Public-Private co-operation for Water Services delivery  5+1+4

Gerard Payen
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Models of public-private cooperation for water services delivery
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5+1+4

AquaFed
THE INTERNATIONAL FEDERATION OF PRIVATE WATER OPERATORS

Private Operators All sizes
All countries All business models

AquaFed's Mission
• To provide a channel between private water and wastewater service providers and key international stakeholders.
• To contribute to solving the world’s water problems by working with the international community and sharing the expertise of the private operators.
• To promote the option of private sector participation in water and wastewater management as a solution that public authorities can choose on a case by case basis.

AquaFed's Mission

PPPs
• AquaFed
• Operators and public authorities
• A wide range of options
• Delivering performance
• From partnering to sharing
• Continuous growth
• Conclusions

Public authorities and operators

Responsible public authority
Ownership Contract License
Operator(s)

The operator is an instrument that is used to implement a public policy

Gerard Payen
IWA-ERSAR workshop, Lisbon, 26 March 2013
## Continuum of Institutional Models

### 4 categories of operators

- **Municipal Public:** Part of City government, traditional charter, Assets publicly owned, Economic services regulation through political process.

- **Corporatized Public:** Separate agency with commercial charter, Assets publicly owned, Independent services/ economic regulator.

- **Public-Private Partnership contracts:** Private provider to public authority, Assets publicly owned, Regulation through contract.

- **Private ownership (Privatisation):** Private corporation with publicly traded share, Assets privately owned, Independent services/ economic regulator/ license.

### Public or private?

**Blurred concepts**

- Companies with public and private shareholders and publicly-controlled are considered as **public** by some and as **private** by others.
- PPP contracts can be operated by **publicly-controlled** companies.

### PPPs

- **AquaFed**
- Operators and public authorities
- A wide range of options
  - Delivering performance
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### Types of private participation to the delivery of public services

- Responsible public authority
- Private operator
- Public Operator
- Public-Private operator
- Private Sub-operator
- Investors

### PPPs: Diversity of Scopes of Work

- Asset financing?
- Asset management?
- Operation?
- Maintenance?
- Customer service?
- Management of public utility?

- Partial system?
- Whole system?

- Concessions
- Affermages
- BOTs
- O&Ms
- Management Contracts
- etc.
Public-Private co-operation for Water Services delivery

Authorities set up tariff structure

- Solidarity
- Taxpayers
- Users

Cost of water

Price of water

Various Paris

Cost of private operation

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PPPs

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Implementing a public policy

Inputs
- Ambition
- Policy targets
- Tariffs
- Subsidies
- Finance
- Competition
- Skills
- Know-how
- Managerial capacity
- Technology

Outputs
- Infrastructure development
- Service delivery
- Quality of service
- Operational efficiency

Partnership
- Responsible public authority
- Contract
- License
- Operator

Succeed together or fail together

Partnership spirit

Win-win-win or fail

Clear long-term goals

Joint willingness to deliver

Get the expected results

The essence of PPP contracts must not be ignored

- Each party has a role to play
- Both signatories are taking risks
- As long-term projects, they only succeed if
  - Expected targets are explicit
  - both parties succeed
  - Partnership is flexible enough to adapt to external change

Succeed together or fail together: win-win

Partnership spirit

Delivering performance

« in appropriate conditions public authorities and water-users are able to obtain very high service performance from private operators. »

AquaFed brochure, page 3

available on www.aquafed.org

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**When 2 distinct entities, some requirements are difficult to enforce through the legal provisions of a contract**

- Willingness to succeed together
- Risk allocation
- Policy change
- Regulation
- Flexibility
- etc

Sharing risks
Sharing benefits
through an integrated model

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**Sharing risk and benefits**

- Co-management
  - Joint steering committee
- Co-ownership
- Integrated staff
  - Australian Alliances
  - Dijon, France
  - Budapest
  - New York City
- Fees based on Performance

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**PPPs**

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**Growth of private operation**

Urban population served through private operators in developing countries
Water supply only, excl. BOTs
Source: World Bank 2008

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**The myth of the « remunicipalisation » trend**

Number of urban water and sewerage utilities operated by the private sector in low- and middle-income countries

Source: IFC - Handshake #4 - January 2012
Public-Private co-operation for Water Services delivery

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**PPPs**

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- **Conclusion**

**Avoid misunderstandings / propaganda**

A PPP contract is NOT

- a loss of public control
- a cause of price increase
- an additional cost through profits
- a limitation to human rights
- privatisation

Strong regulation is needed by both parties

A role of PPPs is to optimise cost

Many public utilities make profits and pay dividends

The UN Human Rights Council recognised the legitimacy of PPPs

Except if sale of shares of a public utility

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Out of 10 people on the planet:

6 are receiving some public water service

(piped water at a tap or standpipe, permanent or irregular, safe or unsafe)

5 from a public operator

1 from a service that is operated by a private operator (at least partially)

4 are not receiving any public water service

Half the world population does not enjoy its human right to safe drinking water

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**Take advantage of the wide range of options**

All options can be successful and deliver good results

Select management options on a case-by-case basis depending on needs, means, opportunities, local capacity and ambition of public policy

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Photo: Suez

Thank you