

THE **WATER** DIALOGUES:
AN
INTERNATIONAL
SUMMARY
REPORT

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Acronyms

CBO	Community-Based Organisation
CSO	Civil Society Organisation
DBO	Design, Build and Operate
DFID	Department for International Development
GTZ	German Agency for Technical Cooperation
IS	International Secretariat
IWG	International Working Group
MDG	Millennium Development Goal
NAWASA	National Water and Sanitation Association of the Philippines
NGO	Non-Governmental Organisation
NWG	National Working Group (NB: used interchangeably with National Dialogue)
PSI	Public Services International
PSO	Public Service Obligation
PSP	Private Sector Participation
RFQ	Reframing Question
SSIP	Small-Scale Independent Provider
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UWSD	Uganda Water and Sanitation Dialogues
WATSAN	Water and Sanitation
WD-SA	The Water Dialogues-South Africa
WSS	Water and Sanitation Services



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Notes on the Report

The Water Dialogues are a series of multistakeholder dialogues in five countries with a linking International Working Group providing strategic oversight. This report attempts to describe the origins of The Water Dialogues through to its major outcomes and lessons.

The material and perspectives presented in this report, whilst based on national and international publications as well as the input and feedback of members, are ultimately those of the authors.

Acknowledgements

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Authorship

Karen Bakker is Director of the Program on Water Governance and an Associate Professor at the University of British Columbia (Vancouver, Canada). Her work on water governance covers a broad range of issues including private sector participation, municipal utility restructuring, delegated water governance, and water security. She was commissioned by The Water Dialogues for the writing of this report in order to lend critical insight on the outcomes of the project.

Kate Martin is the International Coordinator of The Water Dialogues and hence brings in-depth understanding of the international and national processes, both in terms of emerging findings as well as broader impacts on the sector.

Respectively, the authors provide an external and internal viewpoint on key aspects of The Water Dialogues.



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The Water Dialogues: multistakeholder dialogues on water and the private sector

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Introduction

“The Water Dialogues: Multistakeholder dialogues on water and the private sector” will cease international operations at the end of 2009 following an intensive five-year process. This report was written with the intention of “wrapping up”, summarising and concluding this process. To date, despite a growing number of available project publications examining both the dialogue process, and the specific activities of National Water Dialogues, there has been no over-arching examination of these elements within an international framework. Having drawn their own conclusions and recommendations from individual experiences, each National Working Group (NWG) will apply this new knowledge to their national context. This report, in contrast, takes a step back and asks: “what common themes and lessons can be drawn from across the spectrum of all five national processes?”

Consistently, the priority for the majority of stakeholders in the sector has been to improve access to essential services for all. So what insights has The Water Dialogues provided on this? And, did it meet the expectations of its own “multistakeholder review”? The Scoping Study, which provided the platform for the origins of The Water Dialogues, outlined the following expectations:

The majority of participants who favoured establishing a multistakeholder review process felt that it can help make progress towards meeting the MDGs in several ways. A review can generate evidence and lessons about past performance of WSS that can help guide future decisions and safeguard against repeating past mistakes. A review can also propose practical solutions and clear mechanisms for action and implementation. Generally, stakeholders highlighted that public perception of PSP in water is quite mixed and that misperceptions and ideologies can mask realities.

This report revisits these expectations. It provides an overview from which the reader can understand the project’s origins, its progress and achievements, and how these correspond to the mandate from which the process began. The report also examines the recommendations that have emerged, and finally, considers what the future holds for this type of approach.

1. Page 4, Scoping
Study Exec Summary

The report is structured in four sections.

The uniqueness of The Water Dialogues lies in its process (as described in Section 1), which is an attempt to ensure fully transparent, equal and participatory dialogue involving all perspectives on an issue. But does this type of process merit further “roll-out”, as a useful approach for people engaged in debate and reform around other development issues? Those involved in The Water Dialogues stand strongly by the power of “dialogue”. However, evidence is needed to demonstrate that the dialogue process develops and even changes perspectives, and hence influences policy/reform (as outlined in Section 3). Evidence may also show that the research conducted by NWGs produces new information and hence clear recommendations for the sector that would otherwise not be possible to transmit if only “one side” or a limited group of stakeholders created it (as discussed in Section 2).

Section 2 turns to the Reframing Questions that were at the core of the original Scoping Study. The core theme that drove the origin of The Water Dialogues was the “Private Sector Participation



(PSP) Debate”: the impasse between “those that pushed PSP as a panacea to the problems in the water sector, and those that wanted to ban PSP from any role in water.” It is with this background in mind that this report must return to its roots as part of the examination of whether multistakeholder dialogue in this instance has been of help to those involved, and to the broader sector. The analysis in Section 2 is structured according to the five themes under which the original reframing questions were organised:

- Financing water and sanitation services (Section 2.1)
- Meeting the Millennium Development Goals (Section 2.2)
- Achieving good governance and accountability (Section 2.3)
- Managing efficiently and effectively (Section 2.4)
- Safeguarding public interests (Section 2.4)

Section 3 then turns to consideration of the major achievements of The Water Dialogues in research, advocacy, and innovative processes for multistakeholder dialogues. This section also explores the question of the relevance of multistakeholder dialogue processes in other contexts. Simply put, this section addresses the question of when, why, and how should The Water Dialogues serve as a model for dialogue in the future?

Section 4 concludes the report.

“The challenge for a global multistakeholder review of PSP would be first to get the questions right, and then to get the right group to address them. I believe that the process should focus on meeting the needs of the unserved, asking the question ‘how best can we achieve the Millennium Development Goals in water supply and sanitation?’ The question then is not whether PSP is good or bad, but rather what contribution the private sector can make to achieving the MDGs better and faster. While framing the questions will be fundamental to the success of any process, it will be equally important to ensure that people who have actually done the job of service delivery in different contexts are included. If that can be done, I am sure that South Africa will be supportive of a multistakeholder global review of PSP that seeks to build a consensus for achieving the MDGs rather than simply providing one more platform for sterile and ultimately unproductive polemics.”

Mike Muller, Director General, Department of Water Affairs and Forestry, South Africa

“Water is everybody’s business. The debate about private versus public provision of drinking water and sanitation has much of a red herring to it. It pins pros and cons against each other in a rather ideological way, instead of exploring where and when which mode delivers best to the poor and drives pro-poor growth. Many conflicts reflect people’s perception of having no voice in water sector reform. An international multistakeholder dialogue on this issue will help to bring public and private sector together with civil society to join forces in fighting poverty.”

**Stefan Helming, Director General, Planning and Development,
GTZ/German Agency for Technical Cooperation**



Section 1

What are The Water Dialogues?

1.1 - A BRIEF HISTORY

The Water Dialogues traces its origins to the 2001 Bonn Freshwater Conference. It was in Bonn that the German Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul expressed support for a “stakeholder dialogue” to review the issues surrounding private sector participation (PSP) in water and sanitation delivery. At the time, a stalemate existed between stakeholders from traditionally opposed sides. Nevertheless, they all recognised the need for a bridging space. PSP was then, and still is, a controversial subject that invites noisy debate and guarded suspicion. Water sector stakeholders understood the growing importance of producing balanced policies and research that multiple players could endorse, and not reject simply based on ideological mistrust.

In this atmosphere, and in response to Wieczorek-Zeul’s statement, a Working Group comprised of six stakeholders from diverse perspectives² managed a Global Water Scoping Process – involving over 300 interviewees – who expressed their opinions on the potential merits of a multistakeholder review of PSP. As outlined in the resulting Scoping Study *less than two per cent* of those interviewed answered unequivocally that a review was not necessary or useful.

Consequently, at a conference in Berlin in 2004, where approximately 60 of the individuals and organisations involved in the scoping process met, eight options for a global multistakeholder review were discussed. Participants then mandated the existing Working Group to advance “Option 6 – Linking international to national dialogues with a broad PSP focus”, which is an iterative process *“oriented towards both process and product.”*³

2. The Working Group was comprised of representatives from the following organisations:

- ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators)
- Consumers International (International federation of consumer advocacy NGOs)
- Environmental Monitoring Group (South African NGO)
- Public Services International (International labour federation)
- RWE Thames Water (Multinational water services corporation)
- WaterAid (International development NGO)

3. Moore, D. & Urquhart, P., 2003: *‘Global Water Scoping Process – Is there a case for a multistakeholder review of private sector participation in water and sanitation’*: 61

Publications available at
The Water Dialogues website:
www.waterdialogues.org

International

- Global Water Scoping Process: Is there a case for a multistakeholder review of private sector participation in water and sanitation? by Deborah Moore & Penny Urquhart
- The Water Dialogues: An International Summary Report by Karen Bakker & Kate Martin
- A Guide to Multistakeholder Work by Hilary Coulby
- The Water Dialogues: the story of an international multistakeholder process by Jennifer Chapman & Antonella Mancini
- Thematic Paper Series by Karen Bakker & Sophie Tremolet
- Overview Paper: Recent trends in PSP, Financing and Regulation in the water sector
- Financing water and sanitation services – Insights from The Water Dialogue
- Private Sector Participation – Insights from The Water Dialogues
- Regulation of water and sanitation services – Insights from The Water Dialogue

National

Some of the major papers and reports emerging from the National Working Groups include:

Brazil

- Final Report: Verification of the Private Sector’s Participation in providing Water Supply and Sanitary Sewerage Services in Brazil by INECON/FGV Consortium, under Programa de Modernização do Setor Saneamento – PMSS (Water Sector Modernisation Program), Secretaria Nacional de Saneamento Ambiental – SNSA (National Secretariat of Environmental Water and Sanitation, Ministry of the Cities)

Indonesia

- Final Report: Review for Private Sector Participation in Water and Sanitation in Indonesia by the Bandung Institute of Technology on behalf of the Indonesia Water Dialogue
- Private Sector Participation in Indonesia’s Water Sector – A White Book by Oswar Mungkasa, Hamong Santono, Nila Ardhanie and Riant Nugroho

The Philippines

- The Philippines Water Dialogues 2004–2008 – A Case Study by Hilary Coulby with editorial input from the National Working Group

South Africa

- Straight Talk to Strengthen Delivery in the Water Services Sector – The Water Dialogues–South Africa Synthesis Report by Dr. Mary Galvin and editorial team comprising Louise Colvin, Kathy Eales and Glen Robbins

Uganda

- Desk Study: Water and Sanitation – Modes of Supply in Uganda by Sam Watasa
- Policy Paper Series
- Financing Water Supply and Sanitation in Uganda – Opportunities for Private Sector Participation by Sam Watasa
- Informal Water Vendors and Service Providers: The Ground Reality by Ganesh Pangare & Vasudha Pangare
- Reviewing the institutional framework for Sanitation in Uganda: The case for new Sanitation Council by Teresa Nannozi



Table 1: Range of stakeholder desired outcomes for a multistakeholder review ⁴

Stakeholder grouping	Desired Outcome of MSH review
Broad cross-section, large number of respondents	Balanced, independent assessment, empirical evidence
Private sector, researchers	Develop risk assessment tools
Private sector, researchers, labour, UN, professional associations	Standards for regulation; “state of the art” regulatory frameworks (both public and private)
SSIPs, water vendors, regulators, NGOs in SE Asia	Bring end to political interference in service delivery
Public utilities, government agencies, politicians, NGOs	Improve the process of public sector reform
Large-scale private sector, public utility, researchers, politicians	Educate stakeholders about the need to pay tariffs (social tariffs)
Private sector, government, NGO, community organisations	Build capacity in the water sector through sharing experiences on a peer-to-peer basis
Private sector, public utilities, government agencies, NGOs	End donor conditionalities for PSP; harmonise and coordinate aid
NGOs	Recognise water as a basic human right; Support international convention on freshwater

4. Moore, D. & Urquhart, P., 2003: *Global Water Scoping Process – Is there a case for a multistakeholder review of private sector participation in water and sanitation?*: 60

5 Paul Hohnen, 2001: *NGOs: Challenges and Opportunities.* Presentation to the UNEP Multi-stakeholder Workshop on ‘UNEP Today and Tomorrow’ Nairobi, 1-2 February, 2001

6. Coulby, H., 2009 – A Guide to Multistakeholder Work: 7

1.2 - WHAT IS A MULTISTAKEHOLDER PROCESS?

“Business as usual, government as usual, and perhaps even protest as usual are not giving us the progress needed to achieve sustainable development. Let’s see if we can’t work together to find better paths forward.” ⁵

In order to capture the lessons emerging directly from The Water Dialogues, a Guide was created to outline the process of conceptualising, planning and structuring multistakeholder work. “The desire to fill the gap in user-friendly information prompted the project to document the processes involved in creating and sustaining The Water Dialogues” which in turn drove the creation of A Guide to Multistakeholder Work (Coulby, 2009), with the added reason that “documenting the process would be a way to demonstrate to outsiders that the work was truly multistakeholder, inclusive and participative, transparent and accountable⁶”.

In the case of The Water Dialogues, participants at the Berlin 2004 Conference had defined the structure of the multistakeholder dialogue as an iterative process – see Box 1.3. The structure would involve an international panel of “respected champions” accompanied by a small secretariat and several national groups conducting processes linked to their own debate and existing national reform work. Ongoing feedback between national and international groups would ensure that any comparative lessons surfaced on a continuous basis and were compared regularly and not merely highlighted “after-the-fact”.

Box 1.3 – Iterative Dialogue

A process of ongoing dialogue

In cases where conflicts or differences exist amongst participants, the purpose of iterative dialogue is to revisit and reframe shared concepts and definitions between and within national and global levels, with the goal of increasing, over time, shared understandings and areas of agreement.



Box 1.2 – Some examples of multistakeholder work

Multistakeholder groups, including actors from civil society, business and governmental institutions, “come together in order to find a common solution to a problem that affects all of them. Problems approached by such networks often affect people across national boundaries, tend to be very complex and are not sufficiently understood. In multistakeholder networks, information concerning a problem is gathered from different sources, learning takes place, conflicts between participants are addressed and cooperation is sought.”⁷

The Stakeholder Forum for a Sustainable Future describes multistakeholder engagement as being “based on democratic principles of transparency and participation” with an overarching “aim to develop partnerships and strengthened networks between stakeholders”.

The Centre for Collaborative Research at Sacramento State University, champions what it calls “public collaborative involvement”, an approach that “goes beyond the basic requirements of public participation”, prescribing eleven conditions⁸ for the generation of sustainable decision-making on the basis of better knowledge exchange, more effective use of resources, and improved agency-public relations.

In its conference paper *Multistakeholder engagement processes – a UNDP capacity development resource*, UNDP outlines the different global levels that multistakeholder work can operate at, and its potential objectives within this framework⁹. In this case, “dialogue” as an objective at international level, is exemplified by the World Commission on Dams, while “dialogue” at local level, is exemplified by integrated rural development planning.

How did The Water Dialogues go on to develop?

National Dialogues were established in five countries – Brazil, Indonesia, the Philippines, South Africa and Uganda – with an International Working Group providing an overseeing and linking function. In each country, groups were comprised of stakeholders from across the broad range of perspectives on PSP – including civil society, private sector, national and local government, academia, and trade unions. However, as each National Dialogue developed in its context, differing and distinct structural, research and process characteristics emerged. These are outlined in detail in *The Water Dialogues: the story of an international multistakeholder process*.¹⁰ But the main characteristics to have emerged across the National Dialogues are outlined below. In addition, Box 1.4 provides a description of “confrontative dialogue” – an approach that links back to The Water Dialogues’ core characteristics – which was piloted by the South Africa Water Dialogues.

1.3 - THE WATER DIALOGUES: CORE PRINCIPLES OF DIALOGUE

The backbone to a strong multistakeholder initiative lies in the issue that brings people together. It is crucial that those involved in a multistakeholder group share a common vision related to this issue. In the case of The Water Dialogues, this was a desire to find ways for ensuring universal and sustainable access to water and sanitation services. Although trust will take time to develop, and perhaps remain fragile, once all those present are certain that they share the same vision, stakeholders can be clear that they are debating the means and not the ends.

7. Roloff, J., 2008 quoted by Coulby, H., 2009: *A Guide to Multistakeholder Work*, commissioned by The Water Dialogues: 7

8. Sacramento State University, Centre for Collaborative Policy website: <http://www.csus.edu/ccp/collaborative/#conditions>

9. UNDP, 2006: ‘Multistakeholder engagement processes – a UNDP capacity development resource’: 6

10. Chapman, J. & Mancini, A., 2009 – ‘The Water Dialogues: the story of an international multistakeholder process’



The Water Dialogues centred on national level processes, with the principle being that dialogue should take place between those directly engaged in national and local sector issues. This allowed, among other things, disenfranchised voices to be heard and involved – and theory to be replaced by real experience.

11. Mas, J. quoted by Galvin, M. et al, 2009 – ‘Straight Talk to Strengthen Delivery in the Water Services Sector’ - Appendix 1: 135

The Water Dialogues places primary importance on ensuring genuine multistakeholder participation. Key elements of this include not only the presence of all perspectives on an issue but also the ability to ensure a “safe space” for listening and combating stereotypes. “Pushing one’s own truth across the table”¹¹ is not the purpose for gathering stakeholders into a dialogue. Instead, by offsetting the tendencies of different groups, a dialogue can enhance knowledge building and improve mutual understanding.

12. Jean-Pierre Mas, International Working Group member, international private sector perspective

It is the presence of all stakeholders around a table – who are willing to learn from each other – that ensures that the desire for solving real issues (and not just ideological agendas) drives the process. As one member of the International Working Group of The Water Dialogues said regarding the perception of multistakeholder work: “The sole objective is not just about civil society making governments and service providers accountable. This is obviously a very important dimension but the multistakeholder dialogue is also (amongst various other things) about civil society understanding the complexities of service delivery and taking some responsibility for it.”¹²

As described in Box 1.4, consensus was not the overarching aim for National Dialogues. While only The Water Dialogues-South Africa employed the confrontative dialogue approach, it remained true of all National Groups that stakeholders supported the usefulness of surfacing issues and discussing specific changes or recommendations, rather than driving at changing the ideological positions of their counterparts.

13. Abrahamsson, 2004: *The role of dialogue in confronting power* – a discussion paper

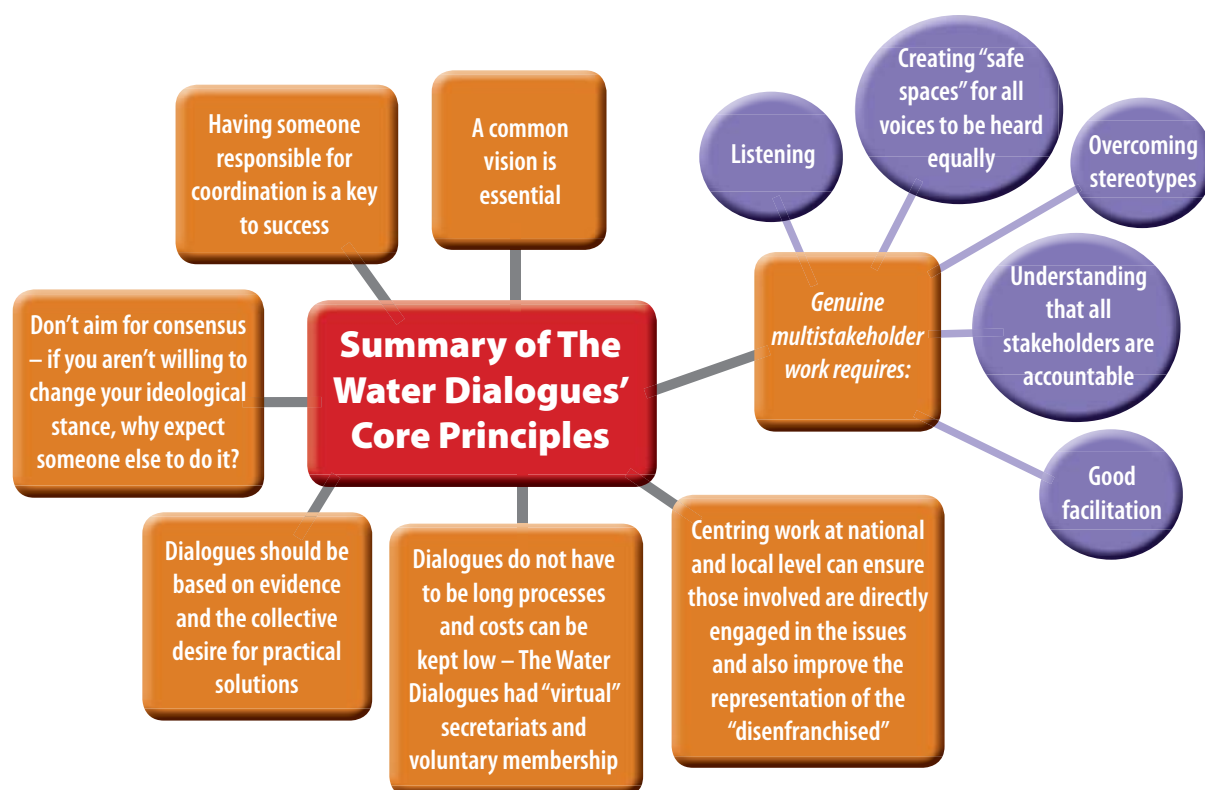
Another major element of The Water Dialogues Working Groups was the voluntary involvement of stakeholders. Along with the use of small “virtual” secretariats, voluntary involvement of stakeholders ensured that cumbersome traditional and institutional frameworks were avoided, costs were kept low, and in turn, the work could remain easily replicable.

From a more practical perspective, The Water Dialogues’ experiences also surfaced key lessons, as outlined in *A Guide to Multistakeholder Work*, regarding the importance of facilitation and Coordinators in driving processes forward and ensuring they run smoothly.

Box 1.4 – Confrontative Dialogue¹³

The aim [of confrontative dialogue] is not to try to make one’s own point the most valid or to agree to solutions to complex problems during hours of conversation or debate... Instead of trying to achieve some kind of consensus, the aim of the confrontative dialogue is to make visible the diverging values and interests behind the different formulations of the problems and measures to be taken that the decision makers and their opponents have proposed... Hence, the confrontative dialogue offers a possibility for the more powerless and weaker partner to join the dialogue without fear of being co-opted into the logic and rationale of the powerful... In this process it could also be possible to identify coinciding interests (albeit temporary) between the parties as regards problems to be addressed. Hereby, and furthermore, political issues could be identified to be used as entry points through which the actors could find it meaningful to engage in the political process.

(Abrahamsson, 2004)



1.4 - THE PSP DEBATE: LINKING RESEARCH WITH PROCESS

When the idea for a multistakeholder review on PSP first emerged, it was against a backdrop of entrenched and polarised positions of a heated debate. On one side were advocates for a rights-based approach to basic services; while on the other side, there were those who championed the introduction of private sector involvement as an answer to the many financial, management, and regulatory issues facing the sector. By 2002, these sides were clearly defined, and pitched against each other. But seven years later, the role of the private sector has evolved and the understanding of the range of private actors is more nuanced.¹⁴

Section 2 goes into more detail on the evolution of the debate, an evolution that is not only evidenced in the chosen research questions and methodology of National Dialogues, but also equally in their process outcomes and findings.

An important question to consider when assessing the findings presented in Section 2 is: how does research and process link? As illustrated in South Africa's synthesis report, and other National Dialogues research, *“evidence from case studies served as the basis for the dialogue. This evidence was trusted by the stakeholders since, in contrast to existing research that tends to sit within ideological camps, they were involved in and agreed on the selection of researchers, research design and method, and selection of cases.”*

Although it was not the case that all NWGs chose to conduct detailed primary research, it remains true that the foundation of multistakeholder dialogue lies in evidence-based discussion. This evidence can be in the form of findings emerging from group-driven research; or it can be in the form of highlighting specific issues available in literature, which in turn can be discussed in open (and

14. Bakker, K. & Tremolet, S., 2009: Thematic Papers on issues of regulation, financing and PSP, commissioned by The Water Dialogues, available at www.waterdialogues.org



documentable) debate forums. Of course there are major differences in these approaches, one of the most critical being time.

Conducting primary research is a very strong method for building group cohesion, improving understanding of positions, and ensuring commitment, but the different experiences of NWGs have shown that in different contexts, and depending on the issue, the type of evidence needed to drive a dialogue can vary. It is ultimately an important decision for any group of stakeholders to make – as detailed more comprehensively in *A Guide to Multistakeholder Work*.

Overall, as long as the evidence generated or brought forward through multistakeholder dialogue (whether that is primary, secondary, or experience-based) is examined openly by the full group of perspectives present, it is the collective consideration they can generate that has the potential for instigating real change. It is the power of a multistakeholder dialogue's collective input that gives weight to any recommendations it makes or platforms it hosts. Dialogue cannot reasonably progress without the investigation of specific issues, but equally, evidence alone needs context and legitimacy before it becomes useful. Hence, the link between evidence and process is a crucial one.



Section 2

Thematic Outcomes of The Water Dialogues

2.1 INTRODUCTION

This section revisits the original themes and questions identified in the Scoping Study, and identifies lessons learned from the spectrum of the five NWG processes. The analysis also includes reflections on the achievements of The Water Dialogues to date, particularly the extent to which The Water Dialogues met the expectations of the Scoping Study.

The discussion is structured around the five themes originally introduced in the Scoping Study (Box 2.1). Each of these themes was associated with a set of Reframing Questions (RFQs), which were adopted and explored as appropriate, given the different degrees of attention devoted to these questions by individual NWGs. In line with the original Scoping Study, the discussion engages with the RFQs and policy outcomes, although many of the NWGs' outcomes were intangible contributions to broader reform processes within participating countries. Advocacy strategies, another key outcome of the NWG processes, are discussed in separate advocacy briefings available on The Water Dialogues website.

Throughout this section, a diversity of approaches to PSP—multinational providers, local private companies, small-scale independent providers—is evident; this reflects the diversity of PSP activities on the ground in the participating NWG countries. The differing emphases of the NWGs also reflected the different reality of water provision in the participating countries. For some countries, the lack of capacity and financing was the central issue. In other countries, where a degree of capacity and financing was present, regulation was a central issue. These different approaches invariably reflect local context, and the variability in approaches of the NWGs is best interpreted as a strength, and inevitable outcome, of multistakeholder dialogue processes.

Before considering the findings of the NWGs, it is important to highlight the dramatic changes that have taken place in the water sector since the start of The Water Dialogues.

Since 2002, the international debate on PSP has shifted considerably. The level of PSP activity has been spatially variable, and has been increasingly focused in middle-income countries, raising the question of the extent to which the private sector might operate in low-income countries and serve



15. WDM op. cit.;
Document reference
withheld pending
permission to cite.

the needs of the poor. Some argue that this trend implies a worrisome (but expected) strategy of “cherry-picking” by private companies (a central concern, for example, of the Indonesian NWG), which opponents of PSP believe to be objectionable, given their perception that international donors unreasonably favour private operators. Proponents of PSP have increasingly admitted the validity of these concerns, but have also pointed to the importance of small-scale independent providers and the emergence of new, smaller private companies (often regionally or nationally-based), as proof of ongoing private involvement which may involve supply to the poor.¹⁵

As a result, there appears to be a reasonable degree of consensus that concessions are no longer a widely applicable model (particularly with respect to the needs of the urban poor), which underscores the financing challenges facing the water sector, and the urgency of finding alternative financing models for urban water supply. Another consensus seems to be the importance of improved regulation, particularly given the negative consequences of the “regulation-by-contract” approaches that have characterised PSP activity, especially in the 1990s. These themes – financing, regulation and accountability, and PSP – emerged as the three cross-cutting issues which were the focus of NWG activities. The emphasis on these three issues has meant that some of the five themes (particularly Theme 5) and Reframing Questions originally identified in the Scoping Study have received less attention than others.

Box 2.1 – Major PSP Themes and Reframing Questions from Original Scoping Study

1. Financing water and sanitation services

Reframing Questions: Finance, Alternative Financing Mechanisms, Politics of Tariffs, Tariff Reform, Cost Recovery, Profit

2. Meeting the MDGs

Reframing Questions: Small-scale independent providers, Impacts of PSP on the Poor, Social Impacts Assessment, Diversity of Poor, Sanitation and Sewerage

3. Achieving good governance and accountability

Reframing Questions: Governance, Participation, Information Disclosure, Regulation, Monitoring, Contracts, Transaction Advisers, Local Government

4. Managing effectively and efficiently

Reframing Questions: Performance Assessment, Benefits of Efficiency, Labour

5. Safeguarding public interests

Reframing Questions: Health and Safety, Rural Health, Environment, Cultural and Social Impacts, Trade Agreements, Corporatisation

Expectations and approaches

Prior to considering the themes identified in the Scoping Study, it is important to emphasise the fact that participants had differing expectations of the purpose of the Dialogues, which led to differing approaches to the themes set out by the Scoping Study. As explored in Section 1, the debate over PSP in the water sector was the context and driver for the creation of The Water Dialogues.

Some participants felt that that the Dialogues should focus on the question of performance, and



Box 2.2 – Defining privatisation and PSP

The definition of privatisation was a matter of dispute within The Water Dialogues (as is the case generally). Some Dialogues participants favour a broad definition, which includes a range of processes from commercialisation to corporatisation, liberalisation to private sector participation and asset sale, and so on. Others use a precise definition, reserving the term “privatisation” for the sale of assets to the private sector. In this report, the term privatisation is restricted to the latter definition. The term “private sector participation” (or PSP) is used to refer to the participation of private businesses and individuals (both formal and informal) in the full range of water services and sanitation activities, including full privatisation, divestiture, concessions, lease/affermage, management and service contracts, consulting services, public-private partnerships with NGOs, and small-scale water entrepreneurs. This definition comes from the original scoping review conducted for The Water Dialogues process.

that NWGs should focus their efforts on researching how private water companies had performed. The question of whether or how comparative research should be conducted on private versus public performance was controversial. Some of The Water Dialogues participating countries (Brazil, Indonesia, and South Africa) focused in various ways on issues of performance. At the outset, some observers felt that The Water Dialogues were meant to serve as a mechanism to adjudicate the “public versus private” debate. To some extent the Scoping Study, particularly the opening sections, supports this approach: “The Global Water Scoping Process presented in this report arose as one means of examining the issues and controversies surrounding the role of the private sector in providing the essential services of drinking water supply and sanitation for all.” (Scoping Study, page 2).

But in practice, none of the NWGs focused solely on a straightforward “public versus private” comparison. In South Africa for example, the aim was not to adjudicate between different models, but to examine their strengths and weaknesses in different contexts, as a means of formulating strategies for improving public performance. This is reflective of a second emphasis of the original Scoping Study: the contributions that the private sector could make on delivering the Millennium Development Goals better or faster, or on a more general exploration of where and when each model delivers best to the poor (this was the approach taken for example by the Indonesian NWG).

From this perspective, the process was initiated in an attempt to move beyond the impasse between “those that pushed PSP as a panacea to the problems in the water sector and those that wanted to ban PSP from any role in water.” This implies the need to expand the focus of analysis beyond formal water supply networks and large water providers, and to develop an understanding of the roles played by a broad range of public and private actors in water supply governance. The original Scoping Study also emphasised the importance of the MDGs, and voiced the views of those who wanted to move beyond the PSP “impasse”.

“The overarching goal of a multistakeholder review is to contribute to making progress towards... achieving for the poor the human right of affordable and sustainable access to water and sanitation, and to attain the long-term goals of universal access and poverty eradication. (Scoping Study, Section 6.2, p. 57)”

In summary, the Scoping Study offered the possibility of two complementary foci for The Water Dialogues: an evaluation of the relative merits of “public versus private” on the one hand; and a more

**Box 2.3 – Summary of research methods adopted by the NWGs****Brazil:**

Focus: Impact of PSP on the provision of water and sanitation services.

Method: Longitudinal analysis of 54 PSP contracts (41 concessions, 12 BOTs, and 1 management contract) across Brazil. Secondary data was obtained from private companies and government agencies. Primary data was from household surveys.

Study conducted by: Two consultancy firms (INECON and Fundação Getulio Vargas), funded by the Brazilian government (in turn funded by the World Bank).

Oversight: The project was managed by the Work Management and Monitoring group, which was composed of two Brazilian NWG members, two government representatives, and one World Bank representative.

South Africa:

Focus: Impacts of various institutional arrangements, including public, private and community delivery models, on the delivery of water and sanitation services.

Method: Comparative analysis of eight cases selected to reflect a broad range of institutional arrangements, different institutional capacities, and a diverse geographical representation. Primary data was gathered from service authorities and providers through semi-structured interviews and from service users using participatory research methods in community workshops. Secondary data was gathered from financial documents and utility reports.

Study conducted by: Teams of researchers including municipal researchers, financial experts, and community researchers, overseen by a full-time coordinator funded by IrishAid. Additional funding provided by Masibambane's Civil Society Organisation Programme (under the Department of Water Affairs and Forestry) and the Heinrich Böll Foundation

Oversight: Quarterly two-day meetings of the NWG engaged with research design, selection of researchers, analysis of data and findings, and formulation of conclusions and recommendations. This was based on proposals and documents developed by the Coordinator. Findings from each case study were fed back and checked with all stakeholders, including community groups, which participated in the research. The Environmental Monitoring Group and Umphilo waManzi served as accounting agents.

Uganda:

Focus: Originally, an analysis of private versus public activity in Uganda. Funding and time constraints limited the focus to: (i) the scope and coverage of existing research on WSS within Uganda; and (ii) the first large-scale study of informal water vendors and formal, private service providers in Uganda.

Method: (i) Desk study and three policy papers (on sanitation, informal water vendors, and financing); and (ii) interviews with informal vendors and water utilities in more than 20 towns and urban centres.

Study conducted by: a contract researcher and NWG members.

Oversight: NWG and secondarily water sector stakeholders and the annual Joint Sector review in Uganda, via presentation of results.



Box 2.3 – (continued)

The Philippines:

Focus: Originally, an analysis of public versus private sector management and governance in the Philippines. Disagreements within the NWG led to the focus being reoriented towards best practices with respect to provision of services to the poor and universal access coverage.

Method: Desk research intended to provide material for roundtable dialogues on a broad range of water sector issues, linked to concurrent work funded by GTZ exploring appropriate policies for the water and sanitation sector.

Studies conducted by: individual contracted consultants with inputs from roundtable discussions.

Oversight: NWG.

Indonesia:

Focus: Originally, large-scale longitudinal research on public versus private provision. Due to funding constraints, scaled back to (i) desk study overview of drinking water provision in Indonesia; (ii) comparative analysis of PSP versus public provision.

Method: Desk study based on secondary data to produce a discussion paper (the “White Book”) containing an overview of drinking water provision in Indonesia; case study comparison of two comparable Indonesian cities (one municipal, one PSP concession contract).

Study conducted by: an independent group of researchers from Bandung Institute of Technology supported by one member of Indonesian NWG, funded by the International Development Research Centre (Canada).

Oversight: NWG.

exploratory consensus-building exercise on broader water sector management options, including private sector approaches on the other. The balance between these two ideas was dealt with differently in each of the NWGs, and this is one of the reasons for the divergence in approaches and outcomes, as explored below and in Box 2.3.

2.2: THEME 1 ~ FINANCING WATER AND SANITATION SERVICES

By mid-2007, three years after the original Scoping Study was published, financing had emerged as a major topic of interest across the NWGs. The original Scoping Study identified a central, shared concern over the impacts of PSP on financial aspects of the water sector, and a range of related concerns pertaining to alternative financing mechanisms, tariffs, profits, donor conditionalities and tied aid.

The NWGs addressed financing in two main ways: analysis of financing challenges at national and local levels (RQ 1 and to a lesser extent RQ 2); and engagement with (often contentious debates) on tariff reforms (RQs 3, 4, and 5). With the exception of Brazil, the NWGs did not focus on the impact of the private sector participation on tariffs or the potential for the private sector to bring financing to the sector. Rather, the NWGs considered issues such as the availability of funding for their national sectors, cost recovery, and the appropriate allocation of costs between different stakeholders.

The lack of engagement with the impact of PSP on access to finance is perhaps surprising, given



16. Urquhart, P and Moore D "Global Water Scoping Process – Scoping Report". April 2004.

17. Within Water Dialogue countries (as internationally) examples can be found of both poorly performing and well performing public and private operators. Amongst Water Dialogues countries, according to proponents of public provision, an example of a well performing public utility is that of Porto Alegre, in Brazil, with high connection rates for water and sanitation supported by high cost-recovery rates and a politically accepted tariff cross-subsidy. According to proponents of PSP, an example of a well performing private utility is the Johannesburg contract, which improved performance and was successfully transferred back to the public sector at the end of the contract. For readers interested in additional literature on PSP performance, the World Bank PPIAF provides evaluations of PSP performance generally considered to be influenced by a pro-PSP perspective (e.g. see Marin et. al. (2009) Public-Private Partnerships for Urban Water Utilities: A review of experiences in developing countries. Washington: World Bank). The Public Services International Research Unit provides evaluations of PSP performance generally considered to be influenced by an anti-PSP perspective (e.g. see Lobina, E. and D. Hall (2008) The comparative advantage of the public sector in the development of urban water supply Progress in Development Studies, 8(1) 85-101). Given space limitations, this Synthesis Report does not summarise the literature which evaluates PSP performance.

that the Scoping Report indicated that *"a major fault line in the debate concerns whether Private Sector Participation has or has not increased investments to the sector"*¹⁶ A partial explanation is the fact that many of The Water Dialogues members were not familiar with the complexities of financing issues; hence the NWG served as a process whereby many participants gained valuable knowledge. Another explanation may relate to the fact that there was a reduction in expectations regarding the amount of financing that the private sector could mobilise during the period covered by The Water Dialogues.¹⁷

Whereas PSP advocates originally presented PSP as a way to bring additional finance, the much-publicised failure of some concession contracts – the only type of PSP contracts that can bring significant amounts of private funds – led to the questioning of the link between financing and PSP.¹⁸ This shaped the evolution of research goals in some of the NWGs. For example, the South African comparative research included the one concession case in the country (and discussed private finance in this context), but otherwise focused on management contracts (which are not a model which enable private financing).

This underscored the financing challenges facing the water sector, and the urgency of finding alternative financing models for urban water supply. At the time of writing, these latter concerns had been exacerbated by the global financial crisis, particularly with respect to financing mechanisms that directly target unserved and poor communities. Another reason was the growing realisation that a significant financing gap existed regarding the MDGs¹⁹, suggesting the need to at least double financing to the sector. This indicated that creative strategies to both close and bridge the financing gap were required whether public or private operators were involved²⁰. Another reason may be that tariff setting and cost recovery from tariffs are extremely controversial, and in situations where trust and dialogues took time to foster, the most controversial topics were avoided. One exception to this is South Africa, which grappled directly with issues of cost recovery. Another exception is Indonesia, where the comparative study of public and private providers focused explicitly on the links between tariff increases, investments, and profits; the study found that investments in the water system were below expectations because a significant proportion of tariff increases were absorbed by the high internal rate of return guaranteed to the private provider.

How did the NWGs develop their work on financing?

- In South Africa, the National Dialogue highlighted the inadequacy of financial resources available to municipalities
- In Uganda, the National Dialogue initiated a comprehensive review of sector financing which highlighted shrinking government and donor financing
- In Indonesia, the White Book commissioned by the National Dialogue identified the lack of financing as the key barrier to reaching the MDGs
- In Brazil, the National Dialogue examined financing arrangements for PSP in water supply
- In the Philippines, the NWG discussed reports commissioned through the Sector Roadmap which helped to form a collective analysis of the gaps and weaknesses of existing financing policies and actual implementation on the ground.



This research helped bring the difficult issue of tariff reform into the fore. On the one hand, some argued that if significant amounts of funding were to be mobilised to increase access, tariffs would need to increase towards cost-recovery levels, with some targeted use of public funds to address affordability constraints for the very poor. Others stressed that access to water is a human right and that no one should be denied such access for financial reasons, implying that affordable prices should be offered to a broader segment of the population and financed by taxes or cross-subsidies. **To explore issues relating to tariffs**, National Dialogues took distinct approaches:

- In South Africa, the National Dialogue identified issues with the implementation of the Free Basic Water Policy²¹ and sought to establish a basis for constructive dialogue;
- In Indonesia, roundtable discussions organised by The Water Dialogues highlighted the need to revisit current tariff-setting policy;
- In the Philippines, following a comprehensive study of regulatory reforms, the National Dialogue advocated an innovative approach to tariff setting that combined cost of service regulation and incentive-based regulation.

What contributions did The Water Dialogues make to the debate over financing and tariff reform? The National Dialogues have been successful at exposing the need to address the financing gap for the sector in a non-partisan manner, and have thus demonstrated that a multistakeholder review of sector financing needs can make a major contribution to enhancing all stakeholders' understanding and appreciation of the sector's financial challenges. In countries where mechanisms exist on paper to finance water services, the National Dialogues helped identify discrepancies between policy and implementation—these insights were enabled (and, some would say, only possible) because of the broad group of multistakeholders involved allowed bringing a diversity of points of view and practices. Research activities have usually formed the basis for roundtable discussions, which were instrumental at enabling constructive dialogue over contentious issues, such as tariffs and tariff reform.

What were the gaps or missed opportunities in the National Dialogues work on financing and tariffs? Four interrelated sets of issues were identified in the Thematic Papers (See Box 1.1):

- **Lack of representation:** The potential for NWGs to significantly influence the process of tariff reform was often limited by the fact that politicians – often responsible for tariff-setting – were not usually members of National Dialogues (although high-level representatives of government were consistently involved). Similarly, representatives of financing agencies were not systematically included, which limited productive discussion on alternative financing mechanisms. The Water Dialogues' contribution to recommending innovative solutions for mobilising financing for the sector was also somewhat limited.
- **Need to engage with critical assumptions:** Some stakeholders argued that the NWGs did not challenge key assumptions such as technical choices (more or less costly types of infrastructure), investment options, or the ethics of profit. These issues are both fundamental and highly controversial, which is perhaps the reason why none of the National Dialogues systematically engaged with them, and why the Profit Reframing Question, which asked for a critical assessment of “acceptable and fair profits” did not receive sustained attention. It is important

18. See the Overview Thematic Paper, www.waterdialogues.org for more details on the evolution of the role of PSP during that period.

19. In the wake of the Camdessus Panel on Water Financing, several analyses of the financing requirements to meet the MDGs conducted at the international level pointed to a financing gap. See Winpenny, J., (2003). *Financing Water for All. Report of the World Panel on Financing Water Infrastructure*. Chaired by Michel Camdessus. Global Water Partnership, World Water Council and Third World Water Forum

20. Non-repayable sources (tariffs, taxes and transfers) can be used to close the financing gap and repayable sources (such as bonds, loans and equity) can be used to bridge the financing gap.

21. The Free Basic Water (FBW) policy is a national policy according to which water service providers are supposed to provide 6m³ of water free to each household, based on an allocation of 25l/ person/day. Practical implementation of that policy varies from one municipality to another, depending on the potential for cross-subsidies.



to note however, that although these issues did not receive sustained attention in the research products or advocacy messages, they were debated within individual NWGs.

- **Data:** The absence of data, or difficulty in obtaining existing data, presented a significant challenge to the NWGs.
- **Scale mismatch:** While the Dialogues were carried out at the national level, the majority of financing and tariff-setting decisions are taken at the local level, where water services operate on a decentralised basis. With the exception of South Africa (which involved municipalities in “Local Dialogues”), key actors in financing and tariff reforms were thus not included. This may be why some NWGs did not engage with the Reframing Questions. Some of the RFQs were most meaningful at the national scale, but some of the NWGs focused their work at the municipal scale.

Nonetheless, overall the National Dialogues made a significant contribution to focusing the minds of stakeholders on the financing challenges faced by the sector and the need to increase available financing in order to expand coverage and maintain existing facilities.

2.3: THEME 2 ~ MEETING THE MDGS

A central concern of those involved in creating The Water Dialogues was the potential contribution of PSP in meeting the MDGs, particularly with respect to expanding access for the poor. In the Scoping Study, four key issues were raised regarding the MDGs: impacts of PSP on the poor; servicing rural areas; sanitation and sewerage; technology choice and innovation. The manner in which these issues were addressed is illustrative of a tension at the heart of The Water Dialogues.

On the one hand, sceptics argued that multistakeholder dialogues are not a constructive approach, because dialogues are not target-driven processes. By focusing on dialogue, they felt, the responsibilities of key stakeholders (both public and private) are attenuated, and perhaps even abdicated. But other stakeholders argued that the Dialogues could help devise new approaches that would improve capacity to meet the MDGs. The South African and Indonesian NWGs are examples of this latter point. Evidence generated by these NWGs was *“trusted by stakeholders since, in contrast to existing research that tends to sit within ideological camps, they were involved in and agreed on the selection of researchers, research design and method, and selection of cases.”*

With the improved understanding and broader buy-in that resulted from the multistakeholder process, the South African and Indonesian NWGs were able to provide a series of broadly endorsed recommendations about improving policy and implementation within the country. They were a central feature of a concept paper informing the sector’s input into the local government turnaround strategy.

Given this context, how did each NWG contribute to the ongoing debate over the contribution of PSP to meeting the MDGs, and the impacts of PSP on the poor (RFQ 9 and 10)?

Each country adopted its own set of strategies and approaches:

- Creating innovative methods for consensus-based research on PSP (Brazil)
- Broadening the terms of the PSP debate to include a range of commercial approaches (South Africa)



- Emphasising challenges for poor, rural and smaller communities, focusing on “cherry-picking” (Indonesia)
- Drawing attention to the critical role played by SSIPs in the water supply sector (Uganda)
- Creating new forums for dialogue, highlighting the role of and constructively engaging with SSIPs (Philippines)

How did the NWGs assess the impacts of PSP on water supply for the poor? The original Scoping Study noted the debate and confusion that existed among stakeholders about the impacts of PSP, both large and small scale, on poor communities. This led to reframing questions regarding the criteria and indicators appropriate for assessing the performance of direct water providers on delivering water and sanitation services to the poor. The Scoping Study emphasised the desirability of engaging in research on the performance of different types of private sector providers, perhaps in comparison with the public sector, as measured against commonly agreed upon criteria and indicators. Brazil, Indonesia, and South Africa were the three NWGs that focused most comprehensively on this issue, and conducted extensive research, although with very different approaches.

In Brazil, a detailed comparative assessment of private providers found a significant range in performance outcomes, and established a comprehensive list of factors affecting performance. In the South African case, a key focus was on the relationship between efficiency and equity (particularly with respect to the Johannesburg concession), which led to the conclusion that—regardless of provider—a focus on governance principles and values which incorporate equity concerns is necessary. In Indonesia, a comparative assessment of two well-performing water providers (one public, and one private), enabled the identification of key similarities and differences between these models in the Indonesian context.

How did the NWGs contribute to debates on Small-Scale Independent Providers (RFQ 8)?

The Scoping Study noted that the presence of small-scale independent providers (SSIPs) reflects the inadequacies of existing water supply and sanitation networks, and presented two divergent viewpoints: some stakeholders perceive SSIPs to be part of the problem; others perceive them to be the only available solution in the short term. The central question posed by the Scoping Study was: To what extent can or should SSIPs be integrated, financed, and regulated as part of the formal sector? The emphasis on SSIPs was particularly prominent in the Philippines and Uganda NWGs, which expanded the concept of the “private” sector to include a range of so-called “small-scale independent providers” including water vendors; property developers; community-based organisations and NGOs; and small firms providing Design Build and Operate (DBO) services²².

- **In the Philippines**, some National Dialogue members were key actors in the creation of a new national organisation that included SSIPs (the National Water and Sanitation Association of the Philippines), which aimed to fill two critical gaps identified by the NWG: knowledge of the SSIPs’ regulatory framework; and awareness of the crucial role played by SSIPs regarding government and formal private sector operators. NAWASA is now firmly entrenched in the Philippines water sector and is acknowledged by all stakeholders to be a significant step forward in water governance in the Philippines.
- **In Uganda**, small-scale private operators now have greater recognition, due in part to the

22. In noting these contributions, it is also important to note that opinions continue to diverge within The Water Dialogues (as internationally) on the appropriate role of informal private actors, and on the degree to which SSIPs are a long-term solution versus an interim ‘stop-gap’ measure. Some favour the integration of SSIPs into water supply provision strategies over the long-term, as a pragmatic means of addressing the needs of the unserved and underserved. Others argue that the most equitable solution is integrated, universal network provision and that SSIPs should be phased out.



work of the Ugandan National Dialogues. The Association of Private Water Operators (APWO) – Uganda’s national association of small scale independent providers (SSIPs), and one of the first of its kind in Africa – was a driving force in establishing The Water Dialogues, with membership of local private and public operators, NGOs, Consumer Organisations, Government Agencies, and Development Partners. Awareness of the important contribution by water vendors and CBOs has stimulated the Ugandan National Water and Sewerage Corporation to rethink its pro-poor strategy and the national government to rethink its approach to small-scale private providers.

- **In South Africa**, research by the NWG demonstrated that Community-Based Organisations are an important option for reaching rural areas. The research conducted by the South African NWG focused, in part, on the transition of CBOs to Small and Medium Municipal Enterprises, and identified issues of concern with respect to this transition (particularly with respect to the loss of some of the benefits of CBOs), as well as the need for over-arching regulation.

What were the gaps or missed opportunities in the National Dialogues work on the role of PSP in meeting the MDGs?

Some of the NWGs spent a considerable amount of time on issues that were raised as Reframing Questions (social impacts (RFQ 10), and the diversity of the poor (RFQ 11)), but these were not translated into concrete research outcomes or identifiable policy influence. Sanitation and sewerage (RFQ 13) were not addressed in the integrated manner that some stakeholders in the original scoping process had hoped. Perhaps most importantly, not all of the NWGs conducted research on PSP. Of the two NWGs that did (South Africa and Brazil), neither engaged in the broad-ranging direct comparisons between private and public performance that some stakeholders had originally suggested.

Nonetheless, the NWGs have made a significant contribution insofar as they have shown that the polarisation of debate over PSP can be moderated, to an extent, in some instances. For example, through consensus-based research processes which address disputes over the methodological and conceptual bases upon which studies of the performance and impacts of PSP can be conducted. The NWGs established multistakeholder processes that created unprecedented shared bases for evaluation, which is in itself a significant contribution, and suggestive of models for future research. But the MDGs were not the focus of all of the NWGs. Indeed, the South African NWG refrained from engaging in, or using, MDG language altogether, as the acceptance of MDGs as a target was contested by some stakeholders, and the process of confrontative dialogue meant that productive collaborative research and advocacy strategies were formulated in different, country-specific terms.

2.4: THEME 3 ~ ACHIEVING GOOD GOVERNANCE AND ACCOUNTABILITY

At the outset of The Water Dialogues, **regulation of water and sanitation services was identified as one of the key themes to be addressed in the multistakeholder review.** As the Scoping Report put it, “*there is widespread agreement that governments have failed to regulate water providers adequately*”²³. The Scoping Report placed regulation of PSP in the overall context of good governance and accountability (RFQ 15). The Report focused mainly on economic regulation of PSP (rather than other forms of regulation that are also critical to the sector, such as drinking water quality regulation or environmental regulation) and stressed the need to identify “*the necessary conditions*

23. Urquhart, P and Moore, D “Global Water Scoping Process – Scoping Report”. April 2004.



for effective regulation of the private sector... so as to achieve accountability and protect public interests.” Specific questions in this regard included the need to provide public access to information, improve contract design and foster transparency, improve monitoring, and provide transaction advice (RFQ 16 – 21). Finally, the Scoping Study pointed to the new responsibilities and risks being placed on local governments and communities as a result of PSP, and asked a series of questions of local government capacity (RFQ 22).

Since The Water Dialogues began, the international debate on water sector regulation has shifted considerably. In the early years of PSP contracts (the 1980s), relatively little attention was paid to the need for independent regulation. In the context of the introduction of PSP, particularly in the form of concessions, donor agencies began advocating the establishment of independent regulatory agencies, usually at the national level (the “British model”)²⁴. The model of “regulation by contract” (also referred to as the “French model”) was deemed by some experts to be insufficient, because of information asymmetries, lack of regulatory capacity (particularly at the municipal level), and an inability to deal with unexpected shocks, unless strong systems of checks and balances were in place. But the results of such donor-led efforts to establish regulatory agencies were mixed, at best.

In some countries, proposed national regulatory agencies conflicted with decentralisation reforms transferring responsibilities for water and sanitation to local governments. When regulatory agencies were set up, they struggled to establish their independence from political interference and lacked human and financial resources to engage with the private sector from a strong position.

From today’s perspective, The Water Dialogues anticipated the evolution of debates over regulation, and the Scoping Study now seems forward-looking.

The National Dialogues addressed regulation in three significant ways:

- Mapping out regulatory frameworks for the benefit of a large number of stakeholders;
- Influencing the design of regulatory frameworks, particularly when the timing of the National Dialogues processes matched that of ongoing regulatory and institutional reforms;
- Improving transparency and information disclosure.

The role of the National Dialogues varied from country to country depending on the status of regulatory reforms and the potential leverage of the National Dialogues on regulatory reform processes. Most of the thinking on regulation at NWG level focused on issues of economic regulation.

In many of The Water Dialogues countries, the first priority was to understand how regulation manifests itself and whether or not it is effective. Making such an assessment in a non-partisan way was a key outcome of The Water Dialogues. This also meant that regulation as a topic could be explained and discussed by a broad range of stakeholders, who were previously unfamiliar with it but could now bring their own experiences and concerns to the debate.

Given this context, **how did the NWGs engage with questions of regulation?**

- The National Dialogue in the **Philippines** identified the need for a coherent regulatory framework in order to level the playing field for the operators in the sector. The NWG became integrated into, and influential within an existing government Roadmap process for the water and sanitation sector that focused on mapping out water service providers and agencies in charge of their regulation. The presence of The Water Dialogues enabled important changes

24. Kessides, I, ‘Reforming Infrastructure: privatization, regulation and competition’ World Bank policy research report. Oxford University Press. 2004.



to the Roadmap, including greater sensitivity to the issues of small-scale providers and the unserved, and to issues such as water as a human right.

- In **Indonesia**, the National Dialogue highlighted that regulation is needed to avoid “cherry picking” by private operators and helped take forward the discussions on Public Service Obligations (PSOs). The White Book, a broad study gathering existing knowledge about PSP in Indonesia commissioned by the National Dialogue, describes “cherry-picking” as the risk that private operators would be involved only in commercially profitable areas and ignore slums or rural areas, unless there is an incentive for them to be there in the form of subsidies or tax reductions and exemptions. The discussion at national level focused on PSOs as one instrument to avoid such potential cherry picking. *The Indonesian National Dialogue helped shift perceptions of the government staff in charge of revising the regulatory regime which led to the definition of Public Service Obligations*
- In **Uganda**, the National Dialogue found that regulatory functions are dispersed between institutions at state and local levels without a clear allocation of mandates or responsibilities. The National Dialogue in Uganda commissioned a Desk Study to establish an inventory of existing research on the Uganda water sector and identify areas where gaps needed filling, to avoid duplicating existing research efforts. The Desk Study identified the various institutions that have some oversight responsibilities in the sector and concluded that none of them truly performs regulatory functions. The study recommended that the regulatory framework be implemented more effectively through the adoption of specific regulatory instruments, especially for tariff setting.
- In **South Africa**, research commissioned by the National Dialogue showed that ongoing institutional and regulatory reforms sometimes led to further deterioration in service. The South African National Dialogue identified three “systemic problems” plaguing the water sector: disruptions caused by the decentralisation process and changes in attributions of the different actors, difficulties faced by municipalities to obtain adequate financial resources for water and sanitation and human resource gaps, for both management and technical skills. The National Dialogues’ research pointed to water service providers’ and authorities’ lack of capacity to carry out their responsibilities efficiently in terms of regulation, monitoring and enforcement. Lack of local government capacity, a key issue in the Scoping Study, was also a focus of this work. Finally, the South Africa NWG also argued in favour of the need to move from contract-based regulation to national-scale regulatory mechanisms for both public and private providers.

What were the **key contributions of The Water Dialogues to debates over governance and accountability?** One of the greatest contributions has been to raise stakeholders’ awareness of the need for a strong regulatory framework, to identify deficiencies with the existing frameworks and help formulate recommendations for their overhaul. When The Water Dialogues coincided with ongoing regulatory and institutional reforms, they have sought to influence the design of these reforms, but in most cases this was limited to the influence that members of the Dialogues could apply in their personal capacity rather than through the Dialogues themselves. Being a member of the Dialogues nonetheless helped those individuals create a more inclusive regulatory process, or lent more authority to their views (in particular, for NGO members seeking to communicate advocacy messages). The multistakeholder process was crucial to the success of these initiatives: The Water Dialogues, by their very nature, provided a “safe space” for independent evaluation of performance



(which is often the expectation of a regulator). Multistakeholder dialogues can also contribute to the regulatory process by helping put together research and debates that can be accepted by all stakeholders. This suggests that, overall, multistakeholder dialogues should significantly contribute to the regulatory process and shape the outcomes in a pro-active, systematic manner rather than in a purely consultative, ad-hoc one.

What were the gaps and missed opportunities in the National Dialogues' work on questions of governance and accountability in relation to PSP? One issue is the varying degree of policy influence that The Water Dialogues achieved. Where the National Dialogues sought to achieve consensus (applying the "unity in diversity" principle promoted in Uganda for example), the potential for influence became somewhat limited. When it comes to regulatory matters, seeking consensus may actually be less effective than clarifying conflict, which in any case is a prerequisite for resolving conflict. The confrontative dialogue approach adopted in South Africa demonstrates one manner in which conflict can work constructively in the context of a multistakeholder dialogue; and it might well have been helpful to adopt this approach in the other NWGs.

A second key issue is that the broadening of the dialogue process to examine issues of regulation more generally, while helpful in many respects, resulted in a dilution of the key research questions posed by the Scoping Study with respect to effective economic regulation of PSP to achieve accountability and protect public interests. In particular, the RFQs on public access to information, improved contract design, transparency "best practices", monitoring protocols, and mechanisms for providing transaction advice, which were a focus of the Scoping Study, did not receive sustained attention from the National Dialogues. The one exception is the South Africa NWG, where processes of bottom-up "citizen regulation" have gained legitimacy in the context of the recognised need for improved regulation and accountability revealed by the "local dialogues" sponsored by the South Africa NWG. This, in turn, has had an important influence on the direction now taken by regulatory reform at the national level.

2.5: THEMES 4 AND 5 ~ MANAGING EFFICIENTLY AND EFFECTIVELY; AND SAFEGUARDING PUBLIC INTERESTS

Themes 4 and 5 of the Scoping Study are explored together in this section, as their concerns overlapped throughout much of the National Dialogues work. The first set of issues raised under these themes by the Scoping Study pertains to the performance of the private sector: assessment of performance (RFQ 23); the benefits and distribution of efficiency gains (RFQ 24); and the performance and impacts of business models akin to PSP (under the label "corporatisation") (RFQ 31).

A second set of questions relates to the protection and interests of the various stakeholders affected by PSP processes: labour (working conditions) and health and safety standards (RFQ 25, 26); rural users (who are unlikely to be served by formal private providers) (RFQ 27); the environment (RFQ 28); cultural and social impacts (RFQ 29); and national sovereignty with respect to the constraints imposed by trade agreements (RFQ 30).

Regarding the first set of issues, the Scoping Study identified the need to "develop a common framework and set of evaluation criteria and to independently assess and evaluate the performance of the private sector, as compared to the public sector, at different levels" given the contested debate over private sector performance. The questions posed were focused and incisive:



25. Some of these disputes are methodological; for example, the choice of cross-sectional econometric analysis versus detailed case studies. In addition, studies have been plagued by a lack of data (particularly with respect to reliable baseline information to enable the evolution of parameters). The choice of parameters is also important (efficiency, connections, tariffs, etc.); opponents and proponents of PSP have tended to select different parameters, thereby producing competing (and often divergent) evaluations of the same contracts.

26. Readers interested in the results of the Brazil study are encouraged to read the National Working Group report, at www.waterdialogues.org

- What are the criteria for evaluating effective and efficient management performance?
- How can we compare public and private sector performance?
- What are the barriers to effective and efficient management of service delivery and how can they be overcome?
- How are the benefits of improved efficiency and cost recovery distributed among consumers, taxpayers, and/or shareholders?
- Can all benefit, or do shareholders benefit at the expense of consumers and taxpayers?

The final Reframing Question on corporatisation suggested that the debate could be broadened to commercialisation and corporatisation activities as well.

In summary, the question of the relative merits of public and private operators was a central focus of the original Scoping Review for The Water Dialogues. This question remains important internationally. But, as described in the Thematic Paper on PSP (refer to Box 1.1), not all of the five participating Water Dialogues countries retained a central focus on the performance of PSP (although research by the South Africa and Brazil National Dialogues, in particular, focused on performance issues).

New issues, such as financing and regulation, came to the fore. In part, this was due to the diverse representation inherent in The Water Dialogues. In multistakeholder processes, diversity of opinions can make it difficult and time-consuming to reach agreement on the bases upon which studies of the performance and impacts of PSP can be conducted²⁵. It is also attributable to an evolution in the majority of the National Dialogues from a relatively narrow focus on PSP to a broader focus on commercialisation, the broad range of actors and management models involved in the water sector, and the imperative of sustainable provision for the unserved and underserved.

The research conducted via **the Brazilian NWG is an example of consensus-based research on PSP**. Unlike other Water Dialogues countries, a high-level debate on water sector reforms had been ongoing for over a decade in Brazil, and The Water Dialogues process became a vehicle for the focused study of PSP performance within this broader context. The Brazilian NWG is a broad-based multistakeholder working group, composed of twelve institutional members from the sector. The study addressed three main issues: the impact of entry of private firms on the performance of utilities (efficiency gains, service quality, financial sustainability), on households (cost recovery and ability to pay, client satisfaction), and fiscal impacts²⁶. As one National Dialogue participant noted, the framing of these questions in relatively narrow terms (particularly the exclusion of public sector comparators) was in part a strategic move, in order to enable consensus amongst stakeholders about proceeding with the study: most notably, public providers were excluded from the analysis.

The process and findings of the South African NWG are illustrative of the complexities of engaging with research on PSP in the context of a multistakeholder dialogue. Given the diversity of approaches and municipal government capacity across the country, the South African National Dialogues examined a broad range of institutional approaches, including public providers who did not adopt specifically commercial approaches. This approach emerged through confrontative dialogue, and the South African National Dialogue developed a problem statement and a Code of Conduct, on the basis of which it developed its central research question: *“Given the varying capacities of Water Service Authorities, how do different institutional approaches affect water and sanitation delivery?”*



Subsequently, the research conducted within eight municipalities emphasised challenges and factors of success common to a range of institutional types. For example, each case study demonstrated that effective water services require the appropriate skills, strong leadership, on-going communication and local accountability: the building blocks of good operational practice (at the core of which are productivity and good performance) without which any institutional approach (public, private, community, etc.) will falter. This led the South Africa NWG to the conclusion that there is no one-size-fits-all best approach, and that the key to any decision about providers (e.g. PSP versus public) is the capacity of the municipality. Indeed, the South Africa NWG emphasised that close monitoring of performance against defined and agreed objectives is essential, regardless of whether the service provider is internal or external to the municipality.

The **Indonesian NWG** adopted a two-phase strategy. The first stage entailed the production of a “White Book”, which was intended to contribute to the PSP debate in Indonesia by providing background information (key data), a meta-analysis of actual PSP activity, and a comprehensive description of water sector regulation—particularly important given the rapid recent changes in Indonesia’s regulatory environment. The second stage entailed a detailed case study comparison of two water providers with excellent reputations within Indonesia: Bogor (under direct municipal management) and Batam (PSP concession contract). This latter study provided detailed assessment of the key variables in performance assessment—such as efficiency, investment, service quality, and customer satisfaction. For example, the study found that both providers demonstrated good financial performance and internal corporate governance processes, but that the water provider did differ significantly on some criteria²⁷. The comparative study also enabled critical reflection on the limitations of comparative assessment, notably the availability and quality (and hence cost) of water sources and local political and administrative context.

Based on their research findings (which would not have emerged without the broad-based multistakeholder dialogue process), **the NWGs were able to make significant contributions to domestic debates over PSP performance.** For example, the research illustrated critical weaknesses in current regulatory frameworks in Brazil and South Africa. Both NWGs identified weak regulatory environments and a lack of capacity on the part of municipalities as critical barriers (for PSP, in the Brazilian case, and for both public and private providers, in the South African case). The South African NWG was also able to contribute to dispute resolution (and prevention) at the local level through its Local Dialogues, suggesting that another useful contribution of multistakeholder dialogue is the potential to unblock bottlenecks toward finding solutions both at local level and nationally.

The Indonesian NWG was able to point out the commonalities shared by well-run water supply systems – whether public or private – while sharpening the focus on the true differences between public and private providers, with the goal of clarifying the debate and improving municipal capacity to make decisions on whether or not to engage in PSP. None of these findings are perhaps innovative at the international level, but they represent important contributions at the national level.

What were the gaps and missed opportunities in the National Water Dialogues work on safeguarding public interests? The second set of issues raised in the Scoping Study Themes 4 and 5 falls under the general theme of “Safeguarding Public Interests”. With respect to labour, for example, the original Scoping Study contained questions regarding employee rights and welfare, and health and safety standards, particularly during the transition from public to private managers or owners. The question of environmental impacts arose, as did questions about cultural values and social

27. Batam had a lower proportion of direct employees/ connection because of a significant degree of outsourcing, and was more profitable. Bogor had better customer service ratings, a more effective communications strategy, and customer good-will (particularly with respect to raising tariffs), and a more developed pro-poor programme. Bogor obtained finance from the World Bank, whereas Batam obtained finance from the local commercial bank (partially enabled by its very high Internal Rate of Return). For the full study, see www.waterdialogues.org



context in developing countries regarding the activities of the international private sector.

Finally, the RFQs included questions on the impacts of trade agreements on governments' abilities to make decisions over water with respect to self-reliance, sovereignty, reversibility, and public participation in decision-making.

Some of these issues were almost completely absent from the National Dialogues research. In part, this was due to practical constraints: limited funding, limited time, a reliance on volunteer labour, and the pragmatic choice of focusing on the issues that would most likely reach a consensus. Where these issues did overlap with other themes, they were given attention.

For example, exclusion of the rural poor (given the emphasis on PSP, which primarily applies to large urban areas) overlapped with the debate on access with respect to the MDGs (Theme 2), and was a central concern for all NWGs. But attention to labour and environmental issues was notably lacking. The failure to engage with these issues stands in sharp contrast to the sustained engagement of The Water Dialogues with issues of financing, regulation, and PSP performance. This observation is not meant to diminish the significant contributions of the NWGs, but is reflective of the difficulty of incorporating these concerns into multistakeholder dialogues, particularly where representatives are absent; this was the case with respect to environmental NGOs, and to a lesser extent unions in some of the NWGs. This suggests the need to consider carefully the politics of inclusion in multistakeholder dialogue processes, to ensure a balance of representation of concerns and stakeholders.



Section 3

Communicating the Importance of Multistakeholder Work

3.1 - MAJOR ACHIEVEMENTS OF THE WATER DIALOGUES

The work of The Water Dialogues must be viewed through two lenses – product and process. These two elements are intertwined and interdependent. Hence, when describing the major achievements of the project it is crucial to draw upon Sections 1 on multistakeholder process and 2 on substantive findings, for a full understanding of how these achievements have emerged.

Whilst it takes time to form a multistakeholder dialogue and a lot of effort to sustain it, members of The Water Dialogues fervently support the benefits of such a process. Although labelling tangible, measurable impacts on policy and best practice can be difficult, given the often individual dynamics contributing to long-term changes in sector attitudes, the achievements outlined below will attempt to exhibit such impact.

Achievement 1: Getting the stakeholders together

The effort to bring stakeholders together could not be described as straightforward given the often-difficult and contentious debate within which they were operating. According to one member, “At the outset, there was by no means any certainty that it [The Water Dialogues] would go ahead.²⁸” Another member, from the Uganda Group felt that, “Unlike other forums in Uganda, which were driven by the politics of consensus, the Uganda Water and Sanitation Dialogues was driven by unity in diversity.²⁹” Clearly, the actual formation of the groups constituting The Water Dialogues was itself a great achievement, and a signal of changing attitudes and strong desires to find real solutions to pressing issues.

28. Chapman, J. & Mancini, A., 2009 – ‘The Water Dialogues: the story of an international multistakeholder process’: **30**

29. Pangare, G., 2008 – Process Report, Uganda Water and Sanitation Dialogues available at www.waterdialogues.org

Achievement 2: Agreeing next steps

Even once each National Dialogue had formed in Brazil, Indonesia, the Philippines, South Africa and



Uganda, there were the ongoing issues of how to conduct meetings; whether all perspectives were represented; what “representation” meant; what the role of research would be and whether to do primary research; and whether all members had an equal understanding of what they were entering into. These issues and many more were faced by each Group and had to be dealt with in a fair manner, and agreed by all stakeholders.

For some, the issues around process came to overshadow the purpose for coming together in the first place. This was the case for the Uganda Water and Sanitation Dialogues where, despite their success in drawing attention to issues around informal small water providers and financing, as described in Section 2, their closure in 2008 was mainly caused by practical issues that were never fully solved and hence fatigued members. It is the experience of all Groups that where clarity around structure, leadership, roles and responsibilities, and expectations are not managed, these will undermine a Group’s ability to generate findings, manage discussions, and ultimately make recommendations.

Achievement 3: Generating and discussing findings

Another achievement evident in the process of forming and sustaining the dialogue groups came when each managed to stay together for the discussion of the issues themselves, either through driving research and generating data, or through roundtable platforms examining legislation and secondary literature. Major difficulties arose in several cases where compromises on which tactic to adopt had to be made. The Philippines NWG is an excellent example of this, as described by one of its members:

“The first meetings were very polarised. It was not clear what form of private sector we were actually discussing... We tried the approach being used in South Africa of developing a common code of conduct for the group. It did not work... We tried to keep the meetings open – it did not work... We reached a stalemate. The National Dialogue almost died... The International Secretariat of The Water Dialogues provided support by helping us reframe our research question and bridge some “troubled waters”³⁰.

“The resulting roundtable discussions that were organised by members of the Philippines Water Dialogue provided a platform to better understand different options available for service delivery and their strengths and weaknesses in relation to meeting the needs of the poor. The meetings resulted in:

- a) An awareness of the plight of small water service providers and the eventual formation of the National Water and Sanitation Association (NAWASA) of the Philippines – a collective voice for policy and advocacy as well as a peer-to-peer support system among water providers who unite in the common goal of sustainable water for all;
- b) A better understanding of the regulatory issues in the water sector, which led to two major agreements: firstly, a common advocacy for strengthening economic regulation (through proposed legislation for a separate and independent economic regulator) and secondly, the policy for “light handed regulation” for small water service providers – referring to relaxed regulatory requirements to enable small water service providers to surface and be recognised;
- c) Discussion on the issues of financing that had formerly discriminated against small water service providers.³¹”

30. Chapman, J. & Mancini, A., 2009 – ‘The Water Dialogues: the story of an international multistakeholder process’: 44

31. Rosario Villaluna, International Working Group Link Member, the Philippines Working Group



Overall, all five National Dialogues managed to sustain some level of research and discussion of evidence – Box 2.3 above frames the methodology and outputs of each country group.

Let it not be forgotten that these outputs are themselves important achievements, given the time, knowledge and capacity injected into their production. In Brazil for example, two consultancy firms managed to produce unique research examining over 50 large private sector participation arrangements. In South Africa eight detailed case studies examining different types of institutional arrangements produced very detailed findings concerning the major bottlenecks in the sector. And in Indonesia a pilot study of two cities has created the foundation for some key recommendations as well as the framework and direction for further research.

Achievement 4: Impacting the wider sector and influencing policy

Over and above the outputs produced by each NWG, the questions that emerged were:

- What impact has there been from the process and findings?
- Would changes have happened anyway i.e. can change be concretely attributed to the Dialogue?

Section 2 outlines the context-specific and overarching issues and conclusions emerging from the work of the National Dialogues. A few examples of these broadly include:³²

- Ultimately it is the responsibility of central government to ensure good quality, affordable and accessible services – decentralisation is not an excuse to abdicate this responsibility
- Organisational form is not the overriding factor in determining the success of a utility – there are examples of good and bad performance across the range of provider types and the interplay of a number of other key factors can affect performance in very different ways
- Customer satisfaction is a complex measure and The Water Dialogues research in three countries shows that good customer relations improve customer satisfaction, regardless of tariff levels and consistency of service
- The roles of small-scale independent providers as well as CBOs and NGOs in providing water are often ignored, particularly as regards the important role they play in reaching poor and/or remote communities
- The definition of private sector is complex and misunderstanding or disagreement on this undermines the ability for stakeholders to find solutions

The above are *some* of the key messages that emerged across findings of the National Dialogues and provide the backdrop for some of the examples of the impacts of The Water Dialogues in each country outlined in Box 3.2 below (refer also to the full country reports, see Box 1.1).

32. As a result of the emerging findings, in a meeting of national and international members in 2009 a series of messages outlining some of these points were agreed (refer to Appendix 1) and have since been incorporated in The Water Dialogues internal advocacy strategy.



Box 3.2 – The impact of National Process and Research

Brazil:

The Brazil Group attests to playing an important role in creating the enabling environment for the enactment of Brazil's 2007 Sanitation law (Law 11445), which established a rights-based approach to water and sanitation. Although there were other factors at play – the growing maturity of the sector and general desire to see this Law in particular passed, as well as the tireless efforts of the National Secretariat of Environmental Sanitation – undoubtedly, the Brazil Group's collective voice was a strong one and its support for the passing of the Law was hence influential.

Indonesia:

In Indonesia, the involvement of the Government Ministry of Public Works as a member of the NWG has been instrumental in ensuring direct impact of the Dialogue. The representative himself attests to the fact that previously the Government had not been involved with civil society or indeed in listening to their concerns.

The Water Dialogues has changed this relationship. Furthermore, in recent high-level meetings, the Government member of The Water Dialogues has been vocal in propounding the need to redress public capacity in the sector, over and above private sector participation (which has since 2004 received foremost support from the Indonesian government), and the importance of creating guidelines for all utilities on Public Service Obligations.

The Philippines:

As outlined under Achievement 3, the Philippines Dialogues have been instrumental in organising a series of roundtable discussions on pressing issues within the sector. The results of these discussions have in turn fed into other sector-reform processes and contributed to the formation of NAWASA as well as proposals for revised regulatory and financial legislation – all linking with an overall improvement of the recognition of small water service providers and the importance of their role.

South Africa:

The South African Working Group developed a series of "local dialogues", which served as useful platforms for facilitating discussions between the municipality, water service provider and community representatives in each of their case study areas. The Working Group presented the findings of the municipal and community research within the area and encouraged local engagement between various stakeholders, including community members. These local dialogues had immense impact for several reasons, including that:

1. There was an immediate high level of trust in the "voice" of The Water Dialogues and the legitimacy of research findings presented due to the presence of key stakeholders from all perspectives
2. The Water Dialogues – South Africa was instrumental in involving representatives of all key stakeholders in the research itself and in the local dialogues such that the findings presented could be formally analysed and concrete proposals for moving forward could be made
3. By ensuring that the Department for Water Affairs and Forestry (whether the member of the National Dialogue itself or an alternative representative) was present during these local meetings, The Water Dialogues – South Africa created the right conditions for immediate address of problems arising due to national/local disconnect, lack of authority, and other structural problems related to decentralisation and the backlogs of the apartheid era.

The Water Dialogues-South Africa has made a series of concrete recommendations to the national sector under four broad headings of:

- Public participation;
- Accountability and regulation;
- Service levels, financing and affordability; and
- Institutional approaches.



Box 3.2 – (continued)

It still remains to be seen, as in the case of other National Dialogues' proposals, whether the specific recommendations of the Group will be taken forward, for example that the *"Department for Water Affairs should explore and consider the institutionalisation of water committees or other local groupings such as user platforms when revising the Water Services Act"*³³. However, it is also aptly stated in The Water Dialogues-South Africa's final report that *"by articulating the challenges of local level realities, by using confrontative dialogue to unearth conflicts, and by reflecting areas of multi-stakeholder consensus, WD-SA has created an important foundation for new directions in the sector."*³⁴

Uganda:

The Uganda Dialogue, through its commissioned papers and Multistakeholder Forum in 2008, brought the voices of such groups as the informal water vendors and private cesspool emptiers to public policy forums where previously they were routinely ignored and marginalised. These groups play a vital role in urban areas where networked sewerage services are as low as eight per cent, yet they face many challenges as a result of policies that are unresponsive to their requirements.

Achievement 5: Benefits to the individual lead to benefits to the sector

As outlined in available process publications on The Water Dialogues website, there are numerous examples of individual learning and change through the experience of multistakeholder work. A few examples are quoted below. What is central to these individual experiences however, is their potential to spread more widely into the sector as a whole.

In The Water Dialogues-South Africa, this development has been described as a "chain of trust" – a chain that is highly dependent on a small group of stakeholders building respect and value for each other, which then transcends the limits of this group to influence a chain of other stakeholders and organisations that are linked with each individual. Though this seems like a rudimentary outcome for a dialogue, it should not be underestimated. In every country where the Dialogues operate, members have attended meetings alongside their colleagues, and the "vouchsafe" provided by one member for the other is usually enough to guarantee being listened to. It also ensures that research findings or proposals for change do not go without a fair hearing. Finally, there is the effect of shifting perspectives that emerges through dialogue via the "chain" of knowledge and expertise available to members of the group through their counterparts in the Dialogue.

33. Galvin, M. et al, 2009 – 'Straight Talk to Strengthen Delivery in the Water Services Sector': **18**

34. Galvin, M. et al, 2009 – 'Straight Talk to Strengthen Delivery in the Water Services Sector': **28**

3.2 – CONVINCING OTHERS OF THE IMPORTANCE OF MULTISTAKEHOLDER WORK

*"To some extent our process has been recognised by people who were skeptical like the World Bank and OECD so we have achieved a recognition of the concept."*³⁵

Two of the most crucial advocacy aims of The Water Dialogues are:

- At national level to influence the water and sanitation sector as regards the outcomes of the NWGs' process and research
- At all levels, including international, to encourage multistakeholder work for the improved transparency, sustainability and accountability of decision-making processes as well as the role of multistakeholder values and principles in all institutional frameworks

35 Chapman, J. & Mancini, A., 2009 – 'The Water Dialogues: the story of an international multistakeholder process': **30**



36. Refer to Personal Stories of Change in Chapman, J. & Mancini, A., 2009 – 'The Water Dialogues: the story of an international multistakeholder process'

The first aim has been achieved in NWG countries, as evidenced in Box 3.2 above, as well as in Section 2. However, there is plenty more scope for ongoing influence and change. Hence, the plans of each National Dialogue for ongoing activity are outlined below as indicative of the capacity for such reform to continue.

Regarding the second aim, this is evidenced through The Water Dialogues' influence on its own national sectors, other sectors and other countries to consider the potential for multistakeholder work to be implemented.

Members of The Water Dialogues reflecting on their experiences³⁶

"I'm amazed to see how far we've all come, in building a new language of constructive engagement, and practicing greater respect for viewpoints that are different to our own. There's been some remarkable convergence on what the core problems are and how best we can overcome them."

Kathy Eales, South Africa

"The meetings and Round Tables gave us access to information about the sector nationally and internationally and the opportunity to develop plans for both regulation and financing. They can help government realise some changes can be made through changing styles and approaches rather than always having to create new legislation."

Elsa Mejia, Philippines

"Without doubt, The Water Dialogues has taught me that if I want someone to understand my point of view, I have to understand theirs. If I want someone to know why I think pre-paid water metres are unacceptable, I have to understand why they think they are a good idea. And through this conversation, subtle shifts take place that make me believe environmental justice, ecological integrity, sustainable development and participatory democracy are possible when providing each of us with the water that we need."

Jessica Wilson, South Africa

"I realised that for once, the real issues affecting the water sector could be addressed without the usual power imbalances. For once I was faced with the prospect of operating on a 'level playing field' and I wanted to make the most of it!"

Warren Nyamugasira, Uganda

The openness of those involved in The Water Dialogues is something that Bambang feels helped to pass various pieces of legislation on water supply: "When we had legislation introduced they [members of the Dialogues] have been able to influence the content and the ability of the government to pass these legislations."

Bambang Purwanto, Indonesia



The ongoing activities of The Water Dialogues

Indonesia

The Indonesia Water Dialogues plan to continue as a knowledge centre for information on PSP and other related issues in Indonesia. The Group will conduct further research, organise seminars and workshops, and publish their findings in ongoing efforts to promote multistakeholder debate around difficult issues in the sector. The Indonesia Dialogues were the first multistakeholder platform available in Indonesia but their success has seen the start-up of other multistakeholder groups such as the Water Supply Working Group led by the Public Works Department of the Government.

The Indonesia Dialogues have been successful in influencing policymakers, and plan to continue these efforts on topics including raw water supply, public service obligations, the role of small independent and community-based water providers and the need for regulatory oversight by specific authorities.

Philippines

In the most recent meeting of the Philippines Water Dialogues (May 2009), the majority of stakeholders present expressed interest for continuing the Dialogues because of the excellent vehicle it has provided for exchanging information, policy discussions and promoting positive change. Furthermore, one of the members of the Philippines Dialogues, STREAMS, will be spearheading the Sanitation Sector Roadmap in the Philippines and will thus be heavily involved in advocating the use of multistakeholder work here.

Uganda

The former-Chair of the Uganda Water and Sanitation Dialogues has been vocal in 2009 in championing the revitalisation of Dialogues in Uganda. Warren Nyamugasira has used the papers produced by the Group in 2008 to highlight issues on financing (showing a downward trend in government budget allocation to the sector, despite increasing population); the country's ability to attain the MDG, Poverty Eradication Action Plan and other sector goals; the need to define the roles of the private players in a predominantly publicly run sector; and the role that donors and NGOs have played and will continue to play.

Brazil

While the full NWG will no longer meet, a narrower group of members has already stated their intention to partner to use the Brazil Dialogues' research as a springboard for further investigation of regulatory and financing arrangements.

South Africa

In South Africa a series of clear-cut recommendations has been outlined under four broad headings (refer to Achievement 4 above). In addition, the Group is responsible for defining the values and principles of The Water Dialogues (refer to Appendix 2) that should be integrated into all institutional frameworks. Specific members of the group have already begun targeted advocacy to see these goals realised.



Section 4

Concluding Reflections

THE ONGOING POTENTIAL FOR MULTISTAKEHOLDER DIALOGUE

At the heart of most debates over sustainable development lies a conceptual tension. On the one hand, the term sustainability, for some, implies a commitment to sustaining – in the sense of preserving and conserving – social and environmental goods. On the other hand, the term “sustainability” implies, for others, the need to sustain economic growth. A similar tension exists with respect to interpretations of the term “development”, which may be viewed in economic terms (to which, some argue, the contributions of markets and private companies are crucial), or in environmental and social terms (to which, some argue, markets and private companies may not necessarily contribute, or even be detrimental). This hints at the core tension around which many environment and development debates are structured: between market activity on the one hand, and between social and environmental justice concerns, on the other. This tension is to some degree a false paradox: there are many instances where a virtuous fusion of market activities and environmental protection are, for example, possible.

Nonetheless, the experience of The Water Dialogues suggests that grappling with this tension (or perceptions of this tension) is key to advancing the debate. Multistakeholder dialogues are a productive way of doing so, not because they create consensus or resolve conflicts (although they may do so), but rather because they have the potential to generate new insights and shared goals that enable participants to reduce, if not transcend, very real differences. The confrontative dialogue used by the South African NWG is a prime example of the transformative potential of multistakeholder processes.

The Water Dialogues have led to a deeper appreciation of the range of views that exist on PSP, and increased acknowledgement of shared goals, but fundamental differences of opinion remain. As briefly described in this report, the international debate has evolved significantly, “moving on” from the confrontational and, at times, simplistic opposition of “public versus private” characteristic of the 1990s. The evolution in this debate has been partly (although not solely) driven by events on the ground, such as reduced activity of international private firms, and a greater recognition of the diversity of actors in the water sector. This might suggest that some of The Water Dialogues participants have adopted an agnostic approach to the issue of the relative merits and performance of public versus private operators (or, more rarely, owners), implying that other issues are paramount, including financing, regulation, and (more broadly) institutions and governance.



From this perspective, some participants in The Water Dialogues have argued that the central question is not whether to involve the public or private sectors, but rather how best to mobilise the range of public, private, and community actors, and how to optimise the institutional and governance frameworks within which they operate to meet our collective water supply goals. The overall evolution of The Water Dialogues processes, in which sector-wide issues such as regulation and financing have come to the fore, would seem to confirm that at least some of The Water Dialogues participants hold this perspective. But not all The Water Dialogues participants will agree with this characterisation. For many participants, the public versus private issue is still highly relevant, even central, to the debate.

Although The Water Dialogues largely gravitated towards issues and approaches around which consensus or relative agreement could be reached, they have not yet resolved key issues facing the sector. These participants might argue that the question of whether or not to engage in PSP (and commercialisation) is still central, and requires active debate on the most contentious issues at hand, such as whether water is an economic good or a public good. Of course, stances on such issues will differ radically. Some might argue, for example, that it is unethical to make a profit supplying people with a non-substitutable service essential for life and human dignity. Others might argue that introducing private management is an urgently needed strategy of “revolutionary change,” which is our best option for dealing with the challenge of poorly performing public utilities. Proponents of a more “neutral” approach would argue that invoking ethics or treating either the public or private sector as the locus of positive outcomes “politicises” the debate in an unhelpful manner.

All of these perspectives are present within The Water Dialogues. The absence of complete consensus is, it should be emphasised, not necessarily negative in a multistakeholder dialogue. All of the National Dialogues were able to identify areas of consensus, and to clarify the nature of remaining conflicts. Building on this approach, the National Dialogues enabled significant contributions to research and policy at the national level, as discussed in detail in the Thematic Papers. Internationally, perhaps the most lasting contribution of The Water Dialogues will be the demonstration, in five very different countries, of a successful search for common (even if partial) ground on which to work together for solutions to our most pressing water issues.

Box 4.1 – Closing Note

The International Working Group will close the existing project umbrella at the end of 2009. They will host a series of advocacy interventions, organise targeted lobbying, and conceptualise potential future options for the multistakeholder work of The Water Dialogues. In doing so, they will create the support and foundation for ongoing multistakeholder work in existing and new programmes. A major resource in this regard will be both the website and the members themselves in their capacity as experienced practitioners of The Water Dialogues approach.

It is our hope that lessons shared from this rich process may be used by others as we continue to strive for universal provision of water and sanitation, even as the challenges intensify due to the financial crisis and the devastating impacts of climate change.



37. Moore, D. &
Urquhart, P., 2004:
'Global Water Scoping
Process'

APPENDIX 1 – REFRAMING QUESTIONS³⁷

- 1. Finance Reframing Question:** Many stakeholders agree that existing funds and investments can be used more efficiently and targeted more effectively to increase access to water services. Opinions differ on the means to increase funding to the sector, and the potential costs, risks, and benefits of increasing private sector investments. What are the mechanisms to ensure that sufficient finance is available to increase access of the poor and unserved, in both rural and urban areas?
- 2. Alternative Financing Mechanisms Reframing Question:** Existing agreements note that funds should be targeted to those countries and communities with the greatest needs; yet many stakeholders perceive that the allocation of funding and the types of projects supported have changed very little. What are the barriers to the wider implementation of financing mechanisms that directly target the unserved and poor communities?
- 3. Politics of Tariffs Reframing Question:** Stakeholders across the spectrum recognise that election-year politics often influence tariffs and that PSP can force reforms. How can the process of setting adequate tariffs and collecting revenues be separated from electoral politics?
- 4. Tariffs Reframing Question:** There is widespread agreement that inadequate tariffs have contributed to the fiscal crisis of the water sector. However, there remains much debate over whether or not PSP has a beneficial impact on tariffs and how tariffs, subsidies, and overall cost-recovery policies should be structured to address the goals of affordability, network expansion, and environmental and financial sustainability. How can tariffs and subsidies be designed and implemented to reach these goals, in both rural and urban areas?
- 5. Cost Recovery Reframing Question:** Some stakeholders, including donors and private water companies, perceive that cost recovery and collection rates are higher under PSP. How can the discipline of cost recovery and high collection rates be mainstreamed for urban publicly managed water and sanitation services? Is this approach relevant to and effective in rural areas?
- 6. Profit Reframing Question:** The philosophical and practical issues surrounding the topic of managing monopolistic public services on a for-profit basis are at the core of the controversies around PSP in water and sanitation. What are clear and broadly supported definitions, criteria and guidelines for acceptable and fair profits throughout the water supply and sanitation chain, taking into account that part of revenues that is not reinvested in operations?
- 7. Donor Conditionality Reframing Question:** There are disagreements amongst stakeholders over the influence that public international financial institutions wield over decisions on water supply and sanitation. What conditions of public international financial institutions' loans and grants are necessary and acceptable for effective, efficient, and accountable use of investments in water supply and sanitation services? What conditions undermine effectiveness, efficiency, and accountability? How can existing international agreements to cease PSP conditionalities be implemented?
- 8. Small-Scale Independent Producers Reframing Question:** The presence of small-scale independent producers (SSIPs) reflects the inadequacies of existing water supply and sanitation networks. Some stakeholders perceive SSIPs to be part of the problem, others perceive them



to be the only available solution in the short term. To what extent can or should SSIPs be integrated, financed, and regulated as part of the formal sector?

- 9. Impacts of PSP on the Poor Reframing Question:** There is debate and confusion among stakeholders about the impacts of PSP, both large and small scale, on poor communities. Some stakeholders have proposed that access to the poor should be defined in terms of at least three criteria: availability, affordability, and quality of services to the poor. What criteria and indicators should be used in assessing the performance of direct water providers on delivering water and sanitation services to the poor? Against these criteria and indicators, what is the performance of different types of private sector providers, and how does the public sector performance compare? In urban areas? In rural areas?
- 10. Social Impacts Assessment Reframing Question:** Assessments of the social impacts of PSP in water and sanitation services on the poor are often narrow and may not recognise the different circumstances of the poor who are connected to networks and the poor who are not. How can the possible negative impacts of PSP on the poor, such as rising prices for those connected, be evaluated and compared against the possible positive impacts on the poor, such as lower prices for those previously un-connected, better health, employment or livelihoods?
- 11. Diversity of Poor Reframing Question:** Poverty is multi-dimensional and there are many different “categories” of “the poor.” During planning for water supply and sanitation, should potential conflicts between different categories of the poor be identified? How should WSS delivery options be designed to incorporate these differences?
- 12. Rural Areas Reframing Question:** Some stakeholders perceive a disconnect between the emphasis on PSP, which primarily applies to large, urban areas, and the solutions that have the most potential for increasing access to WSS and improving health in rural areas. What is the potential for PSP in different forms to bring increased equitable and sustainable access to WSS in rural areas, especially to the poor? Under what conditions can governments reliably enable or tap this potential? Does PSP weaken the cross-subsidy of urban to rural?
- 13. Sanitation and Sewerage Reframing Question:** Despite the well-known and well-documented ecological and public health benefits of providing sanitation and sewerage, the funding for and political priority of these services remain extremely low. How can the allocation of financial investments, public and private, better reflect the net social, economic and ecological benefits of investing in sanitation and sewerage? Can services that produce public goods be paid for in the context of PSP and full cost recovery?
- 14. Technology Choice Reframing Question:** Stakeholders have made a link between lack of access to WSS and promotion of inappropriate technology or failure to provide a range of options for consideration by users. What are the barriers to the wider use of appropriate technology in providing water supply and sanitation services, especially to the poor? What can the private sector do to overcome these barriers? What can donors, governments, public utilities and others do to overcome these barriers?
- 15. Governance Reframing Question:** A number of stakeholders have noted that PSP has led to an erosion of democracy and has damaged the relationship between state and community. They have related these impacts to the unequal power relations between large international



companies and weak local governments. How can a level playing field be created for negotiations? What are the necessary conditions to create greater social control in decisions around WSS delivery options?

- 16. Participation Reframing Question:** Stakeholders across regions have noted the lack of public participation in decisions to involve the private sector in delivering water and sanitation services at local, national, and international levels. When is wider stakeholder participation a necessity? What purpose will it serve? What models of effective participatory decision-making are available and how can they be more widely used?
- 17. Information Disclosure Reframing Question:** The production and disclosure of information on the state of water services and their customers (existing and potential) is a prerequisite to effective regulation, accountability, and meaningful public participation. How can public access to information be achieved and barriers overcome, especially in the context of PSP where information can be considered proprietary?
- 18. Regulation Reframing Question:** There is widespread agreement that governments have failed to regulate water providers adequately. What are the necessary conditions for effective regulation of the private sector (by relevant public authorities) in a developing, and in a developed country context? What models for and costs of effective regulatory frameworks can be developed from lessons learned so as to achieve accountability and protect public interests? How can these be adapted and implemented in different regional and country contexts? Does PSP create an additional regulatory burden?
- 19. Monitoring Reframing Question:** Monitoring is a critical component in the governance feedback loop, yet it has been lacking in PSP and other water service delivery models. What are the experiences and costs of setting up robust monitoring systems in developing and developed country contexts? What is the minimum essential monitoring system to ensure government capacity to adequately regulate and enforce its guidelines on private sector operators? What role could participatory monitoring processes play?
- 20. Contracts Reframing Question:** There is widespread agreement that contracts governing PSP have been problematic in many areas. What are items that can be effectively “contractualised” and what are the items (like protecting public goods and values) that cannot be governed by contracts? What are the mechanisms for regulating other aspects of water services provision by the private sector beyond contracts? How can transparency be ensured?
- 21. Transaction Advisers Reframing Question:** Many stakeholders across regions and groupings feel that PSP has been pushed as the panacea in the water reform process, and that public international financial institutions and private transaction advisers for PSP have not provided optimal advice. How can municipalities and governments access advice on all the water and sanitation service delivery options available in an unbiased way? How can PIFIs and transaction advisers be held accountable for the consequences of their advice?
- 22. Local Government Reframing Question:** New responsibilities and risks are being placed on local governments and communities as a result of PSP. What capacities do local governments need in order to effectively contract with, monitor, and regulate private sector activities in water supply and sanitation services? What is the cost of building and maintaining this capacity?



- 23. Performance Assessment Reframing Question:** Given the continuing divergence in perspectives around the management performance of the private sector in water and sanitation, there is a need to develop a common framework and set of evaluation criteria and to independently assess and evaluate the performance of the private sector, as compared to the public sector, at different levels. What are the criteria for evaluating effective and efficient management performance? How can we compare public and private sector performance? What are the barriers to effective and efficient management of service delivery and how can they be overcome?
- 24. Benefits of Efficiency Reframing Question:** Some stakeholders are concerned that under PSP the benefits of improving efficiency are passed on to shareholders in the form of profits, rather than to consumers in the form of lower tariffs. How are the benefits of improved efficiency and cost recovery distributed among consumers, taxpayers, and/or shareholders? Can all benefit?
- 25. Labour Reframing Question:** Some stakeholders recognised the need for greater training of employees and reduction of over-staffing in some areas, while others expressed concerns about employee rights and welfare under PSP. What are the implications of PSP for labour rights, wages, job security, union recognition, staff training, career mobility and employee participation in decision-making? What is current good practice in managing and protecting employee rights and welfare in the transition from public to private employer in water and sanitation services?
- 26. Health and Safety Reframing Question:** Stakeholders expressed differences in perspectives around whether PSP improved or reduced compliance with health and safety standards, and whether the profit motive in private companies or political patronage in public utilities skewed incentives to cut corners, use cheaper materials, or use substandard equipment. What are the implications of PSP for health and safety? How can health and safety standards and compliance be raised and maintained at high levels in the context of full cost-recovery?
- 27. Rural Health Reframing Question:** Some stakeholders perceive a disconnect between the emphasis on PSP, which primarily applies to large, urban areas, and the solutions that have the most potential for increasing access to WSS and improving health in rural areas. Does the emphasis on and implementation of PSP in the water sector distort priorities relating to health in rural areas?
- 28. Environment Reframing Question:** Some stakeholders perceive that treating water as a free, social good can lead to waste since the resource is under-valued. Other stakeholders perceive that the focus on profits and commodification of water under PSP will undermine efforts for environmental protection and water resource management. Does the PSP focus on profit and commodification limit the ability to protect the environment? What are the ecological impacts of treating water as a free, social good?
- 29. Cultural and Social Impacts Reframing Question:** Many stakeholders raised concerns that the international private sector has been insensitive to cultural values and the social context in developing countries. What cultural and gender issues need to be addressed when designing and developing water and sanitation services? How can the public and private sectors, especially foreign companies, improve their integration of cultural and gender issues into decision-making and implementation?



- 30. Trade Agreements Reframing Question:** Many stakeholders expressed concerns about the impacts of trade agreements, on a country's ability to make its own decisions about provision of such a vital resource as water. What are the implications of the WTO and GATS, regional and bilateral trade agreements, and ISO standards on government's ability to regulate the sector and determine how it will provide water and sanitation services to its citizens, especially with respect to self-reliance, sovereignty, reversibility, and public participation in decision-making?
- 31. Corporatisation Reframing Question:** Some stakeholders expressed concerns about broader water sector reforms to promote "commercialisation" and "corporatisation" of public water utilities, which they perceive to carry the same risks as "privatisation." Do commercialisation, corporatisation and PSP limit government options in delivery of public services or reduce the state's social obligations to serve its citizens?



APPENDIX 2 – THE VALUES AND PRINCIPLES SUPPORTING THE PRACTICE OF THE WATER DIALOGUES-SOUTH AFRICA³⁸

The Water Dialogues-South Africa embarked on its dialogue not only as an “academic” question (looking at the past through a systematic and structured research) but also as a “dynamic” question that aims to find solutions for the future. Through its research, the Working Group learned that some institutional arrangements are more suitable than others in specific environments, and can produce tangible and sustainable results worth replicating in similar environments. But the Working Group also learned that sometimes the critical parameter is not so much the specific arrangement – it is the environment in which it developed that counts.

However, WD-SA has not simply reached “grey” conclusions that are far from clear-cut or “new”, and have been discussed in other fora. It has moved past this focus on the outputs of our research and focused on the process of our dialogue, in particular the values and principles that have supported it and made it viable.

Useful lessons from The Water Dialogues-South Africa

It is important to highlight that the following **values and principles** were not identified upfront, but are **the result of our practice of a multi-stakeholder dialogue with often strong opposing views on specific subjects.**

Coming out of the dialogues practice it was discovered that all the participants and parties shared an overarching value: Provision of universal coverage of affordable and sustainable water and sanitation services. The debate was not about the value by itself, but how to best achieve the corresponding objective.

Beyond this first and overarching finding, which initially was far from obvious considering the mutual stereotyping that took place between various parties and participants, it was found that the various institutional arrangements discussed were obviously very important as such, but that **they would not produce any sustainable results on the medium and long term if the principles and values that had supported our dialogue were not “nourishing” these same institutional arrangements.**

This clearly means that the values and principles that have been recognised as the prime conditions for the dialogues to simply exist, must now be the governance values and principles that will make our present and future institutional arrangements adequate to our communities, as well as sustainable, to our communities. These principles and values must be present at all the stages of the institutional arrangements, i.e.: definition, feasibility, planning and implementation. This also means that the four-year experience of “dialogue behaviour” and the practice of corresponding values and principles **must be a natural governance practice** within the life of our institutional arrangements.

This could be termed **“cultural regulation”**, in the sense that the “genetic” tendencies of each sector to “over-push” into one specific direction, is counterbalanced by the other sectors, through the practice of the multi-stakeholder dialogue. Our experience of practising this type of dialogue has demonstrated that it allows us to see “the big picture” and be more responsive to the genuine expectations of our communities.

38. Galvin, M. et al, 2009 - 'Straight Talk to Strengthen Delivery in the Water Services Sector' - Appendix 1: 135



Governance values and principles

As indicated above, the Working Group is convinced that, without **a continuous practice of multi-stakeholder dialogue embedded as a generic value and principle**, any type of institutional arrangement is not going to be truly sustainable in the long term, whatever the merits of the particular institutional arrangement. This could be qualified as the **overarching governance value and principle**.

This practice of multi-stakeholder dialogue has to be guided by the following principles, as per the WD-SA experience:

- Transparency, openness and honesty;
- Shared purpose and commitment;
- Plurality of perspectives and inclusivity, valuing diversity and each other;
- Mutual respect;
- Commitment to problem-solving and mutual accountability; and
- Learning and sharing.

Beyond this continuous practice of multi-stakeholder dialogue being recognised as the overarching governance principle and value, we have also identified some core governance values and principles that should be present in our various institutional arrangements:

- The core values of equity and efficiency need to work hand-in-hand to produce sustainable, affordable and effective services;
- Governance arrangement and strategic planning in the water sector need to emphasise a developmental agenda that includes public education on water services and water resources; this will enable ordinary people to participate actively in governance and in supporting and maintaining effective delivery;
- CBO involvement in some aspects of service delivery is to be valued and encouraged; it can enhance effectiveness and support linked developmental processes and purposes;
- It is essential to do good pre-feasibility planning and research so that decisions are well-informed by an understanding of the context and of their real viability;
- In cases where the external option is selected for wholesale and retail water provision, there is a need for fair, transparent and competitive tendering processes to ensure quality, effectiveness and sustainability;
- Planning must include an understanding of the links between water services and water resources;
- Effective monitoring and evaluation is a critical element of service delivery, not an add-on; and
- Redress of past imbalances and inequities remains a critical driver informing the planning of water service delivery.