

Human Rights and Access to Drinking Water and Sanitation

Contribution to OHCHR Consultation (Human Rights Council's decision 2/104)

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1. Suez and the Right of Access to Water and Sanitation

Presentation of Suez activities in water

Suez is an international industrial and services group , that provides essential services as a partner of public authorities and businesses . Suez is a privately owned company headquartered in France and Belgium , listed at the Paris and New York stock exchanges . Suez is a member of the UN Global Compact .

Suez Environment is the business line of Suez dealing with water and solid waste . As far as water is concerned , Suez Environnement's activities include

- Operation of municipal water and waste water systems (drinking water production and distribution , waste water collection and treatment) under the framework of contracts with public authorities
- Operation of water and waste water systems in industrial parks
- Other activities like environmental consultancy , engineering and construction of water treatment plants

Through affiliates based in all the regions of the world , Suez Environment is currently providing drinking water services to about 70 million people , and waste water services to 45 million . Most of them are urban dwellers .

Additional information can be found at www.suez-environnement.com .

Suez' commitment and contribution to the Right of access to water

As a global company , Suez has a strong experience of water services in very different contexts , from large cities in developed countries like Paris or Milwaukee , to rural areas in France or Italy , and from megacities of emerging countries like Mexico City or Jakarta to medium sized ones in Brazil or South Africa .

Through our portfolio of contracts , we have been serving water during the last decade to millions of low income households , but we have also seen millions of un-served people living at the periphery of our service areas , and the effect on their daily life . As water professionals we are challenged by this inequity ; we see progress towards universal access to water and sanitation as one of the *raisons d'être* of a private water operator .

Therefore Suez has been supportive of the Right of Access to Water¹ for a long time . As early as 26 october 2001 (the year before the publication of the general Comment n° 15 by the UN CESCR) , our CEO Gérard Mestrallet wrote in the French newspaper Le Monde :

“I think we should be able to agree that the universal right of access to water must be recognized and that we should get down to work now to turn that right into a reality every day” .

In developing countries , Suez' contribution to the Right to Water can be assessed through the number of additional people who have gained access to the public network in the cities where we have been working . These achievements are not the pride of Suez alone , they are shared with the public authority that has been our local partner, since a water access programme can only be successful if a public authority and an operator work together , each of them bringing their specific competence and legitimacy .

Over the past twelve years, through a portfolio of current or past contracts awarded to fifteen affiliated companies (listed in box n°1) , **SUEZ Environment has brought access, via private connections to a public water network, to nearly 8 million urban dwellers in non OECD countries²** . During that same period **4.5 million people have been connected to a waste water system** (see charts hereafter).

These figures are estimates derived from the increase of water connections (or water users accounts), the only data immediately accessible to a water operator . They do not coincide with the indicators chosen for the Millennium Development Goal for water , since some of the people benefiting from a house connection may have had previously another “improved” source of water in the WHO – UNICEF terminology , like a standpipe at a distance of less than 1km , and would have been considered as “previously served”. But it is clearly a good indicator of progress of the Right to Water , especially if the point of view of women is considered , since having a private tap in the house or in the yard is definitely a big change for them .

¹ *In the following pages , « Right of Access to Water » will be used for « Right of Access to Water and Sanitation » .*

² *In addition , 1.8 million inhabitants of rural areas in two provinces of South Africa have gained access through standpipes*

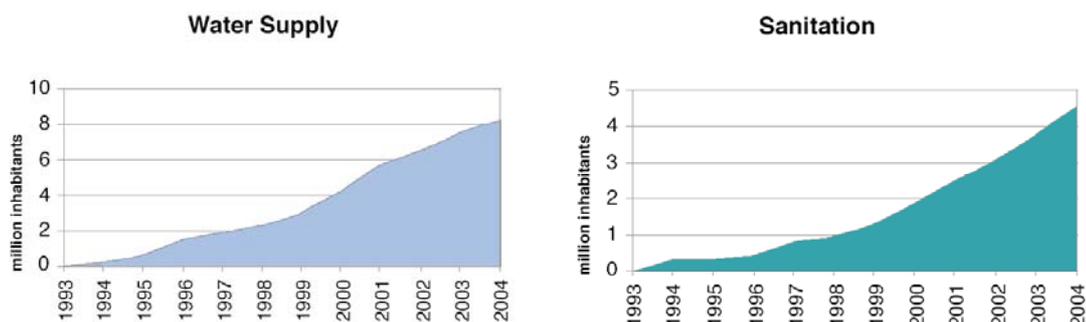


Chart 1 : Cumulated number of inhabitants gaining access to public networks through new house connections in areas covered by Suez contracts (reference period 1993 - 2004)

Box 1 : List of Suez affiliated companies taken into account in the above mentioned figures (with corresponding contract period)

LYDEC	Casablanca , Morocco	Water / sanitation	1997 - →
LEMA	Amman , Jordan	Water / sanitation	1999 - →
JOWAM	Johannesburg , South Africa	Water / sanitation	2000 - 2006
WSSA(*)	Lukanji , South Africa	Water / sanitation	1992 - 2006
Macao Water	Macao , China	Water	1985 - →
PALYJA	Jakarta , Indonesia	Water	1997 - →
Maynilad(*)	Manilla , Philippines	Water / sanitation	1997 - 2003
Aguakan	Cancun , Mexico	Water / sanitation	2001 - →
Aguas Argentinas	Buenos Aires , Argentina	Water / sanitation	1993 - 2006
Aguas Cordobesas(*)	Cordoba , Argentina	Water / sanitation	1997 - 2007
Aguas Provinciales de Santa Fe	Argentina	Water / sanitation	1995 - 2005
Aguas del Illimani	La Paz /El Alto , Bolivia	Water / sanitation	1997 - 2006
Aguas do Amazonas(*)	Manaus , Brasil	Water / sanitation	2000 - 2006
Aguas de Limeira(*)	Limeira , Brasil	Water / sanitation	1995 - 2006
Aguas Andinas	Santiago de Chile	Water / sanitation	1999 - →

(*) Denotes companies with on going contracts , but which are no longer part of the Suez group as of April 2007

This achievement remains modest compared to the 1.1 billion people without access to an “improved” water source , but this contribution is significant at the scale of Suez’ global presence in water services . In countries where data from UN sources are available , the annual progress in terms of coverage has generally been faster in the service areas

entrusted to Suez affiliates during the life of their contracts , than for the overall urban population of the country .

Water Supply	SE Coverage Levels	Urban Coverage in Country
LYDEC Casablanca	3,40%	1,89%
PALYJA Jakarta	7,46%	1,60%
AGUAS DEL ILLIMANI - La Paz El Alto	2,07%	1,75%
AGUAS ARGENTINAS - Buenos Aires	3,24%	No data

Sanitation	SE Coverage Levels	Urban Coverage in Country
LYDEC Casablanca	3,40%	0,00%
PALYJA Jakarta	Not relevant ³	
AGUAS DEL ILLIMANI - La Paz El Alto	5,11%	2,93%
AGUAS ARGENTINAS - Buenos Aires	2,46%	No data

Source for country data: WHO-UNICEF Joint Monitoring Program

Table 1 : Annual progress of coverage ratio⁴ in several areas served by Suez Environment (SE) between the inception of the contracts and 2004

³ Suez' contract in Jakarta does not cover the waste water system

⁴ the coverage ratio is the percentage of the population having access to the public network in the designated area

2. Response to OHCHR questionnaire

Suez is not in a position to respond completely to the questionnaire , that has been designed mostly for public authorities . We provide answers here below to questions that are relevant for an operator .

Suez would be keen to participate to any follow up of this consultation by the High Commissioner , and contribute through meetings with members of the OHCHR , case studies , presence in hearings , etc ...

Question a) : View on international human rights obligations to be taken into account in relation to equitable access to safe drinking water and sanitation

Either directly or through the voice of professional or business organisations that we are part of⁵ , Suez has constantly adhered to the promotion by the UN of the Right of Access to Water through the legal clarification given by the General Comment n°15 . As an example , Suez has supported the final statement presented at the 13th session of the Commission for Sustainable Development by the Major Group “Business and Industry” (New York - April 2005) :

“ ...We hope that, while supporting a rights-based approach, that follow-up from CSD13 will stress the priority need of the poorest populations to have access to potable water, sanitation and other water services...”

We are disappointed to see that a similar clear support was not expressed by governments in the ministerial declaration of the same event and the following ones

Question b) : National legislation or draft legislation related to equitable access to safe drinking water and sanitation (constitution, specific law, regulation, etc.), including with regard to private sector provision of related services.

We see the specific focus on “private sector provision of related services” in question b) as irrelevant . As expressed in the above mentioned statement at CSD 13 :

“...Public versus private delivery of services is not the issue. The provision of water and sanitation services is recognised as a public service, whether operated by the public or private entities. Governments, donors and civil society should ensure that they support solutions that are both efficient and acceptable to the local community ...”

⁵ Including AquaFed , the World Water Council , the World Business Council for Sustainable Development , the Water Integrity Network , the French Water Academy ...

The real issues as far as the Right of Access is concerned , are not linked with the legal nature of the operator (which may be a department of a public authority , a public enterprise , a private company , a mixed public – private undertaking , a cooperative , ...) . They depend on its competence and efficiency , and the way its activity (a “natural monopoly”) is regulated .

Private water service providers are very diverse ; they fall into two categories :

- operators that manage the public water systems under a contract (or a licence) with a public authority . They may be large or small, local or international . They serve less than 10% of the world’s population , whereas the rest live in areas that depend on public operators . Focusing the consultation on the Right to Water on private operators involvement would be a distraction from the main issues .
- formal or informal providers that serve the people who are left without access to the public systems, or who are poorly served by a malfunctioning public utility, in drinking water or in sanitation services . Those providers often work in a legal vacuum but respond to a vital need .

c) Examples of judicial decisions related to access to safe drinking water and sanitation.

(No specific illustration for this question)

d) National plans of action, development programmes, public policies or emergency responses related to access to safe drinking water and sanitation.

e) The impact of these national laws, judicial decisions, plans of action, development programmes, public policies and other measures in promoting or restricting equitable access to safe drinking water and sanitation.

f) Examples of approaches considered to represent “best practice” related to access to safe drinking water and sanitation.

g) Any other existing initiatives and standards relating to equitable access to safe drinking water and sanitation, and the scope and legal status of these initiatives.

The four case studies presented in the appendix provide specific illustrations for questions d), e) , f) and g) . They cover a wide range of situations that call for diversified solutions for the implementation of the Right of Access to Water according to the wealth of the country .

In developed countries , the problems with access to water are not linked to a lack of infrastructure , but with the purchasing power of individual poor households . They require individual solutions that may not be specific to water services , but integrate other essential services (see cases in France , Hungary) .

On the contrary , in most of case in developing countries , the first cause of the problems is the absence of infrastructure that deprives whole neighbourhoods from access to the public service ; entire communities are affected and solutions can be sustainable only if the participation of the community to the design of the solutions is ensured

The four examples also differ according to the level of government and perequation involved (from municipal to national level)

3. Implementation of the Right of Access to Water : lessons from Suez' experience

Solutions do exist when stakeholders cooperate

It is interesting to see that all the examples described rely on **cooperative mechanisms** that involve several parties : the public authority responsible for the public service and / or for social welfare , the operator , local associations ... Access to Water is a complex issue that can be solved by none of the stakeholders alone ; all the entities that have a potential role to play must be involved on a pragmatic basis .

In this sense , exclusion of some players for ideological reasons can only be counterproductive for the deprived populations .

The Suez affiliates involved in the four case studies have had various levels of initiative ; sometimes they cooperate to a mechanism that has been set up by the public authority (Hungary) , sometimes they add complementary funding to such a mechanism (France) ; in other cases they have played an initial role in advising the public authority on the necessity and the design of the mechanism (Argentina) ; in Macao , the private operator has taken the initiative but with the support of the welfare department and local associations .

Other prerequisites to effective solutions

According to our experience , other critical factors for the implementation of the Right of Access to Water are the following :

- the legal framework applicable to the people living in low income neighbourhoods (e.g. illegal settlements) or to “marginal” groups (like gipsies in Europe , homeless , migrants ...) must not be contradictory with the human right of access to water : in some cities , Suez affiliates are precluded from providing connections to people who are unable to justify a legal occupation title
- in any geographic area , the public authority responsible for the organisation of water and sanitation services must be clearly designated ; this authority must be liable for access to water vis a vis the citizens in its statutory area . This authority must have the power to set up relevant solidarity mechanisms to promote access . It must periodically report in a consistent manner on the population remaining unserved in water and waste water services , on the basis of indicators provided by the operators .

- In particular , the responsible authority must ensure that the tariff policy for water and waste water services is consistent with the objective of universal service . A specific attention must be attached to connection fees payable by households for initial access to water and waste water systems . Those fees may act as entry barriers that exclude the poor from the service , much more than the water tariff itself . The argentinian case mentioned in the appendix provides an example of a reform of the tariff system designed for lowering this entry barrier
- an explicit regulation should be applicable to **all** the water operators (be they public or private) , either by contract or by an ad hoc body (regulator) . Such a regulation may include direct provisions in terms of coverage of the population.

A healthy water utility is key for making the right to water a reality in urban areas

Above all , no progress is possible on access to water in urban areas if the water utility does not have the means to expand and maintain the service . This implies the following :

- the recovery of the cost of the water service should be ensured (through payment by the users and/or the taxpayers)
- the utility should be efficient : operational costs must be kept at the lowest level possible so as to save revenues for investment . A huge margin of progress does exist in this area ; for example the number of staff per 1,000 connexions varies from 2 in well managed utilities , to ten and more in others . Equally , the percentage of the water lost through leakage or illegal use may vary between 10% and 60%

We at Suez think that our primary contribution to the implementation of the Right to Water is simply to turn around public utilities through transfer of technological and managerial know how , allowing them to become economically sustainable , and able to fulfil their mission of universal coverage .

4. Need for clarification of the Right to Sanitation

There is no doubt that access to safe drinking water alone is not sufficient if people do not have access to sanitation facilities that meet minimal standards for the protection of public health and for individual dignity . But proclaiming the Right of Access to Sanitation raises some questions that must be clarified :

- What are the duties that come along with this right ? More than water supply , sanitation firstly requires investment in and maintenance of individual facilities in private properties . Out of densely populated areas , on-plot sanitation is commonly the most appropriate solution . What are the respective rights and duties of landlords , public authorities and operators in such cases? The obligation for individuals not to contaminate the neighbourhood should probably be stressed clearly
- Similarly , what about the collective obligation to avoid the pollution of the environment and the degradation of water resources ? In densely populated areas , generalization of access to sewerage systems without construction of corresponding waste water treatment facilities could be contradictory with the Right to Water of communities living downstream , not to mention the impact on the environment .

We suggest that the High Commissioner could use the opportunity of this consultation to clarify these questions .

5. Concluding remarks

Our ambition in responding to this consultation , was not to add to the legal definition of the Rights of Access to Water and Sanitation . It was to share our experience of water professionals on the ground , mainly through case studies .

The “Right to Water” is now widely acknowledged by most of the stakeholders , even if it is not yet the case for some governmental bodies . But for Suez , the major challenge is no longer the recognition of the Right , but its implementation . We believe that the study initiated by the OHCHR can contribute effectively to the promotion of the Right to Water if it provides guidance for the parties involved at local level, and incentives to cooperate between themselves in order to find pragmatic and tailored solutions .

We should be happy to continue to be involved in such a process .

Appendix A : Lyonnaise des Eaux (France) : The Water Solidarity (Solidarité Eau) system

Lyonnaise des Eaux is the company of the Suez group that manages the water business for municipal clients in France .

1. History and context

A "water solidarity" assistance system to help with payment of water bills by the disadvantaged households has been gradually implemented in France:

- The 1992 law revising the minimum income revenue (RMI) laid the bases of social solidarity in the field of water . Within the framework of an emergency arrangement, assistance was to be provided to cover unpaid water bills. In practice, a first National Agreement was signed in 1996.
- The framework law of 29 July 1998 aiming at preventing exclusion, restated this obligation of solidarity:
 - Any person or family experiencing particular difficulties owing to a precarious situation is entitled to help from the community in order to gain or maintain access to the supply of water, power and telephone services.
 - The 1998 law above all created a national assistance and prevention system for implementation of the 1992 obligation. A national agreement was signed on 28 April 2000 between the State, the Association of French Mayors (AMF), the National Federation of Local Authorities for Delegated or Direct Management of Public Services (FNCCR) and the Professional Federation of Private Water Operators (SPDE , now FP2E).

This assistance system has been organised since 1 January 2005 in a decentralised manner at *Département* level:

- the Article 65 of the Law of 13 August 2004 concerning freedoms and responsibilities of local governments states that as of 1 January 2005, management of the Housing Solidarity Fund (FSL) will be transferred to the *départements* and that their scope of action for assistance with payment of water, power and telephone bills will be widened.
- What is happening at present is a merging of all the arrangements for assistance with rent, power, water and telephone expenses in the Housing Solidarity Fund (FSL).

2. Objective of the French mechanism

The objectives of the mechanism are:

1st objective: Avoid inappropriate water disconnections for unpaid bills through a preliminary request for coverage by the solidarity system (in order to identify customers receiving social welfare assistance or in a precarious situation).

It is based on a network of multi-purpose local social offices and the provision of a unique form giving all the information for identifying the applicant's economic and social condition, valid for all the assistance systems.

The time between referral to a welfare service and the decision from the FSL commission should not exceed 3 months. During this time and as long as the commission has not issued a ruling, no disconnection of the water supply is allowed.

If this coercive measure is finally decided, it must not be applied without the parties having examined the situation together (no disconnection without face to face dialogue) and must take place in precisely specified conditions. Even if disconnection is legal, MPs, associations and the welfare services contest it being used without consideration of the socio-economic circumstances of the users. Operators are also very cautious because inappropriate disconnections compromise their "licence to operate".

The conditions for exemptions from disconnections are as follows :

- Families in a precarious situation (the application should be submitted by a social worker or the customer himself)
- Families with a nursing infant or dependent elderly persons
- Ban on water disconnections after midday, as well as on Fridays, Saturdays, Sundays, public holidays and the days before public holidays.
- The disconnection must be lifted within 24 hours after payment

For Lyonnaise des Eaux for example, 20,000 disconnections (out of a total of 3.6 million customers) were carried out in 2004. 90% lasted less than 24hrs.

2nd objective: Provide personalised welfare assistance with payment of bills to persons in social and financial difficulty.

Water currently only represents a small share of the household budget, despite the perceived view that it is expensive :

- The average price of water in France is around the European average, with a bill of €322 inc. VAT per year (in 2003, source INSEE) for a typical consumption of 120 m³, or less than €1/day/household⁶. This covers all water and sanitation expenses.
- For a family of 4, water represents 0.9% of the average income.

⁶ Average total spending per family = € 35,000 per year, for water = € 312 per year, i.e. < 1% (by comparison, electricity represents 3%)

- For a family on the poverty line⁷, a water bill would account for about 5.8% of its average income.

In France, 2% of the population, or 999,000 people, benefit from the RMI⁸ (INSEE, 2003).

3. Description of the mechanism

The financial commitment to the Water Solidarity Fund, integrated into the Housing Solidarity Fund in 2005, takes the form of waiving of debts by the various parties within a budget envelope determined at *département* level. The total amount of the Fund is € 8 million funded by:

- The State and local authorities, for an amount of € 5.7 million (waiving of taxes and fees)
- The private operators members of the FP2E for an amount of € 2.3 million/year to be part of the future contribution to the unified Housing Solidarity Fund. Amount for Lyonnaise des Eau: € 0.5 million.

Participation in the Fund is on a voluntary basis for the operators . Those who are not members of FP2E and the numerous *régies* (municipal or intermunicipal public utilities) do not take part.

The table of next page provides more details on the mechanism

⁷ Resources lower than € 5,520/year.

⁸ For a single person, € 425.40 on 01/01/2005; for a couple, € 638.10.

Sources of funding	Local taxpayers (through <i>département</i> budget) Water operators on a voluntary basis
Nature of the assistance	When requested by the user (self-declaration system). Water supply maintained until decision following the request for assistance by the interested parties (3 months to examine the dossier)
Number of beneficiaries	In 2003, operation in 62 <i>départements</i> : allocation to about 20,000 beneficiaries
Contribution by Lyonnaise des Eaux to the Fund	Total contribution for 2003 : € 500,000
Average amount allocated	Financial coverage of all or part of the unpaid water bills. The assistance can cover 50 to 100% of the bill depending on the income and the social circumstances of the applicant. Waiving of any costs involved in disconnecting and reconnecting, and any debt collection, bailiff and delay penalty costs. In 2003, the assistance amounted to between € 40 and € 800.
Eligibility criteria	User resources (local rules), the evaluation of which is the responsibility of the welfare authorities: Composition and family situation, monthly resources, monthly outgoings, amount of the unpaid bill. Description of the social situation by the social worker ("socio-economic assessment sheet"). 1 year renewable; assistance every 2 years.
Type of assistance and recipients	Waiving of debts for the customers of the water distributors participating in the Fund, who are in a precarious financial situation. For persons who are not direct subscribers to a water distribution service, in particular those who live in collective housing and who pay for their water in their charges, assistance with unpaid bills is through the housing solidarity fund (FSL). There is no individual treatment of occupants who pay for their water in their charges. The water supply is maintained insofar as the local authority can take the place of the subscriber and pay the water bill by requisition order. There are also safeguard plans at the initiative of the Prefect, through the legal administrators.
Case of jointly owned buildings	In the case of defaulting joint ownership buildings, there is no specific problem and the problem is dealt with on a case by case basis. In Paris , La Parisienne des Eaux starts with a notice, displayed in the building, announcing disconnection (the occupants have at least 8 to 10 days in which to respond) It contacts the building management committee and there are then two solutions for settling the situation: <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <div style="border: 1px solid black; padding: 5px; width: 150px;"> <p>Amicable settlement: collection of all or part of the amount billed</p> </div> </div> <div style="text-align: center;">  <div style="border: 1px solid black; padding: 5px; width: 150px;"> <p>Initiate legal proceedings against the building manager.</p> </div> </div> </div>

Case of squatters in Paris	<p>Example of la Parisienne des Eaux (Subsidiary of Lyonnaise des Eaux for Paris left bank) :</p> <p>There are very few cases in the service area (4 squats in 2005). Non-payment of a bill is linked more to the disputed fairness of the distribution of the charges within a squat rather than an ability to pay.</p> <p>The subscription policy is normally signed by the landlord. In the event of reticence on his/her part, it is transferred to the occupiers. In the event of expulsion, the debt is not recovered (in 2003, the loss amounted to € 134,000 for large buildings). The disconnection notice used to be a means of exerting pressure, but this is now no longer authorised by the Paris City Council.</p> <p>If the subscription policy was signed by the landlord, debt negotiations are initiated. With the occupants, the matter is settled on a case by case basis: meeting with the squat's representative, discussion, payment options are proposed (monthly or quarterly).</p> <p>Delegating a representative specifically to this problem can be a way of finding "human" solutions and brings down the level of losses from unrecovered debts.</p> <p>Jurisprudence: Depends on the courts, but usually in favour of application of the "right to water" for occupants without legal title (already a few years ago, someone living in a squat (15th arrondissement) had sued la Parisienne des Eaux following disconnection. The delay in reconnection was subject to payment of a penalty per day of delay.</p>

4. Water Tariff

There is no "social pricing" system for drinking water in France . The social policy is based upon direct assistance to households in need

5. Effectiveness of the mechanism and replication conditions

The management costs for the system is as follows :

- For an average debt waiver of € 30, the overall cost of the "Water Solidarity" dossier management phases is about € 18 to € 20.
- The action of waiving the debt itself only represents € 3 to €4 per dossier.
- Total waiving of the debts is thus preferred to a system of reminders, which proves to be too time-consuming and costly.
- The current trend is the delegation of the management of social aspects to specialised associations

Thanks to coordinated cooperation between the operators and the welfare services active in the field. Each person covered by the mechanism receives individual treatment and a personalised solution.

Appendix B : Macao Water (China) : The “Water for All” solidarity programme

Macao Water is jointly owned by Suez and the Hong Kong based New World Group . Macao Water has been operating the drinking water system of the city since 1985 in the framework of a concession contract .

1. History and context

The economic context of the Macao urban area is characterised by a strong growth in GDP : from 10.1% in 2002 up to 28% in 2004.

In 2005 , given the rise in operating and maintenance costs for Macao Water (raw water purchase : + 20%; energy: + 18%; manpower: + 7%) a tariff increase appeared likely in accordance with the terms of the concession contract.

In order to anticipate any negative consequences for the most disadvantaged sectors of the population, a new programme has been set up by Macao Water, at the request of the social services. It has been effective since May 2005.

This new programme, called "Water For All", is an extension to new user categories of the pre existing “water consumption subsidy programme for the elderly in need”. The number of beneficiaries (+ 660 families) has virtually doubled.

Work was carried out with the social organisations before the programme was implemented, during the course of which Macao Water was able to evaluate and validate the process used by these services to select the beneficiaries . Specific attention was given to :

- The quality of the statistical data used
- The methods for validating and checking the beneficiaries in order to minimise inclusion or exclusion errors.

The solution chosen was a direct assistance in the form of 5 m³ of water supplied free of charge per month, justified by two reasons :

- Historical: previously, the tariff started at 5m³.
- Use related: this amount is supposed to meet the minimum needs for basic domestic hygiene (40 l/day/person for a family of four).

Furthermore, there are also a number of reasons for opting for direct assistance rather than assistance through the pricing structure:

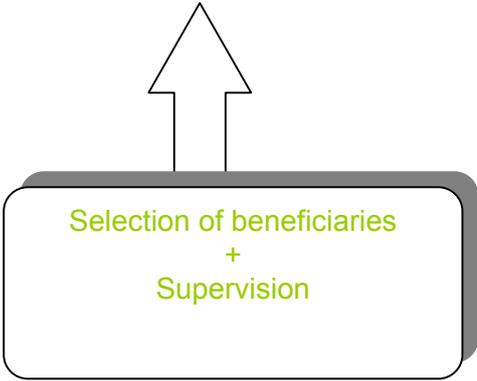
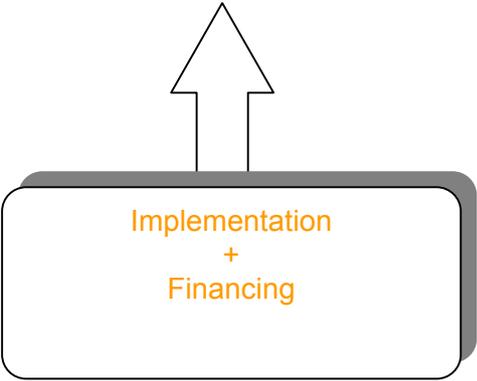
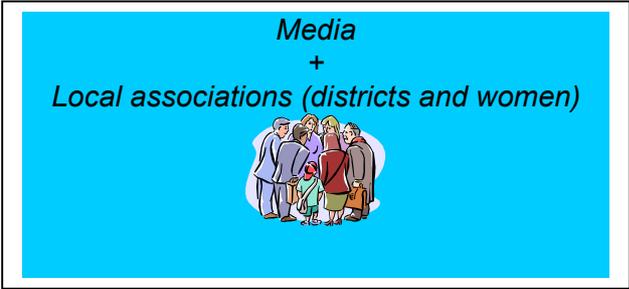
- There is a sufficiently influential NGO within the community, able to promote and inform the customers in need.
- The mechanism was validated by the Macao social welfare department.
- The cost of verification of eligibility is low, because it is ensured by the authority with competence for social welfare.
- It is easy to implement because it does not require any amendment of the concession contract .

In average , water is not a major item in the annual household budget in Macao :

- the annual average amount of the water bill (without taxes) is € 126 for an average consumption volume of 116 m³/year/person.
- For a single person with an annual income of € 4,200 (corresponding to the minimum wage of 350 €/month), the sums allocated to water therefore represent 3% of the total budget.

2. Description of the mechanism

Stakeholders:



Modality	Free distribution of 5m ³ of water																				
Source of funding	➤ Macao Water																				
Number of beneficiaries	<p>➤ A rise in the number of beneficiaries:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #fff2cc;">Programme</th> <th style="background-color: #fff2cc;">Elderly in need</th> <th style="background-color: #fff2cc;">% customers of Macao</th> <th style="background-color: #fff2cc;">Water for All Programme</th> <th style="background-color: #fff2cc;">% customers of Macao</th> </tr> </thead> <tbody> <tr> <td style="background-color: #fff2cc;">Year</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="background-color: #fff2cc;">2004</td> <td style="background-color: #fff2cc;">784</td> <td style="background-color: #fff2cc;">0.41</td> <td></td> <td></td> </tr> <tr> <td style="background-color: #fff2cc;">2005</td> <td></td> <td></td> <td style="background-color: #fff2cc;">1443</td> <td style="background-color: #fff2cc;">0.77</td> </tr> </tbody> </table>	Programme	Elderly in need	% customers of Macao	Water for All Programme	% customers of Macao	Year					2004	784	0.41			2005			1443	0.77
Programme	Elderly in need	% customers of Macao	Water for All Programme	% customers of Macao																	
Year																					
2004	784	0.41																			
2005			1443	0.77																	
Average amount disbursed in 2005 by MACAO Water	➤ € 38,000 ⁹																				
Equivalent average amount allocated per household	➤ € 2.2 /month/household																				
Eligibility criteria	<ul style="list-style-type: none"> ➤ Presentation of a certificate issued by the Social Welfare Department ➤ Points system according to the following criteria: <ul style="list-style-type: none"> ○ Income ○ Number of persons/household ○ Type of persons in the household ➤ Criteria: <ul style="list-style-type: none"> ○ Aged over 55 ○ Single-parent family ○ Serious illness ○ Permanent handicap 																				

⁹ = 2.2 €/month/household x 1443 (number of beneficiaries) x 12 months

Appendix C : Budapest Waterworks (Hungary) : the “Hálózat Alapítvány” Foundation

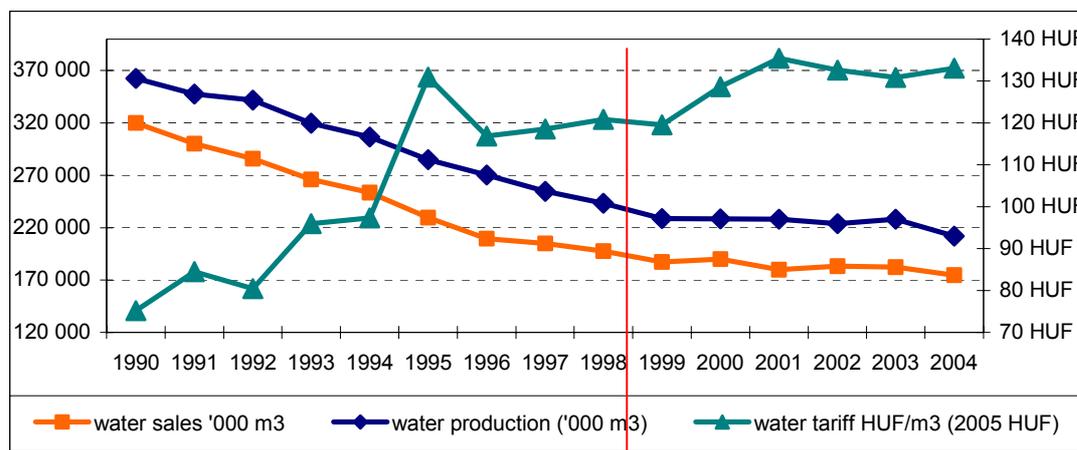
Budapest Water Works (BWW) is since 1998 a public private undertaking jointly owned by the municipality of Budapest (73%) and two international operators (Suez and RWE) . BWW owns and operates the drinking water system of the City .

1. History and context

In Hungary, in the 1990s, the transition to a market economy led to a series of economic, social and political changes:

- the high levels of inflation and unemployment, the end of state subsidies and the generalisation of the principle of marginal cost pricing among numerous public corporations, made it difficult for local governments to deal with the poverty issue .
- A 1994 law gave local government responsibility for allocating assistance to the needier households, those most severely affected by the economic transition and the rise in the prices of basic services. Many households in fact found themselves to be insolvent and could no longer pay their bills and their debts.

The figure below shows the rise in the price of water in Budapest between 1990 and 2004:



Implementation of mixed ownership

(250 HUF = 1 EUR)

In reaction to this situation, the “Hálózat Alapítvány” (“Network Foundation for the fee payers and debtors”) was created in 1996 by a joint agreement between the Municipality of Budapest, public service enterprises dealing with drinking water, district heating and waste collection), and civil society organisations.

The objectives of the mechanism set up jointly by the various stakeholders are:

- to limit the number of water disconnections owing to payment difficulties
- to enable the customers to remain solvent.

At present, the average volume consumed per person in Budapest is 175 l/day for an average monthly water bill of € 8.74.

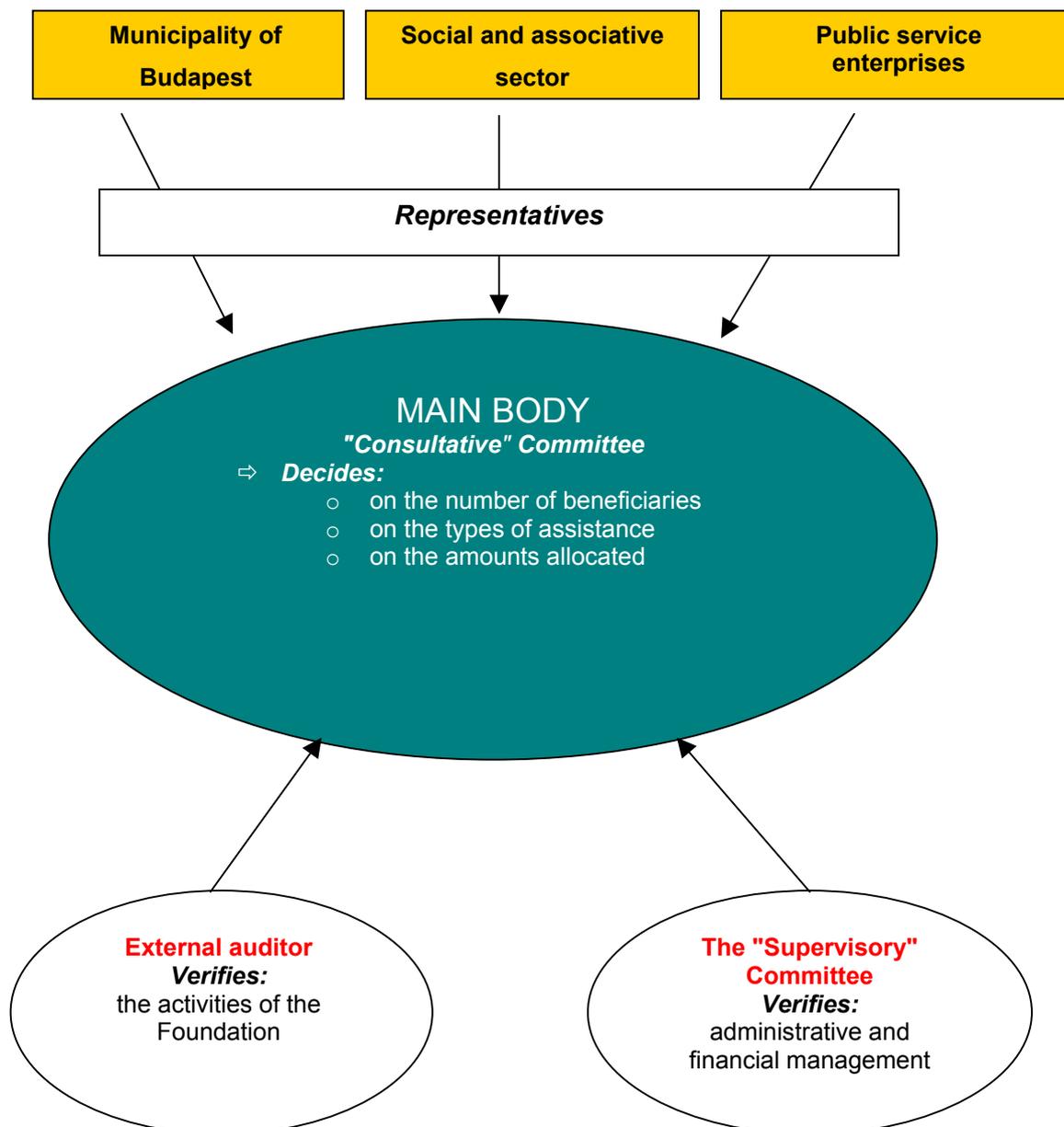
For a single person with a monthly income of less than € 200¹⁶, the sums allocated to water can thus represent up to 4% to 5% of their budget.

¹⁶ This amount equals the national minimum monthly salary.

3. Description of the mechanism

Institutional management and role of the various stakeholders

The Fund stakeholders:



Roles of the stakeholders:

1. Municipality of Budapest

The Municipality is a member of the consultative committee. Every year, it publishes the terms of eligibility for assistance and the sums allocated. It does not contribute directly to the financing of the Fund, although in addition to the Fund mechanism, it does grant direct assistance to certain households on the basis of certain specific characteristics:

- The total amount paid by the Municipality in the form of this direct assistance was € 625,000 (in 2004).

The conditions for obtaining this assistance are:

- Be a beneficiary of the "water bill rebate" allowance
- Meet specific criteria such as:
 - a dependent pensioner in the home
 - more than 3 dependent children in the home
 - for water, the annual sum allocated is on average € 35.

2. The associative and social sector

Representatives of the associative sector are members of the Consultative Committee.

- This sector is represented by family assistance organisations such as the "Association of persons living below the poverty line" (LAÉT), which is present in 3 districts.
- They have an important presence in the field (in particular through the social welfare assistants).
- Specific advice by "social counsellors" and "debt management" experts are given in the family welfare centres.
- Lawyers specialising in the field of welfare allowances may also be consulted free of charge.

3. Public service enterprises

- These are represented on the Consultative Committee.
- The operators provide the source of finance to the Fund:

ENTERPRISE	Service	2005 (M HUF)	€ million	%
Fovárosi Vízmuvek (Budapest Waterworks)	Water	325	1.3	23
Budapest Municipal Sewerage Company (FCSM)	Wastewater collection & treatment	342	1.45	24
District-heating Company (FÖTAV)	District heating	550	2.3	38.7
Budapest Public Area Maintenance Company	Solid waste collection	203	0.85	14.3

Financing and description of financial flows

In 2005, the total amount of the Fund was € 5.95 million

i. Nature of the mechanism

The Foundation allocates two types of assistance:

- Rebate on the water bill
- Help with debt repayment

Modality	Water bill rebate	Help with debt repayment
Funding sources	The users (indirectly through the water tariff) of Budapest Waterworks	
Nature of the assistance	Upon request from user, self-declaration system	
Number of beneficiaries	About 40,000 households <ul style="list-style-type: none"> ▪ 50% of households in the last decile of the income scale ▪ 5.6% of Budapest Water Works customers 	
Amounts transferred by BWW= € 1.32 million	€ 1.132 million	€ 0.188 million
Average amount allocated	€ 2.4/month/household = 20% of the bill	Maximum amount: € 1000 The beneficiary must have paid from 50 to 80% of his debt (the % depends on the duration of the debt).
Duration	For one year	Once every 3 years
Eligibility criteria	<ul style="list-style-type: none"> ▪ The customer must pay 80% of his bill . 20% remains payable by the Foundation 	<ul style="list-style-type: none"> ▪ "Normal" assistance is allocated according to specific income criteria:
Form of assistance and recipient	Assistance is not paid directly to the user, but the amount is deducted from the bill (billing and collection are subcontracted to a private company).	

5. Effectiveness of the mechanism and replication conditions

a. Effectiveness

- The Budapest system allows for a good targeting and improved differentiation between "bad payers" and households experiencing real difficulties, thanks to collaboration between the operators and the welfare services who are active in the field. Everyone covered by the mechanism receives individualised treatment and obtains a personalised solution.
- Both modalities (payment of the debt up-front, and partial payment of the bills) are complementary)
- Extensive distribution of information ensures that it reaches the beneficiaries:
 - Forms can be obtained from a number of locations (town halls, operator's head offices, etc.)
 - Support from media campaigns (local press)
 - In certain communes, letters are sent directly to the households known to the welfare services
- A one-stop office system at the Foundation headquarters, for all service providers, makes administrative processing of the beneficiary dossiers easier.
- For the utility , the system also has benefits :
 - Enables 97% of households to settle their bills on the due date
 - Low percentage of unrecoverable unpaid bills: 1.12% (2004)
 - Minimises the number of illegal connections: 2 to 4 cases/month on average
 - The 20% covered encourages payment of the remaining 80% of the bill (personal accountability). Payments must be regular and constant, because non-payment leads to loss of the subsidy.
 - The percentage of the bill subsidised in this way, means that larger numbers of applications can be handled, improving the quality of debt recovery.
 - Management of social aspects are delegated to specialised organisations.

b. Key success factors for the Budapest mechanism

- Political factors:
 - Tradition of democracy and consensus

- Other mechanisms exist with the same operating and decision-making methods, at local and/or national level
- Confidence in the welfare organisations

- Economic factors:
 - Stable macro-economic environment
 - Relatively fair tax system

- Working of the mechanism:
 - Guaranteed application of the principle of "water pays for water" with the users benefiting from targeted, transparent assistance
 - Ease of implementation
 - Acceptable administrative costs

Appendix D : Aguas Argentinas (Argentina) : introduction of a solidarity component in the tariff structure (1998 reform)

Aguas Argentinas has managed under a concession contract , the water and waste water systems of the metropolitan area of Buenos Aires between 1993 and 2006 . Aguas Argentinas was formed by a consortium of Argentinian and international companies that was awarded this contract after an international tender in 1993 . Suez has been the major shareholder and the operator of the concession during the life of the contract . One of the objectives of the Argentinian authorities when awarding the concession was to connect in 30 years the huge number of inhabitants who had no access to the public water supply system (4 million inhabitants out of 10) and to the sewerage system (5 million) . During the effective life of the contract (13 years) , 2 million and one million inhabitants respectively were given access to those public networks .

The revision of the tariff structure that occurred in 1998 with the creation of the SUMA is a very good example of a solution put in place jointly between the concessionaire and the Public Authorities , in order to remove an obstacle to the access to water .

The problem to be overcome was that the original contract specified connection charges for new connections to the water supply and sewerage networks . It also set contractual targets for extending the network but not for actual coverage in terms of connections.

The connection charges set in the contract were completely beyond the ability of most people in poor areas to pay. These charges were \$600 for a water connection and \$1000 for sewerage. People living on incomes less than \$2 per day rarely have any savings and therefore find it impossible to meet such charges. However they usually can afford to pay a consumption charge. They usually do pay such charges and realise real cost reductions compared to using alternative sources by doing so.

The consequence of these un-realistic charges was that Aguas Argentinas was investing money and effort in extending the networks as required by the contract. However these extensions were not being used because of the barrier of the connection charge to the poor

This situation, arising from inappropriate contractual conditions, was preventing the provision of essential services, especially to the poor communities that the contract was supposed to be helping. It was therefore unsatisfactory from all parties' point of view.

After much discussion between the parties, the SUMA proposal was adopted. The SUMA was essentially a mechanism for spreading the costs in a way that benefits the poorer people. This new system comprised two elements, the "SU" Servicio Universal (Universal Service) and the "MA" Mejora Ambiental (Environmental improvement charge), which was the plan to protect the environment by providing sewerage for everybody. The original connection charges were abandoned and replaced with these two different charges paid by all users of the service. In this way there was a cross subsidy effect that meant that the barrier to access caused by the high connection fee was removed.

The success of this solution depended on political support and technical and contractual changes that could only be achieved by close co-operation between the operator, the government and the regulator. It was another good example of how positive interaction between the two contracting parties, the regulator which represented three levels of government, and the communities themselves could resolve difficult issues in a PPP contract.

The new price level, including the SUMA, became in real terms (Value of inflation deducted) the same as it was prior to the concession starting , without any real increase to the price operated by Obras Sanitacion de la Nation (OSN), the former public sector operator.

In addition to the introduction of the SUMA, Aguas Argentinas has taken a special 'pro-poor' stance from a very early stage in the contract. The company has been working on programmes designed specifically for the poorest customers. These programmes have conducted in close collaboration with NGOs, civil society and the local authorities. The overall initiative was called the 'Desarrollo de la Comunidad' (Community Development Programme). To conduct it Aguas Argentinas has introduced specially trained staff into each region of the concession. These people were dedicated to planning and implementing new service connections to the people in the poorest and most disadvantaged communities .