

Privatization

Options and concepts for public-private sector partnerships in water sector

Actors involved in water sector

Water users	Stakeholders	Interested parties
Individuals	Water users	Stakeholders
WU Associations	Potential water users	Experts & scientists
Residential Water Users	Consultants	Universities
Industrial Water Users	Public/private companies	Politicians
Government in users function	Government in IWM functions	NGO's
Fishermen	Etc.	Etc.

Objectives of privatization

Objectives	Drinking water	Irrigation
Increase effectiveness and efficiency of public management	+++	+++
Better services with acceptable price/quality relation	+++	+
Proliferation of care system, water saving and pollution prevention	+	+++
Water allocation for best economic use	+++	+++
Cost retaining/recovery	+	+++

Instruments of cost recovery

Instrument	Service relation	Cost recovery mechanism	Ratio of willingness
Service pricing	Strong	Direct	High
Tax	Weak	Indirect	Low
Charge	Strong	Direct	Intermediate
Levy	Intermediate	Direct	Low

Privatization options

Forms of privatization

1. Quasi NGOs
2. Para-statal/corporation
3. Private-Public Sector Partnerships
4. Full privatization



Contract types

1. Service contract
2. Management contract
3. Lease contract
4. Concession contract
5. BOT (build-operate-train) contract

Contract forms delegated management

Modality feature	Service contract	Management contract	Lease	BOT	Concession
Ownership	Public	Public	Public	Public & private	Public
Investment	Public	Public	Public	Private	Private
O&M	Public	Private (little risk)	Private	Private	Private
Tariff collection	Public	Public/private	Private	Private	Private
Payments	Fee	Lump sum+	Tariff (restricted)	Tariff (restricted)	Tariff (restricted)
Duration	1-2 years	3-5	8-15	20-30	25-30

Selection criteria for services to be privatized

Factors related to nature of services and its end-users

- *Scope and domain
- *Number of users
- *Financial resources
- *Technology used
- *Government constraints
- *Competition

Factors related to the existing political-administrative framework

- *Existing laws and regulations
 - *Legal constraints
 - *Political constraints
- * Social impact assessments

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graph LR; A[Factors related to nature of services and its end-users] --> C[Selection of the option]; B[Factors related to the existing political-administrative framework] --> C;
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Selection
of
the option

Management of Irrigation and Drainage systems

- Public agency
- Water Users Associations (agricultural water users)
- Water Boards (agricultural, residential and industrial water users)
- Semi-public holding companies
- Private companies
- Others

PIM and IMT in irrigation management

System	Ownership	Management	O&M funding	Supervision
Agency	Agency	Agency	Agency	Agency
+ input WUO	Agency	+WUO consultation	Agency	Agency
Shared	Agency	Agency + WUO	Agency + WUO	Agency
+ input agency	Agency	+Agency consultation	+ agency subsidies	Agency
WUOs	WUOs	WUOs	WUOs	Agency

Partnership in drinking water supply

Institution	Ownership	Investment	Cost recovery	Control
Public agency	Public	Public	Tax + charge	Parliament
Public holding	Public	Public	Charge + service price	Agency
Semi-public holding	Public	Public & private	Charge + service price	Agency
Joint venture	Public/private	Public & private	Service price	Board + Water agency
Private company	Public/private	Private & public	Service price	Board + Water agency