Assessment of Enabling Environment for Public-Private Partnership in Water Supply Management, Lafia Town

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***Abstract*: Governments the world over, especially in developing countries, are experiencing an ever-increasing demand for improved health care, water supply, sanitation, education, housing and so on. The rising population and recent economic crisis in developing countries has affected provision of urban services neither the state nor the private sector alone can efficiently provide adequate water supply for the urban population. This paper therefore assessed enabling environment for partnership in Lafia town. The study population was 263,998 with total household of 20,308 and a sample of 500 representing 2.5% total households was chosen. The study adopt a three-stage stratified sampling method which Lafia town was divided into three Water Board area offices namely Lafia East, Lafia North and Lafia West and a systematic random sampling was used to administer questionnaires. The result of the assessment of shows that PPP is possible in Lafia town and lease contract is more favourable. The study recommends Government should formulate clear legislation and regulatory systems and qualified local, national and regional enterprises should be given the opportunity to compete for PPPs. Finally, PSP is not viewed as a rigid model, rather as a wide range of options which, at a minimum, seek to introduce commercial criteria in pricing, service delivery and/or allocation of resources.**

***Keywords*: Enabling environment, Partnership, Public-Private Partnership, Private Sector Participation, Water supply**

I. INTRODUCTION

Governments the world over, especially in developing countries, are experiencing an ever increasing demand for improved health care, water supply, sanitation, education, housing and so on. Water has now moved to the top of the development agenda in most developing countries. Adequate and effective delivery of public services is also central to achieving the Sustainable Development Goals (SDGs) six (6) of access to water supply by all in 2030.

The rising population and recent economic crisis in developing countries has affected provision of urban services neither the state nor the private sector alone can efficiently provide adequate water supply for the urban population. Water supply management is under the control of public sector which has institutional and financial challenges to provide adequate water supply. Therefore, service delivery is not keeping pace with demand, especially for the fast growing number of households living in urban areas. This is evident because there have been inadequate supply of water since the creation of Nasarawa State in 1996 as projected water demand stand at 16,834m/day as against the treatment plant capacity of 13,600m³/day. The projected water demand for 2010 is put at 42,900m³/day as against the installed capacity of the treatment plant of 13,600m³/day giving a demand gap of 29,300m/day. Study by Bashayi (2011) shows that the average capacity utilization is put as 32.6%. Despite the importance of treated water to satisfy increasing water needs, the treatment capacity in Lafia town is very limited and is not fully exploited.

According to Bashayi (2011) that the water coverage in Lafia urban area stands at only 33% and 67% of the urban area were not covered by the network. From the study 33% of the urban area covered with public water supply network only 57.3% of the households has their houses connected while 42.7% are not connected to official networks and depend on public taps. The study also shows that only about 30% of the Lafia urban population have access to potable water supply and others rely on alternative sources of water supply that may be polluted (Bashayi, 2011). This suggests that water supply in Lafia town is grossly inadequate to meet the daily demand. The study reveals that public sector alone cannot provide water that is adequate for the urban population. There is consequently an emerging tendency to set up Public-Private Partnerships as a way of fulfilling public tasks of providing water supply.

Public-private partnership is the arrangement the public owned and managed institutions and enter into a partnership with the sole objectives of providing services. It is envisaged that in this arrangement there will be a mutually beneficial association between the two or more publicly owned institutions that are participating (Banda, 2004). Public-Private Participations (PPPs) are defined as the combination of a public need with private capability and resources to create a market opportunity through which the public need is met and a profit is made (Okeyo, 2013). A Public Private Partnership (PPP) arrangement refers to cooperation between the public and private sectors in providing public goods.

PPPs in water supply and sanitation services imply the participation of a wide range of main actors and additional stakeholders (consumers, regulators, NGOs, unions,

environmental groups, and independent providers etc.), which are involved as contracting parties. Because of the complexity and quality of relationships among the contracting parties, successful PPPs require creating an enabling environment in which key roles and responsibilities are institutionally separated, clearly defined, and allocated among all actors.

Academically, the study appreciates that some work has been carried out on Public-Private Partnerships in provision of public services and goods. For example, Skelcher (2005), studied on partnerships and hybridity of services and Tochiskaya (2007) on different types and models of Public-Private Partnership in Belarus. There have been studies on Water supply privatization addressing access, quality and price issues. Many scholars such as Kessides, (2004); Kikeri and Nellis, (2004), Tati (2005), however address them in isolation or with macro-level (often country) data instead of household data. However none of the studies above has discussed PPPs in the Nigeria context, with particular regard to provision of water services in Lafia town. This study shall attempt to add knowledge to the existing ones on PPP arrangements.

II. MODELS OF PRIVATE SECTOR PARTICIPATION

There are several models of private sector involvement in water supply and sanitation utilities, with numerous variations, depending on the legal and regulatory frameworks, the nature of the company and the type of contract. The typical forms of private sector are briefly described below, ordered in terms of the extent of private sector responsibility.

Table 1: Illustrates the different PPP options for water.

Z	Service contract	Management contract	Lease contract	Concession contract	BOT contract	Divestiture
Financing investment	Public sector	Public sector	Public sector	Private sector	Private sector	Private sector
Financing working capital	Public sector	Public sector	Private sector	Private sector	Private sector	Private sector
Contractual relating with retail customers	Public sector	Public sector (on behalf of the public sector)	Private sector	Private sector	Private sector	Private sector
Private sector Responsibility and Autonomous	Low	Low	Low to Medium	High	Medium to High	High
Demand for private capitals	Low	Low	Low	High	High	High
Financial risk for private sector	Low	Low	Low to Medium	High	High	High
Duration of contract/ licence (years)	1-2	3-5	5-10	20-30	20-30	License may in perpetuity with provision to withdraw or revoke
Ownership	Public sector	Public sector	Public sector	Public or private sector	Public then private	Private sector
Management	Mail public sector	Private sector	Private sector	Private sector	Private sector	Private sector
Setting Tariffs	Public sector	Public sector	Contract and Regulator	Contract and Regulator	Public sector	Regulator
Collecting tariffs	Public sector	Public sector	Private sector	Private sector	Public sector	Private sector
Main objectives of Private sector participation	Improve operating efficiency	Improve operating and technical efficiency	Improve operating and technical efficiency	Mobilize private capital and expertise	Mobilize private capital and/or expertise	Mobilize private capital and expertise

Source: World Bank, 2003 Private participation in infrastructure: Trends in Developing countries in 1990 to 2001.

From table 1, the models include various types of service and management contract, lease contracts, concessions and complete divestiture. These are described by World Bank (1997a) below:

i. *Service contracts:* They are usually short term agreements whereby a private contractor takes responsibility for a specific (mostly operational) tasks, such as installing meters, repairing pipes or collecting bills for a fixed or per unit fee on behalf of the public sector based institution that is providing the service.

ii. *Management contract:* Under this model, the government transfers certain operation and maintenance responsibility for investment and expansion. The public sector based partner owns all the assets and take responsibility for risks and the private organizations takes over responsibility for managing a service to specified standards by using staff, equipment, etc, of the public authority. Payment is either fixed or performance related.

iii. *Lease and affermage contract:* The contracts are similar to management contracts, but the private operator takes responsibility for all operation and maintenance functions, including billing and revenue collection. In both cases, the operator collects the tariff revenue but, under an affermage, the contractor is paid an agreed-upon affermage fee for each unit of water produced and distributed; whereas under a lease, the operator pays a lease fee to the public sector and retains the remainder. In this, one partner

making use of equipment/assets without purchasing but paying a lease to the other partner.

iv. *Concession contracts:* Under concession contracts, the private contractor manages the entire utility and is required to takes over responsibility for operating a service and collecting charges, and possibly funding new investment in fixed assets, maintenance and expansion of the system at its own commercial risks. Concessions have longer terms to allow the operator to recoup its investment and, at the end of the contract, the assets either are transferred back to the state or a further concession is granted. The role of government is predominantly regulatory. A variant of this is what has been described as Build-Own-Transfer (BOT) type contracts.

v. *Build-own-transfer (BOT):* This is similar to concession contracts, with the difference that the private contractor is responsible for constructing the infrastructure from scratch but the asset/service will be transferred to the public sector after a period of time. Another one is the Build-Own-Operate (BOO) type of contracts. It is a partnership between public and private sectors whereby the private firm is authorized to build own and operate the asset/ service, is the same as (BOT) but the private sector does not transfer the ownership.

vi. *Divestiture contracts:* Under the divestiture model, the government transfers the water business, including the infrastructure, to the private company on a permanent basis through the sale of some or all of the shares in the company. Another one similar to Divestiture is privatization where the public enterprise/asset is sold to a private partner.

Among the available forms of PSP, management contracts and leasing are likely to be most applicable to the current Nigerian context. Phase one will be limited to commercialization through service and/or management contract/s. If successful, this may be a precursor to the next leasing contract phase. Institutional reforms that would occur during the first phase, as well as improvements in technical and financial performance resulting from the management contract, would pave way for the lease contract. Some SWAs (up to 10) would be ready to enter immediately into the second phase, while many will need to begin with phase one.

III. METHODOLOGY

Lafia town is the Headquarters and Capital of Lafia Local Government and Nasarawa state respectively. It is situated on Longitudes 08º 30¹ East and Latitude 08 º 31¹ North. Lafia urban population is 263,998 with an average 13 persons per household's size which represent 20,308 total households in the urban area.

Data were collected through primary and secondary sources. A structured questionnaire containing multi-choice answers was used as a guide for the interviews. This tool was used because of the possibility of its wide coverage as it helped to obtain data at a relatively short-term period. During the survey, questions attempted to elicit information from the respondents in Lafia town. A sample size of 2.5% was taken given a total of about 500 households were drawn across Lafia urban area and questionnaires were administered for those who households are connected to water supply network.

Appropriate sampling method, that is, stratified sampling technique has been employed to collect data from the study area. A three-stage cluster sampling that was adopted, Lafia town was divided into three Water Board area offices which comprise of Lafia North, Lafia East and Lafia West as the first stage cluster, the second stage cluster was that the Water Board area offices were further divided into 20 neighbourhoods and the block of streets were identified as the third stage. A systematic random sampling was used to administer 25 questionnaires in each of the neighbourhood clusters through Water Board house numbers along streets. The data collected were analysed using simple descriptive statistical method.

IV. ASSESSMENT OF ENABLING ENVIRONMENT FOR PARTNERSHIP OPTIONS

This is concern with assessing the enabling environment for a sustainable partnership model in public water supply. The model have been identified which need an enabling environment for its effectiveness and sustainability in the study area. These focus on the policies environment and willingness of consumers to pay for the services if water supply is improved through partnership.

There are enabling environments both locally and nationally for water supply reform options and this section try to assess the level in order to ascertain the reform options to be adopted for water supply system.

4.1 Monthly income levels of household heads

The household willingness to pay for higher tariff and connection charges provided one of the ways of assessing how many consumers will be connected and stay connected if water supply is improved through PPP arrangement in the study area. This will helps to determine the success or viability and durability of the partnership framework.

Table 2: Monthly incomes of respondents in (N)

Variables	Frequency	(%)
6. MONTHLY INCOME OF RESPONDENT		
10,000& below	15	3.0
10,001- 20,000	54	10.8
20,001-30,000	110	22.0
30,001-40,000	184	36.6
40,001-50,000	92	18.4
50,001 and above	34	6.8
No Response	11	2.2
Total	500	100.0

Source: Field survey, 2015

From the table 2, the monthly income is both from primary and secondary sources of income. Generally, majority of household heads earn between N10, 001 to N40, 000 monthly, representing 69.4%, while those who earn less than N10, 000 monthly form about 3.0%. About 25.2% of household heads earn N41, 000 to N50, 001 and above where as 2.2% does not respond.

4.2 Monthly expenditure on water by household heads

The monthly expenditure on water by households was used to assess the ability of the respondents to pay for water supply if commercialized in Lafia town.

Table 3: Monthly expenditure on water by respondents in (N)

Variables	Frequency	(%)
6. MONTHLY EXPENDITURE OF RESPONDENT		
150 & below	34	6.8
151-300	68	13.6
301-450	163	32.6
451-600	121	24.2
601-750	82	16.4
751 & above	32	6.4
Total	500	100.0

Source: Field survey, 2015

From table 3, it shows that the level of household expenditure is generally low, about 32.6% of the respondents spent on a monthly basis an average of N375 on water supply and about 24.2% spent no less than N450 on water supply monthly. The result reveals the level of earnings of respondents as they are not likely to spend above 7% of their income on water supply. As the level of income increases, the likely that households would pay more for improved water services also increases.

4.3 Household WTP (% of income)

The Table below presents the proportion of income that the respondents are willing to pay for improved water supply, that is, constant water supply. Respondents were asked the amount they can pay for improved water services and the results were calculated in percentage visa vis their monthly income.

Table 4: Household WTP for Improved Water Supply

Variables	Frequency	(%)
Household WTP (% of income)		
None	21	4.2
>1-1	23	4.6
2-3	214	42.8
4-5	108	21.6
6-7	72	14.4
7-9	54	10.8
No response	08	1.6
Total	500	100.0

Source: Field survey, 2015

The table 4 shows that about 4.2 % of the respondents indicated that they were not willing to pay anything from their income for improved water services, 4.6 % were willing to pay below or 1 % and 42.8 % agreed to pay between 2-3% of their monthly income on improved water supply. While about 21.6 % indicated that they were willing to pay 4-5% or more for improved water supply for their households and 14.4% were willing to pay 6-7% of their income for improved water supply while 10.8 % were willing to pay 7-9%.

The study has shown that majority of the respondents are willing to use 3-7% of their income to pay higher tariff for water supply, particularly if the existing services are improved on, in terms of the quality, quantity, and the reliability of supply.

V. ASSESSMENT OF THE LEVEL OF ENABLING ENVIRONMENT FOR PSP OPTIONS

There are enabling environments both locally and nationally for water supply reform options and this section try to assess the level in order to ascertain the reform options to be adopted for water supply system.

S/No.	Criteria	Grading matrix		Reforms option
		Level	Score	
1	Size of SWB	Bigger Medium Small	10 5 2	5
2	Annual revenue collected from consumers	>100% of O & M >50% of O & M <50% of O & M	10 5 2	2
3	Level accounted for water	20% 20-50% >50%	10 5 2	2
4	Availability of reliable information on current Audit report	Very good Good Fair	10 5 2	5
5	Regulatory framework	Strong Moderate Weak	10 5 2	5
6	Enabling policies	Very good Good Fair	10 5 2	10
7	Political will to reform	Strong Moderate Weak	10 5 2	10
8	Willingness to pay for higher tariff	50-100% strongly agreed 20-50% Agreed <20% Disagreed	10 5 2	10
9	Stakeholder support for PSP	High Moderate Low	10 5 2	10
10	Availability of partners both locally and nationally	Adequate Fairly adequate Not adequate	10 5 2	5
11	Size of the urban population	<2million 2m-500,000 >500,000	10 5 2	2
	Total			66 points

Source: Modified after Federal Ministry of Water Resources (2001), World Bank, 2004

V. DISCUSSION

The table 5 shows the total scored possible for water supply reform option in Lafia town

70 or more points score- immediate investment project or other PSP options

50 or more points score- Preparation of lease + lifeline investment during preparation, with investment after lease signed

30 or more points score- preparation of management contract, with possible investment after contract signed

10 or more points score- technical assistance through the Federal Ministry of Water Resources

From the above assessment of the enabling environment, it shows that the reform option in Lafia environment- scored 66 points which fall on preparation for PSP options for public water supply system. By these assessments, the study shows that Lafia environment is ripped for PSP reform options.

5.1 Assessment of PPP Models for Public Water Supply Systems

The problems with the existing management framework of public water supply are that of institutional development defined as the qualitative and quantitative changes in management, operations and maintenance of an organization which have hindered the efficiency supply of water in Lafia town. However, Nasarawa State Government is finding ways towards improving the Board institutionally so that it can be efficient and autonomous. Hence, private sector participation is a necessary ways in which this can be done learning from available literature review of case study from various countries of experience. Four options of reforms were identified for application and assessed using some factors based on institutional and management framework of the Water Board to come out with appropriate option for application.

Therefore, there are four main models of PSP for water supply, each of which has different levels of ownership and management. The model (World Bank promoted) where a private commercial company enters into one or a combination of possible contracts or arrangements with a host government.

5.2 Assessment of Institutional Determinant for Partnership Models in Water Supply

The likely options for PSP to be applied in Lafia town shall be assessed using some factors based on countries of experience successes in relation to the existing management framework of NSWB and to come out with the best option. The factors for assessing the likely partnership options for Lafia water supply shall comprised of the following; institutional arrangement of the water Board, water resources, financial situation, size of the utility, investments requirements, staffing and human resources, etc. These factors were used at Decision makers' workshop in Dakar, Senegal, 2002 to assess the private sector participation in water supply and sanitation services in Sub-Saharan Africa.

Table 6: Assessment of PSP reform options based on Lafia conditions

S/No	Factors (existing water supply utility)	Grading matrix		PSP options			
		Level	Score	Service contract	Management contract	Lease contract	Concession contract
1	Institutional arrangements: degree of independence of the public utility	50-100% 10-50% <10	10 5 2	2	2	5	10
2	Water resources: availability and closeness to the sources	Yes No	5 0	0	0	5	5
3	Financial situation of the sector	Viable Non-viable	5 2	2	2	5	5
4	significant tariff adjustment	High Moderate Low	10 5 2	2	5	10	10
5	Size of the public utility	Big Medium Small	10 5 2	2	5	10	10
6	Investments requirements	Long term Medium term Short term	10 5 2	2	2	5	5
7	local capacity to generate funds	High Moderate Low	10 5 2	2	5	10	5
8	Cost-recovery tariff	Highly necessary Necessary Not necessary	10 5 2	2	2	5	10
9	Staffing and human resources	Understaffing Overstaffing	5 2	5	5	5	2
10	Availability of reliable information on facilities, accounts, high return, customers etc.	Very good Good Fair	10 5 2	2	5	10	5
Total				21 points	33 points	70 points	67 points

Source: Modified after Decision makers' workshop (2002) on Private sector participation in water supply and sanitation services in Dakar, Senegal, Sub-Saharan Africa.

The table 6 shows the assessment of the PSP reform options on the context of the public water supply privatization in Nigeria and part of West Africa. A matrix was provided to determine the level of its operation and successes. The first factor that was used here is the degrees of independence of water supply utility based on the study investigated shows that water utility privatization under concession have 50-100% degree of independence, the lease model ranked between 10-50% with a score of l0 marks and 5 marks respectively while the management and service option has less than 10% degree of independence, These were ranked based on the objectives in which the PSP options water reform was achieved and the result indicated that the concession option may need higher degree of independence follow closely is the lease option while the management and the service option have 2 mark each.

The assessment of the public utility shows that it has an available water resource which is close to the source for concession and lease model while the management and service model are not. The financial framework was discovered to be more viable under the concession and lease model, which may not be favourable for the service and management option to improve water sector. The study also shows that the concession and lease exhibits high tariffs adjustments follow by the management model and service contract. The assessment also show that concession model and lease model scored 10 marks which to bigger size of utility while the management and service model need a small size of utility to achieve its objectives.

The assessment also shows that the concession and lease model need medium term investments and the service and management options may need only short term investment. In addition, the lease model has a local capacity to generate funds and high level of cost- recovering tariff more other options or reform" The assessment also shows that the staff and human resources are understaffed and inadequate which favour the service, management and lease contract with 5marks each while the concession has 2 marks. More so, the available information on the system favours the lease option compare to other reform options.

5.3 The Best Option for Water Supply Partnership Framework in Lafia Town

From the above assessment of different PSP options based on case study experiences and NSWB conditions show that the lease contract ranked the highest with 70 points following closely is the concession model with 67 points. The management and service contract ranked 33 and 21 points respectively.

Therefore, lease contract with the highest points has emerged as the option of choice for partnership arrangement for public water supply systems in Lafia urban environment. This is a necessary step toward future concession option if the environment is favourable or ripe for the higher option, Therefore, a lease is a good preparatory step towards longer concession contract because in some time, a concession may become necessary to generate required investments necessary for Lafia town.

The evolution of the model of "lease" has been driven by efforts to redistribute risks among the operator, the Private Company and the Government.

VI. SUMMARY OF FINDINGS FROM THE STUDY

The study reveals the following:

- *Enabling policies:* The assessment of enabling policies reveals that there are policies and legislations both locally and nationally that support private sector participation as one of the ways of improving water supply in our cities. These policies are: National Water Supply and Sanitation (WSS) Policy, 2000, National Water Resources Policy and Existing edicts for water supply and sanitation comprise the following acts and decrees: (i) Nigerian Water Resources, Decree 101, (ii) Decree no. 35 of 1987, establishing the 11 River Basin Authorities, (iii) Edicts establishing State Water Agencies.

- *Assessment of willingness to pay:* It has become evident as confirmed from this survey that the people are willing to pay if water supply is improved. The study has shown that majority of the respondents are willing to use 3-7% of their income to pay higher tariff for water supply, particularly if the existing services are improved on, in terms of the quality, quantity, and the reliability of supply.

- *Ability to pay for water supply:* This study reveals that there exists consumers' ability to pay as inherent in the monthly expenditure on alternative sources of water supply. The households across Lafia Urban area spend an average of N50 daily (that is, N1500 monthly) to buy water especially during the dry season. While an average cost of public water supply system in Lafia town by households with piped water supply show consumers paid N400 single tap per month and for full house connection is N800 per month.

VII. PROPOSED OPERATIONAL MODELS FOR PUBLIC-PRIVATE PARTNERSHIP

The proposed model include Government, customers (consumers), investors (local and international), sanitation and water as the system variable while technology, quality to be achieved, quantity, capital, revenue and tariffs as forcing functions to the achievement of the goal set. The model was modified based on the operational problems on water supply and sanitation services in urban areas in Tanzania

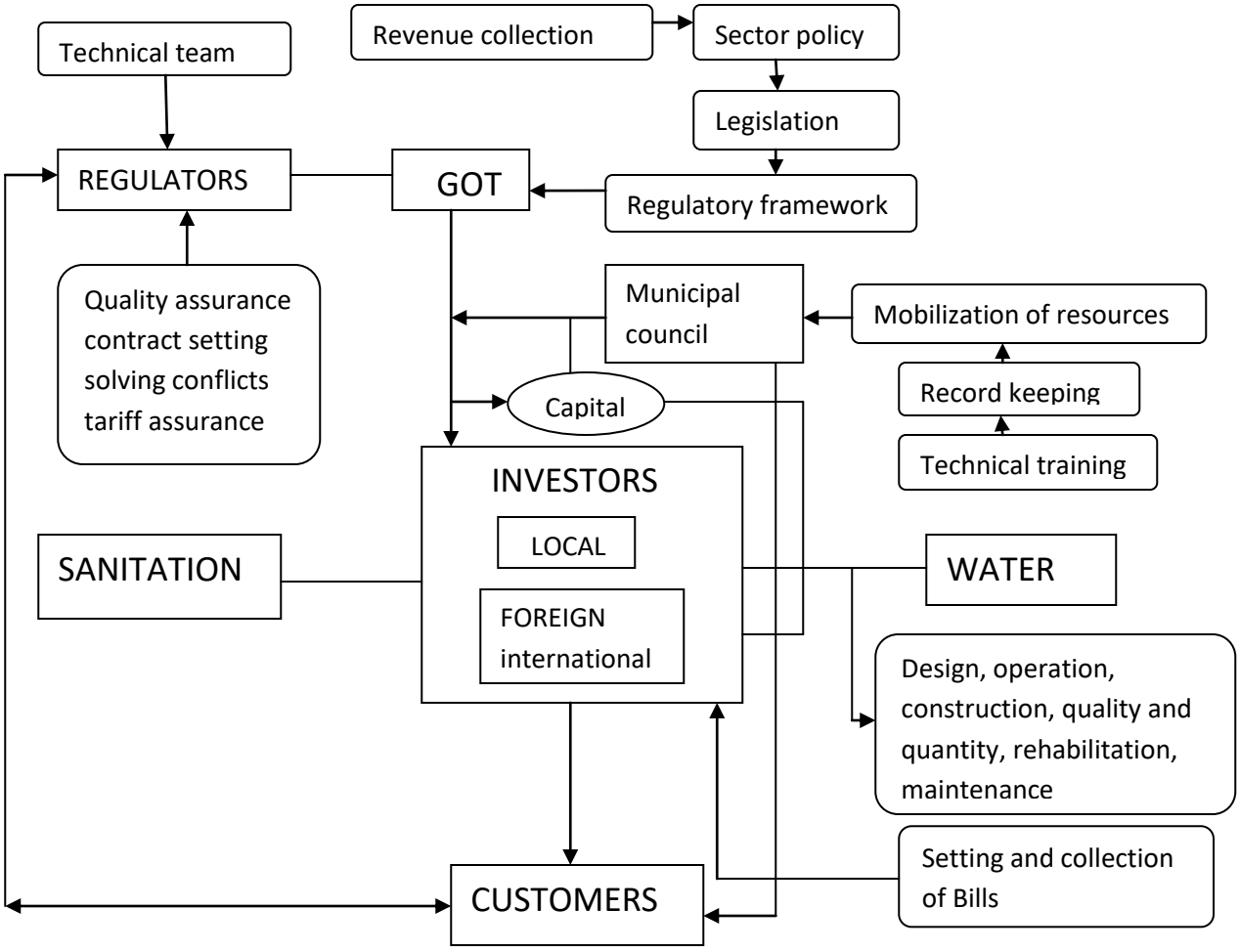

Figure 1: Proposed Operational models for Public-Private Partnership in the provision of water services in urban areas.

Source: Modified after Mashauri and Kayombo, 2000

Figure 1, shows the operational model for public-private partnership (PPP). The state variables are in boxes and the forcing functions are in circles. The model represents a fairly structured and ordered manner the important interdependencies and interactions among the various forcing functions and state variables. The expected main question will be will the tariffs be affordable by the communities. On the other hand the investors demand that the tariff cover their investment, operational and maintenance cost.

The relationship between the Government and the customers will be based on the role of the regulators appointed by the government for the purpose of ensuring good quality of services, contract setting, and other forcing functions shown in the figure above. The direct role of the Government will be to set sector policy, legislation, and regulatory frameworks so as to create conducive environment for the private sector to invest on water and sanitation services in urban areas. The Government, municipal councils or local and foreign investors will act as a source of capital for rehabilitation or construction of the new systems. Investors may do so in water supply or sanitation or all together. Some of the urban areas might not attract investors hence the local government will have to mobilise resources as local investors. In this situation the revenue collection will remain an activity at the local government but tariff setting will be done by the service provider and will be reviewed for its acceptance by the regulators.

Technical service team will comprise of town planner, sanitary engineer, electrical engineer, Civil engineer, and a laboratory technician. This team will be responsible for ascertaining of quality of services together with the regulators. Hence a technical team will be responsible to advice the regulators as well as the investors. The model has two levels of operation, the Government and investors. If appropriately operated then no contradictions or overlapping of activities will occur. On the other hand the quality assurance will be the key issue on service provision. High quality services to the customers will accelerate timely payment for the services rendered. The model may be expanded to cover each state variable and forcing function in more details. Example a

forcing function for good performance on water supplies is indicated as collection of tariffs by the investors. Tariff collection is also a function of the income to the community, the rate set, and also the efficiency on service rendered. Behaviour of the community also may influence the way tariffs will be administered (billing and collection). The good performance of such social related model will depend on human performance. The forcing functions to human performance are skill and knowledge, attitude and ability, incentive, working conditions, tools and equipments, supervision, standard procedures, feedback, opportunity to perform and motivation.

VIII. CONCLUSION AND POLICY RECOMMENDATIONS

8.1 Conclusion

The lesson from the past shows that the government alone cannot manage to sufficiently provide water services to acceptable level; therefore, the shortest route to the achievement of this goal is structural reform of the water utilities which are service providers addressing the shortcomings which currently beset them. Thus the thrust of the reform is to steer the development of NSWB along the path of PSP. However, PSP is not viewed as a rigid model, rather as a wide range of options which, at a minimum, seek to introduce commercial criteria in pricing, service delivery and/or allocation of resources.

8.2 Recommendations

The assessment of enabling environment in terms of willingness/ability to pay and the enabling policies reveals that Lafia environment is ripped for water supply reform options.

Therefore, the following recommendations are necessary for the partnership;

- Strong political commitment from government to promote water supply, sustained consistently over a long time period, is critically important to the success of national sector programmes.
- Government should formulate clear legislation and regulatory systems that will give guidance and confidence to all partners, especially to private operators working in the sector, to determine their own policies and plans and to protect their financial interests and property rights.
- Qualified local, national and regional enterprises should be given the opportunity to compete for PPPs. Governments should consider involving small-scale providers, especially community-based organizations and private local SMEs.
- Capacity building in institutions involved in the process and development of local expertise.
- PPP contracts should clearly define pro-poor arrangements through establishing adequate tariff systems and policies for service charges and make them affordable and equitable for low-income residents.
- When selected as options in the context of a higher-autonomy partnership, lease agreements, affermage contracts, and concessions should be used as efficient contract arrangements to improve responsiveness, foster innovation, and, in the case of concessions, to attract private investment.

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