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Decentralization and Public-Private Partnership in the Urban WSS Sector: Yemen Case Study

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**Seminar on Water Governance
Beirut November 14-15, 2005**

Decentralization and PPP in the Urban WSS Sector Yemen Case Study

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DIAGNOSTIC OVERVIEW OF THE URBAN WSS SERVICES AND CHALLENGES

- Over centralized and inefficient urban WSS central organization (NWSA)
- Total population 20 mi and urban population 5 million (2004 census)
- High urban population growth Of 6-8%
- Increasing demand (high population growth, high water losses)
- Scarcity of water resources due to over abstraction and pollution
- Per capita share < 130 cubic meter /year
- Per capita share for domestic use is < 30 l/c/day.
- Lack of financial resources
- Rationalization of water use – concentration on supply management
- Low level of awareness and stakeholders participation
- Low projects implementation capacity
- Serious lack of competent, qualified and motivated staff
- Low service coverage – water supply 50% & sanitation services 35%

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Government Action on Urban WSS Reform

- **The Government issued Decree No. 237 in 1997 for the “Urban WSS Sector Reform Policy & Strategy Agenda”**
- **Main directives of the reform Decree are:**
 - ✓ **Separation of service delivery and regulatory functions**
 - ✓ **Decentralization**
 - ✓ **Corporatization**
 - ✓ **Commercialization**
 - ✓ **Application of cost recovery local tariffs with due consideration to a life line tariff for the poor**
 - ✓ **Capacity building, HRD, and staff motivation**
 - ✓ **Establishment of a regulatory Authority**
 - ✓ **Encouragement of Public Private Partnership**
 - ✓ **Time bound implementation program**

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Specific Objectives

- **Increase service coverage to reach the MDGs**
- **Financial & Environment Sustainability**
- **Affordability and ability to pay**
- **Complete Decentralization by 2010**
- **Involvement of Local Authorities & Community in WSS Management**
- **Provision of more Government and external financing**
- **Encourage utilities & local authorities to participate in infrastructure financing**
- **Enhance the role local staff in utilities management**

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Water Supply & Sanitation Sector Reform Policy & Strategy Implementation Program

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
* Policy and strategy formulation	■														
* Awareness campaigns and concencess building	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
* Pillot case of decentralisation Rada'a wss branch)	■	■													
* Government approval of reform agenda,Cabinet decree No. 237 (1997)		■													
* Implementation of reform agenda -phase1-decentralisation				■	■	■	■	■	■	■	■	■	■	■	■
- phase 2- corporitاسation				■	■	■	■	■	■	■	■	■	■	■	■
- phase 3-private sector participation				■	■	■	■	■	■	■	■	■	■	■	■

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Accomplishment in Decentralization & corporatization

- Rada'a Principles of decentralization: 1998
- Till 2005 9 autonomous local WSS were established by law in 8 governorates and are managed by Boards of Directors which include representatives of stakeholders and the private sector
- 2 additional WSS Local corporations will be established in 2006.
- It is planned to establish 2 WSS every year to complete the decentralization phase
- In addition 14 WSS utilities (Ex NWSA branches) were decentralized as a step to prepare them to become autonomous Local WSS Corporations
- The decentralized Corporations and Utilities are responsible for about 70% of the urban population

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Commercialization & Cost Recovery

- All WSS Corporations (LCs) & utilities work on Commercial basis.
- Every LC and Utilities has its own tariff proposed by their Boards of Directors or Advisory Committees.
- Increasing block tariffs are set to cover at least O&M and short term investment costs.
- Life line block tariff (5 – 10 Cu. M) is subsidized by the other blocks.
- The first block tariff is made considering that the monthly WSS bill is about 4% of the household income of the poor population

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Capacity Building, HRD & Public Awareness

- A comprehensive HRD study was made in 2000 and a national training program is being implemented by Germany (GTZ)
- Decentralization & public awareness campaigns are implemented through grants by several donors (Germany, the Netherlands, EC...etc)
- Capacity building needs assessment study for the top management in LCs will start in 2006

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Establishment of a Regulatory and Independent Authority

- TOR and Rfp were made for a the study and proposal of the most suitable regulatory framework for Yemen
- Selection of a consultant is currently being made
- The study is expected to start in Jan. 2005 and completed in May. 2006
- It is planned to establish the regulatory unit or authority during the second half of 2006

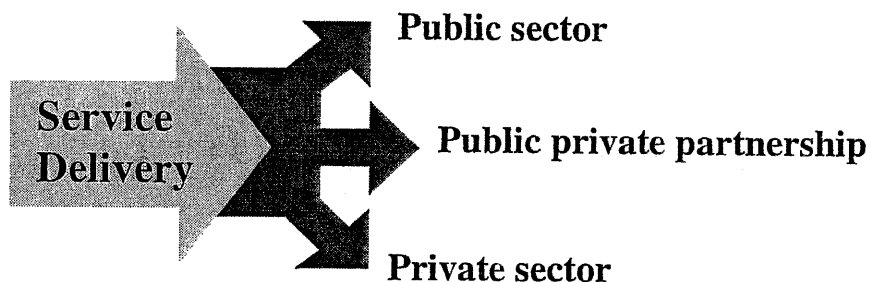
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Service Delivery

Who can provide the service:



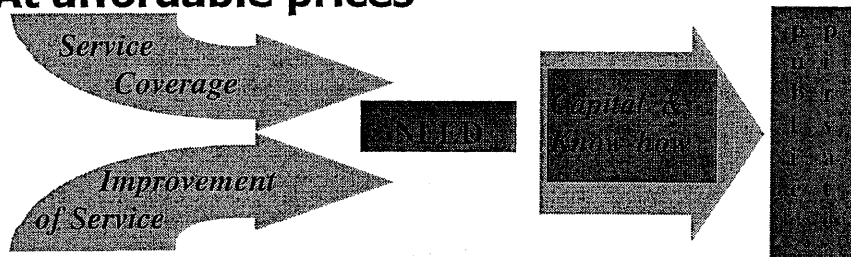
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Provision of Adequate Water Supply & Sanitation Services For All The Population By 2025

- **Improvement of health & environment**
- **Provision of sustainable service**
- **At affordable prices**



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Public Private Partnership (PPP)

- Cabinet Decree No. 237 for sector reform, investment Law No. 22 for the year 1991 and privatization law No.45 for the year 1999 and all Presidential Decrees for the establishment of LC allow PPP in the water sector.
- Local private domestic water providers exist in Yemen and supply water by tankers or small networks (not regulated yet)
- A lease contract for Sana'a LC was tendered in 2001. 3 companies were short listed but no bids submitted.
- A Management contract for Sana'a LC will be tendered during the first quarter of 2006
- Utility Support Programs for Aden & Taiz water LCs are under preparation.
- The Ministry of water and Environment is considering PPP in a 20,000 Cu. M/day desalination Plant in Aden LC

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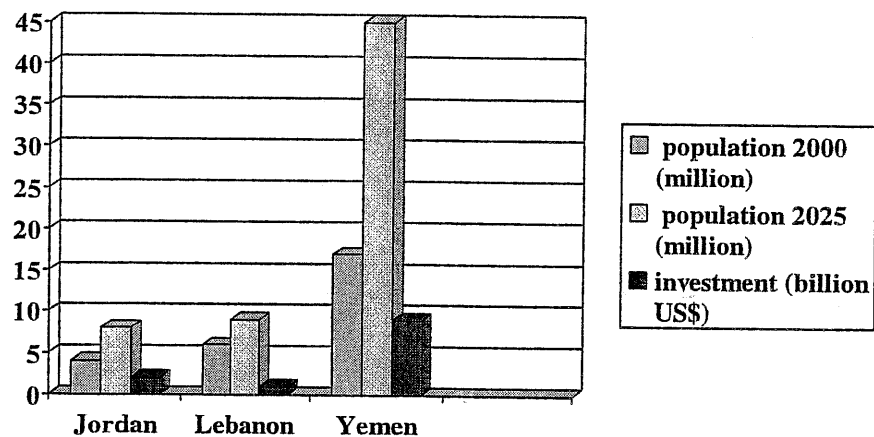
Investment needed to to achieve the MDG and PRS as defined by the Yemen National Water Sector Strategy and Investment Program (NWSSIP)

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Investment Needs until 2025



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Sub-sector		Total required 2005-9	Donor funds committed/ pipelined	Local finance Expected	Net financing required	Share of total sector investment
Water resources management		47	20	7	20	3%
UWSS	Hard ware	750	355	265	130	49%
	Soft ware	48	25	0	23	3%
RWSS	Hard ware	454	78	101	275	30%
	Soft ware	28	6	0	22	2%
Irrigation		190	64	56	70	12%
Environment		21	2	0	19	1%
Sector Funds 2005- 2009	Total Mi (\$)	1,538	550	429	559	
	%	100%	36%	28%	36%	100%

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Reaching the WSS MGDs

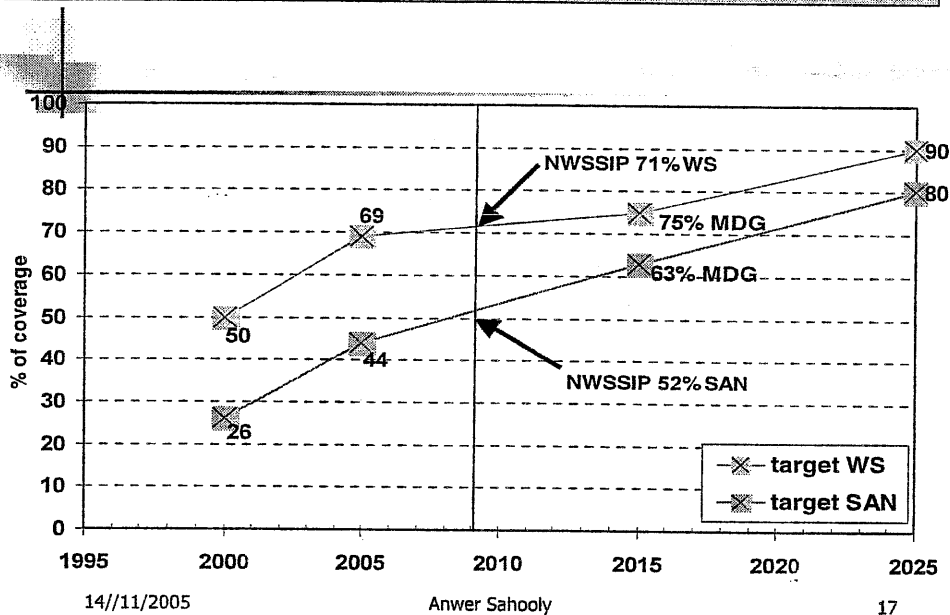
	2002	2004 2009	2009 2015
Water Supply (WS) %	47	71	75
Sanitation Services (SS)%	25	52	63
Population served with WS (million)	2.4	4.9	6.7
Population served with SS (million)	1.3	3.6	5.6
Total urban population million	5.2	6.9	8.9
Annual investment (million \$)	120	150	150
Urban water demand (MCM)	129	175	224

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Targets for Urban WSS Coverage



2005-2009 Investment Program Data

- Total investment (Infrastructure): 750 mi \$
- Assumed local funds : 265 mi \$
- Donor funds (committed/pipeline): 355 mi \$
- Donor Funds needed : 130 mi \$
- Total Investment (Software) : 48 mi \$
- Donor funds (committed/pipeline): 25 mi \$
- Donor Funds needed : 23 mi \$
- Extra No. of people to be served : 2.4m

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Challenges and Constraints

- Readiness of sector agencies
- Motivation of local implementers/institutions
- Donor support channeled to focal area/sector independent development fund facility
- Establishment of a mechanism enabling line-ministries to implement development programs according to the Principles of sector wide approach (SWAp)
- Regular transparent monitoring, audit and evaluation

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Challenges and Constraints

- Fund Raising.
- Availability of water resources.
- Enhancing implementation capacity.
- Appropriate and low cost technology.
- Improvement of utilities management capacity
- Staff motivation & career development
- Ability to pay and poverty reduction.

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Recommendations

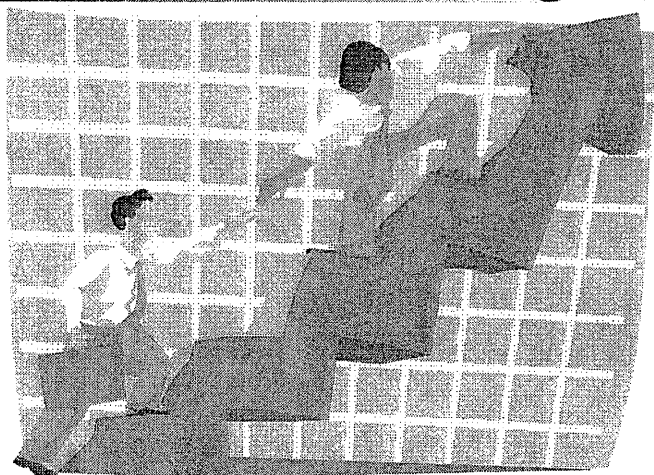
- **Continuous, committed and sustained political will to implement the reform program and NWSSIP**
- **Search for innovative & appropriate technologies for a country suffering from poor water and financial resources**
- **Government & External Funding Agencies should increase their support to the sector**
- **Enhance Capacity building, public awareness and staff motivation**

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Thank you for listening!!
It is a challenge



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