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RESEARCH

Igniting ideas!

Water Franchise: Sustainable Financing and Operation of Water Efficiency

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India is among the countries with the most urgent need to invest in new constructions, modernisations, operations and maintenance of water and sanitation facilities. However, as has been experienced worldwide in the last decades, financing and sustainable maintenance of facilities are pre-conditions to each other. Without finance, no investment or budget for operations and maintenance can be realised. Vice versa, without sustainable operations and maintenance, financing of facilities would lead to malfunction and end in sunken investments or in a loss of money.

Idea: Sustainable operations and maintenance on site need local ownership and local business. For large and complex technical deliveries and services, the local businesses have mostly been excluded, or limited to the role of sub-contracting under expatriate companies.

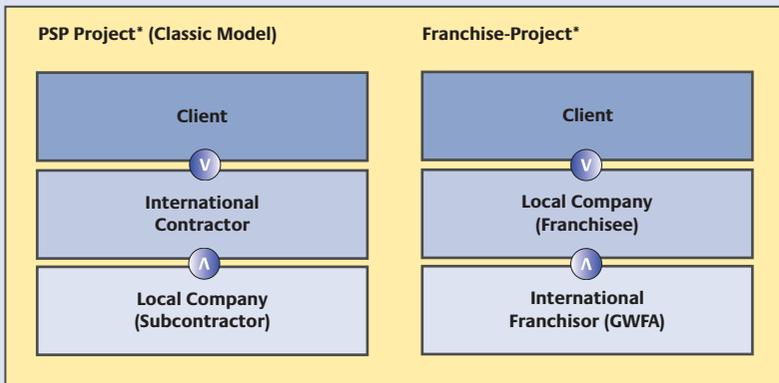
The reason is that donors and banks prefer big players from the international arena. One essential pre-condition for them, as for any investor, sponsor or lender, is that he can expect successful performance of the water and sanitation facilities to be built with his financial contribution. Most sponsors would request a performance guarantee-covering development, technologies and operations. Small and medium-sized companies, as well as public utilities undergoing transformation (i.e. local players) cannot deliver this. This is why donors, such as the European Union, are delivering Technical Assistance mainly through international

consultants, or why the European Bank for Reconstruction and Development (EBRD) and other international organisations are financing privatisation schemes with large international water service providers.

The word “Franchise” is derived from the word “frank”, related to the word “free” (still used with the phrase “frankly speaking...”). “To franchise” means in our context “to set free” the local business from the limitations that have prevented them from developing their local water business as contractor of engineering, technologies or operational services. The Franchisor (usually a strong, professional company that is internationally established) will “set free” the Franchisee (usually a local, small or medium sized regional enterprise) by eliminating restrictions, which can then allow the local company to deliver high quality water technologies and services. In other words, the Franchisor will enable its Franchisee to promote, build, finance and/or to operate ambitious water facilities.

Well-known examples are McDonald’s (fast food), Mister Minit (shoe repairs) or Hilton Hotels. In all cases, the local operator (Franchisee) is acting as

Relations between Client, Local and International Enterprise in the Classic Model and in a Franchise Model



an autonomous enterprise, contracted by its customers and responsible for delivering the goods and services to the customers' satisfaction. The Franchisor will provide all necessary organisational background, logistics, tools, software etc. He will secure continuous quality management, starting from project development and promotion (reputation, branding) until project completion. The Franchisor will train his Franchisee to reach the required level of know-how and capacities, enabling the Franchisee to deliver all goods and services at high reliability, quality and performance.

Franchise can be understood as a capacity-buy-in concept, as a specific form of a twinning approach, even as a local ownership scheme, or a micro-PSP, but always within a professional, sustainable structure and with a performance guarantee ensured through a strong partner.

The Global Water Franchise Agency (GWFA) has been founded by HUBER (www.huber.de), REMONDIS Aqua (www.remondis.de), and RUDOLPH (www.professor-rudolph.de), with the goal of sharing know-how, capacities and technologies for project development and project opportunities, while improving water and sanitation world-wide for the sake of the people and the environment. The GWFA is open to others who are capable of strengthening the Agency's platform, or who would like to utilise it for local business development.

Applicability

The Franchise concept is applicable and a good option for further consideration in cases where:

- **Ambitious technologies have to be applied, which need more experiences and capacities for operations as can be guaranteed on the local level [High Tech (i.e. for recuperation of valuables from solid waste) may be one of these, similar as High Brain/Lean Tech (i. e. green technologies with intelligent process control, such as solar sludge drying)];**

- **There is a shortage of financing resources for water projects and necessary investments, perhaps because banks are reluctant facing investment and functional risks, even though such projects are of outstanding importance regarding humanitarian, ecological or economic needs, and although such projects would be profitable if executed with appropriate technologies and good management;**
- **Technologies (respectively investments) could be applied in large number, and realised much cheaper and quicker through Franchise models based on standardised organisation and financing schemes with significant savings through economies of scale (e.g. for compact plants for water reuse, for seawater desalination, for biogas production and, in general, for decentralised plants);**
- **The Client/Employer is interested in developing the local water and recycling business as an important part of the local economy and society.**

Franchise concepts may not be the best option in certain cases, where alternative options can be realised without difficulties, for instance in cases where:

- **Simple process technologies and simple operational schemes are sufficient, as can be handled easily on the local level, without specific know-how and capacities regarding financing and operations;**
- **The customer demands the delivery of machines, which can be financed and operated without problems by existing local water and sanitation utilities respectively by the industrial customer itself;**
- **There are no political restrictions or similar difficulties to directly involve international companies (i.e. in the frame of management contracts, Build, Operate, and Transfer (BOT) contracts, concessions) or**

- **All stakeholders are satisfied to include local small and medium enterprises limited to their role as subcontractors (this is often the case with the so-called “Technical Assistance” sponsored by international donors)**

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