

PUBLIC PRIVATE PARTNERSHIPS FOR SUSTAINABLE WATER SERVICES

Introduction

SNV in partnership with Kenya Markets Trust have been implementing a strategic programme in Kenya aimed at improving sustainability of rural and small towns' water supply by engaging private firms.

The rural water functionality challenge in Kenya

According to the 2010 Kenyan Census, less than 16% of rural population have access to piped water source; approximately 26 million men and women rely on unsafe, unreliable sources such as streams, lakes, ponds, springs, wells, and boreholes as their primary water source. These sources are managed by voluntary Water Users Associations (WUAs), which lack commercial and effective management practices, leading to 25% mal-functional at any given time (SNV, 2013). When there is pump breakdown, or an electrical or treatment plant failure, there is no financing mechanism to undertake repair and maintenance within a reasonably short time. As a result, poor people are forced to travel very long distances to collect water from unsafe sources.

Most of the rural water supply projects are abandoned when there is a breakdown; communities then approach NGOs or donors for new schemes. A typical example is Kanyadhiang water project, explained at Box 1. In such situations, even when the consumers are getting water from the improved sources, service level (reliability/supply hours, quality, and convenience/time for fetching) remains un-predictable; hence communities are under-served.

The limited resources, which are available with NGOs and public authorities, are depleted in repair and rehabilitation of these



Kanyadhiang water project was completed in 2012 by LVSWB with KSh.123 million investments from Dutch government. The project was to benefit 19,000 men and women of Kanyadhiang village in Homabay County. Within 3 years of completion, the project stopped functioning due to siltation and breakdown of river intake structure, wasting all the investments made. SNV has been supporting the WUA to engage a private firm to manage the water system.

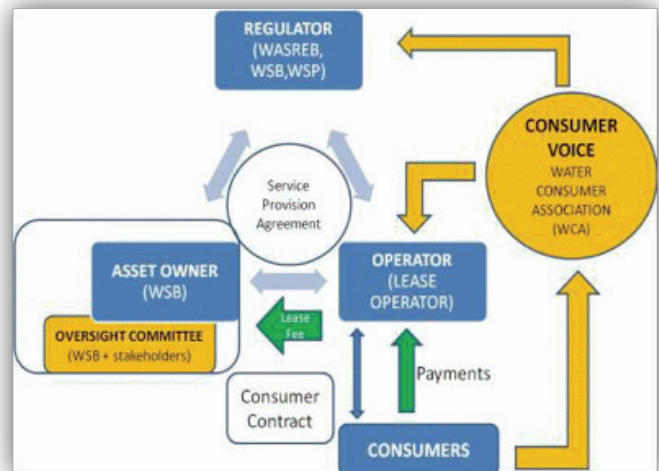
mal-functional water systems and no or minimal resources are available to expand services to un-served and excluded poor men and women. Therefore, lack of an effective mechanism for sustainable operation and management (O&M) of decentralised water systems has been a key barrier to expand services to rural and peri-urban areas in this context.

Smart development: SNV's approach towards improving functionality

SNV in partnership with Kenya Markets Trust has designed a participatory action research based innovative project; the Market Assistance Programme (MAP) that aims to engage private firms as operators of water systems. The overall objective of MAP is to reduce poverty through improved access to water of 119,306 households in rural & peri-urban areas.

This project uses the making markets work for the poor (M4P) concept in analysing and designing models for post-construction management of water systems. In partnership with two Water Services Boards (WSBs) in the Lake Victoria region, the project has developed a conceptual framework for Public Private Community Partnership (PPCP) models for engaging private firms (Illustrated in Figure 1 below).

In this model, WSB engages an Operator (Private Firm) through a Lease Contract. The national regulator approves the framework for water tariff setting and enforcement, while taking into consideration of affordability and cost recovery principles. The project educates users on pros and cons of engaging private firms, orients private sector firms on possible business opportunities and models; and supports public authorities (WSBs and County Governments) on participatory and transparent procurement process.



Key interventions

The project facilitates various interventions towards improved sustainability of water services delivery in rural and small towns by engaging private firms as managers of such water systems.

Improving the management strategy and practice of WSPs:

In the rural areas, improving management practice of WUAs is key to improving sustainability. MAP project uses two approaches here: (i) transforming the WUAs into water companies, and separating their governance and executive roles, and (ii) engaging private firms as managers on Lease or Management Contracts. Very interesting initial results are emerging in the Lake Victoria region, where WSBs have already signed 7 contracts with the private firms.

MAP also supports recruited private firms to integrate marketing and promotional campaigns into their strategies to educate consumers on the value of quality water.

In the urban areas, the focus is on improving efficiency and effectiveness of the water sector by addressing high non-revenue water (NRW). The project facilitates appropriate public private partnership (PPP) models in the water market, by shifting incentives to reward performance, lower NRW rates, and grow the customer base for quality water.

Improving access to finance of the WUAs:

During the initial stage of the implementation of PPCP models, financing of the rehabilitation works came out as a key issue. If the private firms were to borrow from a commercial market (at a high interest rate of 18-21%), water tariff had to be increased to make the water systems commercially viable.

However, this is not a desired situation, especially to ensure the poorest of the poor are able to benefit from the improved water services delivered by the private firms. To address this issue, the project has designed a special water-financing product, using the concept of blending subsidy (to cater for commercial viability gap) with market finance, first of its kind in the water sector, to enable these water systems access market finance. All the firms are interested to borrow loan from this financing mechanism.

Public sector capacity strengthening:

The PPP procurement is different from the traditional procurement of good and services, as the payment for the PPP's will have to be made on the projected revenues of the water systems. It resembles to "licencing to operate public goods". A high level of trust, mutual commitment to set objectives and clearly defined incentives for private firms is to be created in such procurements.

At the national level, MAP supports the State Department for Water within the Ministry of Environment, Water, and Natural Resources (MEWNR) in developing PPP tools and guidelines and in improving coordination and communication through national PPP Node. MAP facilitates interested County Governments (CGs) in developing and implementing appropriate guidelines, and tools so that the PPPs are fully recognised and adopted. The project support Water Services Boards (and CGs in future) in educating consumers, interacting with stakeholders, developing

and applying transparent procurement process and tools, performance monitoring, learning and replication of emerging success of PPCPs.

Policy advocacy and support:

The entire concept of PPCP and private sector participation is a relatively new concept in the water sector. Therefore, the project supports evidence based policy advocacy and improvements at all levels. At the national level, MAP participates in key policy fora, such as Water Sector Donor Group, Annual Water Sector Conferences and supports the MEWNR in improving policy based on the evidence on the ground. At the local level, MAP facilitates interested County Governments (CGs) in developing their WASH sector policy and strategy so that they recognise and create enabling environment for PPPs and private sector participation.

In addition, the project facilitates improved public education on the importance of quality water by working through appropriate messaging channels; fosters improved mechanisms to engage and regulate private sector participation and market financing options; and supports research activities that provide an effective evidence base for ongoing policy and regulatory adjustments.

Commercializing WASH related consumer products:

MAP facilitates the expansion of WASH related consumer products into increasingly more vulnerable areas, which have logistical challenges in being connected to a piped network. Specifically, MAP facilitates the emergence of more cost effective distribution channels and expansion tactics, along with capacity and practice upgrades to ensure commercial viability of the expanded distribution channels.

Emerging lessons and conclusions

Initial lessons and findings of the project indicate that there is a huge potential for PPPs to improve sustainability, service levels (quality, reliability, affordability and access) and revenues through innovations and improved operational and managerial efficiencies.

However, private sector participation requires strategic engagement of all three groups of stakeholders, the buyers of water (users), the sellers of water (private firms), and the regulators of the service (public authorities) to achieve sustainable outcomes. Therefore, a three-pronged approach, including education and awareness of users, orientation of private firms, and PPP procurement support to public authorities is needed to improve sustainability of water services delivery in rural areas and small towns. Therefore, stakeholders need to go beyond business as usual.

SNV is committed and willing to expand partnerships with interested parties to further scale up such innovative and smart development solutions

About MAP

Kenya Markets Assistance Programme (MAP) is a programme that seeks to strengthen the performance of key agricultural and basic service markets in Kenya so that they can function better and improve the lives of those participating in them whether as producers, employees or consumers. MAP is implemented by a consortium of partners namely Kenya Markets Trust (lead partner), Agri-Experience, Mercy Corps, TechnoServe and SNV Kenya.

SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. We contribute to this by strengthening the capacity of local organisations.

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