3GF Africa Conference 2015

Partnership session summary

Water Leakages

09:00-10:30, Thursday 14 May,

Speakers and moderators:

Cosmas M. O. Ochieng, Director, African Centre for Technology Studies
Anders Berntell, Director, 2030 WRG
Caroline Ogutu, Water Specialist, European Investment Bank
André Kruger, Public Sector and PPP Financing Specialist, Barclays Africa
Anton Earle Stockholm International Water Institute (SIWI)
Nick Tandi, Stockholm International Water Institute (SIWI)

Partnership session background

Water is a valuable natural resource which is critical for development. All too often scarce water resources are poorly managed, with underinvestment in infrastructure and people in developing country cities left reliant on standpipes or private water tankers. At the same time, groundwater is being depleted faster than it is being replenished, degrading the environ ment and increasing costs.

In many countries, more than a third of urban water is wasted. And in some countries that figure is higher - with some African utilities reporting water losses upwards of 60 percent; some do not know how much water they are supplying and how much is lost. In South Africa alone, Africa's second largest economy, non-revenue water is worth about $600 million annually. To increase water availability, you can simply plug the holes in the distribution system. Globally this could provide up to $170 billion in resource benefits by 2030.

The involvement of the private sector can help to overcome these challenges; however water privatisation is often unpopular, and public-private partnerships for water have proved difficult to implement, with mixed results. A partnership is therefore being explored to establish a roadmap to support municipalities to better engage with the private sector in reducing urban water leakages.

The partnership is contributing to the proposed SDGs:

SDG 6	Ensure availability and sustainable management of water and sanitation for all
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
11	Make cities and human settlements inclusive, safe, resilient and sustainable
13	Take urgent action to combat climate change and its impacts
17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Partnership session goals

- Highlight the challenges and opportunities for public private collaboration in managing urban water leakages
- Exchange of best practice illustrating how public and private collaboration has helped to reduce water losses
- Explore the interest for an Africa region partnership that would scale up public private collaboration for water loss reduction

Partnership session summary

- Addressing the challenge of water losses and resulting revenue losses in an urbanizing Africa
    - What are the partnership opportunities to address the water loss problems effectively across the continent?
- Mapping innovation and good practice in reducing water losses through public private collaboration
    - Short remarks and roundtable discussions
        - Public private collective action in South Africa
        - Experiences using performance based contracts in South Africa and the Philippines
        - Financing water loss reduction projects
        - Creative models for public private partnerships

- Why water loss reduction partnerships are critical for averting water crises?

- Forging a partnership
    - Plenary discussion
    - Next steps and session closure

Discussion points

Having agreed that reducing non-revenue water (NRW) is a priority action for mitigating water and climate risk and improving the financial sustainability of municipalities and utilities in Africa, the session needed to identify points of leverage for turning the current situation around. The main action point made at the session focused on how to create political support through partnership. Following key points were stressed:

Investments to reduce water losses should be handled through revenue that would have otherwise been lost. Payback periods of under two years have been demonstrated. Presently, it is not uncommon for African water utilities and municipalities to forgo upwards of 36% of the revenue that they should have received from customers. It is often lost through leaks, theft, and metering and billing problems. In Kenya this lost revenue is 45%. In other countries such as Algeria and Mozambique, this figure is much higher – 54% and 59% respectively.

Focus was also put on creating sustainable business models. The current water management challenges imply that some retailers loose around 59% of their stock without payment. How can such a retailer remain in business? Water services providers that do not address non-revenue water cannot be creditworthy. Through partnership, we should design incentives that enable utility leaders to run organizations that are financially sustainable and avoid expensive bailouts funded by the taxpayer -both rich and poor. A retailer that ends up losing 59% of stock over time is selling goods that are grossly under-priced to the retailer from the producers and in turn under-priced by the retailer to the consumer. This creates a need for politicians to support cost reflective tariffs for productive water uses. It should be illustrated that the public will pay more than a cost recovery price for water when infrastructure and utilities collapse.

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