<table>
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<tr>
<th>Theme</th>
<th>4. GOVERNANCE AND MANAGEMENT</th>
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<tr>
<td>Topic</td>
<td>4.4 or 15  OPTIMISING PUBLIC AND PRIVATE ROLES IN WATER MANAGEMENT</td>
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<td>Main Question</td>
<td>The UN 2006 Human Development Report has found that polemics about the respective roles of public and private sectors in water management are a distraction from addressing the real needs of populations to access to water and sanitation services. After a decade lost in controversies, to-day the question for responsible public authorities is how to take advantage of capabilities of all sectors to address all their numerous challenges such as universal access to safe water, to sanitation, pollution removal, water scarcity, climate change mitigation, etc.</td>
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| Related sub-questions | **Question 1:** What institutional arrangements should be implemented to make best use of the respective qualities/virtues of the public and private sectors?  
**Question 2:** Should water authorities have the right to choose the way to manage their water services or should their options be limited by law?  
**Question 3:** What are the key elements of the relationship between the responsible water authority and its operator (public or private) that must be formalised to ensure efficient delivery of water services to water-users? Is “contractualisation” the way forward?  
**Question 4:** Should all operators (public operators, private operators and small-scale independent vendors) be regulated by the same public bodies with similar rules?  
**Question 5:** What is the operational value of opposing public and private sectors when many private companies contribute to the delivery of public water services, many public sector companies compete against private sector ones in open markets and most unserved people use private vendors while waiting for public water services? |
| General introduction | Except in dispersed rural areas, where farmers organise their access to water themselves, people get access to water thanks to public or private suppliers that provide them access to water infrastructure. Public operators and some private ones are working under the supervision of governments or public water authorities. Other private suppliers are independent; they operate private networks or transport water to the households.  
In many cases, water services combine public and private sectors. It is the case when public operators are requested to implement a public policy through a PPP contract or when the water authority only provides water in certain locations (public standpipes) and private sellers manage the public standpipe or transport water to the various households that are out of reach of the public networks.  
Water authorities have a full range of options to organise the way water and sanitation services are delivered to water users. As capabilities and constraints of public and private operators differ from one place to another, the challenge for responsible water authorities is to organise the management of their water services by optimizing their use of public and private entities and by making sure that these operators deliver the expected results in an efficient way. Therefore, they have to organise themselves and to organise their relationship with the various public and private operators in their area of responsibility in a way that meet these needs.  
**Resulting Question 1:** What institutional arrangements should be implemented to make best use of the respective qualities/virtues of the public and private sectors? ---

In many countries, management of water/sanitation services has been decentralized to local water authorities. Theoretically, these authorities have various ways to organize the management of the water services under their responsibility. For
example, they can use a public operator through direct management or through contracting with a corporatised public entity. They can also (and even simultaneously) use private operators through PPP contracts or even though privatization of the water infrastructure.

In order to optimize the services they deliver to their population and to meet local expectations, local governments claim their entitlement to choose the best management option as a stakeholder group on a case by case basis. They publicly stated this as in the 2006 Mexico World Water Forum. Here the coalition of local governments represented by UCLG declared that “Local authorities should be able to freely choose between various management models”. Despite this claim, which was welcomed by governments in Mexico WWF4, some countries that have opted for decentralized services have decided to restrict by law the options that are available for selection by water authorities. For example:

- In Bolivia, the recent constitution states that water services can only be managed by public sector bodies.
- In South Africa, local authorities can hire private operators only if they have demonstrated that no public operator can do the job.
- In the Netherlands, a draft law prohibits management of water services by private sector companies.

The respective values of these various approaches have never been debated in a World Water Forum. Istanbul WWF5 is a place where the level (national or local) at which the management scheme should be decided to ensure optimal results for water-users could be usefully discussed.

Resulting Question 2: Should water authorities have the right to choose the way to manage their water services or should their options be limited by law?

The public body that is politically responsible for delivery of water/sanitation services decides the main characteristics of these services such as:

- goals and targets
- quality and geography of service
- funding mechanisms
- prices to users
- management organisation
- etc.

This water authority can use various types of operators such as public operators through direct management or through a corporatised public entity, private operators through a PPP contract, regulated private owners, etc. This requires clear targets and appropriate incentives in each case.

Whatever its choice, the water authority must be sure that the operators will deliver the expected results. Some projects have shown that results may differ from public expectations when the targets are not clearly stated or when one of the two parties – the authority and the operator – becomes unable to perform its own part of the project or when there is too much interference between political leaders and the management of the operator.

Therefore, it is important to identify the key elements that must be formalized by the authority in order to enable the operator, public or private, to deliver the job. “Contractualisation”, i.e. the establishment of an agreement with clear targets, mutual commitments and clear differentiation of respective roles, duties and responsibilities between the authority and each of its operators, public or private, is suggested by many as a tool that is necessary to get satisfactory results.

Resulting Question 3: What are the key elements of the relationship between the responsible water authority and its operator (public or private) that must be formalized to ensure efficient delivery of water services to water-users? Is “contractualisation” the way forward?

In many countries, water/sanitation services are delivered through a combination of a public utility, one or several private operators through PPP contracts with the...
government or the public utility and many independent vendors that bring water up to households or clean sanitation facilities.

However, in many cases the ways these different types of water operators are directed and controlled by the government are not all the same. Different public bodies or regulators are used. This does not facilitate comprehensive policies that aim at delivering good quality services to all.

Furthermore, using different regulations for different types of operators prevents comparison of their respective efficiencies and optimisation of their overall service to users. In many cases, independent providers, including organisers of local water networks, are not even regulated at all by governments which cannot have any comprehensive vision of the water sector.

Resulting Question 4: Should all operators (public operators, private operators and small-scale independent vendors) be regulated by the same public bodies with similar rules?

A few categories of people keep feeding polemics opposing public and private sectors in water management. In many cases they defend their private interests or mandates. In contrast, most users do not mind about the status of water operators. Their priority is to get good quality services. In this context the recurrent distinction between public and private sectors in the debates of the international community is viewed by many as artificial and a waste of time.

This perception is fuelled by the fact that limits between public and private sectors are fading:

- corporatised public utilities have usually a private status and behaviour. They often have several shareholders.
- private operators with a PPP contract work hand in hand with a public authority and in such case water services are not privatised but are a joint effort of public and private actors.
- in many countries, there are plenty of water utilities that are companies with both public and private shareholders (mixed capital companies).
- many public sector companies compete in the open markets where they behave as “private” companies taking risks that might affect their core customer base.
- denying the existence of the private sector is not consistent with the existence of 2.4 billion people who do not have access to a water tap close to their households. In urban areas, many of them have no other options that to use the service of private independent vendors.

In this context, it would be useful to debate the opportunity to continue to discuss the respective merits of public and private operators in the international community.

Resulting Question 5: What is the operational value of opposing public and private sectors when many private companies contribute to the delivery of public water services, many public sector companies compete against private sector ones in open markets and most un-served people use private vendors while waiting for public water services?

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<th>(Types of ) Organizations to be involved in topic consultations</th>
<th>International Agencies: UNDP, OECD</th>
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<tr>
<td></td>
<td>National Governments (min of water supply)</td>
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<td>Professional Associations: IWA, AquaFed</td>
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<td>Multilateral donors: World Bank, AFDB, ADB</td>
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<td>Related national organisations, NGOs and Local civil society</td>
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