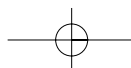


# Global Water Scoping Process

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



**Scoping Report**  
EXECUTIVE SUMMARY



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).

© April 2004

This report was written by Penny Urquhart and Deborah Moore.

This Executive Summary is a companion to the full report, "Global Water Scoping Process: Is there a case for a multistakeholder review of private sector participation in water and sanitation?"

Copies of the Executive Summary and full report can be downloaded from the following websites, or hard-copies can be ordered by telephone or fax from the following organisations:



**Belinda Calaguas**

WaterAid  
Tel: (44)20 7793-4502  
Fax: (44)20 7793-4545  
Email: belindacalaguas@wateraid.org  
www.wateraid.org



**Richard Aylard / Ed Mitchell**

RWE Thames Water  
Tel: (44)118-3738945  
Fax: (44)118 373 8694  
Email: richard.aylard@rwethameswater.com  
and ed.mitchell@rwethameswater.com



**Marek Wallenfels**

German Technical Cooperation/GTZ  
Tel: (49)6196 79 1349  
Fax: (49)6196 7980 1349  
Email: marek.wallenfels@gtz.de  
www.gtz.de



**Antonio Miranda**

ASSEMAE  
Tel: (55)81 8856 6328  
Fax: (55)81 3425 8639  
Email: amirandaneto@yahoo.com  
www.assemae.org.br



**Robin Simpson**

Consumers International  
Tel: (44)207 226 6663  
Fax: (44)207 354 0607  
Email: rsimpson@consint.org  
www.consumersinternational.org



**David Boys**

Public Services International  
Tel: (33)4 5040 1165  
Fax: (33)4 5040 7320  
Email: david.boys@world-psi.org  
www.world-psi.org



**Liane Greeff**

Environmental Monitoring Group  
Tel: (27)21 448 2881  
Fax: (27)21 448 2922  
Email: rivers@kingsley.co.za  
www.emg.org.za

Contact details for moderators:

**Penny Urquhart**  
motswiri@iafrica.com

**Deborah Moore**  
deborahxmoore@earthlink.net

## 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**

## Table Of Contents

TABLE OF CONTENTS	2
GLOSSARY	3
BACKGROUND	4
METHODOLOGY	6
WHY HAVE A REVIEW?	6
MAJOR PSP THEMES	7
Theme 1: Financing water and sanitation services	8
Theme 2: Meeting the Millennium Development Goals	10
Theme 3: Achieving good governance and accountability	12
Theme 4: Managing efficiently and effectively	14
Theme 5: Safeguarding public interests	15
Summary of Reframing Questions	18
EXPECTATIONS FOR A MULTISTAKEHOLDER REVIEW	20
The value of a multistakeholder review	20
Desired outcomes for a multistakeholder review	20
Key lessons from other multistakeholder processes	21
Modalities and scope for a multistakeholder review	21
HOW COULD A REVIEW BE RUN?	22
Elements of a mission statement	22
Options for a global multistakeholder review: structure, scope and modalities	22
THE WAY FORWARD	24

Solome-Amunyo collects water for her family from a water hole in Omino village, Uganda



## 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



Community Association of Mauzinho II, Manaus, Brazil

### 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.<sup>2</sup> 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.

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

<sup>2</sup> Ibid.

## Global Water Scoping Process

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

**A Working Group of stakeholders involved in the debate on private sector participation (PSP) in water and sanitation undertook a Global Water Scoping Process, in order to engage a wide range of stakeholders on the possible merits of a multistakeholder review of issues concerning PSP. 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 proposed 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.**

## Background

Water is life! This 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. In response to this development failure, the international community has made commitments to halve the proportion of people without access to safe drinking water and basic sanitation by the year 2015, through the Millennium Development 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, Buenos Aires and Manila have brought the issues into the public spotlight. At the same time, some private companies and investors have been reducing their involvement in the water sector.

A small number of large private water companies have grown to provide services, mainly in urban areas, to approximately 5% of the world's population with formal connections. 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.

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 increase adequately 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 wanted to ban PSP from any role in water. The polarisation of ideas led to major conflicts, especially around large-scale water privatisation projects, as well as a stalemate of sorts amongst stakeholders on how best to move ahead with improving access to water and sanitation services. Political risk and uncertainty are linked to decreasing private investments in the water sector. The social and economic costs of failed projects are often enormous. 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 poor health, resources invested in collecting and treating water, and higher prices than those connected to formal networks.

*“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

In recognition of the costs of polarisation, there was strong support for a global review of the impact of PSP in water at the Bonn Freshwater Conference in December 2001. In her closing statement, the German Minister for Economic Cooperation and Development, Heidmarie 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 report. These organisations and representatives 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. The Working Group contracted two moderators, Deborah Moore, an environmental consultant from the United States, and Penny Urquhart, a livelihoods and sustainable development consultant from South Africa. The moderators 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.

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. 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 Scoping Process sought to answer the following questions:

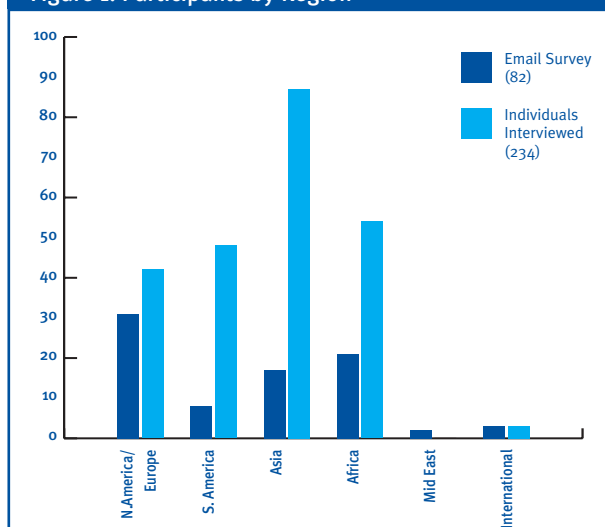
- What are the key issues with respect to PSP in water and sanitation, and what is the range of stakeholder perspectives on each of these issues?
- What is the case for a global review?
- Do stakeholders agree that a global review may be able to dispel some of the controversy and define appropriate measures 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?

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. 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. 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. It is available through the Working Group member organisations (please see inside the front cover for information on how to obtain copies or to download from the internet).

Installing water supply pipes in the Thames Valley, UK



Figure 1. Participants by Region



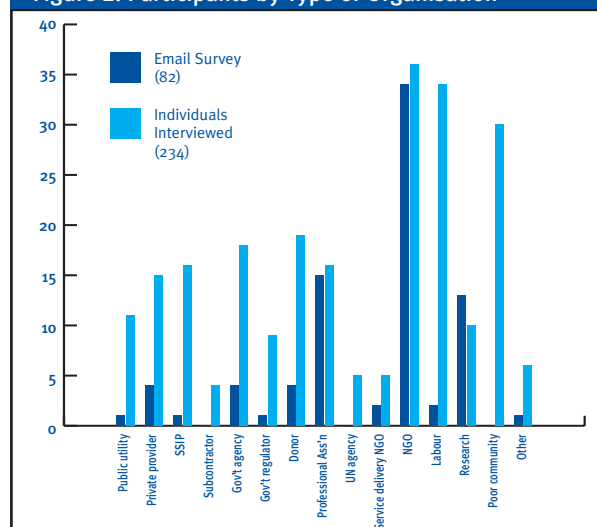
## Methodology

The multistakeholder Working Group worked collaboratively and by consensus to develop the Terms of Reference for the two moderators of the Scoping Process. Stakeholder outreach strategies included personal interviews, focus groups, and an email survey questionnaire. While time and budget were limited, the moderators interacted with a wide range of stakeholder groupings in the following countries:

- AFRICA: Ghana, Kenya, South Africa, Uganda
- ASIA: India, Indonesia, and the Philippines
- EUROPE/NORTH AMERICA: England, France, United States
- SOUTH AMERICA: Bolivia, Brazil, Chile

The range of stakeholders interviewed spanned public water utilities; private water providers, from small-scale independent providers (SSIPs) to large multinational companies (MNCs); government regulators and agencies; service delivery NGOs and other consumer, development, and environment NGOs; members of poor communities with experience of PSP; labour unions; academics and researchers; UN agencies; and multilateral and bilateral donors; among others. Additional inputs were sought from stakeholders in other countries and groupings through the email survey to include a wider range of perspectives of and experiences with PSP. 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.

Figure 2. Participants by Type of Organisation



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.

## 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

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. Less than 10% of stakeholders were cautious about the need for a review, or thought that it was preferable to use or strengthen existing institutions to accomplish 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 too time-consuming and expensive, and are not effective for designing and implementing policies and guidelines that will lead to action. In spite of their “no” answers, these few stakeholders indicated interest in participating, should a review process move forward.



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. Generally, stakeholders highlighted that public perception of PSP in water is quite mixed and that misperceptions and ideologies can mask realities.

*“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**

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. While many stakeholders agree on the main underlying causes of lack of access to water supply and sanitation services – such as poor public sector performance, lack of political priority and financing, and lack of political power of the poor – many stakeholders believe that PSP is not addressing these underlying causes. In some cases stakeholders believe that PSP cannot be expected to address these underlying causes. Stakeholders cited PSP examples they felt to be either positive or negative. Nearly all the examples given were quoted both as good examples of PSP 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.

*“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 value of a review to different stakeholders will depend, in part, on the structure and modalities agreed to by a larger group of stakeholders. 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**

## Major PSP Themes

The issues raised by stakeholders during the Scoping Process have been grouped under five themes, which represent preliminary priority areas for exploration in a multistakeholder review. In some cases, priority issues raised under these thematic areas represent broad agreement, for example the need to focus on the neglected area of sanitation and to strengthen regulation. In other instances, the priority issues 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. The five themes are:

- Theme 1: Financing water and sanitation services
- Theme 2: Meeting the Millennium Development Goals
- Theme 3: Achieving good governance and accountability
- Theme 4: Managing efficiently and effectively
- Theme 5: Safeguarding public interests

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 of reframing questions highlight the areas requiring further investigation, debate and resolution in a multistakeholder context. Consequently, they form the basis for a preliminary agenda for a review. A shortened set of reframing questions is listed at the end of this section (pp. 18-19). In the full report, greater detail is provided on stakeholder perspectives around the five themes and additional reframing questions are outlined for each issue area.

Collecting water from a tapstand in Jakarta, Indonesia



## 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

### Financing, capital and investments

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. An example noted is that of Casablanca, where Suez/Ondeo helped to raise new resources and investments. NGOs largely held the perspective that **PSP has not increased investments** to the sector, and indeed noted examples in Brazil where private concessions have utilised 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.

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.**

*“There is no clear dividing line between public and private management (e.g. 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.

*“We should avoid maximising 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

In addition to the general agreement that more funding is needed to achieve universal coverage, there was widespread 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.**

**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 sustainable access of the poor and unserved, in both rural and urban areas?

### 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 mobilising domestic capital markets, lending to sub-sovereign entities, and reducing currency risk. NGOs, some donors, and some think tanks are focusing on mechanisms to assist communities and SSIPs to access financing and on mechanisms to mobilise financing for smaller-scale efforts. 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 emphasise large-scale, conventional technologies and approaches, with most aid flowing to a limited number of middle-income countries.**

### Tariffs

There was nearly universal acknowledgment among stakeholders that inadequate tariffs have contributed to the fiscal 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. Most donors, professional associations, researchers, and think tanks thought that **setting and collecting tariffs 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.** 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. Some stakeholders, including private water companies, felt that tariffs **had been reduced as a result of PSP**, particularly for communities previously served by informal vendors. 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. NGO and public utility stakeholders also acknowledged that better tariff structures and collections are a crucial element of reforming the water sector, but 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 the poor. 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 ensure access and fairness, but some donor representatives questioned whether they worked in practice.

Some of the poor communities involved in this Scoping Process stated that they are 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. 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,

and that they were directly involved in negotiating the terms for the service provision.

*“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**

**2. 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?

### 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. The central debating point is whether profits gained through delivering water services are appropriate, cost-effective, or acceptable. 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**. In communities served by private providers, **consumers often do not oppose profits if they feel that the service is meeting their needs**.

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

NGOs, labour organisations, consumer organisations, and many public utility stakeholders in all regions felt 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 lower tariffs or subsidise other goals like reaching the poor or protecting the environment. A wide cross-section of interests raised concerns that **private providers were focused on profits to the exclusion of other development outcomes** like public health, institutional capacity building, community development, and poverty alleviation. Finally, a donor noted 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.

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

**3. Profits Reframing Question:** The philosophical and practical issues surrounding the topic of managing monopolistic basic 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?

### Donor conditionalities and tied aid

There are strong perceptions among some 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. Despite recent agreements to cease making funding for the water sector contingent on promoting PSP, **many stakeholders continue to perceive that donor conditionalities and tied aid drive decisions around delivering water services in developing countries**, and often have more influence than local communities and organisations.

*“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**

One element of the context for donor conditions on loans and guarantees is the demand to reduce the foreign debt burden of a country. 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 Structural Adjustment Programmes (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 public international financial institutions (PIFIs). 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.

**4. Donor Conditionalities 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?

## 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

### Impacts on poor communities

Stakeholder perspectives on the **impacts of PSP on poor people 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. 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), poor people would not have access to clean water.**

*“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 regulatory environment. NGO voices tended to express more fundamental reservations. 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.

### 5. Small-scale Independent Providers Reframing Question:

The presence of small-scale independent providers (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?

Perspectives on the **role of the large MNCs in increasing access to poor communities 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/El Alto, Bolivia, with voices from the private sector, research institutes and NGOs, as well as poor people themselves, noting that where the large-scale private sector has taken over from SSIPs, **PSP has lowered prices 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. 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 extend affordable services to poor people.

*“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

As PSP has in many cases resulted in increased tariffs among those served by formal networks, some stakeholders feel that PSP has resulted in the poor losing access to water. 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.** Other stakeholders noted that the difficulty in reaching the poor applies to both public and private sector.

*“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 towns in Africa

An NGO perspective noted that **access consists of both availability and affordability.** 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. Community members in the slum area of Mandaluyong, in Metro Manila, noted that since being served by a SSIP they have seen an improvement in their health situation. They stated that PSP 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.

*“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

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**, which government providers had not previously overcome. 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. Further points were raised on the **differential impacts of PSP on women**, and the fact that **indigenous people’s issues related to WSS had not received adequate attention.**

**6. Impacts 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 poor communities? 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?

#### **Servicing rural areas**

While many stakeholders (donors, public sector, NGOs, professionals) from all regions agree that provision of WSS services in rural areas has been **neglected under both public and private systems of delivery**, there is a divide in perspectives between those who feel that PSP can play an important role in rural areas, and those who do not. There was universal acknowledgment among donors, private providers, public utilities, government agencies, NGOs, labour, professional associations and researchers that due to the lack of economies of scale and opportunities for cross-subsidies, services in rural areas are much less amenable to the conventional model of multinational corporation PSP and cost-recovery, and will require public financing and subsidies. However, a number of stakeholders (professional, donor, government agency, SSIP) in Africa noted the **increasingly significant role played by local and national private operators** (as opposed to the informal small-scale sector) **in providing a water distribution system in rural areas**, stating that the domestic private sector was more responsive to the needs of the poor, and more flexible in its institutional arrangements and payment collection methods.

**7. 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?

#### **Sanitation and sewerage**

There is agreement amongst a wide range of stakeholders (donors, public sector, NGOs, professionals) from all regions that **sanitation and sewerage 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 in the city centre have been taken over by the private sector, which has rehabilitated them; but now 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.

**8. 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?

#### **Technology choice and innovation**

NGOs indicated the need to re-examine national policy perspectives, often based upon donor policies, that see PSP as the panacea for all WSS ills. These voices note that the **emphasis on PSP also blocks exploration of alternatives to dominant, and often inappropriate, technologies**.

*“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*

Children waiting for their turn to collect water from the Masaka well, Uganda



According to NGOs, water co-operatives and research organisations, people must be **provided with enough space to select appropriate technological options**. These stakeholders feel that innovation should also relate to **different institutional arrangements for providing water supply**. Alternatives proposed that merit further attention and support were the SSIPs and water co-operatives, low-cost technologies like rainwater harvesting, as well as different public sector options such as the Dutch model of the Public Water PLC<sup>3</sup> and a range of community-government collaborative efforts. Examples provided included the low-cost sewage treatment plant in the poor squatter community of Pinheiros, outside of São Paulo, Brazil; and the flexible approach of Ghana's Community Water Supply Agency.

*“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

#### 9. Appropriate Technology 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?

### 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

#### 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 was a perspective particularly strongly voiced by NGOs from all regions, it also represented consensus across a fairly broad range of sectors. 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 structures on the other. Conversely, 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. A labour representative noted that government skills and knowledge can be weakened when staff are moved to the private provider.

*“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

#### Participation in decision-making

In the area of participation, organisations that have previously been seen as occupying opposing sides of the PSP debate **agree that participation in decision making has been neglected**, and that this neglect has ultimately come back to haunt many of the large water companies. Stakeholders from a range of regions have highlighted the **lack of community participation in the decision by the state to initiate PSP**. This is an issue that relates to the small-scale private sector as well. On the other hand, a positive impact raised was that **PSP provides a clear entity for the public to engage with**. A number of stakeholders across regions, including NGOs, donors, 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 noted the link between social acceptability and community participation in the decision to go for PSP. SSIPs in Africa stressed the amount **of time and effort that was required to build confidence** between the community and the local private operator.

*“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

Water tank, Malasiqui, the Philippines



<sup>3</sup>In this mode, 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.

A number of donors and the private sector stressed the need for communities and NGOs to have **access to better information** so that the PSP debate can be conducted on a level playing field, and many noted that this could be a role for a multistakeholder review. Responses from the email survey rank public participation in decision-making processes as one of the top five most important issues (out of 25 possible choices) to be examined by a possible global multistakeholder review.

**10. 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?

#### Regulation and monitoring

There is **general agreement amongst** stakeholder groupings across all regions **that governments have failed to regulate 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 consumers, especially the poor, and the private sector**. In addition, government regulators and consumers organisations in Africa and SE Asia stated that the **regulatory framework does not protect the consumer enough**.

*“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

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. NGOs noted that **monitoring of performance is not happening, and/or is not widely accessible**. This was felt to be a systemic problem that was present whether the private or the public sector was providing water services. Several stakeholders raised the problem of corruption, among both public and private providers; however, the issues of corruption, manipulation of regulators, and conflicts of interests were raised more often by NGOs, labour, and researchers in relation to large, international water companies.

*“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, related both to an unwillingness to share such information with civil society, as well as a lack of capability of civil society groups to monitor activities. Private companies highlighted the **lack of information about the status of existing water systems on which to base reasonable contracts**.

**11. 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?

#### Contracts and transaction advice

Negative aspects of contracts were highlighted in all 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. **Problems with contracts** raised by stakeholders included bad contract design, bidding on price which promotes underbidding, lack of community participation, frequent grey areas in concession agreements, unclear targets and insufficient sanctions, and constant renegotiation as a cynical device. On the other hand, stakeholders in Brazil noted that reviewing **contracts at regular intervals improves social control and allows for targets to be adjusted** to include service to poor communities neglected in the original contract.

*“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

A number of stakeholders have highlighted the negative impacts of systemic corruption in certain countries and administrations on the sustainability, accountability and transparency of decisions taken on WSS delivery. While stakeholders noted that **corruption is not restricted to PSP, but is or was an issue when services were publicly provided as well**, providing water services through the private sector has not eliminated this problem. Many NGOs, labour, and researchers stated that contracts are often confidential, and are considered to contain proprietary information or “commercial secrets,” which then precludes public scrutiny. 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** should the concession fail. The large-scale private sector further noted the **lack of follow-through or support** on the part of transaction advisors.

*“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.”*

Public utility representative, South America

**12. 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?

**13. Transaction Advisors 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 advisors be held accountable for the consequences of their advice?

#### 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. This failure is exacerbated, some feel, by the general context of too-rapid decentralisation, where devolution shifts responsibilities and risks, but not the rights that are needed to actually take on the responsibilities. Others linked this to underpaid, understaffed municipalities where personnel lack the correct incentives, which serves to hamper delivery. NGOs, researchers 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**.

Collecting water from the village handpump in Gabisi village, Ghana



*“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>4</sup>

#### THEME 4: Managing efficiently and effectively

*“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

#### Management and efficiency

While most stakeholders perceive that poor performance of the public sector is a driver of PSP, stakeholder perspectives on the impacts of PSP on management effectiveness and efficiency cover the spectrum from extremely positive to extremely negative.

*“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

In terms of service expansion and improvement, all the private water providers and donors interviewed noted 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. 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. 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.** In countries where the debate on PSP is particularly active and heated, many stakeholders drew a **distinction between the local and the foreign private sector when articulating their positions for or against PSP,** and suggested that the local private sector engaged more effectively with the community and reduced the number of foreign consultants used.

*“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

Many stakeholders also raised **the negative impacts of PSP on management effectiveness and the non-performance of the private sector.** 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. Donors, government agencies, regulators, and NGOs noted that, in theory, **the private sector is not inherently better than the public sector.** Many public utility stakeholders felt that if given the same policy reforms, the public sector could also perform much more efficiently. Several donors are now recognising excellence in public sector performance.

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

#### Labour and occupational health and safety issues

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.** 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. Two labour union representatives, from South America and Africa, noted that since job losses are expected under either public or private management in the drive to improve efficiencies, severance and job re-training packages were often better from the private sector. 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.

<sup>4</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 NGO stakeholders raised concerns centred on private companies cutting corners to save money that resulted in using substandard equipment and materials, putting workers and consumers at risk. 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 labour, health and safety 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.**

**14. 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?

## THEME 5: 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

#### Public health

A cross-section of stakeholders – donors, private water providers, some researchers, think tanks, and professional associations, and some poor communities – highlighted the **improvements in public health due to PSP.** They noted that 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.

*“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

Several stakeholders noted the difficulty of generating public benefits under a system of full cost-recovery that is based on individually-paid tariffs. On the other hand, most stakeholders noted that **improving public health depends on expanding sanitation and sewerage services, and that neither public nor private service providers are adequately addressing these needs,** and also acknowledged that achieving these goals will likely require public subsidies.

*“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

SSIPs and NGOs in Africa noted that as access to water supply increases in some areas, health can sometimes decline as a result of not implementing sanitation concurrently with water supply. 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 face making difficult health choices about whether to spend their limited resources on clean water, clinics, medicine, or even food.

#### 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. 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 seen as a priority because they are not often specified in the contract. However, environmental NGOs, researchers, and both public and private water providers noted that **when water is considered a free, social good there are also few incentives for conservation and environmental protection.**

Research and professional association stakeholders expressed 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. They felt that while the public sector has experienced a difficult time shifting to an integrated water management approach, there are inter-agency

mechanisms that can facilitate this. A few stakeholders raised systemic issues that apply to both the public and private water sector, pointing out that hydrologic and natural resource issues are not generally factored into decisions. **These points also relate to the fundamental tensions that 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.**

*“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

**15. 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?

#### 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 private sector has been insensitive to social and cultural values in developing countries.** 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.** 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

Focus group discussion in Jardim do Pinheiros, Brazil, with co-moderator Deborah Moore



involvement, which neglected to see the importance of implementing all of the aspects of corporate social responsibility, including environmental issues. A number of stakeholder groupings 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. NGOs further noted the **strong cultural traditions that place moral value on the free sharing of water with neighbours and strangers**, and an adverse feeling towards having to pay for water. Other stakeholders noted that the idea of **social acceptability of paying for water cuts across both public and private sector provision**. 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**.

#### Trade agreements and broader corporatisation of water

There were widespread concerns expressed by public water utilities, government agencies, labour, researchers, 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**. 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.

**16. Trade 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?

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 the push for “sector reforms” and public-private partnerships, whereby the public takes the risks and the private sector 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

Boy sits next to clean effluent from community-financed low-cost sewage treatment facility, Jardim do Pinheiros, Brazil.



## Summary of Reframing Questions

**In order to re-focus the debate on PSP, the following 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 sustainable 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 providers** The presence of small-scale independent providers (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, 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 poor communities. What criteria and indicators should be used in assessing the performance of direct water providers on delivering water and sanitation services to poor communities? 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 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?

## 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

### 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 the poor. 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 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; and all stakeholders feel that regulatory frameworks have been inadequate and contracts problematic. Far from indicating that PSP is a non-issue, these realisations highlight either fundamental questions that remain to be answered, or 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. In this case, possible benefits may 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.

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 the 2004 World Development Report notes, “They are global public goods – which might explain why they are so scarce.”<sup>5</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

### Desired outcomes for a multistakeholder review

Stakeholders raised a range of perspectives on the possible modalities, outcomes, mode of participation, institutional models and scope for a multistakeholder 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. 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. It is important, stakeholders feel, 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.

*“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

In support of this, participants 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. 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.

*“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

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.

<sup>5</sup>World Bank, 2004 World Development Report

## Key lessons from other multistakeholder 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 World Commission on Dams (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. Despite these differences, those stakeholders directly involved with the WCD have remained committed to ensuring the continuance of the dialogue on dams through the UNEP Dams and Development Forum, and through a variety of national multistakeholder processes. Other stakeholders highlighted that the multistakeholder dialogue and approach throughout 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, and a multistakeholder "review," which would be longer and more complex. 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.



Participants in focus group discussion, Welfareville, Metro Manila, with co-moderator Penny Urquhart

## Modalities and scope for a multistakeholder review

There was almost universal support across stakeholder groupings and regions for a review that adopted a **multistakeholder approach**. Most stakeholders were of the opinion that the review should try to be **as inclusive as possible, and should also go beyond the "usual suspects" of the policy community**, to hear directly from members of poor communities, as well as to have a focus on **practitioners or people actually working on the ground**.

*"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 stressed the need for **genuine dialogue**, which would entail participants putting dogma aside, and having "open hearts and open minds." Stakeholders noted the need for review activities to take place at a range of different levels, including **local and global level activities, national level dialogues**, and, in Africa and Asia, **regional activities**. A number of stakeholders stressed the need to involve the key decision makers who are located at local government levels.

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

*"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

Analysis of the responses received from stakeholders indicates two main ideas for the overarching scope of the multistakeholder review, both receiving significant support. The **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**. This issue of scope needs to be decided upon in a multistakeholder context. Further specific ideas were that the review should include trade and GATS issues, and whatever new modality of PSP will be promoted now that the 25-year concession model is not being widely pursued. Stakeholders also noted that the review should encompass broader economic policy decisions about allocation of national budgets. Stakeholder responses indicate the need for a **broad and holistic set of evaluation criteria**, encompassing social, cultural, livelihoods, ecological, technical, financial and institutional aspects.

## How could a review be run?

### 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 eradication.
- 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 and national 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.

### Options for a global multistakeholder review: structure, scope and modalities

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. The full report contains more in-depth descriptions of these options, as well as several less popular options not described here.

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



Girls from San Juan, Puerto Rico



**Table 1 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.	Panelists would be eminent persons selected through 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 panelists 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

**COST:** Low: under \$2 million; Medium: \$2-5 million; High: more than \$5 million. **TIME:** Short: 1 year; Mid-term: 1-2 years; Longer-term: 2-5 years

## 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**

The Global Water Scoping Process aimed to be an open process where the views and perspectives were 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 believes that the Scoping Process has made significant progress in meeting most of these criteria, and 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.

Specific objectives proposed for the Stakeholder Workshop are 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.

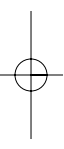
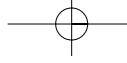
- Discuss options for addressing and answering the key questions and debating points, including the options for a multistakeholder review recommended in this report or other alternatives identified and agreed to by stakeholders.
- Decide collectively whether there is critical mass of support towards 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 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.

This 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. These, and other participants, have indicated that for them, the issue of PSP is far from being a non-starter. They have stated 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**

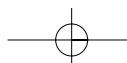
*“No matter how powerful we are, we are nothing without water!”* **9-year old girl**



### 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, Heidmarie 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. 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.