Session SW7: Creating an enabling environment for better performing urban utilities

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AquaFed & Members’ mission

- **Private Water operators**: provide high quality water and sanitation services under the direction and control of its public authorities.

- **AquaFed**: facilitates contacts and information exchange between multilateral institutions and private water service operators.
AquaFed

Utility wide

Investor Owned utilities

Concession Contracts

(Privatisation models)

Heavy capex

No construction

Affermage/Lease

Management contract

O & M contract

Technical Assistance

Procurement Performance contract

DBO

Equipment Leasing

BOT/BOO

Specific

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(Privatisation models)
Key messages

• **Holistic approach needed**: Finance, Social, Managerial and Technical performance must progress jointly

• **Stronger Social Contract**: need for all stakeholders to agree long-term vision and on key issues eg affordability

• **Human Right to Water and Sanitation**: is still not being recognised in national law/regulations

• **More common/standardised indicators**: improves performance, empowers citizens

• **Simultaneous national and utility reform**: both to work in tandem
Challenges with Large Urban Projects

Secure funding and cost-recovery
• Access to finance depends on this

Technical Performance:
• Continuity of service
• Metering (Mexico City: 10,000 meters/month)
• Network (Nagpur: 2,900 km)

Social
• Creative solutions to make water affordable and inclusive (acceptance of connection and charges)
• Setting up customer services that meet the needs of very diverse customers

Managerial (example of affermage)
• Building a new company spirit
• Training all employees of the municipality(s) and new recruits
Need for a renewed, local, social, contract

1. How to manage \textit{heritage}: the \textit{natural} and the \textit{constructed} heritage?

2. How to address \textit{poverty} issues, \textit{unemployment}?
   Balance between social justice and economic efficiency?

3. “\textit{Sovereign responsibility}”: Elected officials to broker this dialogue
Enabling environment...

1. **Sovereign States bear the duty of HRTWS**
   - These rights should be recognised in *national laws and regulations* E.g: UK & FR: disconnection banned
   - **Long term national vision** = clarity for donors/investors
   - **Regulatory Monitoring** ensure the policies and service implementation are reviewed and adjusted E.g: DK, UK, PT, FR, BR, BG, ...

2. **At local level**
   - **Committed Tandem of leaders**: Elected + Authority

3. **PPPs are (just) tools that public authorities may use**
Cost-Recovery

1. Operator does not decide the tariffs
2. Strong political will and long-term vision needed for tariff policy E.g: Niger, Morocco, Some Indian States, …
3. Two main criteria when determining tariff grid:
   – Social acceptance & pro-poor tariffs (connection/volume): support those who cannot pay rather than lower the price of water to everyone
   – Allow recovery of OPEX at least

Last but not least: Public entities must pay their water bills!
Two-track approach: paramount

**National level**
- **Sectoral reform** E.g: separate roles, sector consolidation, … and reform enforcement!!
- **Finance**
  - Ring-fencing water money
  - Tariff policies
  - Recognition of the investment programmes
- **Service standards & KPIs** E.g: continuity of supply, quality, pressure, complaints,..

**Utility level**
- Formalizing contracts targeting performance between the utility and partners E.g: IFIs Output-based Aid, NGOs, contractors, regions/municipalities, regulators
- No global model-contract
Food for thought (or complexifying further)

1. Growth = Ultimate driver of needs, and of means
2. Low rate of capital coverage in water (compared to electricity or phone): we cannot afford short term fixes
3. Admit that the local ambitions can only be considerably different - as long as they are legal
4. Everyone uses unitary costs: common definitions and KPIs reduce information asymmetries and scale up impacts
5. Rural needs ad-hoc solutions
Thank you for your attention!

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