

Public-Public Partnerships: An Alternative Model to Leverage the Capacity of Municipal Water Utilities

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Universal access to safe and affordable water and sanitation service is crucial for public health, but achieving it will require significant investments in infrastructure and expertise. Worldwide, an estimated 884 million people lack access to safe water, and 2.6 billion people lack access to improved sanitation.¹ In the United States, water and sewer systems have a \$55 billion annual funding shortfall.² Public-public partnerships (PUPs) are an innovative model uniquely suited to help address these needs.

What Is a PUP?

A PUP is simply a collaboration between two or more public entities to improve public services on a not-for-profit basis. In a PUP, two or more public water utilities, government entities or non-governmental organizations join forces and leverage their shared capacities to improve water and sewer services. The public partners pool resources, buying power and technical expertise to enhance public efficiencies and service quality. These partnerships promote public-service delivery through sharing best practices.³

Types of PUPs

Some researchers describe PUPs by their scale, whether within nations, across national boundaries or between industrialized-country utilities and developing-world utilities:

- **Intra-state PUPs** may be between two municipal water providers, between a municipal agency and a national one, or between an agency and a union or non-governmental organization within a country. They can provide flexibility and can build institutional capacity.
- **Inter-state or cross-border PUPs (North-North or South-South)** are either between public entities in developed countries or between public entities in developing countries. They allow for training and sharing of best practices between two organizations with similar operating constraints.
- **Developmental PUPs (North-South)** typically partner water providers in the Global South with water providers, unions or non-governmental organizations in industrialized countries. These partnerships strengthen developing-country water utilities as industrialized partners invest resources and expertise without extracting profits.⁴

How Do PUPs work?

PUPs employ three basic strategies to leverage the capacity of cooperating public entities to control costs and improve the performance of water and sewer systems:

- **Bulk purchasing:** Through purchasing cooperatives or agreements, utilities and other public entities can save time and money by purchasing chemicals, equipment, fuel and other supplies and materials in bulk.⁵
- **Shared services:** Public water utilities can save money when they work together through joint capital projects or shared service agreements.⁶ For example, rather than building separate smaller water tanks, two nearby utilities can share a single larger water tank to lower the total investment cost.⁷
- **Reengineering:** Public utilities can partner with more-efficient public utilities or team up with non-governmental organizations or their own employees to creatively address inefficiencies or make system improvements.⁸ These partnerships allow the combined expertise of technicians, engineers and front-line employees to help maximize efficiencies and reduce costs.⁹

PUPs Outperform Public-Private Partnerships

In the last two decades, major multinational efforts have promoted private sector strategies, including public-private partnerships (PPPs) between public utilities and private water companies, for water and sewer services in industrialized and developing countries.¹⁰ Recent research, however, reveals that compared to PPPs, PUPs are a more effective, efficient and equitable approach:

- **Efficacy:** PUPs are more effective at meeting performance objectives and improving public services, while PPPs may actually worsen service quality.¹¹ By capitalizing on broadly shared goals between two public entities, PUPs can take a more integrated approach to water resource management and have a more lasting effect on the operation of utilities.¹²
- **Efficiency:** PUPs are associated with significantly increased efficiency in service delivery¹³ and tend to be less costly.¹⁴ In general, PPPs fail to enhance efficiency,¹⁵ involve high transaction costs and increase water prices.¹⁶
- **Equity:** By involving the entire community — the municipality, ratepayers, community groups and the utility — PUPs maximize the accountability and equity of water services.¹⁷ PUPs deliver services to everyone, including people and communities that are often excluded, underrepresented or disadvantaged.¹⁸ In contrast, PPPs prioritize the bottom line over equitable delivery of services¹⁹ and are particularly poor at providing service to low-income households.²⁰

In contrast to PPPs, neither partner in a PUP expects to earn a profit from the collaboration.²¹ While PPPs often increase prices and worsen service quality,²² PUPs bring together public officials, workers and communities to improve the efficiency, efficacy and equity of water and sewer services.²³

In the United States, PUPs are growing in importance and already are far more common than PPPs for water and sewer service delivery. A large survey of U.S. cities and counties found that there were four times as many inter-governmental partnerships as PPPs for water and sewage treatment,²⁴ and since the early 2000s, the prevalence of PUPs has grown while the rate of for-profit private contracting has declined.²⁵

Support PUPs for Water and Sewer Service Delivery

In short, PUPs provide the collaborative advantages of PPPs without the profit-extracting focus of private operators. Because PUPs have been more efficient, effective and responsive for water and sewer services, public officials should consider public sector solutions before pursuing risky and potentially costly privatization deals. PUPs are a practical and responsible way for communities to address their water and sewer needs, while controlling costs and maintaining local control.

We are now faced with a choice. We can continue to rely on the failed PPP model that gives control of our valuable water services to private interests, or we can use the proven PUPs model that works for everyone while keeping water provision in public hands.

Endnotes

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- 14 Tucker et al., 2010 at 14, 17 and 33.
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- 17 *Ibid.* at 15 to 17 and 34.
- 18 Andrews and Entwistle, 2010 at 692; Warner, Mildred and Amir Hefetz. "Rural-urban differences in privatization: limits to the competitive state." *Environment and Planning C: Government and Policy*, vol. 21, iss. 5. 2003 at 703.
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