

Launch of the OECD report « Water Resources Governance in Brazil»

Speech by Luiz De Mello, Deputy-Director, OECD Public Governance and Territorial Development Directorate
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Vicente Andreu, President of the National Water Agency, Ministers, Ladies and Gentlemen,

It is my pleasure to be with you today to launch the OECD report *Water Resources Governance in Brazil*. Allow me to start by thanking you all, in particular the President and Directors of the ANA, for your continuous support for the policy dialogue.

Your support demonstrates your attachment to the multi-stakeholder process used to build a shared understanding of the main challenges and consensus on the potential ways forward.

The key questions addressed in the report

You have asked the OECD to provide an evidence-based assessment of Brazil's water resources management and governance, and how prepared it is to cope with future challenges. In particular, you have asked us to respond to two questions: 1) is there effective coordination across state and federal policies and priorities for an integrated water resources management system? 2) are current water allocation regimes robust enough to cope with future water risks?

Governance and allocation are very important issues. Why?

- **Multi-level governance** is critical in a decentralised federation, where water resources management is under the purview of the states and the Federal District, and rooted in a history of participatory democracy based on more than 200 river basin committees. Decentralised management is an appropriate response to diversity in needs and local conditions, but it also poses co-ordination challenges across ministries and public agencies, between levels of government, and across local and state entities.
- **Water allocation** is about dealing with trade-offs and competing demands by agriculture, industry, energy, households and the environment. Allocation regimes, for federal and state rivers, can drive social and economic development, in particular when competition between water users intensifies and climate change and economic development affect future water availability and demand. They also determine investment needs, in water supply and storage.

Water governance and allocation are closely linked, as robust water allocation regimes require both greater co-ordination and strengthened capacity at the federal, state, municipal and basin levels.

The report's main findings

Brazil has made remarkable progress in water resource management since the adoption of the National Water Law in 1997 and the creation of the ANA in 2000. Brazil now has the institutional foundations for multi-level, integrated and place-based governance of water resources, as opposed to the previous model that was centralised and technocratic. The system has also significantly adjusted over time.

Yet, several challenges will need to be addressed for Brazil's water resources management and governance to reap the expected economic, social and environmental benefits. Allow me to mention a few:

- **Strategic guidance**. The multiple water resource plans at basin, local, state and national levels do not set clear priorities or criteria that define the water resources pool, drive allocation decisions for

hydropower generation, irrigation and domestic use, or set priorities for times of scarcity. Poor co-ordination across levels and lax implementation make the plans even weaker as decision support tools. Municipalities, which have core competences related to water, are largely absent from river basin committees.

- **Functional scale.** Rivers cross administrative boundaries. Basin, state and federal agencies need to ensure their policies and tools are mutually reinforcing and compatible. This is particularly the case for water allocation regimes, which apply distinctively to federal rivers and their tributaries.
- **Policy coherence.** Mechanisms to ensure policy coherence, especially between water and agriculture, energy, environmental licensing, sanitation and land use, are weak. For example, the National Water Resources Council is not fully playing its cross-sector co-ordination role. Sectoral planning occurs largely in isolation.
- **Policy instruments.** Where they exist, water permits hardly contribute to water policy objectives: they neither guide efficient use of water, nor facilitate reallocation where appropriate. Water charges are low and are most often considered as instruments to raise revenue, rather than to rationalise the use of water and signal scarcity. The proper design and implementation of policy instruments is hindered by information and capacity gaps. Indeed, the availability of good, accessible data and information on water varies across the states, preventing effective decision making in terms of who gets water, where and when. And river basin committees have limited implementation capacity and play essentially an advocacy role rather than building consensus on priorities and planning to guide decision making.

From reaction to crises to risk management

Addressing these challenges is all the more important when future water availability and demand are increasingly uncertain. A good example is the recent droughts that have affected Brazil's South-East, leading to a water supply crisis between the states of Rio de Janeiro and São Paulo, following the driest winter period in 84 years. This calls for a shift from reaction to crises to risk management.

The policy dialogue that we have carried out across a range of public, private and non-profit stakeholders shows serious commitment by the Brazilian authorities to make this shift. In particular, the "National Pact for Water Management" that was signed in 2011 provides a sound vehicle for enhanced federal-state-basin multi-level dialogue towards integrated management, while taking into account the diversity across states in terms of performance, hydrology, development and institutional capacity. We also expect the National Water Security Plan and the Multi-Annual Plan that will be launched in 2016 to promote water resources management for sustainable growth. To support these efforts, the report recommends in particular focusing on four main areas:

- **Strategic vision.** There is a need to raise the profile of water as a strategic priority with broader economic, social and environmental benefits for national policy. This can be achieved through strengthening the power, influence and effectiveness of the National Water Resources Council for it to effectively guide decisions at the highest level; enhancing cross-sector co-ordination with key water-related areas. A long-term vision is required, that drives policy and investment decisions in the coming decades.
- **Capacity.** The National Pact for Water Management is a step in the right direction to strengthen the capacity of state and basin-level institutions in terms of staff, funding, monitoring and enforcement. Scaling-up opportunities for sharing experience across states and basins can help foster learning through peer-to-peer dialogue.

- ***Policy tools.*** Policy tools for water management need to be carefully crafted. Well-designed water permits strike a balance between water security for water users and adaptability for water managers. A variety of economic instruments can help. Typically, pricing mechanisms can promote water use efficiency, reflect the opportunity costs of water uses, and drive water-related investments.
- ***Implementation.*** Water resources management plans should set strategic directions and be thoroughly implemented. Conditions of success include transparency and regular information-sharing for greater trust, and greater awareness about future risks, especially from municipalities. Effective state and federal water resources systems require more result-oriented engagement of stakeholders within the river basin committees.

Ladies and Gentlemen,

Brazil has made significant progress over the last decades to improve the country's governance and management of water resources. This is particularly meaningful in a country that holds 12% of the world's freshwater resources and where a perception of abundance has often led to complacency about water resources management.

But there is now new impetus for change. Mismanagement starts to bite in several basins. Enhanced water management and governance are required so that water contributes to broader sustainable development objectives, at federal and state levels.

Brazil is heading towards a long-term strategy and is taking firm steps in designing and implementing more effective, integrated and coherent water resource policies. The ANA, a trusted partner across the country, has a decisive role to play to engage the states and the broader range of stakeholders towards more effective, efficient and inclusive water resources management.

The OECD is happy to work with the ANA, the Ministry of Environment and their partners at federal and state levels, to facilitate this transition and ensure it delivers better water policies for better lives.

Thank you