

# Global Water Scoping Process

Is there a case for a multistakeholder review of private sector participation in water and sanitation?

**Scoping Report**  
FULL REPORT



Published by ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators). Consumers International, Environmental Monitoring Group, Public Services International, RWE Thames Water, and WaterAid, with support from German Technical Cooperation (GTZ).

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This report was written by Deborah Moore and Penny Urquhart.

This Full Report has a companion Executive Summary entitled "Global Water Scoping Process: Is there a case for a multistakeholder review of private sector participation in water and sanitation?"

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## PREFACE

"The Brazilian National Government, under President Lula, is committed to improving Brazil's water and sanitation services. To solve this problem in developing countries is an enormous challenge. It is necessary to mobilise all available resources in order to achieve universal provision of safe water and sanitation services as soon as possible. These services are ultimately a government responsibility, which requires appropriate mechanisms of regulation and popular participation. A balanced multistakeholder review of the world's experiences on private sector participation should lead to a better understanding of the private sector's role in contributing to the goals of universal coverage. The Brazilian Government supports, and looks forward with great expectation, to the implementation of this project, not only for Brazilian citizens but to ensure this fundamental human right for all the citizens of the world."

**Olívio Dutra, Minister of the Cities, Brazil**

"The challenge for a global multistakeholder review of PSP would be first to get the questions right and then to get the right group to address them. I believe that the process should focus on meeting the needs of the unserved, asking the question "how best can we achieve the Millennium Development Goals in water supply and sanitation?" The question then is not whether PSP is good or bad, but rather what contribution the private sector can make to achieving the MDGs better and faster. While framing the questions will be fundamental to the success of any process, it will be equally important to ensure that people who have actually done the job of service delivery in different contexts are included. If that can be done, I am sure that South Africa will be supportive of a multistakeholder global review of PSP that seeks to build a consensus for achieving the MDGs rather than simply providing one more platform for sterile and ultimately unproductive polemics."

**Mike Muller, Director General, Department of Water Affairs and Forestry, South Africa**

"A review of PSP is very necessary as not everybody has access to potable water, and water is life. We would like to see the review looking at how the poor can get access to water without so much of a burden to them. The poor should be treated fairly, the same as any other members of society. INPART is looking forward to a review of what is really happening in the small-scale sector. We are very willing to participate and would like to share our experiences, as long as people are truly willing to hear what the real situation is."

**Elsa Mejia, INPART Engineering, Small-scale independent provider in the Philippines**

"The ugly and polarised debate about 'private versus public' delivery of water services is not helping to achieve the desired goal of meeting basic human needs for water for all. What is needed is an independent assessment of the risks and benefits of private sector participation and the development of clear, agreed-upon benchmarks and standards for such participation. If a review process can foster agreement on needed rules and standards, then progress toward meeting the Millennium Development Goals would be faster and more effective. Such a process must have adequate buy-in, independence, and good analysis. The Scoping Process thus far has made a good faith effort to engage a wide variety of stakeholders. If the diversity of stakeholders can come together for an open, transparent, and rigorous review process – and commit to implementing its outcomes – the Pacific Institute would be interested in participating."

**Peter Gleick, President, Pacific Institute for Studies in Development, Environment, and Security, and co-author of "The New Economy of Water: The Risks and Benefits of Globalization and Privatization of Fresh Water"**

"The present model of private sector participation is predicated on an untested presumption that it is only the private sector that can help us deliver - and the focus is on the MNCs. ISODEC feels that a review is necessary to look at what the areas are where the private sector could play a role, in order to assign them less sensitive, less controversial roles. The review should also begin to find out whether, in terms of the MDGs, governments and communities could be strengthened - could the MNCs play a training role - could they transfer their expertise? The review should include a process in which the MNCs open themselves up and become more transparent in their dealings. ISODEC is prepared to spend time participating in a global review, but this must result in a public end product, and not a document kept by the sponsors."

**Rudolf Amenga-Etego, Deputy Executive Director (Programmes), Integrated Social Development Centre (ISODEC), Accra, Ghana**

"Water is everybody's business. The debate about private versus public provision of drinking water and sanitation has much of a red herring to it. It pins pros and cons against each other in a rather ideological way, instead of exploring where and when which mode delivers best to the poor and drives pro-poor growth. Many conflicts reflect people's perception of having no voice in water sector reform. An international multistakeholder dialogue on this issue will help to bring public and private sector together with civil society to join forces in fighting poverty."

**Stefan Helming, Director General, Planning and Development, GTZ/German Technical Cooperation**

## SUMMARY

In recognition of the costs of polarisation, there was strong support for a global review of the impact of private sector participation (PSP) in water at the International Freshwater Conference in Bonn, Germany in December 2001. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, welcomed the proposal for “a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard.” A Working Group, formed from organisations with widely differing backgrounds and views on private sector participation, took up the challenge and explored the case for a Multistakeholder Review through the Global Water Scoping Process documented in this summary report. These organisations are:

- ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators)
- Consumers International (International federation of consumer advocacy NGOs)
- Environmental Monitoring Group (South African NGO)
- Public Services International (International labour federation)
- RWE Thames Water (Multinational water services corporation)
- WaterAid (International development NGO)

The Scoping Process was supported by GTZ/German Technical Cooperation, and was facilitated by two moderators.

The Working Group worked from the premise that resolving the controversy around PSP is an essential step towards achieving the Millennium Development Goals for water and sanitation. This report is the final product of this Scoping Process, and describes the perspectives of a wide range of stakeholders regarding the impacts of PSP in water and sanitation. It describes the major faultlines in the debate, based on the perspectives of stakeholders; identifies key questions that can help reframe the debate in a positive fashion towards meeting the goals of universal access to water and sanitation; and makes recommendations about how to undertake a global multistakeholder review of PSP in water and sanitation.

After reaching out to more than 300 stakeholders in this Scoping Process, it was clear that there is broad interest in, support for, and value in pursuing a multistakeholder review of private sector participation in water supply and sanitation. The Working Group thus recommends proceeding to a Stakeholder Workshop, at which decisions can be taken by a wider group of stakeholders over whether to proceed or not with a multistakeholder review, and if the decision is to proceed, how the review should be organised.

**An Executive Summary of this Full Report is available from the websites and organisations listed on the inside cover of this report.**

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We would especially like to acknowledge the work of the Brazilian Working Group on PSP in Water and Sanitation in helping us to translate materials into Portuguese and for arranging many meetings during the Brazil visit. We thank Carina Romero, a graduate student pursuing joint degrees in the Energy and Resources Group and the Goldman School of Public Policy at University of California-Berkeley, for developing and analysing the database of email survey responses. Thanks to Indah Budiarti for organising logistics and the labour meeting in Jakarta, to Bobet Corral for arranging the labour focus group in Manila, and to Jude Esguerra of Bantay Tubig for hosting an NGO focus group in Manila. We gratefully thank Rory Villaluna and Noriel Simbulan of the Philippine Centre for Water and Sanitation for arranging the meetings with community members and cooperative members in Metro Manila, and Elsa and Mylene Mejia of INPART Engineering for their time and effort and for facilitating meetings with aguadors. In Africa, we thank Kwame Frempah-Yeboah of the Community Water and Sanitation Agency for his wonderful help; as well as Elizabeth Eilor of the African Women's Economic Policy Network and Jochen Rudolph of the GTZ-funded Reform of the Urban Water Sector project for helping to organise a number of meetings with stakeholders.

The Working Group would like to thank the organisers of the December 2001 Bonn Conference on Freshwater for providing the space for this Scoping Process to be initiated, and BMZ for support provided that made this Scoping Process possible. The Working Group would also like to thank the two moderators, Penny Urquhart and Deborah Moore, for the quality and speed of their work.

There are many other people who provided valuable advice and assistance during the Scoping Process who are not mentioned by name here. To one and all: Thank you!

## Glossary

### Acronyms

CSD	Commission on Sustainable Development
GATS	General Agreement on Trade in Services
GTZ	German Technical Cooperation
IMF	International Monetary Fund
ISO	International Standards Organisation
MDGs	Millennium Development Goals
MNCs	Multinational Corporations
MSH	Multistakeholder
PIFIs	Public International Financial Institutions
PPPs	Public-Private Partnerships
PRSPs	Poverty Reduction Strategy Papers
PSP	Private Sector Participation
SAPs	Structural Adjustment Programmes
SSIPs	Small-scale Independent Providers
UFW	Unaccounted-for-water
UN	United Nations
WCD	World Commission on Dams
WSS	Water supply and sanitation
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

### Terminology

**Commodification** – The process of converting a good or service formerly subject to many non-market social rules into one that is primarily subject to market rules.<sup>1</sup>

**Corporatisation** – Investing autonomous public providers with operational independence, a clear public identity, and a direct contractual relationship with consumers.

**Millennium Development Goals** – (MDGs) A set of eight internationally agreed development goals. The MDGs for water and sanitation are to halve the proportion of people without access to improved water sources and sanitation by the year 2015. The sanitation target was developed at the World Summit on Sustainable Development, but is now considered part of the set of MDGs.

**North/South, developed/developing** – When discussing political debates involving developed and developing countries, regions are referred to as “North” and “South.” When distinguishing among operational or economic issues, countries are generally referred to as “developed” and “developing.”

**Public International Financial Institutions** - These include the World Bank, regional multilateral development banks, the International Monetary Fund, and bilateral Export Credit Agencies.

**Private sector participation** – (PSP) This Scoping Study focuses on domestic water supply (potable water and water for daily needs), sanitation, and wastewater treatment; in both rural and urban areas. Industrial and agricultural water use is not a primary focus. The range of PSP includes: full privatisation, divestiture, concessions, lease/affermage, management and service contracts, consulting services, public-private partnerships with NGOs, and small-scale water entrepreneurs.

**Private water companies** – Private water companies refers to those private companies involved with delivering water services directly to consumers or municipalities, including multinational water companies, and large-, medium-, and small-scale domestic and local water companies. Other private businesses engaged in the water sector are generally referred to as the “private sector,” such as private subcontractors.

**Privatisation** - The term is sometimes used broadly to refer to the numerous ways of privatising water, such as transferring operational responsibilities or selling of public water rights to private companies. In this Scoping Study “privatisation” is used in the narrow sense of full divestiture of assets, while “private sector participation” (PSP) is used in the broader sense defined above.

**Public water utilities** – Refers to public or government entities involved with delivering water services directly to consumers or municipalities.

**Small-scale independent providers** – Refers to water vendors, bulk suppliers, providers of connections to formal networks, septic system providers, and others providing WSS in rural, peri-urban areas, and urban areas.

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<sup>1</sup> Peter Gleick et. al., “The New Economy of Water: The risks and benefits of globalization and privatization of fresh water,” February 2002, p. i.



## CHAPTER 1. Introduction

### 1.1 Water, sanitation and private sector participation

#### 1.1.1 Background

Water is life! This declaration, which started as a rallying cry from poor communities, indigenous peoples, and environmentalists, is now embraced by governments, the United Nations, and water providers the world over. However, the sad truth is that more than one billion people around the world do not have access to clean, safe water to drink and more than two billion people do not have access to adequate sanitation. Some have decried this situation as the biggest development failure of the twentieth century.<sup>2</sup> At the beginning of the twenty-first century, the challenges of providing universal access to water supply and sanitation are beginning to receive the political attention they deserve.

Since the first call for universal access to drinking water and sanitation at the Mar del Plata conference in 1977 – which established the first International Decade for Water Supply and Sanitation with the goal of universal access by 1990 – gains have been made in supplying water services to hundreds of millions of people, but as it stands today, billions still need access. As of 2000, about 82% of the world's population has access to drinking water and 61% has access to improved sanitation.<sup>3</sup> More than 80% of those without access to drinking water are in rural areas, and sanitation coverage in rural areas is about 40%.<sup>4</sup> Moreover, others have argued that the deficiencies in water and sanitation are much worse than these figures suggest.<sup>5</sup>

The international community has taken notice of the enormous needs for water and sanitation services (WSS) and have agreed to specific targets and timetables, which are laid out in the Millennium Development Goals of 2000 and the World Summit on Sustainable Development goals in 2002. These goals are to halve the proportion of people without access to safe drinking water and basic sanitation by the year 2015.<sup>6</sup> Meeting this goal will require bringing drinking water services to an additional 1.6 billion people (60% in urban areas) and sanitation services to an additional 2 billion people (split evenly between urban and rural areas) by 2015, noting regional differences such as drinking water needs being highest in sub-Saharan Africa and sanitation needs being highest in Asia.<sup>7</sup> With the challenges of expanding access, come questions and debate over the means and the funds required to achieve these goals.

A frequently advanced proposal for meeting these needs is to increase the role of the private sector in financing, producing, delivering, and managing water and sanitation services. While private companies have long been involved in the water sector in a variety of capacities in different parts of the world, what *is* new in recent years is how the private sector has been supported in the rapid expansion of this role, and how society views the problems and benefits of the private sector role. In the last few years, dramatic conflicts over private delivery of water in Cochabamba, Bolivia, in Buenos Aires, Argentina, and in Manila, the Philippines, which have brought the issues into the public spotlight.<sup>8</sup> At the same time, some private companies and investors have been reducing their involvement in the water sector.

<sup>2</sup> Peter Gleick, *The World's Water 1998-1999*, Island Press.

<sup>3</sup> Drinking water access figures from WHO/Unicef Joint Monitoring Programme, [www.wssinfo.org](http://www.wssinfo.org), cited in Freshwater Management, background paper of the UN Economic and Social Council to the UN Commission on Sustainable Development, E/CN.17/2004/4, 11 February 2004. Sanitation access figures from WHO/Unicef Joint Monitoring Programme, [www.wssinfo.org/en](http://www.wssinfo.org/en), cited in Sanitation, background paper of the UN Economic and Social Council to the UN Commission on Sustainable Development, E/CN.17/2004/5, 9 February 2004.

<sup>4</sup> Ibid.

<sup>5</sup> See, for example, HABITAT 2003, *Water and sanitation in the world's cities*. UK: HABITAT and Earthscan.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> There are several reports from institutions with different perspectives that provide an overview of issues and concerns around PSP in water. These include, in part, Maude Barlow, *Blue Gold*, Peter Gleick, *The New Economy of Water*, Eric Gutierrez et. al., *Does PSP Benefit the Poor?*, The World Bank.

It is worth remembering that more than a century ago, private sector participation was widely debated in 19<sup>th</sup> century Europe and North America, where private sector failures, such as the failure of London water companies to provide uninterrupted water supplies, led early sector reformers to call for more public sector involvement to increase delivery of water and sanitation services<sup>9</sup>. The majority of people in the world today receive their water from public utilities and water providers. The modern recasting of this situation involves public sector failures, with some reformers calling for more private sector involvement.

While the French have relied on private companies to deliver water services for the last century, the first major water privatisation in the current era was in Britain in 1989. Since then, private water companies have grown to provide services to about 300 million people, or about 5% of the population receiving water services. Two French companies, Veolia (formerly Vivendi) and Suez, and one German company, RWE Thames Water, together control more than 80% of the large-scale private urban water market.<sup>10</sup> During the 1990s, more than \$25 billion of private investments had been made in the water sector, primarily in Asia and Latin America. Smaller domestic companies and the small-scale informal sector – for example water vendors and informal sanitation providers - are growing components of private sector participation (PSP) in water. Countless other private companies are involved throughout the water and sanitation delivery chain. Thus the figure of 5% of the world's population is a gross underestimate of the role of the private sector in water provision. Many of the roles played by the private sector in the service delivery chain, such as supplying chemicals and equipment to public or private utilities, are non-controversial.

In the past two decades of expansion of PSP in water, there have been many public scandals and claims of corruption, rapid increases in tariffs, lack of promised private capital investments, decline in quality of services, and a continued failure to adequately increase services to poor communities. At the same time, there are criticisms that the public water sector has failed to reform, improve efficiency and financial sustainability, curtail political patronage, or expand access to or quality of services. The debate became polarised across the spectrum between those that pushed PSP as a panacea to the problems in the water sector and those that want to ban PSP from any role in water. Major problems with contracts, currency devaluation, tariff increases, profiting from poor consumers, and service cut-offs to poor families who can't afford the bills were played out in the media.

### **1.1.2 Cost of conflict**

The polarisation of ideas has led to major conflicts, especially around large-scale water privatisation projects, which many stakeholders perceive to have significant costs to society. There is a stalemate of sorts among governments, donors, private companies, public utilities, labour, civil society, and affected communities on how best to move ahead with expanding water and sanitation services and improving access. Political risk and uncertainty are both factors in decreasing private investments in the water sector. The lack of clarity makes it difficult for governments and water providers to plan and implement the long-term strategies required to meet the goals of universal coverage. The costs of failed projects are also significant, often resulting from the damage caused by failing to adequately predict the consequences of certain policies or decisions, such as weak contracts or regulations. One only needs to refer to the collapse of Enron or the 2002 energy crisis in California to understand the billions of dollars of unnecessary costs that are now borne by consumers and taxpayers. No one wants to contemplate similar scenarios for the water sector on a wide scale.

Ultimately, it is the poor communities who lack access to clean, safe drinking water and basic sanitation that bear most of the costs of these conflicts in terms of continued poor health, time and resources spent collecting and treating water in terms of poor health, resources invested in collecting and treating water, and

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<sup>9</sup> UN-HABITAT 2003. [Water and sanitation in the world's cities: local action for global goals](#). UK: HABITAT and Earthscan.

<sup>10</sup> Privatization of Water Services in the United States: An Assessment of Issues and Experience by Jeffrey Jacobs, *National Academies of Science, Water Supply and Technology Board, March 2002*. (investor-owned utilities account for 14% of water revenues in US. Also, [www.thewaterpage.com/int\\_watercompanies1.htm](http://www.thewaterpage.com/int_watercompanies1.htm). Suez and Veolia account for about 220 million customers of 315 million total (70%). % privatized in 1997 – 1-5 in LDCs, 20% in central and western Europe (not incl France and Britain).

higher prices than those connected to formal networks. Given the needs of growing populations, the status quo is not an attractive option and yet currently there is paralysis in the debate.

*"The interests of the poor are not well served by the debate. Potentially good options are blocked, and bad ones are followed."* Developing country water ministry official

The Global Water Scoping Process presented in this report arose as one means of examining the issues and controversies surrounding the role of the private sector in providing the essential services of drinking water supply and sanitation for all.

## **1.2 Background to the Global Water Scoping Process on private sector participation in water and sanitation**

In recognition of the costs of polarisation, there was strong support for a global review of the impact of PSP in water at the International Freshwater Conference in Bonn, Germany in December 2001. As a result, there was strong support for a global review of the impact of PSP in water, which had been raised by different stakeholders groupings during the conference's Multistakeholder Dialogue. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, welcomed the proposal for *"a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard."*

A working group, formed from organisations that had mostly been at the Bonn Conference and with widely differing backgrounds and views on private sector participation, subsequently took up the challenge and explored the case for a Multistakeholder Review through this Global Water Scoping Process documented in this report. These organisations are:

- ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators), *Antonio da Costa Miranda Neto, Director International Affairs*
- Consumers International (International federation of consumer advocacy NGOs), *Robin Simpson, Senior Policy Adviser*
- Environmental Monitoring Group (South African NGO), *Liane Greeff, Water Justice Programme Manager, Jessica Wilson (alternate), Programme Manager: Trade and Environmental Governance*
- Public Services International (International labour federation), *David Boys, Utilities Officer*
- RWE Thames Water (Multinational water services corporation), *Richard Aylard, Corporate Social Responsibility Director; Ed Mitchell (alternate), Corporate Social Responsibility Head, European Operations*
- WaterAid (International development NGO), *Belinda Calaguas, Advocacy Manager*

The Scoping Process was supported by GTZ, German Technical Cooperation. Brief biographies of Working Group members are included in Annex 2.

The Working Group worked from the premise that resolving the controversy around PSP is an essential step towards achieving the Millennium Development Goal and WSSD goals for water and sanitation. The Working Group itself is multisectoral, which provided a microcosm of the PSP debate and created a multistakeholder process in miniature to oversee the scoping process. The Working Group has operated on a consensus basis, and all members agreed to the methods, the stakeholder outreach process, synthesis of stakeholder perspectives, and recommendations for this report. The Working Group developed terms of reference and commissioned two moderators to carry out this scoping process. The moderators – Deborah Moore, an environmental consultant from the United States, and Penny Urquhart, a livelihoods and sustainable development consultant from South Africa – were chosen on the basis of their experiences in

multistakeholder processes and water issues from both Northern and Southern perspectives, and their reputations for fostering dialogue around controversial issues. In the selection process, the Working Group took care to choose moderators who had not previously been involved directly in the PSP debate, and who would therefore be more likely to be impartial.

This report is the final product of this Scoping Process, and describes the perspectives of a wide range of stakeholders regarding the impacts of PSP in water and sanitation. The aim of the Scoping Process was to determine whether and how a PSP review could be undertaken, and sought to answer the following questions:

- What are the key issues with respect to PSP in water and sanitation, and what is the range of stakeholder perspectives on each of these issues?
- What is the case for a global review?
- Do stakeholders agree that a global review may be able to dispel some of the controversy and define appropriate measures to move forward?
- How could a multistakeholder review be run, learning from similar processes, to ensure that all stakeholder views are heard?
- How could this review lead to a new consensus, enabling action towards meeting the Millennium Development Goals?

It is important to state explicitly that this Scoping Report is *not* intended to be a review of the impacts of PSP. Thus it does not draw conclusions on the performance of the private sector in water and sanitation. Rather it describes the major faultlines in the debate, based on the perspectives of stakeholders; identifies key questions that can help reframe the debate in a positive fashion, towards meeting the goals of universal access to water and sanitation; and makes recommendations about how to undertake a global multistakeholder review of PSP in water and sanitation. This full report of the Scoping Process is a companion to an Executive Summary that is available as a separate document through the Working Group member organizations (please see the inside front cover for information on how to obtain copies or download from the internet).

### **1.3 Current context of debate**

As the role of the private sector has increased in delivery of basic public services, the public awareness of and concern about this role has also increased as well. These concerns are also linked to broader concerns of globalisation and how it relates to national sovereignty, corporate responsibility and accountability, global economic justice, human rights, and environmental protection. Countries, international institutions, and corporations that are promoting globalisation, liberalisation, and privatisation are the subjects of global civil society campaigns for reform. Water privatisation has become central in these debates, and has attracted new interest groups to the issue of water.

Recently, private investments in water have declined and some private companies have withdrawn from the water sector in the last two years, particularly in developing countries.<sup>11</sup> Questions are thus being raised about the future of private sector participation in water. Some stakeholders, in particular donors, perceive that PSP is no longer a critical issue in the debate around water. The majority of stakeholders, however, perceive that PSP remains a very live issue, with large, medium, and small-scale PSP still being promoted and growing. New models of PSP are being promoted as well, such as outsourcing and management contracts, such that many stakeholders believe that the issue of PSP is here to stay. Many public sector reforms are also aimed at making the sector more “commercial,” with similar goals and strategies as

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<sup>11</sup> Actual decline since 1996/9 period: Source: UNDP Human Development Report 2003 p.105, ref .165; refers to the World Panel on Financing Water Infrastructure, 2003.

privatisation. The public sector also contracts with the private sector throughout the water “supply chain”. Thus, the private sector remains involved throughout the water sector. Additionally, some stakeholders feel that private financing is needed if the goals of universal coverage are to be achieved, while others think that private financing is unnecessary if the unserved poor are targeted using appropriate technologies and existing funds are used more effectively.

While there has been a growing body of research on the subject over the last decade, many of the assessments are done by institutions that have a particular perspective, like the World Bank and other donors that have promoted PSP, or like anti-globalisation NGOs that have blocked PSP, and are perceived by other stakeholders to be biased. There are few independent assessments of the impacts of PSP in water considered impartial or objective by all stakeholders, and none that have been widely inclusive of different voices or that have focused on resolving contested issues. In the last few years, several research efforts have been initiated to address aspects of the debate, including the European Commission’s support of PRINWASS’ study on the barriers and conditions for involving the private sector in Latin America and Africa, the UNESCO-IHE Institute for Water Education and its research on PSP in Africa, the research by the think tank Pacific Institute on the risks and benefits of globalisation and privatisation of fresh water, and the Public-Private Infrastructure Advisory Facility’s (PPIAF) technical assistance in support of PSP at the country level. Each of these are contributing valuable information; yet none provide a broad forum for stakeholders to come together to seek and define common ground for future action at international, national, and local levels.

As of this Scoping Report, the views on water privatisation remain quite polarised, while some new efforts are beginning to address pieces of the larger PSP debate. Meetings of NGOs at conferences like the World Social Forum and the Peoples’ World Water Forum highlight the plans to stop water privatisation. Meetings of private companies, on the other hand, at conferences like the World Economic Forum in Davos highlight plans for promoting private sector participation more widely. At the World Bank’s Water Week, in February 2004, there were calls for greater pragmatism and less dogma and a desire for renewed focus on effective delivery of services, whether public or private. And a process is underway with a cross-section of stakeholders to develop a Code of Conduct and Guidelines to improve PSP in water services led by the insurance company Swiss Re, the Swiss Agency for Development and Cooperation, and the Swiss State Secretary for Economic Affairs.

In April 2004, the UN Commission on Sustainable Development will hold its twelfth session, focusing on progress towards meeting the goals for freshwater, sanitation, and human settlements. The Millennium Project Task Force on Water and Sanitation (Task Force 7) will report on its efforts to monitor and implement the Millennium Development Goals and WSSD goals for water and sanitation. The Secretary-General notes in his Report to the UN Commission on Sustainable Development, that “public-private water partnerships for urban water supply are being explored with mixed results.”<sup>12</sup> The document describes the positive and negative impacts of both the large-scale and small-scale private sector in meeting the MDGs. Some parties are seeking policy guidance from the UN on how best to address the issues of PSP in relation to the implementation of Agenda 21 and other sustainable development goals.

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<sup>12</sup> UN Economic and Social Council, 2004. “Freshwater management: progress in meeting the goals, targets, and commitments of Agenda 21, the Programme for the Further Implementation of Agenda 21, and the Johannesburg Plan of Implementation,” Report of the Secretary-General. E/CN.17/2004/4, February 11, 2004.

## CHAPTER 2. The Scoping Process

### 2.1 Methodology

The objectives for the Scoping Process were:

- To provide a platform for stakeholders to express their perspectives, concerns, positions, and approaches regarding PSP in water and sanitation and to ascertain their views on the need for and merits of a possible global review, and whether they would be interested in participating in such a review.
- To produce a balanced, credible, objective, and accurate scoping study report outlining the breadth of the debate on the issues of PSP in water and sanitation: the perceptions of the full range of stakeholders, key gaps in the knowledge base from the perspective of stakeholders, the key areas of agreement and disagreement, and views on lessons learned from other multistakeholder processes.
- To identify different ideas and expectations from stakeholders for a global PSP Review, including what impact this could have on the ground, and what conditions would be required for a successful PSP Review.
- Dependent on meeting the critical success factors for the Review, to make recommendations for a plan for a Stakeholder Workshop and preliminary options for the structure, process, and possible budget and contributors for a PSP Review.
- To mobilise broad interest and build confidence among key stakeholders towards participating in a possible global PSP Review Process.

The multistakeholder Working Group guiding this Scoping Process worked collaboratively and by consensus to develop the Terms of Reference for the moderators, to advertise and to make the final selection. Together with the moderators, the Working Group finalised the workplan, and the methodology, including the stakeholder outreach strategies, as follows.

1. **Literature survey:** The methodology consisted of a brief literature survey, which was not intended as an exhaustive review, but rather conducted to understand the existing knowledge base and the existing context of PSP. A fundamental aim was to develop stakeholder identification and interaction strategies that were inclusive to under-represented voices, balanced, and focused on a range of PSP experiences.
2. **Country visits:** From the outset it was decided that while time and budget were limited, the moderators should interact with a wide range of stakeholder groupings across a range of regions, to accurately describe the breadth and depth of perspectives. Criteria used to make selections for countries to be personally visited by the moderators included a range of income, indebtedness and inequality levels; a range of levels of freshwater resources per capita, access to water and sanitation, and experience with a diversity of PSP and other water services delivery modes. Countries were also included where there had been heightened debate on PSP, as well as countries where PSP was considered to be less controversial. Practical considerations such as timeframes, travel budget and access to key stakeholders were of necessity part of the decision-making process. Based on these criteria, the Working Group selected the following countries for personal visits:
  - AFRICA: Ghana, Kenya, South Africa, Uganda
  - ASIA: India, Indonesia, Philippines
  - EUROPE/NORTH AMERICA: England, France, United States

- SOUTH AMERICA: Bolivia, Brazil, Chile
3. **Attendance at global meetings:** In addition, the moderators also attended the Water for Poorest Conference (Stavanger, Norway), the Inter-American Development Bank's Financing the Millennium Development Goals for Water in Latin America and the Caribbean conference (Washington DC, USA), and the Peoples' World Water Forum (New Delhi, India), in order to obtain the inputs of a broader range of stakeholders from regions beyond those personally visited, as well as to disseminate information about the Scoping Process.
  4. **Face-to-face and telephone interviews:** Face-to-face interviews were held with a wide range of different stakeholders in the countries visited and at the conferences attended. Each of the interviews used a structured interview framework (Annex 6). Some stakeholders were interviewed on the telephone, using the same interview framework. A total of 234 individuals were interviewed.
  5. **Email survey questionnaire:** In addition to personal and telephone interviews, an email survey was developed to broaden the outreach of the Scoping Process (Annex 7). This survey was distributed widely through a number of listserves (Water for Life, International Rivers Network, International Research Centre, Global Water Partnership, and International Private Water Association), memberships of organisations and networks (Building Partnerships for Development-Water and Sanitation, UN MDG Task Force 7 on Water and Sanitation) and amongst the networks of the Working Group members (Consumers International, RWE Thames Water, Public Services International, WaterAid), as well as to individuals. A total of 82 responses were received by the deadline.
  6. **Focus groups:** The focus group format was used with NGOs, labour unions and members of poor communities. A specific framework for the community focus groups was developed, based on the sustainable livelihoods framework, to gather insights, perspectives and concerns of poor communities in developing countries regarding PSP in water and sanitation. Four focus groups were held, and more than 30 members of poor communities participated.

Following on from the four month information gathering and stakeholder interaction phase, the perspectives and data were collated and organised according to key themes, with the range of perspectives outlined for each theme. These perspectives were then analysed to identify trends in the range of perspectives according to stakeholder groupings and regions, and to highlight areas of agreements and major faultlines in the debate (described in Chapter 4). Responses from the email survey were analysed to identify the issues ranked as high priority by stakeholders overall, and by stakeholder grouping and region. Summary statistics of quantitative rankings and syntheses of qualitative comments were developed (see Annex 7 for more details on the methods and summary of the email survey results). Stakeholder perspectives on the case for a multistakeholder PSP review were used to develop a range of options for a global review. These findings are presented in this Scoping Report in Chapter 6.

The Working Group developed five key decision criteria in order to assist with making the decision on whether or not to recommend a global multistakeholder review, based on stakeholder inputs. The five key decision criteria are:

1. **Validity of the scoping process:** Sufficient range of stakeholders; sufficient consensus among stakeholders that a review is useful/necessary thing to do? Does a critical mass of stakeholders still consider PSP to be relevant? Can we identify the main lines of conflict?
2. **Value-added of a Review:** Will a multistakeholder review add real value? How is this defined and by whom? Ability to design a review process that can deliver real progress and not duplicate existing processes.
3. **Alternatives:** What other alternatives are being proposed to assess the past performance of the private sector and to resolve conflicts in order to move forwards to meeting the Millennium Development Goals?
4. **Benefits to stakeholders:** What will different stakeholders gain by a review process?
5. **Feasibility of a review:** Ability to access funding; timing of the initiative; cost effectiveness; possibility for designing an innovative process, building on past lessons.

While not every aspect of these decision criteria can be answered conclusively at this stage, the Working Group believes that the Scoping Process has made significant progress in meeting most of these criteria, was able to come to the recommendation to proceed to a Stakeholder Workshop, where the stakeholders themselves would be able to make the final recommendation regarding whether to proceed to a review or not. The recommendation for this Stakeholder Workshop is more fully described in Chapter 7 of this report, whilst Chapter 6 describes possible options for a global multistakeholder review with respect to structure, scope and modalities. In Chapter 5, the value and possible outcomes of a multistakeholder review are further explored.

## **2.2 Stakeholder participation**

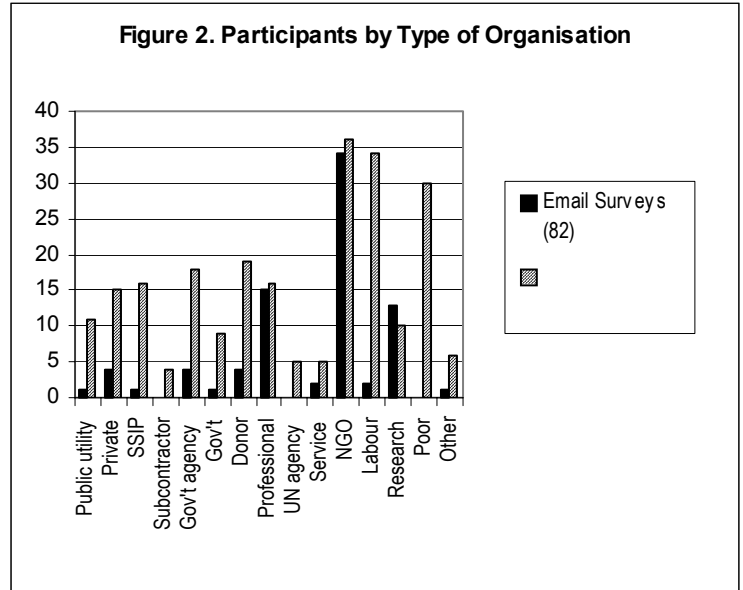
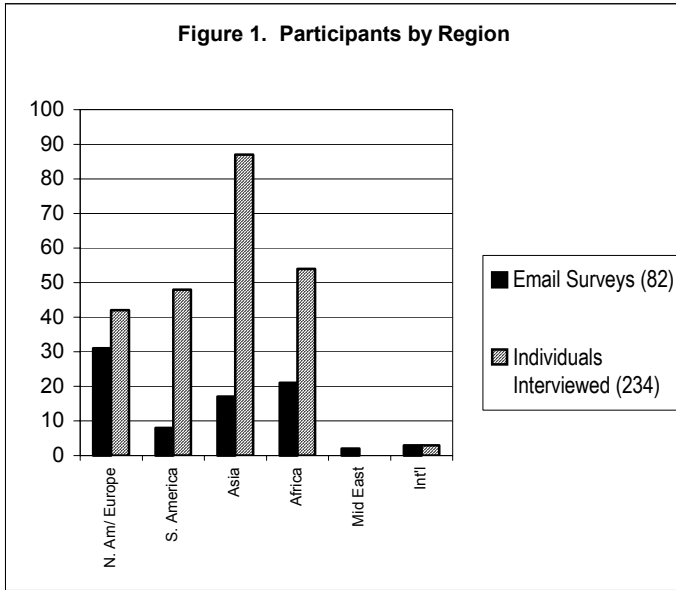
The range of stakeholders interviewed were from the following stakeholder groupings:

- Community representatives or organisations
- Public water utilities (provider, water authority, public service corporation, urban and rural, large and medium)
- Government agencies (planning ministries, water ministries, public works ministries)
- Government regulators
- Private water providers (large, domestic and international)
- Private companies contracting to public sector
- Small-Scale Independent Providers (private small and medium providers of water supply and sanitation services, urban and rural)
- Service delivery NGOs
- All other NGOs (environment, development, consumer, network, advocacy)
- Labour organisations
- Research organisations (academic and think tank)
- Multilateral donors
- Bilateral donors
- UN agencies
- Business/professional associations or individuals, including consultants
- International water networks
- Other (eg national bank, charitable foundation)

The regional and organisational composition of stakeholders interviewed and respondents to the email survey are shown in Figures 1 and 2. The total number of people surveyed was 316, of which 82 responded to the email survey questionnaire and 234 were interviewed by the moderators. The number of organisations participating was 137; several of the interviews with donors had 3 or more participants and several focus group discussions with labour, poor communities, and NGOs had 10 or more participants, especially in Asia. The NGOs interviewed included, in descending order of number of participants, organisations with a development focus, some specifically focused on water issues; development and environment; environment; and consumer NGOs. The participating NGOs undertake a cross-section of activities including policy advocacy, training, networking, and public education and mobilisation at local, national, and international levels. The moderators also interacted with other initiatives that are examining issues of PSP in water, including staff from the Swiss Re initiative to develop a Code of Conduct and Guidelines for improving private sector participation in water and staff from the UNESCO-IHE Institute for Water Education to conduct multistakeholder case studies of public-private partnerships in several African countries.



The multistakeholder scoping approach adopted has already resulted in a **number of successful outcomes**. Many have noted that the open and inclusive approach adopted by the Scoping Process, which allowed for non-ideological discussions with the moderators, was positive and that the outcomes of the Scoping Process alone would serve as value-added. The process has already catalysed a number of national or sectoral dialogues on PSP. For example, in Brazil, a multistakeholder group called the Brazilian Working Group on PSP has formed to foster dialogue and seek common ground on how to achieve “universalisation of water services” in Brazil. The recent Heinrich Böll Stiftung/Bread for the World Third Forum on Global Development Policy 2004 included a session dedicated to formulating recommendations for a possible multistakeholder review.



## CHAPTER 3. Why have a review?

*"PSP is still an issue for us, because we do have PSP here, and as long as our governments do think it is the panacea, we will need the review – it will remain for a long time something that is worth discussing. Also not all people were involved in the discussion about PSP in the early stages, and so they don't even know how it affects them, or how it will affect them." NGO involved in training and awareness raising, SE Asia*

### 3.1 Stakeholder perspectives on causes of lack of access and drivers of PSP

There is very strong agreement among stakeholders across regions and among types of organisations about the causes of lack of access to safe drinking water and sanitation. Respondents from both interviews and the email survey responses identify the key reasons for the continued lack of access as being the lack of political will to prioritise and act on water issues, the failure of the public sector to adequately deliver water services, and the lack of financial investment in the water sector. Agreement on causes is an important first step, since the analysis of causes leads to the types of solutions desired to address these underlying causes.

*"There has been a failure to innovate, and an assumption that if we just keep going with pouring money in and laying pipes we'll get to universal coverage." Consumer NGO*

The perceptions of a broad cross-section of stakeholders of the main drivers of private sector participation in water and sanitation are that the poor performance of the public sector and the fiscal crisis of the public sector have created a need and opportunity for the private sector to fill. Also, NGOs, developing country governments, public water utilities, and some donors highlighted that political ideologies favouring privatisation and liberalisation were key factors in promoting PSP. All stakeholders acknowledged that the private sector was motivated by profits to expand their markets, and that the private sector was also working to fill a gap in service, especially the small-scale independent producers (SSIPs). While filling gaps and profit motives were acknowledged as drivers, the perspectives differed widely about whether these were positive trends. Governments, regulators, elected officials, and public water utilities in developing countries, and NGOs from all regions, highlighted the role that donor conditionalities and tied aid play in promoting PSP.

*"The World Bank and the IMF have a hold on our governments. Unless we obey them, we will not be given the money we require for our survival." Former government minister, now NGO, from small Pacific island nation*

Many NGO, public water utility, and government representatives believe that PSP is not addressing the underlying causes of lack of access to WSS, even if they viewed PSP as having a positive impact on expanding access. In some cases stakeholders believe that PSP cannot be expected to address these underlying causes, such as the lack of political power of poor people.

When asked about the public perceptions of PSP in their countries or internationally, stakeholders noted the full spectrum of perceptions, that public perceptions are not widely understood and that the public is not very well informed about issues of PSP. Generally, however, stakeholders highlighted that public perception of PSP in water is quite mixed and that misperceptions and ideologies can mask realities. In some countries where there has been earlier experience with privatisation in other sectors like electricity or telecommunications, the public perceptions of PSP in water appeared to be quite negative, such as in Argentina, Bolivia, and Brazil. Donors that have promoted PSP acknowledge that "social acceptance" is critical for the success of PSP, and also acknowledge that social acceptance is not widespread and in many areas is even declining.

As an illustrative indication of the faultlines in the debate over the impacts of PSP in water, Table 1 shows examples of PSP projects stakeholders cited, which they felt to be either positive or negative. Nearly all the examples given are quoted as good examples by some and as bad examples of PSP by others, showing clearly the divergence of perspectives around the performance of the large-scale private sector. Private companies, NGOs, and public utilities alike mentioned both positive and negative examples; yet for every positive example noted by one stakeholder, another stakeholder would list the same example as a negative.

**Table 1. PSP Examples Raised by Stakeholders: Positive and Negative**

Positive examples	Negative examples
Malindi, Kenya	
	Nairobi (Seureca)
Senegal	Senegal
Cote d'Ivoire	
	Gambia
	Ghana
Morocco	
Mozambique	Mozambique (Maputo)
South Africa: Nelspruit, Dolphin Coast	South Africa: Nelspruit, Fort Beaufort, Stutterheim, Dolphin Coast
Argentina	Argentina
Chile	Chile
Manila	Manila
Brazil: Manaus, Niteroi, Limeira, Cachoeira	Brazil: Manaus, Niteroi, Paranagua, Ribeiro Preto
Bolivia: La Paz/EI Alto	Bolivia: La Paz/EI Alto, Cochabamba
France	France
UK	UK
US	US

An Asian labour representative highlighted an important facet of the debate on PSP and equity, which is not necessarily caused by PSP but which rather serves to promote PSP. This is the question of fundamental schisms of society, where the ruling elite no longer obtains any of its basic services from the broad state network of service provision (irrespective of whether it is implemented by the public or private sector). Instead the elite has independent sources of service provision (private), which is not affected by declining public services or negative impacts of PSP. This serves to exacerbate the decline in the public services. Health care is a more common example where private hospitals serve the elite, the powerless use the public services, and the disparity in service provision widens.

*"When you are talking of PSP, what you are really talking about is the privatisation of profits and the nationalisation of losses, because the dregs will remain with the public sector. This is inherently unsustainable, and everybody knows it, but when the ruling elite is running the system, they don't care. The ruling elite has seceded from society, they have their own generators, water supply, schools, guards, so they don't care what happens to the public services."* Representative of trade union

Private water providers note that they are responding to demands and filling needs that are not currently being met by governments.

*"If there are no problems, then governments won't invite the private sector to participate. PSP is advancing because governments want it!"* Representative of private water provider in South America

As indicated above, there appears to be strong agreement among stakeholders about the causes of lack of access to water and sanitation, and areas of commonality about the reasons why PSP has been promoted to address the lack of access. However, stakeholder perspectives diverge around the impacts and performance of PSP and the implications of experiences with PSP for future decisions. Public perception of PSP also appears quite mixed across different countries and within countries. The issues raised by stakeholders are explored in greater detail in Chapter 4.

### **3.2 Reasons for a Review: Results of the Scoping Study**

The large majority of the 316 stakeholders surveyed think that a global multistakeholder review is useful and/or necessary. The closer people were to actual operational issues of water supply and sanitation provision, the more people felt the need to have a review of PSP experiences from different countries. In the email survey, 74% of respondents thought that a review would be useful, and highlighted that existing rules and guidelines are not effective to address equity and sustainability aspects of PSP, and that existing processes addressing these issues are not adequately inclusive of all voices.

Less than 10% of all stakeholders (including email survey) were cautious about the need for a review, or thought that it was preferable to use or strengthen existing institutions to accomplish a review. Several donors noted that a broader review of effective delivery of services, whether public or private, would make the review more relevant, from their perspective. Twenty-two percent of stakeholders responding to the email survey from a cross-section of interests answered that a review was “maybe” necessary and shared this interest in a broader scope. Stakeholders that were cautious or sceptical also noted, however, that existing rules and guidelines were inadequate and existing processes not inclusive. Some also expressed the need for more information before deciding on the utility of a review.

Less than 2% of participants in the Scoping Process answered unequivocally that a review was not necessary or useful, because they felt that multistakeholder processes are not effective for designing and implementing policies and guidelines that will lead to action, and that such processes are too time-consuming and expensive. In spite of their “no” answers, these few stakeholders indicated interest in participating, should a review process move forward.

### **3.3 Value-added of a review**

*“A review would be a good thing as there is a lot of rhetoric and no real sense of what’s happening on the ground.”* Research organisation

The primary outcomes desired by stakeholders interested in a multistakeholder review process are to seek and define common ground and to ensure progress towards expanding access. Stakeholders want independent assessments of the impacts of PSP – and some stakeholders want an evaluation of public sector performance as well – to provide evidence on which to base decisions. Many stakeholders perceived that the studies exploring PSP thus far have been written from a particular perspective. NGOs, public water utilities, and some government, UN, researcher, and professional association representatives reject assessments and guidelines carried out by proponents of PSP or by private companies with a vested interest in the outcome. Several stakeholders noted that this Scoping Process has already shown the value of providing neutral space to discuss issues of concern, and has helped to indicate the substantial number of areas where stakeholders already agree and the remaining contested issues that need to be addressed. Some noted that this kind of Scoping Process can help to move people beyond ideological polarisation by allowing people to realize that the agreements outnumber the disagreements. Even on controversial issues there are areas of commonality, indicating a starting point for forging broader agreements.

The stakeholders that were interviewed want a process that will not only be held at an international level, but will catalyse national level reviews as well. The purpose of the review, from the viewpoint of different stakeholders, is to provide not just clarity and lessons from PSP experiences in developing and developed countries, but also some guidance for actions by national stakeholders (be they policy-makers, decision-

makers, managers or civil society advocates). No one wants a “talking shop” and endless debate. Everyone wants clarity regarding the positive and negative outcomes of PSP involvement, some level of consensus where it can be reached on a whole range of issues, and lastly, guidance.

*“A global multistakeholder review should produce modalities for integrating the capabilities of both private and public sector to deliver water and sanitation services to the people, especially the poor at a rate that is affordable and adequate.” Environmental NGO, Africa*

The majority of participants, who favoured establishing a multistakeholder review process, felt that it can help make progress towards meeting the MDGs in several ways. A review can generate evidence and lessons about past performance of WSS that can help guide future decisions and safeguard against repeating past mistakes. A review can also propose practical solutions and clear mechanisms for action and implementation. The value of a review to different stakeholders will depend, in part, on the structure and modalities of a review that may ultimately be agreed to at the proposed Stakeholder Workshop. This Scoping Report presents in Chapter 6 a range of options for conducting a global, multistakeholder review that build upon the lessons of past processes and will meet the expectations and desired outcomes expressed by stakeholders. The overwhelming support among the stakeholders in this Scoping Study in favour of a review of PSP indicates that they clearly see benefits for themselves in such a process. Overall, the benefits of reducing controversy and fostering agreements – which does not necessarily mean achieving consensus on all issues – are the complement to the costs of conflict: more certainty, fewer risks, reduced costs of failure, and faster progress towards universal coverage, whether through public or private provision.

*“Can we create a ‘win-win model’? I think yes.” Politician in Brazil*

## CHAPTER 4. Major PSP themes

### 4.1 Introduction to thematic areas

This section draws together the range of perspectives on the impacts of private sector participation in water and sanitation services raised by stakeholders during the Scoping Process. Stakeholders were asked to identify what they saw as the main positive and negative impacts of PSP, whether they saw these as unique to PSP, and to provide specific examples of PSP viewed by them as successful and unsuccessful with respect to the criteria of equity, sustainability and efficiency. Participants in many cases indicated whether identified impacts related to specific local or contextual conditions. Stakeholders were also questioned about alternatives to PSP and other issues of importance to them. The resultant positive and negative issues, together with issues seen as common to PSP and to public provision of water and sanitation, have been grouped together under major themes that emerged from the analysis of the data. Where possible, regional trends and/or trends relating to stakeholder groupings have been distinguished and highlighted, in order to identify areas of consensus and major faultlines in the debate.

The issues raised under the five thematic areas that follow thus represent **preliminary priority areas for exploration in a multistakeholder review**. In some cases, these priority areas represent broad consensus, for example on the need to focus on the neglected area of sanitation and to strengthen regulation. In other instances, the priority areas reflect major faultlines in the PSP debate, or areas of fundamental disagreement, for example the impacts of PSP on poor communities and whether profiting on delivering public services is appropriate. Based on the priority areas emphasised by stakeholders, specific questions have been formulated as a means of reframing the debate to allow for forward movement. These clusters are termed “reframing questions,” and highlight the areas requiring further investigation, debate and resolution in a multistakeholder context. Thus the reframing questions identified under each theme form the basis for a preliminary agenda for a multistakeholder review, subject to further deliberation and agreement by a broader group of stakeholders at the Stakeholder Workshop. A shorter set of strategic reframing questions is shown in Box 1, summarised from the full set of 35 reframing questions.

## Box 1: Summary of Reframing Questions

In order to re-focus the debate on PSP, the following shortened set of questions are proposed as a preliminary review agenda:

1. **Finance:** Many stakeholders agree that existing funds and investments can be used more efficiently and targeted more effectively to increase access to water services. Opinions differ on the *means* to increase funding to the sector, and the potential costs, risks, and benefits of increasing private sector investments. What are the mechanisms to ensure that sufficient finance is available to increase access of the poor and unserved, in both rural and urban areas?
2. **Tariffs:** There is widespread agreement that inadequate tariffs have contributed to the fiscal crisis of the water sector. However, there remains much debate over whether or not PSP has a beneficial impact on tariffs and how tariffs, subsidies, and overall cost-recovery policies should be structured to address the goals of affordability, network expansion, and environmental and financial sustainability. How can tariffs and subsidies be designed and implemented to reach these goals, in both rural and urban areas?
3. **Profits:** The philosophical and practical issues surrounding the topic of managing monopolistic public services on a for-profit basis are at the core of the controversies around PSP in water and sanitation. What are clear and broadly supported definitions, criteria and guidelines for acceptable and fair profits throughout the water supply and sanitation chain, taking into account that part of revenues that is not reinvested in operations?
4. **Donor conditionalities:** There are disagreements amongst stakeholders over the influence that public international financial institutions wield over decisions on water supply and sanitation. What conditions of public international financial institutions' loans and grants are necessary and acceptable for effective, efficient, and accountable use of investments in water supply and sanitation services? What conditions undermine effectiveness, efficiency, and accountability? How can existing international agreements to cease PSP conditionalities be implemented?
5. **Small-scale independent producers:** The presence of small-scale independent producers (SSIPs) reflects the inadequacies of existing water supply and sanitation networks. Some stakeholders perceive SSIPs to be part of the problem, others perceive them to be the only available solution in the short term. To what extent can or should SSIPs be integrated, financed, and regulated as part of the formal sector?
6. **Impacts on the poor:** There is debate and confusion among stakeholders about the impacts of PSP on poor communities. Some stakeholders have proposed that access to the poor should be defined in terms of at least three criteria: availability, affordability, and quality of services to the poor. What criteria and indicators should be used in assessing the performance of direct water providers on delivering water and sanitation services to the poor? Against these criteria and indicators, what is the performance of different types of private sector providers, and how does the public sector performance compare? In urban areas? In rural areas?
7. **Rural areas:** Some stakeholders perceive a disconnect between the emphasis on PSP, which primarily applies to large, urban areas, and the solutions that have the most potential for increasing access to WSS and improving health in rural areas. What is the potential for PSP in different forms to bring increased equitable and sustainable access to WSS in rural areas, especially to the poor? Under what conditions can governments reliably enable or tap this potential? Does PSP weaken the cross-subsidy of urban to rural?
8. **Sanitation and sewerage:** Despite the well-known and well-documented ecological and public health benefits of providing sanitation and sewerage, the funding for and political priority of these services remain extremely low. How can the allocation of financial investments, public and private, better reflect the net social, economic, and ecological benefits of investing in sanitation and sewerage? Can services that produce public goods be paid for in the context of PSP and full cost-recovery?
9. **Appropriate technology:** Stakeholders have made a link between lack of access to WSS and promotion of inappropriate technology or failure to provide a range of options for consideration by users. What are the barriers to the wider use of appropriate technology in providing water supply and sanitation services, especially to the poor? What can the private sector do to overcome these barriers? What can donors, governments, public utilities and others do to overcome these barriers?
10. **Participation:** Stakeholders across regions have noted the lack of public participation in decisions to involve the private sector in delivering water and sanitation services at local, national, and international levels. When is wider stakeholder participation a necessity? What purpose will it serve? What models of effective participatory decision-making are available and how can they be more widely used?
11. **Regulation:** There is widespread agreement that governments have failed to regulate water providers adequately. What are the necessary conditions for effective regulation of the private sector (by relevant public authorities) in a developing, and in a developed country context? What models for and costs of effective regulatory frameworks can be developed from lessons learned so as to achieve accountability and protect public interests? How can these be adapted and implemented in different regional and country contexts? Does PSP create an additional regulatory burden?
12. **Contracts:** There is widespread agreement that contracts governing PSP have been problematic in many areas. What are items that can be effectively "contractualised" and what are the items (like protecting public goods and values) that cannot be governed by contracts? What are the mechanisms for regulating other aspects of water services provision by the private sector beyond contracts? How can transparency be ensured?
13. **Transaction advisers:** Many stakeholders across regions and groupings feel that PSP has been pushed as the panacea in the water reform process, and that public international financial institutions and private transaction advisers for PSP have not provided optimal advice. How can

municipalities and governments access advice on all the water and sanitation service delivery options available in an unbiased way? How can PIFIs and transaction advisers be held accountable for the consequences of their advice?

14. **Labour:** Some stakeholders recognised the need for greater training of employees and reduction of over-staffing in some areas, while others expressed concerns about employee rights and welfare under PSP. What are the implications of PSP for labour rights, wages, job security, union recognition, staff training, career mobility and employee participation in decision-making? What is current good practice in managing and protecting employee rights and welfare in the transition from public to private employer in water and sanitation services?
15. **Environment:** Some stakeholders perceive that treating water as a free social good can lead to waste since the resource is under-valued. Other stakeholders perceive that the focus on profits and commodification of water under PSP will undermine efforts for environmental protection and water resource management. Does the PSP focus on profit and commodification limit the ability to protect the environment? What are the ecological impacts of treating water as a free, social good?
16. **Trade:** Many stakeholders expressed concerns about the impacts of trade agreements on a country's ability to make its own decisions about provision of such a vital resource as water. What are the implications of WTO and GATS, regional and bilateral trade agreements, and ISO standards for government's ability to regulate the sector and determine how it will provide water and sanitation services to its citizens, especially with respect to self-reliance, sovereignty, reversibility, and public participation in decision-making?

Note that this set of reframing questions corresponds exactly to the numbering and wording of the set of reframing questions in the Executive Summary. The ensuing text in this chapter contains a total of 31 reframing questions – that is, 15 additional questions. The 31 reframing questions are numbered sequentially throughout this chapter. For those questions that form part of the shortened set of 16 questions set out in Box 1, the number of the question in this shortened set is provided, for purposes of clarity.



## Theme 1: Financing water and sanitation services

*"The IMF agreement required that the government restrict financing to the public sector. So, for the last seven years the government could only provide funds to the private sector." Representative of public utility from South America*

### 4.2.1 Background

In this Scoping Study, financing issues were raised as a priority issue among all stakeholders, in all regions. Stakeholders interviewed and surveyed raised both positive and negative impacts of PSP on financial aspects of the water sector, and also noted that many financial issues applied to both public and private sector provision. This section describes the themes and issues arising from stakeholders perspectives around financing issues grouped around the following five main areas:

- Financing, capital and investments
- Alternative financing mechanisms
- Tariffs
- Profits
- Donor conditionalities and tied aid

The water sector is suffering from the cumulative effects of years of under-investment. There is broad agreement that funding to the sector has been inadequate, and that greater investments will be needed to achieve the Millennium Development Goals, and the ultimate goal of universal access, especially for sanitation. However, a counter perspective expressed by some is that more effective use of existing funds and wider use of more appropriate technologies are needed, rather than additional investment. The fiscal crisis in the public water sector is perceived by many as a driver of private sector participation in water, with the hope of attracting greater private investments. Currency risks, low returns, long payback periods, and overall financial uncertainty in the water sector have made it unattractive to many public and private investors.

Estimates of the additional financing required to achieve universal coverage by 2025 range from zero (drinking water only, not including sanitation) to \$9 billion (for basic coverage) to \$30 billion per year, up to \$100 billion per year and more.<sup>13</sup> The enormous range of the estimates relates to the different perspectives about the types and costs of various technologies and approaches for delivering services, the level of services delivered, the potential for efficiency gains from existing water and financial resources, and the ways in which resources are targeted. Currently, investments in the water sector come from the domestic public sector (65-70%), the domestic private sector (5%), international donors (10-15%), and international private companies (10-15%).<sup>14</sup>

There has been a renewed focus on increasing funds to the water sector since the establishment of the Millennium Development Goals in 2000, as evidenced by the recommendations, declarations, and commitments made over the last several years by the World Water Council, the Bonn Ministerial Conference on Water and Development in 2001, the World Panel on Financing Water Infrastructure (the Camdessus Report) and the G-8's Water Action Plan in 2003, and numerous other reports by Unicef, WaterAid, and

<sup>13</sup> Estimates of meeting MDGs from World Bank, 9-30 bil; 5-21 bil to 2015 goals. [www.worldbank.org/html/extdr/mdgassessment.pdf](http://www.worldbank.org/html/extdr/mdgassessment.pdf); and from B. Calaguas, "Financing the Millennium Development Goals for Water and Sanitation."

<sup>14</sup> Camdessus Report.

other organisations and governments.<sup>15</sup> While these declarations and commitments have helped raise the urgency of the needs and the profile of the issue, a large gap in financing remains, with many questions among stakeholders about the scale of the gap and how best to fill it.

#### 4.2.2 Financing, capital, and investments

Across all the regions and perspectives, a majority of stakeholders recognise that a variety of investments are needed to achieve the goal of universal coverage, including public, private, water users, aid, and charitable donations. Indeed, there are **not always clear divisions between what is a “private” or “public” investment**. The interviews revealed examples of public utilities accessing private capital to finance “public works” projects; and private companies accessing public finance in various contract arrangements. Private companies have also partnered with NGOs to reach poor communities, and some of these NGOs are supported, in part, by charitable donations. Thus, there are areas where the lines between what is exactly public or private finance are blurred.

*“There is no clear dividing line between public and private management (eg joint capital ownership, corporatised public utilities...)” Private, large-scale water provider*

Most stakeholders also recognise the high risks associated with financing in foreign currency, and have learned the high costs of mistakes from Argentina and the Philippines, where extreme currency devaluations were accompanied by political instability as well. **Currency risk** was raised as a problem by the private sector, especially the large water companies, and by government stakeholders and donors more often than by other Stakeholders. Many NGOs (more often advocacy NGOs) perceive that currency risk creates an additional and negative impact of PSP when contracts specify payments in foreign currency; they see this risk as providing a rationale for reducing the role of foreign companies in the water sector. Donors and private sector interests show more support for developing mechanisms to address the currency risk, such as publicly financed guarantees and other recommendations from the Camdessus Report, while some NGOs and government interests appear more interested in focusing on ways of mobilizing more domestic investments. In higher-income countries like Chile, no concerns were expressed about currency risk.

*“We should avoid maximizing investments in foreign currency that favour foreign companies, and focus more on investments in local currency for domestic firms. But this is contrary to the thinking of the international financial institutions about how to stimulate growth.”* NGO representative from Europe

A major faultline in the debate concerns whether PSP has or has not increased investments to the sector. The private sector and donors share the perspective that **PSP has increased investments** to the sector, which has also helped to reduce the debt burden on governments. A bilateral donor noted the example of Casablanca, where Suez/Ondeo helped to raise new resources and investments. Government perspectives were mixed, but many noted examples where private investment was increased. NGOs largely held the perspective that **PSP has not increased investments** to the sector, and indeed noted examples in Brazil where private concessions have utilized public financing, subsidies, and guarantees. Public utility stakeholders’ perspectives were mixed; several noted that well-run public utilities have access to private capital, so there should not be an inherent bias towards private service delivery based solely on investment issues. A few donors also mentioned examples, such as Eastern Europe, where the promise of increased private investment has not been met, but that other benefits of PSP, such as efficiency gains, made the changes worthwhile. Several public utility stakeholders noted that the cost of capital and the cost of risk to

<sup>15</sup> The recommendations from the Bonn and G-8 plans (some of which follow from the Camdessus Report and inputs from a variety of stakeholders) aim to double aid flows for water; to promote private sector participation and investment in the sector and yet not impose PSP as a conditionality for funding; to generate more public financial support and guarantees to reduce risk and uncertainty; to develop new financing instruments such as subsovereign lending; to mobilise domestic capital markets; to target aid and investments to countries and regions with a higher proportion of people without access to water services; to target resources directly to meet the needs of the poor, through means like Output-Based Aid; and to increase access to financing for poor communities through micro-lending and other means. Bonn Conference Documents, Camdessus Report, G-8 Water Action Plan, World Bank Infrastructure Action Plan.

the public sector is less, and should be reflected in comparing the costs and benefits of increasing private investment.

In addition to the general agreement that more funding is needed to achieve universal coverage, there was universal agreement among public, private, donors, government, and NGO stakeholders that huge gains in revenues and investments can be made through **more efficient management of existing funds and resources** (see Section 4.6, Managing effectively for fuller discussion). There was also broad agreement that **alternative financing mechanisms already exist** that could help to increase investments and better reach those most under-served, but differences among Stakeholders in the priority and emphasis among the alternative options (see next section, below). The divergences are around the means to increase funding, whether PSP has resulted in large increases in investment or not, what the future potential for private investment in water is and at what cost (cost of currency risk, profits), and what means should be prioritised, such as mechanisms that better target investments directly to poor communities. Recent international declarations like the G-8 Action Plan and the WSSD embrace the full range of recommendations; yet the stakeholders that are closest to the ground and that are most directly involved with communities – local government representatives, local public utilities, NGOs, SSIPs, and community representatives – perceive that the recommendations that would benefit their interests the most are often those least acted upon. There is a perception among many of these stakeholders that the policies and reforms that receive the most attention are those that benefit the private sector and large, urban areas, such as the attention given to mechanisms to reduce losses to private companies from currency risk.

While financing issues clearly are important, the email survey and stakeholder interviews also indicate that other issues are perceived as having greater importance. Only about 20% of respondents ranked issues of “Finance and Capital Investment” in the top five most important issues that a global review should address, and just 10% ranked it in the top three issues, being emphasised primarily by private water providers and donors responding.

1. **Finance Reframing Question:** Many stakeholders agree that existing funds and investments can be used more efficiently and targeted more effectively to increase access to water services. Opinions differ on the *means* to increase funding to the sector, and the potential costs, risks, and benefits of increasing private sector investments. What are the mechanisms to ensure that sufficient finance is available to increase access of the poor and unserved, in both rural and urban areas? (*Question 1 in summary set – Box 1*)

### 4.2.3 Alternative financing mechanisms

Many stakeholders emphasised that alternative financing mechanisms already exist. By this they mean alternatives to the financing model based on large international investments, loans, and guarantees to national governments and multinational corporations. Government, donor, and professional association stakeholders highlighted new efforts to focus on instruments like mobilizing domestic capital markets, lending to subsovereign entities, and reducing currency risk. NGOs, some donors, and some think tanks are focusing on mechanisms to assist communities and SSIPs to access financing, on mechanisms to mobilise financing for smaller-scale efforts, and to implement social tariffs that include cross-subsidies, direct subsidies or other means of assisting poor consumers. While stakeholders agree that a greater variety of financing mechanisms are needed to increase investments for water, they have different priorities. NGOs and researchers note that despite the rhetoric and international agreements of governments and donors that funds should be targeted to those countries and communities with the greatest needs, **the allocation of funding and the types of projects funded have changed very little and emphasised large-scale, conventional technologies and approaches, with most aid flowing to a limited number of middle-income countries**. The mechanisms and projects that would better reach poor communities – those most lacking services – continue to be considered as pilot projects and remain marginalized, according to service-delivery and community-based NGOs.

2. **Alternative Financing Mechanisms Reframing Question:** Existing agreements note that funds should be targeted to those countries and communities with the greatest needs; yet many stakeholders perceive that the allocation of funding and the types of projects supported have changed very little. What are the barriers to the wider implementation of financing mechanisms that directly target the unserved and poor communities?

#### 4.2.4 Tariffs

There was nearly universal acknowledgment among stakeholders that inadequate tariffs have contributed to the financial crisis of the water sector, whether public or private; there is far greater debate around the question of tariff structure and who should pay more. A few NGOs, and the Catholic Church in some countries in South America and Africa, advocate that water should be free for all, sometimes based in cultural traditions and community values of water and sharing resources. The private providers and public utilities nearly all cited that someone has to pay for the pipes and the treatment, even if rain is free.

Several NGOs and professional associations in Africa noted that PSP has succeeded in increasing revenues without raising tariffs because the private providers focus on revenue collection. Most donors, professional associations, researchers, and think tanks thought that **setting tariffs and collecting revenues was a top priority for the water sector** – public or private – and that **PSP has resulted in tariffs reaching levels that reflect more realistically the costs of service provision**. These stakeholders generally perceived the private sector to be more focused on and have a better track record in implementing needed tariffs and payments-system reforms. Many stakeholders in the Philippines and Indonesia including government regulators, NGOs, SSIPs, and labour, however, perceived that tariffs **had increased without improvements in service under PSP**. Under PSP, tariffs can also vary widely from place to place, and can be perceived as unfair, as noted by both NGOs and public utilities in the Philippines. Stakeholders across the spectrum acknowledged that governments and public utilities have not done well in setting tariff structures and collecting revenues, and that the process becomes highly politicised. Some NGOs and public utilities acknowledge that PSP can force reform in this area. A few private sector and donor stakeholders in Asia and South America noted that tariffs needed to be raised by a private provider because of the lack of investment and inefficiency under the previous public utility, which can unfairly put the blame on the private provider.

*"Funding public water utilities is a 'black hole' for governments; the tariff structures don't raise nearly enough revenue."* Representative from an international water network

3. **Politics of Tariffs Reframing Question:** Stakeholders across the spectrum recognise that election-year politics often influence tariffs and that PSP can force reforms. How can the process of setting adequate tariffs and collecting revenues be separated from electoral politics?

NGO and public utility stakeholders also acknowledge that better tariff structures and collections are a crucial element of reforming the water sector, but they do not perceive that the private sector is inherently better in this regard. Indeed, these stakeholders generally believe that the private sector is not sensitive enough to the realities of poverty in developing countries, and that tariffs are not affordable for poor people. There was broad agreement among NGO, public utility, government agency, donor, and private water company stakeholders that "social tariffs" and cross-subsidies are needed to insure access and fairness, but some donor representatives questioned whether they worked in practice. In Chile, where direct subsidies to poor consumers are generally noted as succeeding, without artificially lowering the price for all water consumers, one NGO noted that the subsidies are only for the "very poor" and that there are still many, many poor people for whom the tariffs are unfairly and unaffordably high, especially when the tariff is viewed as a percent of monthly income. The pre-paid cards for water are rejected as inhumane and immoral by NGOs and communities. A few environmental NGOs and think tanks raised the concern that PSP has a negative impact on incentives for water conservation, demand management, and pollution prevention because revenues are raised by selling volumes of water delivered or wastewater treated.

*"There is an argument to be made that water should be free. It's difficult, but many communities would prefer to invest their own labour into developing community systems that do not result in charging for water. There's a cost to the project in terms of time and materials, but there's not a charge for the water."* NGO representative

4. **Tariffs Reframing Question:** There is widespread agreement that inadequate tariffs have contributed to the fiscal crisis of the water sector. However, there remains much debate over whether or not PSP has a beneficial impact on tariffs and how tariffs, subsidies, and overall cost-recovery policies should be structured to address the goals of affordability, network expansion, and environmental and financial sustainability. How can tariffs and subsidies be designed and implemented to reach these goals, in both rural and urban areas? (*Question 2 in summary set – Box 1*)

Some of the poor communities involved in this Scoping Study, however, are often willing to pay tariffs and have experienced lower tariffs and better services as a result of being connected to the formal network compared to the high prices they paid previously when supplied by a SSIP. In two communities in Brazil payment of bills is often 98%. In Mauzinho II in Manaus, Brazil, a community association distributes bills (but does not collect payments) and receives a small payment for bills that are paid, which helps to finance the activities of the community association, including health education, hygiene training, and micro-enterprise development. A key reason cited by these communities for **why the tariffs are acceptable to poor consumers** is that there was transparency in the costs of the service presented to them, that they were directly involved with negotiating the terms for the connections, tariffs, and payment schedules, and that there was a collaboration between the community and the service provider (in one case a local water authority, in the other a large private provider).

*"I've lived in this community for 20 years and the public utility never lifted a finger to deliver water here. We're not stupid! When the private water company showed us the math, it was clear that this would be good for us."* Representative of poor community in South America

There was universal acknowledgment among donors, private providers, public utilities, government agencies, NGOs, labour, professional association and researchers that **tariff structures for drinking water and sanitation services in rural areas are quite different**, and that the lack of economies of scale and opportunities for cross-subsidies means that services in rural areas are much less amenable to the large-scale, multinational model of PSP and cost-recovery, and that expanding services will require public financing and subsidies.

While tariffs and affordability are important and often divisive issues in the debate, respondents to the email survey did not rank the issue of "Pricing and rate structures" as a high priority. As a priority issue to be tackled by a global multistakeholder review, just 10% of respondents ranked it as one of the three most important issues.

5. **Cost Recovery Reframing Question:** Some stakeholders, including donors and private water companies, perceive that cost recovery and collection rates are higher under PSP. How can the discipline of cost recovery and high collection rates be mainstreamed for urban publicly managed water and sanitation services? Is this approach relevant to and effective in rural areas?

#### 4.2.5 Profits

The philosophical and practical issues surrounding the topic of making a profit in delivering public services is at the core of the controversies about private sector participation in water and sanitation. When untangling the many inter-related issues, it is possible to identify a smaller, more specific set of issues that are the divisive ones, and recognise that there are many aspects of "profits" where people can and do agree. When a public utility borrows money or receives bond financing, the loans and bonds are repaid to investors with some additional return or interest – in other words, profit, with some or all of those returns financed by water consumers. Private companies that supply equipment to water providers, like pipes or chemicals, and companies that design and build facilities, like architects, engineers, and contractors, also make profits. These elements of profit-making in the water sector are not disputed. **The central debating point is whether profits gained through delivering water services are appropriate, cost-effective, or acceptable.**

The perspectives of private water providers – both large and small, domestic and foreign – and of donors and some government agencies are that the private sector has expertise, resources, and a track record for

delivering good services at reasonable rates and that they need to be compensated in exchange for their investment of time, expertise, resources, and risk. In some examples, the tariffs charged by the private provider are lower than under the previous public utility, such as in La Paz and El Alto, Bolivia. In other examples, the service was extended to new communities, the service reliability was improved and leaks reduced, and/or the quality of the water supplied was improved, such as in some cities in Brazil and by SSIPs in metro Manila. In areas not served by formal networks, small-scale independent providers serve the communities and fill an urgent need. In these instances, private providers – both large and small – feel that **making a profit is reasonable and justified in exchange for delivering a good quality and needed service**. Also, several private providers were confused by what they perceived to be the contradictions in some perspectives where the return on capital to investors is viewed as acceptable but the return on investment to operators – who are employing local labour, procuring local supplies and equipment, and pay local taxes – is viewed as not acceptable. SSIPs considered the profits made through their small-scale enterprises as simply “making a living,” and not excessive.

*“Look, the businessman is not the enemy of the state! We share the same goals of having a healthy, safe, society”* private business association, Brazil

In communities served by private providers, **consumers do not always oppose profits if they feel that the service is meeting their needs**. In Mauzinho II in Manaus, Brazil, the community association representatives did not care that profits were made from the tariffs they paid, especially since the tariffs were lower than what they had paid previously from a water vendor. When the community was deciding on whether to choose to be connected to the formal system, there was transparency about what the tariffs covered, including profits to the company, and these were not opposed. A case in point is a slum area of Manila. In addition, the profits of private water cooperatives and public utilities were considered acceptable to many stakeholders because they are re-invested in improving the system.

NGOs, labour organisations, consumer organisations, and many public utility stakeholders in all regions perceived that **managing monopolistic public services on a for-profit basis was inappropriate**, and added costs unnecessarily to a service that governments are striving to make affordable, especially when profits are considered excessive or are repatriated to foreign companies. NGOs, in both the North and the South, were particularly concerned about profits going from poor consumers and governments in the South to enrich shareholders in the North. Many in government, public utilities and NGOs noted that the negative impacts of PSP are that the revenues allocated to profits are not reinvested in the water system for expansion or improvements, and are not used to otherwise lower tariffs or subsidise other goals like reaching the poor or protecting the environment – that profits increase the cost of providing the services unnecessarily. In some countries like Brazil and the United States, public utility stakeholders and government agencies noted that the technical and institutional capacities of domestic public utilities is very high, and so questioned the justification of needing to pay the price for foreign expertise. A donor noted, however, that **many international private operators had not made significant profits**, but had rather lost money, from operations in developing countries. A labour representative perceived that international private providers intentionally made low bids as “loss leaders” to establish their presence in developing country markets.

A variety of stakeholders raised other concerns about the profit orientation of private providers. Some service delivery NGOs, researchers, and government agencies felt that **monopolistic basic services should not be controlled by profit-seeking entities**. Other elected officials, SSIPs, labour, and regulators perceived that the main focus of international private providers is the profit motive, and this negatively influences management decisions at the expense of other goals, resulting in cutting corners on maintenance and safety, shifting supply to wealthier areas that can pay more, intentionally underperforming on certain targets in order to maintain profits, and “cherry picking” the best projects and leaving “the pits” for the public sector. A wide cross-section of interests (SSIP, NGO, labour, government, research, and public utility, especially in Africa) raised concerns that **international private providers were focused on profits to the exclusion of other development outcomes** like public health, institutional capacity building, community development, and poverty alleviation.

*"So is it sensible that the public of Kigali should be enriching the shareholders of Europe? Actually you want the North to invest their investments in the developing world not for profit." Technical assistance programme, Africa*

Respondents to the email survey indicated that profits were an issue of significant concern. About 55% of respondents ranked "interest in profit" as one of the top five drivers of PSP. Out of 25 possible choices for issues that a global multistakeholder review should address, "ethical issues around profit-making from public resources" was ranked as one of the top five issues by 27% of respondents, and was the third issue ranked in the top five most often, following "extension of water services to poor communities" and "public participation in decisions-making processes."

6. **Profit Reframing Question:** The philosophical and practical issues surrounding the topic of managing monopolistic public services on a for-profit basis are at the core of the controversies around PSP in water and sanitation. What are clear and broadly supported definitions, criteria and guidelines for acceptable and fair profits throughout the water supply and sanitation chain, taking into account that part of revenues that is not reinvested in operations? (*Question 3 in summary set – Box 1*)

#### 4.2.5 Donor conditionalities and tied aid

There are strong perceptions among government stakeholders in the South, and among NGOs in both the North and the South, that donor conditionalities and ideologies have been a major driver of PSP in developing countries. One element of the context for donor conditions on loans and guarantees is the demand to reduce the public debt burden of a country, both domestic and foreign. In Brazil and other borrower countries, where financing the foreign debt has been a huge drain on the economy, the World Bank, the IADB, and other public international financial institutions (PIFIs) have demanded reforms and reduced public sector spending through Structural Adjustment Programs (SAPS) and conditions on individual loans and guarantees. NGOs in the North and the South, including environment, development, service delivery, consumer, and human rights organisations, were nearly unanimous in citing the impacts of SAPs in contributing to the poor performance of and under-investment in many public water utilities, which in turn drives the encouragement of PSP as the solution by the PIFIs. Many of the NGOs interviewed for the Scoping Study in the U.S. and Europe are also involved in campaigns to reform the PIFIs.

*"People are becoming fed up with the World Bank and its conditions. But internally we also need to look at the way we implement these things – the public utility in this country is not performing and corruption is said to be part of their activities, and we have the poor buying water at higher prices, so what do we do?" Water delivery NGO, Africa*

Several government agencies, elected officials, and public utilities in developing countries also cited "donor conditionalities" as a major driver of PSP, and they also noted the lack of sensitivity of donors to the realities in developing countries and the failure of projects designed "in Washington." Among both NGOs and developing country governments and public utilities, there was a **desire that decisions about how to manage and deliver water be made locally, not internationally**. NGOs in France and the UK also raised issues of tied aid, and concerns that bilateral donors made demands on governments receiving aid that were in the economic interest of the donor country and its businesses. The influence of the French was noted in particular with respect to the interests of the French companies that dominate the private water market. Other NGOs and researchers **questioned the rising use of "Output-Based Aid" to provide additional public financial support to private sector development, and the larger risk that public taxpayers shoulder should the private operation fail**. Donors, private water providers, and professional and business associations generally did not raise issues of donor conditionalities or tied aid, though one multinational water company does have a position against conditionalities for PSP.

7. **Donor Conditionality Reframing Question:** There are disagreements amongst stakeholders over the influence that public international financial institutions wield over decisions on water supply and sanitation. What conditions of public international financial institutions' loans and grants are necessary and acceptable for effective, efficient, and accountable use of investments in water supply and sanitation services? What conditions undermine effectiveness,

efficiency, and accountability? How can existing international agreements to cease PSP conditionalities be implemented? (Question 4 in summary set – Box 1)

There have already been international recommendations to cease making funding for the water sector contingent on promoting PSP, such as at the Bonn International Conference on Freshwater in December 2001. Recently, the World Bank has also begun promoting what it is calling a more pragmatic, and less dogmatic, approach to the water sector as embodied in its new Infrastructure Action Plan and as described in recent public arenas like the World Bank's February 2004 Water Week. However, despite the Bonn Conference agreement and recent events, **many stakeholders continue to perceive that donor conditionalities and tied aid drive decisions around delivering water services in developing countries.**

### 4.3 Theme 2: Meeting the Millennium Development Goals

*"The nightmare scenario we have managed to create for ourselves was using big business language, with a focus on profits etc. .. we did not realise the softer sides of our commitment."* Country manager of MNC private water company

#### 4.3.1 Background

Stakeholders interviewed during this Scoping Study raised a number of positive issues and concerns on the impacts of PSP on expanding access and services. Perspectives raised centred around four main areas:

- Impacts on the poor
- Servicing rural areas
- Sanitation and sewerage
- Technology choice and innovation

It is generally accepted that a basic goal of the provision of water and sanitation services, whether publicly or privately provided, is to meet the needs of poor communities through expanding access to water or wastewater services. Furthermore, in November 2002 the United Nations Economic and Social Council (ECOSOC) formally adopted a General Comment that explicitly recognised access to water as a fundamental human right, thus establishing the obligation of states and governments to recognise, protect and fulfil this right. However, statistics (cited earlier in this report) indicate that poor communities, whether rural or urban, still lack adequate access to WSS. In many cases members of poor communities obtain their water and sanitation services from the small-scale private sector, and frequently pay more for a poorer quality of service than do more affluent communities connected to the formal system. There is consensus that water and sanitation has been a neglected sector in general in development aid. Many studies have noted the increasing tendency of government to neglect providing the poor with water and sanitation services; resultant backlogs have been exacerbated by rapid migration and urbanisation in many cities of the developing world.

Provision of sanitation to the poor has been particularly neglected, despite widespread recognition of the health benefits of providing sanitation alongside an improved water supply. World Bank findings, amongst others, indicate that women tend to place sanitation as a much higher development priority than do men. However, despite the recognition by donors and governments of the need for water sector activities to be gender responsive, the reality has been even more limited funding for sanitation than for water supply. And backlogs of both water and sanitation have been great in rural areas for some time, and indeed, many feel, have been exacerbated by the focus during the 1990s on PSP and reform of the urban water sector. The WHO/UNICEF Assessment 2000 highlights the large number of rural dwellers who lack improved provision for water and sanitation: in 2000, only 47% of Africa's rural population, 62% of the rural population of Latin



America and the Caribbean, and 75% of Asia's rural population had improved water supplies, while less than half of the rural population in all three of these areas had improved sanitation<sup>16</sup>.

Many feel that the issue of technology choice and innovation, traditionally an area in which NGOs have placed greater emphasis than governments, has received inadequate emphasis in development policies and activities. The failure to consider a range of technological options that may be more suited to the demographic, social and infrastructural realities in rural areas than more mainstream supply options, whether publicly or privately provided, has, in the eyes of many practitioners, deepened both rural water and sanitation crisis in the developing world.

More recently, increased weight has been placed on understanding the real impacts of development activities on the rural and urban poor, and mechanisms such as calculating a water poverty index<sup>17</sup> and the Poverty Reduction Strategy Papers (PRSPs) have been developed to ensure more pro-poor development policies and activities, although the efficacy of the latter to date has been called into question in a number of studies<sup>18</sup>. In recognition of past failures to make strong headway in reducing poverty, a corresponding trend has been the increasing global recognition that poverty eradication is, and must be, at the centre of concerns for sustainable development, as reinforced by statements in the Johannesburg Declaration of the 2002 World Summit on Sustainable Development (WSSD), and by inclusion of the water and sanitation targets in the, Millennium Development Goals. Events such as the 2003 Water for the Poorest conference set out specifically to make recommendations to the United Nations CSD process on the implementation of the MDGs.

#### **4.3.2 Impacts on the poor**

Stakeholder perspectives on the **impacts of PSP on the poor ranged from the extremely positive to the extremely negative, thus indicating a major faultline in the PSP debate**. Many participants in this scoping study differentiated between the role of the small-scale independent providers (SSIPs) on the one hand, and the effects of the large-scale private companies on the other. There is very little agreement across the stakeholder groupings on whether PSP as implemented by large multinational water companies, has, on the whole, been a positive factor for the world's poor. Perspectives centred around questions of access, understanding on the part of the private sector of the situation of the poor, the impact of full cost recovery policies on the poor, changes to livelihoods and quality of life where services are provided, and social and cultural impacts (discussed in section 4.6.4). Disagreement also appears to stem from confusion amongst stakeholders claiming a variety of evidence (both empirical and perceived) and using different measurements and priorities of impact.

Across regions, stakeholders from the private sector (both large and small scale), donors, government agencies and poor communities themselves noted that **expansion of access** and the **provision of an improved quality of water** were positive impacts of PSP, and that using both the large-scale and small-scale private sector has accelerated delivery in developing countries. Donors, poor communities and the small-scale private sector highlighted the fact that in many areas of Africa and Asia, **if it were not for the small-scale independent providers (SSIPs), the poor would not have access to water**. The services provided by SSIPs on which many of the poor depend include tanker supply, kiosks, and water vendors, and, in some areas, small distribution systems that provide household connections.

*"The small-scale sector is hugely outweighing any other aspect of PSP in providing services to the poor in Asia." Donor representative*

However, many reservations were also noted with respect to the services provided by the SSIPs. Donors, delivery NGOs and the small-scale private sector itself noted that SSIPs were "battling in a hostile environment", with major constraints relating to the difficulty in accessing capital and the lack of a supportive

<sup>16</sup> Quoted in UN-HABITAT 2003 *Water and Sanitation in the World's Cities: Local Action for Global Goals*. London: Earthscan (page 48).

<sup>17</sup> See Sullivan, Caroline 2002 'Calculating a water poverty index', *World Development*, Vol.30, No.7, pp.1195-1210

<sup>18</sup> e.g. WaterAid etc

regulatory environment. As a government official in charge of restructuring of the water sector in an African country noted, the government needs to cushion the small operators against the investments that need to be made. One SSIP from SE Asia noted that **SSIPs were not recognised and treated as partners**. While all sectors noted either problems related to the services provided by SSIPs, or serious constraints encountered by SSIPs, NGO voices tended to express more fundamental reservations, while donors and poor communities focused more on areas requiring attention and support, rather than on more structural aspects, indicating a further faultline in the debate. Thus a network of NGOs noted what they saw as the **dangers linked to the promotion of SSIPs**, especially in a franchise situation with the MNCs, which they felt may have the negative impact of allowing governments to avoid necessary subsidies to the poor, making the poor raise their own money for pipes<sup>19</sup> and ultimately serving to entrench the MNCs in a “new paradigm of PSP”. On the other hand, some NGOs are providing research and support for addressing the financial, technical capacity, and service quality of SSIPs, especially as they perceive SSIPs continuing to fill an important need in small and medium-size towns.

8. **Small-Scale Independent Producers Reframing Question:** The presence of small-scale independent producers (SSIPs) reflects the inadequacies of existing water supply and sanitation networks. Some stakeholders perceive SSIPs to be part of the problem, others perceive them to be the only available solution in the short term. To what extent can or should SSIPs be integrated, financed, and regulated as part of the formal sector?(Question 5 in summary set – Box 1)

Perspectives on the **role of the large MNCs in increasing access to the poor were mixed**. A number of donor and private sector responses indicated success stories such as the expansion of coverage to the poor in La Paz/EI Alto, Bolivia, with voices from the private sector, research institutes and NGOs, as well as the poor themselves noting that where the large-scale private sector has taken over from SSIPs, **PSP has lowered rates for the poor**. However, other stakeholders felt that large-scale PSP has had negative impacts on the poor, including the loss of access to water on the part of the poor. Thus perspectives from NGOs, labour, public utilities and regulatory bodies noted that **not all of the promises made by the private sector have been kept**, including its failure to increase access to the poor. However, other stakeholders noted that the difficulty in reaching the poor applies to both public and private sector.

*“The growth here was explosive, 5,000 families moving in to the city per month! The state had no money, no will, no capacity. We had huge problems and water quality was terrible. Privatisation was the only answer. There are challenges, but water quality and service has improved significantly.”* Politician, South America

*“Poor farmers will not get water if it goes to the private sector – even with the government we don’t get water.”* Farmer and researcher from Kerala, India

An NGO perspective noted that **access consists of both availability and affordability**. As PSP has in many cases resulted in increased tariffs for those already connected to the network (see section 4.2), some stakeholders feel that PSP has resulted in the poor losing access to water. As a SSIP operating in small towns in Uganda noted, access to water should be brought into line with affordability, as people in small towns have very low incomes and will not prioritise spending money on water, if they can access other, possibly less safe sources for free. On the other hand, some poor communities that previously were not connected to the network and relied on SSIPs have experienced tariff reductions as a result of PSP.

*“This used to be a slum; now it’s a neighbourhood. We were outcasts before, now that we have water and sewerage we are recognised. We have dignity.”* Community member living in informal settlement that self-financed a low-cost sewage treatment facility

<sup>19</sup> This example refers to the model developed by some private water companies of bringing water infrastructure up to the borders of an informal settlement. Poor communities are then required to finance their own water infrastructure within the boundaries of the settlement, sometimes assisted by microfinance provided or facilitated by the private water companies.

Results from the email survey are that extension of services to the poor is the issue ranked in the top three most important issues to be examined in a multistakeholder review by the most number of respondents, with broad agreement among all types of organisations responding.

9. **Impacts of PSP on the Poor Reframing Question:** There is debate and confusion among stakeholders about the impacts of PSP, both large and small scale, on poor communities. Some stakeholders have proposed that access to the poor should be defined in terms of at least three criteria: availability, affordability, and quality of services to the poor. What criteria and indicators should be used in assessing the performance of direct water providers on delivering water and sanitation services to the poor? Against these criteria and indicators, what is the performance of different types of private sector providers, and how does the public sector performance compare? In urban areas? In rural areas?(Question 6 in summary set – Box 1)

A number of stakeholders made a further **distinction between the role of the large-scale private sector and SSIPs**, with respect to how the provision of service to the poor is viewed. Thus NGO, large-scale private sector, and SSIP perspectives from South East Asia noted that the large-scale private sector in many cases has either not understood how to target the poor, or has not seen the poor as either viable customers or a priority.

Many stakeholders raised issues related to the policy of **full cost recovery and its impact on the poor**. A wide range of stakeholders indicated that while this is a policy being strongly pushed by some donors, it was not viable, was in fact not happening anywhere, and that **targeted subsidies are needed to ensure that the poor are serviced**. This was a perspective held by both delivery and advocacy NGOs in Africa, with the latter stressing that incomes in African countries need to increase first before full cost recovery can be viable. Other stakeholders who felt that full cost recovery is not feasible were SSIPs in Africa, and government agencies dealing with restructuring of the water sector, who noted that it was possible to cover operations and maintenance, but not all costs. A range of stakeholders from all regions, including the private sector (large- and small-scale), noted the need for subsidies to provide the poor with adequate access to water.

Another model is of cross-subsidies, where rates for wealthier or industrial consumers are higher and subsidize the lower rates for poor consumers. Donors, private water providers and public water utilities noted that cross-subsidies do not work if 85% of the consumers need a subsidy: a water provider cannot charge enough from the 15% of wealthier consumers to cover the costs of providing services to the remainder. Thus in Africa, local private operators supplying small towns highlighted the impossibility of full cost recovery, given low levels of economic development and high levels of poverty of the majority of their customers or possible customers, and noted the **need for government to provide subsidies to ensure the access of the poor to water services**. This perspective links with current work on calculating a water poverty index, which is predicated upon the fact that where there is ‘water poverty’ – i.e. inadequate and inefficient water supplies – any measures to reduce income poverty are unlikely to be successful.

*“The insistence of the donors on full cost recovery is a bit impossible at the moment, especially in rural areas. There is no way the rural poor can pay the real cost of the water.” SSIP operating in small rural and urban towns in Africa*

The Scoping Process also highlighted a range of perspectives noting **positive impacts on the livelihoods and the quality of life of the poor**, as a result of improved access and increased quality of service from PSP. Thus community members in the slum area of Mandaluyong, in Metro Manila, who are served by an SSIP who obtains bulk water from one of the two concessionaires operating in the metro area, noted an improvement in their health situation and that PSP on the part of the SSIP had freed up additional time for education, rest, recreation and for developing small businesses using the water supplied, for example selling ice, ice candy, iced water, purified water stations, car washes, and laundries. In a pilot project in Manaus, Brazil, the poor community of Mauzinho II has been connected to the formal network of Aguas Amazonas, a private water provider that is a subsidiary of Suez, with the assistance of Essor, an NGO. The rates for water have dropped substantially compared to the previous SSIP, malaria and intestinal problems have decreased particularly in children, and small businesses like a local bakery have developed. In this way, PSP has increased the income generating ability of the poor.

In addition to **health and economic benefits**, PSP has also in some cases resulted in an **increase in social capital in poor communities**. For instance, in Mandaluyong, PSP has stimulated members of a poor community to improve their own water supply through social organization, and in Mauzinho II the community organization receives a small percentage of bills they distribute (not collect) that fund other community development and micro-enterprise projects. A further positive perspective noted was the **innovations brought about by PSP in supplying informal settlements**. In SE Asia these were related first of all to pioneering work on the part of SSIPs, which had subsequently, NGO and SSIP stakeholders felt, been adapted and implemented by large companies too. An example was in SE Asia where a large concessionaire is implementing a system that brings pipes to the periphery of an informal settlement, and provides microfinance to enable communities to develop the infrastructure within the settlement. NGOs have questioned the equity of such a situation, querying why it is that the poor should have to pay for their own infrastructure? In many areas of the world, both small-scale and large-scale PSP has also been able to **overcome problems of insecure land tenure and provide connections in informal settlements**, that government providers had not previously overcome.

10. **Social Impacts Assessment Reframing Question:** Assessments of the social impacts of PSP in water and sanitation services on the poor are often narrow and may not recognise the different circumstances of the poor who are connected to networks and the poor who are not. How can the possible negative impacts of PSP on the poor, such as rising prices for those connected, be evaluated and compared against the possible positive impacts on the poor, such as lower prices for those previously un-connected, better health, employment or livelihoods?

Several stakeholders emphasised the fact that ‘the poor’ are not monolithic and raised the issue of the **need to disaggregate between different categories of the poor** when considering water supply options and the impact of PSP on the poor. For instance, an NGO perspective was that there are **differential impacts of PSP on women**, as it hits women harder when water is harder to get, or when it costs money, as men very often control the household finances. Apart from disaggregating between poor men and poor women, there are different ‘degrees’ and experiences of being poor that may relate to income categories or to cultural or religious traditions, or to an intertwining of these and other variables. For instance, an NGO perspective noted that in India, there is much privately controlled water related to the caste system, such as wells that are owned by upper castes. Stakeholders (NGO, donor, public agency and professional associations) also noted that **indigenous people’s issues related to WSS had not received adequate attention**. For example, an NGO noted that the emphasis on PSP in Chile essentially meant that the needs of indigenous peoples living in remote rural areas were ignored as the appropriate solutions for these communities were not relevant to PSP.

11. **Diversity of Poor Reframing Question:** Poverty is multi-dimensional and there are many different “categories” of “the poor.” During planning for water supply and sanitation, should potential conflicts between different categories of the poor be identified? How should WSS delivery options be designed to incorporate these differences?

### 4.3.3 Servicing rural areas

Many stakeholders (donors, public sector, NGOs, professionals) from all regions noted that provision of WSS services in rural areas has been **neglected under both public and private systems of delivery**. This consequently represents an area of consensus revealed by the Scoping Study. However, underlying this consensus is a range of different perspectives that disaggregate between public and private delivery systems. For instance, both delivery and advocacy NGOs have highlighted the fact that the focus during the 1990s on PSP and reform of the urban water sector has exacerbated WSS backlogs in the rural areas.

*“All discussions have focused on urban water supply, which has impacted very heavily on the water crisis, as we know that most needs are still in the rural areas, yet the discussion has only focused on one dimension.” Northern NGO*

A converse view expressed by a bilateral donor involved in the reform of the urban water sector was that there is a **social equity issue** at stake when considering the heavy investment of the government of an African country in urban water supplies when (reportedly) 85% of the population is rural. Some stakeholders,

including the large-scale private sector, donors, northern NGOs and professional associations, indicated the perspective that **rural areas and sanitation are not as amenable to the multinational model of PSP as water supply in urban areas**, as they are less profitable and will likely require subsidies. However, a number of stakeholders (professional, donor, government agency, SSIP) in Africa noted the **increasingly significant role played by local private operators** (as opposed to the informal small-scale sector) **in providing a water distribution system in small towns**, stating that the local private sector was more culturally sensitive, more responsive to the needs of the poor, and more flexible in its institutional arrangements and payment collection methods. An opposing viewpoint expressed by a representative from a public utility was that small towns that are being run by private operators include some schemes that are not viable and this is resulting in prices being pushed up, leading to a huge disparity in prices paid by the poor. **There is consequently a divide in perspectives between stakeholders who feel that PSP can play an important role in rural areas, and those who do not.**

12. **Rural Areas Reframing Question:** Some stakeholders perceive a disconnect between the emphasis on PSP, which primarily applies to large, urban areas, and the solutions that have the most potential for increasing access to WSS and improving health in rural areas. What is the potential for PSP in different forms to bring increased equitable and sustainable access to WSS in rural areas, especially to the poor? Under what conditions can governments reliably enable or tap this potential? Does PSP weaken the cross-subsidy of urban to rural? (*Question 7 in summary set – Box 1*)

#### 4.3.4 Sanitation and sewerage

There is agreement amongst a wide range of stakeholders (donors, public sector, NGOs, professionals) from all regions that sewerage and sanitation have been **neglected under both public and private systems of delivery**. In cases where the private sector has taken over some sanitation functions, NGOs have pointed out negative impacts including lack of affordability, while donors have pointed out positive impacts, such as the SSIPs being the only service providers to provide sanitation services to the poor. Both of these viewpoints are illustrated in examples from Nairobi, Kenya, where the public toilets have been taken over by the private sector, which has rehabilitated them, but this now means the poor cannot afford to pay to use them. Conversely, in areas where the poor live, such as in the informal settlements in Nairobi, the informal small-scale sector is the only service provider dealing with sanitation, under extremely unsanitary and negative operating conditions. Both SSIPs and poor communities raised the point of the **negative impacts on health and environmental aspects when some form of sanitation or drainage system is not provided** at the same time as water supply. Thus an SSIP running water systems in rural and urban small towns in Uganda noted that the SSIPs are not required to touch the issue of sanitation at all, and that when water is brought in, there is often an increase in other problems caused by inadequate drainage systems.

Other community cooperative and community-government partnership models exist, as well. In the poor, squatter community of Pinheiros, outside of São Paulo, Brazil, the water and environmental planning agency for the city of San Bernardo do Campo collaborated with the community to design a low-cost sewage treatment plant because contaminated runoff from the illegal settlement was threatening an adjacent drinking water reservoir. The community itself financed the capital costs for building the plant and the annual recurring costs, while the local agency paid for the connections.

13. **Sanitation and Sewerage Reframing Question:** Despite the well-known and well-documented ecological and public health benefits of providing sanitation and sewerage, the funding for and political priority of these services remain extremely low. How can the allocation of financial investments, public and private, better reflect the net social, economic and ecological benefits of investing in sanitation and sewerage? Can services that produce public goods be paid for in the context of PSP and full cost recovery? (*Question 8 in summary set – Box 1*)

#### 4.3.5 Technology choice and innovation

Perspectives, largely raised by NGOs, indicated the need to re-examine national policy perspectives (often based upon donor policies and/or conditionalities) that see PSP as the panacea for all WSS ills. These

voices note that the **dominant PSP discussion also blocks exploration of alternatives to dominant, and often inappropriate, technologies** and the fact that much technology pushed is from Northern countries where there is a consistent water supply, not suitable for most countries of the South. While it is positive that the PSP debate has raised questions of why there is so much inefficiency of public services, these stakeholders hold that it is wrong to just provide one blueprint. Concerning alternatives, they feel there is a need to look in the broadest way at water availability, water use and water needs – in particular regions. Advocacy and delivery NGOs point out that the so-called soft elements or social aspects are still given less than they are due, even by civil society (see section 4.6 for more on social and cultural issues). A number of stakeholders, from NGO and donor groupings, raised the point that if alternative technologies were more widely used, there may not be the need for hugely increased levels of investment.

*"We need to arrive at a situation where we acknowledge that there is not just one answer, but a very diligent study of local conditions is indispensable."* Northern NGO

Several service-providing NGOs, NGOs working in partnership with poor communities, environment NGOs, and UN agencies described the potential for appropriate technologies to meet the needs of poor communities at lower cost. Many of these alternatives are "on-site" and "off the grid," meaning that expensive, centralised piped networks are not necessary to provide the service. One of the approaches highlighted for drinking water supply is a variety of rainwater harvesting techniques being pursued in both developed and developing countries and in both urban and rural areas. For sanitation, an ecosystem-based approach to re-use and re-cycling of waste can be used in rural areas; anaerobic digesters are successful for small-scale sewage treatment.

According to NGOs, water co-operatives and research organisations, people must be **provided with enough space to select appropriate technological options**. Apart from the social appropriateness of technology options, regulators and labour unions in SE Asia noted that the large-scale private sector uses technology below previous specifications. Many NGOs perceive that donors, governments, and private water companies have a bias towards large-scale, conventional, and expensive technologies. They note that while support for low-cost, appropriate technologies has been growing, funding for these approaches is a "drop in the bucket" when compared to funds allocated to new, large infrastructure projects.

*"We have used an overly technical approach divorced from the broader social and economic context, for example applying urban technologies in rural areas. We have taken a narrow approach to service delivery, rather than an overall economic development approach so people can afford services."* UN agency representative

Innovation should also not relate only to technology choices and standards of technology or specifications, but also to **different institutional arrangements for providing water supply**. According to NGOs, water co-operatives and research organisations, alternatives that merit further attention and support were the SSIPs and water cooperatives, low-cost technologies like rainwater harvesting, as well as different public sector options such as the Dutch model of the Public Water PLC<sup>20</sup> and a range of community-government collaborative efforts. Government and donor stakeholders in Africa noted the need for flexible options when planning WSS in rural towns, and cited the example of Ghana, where for complex schemes, communities are encouraged to go into partnership with the private sector, but for smaller schemes in rural areas, these are established and supported to be wholly community run and managed. Primarily NGO participants suggested models that are alternatives to the large scale, highly commercial PSP, in which the assets/capital come from the social context. This may either be from people pooling resources, such as in co-operatives or from small family-run operations, which aim to earn a profit, but not an exorbitant one – as one NGO

<sup>20</sup> In this model, the utility is incorporated as a public limited company, but the stocks are owned by local, provincial or national government. The Public Water PLC mode creates a buffer between the water company, which operates according to commercial business principles under company law, and the shareholding governments, who by way of their share ownership have a degree of control over the supply of water.

respondent phrased it, “not getting into the business to make a killing, just enough to make a decent living”. A positive example cited is that of the Darangan Water Co-operative, located on the boundaries of metro Manila, which supplies good quality water from a deep well at a lower tariff than the adjacent Water District, and has diversified into a credit and consumer cooperative which provides members with access to low interest loans and banking services, operates a micro-financing facility for the poorest of the poor, and is involved in various community development initiatives.

*“One problem is that the Dutch model of ‘private business, public ownership’ is not being pushed by anyone – it was the model in Chile until the government decided to privatise water companies in 2000 to reduce the national debt.” International research and training institute*

In responses to the email survey, “choice of technology” was ranked in the top five issues to be studied by a multistakeholder review by about 15% of respondents, more often by researchers, professional associations and some NGOs; and not at all by donors. Lack of appropriate technology was also noted as a reason for lack of access to water – but of lesser importance – by similar groupings.

**14. Technology Choice Reframing Question:** Stakeholders have made a link between lack of access to WSS and promotion of inappropriate technology or failure to provide a range of options for consideration by users. What are the barriers to the wider use of appropriate technology in providing water supply and sanitation services, especially to the poor? What can the private sector do to overcome these barriers? What can donors, governments, public utilities and others do to overcome these barriers? (*Question 9 in summary set – box 1*)

#### **4.4 Theme 3: Achieving good governance and accountability**

*In the final analysis, the WSS backlogs are a crisis of governance, and not only a question of resources. We believe the final answer lies in stimulating local actors to attain the goals. Finance must come from national budgets, ODA, and the private sector. But we must involve people in planning for WSS – what their preferences and their willingness to pay are, their expectations, and we need to see their voices really factored into decision making, whatever route we take – public or private.” UN agency*

##### **4.4.1 Background**

This section explores the perspectives raised by stakeholders in the thematic area of good governance and accountability collated under the following thematic areas:

- Governance and democracy
- Participation in decision-making
- Regulation and monitoring
- Contracts and transaction advice
- Local government issues

Many water stakeholders over the years have made the point that providing water supplies is more about politics and governance than it is about technology. This does not deny the need for consideration of specific, locally appropriate technological options, but rather affirms the fact that offering people choices on a range of possible technological options for both water and sanitation services, and providing or enabling the dissemination of information so that people can make informed choices, is part of good governance. In order to achieve such a seemingly simple outcome, which in reality has proved elusive in many parts of the world, elements of democracy, as well as transparency and participation in decision-making, need to form part of the water governance framework. Independent and accountable regulatory procedures, backed up by monitoring systems that share information freely, are further components of the governance composite. For PSP, the issue of the nature of contracts and transaction advice become central concerns in the quest for good governance, as does the regulation, monitoring and enforcement capacity of local governments, at

which level the water service delivery function is often located. As many, including the private sector, have pointed out, good governance is key to the success of public and private WSS; the irony is that PSP is often pushed where government is weak.

The 2003 Report of the World Panel on Financing Water Infrastructure made a number of recommendations to address the serious defects in the governance of the global water sector, which it felt hampered the ability to generate and attract finance. One of these was that national governments should elevate the priority placed upon water to the level it deserves, through a range of different mechanisms<sup>21</sup>. The 2003 WaterAid/Tearfund report, which explored whether PSP benefited the poor, stated that institutional reforms are urgently needed in the water sector. This report traced the failure of both public and private utilities to the “lack of monitoring, benchmarking, quality control and supervision or target-setting by both political authorities and consumer representatives”<sup>22</sup>.

A number of studies have also highlighted a range of concerns relating to the transfer of responsibility and loss of social control implied by the promotion of PSP.<sup>23</sup> Together, these studies have described the downside of not addressing good governance and accountability – inefficiency, corruption, patronage, bias towards certain technologies, lack of local participation in maintenance leading to unsustainable WSS services, and the lack of accountability of transaction advisers and donors when they give bad advice.

#### **4.4.2 Governance and democracy**

A fundamental perspective concerning the impact of PSP on governance and democracy raised by stakeholders from labour, NGO, public sector agency and large- and small-scale private companies was that **PSP has led to the abdication of state responsibility with respect to the provision of services to the poor**. While this perspective was voiced strongly especially by NGOs from all regions, it also represented consensus across a fairly broad range of sectors. However, the further implications drawn by stakeholders indicate differing viewpoints, even within specific groupings. For instance, stakeholders from large international water companies have variously indicated that serving the poor is not a responsibility that should be passed on to the private sector, or, conversely, that private companies are, in fact, able to provide efficient and equitable services to the poor, given the right incentives or financing structures.

Stakeholders from NGOs and government agencies noted a perception that PSP has led to an **erosion of democracy**, which they related to unequal power relations between influential and well-resourced international water companies on the one hand, and fledgling and/or weak local democratic entities on the other. As one representative of a government agency noted, large companies can “out-influence democratic and local structures”. NGOs have noted that politicians have often played confused or contradictory roles in the PSP process, which have **damaged the relationship between state and community**. For instance, politicians have taken decisions to implement PSP arrangements in their areas, often without any community consultation, but then close to election time, the same or incoming politicians have made promises of free water. Lack of communication between the state and its citizens has worsened this relationship, particularly at the local level. In some cases this relates further to local councillors being at the receiving end of an ideological push encouraging PSP from the national level to the local level, meaning that various concessions have not been initiated as a result of decisions taken at the local level by elected governments. Across regions, the large- and small-scale private sector, as well as NGOs, have noted that **political interference and electioneering promises** of, for instance, free water, have hampered the successful implementation of PSP arrangements.

*“Politicians are not playing a sufficient role between the (private) service providers and the service users – and officials can’t do this, because they don’t have the legitimacy.” Southern research organisation*

<sup>21</sup> Camdessus

<sup>22</sup> WaterAid/Tearfund 2003: page 33

<sup>23</sup> For example, Pacific Institute 2002,



Stakeholders expressed concern that during negotiations leading to **GATS and other trade agreements**, decisions are made internationally, not locally; that trade agreements undermine national and local jurisdiction to make these decisions; that they favour MNCs over the domestic private sector; and that decisions may be difficult to reverse. These specific governance issues are discussed further in section 4.6.

**15. Governance Reframing Question:** A number of stakeholders have noted that PSP has led to an erosion of democracy and has damaged the relationship between state and community. They have related these impacts to the unequal power relations between large international companies and weak local governments. How can a level playing field be created for negotiations? What are the necessary conditions to create greater social control in decisions around WSS delivery options?

#### 4.4.3 Participation in decision-making

Stakeholders from a range of regions have highlighted the **lack of community participation** in the decision by the state to initiate PSP. For instance, NGOs in the Philippines have noted that there was no consultation in Manila before the concession agreements were signed. This is an issue that relates to the small-scale private sector as well, with members of a poor community in Mandaluyong, Metro Manila, noting that there had been a lack of community consultation before introducing the PSP arrangement with the SSIP who provides them with their water supply. However, community members immediately noted that this did not unduly concern them as the quality of service was good, and they had subsequently developed an ongoing relationship with the SSIP, who regularly visited their area.

On the other hand, a positive impact raised as a perspective by a professional association in Africa was that **PSP provides a clear entity for the public to engage with**. Additionally, a few stakeholders noted that in some cases, the **private sector is seen as building a constituency in the community** that they supply – for instance, through investing in community organisers, as has been done by Manila Water Company.

**16. Participation Reframing Question:** Stakeholders across regions have noted the lack of public participation in decisions to involve the private sector in delivering water and sanitation services at local, national, and international levels. When is wider stakeholder participation a necessity? What purpose will it serve? What models of effective participatory decision-making are available and how can they be more widely used? (*Question 10 in summary set – Box 1*)

A number of stakeholders across regions, including NGOs and the large-scale and small-scale private sector noted that **social acceptability is fundamental if PSP is to be successful**. A government agency responsible for rural water and sanitation in an African country highlighted the importance, for social acceptability, of it being a community decision to go for PSP, not an imposed one. SSIPs in Africa stressed the amount of **time and effort that was required to build confidence** between the community and the local private operator. Consequently, there is often a disconnect between the timeframe driving financial decisions and contractual negotiations (often very fast) and the timeframe for adequately engaging affected communities and the public in decisions in a meaningful way.

*“Through an ongoing process of dialogue, we came to an understanding with the community. It needs a lot of investment of time.”* SSIP operating in small towns in Africa

NGOs highlighted the fact that while they may not support the PSP push, it has **forced a debate on the right to water and who should deliver it**, which they feel is ultimately helpful for more sustainable decisions on water supply systems. The debate has highlighted the need for both improved participation in decision making, as well as for greater dissemination of information on which meaningful participation can be based. A number of donors and the private sector have stressed the need for communities and NGOs to have **access to better information** so that this debate can be conducted on a level playing field, and many noted that this could be a role for a multistakeholder review. NGOs in Africa echoed this point, noting that they felt they were not able to participate as effectively in the debate as they would like to because of both a

lack of access to information, as well as the overall lack of an independent balanced assessment of the impacts of PSP.

**17. Information Disclosure Reframing Question:** The production and disclosure of information on the state of water services and their customers (existing and potential) is a prerequisite to effective regulation, accountability, and meaningful public participation. How can public access to information be achieved and barriers overcome, especially in the context of PSP where information can be considered proprietary?

Responses from the email survey rank public participation in decision-making processes second most often as one of the top five most important issues to be examined by a possible global multistakeholder review. NGOs, bilateral donors, professional associations, and academics and researchers ranked this issue as one of the top three most important issues to be studied further, whereas government agency respondents did not rank this issue in their top five at all, and only one private water provider (out of 4 responding) ranked it as 4<sup>th</sup> most important issue to examine. Clearly, civil society organisations place great importance on participation; however, the responses indicate that those that are the targets of civil society demands – governments and the private sector – do not appear, in this small sample, to share the same priorities.

In the area of participation, a certain amount of agreement emerges from organisations that have previously been seen as occupying opposing sides of the PSP debate. This **agreement is that participation in decision making has been neglected**, and that this neglect has ultimately come back to haunt many of the large water companies involved in different forms of PSP. Beneath this, however, lie some more conflicting perspectives. NGOs and communities feel that governments in many cases are not willing to make changes to the decision-making process that will truly engage people, and that donors may not always ensure that the rhetoric of participation is truly implemented. The time and cost of participation, as well as the powerlessness of the poor and lack of political organisation of communities, are factors that also come into play. There are also differences in opinion concerning who is responsible for participation. In some cases, the private sector thinks this is the responsibility of government; NGOs think the private sector should take this responsibility and be open as part of its own due diligence; donors feel this should be a government responsibility; and governments feel they do not always have capacity to do so.

#### **4.4.4 Regulation and monitoring**

Stakeholders from all regions raised a range of issues related to regulation and monitoring, some of which they noted related to both public and private modes of service delivery. There is **general agreement that governments have failed to regulate water providers**. This consequently represents an area of consensus for all stakeholder groupings across all regions. Some of the causative factors for this regulatory failure are a lack of government understanding of 'high finance' and inadequate legal and policy frameworks. NGOs and government agencies in Asia noted lack of enforcement of existing legislative frameworks, or the fact that there may be no clear framework. In Brazil, nearly all stakeholders – from planning ministries to elected officials, from private water providers to NGOs, from public water utilities to labour unions – agreed that the lack of a clear national policy framework on private sector participation in water was inhibiting progress in expanding access. In Bolivia, in the wake of the failure of the Cochabamba contract with Bechtel, government agencies and NGOs acknowledge the fragile situation and the need to strengthen regulatory oversight and create clear legal and regulatory responsibilities for the government to oversee public and private water providers. Donors, NGOs, government agencies, the large-scale private sector and professional associations in all regions, as well as UN bodies noted that the **regulatory system usually is not independent or developed**, with **government regulators unable to balance the interests of the poor and the private sector**. UN agencies and NGOs have raised concerns about the poor regulatory designs and institutional structures that have been promoted by donors and the private sector. Some have noted that regulatory models that are considered "state of the art" have not been the basis for the models promoted by the World Bank in Latin America or important components of the model are left out, thereby creating a fundamentally weak institution. In addition, government regulators and consumers organisations in Africa and SE Asia highlighted the perspective that the **regulatory framework does not protect the consumer enough**. An NGO perspective noted that regulation by policy should prevail over regulation by contracts, and that attention needed to be paid to making explicit what the goal of regulation is.

*"The consumer needs to play the role of evaluator, and the Regulatory Body needs to find a way to enable this. If it can do so, then it doesn't matter whether the provider is public or private."* Consumer organisation, SE Asia

When asked, in the email survey questionnaire, for the five most important issues a possible global multistakeholder review should examine (out of 25 possible issues), stakeholders ranked "accountability and regulation" fourth, with 32% of respondents ranking it within their top five most important issues. Government agencies responding to the questionnaire were the only stakeholder group that did not choose accountability and regulation within their top five issues. In addition, 27% of respondents ranked the issue of "corruption and conflicts of interest" fifth (out of 25 possible choices) with broad agreement among NGOs and other stakeholder groupings.

**18. Regulation Reframing Question:** There is widespread agreement that governments have failed to regulate water providers adequately. What are the necessary conditions for effective regulation of the private sector (by relevant public authorities) in a developing, and in a developed country context? What models for and costs of effective regulatory frameworks can be developed from lessons learned so as to achieve accountability and protect public interests? How can these be adapted and implemented in different regional and country contexts? Does PSP create an additional regulatory burden? (*Question 11 in summary set – Box 1*)

While all stakeholder groupings felt that regulatory frameworks were weak and institutional capacity for regulation often lacking, the question of monitoring was one that was largely highlighted by NGOs, and to a lesser extent by research organisations and the large-scale private sector. NGOs noted that **monitoring of performance is not happening, and/or not widely accessible**. This was felt to be a systemic impact that was present whether the private or the public sector was providing water services. A specific point raised by a research organisation was that where it does exist, monitoring does not assess whether skills have been transferred. A respondent from the large-scale private sector stated that they were very interested in developing better indicators and monitoring systems, especially on a global level, and felt this was an area that applied to both public and private water operators. This international water company noted that independent assessments of their performance was concordant with their participation in the Global Compact, and with obligations to have triple bottom line accounting (i.e. - social, environmental, and financial sustainability).

*"Can these companies really be held accountable?"* Southern research organisation

A fundamental concern raised by stakeholders is the **absence of information** needed for adequate regulation and monitoring. This relates both to an unwillingness or inability on the part of governments and/or private providers to share such information with civil society, as well as a lack of capability and/or willingness of civil society groups to monitor activities and engage in PSP processes or provide workable alternatives. Private companies highlight the **lack of information about the status of existing water systems on which to base reasonable contracts**. Contracts are often signed whereby the company is obligated to expand connections by a certain amount above existing connections, or reduce unaccounted-for-water by a certain percentage, and yet it turns out that existing connections are lower than originally thought or that "unaccounted-for-water" is much higher than originally thought. Contracts must then be re-negotiated with new, more realistic targets – a process that can be expensive and can create perceptions that the private sector has misled the public on its promises. Information disclosure is also critical for public participation. Under PSP, information that is important to the decision-making process is often considered proprietary and not to be shared for fear of divulging information that could help a competitor, but which also is necessary for the public to access. Many NGOs and researchers have raised the need for public providers to make all their information a matter of the public record.

**19. Monitoring Reframing Question:** Monitoring is a critical component in the governance feedback loop, yet it has been lacking in PSP and other water service delivery models. What are the experiences and costs of setting up robust monitoring systems in developing and developed country contexts? What is the minimum essential monitoring system

to ensure government capacity to adequately regulate and enforce its guidelines on private sector operators? What role could participatory monitoring processes play?

#### 4.4.5 Contracts and transaction advice

The issue of **problematic or 'fragile' contracts** was heavily raised in specific details by a wide range of stakeholders in South East Asia, where it was particularly topical with the imminent withdrawal of Maynilad from its Manila concession, and uncertainties about the Jakarta concessions. Negative aspects of contracts were also highlighted in all other regions, by public regulators, public utilities, government agencies, NGOs, donors, and the large-scale private sector. This consequently represents an area of agreement in the PSP debate. Some of the examples of bad contracts cited were Cochabamba, Argentina (Buenos Aires and Tucuman), Manaus, Manila, and Jakarta, the Eastern Cape concessions in South Africa and the Kampala management contract in Uganda. Government agencies and UN bodies noted weak government capacity to negotiate good contracts. **Bad contract design** was held to be a causative factor in the downfall of Maynilad's Manila concession by the large-scale private sector, which referred to the unreasonable allocation of debt between the two concessionaires, and issues related to the automatic currency adjustment provisions. NGOs noted that contracts for the 25-year concessions have largely been bid on price, which **promotes underbidding**, and which also drives down the tariff initially, thereby, according to donor perspectives, harming the reform agenda.

*"The World Bank has been involved in a few spectacular failures, but overall the contracts have been very good – both in the U.S. and internationally."* Think tank, North America

Research, public utility and NGO voices from Africa noted that contracts are often developed without community participation. The resultant lack of community buy-in is seen as a causative factor leading to the downfall of the concession. Public utilities and NGOs in Africa and Asia expressed the point of view that **constant renegotiation** was a cynical device of the private sector related to the development of unrealistic bids. Constant renegotiation, some felt, may be due to required changes driven by creditors such as regional development banks and international financial institutions. On the other hand, regulators, NGOs, public water utilities, and private water providers in Brazil noted that **contracts needed to be reviewed at regular intervals to ensure adequate social control over contracts and to allow for targets to be adjusted** so as to adequately include service to poor communities that may have been neglected in the original contract. Two examples were provided from Brazil where clearer social objectives are being added-in to contracts at a later stage. A further issue raised by donors was the **cost of developing the contract** and on the basis upon which the private sector receives remuneration.

Discussions on good governance recognise that sound decisions need to be based upon reliable information. This is a constraint that has greatly hampered decision-making in the water sector. Large- and small-scale private sector stakeholders from all regions, government agencies and regulators have noted that **inadequate information about the status of the system, water quality, leaks, connections, unaccounted-for-water hampers the development of sound policy, and in the case of PSP, realistic bids and sound contracts** with realistic goals and cost estimates for achieving universal access.

Regulators and public utilities noted **frequent grey areas in concession agreements**, such as unclear targets on non-revenue-water, and clarity on what constitutes 'prudent and efficient expenditure'. Stakeholders from the large-scale private sector and government regulators in SE Asia raised the question of **how best to deal with force majeure events** like El Nino and currency devaluation in the contract, as well as how to counter regulatory risk through political interference. Public utility stakeholders in SE Asia noted insufficient sanctions in contract, and NGOs in SE Asia expressed the perspective that contractual provisions made termination too easy for the private sector and left too many uncertainties in transition arrangements, should a concession be terminated.

20. **Contracts Reframing Question:** There is widespread agreement that contracts governing PSP have been problematic in many areas. What are items that can be effectively "contractualised" and what are the items (like

protecting public goods and values) that cannot be governed by contracts? What are the mechanisms for regulating other aspects of water services provision by the private sector beyond contracts? How can transparency be ensured? (Question 12 in summary set – Box 1)

The broad governance context within which a state is operating clearly has implications for the PSP process. A number of stakeholders have highlighted the negative impacts of systemic corruption in certain countries / administrations on the sustainability, accountability and transparency of decisions taken on WSS delivery. Donors, research organisations, government agencies, NGOs and politicians have raised the issue of **corruption** with respect to tendering procedures and the award of concessions or contracts to the private sector. Many of these stakeholders have underlined that **corruption is not restricted to PSP, but is or was an issue when services were publicly provided**. However, as an NGO perspective noted, providing water services through the private sector has not eliminated this problem. In some regions of the world, the perspectives of government agencies, NGOs and labour unions hold that it is public knowledge that concessions were initiated by corruption and a lack of bidding procedures, which clearly is linked as well to a lack of public participation and mechanisms for accountability in the decision-making process.

Corruption and conflict of interest issues ranked fifth as one of the five most important issues to be examined in a possible global multistakeholder review by stakeholders responding to the email survey, out of 25 possible issues from which to choose. NGOs, business and professional associations, government agencies, and private water providers ranked corruption in the top five most important issues, whereas, bilateral donors and researchers did not.

Stakeholders from a range of sectors (donor, NGO, public utility, private [MNC]) noted a number of issues related to the role played by transaction advisors, particularly those from PIFIs. Donors, the public sector and NGOs noted that in some cases, **extremely bad advice had been provided**, and highlighted the **lack of accountability of transaction advisors** if the concession fails. The large-scale private sector further highlighted the **lack of follow-through or hand-holding** on the part of transaction advisors. NGOs also questioned the objectivity of transaction advisors. NGOs, government agencies, some elected officials, and one UN agency noted that there are no consequences for donors or transaction advisers when they give poor advice – it is the governments and the water providers and the citizens who are stuck dealing with the economic, financial and political fallout of failed deals and the ultimate responsibility for providing water regardless. Meanwhile, the consulting firms and donors have moved on to the next deal or the next trend in advice.

*"First they tout the concession model. Then that fails and they tout the management contract model. But who is paying the cost of the failure of the concession model? The World Bank? Or the consultants? I don't think so. They get paid whether it works or it doesn't."*  
Government agency representative from South America

**21. Transaction Advisers Reframing Question:** Many stakeholders across regions and groupings feel that PSP has been pushed as the panacea in the water reform process, and that public international financial institutions and private transaction advisors for PSP have not provided optimal advice. How can municipalities and governments access advice on all the water and sanitation service delivery options available in an unbiased way? How can PIFIs and transaction advisers be held accountable for the consequences of their advice? (Question 13 in summary set – Box 1)

#### **4.4.6 Local government issues**

Donors, research organisations and NGOs in Africa, Asia and Latin America, raised a number of issues related to **lack of capacity of local government to manage and regulate their private sector partners**, and the failure of the private sector and donors to show real willingness to develop this capacity, in part due to their vested interests. Related to issues raised concerning public participation, a donor perspective on PSP in Africa was that municipalities cannot or do not manage community risk effectively or adequately. Government agency, donor and research stakeholders in Africa highlighted the failure of local authorities to realise that it is more complex to regulate and monitor an external provider. This failure is exacerbated, some feel, by the general context of too-rapid decentralisation, where devolution shifts responsibilities and risks,

but not the authority, rights, or resources that are needed to actually take on the responsibilities. Others linked this to underpaid, understaffed municipalities where staff lack the correct incentives, which serves to hamper delivery. In addition, a delivery NGO in Africa stated that the frequently calamitous state of municipal financial management does not allow small companies to play a viable role in WSS delivery, as they do not have sufficient cash flow to ride out periods in which they must wait to be paid. Other stakeholders raised the issue of the difficulty faced by local governments in accessing finance. This issue is discussed further in section 4.2, which deals with financial issues and sub-sovereign lending.

Stakeholders in Brazil raised issues of conceding authority – i.e. **who has the jurisdiction to make the power to grant a concession?** Is this the municipality or the state? In some states there are very strong state-owned public water utilities, which feel they should have the conceding authority, for a range of reasons including economies of scale and that there is no sense in each city making a different decision when the delivery system as a whole functions on a large scale. Other cities and agencies in Brazil think that municipalities should have jurisdiction because they are elected officials who are closer to “their people” and the public, have a better idea of the needs and desires of citizens and know what they want, and have better social control.

**22. Local Government Reframing Question:** New responsibilities and risks are being placed on local governments and communities as a result of PSP. What capacities do local governments need in order to effectively contract with, monitor, and regulate private sector activities in water supply and sanitation services? What is the cost of building and maintaining this capacity?

NGOs, research and labour organisations in Asia, Africa, Europe and North America held the perspective that **PSP was leading to a loss of local capacity and self-reliance**, and highlighted the **irreversibility once PSP has taken place**, as it is difficult to make services public again or re-municipalise. A NGO perspective from SE Asia was that failure of PSP concessions will have broader impacts on government’s ability to deliver essential services. In the example of the Maynilad concession in Manila, termination provisions in the contract may result in government having to pay large sums of money that will represent opportunity costs for broader delivery of essential services. This point is related to the regulatory context of the concession too. A number of issues concerning irreversibility related to GATS were also raised by stakeholders and are discussed in section 4.6.5.

*“What will happen if the bail-out of Maynilad proceeds? What government does to address any losses will have a much broader impact on its capacity to provide essential services.”* NGO, SE Asia, with reference to the reorganisation plan for the Manila-based private water company, after early termination of its 25-year concession<sup>24</sup>

## **4.5 Theme 4: Managing effectively and efficiently**

*“There is a misperception that the private sector is just Santa Claus with bags of money. Really, for us, it is more than investment, we have expertise to share in efficiency, better use of people and resources.”* Subsidiary of large, multinational water company, South America

### **4.5.1 Background**

Stakeholders interviewed and surveyed for this Scoping Study raised a number of issues concerning effective management of water services that centred around the following three thematic areas:

- Management and efficiency

<sup>24</sup> This reorganisation plan seeks to settle some [PhP8 billion](#) in unpaid concession fees to the state-run Metropolitan Waterworks and Sewerage System (MWSS) and another [PhP8 billion](#) to creditor-banks. The MWSS will take over a 61% stake in Maynilad Water Services Inc.

- Labour and occupational health and safety

Calls for improved management and efficiency in the water sector have been made continually for decades. This imperative has been included in recent agreements like the G-8 Water Action Plan and the Ministerial Declaration of the Third World Water Forum held in Kyoto, 2003. Policies of aid agencies and public international financial institutions also call for improvements in water management, such as the World Bank's Water Resources Sector Strategy papers from 1993 and 2002. International declarations made by coalitions of NGOs also emphasise the need to improve the efficiency and effectiveness of water resources management, including most recently at the Peoples World Water Forum in New Delhi, India in January 2004. Unlike coverage targets or aid flows, there have been no specific targets or timetables set for improving water management and efficiency.

Over the years, measurements of effectiveness have been continually changing, to incorporate new dimensions of effective water management. In years past, the primary measure of effectiveness was coverage: how many people were connected to the formal water supply and sewerage networks. Now, the elements of efficient and effective management have included criteria like: reliability of services, compliance with water quality, health and safety standards, affordable tariffs, low water losses and low non-revenue water, high coverage and connection rates, implementation of demand management and water conservation, and an increasing emphasis on the "software" and capacity-building aspects of water management, over the "hardware" and infrastructure solutions<sup>25</sup> alongside other measures. With so many criteria, few specific management targets, and inadequate monitoring of either quantitative or qualitative indicators, assessing the performance of the public water utilities has been difficult. In theory, assessing the performance of private water companies should be easier, since contracts or concession agreements specify investment, tariff, coverage and other targets. Yet assessments of PSP have also proved difficult and are often contested, in large part because the evaluation criteria and methods for comparing public and private performance are not agreed upon and because there are many grey areas on contracts. Tensions remain over whether public goods and common property resources like water and access to public services like drinking water and sanitation can be managed by the private sector in ways that ensure that public interests and rights are protected. Public interests and rights that need to be protected include human rights, the right to development, and workers' rights, as well as health, safety, and environmental laws and standards.

#### 4.5.2 Management and efficiency

There was broad agreement across all regions and all stakeholders that **the poor performance of the public sector is a primary reason for the lack of access to water and sanitation**. There were divergences in perspectives about the underlying reasons for the poor performance. Many NGOs, and some governments and researchers highlighted the **impacts of years of Structural Adjustment Programs** that undermined the public sector, whereas donors and private companies did not raise these issues. Public utility stakeholders raised the issue of poor planning, and donors, UN agencies, private providers, and NGOs noted the **poor institutional capacity of many public utilities, local authorities and regulators**. Many stakeholders noted that these problems stem from lack of political will and poor governance (discussed in Section 4.4).

*"There are examples of the public sector performing so poorly – it's just appalling. They've tried to reform, but they don't have sufficient tools or sufficient low-cost approaches."* Bilateral donor

While most stakeholders perceive that poor performance of the public sector and a desire for increased efficiency together are drivers of PSP, **stakeholder perspectives on the impacts of PSP on management effectiveness and efficiency cover the spectrum from extremely positive to extremely negative**. Of the positive impacts of PSP raised by stakeholders, improvements in management efficiency and

<sup>25</sup> The 1992 International Conference on Water and the Environment in Dublin set out a statement on Water and Sustainable Development that became known as the 'Dublin Principles'. The Dublin Principles have been adopted by numerous international, multi-lateral and bi-lateral agencies including the World Bank.

effectiveness were raised most often and commonly in all the regions and among a broad cross-section of stakeholders, though least often by NGOs. Stakeholders raised a range of aspects related to management effectiveness, including compliance with contract targets for service expansion and quality improvement, technical capacity, organisational and business skills, management culture, tariffs and salaries, and efficiency of resource use.

In terms of service expansion and improvement, all the private water providers and donors interviewed found that the **large-scale private water providers had improved coverage and quality** in most instances, even in places where they were not fully meeting their contractual targets. Even in places where other aspects of the private operations were questioned or criticised, like in La Paz, Bolivia; Manaus, Brazil; Buenos Aires, Argentina; Manila, the Philippines; and Nelspruit, South Africa; governments, communities, donors, researchers, private providers, and some NGOs noted that access had expanded, or water quality had improved, or leaks and non-revenue-water had been reduced.

*"The growth here was explosive, 5,000 families moving in per month! The state had no money, no will, no capacity. We had huge problems and water quality was terrible. Privatisation was the only answer. There are challenges, but water quality and service has improved significantly."* Staff from Mayor's office, municipality in South America

Regarding small-scale independent providers, once again a broad cross-section of stakeholders noted that **SSIPs had expanded service delivery and access**, in some instances at a faster pace than under the previous public water utility and in other instances as the sole provider in the area or community. The role of SSIPs was especially highlighted by stakeholders working in Africa and Asia, where formal coverage rates are lower than in South America.

Various stakeholders, especially donors, researchers and professional associations, also raised the **positive impacts of PSP on management in areas like technical capacity, flexibility, research and development, and management culture**. A researcher noted that the business units of private water companies can act autonomously and swiftly, and that the private sector brings greater clarity to inputs and outputs. A government agency and a SSIP both noted improvements in record-keeping and data availability. Several private water companies in South America noted that their information is more openly accessible by the public than the public sector's. In Africa, some donors, transaction advisers, and government stakeholders noted that gaining international experience was positive and brought new skills and approaches; whereas government agencies and public water utilities in Brazil and Chile highlighted the strong existing capacity of many public water utilities in their countries.

*"It's a 'no-brainer' that there is a role for the private sector. There's a proven track record that the private sector can help provision. How can we utilise what the private sector is good at? Anyway, a lot of government systems don't reach the poor."* Think tank, North America

A number of stakeholders in Asia, Africa, and South America from government regulator, public utility, and NGO groupings **questioned whether foreign partnership was always necessary**, given that water supply is low technology. A number of these stakeholders raised the issue of the different performance of the two Manila concessions. In their opinion, the eastern concession operated by Manila Water Company had been more successful because of the greater role played by the local partner in the management and operations of the concession. Aspects of this positive role cited included greater sensitivity to cultural mores, effective engagement with the community, reduction in the number of foreign consultants, and empowerment of former public utility staff and decentralised decision-making. On the other hand, respondents felt that the west zone concession operated by Maynilad had maintained a distinction between expatriate managers and the local partner, and instead of interacting directly on the ground with consumers, had used the mass media to communicate with their customer base.

From the email survey results, 25% of respondents ranked the issue of "assessing performance of public and private utilities" as one of the top five issues that should be examined in a global multistakeholder



review. The issue was ranked sixth most often, out of 25 possible choices of issues, by NGOs, governments, donors, and other stakeholder groupings.

**23. Performance Assessment Reframing Question:** Given the continuing divergence in perspectives around the management performance of the private sector in water and sanitation, there is a need to develop a common framework and set of evaluation criteria and to independently assess and evaluate the performance of the private sector, as compared to the public sector, at different levels. What are the criteria for evaluating effective and efficient management performance? How can we compare public and private sector performance? What are the barriers to effective and efficient management of service delivery and how can they be overcome?

Many stakeholders also raised **the negative impacts of PSP on management effectiveness and the non-performance of the private sector**, especially regulators, service delivery NGOs, development and advocacy NGOs, public water utilities, labour interests, and a few private water providers, but generally not donors. Many perceive that **the private sector has not kept its promises** nor complied with contracts, and note examples where tariffs have been raised despite investment schedules not being met, services not being improved, corners being cut in favour of profits, and a reliance on expatriates who do not understand the local context or infrastructure. Contracts are discussed further in section 4.4.

Many stakeholders' perspectives – including donors, government agencies, regulators, and NGOs – noted that, in theory, **the private sector is not inherently better than the public sector**. The promotion of PSP often creates a policy environment for greater success due to less political interference for tariff-setting, a greater focus on monitoring and regulation, clear targets and timetables, and a greater focus on the financial “bottom line.” Many public utility stakeholders noted that if given the same policy reforms that are pushed as a result of PSP, then the public sector could also perform much more efficiently. Often the threat of PSP forces needed reforms; ironically, the very same reforms that could help improve public sector performance. (See Section 4.4. for discussion of accountability measures.)

*“There is no inherent advantage to the private sector, no unique efficiency. The public sector can be very well run.”* Government agency representative from North America

**24. Benefits of Efficiency Reframing Question:** Some stakeholders are concerned that under PSP the benefits of improving efficiency are passed on to shareholders in the form of profits, rather than to consumers in the form of lower tariffs. How are the benefits of improved efficiency and cost recovery distributed among consumers, taxpayers, and/or shareholders? Can all benefit?

### 4.5.3 Labour issues

A broad cross-section of stakeholders – including labour interests – across all regions agreed that public water utilities and agencies must become more efficient; however, there are differences in perspectives around the impacts of efficiency improvements on jobs, productivity, and job losses. One consumer organisation noted that concerns about job losses should be assuaged by the fact that the water sector is one that will be rapidly growing, given the increasing demands for services.

A few private sector and donors interviewed, as well as some NGO and labour groupings in SE Asia noted that **PSP has had a positive impact on labour** through increased training, better terms and conditions for employees, and a more positive management culture, resulting in a more motivated and productive workforce. **The positive results appear to come when the private provider has greater sensitivity to and understanding of local needs, conditions, and cultures.** To many stakeholders, this was exemplified in the differences between the two private water providers in Manila – both of them joint ventures between multinational water companies and national companies – where many feel that Manila Water has been more successful in a number of different ways than Maynilad. Stakeholders noted that sometimes a large, multinational company comes in with a very fixed model; other times the private provider can be more flexible. Private water companies in Brazil and Bolivia, as well as in SE Asia noted the need to improve their sensitivities and flexibility to local situations. A few government agency and private water providers also

noted that workers' technical capacities can improve when international companies and staff share their experiences from other countries. Two labour union representatives, from South America and Africa, noted since job losses are expected under either public or private management given the historic over-staffing in some utilities and the need to improve efficiencies, that severance and job re-training packages were often better from the private sector.

In Brazil, labour interests expressed **a strong desire for training so that workers can improve their capacity and productivity** regardless of whether water is privately or publicly managed, and emphasised the need for re-training and assistance for laid-off workers. Also, public utility, government agency, and labour stakeholders in Brazil and Chile noted the high technical capacity of in-country water professionals, with some questioning the need for outside expertise. Labour, public utility, and private company stakeholders expressed the desire for efficiency and the need to reduce over-staffing in some areas, but have different perspectives on the best ways of achieving those goals.

In other instances, **labour representatives, some NGOs, and some government agencies interviewed raised the negative impacts of PSP on workers**, including job discrimination, bias towards expatriate workers, the long-term loss of local technical capacity by reliance on foreign experts, and the undermining of workers' rights to collective bargaining and union representation. In Indonesia and the Philippines, strong concerns were expressed about **wage cuts, private water companies efforts to undermine unions' collective bargaining, and tension between expatriate and local staff**. In Jakarta, Indonesia, labour organisations expressed concerns about drastic reductions in employee incomes and health benefits, long delays in transferring employees from the public utility to the private companies, insufficient training, and inexperienced foreign employees. Labour organisations in all regions also expressed other concerns about PSP that were not specific to labour issues, and are covered elsewhere in this report, such as management efficiency, tariffs, appropriate technologies, and overall performance in serving poor communities.

*"Workers understand that services must be provided to the most people at the lowest cost.... There are examples of worker-managed utilities that are performing well. We are not in favour of inefficiency." Labour organisation, South America*

**25. Labour Reframing Question:** Some stakeholders recognised the need for greater training of employees and reduction of over-staffing in some areas, while others expressed concerns about employee rights and welfare under PSP. What are the implications of PSP for labour rights, wages, job security, union recognition, staff training, career mobility and employee participation in decision-making? What is current good practice in managing and protecting employee rights and welfare in the transition from public to private employer in water and sanitation services? (*Question 14 in summary set – Box 1*)

Labour and NGO stakeholders raised health and safety concerns around private sector management of water. Their concerns centred around **private companies cutting corners to save money that resulted in using substandard equipment and materials, putting workers and consumers at risk** (as distinct from broader public health issues, which are discussed under Section 4.7). One example given was a situation where five workers for a French multinational water company were killed because they lacked protective equipment. Other examples in Brazil and Indonesia were that short-term interest in profits created a skewed incentive to use cheaper equipment and materials, which can cost more and be less reliable over the long-term. On the other hand, a **large-scale private water company operating in SE Asia noted that health and safety standards have improved under PSP**. Another concern expressed was around materials and equipment supplies being increasingly outsourced to other foreign companies, creating a further loss of economic benefits to the country and making it more difficult for local governments to monitor and regulate compliance with local and national standards. A labour representative noted that **reduced expenditures on maintenance can increase occupational health and safety risks due to faulty and old equipment, and that reduced staffing levels can lead to higher stress and more worker accidents**.

**26. Health and Safety Reframing Question:** Stakeholders expressed differences in perspectives around whether PSP improved or reduced compliance with health and safety standards, and whether the profit motive in private companies

or political patronage in public utilities skewed incentives to cut corners, use cheaper materials, or use substandard equipment. What are the implications of PSP for health and safety? How can health and safety standards and compliance be raised and maintained at high levels in the context of full cost-recovery?

## 4.6 Safeguarding public interests

*“There is often a failure of private agencies to protect public goods; it’s not part of their core mission. But even if the private sector could meet people’s basic needs affordably, there still would be concerns about a community’s capacity for self-determination and self-reliance in the long term.”* NGO think tank

### 4.6.1 Background

A major debating point in water management for the last two decades has been over reconciling “water as an economic good” with “water as a human right.” There are natural tensions around how to manage common property resources like water to maximize all of its economic, social, and ecological values. Stakeholders interviewed in this Scoping Study raised a number of issues that are related to protecting public interests and values of water.

- Public health
- Environmental protection
- Cultural and social impacts
- Trade agreements and broader corporatisation of water services

The Dublin Principles, adopted in 1991 at a Ministerial Conference on Water and Environmental Sanitation preceding the Rio Earth Summit in 1992, embraced both the principle of “water as an economic good” and “water as a human right.” On the one hand, economic principles can help conserve a scarce resource by placing a proper economic value on a resource, whereas water is often undervalued and subsidised creating disincentives for conservation. On the other hand, access to water is fundamental to life and no one should be denied access to water on financial grounds. Water is also a unique resource – there is no substitute for water, and while some freshwater is renewable, it is not replaceable.

Interpretations have continued to evolve over the last decade. In 2002, the UN Committee on Economic, Social, and Cultural Rights further affirmed that access to adequate amounts of clean water for personal and domestic uses is a fundamental human right of all people, noting that “the human right to water is indispensable for leading a life in human dignity. It is a prerequisite for the realization of other human rights.”<sup>26</sup>

In the last decade, concerns have been raised around the ramifications of trade agreements on national and local laws and practices governing water. It is unclear exactly how issues of trading of bulk water, trade of water as a value-added product (like bottled water), and trade in water services will be addressed in existing trade agreements like the General Agreement on Trade and Tariffs (GATT), the General Agreement on Trade in Services (GATS), the Agreement on Government Procurement, or among proposed trade agreements. The International Standards Organisation has also established Technical Committee 224 to standardise performance criteria for water services. There are positive impacts of harmonising policies and standards at an international level to create a fair and level playing field for all interests; while there are also negative consequences of removing decision-making authority from local communities and national governments over fundamental resources like water and giving it to international institutions with no direct mechanisms for local accountability.

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<sup>26</sup> General Comment No. 15 on the implementation of Articles 11 and 12 of the 1966 International Covenant on Economic, Social and Cultural Rights, November 2002.

While all stakeholders share the goals of universal access to water and sanitation services, improving public health, and protecting freshwater ecosystems, stakeholders often disagree over the means of achieving these goals. Tensions remain over whether public goods and common property resources like water and access to public services like drinking water and sanitation can be managed by the private sector in ways that ensure that public interests and rights are protected. Conflicts often exist among stakeholders promoting policies that use market-based approaches to improving water management (like full cost-recovery, reduced subsidies, and privatisation) and those promoting command-and-control approaches (like regulations, taxes and fines, and targeted subsidies). However, other stakeholders note that such polarisation is unnecessary considering that reduced subsidies are often a result of targeted subsidies, markets depend on regulation to be effective, and taxes are used as a market mechanism by sending signals through prices.

Many NGOs and public interest organisations state that **water is unique**, and different from other sectors where privatisation has been promoted, such as telecommunications, or electricity, or transportation. They perceive that water is vital and fundamental – both for people and nature – like air. While principles of financial sustainability of water services, choice of technology, and efficiency of water use and management are all important, ultimately water is not simply a commodity. Many stakeholders perceive that the debates around private sector participation in water ignore or deny the unique physical, socio-economical, ecological, and cultural aspects of water.

Most approaches are not mutually exclusive; however, **a common framework for safeguarding public interests at local, national and international levels has yet to be commonly agreed to by all the major stakeholders** that will recognise the unique nature of water and protect public interests and rights, including human rights, right to development, and workers' rights, as well as health, safety, and environmental laws and standards.

#### **4.6.2 Public health**

All stakeholders recognise that **providing drinking water, sanitation, and sewage treatment services has an enormously positive impact on improving public health**, since a majority of disease in developing countries is waterborne disease or spread by water vectors. A cross-section of stakeholders – donors, private water providers, some researchers, think tanks, and professional associations, and some poor communities – highlight the **improvements in public health due to PSP**. Expanding the network and access leads to better drinking water quality, less disease, and lower infant mortality – benefits that accrue to individuals and to society as a whole. Several stakeholders, donors and researchers, cited a recent study by researchers from University of California-Berkeley and Stanford University that found that child mortality fell 5-7% in areas that had privatised their water services, with the largest effect in the poorest areas.<sup>27</sup> Where sewage treatment is expanding, like in Santiago, Chile, where Aguas Andinas has expanded sewerage and sewage treatment from 3% to 70% coverage in the last five years, water quality and ecological health of the receiving rivers is improving. Several stakeholders noted the difficulty of generating public benefits under a system of full cost-recovery that is based on individually-paid tariffs.

*"If we are actually trying to be honest with ourselves and see the realities ... if we are going beyond the opportunities and seeing the effects, such as if you get ill from not drinking good water. If the public sector is not able to run water well, then it's a big cost to the individual, the nation and also to the world. If the private sector can run it, and run it well, then why not?" SSIP, Africa*

However, overall, poor communities, NGOs, donors, governments, and public water utilities highlight **the enormous neglect of sanitation and sewerage by both public and private providers, and of provision of drinking water and sanitation services to rural areas**. So, while the benefits are well-known and well-documented, the funding for and political priority of sanitation and rural water services remain extremely low – see section 4.3.3 for additional discussion. As access to water supply increases in some areas, health can

<sup>27</sup> Sebastien Galiani, Paul Gertler, and Ernesto Schargrodsky, "Water for Life: The impact of Privatization of Water Services on Child Mortality," Stanford University, Working Paper No. 154, August 2002.

sometimes decline as a result of not implementing sanitation concurrently with water supply, as noted by some SSIPs and NGOs in Africa. The health of poor people is often exacerbated by not having access to adequate, clean water and sanitation, especially in the context of HIV/AIDS. Poor people can be forced to make difficult health choices about whether to spend their limited resources on clean water, clinics, or medicine.

*"People are willing to pay for water; but people don't want to pay for sewage treatment. They don't see a direct benefit to them even if the river is cleaner for everybody. So there is no effective demand for sewerage. And politicians don't like to spend money for invisible things under the ground."* Public utility representative from South America

**27. Rural Health Reframing Question:** Some stakeholders perceive a disconnect between the emphasis on PSP, which primarily applies to large, urban areas, and the solutions that have the most potential for increasing access to WSS and improving health in rural areas. Does the emphasis on and implementation of PSP in the water sector distort priorities relating to health in rural areas?

In the email survey, the areas of biggest divergence were around the ranking of public health issues, water conservation and water quality. The issue of public health was ranked by 21% of NGOs as one of the top 5 issues to be examined by a review; whereas less than 6% of non-NGO respondents ranked it among the top five most important issues. Despite the positive benefits that water and sanitation services bring to public health – and those being a primary driver of the demands for greater access to water – public health as a specific lens through which to analyse PSP did not rank very high. This could be due, in part, to stakeholders views that there are greater structural problems in the water sector that, if addressed, will naturally lead to the desired public health benefits.

**There is a disconnect, or faultline, between the recognised positive impacts of expanding access and the priority that decision-makers give to efforts to implement access expansion.** NGOs, service delivery NGOs, and SSIPs perceive that there has been a disconnect between the solutions emphasised by donors and the private sector – large-scale water privatisation, which primarily applies to large, urban areas – and the areas with the greatest problems and needs – rural areas, poor communities, and sanitation and sewerage. Many donors, governments, and private water companies acknowledged that the PSP model that has been promoted in cities is largely irrelevant to addressing the needs of rural areas. Thus far, major shifts in funding allocations towards rural areas and sanitation and sewerage have not yet occurred.

#### **4.6.3 Environmental protection**

A few private water providers noted that PSP has a positive impact on the environment because the **focus on the “financial bottom-line” translates into a focus on resource conservation** and demand management because it is cost effective. In Chile, private water providers and government agency representatives noted that PSP has a greater ability to create tariffs that will encourage water conservation, such as increasing block rate structures, and that new approaches like water trading between the irrigation and urban water supply sectors can provide incentives for water conservation and cheaper alternatives for new water supplies. Several think tanks noted that the use of market-based approaches like water trading can benefit the environment by avoiding new destructive dam projects.

In contrast, researchers and environmental NGOs raised concerns about the impacts of PSP on environmental protection. They noted that there are **no economic incentives for the private sector to focus on water conservation, river and watershed protection, and water quality** of rivers because their revenues are most often based on selling volumes of water and wastewater. These issues are also not a priority because they are not often specified in the contract. Regarding PSP and water trades, one NGO think tank with experience with water marketing in North America and elsewhere highlighted that “third parties” (those beyond the buyer and seller in a deal) can be harmed by water trades, but are not party to the negotiations. The environment is often a silent “third party,” it is not clear who will speak for the environment in private negotiations around water trading.

There are also concerns that the inter-relationships between the water supply and sanitation sector and other water sectors like irrigation and hydropower are less likely to be addressed under PSP. While the public sector has also had a difficult time shifting to a more integrated approach to water management, there are inter-agency mechanisms that can facilitate this, according to researcher and think tank stakeholders. **Systemic issues** were raised by a few stakeholders that apply to both the public and private water sector, where it was noted that hydrologic and natural resource issues are not generally factored into decisions. An NGO representative noted that there is no monitoring of groundwater abstraction, and that groundwater depletion is generally ignored by everyone.

*"You can't look at the water supply in Manila without looking at where it comes from, and if increasing access in the city will reduce access for surrounding villages. It is important to return to an understanding of the whole water cycle."* Northern NGO

One environmental NGO representative raised the question regarding why environmental concerns have not been a strong part of the debate around PSP. One explanation is that the organisations focused on globalisation and privatisation issues have not historically been well-connected to environmental organisations – that the groupings have different policy priorities. A consumer stakeholder noted that there can be perceived tensions between meeting environmental objectives, which could increase prices, and meeting social objectives of affordability, which could reduce prices.

**28. Environment Reframing Question:** Some stakeholders perceive that treating water as a free, social good can lead to waste since the resource is under-valued. Other stakeholders perceive that the focus on profits and commodification of water under PSP will undermine efforts for environmental protection and water resource management. Does the PSP focus on profit and commodification limit the ability to protect the environment? What are the ecological impacts of treating water as a free, social good? (*Question 15 in summary set – Box 1*)

#### **4.6.4 Cultural and social impacts**

A range of stakeholders from labour, NGO, donor, public utility, government regulator, professional association, politician, and private sector groupings in all regions concurred that **in general the multinational private sector has been insensitive to social and cultural values in developing countries**. This broad agreement across regions and stakeholder groupings represents an **area of consensus in the PSP debate**, although cultural and social issues were raised less in North America and Europe. NGOs in South Africa felt that the hard approach of the foreign private sector has had significant social repercussions, especially in the South African context of high levels of poverty and cultural values related to water. Negative cultural and social repercussions of PSP relate to the lack of understanding of the MNCs of real poverty in developing countries, and their lack of sensitivity to local realities, which many stakeholders related to undue reliance on expatriates who do not understand the social context (discussed further in section 4.5).

The large-scale private sector has acknowledged some of these impacts too, and this has been part of the rationale for partnering with local NGOs, as in the case of Aguas Amazonas partnering with the NGO Essor. A further example cited by a donor of the **lack of understanding of the social context** by a foreign company is the case of Nelspruit in South Africa, where it was thought that people would pay their water bills if the service improved. This assumption failed to take into account the culture of non-payment and boycott that had developed during the apartheid years in the country. In Asia, the large-scale private sector noted that some of the failures of PSP can be traced back to a focus on an overly narrow base of involvement, which neglected to see the importance of developing a better understanding of social and cultural issues and integrating these into business practices, providing services to the poorer area of communities, extending their reach into the community, and engaging on a deeper level with environmental issues – all aspects of **corporate social responsibility**.

A number of stakeholder groupings (NGO, labour, public utility) in Africa, Asia and Latin America noted that an important cultural more not taken into account by PSP is the idea of water as a social good. A related point raised by a SSIP working in Uganda is that the donor emphasis on full cost recovery ignores, but

should not, social and community issues. In further elucidation of this perspective, NGOs noted the **strong cultural traditions that place high value, indeed moral value, on the free sharing of water with neighbours and strangers**, and an adverse feeling towards having to pay for water. Indigenous groups at the 2004 Peoples' World Water Forum highlighted their perspectives that while water should not be seen as a commodity, **indigenous people need to have sovereignty over their water sources**, and thus should declare these sacred places. While some stakeholders related this impact to PSP, others (large and small scale private sector, public utility, politician) noted that the idea of **social acceptability of paying for water cuts across both public and private sector provision**. Cultural complexities were illustrated by an example from Andhra Pradesh in India, where dalits (untouchables), who are the poorest of the poor, prefer to invest their limited resources into owning their own water systems, rather than using sources of free water because they get chased away. Finally, a few development and environment NGOs raised the important role of women in water service provision, and questioned whether the large-scale private sector was sensitive to and had the capacity to address **gender issues**.

Given the wide agreement amongst stakeholder groupings that social and cultural issues have not been adequately dealt with under PSP schemes, and that these have resulted in a range of negative impacts (although also some positive impacts in certain circumstances), this is an important area for consideration in a multistakeholder review.

29. **Cultural and Social Impacts Reframing Question:** Many stakeholders raised concerns that the international private sector has been insensitive to cultural values and the social context in developing countries. What cultural and gender issues need to be addressed when designing and developing water and sanitation services? How can the public and private sectors, especially foreign companies, improve their integration of cultural and gender issues into decision-making and implementation?

#### 4.6.5 Trade agreements and broader corporatisation of water

There were widespread concerns expressed by public water utilities, government agencies, labour, researchers, private companies, professional associations, and NGOs in both developed and developing countries around **the impacts of trade agreements on health and safety and environmental standards and regulations**. Concerns expressed by NGOs and government stakeholders are that private companies are advocating the weakening of health, safety, and environmental standards, both nationally and internationally, that will lower expenses and increase profits. Other concerns are that trade agreements will remove a country's ability to have stronger standards or to decide on its own approach to water management and delivery by deeming local or national regulations trade barriers that can be struck down. Strong concerns were expressed by NGOs in Northern countries, about **the implications of the WTO and GATS, regional and bilateral trade agreements, and ISO standards for undermining national sovereignty about a resource as fundamental as water** because local or national regulations can be deemed trade barriers and can be struck down. These stakeholders believe that such trade agreements can create unfair advantages for multinational corporations and will reduce opportunities for domestic private companies and the public providers. They highlighted the possible negative consequences of irreversible impacts on local and national self-reliance and the difficulties if countries want to "re-municipalise" in the future.

*"Trade agreements will trump PSP issues. They will have a lock-in effect whereby countries will not be able to reassert or re-nationalise water utilities without major compensation, which will be impossible for most developing countries."* Advocacy NGO representative

While few private water companies and donors raised health and safety, or trade issues, one private company said specifically that they had conveyed their belief that water services should *not* be a part of GATS to their government's trade representative quite clearly, despite perceptions to the contrary among some NGOs and others.

30. **Trade Agreements Reframing Question:** Many stakeholders expressed concerns about the impacts of trade agreements, on a country's ability to make its own decisions about provision of such a vital resource as water. What

are the implications of the WTO and GATS, regional and bilateral trade agreements, and ISO standards on government's ability to regulate the sector and determine how it will provide water and sanitation services to its citizens, especially with respect to self-reliance, sovereignty, reversibility, and public participation in decision-making? *Question 16 in summary set – Box 1)*

In addition to concerns about trade agreements that can undermine national decision-making authority over water, a few NGO, public water utility, and government representatives highlighted the **broader implications of “commercialisation” and “corporatisation” of the public water sector**, not just “privatisation” of the sector. They felt that the push for “sector reforms” and public-private partnerships, whereby the public takes the risks and the private sectors takes the profits, are moving the public sector towards commercial operations and away from its social responsibilities.

*“In short, the sector is pushed towards commercial and market operations, away from being a social responsibility. The idea is to make the sector fully commercial, the blame and the political backlash to be taken by the Government, and then bring in the private sector. This is the route now taken to ensure private profits, to protect private sector from burden and risks of a social responsibility. Commercialisation of the sector is a way of backdoor privatisation.”* NGO think tank from Asia

**31. Corporatisation Reframing Question:** Some stakeholders expressed concerns about broader water sector reforms to promote “commercialisation” and “corporatisation” of public water utilities, which they perceive to carry the same risks as “privatisation.” Do commercialisation, corporatisation and PSP limit government options in delivery of public services or reduce the state's social obligations to serve its citizens?



## CHAPTER 5. Expectations for a multistakeholder review

“A review is very necessary as there are a lot of worries. People feel that government is letting them down, abandoning them to people who have a profit motive.” Government agency manager, Africa

### 5.1 Background

Multistakeholder (MSH) processes to develop policies and programmes and to assess development processes have become increasingly common at national and global levels over the past decade. The annual Multistakeholder Dialogues of the UN Commission for Sustainable Development (CSD), the World Commission on Dams (WCD) and the Multistakeholder Dialogue of the Bonn International Conference on Freshwater are just a few examples. The rationale behind these multistakeholder dialogue processes is to broaden out participation in decision making, in order to ensure a more realistic outcome that reflects the realities of the range of people interested in and affected by development processes. More inclusive processes that achieve some form of broader consensus usually result in more lasting agreements. Multistakeholder processes also provide a mechanism to implement democratic principles which hold that people have the right to participate in decisions about their development.

In order to implement the principle of participation at an early stage of planning for a global review of PSP, participants in the Scoping Process were asked about their perspectives on the possible modalities, outcomes, and scope for a review. Participants also expressed opinions on lessons from past MSH processes that should be considered in order to develop an efficient, participatory and effective MSH review of PSP. The latter question was included in recognition of concerns that some of the outcomes of previous processes have not been translated into improved decision-making, for varying reasons. The range of stakeholder perspectives on the way forward for a MSH review of PSP is described in this section, and commonalities and differences in perspectives and expectations analysed. This analysis serves as the basis for the range of options for a MSH review proposed in chapter 6.

### 5.2 The value of a multistakeholder review

Analysis in this report of stakeholder perspectives expressed during the Scoping Process has shown that there is an impasse on a range of issues in what is commonly termed “the PSP debate.” One example is the fundamental faultline that has emerged in stakeholder perspectives on whether PSP has indeed resulted in improved access for poor communities. This is a basic issue, which many feel has not been answered to their satisfaction by any of the assessments or global water processes to date. Conversely, even on some controversial areas, analysis of stakeholder perspectives has also shown there is some commonality amongst what are normally viewed as opposing positions. Thus, for example, the private sector has conceded that it has not managed the social sides of its commitments adequately; some stakeholders who are generally placed firmly in the “anti-privatisation” camp have indicated that they do see some role for the private sector, subject to strict limits and regulations; donors have indicated that they are re-visiting their policies of promotion of PSP; and governments have realised that they vastly under-estimated the complexity of regulating an external provider. All stakeholders feel that regulatory frameworks have been inadequate and contracts problematic. Far from indicating that PSP is a non-issue, these realisations highlight areas of commonality and institutional re-assessment. **Taken together, they suggest that the time is indeed ripe for an independent multistakeholder review, which examines both sides of the public-private relationship, and can lead to guidelines for future collective action on the most appropriate WSS delivery options under different circumstances.**

This Scoping Report has highlighted both areas of impasse and areas of agreement, and developed questions that attempt to reframe the debate to allow for forward movement. These questions will be further

developed and debated by a broader group of stakeholders at the Stakeholder Workshop to be convened by the Working Group. It may not be possible, or even desirable to all stakeholders, to resolve all areas of impasse. However, forward movement on some of the contentious areas through a meaningful and participatory multistakeholder process will certainly unblock some of the barriers to sustainable and accelerated service delivery. Additionally, the methodology of the Scoping Process has provided a key lesson for the review methodology: the ability to provide neutral terrain can allow for areas of commonality that had previously not been anticipated to emerge. Increased dialogue amongst all stakeholders, including poor people and practitioners on the ground, which is linked to effective actions, can be an effective mechanism for meeting the MDGs. As noted in the 2004 World Development Report, the benefits of systematic evaluations go beyond programmes and countries, to inform policy makers and citizens in other countries what works and what does not. Thus, as this report notes, “[T]hey are global public goods – which might explain why they are so scarce.”<sup>28</sup>

*“Beyond surveys, the widespread and systematic evaluation of service delivery can have a profound effect on progress towards the Millennium Development Goals.” World Bank, World Development Report 2004 Overview: page 17.*

Thus, in the minds of many stakeholders, reducing controversy is necessarily linked to increasing access to water and sanitation. Note that reducing controversy does not mean finding consensus on all disputed areas. Stakeholders were clear that a watered-down consensus outcome would be in no-one’s interests. However, stakeholder inputs have indicated many areas where it may be possible to at least reduce some controversy, through a balanced and independent assessment that enjoys broad buy-in. In this case, possible benefits may also be seen as the converse of the negative results of heightened conflict: better engagement of key stakeholders in decision making; a reduction in risk; a reduction in delays in implementing programmes and projects if stakeholders are able to proceed from a mutually agreed platform developed as a result of the review; and more rapid delivery of water and sanitation services towards meeting the MDGs and approaching the goal of universal coverage.

### **5.3 Desired outcomes for a MSH review**

As noted in section 3.1, the vast majority of the more than 300 stakeholders surveyed as part of the Global Water Scoping Process think that a global multistakeholder review is useful and/or necessary. Analysis of the data reveals that the closer stakeholders are to the ground, the greater the demand for a review appears to be. Thus national governments, practitioners, NGOs, labour, poor communities, public utilities, and large and small-scale private operators have all indicated that some form of multistakeholder review will be useful and/or necessary to understand what the impacts, both positive and negative, of the range of PSP experiences have been, in order to enhance decision-making about future water and sanitation delivery options.

*“I would like to see an honest assessment of how private firms will be more effective than public utilities in meeting the UN Millennium Development Goals to halve the proportion of people without access to safe drinking water and sanitation. Corporations are by necessity for-profit enterprises. How will more involvement from them bring water to those people who have no access to safe drinking water?”*  
Private consultant, North America

Different stakeholders raised a number of different perspectives on the possible modalities, outcomes, mode of participation, institutional models and scope for a MSH review of PSP. However, several clear areas of consensus have emerged strongly from an analysis of stakeholder expectations for a review:

- Most stakeholders would like to see a balanced, independent assessment that can serve as the basis for improved future decision-making.

<sup>28</sup> World Bank, 2004 *World Development Report Overview: Making Services Work for the Poor*. Washington DC, World Bank, page 17.

- This assessment should define and assess positive and negative experience, and translate lessons learned into strategies and institutional requirements to safeguard against the negative impacts and optimise the positive outcomes.
- Most stakeholders also strongly desire an action-oriented review that proposes practical solutions, and has clear mechanisms for follow-up.
- Stakeholders feel it is important to provide some form of guidance to people making decisions at a range of different levels (global, national and local) and to people working on the ground.

In support of this, participants noted that the role of PSP is not being assessed adequately, in a comprehensive, inclusive, and participatory manner, in any of the many water organisations currently operating. Donor, private sector, and government agency groupings noted that the review should explore the conditions under which PSP is desirable and effective or not, and how PSP models can be adapted to different country contexts. Some research, NGO and UN groupings noted that the review should define an appropriate role for the private sector in water services delivery and in meeting the MDGs.

A further area of broad agreement was the need for an **action-oriented review** that proposed **practical solutions**, and had **clear mechanisms for follow-up**. Participants further noted that people making decisions and working on the ground at national level needed **something to guide decisions on the ground**. Thus donor and NGO groupings in SE Asia felt that a valuable outcome for the review would be to develop a definitive resource for project officers to use in decision making.

*"If I was a Project Officer going into Hanoi and speaking to the People's Committee to talk about the future of water supply and the role that the private sector could play in it, it would be nice to have a definitive resource to refer to." Regional development bank*

A basic point raised by some stakeholders was whether the main goal of the review was to reduce controversy, or to make progress on the ground. In general, however, many other stakeholders felt that reducing controversy and finding common ground are necessary steps to increasing access to water and sanitation services. Thus many stakeholders participating in this Scoping Process indicated that **exploring past experience through a balanced assessment will be a key action towards dispelling some of the controversy around PSP**, and that **clarifying misconceptions is an important step towards achieving the Millennium Development Goals** of halving the proportion of people without access to water and sanitation by the year 2015. Some stakeholders also noted that "consensus on everything" is not necessary, but that the review should rather strive for dialogue, mutual understanding, and agreement on some key elements that can form the basis on which to move forward.

In terms of **targeting of review findings**, donors noted that the review must be clear on the decisions it would like to inform. An NGO perspective was that the review should serve to re-orient decision makers to base policies and decisions on well-informed research. Government, NGO and community groupings felt that a review should highlight more creative alternatives for handling the lack of access problem, and that it should develop alternative solutions for expanding services to the poor and for achieving universal access. A related point raised by poor communities and SSIPs in SE Asia was that the **outcomes of the review should lead to fair treatment for poor communities**.

*"A meeting with a call for proposals that embody the best practices identified at the meeting, with the possibility of funding strong proposals, makes the meeting more than just a symbolic dialogue" Venture philanthropist*

A wide range of desired outcomes was expressed by the stakeholders interviewed and surveyed via the email questionnaire. Table 2 highlights some of the examples given by stakeholders. In general, for both the email survey and for the in-person interviews and focus groups, there was a **wide range of stakeholder perspectives on desired outcomes for a review**. The desired outcomes expressed most often by email survey respondents in written comments were for guidelines and frameworks for PSP, efficient and affordable service delivery, and objective analysis of the impacts of PSP. While the range of specific

responses was difficult to summarise according to groupings, the multiplicity of desired outcomes suggests both a strong demand for the review, as well as the need for **further planning to develop clear and concise outcomes**. The Stakeholder Workshop proposed in Chapter 7 can provide a further opportunity to clarify outcomes for a review.

*“The analysis needs to look hard at what has really happened, and not just be a desktop study of World Bank documents.”* Delivery NGO, Africa

**Table 2. Range of stakeholder desired outcomes for a multistakeholder review**

Stakeholder grouping	Desired Outcome of MSH review
Broad cross-section, large number of respondents	Balanced, independent assessment, empirical evidence
Private sector, researchers	Develop risk assessment tools
Private sector, research, labour, UN, professional associations	Standards for regulation; “state of the art” regulatory frameworks (both public and private)
SSIPs, water vendors, regulators, NGOs in SE Asia	Bring end to political interference in service delivery
Public utilities, government agencies, politicians, NGOs	Improve the process of public sector reform
Large-scale private sector, public utility, research, politicians	Educate stakeholders about the need to pay tariffs (social tariffs)
Private sector, government, NGO, community organisations	Build capacity in the water sector through sharing experiences on a peer-to-peer basis
Private sector, public utilities, government agencies, NGOs	End donor conditionalities for PSP; harmonise and coordinate aid
NGOs	Recognise water as a basic human right; Support international convention on freshwater

## 5.4 Key lessons from other MSH processes

While stakeholder responses noted that it was indeed **important to learn lessons from other multistakeholder (MSH) processes** and to incorporate these into the design of a multistakeholder review of PSP, many participants were unable to provide concrete lessons for consideration, as they had not taken part in previous MSH processes like the World Commission on Dams, the Extractive Industries Review, or the Bonn Conference on Freshwater MSH Dialogue. A positive aspect of this is that it indicates that the Scoping Process has reached out to many people who fall outside of the inner circle of the international water community, including SSIPs, members of poor communities, and government agencies at different levels, including the local level, who do not usually participate in international policy processes.

Those stakeholders with experience of previous MSH processes had differing perspectives on the effectiveness and appropriateness of specific models, sometimes within stakeholder groupings. For instance, some donors and NGOs felt that the Camdessus Panel had been an effective model because it was narrowly focused and completed its work in a short timeframe, while other NGOs felt it was not an effective model because the selection process for experts was not open and inclusive and the panel was ultimately not balanced. Perspectives on the WCD were varied, often along stakeholder grouping lines. Most NGOs, many donors, and some governments tended to view the WCD as a desirable model for conducting an open, inclusive process, and many thought that the outcomes were slowly being adopted. Several noted that the WCD had been taken up in multistakeholder dialogues at the national level in countries including Nepal, South Africa, and Vietnam. The private sector, some donors, and some

governments viewed the WCD process as unbalanced, and one donor noted that the WCD's outcomes had not yet been implemented widely. Other stakeholders highlighted that the multistakeholder dialogue at the Bonn water conference was productive, while the one at the Third World Water Forum in Kyoto was less so. Several stakeholders also noted the differences between a multistakeholder "dialogue," a process of a few days or hours like the Bonn Conference, and a multistakeholder "review," which would be a longer and more complex process. Most stakeholders stressed that while the multistakeholder approach was good, new modalities need to be found for a cost-effective approach that would produce action.

Other MSH processes were also noted, but not necessarily from the water sector. In the email survey, several respondents noted the need to avoid the single methodological approach that had been used in the Structural Adjustment Programme Research Initiative (SAPRI). One respondent highlighted the success of the Global Aids Fund, which required a diversity of stakeholders to approve funding proposals that necessitated agreements on priorities for action.

Based on past MSH models, many stakeholders stressed the need for good facilitation, and for a process with authority, championed or led by a person or group with the power to convene. Additionally, they also highlighted the need to use existing national and regional water networks as sounding boards or in some other way. Stakeholders from Europe, South America, and non-English-speaking African countries noted the need to invest resources in translation for a multistakeholder review process to be inclusive and for the results to reach people effectively. Responses to the email survey noted the WCD as a positive model for a MSH process, especially for the information-gathering and analysis phase, while some highlighted the weak implementation of the WCD and the desire for future multistakeholder processes to build-in an effective implementation phase from the beginning of the process. Some participants provided other country-level examples of multistakeholder processes.

## **5.5 Modalities and scope for a MSH review of PSP**

### **5.5.1 Breadth of participation**

There was almost universal support across stakeholder groupings and regions for a review that adopted a **multistakeholder approach**, although perspectives differed on breadth of participation and the mechanisms for multistakeholder interaction. While most participants across the groupings felt that participation should be as broad as possible, a minority were of the opinion that participation should be curtailed in some way. Thus, for example, a private sector perspective from Asia was that the most extreme voices should not be included in the debate. In general, however, most stakeholders were of the opinion that the review should try to be **as inclusive as possible**, but that within this general principle, it was important to have the **right voices in the process**, and to **ensure the right balance of voices**. With reference to 'the right voices', stakeholders across regions from government, donor, NGO, and community groupings stressed the need to **go beyond the "usual suspects"**, and to hear directly from members of poor communities, as well as to have a focus on **practitioners or people actually working on the ground**, as opposed to too much emphasis on the "policy" community. Responses to the email survey provided support for the desire to **hear directly from poor people**. A number of stakeholders highlighted the **importance of including local government decision makers**, both officials and politicians, who some felt were more important to include than parliamentarians.

*"The review must engage with actors at the ground level so that you get the real issues coming up, rather than powerful interests".*  
International water network, Africa region

A large number of stakeholders highlighted the fact that managing the process correctly was the most critical aspect for a MSR. Thus many donors, the private sector, UN organisations and government agencies across region stressed the need for **genuine dialogue**, which would entail participants putting dogma aside, and having "open hearts and open minds". NGOs felt that the review should not "rubber stamp" PSP, meaning that those in favour of PSP should be willing to listen and to change. Some stakeholders expressed

the fear that others will have a mandate to block, and would not have any interest in reaching agreement. NGOs and public utilities were concerned that the review will be used to justify role of PSP, while the private sector expressed concerns that the review will be used to ban PSP or to stop private companies in water delivery.

*"It should be more grassroots participation, including the voices of the very poor, and a lot less "Washington consensus": If it is more beating on the same drums that the Washington consensus (including myself) is in on, then we are wasting our time and resources"*  
Bilateral donor

### 5.5.2 Level of review activities

Stakeholders noted the need for review activities to take place at a range of different levels. The need for **local and global level activities** was emphasised by donor, UN organisations, large-scale private sector and professional groupings in Europe and North America, while UN and government agency voices emphasised national level activities. Some other stakeholders, particularly NGOs and private water companies, as well as some donors, researchers, and professional associations, prioritised actions at an international level as the most critical, such as harmonising and coordinating donor policies, addressing trade issues as they relate to water, and influencing the practices of multinational water corporations.

*"We are globalising the problems, so we should globalise the solutions as well...to address international policies and share experiences."*  
NGO from South America

A number of stakeholders from Latin America, Asia and Africa stressed the need for **national level dialogues**, which could help to adapt practices and guidelines at a country level, develop national policy and regulatory frameworks, and generate political commitments for action from specific national agencies with relevant responsibilities. In Brazil and Bolivia, stakeholders especially highlighted the need for national level policy frameworks. In Africa and Asia, there was an emphasis on **regional activities**, which many felt would be helpful as they would encourage sharing of lessons amongst countries with some cultural commonalities, and in some cases shared watersheds. This point is related to the need to separate different contexts, such as developed/developing and rich/poor, and to have a clear basis for comparisons, which was highlighted by professional, research, private sector and NGO groupings across the regions. A donor perspective queried whether national or regional partnerships would really involve the key decision makers who are located at local government level.

Respondents to the email survey ranked an international commission higher than other levels of activities; however there was a very close spread around rankings of country studies, regional hearings, national level multistakeholder reviews, and decentralised regional teams performing work in a region.

### 5.5.3 Activities of review

Stakeholders raised a range of activities that they thought should form part of the methodology for a multistakeholder review. Many stakeholders across different groupings felt that detailed case studies would be an essential part of the methods of the review, and email survey respondents ranked case studies as the most important activity by a large majority (63% of respondents ranked case studies in the top 5 most important activities out of 15 possible choices). Stakeholders expressed the desire for a process that is both relevant to national dialogue and adapting guidelines to countries and that also addresses international policy issues related to donors and MNCs. Many stakeholders also want to share and learn experiences from other countries (not only from their own region, where issues may be too similar, but also learn from other regions). Members of communities and cooperatives in Asia and Africa felt that study tours where they could interact directly with other poor communities and see how they were dealing with their WSS needs would be useful.

Public hearings were another component of a review that was considered a high priority by many stakeholders, especially representatives of civil society organisations. About 34% of email survey respondents ranked public hearings in the top 5 most important elements of a review. Development of guidelines, standards and codes of conduct was mentioned by a cross-section of stakeholders as desirable. Numerous stakeholders from all regions and groupings noted that a broadly agreed methodology would need to be developed for assessing and comparing performance across public/private management and developed/developing country contexts. Some suggested deriving lessons by region.

#### **5.5.4 Institutional structure of review**

Stakeholders mentioned a **range of different institutional models** upon which a multistakeholder review of PSP could be based, including an international commission such as the WCD, an expert panel such as the Camdessus Panel, or stakeholder panels like the MSH Dialogue of the Bonn International Conference on Freshwater. Some stakeholders from donor, research, NGO, government, and private groupings felt that the review should be structured to **use or strengthen existing processes**, in order to avoid duplication of efforts and be more cost-effective. Specific stakeholder suggestions for existing processes to consider are discussed under Option 2 in section 6.3. Generally, stakeholders expressed a desire for an institutional structure that would link international activities to national level activities more effectively. Almost none of the respondents to the email survey thought that a central secretariat should perform most of the work programme for a review. However, having an international commission was ranked highest overall. Greater interest was expressed in structures such as stakeholder teams within countries performing pieces of the work programme and having country-level stakeholder commissions conduct a review.

Stakeholders also expressed the importance of having equal representation and treatment of stakeholders, having a range of expertise, ensuring transparency, and ensuring that stakeholder representatives be legitimate leaders of their stakeholder grouping who have the power to implement the findings and outcomes of a review. Additionally, many stakeholders from a variety of groupings thought that the review should include all the main findings, even if there was lack of consensus.

#### **5.5.5 Scope of the review**

Analysis of the responses received from stakeholders indicates two main ideas for the overarching scope of the multistakeholder review, both receiving significant support. The **broad proposals are to either focus broadly on effective delivery of services, whether through public, private or NGO provision; or to focus on PSP, but in a broad sense, including small-scale providers, local private operators and international companies**. More support for a broad focus on effective delivery of services was received from donors, NGOs, the public sector, the private sector, and politicians in Europe, North America and Latin America, while stakeholders in Africa and Asia indicated more support for a focus on the range of PSP regimes. **A minority of stakeholders felt it would be optimal to focus more narrowly on PSP involving large multinationals; or to focus on specific issues where there is either less agreement or critical need**. Thus a technical assistance programme operating in Africa suggested the following three main areas for focus: the capital gap; poor public sector management approaches; and the role of the small-scale private sector.

Some stakeholders from large private company, government, NGO and professional groupings highlighted the need to **include trade and GATS** issues in the ambit of the review. An NGO recommendation was for the review to **include whatever new modality of PSP will be promoted** now that the 25-year concession model is not being widely pursued. An African NGO noted the need to look broadly at **what impact PSP will have on development and agricultural policies, as well as environmental management**, and other stakeholders noted the need to encompass broader economic policy decisions about allocation of national budgets.

It is clear that the scope of the review will also depend on the breadth of the evaluation criteria, which will need to be developed at a later stage. However, stakeholder responses indicate the need for a **broad and holistic set of evaluation criteria**, encompassing social, cultural, livelihoods, ecological, technical, financial

and institutional aspects. A central issue noted by several was that the biggest challenge will be to frame the approach for the review correctly, in order to overcome inherent bias.

## **5.6 Conclusion**

Different stakeholders raised a number of different perspectives on the possible modalities, outcomes and scope for a MSH review of PSP. However, **several clear areas of consensus have emerged strongly from the analysis of stakeholder expectations for a review.** Most stakeholders would like to see a balanced, independent assessment that can serve as the basis for improved future decision-making. This assessment should define and assess positive and negative experiences, and translate lessons learned into strategies and institutional requirements to safeguard against negative impacts and optimise positive outcomes. Most stakeholders also strongly desire an action-oriented review that proposes practical solutions, and has clear mechanisms for follow-up. Additionally, stakeholders feel it is important to provide some form of guidance to people making decisions at a range of different levels (global, national and local) and to people working on the ground. These common elements form the basis for a mission statement for a future review, as discussed further in Chapter 6.



## **CHAPTER 6. How could a review be run?**

### **6.1 Background**

As sustainable development efforts continually emphasise, process, and not just the product or tangible outcome, is important in designing initiatives to develop agreements among many interest groups with varying perspectives. This Scoping Study has aimed to develop an open inclusive process to solicit viewpoints about both the substance of the issues and potential review processes that could effectively address these issues. In this chapter, the essential components – or building blocks – of a review are presented as elements of a mission statement for a possible review. Based on stakeholder inputs, seven options are then presented for how a review could be structured and organised, with a discussion of the pros and cons for each. Out of these, the Working Group proposes four options that can serve as a basis for further discussions at a proposed Stakeholder Workshop, described in Chapter 7. These options also build upon past experiences, such as the lessons learned described in Chapter 5, and on the experiences of existing institutions and initiatives currently underway.

### **6.2 Elements of a Mission Statement**

Based on inputs and ideas from stakeholders – from which there is broad agreement on the most important components of a review – the key elements of a mission statement for a global multistakeholder review include:

- The overarching goal of a multistakeholder review is to contribute to making progress towards meeting the Millennium Development Goals for water supply and sanitation and the long-term goals of universal access and poverty alleviation.
- A multistakeholder review should provide an independent, balanced, and evidence-based assessment of performance – especially evaluating sustainability and equity concepts within the framework of private sector participation – that can serve as the basis for policy reform and action by various institutions and stakeholders at all levels.
- A review needs a clear scope. There are two broad proposals from stakeholders for the scope of a review: either focus broadly on effective delivery of services, whether through public, private or NGO provision; or focus on PSP, but in a broad sense, including small-scale providers, local private operators and international companies.
- The process of a review should help to reduce polarisation, to dispel myths about PSP or the public sector, to provide an arena for a variety of voices and to hear directly from poor communities in need of water services, as well as practitioners working on the ground, and should strive to reach agreements on some key issues as a basis for making progress.
- The global multistakeholder review should lead to policy reform and action on the part of stakeholders at local, national, regional, and international levels.

At the Stakeholder Workshop, proposed in Chapter 7, agreement could be reached on a Mission Statement for a review that uses the key elements above and resolves or integrates outstanding issues about the breadth of the scope and the desired level of actions.

### **6.3 Possible Options for a Global Multistakeholder Review: Structure, Scope, Modalities**

Based on stakeholder inputs and the recent experiences in the water sector, the Working Group developed the following options, which could be used to address the reframing questions and issues raised in this Scoping Study. No single option is likely to satisfy all the interests for scope, comprehensiveness, inclusiveness, effectiveness, efficiency, and desired outcome. Numerous other options are possible, as well as hybrids and combinations of these options. The options presented here are, rather, a starting point for further discussions among stakeholders about what kind of institutional model and modality will be most effective at producing the priority desired outcomes within acceptable time frames and in a cost effective manner. For each of the options, institutional models, possible outcomes, scope, cost and timeline, and pros and cons are highlighted. Costs are categorised as Low (under \$2 million), Medium (\$2-5 million), and High (more than \$5 million). Timeframes are categorised as Short (1 year), Mid-term (1 – 2 years), and Longer-Term (2-5 years).

**Option 1: No-go alternative** – No review at all.

Out of more than 300 stakeholder responses, only one stakeholder interviewed, and only 3 respondents to the email survey responded that a global review is definitely not needed or useful. Given the breadth of support for a multistakeholder review of PSP, the “no go” alternative is not responsive to stakeholder interests, and would also not resolve the current controversies. Stakeholders who felt a review was not necessary or useful felt that multistakeholder processes are not effective for developing rules and guidelines and are too expensive and time consuming, and that a review should focus on effective service delivery whether public or private. The reasons against a review are important to consider and offer a challenge to designing a structure and mode of work that is effective, timely, and cost-effective.

**Pros:** The time and resources needed to invest in a new process are avoided; confusion or overlap with other efforts is avoided.

**Cons:** Important and divisive issues remain unresolved and the interest generated among stakeholders thus far is lost.

**Cost:** zero (but cost of conflict remains)    **Time:** zero

#### ***Option 2: Use or strengthen existing processes***

A minority of stakeholders thought that existing processes around water should be used or strengthened to address issues of PSP, rather than establish a new process. Stakeholders having this perspective were primarily donors, a few government agency and NGO representatives, and a cross-section of email survey respondents. The suggestions made by stakeholders for which existing processes to use or strengthen include:

#### **International**

- **UN agencies or programs:** the UN Commission on Sustainable Development, the UN Habitat Program, the UN Global Compact, or the UN MDG Task Force on Water Supply and Sanitation, various initiatives relating to water under the United Nations
- International Standards Organisation Technical Committee 224, tasked with developing standards for service activities related to drinking water supply and sewerage
- The Global Water Partnership Technical Advisory Committees
- The Cities Alliance, a partnership of the World Bank, UN-Habitat, Asian Development Bank, 10 donor countries, and associations of local authorities

- The Swiss Re and Swiss Agency for Development and Cooperation Initiative to Improve the Quality and Effectiveness of PSP in Sustainable Water Management Service through a Code of Conduct and Guidelines

#### **Latin America:**

- ADERASA, Association of Water and Sanitation Regulatory Entities of the Americas
- Coniag, an inter-agency coordination effort among six ministries in Bolivia
- Forum for the Americas, a forum bringing together government agencies, NGOs, researchers, and other water professionals from North, Central, and South America

#### **Africa:**

- African Ministerial Conference on Water Follow-up, using the organisation of government officials, donors, NGOs, and other professionals through implementation of the follow-up to this ministerial conference

Each of these institutions or initiatives already has a specific remit on water issues, though most of these have a broader focus than private sector participation in water and sanitation. Each of these is focused in some way on advancing sustainable water management and improving access to water services, and has the involvement of some stakeholders engaged in the issues of PSP. The two that have a focus that is closest to the issues raised in this Scoping Report are the Swiss Re efforts on a Code of Conduct for PSP and the UN Millennium Project Task Force on Water and Sanitation (Task Force 7). Discussions with members of the Millennium Project Task Force have revealed that the Task Force is not currently engaged in any processes to assess PSP and has a limited time frame to complete its existing programme of work. At this time, therefore, the Millennium Project Task Force is unlikely to be a feasible home for a multistakeholder review, but could be a partner to promote such a review, depending on the judgment of the Task Force. In discussions with members of the Swiss Re process to develop a Code of Conduct for PSP, areas of overlap and possible collaboration were identified. In the Swiss Re process, the outcome of a Code of Conduct had already been set, and they have held their first workshop and circulated a first draft of the Code of Conduct. In this Scoping Study, stakeholders indicated a desire for an inclusive multistakeholder process to assess the impacts of PSP which could then lead to a variety of outcomes and products, ranging from support for alternatives to target WSS approaches for the poor to regulatory frameworks and international policy reforms, that could include a Code of Conduct. There could be opportunities for collaboration and coordination between the Swiss Re process and a review process, and the results could be complementary.

**Pros:** Avoid the costs, time, competition or possible duplication of establishing a new process; strengthen the capacity of other institutions or processes to address the issues of PSP in a multistakeholder way; and integrate and implement outcomes of review process through established processes to which key stakeholders are already committed.

**Cons:** No existing institution or process appears to have the blend of independence, balance, clear focus on PSP, inclusive of all voices and especially those of poor communities, and trust that will meet adequately the expectations and desired modalities and outcomes of the full range of stakeholders.

**Alternative:** A modified approach to using an existing institution to undertake the review would be to have an existing institution serve as host to a new initiative or program. The new initiative could have its own mandate and terms of reference defined by stakeholders, which could follow other organisational models such as other described below. Questions include: what host would be interested in and capable of undertaking such an initiative? What host would be acceptable to stakeholders?

**Cost:** Low-Medium      **Time:** Short – Mid-Term. The cost and time would depend, in part, on what form a new initiative – even under an existing institution – would take.

### ***Option 3: Expert/stakeholder Panel***

Some stakeholders, particularly in Northern countries, suggested that a panel of either experts with different perspectives and experiences, or a panel of a range of different stakeholders could be an efficient method for conducting a global review of PSP in water and sanitation. Variations on this model would be to have a mix of experts and stakeholder representatives and adding more participatory processes such as public hearings. A panel could undertake case studies to assess performance, commission inputs, invite participation, and recommend best practices, standards, and guidelines. It is likely to be more “product oriented,” and less of a process to engage a cross-section of interests.

**Pros:** A panel of experts is likely to be faster and focus on fewer issues in a narrow way, and as a result be less expensive. Depending on the reputations of panellists, it can have potentially high-level influence with key institutions. A panel of stakeholders would perhaps focus on a greater range of issues and would be likely to address broader social, cultural, political aspects and so more likely to resolve conflicts. While a stakeholder panel may require more time than an expert panel because it could emphasise more participation, it could still be cost-effective.

**Cons:** An expert panel is unlikely to be broad enough to address the range of concerns raised around PSP or inclusive and participatory enough to satisfy stakeholder desires to “go beyond the usual suspects.” A panel of experts is less likely to address broader social, cultural, political aspects and so less likely to resolve conflicts, and is more likely to engage primarily at an international level; therefore, it would not satisfy stakeholder desires to foster broader consensus and agreements and to promote reforms at a national level. A panel of stakeholders would require additional time and cost.

**Cost:** Low      **Time:** Short

### ***Option 4: Judicial Panel***

A few stakeholders suggested that a means of rising above the polarisation is through a judicial panel. This is similar to an expert panel, but panellists are “eminent persons,” not necessarily water experts. By selecting eminent persons the objective is to transcend the fixed positions and ideologies of experts already immersed in the water and PSP debate. Similar to an expert panel, a judicial panel could undertake assessments through case studies, accept testimony and inputs from a variety of stakeholders, and develop recommendations for reforms.

**Pros:** Eminent persons could have more open minds towards considering the evidence and perspectives from a variety of cases and stakeholders, moving beyond fixed positions, and they could invite testimony from a diversity of stakeholders including poor communities. A judicial panel would be likely to have a narrower scope, and be more product or judgment oriented.

**Cons:** It could be difficult to find eminent people that are acceptable to all stakeholders and knowledgeable enough to produce something useful to the practitioners who would need to implement the findings. Participation would likely be relatively limited and would not create a process of dialogue at different levels. The effort would be more focused on a product, such as on findings or a “ruling.” While a judicial panel could address socio-political issues, it is less likely to engage stakeholders at a national level in ongoing way to implement its recommendations.

**Cost:** Low      **Time:** Short - Mid-term

### ***Option 5: International Commission***

A review could be run using an international commission process. An international board, comprised of approximately ten eminent persons and stakeholders, would oversee the process, assisted by a secretariat. The methodology would focus primarily on case studies, could include some thematic reviews, and could be carried out by individuals at a desk level (shorter, cheaper) or by national, multistakeholder teams in selected

case-study countries. Stakeholder participation could be at both the level of the case study and the international board.

There are two main proposals for the scope of an international commission-driven review. Based on some of the major faultlines in the debate, some stakeholders a narrower scope that would focus on what they saw as the major area of contestation, namely the large contracts of multinational water companies. The key outcomes would focus on understanding how the policy for the contract arose, assessing case studies across a variety of performance indicators, identifying major lessons learned, drawing out the policy implications of these lessons, and understanding how necessary reforms to safeguard against the mistakes can be implemented. The second option for an international commission addresses the interest among many stakeholders to address issues of PSP beyond the large projects of multinational water companies. The scope for this broader variation would examine PSP in the public sector (private companies that are big subcontractors to the public sector, like equipment supplies and construction companies), small-scale independent providers (SSIPs), local and national private water companies, and large multinational water companies. The key outcomes, methodologies, and institutional model would be similar to the narrower scope option, but larger teams and additional secretariat staff would be required to handle the larger number of studies.

**Pros:** For the narrow focus on MNCs, the scope is defined and feasible, and the outcomes would produce new, independent evidence and analysis that can inform national governments and decision-makers about the impacts of their decisions. The evidence can dispel myths about the performance (from either end of the ideological spectrum) of these large projects, and lessons learned can be the basis for policy recommendations at national and international levels and for agreements among stakeholders on some of the most contested issues. The broader scope option will address the bigger picture of PSP, and will be of greater interest to a broader cross-section of stakeholders, making the option less controversial than the narrower focus.

**Cons:** The narrow focus on large-scale projects of MNCs will not give a big picture about the full range of PSP that exists around the world. By definition, the focus on the most contested items will be controversial, and may alienate some stakeholders and may not assist in resolving conflicts or reducing polarisation. This option also does not address the widespread need expressed by many stakeholders to provide tools that will be useful at national levels and to foster national and local dialogues. The broader scope will make the commission more expensive and more time consuming than the narrow focus.

**Cost:** Narrow focus: Low. Broad scope: Medium - High      **Time:** Narrow / broad scope: Short – Mid-term

### ***Option 6: Linking international to national dialogues with broad PSP focus***

Based on stakeholders' expressed desire to learn from experiences in other countries, develop needed policies at national levels, and influence international policies, the Working Group developed an option with a wholly different approach to stimulating multistakeholder action and implementation of reforms at national *and* international levels through linked and iterative processes of dialogue. The two primary points of entry for this option are effectiveness and inclusivity. Rather than advocate that responsible government agencies adopt an international panel's recommendations after-the-fact, with few or no people from that country involved in the international panel, this option proposes to establish or link existing processes at national levels to an international process and have people on the ground engaged enough to follow through with implementation and action. In this way, comparisons and syntheses of experiences can occur at an international level, and can be adapted and implemented at national levels. This option is oriented towards both process and product.

The scope would be broadly defined to include the evaluation of the full range of PSP, as well as public sector experiences where relevant for purposes of comparison. The structure would have two levels: an international panel comprised of respected "champions" from each region with a small secretariat, and small multistakeholder teams in about 20 countries (several per region). Country multistakeholder teams would undertake case studies of the range of PSP in the country and use the results as the basis for sparking a

national dialogue on the evidence and lessons learned (requiring approximately \$100,000 per country over three years, for a total of \$2 million). These national dialogues would be linked to ongoing processes of sector reform or other processes, which could include discussions around Poverty Reduction Strategy Papers (PRSPs), sector reviews, or national legislation and regulations, and could also include public hearings as a component. The international panel and secretariat would develop methods for country-level work, with input from the country teams.

The interim results of the country-level work would be fed to the international panel, which would synthesise and produce an interim report with comparative lessons and recommendations for reform. The international interim report would be fed back to the national processes for consideration, critique, and local adaptation. This in turn would be fed back to the international panel for a final report with relevant national and international level recommendations. There could be regional conferences or a global conference during the process to amplify the experiences. The process could take between 2.5 and 3 years, and cost about \$5 million.

**Pros:** The final report would not be the main “product;” rather new knowledge, lessons, and implementation would occur throughout because the review process is linked to live, ongoing national processes for sector reform, PRSPs, or meeting the MDGs, among others. These links could promote country-focused solutions and agreements in ways that international processes often do not. The national dialogues could create space for stakeholders to understand each other’s perspectives and to consider the evidence collected by the in-country multistakeholder teams. They also could use or strengthen existing processes. One example is the effort catalysed in Brazil as a result of this Scoping Study, whereby a Brazilian Multistakeholder Working Group has been established and has initiated discussions around PSP in Brazil, the results of which are influencing debates about national policy in Brazil and are being fed into the international Scoping Study process. This option addresses many of the expectations expressed by stakeholders for actions at the national level, for participation of stakeholders in decision-making, and for guidance and best practices to inform national policy and regulatory frameworks.

**Cons:** This iterative, multi-level option will require more time and resources. The complexity of overseeing many country-level multistakeholders teams, integrating results to create international comparisons and lessons, and linking feedback in iterative processes and multiple levels may be cumbersome. There are risks that the national dialogues will not result in action and implementation. National level processes may be less likely to influence international policies that some stakeholders have identified as priorities.

**Cost:** High      **Time:** Longer-term

### ***Option 7: Series of Structured Dialogues on Key Issues***<sup>29</sup>

This option proposes a series of 3-4 retreats with key stakeholders (about 40-80 per retreat), or country-focused, with structured dialogue around several contested issues in PSP over 18 months, with a report that captures agreements reached on a narrower set of contested issues through structured dialogues.

**Pros:** Short, concise process focused on contested issues. Easier to obtain agreement among smaller groups of stakeholders.

**Cons:** Does not engage stakeholders broadly, unclear how the evidence would be gathered that can serve as the basis of the dialogue, aimed more at the inner circle of water policy stakeholders, more difficult to engage communities and poor in this style (although practitioners could engage); would not necessarily engage enough countries to affect national policies, as it would probably be aimed more at the international level.

**Cost:** Low      **Time:** Short-Mid-term

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<sup>29</sup> Note that Options 7 and 8 were proposed by few stakeholders, compared to Options 1-6. Hence Options 7 and 8 are not included in Table 3, which summarises the main institutional options for future consideration.

### ***Option 8: Stakeholder Fund to Test New Approaches***

This option entails an international meeting with a diversity of stakeholders, who are invited to bring proposals that embody best practices. Stakeholders then select the best proposals to be funded, and in this way promote the testing of best practice. This can make the meeting more practical than symbolic or dialogue-oriented, and can create a follow-up fund for people to develop and replicate local projects, which would give the event real significance and demonstrate commitment to action. Funds can go for pilot projects to test new approaches, assist in implementing policies/reforms at national or local levels.

**Pros:** action-oriented from start; targets funding towards pilots and experiments that embody areas of agreement; possibly focus on key mechanisms for targeting poor and rural areas.

**Cons:** Does not address contested areas of debate; does not address performance of PSP or public sector directly (though indirectly through pilots it funds, principles/criteria developed); does not engage stakeholders broadly within countries (though that could be something funded as follow-on).

**Cost:** High (due to funding pilots on implementation for ongoing or med-term fixed period).

**Time:** Possibly short to develop principles and criteria; longer-term to create entity to oversee pilots.

**Table 3 Institutional options for a global multistakeholder review**

Option	1: No-go alternative	2: Use/strengthen existing processes	3: Expert/stakeholder panel	4. Judicial panel	5. International Commission	6. Linking international to national dialogues
<b>Description</b>	No review is held. Given that most stakeholders expressed interest in a review, this option is not responsive to stakeholder interests.	Recommended by a minority of stakeholders. Examples of existing processes provided: UN Commission on Sustainable Development, UN MDG Task Force, GWP Technical Advisory Committees, Swiss Re process & other regional processes	Composition of panel would be either experts with different perspectives, or range of stakeholders, or mix of both. Panel option is more product than process oriented, although could include public hearings etc. Could commission inputs & case studies.	Panellists would be eminent persons selected though a MSH process, not water experts, in order to transcend fixed positions & ideologies of experts immersed in PSP debate. Like expert panel, could commission case studies & inputs, call public hearings, accept testimony etc	International commission of approximately 10 eminent persons & stakeholders, with a small secretariat. Methodology could be case studies & thematic reviews; carried out by individuals or national multistakeholder teams in selected countries. Focus either narrow on contracts of multinational corporations (MNCs), or broader on the full range of PSP.	New approach that establishes or links existing processes at national level to an international process. International panel of respected champions from each region, with small secretariat; plus small multistakeholder teams in approximately 20 countries. National teams undertake case studies & public hearings, use results to promote national dialogue linked to ongoing processes. Feed interim results to international panel for synthesis; feedback to national processes. Iterative, multi-level process.
<b>Pros</b>	Avoids time & resources needed for a new process. No confusion/overlap with other processes.	Avoids costs & time associated with duplication of processes. Strengthens capacity of existing processes. Outcomes can be implemented through established processes and institutions.	Expert panel: relatively fast & inexpensive, due to probable narrower focus; potentially influential with key institutions. Stakeholder panel: likely broader focus may assist with resolving conflicts; still cost-effective.	Relatively fast & inexpensive. Likely to be seen as more balanced and less influenced by ideology, thus may be more effective than expert panel at moving debate forward.	Narrow focus on MNCs: Defined scope, low cost, can produce targeted lessons on most controversial topic. Broad scope: Will address full range of PSP & expectations of a wider range of stakeholders, less controversial than narrow scope.	Outcomes specific to national level emerge at early stage. Mutual & ongoing generation of knowledge at national & global levels. Addresses stakeholder expectations for national processes, reform, implementation & participation.
<b>Cons</b>	Important & divisive issues remain unresolved. Stakeholder interest generated is lost.	No existing institution or process has blend of independence, balance, clear focus on PSP, is inclusive of all voices, especially the poor, in order to earn the trust of the full range of stakeholders.	Expert panel: may not address broader aspects or be sufficiently participatory; may be more globally focused & thus not address desire for national dialogues/reform. Stakeholder panel: require additional time & cost.	Process of selecting acceptable panellists with sufficient knowledge may be difficult. Participation still fairly limited & less likely to engage with stakeholders at national level.	Narrow focus: Will not provide accurate picture of full range of PSP. May be controversial & alienate stakeholders. Broad scope: More expensive than narrow focus, more time consuming.	Requires more time and resources. Degree of complexity in overseeing country-level teams & integrating results. National level processes may not influence international policies adequately.
<b>Cost</b>	Zero (but cost of conflict remains)	Low - medium	Low	Low	Narrow focus: Low Broad scope: medium – high	High, but can tap into country funds
<b>Time</b>	Zero	Short – mid-term	Short	Short – mid-term	Narrow focus: Short – mid-term Broad scope: Short – mid-term	Longer-term
<b>COST:</b> Low: under \$2 million; Medium: \$2-5 million; High: more than \$5 million. <b>TIME:</b> Short: 1 year; Mid-term: 1-2 years; Longer-term: 2-5 years						



## **6.4 Recommendations to Consider at the Proposed Stakeholder Workshop**

Based on stakeholder expectations for a review, the following options have been developed for how a multistakeholder review on PSP could be run. Numerous other options are possible, as well as hybrids and combinations of these. The options presented here constitute a starting point for further discussions among stakeholders about what kind of institutional model and modality is most effective at producing the priority desired outcomes, within acceptable time frames and in a cost effective manner.

A summary of the options for a multistakeholder review of PSP is shown in Table 1. Based on the fit between stakeholder expectations and the relative pros and cons of each option, the Working Group recommends that the following smaller subset of options be considered at the proposed Stakeholder Workshop:

- **Option 2:** Use or strengthen an existing process
- **Option 4:** Judicial panel
- **Option 5:** International Commission
- **Option 6:** Linking international to national dialogues

## CHAPTER 7. The way forward

*"We are just walking on our knuckles now, a review can make a difference".* Manager of concession operated by large international water company

This Global Water Scoping Process on private sector participation in water and sanitation has aimed to be an open process where the views and perspectives are accurately and objectively reported, and where no specific outcomes were prejudged. Indeed, the intent of the scoping process was to survey the range of stakeholders regarding their perspectives on the impacts of PSP and the possible value of a multistakeholder review in helping to address some of these issues – rather than to assume that a review is desired and simply to begin launching a review. Some stakeholders expressed the value of this Scoping Process to provide a neutral forum for dialogue. Given the emphasis in this Scoping Process thus far on the importance of broad-based stakeholder engagement as a criterion for success, further agreement on whether and how to implement a multistakeholder review should be sought from a broader base.

The Working Group developed five key decision criteria in order to assist with making the decision on whether or not to recommend proceeding to a global multistakeholder review, based on stakeholder inputs. The five key decision criteria related to validity of the Scoping Process; value-added of a review; alternatives for assessing past performance of PSP; benefits to stakeholders; and feasibility of a review. While not every aspect of these decision criteria can be answered conclusively at this stage, the Working Group was able to come to the following recommendation:

- **The Working Group recommends proceeding to a Stakeholder Workshop, at which a decision will be taken to proceed to a review or not.**

This Scoping Report has highlighted both areas of impasse and areas of agreement, and developed questions that attempt to reframe the debate to allow for forward movement. These questions will be further developed and debated by a broader group of stakeholders at the proposed Stakeholder Workshop to be convened by the Working Group. It may not be possible, or even desirable to all stakeholders, to break all areas of impasse. However, forward movement on some of the contentious areas through a meaningful and participatory multistakeholder process will certainly unblock some of the barriers to sustainable and accelerated service delivery.

### 7.1 Proposal for a Stakeholder Workshop

The purpose and objectives of a Stakeholder Workshop are to convene key stakeholder representatives engaged in water supply and sanitation services and issues of private sector participation to consider the options for responding to the needs and expectations described in this Global Water Scoping Process report. The workshop would aim to have a group size that is broad and diverse enough while small enough to foster interaction and meaningful debate. Participants would be drawn from some of the stakeholders engaged with the Scoping Process, stakeholders from poor communities in need of water supply and sanitation services, and stakeholders with responsibilities for meeting the Millennium Development Goals, while also having diversity among regions, perspectives, roles in WSS, and gender, recognising some of the gaps in stakeholder participation during this scoping study. The specific objectives of the Stakeholder Workshop include to:

- Discuss the Global Water Scoping Process report, the key debating points and reframing questions, and other issues important to stakeholders that are not addressed in this report.

- Discuss options for addressing and answering the key questions and debating points, including the options for a multistakeholder review recommended in this report or other alternatives identified and agreed to by stakeholders.
- Decide collectively whether there is critical mass of support towards implementing the chosen option and moving forward with plans to invite formal endorsements and commitments from stakeholders to carry forward with a review.
- Develop a mission statement, terms of reference, and a mandate for a global, multistakeholder review.

Final decisions regarding whether to move ahead with a global, multistakeholder review from participating governments, agencies, and civil society would come after consideration of a final proposal, if one is agreed to at the Stakeholder Workshop. There would be an interim period between the Stakeholder Workshop and actual launch of the review where endorsements, commitments, and funding would be sought.

The Stakeholder Workshop will be organised over two days as a participatory, interactive working meeting professionally facilitated by a neutral party. The key elements of the workshop include:

- Presentation of Global Water Scoping Process report and stakeholder perspectives on key debating points and reframing questions.
- Description of options for addressing the key debating points and reframing questions, including those recommended in this report or others proposed by stakeholders, as a starting point for discussions.
- Stakeholder work groups to further assess the pros and cons of different approaches for addressing the key issues raised.
- Stakeholder work groups to propose a mission statement, terms of reference, institutional design, and mandate, along with an estimated budget and timeline for the process, to the full plenary workshop.
- Collective agreement, or not, on actions to launch a global, multistakeholder review process based on options proposed by Stakeholder Workshop. The final report of the Stakeholder Workshop could serve as the basis for the final proposal for a review or other collective actions identified and agreed to at the workshop.

The Working Group that has overseen this Scoping Study will continue to work together to develop plans for this Stakeholder Workshop during the period between the release of the Scoping Report and the Stakeholder Workshop. However, at this workshop the Working Group will disband and any further committee will need to be decided upon and selected by the stakeholders at the Workshop.

## **7.2 Making progress**

This Scoping Process has reached out to many people who fall outside of the inner circle of the international water community, including small-scale independent water providers, members of poor communities, and government agencies at different levels, including the local level, who do not usually participate in international policy processes. These, and other participants, have indicated that for them, the issue of PSP is far from being a non-starter, and that they urgently need to learn lessons from past experience so that they can take better decisions about their own water service delivery options, or that of their customers or citizens.

Stakeholders engaged in this Scoping Process highlighted time and again the need to move beyond the slogans towards practical solutions for delivering water services to those most in need – poor families in rural and urban areas of developing countries.

*“There has been a lot of conflicting information and policy makers, decision makers, consumers, and all others in the water sector are at a loss – they don’t know who is telling the truth, or what to learn from. There is a need to really bring the picture on the ground and put it on the table so that all can see.”* Consumer organisation, Africa

“No matter how powerful we are, we are nothing without water!” 9-year old girl

## ANNEXES

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## Annex 2 Working Group Members

### WaterAid

WaterAid is the only major charity in the United Kingdom dedicated exclusively to the provision of safe domestic water, sanitation and hygiene education to the world's poorest people. WaterAid's vision is of a world where everyone has access to safe water and effective sanitation, and works by helping local organisations set up low cost, sustainable projects using appropriate technology that can be managed by the community itself. WaterAid also seeks to influence the policies of other key organisations, such as governments, to secure and protect the right of poor people to safe, affordable water and sanitation services. With a staff of about 300 working in 15 countries, in South Asia and sub-Saharan Africa, WaterAid partners with more than 300 local organisations and governments to carry out its programmes. It has a budget of approximately €15 million (\$20 million) in 2002. WaterAid is an independent charity and relies heavily on voluntary support. [www.wateraid.org](http://www.wateraid.org)

**Belinda Calaguas** has been Advocacy Manager of WaterAid since 1999, and heads the public policy team at WaterAid's UK office. Her specific areas of policy work are around private sector participation, water, sanitation and poverty linkages, poverty reduction strategies, and effectiveness of aid to water and sanitation. Before joining WaterAid, she worked with migrant and refugee communities in London as co-ordinator of a borough-wide community alliance. Belinda is from the Philippines, where she worked from the late 1970s to the early 1990s in various capacities as organiser, trainer, researcher and campaigner with peasants, students and urban poor people's organisations and alliances.

### RWE Thames Water

RWE Thames Water is a global specialist in water and wastewater operations and services. It is one of the world's largest private water and wastewater companies with a turnover of €4.25 billion (\$5.4 billion) and approximately 18,000 employees serving some 70 million customers in Europe, the Americas, and several other countries. RWE Thames Water became a division of RWE in November 2000. Based in Essen, Germany, RWE is one of Europe's largest multi-utilities with an annual turnover of €46.6 billion (\$59 billion). RWE Thames Water is the management company for all the water and wastewater operations in the RWE Group, and is overseen by CEO Bill Alexander. [www.rwethameswater.com](http://www.rwethameswater.com)

**Richard Aylard** joined RWE Thames Water in the new post of Corporate Social Responsibility (CSR) Director in October 2002 and reports to the Deputy Chief Executive. His responsibilities relate to the company's performance and engagement on social, environmental and ethical issues, across the 20+ countries where RWE Thames Water now operates. Richard was previously a consultant to major companies, leading the global CSR Unit at Burson-Marsteller, based in London. From 1985 to 1996 he worked in the office of HRH The Prince of Wales, latterly as Private Secretary, where he also was the Prince's lead advisor and speechwriter on environmental issues. He has a particular interest in developing constructive dialogue and partnerships between businesses and NGOs. Richard is an adviser and board member to several environmental organisations.

(Alternate Member) **Ed Mitchell** is Head of CSR for the European businesses of RWE Thames Water and is Richard Aylard's Deputy. He joined Thames in December 2002. Prior to this he was head of Business and Sustainable Development in the UK Department for Environment, Food and Rural Affairs, leading government preparations with the private sector for the recent World Summit on Sustainable Development. Starting in 1995, he worked for GlaxoSmithKline within the corporate environment, health and safety department, and also worked previously in a consulting firm on similar issues.



## **Public Services International**

Public Services International (PSI) is a global trade union federation that represents 20 million women and men working in the public services around the world. It has some 600 affiliated unions in 140 countries. PSI is an officially recognised non-governmental organisation for the public sector within the International Labour Organisation (ILO) and has consultative status with ECOSOC and observer status with other UN bodies such as UNCTAD and UNESCO. PSI's focus is on representing, promoting and defending the needs and interests of public sector workers. It works to create effective and efficient public services through a variety of education, training, and policy programmes, and also addresses the challenges of globalisation and privatisation. PSI engages international actors in the utilities field, such as agencies of the UN, the international financial institutions, the OECD, the WTO and multinational utility corporations. [www.world-psi.org](http://www.world-psi.org)

**David Boys**, Utilities Officer, coordinates PSI's international work for the utilities of water, waste and energy. This includes policy work on finance and governance of utilities as well as worker representation in multinational utility corporations. He also coordinates corporate social responsibility and ethical investment issues for worker-trusted pension funds. Prior to coming to PSI in 1998, David worked for 11 years with the Service Employees International Union in Washington, D.C. with responsibilities for coordinating policy and activities in the Canadian region.

## **ASSEMAE, Associação Nacional dos Serviços Municipais de Saneamento**

ASSEMAE (Brazilian Association of the Municipal Water and Sanitation Public Utilities) is comprised of the public providers that serve more than 50 million people in Brazil, and the municipalities that are served by public state-level companies. Members also include public providers of solid waste and stormwater and drainage services. ASSEMAE joins both Brazilian and international networks of water and sanitation organisations, aiming for good quality services for all, with strong social control and popular participation. Among its more than 1,700 members, many are recognized as well-managed, efficient public utilities providing 100% service coverage and effective social control and regulatory mechanisms. In 2003, ASSEMAE was awarded "the Scroll of Honour" by the United Nations Human Settlements Programme (UN-Habitat) "For promoting water and sanitation services in Brazilian municipalities." [www.assemae.org.br](http://www.assemae.org.br)

**Antonio Miranda da Costa Neto**, an engineer, is former two-term president of ASSEMAE (1999-2003), and currently is its permanent member of the board and Director for International Affairs. He is also the secretary of Water and Sanitation of the city of Recife. He has been working on water and sanitation for the last 23 years, with experiences in the private sector, in a consulting firm, and in the public sector, as employee, manager, and director.

## **Consumers International**

Consumers International is the global federation of more than 250 consumer organisations in 115 countries. CI promotes and campaigns for the recognition and application of consumer rights, and helps its members to develop programmes of consumer education, advice and information, and policy development. Its interlocutors at global and regional level include the UN (ECOSOC consultative status), ISO (committee membership), World Bank, and WTO (NGO panel). In the context of water and sewerage, CI is involved in a variety of programmes of training and policy development among consumer organisations. These programmes have been funded by the UK's Department for

International Development in Latin America, the European Union in Central and Eastern Europe, and the Dutch government and the World Bank in Africa, among others. [www.consumersinternational.org](http://www.consumersinternational.org)

**Robin Simpson** is Senior Policy Adviser at Consumers International. Since 1994 he has also advised consumer organisations on public utilities in many countries, in particular in Latin America, the EU accession countries and the former Soviet Union. In 2002, he was appointed to the new International Standards Organisation Technical Committee 224 on water and sewerage. He is a member of the steering committee of “Watertime,” an EU funded programme on decision making in the European water industry.

### **Environmental Monitoring Group**

The Environmental Monitoring Group was established in June 1991 to empower people to take charge of their own environment, so that the right to a healthy environment can be enjoyed by all, now and in the future. EMG’s mission is to promote sustainable development in South Africa, based on environmental justice and the empowered representation of communities and interest groups in policy and decision-making. In implementing this mission, EMG builds bridges between decision-makers and citizens most affected by such decisions through brokering, research, capacity-building, networking, information dissemination, advocacy and lobbying. Work is focused through four programmes: Water Justice, Trade and Environment, Rural Resource Management, and Local Issues, Local Action. [www.emg.org.za](http://www.emg.org.za)

**Liane Greeff** has run the Water Justice Programme at EMG since 1998. This programme aims to help strengthen the ability of EMG and other NGOs in the southern African region to understand and engage in water issues, particularly as they relate to the sustainable management of water and the achievement of water security and justice on a regional basis. In particular, this programme has supported civil society engagement in the World Commission on Dams process and the Dams and Development Project follow-up initiative, at all levels – internationally, regionally and nationally. It also supported the formation of the South African Water Caucus, the Network for Advocacy on Water Issues in Southern Africa (NAWISA), and the African Rivers Network.

**(Alternate member) Jessica Wilson** has worked for the past six years in the NGO sector as a trainer, researcher and policy analyst on sustainable development, with a particular interest in environmental justice and participatory governance. She currently manages EMG’s programme on Trade and Environmental Governance.

### **Scoping Study Moderators**

**Deborah Moore** has fifteen years of experience in environmental and human rights advocacy and non-profit management, with an emphasis on freshwater issues. She was one of twelve commissioners appointed to the World Commission on Dams, a unique organisation initiated by the World Bank and IUCN/The World Conservation Union to investigate water, dams, and development issues globally. She was a Senior Scientist for 13 years at Environmental Defense, a US-based research and advocacy organisation. Deborah is currently an independent consultant working for a variety of public interest, philanthropic, governmental, and educational institutions.

**Penny Urquhart** is a freelance South African sustainable development and livelihoods consultant who has worked across a range of sectors from the grassroots to the policy analysis level, and been involved extensively in training and facilitation. Water-related experience includes working on the Scoping Process for the South African Multistakeholder Initiative on the World Commission on Dams. She was lead researcher on South Africa’s Agenda 21 Review, and has written books on low-cost housing and integrating sustainability into local-level planning processes.

Support provided by GTZ (German Technical Cooperation)

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) is an international cooperation enterprise for sustainable development with worldwide operations in 130 partner countries. GTZ's aim is to improve the living conditions and perspectives of people in developing and transition countries. GTZ's work encompasses not only the dissemination of technical knowledge, but above all the transfer of organisational and business-related know-how. Its services are increasingly in demand for facilitating dialogue between the state and civil society, and as mediator in societal conflicts of interests.

**Annex 3 Public statements**

# GLOBAL WATER SCOPING PROCESS – A MULTI-STAKEHOLDER REVIEW OF PRIVATE SECTOR PARTICIPATION IN WATER AND SANITATION

## Is there a case for a multi-stakeholder review of private sector participation in water and sanitation?

Private Sector Participation (PSP) in water and sanitation has been the subject of much controversy for years. At the Bonn Freshwater Conference in December 2001 there was strong support for a global review of the impact of PSP in water. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, welcomed the proposal for *"a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard."*

A working group, formed from organisations with widely differing backgrounds and views on private sector participation, has taken up the challenge and is exploring the case for a Multi-stakeholder Review. These organisations are:

- ASSEMAE (Brazilian association of public water operators)
- Consumers International
- Environmental Monitoring Group (South African advocacy NGO)
- Public Services International (International labour federation)
- RWE Thames Water (Multinational water services corporation)
- WaterAid (International development NGO)

The scoping process is supported by GTZ (German Agency for Development Cooperation).

Finding a resolution to this controversy is an essential step towards achieving the Millennium Development Goal of halving the proportion of people without access to water by the year 2015, and the complementary WSSD goal relating to sanitation.

The group has developed terms of reference and commissioned two moderators to carry out a scoping process, to be completed by March 2004. The moderators were chosen on the basis of their experience in similar processes and their overall competence to manage this delicate phase of the review. The scoping will be an open process, which seeks to capture the perspectives of a wide range of stakeholders and to identify the main controversies and areas of agreement and disagreement. The scoping process will determine whether and how a PSP review could be undertaken, and will seek to answer the following questions:

- What issues are raised by PSP in water and sanitation, and what is the range of stakeholder perspectives on each of these issues?
- What is the case for a review?
- Do stakeholders agree that a global review may be able to dispel some of the controversy and define appropriate measures to move forward?
- How could a multi-stakeholder review be run, learning from similar processes, to ensure that all stakeholder views are heard?
- How could this review lead to a new consensus, enabling action towards meeting the Millennium Development Goals?

We encourage all contributions to this process. Please contact the scoping moderators –

Deborah Moore email: [deborahxmoore@earthlink.net](mailto:deborahxmoore@earthlink.net)

or

Penny Urquhart email: [motswiri@iafrica.com](mailto:motswiri@iafrica.com)



supported by:



# GLOBAL WATER SCOPING PROCESS – MID-TERM UPDATE

## 5th February 2004

### Is there a case for a multi-stakeholder review of private sector participation in water and sanitation?

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At the Bonn Freshwater Conference in December 2001 there was strong support for a global review of the impact of Private Sector Participation (PSP) in water and sanitation, which has been the subject of much controversy for years. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, welcomed the proposal for “a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard.”

A working group, formed from organisations with widely differing backgrounds and views on private sector participation, took up this challenge and has been exploring the case for a Multistakeholder Review of PSP since late 2003, through a multistakeholder scoping process. The organisations on the working group are:

- ASSEMAE (Brazilian association of public water operators)
- Consumers International
- Environmental Monitoring Group (South African advocacy NGO)
- Public Services International (International labour federation)
- RWE Thames Water (Multinational water services corporation)
- WaterAid (International development NGO)

The scoping process is supported by GTZ (German Agency for Development Cooperation).

The Working Group commissioned two moderators who have been interacting on a global basis with over 200 stakeholders in the water and sanitation sector since October 2003. The methodology has included personal interviews and focus group meetings with a wide range of stakeholder groupings in a number of countries in each of the following regions: Africa, Asia, Latin America, Europe and North America, as well as an email survey. The moderators have met with representatives of poor communities who have had experience with PSP, stakeholders from the private sector, from small-scale independent producers (SSIPs) and water vendors to large companies; national governments; public utilities; government regulators; labour unions; NGOs – including delivery, advocacy and policy organisations; international financial institutions (IFIs), bilateral donors and United Nations organisations.

Interim findings are that there is significant interest from a broad range of stakeholder groupings from different regions in holding a review of PSP in water and sanitation. Preliminary analysis of the data reveals that the closer stakeholders are to the ground, the greater the demand for a review appears to be. Thus national governments, practitioners, poor communities and large and small-scale private operators have all indicated that some form of multistakeholder review will be useful and/or necessary to understand what the impacts, both positive and negative, of the range of PSP experiences have been, in order to enhance decision-making about future water and sanitation delivery options. As further justification for a multistakeholder review, participants have noted that the role of PSP is not being assessed adequately, in a comprehensive and participatory manner, in any of the many water organisations currently operating. The main issues and concerns raised by participants in the Scoping Study encompass the following preliminary thematic areas:

- Financing water and sanitation services: financing, capital and investments; tariffs; profits; donor conditionalities
- Expanding access and services: impacts on the poor; sanitation and sewerage; rural areas; technology choice and innovation
- Achieving accountability: governance and democracy; regulation and monitoring; contracts and transaction advice; local government issues; domestic versus foreign private sector;
- Ensuring participation and socially appropriate services: cultural and social impacts; equity, self-reliance, choice, decision-making, futurity
- Managing effectively: management and efficiency; labour issues; health and safety;
- Safeguarding public interests: protecting public goods; ecological aspects; the unique nature of water (including the tension between water as an economic good and water as a human right); health; broader impacts of PSP (for example on public sector reform and the corporatisation of water)

# GLOBAL WATER SCOPING PROCESS – MID-TERM UPDATE

## 5th February 2004

Participants have indicated that a number of issues raised under these thematic areas apply to the public sector as well, and are not impacts relating solely to PSP.

There is strong agreement that the Review should be designed to promote implementation. Stakeholder inputs have stressed the need for an action-oriented review that learns lessons from past experience and makes recommendations that can be integrated into decision-making at a range of different levels. Many voices participating in this scoping process have indicated that exploring past experience through a balanced assessment will be a key action towards dispelling some of the controversy around PSP, and that clarifying misconceptions is an important step towards achieving the Millennium Development Goals of halving the proportion of people without access to water and sanitation by the year 2015.

The Working Group and moderators are currently developing options for how a possible Review could be run, based on stakeholder inputs into the scoping process. The final Scoping Report will identify how a multistakeholder review could add value and will seek to reframe the debate on PSP in a constructive fashion. The Scoping Report will be launched in April 2004.

For additional information, please contact the moderators:

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## Annex 4 List of stakeholders

Note that this List of Stakeholders does not include all people who took part in the focus groups with members of poor communities, aguadors and water co-operatives, as these groups generally nominated one contact person for the group. The moderators have a list of all of these names. A number of people in this list were not interviewed in full by the moderators, but indicated they would like to be placed on a mailing list. The names of these people are marked with an asterisk.

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## Annex 6 Interview framework

Note that a separate framework, based on the following, was developed to guide the focus group meetings with members of poor communities.

### 1. Framework to guide interviews with stakeholders

*Note: This framework has been designed to provide sufficient information from the stakeholder interviews to answer the key questions of the Scoping Study, as set out in the public statement 'Clearing the Waters'.*

#### SECTION 1 INTRODUCTION AND CONTACT DETAILS

*Moderator introduces/provides additional detail on the Scoping Process, and ensures that stakeholder has the public statement, and if requested, the Summary Workplan. Moderator explains that points raised by interviewee will be used to develop the Scoping Report, and will be attributed according to sector e.g. 'small-scale PSP provider' and region, but the respondent's name will not be used. If appropriate, moderator will ask whether a specific quote or anecdote may be attributed to the person.*

NAME, ORGANISATION AND POSITION IN THAT ORGANISATION  
SECTOR  
CONTACT DETAILS  
GENDER

#### SECTION 2 ISSUES RAISED BY PSP IN WATER AND SANITATION

*This section has been designed to answer the following key question:*

- *What issues are raised by PSP in water and sanitation, and what is the range of stakeholder perspectives on each of these issues?*
- 2.1 *What do you see as the main reasons for lack of access to water and sanitation? probe for drivers and barriers.*
- 2.2 *What, according to your understanding, are the main drivers of private sector participation (PSP) in water and sanitation?*
- 2.3 *What do you see as the main positive and negative impacts of PSP? are these unique to PSP?*

*Each respondent will not provide responses to each of the following possible key themes and their sub-points, but rather raises those issues and impacts considered most important from their perspective. if necessary, moderator probes for opinions linked to the possible key themes. Moderator also asks participant to relate impacts identified to specific local or contextual conditions.*

- Financial: cost recovery, pricing, subsidy issues, capital and ongoing costs, funding and investment needs and mechanisms
- Access and equity: access to water and sanitation services, equity issues relating to this,
- Governance and institutional issues: structures and mechanisms for accountability and transparency (state, private, NGO, community), regulatory mechanisms (at different levels), conflict resolution, institutional structures
- Stakeholder participation: social mobilisation, community and user participation, unheard voices (poor, women, marginalised, youth, children, rural people etc)
- Managing the transactions and contract issues: competitive bidding processes, bidding information, bidding information, contractual negotiations, standardisation/flexibility in contracts
- Environmental: impact of PSP on ecosystems, water quality, water conservation efforts, new dams vs. Alternative supply options etc

- Health: impacts on human health, child mortality, lost productivity, links with HIV/AIDS ...
  - Impacts on the poor: impacts on livelihoods of the poor (impacts on human, social, natural, financial and physical capital), empowerment issues, and impacts on quantitative and qualitative aspects of poverty. Considering the poor as “consumers” (or recipients of WSS), producers (of goods and services where water is a vital input) and workers (in the WSS industry).
  - Efficiency and reliability: impacts on efficiency and reliability of delivery of WSS, (and how this relates to institutional structure)
  - Skills and capacity building: availability of necessary skills (and what are these?) At all levels (e.g. Local government regulatory capacity, technical skills at community level, social and facilitation skills in the private sector), capacity building needs
  - Social development: impact on developmental role of WSS, social and cultural appropriateness of technology, sense of ownership, building capacity of users / communities
  - Macro contextual issues: political, social and economic stability
  - Monitoring and evaluation:
  - *What others?*
- 2.4 Can you provide some examples of situations where you feel that PSP has delivered WSS in a **more efficient, equitable and sustainable manner** than public or other delivery options? And examples where PSP has delivered WSS in a **less efficient, equitable and sustainable manner**? In each case, can you relate these examples to specific local and contextual conditions?

*Moderator may ask the person to tell a particular story or anecdote relating to a success or a failure, which can be used in the final report to bring issues to life beyond the trends and summaries of statistics.*

- 2.5 What do you think the **perceptions of PSP** are in your area or region? What are the perceptions with which you may agree? Disagree?

*This question seeks to understand whether there are issues on which a person would agree with his/her critics, as a step towards identifying areas of consensus.*

- 2.6 Are there **other approaches to improving access to water and sanitation** that are effective, that could be tested, or that could be used more widely?

### SECTION 3 RATIONALE AND POSSIBLE MODALITIES FOR A REVIEW OF PSP

*This section has been designed to answer the following key questions:*

- *What is the case for a review?*
- *Do stakeholders agree that a global review may be able to dispel some of the controversy and define appropriate measures to move forward?*
- *How could a multistakeholder review be run, learning from similar processes, to ensure that all stakeholder views are heard?*
- *How could this review lead to a new consensus, enabling action towards meeting the Millennium Development Goals?*

- 3.1 Do you feel that a **global Review of PSP is necessary**? What are the reasons for your answer?
- 3.2 What would you like to see come out of a global Review in terms of **real impact on the ground**?
- 3.3 What are some of the **key lessons** that could be learned **from other multistakeholder (MSH) processes** such as the Commission on Sustainable Development (CSD) MSH Dialogues, the World Commission on Dams (WCD), and the Mining, Minerals and Sustainable Development (MMSD) process, to ensure that **all stakeholder voices are heard** in a PSP Review?
- 3.4 **How** do you think that a global Review of PSP would need to be **run** to lead to a new consensus, so that more progress could be made in meeting the Millennium Development Goals and WSSD target on water and sanitation?
- 3.5 Do you think your **organisation would be interested** in participating in a global Review? What **conditions** would be necessary to engage your participation?

## **Annex 7 Results of Email Survey**

### **A.7.1. Background**

An email survey questionnaire was developed to reach out to a greater number and more regionally diverse group of stakeholders, in addition to the in-person stakeholder interviews, telephone interviews, and focus groups conducted. Annex 7 describes the survey questionnaire, the questionnaire dissemination, the responses received, the analytical methods, and the summary of results. The aim of the survey was to assess stakeholders' overall perspectives on the issues involving PSP in water and sanitation, the priorities among the issues, whether and how a global multistakeholder review could address effectively the issues they raised, and whether and how they would be interested in participating. The survey also aimed to examine differences of perspectives among the regions and types of organisations. Carina Romero, a graduate student pursuing joint degrees in the Energy and Resources Group and the Goldman School of Public Policy at University of California-Berkeley developed and analysed the database of responses to the survey.

The email survey questionnaire was designed to follow the questions developed in the interview framework (see Annex 6), yet the questions were not as open-ended. Overall the survey aimed at having stakeholders provide:

- Personal and professional information about the respondent
- Ranked priorities about the causes of lack of access to water and sanitation services; the primary drivers of PSP; whether PSP had addressed the underlying causes that they had ranked; and what issues regarding PSP should a possible global multistakeholder review address.
- Perspectives on whether a global multistakeholder review of PSP was necessary or useful (Yes/No/Maybe); ranked reasons for/against a global multistakeholder review; the desired outcomes for a possible review; ranked priorities for the activities and structure of a possible review; lessons learned from other multistakeholder processes; and interest in and conditions for participating in a possible review process.

Respondents were provided with tables that listed a variety of possible answers to the questions posed, and were asked to rank their top three or top five (depending on the question) most important choices. For example, respondents were asked to rank their top three most important causes for the lack of access to water and sanitation services from a list of 13 possible choices. In each question, respondents were also able to add additional reasons if their important issue was not listed. Most of the questions involved selecting and ranking a choice. Some of the questions were qualitative and open-ended, and asked for a written answer or comment, such as "From your perspective, what is a desired outcome for a possible global, multistakeholder review?" In the interview framework, stakeholders were asked for their perspectives on the positive and negative impacts of PSP. To simplify analysis in the email survey, stakeholders were instead asked to rank their top 5 most important issues that a global multistakeholder review should address or further examine.

The email survey questionnaire was distributed electronically by the moderators, Working Group members' contacts, stakeholders interviewed, and email listserves in early December 2003. The listserves and email groups used were: Global Water Partnership; International Rivers Network; "water for all" listserve; Building Partnerships for Development; MDG Task Force on Water and Sanitation; International Resource Centre (IRC); and International Private Water Association. Other offers for dissemination were made too late in the process, including offers to translate the questionnaire into Spanish. Several inquiries for completing the questionnaire were turned away after the deadline.

## A.7.2 Survey responses

The deadline for responses was February 14, 2004. A total of 82 responses were received by the deadline. Approximately 5 surveys were received after the deadline and were not included in the quantitative analysis. An Excel database was created from all the responses for managing and analysing the data.

Responses were coded by region and type of organisation. Figure A7.1 shows the regional diversity of responses. Within the North America and Europe region, 18 were from Europe and 13 were from North America. Responses were received from 42 countries, and most responses came from countries that the moderators did not visit personally, including Argentina, Costa Rica, Haiti, Angola, Cameroon, Nigeria, Bangladesh, China, Nepal, Pakistan, Greece, Jordan, Albania, Slovakia, and New Zealand.

Figure A7.1

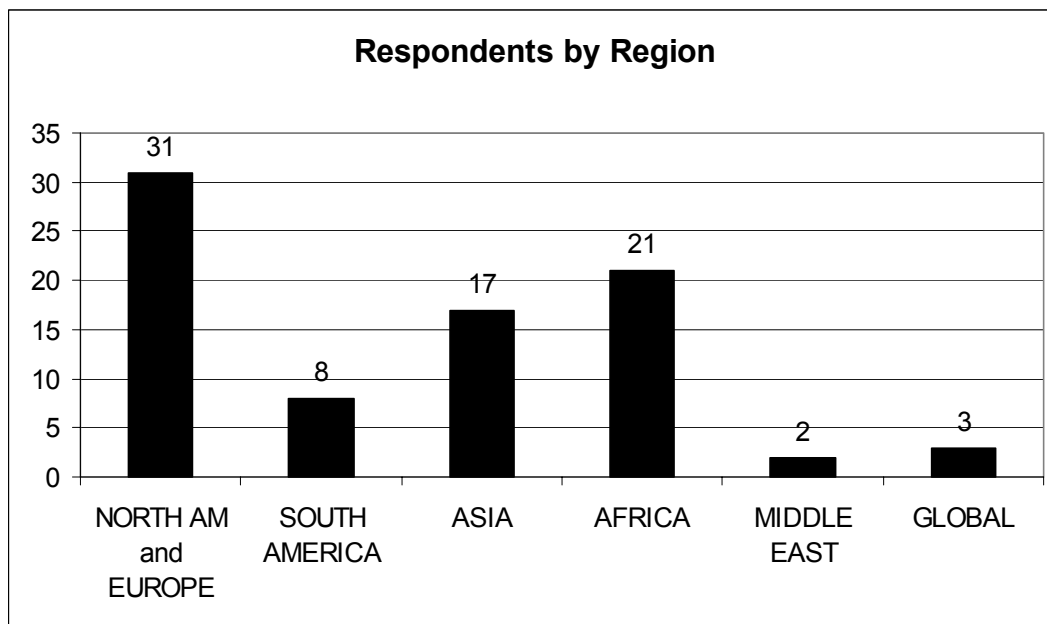
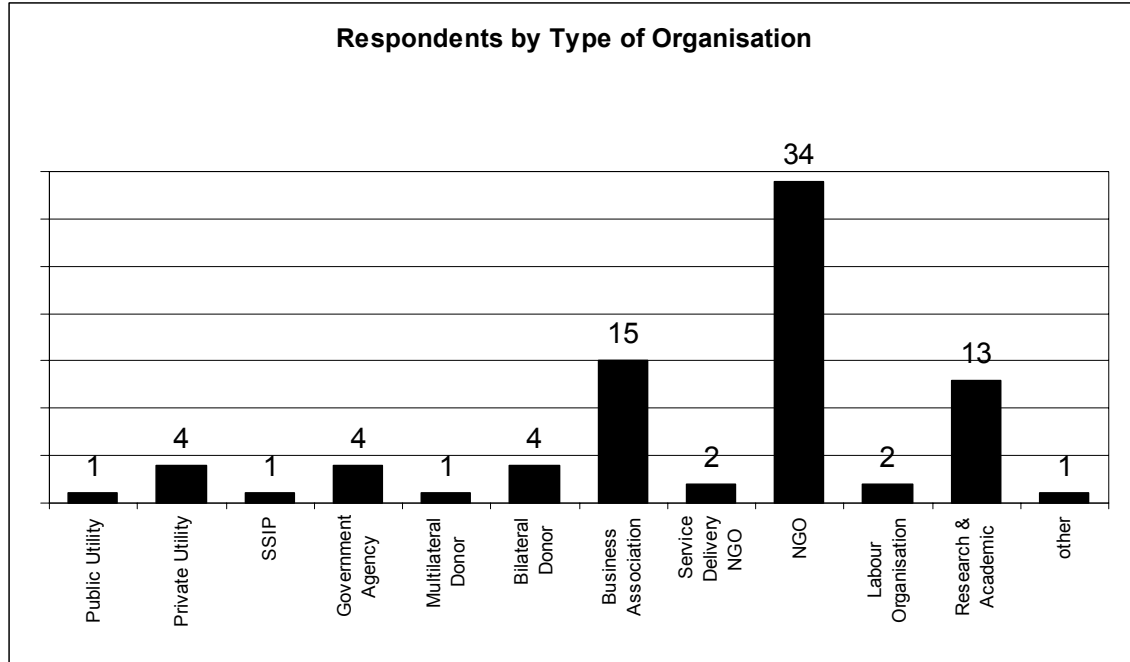


Figure A7.2 shows the diversity of respondents by type of organisation. The survey questionnaire was disseminated through a diversity of channels, including NGO, private sector, public sector, and professional association networks. The majority of respondents identified themselves as non-government organisations (NGOs), including consumer, environment, development, and human rights NGOs. Business and professional associations and research and academic categories were the next largest categories. The remaining respondents are spread across the other types of organisations.

In the case of incorrect responses, the respondent's survey was omitted from calculation of the results of that particular question. Because respondents who answered some questions incorrectly did not answer *all* questions incorrectly, the surveys were not simply eliminated from the database. The number of incorrect responses ranged between 10-16% on the quantitative questions. In the analysis (described below), the results are presented as a percentage of the total of all 82 respondents (rather than as a percentage of the number respondents answering correctly). This means that the overall percentages of respondents ranking a certain issue as a top priority are lower than they would be if only correct responses were counted.

Figure A7.2



### A.7.3. Survey methodology

Most of the survey questionnaire asked respondents to rank their answers to questions based on a list of possible issues and answers. The purpose of the rankings was to go beyond identifying issues related to PSP to prioritising them. However, the pitfalls of using rankings are: (a) that a ranking of “2” (second most important) for one person may be the same as a “3” for a different person, and (b) it is difficult to characterise the issues listed that are not ranked in the top 3 (or 5), since they are not necessarily unimportant, just not ranked.

Analysis of **quantitative questions** (the questions involving rankings) was done in three ways. First, analysis of responses to each question was done using array formulas, where each respondent that ranked a given issue as #1 was counted, then each respondent ranking a given issue as #2 was counted, and so on. A total score for each issue was developed by summing the number of respondents ranking that issue as 1, 2, or 3. The issues with the highest scores are those ranked as the top priorities most often by the most respondents. For some issues, however, the score could be the same – indicating a high priority – but masking the fact that more people ranked it as a #2 or #3 priority, not as a number one.

Second, a “weighted sum” score was created for each issue to better examine which issues were being ranked #1 most often by most respondents, rather than looking at which issues were ranked overall in the top 3 (or 5) most important. The weighted sums were created by allocating 5 points to an issue ranked #1 most important, 4 points to an issue ranked #2, and so on down to 1 point for a #5 ranking (or similarly for issues that were ranked 1-3). Those issues with the highest score represent the issues that were ranked as #1 most important by the most respondents, and so on. The weighted sum method better disaggregates the total rankings, as compared to the sum of tallies method. All tables are sorted by weighted sum to facilitate identification of the top issues ranked.

Third, the percentages of respondents out of the total 82 respondents who ranked an issue within their “top 3” and within their “top 5” were tabulated.



These three calculations were made for each question according to the following:

- a global basis, involving the responses of all 82 respondents;
- a regional basis, where responses only from a given region were analysed; and
- an organizational type basis, where responses from each organisation type were analysed. Analysis by subgroup was done only when there were 3 or more in the group.

In this way, differences in perspectives along regional and organisation type lines could be disaggregated and compared. Issues that respondents wrote in that were not part of the list of issues to be ranked were also considered during the analysis.

Responses to **qualitative questions** were synthesised and coded according to recurrent themes. Summaries of these results are in tables highlighting the number of respondents that mention the issue, and are quoted throughout the text. Responses and examples from the surveys were added to the discussion of these thematic issues in the body of the report.

#### **A.7.4. Email survey results**

Results from the email survey are reported and integrated in the main body of the Scoping Study report according to the issue areas. The results presented in this annex provide an overall summary of the email survey.

Table A7.1 shows the responses regarding the main causes of lack of access to WSS ranked as the “top 3 most important” by the most respondents.

**Table A7.1 Main causes of lack of access to water and sanitation, ranked in email survey**

ISSUE RANKED:	Weighted Sum	Sum of Tally	Percent choosing issue as #1-#3 (of 82 surveys)
Lack of political will or priority	82	35	42.68%
Poor governance &/or lack of institutional capacity	70	35	42.68%
Lack of investment in sector	47	24	29.27%
Lack of political power of poor communities	40	19	23.17%
Lack of financial resources for consumers	32	15	18.29%
Weak regulatory environment and lack of enforcement	32	19	23.17%
Ineffective public sector services	26	15	18.29%
Lack of tariffs, revenues, cost-recovery	24	15	18.29%
Water scarcity	24	10	12.20%
Policies of int'l financial institutions and donors	17	9	10.98%
Lack of appropriate technology	11	6	7.32%
Lack of effective demand for services	3	2	2.44%
Lack of technical capacity	0	0	0.00%

There is a general consensus among respondents from different stakeholder groups relating to the two main causes of lack of access to water and sanitation services.

**Table A7.2 Main drivers of Private Sector participation, as ranked in email survey**

ISSUE RANKED:	Weighted Sum	Sum of Tally	% (of 82) choosing issue as #1-#3	% (of 82) choosing issue as #1-#5
Perception of poor performance of public water and sanitation providers	169	51	47.56%	62.20%
Lack of public financing for water	165	47	41.46%	57.32%
Interest in profit	131	40	31.71%	48.78%
Donor agency conditionality	120	40	29.27%	48.78%
Desire for increase in efficiency	89	31	19.51%	37.80%
Policy environment that encourages private sector participation	87	33	20.73%	40.24%
Ideological preference for private sector delivery of services	78	27	18.29%	32.93%
Access to private capital	72	24	19.51%	29.27%
Filling a need	53	16	12.20%	19.51%
Millennium Dev Goals to extend water and sanitation to those without it	47	16	10.98%	19.51%
Inability to raise rates for services	31	13	8.54%	15.85%
Local community desire for self reliance	26	14	4.88%	17.07%

There is no consensus among respondents from different stakeholder groups as far as main drivers of PSP in water and sanitation services.

**Table A7.3 Respondents who feel that a Global Multistakeholder review of PSP is desirable or useful, as ranked in email survey**

	Is a Global Multistakeholder Review of PSP needed?	Is a review of Private Sector Participation desired or useful?
NO	6	3
YES	54	60
MAYBE	21	18
NO ANSWER	1	1
TOTAL	82	82

Apart from respondents in the Private Business sector, 73% or more of every group of respondents feel that a Global Multistakeholder Review of PSP is desired or useful. 50% of the private businesses responding feel that a GMSR of PSP is desired or useful.

**Table A7.4 Reasons for or against a review of PSP given by respondents who say that a PSP Review IS desired or useful (60 out of 82)**

ISSUE RANKED:	Sum of Tally	Weighted Sum	% (of 60) choosing issue as #1-#3	% (of 60) choosing issue as #1-#5
Existing rules and guidelines ARE NOT adequate to address financial, governance, equity and sustainability	41	141	56.67%	45.00%
Existing water initiatives or processes are NOT adequately inclusive of all voices	36	115	38.33%	30.00%
Multi stakeholder dialogues ARE EFFECTIVE for developing rules and guidelines that all interests can adhere to and at producing tangible results	40	113	36.67%	45.00%
A review should focus on effective delivery of services, whether public or private	34	110	35.00%	36.67%
PSP will continue to increase in future, so it still is an issue	27	69	20.00%	31.67%
Small scale private sector is playing large role in delivery to the poor, need to assess performance	19	61	23.33%	18.33%
Disagreement on PSP slowing or stopping progress on Millennium Development Goals	10	40	15.00%	8.33%
A review should focus more on public sector performance	11	29	8.33%	11.67%
Existing processes around W&S could be strengthened rather than start something new	14	26	6.67%	11.67%
PSP is NOT so controversial & is not slowing progress	5	19	6.67%	5.00%
Existing rules and guidelines ARE adequate to address those issues	5	16	5.00%	6.67%
Existing processes ARE adequately inclusive of all voices	3	10	3.33%	5.00%
Multi stakeholder dialogues ARE NOT EFFECTIVE for developing rules and guidelines	2	6	1.67%	0.00%
PSP is slowing down, so it's not really an issue any more	1	2	0.00%	1.67%
Global Review is TOO TIME CONSUMING	2	3	0.00%	1.67%
Global Review is TOO EXPENSIVE	0	0	0.00%	0.00%

The majority of respondents favour conducting a review, and believe that existing rules and guidelines are not adequate, that existing processes are not adequately inclusive, and that multistakeholder processes are effective for producing needed rules and guidelines. The respondents that answered that a review was “maybe” useful (22%), stated that a global review should focus on effective delivery of services, whether public or private, and that existing processes around WSS could be strengthened rather than start something new. These respondents agreed that existing processes were not adequately inclusive and existing rules not effective. Those 3 respondents that answered “no,” a review would not be useful, stated that a review could be too time consuming and expensive and that multistakeholder dialogues are not effective for developing rules and guidelines.

**Table A7.5 Main issues that could be analysed by a global multistakeholder review, as ranked in email survey**

ISSUE RANKED:	Sum of Tally	Weighted Sum	% (of 82) choosing issue as #1-#3	% (of 82) choosing issue as #1-#5
Extension of WSS to poor consumers and communities	34	131	35.37%	41.46%
Public participation & decision making processes	39	123	28.05%	47.56%
Ethical issues around profit-making from public resources	22	81	21.95%	26.83%
Accountability and regulation	26	75	18.29%	31.71%
Corruption and conflicts of interest	22	73	21.95%	26.83%
Assessment of performance of public and private utilities	20	61	14.63%	24.39%
Pricing and Rate Structure	15	45	9.76%	18.29%
Choices of techno: large scale, small scale, centralized or decentralized	14	44	12.20%	17.07%
Financing and Capital investment	15	43	8.54%	18.29%
Investment needs and costs to extend services to all	13	42	8.54%	15.85%
Subsidies and cost recovery	16	40	8.54%	19.51%
Water quality	12	30	8.54%	14.63%

There is wide agreement among all respondents on the top 10 issues that received the highest rankings, with only slight variations between NGOs and other respondents on the order of ranked priorities. For non-NGO respondents, public participation in decision-making is the issue for a review receiving highest rank, whereas for NGOs extension of WSS to poor consumers and communities was the top issue. Private Water Providers, Researchers, and Business and Professionals emphasised issues of accountability and regulation more often than NGOs. The areas of biggest divergence were around the ranking of public health issues, water conservation and water quality. The issue of public health was ranked by 21% of NGOs as one of the top 5 issues to be examined by a review; whereas less than 6% of non-NGO respondents ranked it among the top five most important issues. Similar differences in priorities were apparent for water conservation and quality as well. Issues related to subsidies and cost-recovery were ranked in the top five by approximately 23% of non-NGO respondents, whereas about 15% of NGOs ranked these issues in the top five priority areas for a review.

**Table A7.6 Answers to qualitative question: What impact of global Multi Stakeholder Review is sought?**

Topics Mentioned in Answers	Number of Times
Requirements, Guidelines and Frameworks for PSP	28
Service Delivery Efficiency, Standards and Affordability	19
Analysis of Impacts of PSP	18
Stakeholder Participation Guidelines	17
Localised Water Service delivery, Funding & Participation	12
Capacity Building for Public Service Delivery	7
Attention to Millennium Development Goals	4
Depoliticise PSP / Remove Corruption	3
Remove conditionalities of aid	2
Recognise Water as Human Right	1

**Table A7.7**      **Answers to qualitative question: How should a global multistakeholder review be run?**

Categories Mentioned in Answers	Number of Times
PARTICIPATION, STAKEHOLDER INVOLVEMENT	29
ADMINISTRATION of the Review	15
STRUCTURE of the Review	10

Topics Mentioned in Answers	Number of Times
PARTICIPATION: Equal representation and treatment of stakeholders, range of expertise	23
STRUCTURE: Derive lessons by region, recognize different contexts	6
ADMINISTRATION: Don't focus on PSP, but instead on MDGs	4
ADMINISTRATION: Include all main findings despite lack of consensus	4
ADMINISTRATION: Defined rules for implementing outcomes and products at all scales	3
PARTICIPATION: Transparency	3
PARTICIPATION: Meetings of legitimate leaders from stakeholder groups who have power to implement findings	2

Fair, balanced, open and inclusive participation was the most important element mentioned by email survey respondents regarding how a review should be organised and run.

# GLOBAL WATER SCOPING PROCESS

## IS THERE A CASE FOR A GLOBAL MULTISTAKEHOLDER REVIEW OF PRIVATE SECTOR PARTICIPATION IN WATER AND SANITATION?

### SURVEY QUESTIONNAIRE

At the Bonn Freshwater Conference in December 2001 there was strong support for a global review of the impact of Private Sector Participation (PSP) in water. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, welcomed the proposal for “*a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard.*” A working group, formed from organisations with widely differing backgrounds and views on private sector participation, has taken up the challenge and is exploring the case for a Multistakeholder Review in the context of making progress towards meeting the Millennium Development Goals to halve the proportion of people without access to water and sanitation.<sup>30</sup>

The group has developed terms of reference and commissioned two moderators to carry out a scoping process, to be completed by April 2004. This scoping study is an open process, which seeks to capture the perspectives of a wide range of stakeholders, to identify the main controversies and areas of agreement and disagreement, and to assess the merits of a global review. The scoping process will determine whether and how a PSP review could be undertaken, whether stakeholders agree that a global review could effectively address their concerns and define appropriate actions to move forward, and how a global review could be run learning from similar multistakeholder processes.

As part of the scoping study, we are seeking input from a broad cross-section of interests and organizations through this email survey. We will incorporate the results of this survey in the final report, together with the results of our stakeholder interviews and country visits. Please take 15-20 minutes to fill out this questionnaire and return the file as an attachment to [pspsurvey@earthlink.net](mailto:pspsurvey@earthlink.net), or print and fax to 510-525-1026 in the US.

Please help us to make this scoping study responsive and relevant to your interests by completing this questionnaire. Should you have questions or comments or need additional information, please contact one of the moderators: Deborah Moore ([deborahxmoore@earthlink.net](mailto:deborahxmoore@earthlink.net)) or Penny Urquhart ([motswiri@iafrica.com](mailto:motswiri@iafrica.com)).

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<sup>30</sup> These organisations are: ASSEMAE (Brazilian association of public water operators), Consumers International, Environmental Monitoring Group (South African advocacy NGO), Public Services International (International labour federation), RWE Thames Water (Multinational water services corporation), and Water Aid (International development NGO). The scoping process is supported by GTZ (German Agency for Development Cooperation).

**Is there a case for a Global Multistakeholder Review of  
Private Sector Participation in Water and Sanitation?  
SURVEY QUESTIONNAIRE**

NAME, ORGANIZATION AND POSITION IN THAT ORGANIZATION:

SECTOR/TYPE OF ORGANIZATION: PLEASE MARK ONE WITH AN X.

	<b>TYPE OF ORGANIZATION</b>		<b>TYPE OF ORGANIZATION</b>		<b>TYPE OF ORGANIZATION</b>
	Public Water Or Sanitation Agency Or Utility		Bilateral Donor Agency		Workers Association Or Union
	Private Water Or Sanitation Company Or Utility		International Agency (E.G. Un, Others)		Development Ngo
	Government Agency Or Authority		Private Business Or Association (E.G. Engineering, Financial Consulting, Transaction Advisor)		Environment Ngo
	Public International Financial Institution		Small-Scale Water Provider Or Vendor		Community-Based Organization
	National Financial Institution		Service Delivery Ngo		Consumer Ngo
					<b><i>Other, Please List...</i></b>

YOUR CONTACT DETAILS, ADDRESS, PHONE, FAX, EMAIL:

COUNTRY WHERE WORKING:

GENDER:

EMAIL ADDRESS:

ORGANIZATION'S GENERAL DELIVERY EMAIL ADDRESS AND WEBSITE:

**SURVEY CONTINUES ON NEXT PAGE...**

## SECTION 2 ISSUES RAISED BY PSP IN WATER AND SANITATION

In this scoping study we are using a broad definition of private sector participation to include both large-scale and small-scale commercial operations, including small-scale water vendors; as well as non-profit operations; urban and rural; with a primary focus on domestic water supply and sanitation.

- 2.0 What, from your perspective, are the main causes for lack of access to adequate drinking water and sanitation services?  
**Please rank your 3 most important** causes for lack of access to water and sanitation: 1 is the most important; 3 is of lower importance.

	MAIN CAUSES		MAIN CAUSES		MAIN CAUSES
	Lack Of Financial Resources Of Consumers		Water Scarcity		Lack Of Effective Demand For Services
	Lack Of Investment In Sector		Ineffective Public Sector Services		Lack Of Technical Capacity
	Lack Of Political Will Or Priority		Weak Regulatory Environment And Lack Of Enforcement		Poor Governance And/Or Lack Of Institutional Capacity
	Lack Of Appropriate Technology		Lack Of Tariffs, Revenues, Cost-Recovery		<b>Others, Please List...</b>
	Lack Of Political Power Of Poor Communities		Policies Of International Financial Institutions And Donors		

- 2.1 What, according to your understanding, is driving private sector participation in water and sanitation? **Please rank your 5 most important reasons** why PSP in water and sanitation is happening: 1 is the most important; 5 is of lower importance.

	DRIVERS OF PSP?		DRIVERS OF PSP?
	Lack of public financing for water		Millennium development goals to extend water & sanitation to those without
	Ideological preference for private sector delivery of services		Donor agency conditionalities
	Perception of poor performance of public water and sanitation providers		Local community desire for self-reliance
	Access to private capital		Policy environment that encourages private sector participation
	Inability to raise rates for services		Filling a need
	Desire for increase in efficiency		
	Interest in profit		<i>Other drivers or reasons</i>



2.2 In your view, has PSP in water and sanitation addressed the underlying causes of lack of access to water and sanitation that you have ranked in your response to section 2.0? **Yes or no.**

**RANKED ISSUE 1:**

**RANKED ISSUE 2:**

**RANKED ISSUE 3:**

2.3 This section asks for your perceptions regarding the **main issues** involved with private sector participation in water and sanitation **that you believe could or should be analysed in a global multistakeholder review. Please rank your 5 most important** issues, where 1 is the most important and 5 is of lesser importance. If an issue you believe is of great importance is not listed, please list it yourself under “other issues.” Also, we provide a space for you to write more about your reasons for ranking these issues as important, about interconnections among issues, or other considerations.

**List of Main Issues Regarding PSP in Water and Sanitation that Could be Analysed by a Global Multistakeholder Review**

	MAIN ISSUES		MAIN ISSUES		MAIN ISSUES		MAIN ISSUES
	Pricing & Rate Structures		Extension Of Water & Sanitation Services To Poor Consumers & Communities		Ecosystem Health		Accountability & Regulation
	Financing & Capital Investment		Choices Of Technology: Large-Scale, Small-Scale; Centralized, Decentralized		Water Conservation		Assessments Of Performance Of Public And Private Utilities
	Subsidies & Cost Recovery		Labour & Workers: Equity, Efficiency, Productivity		Water Quality		Contracts & Other Means Of Managing Transactions
	Corruption & Conflicts Of Interest		Producers: Water Required As Input		New Infrastructure Needs		Information Disclosure
	Investment Needs And Costs To Extend Services To All		Public Participation In Planning And Decision-Making		Competition For Water With Other Sectors		Public Participation & Decision-Making Processes
	Ethical Issues Around Profit-Making From Public Resources		Capacity Building		Integrated Water Resources Management		<i>Other Issues, Please List...</i>
	Affordability		Public Health				

2.4 In your understanding, do you see the main issues you ranked above in 2.3 as specific to private sector participation in water and sanitation? **Yes or no.**

**ISSUE 1            ISSUE 2            ISSUE 3            ISSUE 4            ISSUE 5**

Do they apply to public sector water and sanitation services also? **Yes or no.**

**ISSUE 1            ISSUE 2            ISSUE 3            ISSUE 4            ISSUE 5**

2.5 Can you provide some brief examples of situations where you feel that PSP has delivered WSS in a more efficient, equitable and sustainable manner than public or other delivery options? And/or examples where PSP has delivered WSS in a less efficient, equitable and sustainable manner?

Can you list websites or attach papers that describe these examples?

2.6 What do you think the overall perceptions of PSP are in your city, country or region? **Positive, negative, or mixed.**

2.7 What are the perceptions with which you may agree? Disagree?

### SECTION 3 RATIONALE AND POSSIBLE MODALITIES FOR A GLOBAL MULTISTAKEHOLDER REVIEW OF PSP

A global multistakeholder review would be done in the context of working to meet the UN Millennium Development Goals to halve the proportion of people without access to safe drinking water and sanitation.

3.0 Do you feel that a global multistakeholder review of PSP is necessary?

**Yes/No/Maybe.**

Is a review of PSP desirable or useful?

**Yes/No/Maybe.**

What are the reasons for your answer? **Rank your top 5 reasons for or against, and/or add other reasons.**

	Reasons for or against a PSP Review		Reasons for or against a PSP Review
	Disagreement on PSP is slowing or stopping progress on Millennium Development Goals		Existing rules and guidelines are not adequate to address financial, governance, equity and sustainability issues for water and sanitation
	PSP is not so controversial, is not slowing progress		Existing rules and guidelines are adequate to address financial, governance, equity and sustainability issues for water and sanitation
	Existing water initiatives and processes <i>are not</i> adequately inclusive of all voices		Multistakeholder dialogues are effective for developing rules and guidelines that all interests can adhere to and producing tangible results
	Existing processes <i>are</i> adequately inclusive of all voices		Multistakeholder dialogues are not effective for developing rules and guidelines and producing results
	PSP is slowing down, so it's not really an issue anymore		A Global Review is too time consuming
	PSP will continue to increase in future, so it still is an issue		A Global Review is too expensive
	A review should focus more on public sector performance		Existing processes around water and sanitation could be strengthened, rather than start something new
	A review should focus on effective delivery of services, whether public or private		Other reasons...please list
	The small-scale private sector is playing a large role in		

	delivery of service to the poor and there is a need to assess their performance		
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- 3.6 What would you like to see come out of a global multistakeholder review of PSP in water and sanitation in terms of real impact on the ground?
- 3.7 How do you think that a global multistakeholder review of PSP would need to be run to lead to a new consensus and to create the tangible impact on the ground? Are there lessons learned from similar or other multistakeholder processes that would be important to incorporate?
- 3.8 What are the key elements of a global multistakeholder review of PSP from your perspective? **Rank your 5 most important** (1 = most important; 5 = of lesser importance). List other key elements.

	Elements of a Global Review of PSP		Elements of a Global Review of PSP		Elements of a Global Review of PSP
	Case studies		Central Secretariat performs most of work		One International Commission with balanced, cross-section of representatives
	Country studies		Decentralized regional teams perform work in region		Regional commissions with cross-section of representatives
	Regional comparisons		Virtual teams perform pieces of work program		Country-level commissions with cross-section of representatives
	Public hearings		Independent consultants hired for individual pieces of work program		Code of conduct
	Written submissions		Stakeholder teams perform pieces of work program		Guidelines and standards
	Other items please list...		National-level multistakeholder reviews		

- 3.4 Do you think your organization would be interested in participating in a global multistakeholder review of PSP in water and sanitation?  
**Yes/No/Maybe**

What conditions would be necessary to engage your participation?

- 3.5 Do you have any other comments or suggestions?

Thank you very much for participating in this survey! Please email your responses to [pspsurvey@earthlink.net](mailto:pspsurvey@earthlink.net) or fax a hardcopy to 510-525-1026 in the U.S. The final report of the scoping study should be available in April 2004.



### **The Working Group and Moderators**

Left to right: Liane Greeff (Environmental Monitoring Group), Marek Wallenfels (GTZ/German Technical Cooperation), Penny Urquhart (standing, co-moderator), Ed Mitchell (RWE Thames Water), Robin Simpson (Consumers International), David Boys (Public Services International), Deborah Moore (standing, Co-moderator); Foreground: Belinda Calaguas (WaterAid), Antonio da Costa Miranda Neto (ASSEMAE). Inset: Richard Aylard (RWE Thames Water).

Front cover photo: Brent Stirton,  
other photo credits: Penny Urquhart, Deborah Moore, RWE Thames Water  
WaterAid/Caroline Penn

## Global Water Scoping Process

In recognition of the costs of polarisation, there was strong support for a global review of the impact of private sector participation (PSP) in water at the Bonn Freshwater Conference in December 2001. In her closing statement, the German Minister for Economic Cooperation and Development, Heidemarie Wiczorek-Zeul, welcomed the proposal for “a stakeholder dialogue to review the issues linked with privatisation, because it could lead to a better understanding of the successes and failures in this regard.” A Working Group, formed from organisations with widely differing backgrounds and views on private sector participation, took up the challenge and explored the case for a Multistakeholder Review through the Global Water Scoping Process documented in this summary report. These organisations are:

- ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators)
- Consumers International (International federation of consumer advocacy NGOs)
- Environmental Monitoring Group (South African NGO)
- Public Services International (International labour federation)
- RWE Thames Water (Multinational water services corporation)
- WaterAid (International development NGO)

The Scoping Process was supported by GTZ/German Technical Cooperation, and was facilitated by two moderators.

The Working Group worked from the premise that resolving the controversy around PSP is an essential step towards achieving the Millennium Development Goals for water and sanitation. This report is the final product of this Scoping Process, and describes the perspectives of a wide range of stakeholders regarding the impacts of PSP in water and sanitation. It describes the major faultlines in the debate, based on the perspectives of stakeholders; identifies key questions that can help reframe the debate in a positive fashion, towards meeting the goals of universal access to water and sanitation; and makes recommendations about how to undertake a global multistakeholder review of PSP in water and sanitation. The full report of the Scoping Process is available as a separate document and contains more details about the process, the methods, and in-depth results and recommendations.

After reaching out to more than 300 stakeholders in this Scoping Process, the Working Group concluded that there is broad interest in, support for, and value in pursuing a multistakeholder review of private sector participation in water supply and sanitation. The Working Group thus recommends proceeding to a Stakeholder Workshop, at which decisions can be taken by a wider group of stakeholders over whether to proceed or not with a multistakeholder review, and if the decision is to proceed, how the review should be organised.