

Rate of operation and maintenance (O&M) cost recovery for water supply and sanitation

Operating Cost Coverage Ratio¹—Median Values

	2000	2001	2002	2003	2004	2005	2006	2007	2008 ²
Operating cost coverage ratio	1.11	1.13	1.10	1.11	1.08	1.07	1.07	1.08	1.05
Standard deviation	0.55	0.56	0.58	0.61	0.57	0.56	0.55	0.54	0.50
Number of utilities reporting	579	615	723	999	1151	1173	1379	1229	930

1. A utility's operating cost coverage ratio measures the extent to which revenues cover basic operation and maintenance costs.
2. The data collection cycle for 2008 is not yet complete.

Source: The IBNET Water Supply and Sanitation Performance Blue Book, 2011

Prepared by	UNDESA
Example	Under development
Rationale	An assessment of the O&M cost recovery efficiency of the water operator to (i) ensure operational sustainability of the operator/utility; (ii) ensure sustainable service provision; (iii) expand service provision; and (iv) guide management reform.
Position in DPSIR chain	Driver, Response
Definition of indicator	This indicator measures water fees actually collected as percent of the cost of operation and maintenance in water supply and sanitation.
Underlying definitions and concepts	The indicator is based on the following definitions. <i>Water Fees Collected</i> : Actual monetary amount collected/received by the water operator from different consumers for providing water supply and sanitation services. <i>Cost of operation and maintenance</i> : This refers to the total O&M cost (all activities needed to operate and manage a water utility, except for planning and construction of new facilities, and rehabilitation of existing facilities) that is incurred to sustain the provision of services.
Specification of determinants needed	Water fees collected Cost of operation and maintenance
Computation	The indicator can be computed as: WFC/COM Where: WFC = water fees collected COM = cost of operation and maintenance Note: This indicator can be above 1; in this case the indicator shows there is a full recovery of O&M costs and that part of the capital costs is recovered.
Units of measurements	Indicator measured as a percentage. Determinants measured in national currency.
Data sources, availability and quality	van den Berg, Caroline and Danilenko, Alexander, (2011) <i>The IBNET Water Supply and Sanitation Performance Blue Book :The International Benchmarking Network for Water and Sanitation Utilities Databook</i> , The World Bank, page 23, Available on http://tinyurl.com/6eprest (Accessed 25 October 2011)
Scale of application	Mainly local or municipal, but could be aggregated to provincial and national levels.
Geographical coverage	Global
Interpretation	Reflects the performance of the operator in terms of cost recovery and operational sustainability. Reporting progress on this indicator could lead to instituting policy reforms and improving the financial viability leading to increased investment for the expansion of service provision.
Linkage with other indicators	This indicator connects management of water services with the financial viability of the water operator. The rate of O&M cost recovery will have a

	direct influence on the actual investments made in the water sector, thus bears an important relationship with the three indicators described earlier.
Alternative methods and definitions	
Related indicator sets	<p>United Nations Statistics Division, National Accounts Main Aggregates Database, Available on http://unstats.un.org/unsd/snaama/Introduction.asp (Accessed 25 October 2011)</p> <p>United Nations Statistics Division, Social indicators, Available on http://unstats.un.org/unsd/demographic/products/socind/ (Accessed 25 October 2011)</p>
Sources of further information	<p>The International Benchmarking Network for Water and Sanitation Utilities (IBNET), Available on http://www.ib-net.org/ (Accessed 25 October 2011)</p> <p>OECD, 2007, Financing water supply and sanitation in EECCA countries and progress in achieving water-related Millennium Development Goals (MDGs), Available on http://www.oecd.org/dataoecd/36/10/39174956.pdf (Accessed 25 October 2011)</p>
Involved agencies	<p>Water Municipalities</p> <p>Multilateral and Regional Development Banks</p>