



EXECUTIVE SUMMARY

STRENGTHENING COMMUNITY WATER SUPPLY THROUGH PUBLIC-PRIVATE PARTNERSHIPS: POLICY RECOMMENDATIONS

This report assesses the enabling environment and outlines policy recommendations for public-private partnerships (PPPs) to deliver safely managed water to rural areas, small towns, and peri-urban areas (community water supply) and contribute to achieving Sustainable Development Goal (SDG) 6.1, a target aimed at securing universal access to safe and affordable water for Ghana. This work builds on prior editions of Safe Water Network's *Sector Review* series, including the 2013 *Market-based Provision of Water at the Community Level*,¹ the 2017 *Scaling Small Water Enterprises*,² and work completed by Safe Water Network's Public-Private Partnerships Working Group (now referred to as the Small Water Enterprise Working Group, the charter of which includes a focus on public-private partnerships³) in developing policy recommendations for increasing PPPs in community water supply in Ghana.

¹ The 2013 Sector Review can be found here: http://www.safewaternetwork.org/sites/default/files/Ghana_Market_Review-2013.pdf.

² The 2017 Sector Review can be found here: http://www.safewaternetwork.org/sites/default/files/Sector_Review_2017_Ghana_FullReport_Web.pdf

³ Membership of the PPP Working Group is partly different from Membership of the Small Enterprise Working Group.

Context

The need for water in Ghana is great: estimates from Ghana's Community Water and Sanitation Agency and Ghana Water Company Limited indicate that approximately **8.3 million** Ghanaians lack access to basic water services—the majority of whom live in rural areas and small towns. The number of Ghanaians without water access jumps to **23.1 million** if measured against the higher benchmark of SDG 6.1.⁴ This shift is of particular importance, as it significantly impacts the funding required to achieve universal access. To provide basic coverage for all by 2025, as outlined in the Ghana Government's water sector strategic development plan, requires a capital investment of USD 327 million per year between now and 2025. When the SDG requirements for reliability, quality, and at-home availability are taken into account, **capital costs to achieve universal access by 2030 nearly triple to USD 946 million annually**. With current sector funding at USD 114 million per year, this leaves a significant funding gap to achieve universal access.

Government alone cannot meet this funding gap, and has expressed a willingness to partner with the private sector in order to meet the growing need for safely managed water. Ghana's National Water Policy recommends leveraging private-sector resources and capabilities for accelerating sustainable safe water access for all. Notwithstanding this proposition, partnerships with the private sector in community water supply are currently limited to the delivery of goods, services and works, and to some extent, involvement in operation and maintenance of water systems through management contracts, with very little indication of longer-term opportunities in infrastructure investment, technical services, distribution, and the provision of value-added services where private-sector resources and capability could be leveraged. The most important gap that exists now pertains to how such PPPs can be identified, structured, and rolled out—especially in the community water sector (rural, peri-urban and small towns) where a majority of the poor live.

Informed by a rigorous analysis of data from desk reviews and dialogue with relevant sector stakeholders—including government, development partners, and the private sector—a number of elements that can strengthen Ghana's policy on PPPs in community water supply have been identified and outlined in the main report. In order to attract private-sector capital and participation in community water supply, four priority areas are critical:

Institutional and Regulatory Environment

The need for clarity on the institutional and regulatory framework for community water supply.

This will boost investor confidence, address the current confusion around the role of CWSA and District Assemblies (DAs) as facilitators, implementers, and regulators, and address issues around the ownership of assets and responsibility for management of community water systems where private-sector capital is deployed. Key actions needed are as follows:

- Define the role of CWSA in community water supply, either as a regulator or a service provider. In both instances, the role of other stakeholders such as DAs, communities, and the private sector should be clearly defined. This might necessitate an amendment of the Community Water and Sanitation Agency Act of 1998, Act 564, and the Community Water and Sanitation Agency Regulations 2011 Legislative Instrument 2007 to give legal backing to whichever roles CWSA and DAs are expected to play.
- Designate a regulatory institution to be responsible for community water supply. Preferably, the proposed regulatory institution should not be an asset owner or service provider, so it can exercise its authority and ensure compliance with clearly defined sector standards by all service providers from both the public and private sectors.
- Finalise and pass the Public-Private Partnership Draft Bill of 2013 into law. This will define the modalities for entering into PPPs, give legal backing to such agreements, and boost investor confidence.
- Re-establish the defunct Private Utility Service Providers Association (PRUSPA) as the mouthpiece of the private sector in water supply, and use that as a platform for fostering partnerships between the public and private sectors, ensuring adherence to sector standards and developing skills capability of the private sector.

⁴ SDG 6.1 defines universal access as available at home, available when needed, and free from microbial and chemical contamination.

Financing

The need for clear and available financing mechanisms for PPPs. The community water sector needs a stimulus package that would enable it to attract financing and other resources from the private sector and facilitate partnership with the public sector. Options that could be considered and included in government policy include:

- Providing the match funding of upfront capital expenditure (CapEx). This will lower the initial CapEx required and make it attractive for the private sector to co-invest with government in community water infrastructure and service delivery.
- Providing guarantees for commercial loans. Government has a role in absorbing a portion of the risk of investments in water services if private-sector interest and resources can be leveraged. Given the potential high risk of investment in the community water sector, it is recommended that government provides credit guarantees that will enable the private sector to access funding to invest in the sector.
- Results-based or viability gap funding to private operators. This will enable them to provide water to communities located in very challenging geographies.
- Providing tax relief for either operations or the import of essential commodities. This will make it easier for potential investors to import essential inputs for investment in the sector.

Pricing

The need to redefine pricing formulae and ensure its application to all community water systems. The current pricing regime for community water supply does not allow for the recovery of invested capital, and requires approval from local government authorities (who are competitors). To be attractive to the private sector, government should:

- Review the Community Water and Sanitation Agency Regulations LI 2007 to allow for the recovery of invested capital and consider removing the “sanitation” component of the pricing.
- Expand the role of Ghana’s Public Utilities Regulatory Commission (if feasible) to include the review and approval of tariffs for rural and small-town water supply.
- Ensure the application of appropriate water tariffs on all community water systems, including facilities owned and operated by local government authorities.

Market Sizing and Contracting

The need to identify and market investment opportunities in the community water supply sector, along with the required governance and regulatory framework. This can be achieved by:

- Repurposing the role of the Ministry of Sanitation and Water Resources (through CWSA) to include identifying investment opportunities in community water systems and making such information available to potential investors. Investment opportunities could be appropriately demarcated and advertised for prospective investors to express interest and apply for partnerships with the public sector.
- Placing all existing viable community water systems under management and leasing contracts supervised by the Community Water and Sanitation Agency, applying a cluster-based approach in the allocation of water systems under management contracts, and revising the minimum threshold for placing water systems under management contracts from 10,000+ people to 7000+ people. (In challenging geographies, the expertise of the private sector may be critically needed, as seen in some communities with 7000+ people where management contracts have been put in place).
- Including equity financing and capital recovery in the design and award of management contracts for piped water systems. This will incentivize the private sector to manage water systems effectively in order to recoup their portion of invested capital and preserve the assets for future use.
- Breaking down management contracts across the various processes related to the water supply value chain—abstraction and storage, water treatment, transmission and distribution, and customer interface. This will ensure private-sector expertise is deployed in areas where they have the appropriate skill capability and allow for effective supervision and delivery of water services.



About Safe Water Network

Safe Water Network is advancing the potential for small water enterprises to ensure millions gain access to the most essential of needs: safe water. Working in hundreds of communities in Ghana and India, we are demonstrating the affordability, effectiveness, and sustainability of the enterprise approach. With a commitment to operational excellence and local capacity-building, we are developing the tools and resources needed to overcome an unacceptable failure rate typical of developing world water systems. Working with government, development agencies, and implementers, we are scaling this approach to improve the health and livelihoods of millions of people in need of safe water. For more information, please visit safewaternetwork.org.

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