

## Water

### IMPROVING WATER RESOURCES GOVERNANCE

- ▶ Brazil has made significant progress in water governance over the past two decades, but the reform is still incomplete to fully reap the economic, social and environmental benefits.
- ▶ There is a momentum for change stemming from the water crisis between Rio de Janeiro and Sao Paulo in a country that holds 12% of the world's freshwater resources.
- ▶ Water allocation has gained traction as competition to access water intensifies. Water is usually not allocated in a way that maximises welfare and readily adjusts to shifting circumstances.

#### What's the issue?

There are two main benchmarking questions related to water resources governance in Brazil: i) how is the multi-level governance system performing in terms of co-ordinating state and federal water policies and priorities? ii) are current water allocation regimes robust enough to cope with future water risks?

Multi-level governance is particularly critical in a decentralised federation like Brazil. Decentralised management is an appropriate response to diversity in needs and local conditions, but it also poses co-ordination challenges across levels of government. 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. They also determine investment needs, in water supply and storage. Water governance and allocation are closely linked, as more efficient water allocation regimes require both greater co-ordination at federal, state and basin levels and strengthened capacity at sub-national level.

Several challenges need to be addressed: water resources management plans are weak and do not set priorities, nor clear criteria for allocation decisions. Decisions made at federal and state levels are not mutually reinforcing. The National Water Council has not fully embraced its cross-sector co-ordination role and the level of representation of ministries is not sufficient to trigger real consensus and decisions on strategic issues.

Silo approaches hinder policy coherence at different levels. The uncoordinated development of some sectors (irrigation) can affect others (hydropower), especially in basins where competition to access water intensifies. In several states, water right holders benefit from high-levels of water security,

which generate rigidities and make adjustment to variable water availability costly. Where they exist, water charges are low. Often, states lack staff, funding, participation and political commitment to cope with water-related issues.

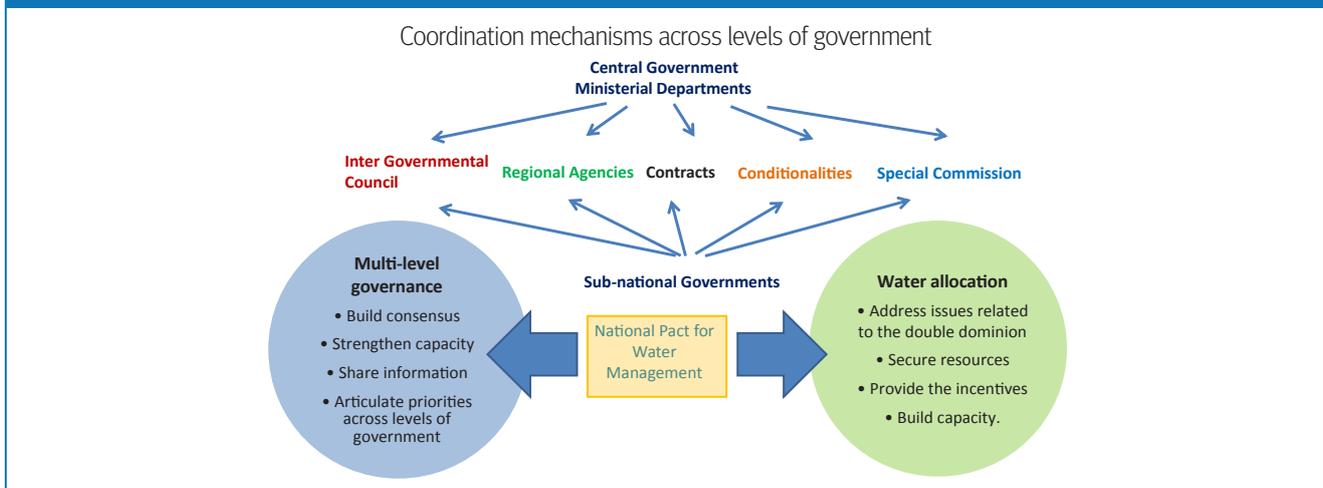
#### Why is this important for Brazil?

Access to water is a critical condition for sustainable growth in Brazil. Brazil is characterized by a huge diversity in terms of needs and local conditions. The country is "water rich", but water resources are unevenly distributed. The Amazon, Paraná, São Francisco River basins are some of the world's largest water basins. The Northeast region permanently faces the effects of drought. The Southeast region is water-scarce, facing the consequences of the driest winter period in 84 years. Brazil is one of the highest shares of renewable energy in the world (hydropower accounts 92% of renewables-based electricity).

Brazil has made remarkable progress in water resource management. The National Water Law in 1997 and the creation of the ANA in 2000 were cornerstones of a decentralized, participatory and integrated water resources management. Water is under the purview of the 27 states and the Federal District: hence sound governance to coordinate across administrative and hydrological boundaries is needed. Over 200 river basin committees were set up to foster bottom-up and place based approaches, but they need to cope with water -related risks and minimize future conflicts over water, which act as a drag on sustainable growth and social development.

An example of good practice to foster policy dialogue is the establishment of the National Pact for Water Management, which is an innovative instrument to co-ordinate across levels of government. The Pact delivers important benefits in

## » The National Pact for Water Management : A good practice for multi-level coordination



### What should policy makers do?

- ▶ Raise the profile of water in the national political agenda as a strategic priority with broader benefits for national policy.
- ▶ Strengthen the effectiveness of the National Water Resources Council and state water resources councils to become full-fledged advisory and coordinating bodies.
- ▶ Clearly define priorities for water uses through reference flows and plans that identify priorities.
- ▶ Foster a culture of continuity in state public policy.
- ▶ Ensure the effectiveness of the National Pact for Water Management.
- ▶ Re-profile basin and state level institutions to ensure implementation capacity and enhance experience-sharing, communication and bench-learning at all levels.
- ▶ Foster governance arrangements that drive allocation efficiency, such as more sophisticated monitoring and robust economic analysis.
- ▶ Use consistent standards for issuing and defining water permits.
- ▶ Encouraging the adoption of pricing mechanisms to reflect the opportunity costs of alternative uses of water resources.
- ▶ Enhance the use of economic instruments that combine efficiency and flexibility.
- ▶ Foster greater co-ordination across water-related policy areas, especially land use, energy and agriculture.

the Brazilian context and can be a source of inspiration also for other countries looking for an instrument that promotes consistency and convergence, and builds capacity across levels of government.



### Further reading

OECD (2015), *Water Resources Governance in Brazil*, OECD Studies on Water, OECD Publishing. <http://www.oecd.org/brazil/water-resources-governance-in-brazil-9789264238121-en.htm>

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OECD (2015), *Water Resources Allocation: Sharing Risks and Opportunities*, OECD Studies on Water, OECD Publishing. <http://www.oecd.org/fr/publications/water-resources-allocation-9789264229631-en.htm>

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