

## What is it about?

The Millennium Development Goals (MDGs) were adopted in 2000 to eradicate world poverty. One of the MDG targets is to halve the number of people without sustainable access to safe drinking water (1.1 billion) and basic sanitation (2.6 billion) by 2015. In this context, the Dutch Government has committed to ensuring safe drinking water and basic sanitation for 50 million people.

There was a widespread belief in the 1990s that private sector participation (PSP) in water supply and sanitation would help the poor gain access to water and sanitation services at affordable prices. The focus on private sector involvement is now gradually fading and enthusiasm has been replaced by doubt. The low profit margin combined with high risk profiles reduced their appetite. Publicly owned and managed water utilities currently still provide more than 90% of the world's urban population with drinking water (and sanitation) services. Unleashing their potential may yield significant impact towards achieving the MDGs. This has been recognised by the UN, and through a new mechanism - Water Operator Partnerships (WOPs) - it is pursuing increased cooperation between public utilities. The focus is on securing improved (operational) performance of water utilities to ensure and expand reliable and cost-effective water and sanitation services.

## Who are Vitens and Evides?

Vitens and Evides are the two largest water companies in the Netherlands, supplying drinking water to some 3.2 million house connections. Their combined service area covers more than 50% of the country and includes major towns such as Arnhem, Zwolle, Utrecht and Rotterdam along with its international harbour. While Vitens uses groundwater as the main source for drinking water, Evides focuses predominantly on surface water.

Both companies are privately structured but publicly owned. The shareholders are local authorities comprising municipal and provincial governments. The shareholders set the tariff and determine the required investment budgets. Payment of dividends to the shareholders is capped on the basis of national legislation.



## Key figures



Turnover	€ 423.2 million	€ 282.5 million
Drinking-water supplied	350 million m <sup>3</sup>	266 million m <sup>3</sup>
Distribution network	47,500 km	10,000 km
Average tariff	€ 1.32 per m <sup>3</sup>	€ 1.52 per m <sup>3</sup>
Connections	2.3 million	1.0 million
Employees	1,500 fte	550 fte

Vitens and Evides decided to join forces for their international activities and established Vitens-Evides International BV (VEI) in 2006. VEI can draw on the excellent operational and engineering skills of its parent companies. Through VEI, Vitens and Evides want to take part in the Global Water Operator Partnership (WOP) Programme and to assist developing countries' local water utilities to sustainably improve their operational performance. These companies will eventually become more autonomous, sustainable and financially sound. This upward spiral of improvements will spark a development towards introducing tariffs that fully cover the costs of the utility. Financially sound utilities are a prerequisite for the provision of sustainable water services to low-income groups and the urban poor, contributing to the MDG.

Although VEI focuses on drinking water supply, the available professional skills and sanitation expertise are ensured through partnerships with Dutch Water Boards.

### Why commit to MDGs?

As public utilities, Vitens and Evides see their commitment towards the MDGs as part of their corporate (global) social responsibility. As such, they have a genuine interest in contributing actively towards their achievement. The companies have amassed extensive, long-lasting, valuable knowledge and expertise over more than a hundred years with the abstraction, production and distribution of potable water. Both companies rank among the world's top in terms of service quality and reliability. They deliver excellent water services, and achieve full cost recovery in a highly effective and efficient manner. Vitens and Evides want to make their knowledge and expertise available to other water companies, to support their endeavours and to improve their operational performance. Vitens and Evides perceive their international involvement as part of their corporate and global social responsibility. This participation also provides good opportunities and challenges for raising awareness and involvement among their staff.

### What is VEI's profile?

Given the public ownership of its parent companies, VEI aims at projects with a low risk profile. Urban water supply and sanitation are capital-intensive with long pay-back periods for infrastructure investments. These characteristics, combined with VEI's risk adversity, dictate that VEI is not providing capital input directly; it may however act as an interface to facilitate donor support for additional investment programmes.

Together Vitens and Evides make € 1 million available to VEI annually. These funds are used to cover the organisation's overheads, to finance project identification and development, and to contribute towards project implementation. As a joint venture, VEI does not pursue commercial goals (such as turnover and profit targets), but instead functions on a *not-for-profit, not-for-loss* basis. These financial principles also translate into substantially lower project and office costs.

### What are the project characteristics?

VEI's projects target improving the operational performance of water (and sanitation) utilities. These projects can be characterised by:

- **Focus on urban water supply and sanitation**

Global urbanisation is occurring rapidly, particularly in Sub-Saharan Africa and Asia. Urban populations outnumbered rural ones by 2007. All inhabitants in the Netherlands are served by water and sewerage networks. In developing countries, these networks are confined primarily to urban areas. Thus VEI can provide more added value on urban water and sanitation networks.

- **Focus on operational performance**

Many water utilities in developing countries fail to deliver adequate services to their consumers (in particular the poor) due to a combination of insufficient funding for major capital investment projects and/or poor operational performance.

Given its risk adversity, VEI focuses on improving operational performance. There is a complementary link with capital investments. Major investment projects typically result in an increase in water production and a significant growth in customers. These projects will only lead to sustainable results when the water utilities have the operational capacity to absorb these investments. By improving their operational performance, water utilities will become more attractive for institutions intended to finance investment projects.

- **Focus on real needs of water utilities**

The actual formulation of projects is preceded by extensive and prolonged consultation between VEI and the prospective partner. During this consultation phase, both utilities assess the real (operational) needs jointly, and define the nature, scope and extent of cooperation. All operational areas of utility management can be included in the partnership (e.g. human resources development,

financial/commercial management, operational management of production and distribution facilities). Typically, targets and related activities are set on an annual basis. This facilitates a flexible response to changing environments.

- **Focus on capacity-building and transfer of knowledge and expertise**

In essence, water utilities worldwide have to carry out similar, repetitive operational activities. Linking utilities that perform well with those performing less well, provides a suitable mechanism for the transfer of knowledge and expertise. Peer-to-peer links will enable the transfer of hands-on, practical knowledge and expertise. This on-the-job training is complemented by formal (vocational) training programmes. Standard Operating Procedures (SOPs) are adjusted to suit local circumstances and implemented to ensure performance efficiency gains.

- **Attention for the institutional setting**

The success of a partnership is decided partly by an enabling environment (referring to good governance and local sector policies) at the national level, and to the proper institutional setting at the local and regional level. VEI is a strong advocate of increasing the autonomy of water and sanitation corporations at a local level.

- **Combine human resources with operational investments**

The combination of human resources, methods and means determines the operational performance of water utilities. Through its involvement, VEI is contributing towards capacity-building within utilities by introducing Standard Operating Procedures (SOP). In reality, water utilities often lack sufficient means for efficient operational performance (e.g. computer hardware/software, tools, equipment, transport). Typically, we include a budget for these items in our projects.

## Which type of international activities?

- **Water Operator Partnerships**

We prefer to cooperate with water utilities through a WOP arrangement. This allows us to assess the utilities' real and perceived needs jointly and to design a flexible support programme addressing these needs. VEI is in a position to develop such WOPs at its own cost and to make substantial contributions towards their implementation. In the absence of specific tailor-made arrangements for WOPs, VEI utilises well-established contracts for public-private partnerships, such as Technical Assistance, Service

and Management Contracts. Given its risk adversity, VEI is only willing to accept operational and managerial responsibility in its projects and refrains from commercial and/or investment-related risks. Our current WOP portfolio in Ghana, Mozambique, Yemen, Vietnam and Mongolia includes nearly 100 medium and large-sized cities with a total population of 20 million. The total WOP portfolio amounts to almost € 30 million. Although VEI can contribute towards development and implementation of WOPs, it is evident that donor financing is required.

- **Advisory services**

Publicly-procured consulting services sometimes require specific expertise from water operator experts. Typically, VEI acts as a sub-consultant in a wider consortium to provide these specific advisory services. Examples include engineering services, definition and implementation of NRW strategies and accreditation of laboratories. Our current portfolio includes projects in Mauritius, Kenya, Romania, Russia, Ukraine and Surinam.

- **Capacity building**

In combination with Dutch knowledge centres, VEI is embarking strongly on capacity-building as the cornerstone of its interventions, through providing advisory services and participation in professional operator training, education and exposure programmes.

- **Advocacy**

VEI aspires to a leading role in the policy discussion surrounding new models for public-public partnerships between water utilities. International financing institutions (such as the Asian Development Bank and European Investment Bank) are currently exploring the possibilities and modalities of such partnerships. VEI wants to be a frontrunner by providing practical examples of such partnerships.

- **'Water for Life' Foundation**

Vitens and Evides have established a charity foundation called Water for Life. Through this the companies enable their clients to contribute voluntarily towards water and sanitation projects in developing countries. The foundation provides grant financing for water and/or sanitation facilities for the poor in peri-urban areas. The projects are identified and supervised by VEI staff and implemented through the local water utilities. Water for Life currently raises some € 0.5 million annually.



### The concept:

- **Broad base of knowledge and expertise**

- VEI staff with wide international experience.
- Knowledge and expertise of the two largest public water utilities in the Netherlands, serving some 3.5 million connections.
- Mobilisation of experienced water operator professionals and managers.

- **Public-oriented**

- Vitens and Evides are publicly-owned. VEI is not commercially driven by turnover and profit targets. VEI is therefore an attractive partner for public utilities.
- The public nature of VEI enhances acceptance of local and international NGOs and civil society.

- **Donor-supported**

- VEI's partnerships are supported by major multilateral and bilateral donors.
- VEI's partnerships are linked (in)directly to substantial investment programmes financed by the donor community.

- **Socially-accepted**

- Vitens and Evides customers contribute towards the 'Water for Life'-foundation. The foundation provides grant financing for pro-poor projects. These projects are complementary to VEI's involvement.
- VEI is driven largely by the UN Millennium Development Goals.

- **Non-commercial drive**

- Continuous focus on the real, felt needs of the local utilities.
- Flexibility in the deployment of long-term and short-term water operator experts.
- Effective and efficient use of donor finance.



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