INSTITUTIONAL CAPACITY AND PERFORMANCE IN WATER UTILITIES IN THE NORTH OF MEXICO

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Content

- Water Utilities’ Problems in Mexico
- What is Institutional Capacity?
- Focus of the study
- Characteristics of the cities and their water utilities
Water Utilities’ Problems in Mexico

High Urban water coverage (>90%).

However...

- Discontinuous service
- High water loss (50%)
- Low Revenue Collection
- Excessive Staff
- Low revenue/cost ratio (<1)
Institutional Capacity

- Despite millions of pesos of federal grants, performance has stagnated.


- Institutional Capacity: The technical-bureaucratic abilities of utilities to transform their legal, managerial and financial resources into actions or products that allow them to improve their performance (Loera 2015)
The study focuses on:

- Analysis of the institutional capacity of three water utilities

- In three cities from the north of Mexico:
  - Hermosillo: Municipally owned
  - Mexicali: State gov. owned
  - Saltillo: Public-Private Partnership

- Similar population, located in arid regions, different performance outcomes
Main indicators (2013)

- **HERMOSILLO**: 42.8% Unaccounted for water, 77.9% Bill collection
- **MEXICALI**: 9% Unaccounted for water, 81.3% Bill collection
- **SALTILLO**: 28.6% Unaccounted for water, 98% Bill collection
Customers' evaluation (2015)

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<th>Constant supply</th>
<th>Customers' Satisfaction</th>
<th>Overall Grade of Service</th>
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<tbody>
<tr>
<td>HERMOSILLO</td>
<td>72.6</td>
<td>38.7</td>
<td>68</td>
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<tr>
<td>MEXICALI</td>
<td>97.6</td>
<td>53.4</td>
<td>85</td>
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<td>SALTILLO</td>
<td>75</td>
<td>53.7</td>
<td>78</td>
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Institutional Capacity Evaluation

- **Macro**: political environment
- **Meso**: managerial and technological resources
  - Appointment of managers
  - Metering
  - Tariffs and collection
  - Financial resources
- **Micro**: Human resources
  - Training
  - Hiring
  - Incentives and sanctions
Hermosillo

- Pop. 784,342
- Capital of Sonora
- Municipally owned
- Water sources: 70% underground, 30% interbasin transfer
- Water production 100 Mm³ (UFW 42%)
- Has been subject to water rationing
Juxtaposition of governments (PRI-PAN)
Political rivalry has affected the decisions
Conflict around Independencia Aqueduct (2013)
Hermosillo: Inst. Capacity MESO

- Appointment of manager: City mayor
  - Low tenure (2 years average)
  - Politically influenced, low qualification
- Metering: 54%. Thousands of meters were purchased but not installed (corruption)
- Financial resources: Government funds, debt
Mexicali

- Pop. 936,826
- Low water loss
- Capital of Baja California
- Owned by the State of Baja California
- Water Source: Colorado River
- Water production: Mm3
Baja California was the first State governed by an opposition party (PAN). This led the State government to find resources abroad.

All utilities in the State are State owned and managed. They are coordinated by the State water commission.

Currently, good relations with other governments agencies.
Mexicali: Inst. Capacity MESO

- Manager appointed by: state governor
  - 4.5 years tenure average
  - Not always competent, however

- Metering: 100%

- Financial Resources:
  - Gov. Funds + EPA, NADBANK, Japan Development Bank

- Tariffs and collection
  - Debt pardon programs by the state government affect collection
Mexicali: Inst. Capacity MICRO

- Staff per thousand connections: 4
Saltillo

- Pop. 725,123
- Public-Private Partnership
- Municipality (55%) + Interagbar (45%) = Aguas de Saltillo (Agsal)
- Agsal is operated by Interagbar
- Water production: Mm3
Saltillo: Inst. Capacity MACRO

- MACRO:
Manager appointed by executive board, proposed by Operating Partner
- Average tenure 3.5 years.
- No restrictions on nationality, more experienced

Metering: 100%

The law enables sanctions to debtors
Saltilllo: Inst. Capacity MICRO

- Staff per thousand connections: 1.7
Mexicali and Saltillo:
- Better access to resources from abroad
- Higher tenure of managers
- 100% metering

Saltillo: less staff (lower costs) and higher training

Mexicali: collection affected by political interference

Hermosillo
- low metering, low training, lower tenure
Conclusions

- In general, better performance correlates to higher institutional capacity.
- Access to diversified resources, metering and training are fundamental.
- Minimized political interference has a positive influence.
- Policies so far: more money. Should focus on increasing capacities.
Thank you!

This presentation is part of the reasearch project:

Capacidad Institucional