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
## Contents

- Overview of Senegal’s water & sanitation sector reforms  
  3

- Elements leading to successful growth in Senegal's rural water and the role of PPPs  
  7
1

An Overview of Senegal’s Water & Sanitation Sector Reforms
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.

- **Urban access to improved water** surpassed the MDG goal of 90% (2013)
  - 98%
  - 61.7% Urban access to sanitation services is 15.6% below the 78% MDG goal (2013)

- **Rural access to improved water** surpassed the 82% MDG goal (2013)
  - 84.1%
  - 38.7% Rural access to sanitation services is 24.3% below the 63% MDG goal (2013)
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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>PPP in urban water sector between SONES and SDE</td>
</tr>
<tr>
<td>1997-2005</td>
<td>REGEFOR Management Reform Project of Rural Boreholes</td>
</tr>
<tr>
<td>2002-2007</td>
<td>PAQPUD Autonomous Sanitation in Urban/ Peri-Urban Neighborhoods Program</td>
</tr>
<tr>
<td>2005</td>
<td>Public Service of Potable Water &amp; Sanitation Sector Policy</td>
</tr>
<tr>
<td>2005-2015</td>
<td>PEPAM Millennium Drinking Water &amp; Sanitation Program within Ministry</td>
</tr>
<tr>
<td>2009</td>
<td>Sanitation Law (Law 2009-24)</td>
</tr>
<tr>
<td>2014</td>
<td>Law to establish OFOR in the place of DEM</td>
</tr>
<tr>
<td>2014</td>
<td>New PPP Act</td>
</tr>
</tbody>
</table>

- 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.

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

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*

An improved institutional framework balances risks & accountabilities

**Improved Institutional Framework:**

- **Ministry of Water & Sanitation**
  - Performance contract

- **OFOR**
  - Affermage contract
  - Representation & subcontracting licenses

- **Private Operator**
  - Bulk water sales

- **ASUFORs**
  - Management contracts
  - Possibility of distribution licenses for direct customer supply

- **Independent Operators/Distributors**
  - Customer Account Management & Bill Collection

- **Rural Customers**

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

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

<table>
<thead>
<tr>
<th>Key Functions</th>
<th>Description</th>
</tr>
</thead>
</table>
| **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

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

GL-NDP Cluster

<table>
<thead>
<tr>
<th>Name</th>
<th>Gorom- Lampsar (GL)</th>
<th>Notto-Diosmone- Palmarin (NDP)</th>
<th>GoS Leading Practices:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of Scheme</strong></td>
<td>13 systems: 218 standpipes &amp; 443 private connections</td>
<td>1 large system: 585 standpipes &amp; 335 private connections</td>
<td>✓ Engaged stakeholders</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>5,000 m3/day</td>
<td>18,000 m3/day</td>
<td>✓ Clustered to increase viability</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>56 villages, 90,000 people</td>
<td>260,000 people</td>
<td>✓ Facilitated transparent procurement process</td>
</tr>
<tr>
<td><strong>Initial Investment</strong></td>
<td>$15 million</td>
<td>$35 million</td>
<td>✓ Learned from procurement process to relax criteria for healthier competition</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase I: Pre-Qualifications; Phase II: Technical Proposal; Phase III: Financial Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nov. 2012:</strong> Launch of bidding process</td>
</tr>
<tr>
<td><strong>Dec. 2012:</strong> Three firms submitted offers</td>
</tr>
<tr>
<td><strong>April 2013:</strong> Launch of RFP for Technical Proposal</td>
</tr>
<tr>
<td><strong>Jan. 2014:</strong> Launch of RFP for Financial Proposal</td>
</tr>
<tr>
<td><strong>April 2014:</strong> Fin. Proposals submitted</td>
</tr>
<tr>
<td><strong>Nov. 2013:</strong> MoU signed with firms to clear final bidding document</td>
</tr>
<tr>
<td><strong>June 2014:</strong> Awards approved by DCMP</td>
</tr>
</tbody>
</table>

Leading Practices:
- Engaged stakeholders
- Clustered to increase viability
- Facilitated transparent procurement process
- Learned from procurement process to relax criteria for healthier competition
The eligibility requirements and responsibilities of private operators in the rural water sector are clearly defined.

<table>
<thead>
<tr>
<th>Key Functions</th>
<th>Description</th>
</tr>
</thead>
</table>
| **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 |

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

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

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.

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.
Thank you