

Ho Chi Minh City: A Legal Framework To Involve Small-Scale Private Water Provider

The city of Ho Chi Minh has to face two main issues to improve water supply at city scale:

- Important shortage of water (around 30%) due to rapid city and economic activities growth during the last decade. The water shortage is reinforced by the increase of the technical losses (from 20 to 30% the last few years)
- The rapid extension of the city with large peri-urban and rural areas not served.



Despite the investment done these last few years and new water production units, the water utility (Ho Chi Minh Water Supply Company) is always “running after the demand”. Based on the low progress of the water coverage (still more than 55% of the total

population don't have access to water utility service) and the existing involvement of many local water providers in non-served areas, the Municipality recognized that the water utility will not be able to serve all the citizen in the next 5 to 10 years. The Municipality decided in December 2001 to develop a legal framework to promote the involvement of small scale water providers to reach the target of the Master Plan 2001-2005: 90% of the population will have access to clean water.

A regulation on “socialization” of investment in safe water supply has been developed by the Municipality and the Water Utility during 2002 - currently reviewed by lawyers- which aims to facilitate the investment of local private companies to i) increase the water production, ii) improve the level of service in the areas non served by water utility, and iii) rehabilitate the pipe network in specific areas where water leakage is high. The areas to carry on the socialization program are selected by local authorities (Department of Public Works, Department of Planning and Investments,

People Committee of Districts) and technical specifications are defined by the water utility.

This regulation would define the (i) different types of investment, (ii) procedure to select the investors who are short-listed on their experience (tendering process), (iii) rights (development of his own business-plan) and responsibilities (clean water, technical standard, monitoring by local authorities) of investors and (iv) hand over process at the end of the sub-delegation contract (2 x 5 years) or when the area is reached by the water utility network. This regulation doesn't yet include specific and low-cost technology approach to facilitate service to poor; SSPWPs have to comply with the technical standards of the water utility.

Municipality: Through this innovative process, the Municipality wants to encourage the private investment and to promote partnership between Water Utility and the local operators. Water utility must support the small entrepreneurs both on technical and administrative aspects and on procurement of materials (PVC pipe, chemical products, etc.). The small entrepreneurs will benefit from the policy of privilege investment (tax exemption).

In 2002, a pilot project has been set-up with Hiep An Company, a private company based in District 8, which signed a contract with the Water Utility to sell it safe water by bulk (700m³/day). Water is pumped from 2 wells and treated in a water unit. In addition, this Company serves safe water to around 100 households in the neighborhood. Hiep An Co. has invested around \$100,000 in this area and is currently studying a new investment (for around \$100,000) in another District including a commercial center and around 200 households to be served.

