

Academia Engleberg
Water – Private or Public Good

What does Private Water Supply Embrace?

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AquaFed

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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**.

Status of Water Services

- All is not well in the water services world
- Developing countries MDG's
 - Water >1.2 Billion
 - Sanitation >2.6 Billion
 - Definition hides a bigger problem - **46% of world population** (3 billion) have no household connection to drinking water (*UNICEF-WHO joint monitoring program, August 2006*)
- The developed World is not as good as we think
 - USA
 - Switzerland
 - Scotland
 - E. Europe & Ex Soviet States

Elements of Water Supply and Sanitation Services

- Political Responsibilities
 - Water Allocation and Policy decisions that impact rights & freedoms
 - Strategic orientation and planning
 - Regulation that ensures fair implementation of political decisions
- Operational Activities
 - Service delivery
 - Technical planning
 - Constructing infrastructure
 - Operating systems
 - Maintaining infrastructure & systems
 - Financing (capital works)
 - Revenue collection (Cash flow)

What governments must do

- Plan, administer and police the common assets and interests to ensure the security, freedom and quality of life of the community that has empowered it.
- Devolution
- List of "tasks"
 - Organising, planning, costing & pricing, social policy, regulation, enforcement.....
- Some specific challenges
 - Time lags, conflicting interests, administration / politics, unintended consequences

What a Private Sector Operator can do

- Perform any of the "industrial" functions of running the service
- Implement specific political instructions
 - If legal
 - If practical
- This is exactly the same for a public operator

What a Private Sector Operator can't do

- Make political decisions
- Set prices
- Determine quality standards
- Discriminate between users
- Define pro-poor policies
- Own the water
- Allocate water resources
- This is exactly the same for a public operator

Private Sector in Public Service Delivery

- No ethical grounds for exclusion of Private Sector
- Legitimacy of business to provide water services
 - Legal activity that provides products or services that benefit the common interest of a community and the individuals that comprise it (the stakeholders), while at the same time providing an adequate return for its owners or shareholders
 - Delivering water to homes, businesses, and fields; collecting and cleaning used water; protecting health and the environment; all benefit the common interest and individual stakeholders.

Overview of a Water & Sanitation Service

- A complex "Whole" made of many parts
- Underpin and determine the social, spatial and economic organisation of the community
- Political, Administrative and Industrial components
- Social, Economic and Environmental components
- Legacy, Present and Future
- Elements can be treated separately but not isolated
- Change & adapt as "self organising systems" not "linear systems"
- A classic "Messy problem" that does not respond to "Rock Logic"

Key Questions

- Who is in charge?
- Who Takes what Decisions?
- Who Owns the Infrastructure?
- Who Sets the Price?
- Who Collects the money?
- Who Operates?
- Who Funds what?
- Who Controls?
- How are differences resolved?
- Do you want to involve the private sector & how?

Key issues for Public Private Partnership Contracts

- A contract is essential but insufficient
- Essential to create and maintain relationships
- Definition of scope and objectives
- Roles, Responsibilities, Rights, Recourse, Risks & Rewards of parties
- Measurement and control of performance
- Non-performance and penalties
- Tariff and payment
- Financial structures and security
- Quality and execution of contract

Key issues for Public Private Partnership Contracts

- Tariff & charges
- Asset management
- Investment
- Economic equilibrium
 - (Long term versus short-term costs & revenues)
- Risk and risk management
- Social and community objectives
- Changing circumstances
- Contract governance and regulation
- Dialogue and facing reality

The Range of PSP Alternatives

Privatisation or Private Ownership
Asset Transfer Shared Ownership

Delegated Management **Concession**
Affermage + L-T O&M

Infrastructure Contract **DBO** **BOT**

Management Support **Operations & Maintenance**
Technical Assistance

Escape from false issues

- *"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 only adequate performance of both public and private water providers in overcoming the global water deficit."* (UNHDR 2006)
- Private sector is a valuable option & a practical solution that should be consider

Wishful thinking will not improve the world

Some myths

- Private Management is new
- Private operation is a handful of multinationals
- Privatisation
- Ownership of water
- Commodification of a common good
- Loss of control
- Profits
- Jobs

PSP steady growth

- Private sector participation: many satisfactory results
 - Efficiencies, improved levels of services, contribution to MDGs
- Huge privately funded investments
 - Chile, UK, China, Morocco, USA, BOTs in many countries
- More and more active PPPs
 - +7% over twelve months (*GWJ, November 2006*)
- More and more formal operators with private interests
 - +12% in last Masons Yearbook
 - (*World Bank, Lloyd-Owen, Winpenny*)
- Numerous small scale private operators
 - (*World Bank study identified > 10,000 in 49 countries*)
- Informal operators

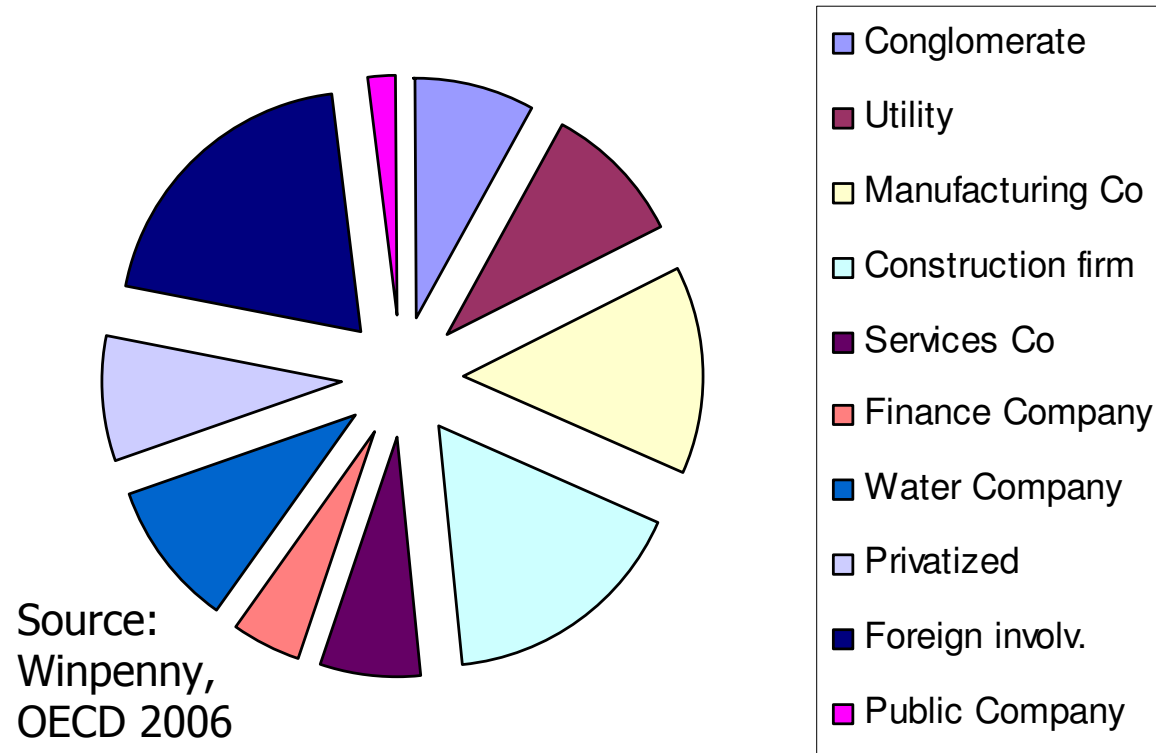
All PSP categories are active

"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 Russia	Ghana, Oman, Armenia,
New service contracts	Mauritania, etc

Diversity of new private entrants

Origins of recent market entrants' operators or sponsors



Many new international actors

from India, Philippines, Spain, Malaysia, Japan, Australia, Saudi Arabia, etc

Private Water Operators add 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

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