

3rd General Meeting of the Network of Asian River Basin Organizations (NARBO)
Workshop 1: Measuring the Performance of RBOs and River Basins

Background Paper

**Performance Benchmarking and Peer Review of River Basin Organizations:
Lessons Learned and Recommendations**

Prepared by

Arlene Inocencio (International Water Management Institute), Ian Makin (ADB), Wouter
Lincklaen Arriens (ADB) and Dennis Von Custodio (ADB Consultant)

I. Introduction

Across the Asia-Pacific region and beyond, governments and civil society are recognizing the need to improve the management of water resources in river basins, which in many cases requires a doubling of investments flows for water infrastructure, and also significantly more work to improve water governance, including reforms in policies and legislation, and developing capacity in institutions. Among these two dimensions of investment, one in infrastructure and the other in institutional capacity, the latter has proved more challenging, and success there is seen as a key requirement in addressing the water management challenges of the 21st century.

ADB has taken a leading role in increasing water investments in the region through its Water Financing Program 2006-2010, which seeks to increase investments in rural, urban and river basin water projects, supported by water governance reforms and capacity development programs. ADB also offers a wide array of knowledge and awareness products, and regional cooperation services, including support for NARBO.

It is now increasingly recognized that capacity development in institutions should be based on good diagnostic assessments, with the organization concerned firmly in the drivers seat to determine strategic direction, with full ownership for implementing the changes involved to improve performance. To support this process, performance benchmarking is gaining popularity as a powerful and cost-effective tool. It can help to assess and improve the performance of key water organizations, such as national water apex bodies, water utilities, river basin organizations, regulatory bodies, and irrigation service providers.

River basin organizations (RBOs) are central to the implementation of IWRM in river basins, although in most cases today RBOs are not single-handedly in charge of that process. In today's world, water management has become everyone's business, including a multitude of government and nongovernment actors at various levels. RBOs can play various roles under different circumstances, and there is no doubt that they can make an important contribution to introducing IWRM in river basins. They are therefore a central element in the evolving institutional frameworks that define how water is managed in river basins around the region. The work of NARBO is to support RBOs in their work, and one of NARBO's priority activities has

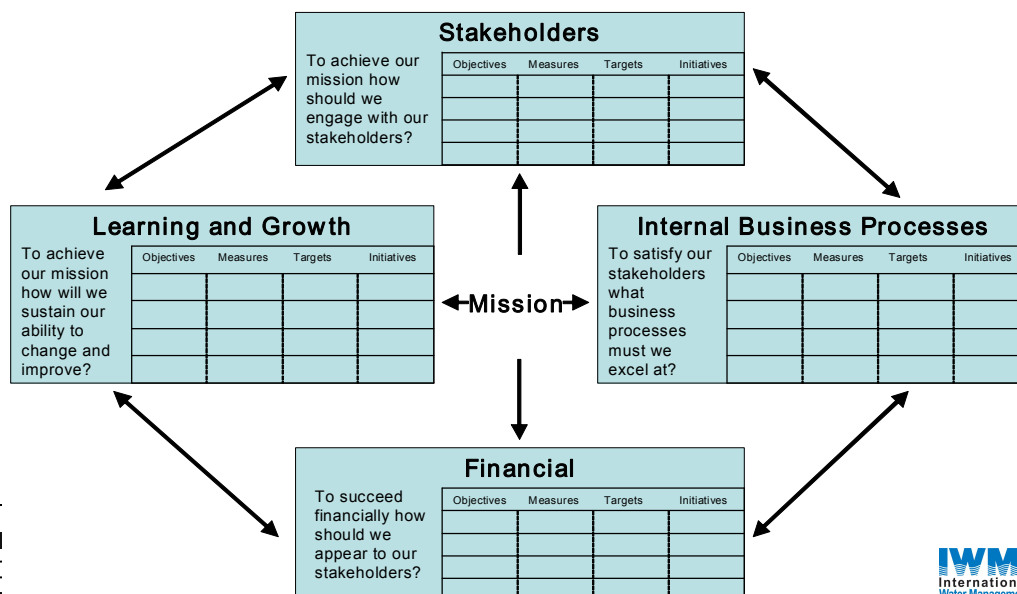
been to design and pilot a performance benchmarking system for RBOs, supported by a peer review process.

ADB and the International Water Management Institute have jointly led NARBO's work to develop and pilot a performance benchmarking system for RBOs to (i) track performance progress; (ii) enable comparisons with the performance of other organizations; and (iii) improve the efficiency and effectiveness of their services.

Initial concepts of NARBO's performance benchmarking service for RBOs were developed in a workshop in Jatiluhur, Indonesia in October 2004, where RBO leaders identified six broad areas of performance and fifteen success factors for assessment of performance. From this consultation, a discussion note¹ was prepared to guide further development of the service. A second consultation with RBO leaders was held the following month in Batu-Malang, Indonesia in November 2004 to discuss and group performance indicators in five areas of a Balanced Score Card (BSC): (i) mission; (ii) stakeholders; (iii) internal processes; (iv) learning and growth; and (v) financial management. These five areas are shown in Figure 1, with details presented in Table 1. Eleven RBOs expressed interest to use the service, which was then launched at the 2nd Southeast Asia Water Forum in September 2005 in Bali, together with the demonstration of on-line service and web-based application.

A workshop and training to certify peer reviewers was held during the 2nd NARBO General Meeting in Jatiluhur, Indonesia in February 2006 to (i) undertake initial training in the use of the web-based benchmarking service; and (ii) initiate the pilot benchmarking and peer review process. Four RBOs were selected for the initial pilot, and peer reviews have since been completed for Jasa Tirta II (Citarum river basin), Indonesia (October 2006), Mahaweli Authority of Sri Lanka (December 2006), Laguna Lake Development Authority, Philippines (January 2007), and the Red River Basin, Viet Nam (May 2007). A further self assessment and peer review of the Balai Besar (a new RBO) for the Citarum river basin, Indonesia (including Jasa Tirta II) will be completed in February 2008.

Figure 1. The five dimensions of NARBO's Performance Benchmarking Service for RBOs.



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Table 1. RBO Performance Indicators in each of the five dimensions.

Indicator	Maximum Score	Remarks
MISSION		
RBO Status	4.0	A measure of the RBO development and extent of stakeholder involvement in, and quality of, the organization's decision making process.
RBO Governance	4.0	A measure of the national, regional, and organizational framework that support good governance.
STAKEHOLDERS		
Customer Involvement	4.0	A measure of the level of customer involvement in the decision making of RBO and, therefore, their acceptance of the organizational goals and operation.
Customer Feedback	4.0	A measure of the level of customer involvement in the decision making of RBO and, therefore, their acceptance of the organizational goals and operation.
Environmental Audits	4.0	A measure of the level of environmental awareness and intention to protect against environmental degradation.
Basin Livelihoods	4.0	A measure of the overall change in livelihoods in the basin
LEARNING AND GROWTH		
Human Resource Development	4.0	A measure of the maturity and effectiveness of HRD system within RBO reflecting its likely contribution to achievement of organizational objectives.
Technical Development	4.0	A measure of the level of commitment to adopt appropriate technology solutions that will aid in the delivery of the mission.
Organizational Development	4.0	A measure of the commitment to quality management through application of quality management system or similar management improvement tools.
INTERNAL BUSINESS PROCESS		
Planning Maturity	4.0	A measure of the level of planning operating within the RBO and its likely impact on delivery of mission.
Water Allocation	4.0	A measure of water resource allocations in the basin that determine delivery and performance of water services.
Data Sharing	4.0	A measure of the commitment to and implementation of effective data management and information dissemination.
FINANCE		
Cost Recovery	4.0	A measure of customer service and strength of budget management.
Financial Efficiency	4.0	A measure of the commitment to most efficient use of financial resources in pursuit of delivery of the mission.

II. Lessons Learned from the Pilots

With the completion of the four pilots, we can now draw some lessons to guide the future development and expansion of the NARBO performance benchmarking initiative.

The Benchmarking Tool

General

- From the four pilots, it appears that the benchmarking tool has real potential to be useful. The fact that the four pilot RBOs were able to use the indicators shows that the tool has a general applicability which transcends types or forms of RBOs.
- However it is clear that, for benchmarking to be truly useful, the RBO must have a clear vision of its purpose and a commitment to performance management. In general we believe that RBOs must align their organization with a clear integrated water resources management (IWRM) vision for the basin. A shared vision is a critical requirement for performance improvement.
- The pilot applications point to the need to link IWRM and benchmarking initiatives more closely within the NARBO. For instance, we found that the RBO personnel involved in IWRM are often not the same as those selected to be actively involved in benchmarking of the organization. This arrangement has advantages and disadvantages. One disadvantage however is that without a good understanding of IWRM, rating and setting of targets for IWRM goals becomes a more difficult exercise and can easily end up as superficial, losing credibility with those faced with achieving the targets. Where a clear vision does not exist then NARBO should perhaps consider facilitating retreats for key officials of RBOs tasked with leading their organizations to develop an IWRM vision to guide future operations before the benchmarking process is initiated.
- NARBO Benchmarking is based on a BSC framework which is intended to facilitate translation of the RBO strategy, and work towards the IWRM mission, into key performance areas (KPA). It is not clear for some RBOs how each KPA feeds into other areas and thereby leads to the achievement of the mission. For example, without sorting out the finance, RBOs will not be able to successfully operate and meet customer requirements. Also, key to the success of the BSC lies in selecting and measuring those processes that lead to improved outcomes for customers/stakeholders towards realization of the mission. Performance management depends on the organization recognizing the importance of having the “right” skills and the full alignment of the staff to achieve the IWRM goals. Financial resources will make possible investment in learning and growth of the human resources which should in turn lead to the improvement of internal business processes. This in turn will lead to better customer services and support.

Broad understanding and appreciation of the BSC approach by all staff and stakeholders may take time and will come with constant communication and more practice.

Specific

- There is a need to agree and adopt definitions for IWRM, balanced-scorecard, stakeholders, customers, register of assets, environmental audit (standard as opposed to a broader meaning adopted in the tool), etc.

The Benchmarking Process: the Self-Assessment and Peer Review

- The commitment and full support of the top executive and management of RBOs backed by providing some resources for implementation made possible the implementation of performance benchmarking. These are essential for any performance improvement strategy

– the organizations management must be committed to performance improvement if benchmarking is to be more than an exercise.

- Self-Assessment Selection of Team Chair. This is the critical factor in carrying out the performance assessment. It is vital that the team chair is a good, credible leader with a broad perspective and deep knowledge of the organization. The requirements of a chair given in the box below, makes choosing an appropriate RBO staff a key exercise.

Responsibilities of the Self-Assessment Chair:

- Steer the Self-Assessment Team in carrying out its tasks (scheduling and conducting of the organization-wide orientation, consultation and assessment);
- Take the lead in writing the Self-Assessment Report;
- Channel information between the self-assessment team and the peer review team once it will be formed;
- Take the lead in presenting the findings to the RBO top management; and
- Take the lead in presenting the results to the Peer Review Team

The appointment of RBO deputy heads to chair the self assessment teams during the pilot phase has worked well in terms of satisfying the above requirements and ensuring credibility and the necessary authority to carry out an elaborate/inclusive and information/data intensive process. If the SA Chair has a good understanding of IWRM and knows, or will learn, the BSC, performance benchmarking has a strong chance of succeeding and becoming a useful tool in the performance management tools available to the managers.

- Self-Assessment (SA) Terms of Reference (TOR). A clear understanding of the TOR is essential for the SA team. The more clearly defined are the TOR the more likely that useful findings will be obtained and the easier is the review process.

Terms of Reference of the Self-Assessment Team:

- a. Conduct an organization-wide orientation, consultation and assessment using the agreed benchmarking tool;
- b. Gather and put together all pertinent documents/materials to support the organization-wide performance rating;
- c. Document the whole self-assessment process, what worked and what did not work well, and recommend useful adjustments/changes in the tool;
- d. Write the Self-Assessment Report which will include both the success factors and constraints to an effective river basin governance in terms of the five **critical performance areas**: (i) mission; (ii) stakeholders; (iii) learning and growth; (iv) internal business processes; and (v) finance;
- e. Present the findings to top management/board;
- f. Present the findings to the appointed Peer Review Team; and
- g. Support the succeeding Peer Review Process which will validate the self-assessment results.

- SA Team Composition. As the SA team will examine a number of critical areas of operation, the composition of the team is important. It is desirable that the SA Team includes the head, or a senior deputy, of the units responsible for customer service, finance, human resources, technical and planning divisions/units are included in the team. Inclusion of field office

representatives also adds value by capturing a broader perspective of the organizations operations.

- Peer Review Process. The selection of the Peer Review team contributes to the success of the whole performance benchmarking. This aspect requires finding capable, “qualified” and willing RBO members who can be trained to become peer reviewers.

Expectations of Peer Reviewers. After certification, Peer Reviewers are expected to: (a) be available to conduct peer reviews, (b) visit other RBOs, (c) work with other peer reviewers, (d) review other RBO self-assessment reports, (e) interview the top management, staff and stakeholders of RBOs being reviewed, (f) hold dialogues with other RBO Self-Assessment teams, (g) write reports and present findings and recommendations to other RBO top managements, and (h) submit final peer review reports to the boards or top managements of RBOs reviewed.

Qualifications of Peer Reviewers. Given the above expectations, peer reviewers are to undergo training and certification and only those who meet the following criteria and are highly recommended by their RBO heads are considered and certified:

- hold a senior management position, i.e., make or influence decisions, possess a high degree of technical and administrative skills, knowledgeable of the activities and operations of the RBO including client needs, and able to contribute and foster knowledge-sharing during deliberations of the peer review team, and able to develop critical evaluations and strategies as necessary.
- have extensive experience in river basin work, i.e., with several years of river basin planning and management experience, substantial knowledge of the water resources challenges and needs of the river basin, and able to apply technical skills to advise and support, and to develop critical analysis and strategies.

This is a current limitation in that there are only a few certified peer reviewers who can carry out peer reviews. Clearly, there is a need for NARBO to train and certify more peer reviewers, however there needs to be a balance between developing the experience of the existing certified reviewers and expanding the pool of reviewers.

- The peer review requires the PR team to review and assess a considerable volume of information in a short time and, therefore, reviewers must have a good understanding of the contextual setting of the RBO being reviewed to be able to provide a sound peer review. Without an adequate understanding of the context and the complex issues of adopting and implementing IWRM, it is possible to arrive at a superficial evaluation. The existing reviewers consider that a realistic time for a review is about 6-7 days rather than the 3-4 days in the pilot phase. The peer review team should also include specialists representing each of the four critical performance areas.
- Language differences posed a significant constraint during the pilot phase. Many important reports/documents presented as evidence to support ratings are not in English. This is contributing to the difficulty in carrying out peer reviews. There should be provisions for translation of key documents and use of professional translators during stakeholder consultations.

The Benchmarking Results

- Report Formats. For Self-Assessment (SA) Reports, both the detailed text and bullet type table formats are useful. The table and bullet/outline form works well for the RBO being reviewed but is more difficult to follow for the peer review team that has to become familiar

with the RBO. The extensive and detailed write up is very useful to the PR team, such as the example by Laguna Lake Development Authority (LLDA) can be used as a sample for others to follow. The table form, such as the example SA Report of Jasa Tirta Public Corporation II, is useful as a ready reference to see quickly how relevant are the evidence/supporting documents being presented for each indicator. It should also make it easier to check initiatives implemented to achieve target improvements in the scores of the indicators.

For Peer Review (PR) Reports, it is hoped that the February 2008 workshop will provide an opportunity for the pilot RBOs to give feedback on the value they found in the self assessment and peer review process, the merits, or otherwise, of the different report and presentation formats (see PR Reports for LLDA and the Red River Basin Organization) and suggestions for improvement of the process and reporting formats.

- **Current Ratings.** All pilot RBOs rated their current performance according to the 14 indicators; however it was a challenge to provide compelling evidence to support the self assessment ratings. It may help make the ratings less arbitrary by giving more guidance as to what documents/reports/materials can be used to illustrate the ratings. As more RBOs undertake the self assessment and peer review further examples can guide succeeding assessments.
- **Setting Targets.** This is another area which needs further attention. The difficulty is partly due to the fact that most of the people engaged in the self-assessment and the peer review are yet to have an shared IWRM vision and a deeper understanding of the balanced-scorecard framework. The RBO has to know where it is going if it is to get there. This is an area where NARBO can probably provide assistance -- in setting really SMART targets.

In some cases the targets for the performance areas and indicators appear to have been set fairly arbitrarily. This reflects a lack of understanding that the four critical performance areas are in fact closely linked to each other. For instance, high targets are set for RBO governance and status and yet little performance improvement is expected in the finance, learning and growth, and internal business processes areas. Further capacity development in performance management will help RBO management set more realistic and balanced targets and to identify initiatives to achieve performance improvements that are identified in accordance with the organizations' budget and planning cycles. Benchmarking becomes effective when embedded in the organizations culture and business processes rather than being considered an external addendum.

- Overall, RBOs who have participated in the pilot phase should be encouraged to continue the review process, with occasional peer reviews to ensure a consistent standard and approach. With more practice will come better understanding and appreciation of the tool and process and the more useful will be the outcomes – ultimately improving the organizations performance which leads to the attainment of the IWRM mission.

The Online Benchmarking Service

- The service has taken a backseat while RBOs focused on getting a grip on the performance benchmarking concept and process. The NARBO membership may wish to consider whether the on-line service should be utilized by each RBO and whether the participating

RBOs are willing to use the on-line system to facilitate sharing of information. This aspect entails agreeing what information/details should be shared among RBOs.

III. Some Conclusions – for Discussion

- The initial success in the implementation of performance benchmarking pilots can be attributed to several key factors:
 - the strong commitment and full support of the top executive and management of RBOs backed by commitment of resources for the implementation. Without the buy-in and support of the top management, the performance benchmarking initiative cannot go far.
 - the appointment of highly capable and focused Self-Assessment Team which can facilitate the process and produce a clearly written SA Report;
 - the openness to learn and experience new things, the desire to improve performance and willingness share and contribute own knowledge and experience; and
 - a committed team of technically knowledgeable and experienced RBO peer reviewers who can lend credibility to the whole benchmarking process.
- Among the early benefits of the benchmarking initiatives are the increased awareness and appreciation among RBO staff on the potential usefulness of performance benchmarking particularly in identifying the organization's strengths and weaknesses, the investment gaps and where to focus resources in order to achieve target improvements in performance and implement IWRM.
- Having said the above, it should be emphasized that this is only the beginning of a **process** which needs a lot of time and resources. A better understanding of the NARBO benchmarking tool and the balanced scorecard approach will require a lot of practice. In turn, a better understanding of the benchmarking tool will mean a better performance and eventually reaping of greater benefits in terms of focused management and achieved targets.

IV. Way Forward – Suggestions for Discussion

- Discuss monitoring of progress in meeting performance targets – e.g. discuss how to develop a network of experienced people to support RBO activities especially continuous monitoring and reviewing of the implementation of recommendations
- Consider whether to continue performance benchmarking for other NARBO member RBOs and others. Consider the need to train more peer reviewers
- Discuss what to share and how to best use online performance benchmarking service – how best to share learning and outcomes among NARBO members
- Forge a closer link between the IWRM and performance benchmarking initiatives.