Geneva, 22 October 2014
Session V : Management and performance based contracts

Algiers case
Achievements and revised contract structure

Jean-Marc Jahn – CEO SEAAL
A critical situation in the 2000’s

Low level of water and sanitation services in 2006
Hydric stress 2000-2003

Heavy social impact :
✓ Strong expectations for continuous water service
✓ Poor image of the Public Service
✓ No recognition and low mobilization of employees

Why a Management Contract in Algiers ?
✓ provide a pilot structure to modernize the water service in Algeria
✓ develop an integrated approach for water and sanitation services
✓ implement operational and managerial skills
✓ enhance quickly the quality of life of the citizens
✓ need of support by international expertise
Suez Environnement - SEAAL
A pilot case for Algeria

Governance
✓ A dedicated 100% public company is created: SEAAL
✓ 2 public shareholders: Algérienne des Eaux (ADE) & Office National de l’Assainissement (ONA)
✓ Mobilization of Public financial resources
✓ Tarif controlled by State, unchanged
✓ Shared Road Map clearly identified
✓ Financial, human and material resources are allocated

Scope of intervention:
✓ Water production & distribution
✓ Sanitation
✓ Customer services
SEAAL’s Management contract

Public shareholders

Board of Directors

SEAAL

Algerian Public Limited Company

Management of water and wastewater services

MANAGEMENT CONTRACT

✓ SEAAL management
✓ Transfer of know-how
✓ 27 Expatriates + Technical Assistance
Targets SEAAL 1 (2006-2011)

Bring the water and wastewater services of Algiers to International Standards level within 5 years

- reach 24/24 supply (08% in 2006)
- Increase efficiency of sanitation
- modernize customer service
- improve asset management

Transfer the technical know-how of SE to local teams

- develop within SEAAL methodologies and technologies of international level
- modernize overall management
- train local teams (5800 employees)
- integrate SEAAL within the international network of water and wastewater experts
Financial mobilization to achieve contract targets

Management Contract

Shared Action Plan

SEAAL’s Business Plan

Suez Environnement fees

Common & detailed Road Map

STATE
- SEAAL’s New assets

SEAAL
- Service management
- Assets Renewal

Assets Renewal: 330 M US$

Company equipment 100 M US$

SEAAL Turn Over 250 M US$

Service subsidies 70 M US$

350 M US$ → 1.100 M US$

EXP
- Expatriates (27)
- Techn. Assist. (2,000 days)
- International training (500 days)
- Management of SEAAL (4200 public employees)
- Transfer of Know How

150 M US$

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6/17 22/10/2014
SEAAL 1 Achievements (2006-2011)

Efficient water, sanitation and customer services
- 24/7 access to quality water, meeting international standards
- 53% waste water treated (6% in 2006)
- 67 beaches open (39 in 2006)
- Renovation action plan has been carried out at 97%
- Call center 24/7 and 120,000 customers integrated (550,000 customers in 2012)
- 86% customers satisfied

Transfer of know how
- WIKTI Methodology implemented 360°
- 4,000 employees trained
- 70,000 training days
- 55% of trainings by algerian managers in 2011

Respect of the SEAAL’s Business Plan
- Technical targets compliant
- Savings on BP = Cost of the operator
- Tarif unchanged since 2006
So why a second Contract ??

A shared feeling of a “success story”:

✓ Technical achievements OK
✓ Business Plan respected
✓ Operational skills of local teams implemented and recognized by citizens and Authorities

-> Confirmed by Authorities audit in 2010/2011 (120 men days audit)

✓ Strong managerial skills improvement of local managers
✓ Corporate culture implemented
✓ Stakeholders satisfied : Customers, Employees, Trade Union, media
✓ Win-win capitalization of the success

-> Public Service image restored
-> International recognition of the “Algiers’s Case”
So why a second Contract ??

A favourable context for continuity:

✓ High political sensitivity of the continuous water supply in the Capital
✓ Psycho sociological study on the top management showed a risk of lower involvement in case of out flow of the Suez Environnement experts
✓ Surrounding Wilayas call for improvement of their own water supply
✓ Convergence of views between stakeholders : the win-win project must go on

Decision of the Authorities to renew and extend the contract, with 3 new targets (2012-2016):

1. Consolidate the operational skills
2. Expand the territory / demonstrate the reproducibility : Wilaya of Tipasa + surrounding water production systems
3. Implement managerial KHT for long run autonomization of the Public Service
SEAAL 2 : Consolidation of the operational skills : « know how to do »

- Implementation in Algiers of “WIKTI V2” + autonomy
  - Better assessment of the operational maturity
  - Updated and more comprehensive toolkits
  - All WIKTI process advisers are henceforth algerian

- 2/3 of the Suez Environnement experts on the field with local teams

- 18.000 training days / year

- Specific training effort towards the new incorporated teams

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Focus on WIKTI Methodology

Further transfer of technical know-how from SE to local teams, homogeneously

A tool to optimize the operational performance

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SEAAL 2: territory expansion / proof of reproducibility

✓ Wilaya of Tipasa

✓ + 20% population
✓ + 1,200 employees
✓ Diagnosis implemented + management by Algiers’s teams supported by SE

✓ Water Treatment Plan of Taksebt

✓ Operated for 5 years by SNC Lavalin
✓ Algeria’s largest plant (605,000 m³/d)
✓ 200 employees
SEAAL 2 : Managerial empowerment : « know how to let do »

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Developing a Corporate Culture around shared values
- professionalism
- dynamism
- confidence

Consolidate the know-how

Mobilize existing talent

Customize management standards based on what is done internationally

Top Management contracts of progress

From "know how to do" to "know how to let do"

Improve organization efficiency, highlight individual strengths and motivations to progress
Support the empowerment through acquisition of managerial competencies

- Managerial culture in common
- Optimization of individual talents
- Individual Contracts of Progress with practical and personalised managerial actions

> PROACTIVE MANAGERS !

Customized managerial skills framework
- Inspired by international standards
- In accordance with strategic and operational issues

Personal Interviews (250 top managers)
- By consultants in occupational psychology
- Identification of existing individual potentials

Contracts of Progress « tailor-made »
- Deployed top->down
- Annual progress assessment

Focus on the OPT methodology
### SEAAL: Key figures 2006 -> 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>24/7 Algiers</td>
<td>08%</td>
<td>100%</td>
</tr>
<tr>
<td>24/7 Tipasa (since 2012)</td>
<td>10%</td>
<td>46%</td>
</tr>
<tr>
<td>Water quality compliance Algiers</td>
<td>94%</td>
<td>100%</td>
</tr>
<tr>
<td>Water quality compliance Tipasa</td>
<td>93%</td>
<td>99%</td>
</tr>
<tr>
<td>Wastewater collected</td>
<td>93%</td>
<td>98%</td>
</tr>
<tr>
<td>Wastewater treated</td>
<td>06%</td>
<td>65%</td>
</tr>
<tr>
<td>Beaches open:</td>
<td>39</td>
<td>72</td>
</tr>
<tr>
<td>Customers</td>
<td>422,000</td>
<td>694,000</td>
</tr>
<tr>
<td>Turnover + CAPEX</td>
<td>34 M US$</td>
<td>184 M US$</td>
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<tr>
<td>Customers collection rate</td>
<td>70%</td>
<td>92%</td>
</tr>
<tr>
<td>Employees</td>
<td>3,900</td>
<td>6,200</td>
</tr>
<tr>
<td>Training</td>
<td>115,000 days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ISO 26000 ongoing</td>
<td></td>
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</tbody>
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Conclusion

A model of PPP well adapted to Algerian Utilities context ...

- Mobilizable operational and managerial skills
- Need of support by an international expertise
- Ambition of quick implementation of service
- State financing capacity in line with project ambitions
- Will to capitalize on new skills

Based on...

- Serious previous diagnosis, an accurate & shared roadmap, an adapted business plan
- Win-win approach and a sustainable involvement of the co-contractors
- Ability of the operator to adapt to the local context
  - Understand and apply local regulations
  - Adapt management to the local socio-cultural reality
- Ability of the operator to mobilize the public structure
  - Building a 360° strategic vision of the management of the services
  - Capitalize its international experiences to operate efficiently
  - Involve local project teams, rely on internal talent and valorize them (share the success...) + implement corporate culture
Thank you for your attention!