

Summary Report
YES-DC DEO Day
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Utrecht

Public Private Partnerships:

A way of providing energy services to the poor



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Introduction

YES-DC and DEO

The Young Energy Specialists and Development Co-operation, in short YES-DC, is an association of students and young professionals interested and/or working in the field of energy and international cooperation. Once in every two years YES-DC organises a 'DEO-day'. DEO stands for 'Debat Energie en Ontwikkeling', which means 'Debate on Energy and Development'. On a DEO-day various junior and senior experts (YES-DC members and non-members) are invited to participate in energy and development co-operation related discussions. This is the report the de DEO event held on June the 10th 2004.

Framework of DEO-day 2004

Topic of the discussion was the concept of Public Private Partnerships (PPPs) aiming at energy supply for the poor in the South. The 'partnership approach' to sustainable development emerged as an innovative alternative to traditional bi-lateral and concession-style development arrangements within the Earth Summit's (Rio de Janeiro, 1992). (...) Cross-sector partnerships inherently acknowledge that the combined strengths and collective actions of partners have the potential to more efficiently and effectively deliver results than parties working independently. Moreover, development initiatives have often fallen short, not due to a shortage in demand or the ability to supply, but because of insular barriers such as inadequate rule of law, faulty regulation and tax policies, technology and end-user adaptability. In this respect, the broader inclusion (...) of multiple actors working in partnership can help to constrain parochial interests that so often hold back development projects.¹

The recent popularity of the concept in the field of international co-operation was reflected at the 2002 World Summit on Sustainable Development (WSSD), where the need to increase the involvement of the private sector in the realization of the Millennium Development Goals was discussed. The enthusiasm for PPPs in international co-operation rests on the idea that a combination of increasing financial resources, cost-efficiency and sector specific knowledge in the private sector on the one side and the social and environmental consciousness and political support of the public sector on the other, will result in viable and sustainable development projects.

For this year's DEO-day conference the DGIS policy of the Dutch Ministry of International Co-operation (DGIS) document 'Bridging the Energy Gap' served as a background document for the lectures and discussions. In the DGIS document 'Bridging the Energy Gap', an outline of Dutch development goals is stated in relation to the WSSD (Johannesburg Summit). In this context, the Netherlands Dutch support aims at providing affordable and reliable energy services to 10 million poor people by 2015. PPPs are envisioned as an important instrument to achieve this goal, hence the call for ideas that was issued end 2003.

Question of debate

On this DEO-day the goal was to emphasise both the opportunities and the bottlenecks that PPPs imply for energy supply in developing countries. A particular focus was the participation of the end users in the decision making process. Development aid often has been the result of technocratic decisions made by people far away from 'the field', and

¹ <http://partnershipscentral.org>



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consequently the implementation of technologies and knowledge was not always successful. On the DEO-day this “old pitfall” was addressed in the main question: How is the consultation of the actual end-user taken care of in the forging of public private partnerships? Can it be assumed that the market mechanisms underlying in the ‘private’ element will improve the representation of the end users needs or are other mechanisms needed?

Programme

The programme consisted out of speeches and workshop. In the morning session, the guest speakers gave their presentation through which they elaborated on their opinions and experiences.

After the lunch four separate workgroups discussed on statements.

The day was closed with a drink.

Presentations

Mr. Herman Verhagen from the Royal Tropical Institute (KIT) chaired the debate. He opened with a speech on the background and definitions of PPPs. The invited speakers were:

Mr. Paul Hassing , Dutch Department of Environment and Water, Directorate
Generate for International Co-operation (DGIS);

Ms. Annemarie Goedmakers: Foundation for Rural Energy Services (FRES);

Ms. Annelies den Boer: WEMOS;

Mr. Harish Hande: SELCO, India.

Herman Verhagen, Royal Tropical Institute

Mr. Verhagen elaborated on the background and definitions of PPPs and stated that it holds the potential of being innovative, but they face the risk of duplicating old things in new jackets. General characteristics of partnerships are that they bring together different (groups of) stakeholders on a voluntary basis. Partnerships cover a wide range of arrangements and activities and therefore form a heterogeneous category. They can be implemented at local, national or international level, specific or vague, oriented towards practical projects, promotion of new technologies or improving market access.

PPP's have the threat of being just a new buzzword for the old (need for) donor coordination. The attention to PPPs must be seen in the light of the change from traditional policies that are created by national borders to new global governance.

See also: KIT/NIPS Bulletin 354 – Building Partnerships for Sustainable Development; Lessons from the Netherlands, Benin, Bhutan and Costa Rica by H. Verhagen, Dorji, N., Biauou G. and Abarca, L. (available at www.kit.nl).

Paul Hassing, DGIS

Recently DGIS initiated a call for ideas on PPPs. Mr. Hassing explained the background of call as proposed in the *Call for Ideas 2003*. Only a few of the submitted ideas that may be regarded as likely to be approved, concern energy. The philosophy of the call is to propel development initiatives by private institutes, which would not have taken place without the involvement and support of DGIS. Regarding the terms and criteria on how the partnership should look like, no fixed blue print is formulated, as it is a call for *ideas*. First there has to grow some meat on the bone, before getting critical on possible negative effects of public private partnerships. If you look at the basic needs of people in development and mirror that to the potential of investment by the public sector, these needs will never be met. Key is



collaboration with all actors, including the private sector. This initiative searches for new ways to improve services for those who are underserved.

Annemarie Goedmakers, FRES

Ms. Goedmakers' presentation focused on the recent activities of the Foundation for Rural Energy Services (FRES) in Mali and South Africa. FRES current activities resulted from earlier initiatives undertaken by NUON in these 2 countries. The goal was to provide rural electrification in a commercial and sustainable way and FRES aims to accomplish this in the form of joint ventures with existing companies in Mali and South Africa, adopting the "fee for service" concept. Ms. Goedmakers emphasised that the main potential benefits are sustainability, customer-convenience, structural employment and knowledge transfer. However the main problems are currently formed by the unsuitability of the legal framework, subsidies, tax exemptions, lack of customer education, theft, irregular payment and AIDS. Concerning PPPs, Goedmakers holds the opinion that the private and public sector do not work along coherent lines, and lack exchange of their ideas and efforts.

Annelies den Boer, Wemos

Wemos has recently conducted a survey on the impacts of 79 PPPs in the health sector in the South titled 'Goede bedoelingen met bijwerkingen'. Herein it is explained that involvement of mostly rich private partners may have induce negative by-effects caused by the way they work and cooperate.

Critical question must be asked on the following aspects:

Are their actions congruent with the national priorities and policies?

Is there a vision for the future or must the aid be considered as provisional?

How is the transparency guaranteed within these initiatives?

See for this report: www.wemos.nl.

Harish Hande, SELCO

SELCO is an organisation that originates from an NGO, and has currently no less than 29.000 customers. Mr. Hande explained the importance of energy services for development in rural areas in India. It is not an end but a means of accomplishing the Millennium Development Goals. Access to energy services to the poor is hampered by several barriers, like the lack of financial means of end users, remoteness and the lack of knowledge of energy options by the people. These obstacles have to be tackled by offering site specific solutions, like suitable financial mechanisms and distribution networks.

Mr. Hande sees the role of the public sector in awareness raising by informing and educate people on energy service alternatives and by doing so making the way free to sell energy services to the energy-poor. Subsidies ruin the market. Important factor for success is to work in a context specific way (don't work with 'models'). What is needed is a system that addresses the needs of the client.

See www.selco-intl.com/index.html



Workshop

Introduction

The workshop dealt with three different statements in small groups. Each group was guided by a workshop-leader: Mr. Paul Hassing (DGIS), Mr. Harish Hande (SELCO India) and Ms. Ellen Hoog Antink (ETC Energy). The DEO-day Commission defined the following three statements in advance:

Outcomes statement 1

At this moment Public Private Partnerships are the most effective instrument to provide 10 million people with modern energy services.

Group P1, led by Mr. Paul Hassing

Starting from the idea that PPPs combine 'cost-efficiency and sector specific knowledge in private sector' on the one side and 'social environmental awareness of public sector' on the other side, it could be said that PPPs combine best of both worlds and therefore are effective. But PPPs are only one of the instruments to use. Others are private investment, charity and local public investment. Ideally four P's are involved, namely Public – Local, Public – Foreign, Private – Local, Private – Foreign. For these four P's capital is important in all cases. Besides this the elements balance, equality and respect are important in partnerships.

Group P2, led by Mr. Harish Hande

Only if PPPs are defined in a clear way they can be the most effective. Important in the partnership is that capital flows from private to public and should be effective for the whole chain of services. The entrepreneur can be effective at providing services but he will not necessarily act in a sustainable way. Therefore, the sustainability of the long-term has to be guarded by including the real local stakeholders as both parties can give valuable input. A last remark is that PPPs can also be used as a start-up for private market development.

Group P3, led by Ms. Ellen Hoog Antink

In this group different viewpoints emerged from the discussion. There was a subgroup concerned with the financial feasibility for the private sector, and therefore a PPP will not be attractive for the private participant. Furthermore, the question came up how to define 'the poor', and will the poorest of the poor be reached in this framework? There was agreement that PPPs may contain the disadvantages of top-down processes, although it will remain difficult to include demands and needs of poorest of the poor. Alternatives for PPPs are the provision of energy services exclusively by the public sector or private sector.

Outcomes statement 2

The consultation and representation of the end users and their needs are guaranteed in Public Private Partnerships.

Group P1, led by Mr. Paul Hassing

The needs of the end users are not guaranteed although they should be, because, as Hande explained, it is a condition for success. Criteria for the approval of PPPs are not yet established. It seems that PPPs rely on the invisible hand of the market, which lead to the most appropriate product for the clients. If the product does not fit the needs of the people, it simply will not be bought.

Group P2, led by Mr. Harish Hande

The answer to the statement is basically 'no' although it should be. The consultancy of end-user is necessary. It will also make the partnerships more efficient. But should it also take place in a competitive environment, because if one partner is too big or too strong, than there is only one option that end users can choose of. In the partnership, the public sector should act as a watchdog on private sector.

Group P3, led by Ms. Ellen Hoog Antink

Consultation, representation and the needs of the end-user are not guaranteed but are considered to be important. When the system is top-down the acceptance is lower, so ownership has to be in hands of the poorest. In this case, one monopolist is not an attractive situation (see also group P2). There has to be some capacity building first, or in other words 'learning on the job'. Production of energy services should take place in the local economy rather than rely on import.

Outcomes statement 3

Public Private Partnerships are biased with respect to the choice of the energy generating technology.

Group P1, led by Mr. Paul Hassing

The bias will be so if one market with one technology is involved. On the other hand, when more options of energy generating techniques are applicable in the specific context, it is likely that more differentiation will occur.

It may be possible that one PPP is linked to one technology. This is not a problem as long as the total range of PPPs guarantees to introduce a mix of technologies.

Group P2, led by Mr. Harish Hande

Yes, there is a bias but it might not be bad. For instance small, decentralised renewable energy options are likely to result from PPPs. In a way, the poor really do not care what option they choose for, but when the services are not accepted or well adopted the project will fail automatically.

Group P3, led by Ms. Ellen Hoog Antink

Instrument of PPPs itself is not biased but the practical implementation can be biased. Technologies may be biased towards the local circumstances, the type of partners involved and so on.



Concluding remarks

On this DEO-day the central focus was on the opportunities and bottlenecks that PPPs imply for energy supply in developing countries. A central issue was whether or not PPPs are a good means to supply energy services to the poor in developing countries and how it involves all actors, especially the civil sector. The discussions during the day highlighted the consensus among the participants with respect to the need for instruments that address the needs of the poor for energy services. Consensus was also obtained concerning the basic requirements for a successful partnership, like transparency, clear goals, and an agreed division of tasks and roles among the participants. Besides it was mentioned that providing energy services would only be successful after the more basic needs for food supply and safety were met.

In the leaflet of the DEO-day it was argued that development aid often has been the result of technocratic decisions made by people far away from the field, and that as a consequence the transfer of both knowledge and implementation of technologies regularly fail. A solution to this dilemma might be that the actual end-users are represented at the onset of the creation of a PPP, and not merely function as recipients at the end of the line. By involving these end-users at the very beginning, their needs might be better reflected in the choice for specific technologies and practices and this might result in more successful long-term energy service partnerships with the poor in development countries. Partnerships should deploy the local capacity of knowledge, expertise and the maintenance of the energy technologies.