PPP contracts as a process

Sharing Gret’s experience

Devoted to Action and Innovation for Global Solidarity
A French development NGO

- Fighting poverty and inequalities
- Providing sustainable, innovative solutions for fair development in the field
- Promoting inclusive policies and development practices.

Created in 1976 - 700 professionals

Working in 30 countries

150 projects per year

30 publications per year

A budget of 23 million euros
Gret’s 15 year experience on contracting processes in the water sector emerges from:

- An early interest in grey zones: no longer rural, not quite urban (small towns, periurban areas)
- Building policy and methodology references from local experiences
- Formalising relationships between existing public and private stakeholders
- Professionalising their work

Our earliest work was in Cambodia, we now develop these approaches also in Laos, Madagascar, Mauritania and Senegal.
What is the issue?

(Beyond the obvious question: *how to make services last?*)

- The grey zones are demographically fast growing.
- The demand in these areas is at least partially solvable and fast changing, it is diverse.
- Local domestic private providers are emerging, their role is being recognised and they are being encouraged to enter the sector.

What tools can be used to make sure their services are fair, affordable, lasting without stifling innovation and adaptability?
How can contracting help?

The contracting process is one of these tools.

It helps to:

- Define needs
- Set objectives
- Clarify roles and responsibilities
- Identify risks and benefits and allocate them
- Consider checks and balances
- Make service management accountable
The contract – a step, not the first one

The contract – as a document – is only the embodiment of a process, that is ongoing

What is the local water demand?  →  Who are the main stakeholders?  →  What kind of private operators?

Defining and signing the contract  →  Reviewing the contract
Estimating the water demand

Estimating local demand is essential to:

- Understand existing water practices
- Analyze water perceptions and expectations
- Define acceptable management and financial solutions

Some potential tools:

Data from monitoring  Socio-economic studies
Identifying the main stakeholders

Mapping existing stakeholders with the aim to

- Identify different strategic groups and leaders (public figures, local officials, entrepreneurs, poor or vulnerable families, etc.)
- Understand their specific positions, interests and relationships
- Analyze the profiles of local entrepreneurs

Some potential tools:

Local planning
Stakeholder meetings
Clarifying ownership?

Placing contracting authorities in a position of responsibility is essential

• The subsidiarity principle
• Decentralisation processes are underway across the world
• The water sector is sometimes devolved at levels closer to citizens

• Mauritania: water services are a communal or state responsibility
• Laos: district and provincial authorities are involved in contracting
• Madagascar: water services are in theory a communal responsibility but there is a transitional phase
Choosing the operator: a key moment

Giving responsibility to the contracting authority at the lowest level
- Technical assistance to local authorities
- Selection committees that include local stakeholders

Bidding processes that are within their reach
- Training
- Simple evaluation criteria
- Adapted tools (templates, scoring cards, etc.)

Promoting proximity (in Cambodia many water investors have a link to the sites they invest in…)

And when the operator already exists? Negotiation is essential
Who sits at the negotiation table?

Who are the stakeholders that the contract binds?

- The operator
- The local authorities
- The sector authorities (at national level? At local level?)?
- The users?
The perfect contract…

… does not exist!

- The temptation to try to predict all possibilities and to add articles and clauses must be resisted, a contract is necessarily incomplete
- It must be understood by all stake-holders (thus in a local language rather than an international one)
- It serves to help the emergence of a common language on the water service
- It spotlights major issues
- It is better short, flexible, capable of change (through periodical contractual meetings)
A lasting service is one where there is trust, and trust needs to be built.

Building trust requires building understanding:

- of the contract and its obligations
- of the constraints each stakeholder faces
- of the compromises reached
The contract must live

The relationship the contract embodies must live

- Contractual review processes can help to reinforce trust
- Periodical meetings should allow all stakeholders (particularly users) to discuss service quality

In Laos

- Yearly contract review meeting is organised
- It gathers the district, the concessionaire and user representatives
- Review of service performance and key issues (using a small range of indicators)
Some questions

Does a contract concern only private operators?

> Contracting community managed services could reinforce their accountability

Is the contract the only solution?

> The licensing process in Cambodia

Service regulation: contract, independent agency, how are they articulated?
Thank you for your attention

Mathieu Le Corre (lecorre@gret.org)