

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

The World Economic Forum Water Initiative gathers governments, bi- and multilateral institutions and international companies for one objective: to promote PPPs in water. In this article, by giving a mixed review of actions by the Water Initiative in India and South Africa, Christoph Jakob underscores how important the multi-stakeholder approach is and the role of industries – too often ignored – in the implementation of these PPPs.

# Beyond PPPs: the World Economic Forum Water Initiative, a Multi-Stakeholder Approach

*The World Economic Forum's public-private water initiative in South Africa and India showed that "Brokerage Networks", involving stakeholders across all sectors, proved successful in conceptualising, and implementing water projects aimed at both boosting economic growth and satisfying human needs. The Indian initiative focussed on many small-scale multi-stakeholder water projects endorsed by the government and brought satisfying results. Less successfully, multi-municipality water projects were planned, but not implemented, in South Africa. Many lessons can be learned from these experiences.*

**By Christoph Jakob, seconded from Swiss Cooperation to the World Economic Forum**

The World Economic Forum has, since 2005, been working with the Swiss Agency for Development and Cooperation (SDC) and Alcan Inc. on a pilot public-private initiative on water in developing countries – the Water Initiative. Extensive stakeholder consultations were initially conducted to determine where efforts could be best directed. One conclusion was that water partnership projects designed to provide water for both economic growth ("water for industry") and human needs ("water for health") are relatively easy to conceptualise and present a straightforward argument for public and private co-financing. However, they are very often difficult to broker, design and implement since both public and private sector entities generally face too high transaction costs. This "bottleneck" in the project planning stage must be overcome to see more investments in the water sector.

The Water Initiative aims to develop "Brokerage Networks" involving stakeholders across all sectors – governments, businesses, civil society, development agencies and international organisations – and facilitate more effective collaboration to develop and accelerate a series of win-win partnership projects. These projects would in turn help improve access to water for communities in line with the UN Millennium Development Goals,

while securing reliable water resources for industries to foster economic growth. The fundamental objective of the approach is thus to bring together, via shareholding, all the various main parties that might benefit from the project, and coordinate their actions.

## Outcomes of the Water Initiative

The Water Initiative decided to initiate two pilot Brokerage Networks in India and South Africa. Indeed, the World Economic Forum enjoys a solid relationship with both these countries and both are experiencing rapid economic growth yet face water security challenges.

All the various cross-sector parties involved in the project collaborated in these "Brokerage Networks" the purpose of which was to:

- Lower transaction costs (especially entry costs) for all stakeholders to engage in the project;
- Reach consensus among all stakeholders from the outset, thereby reducing the risk of future project disruptions;
- Provide the neutral space for stakeholders to challenge and constructively resolve project issues;
- Ensure that projects were "bankable" and aligned with existing economic growth and social development strategies, thereby stimulating additional finance for these projects backed by political and private sector heavyweights. ...

... The Water Initiative demonstrated that it is

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possible to leverage 3 USD from the public sector and 6 USD from the private sector in project finance for every 1 USD invested in the Brokerage Network by the development agency.

## The Indian and South African initiatives

The Indian Business Alliance on Water (IBAW) is a national level public-private partnership involving the Confederation of Indian Industries (CII), USAID, the SDC and the UNDP, that was catalysed at the Forum's 2005 India Economic Forum ([www.ibaw-india.com](http://www.ibaw-india.com)). The IBAW catalysed 25 project proposals throughout India, 14 of which are based in Rajasthan. This partnership at state-level with the State Government of Rajasthan is called the Rajasthan Business Alliance on Water. Project proposal topics include desalination plants, rural water supply and sanitation systems, rainwater harvesting, groundwater recharge systems, wastewater treatment and sewage treatment facilities. The IBAW used an initial 200,000 USD grant from USAID to appoint a full-time Project Officer and to organise project development meetings, which in turn stimulated an additional 20,000,000 USD of public and private finance for the projects. The IBAW has been approached by other Indian states to replicate this partnership and is now examining this matter with government officials of other potential states.

In South Africa, the NEPAD Business Foundation (NBF), with the support of the World Economic Forum Water Initiative, has helped facilitate a multi-stakeholder water network that includes government departments (such as the Department of Water Affairs and Forestry, the National Treasury PPP unit and the South African Local Government Association), development and commercial finance institutions (such as the Development Bank of Southern Africa, Trans Caledon Tunnel Authority and Standard Bank), civil society groups, national and multinational companies, especially from the mining sector, and finally, multilateral institutions (such as the European Investment Bank, IFC and the African Development Bank).

This network aimed at developing two major "win-win" water project propositions in South Africa – large and complex projects that involved the collaboration of multiple municipalities, agencies and

industry sectors. Combined, these two projects were designed to provide clean water for 750,000 people in some of the poorest areas of northern South Africa, as well as to secure reliable water supplies to industry to stimulate economic growth.

Due to capacity constraints within the NBF at the time, the projects, after conceptual agreement was reached, were handed over to project champions for implementation. It has regrettably not taken place failing the appointment of an "external coordinator".

The success of the South African projects seems less convincing compared to the Indian one. Yet, activities are to be extended to other SADC countries with due consideration for lessons learnt from the positive pilot experience. In preparation of Phase 2, the NBF has established a dedicated Project Management Office (PMO) to serve as ...  
... a cooperation hub for project development. More

## Water Recycling Project in Rajasthan

**Shree Cement Ltd currently operates a cement factory in Beawar**, in the Ajmer district in Rajasthan. This district suffers from a lack of sewage treatment and waste disposal facilities, thus resulting in health concerns and polluted groundwater. Shree Cement will build and operate a sewage treatment plant that

treats and reuses wastewater in its cement factory. This project will free up 1000 m<sup>3</sup> of water per day. The project will be conducted in partnership with the Government of Rajasthan, who will provide land for the treatment plant, as well as the local government who will provide the wastewater supply infrastructure.

## Hartbeespoort Dam Project in South Africa

**This project will treat and pipe poor quality**, non-potable water from the Hartbeespoort Dam in the Gauteng Province to north and potentially to Botswana to be used as industrial-grade water by various heavy industries, thus providing them with the water they need to maintain and grow their operations in the North West and Limpopo

provinces, creating employment and supporting wider provincial economic growth. The volume of potable water currently being used by these industries will be reduced by up to 50 %. Clean water will thus be supplied to approximately 595,000 people in two district municipalities.

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companies will come on board to tackle targeted projects aligned with the SADC priority Growth Development Corridors. At the 2009 World Economic Forum on Africa, over 60 public and private sector, civil society and NGO participants endorsed this idea and will re-convene in the autumn of 2009 to develop the implementation action plan.

## Lessons Learned

Stakeholders who have been involved in the regional processes to date have expressed their desire to scale up these activities (for example in multiple states across India and across the Southern Africa region). New stakeholders have signalled their interest to replicate the model in other regions (for example in the Middle East, suggesting Jordan as a potential starting point). Before moving forward, it is important to draw from the lessons of the pilot network experience.

**Necessity to appoint a coordinating project officer:** it is crucial to have full-time, dedicated resources to coordinate the network and oversee the work from the design process through to the implementation phase. The India pilot network used part of its USAID grant to remunerate a dedicated project officer who worked with the network stakeholders to broker the project proposals. The South Africa pilot network did not have sufficient funding to appoint a full-time project officer. After the project design discussions, the project concepts were left to the specific project stakeholders to be carried forward, which slowed down the project implementation progress. However, in Phase 2 of the South Africa network, a dedicated PMO and project officer, sponsored by the SDC, have been appointed.

**Government endorsement:** the official backing of government at the highest level is key for success (only a stable government with credible water policies). This kind of backing provides the credibility that a network needs to engage the necessary stakeholders. In India, the Chief Minister of Rajasthan initiated the State partnership which most likely convinced private sector companies and civil society of the IBAW's legitimacy as a partner. However, in South Africa, stakeholder commitment was hard to obtain as the network was not officially launched as a government-endorsed initiative.

**Multi-stakeholder network and engagement:**

the creation of a network can facilitate more effective collaboration between multiple stakeholders. Due to the political nature of water, it is sometimes unrealistic to work through government or donor-led initiatives alone to promote innovations or reforms in the water sector that include the private sector. A balanced selection of "network partners" and designated representatives that participate as equals is required from all sectors concerned.

**Clearly-allocated roles and responsibilities:** India's pilot network took a more formal partnership approach with the IBAW, which included a Memorandum of Understanding signed by all partners. However, the stakeholders of the South Africa network took a more informal approach. While it is difficult to say if one approach is decidedly better than the other, it appears – based on the pilot experience – that some structure and agreement as to stakeholders' roles and responsibilities is beneficial in the project design process.

**Types of projects:** the India network focused on a larger number of smaller-scale projects compared to the two large-scale multi-municipality projects in South Africa. This experience shows that it is easier (and less politicised) to develop the smaller projects. In addition, projects that focused on demand and efficient use / re-use of water resources seemed less contentious than projects centred on water supply (increasing water capacity).

**Managing lead-times:** a lead-time of about one year is necessary for the preparation of new networks and to initiate the processes to catalyse and develop project ideas. However, once the network and process are up and running, the time to generate additional project ideas decreases. For new networks to be sustainable on their own, a 2- to 3-year process is necessary.

Management of water needs stands out as an urgent, tangible and fully resolvable issue. The experience of the Water Initiative in India and South Africa shows that this issue can effectively be tackled thanks to a multi-stakeholder effort supported by government. ●