

# Project team on PPP Standard on Water and Sanitation

## Work sessions draft discussion and action items

Wednesday, 30 and Thursday 31, March 2016

The parallel work sessions were co-chaired by Maya Chamli, Dominique Gatel and Diogo Oliveira. The best practices in terms of PPPs in Water Supply and Sanitation were discussed on the basis of case studies, with a view to provide more input to the UNECE standard on PPPs in Water Supply and Sanitation.

Diogo Oliveira, team leader for the UNECE standard for PPPs in Water Management and Flood Control, launched the work during the first session (see below).

### **First session, March 30<sup>th</sup>**

#### Framework of the Water Management and Flood Control Standard

Diogo Oliveira launched this work, presenting the purpose, scope and mitigation mechanisms to be included in such a standard. A call for participation in the project was also made: for those who wish to get involved, please contact Diogo Oliveira ([diogofo.pt@gmail.com](mailto:diogofo.pt@gmail.com)). A discussion on prevention, mitigation and response measures followed.

#### PPPs in Water Supply and Sanitation

The standardization process was discussed against the backdrop of two case studies: Brazil (Keith Heys) which focused on the concession risks from the private sector's point of view and Kenya (Jan Janssens) which provided in-depth overviews of the PPP program and its enabling environment (legal frameworks, national requirements and challenges). Both case studies presented insights on how partnerships can be enhanced and adapted to local situations:

- Flexibility in relation to cost recovery and tariff issues in line with investments;
- Realistic targets to ensure project sustainability;
- Clearance at the state level on the project structure and awarding process, before tendering;
- Transparency and affordability for end users;
- Monetization and recognition of the value of water.

### **Second session, March 31<sup>st</sup>**

#### PPPs in water supply and sanitation

The Armenian case (Gagik Khachatryan) was discussed from the angle of cost-recovery. This example shows that it is possible to recover CAPEX and OPEX from tariff with no subsidy provided from the state budget while respecting affordability rates.

The Portuguese case (Fernando Ferreira) showed how water and wastewater services successfully evolved from a purely municipal provision to concession contracts with private and specialized management entities.

Finally, the Ukrainian case (Irina Zapatrina) shows the need for recommendations on PPPs as the very nature of PPPs is mostly misunderstood and remains confused with traditional procurement, leading to sub-optimal use of the potential of PPPs in Ukraine. In this perspective, the UNECE work would enhance trust between public and private partners and foster knowledge, dissemination of best practices and capacity building at local level.

### **Takeaways from the sessions:**

- Local governments are usually in charge of and are accountable for provision of water supply and sanitation services and should be involved in the standard drafting.
- The standard should stress that flexibility must be built in PPPs, as conditions evolve during the course of the projects.
- Projects should blend elements of attraction for private partners, such as the size of the project and bonuses, with service improvement targets and penalties.
- Feasibility studies are key elements to the project success. Targets should be realistic and balanced with staff, financial and technical resources.
- Transparency is of utmost importance from early stages to project completion. Relevant stakeholders, such as trade unions, must be involved.
- The value of water, cost-recovery scheme and tariffs structure must be weighted and decided upon by the competent authority with due attention to the affordability issues, for the entire considered period and independently of any PPP.
- Domestic capital market size is critical for local finance sourcing.
- Dispute resolution mechanism and international arbitration are necessary.