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SUSTAINABLE ENVIRONMENTAL SANITATION AND WATER SERVICES

Inclusive partnerships: redefining public-private partnerships

Janelle Plummer, U.K.

The PPP of the past – unequal, biased and not pro-poor

The traditional form of PPP is a concept developed in the north, in a context where public and private sector organisations are mature. Past notions of public-private partnerships in water and sanitation are bilateral – relationships involving two partners: the public agency and a large-scale private operator able to shift its focus to new markets. Typically in those partnerships involving large multi-national water companies, the private company is skilled at procuring jobs, at negotiating the terms and conditions of their involvement, and at operating and maintaining a network system at a higher level of performance than their public sector counterparts. The aim of the association is to shift operational, oversight and/or investment roles to the private sector. In such a context, the public are end-users, they are provided with a service and they pay their bills. The poorest may have some difficulty but these represent a small proportion of sales and are dealt with without too much amendment to a private company's programme. In these contexts the infrastructure generally exists, there is little expansion involved, the process is one of transfer and fine tuning, and it is rarely concerned with transforming the system or the behaviour of the customer base. And of course there are legislations, regulations and byelaws that create boundaries and predictability for the partnership to function.

The openings created by liberalisation, globalisation and decentralisation then led advocates of private sector participation to promote the application of this bilateral PPP model to solve the extreme problems of service delivery in low and middle-income countries. Curiously little change was made to account for context. Yet typically, the urban context where public-private partnerships have been introduced is characterised by chronically inadequate services. Network systems have deteriorated to a point where they function only in part, providing poor quality water at infrequent intervals. Sewerage systems may not exist or are limited in their extent and residents rely on on-site sanitation services. The public sector organisation is typically in dire straits - under pressure from higher levels of government, donors and customers to find a solution to a water or a public health crisis. Private businesses are immature, lacking enterprise and frequently even the management skills associated with the private sector. As significant numbers of households do not have direct access to network water supply and sewerage, a large number of other stakeholders such as informal and small-scale providers, and civil society organisations –- stakeholders not found in the northern context – have filled gaps in the service delivery process. Large areas of the city inhabited by the poor are difficult and expensive to serve due to physical constraints (such as steep hillsides or swamplands). The end-users may be customers, but often a higher proportion are poor people are accessing formal systems for the first time. Many currently don't pay, can't afford to pay, or have no choice but to pay – always there is an opportunity cost of paying connection charges and tariffs. Last but not least, legislative and regulatory frameworks are weak, at best silent, creating ambiguity and unpredictability in relation to the private sector role. There are a new set of tasks involved in providing appropriate levels of affordable services and establishing a viable cost recovery regime: working with poor people, understanding the specific needs and constraints of poor groups and developing their capacity. How very different this context is.

Apart from the different scope of work involved in reaching the significant numbers of poor people in low-income countries, the situation is also different because of the weak capacity of the public sector. It is common to find that these arrangements masquerade behind the term 'public-private partnership' because it is a more acceptable term in countries where water is considered a public good and the privatisation of the water system is politically unacceptable. But rarely are they partnerships in the true sense of the word. These relationships are often characterised by an imbalance in the capacities of the partners. Many have been established by donor-led initiatives aimed at injecting investment and private sector expertise into ailing sector activities. Many such partnerships, perhaps typified by the Cartagena example in Colombia, are involuntary, the public sector agency, desperate for investment, is told by donors and lending agencies that support is conditional upon private sector involvement. Many are characterised by conflict and mistrust. Lessons learnt through a number of case studies also show that local government and agencies particularly endure contract arrangements that do not always meet their needs. Many, like Stutterheim in South Africa, endure them because they strongly perceive the inequality in the arrangement, feel unable to make change and unable to influence the ongoing course of events.

In some instances, private sector involvement has brought noticeable benefit to traditional public sector functions such as water and sanitation services. Increased investment, management and technical skills and new technologies, have brought improved service and resulted in more efficient delivery of services. Unaccounted for water is radically reduced, service disruptions abated, the quality of water improved. But these improvements have not always led to benefits for those who need the improvements most. The old-style public-private partnership contract has not always defined and effectively administered targets for delivering water and sanitation to poor households, many in fact lead to even greater marginalisation and less access to services. Some argue that this is due to poorly designed contracts. The private sector will, in the first instance, look for the simple, low-cost mechanisms to reduce unaccounted-for-water and increase efficiency. Evidence suggests that the easiest efficiency gains often involve services in poor areas. These changes often remove service and payment options and undermine the coping mechanisms that poor households have established to survive. With some recent exceptions,[2] the private sector has not proven itself to understand the broader livelihood and social aspects of delivering water in poor areas. In many instances they have shown little capacity to work with the poor, preferring instead to meet their coverage targets first with the less risky, easier 'better-off' customers.

It is also notable that those public agencies that have pursued associations with the private sector in water and sanitation services have generally kept these approaches quite separate from any NGO/community initiatives. Few have attempted to bring the experience of working with civil society together with a public-private partnership.[3] Evidence suggests that this is because the goals of involving the private sector aim to solve financial and institutional deficiencies, while initiatives involving civil society aim. The two approacheshave not generally been unified in the problem analysis or the response.

This picture of the conventional public-private partnership is not a collaborative effort implied by the word 'partnership', but a delegation of function from a bureaucratic, ailing public sector to a bullish efficiency-driven private sector. These PPPs are not about the poor and no amount of tweaking at the edges of the bi-lateral PPP model will change that. Few lessons of poverty reduction (such as community capacity building and gender targeting) are absorbed into the content of these arrangements or the mechanisms for delivering services. The introduction of the private sector may bring new skill sets, but noticeably these are neither the skills nor the experience necessary to work with poor communities. Second, the structural nature of partnerships is biased away from the poor. Rarely do they acknowledge the variability and diversity of poor people's needs or acknowledge that water and sanitation services are but one aspect of the poor's livelihoods. Third, the processes normally associated with the conventional form of PPP (investment-led and rigidly pursuing contractual obligations) harks back to the non-participatory, inflexible service delivery that has proven to be so ineffective in poor areas in the past.

Broadening the PPP

Increasingly, a number of partnership initiatives have been developed in the water sector that try to blend some social and institutional lessons of poverty reduction with the economic and financial gains of private sector involvement. At the basis of these efforts is an appreciation that there are many stakeholders involved in getting water and sanitation services to the poor. Each offers different skills, experience and capacities in response to a vast range of circumstances and each has an important place in delivering services to the poor. Public agencies responsible for service delivery should look beyond the old-style public-private mix to include other actors and create partnerships that fill more gaps.

To understand the simplicity of this idea it is necessary to identify the potential actors in any give situation, to consider their 'assets' (what they offer a partnership) and then to consider the potential roles of these parties in a PPP that focuses service delivery on the poor. Stakeholders can be divided into 3 organisational sectors: the private sector (including both large and small-scale operators), public sector agencies, and civil society.

In particular, evidence suggests that well-established NGOs and local small-scale providers are important actors able to contribute to a broader concept of the PPP that is more likely to bring benefits to the poor. An analysis of the characteristics of all these stakeholders exposes that each can bring something quite unique to the partnership table – their varying interests, goals, power, organisational attributes can be brought together to form a partnership more able to address the needs of the poor. For a partnership to work, stakeholders need to understand what each other are about and respect the potential contributions of other partners.

Based on a generic framework produced by Waddell,[4] we see for instance, that the **objectives** of each partner in producing environmental improvements are very different. The public sector is motivated by political interests, business (be it large or small-scale) is motivated by financial interest and civil society is motivated by social interests. Their **goals** reflect these interests. The public agency is often concerned to maintain and generate votes (without disrupting the status quo), the large-scale private business aims to generate profits and more work opportunities (from which they can generate further profit), the small-scale private enterprise aims to make a living also through profit, while the NGO is concerned with equality and improving the quality of lives of the poor. A different form of **power** underpins the actions of each organisational sector. The public agency normally obtains its power through legislation, enforcement authority and taxation (although this power may be eroded by non-performance or exaggerated through cultural notions of status and hierarchy). The private operator obtains its power through money, while the small-scale operator has a level of knowledge of local demand and local conditions. Non-governmental organisations obtain their power form their values and reputation. Each organisational sector **assesses** the success or failure in these terms: the public agency is concerned with legality, the private with profitability, and civil society with justice and equity. The public sector establishes the relationship around a set of rules, the private sector does so through the transaction pertaining to the deal, and the NGOs establish the relationship based on values. Each is **controlled by** a different stakeholder group: the public agency is controlled by voters (or rulers), the private operator is controlled by owners/shareholders, independent providers and NGOs are controlled by their clients, and communities. To ensure support, they each then work to a different **timeframe**: the public sector agency is concerned with making things work within an electoral cycle; the private company looks to have achieved certain goals within the business reporting cycle and the overall contract duration on which risk-reward calculations are based. On the other hand the small-scale provider is concerned with eking out a sustainable existence (both very short and long-term concerns) and the NGO is concerned with long-term sustainability and their own funding cycles.

In practice, not all organisations will perfectly reflect the generic qualities of that sector, but a basic understanding of these attributes will inform the development of a partnership framework that allocates roles based on what each partner has to offer a pro-poor partnership and the attributes that constrain their actions. The public sector is able to create the environment and rules for a new form of partnership, they are able to initiate and coordinate the unification of the parts and ensure that PPP goals and implementation work in harmony with and not at odds with other urban management and poverty reduction goals. The large-scale international private sector is able to drive efficiency, they are able to inject new management, additional skills and up-to-date technologies. They may facilitate much-needed finance and spearhead the cost recovery that promotes sustainability. The small-scale local providers are able to provide superior knowledge of local constraints and play an interim or ongoing role in providing the poor with the service options. Their small size means that they offer a level of choice and flexibility that is impossible for the larger business. Civil society, through local and established NGOs is able to safeguard the interests of the poor. They provide entry points and communication channels to communities, and can promote the requirements for variability and diversity, understand the specific needs and impacts on with women and other vulnerable groups, they can mobilise community groups to play a role in a participatory partnership that is developed with recognition of the complex context of the livelihoods of the poor, and converges with other poverty reduction activities.

An opportunity is also created by the inherent differences – what one partner cannot do, another can do. The uniqueness of their attributes promotes the idea that each brings particular assets to the partnership that result in the allocation of specific partnership roles. In a well structured partnership that builds on the assets of all partners, no one partner can be removed from the partnership without creating a gap.

Creating appropriate, responsive and sustainable partnerships

While it is important to recognise that each organisational sector forms a crucial part of a partnership focused on the poor, in any one context the specific attributes of the stakeholders found in each sector must be harnessed to create a more inclusive and well-rounded collaboration. Most notably the very different types of actors found in the private sector include international water companies, national enterprises and small-scale service providers (such as water tankers) might each contribute to a more responsive private sector. In the NGO sector, international NGOs and local NGOs perform vastly different roles, an association between the two might place civil society in a strong partnership position.

Accepting that it is necessary to look further than the original scenario of two partners and that other local stakeholders make potentially valuable partners in a poverty focused partnership, it is then necessary to further refine the allocation of responsibilities and acknowledge the limitations of context. The partnership structure and the allocation of roles needs to be localised. In practice in contexts where resources are limited and experiences depends on a large range of political, social, and financial factors, capacities of organisations are not so strictly defined, and partnership roles must be allocated to best suit those able to carry them out. Once the range of actors is identified in a given context it is necessary to look at what their individual capacities are and not to assume that they will fulfil pre-allocated roles. The Business Partners In Development (BPD)[5] pilot work (including projects in diverse countries of South Africa, Argentina, Haiti and Senegal) revealed that the allocation of tasks might be quite unique to each context. Starting with the three organisational sectors (public, private and civil society) the key is to build on what assets there are in any given situation. Despite a common mandate in each country, the eight BPD projects are indeed very different, each reflecting local objectives and institutions. Part of the allocation of roles involves the successful unbundling of tasks to find appropriate roles for each prospective partner. These may be technical (planning and design, operations and maintenance, construction), financial (revenue collection, investment) management (regulation, coordination, monitoring and evaluation). Allocating tasks in relation to capabilities also requires disaggregation or unbundling of the task to be carried out to deliver the service.[6]

Flexibility – or more correctly flexibility of the private sector – is a key aspect of the success of an inclusive partnership. Traditional forms of partnerships are extremely rigid (e.g. the older South African contracts in Queenstown, Stutterheim and Fort Beaufort in the Eastern

Cape , contracts do not readily allow for change, and they rarely adapt to address new problems with new solutions. The partnership of the future will embrace change as capacities change, as community participation matures (and communities gain the trust to explore new roles), as partnership results become evident. This may result in a shift of roles, in strengthening some sectors, in a new form of partnership entirely.

While it is clear that a local NGO or a small water tanker company will not be able to act as an equal partner in a partnership between a large international water company and a water and sanitation authority, it is necessary to ensure that they are effectively and formally drawn into the partnership (see for example the water tankers in the outskirts of Lima)[7]. Current public-private partnership models only take into account how the private and public sectors are contracted, i.e. how this one relationship is formalised. In practice, this is a much more straightforward relationship than that which is developed with other, smaller and less powerful actors. Yet if partnerships are to develop with an effective focus on the needs of the poor, community-based organisations (CBOs), NGOs and small-scale providers must be seen as partners and mechanisms need to be developed to formalise, legitimise and recognise their role. Experience in the South African BoTT and the Buenos Aires concession, suggests that this might not be easy. NGOs may resist working with private enterprises. Concerns that they will be exploited, that their work will be used to enhance profit, and that they will be compromised will determine how each will agree to be contracted. A number of contractual options are available for NGOs to join partnerships (e.g. sub-contracts, consortia and community contracts). For small-scale providers the key issue may be regularisation and all parties need to consider how this process can be facilitated and what the potential impacts will be.

Lessons of 'inclusive' partnerships that have been developed to improve the targeting of poor groups indicate that donors and other external agents play a critical role. Although this role varies from one which underpins the social and institutional dimensions and actors in the partnership (as perhaps occurred in El Alto and in the preparation of the Kathmandu Valley arrangement) to one where the external agent provides the credibility to get the initiative started (as in the more general work of the BPD) it is clear that new forms of partnerships need to be given space and support. Donors can promote exploratory work, test models and develop opportunities that might otherwise be missed.

Conclusion

Irrespective of any changes to the political commitment, the legal and policy frameworks and the financial markets that might make PSP work for the poor, there are critical gaps in the conventional public–private package – gaps that can be filled by drawing in the competencies of other stakeholders. In those partnerships aiming to serve the poor, it is necessary to focus the partnership and create structural change in the partnership framework that includes a broader range of actors within service delivery partnerships. The key is to establish such a framework at the outset – not as an afterthought when the structure is already agreed – tap the strengths of each sector and offset their inherent weaknesses through the allocation of roles. As the initiators of potential partnerships, government has enormous power in partnership development. At the outset they are able to determine and direct strategy – the extent, nature and scope of the partnership, the actors involved, and the requirements for consultation and community participation. It now lies in the hands of the public sector to acknowledge the limits of the bi-lateral PPP and to look at how they can facilitate a merging of stakeholder assets, build on past experiences and create sustainable water and sanitation partnerships.

Notes

1 This paper draws on two collaborations in my recent work on PPPs. The first with Steve Waddell which resulted in a Chapter on Actors published in Plummer (2002) Focusing Partnerships: A Sourcebook for Municipal Capacity Building in Public-Private Partnerships . Waddell has written extensively on the 'attributes' of the three organisational sectors (see Waddell 2000 at www.thecollaborationworks.org), together we have looked at the application of this concept in resource-deficient contexts and in poverty-focused partnerships. The second collaboration involved a team of contributors put together by the BPD Water and Sanitation Cluster to review the progress and lessons of the BPD pilots. The resulting paper, Flexibility by Design: Lessons from Multi-sector Partnerships in Water and Sanitation projects, Caplan et al, (2001) is found at www.bpd-waterandsanitation.org

2 Efforts have been made for example in Buenos Aires and El Alto.

3 Exceptions include the Buenos Aires concession and the BOT for rural water supply in South Africa

4 See Waddell (2000)

5 Supported by DFID and the World Bank, the Business Partners in Development initiative explores tri-sector partnerships in a number of different areas.

6 Caplan et al (2001)

7 Plummer (2002) p82, p97.

JANELLE PLUMMER, GHK International, FCO (Kathmandu), King Charles Street, London.