

# **The feasibility of public-private partnership**

for sustainable water supply to the urban poor in Ghana

April 2004

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*NWP-NGO Group in collaboration with Ghanaian NGOs and Private Sector:*

**Report on the feasibility of public-private partnership for sustainable water supply to the urban poor in Ghana.**

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The NWP-NGO Group wants to take the opportunity to thank the Ministry of Foreign Affairs (DGIS), Partners-for-Water, and other members of the NWP-NGO group for their financial support.

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<sup>1</sup> NWP = Netherlands Water Partnership, see [www.nwp.nl](http://www.nwp.nl)





# Abbreviations and acronyms

AWSDB	Association of Water and Sanitation Development Boards
CAP	Coalition Against Privatisation
CBO	Community-Based Organisations
CPHD	Community Partnerships for Health and Development
CWSA	Community Water and Sanitation Agency
CWSP	Community Water and Sanitation Programme
DA	District Assembly
Danida	Danish International Development Agency
DFID	Department for International Development
DGIS	Directorate General for International Cooperation
DISCAP	District Capacity Building Project – CIDA supported
DWST	District Water and Sanitation Team
EPA	Environmental Protection Agency
ESA	External Support Agency
EU	European Union
GAP	Ghana-Assisted Programme – CIDA supported
GoG	Government of Ghana
GSB	Ghana Standards Board
GWCL	Ghana Water Company Limited
GWSC	Ghana Water and Sewerage Corporation
IDA	International Development Association
ISODEC	Integrated Social Development Centre
KfW	Kreditanstalt für Wiederaufbau – German Development Bank
KNUST Kumasi)	Kwame Nkrumah University of Science and Technology (in
MA	Municipal Assemblies
MDG	Millennium Development Goals
MLGRD	Ministry of Local Government and Rural Development
MoU	Memorandum of Understanding
MWH	Ministry of Works and Housing
NDPC	National Development and Planning Commission
NGO	Non-Governmental Organisation
NWP	Netherlands Water Partnership
O&M	Operation and Maintenance
OU	Operation Unit
PE	Private Operator
PO	Partner Organisation
PPP	Public Private Partnership
PPIAF	Public Private Infrastructure Advisory Facility
PSP	Private Sector Facilitation
PURC	Public Utility Regulation Commission
RNE	Royal Netherlands Embassy

ST	Small Town
TPP	Tri-Partite Partnership (or Tri-Sector Partnership)
UCC	University of Cape Coast
UNDECA	Union de Empleados de la Caja
WATSAN	Water and Sanitation (Committees)
WRC	Water Resources Commission
WSDB	Water and Sanitation Development Board
WUA	Water User Association
WUG	Water User Group

# Executive summary

Ghana has 287 small towns with the water supply under the responsibility of the District Assemblies and some 70 cities and towns where Ghana Water Company Ltd. owns and manages the water supply. Currently, the Government of Ghana is aiming to privatise the water supply of these 70 cities and towns. As no international companies submitted a bid for one of the two clusters of systems, the Government and the World Bank are revisiting the strategies, also following strong local and international civil society protest against (international) privatisation of water supply service.

The water supply for the poor in small towns and peri-urban areas is in general below average to poor. In many situations the infrastructure is inadequate to produce and distribute sufficient water. This is due to the fact that for most cities and towns, and many small towns no significant rehabilitation/extensions took place over a period of more than a decade when all systems still belonged to GWCL. Cost recovery in small towns is generally just enough – not in urban areas – to pay for the recurrent costs but not for major repairs, expansions and extensions. In general the management of the small town water supply services is weak, although there seem to be good exceptions. The main reasons for poor management is the lack of autonomy, 'politicised' Water Boards, low professional levels in governance, management and operations, that means insufficient knowledge, skills and capacity to do a good job with high integrity. In poor environments the temptation to use the income from water supply for non-water purposes is high.

Most water services are publicly managed; only six small town systems have adopted the PPP as the management option over the last 18 months. Therefore, experiences and lessons learned are few and time is needed to increase knowledge on these options. The mission collected also information from publicly managed city and small town systems. Furthermore, apart from the management, issues relating to governance, ownership, regulation, guidance, information provision and performance monitoring of the services were looked into.

The demand for PPP by different stakeholders was assessed: i.e. the peri-urban/small town communities, the NGOs/CBOs, the private sector, and the national/local government and agencies, and local politicians and opinion leaders.

The poor experience most directly the problems in water service. Many poor people have never benefited from a good water supply; in semi-arid Northern Ghana water scarcity is seen as a fact of life. Nevertheless they point to the major causes of poor water service including the inefficiency of the public governance and management. Although some public systems appear to provide regular water, the trust in public governance and management is limited. Poor people did not indicate that PPP would be a better solution. They even feared that private sector involvement would mean higher and even unaffordable water charges; there is a common mistrust of the private sector and some fear collusion between public and private sector individuals.

NGOs have most direct contacts with the poor; they know their water problems, but more those in the rural than in the urban areas. Community management of water supply is quite successful in rural areas. In small towns and larger agglomerations, the water systems are bigger and more complex. It appears that for these systems a different governance and management system is required with a high level of professionalism. Next to PPP, options with strong community control may have a potential. In some small towns community managed systems are performing well, particularly those with a strong decentralized level water user group involvement. NGOs have some distrust towards the private sector. This refers particularly to the larger and international/multi-national water companies that would aim only for profit and have no eye for the demands and conditions of the poor. Private sector participation in PPP of small towns and peri-urban areas involves relatively small local water enterprises. Ghanaian NGOs are prepared to contribute in a creative and innovative way to the experimenting and learning of

PPP for water supply to the urban poor. With this NGO support, the term Tri-Partite or Tri-Sector Partnership instead of PPP may come up.

It is hardly surprising that the local Private Sector is very much interested in and prepared for PPP. Recently an Association of Private Water Operators for small towns was established. Experience is limited to six small towns only. A lot is to be learned. The profitability of PPP in small towns is low, at least for the time-being, although they see opportunities for improving that, for instance through clustering of small towns. Their primary drive is profit-making and they pay no specific attention to the poor, their demands and limitations.

National, regional and district policy and decision-makers recognize the limitations and risks of public water supply management. They have high expectations of PPP while they have also confidence in public-community management, particularly for less complex systems and smaller service areas. For them PPP is not the panacea. Local politicians have an ambivalent stand: they give the blame to the lack of capacities but find it difficult to admit the failure of public management. On the other hand, their constituency demands better water services.

Overall there is a society-wide demand for better water service with high expectations from PPP although public management remains feasible under certain conditions.

Six management options for small town water supply and four for peri-urban areas were analysed using 10 key institutional functions and four sustainability factors. In general the institutional settings are clear but the organizations are weak in terms of performance in governance, planning, management, financial and technical operations, and communications to consumers and others. District Assemblies have too many functions related to water supply. Regulation of small town water supply needs clarity. The small town Water and Sanitation Development Boards (alias Water Boards) are often 'politicised'. Transparency and accountability are usually very poor. Internal and external technical and financial audits are very exceptional. Monitoring by regional and national agencies needs improvement as at present sector-wide analysis, documenting, sharing and learning is limited. This learning and capacity building in organizations is probably a key factor for success on the way to sustainable water services to the urban poor.

None of the options analysed have arrangements to ensure accessibility of water services by the poor. Stakeholders had no clear vision on effective ways to target this group. The poor, deprived and marginalised groups should be considered from the concept and planning phase onwards and actively involved in the entire project cycle and the management.

Considering the overall positive conclusions on the feasibility of PPP, it is recommended to proceed with the experimenting and learning around PPP in Ghana, with particular attention to pro-poor, involvement of and communication to the poor users, learning and capacity building for all key stakeholders, and increased profitability for the private sector. For the poor in the cities and small towns, the facilitating and supporting role of NGOs towards the community-of-users is important in developing a sustainable water supply service, be it public-private or public. Therefore, it is recommended to explore the option of a Tri-Partite Partnership in which the public, private and NGO sector have specific roles in the entire process of the project management cycle. This option will be compared with the other management options including PPP and public options.

It is recommended to test PPP or Tri-Partite Partnership in different socio-economic conditions in small towns and peri-urban areas using different technologies and water service<sup>2</sup> levels. Through intensive

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<sup>2</sup> water service levels include connections to individual houses, yards, neighborhood (multi-family level), public standpipes, etc.

monitoring of both PPP and public management options, the specific niches for feasibility of each option can be analysed, lessons documented and shared, and learning for improvement of the service performance enhanced. The specific roles for Ghanaian, Dutch and other interested parties from the public, NGO and private sector need to be defined.

The mission recommends to the Ghanaian public, NGO and private sector to establish a broad co-ordination group that would outline the directions for PPP or Tri-Partite Partnership in general and the collaboration areas with the NWP-NGO Group in particular. Dutch NGOs and private sector organisations have capacities to support organizational development, exchange relevant experiences, facilitate documenting, sharing and learning, and support the facilitation of the policy and content dialogue on PPP.

More detailed overall and specific recommendations are in chapter 5.2.



# Introduction

Over the last decade the concept of Public Private Partnership (PPP) has gained popularity as an efficient and effective option in service delivery also in water supply management of non-rural systems. The role of government institutions has changed from being responsible for all processes and delivery of services to facilitator of planning and development processes. The management and service delivery functions are more and more taken up by community-based organisations, (semi-) autonomous government agencies and the private sector.

The Ghanaian water sector has recently introduced the concept of PPP in the management of water supply services in small towns but application is limited and lessons are still to be learned. Traditionally NGOs are strong supporters of development processes and activities in rural areas. Their potential role in PPP in water supply for the urban poor is less clear while their target group, the poor, are making up a high percentage of the urban population. Rural areas are not included in this assessment as private sector interest is expected very low because of limited scale of economy in water services.

Both the Ghanaian and the Dutch NGOs recognised this potential for PPP but had also reservations to step into the urban water supply sector applying PPP for reasons of risks for the poor in terms of access and affordability, or “would the poor not suffer more from applying this PPP option?” A fear that was clearly expressed by the Ghanaian NGO group, Coalition against Privatisation (CAP), in their actions against privatisation of the city and large town water supply as proposed by the Government of Ghana, the World Bank and bi-lateral funders. The main reason for this proposed privatisation is the failure of the Ghana Water Company Ltd (GWCL) to efficiently and effectively manage a sustainable water service in these locations.

Dutch NGOs, organised in the NWP-NGO group, took the initiative to assess the feasibility of PPP in general but using the country experiences in Ghana. If results from present and possible pilot testing would be positive, the NGOs may want to use these experiences in scaling up PPP in Ghana and in replication in other countries.

The scope of this mission is on water supply for the urban poor but the orientation for the future is to include the full water chain that is the water sources, the water supply, and the waste and waste water management.

Both at the Ghanaian and the Dutch side, the result of this feasibility mission on PPP is expected to give a significant input in the policy and strategy dialogue on PPP for water services in urban areas with a focus on the poor.

The Netherlands Government is supportive to this initiative on the feasibility of PPP for the urban poor as they are presently the major investors in the urban water supply rehabilitation in Ghana; and there is a great interest in the assessment of the potentiality of PPP options and the co-financing of the introduction of PPP.

The *Proposal for Financing* gave the framework for this mission (*Summary Proposal* - Appendix 1). It gives the purpose, objectives, methodologies, activities, and expected results and reporting.

The main purpose of the mission is to assess the feasibility for a PPP on water services for the urban poor in Ghana. Main questions for analysis include:

1. Is there demand among the urban poor, Ghanaian NGOs & private sector parties, and national and local (municipal) decision-makers? Specifically in the local context of the regions of the North of Ghana;
2. Is there an organisational and (legal) institutional framework at the public and private sectors which can support, sustain and develop initiatives in a PPP approach;
3. What are the conditions, requirements and risks and lessons learned of a PPP approach in the local context;
4. Are there other sustainable approaches Ghanaian partners have experience with, and what are their conditions and risks; and
5. Is there sufficient interest among the key Ghanaian NGOs and private parties to become owners and pro-actors for a possible PPP project being supported by Dutch NGOs?

Chapter 2 of this report gives the 'State-of-Affair' in water supply in small towns and peri-urban areas with a focus on institutional arrangements and recent developments in private sector participation in urban water supply. Definitions on PPP and sustainability are given in Chapter 3. It forms the framework for the analysis of the feasibility on PPP. The actual analysis and results are formulated for six small town management options and four peri-urban options in chapter 4. Details are appended. In Chapter 5 the conclusions and recommendations are given.

The two-week mission took place from 31 January-14 February 2004. The team was composed of six members, three Ghanaian representing NGOs and the Private Sector, and three Dutch members, all from NGOs. The mission was supported by the NWP-NGO group. The Ministry of Foreign Affairs (DGIS), Partners-for-Water, and other members of the NWP-NGO GROUP have financially supported the mission.

The mission had discussions with key stakeholders at national, regional (Northern Region) and district level, including Ministry of Works and Housing, GWCL, CWSA, Netherlands Embassy, multi-and bi-laterals, NGOs including several members of the Coalition-Against-Privatisation (CAP), District Assemblies, other small town stakeholders, and, of course, the consumers in three small towns in the Northern region and Upper East Region, and in peri-urban Tamale. The Northern regions were chosen for reasons of high percentage of poor people, expected demand and poor infrastructure. The conclusions, recommendations including the proposed follow up are not restricted to the Northern Regions but apply to the whole of Ghana. A debriefing and roundtable discussion was organized to present the preliminary conclusions and recommendations. The detailed itinerary and the list of people met are attached as Appendix 2 and 3.



# 1 State of Affairs

## 1.1 Situation of water provision in small towns and urban areas.

### 1.1.1 Small Towns

Ghana has 287 small towns (population between 5,000 and about 25,000) with piped water supplies. Some are old or new community-managed water systems built by GoG with assistance of ESAs or directly by NGOs (including charitable organisations); others have been built under the community water and sanitation programme (CWSP) which started in 1994, while the remaining part are systems transferred from GWCL to the District Assemblies. Many of the small towns systems are in disrepair and require substantial rehabilitation. Over the last 15 years, many small towns saw their water supply improved mainly with financial support from ESAs. A 5% financial contribution for the capital costs from the community and in some cases a corresponding 5% contribution from DA is required for development of these small town schemes.

Actual water supply coverage figures for STs do not exist. Lists of STs with rehabilitated systems are available. In the three northern regions, 36 small towns were included in a Canadian-supported programme (GAP1 and 2 (1990-2000)). In other regions, the EU, IDA, Danida, KfW, and other ESAs have been supportive. All ST water systems are owned by the DAs. CWSA is the facilitator of development and rehabilitation (including planning, funds sourcing, implementation), supporter of management system developments (guidelines and capacity building), and is responsible for monitoring of functioning of installed systems and progress with water supply delivery.

There are two features in small town ownership: (i) small town systems built with support of CWSA with a 5-10% contributions from DAs and community members to the investment costs, and (ii) systems transferred from GWCL to DAs for community management. The latter are governed by memorandum of understanding (MOU) signed between GWCL (for those systems it owned) or MWH (for those systems the GoG owned) and CWSA. In the MOU, both GWCL and MWH transferred all their "rights, assets, property and interests whatsoever in all small towns supply systems". CWSA, in turn, was required to transfer these systems on some terms to DAs, for community management as soon as they were serviceable. Legally, therefore, transferred small town systems are the property of the DAs. Being the lowest legal authority at the local level, DAs hold these systems in trust on behalf of the communities. In respect of systems funded by ESAs and the Communities, these communities feel that the systems belong to them directly and they can take and are responsible for all decisions pertaining to their operation. This sense of physical ownership is not only formed by the contribution they made, but also by the definition of "community management" in the CWSA Act to mean the management of their "water supply and related facilities including the ownership, planning and maintenance and collection of revenues to pay recurrent costs".

### 1.1.2 Urban areas

All larger towns and cities, about 70 in total, have water systems centrally managed under GWCL. The present role of GWCL includes production, transmission, distribution of water and all financial aspects including billing and revenue collection. The Company has serious institutional and organisational problems and is perennially beset with poor service provision (both in terms of quantity and quality), poor cost recovery, weak capacity for operation and maintenance and widespread poor financial management

The official coverage figure for urban water supply is 70% but it is also estimated that only about 40% of those connected have regular supplies. Despite the efforts to privatise most components of water supply in urban areas, GWCL staff claims that the Company is competent to continue with production and transmission of water. Indeed the technical capacities are probably present, although management and accountability would remain weak and so would be the level of efficiency. Officials of the Ghana Water admit to be weak in distribution and financial management issues, and would like to see those aspects of their operations handled by an external operator in a suitable PPP arrangement.

Generally the systems under GWCL suffer from lack of investment for upgrading, expansion and rehabilitation. GoG and external funds have dried up since a decision to privatise was proposed about a decade ago. A combination of high unaccounted-for-water (more than 50%) and poor revenue collection by the Company means that revenue collected is often just sufficient for payment of recurrent costs only.

There is a clear separation between governance of water resources (managed by the Water Resources Commission) and water supply systems. Ownership of connected urban systems rests with GWCL. By virtue of an act of parliament, the GWCL has had the monopoly for the provision, distribution and conservation of water for domestic, public and industrial purposes in large towns and cities. The Company is empowered by legislation to enter any land in a connection area and install or inspect water supply. There is less clarity about ownership of privately (or non GWCL) installed point sources or piped sources with limited scope. Existing WRC rules imply that private suppliers can operate legally to supply water provided they have properly obtained water abstraction rights. Indeed there are examples of such privately installed systems in several towns.

## **1.2 Institutional framework**

### **1.2.1 Policies, plans and strategies**

Ghana's Water Sector appears to be governed by various policies available in documents from different ministries and agencies (MIME Consult, 2001). There are likely to be contradictions in the wide range of policy documents and a good review and streamlining is recommendable. The sector would gain from an overview document giving the policy frame and implications related to all aspects of rural, small town and urban water supply in the context of decentralisation.

Policies exist on the principle of *cost recovery* for O&M costs for urban systems. No such policy exists for small towns managed by the WSDBs, although the CWSA has developed guidelines for tariff setting for use by District Assemblies. In particular the policy on coverage of costs of expansion and major rehabilitation of systems is unclear – both at the small town and urban level. The financial investment policy for rehabilitation, expansions, upgrading of water supply systems in urban and small towns is entirely lacking. The expected privatisation of the urban water supply would be accompanied with substantial investment for rehabilitation and expansion of water systems (estimated at \$ 1.3 billion while the Netherlands Government gave support for € 100 million, with another € 100 million pending; other ESAs have also allocated funds). CWSA is conducting a stakeholder consultation and a policy dialogue. It is expected that this process should lead to an extensive overview of policies and guidelines.

A report on the PPIAF/CWSA Study on Private Sector Participation in Small Towns' Water Supply (MIME Consultant, 2001) lists 10 relevant laws and policy statements. These Acts refer to the operations on GWSC (the predecessor of GWCL), CWSA, Water Resources Commission, the Public Utility Regulatory Commission, and the Environmental Protection Agency. Other Acts outline the responsibilities and

powers of the Local Government. The Constitution of Ghana (1992) allows PSP taking into account the specific local conditions. A Letter of Sector policy issued in support of the IDA sponsored CWSP II Project from the MWH emphasizes the institutional restructuring, the decentralisation policy and the directions in PSP; this letter also states that the GoG will continue subsidising investments in rural and small town water supplies.

### **1.2.2 Regulatory and legal framework**

The Public Utility Regulatory Commission is the independent national regulatory body for public utility water and electricity services. It is a centrally located institution with regional branches dealing only with urban utility services and not rural and small town systems managed and operated by the Districts and communities. Therefore, wherever the DAs are legally responsible for water supply in the district towns, the PURC is not regulating their water supply services. In these cases the DAs are themselves the regulators of their own systems. Therefore, STs and rural water supplies lack an independent regulator; an issue that needs to be addressed. The CWSA has an advisory role towards the DAs; for instance, it indicated a ceiling for ST water tariffs. Both DAs and CWSA can consult the PURC in developing capacity for regulating and monitoring.

The PURC's main functions are the provision of guidelines on urban water tariffs, the approving of proposed tariffs (including the social water tariffs), and the protection of interests of both consumers and providers of urban water (and electricity). Water quality monitoring and enforcement is supposed to be done by the PURC. In the absence of an independent regulator for 'community-managed' water systems in STs, key regular checks on water quality, and external financial and performance audits are usually not done.

In urban areas the ownership of the infrastructure is with the GWCL, while ST water systems are owned by the DAs. These two are legally established bodies. The GWCL is not yet a decentralised organisation and therefore operates independent of the local government structures in the municipalities and the districts. At ST level the WSDB (Water Board) and the WATSAN Committees have the key responsibilities for day-to-day management of water systems. But they are not legal entities and can therefore not sue or be sued. The Water Board is fully dependent, responsible and accountable to the DA. Key decisions of the Water Board need always approval from the DA; for instance tariff adjustments, investment plans etc.

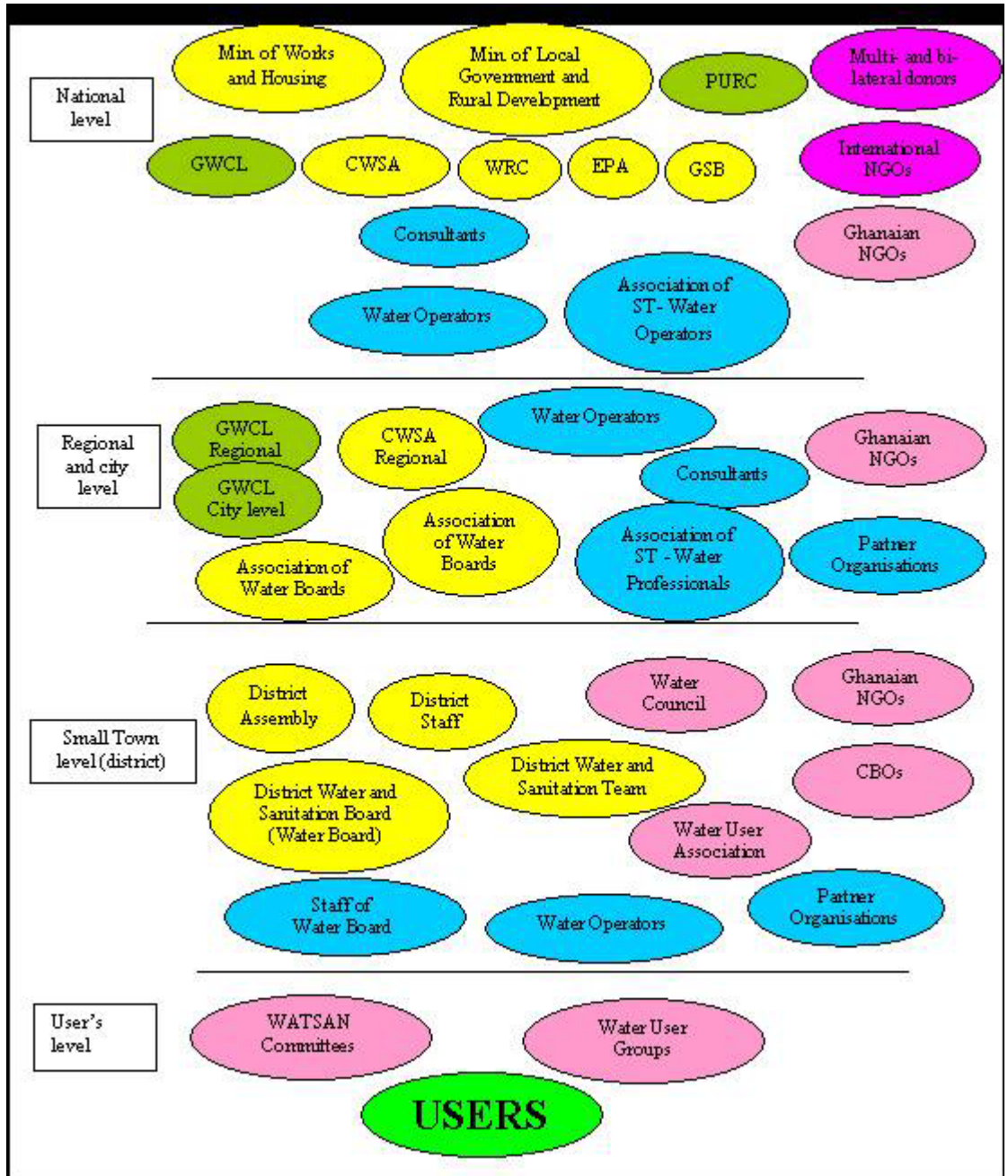
### **1.2.3 Decentralisation, focus on small towns and peri-urban areas**

The passage of national legislative instruments (LI) on decentralization 1994 led to the creation and empowerment of 110 District Assemblies as the key institutions for local governance including water and sanitation development at the district level. Decentralisation has involved the devolution of specific roles, responsibilities and powers over the management of local affairs to the District Assemblies. Although the Act clearly states that DAs do not have responsibility over urban water supply (which remained under the centralised management of GWCL), the concept of community management of water supply in rural and small towns puts the responsibility for ownership and management responsibility on the DAs. DAs can and usually have the governance delegated to the WSDBs. The DAs remain the legal body owning the infrastructure and the power to adopt water tariffs. In practice, this means that the WSDBs propose investment plans, tariff changes etc. for approval by the DAs.

### 1.3 Actors, roles and responsibilities

The present key actors in PPP for pro-poor water supply in urban and small town water supply are: MWH<sup>3</sup>, MLGRD, PURC, GWCL, CWSA, Association of Water Boards, DAs, DWSTs, WSDBs, WATSAN Committees, users, Water Councils, private sector companies, Association of Water Operators, Consultants, POs, small-scale independent providers, Ghanaian NGOs, and international NGOs, multi- and bi-lateral donors. Other actors include EPA, GSB and the WRC. The roles and responsibilities of the actors in pro-poor urban and small town water supply are listed in table 1, largely based on the work of MIME Consultant (2001).

**Box 1**



**Table 1: Overview of roles and responsibilities of various stakeholders in water supply for the poor in urban areas and small towns (adapted from MIME Consult, 2001)**

<sup>3</sup> It is likely that this Ministry will be renamed next year into: Min. of Water, Works and Housing

<b>Areas</b>	<b>Role or responsibility</b>	<b>Peri-urban area</b>	<b>Small Towns</b>
Policy and strategy	• Policy formulation	MWH	<b>MWH</b>
	• Policy implementation	GWCL	<b>CWSA/DA</b>
	• Strategy formulation	MWH/GWCL	<b>MWH/CWSA/DA</b>
	• Strategy implementation	GWCL	<b>CWSA/DA</b>
	• Monitoring of coverage (MDG) and effectiveness	MWH/GWCL/NDPC	<b>MWH/CWSA/NDPC</b>
Investment planning and development	• Planning	GWCL	<b>CWSA/DA</b>
	• engineering design	GWCL, consultants	<b>Consultants</b>
	• construction	Contractors	<b>Contractors</b>
Financing of new systems, major rehabilitation, expansions	• identification of funding sources and negotiations	GWCL, MWH	<b>CWSA/ESAs</b>
	• funding sources	GoG, ESAs, Private Sector	<b>GoG, ESAs, DAs, communities</b>
	• funds responsibility	GWCL	<b>CWSA/DA</b>
	• project oversight and monitoring	GWCL	<b>CWSA, consultants</b>
	• loan repayment	GWCL, GoG	<b>GoG</b>
Legal ownership of water systems	• Legal ownership of water systems	GWCL, Private Sector <sup>4</sup>	<b>DAs, Private Sector</b>
Facilitation and backstopping	• Facilitation, backstopping, technical assistance	GWCL, consultants	<b>CWSA, POs, Consultants</b>
	•		
Capacity building	• capacity building	Consultants, National institutions	<b>Consultants, POs, Resource Centres National Institutions</b>
Management of water supply systems	• overall management	GWCL, Private Sector	<b>WSDB, Private Sector</b>
	• operations and maintenance	GWCL, Private Sector	<b>WSDB, Private Operators</b>
	• regular repairs	GWCL, Private Sector	<b>WSDB, Private Operators</b>
	• major overhauls and major replacements	Contractors	<b>Contractors</b>
	• billing and revenue collection	GWCL, Private Sector	<b>WSDB, Private Operators, vendors</b>
	• internal performance and financial auditing	GWCL, Private Sector	<b>DAs, WSDBS, Private Operators</b>
	• external performance and financial auditing	Audit Service	<b>Consultants</b>
	• Regulations and monitoring of operations	PURC, GSB, EPA, WRC	<b>CWSA, DA, WRC</b>
Tariff structure	• Guidelines	PURC	<b>CWSA</b>
	• Setting	GWCL	<b>WSDB</b>
	• Approval	PURC	<b>DA</b>
Water quality	• defining standards	GSB	<b>GSB, CWSA</b>
	• monitoring	PURC	<b>DWST, CWSA</b>
	• enforcement	PURC	<b>DWST</b>
<b>Consumers protection</b>	• Consumers protection	<b>PURC</b>	<b>DA</b>

<sup>4</sup> Private Sector owns their privately installed systems (officially approved)

## 1.4 Ongoing developments

### 1.4.1 Sector Reform (CWSA and GWCL)

The GoG has since 1994 been pursuing a restructuring of the water sector. The objective is to improve efficiency and improve access to potable water for the population. The key elements of the process has involved the de-linking of rural/small towns water supply, the establishment of promotional/regulatory bodies and the promotion of increased private sector participation in the water supply process. Under the reform, the GWCL was made the Agency responsible for urban water supplies only, while District Assemblies (DAs) and communities were mandated to provide these services to rural and small towns, based on a demand-driven approach with the CWSA playing a key facilitation role.

#### Box 2: Key Interventions in the Sector Reform Process

- The conversion of Ghana's parastatal water utility company (the Ghana Water and Sewerage Corporation) into a limited liability company – the Ghana Water Company Limited (GWCL)
- The setting up of a semi-autonomous Community Water and Sanitation Agency (CWSA) to assume responsibility for community water supplies (rural areas and small towns)
- The establishment of an Advisory Committee to oversee the processes leading to PSP in the urban water sector (the Water Sector Restructuring Secretariat)
- The establishment of the Public Utilities Regulatory Commission (PURC) to regulate tariffs and activities of public utilities
- The Issuance of a policy statement on PSP in Urban Water Supply and pursuit of cost recovery in urban water delivery in October 1997
- The packaging and transfer of 110 small towns from GWCL to DAs for community management
- Establishment of the Water Resource Commission to control the use and development of all water resources in the Country.

Underlying the process of sector reform in Ghana has been the on-going process for the decentralization of local governance. The devolution of functions in the Water and Sanitation Sector to local government bodies has made the DAs the statutory owners of the waters systems in small towns and rural areas. The decentralization of management has helped to develop the capacity of local government in facilitating service delivery (rather than implementation of projects) and has provided the impetus for sustained community-driven development.

As part of the reform process some 110 municipal piped water supply systems were short-listed to be shifted from management under GWCL to the DA. 98 DAs opted for this shift from GWCL. This applied only for smaller towns (above 5,000 people and to about 15,000, although the upper limit has never been clearly set), who demanded this change. CWSA would support these DAs to build the institutional and organisational structures for management of their systems. Up to now, 67 out of 98 small town water supplies have been actually handed over. GWCL is hesitant about handing over more small town systems to decentralised management by the DA due to concerns about the possible negative impact on the privatisation process. The impression is that the World Bank has played an important role in this process/decision and still yields much influence.

#### **1.4.2 Privatisation of Urban Water Supplies**

The state of urban water supply in the 70 cities and towns that are managed by the GWCL has been very unsatisfactory. Despite its monopoly and Government support with payment of capital funds, the performance of GWCL has been very weak. The Company estimates water coverage figures at 70%. However only about 40% of the population has water regularly flowing through their taps. The remainder of the population have to buy water at 4-10 times the normal tariff with water tankers and vendors. Most peri-urban populations experience perennial water shortages and in most cases have flowing water only once a week. The corporation's structures for revenue collection are largely non-functional and cost recovery is only adequate for recurrent costs. Clearly the operations of the GWCL have not been socially and financially sustainable.

Since the mid-nineties, The GoG, with support from the World Bank, has pursued a policy of private sector participation (PSP) in urban water supply with a view to ensuring greater efficiency in the management of both capital and manpower resources. So far the effort has focused on developing the policy, institutional, legal and regulatory framework to support the PSP process. Various planning studies including the analysis of PSP options, tariffs and willingness to pay have led to the preparation of a business framework. The option chosen involves having the entire water supplies of some 70 cities/towns privatised, while the ownership of the infrastructure remain in hand of the GoG, managed by GWCL (under Ministry of Works and Housing).

The process of privatisation has met much resistance. In particular, a National Coalition against Privatisation (CAP), comprising mostly of local NGOs and Civil Society Groups, has been at the forefront of the opposition to the on-going Government's effort at privatisation. The CAP is instead advocating for an approach that will ensure that control over water supply remains in public hands, excludes foreign operators and focuses on building capacity for decentralised management of water supplies with a strong emphasis on community management along the lines practised in rural areas and small towns in Ghana. Details of the alternative proposals are in the process of being worked out.

In 2003 the process stalled when it became clear that none of the short-listed prospective multinational private operators was interested in bidding for the assignment. Subsequently, the GoGs planned fast track implementation of the business plan for privatisation has been held in abeyance.

The UK's DFID have recently sponsored studies towards ensuring that the on-going process is pro-poor. The proposals have included the establishment of a monitoring unit within the Ministry of Works and Housing whose role will be to monitor the role of public institutions associated with water services delivery to the urban poor and low income households. Current discussions on the future of the PSP is also considering other pro-poor instruments including the institution of a "Revolving Connection Fund" to enable poor households connect to piped water systems and special incentives that will encourage the private operator to promote connections in poor areas.

However the framework for future governance and management of the urban water sector is still very fluid and the policies and structures that will set the stage for the expected revamping of the urban sector are yet to be finally elucidated.

#### **1.4.3 Capacity Issues and NGO- Public sector dialogue**

Lack of capacity at the DA and among the WSDB for the management of facilities is a widespread problem. Most small town water supply systems are not managed optimally due to a lack of

managerial and technical skills, a general lack of accountability and transparency in handling of finances by WSDBs and their operating units and a lack of regulatory and control mechanisms at the DA level. Frequent changes in WSDB personnel means that there is a continuous need for retraining of new personnel. Moreover WSDBs are often politicised in a way that affects their effectiveness.

Recent and on-going projects are seeking to tackle the issue of low capacity for small towns' water supply systems. These include specific projects like the District Capacity Building Project (DISCAP), which is actively focusing on developing capacity of WSDBs in the three northern regions and the Danida supported initiative involving the KNUST/UCC which has seen the development of courses for WSDB capacity development.

There have also been some positive developments regarding collaboration and promotion of dialogue between stakeholders: These have included:

- The Annual Mole Conference which brings together NGOs, CWSA and other key stakeholders like the DAs for deliberations on sector issues
- The trend towards formation of Associations and Coalitions of key players involved in the development of small towns' water supply. These have included:
  - Association of Water and Sanitation Development Boards
  - Association of Small Town Water Private Operators
  - Association of Small Town Management Personnel

These groups and fora are all in an early process of development and their presence and capacity vary widely per region. All of them need support to enable consolidation. They have the potential to serve as effective channels for ensuring effective planning, capacity development and quality assurance within the professional branch, and they could form a basis for active knowledge management and promotion of policy dialoguing.

## **1.5 Interest in PPP as option for water provision in Ghana**

Historically the private sector has been actively involved in provision of services for urban/small towns' water development. Consultants and Contractors have been involved in systems design, construction, provision of training and technical assistance, spare parts procurement and service delivery for operation and maintenance. Within many cities and small towns in Ghana small scale independent providers (including water vendors) have provided valuable services in areas where supplies by the utility have been unreliable. However, until recently there has been little emphasis on exploring this option of public-private partnership.

Examples of PPP are to be found in the small towns sector. Under the just-ended World Bank/PPIAF funded project, PPP in small towns' water supply has received increased attention. Studies carried out under the Project have led to a better appreciation of the potential for PPP in small towns' water supply. The initial studies were followed up with a pilot project that tested the principles of PSP in four small towns. These towns were selected to enable the monitoring of PPP experiences under different town characteristics. These monitoring results would be compared with monitoring results of DA-managed CWSA schemes in other towns.

Under the PPIAF, CWSA embarked on a screening exercise towards the operation and maintenance in small towns and received responses from 36 respondents. Four of these enterprises were



selected and are currently involved in pilot projects in the four small towns. Staffing for future PPP efforts in small towns is not expected to pose a major problem given the expectation that the implementation of the proposed restructuring within the GWCL under the on-going PSP process will result in staff redundancy of about 1,500 trained and experienced GWCL personnel. These staff will be available to operate in small towns as DA employees.

The positive trends outlined above suggests that there is a significant interest and a positive drive among sector decision makers (both at the urban and small towns level) to promote PPP. There is a widespread interest among district assemblies for improving their small towns' water supply systems in terms of their efficiency, effectiveness and sustainability. Most DAs see PPP as a possible solution to the problem of sustainable management.

However it is difficult to distinguish interest for PPP from a general interest in improving water supplies. The meaning of PPP and its implication are also not well understood by key partners like the DAs and the Private Sector. In particular the need for special interventions for tackling the needs of the poor are not appreciated among most stakeholders and approaches for incorporating this need are not well developed. Moreover it is clear that the drivers for PPP vary widely for different stakeholders.



# 2 PPP in Ghana

## 2.1 Setting the stage

The concept of *private-public partnerships* (PPP) for delivery of water has many interpretations. These reflect the perspectives of various stakeholders with different backgrounds, motives and aspirations. The mission has been using a working definition within the clearly outlined context of urban water supply to avoid doubts and to minimise any ambiguity. This chapter gives an overview of different scenarios having a potential for PPP in Ghana; it also sets out a frame and criteria along which the potential options are assessed to test their viability for providing a sustainable basis.

### 2.1.1 Definition of PPP<sup>5</sup>

Literature on the terms 'public-private partnerships (PPP),' 'private sector participation (PSP), and 'privatisation' are used interchangeably, often causing misunderstandings about the intent of analyses and policy proposals. To ensure clarity, the scope of the present analysis, and in attempt to put it into a manageable framework, the term PPP is deconstructed as follows:

- The first "P" for **public** includes all institutions that exist for public purposes, and generally represent an organ of government with a clear mandate. The public sector includes communities, local authorities, national ministries, legislatures and the cabinet, elected and appointed offices, and services like the police and the military. Water Utilities occupy a kind of intermediate status, and are generally defined as public if their budgets come directly from a government institution, and as private if they have shareholders and pay dividends.
- The second "P" refers to the **private** sector. Private usually means a natural person, or a legal person in ownership of one or more natural persons. Private companies operate in the formal and informal sector and vary in size. The 'private sector' includes individual entrepreneurs, micro, small, and medium-sized enterprises; family enterprises, and national and international companies. A defining characteristic is that it engages in economic activities and makes a profit, generating surpluses that are returned to the natural persons and legal persons who own the enterprise.  
In addition, interpreting 'private' in contrast to 'public', it includes most non-governmental entities and institutions. Civil society organisations, including non-governmental organisations (NGOs), community-based organisations (CBOs), and religious organisations are all considered part of the private sector, although they do not meet the criteria of profit-making, and their status as economic agents is open to discussion.
- The UNDP uses the term **partnership** to describe 'a spectrum of possible relationships between the public and private actors'. In this spectrum the two specifically indicated factors are the ownership and investment responsibility, which can vary from being a fully public responsibility to being a fully private responsibility, and the government role, which can vary from providing a service or fulfilling a function itself, with its own workforce, to enabling, supervising, or contracting that function to another public or private entity.  
This feasibility assessment considers an additional PPP characteristic: PPP sets out to achieve a common goal that cannot be achieved by partners individually.

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<sup>5</sup> Following definition as proposed by WASTE in 'Developing Public Private Partnerships on ISWM in Southern Cities', Draft December 2003

→ **Public-private partnerships are defined as a collaboration between at least one private actor and at least one public actor, working together with the aim of mobilising additional knowledge, skills and other resources to achieve a common goal that cannot be achieved by partners individually.**

Accepting this broad definition of PPP implies the inclusion of a wide range of possible arrangements in this feasibility analysis, from complex concession arrangements lasting 30 years and operated by foreign private companies to small-scale contracts to local private enterprises, e.g. for construction or occasional maintenance activities. These are often referred to as PSP options (Private Sector Participation), as they shift a major part of the responsibility for water provision and investments from the public to the private sector for longer periods of time.

The more complex, large scale options have been discussed and debated in Ghana and other countries, and are in fact the constant focus of policy discussions on national and international levels. Meanwhile, potential partnership between local, formal and informal private entrepreneurs, local governments and communities, parastatal and public institutions, and / or Non-Governmental Organisations (NGOs) and Community Based Organisation (CBOs) remain relatively unexplored. There are some examples of Tri-Partite Partnership or Tri-Sector Partnership in which the public, private and NGO sector have specific roles in the project cycle and management.<sup>6</sup>

### **2.1.2 The small town and peri-urban setting**

This study focuses on small towns and peri-urban areas. To do this effectively, the context of sustainable water supply in Ghanaian small towns and peri-urban poor has been discussed.

#### ***Small town setting***

In the CWSA Act a small town is defined as “a community that is not rural but is small urban and that has decided to manage its own water and sanitation systems”. In this mission, only small towns with piped water supply are being considered. The commonly used population range for a small town is from 5,000 to 50,000, but GWCL has been hesitant to transfer small town water systems if the population is above 15,000. Furthermore, small towns have a service function for the rural areas and are often the seat of the district authorities. In most small towns the economic activities are limited and water supply services households, small commerce and industries (chop bars, etc.) and government and private institutions such as hospitals, schools and police. The character is the town lay-out is dense in the commercial centre where there is a market, to a low housing density away from the centre, giving the town a semi-rural outlook.

#### ***Peri-urban setting***

Peri-urban area is a part of a city at the outskirts that largely or fully depend on the water utility services of the city. In many situations the infrastructure (distribution network) is not covering the total area, and the water supply is often less than in the city centre. The reasons for these low service levels are multiple: (i) historically the main system was in the town/city centre; (ii) economic developments are more concentrated in the city centre, and therefore investment of scarce funds for rehabilitation may have been spent there; (iii) servicing the poor have a politically lower priority than other residential areas; (iv) the voice of the poor is less heard; (v) the limited supply of water does not reach the far ends of the distribution networks, even if rationing is applied.

Usually the very poor live in the peri-urban with less developed road, electricity and water infrastructure.

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<sup>6</sup> see Business Partners for Development; <http://www.bpd-waterandsanitation.org/english/docs/busbenefit.pdf>

### 2.1.3 Sustainability of the systems: Infrastructure and institutional framework

The sustainability of water services provision is determined by the physical systems put in place and by the institutional framework that determines decision making, tariff setting, management responsibilities, conflict management and monitoring activities among others.

The analytical framework of this feasibility assessment includes the following areas required for the sustainability of water supply: (i) institutional; (ii) technical; (iii) financial; (iv) community involvement and participation; and (v) environment.

Specific factors within these areas include:

- **Institutional arrangements and their sustainability depends on a range of issues:**
  - Clarity of *institutional responsibilities* such as ownership, governance (including the control of key decisions), management and monitoring
  - *Skills and competence* of the human resources involved in the management of water systems &
  - presence of a functional independent *regulatory framework*.

Also included under institutional sustainability are the processes and tools that ensure transparency, accountability and consumer/ user participation in the design and operation of the water services (including internal and external technical and financial audits). These are closely linked to the level of active involvement of communities, users and marginalized groups.

- **Technical** sustainability depends on the types of technologies used in water production, transmission and distribution (service levels), including the level of capacity required for technical management and operations, and the ways it accommodates environmental and social (capacity- and preparedness-to-pay) conditions. The technology to be applied depends on the source and the quality of the raw water. Groundwater has better quality needing less or no treatment, while surface water may require extensive treatment to meet the water quality standards. If alternative sources available, the one requiring least O&M should be chosen. The type of management may also influence the availability and level of skills of technicians needed to do O&M. Service levels in water supply define the required level of investment and finance for the upkeep.
- **Financial** sustainability focuses on the recurrent costs of the water service and the operation and maintenance of the system, as well as on the financial management capacities and the capacities and preparedness of people to pay for the services. The latter depends to a great extent on the reliability of the water service, the transparency of the tariff setting and collection systems and the levels of monetary incomes of each household. The monetary income must be defined within broader national income/poverty levels.

While costs recovery and capital costs contributions are necessary if water services are made to be sustainable over time, the application of these principles often denies access to the poorest people. Cost recovery are often managed from a mechanical perspective, and not in a wider social sense that is sensitive to the complexities of poverty and conscious of the role of community action in the financial sustainability of water systems.

Whereas financial issues tend to focus on cost recovery for operations and maintenance (O&M), long-term financial sustainability is also of major importance. Major replacements and extension of systems depend on long-term budget planning and sourcing of funding, which is often neglected by both public entities and the private entrepreneurs.

For private sector profitability is an important factor for sustainability of provision of services. A detailed analysis on profitability is attached as Appendix 3

- A sustainable decision making and management process calls for early and **effective participation and involvement** of communities and/ or user groups. Community involvement, including specific aspects such as women’s participation, is central, and should be addressed and assessed regularly. If a community has a sense of ownership over the services, these will be better maintained and used properly. Such sense of ownership can only be generated through real participation in decision making processes related to all aspects of water provision. Regular communication between decision makers, those operating and maintaining the system and communities should be an integrated part of all management activities.

Private sector operators do not tend to cater for, or lack the skills to ensure such participatory processes, social mobilisation needs to be factored into project design and made an explicit component in partnership contracts. Within the notion of sustainability, equity is a major benchmark. Equity calls for user participation and the explicit consideration of women, men, youth and indigenous groups in decision making and implementation.
  
- **Environmental** sustainability calls for a combination of appropriate technologies and inclusion of environmental –up-stream, down-stream- considerations in the design of the system, the treatment of sewage and the extraction of groundwater resources.

Given the short time-span of the study, and the current lack of data and knowledge about the actual state of the water resources in Ghana, this important element of sustainability is not included in this assessment.

Since the water services options analysed in this study are mostly pilots, it is important to also consider their replicability to other parts of Ghana, and beyond.

#### **2.1.4 Pro-poor focus/ equity**

One of the main drivers behind the growing national and international interest in water provision is the recognition that drinking water (and sanitation) is key to improving the livelihoods of poor people all over the world. Not only does one of the eight Millennium Development Goals refer directly to water, but water has been recognised as a basic human right and brings out several issues including the right of the poor, marginalised and/or disadvantaged groups whose right to potable water must be guaranteed as component parts of any sustainable arrangement to deliver water in a small town or peri-urban setting.

Research on private sector participation reveals that the involvement of local communities and users of water and sanitation services is often lacking in reform or development programmes. The focus has often been placed on consultants and construction. Social mobilisation and community participation are often considered an unnecessary burden. Poor communities in particular have no access to information or decision making. This issue of lack of participation and ownership are not confined to the water sector but experiences show that the absence of user participation in such programme arrangements will often lead to limited successes or complete failure.

In order to avoid failure, and in attempt to ensure that the poor are included and involved at all stages from design through evaluation in the processes of reforms and improvement in the water sector, service providers should perform four tasks:

- Deliver safe water to all, including to the poor and vulnerable;
- Deliver affordable and accessible services;
- Deliver sustainable and reliable services, and
- Ensure transparency and accountability to users through communication and education. <sup>7</sup>

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<sup>7</sup> WaterAid and Tearfund, *New rules, new role: Does PSP benefit the poor?*, London 2003, and Sohail, M.

## 2.2 Framework of analysis: the overview

For each management option the following areas and their key issues are analysed for feasibility of sustainable water services to the urban poor.

1. Institutional sustainability
2. Financial sustainability
3. Sector/stakeholder capacity
4. Community involvement
5. Pro-poor and equity arrangements

### 1. **Institutional setting:**

This analyses the institutional arrangements, roles and responsibilities, and possible conflicts. Each of the options is analysed using a frame of 10 key institutional functions and the responsible institution with an extra condition on the explicit pro-poor focus (Table 2). If no overlaps are found between mutually exclusive functions, the first condition towards sustainability is expected to be met.

**Table 2: Frame of responsibilities on institutional functions**

Institutional functions	Responsibilities
Ownership	Legal owner of system
Governance	Entity in control of key decisions including planning, tariff setting, budgeting in the name of interest groups; oversight of management
Management	Day-to-day decision making in framework of annual plan, deliverables and budget
Operations	Operation and maintenance activities, billing and tariff collection
Communication to communities	Ensure accountability and transparency, facilitate participation in decision making
Regulation	Protection of the interest of the consumers/ users and environment
Finance (LT)	Ensure long-term financial sustainability, including extensions and major replacements and capacity maintenance
Capacity Building	Ensure adequate human capacity to fulfil responsibilities
Guidance/information	Provide knowledge, information to strengthen fulfilment of responsibilities
Monitoring	Monitoring performance, management and decision making transparency and accessibility of poor people
Pro-poor arrangement	Is there any specific arrangement to ensure accessibility to a minimum quantity of water to poor people and their families?

### 2. **Financial sustainability:**

Capital investments, operation and maintenance costs, tariff setting, billing and revenue collection.

### 3. **Capacity requirements**

Performance capability describes the ability of the parties involved in the partnership to effectively play their roles as partners and have the requisite expertise to perform specified functions/roles assigned to them as described in the contract agreement.

Entity availability indicates whether sufficient number of individuals/professionals/entrepreneurs is available and whether they are prepared to undertake/participate in WSDB, professional tasks or in PPP

#### 4. **Community involvement**

The analysis is around the involvement of the community of users or the risk of being marginalised. The women are a specific target group as they are the drawers of water and key persons in maintaining hygienic standards at home. The community involvement hinges around key decisions in the management of water service provision including accessibility, reliability, amount and quality of water, and the tariff setting. In case of extensions of the service area and upgrading of the service level, the community is to be involved in the planning, design, construction and management of the system.

#### 5. **Pro-poor and Equity arrangements**

The key issue is whether the option effectively promotes water supply to all ethnic and income groups in the community. Pro-poor and equity arrangements should span all stages of water supply projects/ programmes.

### **2.3 PPP in Ghana: Experiences and lessons learned**

The private sector in Ghana has always been involved in water provision, either as contractors, consultants, social advisers and capacity building, and technical assistance in maintenance activities. However, no partnership approach has developed 'in full' and none of the initiatives has been on a long term basis in the direct production, management and distribution of water to the consumer until very recently.

Since 1995, discussions surrounding PPP is emerging in the wake of the discussion on Private Sector Participation in the national Ghana Water Company (GWCL) and in conjunction with the international discussions on achieving the Millennium Development Goals (MDGs) by 2015.

In the course of the mission's consultations with stakeholders in Ghana, PPP has been said to be a potentially viable option for improving water services and increasing access. However, the need to ensure sufficient democratic/ public control over any private sector involvement and to avoid collusion between private operators and their public counterparts are put forward as key conditions to ensure accessibility, transparency and sufficient control. As a result, there is a strong resistance of the Civil Society movement against large-scale, pervasive foreign private sector involvement.<sup>8</sup>

In Ghana, innovative approaches to water provision, including various forms public- public as well as public-private partnerships are emerging. As implementation of these approaches started only recently, dissemination has been sparse. Lessons learned are not yet available in a form that can be of immediate use to most sector players.

#### **Ongoing initiatives in Ghana**

The mission has been able to identify the following cases that could inspire a series of potential PPP options for water provision in Ghana's small towns and peri-urban areas. These offer the benefits of recent practical efforts at testing the viability of sustainable delivery of water among other options.

- a) PPP pilots in selected small towns: Bekwai, Atebubu, Enchi and Wassa Akropong
- b) Savelugu Water Board management and distribution of bulk water delivered by GWCL<sup>9</sup>

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<sup>8</sup> Accra Declaration on the Right to Water, National Forum on Water Privatisation, Accra 2002(?)

<sup>9</sup> See for a full description and analysis of this case: ISODEC and CPHD, Public – Community Partnership model for water delivery in Ghana: A Case study of the Savelugu water system, Accra/ Tamale, July



- c) Peri-urban Accra (Pro-net) (Ningo): Community – Public – Private for profit – NGO
- d) Tamale town/ peri-urban: New Energy User Enterprise Groups (not yet operational)
- e) Sandema and Salaga, small towns in the Northern Region that operate following the standard CWSA option, i.e. fully public systems.

# Feasibility

## 2.4 Small towns: Feasibility Analysis per option

The options in management and operational arrangements for small towns are:

1. Public-Public: DA and WSDB with hired professional staff
2. Public-Public-decentralised: DA, WSDB and WUGs with hired professional staff
3. Public-Private: Agreement between DA/WSDB and Private Operator/Entrepreneur
4. option for increased profitability: Clustering of small towns, under one or several DAs to provide better economy-of-scale.
5. Private-Community: agreement between private operator/entrepreneur and community water user groups
6. Public-Public-Private-Bulk supply: Agreement between GWCL and DA/WSDB, and between WSDB and Private Operator/Entrepreneur
7. Public-Public-Bulk supply: Agreement between GWCL and DA/WSDB with hired professional staff

Detailed analyses are given in appendix 4.

### 2.4.1 Public – Public: DA and WSDB with hired professional staff

In this option the DA transfers the management responsibility of the water system to the WSDB. The WSDB engages professionals (service operators) to undertake the operations and maintenance responsibilities and the board maintains the administrative and oversight management responsibility of the water system. The DA is the regulator of the operations of the water supply services.

#### Institutional Setting:

Institutional functions	Responsible institution
Ownership	DA
Governance	WSDB
Management	WSDB and hired staff
Operations	WSDB and hired staff
Communication to communities	WSDB
Regulation	DA
Finance (LT)	DA
Capacity Building	DA; NGOs, ESA
Guidance/information	<i>CSWA, Ministry of LGRD, NGOs, ESA, Association of Water Boards.</i>
Monitoring	<i>CWSA, Ministry of LGRD [?]</i>
Pro-poor arrangement	No

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

**Conclusion Option ST-1: Public-public partnership (present standard CWSA option)**

This standard option of the CWSA is applied in most small towns under CWSA. The overall institutional structure is clear. However, the responsible institution for capacity building of the stakeholders is unclear. This option requires returning capacity building efforts as the composition of the DA and WSDB frequently changes. The DA has delegated the responsibility to the WSDB but often in practice the WSDB experiences limited autonomy and is being 'politicised'. The DA has too many responsibilities (ownership, regulation, monitoring, financing) that may cause conflicts. The WSDB should be capable and confident to independently manage the system, maintain transparency and accountability. In the present reality limited capacity, low professionalism and motivation put these at risk. If the group of hired professionals is strong, they may overrule a weak WSDB. Close monitoring and accountability is needed to maintain trust between different stakeholders: DA-WSDB, WSDB-hired professionals, WSDB-community.

The above mentioned requirements and risks need to be addressed in order to increase the feasibility of this – in general feasible - option.

**2.4.2 Public-Public-decentralised: DA, WSDB (with Operation Unit) and WUGs with hired professional staff**

In this option the DA transfers the management responsibility of the water system to the WSDB. The WSDB engages hired Service Professionals (sometimes also called Operation Unit) for day-to-day O&M of the production, transmission and distribution system. The WSDB supplies bulk water to sub-communities (electoral zones and/or rural communities along the pipeline) organised as Water User Groups (WUGs). The volume measurements are done using bulk meters. The various WUGs engage Service Professionals (Service Operators) to undertake the operations and maintenance responsibilities and maintain the administrative and oversight management responsibility of the water system in the sub-communities.

<b>Institutional functions</b>	<b>Responsibility</b>
Ownership	District Assembly and community
Governance	WSDB + <b>WUGs</b>
Management	Operation Unit + WUGs + hired staff
Operations	Operation Unit + WUGs + hired staff
Communication to communities	WSDB + WUGs + Operation Unit
Regulation	DA
Finance	DA + WUGs
Capacity Building	DA + WUG, NGOs, ESAs
Guidance/information	CWSA, <i>Ministry of LGRD</i> , NGOs, <i>ESA</i> , <i>Association of Water Boards</i>
Monitoring	CWSA, <i>Ministry of LGRD</i> [?]
Pro-poor arrangement	No

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

**Conclusion option ST-2: Public-Public Partnership, decentralized option.**

The basic institutional structure is the same as in option ST-1. Since the community through the Water User Groups for each zone has an active role in control and decision-making, this option has a higher feasibility than the previous one. To function well, the key condition is that the WUGs are capable to control the WSDB to do their job. Training is required for the various stakeholders to enable them play their role effectively. And therefore, if capacities of WUGs and WSDB are limited, the transparency, accountability, communication etc. may be low. The same risks on DA and WSDB, and hired professionals exist as in the ST-1 option.

**2.4.3 Public-Private-Partnership: DA/WSDB, Private Operator/Entrepreneur and Community of user**

In this option the DA/WSDB (on behalf of the 'community') contracts a Private Entrepreneur (PE) to manage the water system by undertaking the administration and technical management of the water supply services. The PE is expected to be more efficient in these functions than the WSDB. The contract agreement spells out the roles, responsibilities and obligations of the PE and WSDB. The DA is the regulator of the operations of the water supply services.

<b>Institutional functions</b>	<b>Responsibility</b>
Ownership	DA
Governance	WSDB
Management	Private Operator
Operations	Private Operator
Communication to communities	WSDB, Private Operator
Regulation	DA
Finance	DA, <i>Private Operator [?], ESA,</i>
Capacity Building	DA, <i>Private Operator, NGOs, ESA, Association of Water Boards, Association of Private Operators</i>
Guidance/information	CWSA, <i>Ministry of LGRD, NGOs, ESA, Association of Water Boards, Association of Private Operators</i>
Monitoring	CWSA, Ministry of LGRD [?]
Pro-poor arrangements	<b>No</b>

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

### Conclusion Option ST-3: Public Private Partnership

The experiences with this option are few and based on 18 months only. Nevertheless, it has demonstrated to be potentially very feasible. A number of requirements and risks have been identified that need to be addressed for it to be sustainable. Clear contractual terms including conflict management are required; these should include performance reporting using key indicators that ensure accountability and transparency; this adds to the advantage of the option. These are also needed to reduce the common mistrust of the private sector and the risk for collusion. The multiple role of the DA and the presence of a weak WSDB are serious risks for political interference. For the private operator profitability is required for continuation; therefore, the critical mass of population and consumption, affordable tariff and effective consumer-private entrepreneur relations need to be stressed explicitly. Lack of profitability may also be caused by poorly functioning production and distribution systems while rehabilitation is not feasible due to lack of finance. As for all options, adequate capacities are needed for efficient functioning and performance.

### Increasing the profitability for the private operator

To increase the profitability for the private operator, clustering of small town water supply systems can be considered; see figure 1. Appendix 4 gives an analysis of the profitability of PPP for ST water supply.

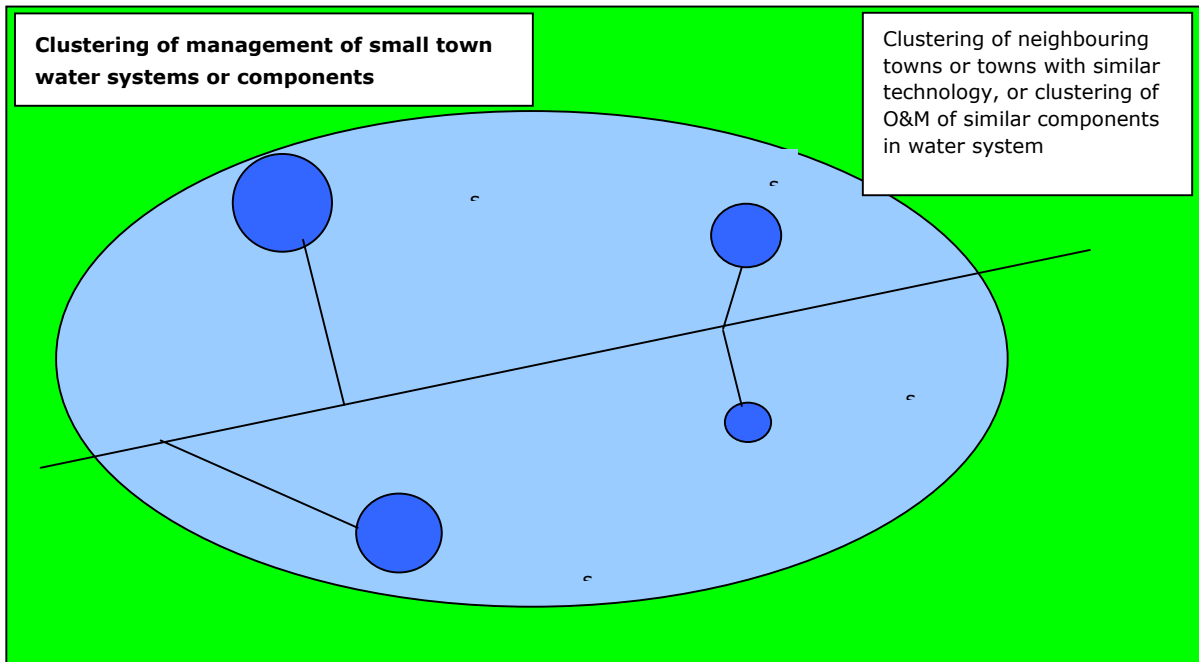


Figure 1: Clustering of small town water supply systems

**2.4.4 Private-Community: private operator/entrepreneur and community water user groups**

Institutional functions	Responsibility
Ownership	Water Users Groups or Private Sector
Governance	Multi-stakeholder Water Board: Water Users, CWSA , or Private Sector
Management	Private operator
Operations	Private operator
Communication to communities	Private operator through WUGs – consumers, and/ or directly to consumer.
Regulation	DA [??]
Finance	Private sector, NGOs
Capacity Building	<i>NGOs, ESAs, Training institutions; Private Sector</i>
Guidance/information	CWSA [??], <i>NGOs, ESA; Association of Private Operators [??]</i>
Monitoring	CWSA [??]
Pro-poor arrangement	<b>No</b> [?]

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

This approach is a stand-alone option that caters for parts of towns and cities where the overall water supply system does not reach, or where sustainable and easily accessible alternative sources of water provision are available. The option described is being developed in Tamale (by the NGO New Energy), trying to combine strong community involvement with private entrepreneurship. The initiative is in an early phase, and therefore roles and responsibilities, especially of the MA and GWCL, are not yet clearly defined. This lack of clarity makes it difficult to indicate institutional responsibility for monitoring and regulation.

**Conclusion option ST-4: Private or community enterprise with Water User Groups**

This option is currently being developed in Tamale. Several roles and responsibilities still need to be defined. If the investment will be done by the private entrepreneur, he will have many functions. When an NGO has done the investment, the ownership and governance need to be further agreed, while the management and operation will be done by a private operator. Special attention goes to the role of a multi-stakeholder board. Communication and trust are key requirements. The option has a good feasibility for sustainable water supply in a very small town or as a supplementary water supply in an average-sized small town.

**2.4.5 Public-Public-Private-Bulk supply: GWCL and DA/WSDB, and WSDB and Private Operator/Entrepreneur (zonal option)**

Institutional functions	Responsibility
Ownership	DA
Governance	WSDB
Management	Private operator
Operations	Private operator
Communication to communities	Private Operator/GWCL
Regulation	DA
Finance	DAs, ESAs,
Capacity Building	DA, <i>NGOs, ESAs, National Training Inst.</i>

Guidance/information	<i>CWSA, NGOs, ESA, Association of Water Boards, Association of Private Operators</i>
Monitoring	CWSA
Pro-poor arrangement	<b>No</b>

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

This option centralizes production and distribution, delivering bulk water supply to specific zones of a small town. At the moment, no actual town is implementing this option. Again, the role and responsibilities of GWCL 'outsourcing' distribution is unclear.

Analysis and conclusion are the same as for third option: PPP for small towns. However, because of this zoning the profitability of the private operator is being reduced which may put the sustainability at risk.

#### **2.4.6 Public-Public-Public-Bulk supply: GWCL and DA/WSDB with hired professional staff**

This option consists of GWCL signing an agreement with DA/WSDB to supply bulk treated water (supply is metered). WSDB is then responsible for only the management of the water system i.e. the distribution, tariff setting and revenue collection in the community in which it serves. WSDB hires professionals to undertake the operations and maintenance responsibilities and maintains the administrative management of the water system. This can be in two forms where GWCL supplies water to: i) one-offshoot community (one WSDB, e.g. Savelugu, Northern Region) and ii) cluster of small towns (different WSDBs, no examples in Ghana but practised in Uganda)

#### **Institutional Setting:**

<b>Institutional functions</b>	<b>Responsibility</b>
Ownership	DA/GWCL
Governance	WSDB
Management	WSDB (hired staff)
Operations	WSDB and hired staff.
Communication to communities	WSDB
Regulation	DA
Finance	DA
Capacity Building	<i>DA, NGOs, ESA, Association of Water Boards, Association of Private Operators</i>
Guidance/information	<i>CWSA, NGOs, ESA, Association of Water Boards, Association of Private Operators</i>
Monitoring	CWSA
Pro-poor arrangement	No

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

**Conclusion option ST-6: Public-Public-Public with bulk water supply**

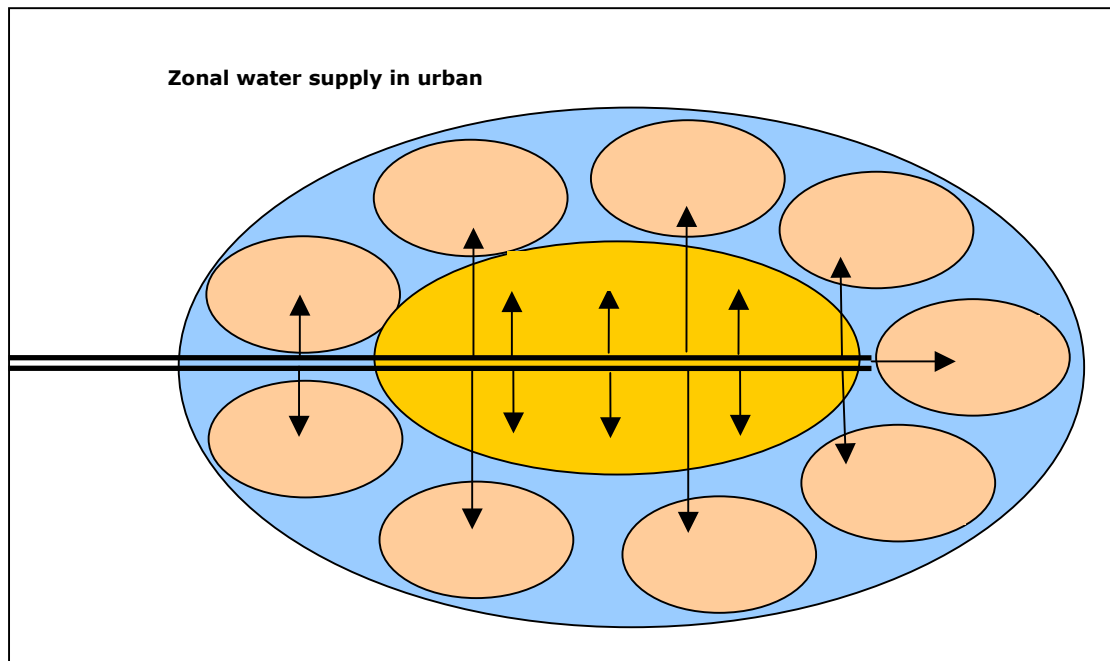
As the water is bought in bulk from GWCL (or another bulk supplier) the tasks of the DA/WSDB are limited to distribution. The risks for technology failure are lower than the comparable option ST-1. Nevertheless, the feasibility of the option lies with the capacity, motivation and professionalism of the DA, WSDB and hired staff. The key requirements and risks are as in option ST-1, particularly the transparency and accountability. As the local conditions and capacities vary, there remain still serious risks for sustainability.

**2.5 Peri-urban areas: Feasibility Analysis per option**

The possible options or operational arrangements are:

- 1. Public-Private-Partnership: Agreement between GWCL (bulk supplier) and Private Entrepreneur (PE) and Water Users Association in peri-urban zones – see figure 2.
- 2. Public-Public-Private Partnership: Agreement between GWCL (bulk supplier) and WSDB and Private Entrepreneur
- 3. Public-Public Partnership: Agreement between GWCL (bulk supplier) and WSDB with hired professionals
- 4. Private-Community Partnership: Agreement between Private Entrepreneur and Water User Groups

In stead of the GWCL as bulk supplier another large private operator contracted by GWCL to do the management and operations of the total urban water supply can supply water to the zones.



**Figure 2: Zonal water supply in urban and peri-urban areas**

### 2.5.1 Public-Private-Partnership: Agreement between GWCL (or another bulk supplier) and for each peri-urban zone a Private Entrepreneur and Water User Association

The GWCL contracts a PE to manage the water system by undertaking the administration and technical management of the water supply services. The PE is expected to be more efficient in these functions than the GWCL. This option centralises production and distribution by GWCL or another bulk water supplier; they will deliver bulk water supply to specific zones or the peri-urban areas of bigger towns and cities. At the moment, no actual town or urban area is implementing this option. The role and responsibilities of GWCL in 'outsourcing' the urban/peri-urban distribution is unclear. This will be even more so when the restructuring of the urban water supply will transform GWCL into an asset leasing company. Giving GWCL this water production and transmission responsibility (as proposed by several directors and managers in GWCL) remains an option to be discussed. But even if larger (local/international) water companies are managing the urban water supply, this option still stands. It is further unclear whether a city environment allows for strong water user associations because of the heterogeneous population composition. As an alternative to strong community involvement to ensure that consumers are represented in decision making processes, a Consumer Association may play an important role in monitoring delivery in peri-urban areas.

#### Sustainability criteria analysis

Institutional functions	Responsibility
Ownership	GWCL
Governance	GWCL [?]
Management	PE
Operations	PE
Communication to communities	PE and WUA
Regulation	PURC
Finance	MA [?]; GWCL [?]
Capacity Building	MA, PE, NGOs, ESAs, Association of Private Operators
Guidance/information	<i>Association of Private Operators, Training institutions, NGOs, ESAs</i>
Monitoring	MA [?], MLGRD [?], Consumer Association
Pro-poor arrangement	<b>No</b>

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)



### Conclusion of option peri-urban-1: Public private bulk supply

This option has not been tried in Ghana before but seems feasible provided there is strong community involvement of the WUA/WUGs. Good contractual arrangements are important and must include the relationship between the users and the private operator. Accountability and transparency remain key requirements, also for the peri-urban options. The contract agreement should provide articles to guarantee lifeline water supply service to the poor. Profitability for the private operator depends on a critical number of consumers, quantity of water consumed. This profitability can be increased through clustering of peri-urban zones.

#### 2.5.2 Public-Public-Private Partnership: Agreement between GWCL (or another bulk supplier) and WSDB and Private Entrepreneur

GWCL sells water in bulk to the WSDB that distributes it to the peri-urban community. Each electoral (or other demarcated distribution area) has a WSDB. The WSDB transfers the management and operations of the water supply services to a PE to perform specific functions that could not be performed efficiently by the WSDB. This option is almost similar to the peri-urban option 1; the difference is that the WSDB has a role in governance and management of the water supply, either mandated by the GWCL or MA.

#### 2.5.3 Public-Public Partnership: Agreement between GWCL (or another bulk supplier) and WSDB with hired professionals

The GWCL or MA mandates the peri-urban water supply services to the WSDB. The option is the same as the previous one, but in this option no PE is contracted to do the day-to-day management of the system. This task is done by the WSDB itself with support from the WUGs and hired professionals.

Institutional functions	Responsibility
Ownership	GWCL [?] or MA [?]
Governance	WSDB, GWCL [?], MA [?]
Management	WSDB + WUGs + hired professionals
Operations	WSDB + WUGs + hired professionals
Communication to communities	WSDB + WUGs
Regulation	PURC
Finance	GWCL [?] and MA [?]
Capacity Building	MA [?], NGOs, ESAs
Guidance/information	[?], <i>Training institutions, NGOs, ESAs, Association of Water Boards</i>
Monitoring	MA [?], MLGRD [?]
Pro-poor arrangement	<b>No</b>

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

**Conclusion option Peri-urban-3: Public-Public Water Management with bulk supply**

This option could be feasible provided that the WSDB are capable, motivated and have professionalism. The advantage may be the strong involvement of the WUA/WUGs. There are a number of risks common to public management of services, including political interference. In general the risks and requirements are similar to the Small Town option 1.

**2.5.4 Private-Community Partnership: Agreement between Private Entrepreneur and Water User Groups**

In this option the Community engages a Private Operator to manage a “stand alone” water system in an urban setting. The Private Operator is responsible for the management of the water system i.e. the production and sales of water to the community in which it serves. The Water User Association or Board representing the Water User Groups supervises and monitors the Private Operator.

**Institutional Setting:**

<b>Institutional functions</b>	<b>Responsibility</b>
Ownership	Water Users Groups; private entrepreneur (depending on who invested in the water system)
Governance	Multi-stakeholder Water Board (including MA, GWCL) ; private entrepreneur
Management	Private operator
Operations	Private operator
Communication to communities	Private operator through WUGs to consumers, and/ or directly to consumer.
Regulation	PURC / MA s <b>[Roles need to be defined]</b>
Finance	Private sector, <i>NGOs</i> , <b>MA [?]</b>
Capacity Building	<i>MA [?], NGOs, ESAs, Training institutions</i>
Guidance/information	<i>NGOs, ESAs, GWCL, MA; Association of Private operators</i>
Monitoring	<b>[??]</b>
Pro-poor arrangement	<b>No [?]</b>

(in italic are the (potentially) supporting institutions; if responsibility of institution is unclear a [?] is added)

**Conclusion option Peri-urban-4: Private Entrepreneur and Community Water Users Groups**

This option is currently being developed in Tamale. Several roles and responsibilities still need to be defined. If the investment will be done by the private entrepreneur, he will have many functions. When an NGO has done the investment, the ownership and governance need to be further agreed, while the management and operation will be done by a private operator. Special attention goes to the role of a multi-stakeholder board. Communication and trust are key requirements. The option has a good feasibility for sustainable water supply in a peri-urban area or as a supplementary water supply in cities and towns.

## 2.6 Matrix

**Table 3: Matrix of different management options versus key variables on role of different stakeholders and sustainability factors**

	ownership	governance	management	Operations	Communication to communities	regulation	financing	Capacity building	Guidance/information	monitoring	Sustainability factor: Transparency-accountability	Sustainability factor: Politically-neutral	Sustainability factor: professionalism	Sustainability factor: Motivation management	Feasibility scoring
1. CWSA-option: DA-Water Board – Hired staff	DA	WSDB	WSDB + Hired Staff	WSDB + Hired Staff	WSDB	DA	DA	DA	CWSA	CWSA	Low to Average	Low	Low to Average	Low to Average	<b>Low</b>
2. Decentralised option: DA-Water Board – WUG-hired staff	DA + Community (WUG)	WSDB + WUGs	Operating Unit + WUG + Staff	Operating Unit + WUG + Staff	WSDB + WUGs + Operating Unit	DA	DA	DA + WUGs	CWSA + MLGRD	CWSA	Average to High	Low to Average	Low to Average	Low to Average	<b>Low to Average</b>
3. PPP option	DA	WSDB	PE	PE	WSDB + PE	DA	DA	DA	CWSA + MLGRD + Assoc	CWSA	Average to High	Average to High	Average to High	High	<b>Average to High</b>
4. Private – Community option	PE or WUA	PE or WUA	PE	PE	PE+WUGs	DA	PE + WUA	PE + WUA	CWSA+ MLGRD+ Assoc	CWSA+ MLGRD	Low	High	Average	High	<b>Average to High</b>
5. Public-Private Bulk supply-ST	DA	WSDB	PE	PE	WSDB+ PE	DA	DA	DA	CWSA + Assoc	CWSA	Average to High	Average to High	Average to High	High	<b>Average to High</b>
6. Public-Public- Bulk supply- ST	DA	WSDB	WSDB+ Staff	WSDB+ Staff	WSDB	DA	DA	DA	CWSA	CWSA	Low to Average	Low	Low to Average	Low to Average	<b>Low to Average</b>
1. and 2. Public-Private Bulk supply <b>peri-urban</b>	GWCL or MA	1. GWCL 2. WSDB	1. PE 2. PE	1. PE 2. PE	PE+WUA	PURC	MA/ GWCL	MA+ PE	Assoc. + GWCL	MA	Average to High	Average to High	Average to High	High	<b>Average to High</b>
3. Public-Public- Bulk supply- <b>peri-urban</b>	GWCL or MA	WSDB or WUA	WSDB+ WUGs	WSDB+ WUGs	WUGs	PURC	GWCL + MA	MA	GWCL+MA	GWCL+MA	Low to Average	Low to Average	Low to Average	Low to Average	<b>Low to Average</b>
4. Private – Community option <b>peri-urban</b>	<b>MA or PE or WUA</b>	<b>WUA and PE</b>	<b>PE</b>	<b>PE</b>	<b>PE+WUGs</b>	<b>PURC +MA</b>	<b>PE+MA</b>	<b>MA</b>	<b>Assoc+MA</b>	<b>MA</b>	<b>Low</b>	<b>Average to High</b>	<b>Average to High</b>	<b>High</b>	<b>Average to High</b>

# Conclusions and Recommendations

## 2.7 Conclusions: Is PPP feasible in Ghana?

### **Demand for PPP amongst the urban poor, Ghanaian NGOs, private entrepreneurs and/ or national and local decision makers**

Water supply in most cities and towns is inadequate due to poorly functioning and inefficient management and operation units of GWCL and local government structures including Water and Sanitation Development Boards ((WSDBs) (also called Water Boards) and their hired operational staff. Furthermore, the existing infrastructure may be degraded or the chosen water supply technology and service level is not appropriate for its specific socio-economic context.

### **Demand for PPP by the urban poor**

In all discussions and meetings the Mission team had, many people in peri-urban areas and small towns expressed their urgent need for better water services. Most people stated that they would be prepared to pay for water charges if the water supply is reliable and sufficient. While there is a demand for better water infrastructure and management systems, the urban poor did not directly demanded for active involvement of the private sector. Only after prompting the option of PPP people agreed that it might be an effective way to 'make water flow'.

Although it is generally known that at this moment the public sector is not managing the existing water systems well and misappropriation of funds has been mentioned to happen frequently, some people also indicate their mistrust of the private sector. First, because they expect that private operators are after a maximum profit from water services and tariffs will become unaffordable. Secondly, because some fear collusion between the private sector and its public counterpart, as " ...most people in powerful positions tend to have close political ties ...", which could result in further disadvantaging the poor.

### **Demand for PPP by the NGOs**

NGOs involved in water supply projects for the urban poor see PPP as a potentially feasible option, although they explicitly state that other options of private sector involvement through service contracts or hired operational staff are also important and relevant. NGOs want to consider these options in the assessment of the feasibility of PPP in Ghana.

There are some successful cases in public water supply management and operations (e.g. Savelugu (Northern Region), and Wenchi (Brong Ahafo Region)). However, management of urban/city water supply by the public sector is often inefficient and politicised making the system financially and technically unsustainable. The same applies for publicly managed water services in small towns; actually these face additional problems such as limited technical and financial control capacity and the temptation for misuse of funds.

NGOs consider the potential for the feasibility of a successful PPP somehow equal to public options. They indicated that organizational and capacity development is required for both the private and public sector. NGOs realise the need for strong monitoring capacities of the public sector, a clear regulatory framework and an enforcing regulator.

NGOs that have been prominently active in the discussions around the *privatization of city/town water supply* have clear reservations towards PPP. While they recognise that PPP for small towns and the urban poor is different from the large scale privatisation proposed by the GoG and involving international water companies, they insist on public control over water, and call for strong community or user involvement in the decision making and management of the water systems. Through the role (to be specified) of NGOs, the concept of a Tri-Partite or Tri-Sector Partnership emerges, with the NGOs as a third party. They expressed willingness to get engaged in balanced policy dialogues that allow for the inclusion of PPP alongside other viable water management options for the poor in small towns and peri-urban communities.

Implementing, knowledge/information-focused and policy-oriented<sup>10</sup> NGOs should be involved in co-facilitating the monitoring process of different options.

### **Demand for PPP by the Private Entrepreneurs**

Private sector participation in the urban water supply remains unclear after no international water company expressed interest in the tender for the two Units of (clustered) cities/towns as proposed in the business plans for privatisation of the urban systems. The further strategy of the Government of Ghana and the World Bank has not been revealed.

The local private sector is gradually organising itself for discussion and involvement in small town water supply. Recently an Association of Water Operators in small towns has been established. Most of these Private Operators are ex-GWCL staff with ample experience in water provision, most having with a technical rather than a managerial background. These Private Entrepreneurs are all involved in the ongoing 'pilots'<sup>11</sup> on management and operations of small town water supply. At present, most face a 'profitability' problem in managing their contractual obligations but expect that the business will grow and that it will become more profitable, and therefore they stay in this business.

Private operators as well as other stakeholders question the profitability of small town and peri-urban systems as they are now or even after technical rehabilitation with the most appropriate service levels. Profitability largely depends on (i) the quality of the physical infrastructure, and whether the chosen technology actually caters for the socio-economic characteristics of the area and the main user groups, (ii) the availability of seasonal or perennial alternative water sources, which the majority of the poor users may use, (iii) the applied water tariffs versus the levels of monetary income of the people living in the area, and thus the effective demand for water, (iv) the actual water consumption against the agreed tariff; for this tariff particularly the poor may use less tap water<sup>12</sup>, and (v) payment of water bills of governmental institutions (police, hospital, schools, etc.)<sup>13</sup>. The clustering of nearby small towns is an option to increase profitability (see figure2) Another sustainability factor is the selection – if possible – of the most cost-effective water source, e.g. production costs of groundwater are usually lower than surface water (less water treatment and water transmission).

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<sup>10</sup> such as ISODEC

<sup>11</sup> Four pilot towns under a GoG-PPIAF study: Bekwai, Wassa Akropong, Enchi and Atebubu

<sup>12</sup> For instance, in the small town of Atebubu (EU-supported project) the average consumption of tap water is as low as 8 lcd

<sup>13</sup> in some cases the total water consumption of these government institutions counts for more than 50% of the total

The Ghanaian private sector expressed interest in participation in these PPP options that will enhance their role and involvement in urban and small town water supply if a number of policy and practical issues are resolved. On the other hand, none of the private operators has considered integrating pro-poor considerations in its operations and maintenance, and tariff setting activities. The private sector has to develop values<sup>14</sup> for water supply to the poor, while policy and contracts must state this pro-poor commitment. Furthermore, transparency, accountability and good communication should show that the private sector is not driven entirely by profit motives.

#### **Demand for PPP by the national and local decision-makers**

National and local decision-makers expressed clear and active interest and demand for PPP as a highly potential management option for small town and peri-urban sustainable water supply. Their drive is to solve the present water supply problems from a government perspective of being responsible for water service of good quality and adequate volume to all Ghanaians. There seems to be a general expectation that PPP would present practical options for dealing with the urban poor.

Local governments (DAs and MAs) consulted have a more passive interest, i.e. they do not identify PPP as *the* option, but state that a PPP approach can have positive influences on the sustainability of local water provision. As a matter of fact, most districts know only about the CWSA public-public option, and are not adequately informed about the range of options to enable them to make an informed judgement of the most feasible and suitable management option for their situation.

#### **Demand for PPP in Northern Ghana versus the rest of Ghana**

In many urban and town environments, including Greater Accra as well as semi-arid areas as the Northern Region, water supply is intermittent, often not more than once a week for a number of hours. This seems a general picture for most urban and small town water service in Ghana. Based on visits to three towns in the Northern and Upper East Region and many discussions with a wide range of stakeholders, it can be concluded that PPP is seen as one of the potentially feasible options for water services provision in Northern Ghana.

The interest in PPP as perceived by different stakeholders is summarised in table below:

**Table 4: Interest in PPP in Ghana**

<b>Stakeholder</b>	<b>Typical Reasons for Interest in PPP</b>
The GWSC/MWH	PPP could present new approaches for tackling the intractable problem of extending water to the peri-urban areas and low income households.
District Assembly	PPP could open the door for increased efficiency and effectiveness in management and hence improved and sustainable water supply. DAs think the possibility of capital investments from private sector could help increase coverage. The limited profitability may be a problem.
CWSA	CWSA sees PPP as a key sector principle whose concepts have to be developed and implemented sector wide.
WSDB/AWSDB	PPP could help circumvent numerous problems of politicisation, lack of capacity, inefficiency, transparency and accountability.
Local private sector	PPP could help provide structured framework for contracts, stable income and profits.

<sup>14</sup> For instance through a "Code of Conduct"

Local NGOs/CBOs	Opportunity for contracts, increased efficiency, extension of coverage to the poor. But see also risks and want PPP compared to other management options.
Urban poor	Most interested in improvement of water services; they see the problems with the publicly managed systems but also fear problems with privately managed water services (collusion) and higher tariffs.

### **Institutional, organisational and legal framework**

For the common 'public' option and also for the PPP option, most parts of the essential institutional and organisational framework are present and relatively well established. However, some essential requirements are lacking or have not been adequately defined. First, the capacities of all direct and supporting stakeholders –public and private - are inadequate to ensure the long-term financial, technical and environmental sustainability. Community involvement in decision making and operations of the systems is weak. This is partly due to a lack of established communication channels with domestic consumers and other water users. Monitoring of performance has been assigned to CWSA but implementing of the monitoring is very limited. The result is insufficient documenting, analysis, learning and adjustments in the small town water sector. Monitoring results can also be used for improvement of regulation, planning, control and even conflict management.

For the moment, regulation is clear for the urban water supply as long this belongs to GWCL and as long as the particular city or town belongs to the group of towns bundled for large-scale privatisation. In these cases, the national regulator –PURC- is clearly in charge. But for small towns the regulation is causing a conflict of interest, as it has been placed with the District Assembly, that is also the legal owner of the system, and is also responsible for the oversight of the WSDB, and the decision-maker for proposed tariffs, investments etc. This multiple functional role does not create neutrality towards the regulation that is there to protect the interests of the consumers and the environment. The issue of regulation in small town water supply needs to be tackled as a Sector wide problem.

For the options in the peri-urban areas, whether (public-community or public-private) bulk water supply or (private or public/ community) stand-alone systems, the institutional frame on responsibilities and regulation needs more clarifications within the framework of the ongoing sector reform process.

The conclusion on *demand for PPP* is that before PPP, Tri-Partite Partnership or any other management option can be feasible, fine-tuning of institutional frameworks and substantial capacity building of most stakeholder groups at various levels is very much required. To keep the capacity of institutions at the required high level remains hard for institutions that experience regularly changing compositions due to elections or power play. Such institutions include District Assemblies, Water Boards (WSDB) and WATSAN Committees. Involvement of professionally competent private entrepreneurs with adequately trained and backstopped staff may provide some continuity in a regularly changing political stage. Good contractual terms between public and private sector, effective public and community control systems with NGO support, and adequate communication to the consumers may contribute to better transparency and accountability. In an unstable and non-transparent policy and institutional setting, the risk remains that the involvement of the private sector may lead to collusion or conflict between public controllers and private operators. This may ultimately result in high operational costs and unreliable or unaffordable water services, particularly for the families with low or no monetary incomes. And the poor will suffer most.



The experience with water services in Ghana has mostly been with public options or options involving public institutions and community based organisations. Based on this experience, these options seem to be feasible in community-based water supply, and therefore merit attention, also to allow for sufficient comparison in performance once different options are fully operational.

**Conditions, requirements, risks and lessons learned of a PPP approach in the Ghanaian context**

In chapter 4, potential/existing options for water services management respectively in small towns and peri-urban areas have been analysed for feasibility and sustainability; six options for the small towns and four for the peri-urban areas. Key conclusions on conditions, requirements and risks, and lessons learned, are:

- Of the six small town options, only four are really being tested in Ghana: (i) the public option (CWSA option); (ii) public-public option (decentralized option); (iii) public private partnership option and (iv) public - community (bulk) (Savelugu). Most of the small towns apply the public-DA option, introduced by the CWSA.
- Out of 287 pipes systems in small towns, four are currently in the first phase of implementing PPP in a structured way (under the PPIAF). There is no experience with PPP in urban or peri-urban areas.
- General key requirements for adequate water services provision, through PPP or other management options are:
  - strong independent WSDBs that value integrity, transparency and accountability;
  - Strong community involvement from the planning phase onwards, consultation at important decisions, and regular communication on performance, developments and problems;
  - Explicit arrangements to ensure accessibility to the poor, including affordable, differentiated (e.g. commercial versus domestic use) and block tariffs. Local arrangements for cross subsidisation and local government subsidy for the very poor must be considered;
  - Identification and implementation of monitoring and regulating responsibilities;
  - Arrangements to increase the profitability of small town and peri-urban water services.
- Identified risks of PPP:
  - Lack of clarity of the institutional framework (especially in the peri-urban situation where GWCL is operating centralised systems)
  - Weak negotiation, contracting, control and monitoring capacity at the DA level
  - Lack of structured procedures for ensuring monitoring of WSDBs and for ensuring accountability and transparency
  - No special provision made for meeting the needs of the poor;
  - Collusion between private operators and public controllers.
- For the poor in the cities and small towns, the facilitating and supporting role of NGOs towards the community-of-users is important in developing a sustainable water supply service, be it public-private or public. This leads to the concept of a Tri-Partite Partnership (TPP) in which the public, private and NGO sector have specific roles in the entire process of the project management cycle.
- Overall performance track recording is limited; learning products to help to review and further guide the processes, and compare between options hardly exist although there are projects and initiatives with inherent potentials to do so.

### **Other sustainable water supply management options and their conditions and risks**

The three public options (CWSA option-1, the decentralised option-2 and the public-public bulk supply option-6) have a good potential for sustainability provided the Water User Groups, the Executive Team of the Water Board and the DA are competent, show integrity and maintain communication with consumers and so trust. As with the PPP approach, these options face serious sustainability risks due to lack of adequate capacities, monitoring and control.

Likewise, the PPP option (3) – presently introduced for small towns only - is promising but yet to fully prove itself as a sustainable option.

The two other options mentioned (private-community option-4, and public-private bulk supply option-5) could theoretically have the potential to provide sustainable water supply services but are not yet in an operational phase, so little has been learnt to clearly justify their ability to be sustainable.

For the time being, all options for the peri-urban areas have a low feasibility until water production and delivery to the town/cities have been substantially improved. All options except one, are based on bulk water supply. The most interesting option from an NGO perspective is the stand-alone option or 4. Private Entrepreneur-Community option.

### **Interest and opportunity for a PPP or Tri-Partite Partnership project**

The interest and opportunity among Ghanaian stakeholders –NGOs, private entrepreneurs and public sectors– for a possible PPP project being supported by Dutch NGOs and Water Industry has been assessed:

- NGOs have expressed a pro-active interest in further developing options to improve water supply in small towns and peri-urban areas including public – public, public – community *as well as* the PPP/TPP option.
- National Government institutions are prepared to create a conducive institutional and legal environment and to facilitate the process to make PPP work. The same can be said of decentralised structures at the level of District Assemblies.
- Private sector activities have only evolved around the Association of Private Water Operators in small towns but pro-poor considerations are yet to be part of their grand designs. The private operators organized in the Association expressed interest to be pro-actively involved. The Association could facilitate communication, capacity building and engagement in policy dialogues by the private sector.
- Responding to Ghanaian initiatives, Dutch NGOs and Water Industry could broker funds and establish partnerships with the Ghanaian institutions involved in water supply to the urban poor. The primary functions of these partnerships could be: (i) capacity building in organization, management and operations; (ii) capacity building in systemized structures (e.g. budgeting, financial reporting), performance monitoring and reporting, quality assurance; (iii) exchange of experiences of public or public-private environments, for instance which control mechanisms to establish and how, how reduce competence differences between private and public entities; consumer-relationships and communications; (iv) country-wide monitoring of financial and technical performance; (v) documenting and sharing experiences and learning

processes; (vi) support the PPP dialogue between all parties, (vii) mutually reinforce policy influencing activities by sharing knowledge and experiences.

## 2.8 Recommendations

### Overall recommendations

- The PPP or – even better - TPP is a potentially feasible option for water supply to the urban poor. Therefore the Government of Ghana, local NGOs, international NGOs and other ESAs must give strong support for the further development. This development refers to institutional and regulatory framework, capacity building of public, private sector and users, and performance monitoring and information sharing for learning.
- The risks of PPP identified by NGOs and local communities must be taken serious. Reservations centre around the lack of affordability of for-profit water services and the risk of collusion between public controllers and private operators.
- The PPP and TPP options should be further explored and tested in different economic and water supply technology and service level settings. Performance should be compared to other options including the public one.
- The Government of Ghana with support from the ESAs should continue to support and monitor some public-public options that have also a good potential under suitable institutional conditions.
- Significant attention should be paid to the analysis of (i) pro-poor arrangements, (ii) analysis of the profitability/ capacity for cost recovery of small town and peri-urban systems in combination with the issue of affordability of the water services.
- Both Public-Public and PPP/TPP options deserve support and performance monitoring for information/experience sharing, learning and improvement of performance.
- Different options should be included in national policy discussions on water provision, e.g. by comparing their feasibility and sustainability to the large-scale privatisation option for cities/towns water supply under discussion.
- The Ghanaian and Dutch NGOs could forge partnerships in supporting the further development and improvement of the PPP/TPP and its required structures and systems.
- As the need and demand for PPP/TPP was high among the Ghanaian stakeholders the mission recommends to the Ghanaian public, NGO and private sector to define follow-up steps such as establishing a Co-ordination Group and formulate an outline for further PPP/TPP testing with a possible collaborative input from members of the Dutch NWP-NGO group.

### Specific recommendations for PPP, TPP and public options in Ghana

- *Policy and institutional arrangements*  
Make efforts at streamlining and development of practical guidelines for policy, legal and institutional framework to be supportive of PPP initiatives and initiatives implementing other management options in the water sector, to facilitate the process in general and to:
  - Meet the needs of the poor in particular.
  - Adequately motivate the private operator in small towns and peri-urban areas.
  - Support existing and potential platforms for stepping up the level of dialogue to adequately influence policy.

- *Organisation and structures*  
Set up and organise a multi-stakeholder coordination group in Ghana for learning and guiding private-public-partnership initiatives alongside other viable options in order to propose activities on:
  - institutional framework
  - financing mechanisms
  - capacity building
  - monitoring and piloting of the PPP/TPP variants and others.
  
- *Pro-poor arrangements*  
The poor, deprived and all marginalized groups of all forms should be considered at concept and planning stages of PPP/TPP and not as an “after thought” or added “desirables” and must also be actively involved at all stages of programme cycle.
  
- *Community and gender requirements*
  - The community in its different representations must be involved at the very onset of the negotiation and decision making on PPP/TPP or other management arrangements. During implementation, clear arrangements have to be made to include them as active participants at all stages of the management cycle.
  - From the onset, such participatory processes must include women and men, and cater for their different daily activities and priorities.
  
- *Monitoring*  
A systematic, participatory and interactive monitoring system need to be set up to track the various options, including varieties of PPP/TPP to facilitate proper documentation, learning, dissemination to ensure a better understanding of the issues involved.
  
- *Ownership, governance, monitoring and regulation*  
It is important for the various stakeholders to define the domain, ownership, responsibility for decentralised water systems formerly under the direct supervision of GWCL.
  
- *Financing*  
There are circumstances where profitability, and cost recovery of individual water systems may not be possible for various reasons. Under such circumstances subsidy and cross-subsidisation should be considered.  
  
There are several publicly managed institutions in small town and peri-urban communities that are not supposed to directly pay for water consumed. This situation undermines the viability of PPP/TPP (and other options) and will need to be discussed at ministerial levels to find a lasting solution.
  
- *Capacity building*  
Actions are recommended to build capacities for PPP/TPP among all stakeholders to engage them in the dialogue and in possible implementation of the PPP/TPP process.

