

Water & sanitation services

**Trends at the global level:
a private perspective**

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AquaFed

Summary

- AquaFed, a voice for the industry

Private sector dynamism: growth & diversity

More realism in the international community

Successful achievements of PSP

New or cleaner spectacles

Still unrealistic beliefs

Conclusion

All sizes

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**THE INTERNATIONAL FEDERATION
OF PRIVATE WATER OPERATORS**

All countries

All business models

Private Water Operators' messages

The Right to Water

*"The implementation of the **Right to Water** is a challenge for which water operators, public and private, have significant experience. Their mission, as instruments of public water policies, is to **make the Right to Water a reality** for people."*

AquaFed March 19, 2006

Private Water Operators' messages

Local governments

"Local governments need that their country governments provide them with the appropriate institutional, legal and financial frameworks."

AquaFed March 16, 2006

Integrity & anti-corruption

"AquaFed is confident that by participating actively in the Water Integrity Network, it will be able to promote integrity and fight against corruption."

AquaFed August 28, 2006

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Private Sector Participation: a long history

XVIth-XIXth century: *water networks with private initiative*

Early XXth century: *water private operators in the South*

Early XXIth century: *huge needs that drive the markets in all countries:*

Water scarcity, climate change, IWRM

New pollutants

Access of people to drinking water

Access of people to basic sanitation

} MDGs

Pollution removal (waste water treatment)

Systems optimization & maintenance

Demands for increased efficiency

Poverty reduction

Urban development & increased complexity

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*)

Numerous informal private operators

They are necessary since **46%** of world population (3 billion people) have no household connection to drinking water (*UNICEF-WHO Joint Monitoring Program, August 2006*)

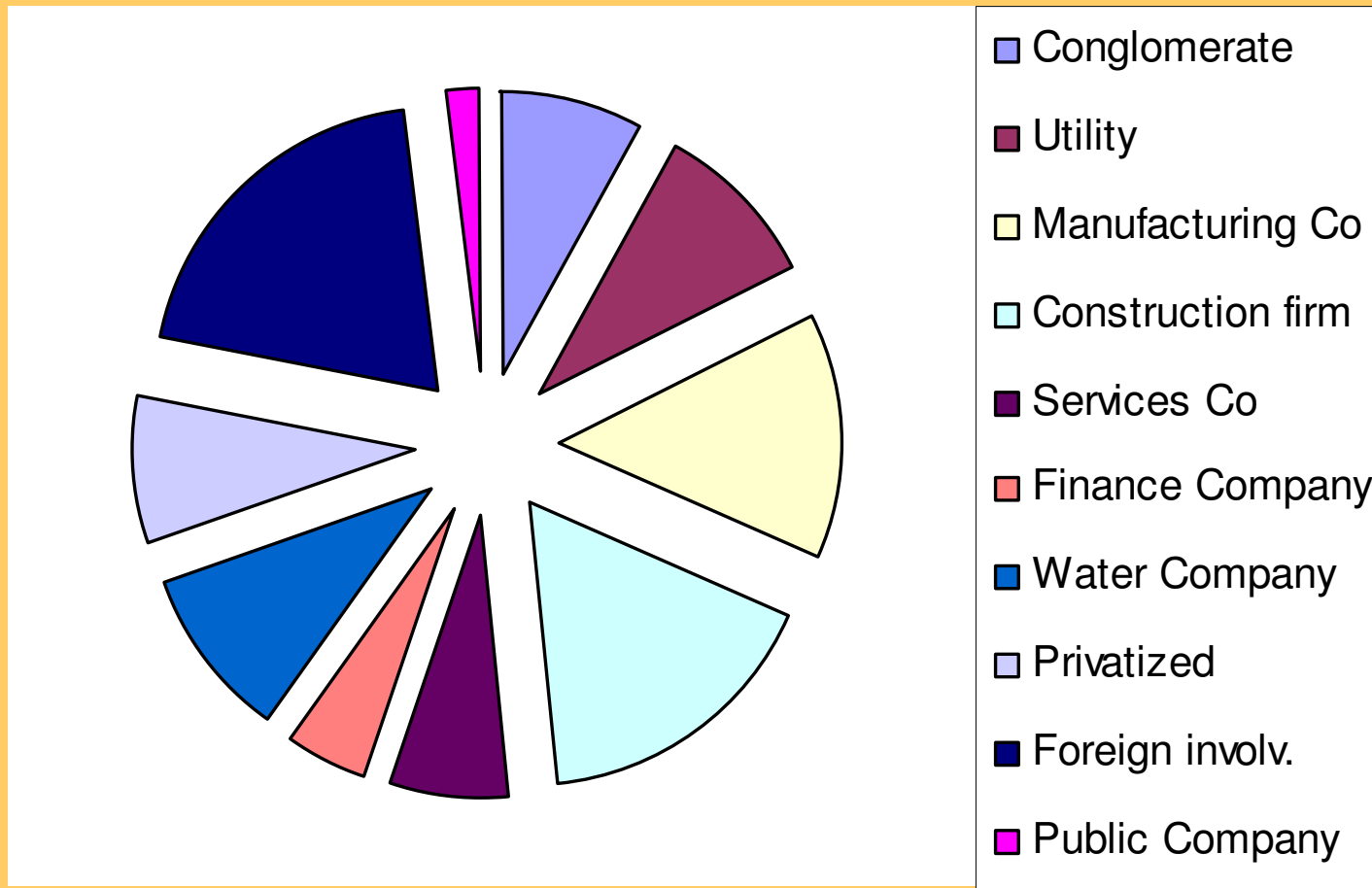
All PSP categories are active

"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

Diversity of new private entrants

Origins of recent market entrants' operators or sponsors



Source: Winpenny, OECD 2006

Global perspective:

No general
pattern

Types of partnerships

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

Operation & Development of services

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

Each country is a different market with local preferences

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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)

More realism

- “access to water” policies differs from “water resource” policies.
More water in the pipes does not result in more water to the unserved.
- More realistic assessment of financial constraints
(OECD FEASIBLE tool)
- More realistic assessment of the efficiency of subsidies and cross-subsidies *(World bank, UNDP, etc)*
- Shift from full-cost to sustainable cost-recovery
- Public-private polemics are detrimental for the poor
(UNDP HDR2006)
- Operators are not bankers
- Many PPP contracts have provided access to water for millions of people. When institutions call these “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.

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

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*

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.

**Private sector: the
convenient scapegoat**



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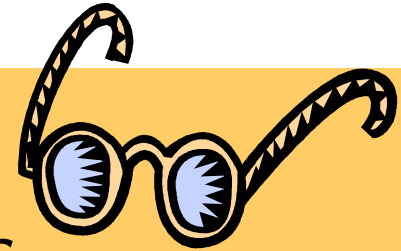
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A global community with cleaner spectacles



- There are many private water operators
World Bank identified 10,000 in 49 countries
- Operators are instruments to implement public policies. They do not relieve policy-makers of their core political responsibilities: *policies, targets, tariffs, subsidies, enabling frameworks*
- PPPs (and PuPuPs) require a partnership spirit,
the will to succeed jointly
- Finance is not an stand-alone issue: governance, political will & sound economics are prerequisites
- Most sector constraints, that have been identified recently thanks to PPP contracts, have to be overcome by all, either **public or private**

Sector constraints that are faced by both public & private operators

- Need for political will, need for **political support** to operator, **public or private**
- Pro-poor achievements demand **pro-poor policies**
- 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
(Although decisive, ODA is a relatively-small contribution)
 - 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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Still, unrealistic beliefs

Need to better understand:

- the myth of **Regulation** by so-called “independent” regulator. In a partnership, both partners must play an active role
- the use of **Benchmarking** tools. They cannot deliver the same results as open competition
- that periodic **Negotiations** are normal and necessary: partners have to meet on a regular basis to jointly address new developments. These negotiations are not specific to PPPs or regulated private schemes. *Many public utilities negotiate budgets & subsidies on an annual basis.*

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Private operators are willing to contribute to solving water challenges

- **Public authorities** need experienced professionals
- **Private philanthropic foundations** and investment funds need experienced professionals
- Governments cannot afford to limit their progress toward the MDGs > they cannot afford to ignore the **potential contribution of the private sector to the MDGs**

Message to responsible authorities

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

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



Thank you

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