



ADB-OECD Expert Meeting

*For a beneficial private sector participation in the water and sanitation sector,
lessons learnt from Asian country experience*

Manila, March 5th 2008

**Jointly organised by the Asian Development Bank and the
Investment Committee of the Organisation for Economic Co-operation and Development**

I. Background

Water and sanitation is a key sector where much effort is needed: with over a billion people without access to drinking water and 2.6 billion lacking basic sanitation, developing the relevant infrastructure constitutes a major challenge. Halving the proportion of people without access to drinking water and sanitation by 2015 would require investments of some 30 billion USD per year, which is twice the current spending levels. To meet these tremendous needs, many countries have sought the involvement of the private sector.

Within the framework of its new horizontal project on “Sustainable Financing to Ensure Affordable Access to Water and Sanitation”, the OECD addresses the economic basis for sustainable water service provision and sound water management. Along with special focuses on pricing, innovative financing business models and realistic financing strategies, the project aims to develop practical guidance to optimise private sector participation in the development and management of water and sanitation infrastructure. The guidance builds on the newly released *OECD Principles for Private Sector Participation in Infrastructure* and is developed through multi-stakeholder dialogues and reviews of specific country experiences. The Manila expert meeting follows a similar roundtable organised jointly by the NEPAD and the OECD in Lusaka, Zambia on November 27/28th 2007¹.

II. Objectives and expected outputs

The overall aim of the expert meeting is to advance the debate on private sector participation in the water and sanitation sector, by providing a forum for participants to help guide the ADB and OECD in their efforts to develop a better understanding of the key elements of a beneficial partnership. Expected outputs from the Roundtable will include a first draft of guidelines, taking advantage of the new *OECD Principles for Private Sector Participation in Infrastructure* for the water and sanitation sector derived from the experience of Asian countries, in order to foster the mobilisation of additional and beneficial private sector involvement.

¹ www.oecd.org/daf/investment/africa

08:00 - 08:30	Registration
08:30 - 08:45	<p>Opening Session</p> <p>Chair and Welcome Remarks</p> <ul style="list-style-type: none"> • Arjun Thapan, Director General, Southeast Asia Regional Department and Chair, Water Committee, ADB <p>Introduction of Participants</p>
SESSION 1: SETTING THE STAGE OF PRIVATE PROVISION OF WATER AND SANITATION INFRASTRUCTURE SERVICES IN ASIA.	
<p>The purpose of this session is to take stock of past experiences in involving the private sector, both domestic and foreign, in the development and management of water and sanitation infrastructure in Asian countries. It will be an opportunity to share experiences on the recent developments in the nature of private sector involvement and of the typical bottlenecks that are holding back private investments.</p> <p>The session will address the following questions:</p> <ul style="list-style-type: none"> • What have been the strengths and weaknesses of past experiences of private sector involvement in water and sanitation infrastructure development? • What have been the key developments in the nature of the co-operation between the private and the public sector in developing water and sanitation infrastructure? • What preliminary conclusions and guidance can be given on the respective roles of the private sector and government agencies, and on the mechanisms to ensure successful partnerships for the benefit of all? 	
08:45 – 10:00	<p>Presentation: <i>The OECD water Project and the guidance to ensure successful private sector participation</i></p> <ul style="list-style-type: none"> • Céline Kauffmann, Water Investment Project Manager, OECD <p>Presentation: <i>Stock-taking of private sector involvement in the water and sanitation infrastructure sector of Asian countries.</i></p> <ul style="list-style-type: none"> • Jenny Dato, Consultant, OECD <p>Questions for clarification</p>
10:00 – 10:30	Tea and Coffee
SESSION 2: APPLYING THE <i>PRINCIPLES</i> TO THE WATER AND SANITATION SECTOR	
<p>High capital intensity, large initial outlays, long pay-back periods, immobility of assets and low rates of return, which characterise water infrastructure investments generate high risks, especially when in a context of poor initial information and a weak investment environment. These features limit the scale of private investment in water and sanitation infrastructure.</p> <p>The two panel discussions will build on the <i>OECD Principles for Private Sector Participation in Infrastructure</i>² to identify the specific investment environment conditions and governance arrangements conducive to beneficial private sector involvement in the water and sanitation sector. It will aim to clarify the roles and responsibilities, but also the constraints faced by public and private actors and more generally of all the stakeholders involved in the sector.</p>	

² www.oecd.org/daf/investment/instruments

PANEL DISCUSSION A: TOWARD A CONDUCTIVE INSTITUTIONAL AND REGULATORY FRAMEWORK TO MAKE CO-OPERATION WORK

<p>10:30 – 12:00</p>	<p>Panel discussion: Bringing together experts from the water and sanitation sector, including representatives from government, regulatory agencies, private sector.</p> <p>This panel discussion aims to identify the specific investment environment conditions and governance arrangements conducive to beneficial private sector involvement in the water and sanitation sector. The discussion will address the following questions:</p> <ul style="list-style-type: none"> • What is required to enhance the enabling institutional environment in order to facilitate the participation of the private sector in the water and sanitation sector? • What are Government’s motivations in considering PSP in the water and sanitation sector? • What are the minimum requirements of the private sector for involvement in projects? • How to build capacity of Government and regulators to address contractual obligations and more importantly to deal with extraordinary circumstances? • How to build consensus at all levels to achieve common objectives? • What are the communication mechanisms that the governments can put in place to facilitate the communication and understanding across partners? <p>Facilitator:</p> <ul style="list-style-type: none"> • Anand Chiplunkar, Senior Water Supply and Sanitation Specialist, ADB
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<p>12:00 – 13:30</p>	<p>Lunch</p>
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PANEL DISCUSSION B: RESPECTIVE ROLES AND RESPONSIBILITIES OF PARTNERS

<p>13:30 – 15:00</p>	<p>Panel discussion: Bringing together experts the water and sanitation sector.</p> <p>Access to safe drinking water is a basic human need and a source of significant positive externalities, notably for public health. In the face of tremendous infrastructure needs, the partnership between the State and the private sector should involve setting the right environment, but also good faith and committed participation from all involved partners. It requires a clear understanding of the roles and responsibilities, but also of the constraints faced by the public and private actors and more generally of all the stakeholders involved in the sector.</p> <p>The session will address the following questions:</p> <ul style="list-style-type: none"> • What are the key responsibilities of the different government agencies? • How does private sector see the role of government in ensuring the success of the partnership? What can be expected from Governments in terms of addressing private sector concerns? • What can be expected from the private actors in terms of responsible business conduct? How can private sector participants better align their actions with public authority poverty reduction objectives? How can the private sector better interact with the general public, notably consumers and communities, to promote mutual understanding and better outcomes? • How better involve users and communities? <p>Facilitator:</p> <ul style="list-style-type: none"> • Mai Flor, Water Governance Specialist, ADB
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15:00 – 15:30	Tea and Coffee
SESSION 3: DEVELOPING THE UPTAKE OF FINANCIAL TOOLS	
<p>Strengthening the overall investment environment takes time. However, innovations, notably in the finance area, can help to mitigate risks in the context of an imperfect investment climate. For instance, new developments in investment guarantees and risk mitigation mechanisms make sub-sovereign financing a viable option, and are helping to attract investment and mobilise private sector resources in the water and sanitation sector.</p> <p>The session will address the following questions:</p> <ul style="list-style-type: none"> • What can be drawn from past experiences with the use of these instruments in Asian country contexts? • How can they be further developed, notably drawing on other developing regions experiences? • What can donors do to support the development and adoption of risk management practices suited to the specificities of the sector in Asian countries? • How to mobilise the appropriate development and use of investment guarantee and risk mitigation mechanisms to attract investment in the water and sanitation sector? 	
15:30 – 17:00	<p>Presentation: New Financial Products of ADB</p> <ul style="list-style-type: none"> • Elsie Louise Pfleider Araneta, Principal Innovation and Efficiency Initiative Specialist, ADB <p>Panel discussion: Experience of the ADB in non-sovereign lending? What are the needs, the bottlenecks, the promising tools and practices? How can the development partners be of help?</p> <p>Facilitator:</p> <ul style="list-style-type: none"> • Paul van Klaveren, Water Supply and Sanitation Specialist, ADB
CONCLUDING SESSION: SUMMARY, NEXT STEPS AND CLOSING REMARKS	

List of participants

CAMBODIA

Mr. Sem Bun Heng, *Deputy General Director, Phnom Penh Water Supply Authority*

FRANCE

Mr. Jack Moss, *AquaFed - The International Federation of Private Water Operators*

Mr. Dominique Lebastard, *Head, Economic Department, French Embassy*

INDIA

Mr. Dhruva Purkayastha, *General Manager and Head, Infrastructure Practice, ICRA Management Consulting Services Ltd.*

Mr. Pradeep Singh, *Vice-Chairman and Managing Director, IDFC Projects Limited*

INDONESIA

Mr. Thierry Krieg, *President Director, PT PAM Lyonnaise Jaya (PALYJA)*

Mr. Nugroho Utomo, *Head of Subdirector, Drinking and Washed Water, Directorate of Settlements and Housing, BAPPENAS*

MALAYSIA

Mr. Faizal Othman, *General Manager, Ranhill Utilities Berhad*

Mr. Lee Kon Yew, *Executive Director, National Water Services Commission*

PHILIPPINES

Mr. Ramon Alikpala, *Executive Director, National Water Resources Board*

Mr. Antonino Aquino, *President, Manila Water Company, Inc.*

Mr. Rogelio L. Singson, *President and CEO, Maynilad Water Services, Inc.*

PRC

Mr. Pan Wentang, *General Manager and Chief Executive Officer, Beijing Capital Group*

Ms. MO Li, *Senior Engineer, China Academy of Urban Planning and Design*

ADB

Ms. Elsie Louise Pfleider Araneta, *Principal Innovation and Efficiency Initiative Specialist*

Ms. Gyongshim An, *Urban Development Specialist (Water Supply and Sanitation)*

Mr. Stephen Blaik, *Water Supply and Sanitation Specialist*

Ms. Mary Jane Carangal-San Jose, *Economics Officer*

Mr. Anand Chiplunkar, *Senior Water Supply and Sanitation Specialist*

Ms. Mai Flor, *Water Governance Specialist*

Ms. Kathie Julian, *Principal Urban Development Specialist (PPP)*

Ms. Joanna Mclean Smith, *Young Professional*

Mr. Paul van Klaveren, *Water Supply and Sanitation Specialist*

OECD

Ms. Jenny Dato, *Consultant, Water Investment Project*

Ms. Céline Kauffmann, *Manager, Water Investment Project, Investment Division*