

# Private Sector Participation in solid waste management - discussion on actors and roles

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for

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## Background - the Swiss initiative and its goals

### **A special public-private-partnership**

The Swiss Government, represented by

Swiss Agency for Development & Cooperation (**SDC**)

Swiss State Secretariat for Economic Affairs (**seco**)

together with the

reinsurance company **Swiss Re**

initiated in 2002 an open process aimed at developing  
the **rules of the game** for **Private Sector  
Participation (PSP)** in **Sustainable Water Supply  
and Sanitation Services**

## Background - ecos consulting the partnership

- Project management and logistics for **SDC-part**
- Selection and Invitations of **Stakeholders**
- Facilitation of the **dialogue process**
- **Collection of input** and **editing** of documents
- **Presentations** in events
- Strategies for the further development

--> Not water supply and sanitation specialists, core competence in facilitating participatory processes in Multi-Stakeholder contexts

## Background - Why development with PSP

- Public-Private Partnership approaches were suggested in **Johannesburg 2002** for improving overall performance and contributing to meet the Millennium Development Goals (MDGs)
- Meeting the **MDGs** (Water and Sanitation: halve the number of people without access by 2015) will need to consider **all available options**
- PSP should **not be a conditionality** but might be a meaningful option to improve performance of the water sector. Based on this, PSP might **attract investments - from small to large scale**

## The process - discussion opportunities

### Oct. 2003, Zurich: Multi-Stakeholder Interviews & Workshop

(Suez, Severn Trent, NGOs [ContrattoAqua, Swisscoalition, WWF], PSI, UNEP, Public Sector, ...)

### Dec. 2003, Geneva: WASH partnership meeting Workshop

(Sanitation & Hygiene Experts)

### Jan. 2004, Davos: WEF Workshop

(RWE Thames Water, Umgeni, Inter-American Development Bank, Charity Bank, WWF, IUCN, UNEP, ..)

### Feb. 2004, Washington: WB Water Week Experts Workshop

(WB Private sector and Water & Sanitation Experts)

### April 2004, New York: CSD-12 Side Event

(Environmental Ministers, political level, NGOs, Private Sector)

### May 2004, Paris: BPD Discussion Day

(Donors, Financing Institutions, Private Sector, NGOs)

### Aug. 2004: Stockholm Water Week 2004

(Academic Experts and Practitioners)

### Nov. 2004, Bangkok: Third IUCN World Conservation Congress

(Environmental NGOs, Asian Governments)

### Dec. 2004, Dakar: Global WASH Forum

(West African Water and Sanitation Experts, local Financing Institutions)

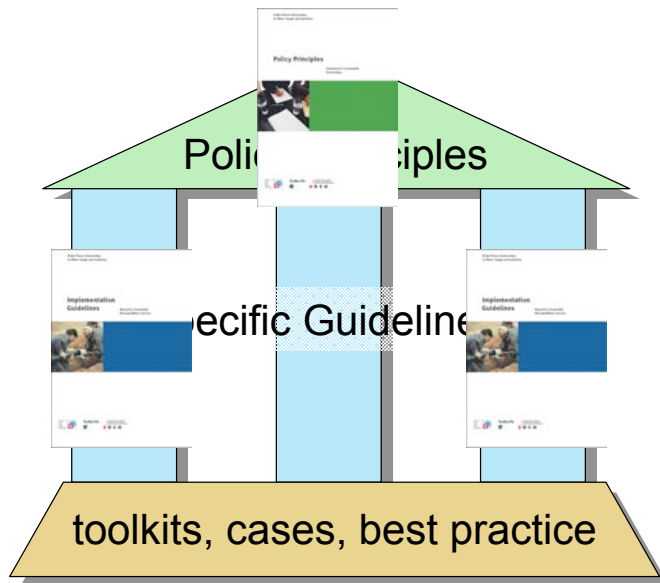
## The process - Regional Discussions

September – December 2004: 7 local workshops

Goal: Challenge the Policy Principles (PP) and/or Guidelines (GL) in PSP cases for reality check and applicability.

Country	Town	Private Company	Subject
Mozambique	Maputo	General (ex. SAUR)	PP
Bolivia	LaPaz/EIAlto	Suez	GL/PP
Peru	Small Towns	General	PP
Bulgaria	Sofia	United Utilities	PP/GL
Marocco	Tanger/Tétouane	Veolia	GL
South Africa	Nelspruit	Biwater	GL
Senegal	Dakar	Bouygues/Saur	GL/PP

## The products - Overview



### Policy Level

**WHAT** should be done?

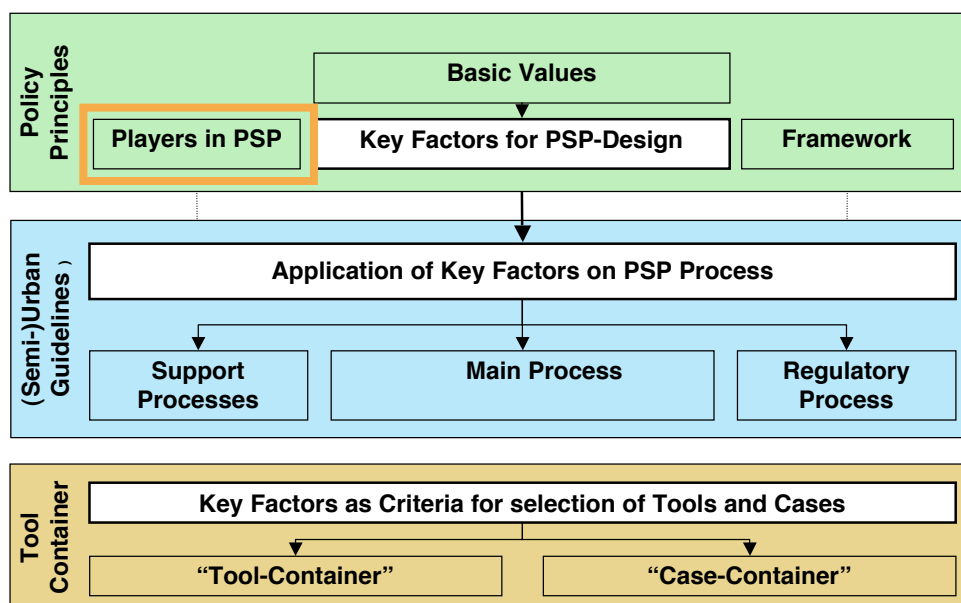
### Implementation Strategies

**HOW** can it be done?

### Tools

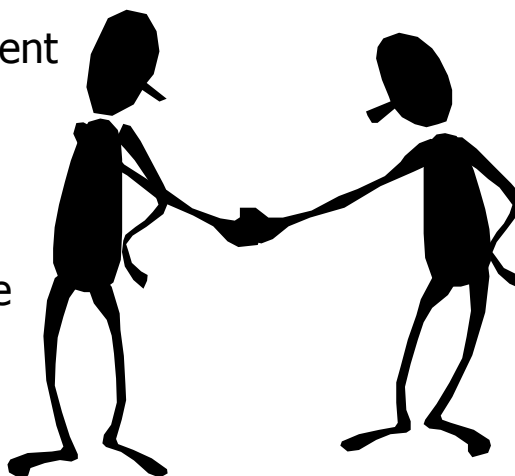
What **KNOWHOW** is available?

## The products - Key factors as central element



## Policy Principles - the core: BASIC VALUES

- A51 Human Rights
- A52 Good Governance
- A53 Sustainable Development
- A54 Fair and Equitable Partnership
- A55 Sustainable service for safe and affordable water and sanitation



## Policy Principles - the core: KEY FACTORS

### Main Issues

**Water as basic human need**  
**(Waste management as a public duty)**

**Water scarcity (Ecology)**

**PSP specific setting**

**General governance elements**

**Efficiency & effectiveness**

### Key Factors

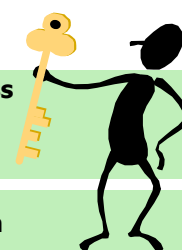
**Poverty responsiveness**  
**Socially responsible financing**

**Resource conservation**

**Power-balanced partnership**

**Accountability**  
**Transparency**  
**Shared incentives**

**Customer orientation**  
**Results orientation**  
**Proactive risk management**



## Policy Principles - FRAMEWORK & ROLES

### FRAMEWORK DEVELOPMENT FOR PSP

- A71 Political and legal framework
- A72 Local ownership and leadership
- A73 Effective Regulatory Mechanisms
- A74 Adequate Framework for Investments
- A75 Coordination with Poverty Reduction Policy



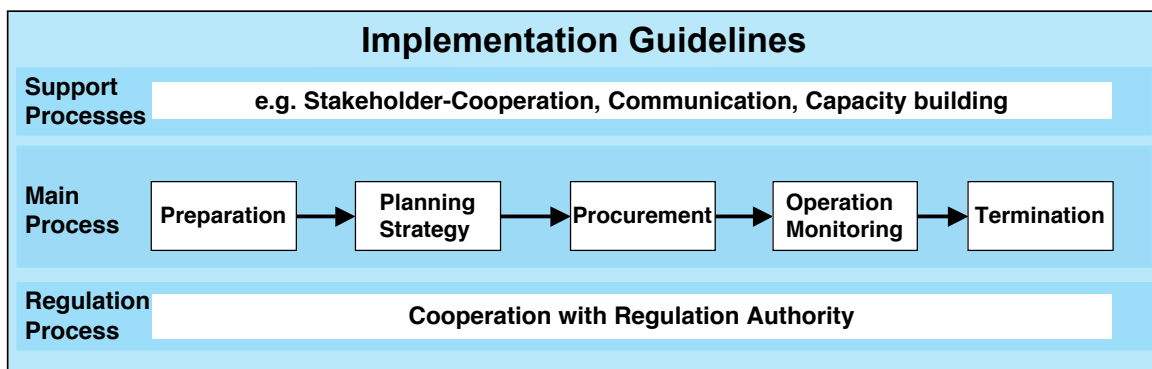
### ROLES AND RESPONSIBILITIES

- A81 Importance of role definition and institutional separation
- A82 Roles, Rights, Responsibilities and Incentives of typical actors
- A83 Additional Roles for the partnership

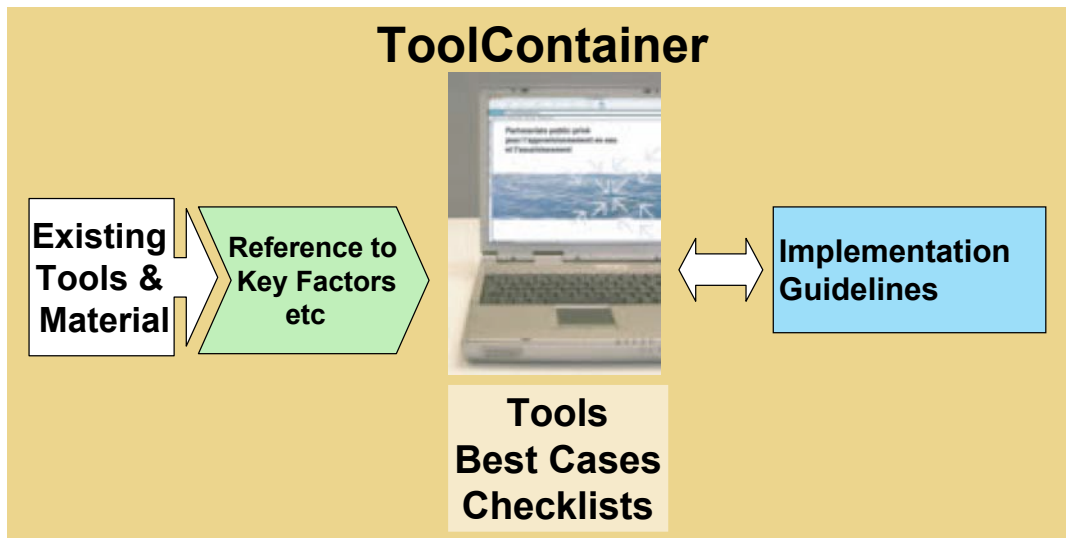
## Implementation guidelines - apply on process

### Policy Principles > Key Factors

Apply Key Factors  
on PSP process



## ToolContainer - Reservoir of knowledge



## Roles - Importance of role definition

The roles in complex partnerships need to be clearly **defined** and institutionally **separated**.

In general terms, the **key roles and actors** are:

- The **NATIONAL GOVERNMENT** sets the policy and legal framework for PSP, and represents the interests of all citizens.
- The **LOCAL GOVERNMENT** (regional, municipal as appropriate) is responsible to ensure that services are delivered, and acts as the employer of a private service provider.
- The **REGULATOR(S)** monitor performance of all parties, provide information on the execution of the contract and act to balance the interests of the employer, the service provider and the consumer.
- The **SERVICE PROVIDER(S)** is/are responsible to execute the agreements in the contract and deliver services.
- The **CONSUMER** becomes a legitimate customer of the service provider and is responsible to pay the bills based on an agreed tariff.

## Roles - main actors

- National Governments
- Local / Regional Governments
- Consumers / Users
- Regulatory Authorities
- Commercial Service Providers
- Small and/or Informal Service Providers
- Trade Unions
- NGOs, community groups
- International cooperation agencies
- Commercial Investors



### Additional Suggested Roles

- Arbitration Authority
- Dispute Commission
- National Platform for Policy Coordination
- Poverty Advisory Group (PAG)

## Other Roles in a PSP

### Arbitration Authority

- Authority “of last resort” in disputes relating to the PSP contract
- Is consulted during contract negotiations for elaboration of renegotiation criteria and sanctions in cooperation with contract partners

### Dispute Commission

- Commission with representatives from all PSP partners and potentially donors and financing institutions for conflict resolution
- finds solutions to disputes, decides on filing disputes for arbitration
- holds regular meetings to anticipate potential conflicts among PSP partners

### National Platform for Policy Coordination

- sector planning and monitoring the performance of all water operators
- develops sector reform with all stakeholders (esp. local governments)
- includes community-based initiatives and independent service providers

### Poverty Advisory Group (PAG)

- represents the most vulnerable groups in Stakeholder Dialogues

## Roles - National Governments

- Roles**
- Representatives of **public interests** (e.g. PRSP implementation)
  - Setting and enforcing the institutional framework (e.g. laws, standards)
  - Macro economic management and risk limitation
  - **Owners, planners and managers of water resources**
  - Mobilizing foreign and local investments
  - Principals for international loans
- Rights**
- To be internationally respected as a sovereign entity
  - To **allocate public financial resources** for water supply and sanitation
- Responsibilities**
- To translate the human right to water into the local context, create the enabling environment for it to be met and therefore ensure sufficient and safe water supply and sanitation services to the population.
  - To **improve framework conditions to attract capital investments** and to develop local credit markets
  - To formulate and coordinate **overall water policy and strategies**, water resource management and sector development goals and priorities.
  - To **ensure effective regulation of public and private sector** activities without interfering with corporate processes and business development
  - To pay for water uses by governmental entities (hospitals, schools, etc.)
- Incentives**
- Assuming relevant responsibilities allows national governments to fulfill their duty of ensuring equitable access to water and sanitation services
  - Economic growth within the country as a consequence of increased access to basic water and sanitation services
  - **Better living conditions** ensure the support from voters

## Roles - Local / Regional Governments

- Roles**
- **Process owner** and principal contract party in PSP contracts
  - **Facilitator of local dialogues** (demand, affordability studies etc.)
- Rights**
- To **decide within sufficient autonomy** from national governments on realization of water and sanitation projects
  - To have their interests represented through a higher level entity in case of missing capacity (e.g. early in an ongoing decentralization process)
- Responsibilities**
- To **provide the local population with secure drinking water** in sufficient quality and quantity, in accordance with national government policies.
  - To honor the PSP contract and **hold other contracting parties accountable** for their actions
  - To formulate the **local tariff policy by translating the national tariff policy** to the local situation
  - Ensure socially acceptable mechanisms for **enforcing payments**
- Incentives**
- **Autonomy over an agreed part of water related revenues**
  - Direct access to sub-sovereign loans or ODA
  - Direct action for poverty alleviation at the local level

## Roles - Consumers / Users

- Roles**
- Users of water (domestic, industrial, agricultural use)
  - Producers of wastewater
- Rights**
- **Right to clean and safe drinking water** and working basic sanitation
  - To **participate** in the demand assessment and tariff setting processes
- Responsibilities**
- **Obligation to pay** for services received
  - Obligation to respect service agreements
- Incentives**
- **Improved service standards** (quality and reliability)
  - Better living conditions

## Roles - Regulatory Authorities

- Roles**
- Work towards "**Fair price for right service**" for all
  - **Supervision of the contractually agreed results**
  - Protector and advocate of the **interests of the customers**
- Rights**
- To obtain accurate information on service performance from all parties within the jurisdiction of their regulations
  - To make qualified judgments within their competence on the compliance with agreed service levels as specified in the contract
- Responsibilities**
- To **balance the interests** of the contracting parties and consumers in decisions relating to the contract
  - To register all water service providers and treat them equally
  - To **monitor compliance of the tariff system** with the tariff policy
  - To establish easily accessible **independent offices on consumer rights**
- Incentives**
- To contribute to better overall performance of the water sector

## Roles - Commercial Service Providers

- Roles**
- **Operator of water services** in accordance with the contract
  - Reservoir of capacity and management experience (Know-how provider)
  - Guarantor of **efficient and effective use of funds**, which should in turn attract capital
- Rights**
- To obtain **collaterals and returns for their own investments**
  - To **be paid for the work** he does
  - To have the contract respected
- Responsibilities**
- **Service delivery** along the requirements set out in the contract.
  - To be a credible and reliable, transparent partner respecting the contract
  - To do socially responsible and good business
  - Transparent management of accounts
  - **To treat all water users equitably**
  - To provide quick and easy ways to address (minor) operational problems and deliver adequate solutions (e.g. Customer Hotline)
  - Water quality management within his powers
  - To consider all approaches for service improvements
  - Not to cross-finance non water-related business activities
  - To assist partners in water resource management activities
- Incentives**
- **Profits** earned from the services
  - **Smooth operations, minimized risk and positive reputation**

## Roles - Small and/or Informal Service Providers

- Roles**
- **Providers of services** in non-connected, off-grid areas
  - Providers of **transitory solutions**
- Rights**
- **Access to capital** on the local credit markets
  - **Access to bulk water** at a reasonable cost
- Responsibilities**
- To comply with concrete **quality standards** set by the regulatory authority
  - To be a **reliable partner**
- Incentives**
- **Profits** earned from the services

## Roles - Trade Unions

- Roles**
- Negotiating partners defending the **rights and interests of workers**
- Rights**
- Partner for social dialogue with the contracting parties
  - To **participate as legitimate stakeholders** in the process of sector reform
  - To participate in shaping future modes of water service operation
- Responsibilities**
- To be legitimate representatives for their members (as workers)
  - To be accountable in their decisions and democratic in their structures
  - To expedite the implementation of negotiated agreements
- Incentives**
- A **satisfied and respected workforce**
  - **Satisfactory wages and working conditions**
  - Ability to participate in the provision of quality services to all citizens

## Roles - NGOs, community groups

- Roles**
- **Advocates of specific user and interest groups**, e.g. the poor
  - Build-up of **Water Committees / Water User Associations**
  - **Facilitators** between the user groups and the partners in a PSP
  - **Social mobilizers** for complementary activities, e.g. hygiene promot.
- Rights**
- To **observe** the implementation of the PSP arrangement
  - **Active participation** in PSP as stakeholder, as provided by this set of Policy Principles
  - To **get the information** on the PSP that is necessary for planning their own legitimate activities
- Responsibilities**
- To **help to solve conflicts** between stakeholders, facilitators, partners and contracting parties
  - To substantiate the legitimacy of their positions
  - To **adequately and accurately inform water users** and interested parties about the nature of the issues when raising concerns
  - Not to interfere with the contract and its implementation in illegal ways
- Incentives**
- Contribution to sector development and innovative solutions

## Roles: International cooperation agencies

- Roles**
- To provide **complementary funding** through ODA for certain activities
  - To **provide assistance as needed** to the Government for effective capacity building
- Rights**
- To **participate** in those aspects of discussions on the contract that concern poverty alleviation, capacity building and tariff/subsidies model.
- Responsibilities**
- To ensure that **financing through ODA does not distort** the market for services (i.e. through delivery of subsidies which are not consistent with the agreed tariff)
  - To **respect national policies** for the sector
- Incentives**
- Contribution to meeting the MDGs and improved international stability
  - To stabilize the PSP environment by cooperating in reducing non-commercial risks
  - To promote PSP in areas which are not viable for commercially operating larger firms.

## Roles - Commercial Investors

- Roles**
- To **supply capital** for investments
  - To develop **innovative financing** mechanisms
- Rights**
- To obtain a **risk-adjusted return** on investment
- Responsibilities**
- To **monitor financial performance** of investments
  - To **secure investments** by securing guarantees
  - To appoint **staff with sector experience** to manage the investments
- Incentives**
- As they cater to basic needs, water and sanitation services can be expected to **yield long-term returns.**