

Water & sanitation services
Making partnerships successful
Lessons from PPPs

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Improving the Performance of Water Utilities
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Agenda

- **AquaFed, a voice for the industry**

Private sector dynamism: growth & diversity

More realism in the international community

Successful achievements of PSP

Lessons: the partnership spirit

Lessons: constraints that all operators face

Conclusion: the main lessons

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All sizes

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THE INTERNATIONAL FEDERATION
OF PRIVATE WATER OPERATORS

All countries

All business models

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PSP steady growth

Private Sector Participation: many satisfactory results
Efficiencies, improved levels of service, contribution to MDGs

Huge privately-funded investments

Chile, UK, China, Morocco, USA, BOTs in many countries

More and more active PPPs

+ **7%** over 12 months (*GWI, November 2006*)

More and more formal operators with private interests

(*World Bank, Lloyd-Owen, Winpenny*) (+ **12%** in last *Masons Yearbook*)

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All PSP categories are active

"The diversity in public-private partnerships cautions against lumping all private sector involvement under the general heading of "privatization". (UNDP HDR2006)

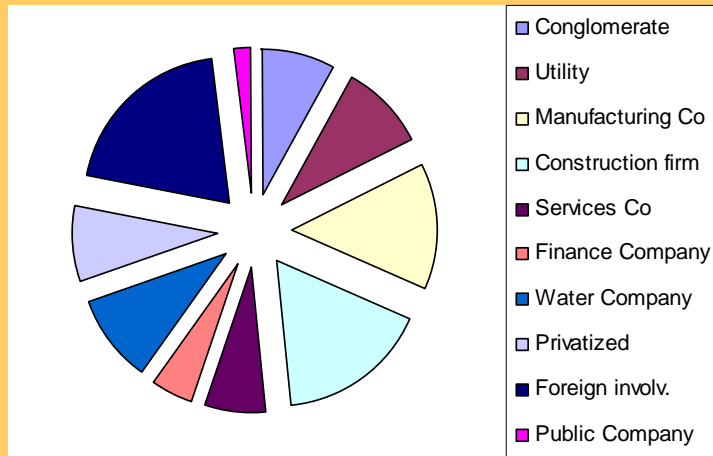
Full divestiture (privatization)	???
New equity joint-ventures	China, Italy, Brazil
New concessions	Malaysia, China, Spain, Portugal, France
Numerous new BOTs	China, Mexico, Emirates, India
New leases, affermage, O&M	Algeria, Senegal, Slovakia
New management contracts	Ghana, Oman, Armenia, Russia
New service contracts	Mauritania, etc

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Diversity of new private entrants

Origins of recent market entrants' operators or sponsors



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Source: Winpenny, OECD 2006

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Private Sector Participation

- There are many private water operators
World Bank identified 10,000 in 49 countries
- **Informal private operators** are necessary since **46%** of world population (3 billion people) have no household connection to drinking water (*UNICEF-WHO Joint Monitoring Program, August 2006*)

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Global trends:

Types of partnerships

- Many **BOTs** for new infrastructure components, mostly drinking water & waste water treatment plants
- **All types** are active, however in different countries

Brazil
Argentina
Chile

Operation & Development of services

- More numerous **local** operators & investors
- **New international** actors (*from India, Philippines, Spain, Malaysia, Japan, Australia, Saudi Arabia, etc*)

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More realism

- "access to water" policies differs from "water resources" policies.
More water in the pipes does not result in more water to the unserved.
- More realistic assessment of the efficiency of subsidies and cross-subsidies (*World bank, UNDP, etc*)
- Shift from full-cost to sustainable cost-recovery
- Operators are not bankers
- Public-private polemics are detrimental for the poor (*UNDP HDR2006*)

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More realism

● *"From the perspective of poor households, the debate over the relative merits of public and private sector performance has been a distraction from a more fundamental concern: the inadequate performance of both public and private water providers in overcoming the global water deficit."* (*UNDP HDR 2006*)

- Public-private polemics are detrimental for the poor (*UNDP HDR2006*)

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Successful achievements of PSP

PPP contracts have provided access to water for millions of people including in Latin America.

Privatisation in Chile has allowed for massive improvement of waste water management

Some like to ignore these achievements and to talk about so-called "failures", they distort the reality and hide the benefits.

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Successful achievements of PPPs - 1

Example: utility management

- some public utilities are now performing satisfactorily following successful management contracts

*Ex: Johannesburg Water (South Africa),
NWSC (Uganda), Amman (Jordan)*

Example: access to water

- with the support of public authorities, many private operators have already secured the achievement of the drinking water MDG in their operational area.

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Contributions from Private Water Operators to access to drinking water

Examples:

- Argentina - Aguas Argentinas - Buenos Aires :
The private water operator provided access to water to **2.1 million people**.
- Philippines – Manila Water and Maynilad – East and West parts of Manila : **3.4 million people** have gained access to water.
- Gabon : **200,000 people** connected to water.
- Indonesia – Palyja – West Jakarta : over **1 million** people gained access to water.
- Senegal: over **1.6 million** people have been connected to drinking water networks

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Successful achievements of PPPs - 2

Prematurely-terminated PPP contracts in developing countries

- Either, they did not really start because of flaws in the project (such as inaccurate data, excessive rates): *Cochabamba*
- Or, for many years they have **delivered results successfully** and these benefited to the population, the government and the company as acknowledged by the regulating authority when:
 - an external event created an unexpected situation that put the government in a situation where it found difficult to comply with its own contractual duties: *Buenos Aires*
 - a political change induced modifications of the public policy or the public partner did not fully implement its own part of the project: *Mali, Uruguay, Tanzania*

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Successful achievements of PPPs - 3

Prematurely-terminated PPP contracts in developing countries

- **Special case:**
In *La Paz* and *El Alto* (Bolivia), the private operator made such a good job in connecting people in poor areas that unserved people not targeted by the government's project demonstrated in the streets to get the same service. The ensuing political conflicts resulted in the operator being used as a scapegoat by all parties. An agreement was found between the private operator and the national government.

**Private sector: the
convenient scapegoat**



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Summary

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The partnership spirit

- PPPs require a partnership spirit,
the will to succeed jointly
- Both partners have a role to play
- Operators are instruments to implement public policies. They do not relieve policy-makers of their core political responsibilities: *policies, targets, tariffs, subsidies, enabling frameworks*

The partnership spirit is also
a key success factor for
Water Operators Partnerships

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Identifying the real constraints

Most sector constraints,
that have been identified recently
thanks to PPP contracts,
have to be overcome by all operators,
either **public or private**

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Sector constraints that are faced by both public & private operators

- Need for political will, need for **political support** to operator, **public or private**
- Currency risk, availability of **local currency** are key issues for **public & private operators**
- Apart from budget subsidies, finance only comes if economics are sound:
 - water is ultimately paid by users and taxpayers
 - need of Sustainable Cost-Recovery
(affordability + long-term visibility of funding, public or private)
- Decentralisation does not relieve country governments of **organising enabling frameworks** for local governments and utilities, **public or private**
- Involvement of the population is a key success factor

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Message to responsible authorities

When your water policy (targets, tariffs & subsidies) is decided, aim at making it **sustainably successful**:

- Allocate realistic targets and relevant means to your operator (*public or private*)
- Keep **PSP as an option** and decide on a case-by-case basis¹
- Continuously support your operator (*public or private*)
- Implement your own part of the "deal" (*essential for a PPP*)
(*also for public operators*)

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¹ "Local authorities must be able to freely choose among various management models." Local governments, Mexico WWF2006

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