Strong Public Sector Leadership Key to Sustainable PPPs

Rural growth centers and small towns dominate the challenge of water service delivery in Sub Saharan Africa. In the next decade, 40% of Sub Saharan Africa’s population will live in urban areas. While most African urbanites used to live in capital centers, today only 35% do. Africa’s settlements will be dominated by rural growth centers and small towns where populations range from 1,000 to 50,000 inhabitants. This is Africa’s biggest challenge for network water service provision given the generally lower population densities over larger land areas and lower incomes. Generally, more than 50% of the population of rural and small towns live below poverty lines.

Private participation as a vehicle for public policy implementation. In developing countries, local private sector companies and entrepreneurs have worked as partners to deliver water supply services in rural growth centers and small towns. In Sub Saharan Africa, a number of governments have explicit policies for the delegation of water supply services to private operators, including Benin, Burkina Faso, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal and Uganda.

Affermage, Lease, and Management Contracts most common. Management and affermage-lease contracts are the most common types of contract today, where operators take commercial and operational responsibility, including small repairs.

Key Lessons from the Field

Factors of Financial Viability Suggests Need for Lowering Cost of Services in Rural Areas to Drive Consumption. Evidence suggests that a growing number of privately operated schemes are just able to achieve operating cost recovery, with a few making comfortable margins (See Figure 1).
This observation points towards the common issues across countries: price of water and connections, rates of consumption, and economies of scale. In rural growth centers outside small towns, the cost of service tends to be high especially when compared to urban services.

Lowering the cost of service in rural environments requires approaches that are usually not easy to coordinate or navigate politically and hence, left unaddressed. These include:

- subsidizing the densification of standpipes to bring them closer to household settlements or the cost of house connections; and
- clustering schemes across different political/administrative boundaries to be managed by a single operator

Why holding local institutions accountable matter in the success of the partnership and in rehabilitation: Private sector participation in Africa is often an accompaniment to political devolution, which saw the responsibility for water services decentralized to the local level. This is the case in Benin, Burkina Faso, Mali, and Uganda. The role of local governments being the focal point between state, consumers and the private sector is critical. Often, however, transfer of authority for water services is not well thought out and incomplete. Uganda is unique as it has set up a dedicated and autonomous local body that represents the public sector in water services delivery. In contrast, most West African countries, such as Benin and Burkina Faso, expect the local communes (mayor) to take on the oversight for water services as an additional mandate on top of others (See Figure 2).

Few countries reviewed have developed mechanisms to empower and hold the local contracting authority accountable to uphold their side of the PPP bargain, which requires the following:

- establishing dedicated local water institutions through law and signing a performance agreement between national and local government levels;
- linking national sector financing to performance of local institutions;
- setting up support structures to strengthen local institutions such as standard contracting and bidding documents, technical assistance agencies; and
- enabling accountability through monitoring systems and performance audits.

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