REFORMS AND PUBLIC-PRIVATE PARTNERSHIPS
in Senegal's Rural Water Sector

Jemima Sy, Sr Water & Sanitation Specialist
Business Area Leader for Domestic Private Sector Development
October 2014

WORLD BANK GROUP
Water

wsp
water and
sanitation program

Contents

WORLD BANK GROUP
Water

wsp
water and sanitation program

1

An Overview of Senegal’s Water & Sanitation Sector Reforms

WORLD BANK GROUP
Water

wsp
water and sanitation program

GoS achieved significant gains in water and sanitation by effectively using local private sector participation.

The GoS opens its doors to the private sector through different forms of private sector participation, including large-scale rural water PPP affermage contracts and smaller outsourcing urban sanitation opportunities.

While Senegal has made significant progress in increasing access to improved water and sanitation services, a final push is needed for the GoS to reach its MDG goals by 2015.

61.7%

Urban access to sanitation services is 15.6% below the 78% MDG goal (2013)

98%

Urban access to improved water surpassed the MDG goal of 90% (2013)

38.7%

Rural access to sanitation services is 24.3% below the 63% MDG goal (2013)

84.1%

Rural access to improved water surpassed the 82% MDG goal (2013)

WORLD BANK GROUP Water

wsp water and sanitation program

Senegal's water & sanitation sector reforms have been underpinned by a private participation strategy and continues to be a priority for the GoS

Legal & Programmatic History

Water; Sanitation; Water & Sanitation

1996 – PPP in urban water sector between SONES and SDE

1997-2005 – REGEFOR Management Reform Project of Rural Boreholes

2002-2007 – PAQPUD Autonomous Sanitation in Urban/ Peri-Urban Neighborhoods Program

2005 – Public Service of Potable Water & Sanitation Sector Policy

2005-2015 – PEPAM Millennium Drinking Water & Sanitation Program within Ministry

2008 – SPEPA Public Service of Potable Water & Sanitation Law (Code 2008-59)

2009 – Sanitation Law (Law 2009-24)

2014 – Law to establish OFOR in the place of DEM

2014 – New PPP Act

New Public Private Partnership Act– Adopted by Parliament February 10, 2014, replacing 2004 BOT Act. The new Act:

- Enlarges the scope of PPPs by including new sectors such as agriculture, education, and health
- Includes incentive measures to improve enabling environment

Plan Senegal Emergent– Senegal's long-term economic growth strategy for 2035 reiterates the GoS's commitment to expanding improved water and sanitation services. It also introduces a Monitoring Unit responsible for tracking and evaluating partnerships and funding commitments, including those of the water and sanitation sectors.

Source: Government of Senegal, World Bank WSP; "Plan Senegal Emergent," 2013; Geni & Kebe Law Firm press release "SENEGAL: The New PPP Act Adopted by Parliament," March 2014

2

Elements leading to successful growth in Senegal's rural water and the role of PPP

Key elements driving potential growth in rural water access in Senegal

- Size of the Opportunity and Availability of Support Resources
- Roles & Responsibilities Within the Partnership Model
- Learning from Leading Practices

Senegal's rural water sector represents a significant market

1,343,027
Estimated rural population without access to potable water in Senegal in 2012

4,750,668
Estimated rural population accessing potable water via ASUFORs in Senegal in 2012

le soleil Online

Macky Sall face aux investisseurs à Paris : « Nous voulons être la première destination africaine de l'investissement privé »

JEUNE AFRIQUE

ACCÈS À L'EAU : LE GRAND DÉFI AFRICAIN

Distribution : investir pour développer l'accès à l'eau potable sur le continent

11.6 B FCFA
Estimated average annual revenue from Senegal's untapped rural water market over next 7 years*

261 FCFA
Estimated average revenue per m3 from Senegal's untapped rural water market*

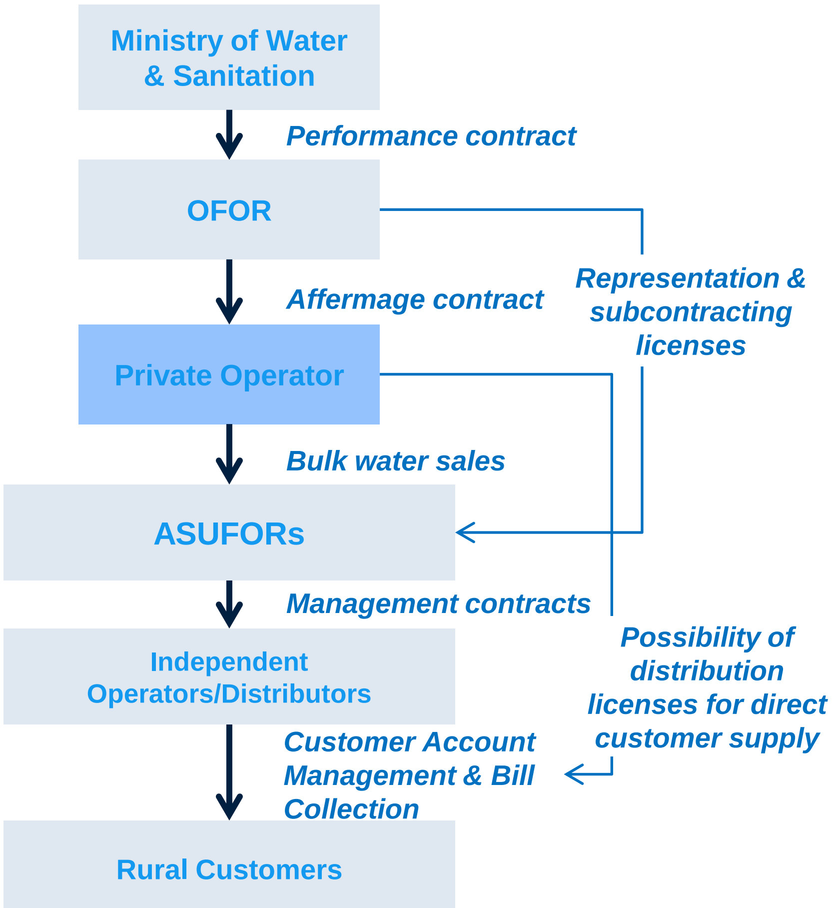
Source: PEPAM 7th Annual Join Sector Review World Document, 2013; WSP 'Tapping Markets,' 2014; Media clippings from Jeune Afrique & Le Soleil; *See Deloitte team's Market Sizing Model Spreadsheet for more details.

WORLD BANK GROUP Water

WSP water and sanitation program

An improved institutional framework balances risks & accountabilities

Improved Institutional Framework:



The GoS plans to sign affermage contracts with private operators. In this arrangement, the operators will generate revenue from supplying water, in partnership with ASUFORs. In turn, ASUFORs will have a new customer advocacy role and will contract with local small operators for water distribution.

Risks transferred/not transferred

- Private operator will not be responsible for heavy repairs of equipment over 10 years old
- Private operator will have direct customer relationship to ensure quality of customer service, bill collection and data/feedback loop

Source: Provisional Report, "Organization & Funding for Borehole Operations & Establishment of OFOR," Ministry of Water & Sanitation, Jan. 2014

WORLD BANK GROUP Water
wsp water and sanitation program

Government stakeholders, especially OFOR, have a crucial role in ensuring the success of rural water PPPs

Key Functions	Description
Sector Policy & Planning (Ministry only)	• Promote consistent processes & standards across stakeholders and interventions within the water sector • Coordinate with resource management committees • Conduct due diligence for tariff setting • Develop investment plans for new assets
Public Investment & Financial Management (OFOR)	• Renew aging infrastructure • Establish transparent financial systems • Engage private sector to address funding gaps for required investments
Monitoring & Evaluation (OFOR)	• Monitor operations to ensure service delivery by private and ASUFOR partners • Monitor finances to ensure sustainability of operations and forecast needs • Monitor natural resources and infrastructure to repair and forecast renewal needs
Capacity Building (OFOR)	• Provide technical assistance, training and resources to ASUFORs and their independent operators/distributors.

Spotlight on OFOR:

OFOR is a new corporatized public institution established in 2014 to replace DEM, the Directorate of Rural Water Operations & Maintenance. It is financially linked to the Ministry of Water & Sanitation through a performance contract. OFOR will serve as the GoS's public contract authority in rural water PPPs.

Key Organizational Departments:

- Accounting (linked to Ministry of Economy & Finance)
- Management & Control of Infrastructure Operations
- Asset Management
- Legal & Administrative Affairs
- Executive Units for IT, Audit & Control, and Support, Advice, Training & Communication

.

Source: AMCOW Country Status Overview "Water Supply & Sanitation in Senegal," 2011; Provisional Report, "Organization & Funding for Borehole Operations & Establishment of OFOR," Ministry of Water & Sanitation, Jan. 2014

Senegal's first large-scale rural water PPP provides insight into opportunity size, design, & procurement process

GL-NDP Cluster

Name	Gorom- Lampsar (GL)	Notto-Diosmone- Palmarin (NDP)
Size of Scheme	13 systems: 218 standpipes & 443 private connections	1 large system: 585 standpipes & 335 private connections
Capacity	5,000 m3/day	18,000 m3/day
Customers	56 villages, 90,000 people	260,000 people
Initial Investment	$15 million	$35 million
Investors	IDB and GOS (2006-2011)	BADEA, FSD, IDB and GOS (2008-2011)

GoS Leading Practices:

- ✓ Engaged stakeholders
- ✓ Clustered to increase viability
- ✓ Facilitated transparent procurement process
- ✓ Learned from procurement process to relax criteria for healthier competition

Procurement Process

Phase I: Pre-Qualifications; Phase II: Technical Proposal; Phase III: Financial Proposal

- Nov. 2012: Launch of bidding process
- Dec. 2012: Three firms submitted offers
- March 2013: Shortlist approved by GoS Procurement (DCMP)
- April 2013: Launch of RFP for Technical Proposal
- July 2013: Tech. proposals submitted
- Oct-Nov 2013: Round of technical proposal discussions
- Nov. 2013: MoU signed with firms to clear final bidding document
- Jan. 2014: Launch of RFP for Financial Proposal
- April 2014: Fin. Proposals submitted
- June 2014: Awards approved by DCMP
- July 2014: Negotiations with shortlisted firm

The eligibility requirements and responsibilities of private operators in the rural water sector are clearly defined

Key Functions	Description
Service Delivery & Revenue Management	• Wholesale water supply operations • Bill collection and customer service • Increase in efficiency, reduction of waste, and increase in continuity of supply
Repairs & Maintenance	• Meter maintenance and calibration • Responsible for light repairs on equipment less than 10 years old
Planning & Reporting	• Preparation of business and asset management plans • Routine reporting to comply with terms of the contract performance parameters
Capacity Building	• Provide training and technical assistance to ASUFORs and local distributors

Private operators have the opportunity to establish distribution contracts with ASUFORs to deliver directly to customers. Private operators are also encouraged to collaborate with ASUFORs and OFOR to propose and execute infrastructure expansion projects.

Sample Pre-Qualification Requirements for Private Operators:

Previous Experience: (GL-NDP Scheme)

- Water operations in a rural or urban setting
- Maintenance of water supply facilities
- Design, implementation, delivery and equipment rehabilitation for production, storage and distribution of water
- Water treatment plant operations
- Relevant and recent experience in Africa

Financials:

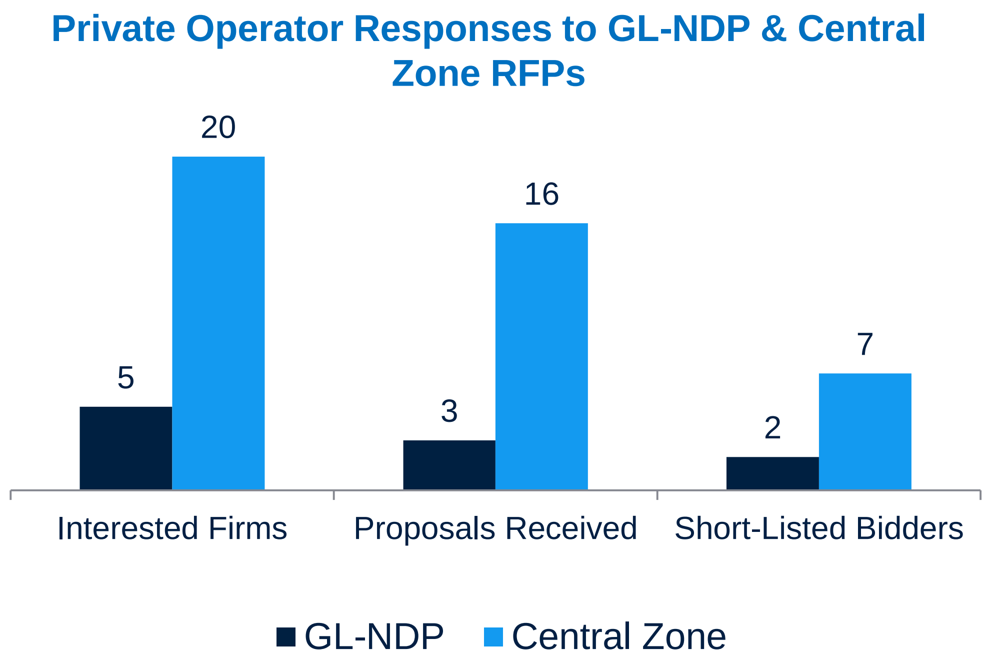
GL-NDP

- Annual turnover of last three years > 500 million FCFA
- Financial capacity: 200 million FCFA

Central Zone

- Financial capacity: 100 million FCFA

Lessons from GL-NDP have been applied to the Central Zone process to better engage private water operators



Significantly more interest was expressed for the Central Zone RFP than that of GL-NDP after the Ministry of Water & Sanitation hosted an official launch event and used a communications campaign to spread awareness of the opportunity.

Profile of Local Private Operator Market:

The objective of the GL-NDP RFP was to attract large, professional domestic and international firms. However, only a few international operators expressed interest in partnership with local firms. The local private operator market is still young. Key characteristics include:

- There are many operators in the SME category with previous government contract experience, mostly in construction.
- Most local bidders for the Central Zone scheme are newly created entities, many of which are managed by former water sector employees. This mitigates some of the risk of the limited experience of the entities.

Thank you

www.wsp.org | www.worldbank.org/water | www.blogs.worldbank.org/water | @WorldBankWater