

Shaping the Project: Design, Contracts, Awards & Regulation

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The following observations are based on personal experience. They do not represent the official position of AquaFed or its members.

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THE INTERNATIONAL FEDERATION OF
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Defining the "Problem" to "Design" a Solution

- What is the real problem and who needs it solved?
- Which parties and what options for a solution?
- What might the outcome look like?
- What might go wrong, why and what can be done about it?
 - **Unrealistic expectations**
 - **Political change**
 - **Changing circumstances**
 - **Not all stakeholders have participated**
 - **Ideology and propaganda**
 - **Renegotiation**
 - **Early termination**

Be Clear who are the Parties

- The service users
 - Segments
 - Those who already have a service & those who do not
 - Who influences them?
- The service organisers
 - Governmental issues
 - Who influences them?
- The service providers
 - Operational issues
 - Who influences them?

Like riding one of these!



Support from
behind

Enjoying the
Ride but part
Of the team

Leadership
Vision
Direction
Control

Steering
& brakes

Everybody must pedal

If one falls all fall

version 1

Relationships, Relationships, Relationships,

- PPP arrangements live or die on human relations (between individuals and shared interest groups)
- Success and failure are strongly influenced by the relationship capabilities of key people on all sides
- Stable, predictable, shared vision
- The challenge of creating constructive relations through a tender and award process

Relationship environment

- Clear Roles, Responsibilities, Risks, Rewards and Recourse of all parties
- Allocation of risks and rewards
- Recognition of dynamics – time does not stand still
- Clear contracts are essential but beware too much detail
- Agreements are difficult to maintain and enforce
 - Collaboration is essential and disagreement destructive
 - Incentives to good behaviour
 - Disincentives to bad behaviour
- Contracts alone are not sufficient – hinder rather than help relationships
- ⁶ Dialogue

A serious dilemma

- The contract is vital, but insufficient to assure partners' relative positions
 - Operational flexibility and contractual protection are incompatible in over-detailed contracts
 - But it is essential to have both at the same time
 - Contractual texts must include provisions to adapt to the range of complex changes that face an infrastructure service
- A permanent process of discussion, contract review & adaptation is essential
- Contracts must include provisions for managing change in environment or targets

Expectations placed on Private Sector

Some of the things expected from private sector

- Large investments
- Money up-front
- Money off balance sheet
- Little profit
- Share in rewards & upside
- Technology and know-how of transfer
- Change management
- Incentivised and measured performance
- Multiplier effects
- Fighting corruption
- Revenue management
- Transfer of risk (taking the blame)

Regulation

- Regulation should support both parties in meeting and maintaining their objectives
- Sector wide not project specific
- Incentives more beneficial than penalties
- Regulation can not work in a policy vacuum
- Regulation needs to be stable and impartial
- A regulator is never totally independent of government

Conclusion

- Policy and project objectives must be clear
- Interested parties must be involved
- Take account of sector specifics
- Take care with the project architecture
- Equity in execution
- Maintain flexibility
- Importance of dialogue
- Spirit of partnership and will to succeed

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