

Findings

Africa Region . Number 114 . July 2005

Good Practice
Infobrief



Findings Infobriefs reports on Good Practice in ongoing operational, economic and sector work carried out by the World Bank and its member governments in the Africa Region. It is published monthly by the Knowledge and Learning Center on behalf of the Region. The views expressed in Findings are those of the author/s and should not be attributed to the World Bank Group.

Senegal : Successful Innovation in the Water Sector

The water sector project's overall development objectives were to address : (a) sustainability, by improving the management, pricing and cost recovery and reducing government subsidies for industrial, domestic and irrigation water; (b) poverty alleviation and health, by increasing access to safe potable water and adequate and more affordable sanitation for the urban poor; and (c) private sector participation, by engaging a private company to manage urban water supply. Implemented over the period 1996-2004, with a credit of US\$100 million, the project design and implementation were regarded as highly satisfactory. Donors such as Agence Francaise de Developpement, the European Union and the Banque Ouest Africaine de Developpement (the West African Development Bank) actively participated in the design of the project.

Impact on the Ground

- The Senegal case is regarded as a model of public-private partnership in Sub-Saharan Africa and was replicated successfully in Niger.
- The project also restored the credibility of the sector with the donor community and paved the way for private financing as well as lending without government guarantees.
- The reforms supported by the project established an improved allocation and regulation of responsibilities. Prior conflicts on the selection of investments between the Ministry of Hydraulics (MH) and the former National Water Utility Company – SONEES – disappeared, as the new company – Societe Nationale des Eaux du Senegal – SONES – became solely responsible for urban water investments.
- The annual tariff increases to achieve financial equilibrium have been applied in a timely fashion since 1996 and amounted, on average, to 3%. A new tariff structure was adopted in January 2003 and has contributed to strengthening the financial viability of the sector.
- The urban water sector reached financial equilibrium at the end of 2003. The cash balance of SONES was US\$ 2.6 million after honoring all its obligations including payments of \$20 million for debt servicing in 2003.
- Significant results have also been seen in reducing water consumption by state agencies – from 27,700m³/day in 1996 to 22,700m³/day in 2003.
- Between 1996 and 2003, water production increased by 18%, from 264,000m³/day to 312,000m³/day. Through water network extensions, and the construction of 81,000 new social connections and 400 public standpipes, it is estimated that, country-wide, about 1,000,000 additional persons (twice as many as initially expected) have been served. This additional population mostly lives in peri-urban areas and belongs to low-income groups. In the Dakar region, the coverage of water services increased from 79% in 1996 to 87% in 2003.

- The quality and continuity of services has considerably improved with few interruptions in the water supply, which particularly benefited the poor households with no storage facilities.
- The incentives incorporated in the lease contract substantially contributed to increased services for the poor. As the operator receives a fixed remuneration for each cubic meter of water sold, it has a positive incentive to add more customers, irrespective of their income levels and irrespective of the tariff the customer pays.
- In the urban sanitation sector, the sewerage network has been extended by over 80 km with 13,000 new connections to the sewerage system. These new connections are again in the peri-urban areas – 150,000 additional people served by the project.
- The SDE/ Senegalaise des Eaux or the private operating company took over day-to-day operations from SONES in 1996 – SONES remained in charge of the overall sector development and supervised the private operator.
- SDE has introduced modern support systems with respect to billing and collection, consumer registration, and maintenance and repair of the water supply systems. In 2001, it obtained ISO 2001 certification.
- The bill collection ratio has increased from 95% to 98% and unaccounted-for-water has decreased from 31.5% in 1996 to 20% in 2003.
- The physical, chemical and bacteriological quality of the distributed drinking water has improved and meets the prescribed standards.

Lessons learned

- The project designers sought to learn lessons from countries such as The Gambia, Guinea and Cote d'Ivoire. One significant lesson was that the reform should be driven by the basic concepts of transparency, accountability, autonomy and incentives.
- The Senegalese model reflects a customized approach to the prevailing circumstances – a hybrid lease contract mixing public and private financing was seen as the most pragmatic approach.
- Water sector reform was accompanied by an optimized investment program to achieve planned operational improvements. The use of a financial model at a very early stage – to assess the level of mixed public/private investment that would be consistent with the financial equilibrium of the sector and with socially acceptable tariff increases – was a powerful tool in moving the sector towards financial sustainability.
- A good Private Sector Participation (PSP) option must contain properly-designed performance incentives for the private sector as well as specific incentives to serve the poor. Also, if properly designed, regulation by contract can be successful.
- Instead of focusing on the institutional aspects of regulation, with the creation of autonomous, often multisectoral, regulatory agencies, which have generated more problems than solutions, it might be more efficient to provide the government with regulatory instruments (the financial model) to determine consumer tariffs and sector investments and to rely on the contract to regulate the private operator.

This Infobrief has been excerpted from Implementation Completion Report No. 30800. For more information, email Matar Fall: mfall@worldbank.org

Persons accessing the Bank's external website can get more information on **Water Supply and Sanitation** by clicking on **Topics in Development**. Bank staff can access this information from the Bank's Intranet by clicking on **Topics**.