Bridging the Access Gap:

The Role of the "Domestic" Private Sector in Water Services

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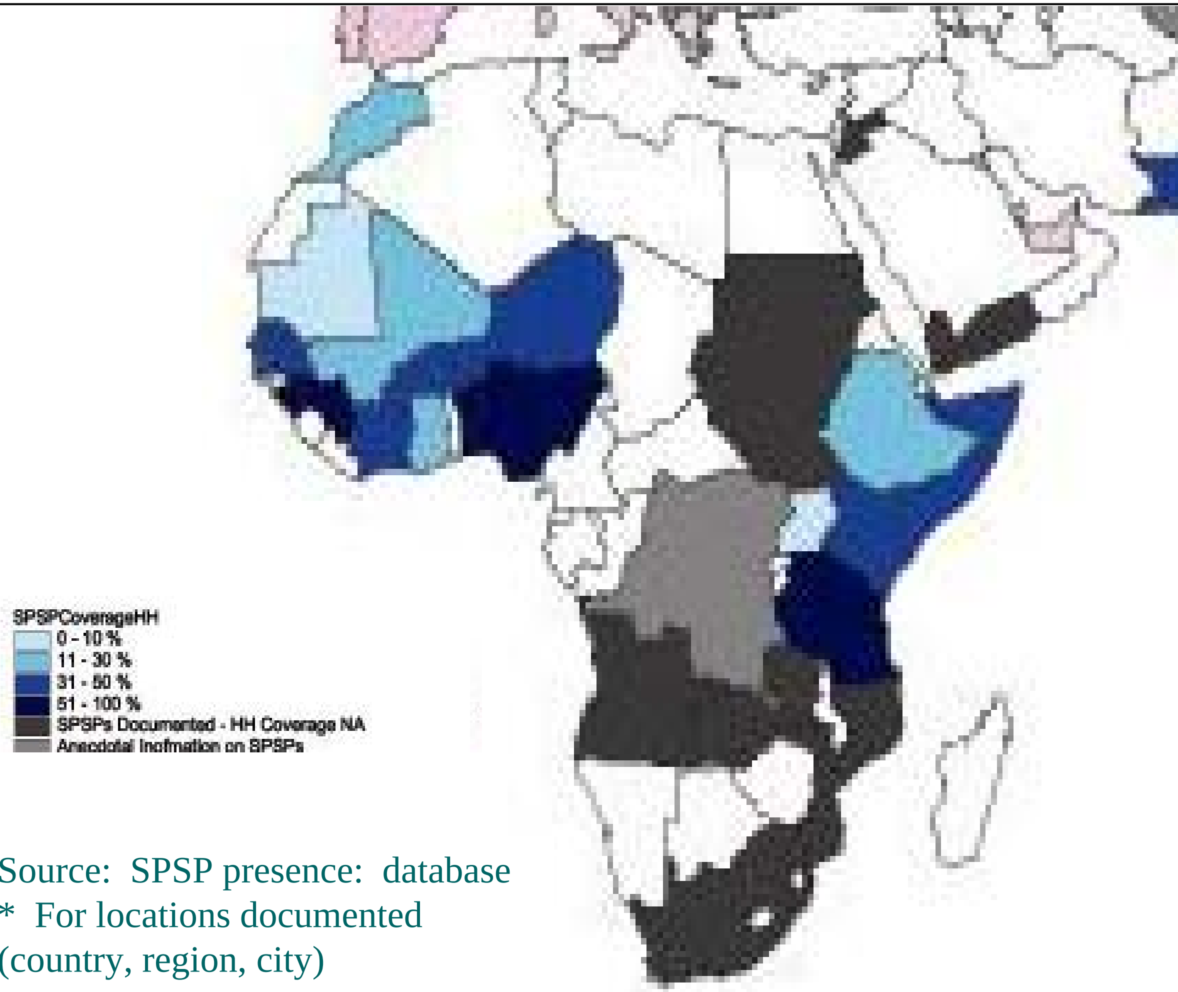
Overview

- Relevance of DPSP to sector objectives
- Who are Domestic Private Service Providers
- Understanding the market for DPSP
- Outlining a pro-DPSP reform strategy
- Establishing a dialogue and partnerships with DPSP
- Creating a “business” environment for DPSP

Relevance of DPSP to the WSS Sector

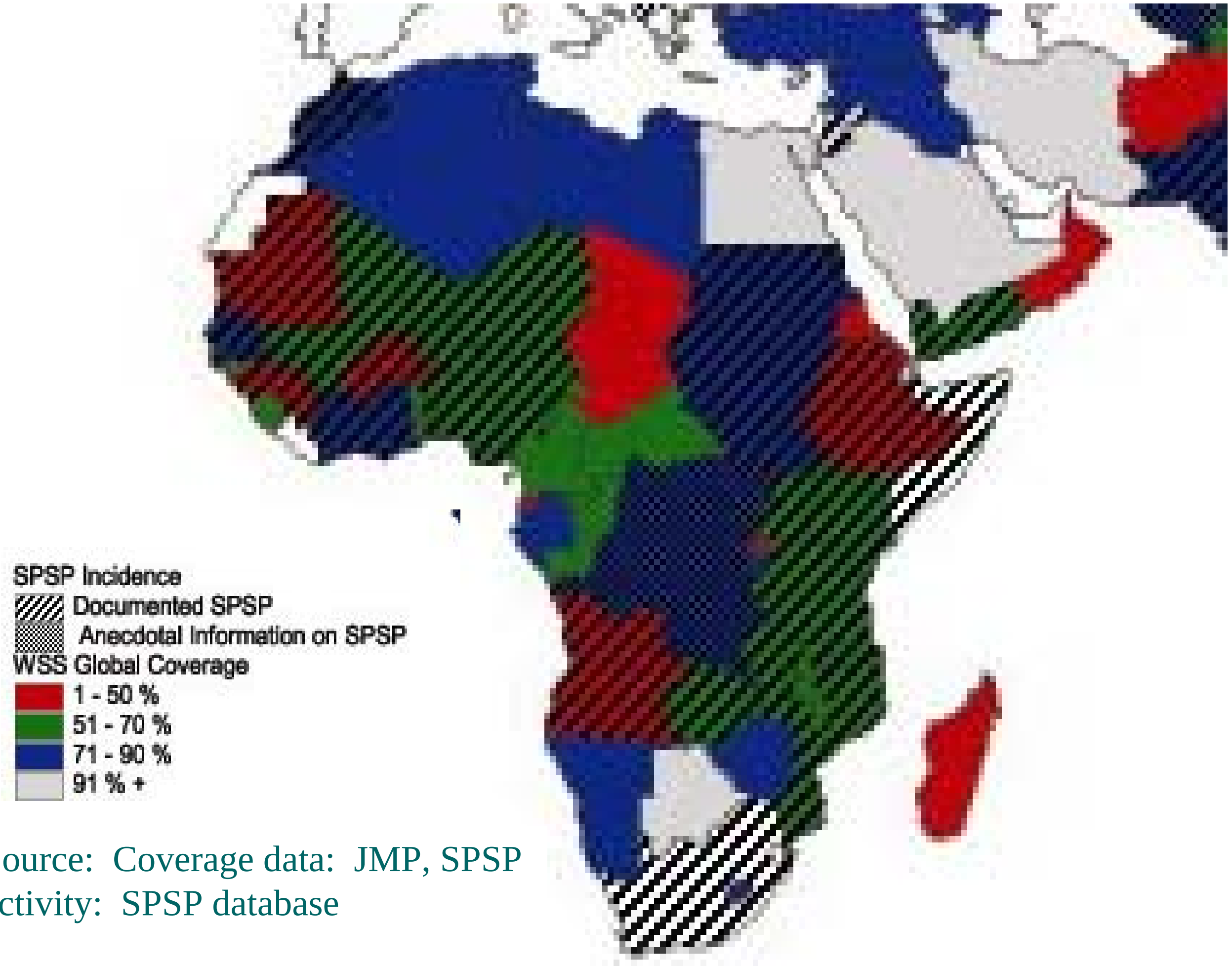
- Rapid Urban Population Growth
  - In cities slums/informal settlements are key- currently house 40-60% of urban population
  - Towns are the fastest growing urban centers – doubling every 15 years
- Low service coverage, growing access gaps
  - All households have access to “a” water supply – questions about safety, reliability, sustainability
  - Many new households are relying on “other sources” (Drawers of Water)
- Rise in domestic/small-scale/local private sector role in WSS services
  - Small-scale providers a stimulus for engaging local operators?
  - Opportunities for leveraging existing domestic private sector capacity?

Scale of Small-scale Private Sector activity in Water Supply - Percentage of households*



Source: SPSP presence: database
* For locations documented (country, region, city)

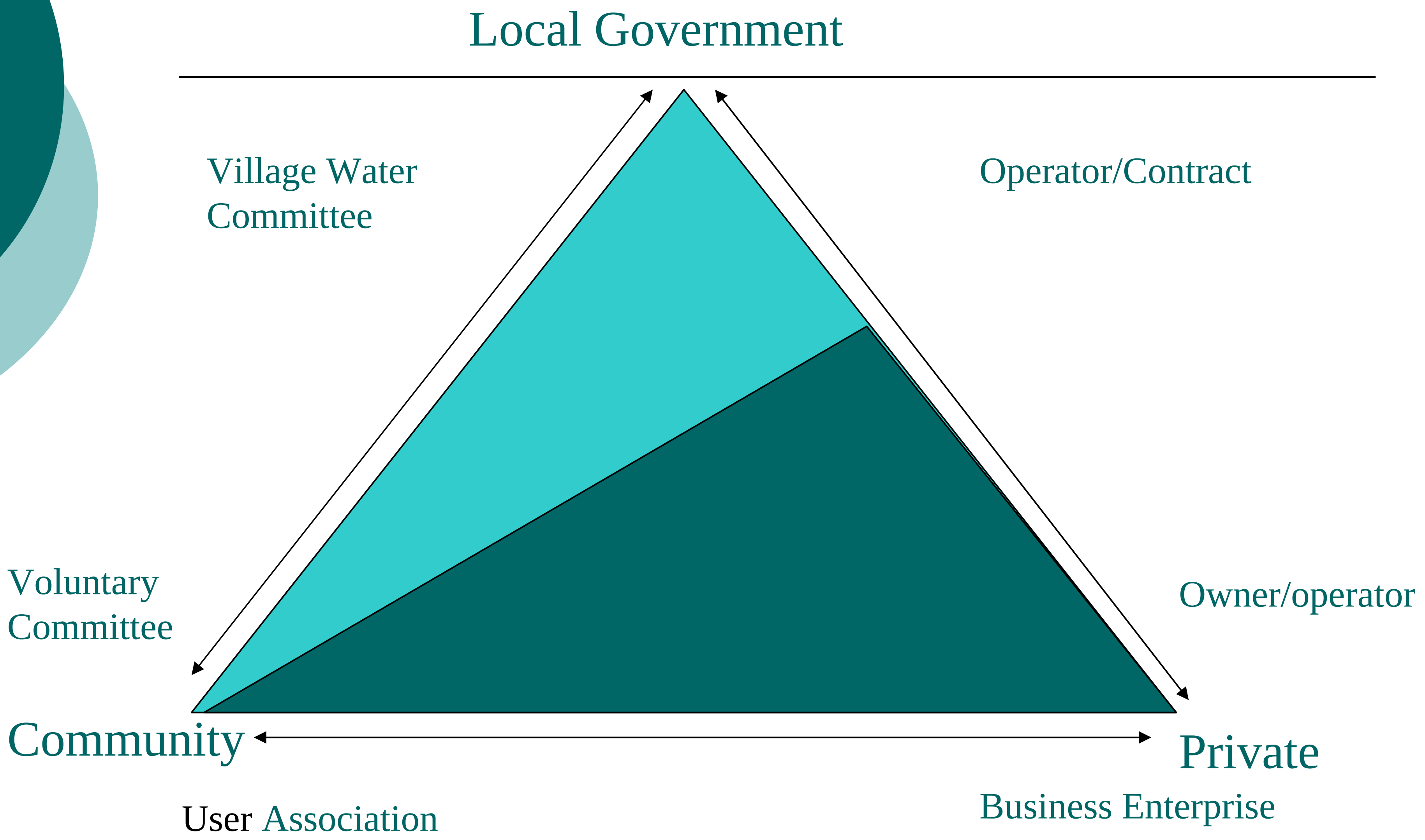
Coverage Levels – Extent of Small-scale WSS services

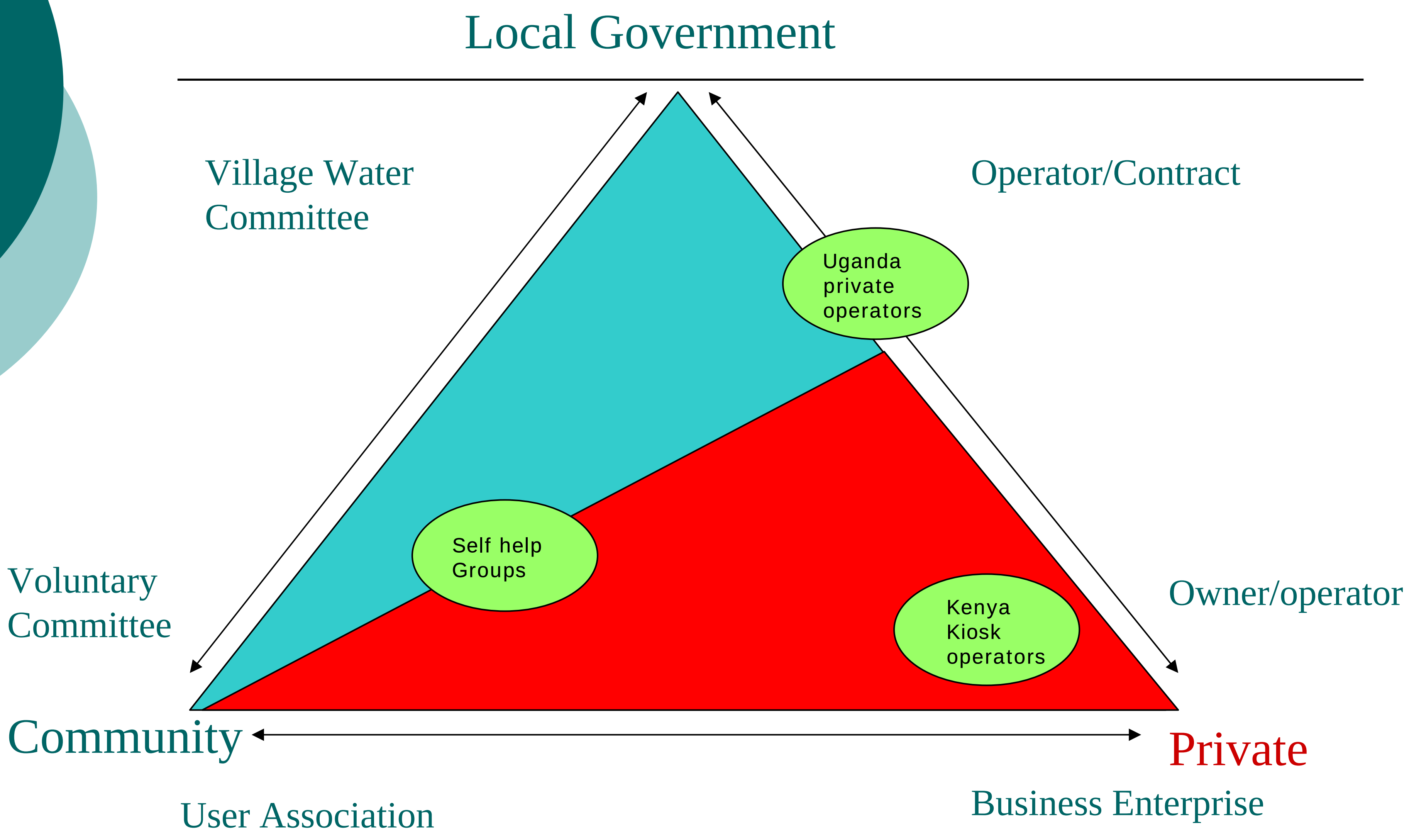


Source: Coverage data: JMP, SPSP activity: SPSP database

Who are "Domestic Private Sector Service Providers"

- Gather country and location specific details
- Identify key features of existing and potential DPSP (survey and mapping, indicators):
  - Type – Investors, developers (greenfields) vs. Operators of existing systems
  - Status - Formal vs informal (organisational type driven by legal/regulatory environment?)
  - Source - Independent vs dependent supply – influences regulatory arrangements
  - Technology –Piped Network, Point Source/Kiosk, Mobile Distributor (tanker, carter)
  - Motive - Self-initiated/financed vs outsourced/public financed
  - Other – new entrants, joint ventures, higher risk profile, local/resident, understand the political economy


Local Government
Village Water Committee
Operator/Contract
Voluntary Committee
Owner/operator
Community
Private
User Association
Business Enterprise

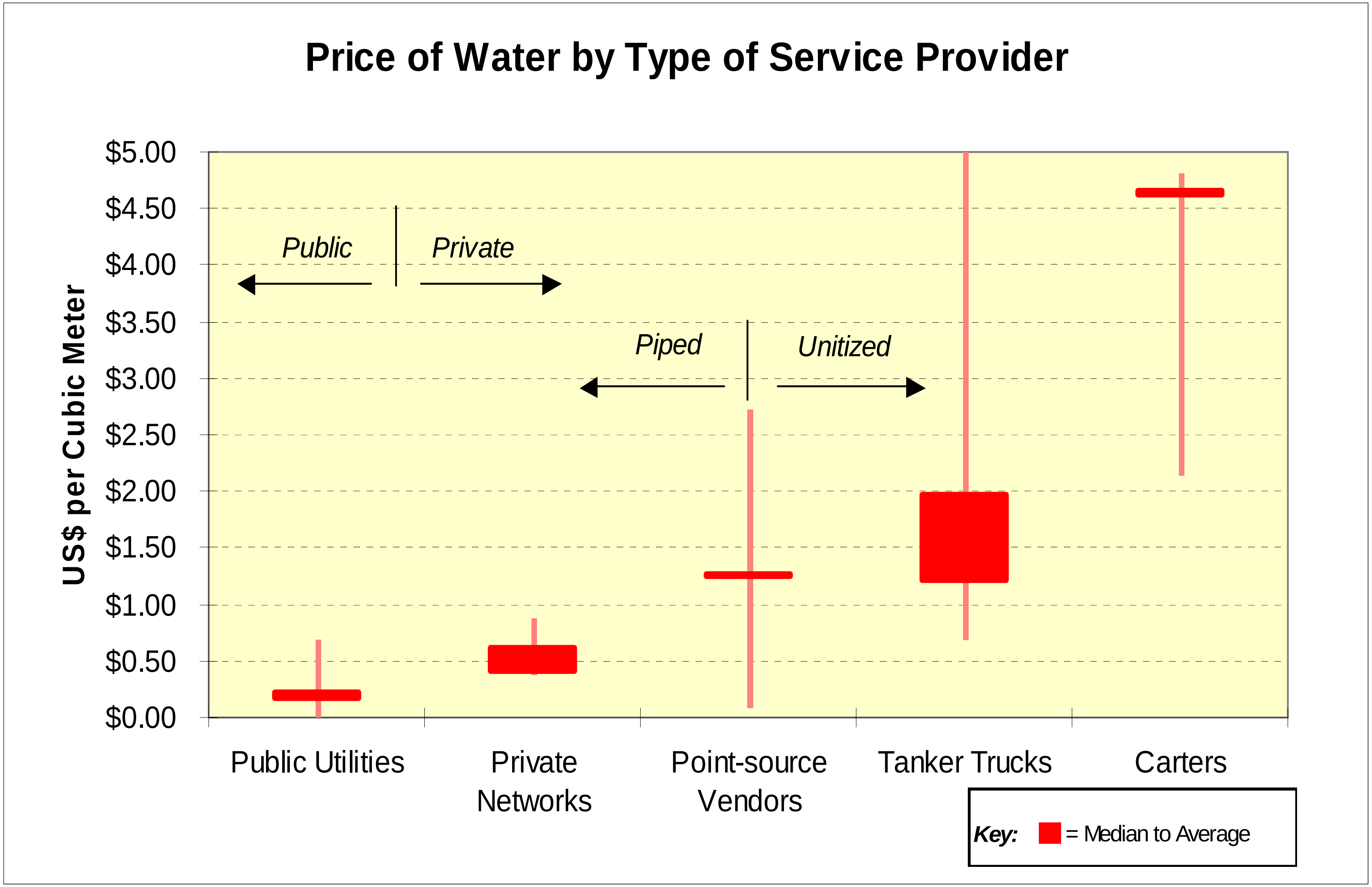

Local Government
Village Water
Committee
Operator/Contract
Uganda
private
operators
Self help
Groups
Voluntary
Committee
Owner/operator
Kenya
Kiosk
operators
Community
Private
User Association
Business Enterprise

Understand the market for DPSP

- What role can SPSPs play in expanding services (consumer preferences, willingness to pay studies)
- Informed decision making – local context creates local opportunities
  - Groundwater prevalence – self provisioning, Sri Lanka
  - Housing patterns/tenure – role of yard connections/landlords, Nairobi
  - Pioneers/real estate developers/private networks – Argentina, Philippines
  - Gap filling – network with intermittent supply (India), intermediate or long term issue
  - Third party provision – delegated service delivery arrangements, Manila
- What customers want and are willing to pay for

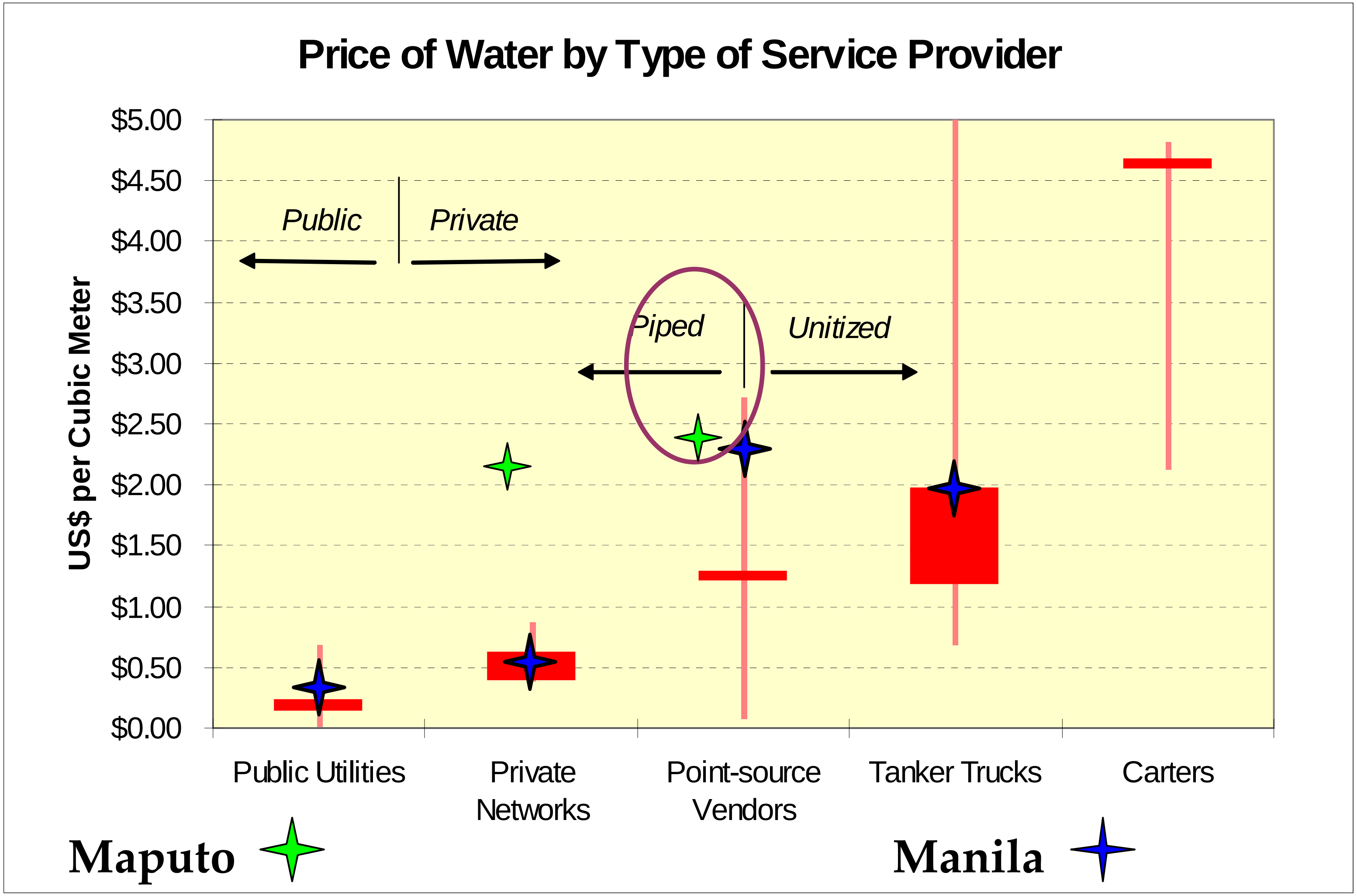
Price ranges by type of small-scale provider:

Data from 40 countries, 97 locations



Costs and Pricing Surveys

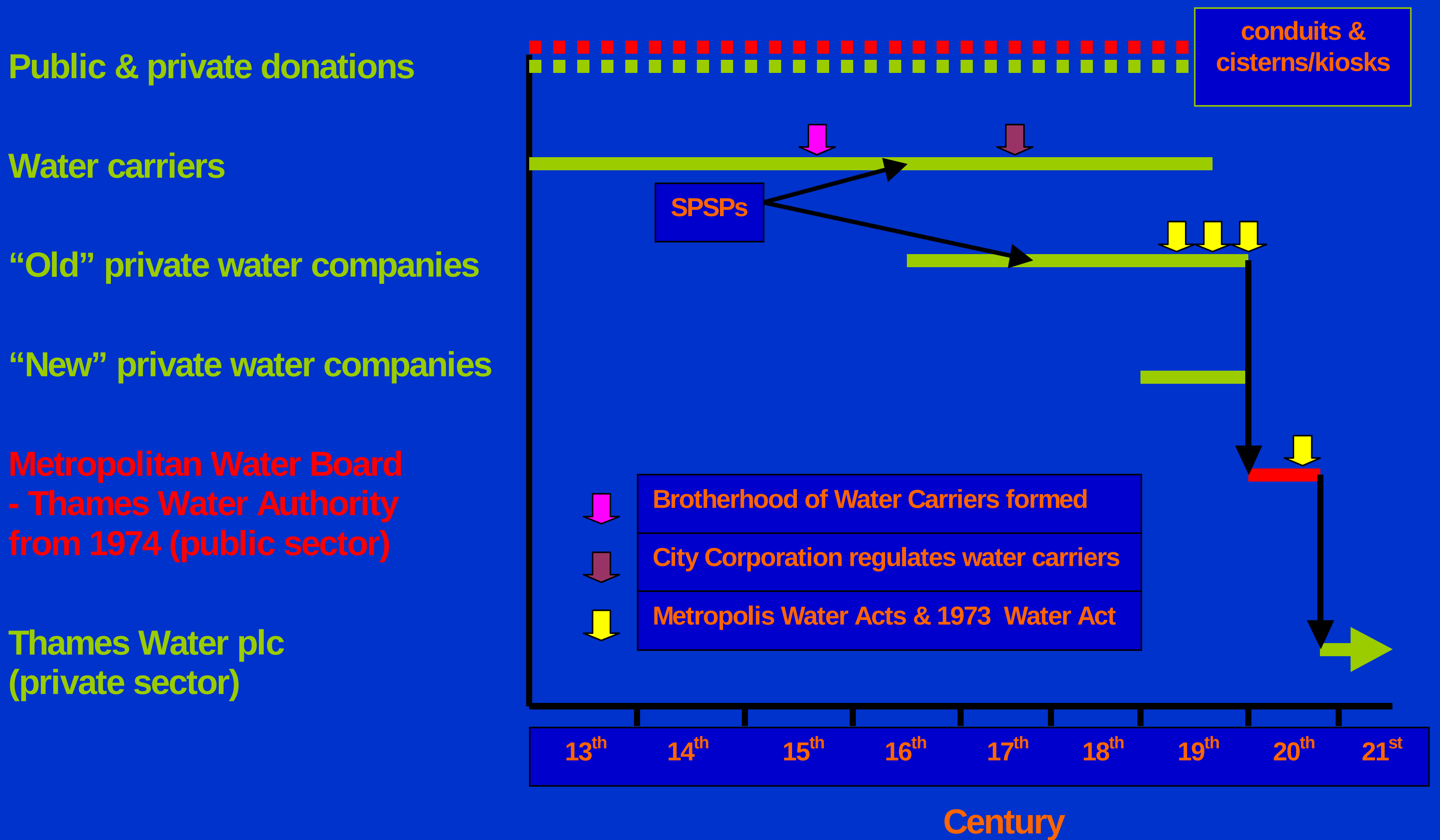
Data from Small-scale providers in Manila (183) and Maputo (38)



Outline a pro-DPSP reform strategy

- Assess role of DPSP in light of the pace and extent of service coverage
  - 40% coverage may invite greater role for DPSP
- Determine whether the role of DPSP is likely to be significant in the short, medium or long term
  - context specific action plan, taking into account local needs
  - specify role/timeline for each different actor
- Develop a vision for involving DPSPs in different aspects of services - development and delivery
  - integrating/consolidating SPSPs into long term plan
  - greenfields/expansion of services
- Define and put in place an acceptable exit strategy for phasing out DPSP activity
  - Law/regulations, Contract, Compensation

TIMELINE - DEVELOPMENT OF LONDON'S WATER SUPPLY



London's Private Water Vendors and Companies 1580 to the Present Day, Stephen Myers

Establish a dialogue with the DPSP

- One-on-one dialogue with individual SPSPs may not be appropriate –
  - often numerous small and dispersed actors
  - great diversity among small-scale actors.
- Work through and with Associations of SPSPs – to reach consensus on needs of their members
- Key features of SPSP Associations in 10 countries
  - Collective action - lobbying/negotiating, unified voice,
  - Internal consultation/dialogue –as input to strategy
  - Needs Identification - appropriate standards, terms of contract, regulation, financing
  - Provide Training - awareness raising and capacity building (members are informal, have limited experience)
  - Pool resources - for economies of scale (e.g. procurement, joint borehole,
  - Provide technical assistance – registration, insurance

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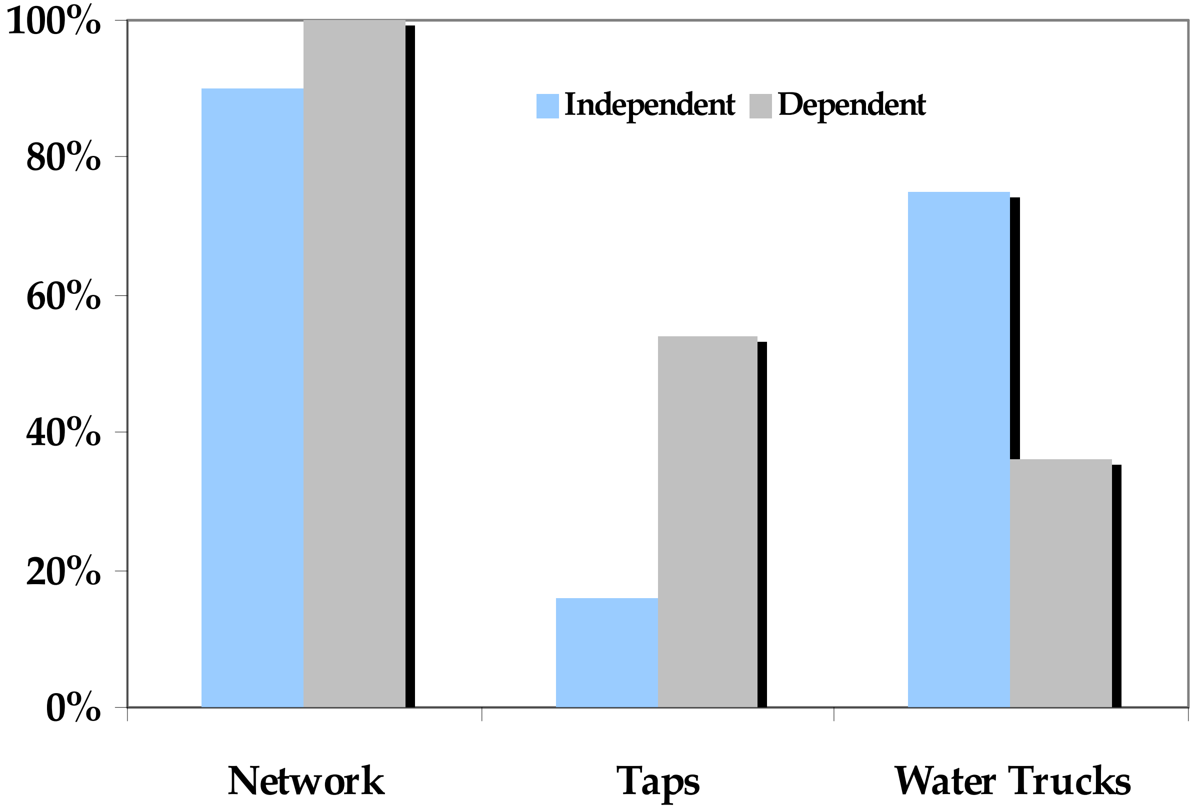
A “business” environment for DPSP

- Develop favorable policy (national, local, utility) – allow incremental steps towards the goal rather than one big step.
- Address legal and regulatory barriers – remove exclusivity, third party provision.
- Create a favorable investment climate – is overall framework for PSP adequate?
- Enable access to registration, licensing, permits – simplify, streamline, affordable.
- Address business constraints – tenure, access to financing, risk.

avoid over-regulating…

Managing the cost of formality

Manila: Percentage of providers with 1+ registrations



Median # of <u>registrations</u>

Networks: 1
Taps: 1
Mobile: 2

All independent: 2
All dependent: 1

Conclusion

- Growth of population outpacing public service delivery – drawers of water study
- Fastest growing areas – served or potentially served by DPSP
- Meeting the MDGs – requires adaptation and upgrading of existing services, innovation
- Development an incremental process – plan for evolution and change
- Mobilise latent capacity - work with what we have and improve on it

Focus on outputs and outcomes.

Encourage and support innovation.

The WBG program for WSS