



WATER SECTOR REFORM SENEGAL

OECD WATER TASK TEAM

PARIS, 23 October 2007

Water sector reform in Senegal

CONTEXT BEFORE REFORM

Technical constraints

- severe water shortage
- lack of capacity of infrastructure
- high UFW and poor condition of assets
- important capital investments required

CONTEXT BEFORE REFORM (2)

Financial constraints

- Severe financial situation : structural deficit
- No access to financial resources

Institutional constraints

- Lack of autonomy and accountability (utility management)
- Absence of financing policy (tariff, subsidy, etc.)
- Poor billing and revenue collection of public consumers

THE REFORM

- Institutional reform of urban water sector
- Implementation of large scale investment programme (PSE/PLT 500 M€ 1996-2008)

Water sector reform in Senegal

OBJECTIVES OF THE REFORM

- Financial sustainability (efficient management and cost recovery, appropriate tariffs)
- MDG
- Private sector involvement in utility management
- Capacity building of all actors involved

INSTITUTIONAL FRAMEWORK

- Separate asset management and O&M
- PPP : affermage
- Separate water and sanitation sector

MAIN ACTORS ?

THREE ACTORS :

State



SONES



S.D.E



ROLE OF THE STATE

- **Definition of sector policy**
- **IWRM**
- **Legal framework**
- **Approval of tariffs**

ROLE OF SONES

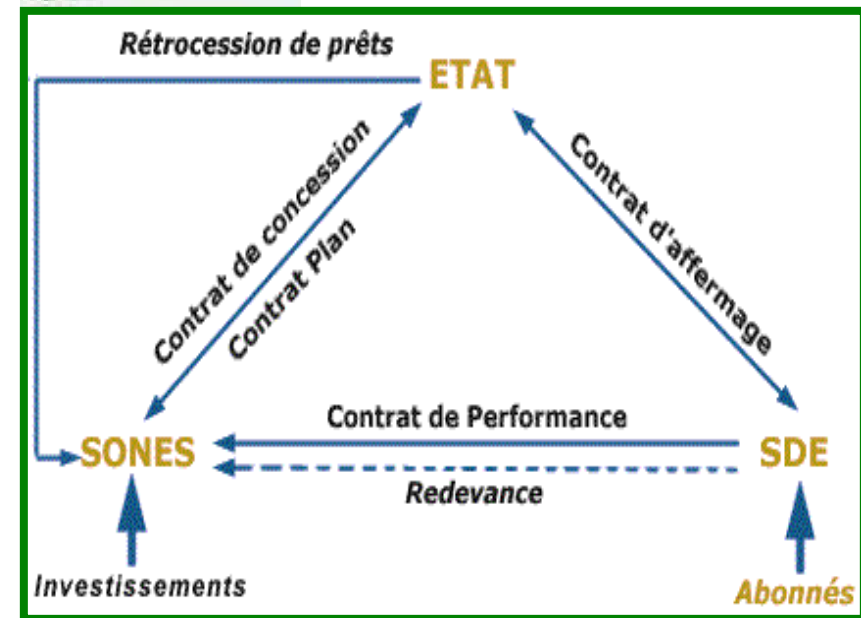
- **Asset management (existing and new)**
- **Securing financial resources**
- **Public awareness**
- **Control O&M quality and efficiency**

ROLE OF SDE

- **O&M**
- **Asset renewal obligations**
- **Billing and revenue collection**
- **Customer management**

RELATIONS BETWEEN ACTORS

- STATE – SONES
 - Concession Contrat
 - Contrat Plan
- STATE – SDE
 - Affermage contract
- SONES – SDE
 - Performance contract



A MULTI ACTOR PARTERSHIP

- **State / Financiers**
- **Public sector / private sector**
- **Senegalese and foreign private sector**
- **Commercial banks / public sector**

CONTRACTUAL OBLIGATIONS

SONES : implement CAPEX

SDE : O&M and CM performance

**State : evolution of tariffs to ensure financial sustainability
of SONES – payment of administration bills**

REGULATION MECHANISMS

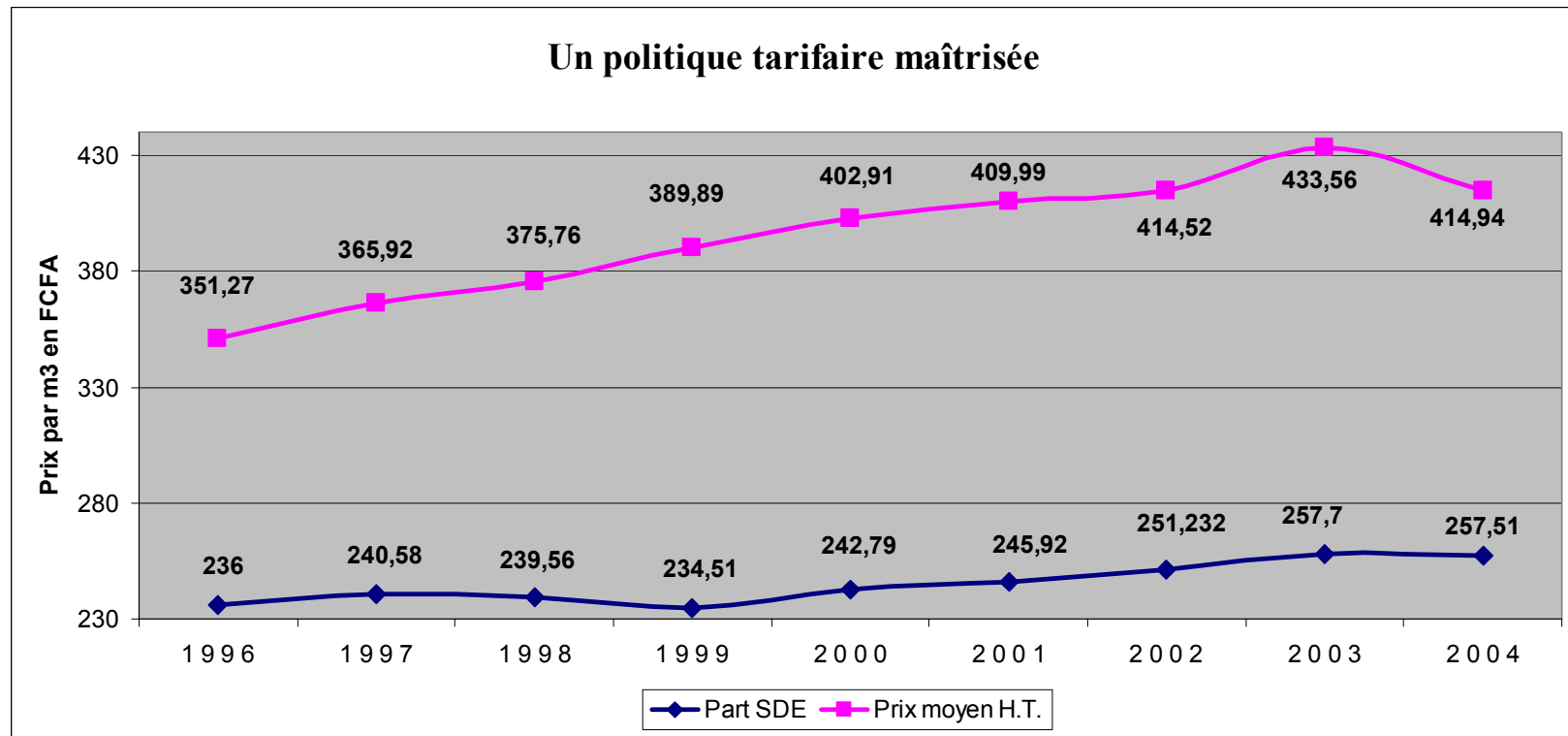
Economic and legal regulation

- **Sector policy framework (State) => policy paper**
- **Tariff policy : framework as agreed with partners and implementation under Government control**
- **Regulation tool : a financial model**
- **The contracts**
- **Steering committee (performance contract)**

OBJECTIVES OF FINANCIAL MODEL

- Provide decision makers with reliable information on sector sustainability and financial policy implications (tariffs, subsidies, conditions of financial resources)
- Dialogue between stakeholders.
- Transparency and Accountability

EVOLUTION OF TARIFFS



Average tarif increase below 3% per year

Water sector reform in Senegal

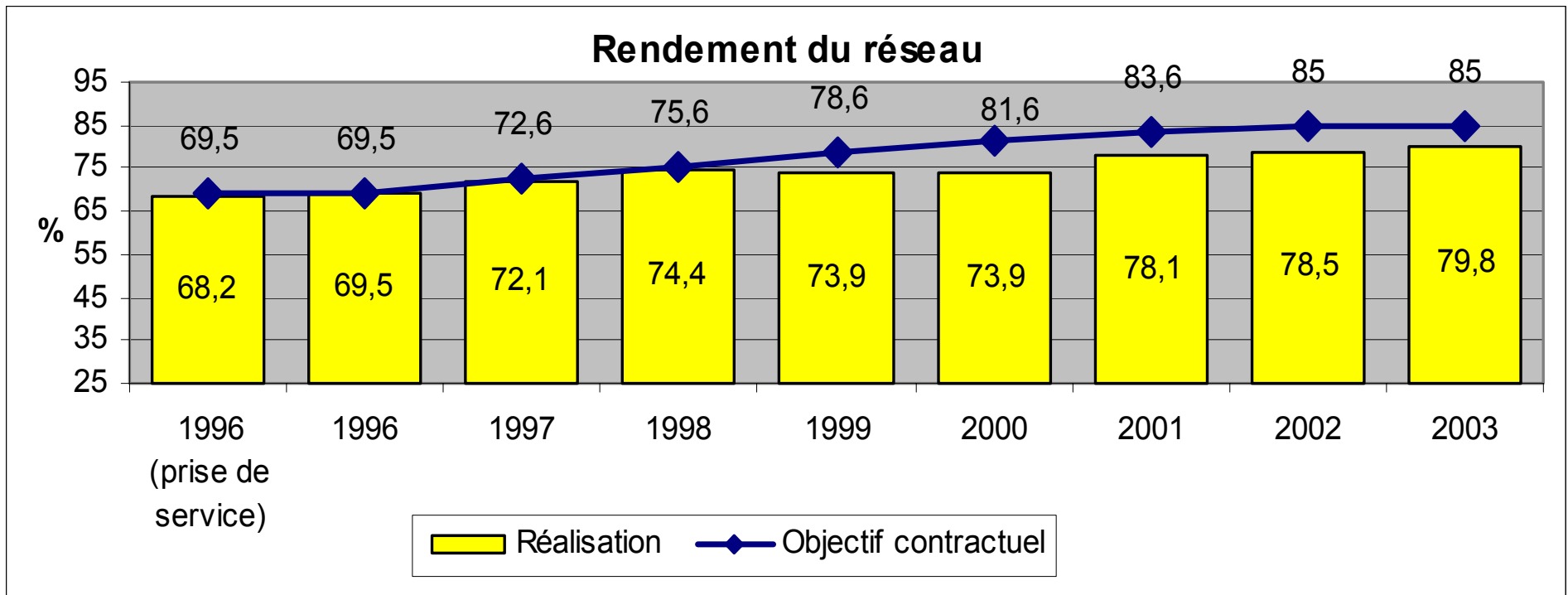
IMPRESSIVE RESULTS

- **Financial sustainability of SONES reached in 2003**
- **500 M€ CAPEX in 10 years**
- **Improved access to water (one million + connected to the network)**
- **MDG : over 100 000 social connections**
- **24h water supply in most regions including Dakar**

IMPRESSIVE RESULTS

- **UFW reduced from 35% to 20%**
- **all performance targets reached**
- **SDE pays SONES on time**
- **Public Administration pays bills**
- **SDE certified ISO 9001/2000**

UFW

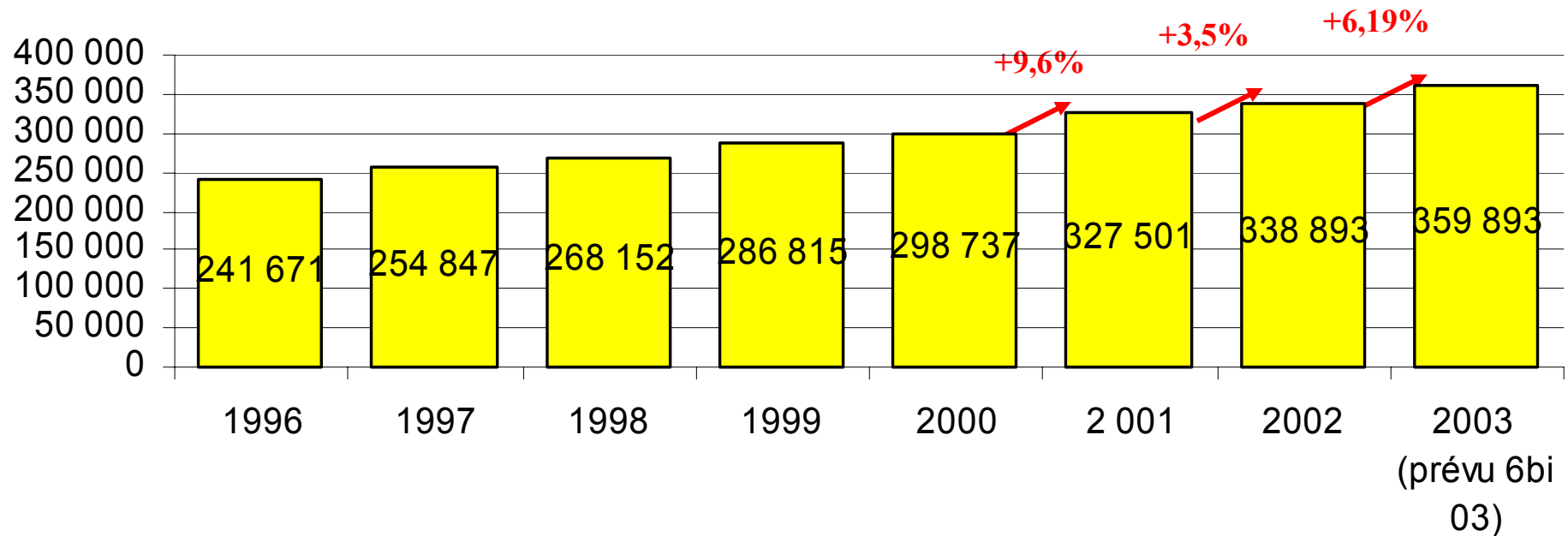


- ▶ 12 millions de m³ per annum sav
- ▶ Asset renewal policy implemented

Water sector reform in Senegal

CUSTOMERS

Evolution du nombre de clients - 1996 / 2003



Water sector reform in Senegal

Conclusion : financial sustainability

- 2 sector policy objectives
 - Increase in tariffs < 3% per annum
 - Sector financing through tariffs
- Consequences :
 - Investment plan fit to these constraints

Financial strategy and tariffs increase set up at the beginning of the reform on the basis of **financial model**

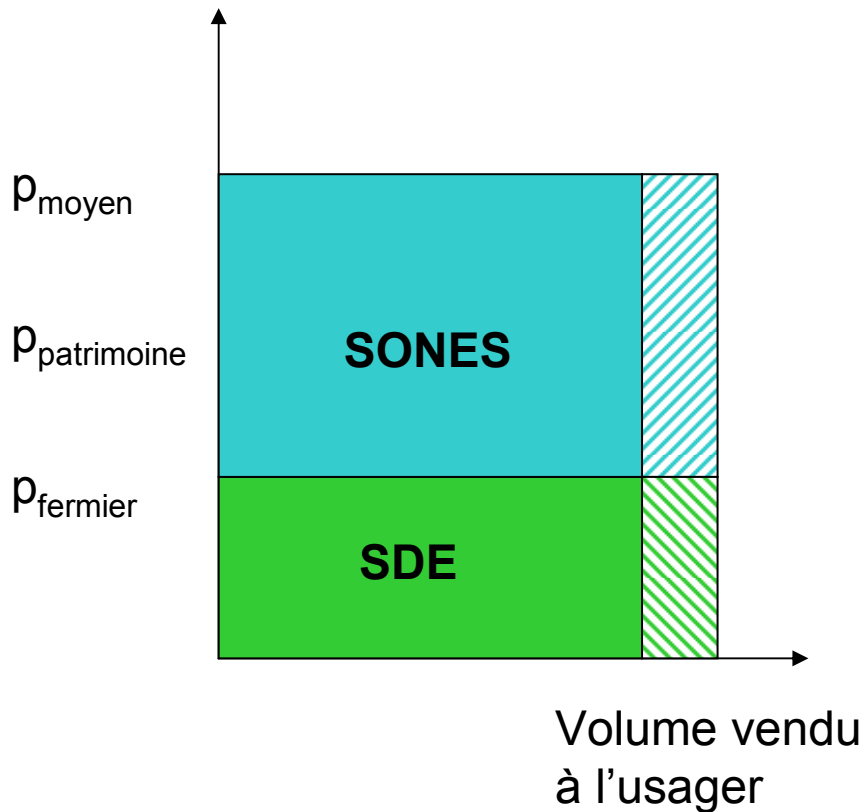
Tariff structure

Financial sustainability - social objectives

Catégorie	Total TTC en FCFA/m ³
Abonnés domestiques	
Tranche sociale (< 10 m ³ /mois)	191,32
Tranche pleine (10 à 20 m ³ /mois)	629,88
Tranche dissuasive (> 20 m ³ /mois)	788,67
Abonnés non domestiques	788,67
Bornes fontaines	322,31

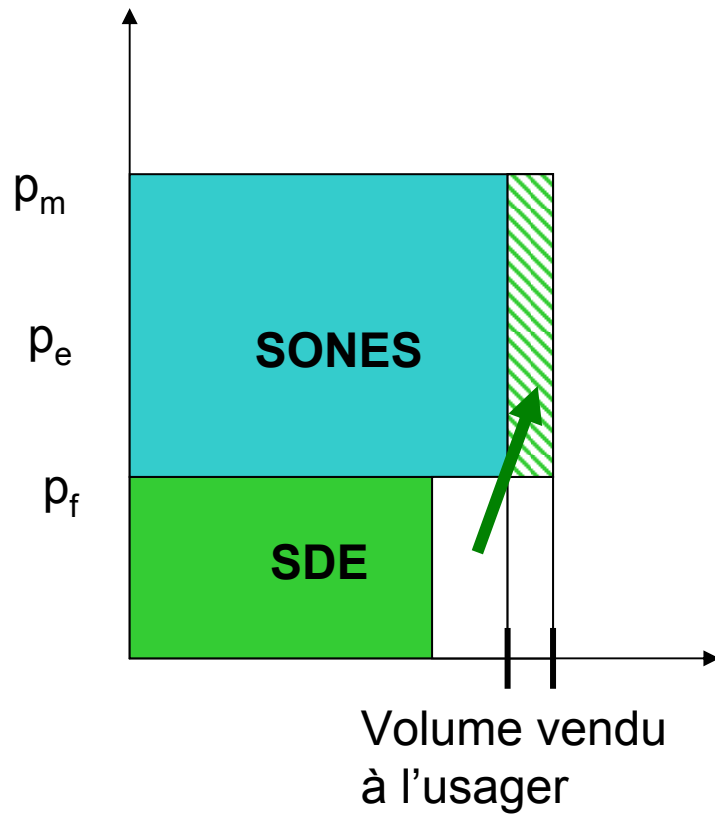
General tariff structure set up at the beginning of the reform on the basis of **financial model**

Risk allocation



- Remuneration of operator : cost-plus with incentives
- Both parties win from increased sales
- If average tariff decreases, risk is born by SONES

Risk allocation



- If operator does not meet performance targets, SONES revenue is not affected