

7th Rural Water Supply Network (RWSN) Conference: Abidjan, Cote d'Ivoire

Sponsored Session: Public-Private Partnerships, Friday, December 2, 2016

Facilitator: Kalim Hanna, USAID

Approximately 50 people attended the USAID sponsored session on Public Private Partnerships.

Session Speakers:

The PPP session consisted of four presentations by the following speakers:

- a. Marlies Batterink, Aqua for All (Presentation on Kenya Case Study)
- b. Sylvain Adokpo Miga, World Bank (Presentation on Benin Case Study)
- c. Lamine Ka, World Bank (Presentation on PPP for Rural Water Supply in Senegal –From the perspective of the Government)
- d. Romain Dubreuil, Vergnet-hydro (Presentation on Private Sector Role in the Senegal case study)

Following the presentations there was a group discussion on the enabling environment. The following are some highlights that came out of the group discussion and were emphasized by the participants.

Access to finance:

There is a need for more learning on innovative financial mechanisms (ie. first loss guarantees). Financial literacy within the sector needs to increase. There is public interest in profiting from the experience of the private sector and the private sector funds. The private sector brings innovation in terms of how to accomplish the task.

Enabling Environment:

The public sector needs to create an enabling environment for the private sector to benefit from the service delivery model, which the law must allow for. Public regulations protect the government as well as the private sector. Regulatory and judicial frameworks need to be in place. Regulations establish trust and confidence and protect private sector interests, and there must be stability. Legislation cannot change radically from year to year, if there is to be stability and long term investments. This means sector reforms. There needs to be a shift in thinking in Africa to allow for long term concessions, in order to attract private sector investments. For example in the Senegal case Vergnet-hydro has a concession of 15 years, because, profitability only comes after 7 years, therefore it is important to ensure that there is a return on investment. It takes time for the private sector to invest in an uncertain environment as was the case in Mozambique.

The objective of PPPs is to improve service delivery, and in order to ensure quality service delivery there must be good performance monitoring. Civil society has an important role to play in performance monitoring and in holding the public and private sector accountable to the performance and commitments.

Need for Transparency and Accountability and Capacities

For PPPs to be successful there must be transparency and accountability. In order to achieve a win-win situation both government and the private sector are needed and both must be on an equal footing. However, often the public sector has low capacity and as a result of this imbalance in the power relationship the public is usually the loser. There has to be care in the negotiation phase to ensure that each party is able to live up to their commitments. The government must have strong technical capacity to evaluate spontaneous offers and to sign good contracts. The success of the contracts depends upon the establishment of safeguards. Institutions may need to change the

procurement procedures in order to partner with the private sector. There must be competition to ensure that the proposals are sustainable.

Transparency is key. There must be accountability in sharing information. If the private sector brings financing, the terms of that financing must be understood and transparent as to not burden the consumer. The state may be able to give lower interest rates on financing for infrastructure investments. Emphasis should be placed on capacity building and training of local SME's, as important stakeholder in the performance of PPP contracts. It allows them to respond adequately to the demand from governments or larger companies.

There must be a clear understanding of the risks involved and a willingness to manage and take on the risks. Including the private sector helps to share the risk. The private sector must know the risk as well as the people and context. Market information for the private sector is important, there must be good and stable data, which reduces risks. Having clear and transparent procedures in place also reduces the risk and thus the price for consumers. This is the condition for a company to take the risk with courage and confidence.

Challenges with Pilots:

All factors mentioned above should come together for successful PPP's, which is not easy, especially in rural areas.