

HOW CAN THE PRIVATE SECTOR HELP PROVIDE ACCESS TO DRINKING WATER IN DEVELOPING COUNTRIES?

Thanks to his experience at Suez, Alexandre Brailowsky has gained solid field experience of the difficulties private operators meet in the framework of PPPs. He demonstrates, via the example of Aguas Argentinas, how operators like the Suez Group – 11 million inhabitants in developing countries connected to a supply network over the past twelve years – face challenges that are purely social. A resolutely participative PPP model and the clarification of relations among players would appear to be essential.

From PPPs to "4Ps", Public-Private Partnerships Need Participative management

The various experiences of public-private partnerships (PPPs) in developing countries have underscored the importance of participative management and dialogue among stakeholders. They are indeed prerequisites for their success. During a thirteen-year concession, the Argentine company Aguas Argentinas, a subsidiary of Suez, consequently had to innovate in Buenos Aires by going beyond the strictly contractual framework of the PPP in order to provide a response to specific social issues which call into serious question the responsibility, positioning and action of private operators in the management of essential services in developing countries.

By Alexandre Brailowsky, Societal Engineering Director at Suez Environment

Year after year, the same objectives are repeated over and over again. This underscores how difficult it is to obtain rapid large-scale results in the drinking water and sanitation sector in developing countries. The public-private partnerships set up in the sector in the 1990s were supposed to be the answer to these challenges; the PPP model proposed at the time was supposed to bring in the professionalism that was essential for the efficient management of these services. Yet it was also expected to guarantee the provision of financing within a competitive environment and a virtuous contractual framework that was satisfactory to all parties.

We have to admit that in most cases these expectations have not really been met although, unlike in previous decades, considerable results have been achieved. Yet at the same time we have seen a proliferation of conflicts that have led to dissatisfaction on the part of all parties and the early termination of some of these contracts¹. International private operators have gradually been moving away from this contractual method.

Is it possible, based on Suez's experience in Buenos Aires, to consider the positioning of the private sector in this type of contract and come up with a participative management model that would provide a better response to issues that are specific to developing countries? The aim is, in particular, to make an objective review of the way in which Aguas Ar-

gentinas managed to go beyond its status as a simple operator to which the contract confined it, in the name of a social responsibility that it felt it had to assume vis-à-vis the entire population.

Innovation as a response to social issues

In the early 1990s, the water and sanitation service in Greater Buenos Aires was in a difficult situation and the Argentine government consequently called on Aguas Argentinas. The main participants in the program that was then set up were the public authorities, the users and donors. An autonomous entity entirely devoted to monitoring and regulating the contract was created to represent the different levels of the relevant territorial administrations. Users came under two distinct categories: those that were already served and those that were not yet served – there was little knowledge of the expectations and needs of future clients when the contract was implemented. The multilateral partners, mainly the World Bank and Inter-American Development Bank, had a very limited level of commitment.

The specific issue of the most disadvantaged neighborhoods

From a contractual point of view, the most disadvantaged neighborhoods sometimes present the most complex situations. There are first the "formal neighborhoods" that are coherently integrated into urban planning, but are not recorded on the land registry. They are considered as "illegal" and the financing mechanisms provided for in the contract, which are based on property titles being held, make it impossible to extend services. There are also ...

¹ The PPP involving the Argentine State and Aguas Argentinas is an example of a project where the public authority and the private operator did not manage to agree over the long-term. The concession contract was terminated in 2006. Settlement procedures are still ongoing.

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... "no-rights areas" where constructions have built up with no coherence and no legal titles. They do not even appear on the plans of the concession area given to Aguas Argentinas.

No specific action for these situations was provided for in the contract and there was not even a mechanism to initiate a regularization process. Moreover, there was no explicit obligation in the contract to provide services in precarious neighborhoods, particularly those where land tenure had not been regularized. In this case, the operator consequently had to address the needs expressed by the population without having contractual tools – or even a legal basis – to provide a service. It was, however, socially and politically difficult to ignore these populations: a response had to be given to their needs.

Suez consequently came up with an innovative approach putting emphasis on the demand for services expressed by the future beneficiaries rather than the supply offered by the service provider. Decisions were a result of the participation of all the stakeholders: future clients, municipalities, the regulator, NGOs, neighborhood associations, concessionaires. Inhabitants expressed their wish to be connected to the network; they appointed representatives that took part in decisions relating to the project and the management of billing recovery. The local authorities validated the various stages of the project, attended consultation meetings between companies, local institutions and community representatives. Aguas Argentinas was in charge of the design and technical management of projects, but planned their implementation in consultation with all the stakeholders. In terms of project support, Aguas Argentinas relied on NGOs or representative neighborhood associations.

In February 2004, the Argentine State and the company, with the participation of the main *piqueteros*² organization, launched a sizeable project for access to water – "Agua más trabajo" – based on the Aguas Argentinas model. It also aimed at social reintegration. The project operated *via* a partnership among communities – which conducted the works – the municipality, which managed the infrastructure, and Aguas Argentinas, which was in charge of the

design and control of projects, as well as training the teams that implemented them. The Argentine State coordinated the entire operation and financed the materials and the workers' salaries.

Communication played a key role

Beyond the consultation that is required on the interests of players, communication was also a key factor in the success of this social responsibility program. In this context, Aguas Argentinas defined and implemented three distinct levels of communication. All Aguas Argentinas' employees, *via* structured in-house communication, had their awareness raised in terms of sustainable development practices and projects for social operations. External communication targeting the final client was based on greater transparency. But this communication also had to target future clients: the aim was first and foremost to gain the acceptance of the community by including it in the project design itself, then systematically accompanying project implementation with an exchange of information among the different players.

Getting beyond the status of simple operator

After thirteen years in operation, and despite countless difficulties relating to the economic situation, Aguas Argentinas had integrated two million inhabitants into drinking water services and a million inhabitants into sanitation services. Going beyond the balance established by the contract, a specific program was implemented with support from the public authorities to allow the most disadvantaged neighborhoods to gain access to drinking water services thanks to a highly participative management model. This type of program is based on the combined contributions of operators, municipalities and populations – the latter fully participate in project design and implementation. To achieve this, Aguas Argentinas had to go beyond its status as a simple operator that the contract confined it to.

Traditional PPP unsuitable

One of the main lessons to be learned from Aguas Argentinas' experience is the difficulty – or even the impossibility – to finance access to water for the most disadvantaged using traditional PPP methods. In this context, coming up with solutions requires a great deal of voluntarism on the part of the operator which is institutionally, and often financially, supported by the public authorities. When an activity in the general interest is provided by a private player, social responsibility becomes a core issue: who is responsible for providing access to basic servic-



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² More or less structured social organization mainly gathering the unemployed. Its name comes from the pickets used by its members to block roads.

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es when the State itself advocates withdrawal? Aguas Argentinas' experience shows that to be sustainable the company had no choice but to take on this role, even if it had not clearly been assigned to it. It had to come up with its own solutions in order to find a balance between its commercial interests and the interests of local players – populations and political institutions. To do this, the company had to take into account the specificities of territories and the social and cultural dimensions of the contexts in which it was operating. It had to come up with new, more participative, more flexible operating methods and, above all, give each partner incentives to provide their know-how within an institutional framework that optimized everyone's input.

For a participative public-private partnership

By adding a "P" to the equation, by becoming a participative public-private partnership, public serv-

ice management contracts in developing countries must, right from the bidding stage, integrate an institutionalized process for consultation and the participation of all local stakeholders. The aim is ultimately to build a strong link between improving public services *via* a greater participation of beneficiaries and strengthening citizenship by making users aware of their rights and duties. Aguas Argentinas' experience shows that public services can be vehicles for democratic practices and help restore interest for the State.

All these issues – public service performance, citizenship, governance and local democracy – have undoubtedly conditioned the way the project was implemented and have necessarily called into question the responsibility, positioning and action of the private sector in terms of issues with strong social dimensions. ●

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Some of the lessons-learned from Aguas Argentinas' experience: four key factors for a model for action

1. Use societal engineering techniques

The contexts of operations must be fully integrated if a project is to be sustainable. This requires:

- a societal and political diagnosis prior to the operation (cartography of actors, identification of logics of interests);
- the definition of the operation: concerted construction of a strategic vision with local players with the aim of sharing interests;
- a social methodology for operations and regular evaluations;
- the implementation of awareness-raising and training programs for all players.

2. Clearly distribute roles and responsibilities

- the authorities are responsible for the public service by defining the sectoral policy, its organization and its regulation;
- the operator is in charge of managing the service; the qualitative and quantitative objectives are set in consultation with the authorities; it communicates with each of the parties, particularly with civil society for which it makes the progress achieved perceptible;
- international institutions finance heavy investments that neither local authorities nor the final client can finance and assumes the associated risks; they help strengthen the competences of local authorities and must remain involved

during the life of the contract in order to help maintain confidence between the public authorities and the operator;

- civil society must be sufficiently informed so that it can participate in decision-making processes with full knowledge of the facts.

3. Establish good communication among the stakeholders

The legitimacy of the private operator is dependent on the political and social acceptance of its operation. It must consequently seek to develop:

- mechanisms for communication, dialogue, conflict management, in order to support relations with the local authorities and civil society;
- the participation of development institutions during the life of the contract and their role in maintaining confidence among parties.

4. Design contractual and financing mechanisms that allow flexibility – this is necessary in an uncertain, complex and changing environment.

It is essential to contractually formalize the societal dimensions of these projects if they are to run smoothly. This requires implementing formal mechanisms for information and consultation, as well as defining concrete objectives and a series of supervision indicators.