **6 Conclusion**

The Paper has shown that an understanding of value, value drivers and value signals can contribute to better, more participative governance of water. It indicates the importance of permanent and balanced dialogue between all the stakeholders in any particular set of water problems. Identifying the stakeholders through a ‘mapping’ process and creating a meaningful ‘dialogue space’ appear key elements.

The complexity of the interfaces between many different stakeholders and the tendency for water to raise strong emotions frequently lead ‘value differences’ to become ‘value divides’.

The most effective governance is that which arises from voluntary arrangements set in place through the shared adherence to common value perspectives. These arrangements are reached through dialogue and understanding between stakeholders. Nevertheless some tradeoffs need to be imposed and enforced by the governors who have formal political jurisdiction and power over each particular situation. The governors need to receive clear signals from the stakeholders so that they can see clearly the issues and implications on which they need to act. Values substantiated by data provide good signals in this context.

This ‘experiment’ gives the CEO Panel and those who have worked with it a strong sense that this approach has considerable merit. The ideas and lessons that we have outlined here need to be developed in more depth. For this reason the CEO Panel and its collaborators call for the community of water professionals, civil society, and politicians to take up this initiative in a wider truly multi-stakeholder dialogue.

The participants who have contributed to this exercise believe that it is worthwhile and wish to remain associated with it. They are convinced that a wider forum is necessary to achieve two key outcomes. These are:

- to continue to develop case studies that substantiate the link between better valuation of water and good governance, and
- to find ways to put these lessons into practice at the appropriate levels in the field.

It is our firm belief that in doing this a significant contribution can be made to meeting the Millennium Development Goals for water and also in overcoming many other water related problems beyond these targets.

The full text of the paper is available at [www.ceopanel.org](http://www.ceopanel.org), [www.suez.com](http://www.suez.com), [www.unilever.com](http://www.unilever.com), [www.wateraid.org.uk](http://www.wateraid.org.uk) and [www.pacinst.org](http://www.pacinst.org)