



« Business as usual » will not be enough to meet water MDGs

The contribution of small local private network operators





Scope : small networks

- ❑ Focus : Local small private sector which operates & invests in small water supply systems / networks in peri-urban areas or small towns
- ❑ Why are we interested :
 - they provide a level of service similar to the Main Operator (MO) : house connections (HC) and standpipes
 - they invest in fixed assets
 - their pricing is comparable to MO
- ❑ Substantiation : now well documented
 - research studies AFD/BPD, Hydroconseil
 - WB, ADB ...
- ❑ **Their potential (if not their current) contribution to the MDGs is high**





Main Findings : business rationale

- ❑ Where Main Operator (MO) is non-performing or absent due to lack of profitability originating from market scale / socio-economic profile or human settlement characteristics
- ❑ Small towns
 - Examples : Mauritania, Ghana, Cambodia, Lao...
 - PPP contractual and institutional set-ups are basically similar to the ones with MOs in big cities except for less legal formalism.
 - Very strong link to decentralisation
- ❑ Peri-Urban
 - Examples : Mali, Mozambique, Manila, Cochabamba, Asuncion ...
 - They fill a gap when service from MO is not existing or non performing
 - Independent water resource or bulk supply from MO



Main Findings : strengths and achievements

- ❑ Good performance and quality of service
 - Commercial efficiency : ability to operate in poor & informal settlement areas
 - Level of service : continuity of service, customer satisfaction
 - They serve the poor as well if not better than MO + without any subsidies
 - High penetration rate of HC (similar to MO) HC 100% in some towns in Mauritania

- ❑ Entrepreneurship
 - Capacity to invest, expand and professionalise
 - They tap local financial resources
 - Investments are made in stages

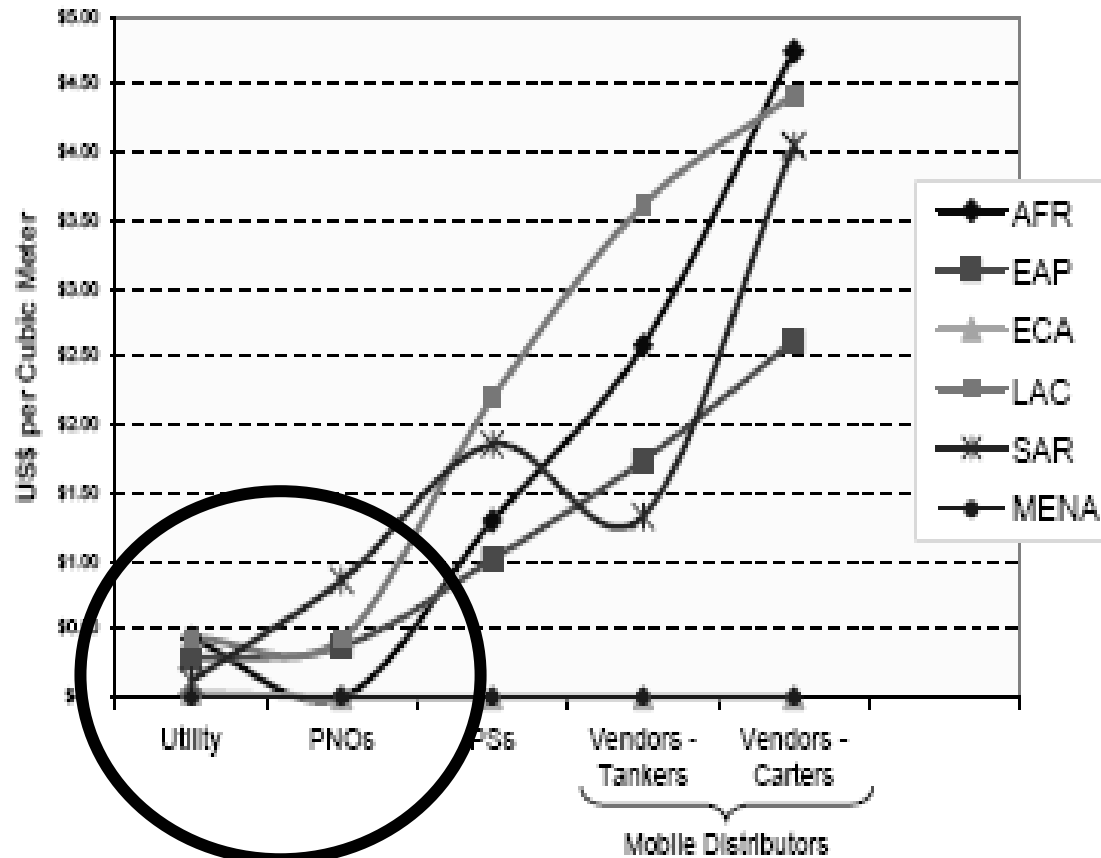
- ❑ Their potential contribution to meeting the MDGs is high





Main Findings: price

Source WB Kariuki Swartz (2005)



❑ SPOs : tariffs in a similar range if not competitive

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Main Findings : strengths and achievements

- Price : competitive** despite
 - No subsidies
 - Limited volumes consumed
- Demand driven approach => **appropriate standards, lower costs**
- Involvement of Local Authorities** : informal regulation “the spirit of the agreement” more important than the letter of the contract (which seldom exists) – sensitive to political and customer satisfaction
- Local PPPs appear to be more acceptable





Too small ?

- yet they have proved their capacity to grow and professionalise their services / business
- could they not be a one the route to the emergence of medium-scale operators we are calling for ?

Too informal ?

- lack of visibility on their business => they ask for quicker return on investments => higher tariffs (?)
- accessing financing is difficult
- difficulty in regulating them

The issue of risk for public authorities :

- Water Quality ?
- Pricing ?
- Technical Standards ?



Main Findings : Questions to be addressed

- Are we missing something major ?**
- Do we have a consensus on SPOs comparative advantage & constraints?**
- If yes : How to move forward / scale up, increase their impact while keeping tariffs at acceptable levels to the poorest ?**





How to move forward / scale up

- Promote the acceptance of more appropriate standards**
- Improve access to finance : micro-finance, OBA, medium size financing
- Integrate SPO in planning for service delivery
- Design and implement appropriate bulk water tariffs
- Promote HC and investigate impacts of water reselling (competition in the market => closer standpipes)
- Focus/orient private financing on distribution : water production and treatment facilities under public domain
- Prepare integration of small systems to larger MO networks
- Incentivise MO to work with SPOs



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How to move forward / scale up

- ❑ Provide visibility : Bring SPOs “out of the woods”
 - Adapt and improve regulation at the local level
 - Adapt simplified contractual frameworks in local language
 - Organise SPO : professional associations
 - **Articulate MO/SPO** : open up monopoly, encourage subcontracting
 - Open the sector to competition : between SPOs (the danger of cartels) and in the MO distribution perimeter

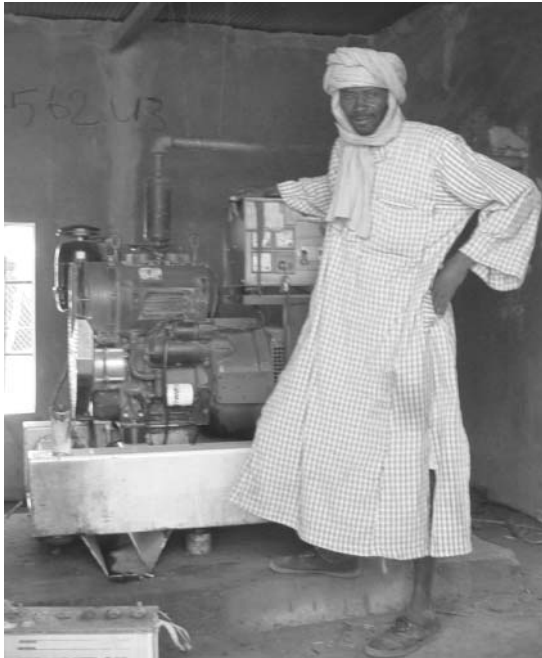
- ❑ **Promote & facilitate dialogue between stakeholders**





- Embracing diversity
- Negotiating a deal
- Maintaining the compact





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Creating the space for dialogue

❑ Understanding the rationale to dialogue:

- To promote innovation (financing, standards, etc.)
- To ensure accountability through:
 - ✓ Greater compliance (“being held to account”) – Improving the licensing and regulation of SPOs; Ensuring grievance mechanisms
 - ✓ Greater transparency (“giving an account”) – Determining the information needed to compare and contrast approaches
 - ✓ Greater responsiveness (“taking account”) – Feeding new information back into policies and frameworks

❑ Considerations:

- Are incentives to participate sufficient?
- Are the gains and potential losses clear for all participants?





Creating a dialogue “culture”

- ❑ **Dialogue processes take on a “personality” of their own. A supportive process will:**
 - Minimise intimidation
 - Bring in champions, facilitators or brokers that have the necessary convening power
 - Build on what is available first rather than create new structures
 - Recognise the implicit criteria for participating (around actual costs to participate, but also challenges to reputation, etc.)
- ❑ **Considerations:**
 - Is there clarity on how decisions will be taken?
 - Who needs to be represented?
 - Is there scope to funnel interests through associations?

