

Discussion on rules and roles for Private Sector Participation in Water Supply and Sanitation

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for
CIFAL Workshop Plock



Background - the 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 - PSP in water and sanitation

- The water sector world-wide is **under-performing and under-funded** and often does not meet basic demand
- Improved **access to water supply and sanitation services** for more people through **efficient, effective, equitable and environmentally sound projects** involving private and public partners as well as civil society
- Private Sector Participation (PSP) is **one development option** among others
- PSP includes the whole spectrum from **local to international private operators and finance institutions**



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 **MDG for 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

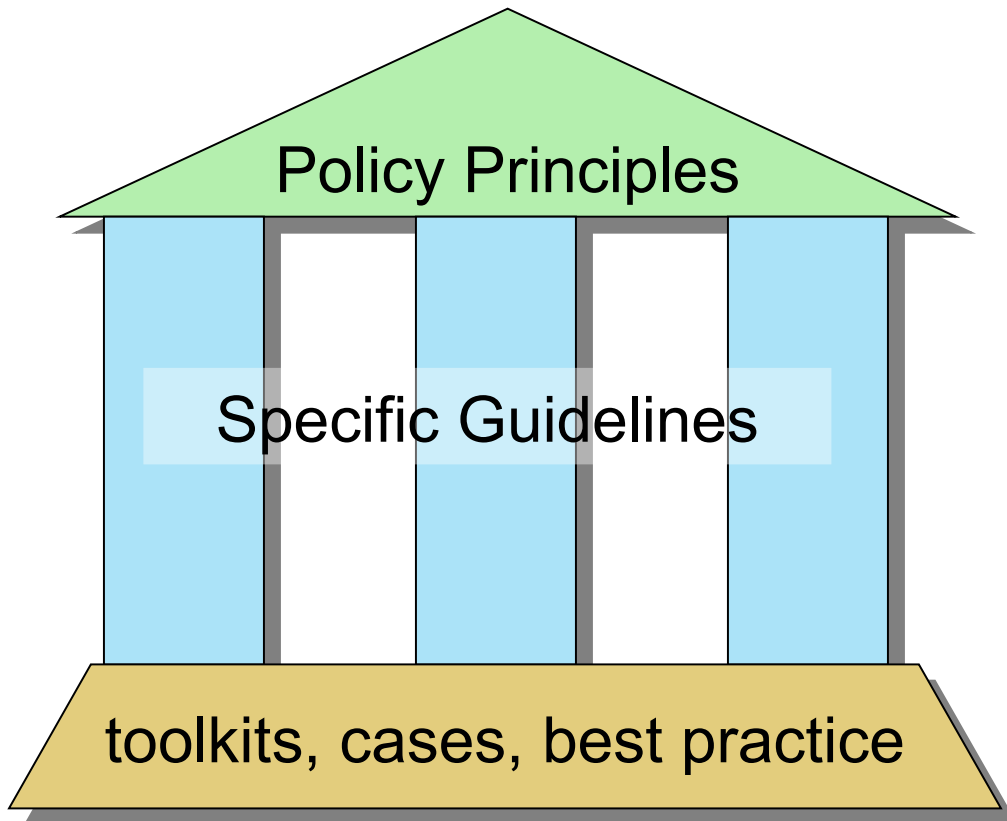
September – December 2004: 7 local workshops

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

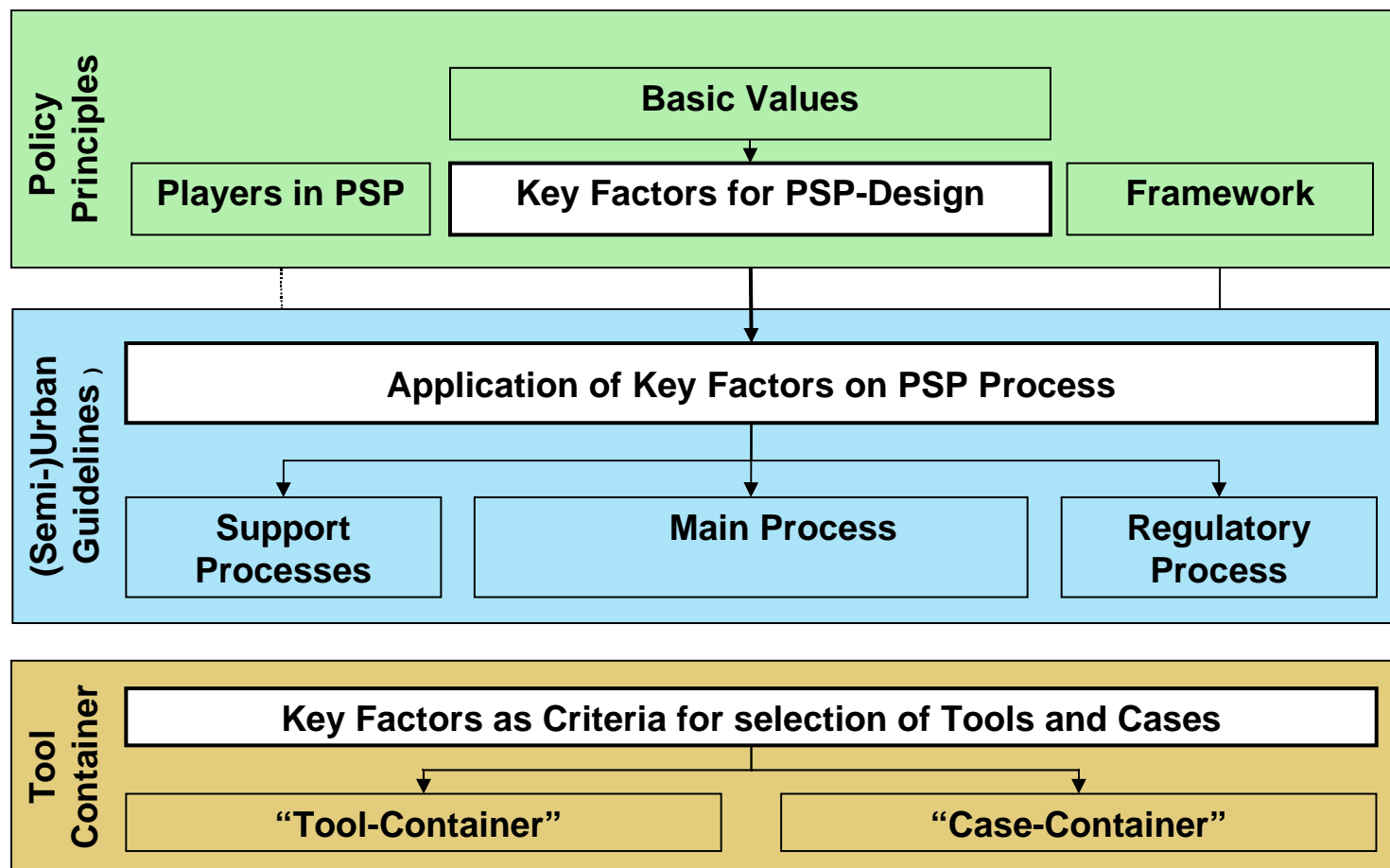
HOW can it be done?

Tools

What **KNOWHOW** is available?

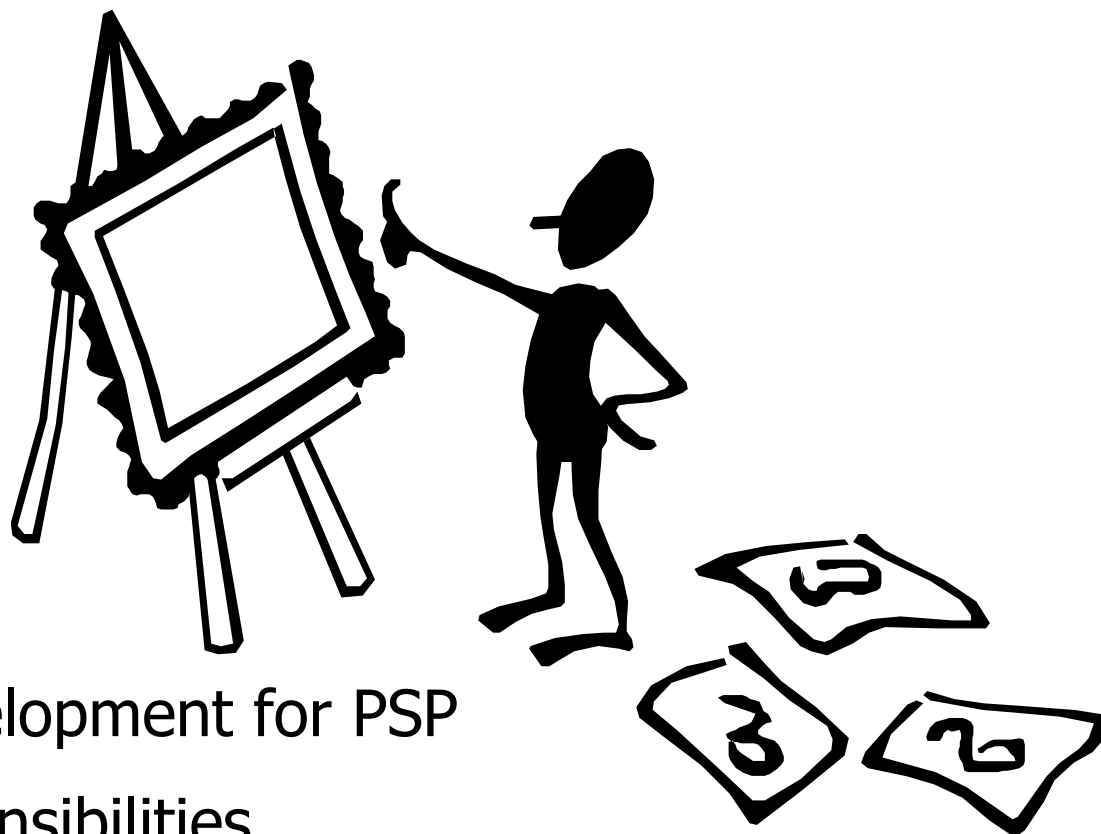


The products - Key factors as central element



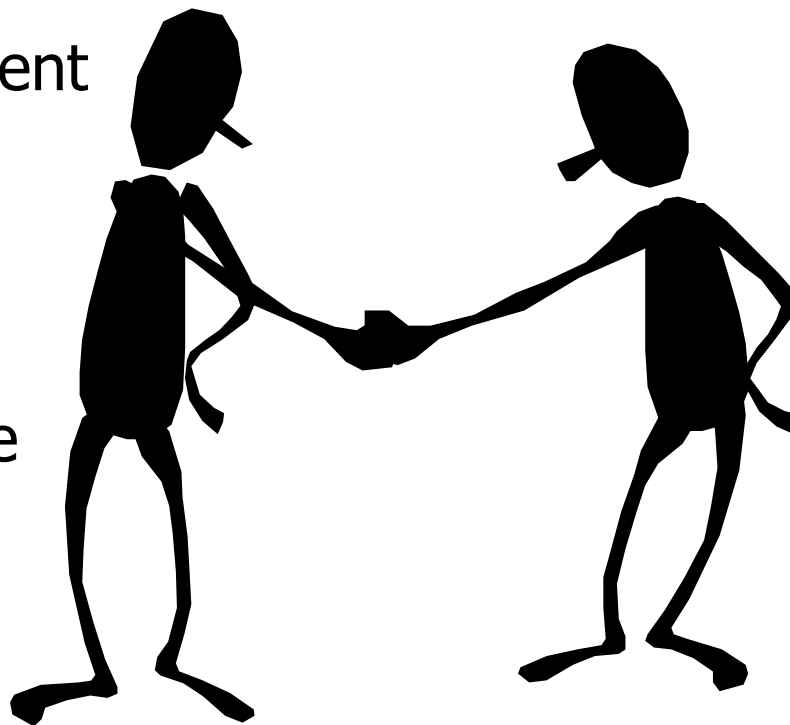
Policy Principles – structure and main headings

- 1 Commitment
- 2 Background
- 3 Scope
- 4 Objectives
- 5 Basic Values
- 6 Key Factors
- 7 Framework Development for PSP
- 8 Roles and Responsibilities



Policy Principles - the core: BASIC VLUES

- 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

Water scarcity

PSP specific setting

General governance elements

Efficiency & effectiveness

Key Factors

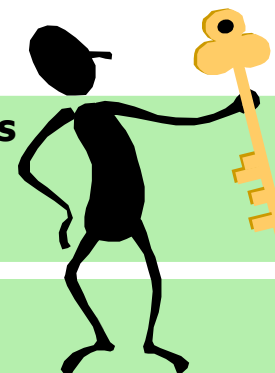
Poverty responsiveness
Socially responsible financing

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

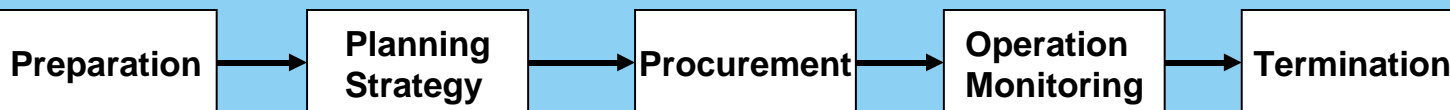
Apply Key Factors
on PSP process

Implementation Guidelines

Support
Processes

e.g. Stakeholder-Cooperation, Communication, Capacity building

Main
Process



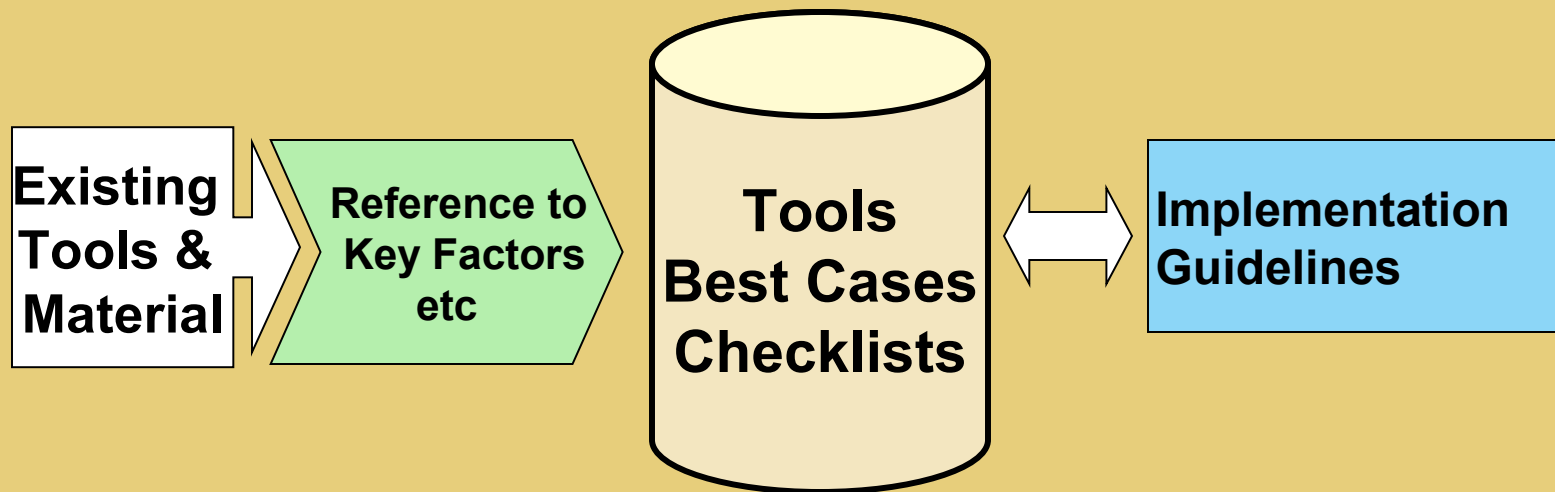
Regulation
Process

Cooperation with Regulation Authority



ToolContainer - Reservoir of knowledge

ToolContainer



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 - 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

Incentives

- [] Ensure socially acceptable mechanisms for enforcing payments
- [] 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 securities 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. poor consumers
- 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 education

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 about the PSP
- Not to interfere with the contract and its implementation in illegal ways
- Contribution to sector development and innovative solutions

Incentives



Roles: International cooperation agencies

Roles

- To provide complementary funding through ODA to finance the activities laid out in clause 663
- 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.



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

