

## **Public Private Partnership in Senegal: When rural hydraulics irrigates urban hydraulics**



In 1996, Senegal established its first public private partnership (PPP) in the urban water sector through a lease contract between two entities: Société nationale des eaux du Sénégal (SONES) or Senegalese National Water Company as heritage holder responsible for funding the development, rehabilitation and renewal of assets, and an under contract private operator, Sénégalaise des eaux (SDE) or Senegalese Waters responsible for infrastructure operation and maintenance and water supply management services. SONES was created in April 1995 out of the ashes of a structured organization, namely the Société nationale d'exploitation des eaux du Sénégal (SONEES) or Senegalese National Water Exploitation Company.

Until 2014, rural hydraulics through Direction de l'exploitation et de la maintenance (DEM) or Directorate for Operations and Maintenance, ensured the transfer of small towns to SONES for incorporation within the area under lease. This move was justified by the size of the network and the level of revenue which was beyond the management capacity of Associations des usagers des forages (ASUFOR) or Boreholes Users Associations.

Law No. 2014-13, which creates the Office des forages ruraux (OFOR) or Rural Boreholes Office paves the way for private sector participation in rural water management.

SONES is active in the urban areas with a large private operator (contrats de délégation de service public/DSE) for 66 centers (6 million people), while OFOR signs public service delegation contracts (DSP) with several operators to manage the 1,500 rural area scattered networks (8.5 million people).

*Table 1: Characteristics of the PPP hydraulics sector of Senegal*

<b>Details</b>	<b>Urban hydraulics</b>	<b>Rural hydraulics</b>	<b>Observations</b>
Plants (drilling and drinking water production)	250	1,500	Scattered rural networks
Populations served	6,000,000	8,500,000	
Start of PPP	1996	2014	
Number of multinational operators	01	02	Objective : 4 for rural water operators
Duration	2*10 years and amendment	10 renewable years	
Type of Contract	Lease	Lease	
Network consolidation	1 area	13 areas	
Poverty Index	42.5 %	57.5 %	
Price of m <sup>3</sup> (social block)	0.40 US\$/m <sup>3</sup>	0.55 US\$/m <sup>3</sup>	Equalization system for urban areas
Price of social connections	27 US\$	50 US\$	Subsidy system for urban areas

**Exchange rate: US\$ 1 = CFA F 500**

If the urban water reform has benefitted from an outstanding support from the World Bank and the state of Senegal with a subsidy applied across the social tariff, this support remains limited in this second generation reform. Indeed, the study of the organization and funding for the implementation of OFOR in 2012 recommended, among other things, an annual autonomy grant of US \$ 8 million the first 4 years pending the achievement of OFOR financial autonomy scheduled from the 5<sup>th</sup> year.

However, with a budget of less than US\$ 4 million per year and little support from technical and financial partners, the success factors of OFOR through the Notto Diosmone-Gorom Lampasar Palmarin Public Service Delegation are very remarkable:

### **Reduced rate in rural areas (beginning of social justice in the water service)**

At the tariff level the urban water sector is supported by a grant from the state through the social tariff unlike the rural water sector. However, at the level of first public service delegation (between OFOR and the Hydraulic Works Operating Company) a single price of 0.55 US \$/m<sup>3</sup> is applied against the average price of 0.60 US \$/m<sup>3</sup> found in rural areas, representing a 10% reduction on the tariff before the reform.

The social connection price is US \$ 27 in urban areas against US \$ 50 in rural areas where the poverty rate is 57.5%.

### **Proven quality and water availability**

The challenges of quality, however, remain problematic as there is simply no baseline situation. Salinity problems in the regions of Matam and Ziguinchor, iron in Matam and fluorine in the groundnut basin remain enormous challenges that have been out of reach of community management and pose significant public health problems for the rural population.

It turned out to be a successful wager with OFOR because people along Notto-Diosmone-Gorom Lampasar Palmarin area are abandoning their boreholes to integrate SOEH distribution network to gain in quality, quantity, cost and proven availability of water consumed. In less than a year of operation, the number of customers increased from 350,000 in June 2015 to 400,000 in July 2016 and the quality issues seem to have been finally solved within the area.

### **SEOH transfer of water to SDE**

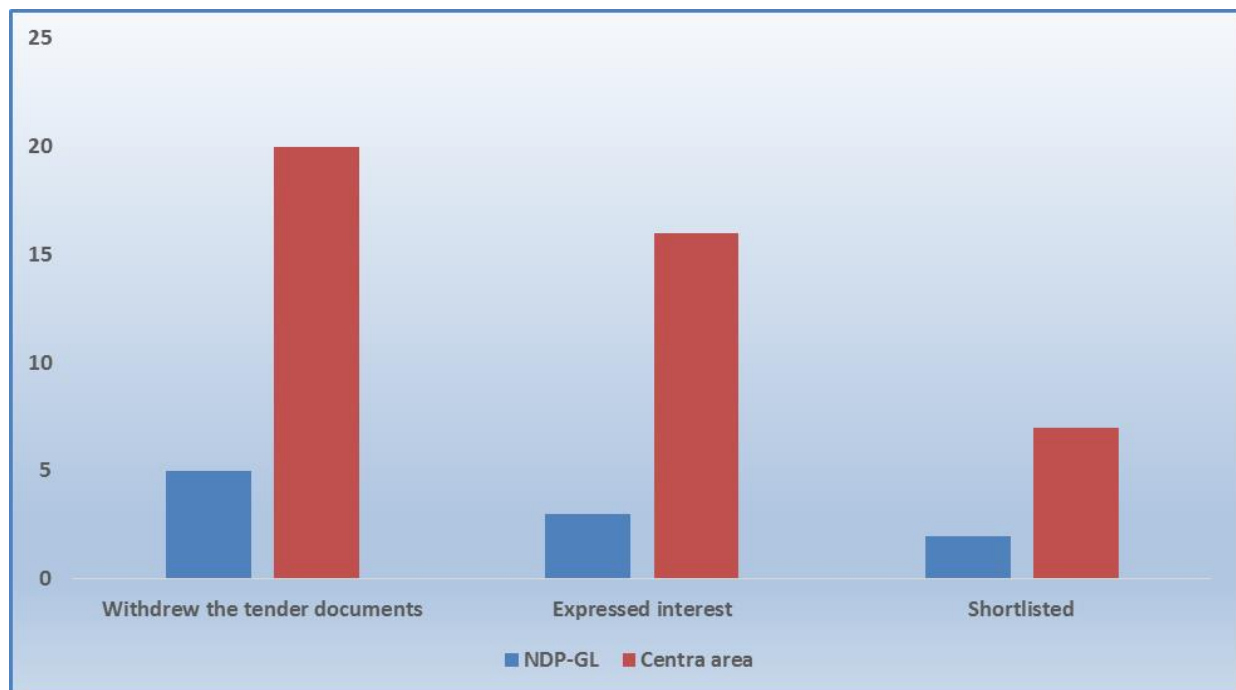
SEOH transfers water the site of Thiadiaye (Thies Region), which falls under SDE area. SDE avoids supplying the population of Thiadiaye from the defluorization plant built by SONES in 2010, which has a production cost higher than the applied rate (social block).

### **An increased interest of the private sector**

There is a full development of the network of the national and international private sector in the rural water sector in Senegal.

**DSP Noto-Diosmone-Palmarin public service delegation:** five companies withdrew the tender documents, three have expressed interest, two were shortlisted and submitted bids. SEOH, GEAUR/AQUANET/AQUAVIRUNGA consortium project company (Senegalese, Dutch and Rwandan companies) signed a lease contract with OFOR on December 4, 2015 and operations started in July 2015. This represents one of the first rural water public service delegations in West Africa.

- **DSP center area (rural areas of Diourbel, Fatick, Kaffrine, Kaolack and Thies):** Twenty companies withdrew the tender documents, eight were shortlisted and submitted their technical and financial offers. The group AQUATECH/Munif GROUP (Canadian business and Senegalese company) signed a lease contract with OFOR in March 10, 2016 for the supply of drinking water to more than 2 million people in the rural areas of Thies and Diourbel.



*Figure 1: Evolution of interest for public service delegation in rural areas*

The success of this rural water public-private partnership can be explained by:

– **Execution**

The Government of Senegal through OFOR adopts a rigorous approach integrating time, complexity of rural water sector with a successful mix of global and local expertise.

– **Policy**

For a harmonized network at the national level of this revolution, OFOR has signed MoUs with, among others, the Association of Mayors of Senegal (AMS) and Council of NGOs in support of development (CONGAD).

– **Economy**

A better market response with the participation of national and international private companies. Risks related to the willingness to pay is low, given the resilience of rural populations to pay for over three decades, more for unreliable water services.

It is clear, the paradox of the water service in Senegal, where the rural population with a poverty index of 57.5% is that this rural population pays more for the services of lower quality water. However, the Government of Senegal, through OFOR is firmly committed to achieving the effectiveness of social justice in access to safe drinking water by the continuous mobilization of resources and strong support from technical and financial partners in this rural water management structure.

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