

UNEP - 21th Consultative Meeting with Industry Associations

CONTRIBUTIONS OF PPP'S TO THE ADVANCEMENT OF WATER AND SANITATION

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ABBREVIATIONS :

MDG : Millenium Development Goals

ODA : Official Development Aid

PPP : Public-Private-Partnerships

PSP : Private Sector Participation

WSS : Water and Sanitation Services

PSP AND PPP's IN WSS

- **PSP in WSS is still a new feature, particularly in the developing world, and a limited one (less than 5 % of urban supply is privately managed)**
- **PSP in WSS in the developing world was sought to answer serious problems and deficiencies :**
 - **Poor services**
 - **Insufficient coverage**
 - **Inefficient (public) management**
 - **Limited / no access to funding**

CONTRIBUTION IS A REALITY

- **SUEZ's operations in developing countries (major long-term delegated management contracts)**

Total Population (M)	Of which Poor (M)	Served Population (M)	Of which Poor (M)	Poor connected by Suez (M)
46	14,7	33,3	8,9	3,3

- **In Latin America as an example (1993-2003)**
 - 4,2 million connected to water/sewerage
 - New waste water treatment capacity for 7 million
 - 3 billion USD CAPEX delivery

THE EXPERIENCE SO FAR IN PPP PROJECTS

- **Proved to be a productive laboratory for new/good practices**
 - Output delivery philosophy (service, performance and expansion targets,...)
 - Full cost recovery (very difficult to implement)
 - Accountability of results
 - Transparency of origin and allocation of costs and resources
 - Build-up of stakeholders awareness and engagement
- **Brought lessons and stimuli for water governance, financing and operations**

THE EXPERIENCE SO FAR IN PPP PROJECTS

- **Results, but also crises**

- High ambitions, abrupt shifts
- Incomplete regulatory frameworks, weak practice
- Macroeconomic shocks on countries/contracts
- Contract design crises/asymetries
- Insufficient participatory approaches/structures
- Legal system interference with contracts

- **Controversies**

- **Excessive risk profile for capital suppliers and investors**

PERSPECTIVES

NEED TO FOLLOW AND IMPLEMENT :

- Principles for good water governance
- Principles for sustainable PPP's
- Extended and innovative financing mechanisms

PRINCIPLES FOR GOOD WATER GOVERNANCE

Many references available, among which :

- UN organizations reports and statements
- Camdessus report
- European Commission and Council resolution n° 9696/02 on “Water management in developing countries”
 - Safeguarding water resources
 - Right to access water and sanitation
 - Community public services
 - Participation and transparency
 - Ethical compliance
 - Equity and solidarity

Private operators adhere and promote to these principles

PUBLIC SECTOR

- **Role of public authorities**

- Effective sector policy, long-term planning, solid regulatory framework
 - National targets
 - IWRM
 - Legal/regulatory framework
 - Mechanisms for consultation, performance reporting and evaluation
- Organization of service delivery
 - Local ownership
 - Right of access
 - Sustainable pricing structure/cost recovery
 - Choice of management structures
 - Control and regulation

PRINCIPLES FOR SUSTAINABLE PPP

- . Clear, stable and durable statement, understanding and sharing of project objectives/targets**
- . Sustainable cost recovery at manageable horizons**
- . Clear allocation of tasks / duties / responsibilities**
- . Thorough risk allocation**
- . Reciprocal enforceable commitments of parties**
- . Multistakeholders' engagement**

PRIVATE SECTOR

- **Role of private sector as operator of services**

- Deploying efficiently professional and technological resources necessary to achieve objectives set by organizing authorities
- Managing assets with long term perspective for sustainability of services
- Catalysing financial resources through project optimization (OPEX and CAPEX)
- Working and developing partnerships with stakeholders (customers, labor, suppliers)
- Be accountable for results and performance

- **Limited involvement as investor**

EXTENDED AND INNOVATIVE FINANCING MECHANISMS

Funding to come mainly from :

- Sustainable cost recovery through tariff
- Subsidies from public budget (taxes)
- ODA
- MFI's

Private sector (local and international) can complement if :

- Balanced risk profile. Available risk mitigation instruments
- Local markets in local currency

FINANCING INSTITUTIONS

- . Contribute to definition and implementation of adequate institutional frameworks fostering sustainability**
- . Mobilize resources within a long-term perspective (sustainability, efficiency, capacity)**
- . Allow for mixing of financing sources (public and private)**
- . ODA has specific role to permit transition from unsustainable to sustainable financing (“seed money”)**

BOLIVIA : THE VIRTUOUS CIRCLE

WATER AND SANITATION SERVICES

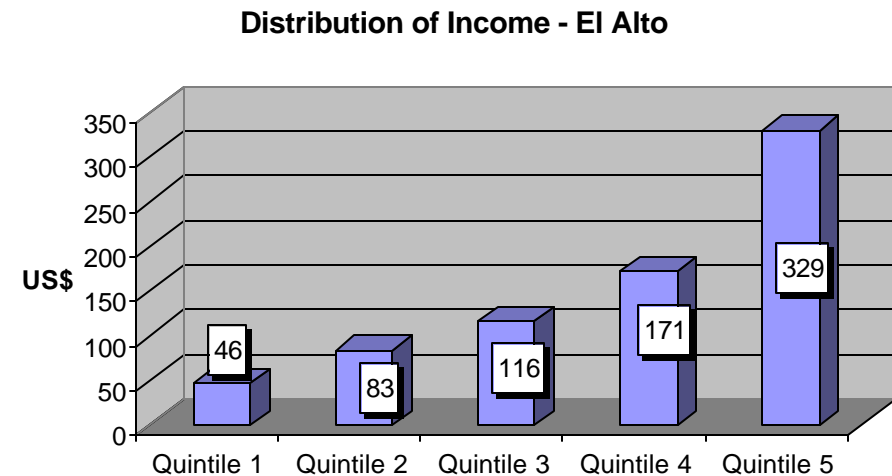
- **Water and sanitation services provided by a private company : [Aguas del Illimani](#) (subsidiary of Suez Group)**
- **30 year concession contract signed in July 1997 with the government of Bolivia**
- **La Superintendencia de Saneamiento Básico - the regulatory agency - regulates all water companies in the country. Aguas del Illimani is the only private one**
- **Average monthly water bill for low-income families in El Alto (8m³): US\$1,8 representing [less than 2%](#) poor family average income (US\$100month)**

SOCIAL CHARACTERISTICS

- **Bolivia: one of the poorest South American countries**
 - ◆ GNI per capita: US\$900 (2002)
 - ◆ HDI Rank: 114/162
- **1 water system, 2 municipalities:**

Size Poverty

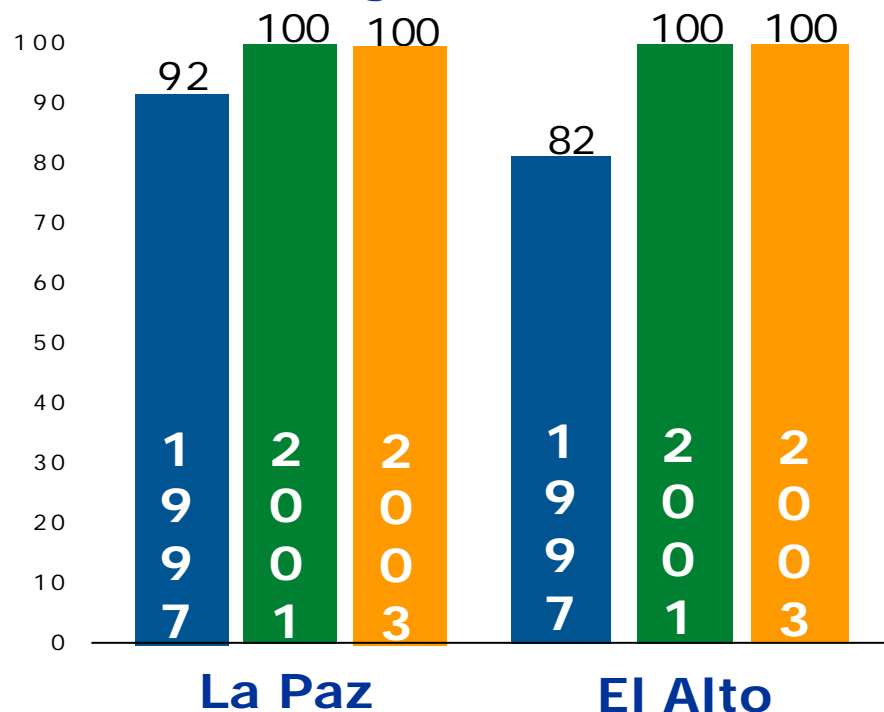
La Paz	970'000	45%
El Alto	550'000	73%



SERVICES COVERAGE IN CONCESSION AREA

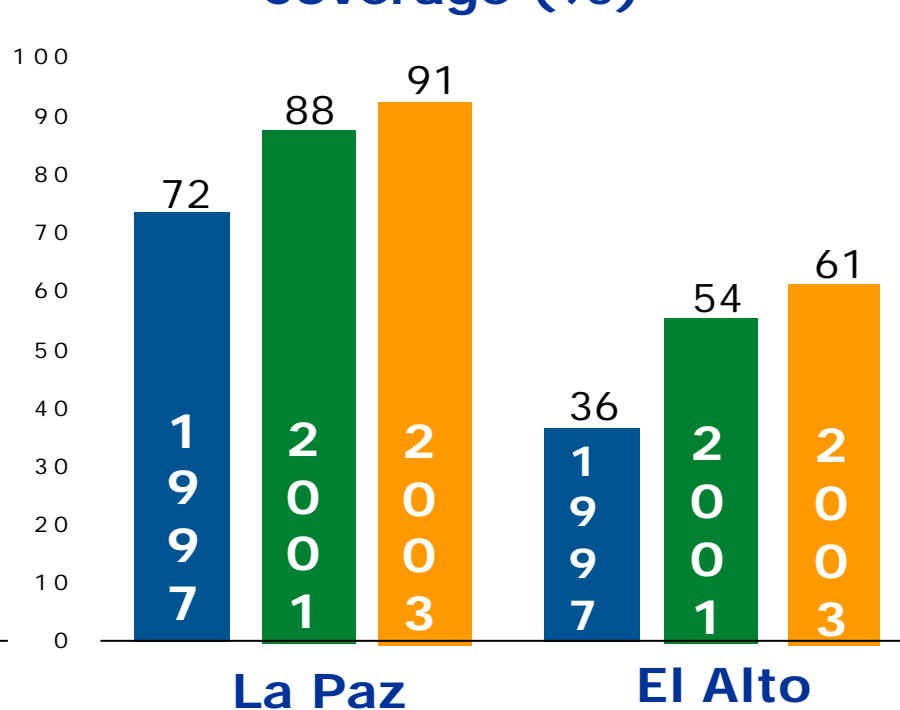
Water

Coverage (%)



Sanitation

Coverage (%)



Total capital expenditure : 60 M USD financed by equity, loans and cash flow

THE CHALLENGE OF PERI URBAN SETTLEMENTS



- **Absence of urban infrastructure, incl. water and sewerage**
- **Outside the concession boundary**
- **No financial return on potential investment under current conditions:**
 - **Tariff set below actual cost (0,22 US\$/m³, 1st block)**
 - **Low household consumption (5 m³/month)**

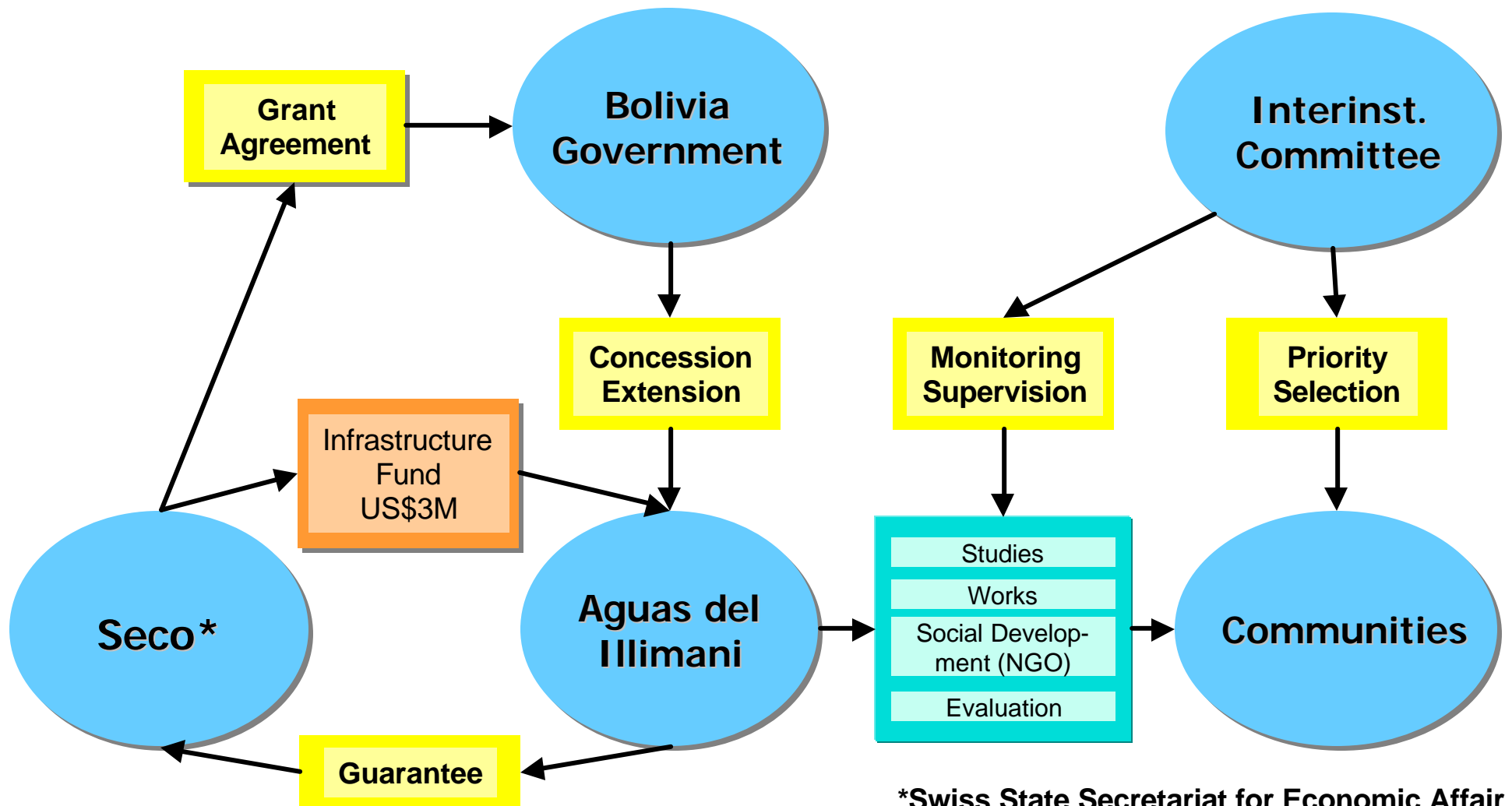
SUSTAINABLE AND EFFICIENT FUNDING MECHANISM

Objective: Combine operational efficiency and socio economic development through a partnership between local authorities, financing institution and private operator

Funding based on:

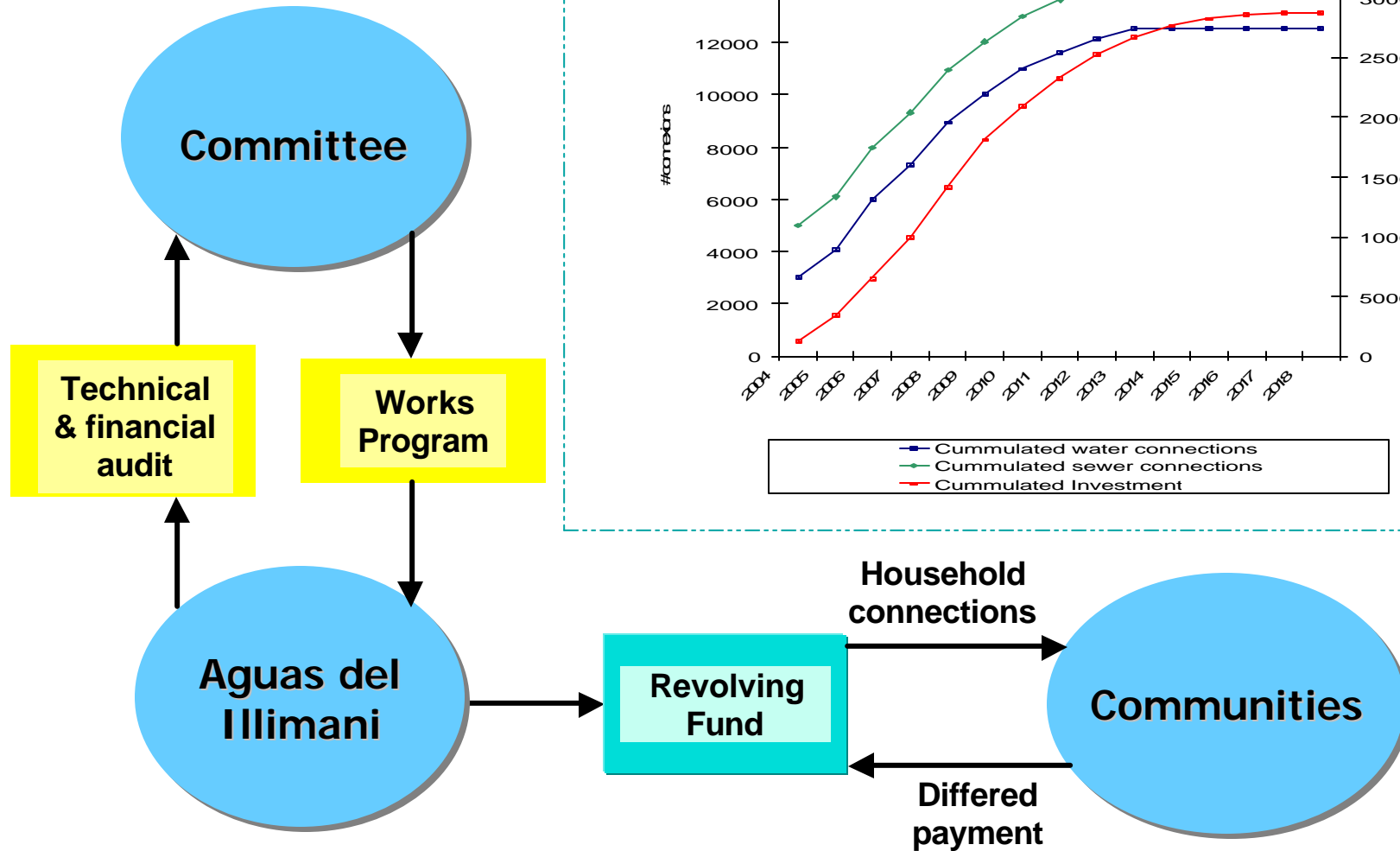
- Quantitative outputs defined as per the number of families connected to the water and sewerage networks
- Initial subsidy (grant) with leverage effect
- Household contribution (cash and labor)
- **Commitment on results and efficient management ensured by the private concessionaire**
- **Institutional legitimacy, priority definition, supervision and control assumed by an inter institutional committee**

INFRASTRUCTURE FUND FOR LOCAL DEVELOPMENT



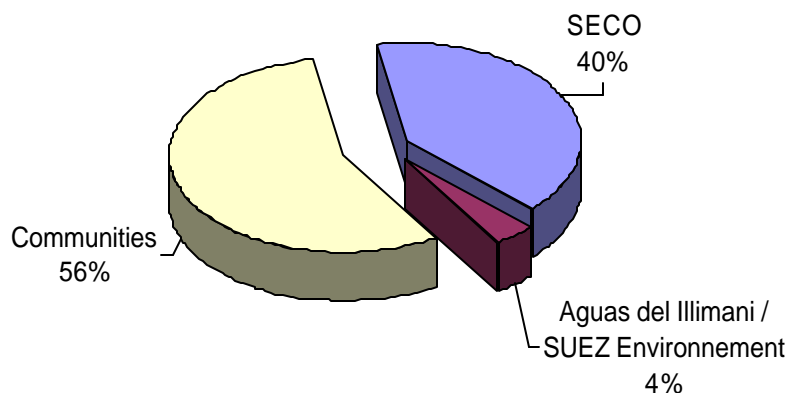
*Swiss State Secretariat for Economic Affairs

REVOLVING FUND FOR COVERAGE EXPANSION



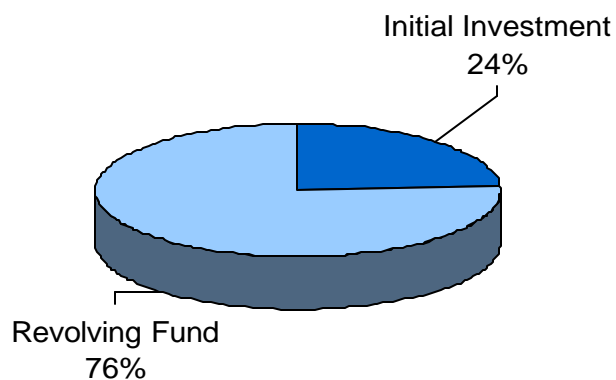
LEVERAGE EFFECT OF INITIAL FUNDING

Total Investments– Sources of Funds

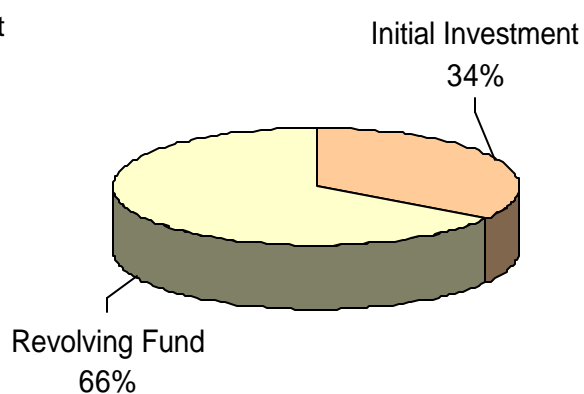


- **Swiss Grant: US\$3M**
- **Implemented 1st phase: 3,000 water connections, 5,000 sewerage connections**
- **Total cumulated investments: US\$7.5M (Leverage ratio: 2.5)**
- **Global results: 12,500 water connections, 14,500 sewerage connections (leverage ratio: 3x)**

Connections Funding (10 years)

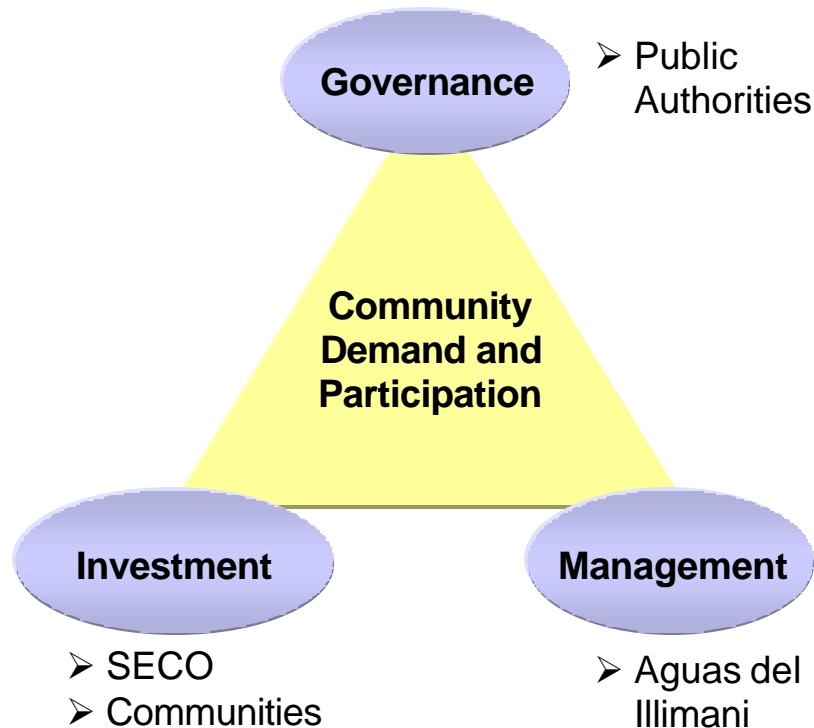


Water Connections



Sewerage Connections

MULTI-STAKEHOLDERS PARTNERSHIP



Participatory Approach

- A sustainable model based on communities' demand for various level of services and participation in construction and maintenance

Good Governance

- Participation of local and state authorities and regulator ensures legitimacy and sound resources management

Investing for local development

- **seco** finances water and sanitation program with high impact on social and economic development

Efficient Management

- Concessionaire Aguas del Illimani's participation guarantees efficiency in project management and sustainability in service provision by including households into the concession

THANK YOU