

**Academia Engleberg**  
**Water – Private or Public Good**

**What does Private Water Supply  
Embrace?**

**Jack Moss**

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AquaFed

# 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**.

# 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)

# Separation of Roles

- Three principal roles should be separated from each other
- Political Policy making & review

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- Administration Compliance & Regulation

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- Service delivery & Operation Public or Private or CSO
- Practical & Ethical reasons

# 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**

# 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 (*GWI, 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

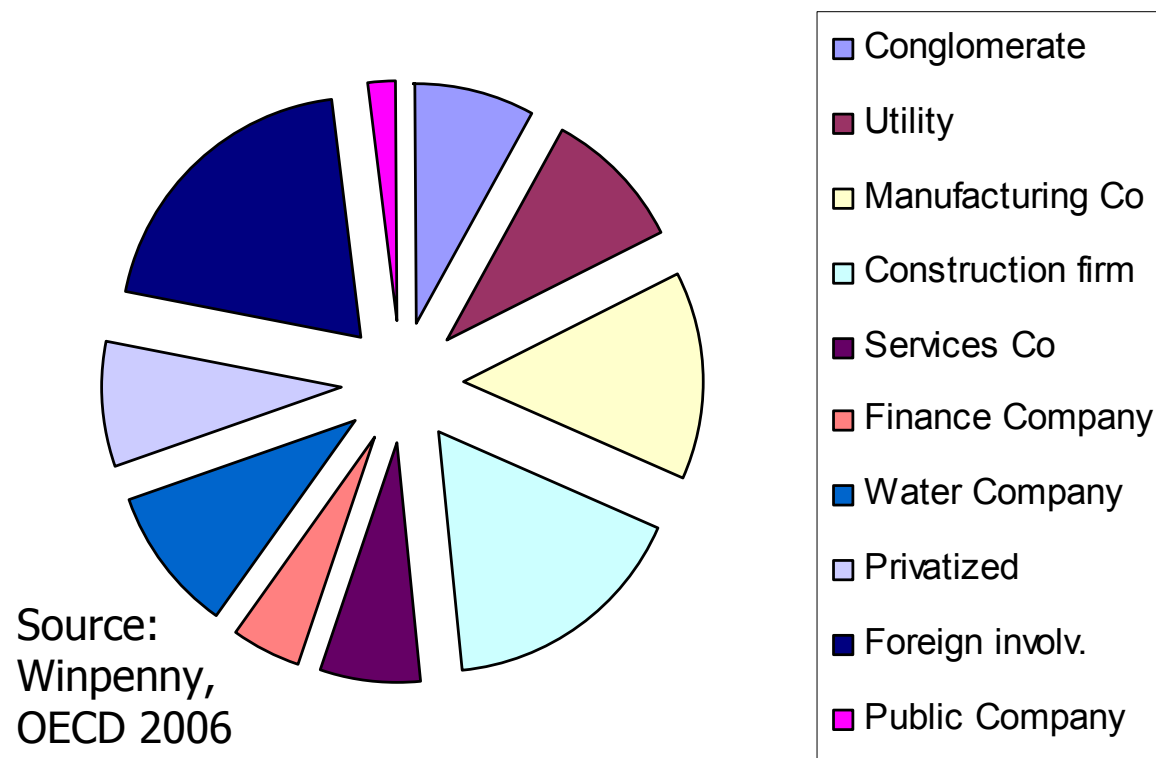
# All PSP categories are active

*"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

# 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**