

UNCTAD

**Expert Meeting on Universal Access to Services
Geneva, 14 – 16 November 2006**

Session No 3 : Universal Access to Water Services

Scheduled on : 15 November 2006 – 10:00 to 13:00

Contribution from Xavier Maitre Robert (AquaFed ¹)

The contribution of Xavier Maitre Robert to this session focusing on **Water and Sanitation (WatSan) services** will encompass the following key points/issues :

1. Universal Access (UA) and Right to Water (RtW) :

- UA to Water services and RtW are two on-going and long standing debates targeting the same objective : to provide access to water and sanitation services to everybody,
- As part of the **World Water Forum 4 (WWF4)** held last March 2006 in Mexico, **AquaFed** has issued a Press Release on the RtW emphasizing the importance of the RtW resetting out its vision of how best to implement the RtW,
- Base on experience, a proper local implementation of the RtW would require **3 important steps** as stated in the **AquaFed** press Release dated 19/03/2006 (see ²) :

1. Acknowledging the content of the right to water.

After all the discussions in Mexico at WWF4 and all the preparatory work, including the reference report that has been released by the World Water Council, the international community should close this debate to permit action to take place.

2. Identifying the public authority in charge of the implementation of the right to water, its related duties and its means of action.

In many places in the world this has yet to be decided. In particular, tariffs structures have to be appropriate, local authorities must be allocated the appropriate financial means and their obligations should be clarified.

3. Making the right real to every individual through delivery in the field. This is where efficient operators are needed to produce the expected results.

Water operators are the instruments of the public policies that aim at increasing access to water and sanitation. If called on, they can deliver.

- A proper implementation of the RtW meeting the above requirements might help to achieve UA to WatSan services.

¹ **AquaFed** is the International Federation of Private Water Operators (see : www.aquafed.org)

² see : **AquaFed** press Release dated 19/03/2006: [http://www.aquafed.org/pdf/Operators_Right-to-Water PR Pc 2006-03-19.pdf](http://www.aquafed.org/pdf/Operators_Right-to-Water_PR_Pc_2006-03-19.pdf)

2. Importance of Local Governments and Local authorities in providing access to WatSan services :

- Local Governments and Local authorities are now recognised, in many countries, as a **key level** in the delivery chain of **WatSan services** :
They are now officially recognised as a voice in the international debate after their official statement at the WWF4 in Mexico city in March 2006 , through **UCLG (United Cities and Local Governments)** (see footnote ³). This was not the case before.
- This trend contributes to clarify the situation regarding the implementation of the RtW , as regard to the above mentioned **step No 2**.
- Development banks, Multilateral (MFIs),and Bilateral institutions (and any other financing mechanism based on decentralised co-operation) also increasingly tend to deal directly at sub-sovereign level or to make sure that the Financial assistance and funds reach this level,
- Decentralised co-operation (e.g. see mechanism allowed in the French law by which a local authority can raise additional money through the water bill to grant water projects) targets directly the local authority level
- **Example : Uganda approach** : world leader in reforming the water sector because of its political commitment and decentralising the management of its water resources to district-level bodies (mentioned in UNDP HDR 2006 report). In its 1999 water policy, Uganda aimed for 100 percent coverage by 2015. Budget allocations for water management were increased from **0.5 percent** of public expenditure in 1997 to **2.8 percent** in 2002. Water coverage levels have increased from **39 percent in 1996** to **51 percent in 2003**, meaning an additional **5.3 million people** had access to safe water in 2003, most of them in rural areas.

3. Financing issues :

- **3.1 : Key issue** : WatSan services are capital intensive activities that generally require a lot of investment in “hard core” assets (boreholes, water treatment plants, pipes, networks, sewerage collection network, Waste Water treatment plant, etc...), as opposed to other type of essential services (e.g. mobile phone network) less capital intensive. Many water services in developing countries, as it currently stands, have not reached a self financing stage, and are chronically underfunded,. Having said that, many reports only target the new infrastructure needs and forget the requirement to finance operation and maintenance of existing infrastructure.
- **3.2 : Financing water for all task force** : See conclusions from the “**Financing Water for All**” task force (chaired by **Angel Gurría**) report that was issued during WWF4 (⁴) : this task force highlights the need for local operators to get access to long-term loans in local currency with affordable interest rates. A lot of work has yet to be done in many countries to make such financial products available to water authorities and operators.

³ See : http://www.worldwaterforum4.org.mx/files/Declaraciones/Local_Authorities.pdf

⁴ See : <http://www.financingwaterforall.org/> and more particularly : http://www.financingwaterforall.org/fileadmin/Financing_water_for_all/Reports/Financing_FinalText_Cover.pdf

- **3.3 : Targeting connections :** As a matter of practical experience, to develop a universal access policy any subsidy to water users is more effective and will provide a better outcome if it **targets directly the population not yet connected to the public water service, as opposed to any subsidy based on the consumption** (m³ supplied or delivered) **of the (already) supplied households :**
 - The latter will benefit to all connected households, irrespective of their wealthiness,
 - The former has a better chance to properly target and benefit the poor population, not yet connected, and may facilitate access to poor people.
- Sticking to this principle, it is even possible, and wishable as long as it is practicable and politically supported, to implement **cross-subsidies** within the local water service, from the connected population towards the population not yet connected/served,
- The feasibility of such a measure requires the ratio of the wealthiest part of the population over the poorest part of the population (unserved in WatSan services) to be quite balanced (impossible in a deprived area),
 - Such a measure has been implemented in **Buenos Aires (Argentina)** through the decision to levy an amount on each m³ of water billed to subsidise connection costs ; this ultimately **allowed to connect a population of broadly 2 million people** that were unable to get a connection in the absence of subsidy.
- This **cross-subsidy approach** geared towards the unserved poor part of the population can be organised at the level of the **local authority first** and then if not possible, at the **regional level**, then **country/state level**, and **finally international level** (through financial assistance ODA, Grant, decentralised cooperation,...)
- The **cost of individual connexion** to the distribution network **is always a problem** as it is often **not affordable (when charged at cost) to the poorest households** and therefore needs a partial financing/subsidising mechanism :
 - **OBA (Output Based Aid)** is one of the available mechanism which has proved to be successful in many cases (see ⁵ web site of GPOBA that provides numerous examples of implementation of OBA schemes in Water and other essential services),
 - **Example of OBA in sewerage:** Rural households in **Botswana** were subsidised to build latrines and the government invested in health and hygiene education programmes.
 - **Self-lay** schemes (also used in **Buenos Aires, Johannesburg** or **La Paz**)
- **3.4 : Sustainable cost recovery :** The natural conclusion of the above, within a context of permanently financial scarcity in developing countries is that **“Cost recovery” approaches** should be implemented as far as possible, recognising that, apart from other public money, the **primary source** of finance for WatSan services is the **contribution of users/consumers through the water bill and that prices must be affordable for each user :**

⁵ See the web site **GPOBA : The Global Partnership on Output-Based Aid** which is fully dedicated to OBA : <http://www.gpoba.org/index.asp> . The **Global Partnership on Output-Based Aid (GPOBA)** is a multi-donor trust fund which aims to fund, design, demonstrate and document OBA approaches to support the sustainable delivery of basic services to those least able to afford them and to those currently without access

- **Cost recovery** approaches have to be undertaken in a sustainable way : i.e. consistent with the **willingness to pay** (and affordability) of the poorest part of the population and a high visibility of public budget subsidies : concept of **sustainable cost recovery**.
- **3. 5 : Optimising the use of ODA :** Given the scarcity of available external funds, any external financial assistance (through ODA, MFIs grant, state subsidy, regional cross-subsidy...) **should be designed and act as a catalyst** to mobilize other financial resources and to initiate new investment, enabling better levels of service (even basic at the beginning), and allowing to progressively implement a **global cost recovery approach in the long run**,
 - **Example : India – Tamil Nadu revolving fund.**

4. **UA to WatSan services can only be reached with the support of the population :**

- For any project extension of access to WatSan services it is important to associate the **local population** through a **local representative committee**, or through **civil society** organisations :
 - The **technical design and the type of access to WatSan services of the project of extension** has to be decided in close liaison with **local representatives** : common yard taps, standpipes shared by several household, location of yard taps, individual connexions (budget permitting), etc...
- **It is paramount not to discriminate the different parts of the population within the same neighbourhood**, part of the city (informal settlement) or village and treat everybody in the same way with regard to access to WatSan services ; so better to start by modest improvement in level of services (yard taps, standpipes..) to begin with and raise these levels of service progressively overtime (to target ultimately individual connexion of each household, dwelling).

5. **Tariff issues :**

- **Free water :**
 - **For everybody** : unrealistic and economically and environmentally unsustainable (wastage), as the cost of the services has to be funded by other sources of finance and budget (tax payers, state level, international assistance...); wrong economical signal sent within a climate changing framework of increasing water scarcity and more stressed and polluted water resources,
 - **inequitable : the poorest are generally not connected, do not benefit and have to pay high prices to water vendors,**
 - **For the poorest households** : issues : how to spot the poorest and target them in informal slums and settlements, which criteria, who pays and who does not pay ?
 - **Free water up to a volumetric threshold** : see **South African experience** : Free water policy : for a consumption up to a threshold of 6m³: per month and per Household :
 - **Perverse effects** : The wealthiest part of the population also benefits of this subsidy, if the poorest part of the population is not properly targeted,
 - **A social approach would require the threshold to be on a per head basis (commonly agreed to be at least 20 litres per head per day)** : but this requires detailed population data (size of the household,..) which are very difficult to manage and maintain,

AquaFed

THE INTERNATIONAL FEDERATION OF
PRIVATE WATER OPERATORS

- **Deterioration of water bill recovery rate observed overtime in South Africa, after the implementation of the free water policy** (see ⁶),
- **Rising block tariff :**
 - Environmental incentive to save water and be water efficient,
 - Same remarks as above regarding the basis of the different thresholds : per head or per household or connexion,
 - Perverse and detrimental effect to the poor when several households are supplied by the same connexion; so shared taps, although very useful, and a key solidarity tool, do not benefit from this type of scheme.
- **Chilean experience of pro-poor policy that has proved to work quite well :**
 - Eligible households have to voluntarily register and apply to the local authority in order to get a reduction voucher; the percentage of the reduction depends on the household's financial resources,
 - The household pays the bill by using the voucher as a cash payment reducing the amount of the bill by the facial value of the voucher,
 - The Local service provider collects the vouchers and claim the money back from the state government,
 - Studies have shown that such a "social" scheme reaches the very poor,

6. The urban/rural divide :

- Achieving the Water MDGs requires to provide access to water in similar numbers of rural and urban inhabitants,
- **To develop networks, investments cost and operating costs generally higher in rural areas** (as opposed to urban areas) because of a lower density of population (ratio of population per length of network),
- **But access to WatSan services more complex to organise and deliver in urban areas**, and particularly in informal settlements and peri-urban slums :
 - More decision makers involved (planning authorities, ...),
 - Works are more complex to carry out,
 - More politically sensitive (reluctance of political authorities to support illegal settlements),
 - Being connected to WatSan services brings values to the land implicitly owned by occupiers in informal settlements and slums, as it recognizes the allocation of the land to the occupiers on a permanent basis, and stabilise local populations,
 - Technical and political interaction with other other parts of the city
- **In a urban context leakage management is quite often an important and critical issue :**
 - **Leakage rates** are often in excess of **50 %** in developing countries largest cities due to insufficient maintenance of the infrastructure (network),
 - Water saved from leakage (already often treated) is the cheapest available resource (up to the **ELL** : Economic Level of Leakage) in terms of long run marginal cost,
 - **Reversing the leakage trend requires a lot of commitment, professionalism, good methodology** and a lot of time to achieve/deliver, but is more sustainable and economical over the long term,

⁶ Report by Bilateral French Development Agency AFD : **Document de travail n°25 : Décentralisation et politique de l'eau gratuite en Afrique du Sud : Quelle place pour le secteur privé ?**
<http://www.afd.fr/jahia/Jahia/home/publications/documentsdetravail/pid/1658>

AquaFed

THE INTERNATIONAL FEDERATION OF
PRIVATE WATER OPERATORS

- Often more politically suitable, convenient and visible to build a brand new Water treatment plant (quick fix) to add the water resources to cope with expanding slums, but not economically optimal,
- Leaky and depressurised water networks are a **major cause of contamination of the supplied water** initially treated at potable water.

7. Contributions from private water operators to access to WatSan services :

- A few examples :
 - **Argentina - Aguas Argentinas - Buenos Aires** –: The private water operator provided access to water **2.1 millions people**.
 - **Philippines – Manila Water and Manylad – East and West parts of Manila** : **3,4 million** people have gained access to water.
 - **Gabon** : **200,000** people connected to water.
 - **Indonesia – Palyja – West Jakarta** : **over 1 million people** gained access to water.
 - **Small Scale Water Service Providers (SSWSPs) or Small-scale Private Service Providers (SPSPs) :**
 - The World Bank has numbered at least **10,000 SPSPs** in **49 countries** (likely to be underestimated),
 - Instrumental in providing basic water services for population out of reach of the local Water Utility (and sometimes the only source of water) particularly in periurban, rural and remote regions; prevalent in countries with low coverage levels,
 - may be the only viable operators for many years, in many places,
 - Also act as “**gap filler**” when the water service in served areas is interrupted, or not available for long periods,
 - Overall, it is estimated that **up to a quarter of the urban population in Latin America** and nearly **half of urban dwellers in Africa** rely on **SPSPs for at least a portion of their water supply**.
 - SPSP activity often considered temporary or informal, and thus **often not counted towards coverage targets (or water related MDGs)**.
 - Recognizing and supporting SPSPs further through partnership within a proper regulatory framework (depending on the type of SPSP : e.g. regulated affordable tariff based on a flat purchase rate to the water utility for stand pipe distribution, franchising after a bidding process,..) may be a practical way for governments to reach service coverage objectives more quickly.

AquaFed

THE INTERNATIONAL FEDERATION OF
PRIVATE WATER OPERATORS

List of documents referenced in this note and any other advised key documents :

- 1. AquaFed press release on “the Right to Water” :**
PRIVATE WATER OPERATORS CALL TO TURN THE RIGHT TO WATER INTO A REALITY FOR ALL PEOPLE (19/03/2006).
http://www.aquafed.org/pdf/Operators_Right-to-Water_PR_Pc_2006-03-19.pdf
- 2. LOCAL GOVERNMENT DECLARATION ON WATER at WWF4 :**
LOCAL GOVERNMENT DECLARATION ON WATER
ON THE OCCASION OF THE FOURTH WORLD WATER FORUM, MEXICO, 21 MARCH 2006 - PROPOSED BY THE UCLG COMMITTEE ON THE LOCAL MANAGEMENT OF WATER AND SANITATION (21/03/2006)
http://www.worldwaterforum4.org.mx/files/Declaraciones/Local_Authorities.pdf
- 3. Report for WWF4 from the “Financing Water for All” Task force :**
Task Force on Financing Water for All - report 1 Enhancing access to finance for local governments - Financing water for agriculture (Chaired by Angel Gurría) - March 2006
http://www.financingwaterforall.org/fileadmin/Financing_water_for_all/Reports/Financing_FinalText_Cover.pdf
- 4. Web site of GPOBA : The Global Partnership on Output-Based Aid**
The Global Partnership on Output-Based Aid
<http://www.gpoba.org/index.asp>
Extracts : About GPOBA : The Global Partnership on Output-Based Aid (GPOBA) is a multi-donor trust fund which aims to fund, design, demonstrate and document OBA approaches to support the sustainable delivery of basic services to those least able to afford them and to those currently without access.
What is OBA ? : Output-Based Aid (OBA) is a strategy for using explicit performance-based subsidies to support the delivery of basic services where policy concerns would justify public funding to complement or replace user-fees. The core of the OBA approach is the contracting out of service delivery to a third party, usually a private firm, where payment of public funds is tied to the actual delivery of these services.
- 5. French Development Agency AFD : Décentralisation et politique de l'eau gratuite en Afrique du Sud :**
Report by Bilateral French Development Agency AFD : Document de travail n°25 : Décentralisation et politique de l'eau gratuite en Afrique du Sud : Quelle place pour le secteur privé ? - August 2006
<http://www.afd.fr/jahia/Jahia/home/publications/documentsdetravail/pid/1658>
- 6. French Institute for Delegated Management (Institut de la Gestion Déléguée) :**
Institut de la Gestion Déléguée
- Committee for the Charter of Essential Services -
Governance, partnership and financing for essential services - February 2006
http://www.fondation-igd.org/downloads/noteservess200602_en.pdf
- 7. World bank – PPIAF October 2005 report on small scale water service providers :**
Small-Scale Private Service Providers of Water Supply and Electricity
A Review of Incidence, Structure, Pricing and Operating Characteristics
Mukami Kariuki - Jordan Schwartz
World Bank Policy Research Working Paper 3727 - October 2005
- 8. Suez-Environnement : Brochure “Water for All “ (“Eau pour tous) :**
Brochure « Water for All » (« Eau pour Tous » in French only) – March 2006
<http://www.suez-environnement.com/var/suezenv/storage/original/application/3b80fcf7da558fdac3936fec8983d6e0.pdf>
- 9. World Business Council for Sustainable Development (WBCSD) : Water for the Poor**
Water for the Poor – July 2002
http://www.wbcd.org/DocRoot/rb0flAtRuPY7fCmLkPEB/20020821_water.pdf