

SETTING THE INSTITUTIONAL AND REGULATORY FRAMEWORK TO MAKE CO-OPERATION WORK

Jack Moss
AquaFed & BIAC

NEPAD-OECD Africa Investment Initiative Roundtable – Lusaka, Zambia 27-28 November 2007

Strengthening Investment Climate Assessment & Reform in NEPAD Countries

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**.

BIAC - Business and Industry Advisory Committee to the OECD

The voice of OECD business that brings together the advice and counsel of the business communities of the member countries of the OECD

- The private sector supports the Organisation's efforts to combine analytical thinking and business experience to formulate an integrated set of public policy recommendations based on facts and analysis.
- AquaFed is an "Associate Expert Group" member of BIAC
- World Business Council for Sustainable Development (WBCSD) water group

Elements of Water Supply and Sanitation Services

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

Separation of Roles

Three principal roles should be **separated** from each other

- | | |
|---|--|
| ➤ Political | Policy making & review |
| <hr/> | |
| ➤ Administration | Compliance & Regulation |
| <hr/> | |
| ➤ Service delivery & Operation | Public operator or Private operator or CSO |
| <hr/> | |

Good practical & ethical reasons for this separation

What governments must do

- Set & Review Policies
- Plan, administer and police the common assets and interests to ensure the security, freedom and quality of life of the community that has empowered them.
- Devolution to appropriate level
- 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

A Success Formula - R X 6 + R

- **R**oles,
- **R**esponsibilities,
- **R**ights,
- **R**ecourse,
- **R**isks
- **R**ewards of parties



The **6 R's**

+ Respect

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
- **R**oles, **R**esponsibilities, **R**ights, **R**ecourse, **R**isks & **R**ewards of parties ----- The **6 R's**
- Measurement and control of performance
- Non-performance and penalties
- Tariff and payment
- Financial structures and security
- Quality and execution of contract

Fundamentally the same for public operators

AquaFed

Critical Subjects for Successful Public Private Partnerships

- 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

AquaFed

THE INTERNATIONAL FEDERATION
OF PRIVATE WATER OPERATORS

www.aquafed.org



Business and Industry Advisory Committee to the **OECD**
Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

www.biac.org