

PUBLIC-PUBLIC PARTNERSHIPS IN THE WATER SECTOR*

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NOTE: This document was prepared under the auspices of the Philippine Water Supply Sector Roadmap, jointly chaired by the National Economic and Development Authority and the National Water Resources Board and supported by GTZ. This document has been analysed by members of the Philippines Water Dialogues with their commentary incorporated.

The concept of a public–public partnership (PuP) was developed in the context of the aggressive promotion of international financial institutions (IFIs) like Asian Development Bank and World Bank of public–private partnerships (PPPs) in water service delivery. Public-Public Partnerships (PUPs) are new partnerships developed between public water operators, communities, trade unions and other key groups, without profit motive and on a basis of equality. In addition, PUPs are also being created when well-performing public utilities are matched or ‘twinned’ with those that are not-so-well performing to share expertise on a not-for-profit basis in order to improve the standard of the lesser performing utility. This kind of partnership is sometimes called ‘Water Operators Partnership’ (WOP). The partners may come from within the same country – ‘local PUPs’ - or from other countries - ‘international PUPs’. PuPs are most effective when all partners have an understanding of each other’s goals and are willing to work together to reach their shared goals. In all these partnerships, the aim is to address common causes of public service failure and secure affordable clean water for all.

For practical purposes, PuPs can be categorised according to:

- partnerships between two public authorities;
- partnerships between public authorities and communities;
- development partnerships;
- international associations
- the partnership’s objectives.

PuPs can be used to achieve the following objectives:

- They can lead to *improved services* because they are a way of restructuring the public sector, which helps to overcome some of the current limitations of the public sector. They may lead to greater efficiency, improved access to services or more equitable treatment
- PuPS can be used to *build capacity* in public agencies and the skills of a workforce. There is evidence that the process of capacity-building, which involves different groups or parts of the public sector, is often the most successful in drawing together groups to learn.

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- They can be an effective way of restructuring the public sector and improving public services as a *defence against privatisation*. However, PuPs do not necessarily stop privatisation in the medium to long term.
- They can help to *build stronger community support and accountability* for services. Partnerships with a strong community presence and with robust accountability mechanisms may also be better able to survive political changes, and so be easier to defend against privatisation.

Possible activities under public-public partnerships include:

- Reforming (and democratising) decisionmaking and planning
- Institutional and human capacity building (including training of managers and workers to boost capacity and public sector ethos: including integrity, equity, clarity, accountability, transparency, openness, cooperation, and evaluation)
- Managerial consulting, training and capacity building
- Administrative support (including working conditions, salaries, benefits, and supervision of any outside contracting)
- Financial planning, social tariff setting (differential for domestic, industrial, commercial, institutional, and agricultural uses), billing, and customer service and collection & assistance in locating available finance
- Maintenance (including repair and replacement of equipment)
- Leakage control and other sustainability measures
- Advice and other assistance in operational infrastructure and/or project design assistance in service delivery
- Construction
- Operation
- Expansion of coverage
- Financial assistance in obtaining finance for investment/expansion needs.

IFIs and governments should promote and provide financing to public-public partnerships. Public Services International (PSI) also points out that workers contributions to pension funds in Europe and North America has created an enormous pool of investment finance which could be made available for investment in clean water and sanitation. The total amounts generated in such pension funds could be up to US\$ 7 trillion, two-third of which belong to workers in public services. A global water bond mechanism can be created where these pension funds could be channeled and more fully invested in water and sanitation, including in PUPs models.

PUP/WOP initiatives in Latin America

Multinational water companies have retreated from Latin America in the last five years due to public opposition and failure to make large enough profits. In January 2003, Suez, the largest operator of private water contracts in Latin America, announced that it would withdraw from operations in developing countries unless the return on capital was at least 13%; in 2007, Suez announced that its withdrawal was complete, and that it no longer has any employees in water in Latin America. The public sector has recovered many of the concessions that had been privatized in the 1990s. In Bolivia, Uruguay and

Venezuela, for instance, all the privatised operations have returned to the public sector, under national or municipal ownership. As a result, new public sector models and PUPs are being created, with differing roles for national, regional and local governments, as well as employees and communities.

Argentina

Public operations increased in importance after the termination of a number of concessions following the 2001 Argentine crisis. The termination of the Aguas Argentinas contract resulted in the re-nationalisation of water in Buenos Aires and re-established a strong role for central government in the sector. In March 2006, state-owned water operator AYSA (Aguas y Saneamientos Argentinos) was appointed to operate water supply and sanitation services. AYSA was 90% owned by the Argentine government and 10% owned by the trade union CGT which held the same equity stake in Aguas Argentinas. It is noteworthy that workers and unions often have a formal ownership stake in the new public entities.

Several positive changes have since taken place:

- 1- AySA operated a social tariff policy in favour of low-income residential users unable to afford paying the bill.
- 2- AySA also implemented the so-called Participative Management Model, whereby all the parties involved work together: the municipalities, the company, the regulatory agency, the neighbors and their representatives. The municipalities are responsible for the direction of the work; the company is in charge of developing the projects, training the executors, providing the materials and conducting task follow-up; the neighbors actually carry out the works; and the regulatory agency provides the necessary legal coverage.
- 3- AySA also requested suppliers to comply with labour and social regulations in areas such as pay, social security, insurance, safety, hygiene and the environment.
- 4- In August 2006, a “new and ground-breaking” Collective Labour Agreement came into force which emphasised training and workers education.
- 5- AySA’s School of Apprentices was also enlarged and an agreement was entered into with the Tres de Febrero University “to develop and teach Post-graduate studies in Sanitary Engineering”. Initiatives in the area of safety included training and awareness raising on the prevention of accidents, vaccination against flu and hepatitis, a regular medical check-up for the entire workforce, specific technical training and medical check-ups for workers operating equipment and driving vehicles, and a campaign against smoke within company premises

After the termination of the Azurix-led concession in Greater Buenos Aires, operations were taken over by a publicly-owned company operated by a workers cooperative. In February 2002, the provincial government either did not have the technical staff or the managers needed to take charge of the service. This led the Water and Sanitation Trade Union of the Province of Buenos Aires (Sindicato de Obras Sanitarias de la Provincia de Buenos Aires) into urgent negotiations to guarantee the quality, quantity and continuity of the supply to the almost three million people covered by the concession. The

provincial government set up Aguas Bonaerense SA (ABSA) as a public sector water company, co-owned and operated by workers cooperative “5 de setiembre S.A.”, and with strong public participation at many levels. Water users were involved through the representative organisations both in the regulator body and in the management of the ABSA; an agreement was also reached to transform the salaries for operating the service into new shares for workers. The immediate results obtained by the workers-operated public company have been positive. Today 71% have potable water and 45% have household sewerage. Moreover, all investments were with money from the company and of the provincial government budget.

In January 2006, Suez decided to withdraw from its concession in Santa Fe, Argentina. The provincial government set up the operator Aguas Santafesinas SA (ASSA), majority owned by the provincial government (51%) and minority owned by the 15 municipal governments within the concession area (39%) and the trade unions (10%), which took over operations in early February 2006.

Peru

Peru is under pressure from the Inter-American Development Bank (IADB) and the German government to privatise water. Strong campaigns have succeeded in preventing the privatisation of the water utility in Lima, Sedepal, and the privatisation proposed at Huancayo. Instead a PUP-WOP has been developed between Huancayo and the Argentinian ABSA (“5 de setiembre”-operated), alongside an agreement between the Peruvian and Argentinian unions. This partnership was initiated by the trade unions in each country, and includes an agreement between the unions as well as between the water companies. The partnership is for the mutual technical collaboration and assistance between the two public companies. An initial study was carried out to assess the extent of needs and to determine compatibilities, following which contracts have been negotiated and signed. This Water Operator Partnership was accompanied by a parallel agreement entered into by trade unions FENTAP and SOSBA under the auspices of Public Services International (PSI). The agreement also provided for the involvement of NGOs Transnational Institute (TNI) and Corporate Europe Observatory (CEO) to support the process by contributing their expertise “experience in the field of organising and international solidarity”.

Bolivia

The Suez-led contract in La Paz was officially ended in January 2007 under President Evo Morales after amicable negotiations, and a new public water provider Epsas was established. The Bolivian government has written off the US\$ 9.5 million debt assumed by Epsas towards a number of financial institutions and had received US\$ 5.5 million from the Venezuelan government to devote to Epsas’ investment program. The introduction of public participation in Epsas’ decision making through the involvement of social movements and the municipal governments of La Paz and El Alto is being proposed. The introduction of public participation within regulatory activities via the constitution of a multi-stakeholder regulatory body is also being discussed.

Brazil

In Brazil, which has a mixture of state and municipal water operators, there is a range of initiatives and developments. The association of municipal operators, Assemae, has been actively encouraging the development of municipally owned operators, including the use of public-public partnerships.

Paraguay

Paraguay's state-owned water company Essap has recently been under renewed pressure to privatise by opening up its capital to private investors and outsourcing services. In September 2007, Essap signed an agreement with Brazilian operator COPASA for the provision of technical assistance on a not-for-profit basis under the UN Water Operator Partnership (UN-WOP) initiative. COPASA would provide technical assistance aimed at helping Essap reduce water leakage in Paraguayan capital Asunción and its metropolitan area to increase Essap's water provision capacity. Essap's five trade unions had earlier requested congressional intervention in the company to investigate and resolve water shortages in Asunción as well as to look into the managerial deficiencies and lack of foresight.

Uruguay

In Uruguay, a referendum decided to make water privatisation illegal, resulting in the renationalisation of the two privatised concessions.

PUP Initiatives in Asia-Pacific

India¹

In Delhi, unaccounted water (i.e. leakage on pipelines, illegal connection, non-metre connection, faulty metres) is estimated to be around 40%; this is almost twice the water which will be made available if water is diverted from a dam several km away. Through PUP, the Delhi water utility may control the unaccounted water, in partnership at colony level or group of colonies under the supervision of Resident Welfare Associations (RWAs); the utility should appoint one technical advisor to the RWAs to help them check water loss. Addressing the problem of unaccounted water will lead to greater benefits to consumers as well as the water utility in terms of revenue, postponement of large expenditure and other environmental benefits.

Indonesia

In Indonesia, the public water company PDAM Tirtanadi has supported other smaller utilities in Northern Sumatra through an Operational Cooperation Contract, a form of domestic or local PUP. The Amrta Institute for Water Literacy advocates PUPs as a means of improving public water delivery in the country and highlights the case of the water utility in Solo to show what can be achieved by public utilities. Solo boasts a strong

¹ From: Seminar on "Public - Public Partnership: A Dialogue between Citizens and Government", India International Centre, New Delhi, 8 September 2004, organized by Research Foundation for Science, Technology and Ecology (RFSTE), Water Workers Alliance, Pani Morcha and Resident Welfare Association (RWAs). The employees of Delhi Jal Board (DJB) also shared their experience. In: <http://www.navdanya.org/news/080904.php>

social and environmental performance and responsible financial management. The operational methods and management approaches of PDAM Solo should be shared with other Indonesian water operators via domestic public-public partnerships. The Association of Indonesian water utilities (Perpamsi) launched a benchmarking program in 2002/2003 to identify best practice in public water management.

Malaysia

Despite the good track record of public water delivery in Malaysia, the government has embraced water privatization. According to the Coalition Against Water Privatization, the country's public water utilities create a surplus, but instead of reinvesting this in improvements to the water systems, these funds are often claimed by local politicians for pet projects. As an alternative to the government's plans, the Coalition advocates domestic PUPs as way to spread best practice. They cite the public water utility in Penang, which delivers water to 100 percent of the population and combines a "commercial outlook with social obligations". Due to the very low levels of non-revenue water, tariffs are affordable for all citizens. Part of the secret to the success of the Penang water utility is a strong public service ethos which involves a commitment amongst the management and the workers to serve the population. The workers also own part of the company's shares. The rest of the utility is publicly owned but remains administratively independent. This prevents problems of political interference but still allows the population to hold the company accountable. Despite the fact that utility managers from countries such as Thailand and India now come to Penang to learn from this example, the Malaysian government continues to ignore the option of improving public water delivery through PUPs. This is allegedly because politically powerful Malaysian business tycoons can make money out of privatization, whereas public water offers no such opportunities. There may be some hope, however, as the regional government in Sarawak supports PUPs as an alternative to privatization.

Philippines²

A labor-management PUP is gradually being developed in the Philippines. The Alliance of Government Workers in the Water Sector (AGWWAS) and Philippine Association of Water Districts (PAWD) have recently agreed to collaborate in joint benchmarking and performance improvement planning activities³ Initial technical assistance shall be provided by a not-for-profit multi-disciplinary team that includes PSIRU-Asia and a local state university. Of the more than 500 water districts all over the Philippines, less than 200 have been assessed for their utilities' performance. A necessary first step is to enhance the capacities of both utility managers and workers in benchmarking water utilities. Developing in-house capacities for performance improvement planning ensures that the utility workforce becomes a more effective actor in ensuring safe, affordable and efficient water for all.

Japan unions in 'twinning' arrangements

² *Labor Management-Cooperation in Benchmarking*, Violeta Corral, PSIRU-Asia, November 2007

³ AGWWAS is a PSI Philippine affiliate. PAWD is a formal network of water district managers in the Philippines; it has recently undertaken a benchmarking survey of some 130 water districts in Philippines.

The water unions initiated this cooperation effort has evolved from an earlier JICHIRO⁴-PSIRU project to develop PUPs in improving public water services that aims to develop domestic and international PUPs with the active participation of trade unions in the Philippines and Japan, and elsewhere in the Asia-Pacific region. 'Twinning' or partnership arrangements among trade union affiliates of PSI are in place, for instance, between JICHIRO and UK-based UNISON. UNISON shares the experience of competition in UK public services since 1979 and the wide range of measures, including PPPs, by which public bodies have been forced to open up public services to the private sector. Twinning is a practical way of developing a PSI union's international work through exchanging information and experiences, developing mutual support and improving awareness of each others countries and unions.⁵

Japan water utilities in cross-border PUPs

Cross-border twinning between public water operators is also nothing new. Water companies with a long history of world class public water delivery, e.g., Sweden, Finland, Netherlands and Japan, have over the last two-three decades been involved in numerous projects to support weaker utilities both in Southern countries and in Central and Eastern Europe. Japan has a highly effective public water delivery system and has transferred water expertise to Southern countries through training courses in Japan (e.g. Yokohama, Osaka) and by dispatching utility staff in the spirit of international cooperation. These exchanges are made possible through financial support from Japan International Cooperation Agency (JICA). JICA has recently supported a twinning project with two municipal water companies in the Vietnamese cities of Hue and Ho Chi Minh through exchanges of trainees and staff as well as seminars. More recently, Japan has provided a \$2M grant to fund the Water Operator's Partnership to be administered by ADB. The WOP grant is being used to establish and operate water utility networks, develop and implement capacity building programs and benchmarking systems, adopt management processes that address specific areas of water utilities operations, and come up with a consensus on good practice institutional frameworks. The grant will form part of a longer-term assistance that is expected to run for five years.

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⁴ JICHIRO (All Japan Prefectural and Municipal Workers' Union) is a PSI affiliate in Japan representing prefectural and municipal government employees, and those employed by enterprises that provide public services associated with local public bodies.

⁵ <http://www.unison.org.uk/international/asia.asp>

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