



PPPs in the Indian Water Sector

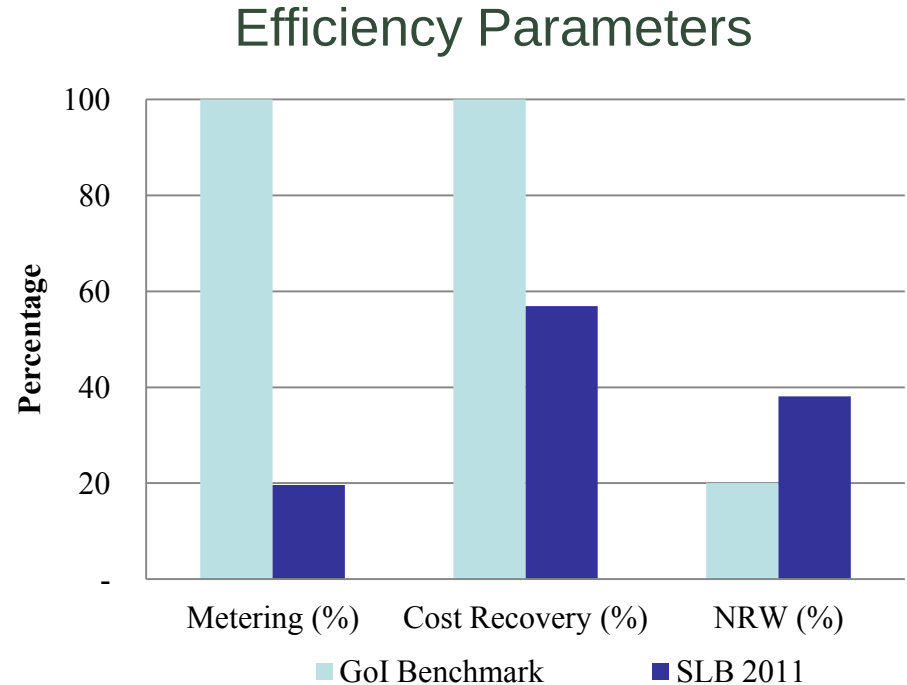
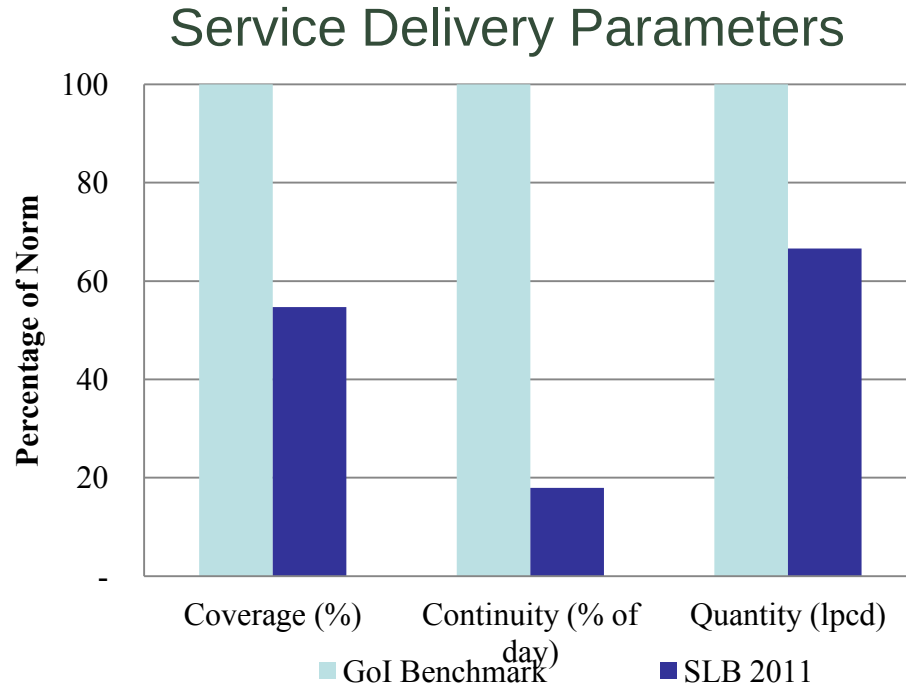
Bhopal

17 February, 2014

Structure

- Context and opportunity
- What have PPPs delivered globally?
- International case study
- Way forward in India

Status of service delivery in India



- Historically, managed by public sector
- Service delivery and service efficiency parameters both poor
 - Per capita availability is 90 lpcd
 - Cost recovery 30 – 50% of operating costs
- Fragmented institutions, limited skills in network management
- Lack of customer orientation

Opportunity in water distribution

- Shift in focus from EPC to service delivery
- Accountability for performance
 - Performance based contract
- Improved efficiency of public expenditure
- Kick-start financially sustainable operations
- Building capacity of cities
- Improved governance and institutional context

HPEC Report on PPPs

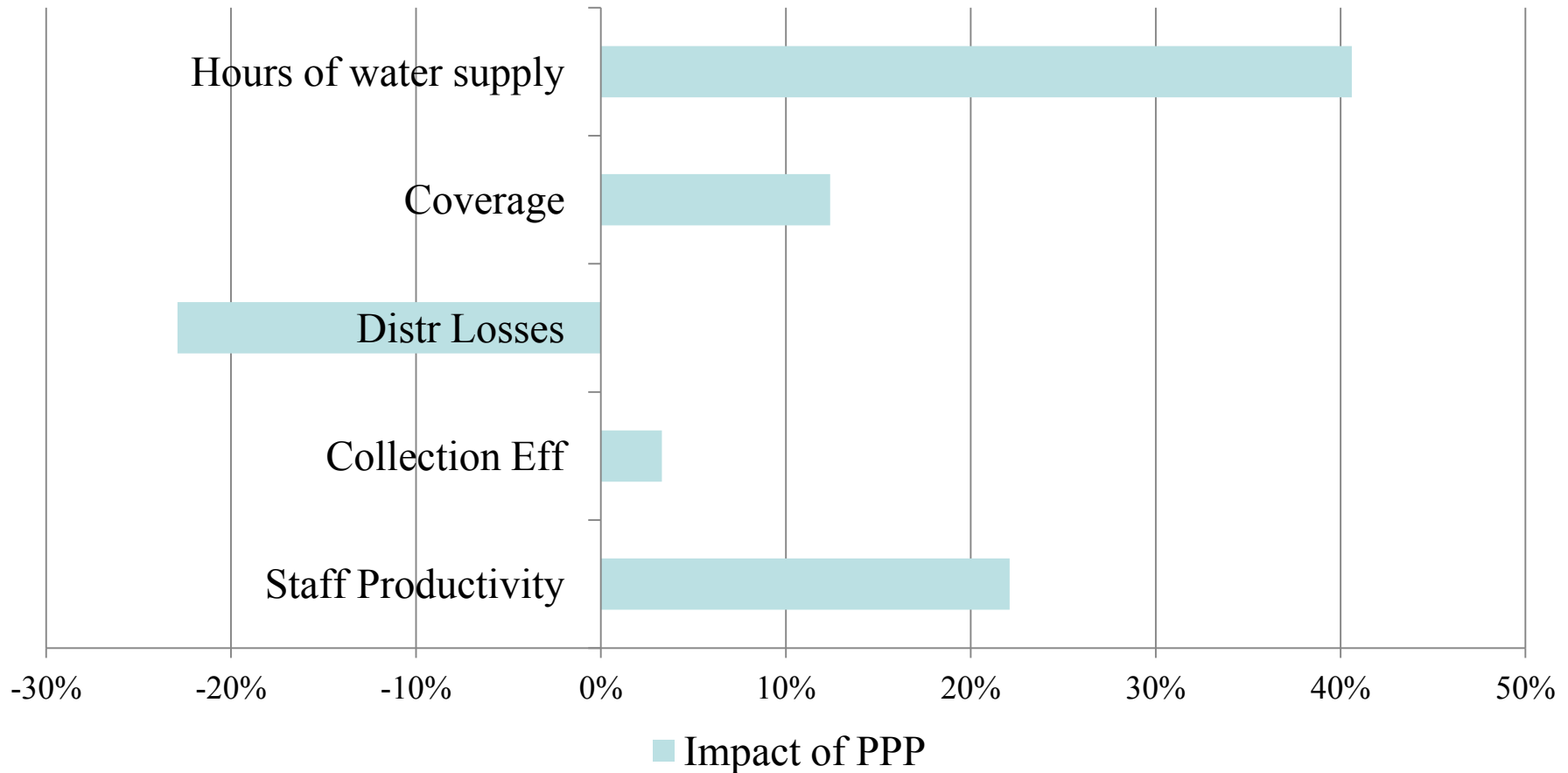
- “Cities could, in principle, improve their management skills and deliver better quality of services,
but
given the complex web of relationships, often infusion of a new organisation or private participation tends to catalyse success”
- It is entirely possible for the private sector in a PPP arrangement to provide specified services to constituencies that cannot pay for the services, if the government is subsidising the costs.

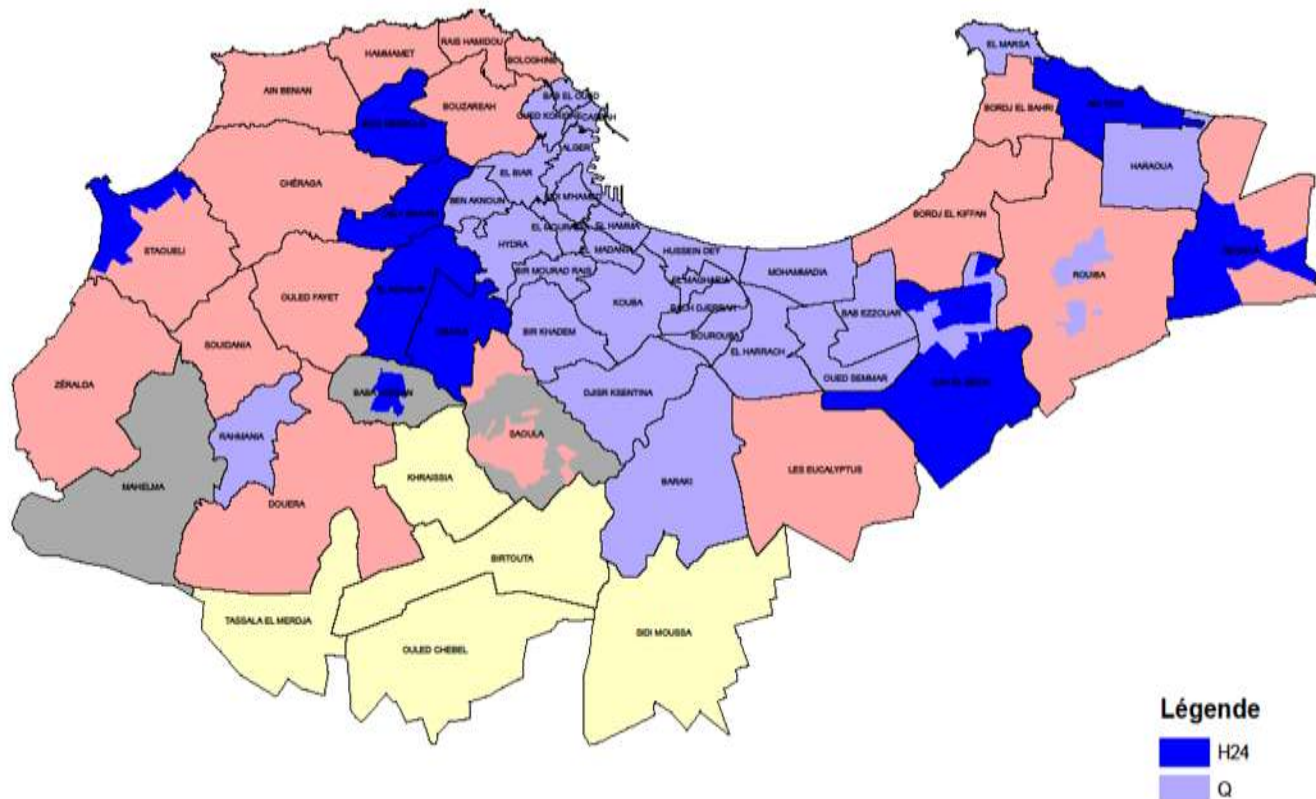
HPEC report on PPPs (contd.)

- Private management can reduce the cost of delivery, enhance efficiency, and provide value for money for government expenditure and services.
- There is a smooth continuum of PPPs from the public sector contracting service delivery to output-based contracts and commercial contracts. It may well be prudent to begin with output-based contracts and move gradually to full commercial contracts as the private and public sectors engage together and experience a working relationship.

What have water PPPs delivered globally

Impact of PPP on key indicators





Management Contract: Algiers

- Contract with Operator – two key targets
 - Water production and supply (24 x 7 by Sept. 2009)
 - Creation of a “world class” utility
 - Transfer of technical know-how to local teams
 - Reduce subsidies in the medium to long term
- Arrangement for Implementation
 - 100% publicly owned SPV
 - Assets and staff transferred to SPV
 - Board of directors includes representative of operator
 - Managed by private operator
 - Training of staff
 - Control and deployment of capital and operations’ budget
- Investments (370 million Euros) exclusively financed by Algerian Govt.

- Phase 1 – 1 year advisory period (diagnostic) in order to
 - Define and / or validate the technical baseline
 - Identify and prioritize fields for action
 - Define a five year sound business plan

- Phase 2 – 5 to 7 years operational contract in which
 - The business plan is implemented
 - Transfer of know how is deployed
 - WSS company reaches international standards
 - 24/7 and other contractual outputs are reached

- Investments (370 million Euros) exclusively financed by Algerian Govt.
 - SPV manages capex and opex budgets independently
 - Subsidised yearly to cover operational losses

Achievements

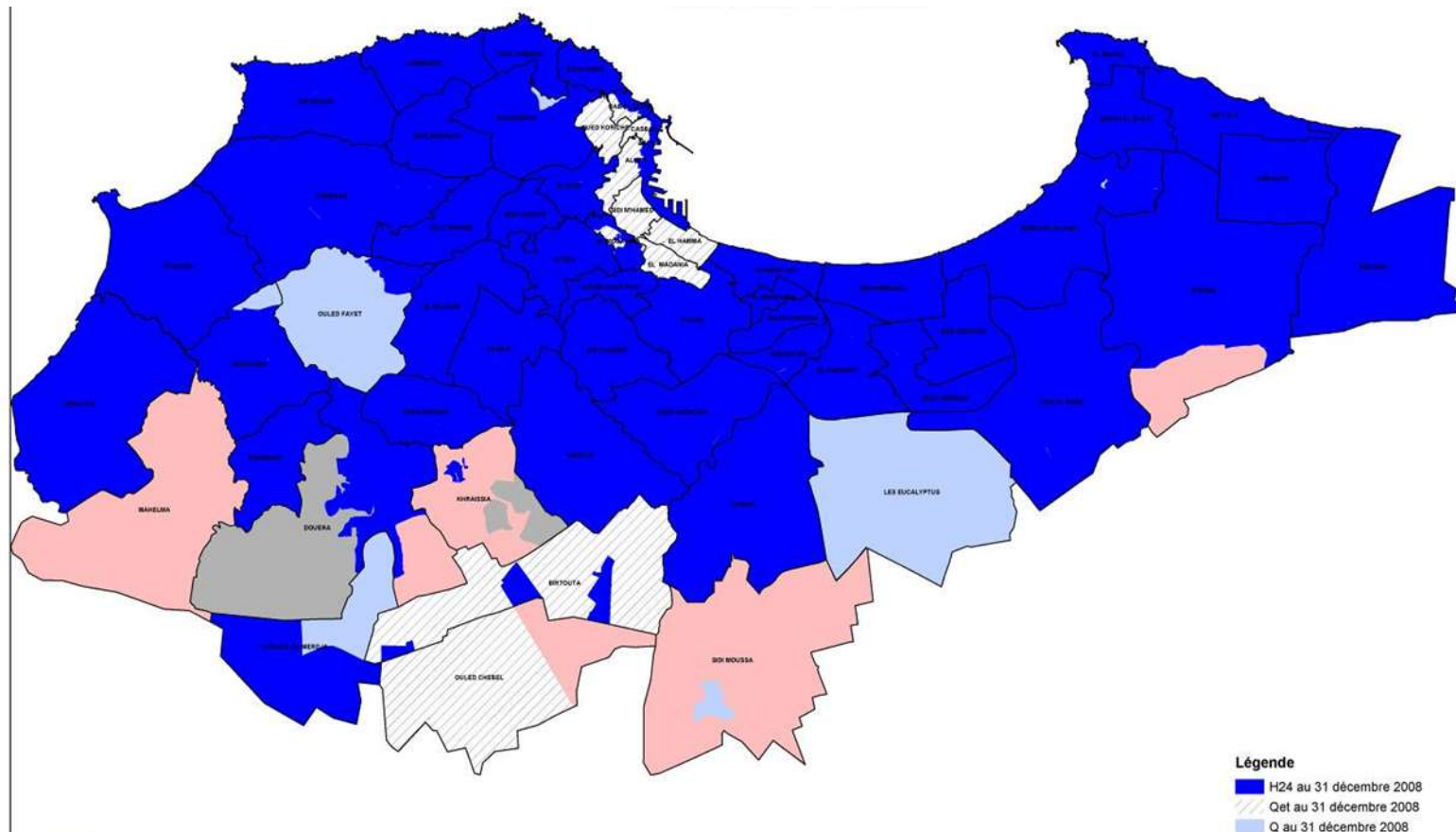
May 2006



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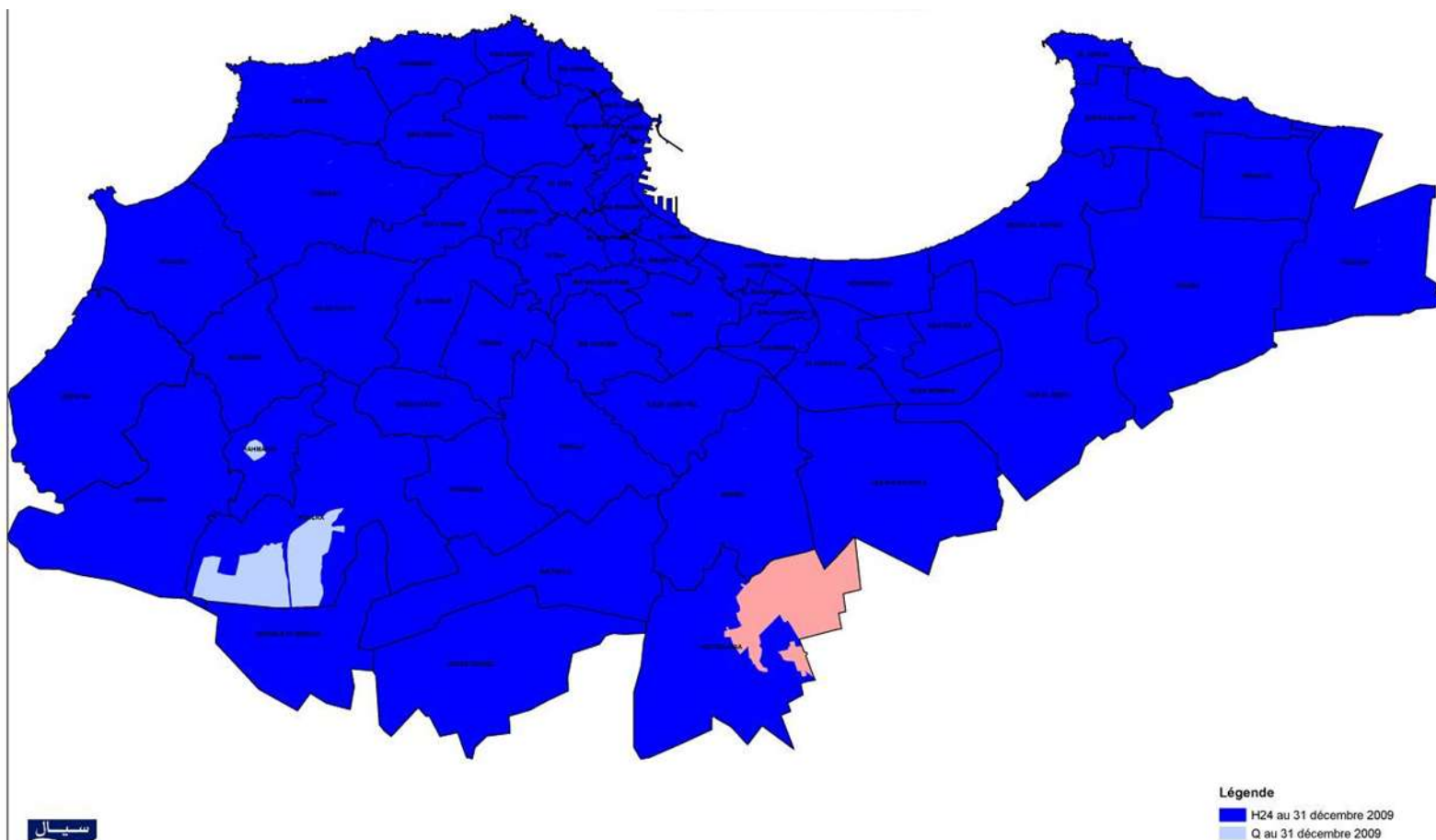
Achievements

Dec. 2008



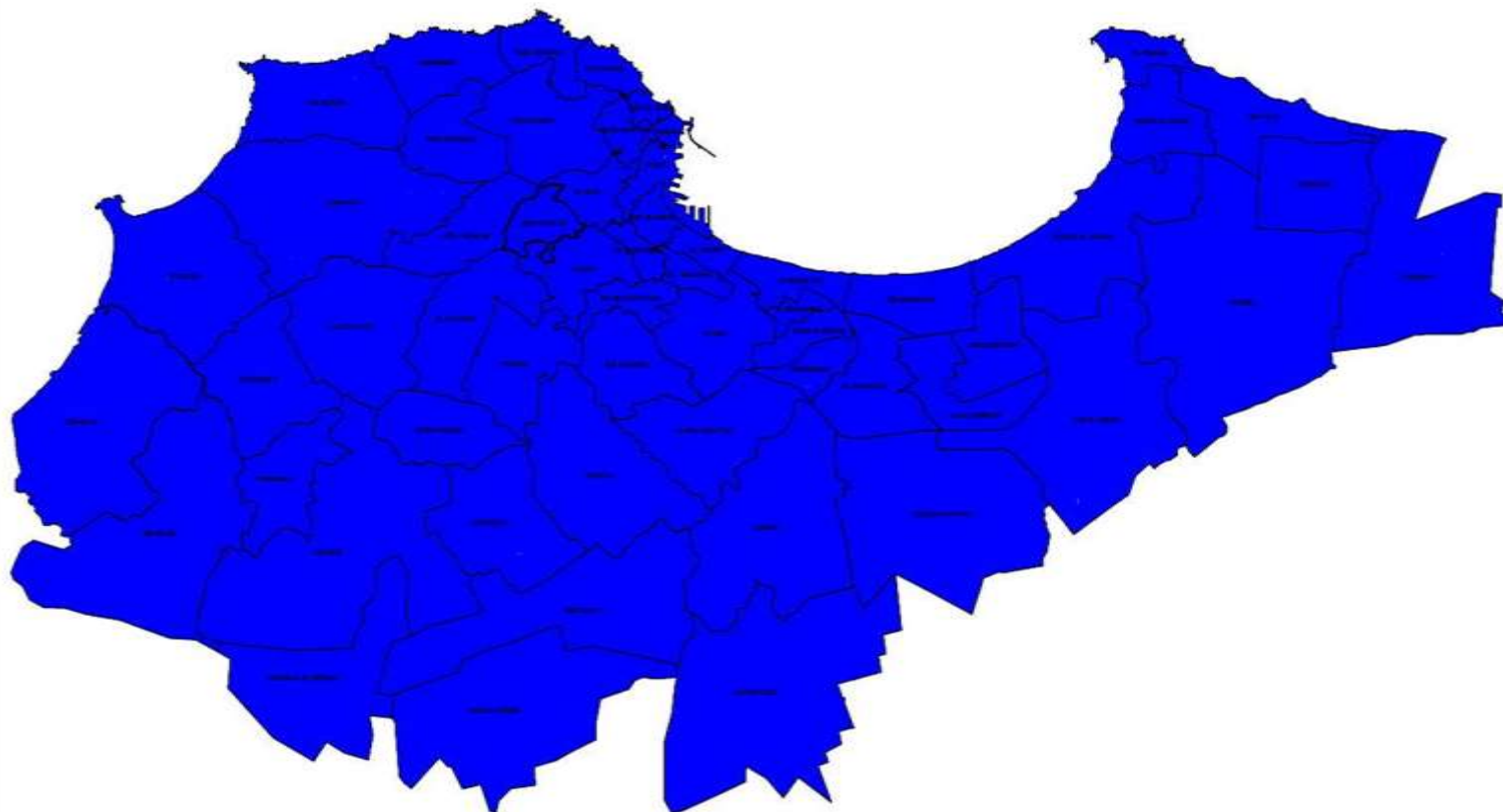
Achievements

Dec. 2009



Achievements

April 2010



Achievements

- 80% of population had 24 x 7 supply by Jan. 2009
- WW treatment capacity augmented from 6% (2006) to 53% (2011)
 - 22 additional beaches opened (42 in 2006; 62 in 2011)
- Renovation action plan carried out at 97%
- Call center 24/7 and 120,000 customers integrated (540 000 customers in 2011)
- Advanced information systems and operation systems (Master Plans, hydraulic modelling, asset management) instituted.

Key to Success

- Relationship of trust between client and service provider
 - Transparent system of remuneration
- Focus on management in the contract – not capital investment
- Phased investment over the years (replaced only 10% of the network)
- Transfer of technical and managerial know-how & leveraging employee knowledge
 - employees front face of improved services
- Building up utility expertise – comprehensive training imparted

Water PPPs in India: Three Phases

- PPPs in Urban Water Supply started in the early 1990s

1991 – 2000

- Focus on large bulk water augmentation
- Target significant private financing
- High international operator interest

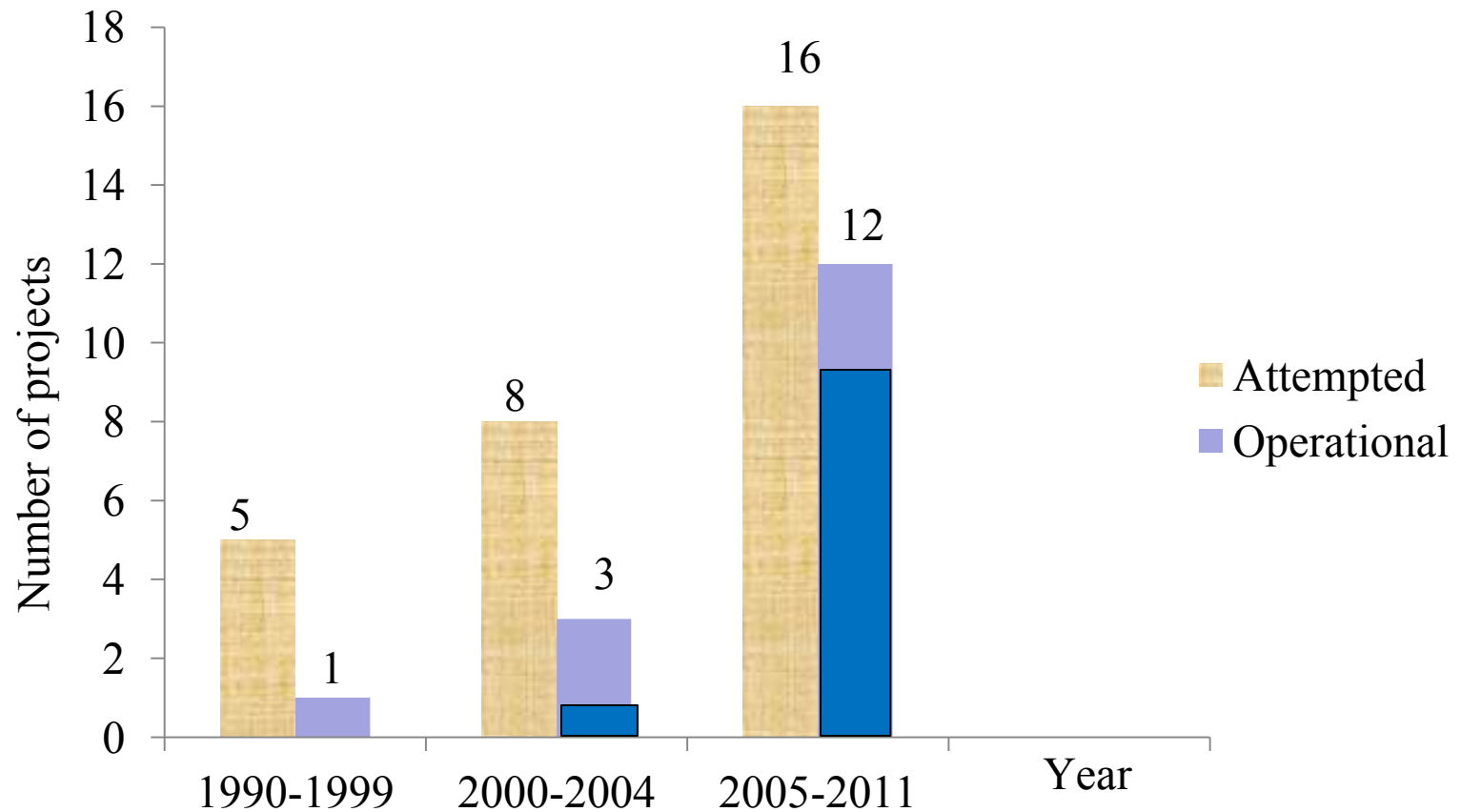
2000 – 2005

- Shift toward distribution
- management contracts explored

2005 - 2011

- KUWASIP demonstrates 24 X 7
- Significant shift toward distribution
- Increased participation from domestic operators

Scale and Significance of water PPPs



Achievements to Date

- Focus on 24 X 7 and service delivery
- Targeting private sector efficiency, not capital
- Bottom up demand for PPP
- Cities have designed solutions that suit their need
- Recognised the sensitivities around tariff & inclusion
- Attracted both domestic and international operators
- Competitive bidding for all projects

Next challenges

- Cost effective performance improvements
- Well designed PPPs
 - Reasonable phasing of implementation
 - Stronger incentives for performance
- Ensuring financial sustainability of water operations
- Building an institutional structure for water along with PPP

THANK YOU