In Burkina Faso, as in much of Africa, access to safe drinking water and sanitation remains scarce. This is especially true in rural and semi-rural areas where villages are dispersed, the population is small, and access to energy is rare. To remedy this, the Burkina Faso government has involved the private sector in rural water through public-private partnerships (PPPs) in an effort to increase access to water as well as to improve the level of service. The PPP model has been relatively successful, with approximately 20 percent of all villages now covered by private operators. This success is even more pronounced when compared to PPPs in other sectors in the country.

Typically in rural water PPPs, the challenge is to increase coverage and expand the role of the private sector while keeping the price of water low. Lessons from Burkina Faso that have contributed to meeting this challenge—including institutional set up, contractual provisions, and price-setting mechanisms—are instructive for other governments considering the PPP model for rural water delivery.
DECENTRALIZING & DELEGATING

In Burkina Faso, management of water supply differs between urban and rural areas. In the large cities, water is supplied by the state utility, or Office National de l’Eau et de l’Assainissement (ONEA).

Following decentralization, responsibility to supply piped water to rural areas has been transferred to local municipalities. These municipalities may then either delegate the operation (and, as the case may be, the construction, maintenance, and renewal) of their piped water systems to private operators or operate the systems themselves. In any event, delegation to private operators must be preceded by a public call for tenders held by the municipality.

The central government remains responsible for capital expenditures in water infrastructure and setting out national water management policies—and supervising their implementation—but has otherwise removed itself from the delivery of water in rural areas. This decentralized approach has given substantial responsibilities to the rural municipalities. The risk remains that they are not always adequately resourced to negotiate or follow up on the PPP contracts awarded for their water supply networks.

CONTRACTS & CONTEXT

In principle, a rural municipality may look to various forms of partnership contracts for delegating water supply activities: management contract, operation and maintenance contract, affermage (or lease) or concession. The Ministry of Agriculture, Hydraulics, and Fishery Resources has published two model contracts to minimize time and cost in contracting: an operation and maintenance contract and an affermage contract. The use of these model contracts has become the norm in most rural municipalities.

The challenge is to increase coverage and expand the role of the private sector while keeping the price of water low.

Under the model operation and maintenance contract, the operator is responsible for operating and maintaining the piped water system while the municipality is responsible for renewing the assets of the system (the renewal of the long-term assets being subsidized by the State). The initial investment related to the construction of the water piped system infrastructure (well, pump, water tower, pipes, and distribution points) is realized by the State. The remuneration of the operator is derived from the tariffs paid by the consumers. The operation and maintenance contract is usually entered into for a term of three years and is tacitly renewable.
Under the *affermage* contract, the operator is responsible for operating and maintaining the network and renewing the “short term” assets of the networks (those whose lifetime does not exceed 15 years) and the State is responsible for the renewal of long-term assets. The private operator is not liable for any “renewal fees.” As with the operation and maintenance contract, its remuneration is derived from the tariffs levied on the end users. The *affermage* contract is in principle entered into for a term of five years and is tacitly renewable.

Where the PPP for a particular water system is not attracting many bidders, the price of water tends to remain high—to the detriment of the local population.

The operation and maintenance contract seems to be the prevailing arrangement. The *affermage* contract should probably be the preferred choice of the rural municipalities, however, as it shifts to the operator the responsibility for renewal of the assets and consequently relieves the public sector of this obligation. Ideally, a government should try to move towards the concession contract, since the private sector takes maximum risk for construction, financing, operation, maintenance, and tariff collection. This approach is unlikely to succeed in the medium term, however, given limited access to capital markets and the fact that if the private sector is responsible for financing capital expenditures, this will automatically raise tariffs.

### EQUITABLE PRICE SETTING

In urban areas covered by ONEA, the price of the water is directly set by ONEA based on maximum tariffs capped by decree. ONEA is also able to offer a “social” tariff for its poorest customers, using economies of scale and cross-subsidies from larger volume users.

In rural areas, cross-subsidization is more difficult given relatively uniform low income levels. The price of water is not regulated by decree as in urban areas, but is determined contractually by the municipality and the operator at the stage of the bid process. In other words, the price of the water will depend on the prices proposed by the bidders during the call for tenders.

This system aims at encouraging competition and should put downward pressure on the price of supplied water. The drawback is that the price very much depends on the effectiveness of the competition existing during the call for tenders. Consequently, where the PPP for a particular water system is not attracting many bidders, the price of water tends to remain high—to the detriment of the local population. In order to implement a national equitable price for rural water, the government of Burkina Faso is now considering how to regulate the price of water in rural areas in a manner similar to that in urban areas (a maximum tariff set by decree).
CONSIDERING CAPEX

To attract private investors while preserving a price for water that is affordable for the rural poor, Burkina Faso has opted for a significant financial contribution from the state that impacts the price of water. Under the current PPP arrangement (whether operation and maintenance contract or affermage), the construction, financing, and to some extent the renewal of the core infrastructure are realized by the state. The related costs are borne by the neither the private sector nor the end users.

Consequently, the construction and to some extent renewal costs are not taken into account by the operator when determining the price of the water. Such a mechanism, which may be regarded as form of capex subsidy, appears to be one of the few ways to preserve an equitable price for rural water. Another possible solution may be to combine projects over a group of municipalities to try to achieve economies of scale and even cross-subsidization among users in the various municipalities.

Since Burkina Faso aims to significantly increase access to piped water in rural areas as part of the millennium goals, it is clear that PPPs form a crucial part of the current rural water delivery system in a country where such partnerships are otherwise rare. The institutional, contractual, and price-setting mechanisms currently in place form a solid legal basis for success, and Burkina Faso’s government continues to look for ways to improve the system and reach more users at an equitable price.

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