

KfW Water Symposium 2009

Financing Sanitation

Session 4

The Potential Role of Utilities in Sanitation Provision for Peri-Urban Areas and Poor Target Groups

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Who provides water supply and sanitation services?

1. Utilities – statutory or para-statal bodies
2. Local government authorities
3. Service providers under contract to utilities or local government authorities



Why has sanitation been accorded low priority?

- Separation at central government and local levels
- Focus on water supply and cost recovery targets
- Pressure to avoid non-commercial activities
- Difficult to recover maintenance costs
- Inadequate enforcement of by-laws and regulations
- Insufficient public education on the links between health, hygiene and sanitation.



Central government separation

- Ministry of Health and/or Ministry of Local Government responsible for sanitation
- Water sector policies tend to ignore sanitation
- Inadequate inter-ministerial cooperation
- Separation perpetuates down through administrative structures



Utilities and local government

- Sanitation a local government responsibility
- Sewerage responsibility of utilities, particularly where local government weak
- Sanitation has to compete with other local government services
- In Zambia, water and sanitation is combined through local government owned utilities

Role of development partners

- Sanitation low on agendas
- Past focus on water or water and sewerage projects
- Priority given to commercialisation and cost coverage targets - linked to release of funds
- Full cost recovery still a dream so reluctance to expand into sanitation in peri-urban/poor areas
- Sanitation seen as an add-on

If sanitation provision is to improve, it must not be viewed as a by-product of other water projects



Involvement of the private sector

- Motivation is opportunity to get a return on investment made
- Expansion into financially unattractive areas, such as sanitation in peri-urban or other low income areas, is likely to be resisted



Recovering costs of sanitation services

- Sewerage services closely linked to water supply - cost recovery through tariffs and revenue collection
- Peri-urban and low income areas tend to rely on off-site water supplies and on-site sanitation
- Cost of maintenance with households, so competition with other domestic priorities
- Rate and building tax systems of local authorities often weak, or low income areas informal
- Enforcement of by-laws is weak and ineffective

Potential role of utilities

- Water sector reforms have created commercialised utilities and more professionalism
- Interest in sanitation to strengthen tariff negotiation position
- Involve NGOs and the private sector
- Need clear institutional and legal provisions



Role of local authorities

- Local authorities can combine water and sanitation service provision
- Provides strong link with urban planning
- Good governance is key so that:
 - Revenues not diverted for other purposes
 - Tariffs are set at cost coverage levels
- Regulatory or performance monitoring framework desirable to ensure good governance

The role of regulation

- Increased commercialisation and PSP has led to the need for regulation
- Utilities and service providers could be required to meet service targets for peri-urban and poor areas
- Standards and guidelines could be enforced
- Most regulatory tools are economic but decisions have social dimensions
- Regulators must balance competing objectives



Financing sanitation

- No easy answers or magic solutions
- Utilities sell water to urban poor so should be responsible for sanitation
- Capital cost must be sourced but users should pay for maintenance
- Unwillingness to pay by urban poor must be met by reducing cost or increasing demand
- Urban poor communities lack cohesion of rural communities so voluntary schemes may not work





Role of utilities in cross-subsidisation

- Cross-subsidisation of basic sanitation from water and sewerage revenues has worked in Burkina Faso
- The commercialised water company (ONEA) collects a surcharge from consumers
- 45,000 rehabilitated and new sanitation facilities over 10 years by:
 - disbursing subsidies to applicants and training and licensing masons
 - contracting NGOs for social marketing and hygiene awareness
 - monitoring and enforcing standards



Devolution Trust Fund - Zambia

- Basket fund to assist utilities to extend services to low income urban areas
- Fund disbursed as grant to commercial utilities only, although NGOs can access funds in partnership
- Criteria for eligibility is projects aimed at ensuring direct impact on water and sanitation of urban poor
- Used primarily for water supply to date but being expanded into sanitation provision

Water Sector Trust Fund - Kenya

- Established as a basket fund to assist in financing water and sanitation in areas without adequate service
- Implementation Plan for Sanitation under preparation by Ministry of Water and Irrigation, which provides for:
 - Funds to be channelled through Water Service Boards to Water Service Providers
 - Communities or NGOs must initiate applications and communities must manage facilities
 - WSBs will own public facilities and maintenance will be responsibility of WSPs under performance agreements

Conclusions: How to better use the potential of utilities?

- Institutional framework integrating sanitation with water supply
- Regulatory regime recognising sanitation priorities
- Not imposing a burden on a utility's customers
- Professional implementation of basic sanitation provision
- Intensive public advocacy and involving the beneficiaries

Trust funds and recent initiatives in Tanzania may help the urban poor satisfy their basic human right to adequate sanitation

