# EXPLORING RURAL WATER REGULATION IN PERU

APRIL 2024

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### ABOUT USAID/REAL-WATER:

USAID Rural Evidence and Learning for Water (REAL-Water) is a five-year partnership that develops and evaluates strategies for expanding access to safe, equitable, and sustainable rural water services. REAL-Water supports policymakers, development partners, and service providers to make strategic decisions and implement best practices for water management through implementation research. It also ensures coordination with USAID programs contributing to the water, sanitation, and hygiene (WASH) and water resources management (WRM) knowledge base, in alignment with the USAID Water for the World Implementation Research Agenda. For further information about this and other aspects of the project, as well as to access our knowledge products, please visit globalwaters.org/realwater.

# TABLE OF CONTENTS

TABLE OF CONTENTS ..... i
ACRONYMS ..... ii
1.0 STUDY BACKGROUND ..... 1
2.0 SUMMARY OF THE MISSION ..... 2
3.0 REGULATORY ACTIVITY FOR RURAL WATER SERVICE PROVIDERS IN PERU ..... 3
3.1 BACKGROUND ..... 3
3.2 LEGAL FRAMEWORK FOR REGULATORY ACTIVITIES IN RURAL AREAS ..... 4
3.3 EXTENT TO WHICH THE REGULATORY FRAMEWORK IS APPLIED ..... 5
3.4 INFORMATION SYSTEMS ..... 6
3.5 REGIONAL DIFFERENCES IN THE APPLICATION OF REGULATIONS ..... 7
3.6 CHALLENGES IN APPLYING REGULATORY ACTIVITY IN RURAL AREAS 8
4.0 RESEARCH INITIATIVES/IDEAS ..... 9
4.1 IDEA 1: REGULATORY ACTIVITY HAS AN IMPACT ON PERFORMANCE ..... 9
4.2 IDEA 2: EFFECT OF THE IMPLEMENTATION OF THE *CUOTA FAMILIAR* ON REVENUE COLLECTION AND PERFORMANCE ..... 10
4.3 IDEA 3: EFFECT OF STRENGTHENED ATMS ON PERFORMANCE ..... 10
4.4 IDEA 4: IMPACT OF FINANCIAL INCENTIVES ON REVENUE COLLECTION AND PERFORMANCE ..... 11
5.0 REFERENCES ..... 12
APPENDIXES ..... 14
APPENDIX 1: NUMBER OF SERVICE PROVIDERS DIFFERENTIATED BY REGION ..... 14
APPENDIX 2: PROTEST NOTE FROM SUNASS AND REPLY FROM THE MVCS ..... 15

# ACRONYMS

| | |
|---|---|
| ATM | Technical Municipal Area (*Área Técnica Municipal*) |
| CBO | Community-Based Organization |
| DATASS | Water and Sanitation in Rural Areas Diagnostic System (*Sistema de Diagnóstico sobre Abastecimiento de Agua y Saneamiento en el Ámbito Rural*) |
| DISABAR | Directorate of Basic Rural Sanitation *(Dirección de Saneamiento Básico Rural*) |
| EPS | Urban Public Utilities [Service Provider Companies] (*Empresas Prestadoras de Servicio*) |
| FONCODES | National Social Compensation and Development Fund - *Fondo Nacional de Compensación Social*) |
| JASS | Sanitation Service Management Boards [Community-Based Organizations] (*Junta Administradora de Servicios de Saneamiento*) |
| MINSA | Ministry of Health (*Ministerio de Salud*) |
| MVCS | Ministry of Housing, Construction, and Sanitation (*Ministerio de Vivienda, Construcción y Saneamiento*) |
| NGO | Nongovernmental Organization |
| PVICA | Water Quality Monitoring Program *(Programa de Vigilancia de la Calidad de Agua*) |
| REAL-Water | USAID Rural Evidence and Learning for Water Program |
| SUNASS | National Superintendence of Sanitation Services (*Superintendencia Nacional de Servicios de Saneamiento*) |
| UGM | Municipal Management Unit (*Unidad de Gestión Municipal*) |
| USAID | United States Agency for International Development |

# 1.0 STUDY BACKGROUND

In November 2023, the USAID Rural Evidence and Learning for Water (REAL-Water) program conducted an exploratory mission to Peru understand how and to what extent regulatory activities are applied in the rural water sub-sector. The objective of this visit was to identify and sketch out potential research questions related to the regulation of rural water services.

This report provides a summary of findings from the mission, proposes research questions, and discusses the viability of undertaking related research studies. Our objective is to guide further research efforts.

## 2.0 SUMMARY OF THE MISSION

During the first week, the REAL-Water team conducted field visits in two regions of Peru—Cusco and La Libertad—with regional teams of the National Superintendence of Sanitation Services (*Superintendencia Nacional de Servicios de Saneamiento* [SUNASS]) to understand the application of regulatory mechanisms in practice. In the second week, the REAL-Water team undertook interviews with key stakeholders at the national level to assess the policy direction of the rural water sub-sector, current priorities, and evidence gaps that would help in guiding decision-making. Table 1 summarizes the key stakeholders interviewed and communities visited.

***Table 1. Key informant interviews by institutional level***

| STAKEHOLDER | ROLE | LOCATION | INTERVIEWEES |
|---|---|---|---|
| USAID | Funder (incoming and outgoing briefing) | National (Lima) | - Water and Marine Team Lead<br>- Natural Infrastructure for Water Security Director |
| SUNASS | Regulatory authority | National (Lima) | - Director of Auditing<br>- Director of International Cooperation<br>- Director of Tariff Setting |
| *Ministerio de Vivienda, Construcción y Saneamiento* (MVCS) | Sector Ministry (Housing, Construction, and Sanitation) | National (Lima) | - Team managing the Water and Sanitation in Rural Areas Diagnostic System (DATASS)<br>- Director of the Sanitation Directorate |
| Water For People | Nongovernmental organization (NGO) working in rural water and on systems strengthening, including regulation | National and/or regional offices | Country Director |
| Universidad del Pacífico | University in Lima | National | Director of the Economics Department |
| Pontificia Universidad Católica de Perú | University in Lima | National | Director of Continued Education |
| Universidad de Lima | University in Lima | National | Director of the Master's Program in Operations and Logistics Management |
| Regional SUNASS offices | Decentralized regulators' offices | Cusco Department<br>La Libertad Department | Regional office directors of Cusco and La Libertad |
| Municipal technical areas (*Áreas Técnicas Municipales* [ATMs]) | Technical units within the municipalities in charge of providing technical assistance and monitoring rural service providers' performance | Pucyura and Quiquijana-Cuzco<br>Cachicadan Municipality - La Libertad | - ATM representatives<br>- ATM officials |
| *Junta Administradora de Servicio de Saneamiento* (JASS [Community-based organizations]) | Day-to-day operations, maintenance, and management of rural water facilities | Pampaquena in Cusco<br>Primavera and Mache for La Libertad | Water operators, JASS presidents, treasurer, first secretary |

# 3.0 REGULATORY ACTIVITY FOR RURAL WATER SERVICE PROVIDERS IN PERU

## 3.1 BACKGROUND

The effective application of regulatory activities in the water sector is an internationally recognized good practice, as well as a factor of professionalization that can contribute to improved water supply performance (Gerlach 2019). However, the regulation of service providers in rural areas is uncommon because of limited resources and high levels of fragmentation, often with thousands of small providers, usually serving small, sparsely distributed populations. As a result, the urban approach to regulation is not well suited in rural areas (Brown, Weersink, and de Loë 2005; McFarlane and Harris 2018). This situation results in unregulated rural service providers, with virtually no surveillance, that are often out of the reach of support programs.

Peru is one of the few countries in Latin America that has taken steps in expanding regulatory arrangements for water and sanitation provision in rural areas. SUNASS began regulating rural water and sanitation in 2016. It produces yearly benchmarking reports, has developed a differentiated regulatory framework for community-based organizations (CBOs),[1] and implements an information system for rural service providers. SUNASS has also recognized the importance of adjusting the regulatory approach in rural areas and not simply transferring urban approaches. Additionally, SUNASS has adopted a proactive position, documenting performance, identifying those schemes that require assistance, and providing guidance and support to improve performance rather than focusing on punitive measures and sanctions.

### EVOLUTION OF REGULATORY ARRANGEMENTS FOR RURAL WATER SERVICES IN PERU

The Government of Peru introduced regulatory reforms slowly as the rural water sub-sector evolved in Peru. In the 1960s, water and sanitation services in rural areas in Peru were under the responsibility of the Ministry of Health (*Ministerio de Salud* [MINSA]) through the Directorate for Rural Sanitation[2] (*Dirección de Saneamiento Básico Rural* [DISABAR]). The General Law for Rural Sanitation, enacted in 1962, recognized for the first time that CBOs or municipal authorities could operate water and sanitation infrastructure. This occurred in part because CBOs were already providing services in rural areas, thus the law acknowledged an existing, but (until then) unrecognized, model. The DISABAR implemented its policy through 17 regional offices distributed across the country in charge of promoting the organization of CBOs, implementing infrastructure projects, providing technical assistance, and supervising service providers' performance. By the end of the 1980s, with the delegation of functions to local levels, these offices were handed over to the regional governments as part of broader decentralization reforms.

In 1991, a cholera epidemic accelerated investments in rural areas. This same year, the government created the National Compensation and Social Development Fund (*Fondo Nacional de Compensación Social* [FONCODES]). and to tackle the urgent crisis in rural water supply, built 11,623 infrastructure projects (Ministerio de Vivienda, Construcción y Saneamiento 2003). Implementation of these projects focused on infrastructure investment and neglected the sustainability of service provision as they were

[1] CBOs in Peru are known to the public as Juntas Administradoras de Servicios de Saneamiento (JASS).

[2] Sanitation means water supply and sanitation in Peru.

handed to the community to operate without a comprehensive strategy to address broader issues such as asset ownership, management arrangements, and training. From a study that evaluated a sample of 100 water facilities, only 11.5 percent were operating sustainably, 65 percent were deteriorating, and 22 percent were either collapsed or almost non-functional (Ministerio de Vivienda, Construcción y Saneamiento 2003, Prokopy et al. 2008).

In 1992, the water and sanitation regulator, SUNASS was created to regulate water and sanitation services. However, due to the diversity and large number of CBOs in rural areas, SUNASS prioritized its regulatory activities on urban services, and the responsibility for regulation and oversight of water and sanitation in rural areas passed from SUNASS to the municipalities. It was at this point that government mandated that municipalities create municipal technical areas (ATMs). ATMs were to be the municipal unit providing technical assistance and overseeing service provision in rural areas. However, these legislative changes did not account for the low municipal capacity to provide technical assistance to a high number of rural operators. Hence, most of these municipalities did not implement ATMs fully, and rural water and sanitation services remained largely unregulated.

Although different government programs did improve rural water access, a significant gap persisted when compared to urban provision in terms of quality of service and reliability. The CBOs did not have the capacity on their own to provide a service with appropriate water quality, reliability, and continuity. Given these limitations, in 2016, the *Decreto Supremo 1280* outlined a new framework for the management and service delivery of rural water and sanitation provision. This decree incorporated an additional management arrangement, the municipal management units (*Unidades de Gestión Municipal* [UGMs]), to transform CBOs into "professionalized" municipal providers and restore responsibility for regulation of rural service provision to SUNASS. The SUNASS mandate expanded significantly to also cover small town providers, both UGMS and CBOs.

In terms of policy, the Government of Peru is now pushing actively for service provider consolidation, and since 2019, new CBOs and small town UGMs cannot be created. Moreover, the government has requested that existing CBOs or small town UGMs should start incorporating into other UGMs, CBOs, or nearby urban public utilities (*Empresas Prestadoras de Servicio* [EPS]). The MVCS, acknowledging that SUNASS required greater capacity to fulfill its new mandate of regulating rural areas, assigned a dedicated budget to enable SUNASS to open 24 regional offices and hire qualified personnel to implement the rural regulatory framework. This financing arrangement means that the regulator is not financially independent from the government ministry, as they are reliant on them for funding, and rural tariffs do not have a percentage assigned to the regulator. This is a recognized risk for political interference and independence from the central government.

## 3.2 LEGAL FRAMEWORK FOR REGULATORY ACTIVITIES IN RURAL AREAS

The legal framework for regulatory activities for rural services has evolved over time. Since 2016, SUNASS has developed regulatory instruments to fulfill its role and guide rural service providers, specifically for the JASS. A regulatory framework is yet to be defined for clusters of JASS, UGMs, and rural systems managed by municipal public utilities. Table 2 presents details of the policy and legal framework for the SUNASS regulatory activity.

*Table 2. Legal and policy review for regulatory activity in rural areas*

| TYPE OF LEGAL INSTRUMENT | NAME | KEY CONTENT |
|---|---|---|
| Constitutional amendment | *Proyecto de Ley 424 - 2016* | Recognizes basic water access as a constitutional right. |
| Decree | *Decreto Supremo 1280 - 2016* | Establishes the new policy direction of consolidation, the creation of the UGMs, and the rural mandate for SUNASS. |
| Decree - Law[3] | *Decreto Legislativo 1620 - 2023* | Establishes that all unregistered rural providers are illegal and are now subject to sanctions from SUNASS. |
| Policy document | National Sanitation Policy | Aims to articulate the central, regional, and local governments' roles in improving water quality and safe excreta disposal indicators in rural areas. |
| Strategy | *Agua con Calidad para la Población Rural 2017-2019* | A detailed document that provides the strategy to improve rural water quality. |
| Resolution | *Resolución de Consejo Directivo N°028-2018-SUNASS-CD* | Establishes the methodology to determine the family tariff. |
| Resolution | *Resolución de Consejo Directivo N° 015-2020-SUNASS-CD* | Establishes the regulatory framework of service provision for JASS. |

## 3.3 EXTENT TO WHICH THE REGULATORY FRAMEWORK IS APPLIED

SUNASS has two main functions in rural areas: characterization and auditing. The former is to build a detailed inventory of all rural systems and to enter them into the database of regulated systems. After characterizing a rural system, the auditing team visits them annually to evaluate their performance against several areas and recommends actions for improvement to the JASS, as well as the ATMs which are providing ongoing technical and financial support. In addition to these roles, SUNASS also conducts training for different CBOs on calculating the family tariff. Table 3 presents the activities and indicators that SUNASS prioritizes for these annual visits.

Upon finalization of the annual visits, the regional SUNASS teams report to their national-level office. SUNASS consolidates and analyzes this information, and produces reports to define programmatic approaches, prioritize interventions, and inform the MVCS in case support is necessary. Once the visits are complete, the ATMS, CBOs, and the MVCS decentralized offices receive a copy to keep track of the regulatory processes that have taken place and the performance of service providers under their jurisdiction. Lastly, SUNASS produces a benchmarking report for select CBOs and disseminates them at the national level as a reputational incentive for ATMs and CBOs to improve service provision indicators in rural areas.

[3] Because Peru is currently facing the El Niño Southern Oscillation (ENSO) climate pattern, the MVCS has a legislation mandate to face the current emergency. The MVCS has taken advantage of this new mandate to modify the Decree 1280, making structural changes even for matters that are not related to the emergency.

*Table 3. Activities undertaken by the SUNASS in rural areas.*

| TYPE OF VISITS | ACTIVITIES | INDICATORS MEASURED |
|---|---|---|
| Characterization | - Visit the water source<br>- Check state of the infrastructure for water provision and sanitation<br>- Visit the chlorination unit (if it exists)<br>- Check chlorination records<br>- Check the management instruments: meeting minutes, annual operation plan, family tariff, and complaints books<br>- Survey the consumers to understand the associates' perception<br>- Provide legal and technical advice when required | - Water flow ($m^3/s$)<br>- Continuity (hours of supply a day)<br>- Registration with the ATM<br>- Debt ratio<br>- Water use license<br>- Free chlorine |
| Auditing | - Review the compliance of different management instruments (meeting minutes, annual operation plan, family tariff, complaints books)<br>- Visit the chlorination unit and chlorine records<br>- Revisit previous commitments if a visit already happened | - Free chlorine<br>- Debt ratio<br>- Water use license |
| Family tariff training | - Presentation of the reasoning behind the family tariff and payment culture<br>- Creation of an annual operation plan with the CBO committee<br>- Calculation of the desired family tariff | |

After a significant effort on the part of MVCS, an updated inventory of all service providers ensued in 2018. This inventory identified 26,792 rural service providers, of which 24,568 are CBOs, 924 are municipal providers, 1,160 are classified as others, 79 are EPS, and 61 are specialized operators. Appendix 1 shows the number of service providers by region.

SUNASS publicly acknowledges that it currently does not have the capacity to oversee all these rural providers. It agrees with MVCS's current strategy to consolidate rural providers and expand the mandate of EPSs to absorb small town service providers and even CBOs located in municipal service provider's service areas. Due to this limitation, SUNASS is prioritizing its characterization and auditing activities based on the population served. To date, SUNASS has characterized all small town service providers (500) and 4,463 out of the 24,568 CBOs. Additionally, it is currently auditing 120 small town service providers and 260 CBOs.

## 3.4 INFORMATION SYSTEMS

The Government of Peru has three information systems relevant for rural water service provision: i) the Water and Sanitation in Rural Areas Diagnostic System (DATASS), ii) the SUNASS rural water information system, and iii) the Water Quality Monitoring Program (*Programa de Vigilancia de la Calidad de Agua* [PVICA]). In addition, the sector has a project to consolidate all the information systems related to water and sanitation service provision, including all the sub-sectors: the Information System for Drinking Water and Sanitation (*Sistema de Información de Agua Potable y Saneamiento*). The project is beginning, and the sector stakeholders have welcomed the initiative.

DATASS is the information system with the most comprehensive information on rural water providers. The Swiss Development Cooperation provided support to its development and the MVCS now runs it. DATASS has updated information on water and sanitation coverage, infrastructure, quality of service, operation and management activities, chlorination, financial management, technical assistance, trainings, and governance structure. ATMs upload this information annually, motivated to report because of an incentive program the MVCS is running. If the ATMs comply with their yearly targets, which include reporting information in the DATASS, they receive more funding for investment in water and sanitation infrastructure. All the data is available to the public, and the ministry provided the REAL-Water team with a username and a password to access raw data for research purposes.

Additionally, SUNASS developed their information system to facilitate data collection processes, as the DATASS requires much more detailed information, takes longer to upload, and is only updated annually. The ATMs must update all the information of rural service providers in their territory as well as the activities they conduct as a technical assistance unit. SUNASS then uses the data to monitor rural providers' performance and ensure service provision is uninterrupted. The auditing data are not available to the public but are available upon request for research purposes.

Finally, MINSA developed the PVICA specifically to monitor water quality. They pay special attention to chlorine levels in water and collect this information via their regional offices. The data is unavailable to the public, but MINSA can grant access upon request for research purposes.

### 3.5 REGIONAL DIFFERENCES IN THE APPLICATION OF REGULATIONS

Peru has three major climatic zones: coastal, Andean, and rainforest. Each represents distinct contexts for rural water service provision. Interviewees emphasized these regional disparities, likening them to "three different countries within Peru." Typically, water facilities in the Andean region have access to reasonably good-quality protected springs, requiring minimal treatment and often no pumping. Consequently, they incur low operation costs and tariffs. In contrast, coastal rural facilities often contend with water scarcity, flat terrain, and higher treatment demands. However, they benefit from enhanced connectivity to urban centers and roads, facilitating access to spare parts and technical assistance. Lastly, facilities in rainforest regions usually have abundant surface water resources, but require treatment and pumping, and they are sparsely located in large areas with low connectivity. In general, service providers in the Andean zone perform better in coverage, water quality, and reliability than facilities in the coastal and rainforest regions. SUNASS acknowledges challenges in reaching rural facilities in the rainforest regions, as transportation logistics are considerably more challenging to arrange. Figures 1a and Figure 1b show the differences between departments in rural water coverage and chlorine levels respectively. They also broadly depict regional trends.

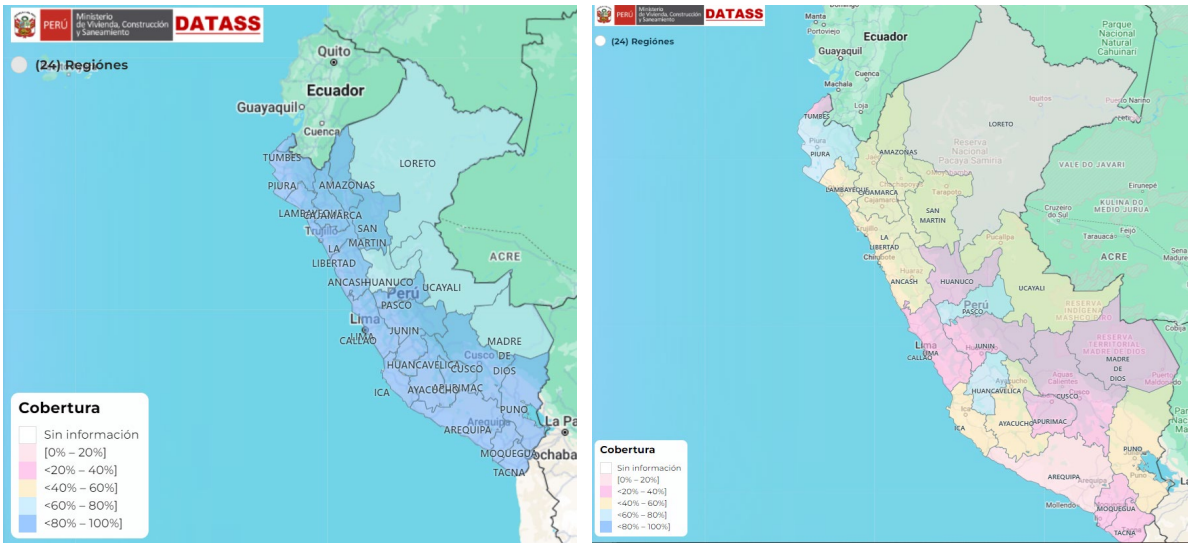


***Figure 1. a) Regional differences in rural water supply coverage; b) Regional differences in chlorine presence in drinking water***

## 3.6 CHALLENGES IN APPLYING REGULATORY ACTIVITY IN RURAL AREAS

- SUNASS lacks a sanction regime for rural areas. Currently, SUNASS has focused on a technical assistance role, orientating service providers to improve performance. However, when service providers do not implement their recommendations, specifically for small towns, SUNASS does not have the tools to enforce sanctions and incentivize good performance.

- The ATMs, SUNASS, and MVCS mentioned frequently the lack of resources at the municipal level to pay for qualified staff, and there is a high rotation of personnel because salaries are not competitive given the amount of effort required. This poses a challenge to staff continuity and forces SUNASS to work with different ATM representatives every year.

- Different service provision dynamics exist in rural areas. For example, many rural populations remain reliant on subsistence agriculture. This results in households having "lumpy" incomes, with essentially two periods in the year following harvests in which they have sufficient cash flow to pay tariffs. Changing the family tariff to allow for one or two payments instead of a monthly payment would improve revenue collection.

- The government's long-term plan of clustering and consolidation does not align with what happens on the ground, where more CBOs are being created. This generates a regulatory vacuum, as SUNASS does not know in which direction to orientate its regulatory instruments.

# 4.0 RESEARCH INITIATIVES/IDEAS

The rural water sector policy is still evolving, with modifications made to support mechanisms and changes in regulatory mechanisms over time. An ongoing disagreement persists between SUNASS and the MVCS. In December, SUNASS released an official statement protesting the interference in the regulator's independence to determine the tariff methodology (see Appendix 2). Given this context, providing evidence on the effectiveness of various regulatory mechanisms in producing improved performance outcomes would be beneficial for guiding and orienting the evolution of regulatory arrangements in Peru.

The following section presents four research ideas. The REAL-Water team discussed these ideas with sector stakeholders to ensure that the findings will contribute to the global knowledge base in rural supply as well as address the internal evidence gaps the country is facing. Interviewees also suggested a fifth research initiative on free chlorine monitoring. The MVCS and SUNASS are concerned about the current mismatch between the chlorine levels reported by the National Institute of Data and Statistics (*Instituto Nacional de Estadística de Informática*) (4 percent) and those reported by the MVCS (~40.55 percent) and SUNASS (16.9 percent). This situation has led to disagreements between different institutions regarding impact of the strategies implemented to improve water quality. The MVCS and SUNASS would like to understand what generates that difference and develop a standardized indicator across actors to better direct decision-making. REAL-Water decided not to include this as a separate research idea, but it may still be of interest to other research initiatives.

## 4.1 IDEA 1: REGULATORY ACTIVITY HAS AN IMPACT ON PERFORMANCE

**Gap in the literature**: Regulations are an essential component of the enabling environment to ensure adequate and equitable service provision (Kumar et al. 2022). However, solid evidence of the impact of regulatory activity on performance is lacking, as studies have predominantly been qualitative or have indicated correlations rather than causality (Narzetti & Cunha 2021: Bagnoli, Bertomeu-Sanchez, and Estache 2021). Concrete evidence regarding the impact on performance can bolster the argument for regulations, particularly in the context of rural service provision, which is both complex and costly.

**Justification:** The Government of Peru is currently investing considerable resources and effort to expand regulatory activity to reach rural areas. However, there is little evidence to date about the impact of this policy change on performance, contributing to disagreement between the ministry and the regulator, as discussions are occurring without an evidence base.

**Potential Research Question:** *How much does regulatory activity affect the performance of rural water suppliers?*

**Recommended methodological approach:** Conduct a difference in differences analysis between regulated and unregulated facilities over time. Extra data collection would not be necessary, because the SUNASS information system and the DATASS have collected information since 2016, that the team could process and use for this analysis. The analysis can be conducted for the entirety of the country, and controlled by regional differences.

### 4.2 IDEA 2: EFFECT OF THE IMPLEMENTATION OF THE *CUOTA FAMILIAR* ON REVENUE COLLECTION AND PERFORMANCE

**Gap in the literature**: Numerous studies have documented the factors that affect revenue collection for rural water systems (Olaerts et al., 2019; Foster, 2013). However, research has yet to identify the appropriateness of the tariff methodology as one of the factors influencing sustainability. This research would offer insights into how the tariff methodology should be adapted to accommodate rural dynamics.

**Justification:** SUNASS is currently discussing a possible modification of the *cuota familiar* tariff methodology due to feedback received from CBOs and key sector stakeholders regarding challenges in ensuring revenue collection. SUNASS lacks information on whether application of this tariff has aided CBOs in increasing revenue collection, and consequently, performance. Additionally, it is unclear why some communities choose not to adopt the *cuota familiar* methodology, even after receiving training and having the tariff calculated with them. They suspect that the methodology may be too complex for CBOs and that other cultural factors may also influence the non-adoption of the methodology.

**Potential Research Questions:**

1. *How much does the implementation of the new tariff for rural areas (*cuota familiar*) affect revenue collection and performance?*
2. *Is the family tariff appropriate for the rural dynamic?*

**Recommended methodological approach**

1. Conduct a difference in differences analysis over time between CBOs that are implementing the *cuota familiar* methodology and CBOs that are not. Extensive data collection is not necessary as this research can rely on the information contained in the DATASS from 2016.
2. Hold focus groups with representatives of CBOs in the three climatic zones in Peru to understand their experiences with the *cuota familiar*, and to garner their recommendations to improve revenue collection. Data collection can occur either via local universities or with local representatives of the SUNASS.

### 4.3 IDEA 3: EFFECT OF STRENGTHENED ATMS ON PERFORMANCE

**Gap in the literature**: There is extensive literature—and gray literature—about the importance of strengthened service authorities in the performance of rural water schemes (Lockwood et al. 2016, WaterAid 2021, Carter 2021, USAID 2020, Moriarty et al. 2013). However, their actual effects on service provider performance are not well documented.

**Justification:** Given the resources invested in strengthening ATMs, it is important to understand their role in rural service provision to better prioritize resource allocation. Peru provides a good opportunity to test this, as most service providers are CBOs, eliminating the variability that arises from comparing different management arrangements.

**Potential Research Question:** *How much do strengthened ATMs (municipal technical unit in charge of technical assistance) translate into better performance of rural service providers?*

**Recommended methodological approach:** Select key indicators that reflect strengthened ATMs, such as staff per number of rural providers, reporting frequency, and number of visits, among others. Apply principal component analysis or factor analysis to create a composite performance variable. Then, apply instrumental variable analysis, using climatic zones and poverty as instruments, to test for causality in the relationship between the strengthened ATMs indicator and the performance of rural service providers.

### 4.4 IDEA 4: IMPACT OF FINANCIAL INCENTIVES ON REVENUE COLLECTION AND PERFORMANCE

**Gap in the literature**: Performance-based funding is gaining popularity in the rural water subsector to enhance transparency and ensure that resources translate into service delivery results (McNicholl and Hope 2024). However, evidence of its impact primarily exists for safe water enterprises and NGOs. There is a lack of evidence for rural water supply when incentives originate from the central government to local governments.

**Justification:** The government is currently investing significant resources in rural areas to close the gap between urban and rural areas. ATM members, local SUNASS officers, and other stakeholders believe the resources are currently funneled to other activities, as once the municipality receives the funding allocation, they can invest them in whatever they consider necessary, as part of the decentralization policy. However, the impact of this policy has not been measured, and it would potentially assist the government allocate the funds more efficiently.

**Potential Research Questions:** *Is the financial incentive provided by the ministry to the ATMs reflected in higher investment in rural water and sanitation? And is this reflected in performance?*

**Recommended methodological approach:**

1. Ask for information from the MVCS of municipalities that have received the incentive and cross-check it with the investments in water and sanitation, to compare the amount given with the amount invested.
2. Apply a difference in differences analysis of those municipalities that have received the incentive and evaluate the changes in key performance indicators across time.

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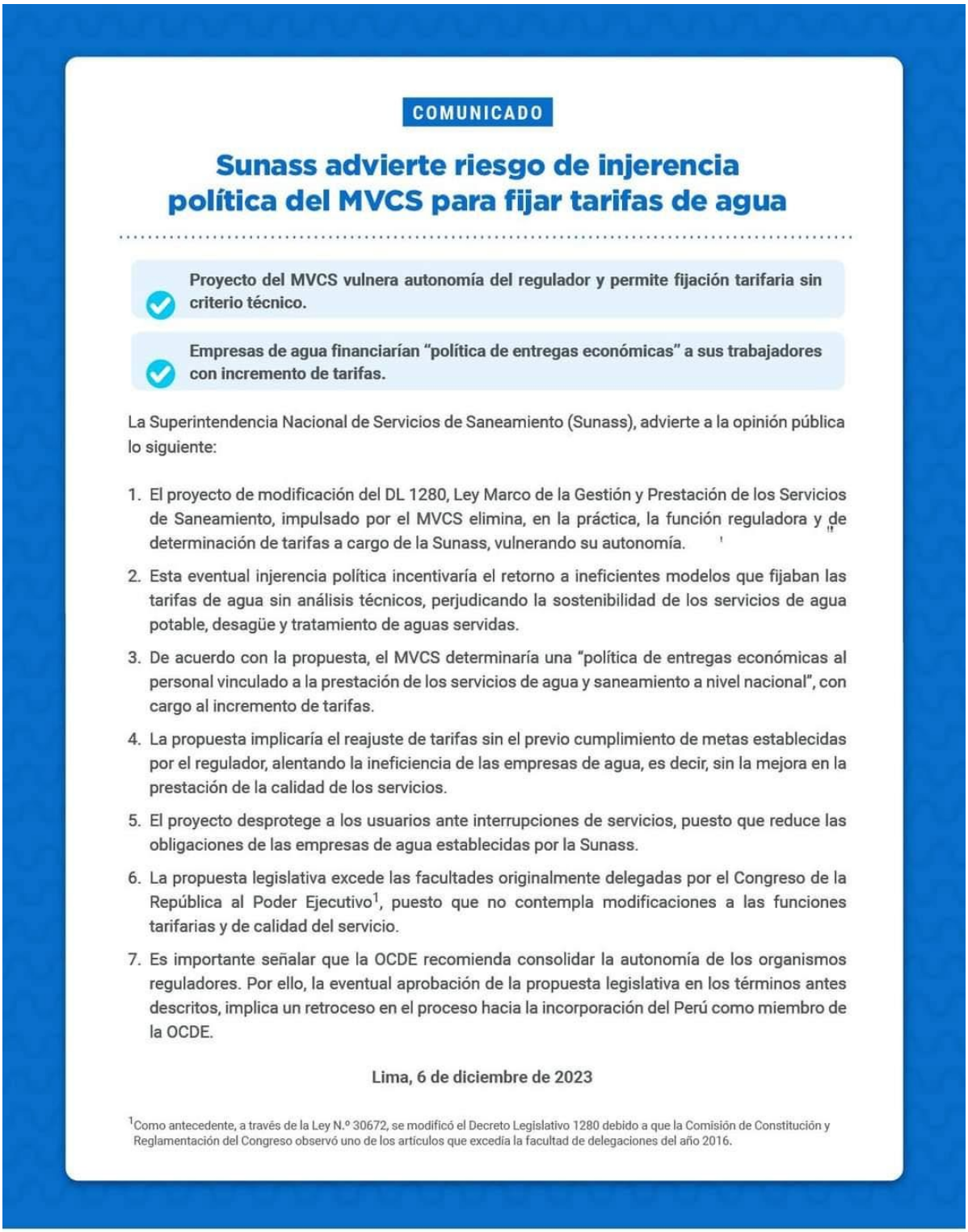
# APPENDIXES

## APPENDIX 1: NUMBER OF SERVICE PROVIDERS DIFFERENTIATED BY REGION

| REGIONS | CBOS | MUNICIPALITIES | SPECIALIZED PROVIDERS | EPS | OTHER |
|---|---|---|---|---|---|
| Amazonas | 709 | 14 | 2 | 0 | 51 |
| Anchas | 2,327 | 86 | 1 | 2 | 121 |
| Apurimac | 1,152 | 31 | 1 | 0 | 64 |
| Arequipa | 183 | 110 | 6 | 3 | 7 |
| Ayacucho | 1,589 | 71 | 0 | 1 | 42 |
| Cajamarca | 3,975 | 54 | 2 | 2 | 171 |
| Callao | 0 | 0 | 0 | 0 | 0 |
| Cusco | 3,554 | 58 | 13 | 4 | 123 |
| Huancavelica | 1,271 | 28 | 1 | 1 | 63 |
| Huanuco | 1,272 | 29 | 0 | 1 | 22 |
| Ica | 138 | 28 | 0 | 1 | 20 |
| Junin | 1,142 | 17 | 2 | 1 | 107 |
| La Libertad | 1,585 | 37 | 4 | 2 | 71 |
| Lambayeque | 616 | 18 | 0 | 1 | 72 |
| Lima | 424 | 124 | 8 | 7 | 28 |
| Loreto | 145 | 13 | 9 | 42 | 38 |
| Madre de Dios | 82 | 4 | 0 | 0 | 3 |
| Moquegua | 70 | 67 | 0 | 1 | 12 |
| Pasco | 357 | 18 | 0 | 0 | 30 |
| Piura | 1,379 | 11 | 3 | 1 | 26 |
| Puno | 1,618 | 31 | 1 | 8 | 26 |
| San Martín | 578 | 34 | 0 | 0 | 24 |
| Tacna | 72 | 31 | 0 | 0 | 3 |
| Tumbes | 28 | 3 | 0 | 0 | 0 |
| Ucayali | 302 | 7 | 6 | 1 | 36 |

## APPENDIX 2: PROTEST NOTE FROM SUNASS AND REPLY FROM THE MVCS



COMUNICADO

# Sunass advierte riesgo de injerencia política del MVCS para fijar tarifas de agua

- **Proyecto del MVCS vulnera autonomía del regulador y permite fijación tarifaria sin criterio técnico.**
- **Empresas de agua financiarían "política de entregas económicas" a sus trabajadores con incremento de tarifas.**

La Superintendencia Nacional de Servicios de Saneamiento (Sunass), advierte a la opinión pública lo siguiente:

1. El proyecto de modificación del DL 1280, Ley Marco de la Gestión y Prestación de los Servicios de Saneamiento, impulsado por el MVCS elimina, en la práctica, la función reguladora y de determinación de tarifas a cargo de la Sunass, vulnerando su autonomía.
2. Esta eventual injerencia política incentivaría el retorno a ineficientes modelos que fijaban las tarifas de agua sin análisis técnicos, perjudicando la sostenibilidad de los servicios de agua potable, desagüe y tratamiento de aguas servidas.
3. De acuerdo con la propuesta, el MVCS determinaría una "política de entregas económicas al personal vinculado a la prestación de los servicios de agua y saneamiento a nivel nacional", con cargo al incremento de tarifas.
4. La propuesta implicaría el reajuste de tarifas sin el previo cumplimiento de metas establecidas por el regulador, alentando la ineficiencia de las empresas de agua, es decir, sin la mejora en la prestación de la calidad de los servicios.
5. El proyecto desprotege a los usuarios ante interrupciones de servicios, puesto que reduce las obligaciones de las empresas de agua establecidas por la Sunass.
6. La propuesta legislativa excede las facultades originalmente delegadas por el Congreso de la República al Poder Ejecutivo[1], puesto que no contempla modificaciones a las funciones tarifarias y de calidad del servicio.
7. Es importante señalar que la OCDE recomienda consolidar la autonomía de los organismos reguladores. Por ello, la eventual aprobación de la propuesta legislativa en los términos antes descritos, implica un retroceso en el proceso hacia la incorporación del Perú como miembro de la OCDE.

**Lima, 6 de diciembre de 2023**

[1]Como antecedente, a través de la Ley N.º 30672, se modificó el Decreto Legislativo 1280 debido a que la Comisión de Constitución y Reglamentación del Congreso observó uno de los artículos que excedía la facultad de delegaciones del año 2016.

sunassperu | Sunass.Regulador

Sunass
El regulador del agua potable

# COMUNICADO

## Defendamos el acceso al agua para todos los peruanos

Tenemos la misión de hacer respetar el artículo 7-A de la Constitución Política del Perú: "El Estado reconoce el derecho universal y progresivo de toda persona de acceder al agua potable".

Bajo este principio, el Ministerio de Vivienda, Construcción y Saneamiento:

1. Rechaza y deplora rotundamente el comunicado de Sunass, su contenido político y actitud antitécnica.

2. Reafirma que, a través de la delegación de facultades, no pretende regular las tarifas de los servicios de agua potable y saneamiento ni afectar la autonomía del organismo regulador, único responsable de la fijación de tarifas.

3. Como ente rector tiene la obligación de establecer el marco normativo que garantice una equitativa y eficiente prestación de dichos servicios para todas las peruanas y todos los peruanos, situación que hoy no ocurre.

4. La modificación del D. L. 1280 propone acabar con:
   a. La fijación de tarifas por debajo de costos, con criterios políticos, que ponen en riesgo la sostenibilidad del servicio de agua y saneamiento.
   b. El uso de los recursos fiscales en subsidios ineficientes que afectan a la población más vulnerable.

5. Para lograrlo, propone desarrollar:
   a. Un sistema regulatorio moderno, basado en criterios internacionales y en la experiencia exitosa de otros reguladores nacionales.
   b. Un esquema de subsidio cruzado equitativo, debidamente discutido, que permita que la población más vulnerable acceda a un servicio oportuno de agua segura y a tarifas justas.

6. Nuestra propuesta recoge lo afirmado por la OCDE (2021): "Las tarifas que cobran son insuficientes para recuperar costos". También recoge la opinión del Banco Mundial (2023): "La mayoría de los proveedores no pueden cubrir los costos de operación y mantenimiento, ni invertir en mejorar sus sistemas, debido a las tarifas bajas que obedecen a razones políticas".

Como sociedad debemos reconocer que el sistema de agua y saneamiento vigente ha fracasado. El momento de corregirlo ¡Es Ahora, Perú!

*Lima, 6 de diciembre de 2023*
***Oficina General de Comunicaciones***

PERÚ Ministerio de Vivienda, Construcción y Saneamiento
Con Punche Perú
BICENTENARIO PERÚ 2024