

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

James A. Yost
Idaho

W. Bill Booth
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

November 28, 2007

MEMORANDUM

TO: Council Members

FROM: Lynn Palensky

SUBJECT: Columbia Basin Water Transaction Program Evaluation

PURPOSE

One year ago, the Columbia Basin Water Transaction Program (CBWTP) began a full program evaluation with a third-party evaluation firm - Hardner & Gullison Associates, LLC. The evaluation is complete, and the evaluator presented the results to the Council at the November meeting. An evaluation committee was formed to provide input and oversight to the process. The complete report supplements that work by providing comments on the evaluator's recommendations as well as observations on the relevance of the Hardner & Gullison report to the evaluation of other projects and programs funded through the fish and wildlife program. At this meeting, the committee members will discuss their observations and recommendations of the full evaluation and make connections to other program areas.

BACKGROUND

An evaluation committee was formed by NFWF, in consultation with BPA and Northwest Power and Conservation Council (NPCC), to oversee the evaluation process and to provide technical guidance as needed by the evaluators regarding western water law and policy and the NPCC Fish and Wildlife Program (FWP). The members include Susan Hannah of Oregon State University and the IEAB and ISAB; Noelwah Netusil of Reed College and a member of the IEAB; and, Gail Achterman of Oregon State University. The committee advised on the questions to be answered by the evaluation, the development of the evaluation framework and the review and interpretation of results.

SIGNIFICANCE

The evaluation could result in modifications and improvements to the program based on the findings. The report is timely for the program amendment process as it should assist with updates to the program language and structure of the CBWTP.

w:\lp\packet materials\2007\december\cbwtp tech advisory mem.doc

Report to the Northwest Power and Conservation Council on the External Evaluation of the Columbia Basin Water Transactions Program

November 27, 2007

Evaluation Committee

Gail Achterman	Oregon State University Director, Institute for Natural Resources
Susan Hanna	Oregon State University Independent Science Advisory Board Independent Economic Analysis Board
Noelwah Netusil	Reed College Chair, Independent Economic Analysis Board

1. Introduction.

The Columbia Basin Water Transactions Program (CBWTP) is a partnership between Bonneville Power Administration (BPA) and National Fish and Wildlife Foundation (NFWF). The program's purpose is to support non-governmental organizations and state agencies in acquiring water rights for the purpose of enhancing instream flow to benefit threatened and endangered anadromous and resident fish. The CBWTP was created in response to Action 151 of the 2000 Biological Opinion for the Federal Columbia River Power System (USFWS 2000) and the Council's 2000 Fish and Wildlife Program (NPCC 2000). Action 151 of the 2000 Biological Opinion states:

“BPA shall, in coordination with NMFS, experiment with innovative ways to increase tributary flows by, for example, establishing a water brokerage. BPA will begin these experiments as soon as possible and submit a report evaluating their efficacy at the end of 5 years.”

The 2000 Biological Opinion expressly directed that, “An objective third-party evaluator will review the program after 5 years, and a decision will be made whether to continue it.” In response to this directive, NFWF and BPA decided to formally evaluate the first three years of CBWTP operations.

The Final Evaluation Report, *Independent External Evaluation of the Columbia Basin Water Transactions Program (2003-2007)*, was completed October 7, 2007 by the firm of Hardner & Gullison Associates LLC (HGA). The Report evaluates the performance of the CBWTP program in achieving the stated program objectives.

An Evaluation Committee was formed by NFWF, in consultation with BPA and Northwest Power and Conservation Council (NPCC), to oversee the evaluation process and to provide technical guidance as needed by the evaluators regarding western water law and policy and the NPCC Fish and Wildlife Program (FWP). The Evaluation Committee advised on the questions to be answered by the evaluation, the development of the evaluation framework and the review and interpretation of results. This report supplements that work by providing comments on the evaluator's recommendations as well as observations on the relevance of the Hardner & Gullison Report to the evaluation of other FWP-funded projects and programs.

2. General Observations

2.1 Administrative Structure

The Hardner & Gullison evaluation report concludes that the CBWTP has been successful in developing a market for instream water rights. It also notes that the Qualified Local Entities (QLEs) have been innovative in their approach to implementing water rights transactions.

As a partnership between BPA and NFWF, the CBWTP is the single administrator for water transactions in the Basin. The administrative structure of a single coordinator of funds dedicated to water transactions contrasts with the usual FWP funding procedure of competitive proposal submissions for individual projects. While there are obvious benefits to competitive funding, we find that in the case of water transactions there are greater advantages to the single administrator approach. These advantages derive from the unique challenges of water rights transactions relating to capacity building, relationship building, and transactions costs.

Developing capacity in water transactions: water transactions are a new endeavor requiring the development of management capacity. This capacity is built through experimentation with tools and approaches for development and implementation. The evaluation found that the CBWTP promotes information sharing among QLEs about best practices for tools and approaches through biannual meetings. As a result, it has developed a collaborative and constructive network of water transactions expertise. The evaluation also found that CBWTP staff members play an important role in building capacity in QLEs through a series of training courses.

Developing long-term relationships: in many parts of the Basin the concept of transferring water rights from consumptive to instream use is controversial and at variance with the culture and economics of the water-dependent West. QLEs have found that the acceptability of the CBWTP depends in large part on familiarity and trust which develop over time through relationships among QLE staff and water rights holders. Through the implementation of transactions the CBWTP also promotes working relationships among state agencies concerned with water, land use, and fish.

Reducing transactions costs: the evaluation report found that the costs of developing, coordinating, and implementing water transactions are high. Because it is a relatively new program, often working in a context of legal complexity and resistance, and requiring investment in time, information, and coordination, many factors contribute to the costs of developing transactions. As a single coordinating entity, the CBWTP offers the potential to reduce transactions costs over time through the development of capacity, the ability to craft flexible arrangements, and the achievement of economies of scale in administration.

2.2 Third-Party Evaluation.

Passage of the Government Performance and Results Act (GPRA) in 1993 brought new focus to the need for all agencies to develop plans for what they intend to accomplish, measure how well they are doing, make appropriate decisions based on the information they have gathered, and communicate information about their performance to Congress and to the public. Effective outcomes-based evaluation is a vital foundation for results-based management and government accountability. Governments, international organizations like the World Bank and the Organization for Economic Co-Operation and Development, and major foundations all now require program and project evaluations. Unfortunately, development and application of evaluation methods for environmental and natural resource projects and programs have lagged behind those used in education, public health, and public safety.

NFWF recognized the need to demonstrate the effectiveness and efficiency of the projects and programs in which they invest, particularly in terms of environmental outcomes. It has worked closely with the U.S. Environmental Protection Agency to lead efforts to promote environmental evaluation, building on the best evaluation practices developed in other fields. *See, for example*, National Fish and Wildlife Foundation's Evaluators Network (n.d.).

The evaluation challenges NFWF and EPA have identified have also been recognized in the Pacific Northwest by monitoring and evaluation efforts associated with watershed restoration. These are reflected in the work of the Collaborative Systemwide Monitoring and Evaluation Project (CSMEP), the Pacific Northwest Aquatic Monitoring Partnership (PNAMP), the Washington Forum on Monitoring Salmon Recovery and Watershed Health and the recent report and workshops of Oregon's Independent Multidisciplinary Science Team on Effectiveness Evaluation. All of these efforts struggle with the difference between monitoring and evaluation and the difficulties of doing program level evaluation.

Definitions are helpful. Monitoring (OECD 2002) can be defined as: "A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds." Evaluation is "the process of determining the worth or significance of a development activity, policy or program ... to determine the relevance of objectives, the efficacy of design and implementation, the efficiency or resource use,

and the sustainability of results. An evaluation should (enable) the incorporation of lessons learned into the decision-making process of both partner and donor.”

Regionally, we have tended to focus on monitoring while neglecting rigorous program evaluation. As the World Bank (2006) has concluded, “Monitoring and evaluation are synergistic. Monitoring information is a necessary but not sufficient input to the conduct of rigorous evaluations. While monitoring information can be collected and used for ongoing management purposes, reliance on such information on its own can introduce distortions because it typically covers only certain dimensions of a project’s or program’s activities, and careful use of this information is needed to avoid unintended behavioral incentives. In contrast, evaluation has the potential to provide a more balanced interpretation of performance. But evaluation is a more detailed and time-consuming activity, and because of its greater cost it needs to be conducted more sparingly.”

3. Review of Evaluator’s Recommendations

The final section of Hardner & Gullison’s (HGA) Final Evaluation Report, *Independent External Evaluation of the Columbia Basin Water Transactions Program (2003-2007)* lists six recommendations. While all of the recommendations are worth pursuing, we do not believe that the CBWTP is the appropriate organization to implement some of the recommended actions. Specifically, we do not agree that the CBWTP should be responsible for defining biological flow targets, integrating efforts with other relevant agencies, or developing guidelines for habitat monitoring although the CBWTP should be integrated into efforts to achieve these goals.

The Council (2000, 65), through the subbasin planning process, pursues “opportunities to integrate program strategies with other federal, state, tribal, Canadian, and volunteer fish and wildlife restoration projects.” We recommend that language be integrated into the Fish and Wildlife Program during the amendment process to institutionalize and sharpen the Council’s focus on integrating efforts of relevant agencies.

HGA’s Recommendation 1: Consider additional performance metrics

Agree. We agree with the evaluator’s suggestion to develop additional metrics to evaluate program performance.

HGA’s Recommendation 2: Integrate efforts to resolve all ecological limiting factors

Agree, but CBWTP should not take the lead. There is a need to integrate efforts to resolve all ecological limiting factors in the Basin, but we believe this effort should originate from the Council’s Fish and Wildlife Program and not from the CBWTP. Program language should be strengthened during the upcoming amendment process to emphasize and provide more support for integration between all relevant agencies.

HGA's Recommendation 3: Develop guidelines or standards for habitat monitoring

Agree, but CBWTP should not take the lead. We agree with the need to develop guidelines or standards for habitat monitoring, but we do not agree that the CBWTP should take the lead on this issue. Expertise on monitoring and evaluation already exists in the Basin, and efforts are ongoing to develop protocols and standards for habitat monitoring.

HGA's Recommendation 4: Maintain support for the full array of temporary and permanent transaction tools

Agree. The evaluators conclude that all kinds of transactions should be supported and describe a bias against temporary transactions. We agree that the full range of transactions types should be supported by the CBWTP for the greater operational flexibility they provide. The need for flexibility is further enhanced by the uncertain impacts of climate change and human population growth.

HGA's Recommendation 5: Accept transaction costs as a necessary part of instream deals

Agree. Transactions costs are an essential part of water transactions, and we agree that they are a necessary part of instream deals. CBWTP has already reduced project development and implementation costs, and there is pressure for further cost reductions. We are concerned that this will jeopardize the ability of the QLEs to successfully complete deals and urge BPA and the Council to support project development and implementation costs as an essential component of water transactions.

HGA's Recommendation 6: Continue to develop integrated land-water transactions

Agree. Seven integrated land-water deals have been conducted with CBWTP funding, and future transactions are anticipated. Recent reports by the IEAB and ISAB emphasize the need for greater flexibility for land transactions due to increases in land values (IEAB 2007-5), the impacts of climate change (ISAB 2007-2), and projected increases in population (ISAB 2007-3). We recommend that the Council consider expanding the CBWTP's riparian easement program to support land transactions and integrated land-water transactions – an objective that is consistent with the Council's Program (2000).

There has been little past consideration of the value and use of water rights appurtenant to lands acquired under the FWP. BPA recently developed a water survey form that is now part of the land acquisition process for BPA-funded purchases. This form should help identify the water rights and determine if they will be put instream as part of the land management strategy. Water rights should be carefully evaluated for their utility in achieving both land management objectives and streamflow restoration objectives. The evaluation will require regular consultation between those involved in land acquisitions and the CBWTP.

4. Evaluation Committee Recommendations.

The Evaluation Committee believes that the Hardner & Gullison CBWTP Evaluation Report illustrates the importance and utility of program evaluations. The FWP has benefited from scientific reviews by the ISRP, ISAB and IEAB. However, the ISAB and IEAB generally review broad scientific questions and issues, rather than perform in-depth analyses of program effectiveness. ISRP reviews are often time-limited and focus on specific biological/physical results and scientific methods, but some programs would benefit from a broader evaluation that examines the interaction of operational, financial, social, and scientific program elements. We recommend that the CBWTP evaluation report be used to set a baseline and a methodology for future review of the CBWTP itself. We also recommend that the evaluation approach employed here be used to evaluate other portions of the FWP.

References

- Independent Economic Analysis Board. 2007-5. Continuing Investigation of Alternative Strategies for Habitat Acquisition (October).
- Independent Scientific Advisory Board. 2007-2. Climate Change Impacts on Columbia River Basin Fish and Wildlife.
- Independent Scientific Advisory Board. 2007-3. Human Population Impacts on Columbia River Basin Fish and Wildlife.
- Northwest Power Conservation Council. 2000. Columbia River Basin Fish and Wildlife Program (November 14).
- National Fish and Wildlife Foundation Evaluators Network .n.d. Environmental Evaluators Networking Forum. Online:
http://www.nfwf.org/AM/Template.cfm?Section=Enviromental_Evaluators_Network&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=33&ContentID=7014
- Organization for Economic Co-Operation and Development: Development Co-Operation Directorate (DCD-DAC). 2002. Glossary of Key Terms in Evaluation. Online:
http://www.oecd.org/findDocument/0,2350,en_2649_34435_1_119678_1_1_1,00.html
- The World Bank Group. 2006. What is Monitoring and Evaluation (M&E)? Online:
http://www.worldbank.org/ieg/ecd/what_is_me.html
- U.S. Fish and Wildlife Service. 2000. Biological Opinion. Effects to listed species from Operations of the Federal Columbia River Power System. U.S. Fish and Wildlife Service, Region 1 (Portland, Oregon) and Region 6 (Denver, Colorado).