

HOW CAN THE PRIVATE SECTOR HELP PROVIDE ACCESS TO DRINKING WATER IN DEVELOPING COUNTRIES?

Veolia Water Africa, Middle East, India was set up to meet the specific challenges of these three regions. In order to succeed, international private operators must constantly innovate; via a series of examples, Patrice Fonlladosa shows us how Veolia has adapted to local conditions and reduced the cost of access to water for the poorest. The company today supplies over 8 million inhabitants and in 3 years has provided 300 000 people from the most disadvantaged populations with access to drinking water.

How to Develop Access to Water for the Most Disadvantaged Populations?

Veolia designs and implements specific programs for access to water, sanitation and electricity services for all. Water tariff policies are core to the success of programs to develop access to essential services. They must be made “socially acceptable” by reducing production costs and bearing the cost of network connections. Veolia’s experience shows that it is necessary to innovate – technically as much as socially – in order to provide the poorest with “tailor-made” community-based solutions and flexible services.

By Patrice Fonlladosa, Member of the Executive Committee of Veolia Water and CEO of Veolia Water AMI (Africa, Middle East, Indian Subcontinent)

The application of the “water pays for water” principle that is often in force in developed countries is unrealistic in developing countries. The investments required are far too heavy and the principle of “full cost recovery” must be replaced by the notion of an “acceptable cost recovery” from the consumer.

Making tariffs “socially acceptable”

The tariff of an essential service such as access to water must be socially acceptable and to be so, its price must be adapted to the user’s income. Mechanisms must be designed to finance service charges for connections or consumption that cannot be borne by households. For example, in Morocco, the tariffs set by the authorities include several blocks; the first is a “social” tariff block: six cubic metres a month sold at a price lower than that paid to the producer, ONEP, the national drinking water authority. The tariffs in the upper blocks subsidize the social block. By developing submetering – installing meters for each apartment in a building – Veolia extends this social mechanism to the widest possible number of families.

In Gabon, the most disadvantaged households have access to a social tariff that is made possible thanks to an equalization system implemented for all the water and electricity services managed by the Gabon Energy and Water Company (SEEG): the water service sells the cubic meters in the social block at a loss (up to 15 m³ a month). There is a combination of three types of solidarity here: solidarity among subscribers that lowers the price of the social block; geographical solidarity between major cities and remote

areas, the former financing the latter; solidarity among activities with resources from the electricity service financing investments in the water service. The diversity of activities allows the accounts of services in deficit to be balanced. In Niger, water tariffs are among the lowest in the region: the high billing recovery rate – 97% for private customers and 98% for commercial and industrial customers – bears witness to the affordability of the water price.

Reducing connection and production costs

There is no use reducing the price of a cubic metre of water... if you do not have access to the network! Indeed, the connection fee is the main obstacle to connection. In Morocco, Veolia has developed “social connection” processes with the delegating authorities in order to provide access to individual connections. Original financing mechanisms have consequently been implemented using a combination of credit, taxes and local revenue based on equalization among users and geographical areas, as well as financing from national and international donors. For example, in 2006, Amendis – a Veolia subsidiary in Tangiers – received a two million dollar grant from the World Bank and the Global Partnership for Output Based Aid (GPOBA)¹ in the framework of a pilot “output based aid” project. This type of aid, whereby the disbursement of a grant is dependent on the achievement of quantifiable objectives set in advance, is seen as a way of optimizing the use of donor funds and the State budget and, at the same time, mobilizing private capital. Amendis is consequently experimenting with this mechanism in order to promote the connection of disadvantaged populations to water ...

¹ The GPOBA gathers donors and international organizations that provide output-based aid (OBA). GPOBA’s mandate is consequently to design, finance and support projects that provide services and basic infrastructure in developing countries.

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... and sanitation networks. This aid has made it possible to subsidize the connection of over 3 000 households living in disadvantaged neighborhoods. The works fund, which is managed by Amendis, prefinances the investments pending the disbursement of the grant which is proportioned to offset the gap between the beneficiaries' contribution and the real connection cost. Amendis and the delegating authority consequently both bear all the financial risks and are both interested in achieving the objectives that have been set for this operation. Thanks to this type of mechanism, between 2003 and 2008, some 250 000 people benefited from access to water "at home" in Morocco (almost 100 000 people for sanitation). In India and Niger, social connections are subsidized at installation by the State and international donors.

Reducing costs for consumers also involves reducing production costs. It is therefore necessary to try to optimize the way in which existing infrastructure is operated: water production plants and depollution units, water and sanitation networks, reservoirs, etc. In actual fact, the aim is to serve more people with the same capacities. Effective management also helps increase supply. Since 2006, in the framework of a performance contract signed with three cities in the State of Karnataka, Veolia Water India has managed to provide 180 000 people with a continuous supply, whereas they had previously only benefited from a few hours of water per week in the best of cases. In Niger, drinking water production increased by 8% during the first three years of the contract simply by optimizing existing equipment.

Innovation to develop "tailor-made" services

Despite the implementation of such mechanisms, not all families can currently benefit from an individual connection. Veolia has consequently developed an innovative system which it has proposed to the Moroccan authorities whereby the most disadvantaged families benefit from six cubic metres of water a month prepaid by the municipalities² from a new type of fixed price standpipe called a "Saqayti". These standpipes contribute to rational

and sustainable water management by allowing the poorest populations to continue to have free access to drinking water. This system for access to water is subsidized, collective and secured and completes the social connection services by providing a solution that is specifically tailored to supplying households that are the most in need pending their individual connection.

Solutions for disadvantaged populations are designed in partnership with elected representatives and the inhabitants. Veolia's aim is to provide as many people as possible with a tailor-made service and, for example, has set up "mobile agencies" in Morocco that visit clients within their communities. These buses have been transformed into client agencies and have a specially trained staff. Many operations can be made such as requests for "social connections", subscriptions or bill payments. These buses travel to outlying neighborhoods and villages according to a schedule set in advance with the inhabitants; clients that live in remote areas without a means of transport consequently have access to the same service without having to travel. The numerous payment outlets, "Jiwars" (franchise networks), complete this flexible, community-based service. The population particularly appreciates these innovations since they have little access to banking services and pay most of their bills in cash. All these services make it possible to reduce the indirect costs of access to water (cost of transport, contact with operators, etc.).

Yet it is not enough to provide drinking water, a sanitation service or innovate technologically: it is also essential to explain "best practices" to beneficiaries in order to maximize the benefits of access to services. The dissemination of clear messages to inhabitants on the best way to use water, sanitation and electricity is an integral part of the service that Veolia provides to its clients. In the case of newly served households, Veolia conducts awareness-raising actions on hygiene and health in partnership with NGOs and doctors. SEEN, the Niger water operating company, has launched a far-reaching "Water and Health" process which trained ...



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² Similar prepayment systems have successfully been implemented in Gabon for electricity distribution.

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... its 550 staff during its initial phase; the second phase includes a health education program for populations in 52 urban centers where it manages public water services. It is also necessary to continuously innovate in the fields of information and training.

To conclude, it is worth noting that Veolia's projects to promote access to water are subject to continuous evaluation. Several scientific evaluation programs initiated with partners that are recognized for their

competence and independence are underway. For example, since 2007, the impacts of the individual social connections made by Veolia in Tangiers have been studied by the Poverty Action Lab, a laboratory specialized in the random evaluation of poverty reduction programs³. By continuously seeking to optimize costs, Veolia's aim is to make tariffs for essential water services "socially acceptable"; in the same spirit, Veolia seeks to provide practical solutions to the needs of the poorest populations *via* continuous technical and social innovation. ●

³ This laboratory was set up in 2003 at the Massachusetts Institute of Technology (MIT). It is led by Esther Duflo, who also holds the annual "Knowledge against Poverty" chair at the Collège de France – this chair is supported by Agence française de développement.

Veolia's involvement in "social business"

In 2008, Veolia set up a joint venture based on the "social business" method with Muhammad Yunus, Professor of Economics and Nobel Peace Prize winner: Grameen-Veolia Water Ltd. Its first project involves implementing a quality water service for 100 000 inhabitants in Bangladesh in an area where the aquifers are shallow and naturally contaminated by arsenic. Works are ongoing and the service will be commissioned in the second semester of 2009. In line with the principles of "social business", profits from this new service will be re-used to increase supply and launch similar projects.