

## Executive summary

This report assesses the extent to which Dutch water governance is fit for future challenges and outlines an agenda for the reform of water policies in the Netherlands. It builds on a year-long policy dialogue with over 100 Dutch stakeholders, supported by robust analytical work and drawing on international best practice.

The Netherlands has an excellent track record on water management in several areas: the system has managed to “keep Dutch feet dry” and to develop a strong economy and robust water industry, in a country where 55% of the territory is below sea level or flood prone. A sophisticated “natural infrastructure” has been built and operated through a specific system of water governance, which combines functional democracies (the regional water authorities, established in the 13th century) with central, provincial and local authorities. Stakeholders are engaged in a distinctive “polder approach”, which values concerted, consensus-based decision making.

The Dutch system has evolved over time. In particular, national authorities have been reorganised to improve their strategic capacities; regional water authorities have been consolidated into a smaller number of larger entities, and have gained new functions; and water supply companies have been aggregated at the regional level. Legislation was combined into a National Water Act in 2009. In 2012, the Delta Act was passed, to respond to the country’s current and future water challenges regarding water safety and freshwater supply.

However, excellence should not lead to complacency. Water management in the Netherlands is faced with persistent and emerging challenges. Water quality and the resilience of freshwater ecosystems recently gained traction in the country, but continue to be pressing issues. Water governance relies on a system of many checks and balances, which presents some limitations, such as the absence of independent monitoring and information on financial performance that can shed light on embedded, dispersed and accepted costs, and disclose it to the general public.

Economic incentives to efficiently manage water are sometimes weak. For instance, water management and spatial development are closely connected, but the actors who benefit from spatial development, such as municipalities and property developers, do not necessarily bear the additional costs related to water management; as a consequence, ongoing spatial development at times increases exposure to flood risk, leading to the escalation of the costs of water management, today and in the future. This raises equity issues.

In addition, future projections generate uncertainty about water management. They can be clustered around four sets of issues: climate change, economic and demographic trends, socio-political trends illustrated by European water policies, and innovation and technologies. These trends concern water demand and availability, water governance and financing in the Netherlands. They call into question current policies and governance arrangements, and point to the need in particular to minimise path dependency and enhance resilience.

There is momentum to develop an agenda for future water policies in the Netherlands. In particular, the Environmental Planning Act is under preparation, with a view to foster policy integration between spatial planning, nature conservation and water. It provides an opportunity to streamline further policies and institutions in these areas.

An agenda for water reform in the Netherlands calls for new approaches in terms of policy, investment, infrastructure and governance to manage “too much”, “too little” or “too polluted” water at the least cost for society and in an inclusive way.

A preliminary step is to address the “awareness gap”: Dutch citizens take current levels of water security for granted. As a consequence, they tend to be less involved in water policy debates, to ignore water risks and functions when they develop property, and to be little concerned with water pollution. Their willingness to pay for a service they take for granted may erode in the future.

Another important step is to strengthen independent accountability mechanisms for more transparent information and performance monitoring, at arm’s length from water institutions. Benchmarking can ensure that a particular investment is managed in an efficient way; it does not investigate whether that particular investment was required. International best practices show different ways to organise regulatory functions. There are ways to deliver key regulatory functions while preserving the distinctive benefits of the Dutch “polder approach”, including a national observatory, a regulator, a role for the legislator and contribution of non-governmental organisations (NGOs) and academia, be it only to reflect the interest of the unheard voices (such as the environment). An independent review, commissioned by and reporting to ministers, could also help shed better light on relative and absolute efficiency, accountability and the regulatory framework of the full breadth of water services.

Economic incentives could be strengthened and made more consistent with water policy objectives. In particular, they can ensure that those who generate liabilities with regards to water management (e.g. water users who abstract surface or groundwater or who discharge pollutants into water resources; property developers who build in flood-prone areas) also bear the costs. The allocation of costs across water users can be made transparent and subjected to informed public debate. Abstraction charges could be put in place to provide incentives for efficient use of the resource. A robust water allocation regime that allows for consistently controlling and monitoring abstractions would be a basic step towards managing the risk of shortage effectively. A comprehensive study of the economic costs of water pollution would contribute to policy coherence between water, agriculture and nature.

The water chain could be organised in a way that guarantees optimal co-ordination across water supply, wastewater collection and treatment and related functions. Municipalities could sustain their responsibilities regarding wastewater collection if they effectively combine them with urban planning. Regional water authorities can remain the operators of wastewater treatment facilities if they adopt distinctive governance and financing schemes for this function: the functional democracy set up to mitigate flood risks may not be appropriate to manage wastewater treatment plants; and financing schemes should equitably reflect the costs generated by water users.

The Environmental Planning Act, expected to be adopted by 2018, will set the water agenda in a wider perspective and reach out of the water box. It provides an opportunity to renew the emphasis on freshwater systems, sets a framework to strengthen coherence between water, land use and spatial planning, and can decisively ensure that water governance in the Netherlands is fit for future challenges.