



Are you concerned that local governments do not maintain their infrastructure?

Are you concerned that you cannot serve everyone of the community?

Are you concerned about the fact that the revenues do not recover the cost of operating and maintaining the infrastructure assets?

Are you concerned that a part of the population does not benefit of the services because the tariffs are too high?



If one of your answers is **YES**, **INDEVELOPMENT** can help. Its donor provides **GRANTS** for consultancy service to design and build the capacity of implementing partners to apply so-called **Performance Agreements** in the areas of transport infrastructure, public transport, water supply and sanitation. In addition the donor is willing to provide a subsidy to service providers in the earlier described sectors or their clients for a period of maximum seven years, provided that they apply performance agreements, collect revenues near its potential and aim to maximize services to the population. Interested governments and service providers are invited to contact INDEVELOPMENT for further assistance.



The core of **performance agreements** is contracting out the service delivery to a third party; the "service provider". The service provider is an independent and autonomous body that can be a privately, publicly owned company or a public organisation like a governmental department, local government or public utility company. The government operates as the client, on behalf of its population. The client either grants the service provider to collect service charges or the service provider sells the services to the client. A combination is also possible. Thus the government does not finance the inputs of the service providers, but pays for the delivered services. The service provider itself is responsible to mobilise resources to invest in the infrastructure. It is therefore allowed to borrow and save money at the financial market.



ADVANTAGES:

As a client, the **government** simply "purchases" services for its population. It is no longer concerned about the operational aspects of producing and delivery of the public services and goods, but simply monitors the performance of its contractors. When the service provider does not meet the performance targets, the client is entitled to issue penalties or even to seek alternative providers. The application of performance agreements may help governments to obtain long-term subsidies from the international donor community.

The **service provider** will become an autonomous body, e.g. it will be granted to take decisions about upgrading its infrastructure, develop growth scenarios to expand its market share without hectic interference from politicians and donors. The service provider will have control to protect its business from bankruptcy. Because the service provider has to adopt international accounting standards and needs to prepare long- term budget plans, it is likely that it will be able to obtain positive credit ratings and private financing.



CHALLENGES:

The extent to which the potential benefits of these performance agreements can be realized depends critically on the **design** of individual schemes. There are no standard models or blueprints, and approaches need to be adapted to the characteristics of the service and to the environment in which it will be delivered.

Budget constraints influence the definition of the service and the performance targets. Service providers will have to develop strategies to deal with erratic budget flows. For these and other reasons, designing effective performance agreements and related schemes is neither simple nor mechanical.



HOW INDEVELOPMENT CAN HELP:

Besides the developing specifications and conditions of the performance agreement, INDEVELOPMENT is able to deliver the following products:

- GIS model to develop sustainable growth scenarios in terms of service delivery The GIS model allows both service providers and their respective clients to project the consequences (in terms of service delivery and financial sustainability) of various subsidy levels and growth scenarios. Such a model would help these partners to develop more realistic agreements about performance targets
- Methods to set and alter pro-poor tariffs
- User-Charge collection system, including its administration and its actual payment system
- An international acceptable accounting system to track and project expenditures and incomes
- Maintenance Control System to forecast maintenance demands and plan maintenance activities in the most effective and efficient way.
- Tools to monitor performance
- Drafts of by-laws to formalise authorities and responsibilities under the new arrangements, among others addressing the involvement of the legal and justice department to tackle defaulters



INDEVELOPMENT is also able to advise the clients about:

- Selection of service provider(s)
- Size, geographical location, scale and duration of agreements
- Monitoring and supervision plan, including penalty and/or reward system
- Adapting its organisation structure to its new functions
- Human resource development
- Methods to coordinate plans of different service providers
- Development of organisation structure
- Development and application of a quality assurance system, including tools to monitor performance



MORE INFORMATION:

For more information about the capacities of INDEVELOPMENT and PERFORMANCE AGREEMENTS, please visit our website at:

<http://www.indevelopment.nl>

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