

A new landscape of water and sanitation operators in developing countries

OECD Global Forum on Sustainable Development / World Bank “Public-Private Partnership in Water Supply and Sanitation - Recent Trends and New Opportunities” Paris, 29-30 November 2006

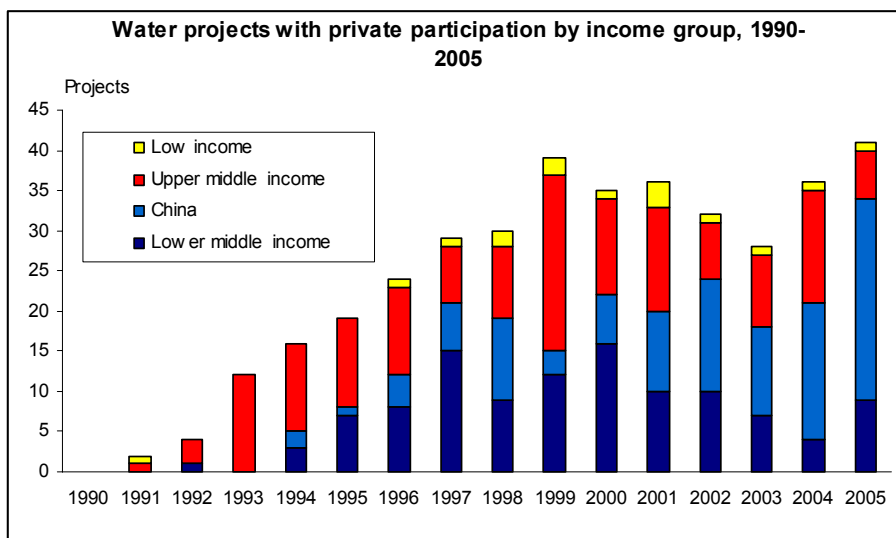
The landscape of the water and sanitation sector is changing considerably as new actors are entering the market. “Public-Private Partnerships are back on the policy agenda” says **Michel Camdessus**, former Managing Director of the IMF, “and this trend is mainly driven by developing countries companies rather than international operators”. According to **Jamal Saghir**, Director for Energy and Water at the World Bank, “New public and private operators are entering the market in many countries, changing the dynamics of the sector by bringing new management expertise. The World Bank Group works with the full spectrum of public and private utilities and is excited about working with these new actors. However, financing for water is decreasing. This is an acute problem in poor countries. ”From our perspective”, added **Alain Henry**, Director of Infrastructure of Agence Française de Développement, “we need to move in a more complex world where the input of various actors requires a more proactive approach and strengthened regulation.”

These are some of the conclusions emerging from **a meeting on “Public-Private Partnership in Water Supply and Sanitation-Recent Trends and New Opportunities”** organised by the OECD Global Forum on Sustainable Development in cooperation with the World Bank and Agence Française de Développement. The meeting brought together governments from OECD and developing countries, civil society organizations, international water companies, public utilities that provide management expertise overseas, as well as new operators from developing countries.

Most international private operators are still cautious after the collapse of a several high-profile partnerships. Those who are still in the sector, often opt for less risky involvement like constructing bulk facilities. However, an OECD survey found that more than 130 new water operators have entered the market in recent years. For example, in Russia, new private operators are providing water to 10% of the urban population. Many of the new operators are local construction or manufacturing companies that are branching out into operating water utilities. Others include publicly-owned utilities that contract out their management expertise.

The other issue discussed at the Forum is the role of local small-scale providers, which range from community groups to private water vendors. In many developing countries, such vendors serve 25-50 percent of the population. Prices for non-piped and small network services can be brought down by regulating informal providers. Participants at the Forum agreed that finding ways to work more effectively with small scale providers is key to reaching the Millennium Development Goals of reducing by half the proportion of people without access to safe water or basic sanitation by 2015.

The introduction of new actors in the water and sanitation sector has generally been welcomed, not least because of the pressure it can put on incumbent utilities to perform more efficiently. New World Bank data show that the number of new public-private contracts in 2005 was the highest since 1990. These contracts are mostly management or lease contracts that do not involve investments.



Source: World Bank PPI Database

The financial picture is increasingly bleak. In 2005, sixty percent of private financing was concentrated in just two countries, China and Malaysia. OECD data has shown that in the first part of this decade, the share of overseas development aid to the water sector has declined from 8% to 6%. “In the last few years we have seen a decrease in all sources of financing – public, private and overseas development aid” says **Saghir**, “We have to realize that operators are not bankers and require other sources of financing. Private financing can come from institutional financiers, such as pension funds, or from the issue of bonds by successful public utilities. Donors also have to live up to their promises at international conferences to increase their funding to the sector.”

For further information about the meeting or about the OECD’s work on water, journalists are invited to visit www.oecd.org/env/water or contact the OECD’s Media Division (news.contact@oecd.org or tel: + 33 1 4524 9700).

For more information about the World Bank’s work on water supply and sanitation www.worldbank.org/watsan or contact the World Bank’s Media Office in Paris (sjouy@worldbank.org or tel: + 33 1 4069 3022).