



Establishing Multi-municipal systems in Portugal

The AdP Group example





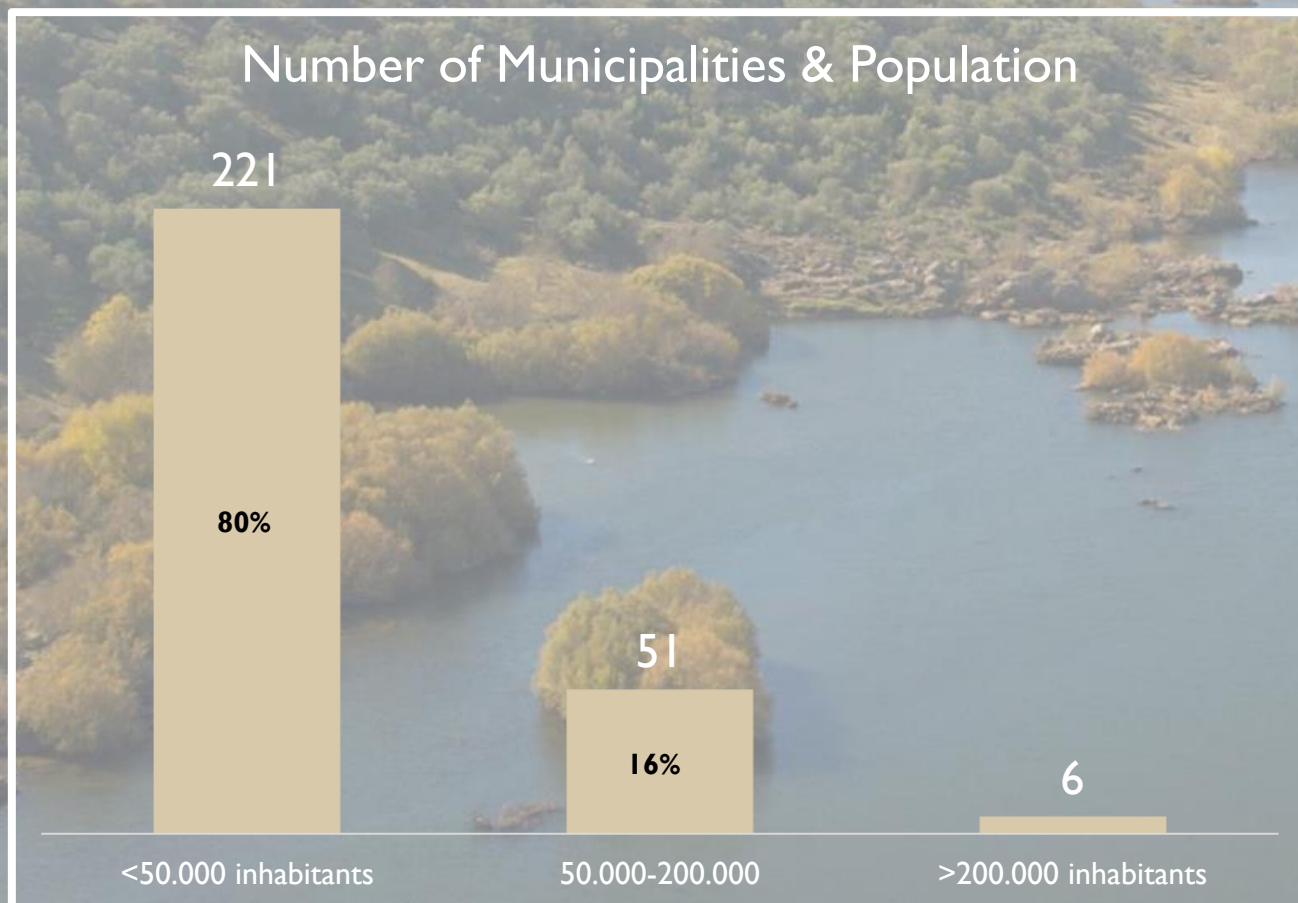
Águas de Portugal is a **100% STATE-OWNED HOLDING** founded in 1993 with the mission of designing, building and managing Water Supply and Waste Water Systems.



The Multimunicipal Model

Portugal 30 years ago...

Fragmented municipal operators



15%

Population served by waste water treatment systems

50%

Safe water distributed to the population

75%

Population connected to a public water supply systems

PORTUGAL 30 years ago...

Infrastructure Gap

Heavy investment required and available funds wasted...

Low performance, low quality

Unsafe water, intermittent supply, polluted rivers

Inefficiency

No corporatization; municipal direct management

Talent deficit

Insufficient skilled professionals on small operators

Unsustainability

Only a small part of the costs were being recovered

Lack of transparency

No information to consumers and stakeholders

One exception

EPAL, public utility operating under commercial law, water provider of 20 municipalities around Lisbon.

AN INSTITUTIONAL REFORM WAS NEEDED

1993

Central Government decided to built
upon the example and experience of
EPAL



THE INSTITUTIONAL REFORM



A NEW LEGAL FRAMEWORK AND A NEW MANAGEMENT MODEL

Decree-Law nr. 379/1993

Opening-up of the sector to
private companies

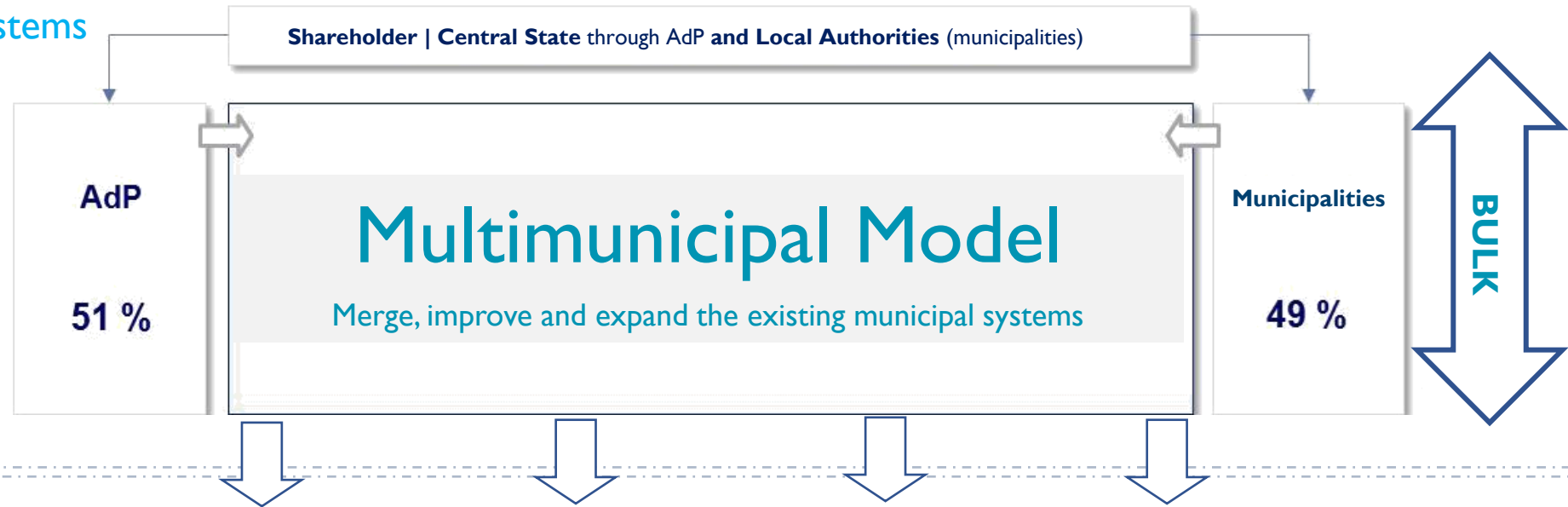
Municipal Systems: The design, construction and management of the systems are entrusted to the municipality; private entities may be called to participate, under concession contract.

Setting the conditions for
development of Multimunicipal
systems

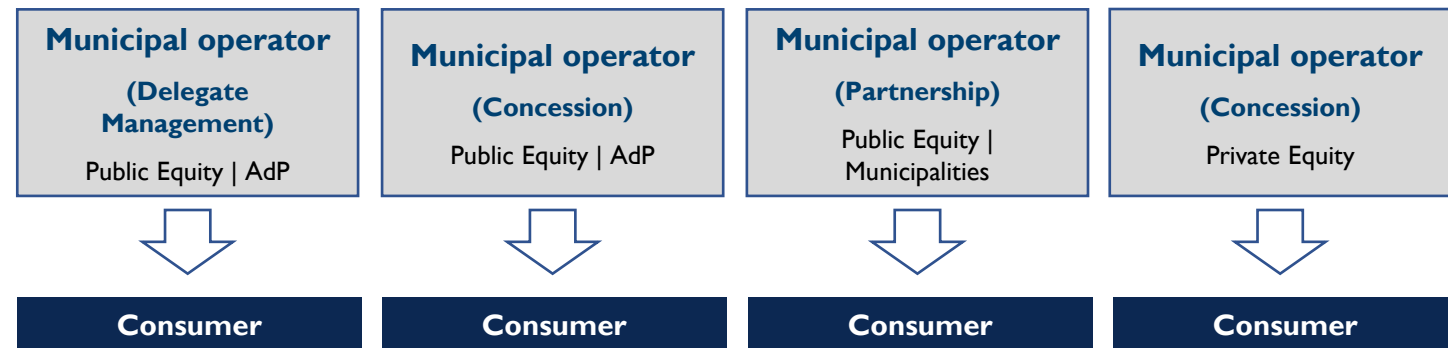
Multimunicipal systems: The design, construction and management of the systems are entrusted to a public entity of a corporate nature under private law, where the State holds 51% or more of the share capital, whereas the remaining share capital is held by the municipalities.

A NEW LEGAL FRAMEWORK AND A NEW MANAGEMENT MODEL

Multimunicipal Systems



Municipal Systems Intermunicipal Multi-municipal



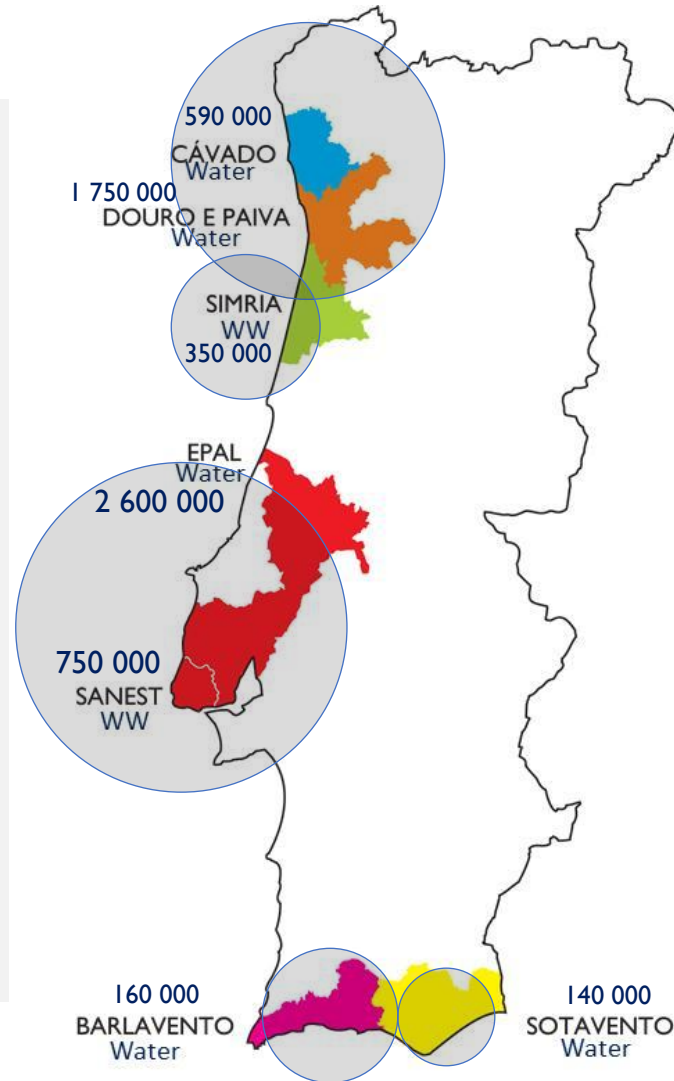
THE MULTIMUNICIPAL SYSTEMS

- **Multimunicipal companies provide wholesale water services** to the municipalities, through an **in-house contract** is awarded by the Government to these SOE.
- **Contract includes a capital investment plan** for the duration of the contract.
- **Full cost recovery tariffs are set annually** by the Regulator on the basis of a budget presented by the company.
- **Cost-of-service model** with a **fixed return on capital**
- **Benchmarking by the National Regulator** by annually monitoring a set of KPI's.



FIRST GENERATION OF MULTIMUNICIPAL SYSTEMS

- Focus on regional critical challenges
- Separated companies for water supply and wastewater
- Densely populated metropolitan areas
- Mature projects and master plans available
- Grants from Cohesion Fund were made available

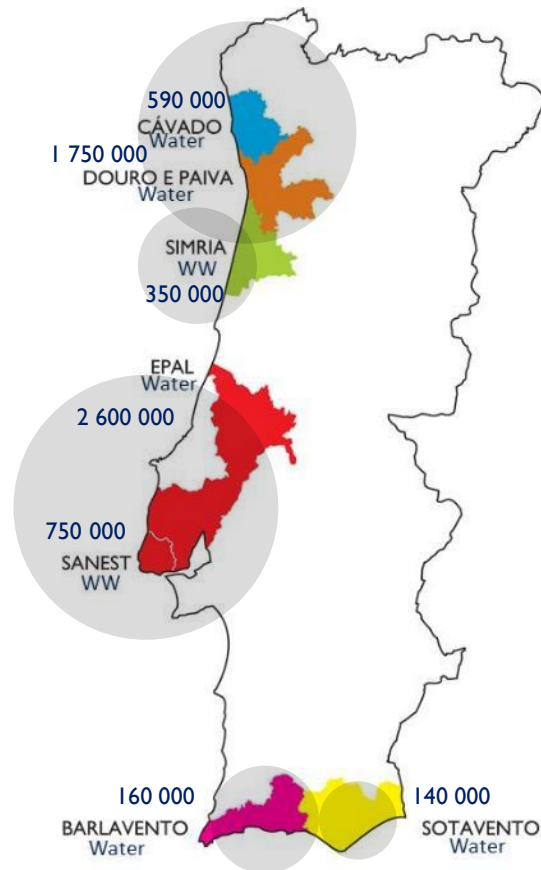


RESULTS ACHIEVED BY 1999

- **Relevant scale economies** and efficient regional infrastructural systems.
- **Great improvement** in water services in metropolitan areas.
- **Effectiveness in EU funds** application.
- **Accomplishment of EU environmental standards.**
- **Full cost-recovery** implementation in bulk water services.

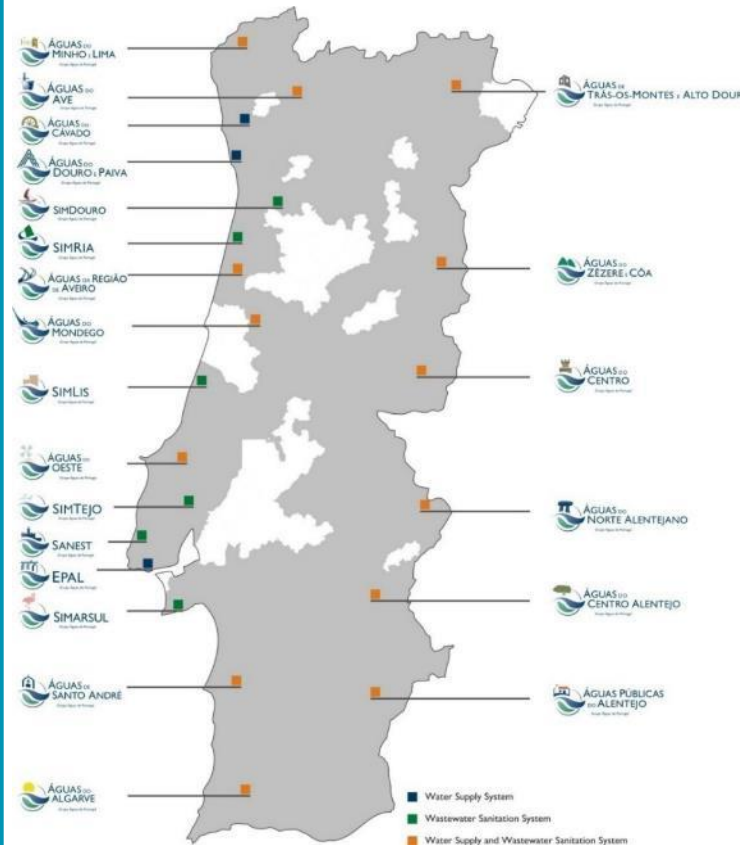
30 YEARS OF DEVELOPMENT

Focus on metropolitan areas and areas with higher population density



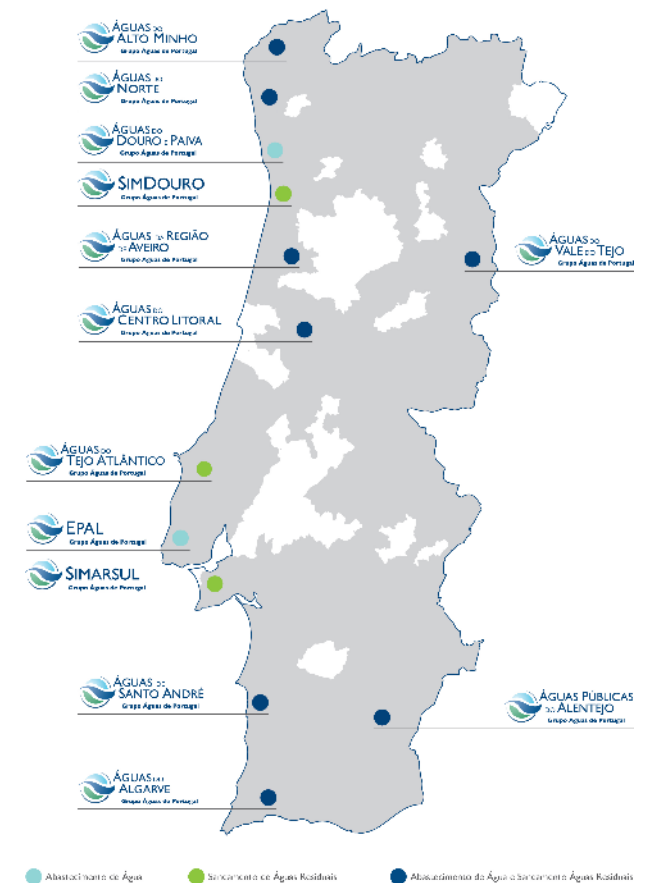
1993-2000

Extension of the successful model to other regions (2nd generation)



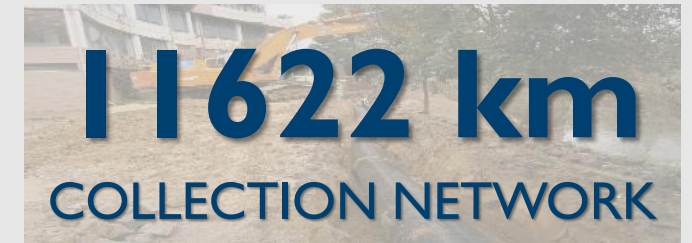
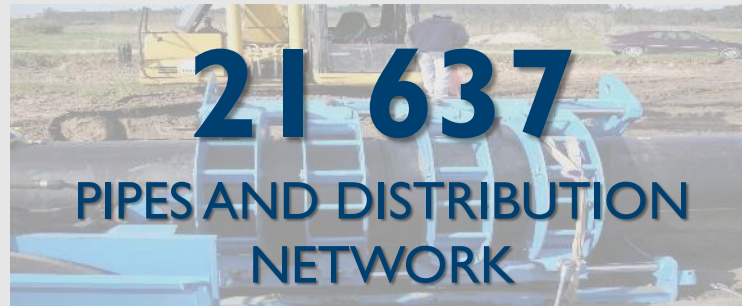
2000 - 2012

Aggregation of SMM & Delegated Management, aiming to standardize tariffs and maximize economies of scale



2012 - 2022

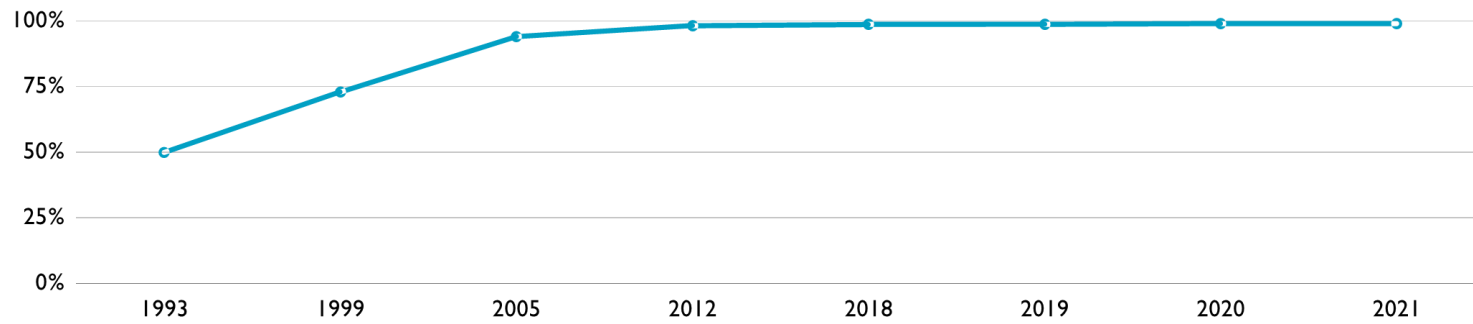
WATER SUPPLY AND WASTEWATER SYSTEMS



NATIONAL ACHIEVEMENTS

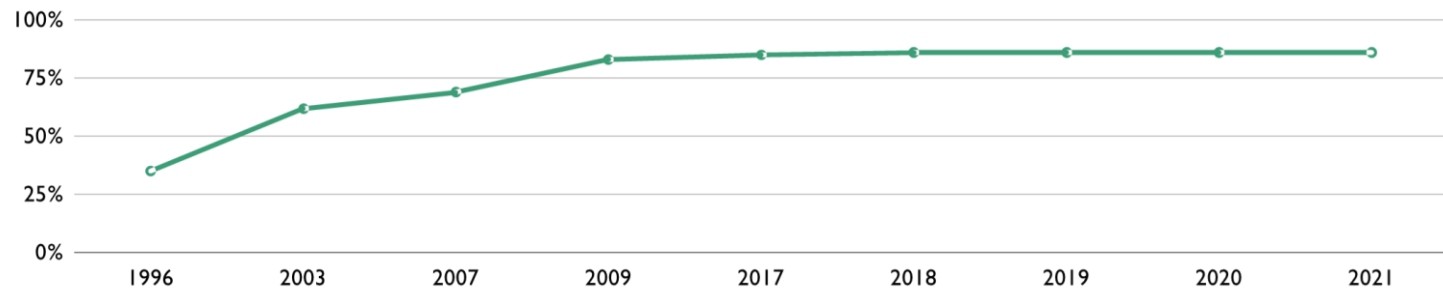
CONTROLLED AND GOOD QUALITY WATER

99%



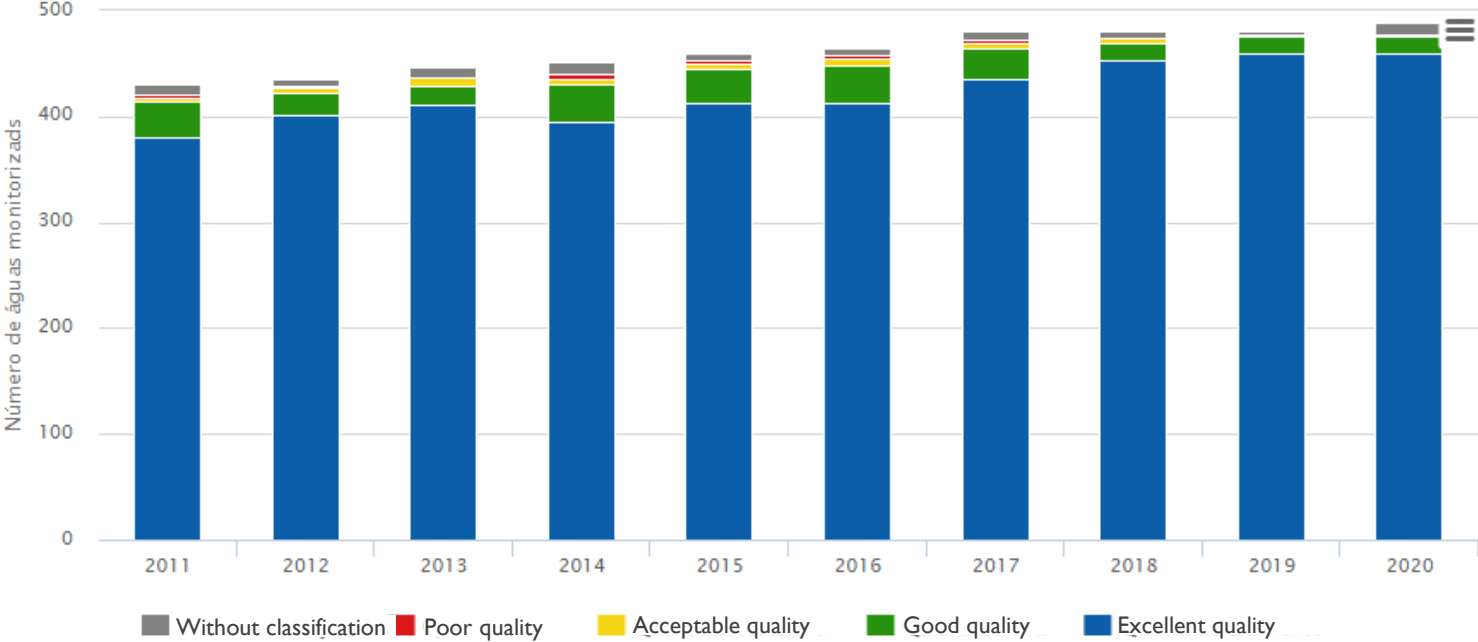
SANITATION - POPULATION SERVED IN PORTUGAL

86%



NATIONAL ACHIEVEMENTS

BATHING WATER QUALITY



Source: REA, APA – Agência Portuguesa do Ambiente (Portuguese Environment Agency), 2021



LESSONS LEARNED

Corporatization is very important for sustainable water services;

Sustainable cost recovery is a must;

Water and wastewater services should preferably be delivered by the **same entity**, in order to have sustainable solutions for wastewater management;

Water services must be provided by **regional, not local entities**;

Benchmarking is very important for the transparency of the system.



PRIORITIES AND CHALLENGES

Resources valorisation

Asset management for long term sustainability

Adaptation to climate change

Digital transformation

Innovation

New business areas