Annex 9.5
Case study synopsis: Mali

Small water providers in Bamako's peri-urban districts

Institutional context

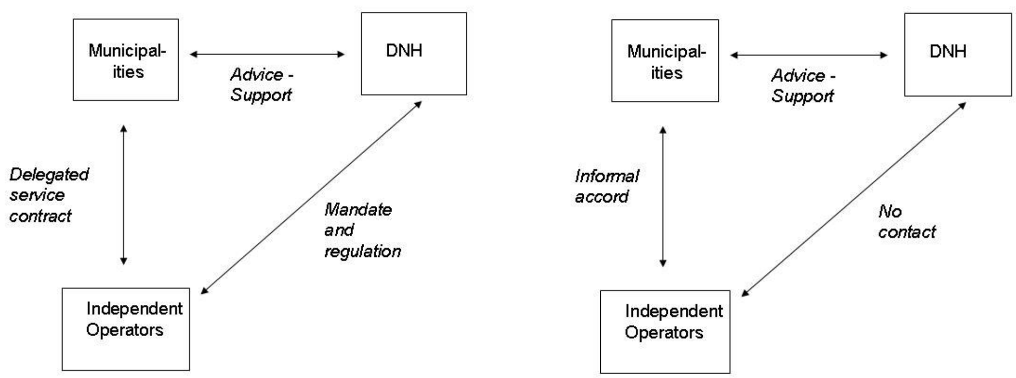
Drinking water distribution in Bamako is overseen by three institutions: CREE (the Water and Electricity Regulatory Commission), DNH (the National Hydraulic Department) and the municipality concerned.

CREE: was recently established as a regulatory agency in order to oversee the operations of EdM (Energy of Mali), the national operator responsible for electricity distribution in 36 urban centres and drinking water provision in Bamako and 16 other urban centres. CREE's sole concern is EdM and the services it provides, and thus its knowledge of independent operators and their activities in peri-urban areas is limited.

DNH: is the predominant technical institution governing the water sector in Mali. It provides overall supervision of the sector, sets out the policy framework, awards licences for water abstraction and ions, oversees and regulates drinking water distribution in those zones outside the EdM mandate. Nevertheless, DNH also plays a role in the oversight of EdM in gathering information from the field (particularly regarding water quality) in all urban centres.

Municipalities: under existing water policy, municipalities are the legal owners of infrastructure in their district, but may not directly operate water distribution. They must contract a separate water service provider (external operator).

How services are delivered in peri-urban Bamako: policy and practice.



According to Policy *According to Practice*

This divergence between these two scenarios is explained by several factors:

- Independent water providers still play a nominal role and do not necessarily seek to engage with the public sector
- DNH is not equipped with the necessary tools to engage independent operators (although they are capable of overseeing operators that provide water services in small towns, via a dedicated team for small towns oversight and management)
- Municipalities tend to take a pragmatic approach; in the absence of public investment, these operators are the only realistic option for water supply in their districts.

Of note is that for now these operators are not in direct competition with the dominant operator, EdM. Yet once EdM extends their operations to cover the entirety of Bamako (which will take at least ten years), the different operators will be in competition with each other. This will complicate the institutional framework and necessitate clear regulation, perhaps the future role of CREE.

Who are these operators?

Survey results:

	Distribution only	**Abstraction & Distribution**	
Category >	***Standpipe operators***	***'Managers'***	***'Investors'***
Overview	These buy water from the dominant operator, EdM. Some manage up to ten standpipes.	These have taken over operation of an existing network, often financed by donor or NGO projects. They have occasionally extended the network using the revenue from sales.	These finance their own infrastructure, offering both standpipes and household connections.
Area of activity	Within the EdM concession area	On the border of the EdM network	Peripheral peri-urban districts
Number	1 700	15	10

Level of service provided:

Standpipes:

Prices at standpipes are highly variable, governed largely by direct competition between neighbouring standpipe operators. Prices vary from 300 FCFA/m3 to 1,000 FCFA/m^3 (0.7 and 2.4 USD/m^3). Competition between standpipe operators can be quite intense, whereas it is practically non-existent for those that have their own water sources ('managers' and 'investors').

Private household connections:

This level of service is only offered by those with their own water source. The prices charged are higher than those of the dominant operator (particularly for the investors) as they need to earn a return on investment, and have self-financed their networks.

Type of operator >>	***'Managers'***	***'Investors'***	***EDM***
Simulation of an annual bill in FCFA for a consumption of 36 m^3 per month	108,000	222,000	110,856

Investments undertaken by the operators:

Type of operator >>	***Standpipe operator***	***'Managers'***	***'Investors'***
Amount invested	450,000 to 17 million FCFA (690 à 26,000 €)	N/A	5 to 50 million de FCFA (7,600 to 76,000 €)

Market share of the various operators

Those operators with their own source, whose staffing is very limited, form only a very small fragment of Bamako's water market (2%, as opposed to 45% for those managing standipipes and

53% for EdM). Yet in peri-urban areas this share rises to 22%, with the remainder of the population relying on carters, their own sources or traditional sources (such as rivers, wells etc).

Constraints faced by independent operators

The principal constraints highlighted by the independent operators relate to their scope for new investment and the ability to find skilled staff. While the institutional environment is less than ideal, this is felt to be a lesser constraint on their activities.

The 'investors' have difficulty accessing bank loans, partly due to the continuing informality of their operations. This limits their overall investment capacity. Standpipe operators, who are more numerous, more visible and whose financial needs are small, find loans easier to come by.

Those abstracting their own water occasionally manage systems that require a minimum of technical competence to run (in particular when it comes to the maintenance of the pump equipment). Occasionally the entrepreneur have themselves this capacity, but more usually this presents a clear constraint and limits the technical options open to them.

The institutional context is stacked against the entrepreneurs. Significant investment on their part lacks any formal guarantee from the municipalities. Their assets are thus at risk. Yet the context of water supply in peri-urban areas (where these operators often represent the only solution for municipalities over a ten year horizon) lessens the chance that institutional objections will prevent the operators from continuing their current activity.

Recommendations to reinforce the action of the operators

A workshop was held in early 2006, bringing together all major stakeholders concerned with water supply in Bamako. This included policymakers as well as practitioners and the informal sector as well as formal institutions. In attendance were representatives of CREE, DNH, the municipalities, EDM, NGOs working with standpipes, an association of standpipe operators, independent network operators and donors.

The aim of the workshop was to formulate specific proposals to improve water supply in Bamako's peri-urban districts. Two separate groups made suggestions – the first drawn from a set of policymakers (CREE, DNH, PTF) and the second from practitioners (operators, standpipe operators association, EDM, DRHE, municipalities and NGOs). The suggestions each developed clearly reflect the interests and outlook of their respective participants:

- The policymakers proposed a series of actions to rework the institutional framework to better take into account independent operators (template contracts, standardised tender documents, abstraction licences, etcetera) and proposed to set up one or two pilot schemes involved independent operators in peri-urban municipalities.
- The practitioners suggested that more financing was needed along with easier means of accessing it for both municipalities and operators. They also proposed improving the relationship between DRHE and the municipalities, so that municipalities can be supported in developing delegated contracts. A further set of suggestions was made on how to better oversee mobile vendors through enhanced co-operation between standpipe managers and municipalities.

> Following the workshop, the Director of DNH wrote to the organization commissioning the study (BPD), specifying his interest in developing innovating partnerships with independent operators in Mali's small towns and in the peri-urban areas of Bamako. The letter suggested three spheres of activities:
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> - Regularising those operators already present in the sector and developing standard contracts, toolkits etc
>
> - Designing and testing a delegated management tender process across several urban centres
>
> - Exploration of competitive tendering for peri-urban water supply in Bamako.