Mykolaiv Water Hub

Water Leaders Course

National University of Water and Environmental Engineering

Newcastle University

University of Maryland

FUNDED BY

European Bank
for Reconstruction and Development

Module 10: Utility Governance

Video 1: Governance Models

Good water management depends on more than technical expertise and sound planning. It also depends on the structures, rules, and values that govern how decisions are made, who makes them, and how those decisions are held accountable. This video explores governance within the context of Mykolaiv's water utility and the responsibilities it places on those responsible for leadership.

- Understand the governance framework underpinning Mykolaiv's water utilities.
- Explore the principles of ethics, transparency, and accountability.
- Examine the practical responsibilities and expectations of board membership.
- Understand how good governance can protect a utility from political interference.
- Explore how effective governance builds public trust and supports sustainable reconstruction.

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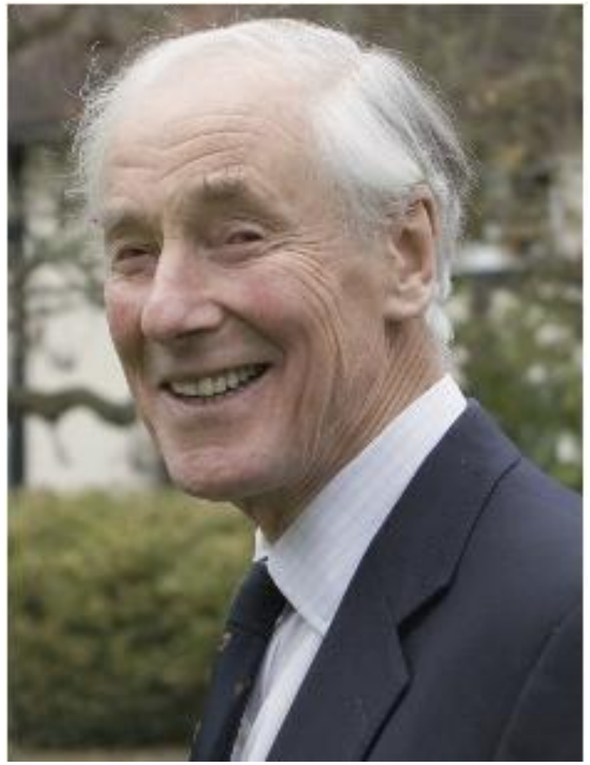
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Governance Structure: The Cadbury Code

Developed in the United Kingdom in the early 1990s, the Cadbury Code established the foundational principles of modern corporate governance:

- Organisations should be led by effective, accountable boards
- Transparency is non-negotiable
- The roles of those who govern and those who manage must be clearly separated

Originally designed for private corporations, these principles have been adopted into public institutions, including Mykolaiv's water sector.



Adrian Cadbury (1929 – 2015)

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Governance Structure: The Cadbury Code

Independent oversight: supervisory boards must hold a majority of independent members, with the power to appoint and dismiss utility chief executives sitting with the board rather than with politicians or ministries.

Environmental and social reporting: utilities must report abstraction volumes, wastewater treatment efficiency, and chemical discharge metrics, all subject to third-party scrutiny

Transparency and accountability: utilities are legally required to publish annual management reports; where internal controls or risk management fall short, the utility must publicly explain why

Anti-corruption compliance: legally mandatory internal anti-corruption programmes for any state or municipal utility with more than fifty employees

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Governance in Mykolaiv

Governance in Mykolaiv follows this structure, translating the policies and governance from national ministries into a City Council, then a board.

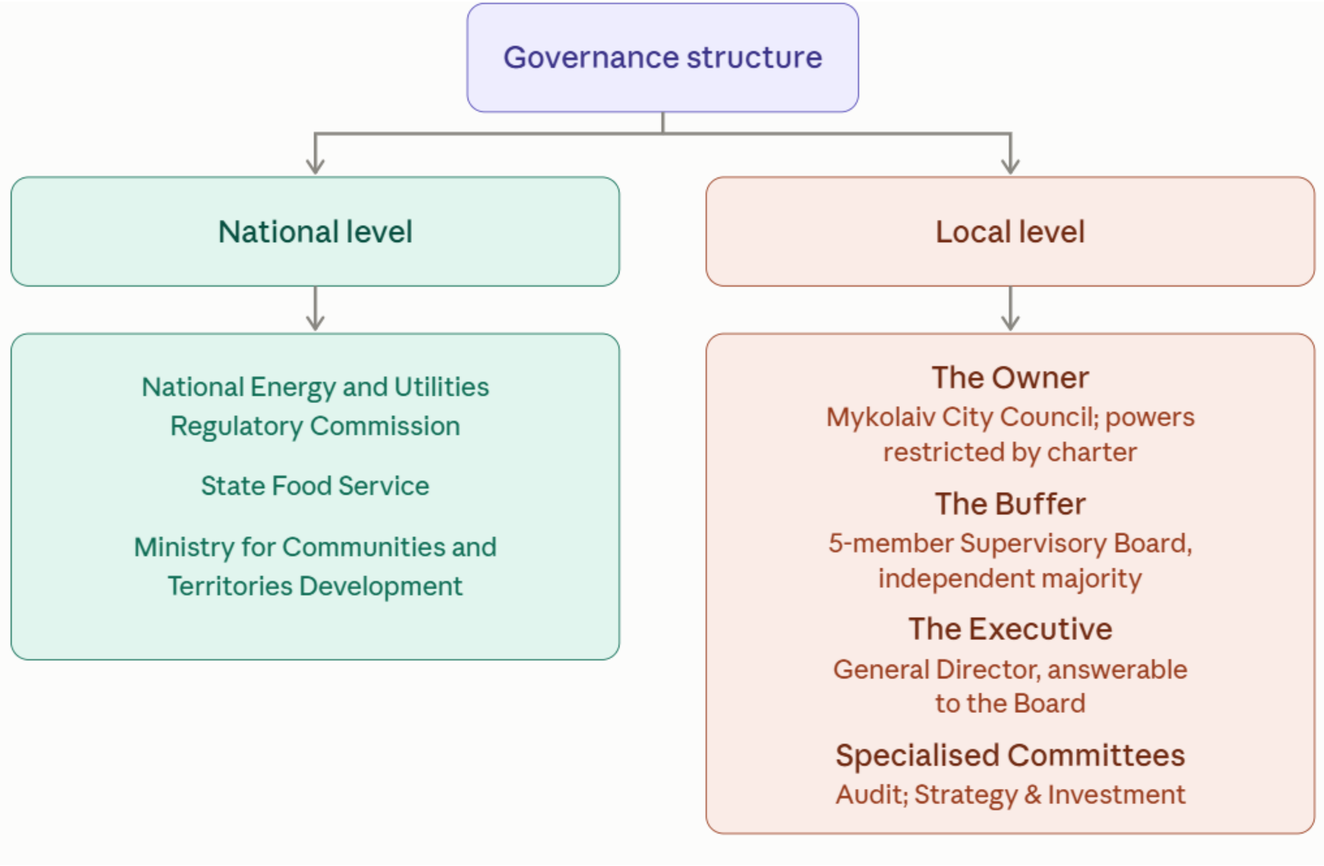
Board members bear full legal and financial responsibility for their decisions.

UAH 16 million in cost reductions identified within months of the internal audit service launch

UAH 4.5 million in additional utility income identified in the same period

UAH 11 million per year saved through elimination of legacy bureaucratic structures

Voluntary anti-corruption audit secured credibility for hundreds of millions of euros in donor funding



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Board Membership and Orientation

The power of a board lies not in individual members but in its collective capacity to speak with one voice. Boards must be diverse, bringing varied expertise and perspectives to bear on decisions that affect an entire city.

New board members must be oriented across the full scope of governance responsibilities, right.

A board member who does not understand the utility's risk profile and financial obligations cannot govern it effectively.

- Utility service lines and strategic plan
- Executive performance requirements and KPIs
- Fiduciary responsibilities for business and pension investments
- Ethics and conflict of interest policies
- How user fees and rates are set
- Regulatory obligations and EU alignment requirements
- Committee assignments and subject areas
- Procedures for handling stakeholder, media, and employee matters
- Union agreements and employee benefits

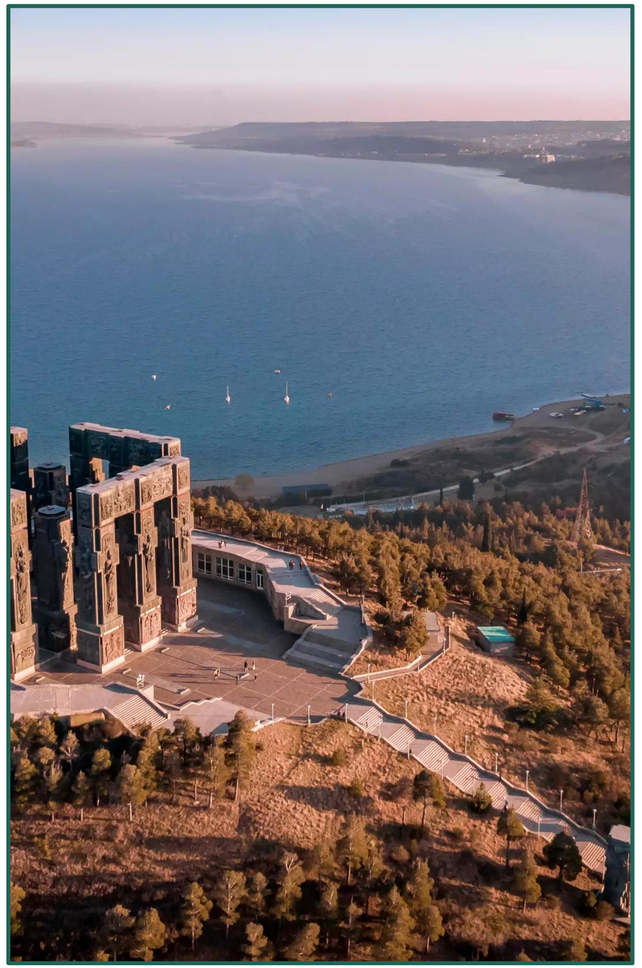
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Case Study: Tbilisi Water and the EBRD, Georgia

Following the collapse of the Soviet Union, Georgia's water sector was characterised by severe underinvestment, political interference in utility management, and a near-total lack of financial transparency.

From the mid-2000s, water governance reform was driven by:

- Establishment of an independent regulatory framework separating political ownership from operational management
- Introduction of transparent tariff-setting mechanisms based on cost-recovery principles rather than political expediency
- Mandatory financial disclosure and third-party auditing as conditions of continued international engagement
- Executive appointments based on performance criteria rather than political affiliation



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Case Study: Tbilisi Water and the EBRD, Georgia

These reforms created the institutional conditions for international funding, and the EBRD committed substantial financing to Georgia's water sector. This yielded excellent results.

The lesson for Ukraine is that governance reform preceded and enabled investment, not the other way around.

Donors do not fund institutions they cannot trust. Building the structures that justify that trust is the first act of reconstruction, not an afterthought.

Significant reduction in non-revenue water through investment that was only viable once financial accountability was established

Improved service continuity for Tbilisi residents, enabled by capital investment that governance reform unlocked

A replicable model that Georgia's other regional utilities were subsequently encouraged to adopt

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Ethics and Transparency

ETHICAL PRINCIPLES

Public Confidence	Complete transparency to maintain public trust, and reduce the risk of inappropriate behaviour
Disclosure Requirements	Disclosure obligations comparable to elected officials, covering acceptance of gifts, payments, or benefits from vendors, contractors, or stakeholders
Code of Conduct	Publicly ratified ethics codes, enforced internally, independent of broader legal requirements
Freedom of Information	Mandatory reporting, independent auditing, and anti-corruption compliance.

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Ethics and Transparency

ETHICAL PRINCIPLES

- Public Confidence
- Disclosure Requirements
- Code of Conduct
- Freedom of Information

FOR MYKOLAIV

In a reconstruction context, this is not just an ethical requirement. It is a prerequisite for funding:

International donors require confidence that resources will be managed with integrity

Transparent governance directly enables access to reconstruction finance

Without it, even strong technical management cannot deliver the accountability that sustainable recovery demands

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Summary

You should now understand the governance framework underpinning Mykolaiv's water utility, why independent oversight structures matter, and what ethics and transparency require of those in governance roles. Good governance does not guarantee good outcomes, but without it, even the best technical and operational management cannot deliver the accountability that sustainable reconstruction demands.

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