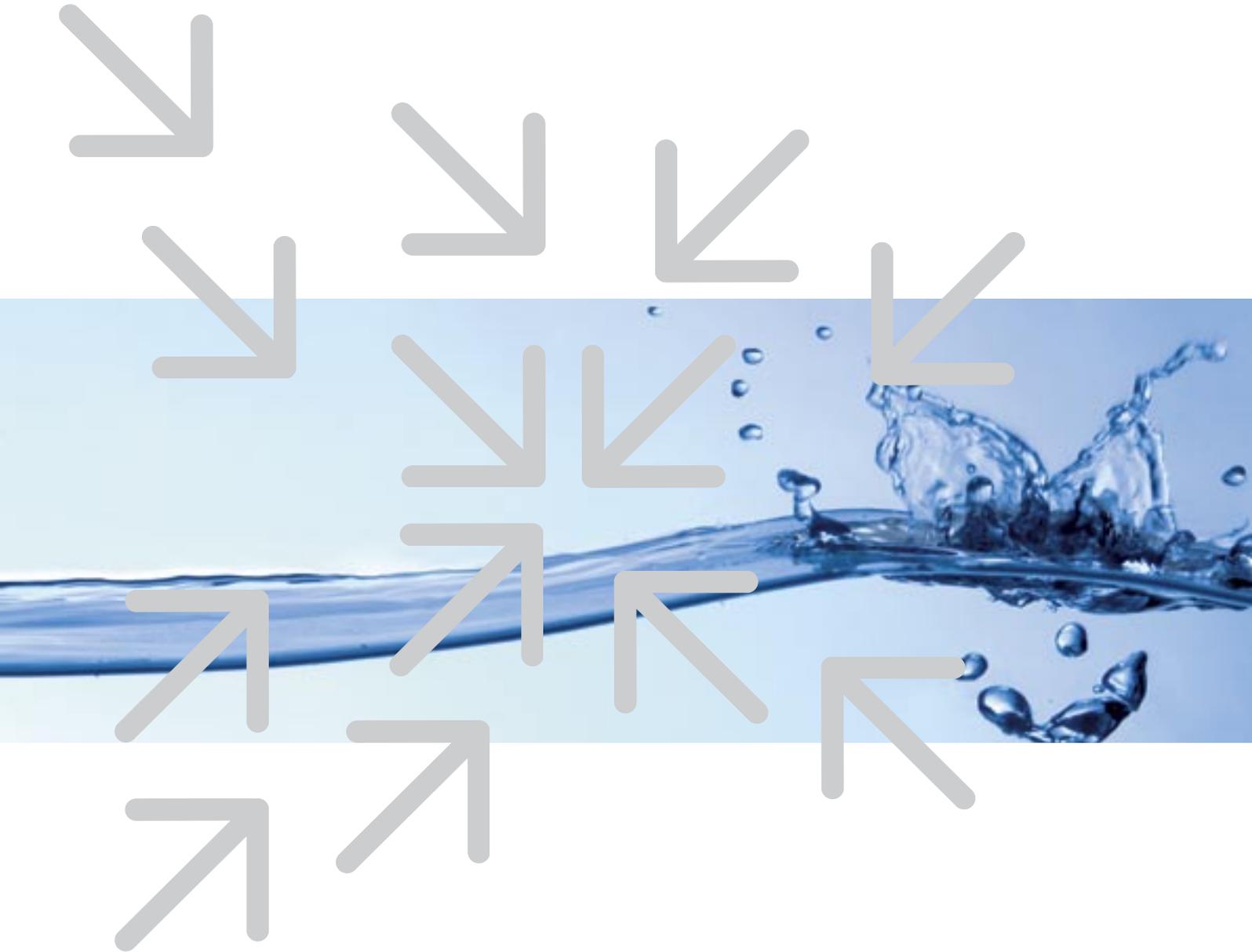


# Public-Private Partnerships for Water Supply and Sanitation

Policy Principles and Implementation Guidelines for Sustainable Services



# The challenge of water supply and sanitation

Water is essential – to human beings as well as to life and nature itself. Water is essential not only for survival, but also for environmental and physical health, for social stability and economic growth.

Nice words – but utility managers in developing countries and countries in transition have to cope with other challenges:

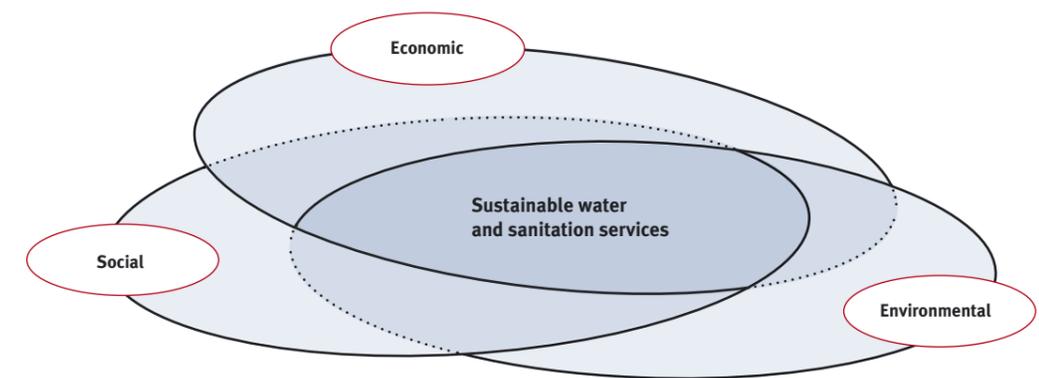
Fast-growing small towns and urban areas overstrain water services, leaving people without safe water. At a global level, more than one billion people are affected and more than 2.6 billion have to live without adequate sanitation. **The challenge is to provide safe water and sanitation for all.**

Where water supply is in place, infrastructure and services are often unreliable or even eroding; maintenance is sporadic. Large quantities of the drinking water entering the grid are lost or otherwise unaccounted for. **The challenge is to make services reliable and efficient.**

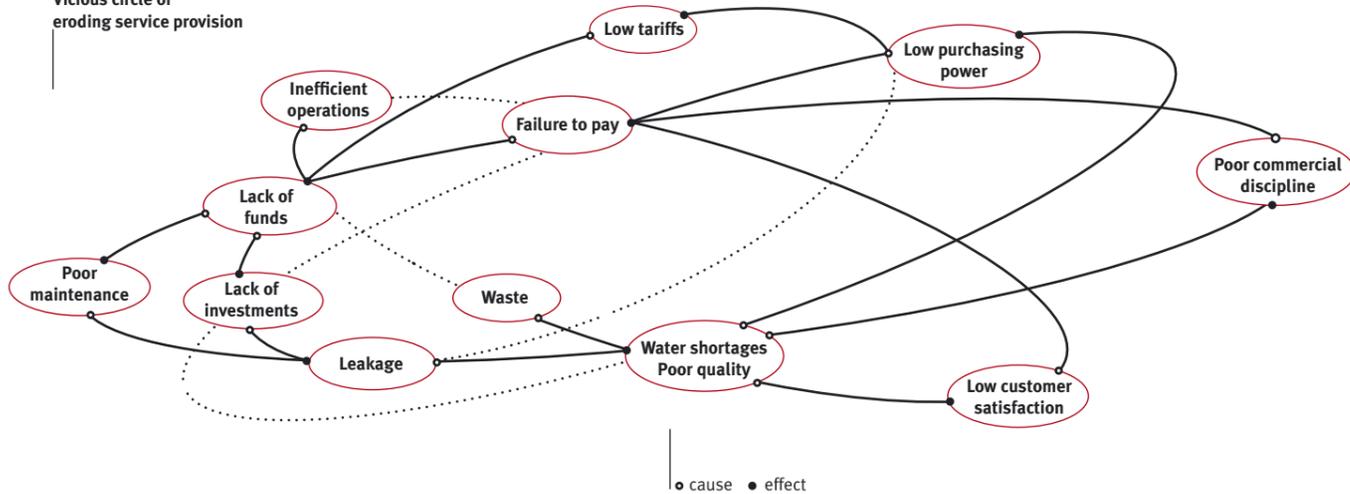
Beyond basic availability, water scarcity is increasingly becoming a question of quality. In developing countries, 90% of the wastewater from human settlements and industry are discharged into rivers and lakes without any treatment. **The challenge is to stop the deterioration of water resources quality.**

Main elements for sustainable water and sanitation services

- ↳ **Economic**  
Self-financing services, efficient and effective organization
- ↳ **Environmental**  
Balanced water abstraction, efficient water use, sanitation coverage
- ↳ **Social**  
Equitable access for all, satisfied consumers, motivated workforce



Vicious circle of eroding service provision



## Only a question of funds and investment?

Without doubt, lack of funds and investment is a bottleneck to improving and expanding services. But this falls short of really tackling the problem. In many cities, municipalities and countries around the globe, the statement “water is not scarce but simply managed badly” is painfully true.

Attempts to manage water wisely are frequently derogated through operational inefficiency and lack of managerial accountability, through undue political interference, overlapping institutional responsibilities, lack of appropriate legislation and its enforcement. Needless to say, this seriously limits opportunities to attract new investment.

## Partnerships with the private sector: one option to cope with the challenges...

Governments’ endeavors to turn underperforming utilities into sustainable service providers may – as one option among others – benefit from involving local, national or international private sector expertise. However, experience throughout the last decade shows how difficult change processes in the water sector tend to be: friction between partners and stakeholders over priorities and means, lack of clarity about roles and responsibilities, or major concerns about private involvement often result in high transaction costs and hamper success.

## ...but good governance is key

These critical lessons learned demonstrate the need to focus on governance as a decisive element for successful change processes and sustainable Public-Private Partnerships (PPPs) for three reasons:

- ↳ Firstly, good water governance makes actors more accountable to water users. This will help not only to improve services but also to secure customers’ support for change and for a PPP approach.
- ↳ Secondly, good governance clarifies roles and spheres of influence between policy makers, administrations and service operators during the life-cycle of PPP processes, and therefore strengthens service effectiveness.
- ↳ Finally, good governance makes an operator more reliable and predictable, and therefore more attractive for investment capital.

In order to improve water governance and to support the design of effective PPPs, decision makers, actors and other stakeholders require clear and transparent guidance, which – until recently – was nonexistent. This gap is now being addressed: the Policy Principles and Implementation Guidelines will support all actors with practical but nonprescriptive guidance.

## Instruments to foster sustainability in PPPs

The Policy Principles as framework for sustainable partnerships and the Implementation Guidelines as manual for sustainable water services have been developed to assist in

- ↳ clarifying the importance and roles of institutions and actors
- ↳ arranging effective interaction between government, civil society, private partners, consumers and the public
- ↳ delivering effective, efficient and equitable services for all



# Enabling successful change processes

Striving for reliable partnerships and good governance in water issues will lay the foundations for an effective PPP and for sustainable water services. One might assume that promoting strong partnerships would be too long-term oriented, costly and very demanding. To some extent, this may be true at the beginning – but at the end of the day, you will be far better able to cope with challenges if sound, reliable and unambiguous relationships, institutions and processes are in place. That is exactly what the Policy Principles and Implementation Guidelines presented here aim to support.

## Policy Principles

### Framework for sustainable partnerships

The Policy Principles are a dialogue and negotiation framework to shaping political, social and institutional environments conducive to effective and equitable Public-Private Partnerships. To this end, the Policy Principles identify common basic values, key factors and role descriptions as the starting point for the participatory dialogue.

### How to apply

The Policy Principles support participatory process leading to a common understanding and approach to Public-Private Partnerships or reforms based on public service delivery. Providing the agenda for a participatory dialogue, they can be used as an instrument for self-regulation by encouraging all parties – public, private, civil society and consumers – to negotiate the appropriate level of commitment in their specific situation.

### Who the Policy Principles are intended to serve

The Policy Principles are written for decision-makers in governments and water administrations, executive-level industry representatives, public service operators, development agencies, investors, financing institutions, donors, and key NGOs.

## Implementation Guidelines

### Manual for sustainable water services

The Implementation Guidelines turn the key factors identified in the Policy Principles into concrete activities and measures for PPP processes at the operational level.

Besides focusing on the main process, which defines the core activities on the operational side, the Implementation Guidelines pay equal attention to the regulation level while at the same time covering the support process. The later account for important issues such as the design and execution of stakeholder cooperation, communication, and capacity building.

### How to apply

The Implementation Guidelines are designed as a hands-on manual, outlining best practices for cooperation between all actors concerned in the various phases of project development and day-to-day business. They highlight options and identify pitfalls to be avoided – without being prescriptive in any way. The Implementation Guidelines are ideal for use as checklists in performing due diligence reviews of planned or ongoing projects.

### Who the Implementation Guidelines are intended to serve

Given their action-oriented character, the Implementation Guidelines are intended to be used by staff from public administrations, regulatory authorities, operators, development agencies responsible for preparing and implementing a PPP, donors and investors, water professionals, and consumer associations.

### Unique genesis

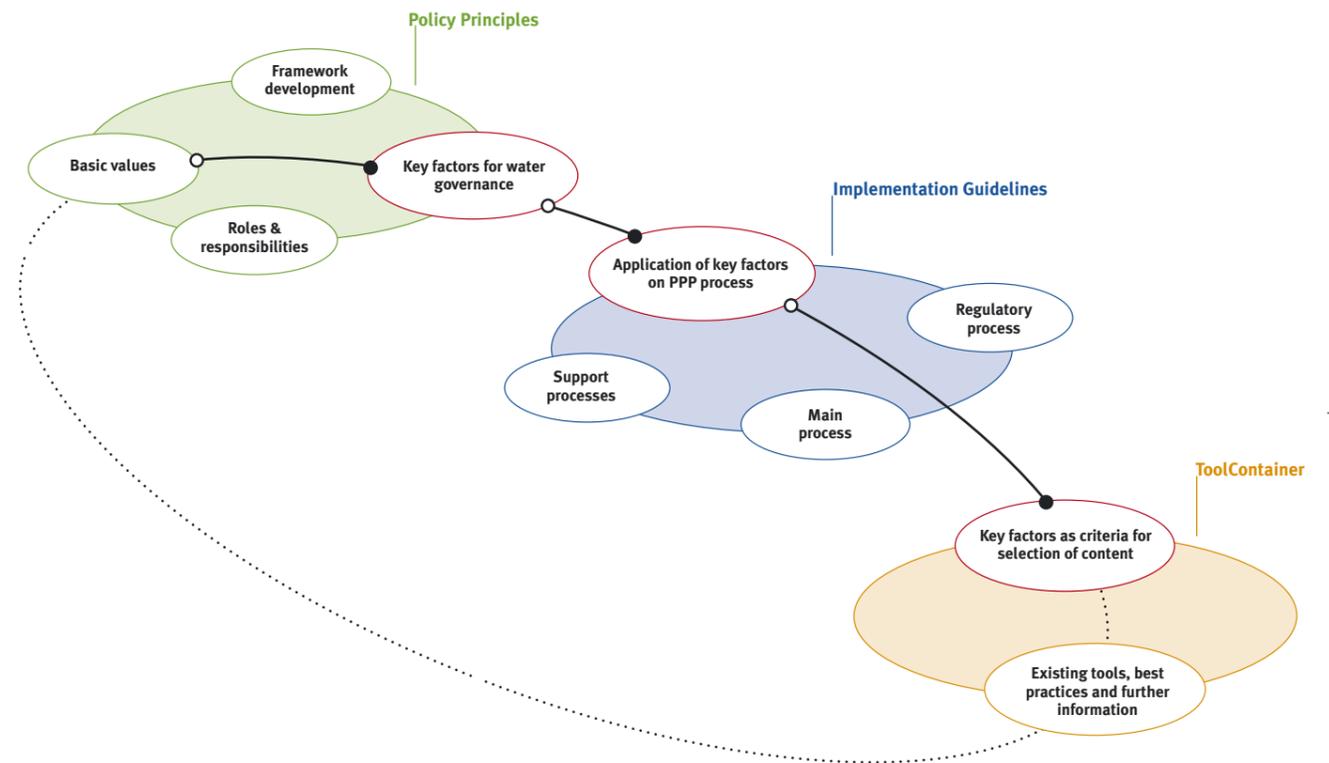
To date, the Policy Principles (PP) and the Implementation Guidelines (GL) are among the very few instruments on water governance that have been

- developed through a multistakeholder process, including regional multistakeholder discussions (PP)
- backtested in the field with municipalities, civil society and private operators (GL)

Learn more about the development process that engendered these tools and about the stakeholders, institutions, experts and challengers who contributed.

[www.partnershipsforwater.net](http://www.partnershipsforwater.net)

The backbone of the instruments:  
key factors for water governance



## ToolContainer

### More information, best practices, and additional tools

For those looking for more detailed information, checklists, best cases or more detailed guidance on specific topics, an online ToolContainer features valuable content developed by third parties.

This ToolContainer is continuously being updated with the latest products; all of them linked up with the key factors they address and the phases of the PPP process they support.

Access to the ToolContainer following the link on [www.partnershipsforwater.net](http://www.partnershipsforwater.net)



# Ten key factors for achieving good water governance

In a nutshell, the key factors cover the most relevant dimensions having an effect on the performance in governance. Here you get a first impression about the content of this “backbone”-elements; they are extensively described in the Policy Principles and Implementation Guidelines.

### Poverty responsiveness

Running a utility does not address poverty issues per se. However, the delivery of basic services rather requires explicit efforts by governments in respecting the needs of the poor in project development and designing effective support mechanisms, like smart subsidies, to ensure affordability.

### Water resource protection

Sustainable water and sanitation services should follow the concept of Integrated Water Resources Management. Subsequently, respecting the limits and protecting the quality of water resources available through a systematic assessment of the environmental impact of planned activities and investments is required.

### Power-balanced partnership

Successful partnerships rely on a balance of power and capacity among the contracting parties. Beyond that, enabling further stakeholders to effectively play their roles in the sector is key for successful and accepted processes.

### Shared incentives

Taking into account the range of stakeholders and their objectives demands expectations and interests to be made transparent. From this starting point common goals can be identified, incentive mechanisms that link the interests designed and possible adverse impacts addressed.

### Transparency

Transparency plays a crucial role in making partnerships work and holding actors accountable. Countering corruption and bribery depends on transparency as an indispensable precondition. Linchpin for transparency is access to information.

### Accountability

Governmental institutions, the private sector and civil society organizations must be accountable to their institutional stakeholders and to the public equally. Accountability cannot be enforced without transparency, the rule of law, and effective oversight.

### Customer focus

Customers as actors with rights and obligations are only willing to pay if they perceive both service level and quality to be adequate. Subsequently, striving to serve customers and responding to their requests is key.

### Result orientation

Agreement on overall goals and priorities allows using result-driven steering mechanisms. This will provide scope for innovative and efficient approaches. Distinct measurement criteria and agreed adjustment processes in changing environments provide the base for effectively achieving the goals.

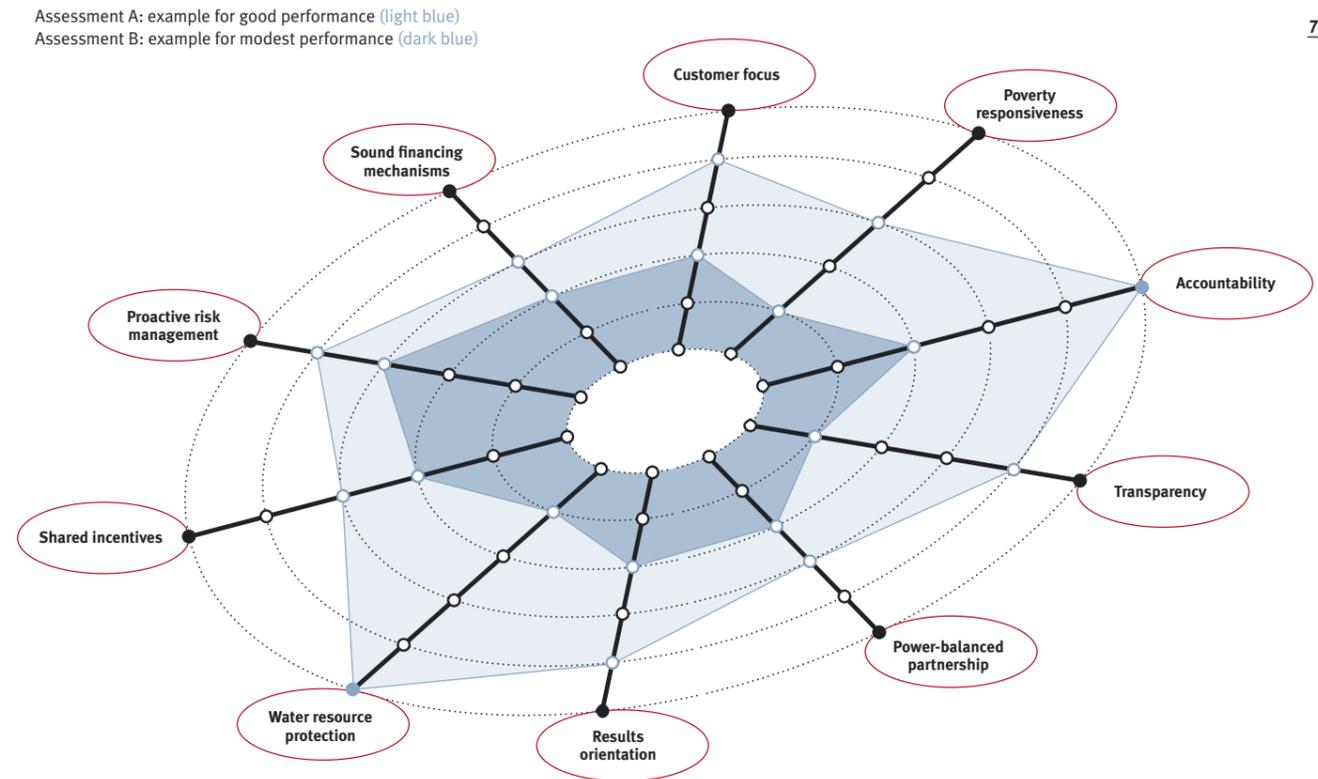
### Proactive risk management

Exposure to and management of commercial and noncommercial risks strongly influence prospects of success. A risk culture that identifies the risks, allocates them appropriately and uses effective mitigation strategies significantly improves the risk profile.

### Sound financing mechanisms

Self-financing water and sanitation services are at the core of sustainable services. The focus must be on financially appropriate systems and service levels, as well as on favorable financing architecture.

Visualizing performance in water governance



### Checking the state of water governance in your utility

Assessing the state of water governance may be useful as starting point for discussing water governance issues in your municipality, for setting priorities, or for monitoring development trends.

A balanced questionnaire covering all key factors enables such an internal assessment and visualizes the results in a graph as shown above. The assessment can be done in a one-day workshop or by comparing ratings performed by stakeholders independently.

Download the self-assessment tool from [www.partnershipsforwater.net](http://www.partnershipsforwater.net).



# Instruments for mitigating risks and reducing transaction costs

you are

## ↳ a municipality official

You have to comply with regulations, no doubt. But is that enough to cope with the challenges of sustainable water services? Are you considering PPP as a worthwhile approach?

**Here you will learn how PPP can help to improve the utility's results in financial and technical terms, including how you as manager of the PPP process can get there and build strong coalitions to shape water services.**

**Besides, you also need sound contracts and effective monitoring – and the instruments provide guidance for this, too.**

## ↳ a financial professional

You know from first-grade economics: if it doesn't cover its costs, a service is not sustainable.

Although facts remain facts – perceptions are reality. And consumers' perceptions may differ from what economic rationality tells you. Without water users' support, your calculations will never work out.

**Here you learn to bring perceptions and facts together. So that consumers cover the costs – and get value for what they pay.**

## ↳ an NGO or union servant

Enabling safe and affordable water for the poor and preserving the rights of employees is your special concern.

**Here you can explore ways to overcome debates about PPP through effective cooperation – in the interest of your constituencies, to protect water resources and to foster sustainable services.**

**And you get a tool that brings together the design of cost-covering tariffs and the implementation of effective policies in favor of the poor.**

## ↳ a utility manager or private operator

You know water supply and sanitation is all about pipes, pumps and valves. And what about customers? They could not care less, you might assume; all they want is water from the tap. – Or is not paying the bill their way of telling you they do care, after all?

**Here you learn how a PPP can contribute to improve customer satisfaction.**

**And you will learn why you need stakeholders' support to make things happen. The instruments show you how to get there.**

## ↳ a politician

As a politician you remain responsible for providing reliable and affordable water services for all, including the poor.

**Here you learn that PPP can support you in this, and how the public partner can play its role as a reliable partner if PPP is to show results.**

**The instruments also outline the need to look after the interests of the poor by indicating how to bridge the gap between affordability and full cost coverage.**

## ↳ a consumer

As a water user – household, industry, business – you are more than just a receiver of services.

**Here you will read about your rights as user: to be well informed about service development and distribution; about suitable ways of following up your complaints.**

**But you will also learn what goes on behind the scenes: that it costs money to bring water from the source to the tap and how the service level you demand can influence the cost.**

### Further information

For further information please contact the members of the steering committee:

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### Get your personal copy

*The Policy Principles and the Implementation Guidelines are available in English, French and Spanish, as hard copy or for download.*

↳ order by e-mail: [info@partnershipsforwater.net](mailto:info@partnershipsforwater.net)

↳ order by fax: +41 31 324 09 65

↳ download:

[www.partnershipsforwater.net](http://www.partnershipsforwater.net)

*The ToolContainer is available as online database.*

