

PPP is the key to sustainable WASH for All

The Netherlands Government's new policy offers clear starting points for a shift in the Dutch Official Development Assistance (ODA) towards the structural involvement of the private sector in the development cooperation. The new € 150 mln. PPP facility Water is a good opportunity to engage local entrepreneurship massively and mobilize local finance institutions to invest in sustainable Water And Sanitation and Hygiene (WASH) and ultimately alleviate poverty.

Dutch WASH Alliance (DWA) partners have comprehensive experience with pioneering sustainable WASH around the world. Based on sustainability principles and convinced that ultimately a successful private partner connects its company success with social progress, the DWA would like to share its lessons-learned as input for the PPP facility Water. The DWA wants to express its readiness to contribute to the development of successful PPPs.

The Ministry of Foreign Affairs defines a PPP as cooperation between the government and a company, often with involvement of NGOs, labor unions and/or knowledge institutes where risks, responsibilities, resources and competences are shared to reach a shared goal or perform a specific task.

Our nine suggestions for a successful PPP facility Water are:

1. Use a **business approach**;
2. Guarantee WASH for **All**;
3. Rely on **local** business and **local** finances **first**;
4. Respond to local **real demand**;
5. Establish **long-term** water and sanitation services;
6. **Demand good governance** from **all** stakeholders;
7. **Ensure that innovations** are **replicable at large scale**;
8. **Concentrate PPP efforts** in partner countries;
9. Check PPP proposals on **FIETS** (Financial, Institutional, Environmental, Technological and Social) **sustainability** principles.

These are explained below:

1. Use a business approach

From the very onset, the realization of a PPP on WASH services and facilities should be set up as an output-based business approach. The business approach to WASH seeks to address the challenge of financial sustainability, while empowering a local community and individuals to make their own decisions about obtaining WASH services and facilities, and strengthening the role of the local private sector. The thrust of this approach is to make ongoing WASH services the goal, rather than the facility itself. Ongoing refers to a long-term relationship between local businesses and customers. WASH is then seen as a vehicle for businesses to provide services and gain revenues that can be reinvested to keep expanding coverage of WASH facilities and to develop economical activity while improving peoples' living conditions. *This requires a market analysis and means a shift from the traditional input based ODA approach to an output based balanced business approach.*

2. Guarantee WASH for All

As poverty alleviation remains the main concern of Dutch development cooperation we need to find ways to include the poor in our strategies (and business approach). Traditionally PPPs tend to target middle classes first. However, experience shows that the activities of low-income groups are potentially bankable and local finance institutions seem ready to regard these as 'bankable propositions' (see bullet 3). Nevertheless PPPs may have to take into account that (tax based) subsidies may be needed to achieve WASH for All. *This condition involves inclusion and protection of the poor.*

3. Rely on local businesses and local finances first

Local ownership and initiatives are essential for sustainability. Only if we reach out to the local businesses we have a chance to sustain successful partnerships. The civil society, NGOs and

water boards can assist in identifying these local private initiatives and 'smart individuals'. The same accounts for finances: tariffs to cover operation and maintenance costs and local sources for the 'hardware'. Finances from the Netherlands government, though not necessarily grants, should only be used when finance from local sources falls short. In principle, all investments need to be financed locally from business, household and community investments, Micro Finance Institutions (MFIs), Savings and Credit Cooperatives, Commercial Banks, CSR funds, Housing Banks, Local Government Funds, CBOs and NGOs and local utilities. Meeting the poor as 'bankable partners' often requires rock-solid sureties (collateral). Guarantees can be part of the PPP. *This condition involves the use of Netherlands funds for investment in a creative manner and only as a last resort. This condition also means that Netherlands funds should never be used to cover running costs.*

4. Respond to local real demand

Contrary to improved water supply, improved sanitation, improved water quality and improved hygiene are rarely topping the wish list of the poor. First we need to raise awareness, not only in the form of improved health but also in the form of awareness of the financial benefits of better health. Secondly to enable an informed choices about appropriate WASH options. The private sector, as the main implementer of the WASH facilities and services needs to play a key role in this 'social' marketing. The PPP facility Water can facilitate these processes by involving NGOs. The local government should be strengthened to regulate (legislation) and enable sustainable WASH services. *This condition involves checks and balances and a right-based approach and inclusion of NGOs. This condition also implies that marketing should not lead to pushing/dumping of (subsidized) Netherlands goods and expertise.*

5. Establish long-term water and sanitation services

Sustainable WASH service is a long-term issue and Dutch private parties should be willing and able to establish long-term business relationships with local partners. *This should be a verifiable condition in any PPP proposal.*

6. Demand good governance from all stakeholders

PPPs can only be successful if (1) the community is well informed and if there is a transparent interaction between the public and private sectors (principles of good governance); (2) if businesses connect their company success with social progress (creating shared values/responsible business conduct; (3) if there is security of ownership and absence of corruption, collusion and nepotism (honest business environment) and (4) if rights to water and sanitation are respected. Principles of good governance demand also that a PPP is monitored independently. *The principles of good governance for all stakeholders should be verifiable in any PPP proposal, and be monitored independently.*

7. Ensure that innovations are replicable and at large scale

PPPs should be specific and complementary to other ODA instruments. Hence innovative approaches and pilots should be possible. As the task ahead on MDGs on WASH is tremendous, these innovative approaches should be replicable and affordable at large scale. *The possibility to replicate at large scale should be a verifiable condition in any pilot PPP.*

8. Concentrate PPPs in partner countries

The Netherlands government has concentrated its development relation to a number of partner countries. *For reasons of efficiency and effectiveness it is desirable to restrict the number of PPP countries to the same set of partner countries¹.*

9. Check on FIETS sustainability principles

Adhering to the suggestions made above, the PPP proposals will have a sustainable character. This can be checked explicitly by checking on:

- ***Financial sustainability:** Does the PPP provide innovative financial concepts, which diminish dependency on external subsidies and make optimal use of business*

¹ Afghanistan, Bangladesh, Benin, Burundi, Ethiopia, Ghana, Indonesia, Kenya, Mali, Mozambique, the Palestinian Territories, Rwanda, Sudan, Uganda and Yemen.

approaches and private sector involvement, therewith, strengthening the “in-country” structural finance?;

- *Institutional sustainability: Does the PPP integrate WASH in national policies with NGOs in close collaboration with local stakeholders working as capacity builders, facilitators and watchdogs representing the voice of ordinary people and complementing governmental efforts, working from a rights based approach?;*
- *Environmental sustainability: Does the PPP adopt and mainstream Integrated Water Resource Management and ecosystem approach principles and does it build climate resilient solutions?;*
- *Technological sustainability: Does the PPP seek and apply locally appropriate technologies and innovative ICT-solutions, which are context-specific, affordable and demand-driven?;*
- *Social sustainability: Does the PPP make WASH interventions demand-driven and needs-based, being sensitive to local and cultural incentives and focuses the PPP specifically on women as change agents?*