

# The push to revitalise PSP in Madagascar

Private sector participation in Madagascar's water sector stalled following the presidential coup in 2009. Now, the country's leading private water proponent, Sandandrano, wants to kick-start investment.

Madagascar's leading private water operator, Sandandrano, is actively seeking new sources of funding to boost its growth prospects after international donor financing was effectively cut off following the 2009 presidential coup.

Sandandrano was the first private water company to be created after the 1998 Code de l'Eau (Water Code) ended state monopoly and allowed operators to charge for water. Its founder and director, Gérald Razafinjato, had already been lobbying for the introduction of water tariffs since 1989, and witnessed the steady growth of private sector participation in the republic until growth stalled due to a lack of financing following the coup. Sandandrano provides drinking water to seven municipalities with a combined population of 200,000.

"We had argued that the only way to have a sustainable system was to get people to pay, rich or poor," Razafinjato told GWI. The company started by taking over the management of public standpipes in municipalities where Jirama, the public water and electricity utility, was struggling financially. In Ankarobato, Sandandrano had calculated that if the municipality collected its taxes (public standpipes are paid for through local taxes, rather than direct customer billing), it would be able to repay Sandandrano's initial \$12,000 investment in two years; it did so in eight months.

"It was just a case of implementing water tariffs, and raising awareness amongst consumers about the services these taxes supported," says Razafinjato. Ankarobato is the first municipality in Madagascar to have achieved the Millennium Development Goal of providing access to drinking water to more than 85% of its population.

Razafinjato also argued that the majority of Malagasy households – even the poorer ones – aspired to having water at home and were willing to pay for the privilege. In Ambohijanank, where Sandandrano negotiated a greenfield concession to build a drinking water network, Razafinjato only installed private water connections and 'social' connections (supplying four or five households, who split the cost of the connection and the monthly consumption).

Thanks to this policy – and regular

campaigns to promote water connections, which are often subsidised – Sandandrano has already achieved its cost recovery objective of 200 private connections per concession. "We're interested in revenues, and as soon as you turn the tap on, you get return on investment," Razafinjato says.

More and more municipalities solicited Sandandrano's help, and in 2009, just before the political crisis struck, the company signed a draft agreement with project developer InfraCo and the International Finance Corporation for an ambitious €42 million contract to develop drinking water infrastructure in 11 municipalities in the greater Antananarivo area, surrounding the capital city. The project also planned to sell bulk water to Jirama (where the current production deficit is 125,000m<sup>3</sup>/d), but following the coup, the IFC put the funding on hold.

Similarly, Sandandrano had negotiated with a Swiss NGO to develop \$200,000 of drinking water infrastructure in Ampefy (population 7,000), a municipality located 100km west of the capital. The NGO had committed to fund 60% of the project if Sandandrano could finance the rest, but the financing fell through after the crisis.

Razafinjato is now looking for ways to revive some of these projects. In the case of Ampefy, an Italian NGO is planning to build a high-tech hospital in the town. The facility will not function without water, so the NGO has joined the search for water financing.

As for the municipalities in the InfraCo project, Razafinjato says that Sandandrano is looking into the possibility of bringing water to one municipality in the south (population 15,000) by linking it to the infrastructure of a neighbouring municipality, Ambohijanank, which it already manages. "We could finance this project ourselves, but we will need additional financing for other municipalities," he says.

The municipalities themselves have no resources, so Razafinjato is considering borrowing from Malagasy banks. In the current context, however, local banks are not in a position to lend the €42 million needed for the project, although they may be able to finance part of it. The guarantee remains an issue, however. "We recently approached French development agency AFD's mutual guarantee arm, Solidis, to

## What is Sandandrano?

- **Number of towns managed:** 7
- **Population served:** 214,000
- **Private connections:** 715 (excluding Foulpointe)
- **'Social' connections:** 46 (excluding Foulpointe)
- **Public standpipes:** 125 (excluding Foulpointe)
- **Production capacity:** 6,320m<sup>3</sup>/d
- **Network length (km):** 83.5
- **Water tariff for private connections:** \$0.50-0.70/m<sup>3</sup>
- **Water tariff for collective connections:** \$0.25-0.35/m<sup>3</sup>
- **Standpipe water tariff:** \$0.50/m<sup>3</sup>
- **Turnover:** \$273,400 (2010); \$1.3m (2011 forecast)
- **Profit (2010):** 25-30% of turnover
- **Bill collection rate:** private connections 80-100%; public standpipes 100%
- **Number of employees:** 159

see if they could help us, but it's early days," according to Razafinjato.

In the meantime, the company is working with USAID on two projects to improve water and sanitation in eastern Madagascar. Sandandrano's responsibilities are to design and build water networks in the project's municipalities and train local private water companies to operate the networks. Operators are appointed by the municipality following a tender. "We're basically training lots of small Sandandranos," says Razafinjato. "It's very important for these projects to be sustainable, otherwise you end up with the perennial problem of having to call in outside expertise every time you need to tighten a bolt."

Sandandrano is also finishing work on a new drinking water network in the municipality of Foulpointe in eastern Madagascar, where the taps should start running in 2012.

The political crisis may have cost Madagascar a great deal, but Razafinjato remains ambitious. "Our objective is to double the population served by Sandandrano over the next ten years. Had we not had the political crisis, we could have done a lot more."