Policy Implications

taking the agenda forward

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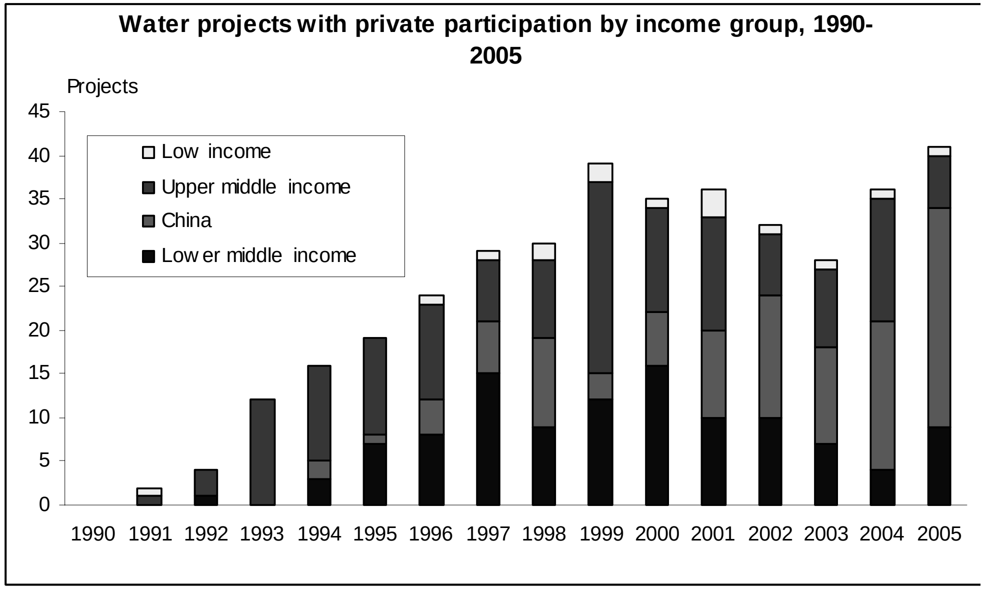
Water PPP: the current situation of the market (1)

- Water PPPs are not in retreat, what we see is a maturation of the market, second generation of projects/players is coming
- Investment targeted to specific countries and projects types (BOTs)
- Stakeholders are more educated and realistic about risks and expectations



Water PPP: the current situation of the market (2)

- Need to keep in perspective:
  - ~ Water PPP never has been a major phenomena like in other infrastructure sectors!
- There is no question that the limited “supply side” has been a major bottleneck
- The end of the oligopoly is REAL: there were 6 new operators in the room, we could have brought 10 more of similar size (LAC)…

this is good news!

There is a new supply side in water PPP

- "Traditional" operators: still there and appreciated! …But not the only ones anymore
- Small informal service providers: growing interest from donors in context of meeting MDGs
- Newcomers 1: water utilities from developed countries, often publicly-owned
  - PPP not just about private companies and profits, it is about accountability and performance
- Newcomers 2: new operators from developing world

New operators from developing countries

- They bring many obvious benefits, notably political sustainability, potentially **access to local funding**
- They deliver! and start going abroad in own region
- Are they any different then from traditional operators?
  - ➔Should we care? They bring more competition and allow projects to happen
  - … Notably in places where few non-regional players are interested (Ghana, Cameroon)

The chicken and egg dilemma: how to develop new operators?

- Experience shows that it can be done
  - ~ Water utility management is not rocket science
  - ~ A human resources issues, and experienced staff can be hired locally from existing utilities!
- It happened through various modalities, but often through some form of partnerships with international operators:

➔THE CHALLENGE for Donors:

how to foster such knowledge transfer?

Developing partnerships schemes to support the development of local operators

- Not the “traditional” partnership, with local junior partner who always stays junior…
  - ➔Establishment of viable local operator must be the explicit goal
- How to make it attractive to the foreign partner?
- How to select the candidates to become national operators?
- How should Donors support those schemes?

Small informal service providers: what to do?

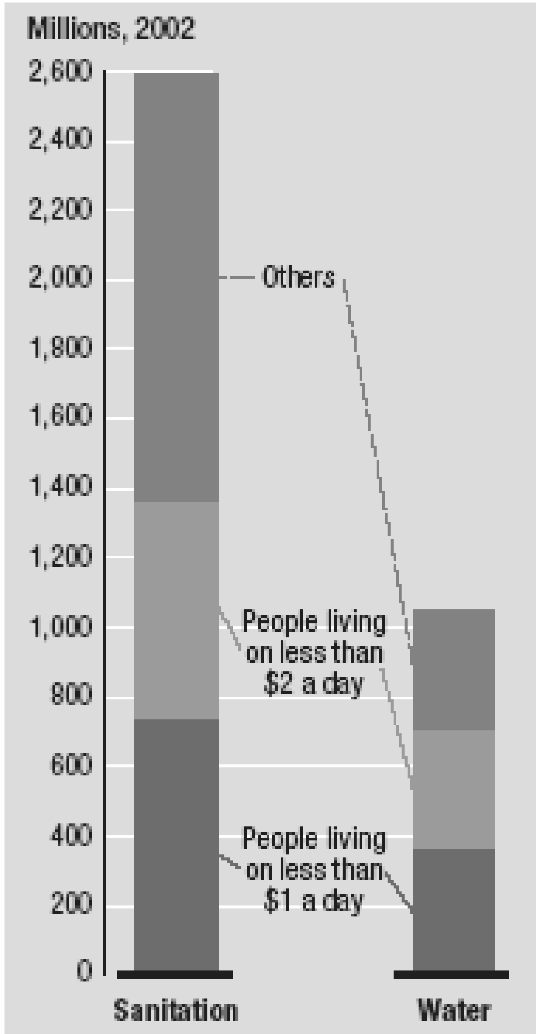
- They exist, developed into the vacuum left by failure of utilities to serve slums and small towns
- Still a lot of ambivalence: Pirates or partners
  - ~ Regulate them?
  - ~ Kill them? Nationalize them? (e.g. Mauritania)
- Distinguish different SPSPs:
  - ~ Small towns systems/ peri-urban areas
  - ~ Independent/dependent
  - ~ Profit/not for profit
  - ~ Water supply / sanitation
- Major financiers in sector: Putting in place framework for investment, with micro-credit

Beyond this meeting

- Reaching the poor
- Turning around public utilities
- Addressing the financing crisis
  - ~ Combining public management & private finance
  - ~ Increasing public finance (the HDR 1% rule)
  - ~ The bottom line: make the rich pay for services!
  - ~ Back to the donors

Beyond this meeting: reaching the poor

- Talking WSS MDGs is talking about the poor
- Solutions are beyond PPP:
  - ~ Connection (not consumption) subsidies
  - ~ Land tenure
  - ~ Consumer participation
  - ~ Understanding what they want
  - ~ Etc….

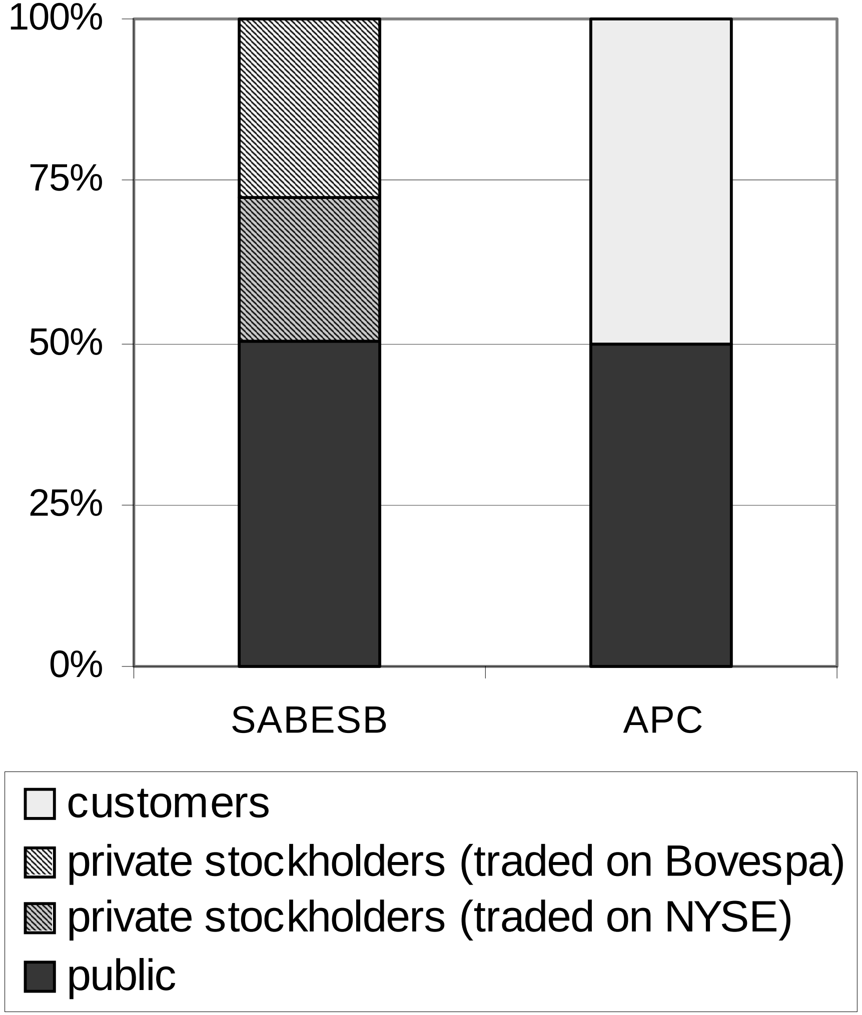


Source: HDR 2006

Beyond the meeting: turning around public utilities

- Building on good practice
  - Just to name a few who are here: NWSC, Uganda; Sonede, Tunisia; ONEP, Morocco; Vitens, NL; Aguas de Portugal, Portugal
- Main lessons on turnaround public utilities
  - Challenges are same as in PSP
  - need to reform utility and environment
  - Political economy is as challenging as PSP
- Tools for reform
  - Corporatization
  - The use of performance agreements
  - Enhancement of customer involvement
  - Financial turnaround
  - Institutional capacity building

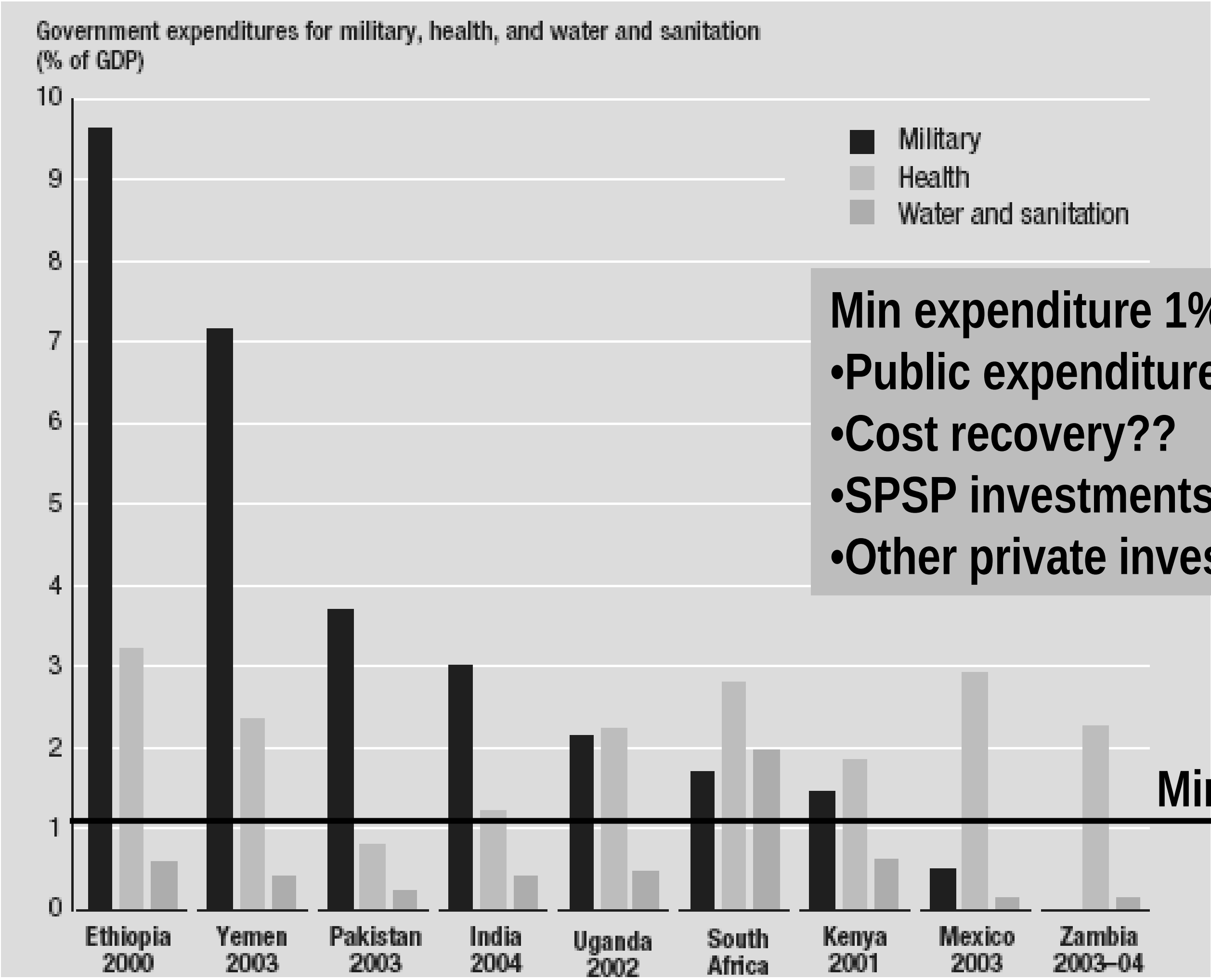
Public management / private finance



SABESP, Sao Paolo, Brazil: sold stock to private investors

APC, Puerto Cortez, Honduras: sold stock to customers

Bending the negative trend in public expenditure



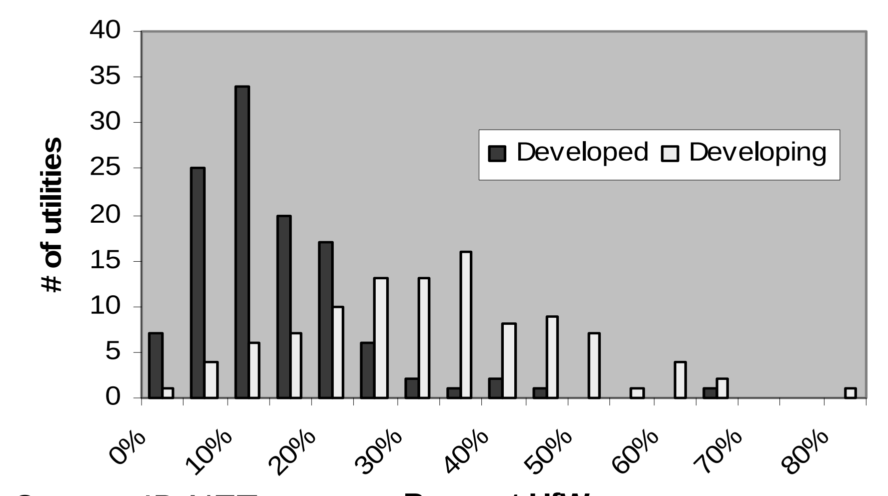
Min expenditure 1% of GDP, includes what:

- Public expenditure
- Cost recovery??
- SPSP investments??
- Other private investments??

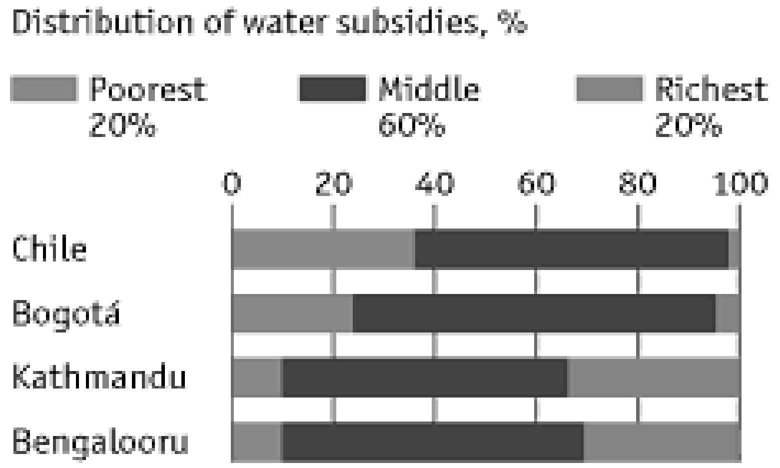
Min expenditure 1% of GDP

Source: HDR 2006

Improving the efficiency of scarce public expenditure



Source: IB-NET



Source: K. Komives, J. Halpern and Q. Wodon, 2005

- 5B USD literally going down the drain: reduce NRW
- Subsidies are captured by the middle and upper class: change to access
- Corruption: increase transparency / role of civil society
- Need for better data (PERs/ PETS)

Wake-up call for donor agencies…

- ODA to WSS is going down
- Too easy to blame on lack of effective demand → problems of effective supply
- We are still stuck in planning phase
- Harmonization is still far away
- We are slow in picking up on local action and customize support → different from fads

We have to do better!