

Beyond public versus private: what is the role of private water companies?

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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 with water in the 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

Public vs Private a false "debate"

- Consumed much energy to little useful purpose
- *"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 considered
- No "model" can be "perfect"

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

None of these are true

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

Administration

Compliance & Regulation

**Service delivery
& Operation**

Public or Private or CSO

- Practical & Ethical reasons for this separation

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 – organise appropriate activities at appropriate administrative & geographic levels
- 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
- Provide practical advice & input to policy making

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.

Preconditions for success - mostly the same for public & private operators

- Sustainable economic basis
- Continuous political support
- Clear targets
- Both “partners” willing to succeed
- Affordable tariffs
- Predictability of public subsidies

Similar obstacles & challenges

- currency risk
- political difficulty to raise tariffs when needed
- policy changes
- unknown expectations
- communication with users
- etc

Diversity & Choice for a better performing sector

- Great need for a healthy & efficient operators' sector
- Competition in this natural monopoly is possible & desirable
- Public & Private operators can stimulate each other to perform better.
- Change needs to be stimulated and managed
- The private sector has provided a catalytic stimulus for the public sector
- Policy & decision makers need freedom of choice

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PSP steady growth

- Private sector participation: many satisfactory results
 - Efficiency, 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

Private operators contribute to solving water challenges **in the field**

Several recent reports¹ provide new evidence on achievements of private operators in the field.

- The number of people directly served by private operators in developing countries has grown steadily for the past 17 years to exceed 160 million (6.6% of connected people in these countries)

¹including statistical research made by the World Bank on 141 private operators and 837 public operators in 71 developing countries

Private operators contribute to solving water challenges **in the field**^①

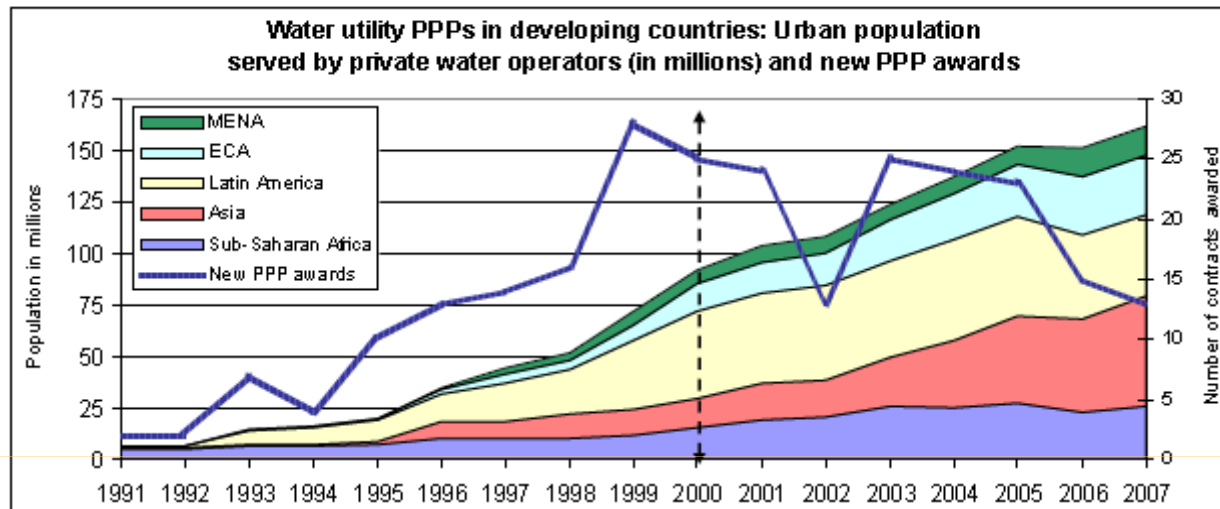
- The quality of the service provided has improved significantly, in particular continuity of water supply has increased by more than 40% in average
- Thanks to 36 PPP contracts serving initially 48 million people in various countries 24 million people, mostly poor, have gained access to tap water (increase of around 50% in a few years)
- Tariff charges are similar to those of public operators in comparable conditions

^①*Some findings from* PUBLIC-PRIVATE PARTNERSHIPS FOR URBAN WATER UTILITIES: A REVIEW OF EXPERIENCES IN DEVELOPING COUNTRIES – World Bank/PPIAF http://ppiaf.org/documents/DRAFT-Ph.Marin_Water_PPP.pdf

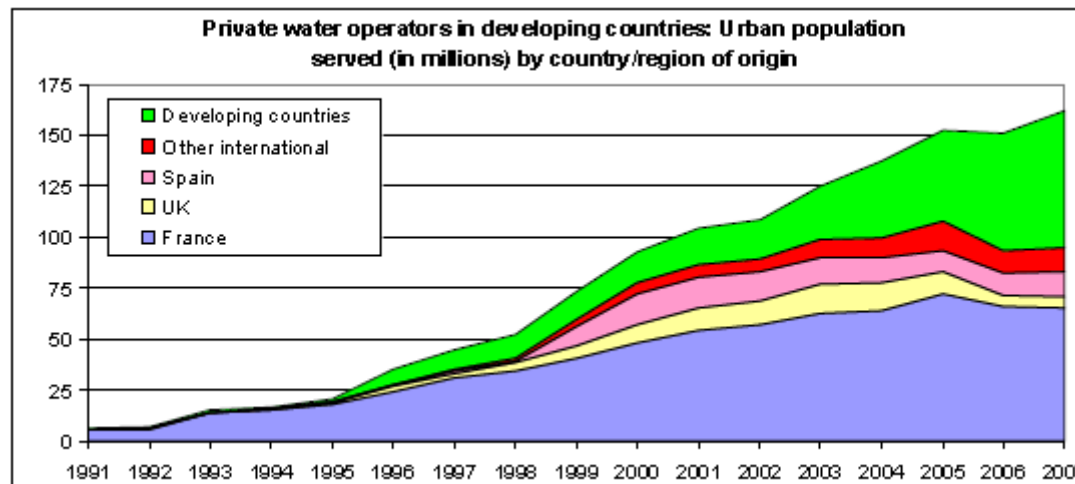
Some key results from WB/PPIAF

Water utility PPPs in developing countries, by region, 1991-2007

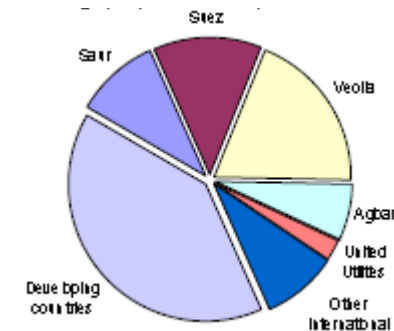
(Left axis: population served; right axis: number of awards)



Private water supply operators in developing countries, by country of origin, 1991-2007



International vs local developing country operators 2007



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