

# Water Supply and Sanitation: Getting Services to the Poor

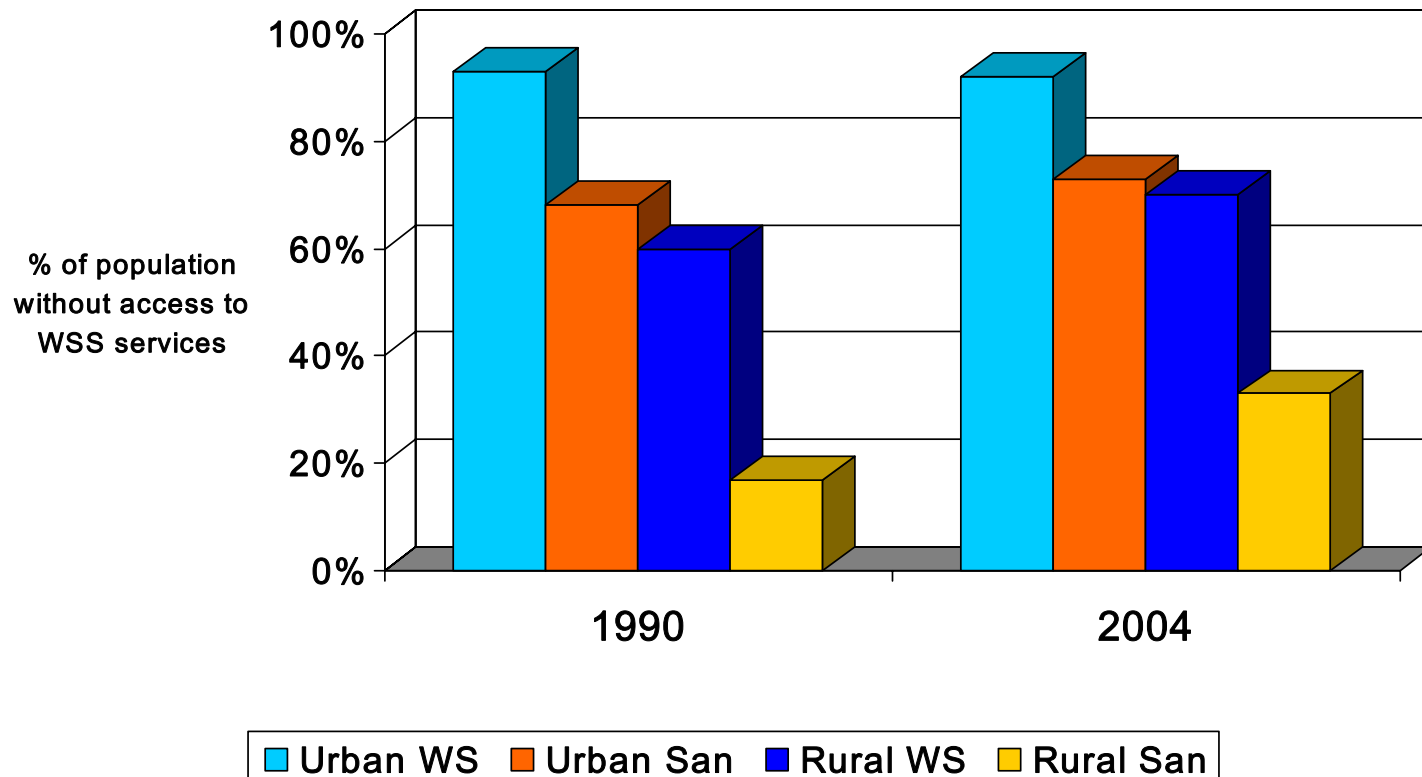
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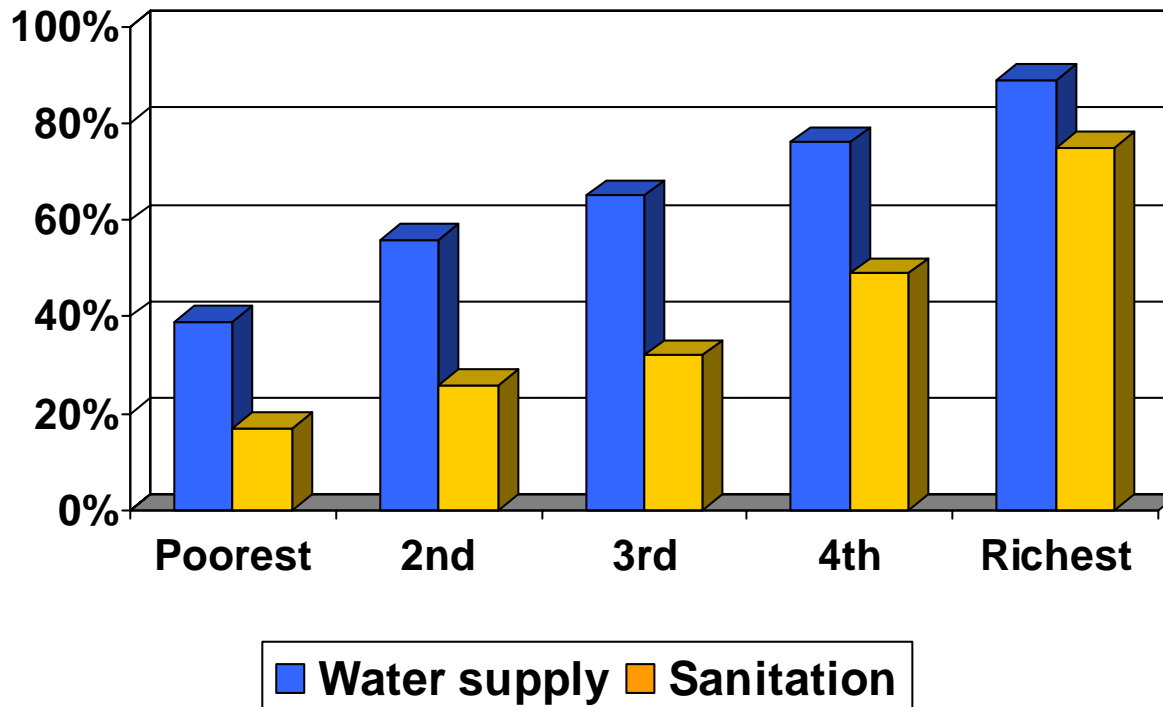


# Scaling up access far from easy



# Getting services to the poor

## Access to WSS by income quintile



# What have we learned so far?



- Understanding the demand of poor households for water and sanitation services
- Improving overall WSS sector performance
- Specific pro-poor policies in the WSS sector

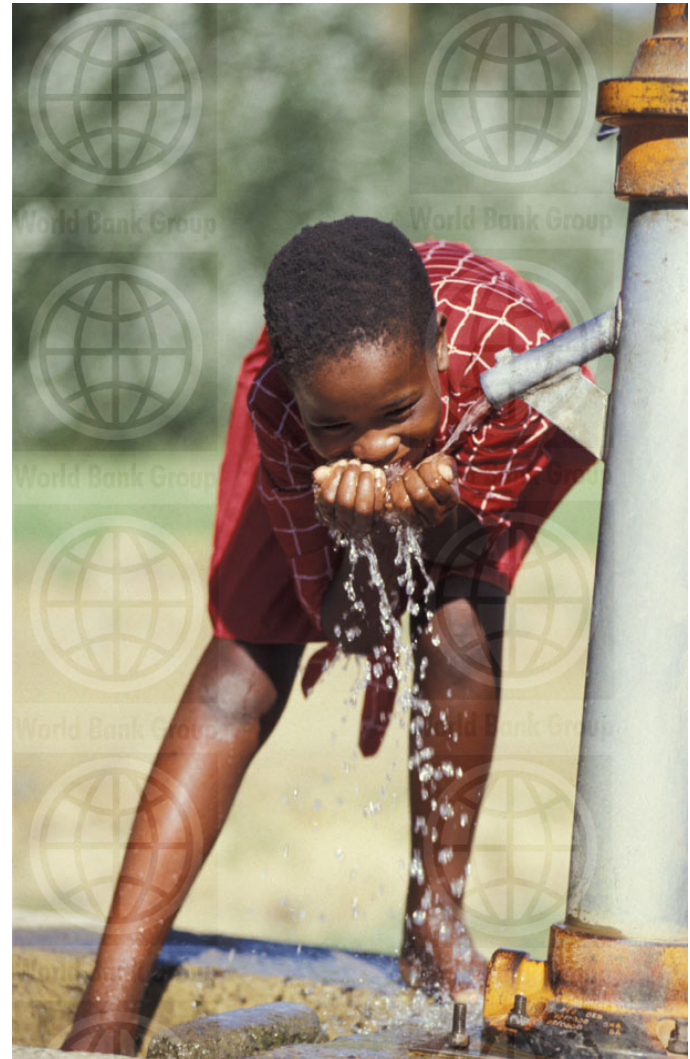
# I. Understanding the demand of the poor



- Are the poor different?
  - ~ Price matters in the presence of budget constraints
  - ~ Conjoint analysis show differences between demand of poor and non-poor
  - ~ Impact of perceptions on household's demand for WSS services
- Testing assumptions of demand and knowledge on household behavior is important

## II. Improving WSS sector performance

- ◆ Financial sustainability is crucial
- ◆ A wide range of management models adapted to local circumstances
- ◆ Good governance must not be neglected



# Financial sustainability is crucial

## Few utilities can cover the cost of services

Percent of utilities in sample where average residential tariff appears to be

Country income level	Too low to cover basic O&M	Covers O&M and partial capital
High income countries	8%	50%
Upper middle income countries	39%	39%
Low middle income countries	37%	22%
Low income countries	89%	3%

# III. Sector-specific pro-poor policies



- Tariff and subsidy policies
- Billing and collection procedures
- Non-price obstacles (including standards and service levels)

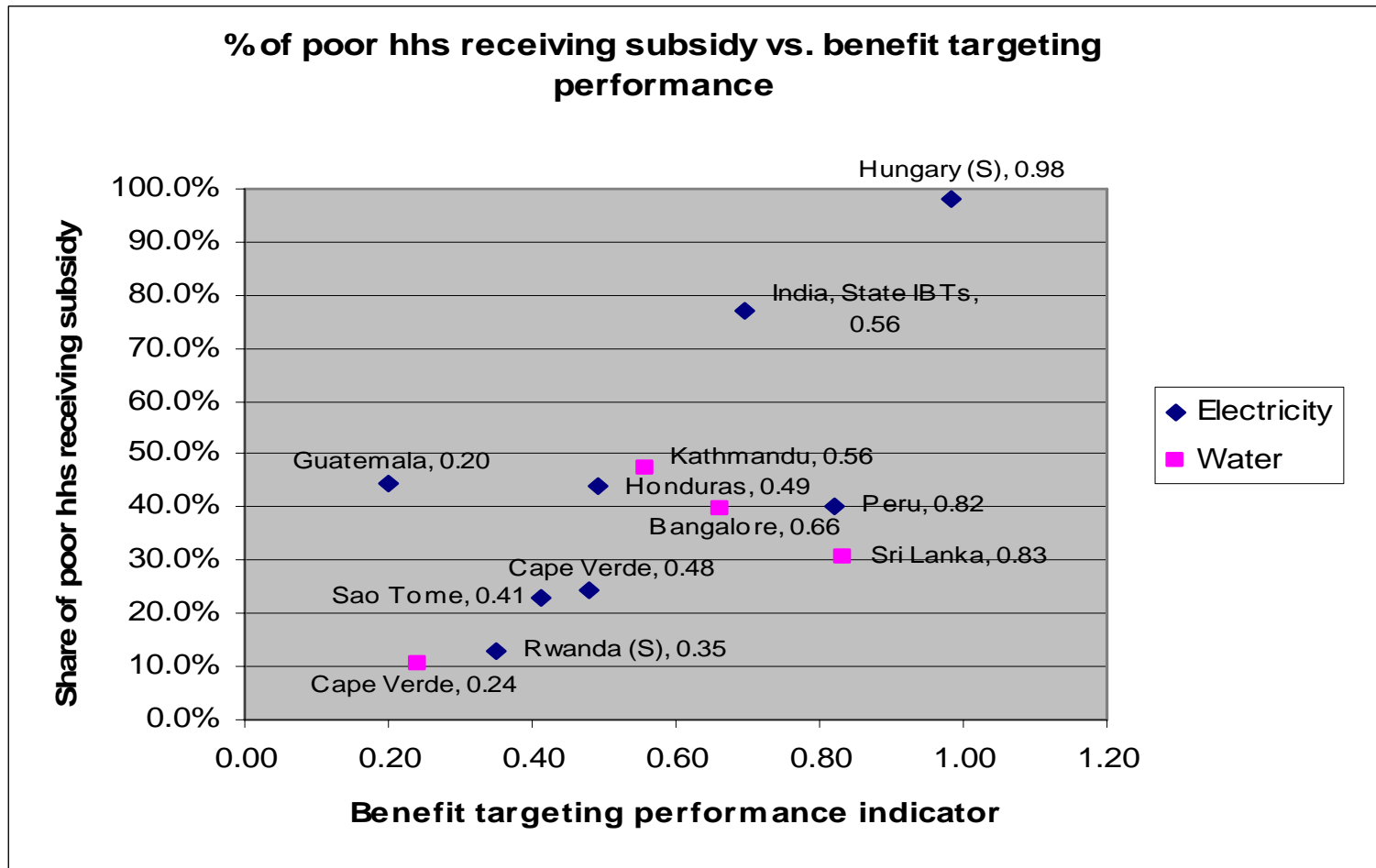


# A. Tariff and Subsidy Policies



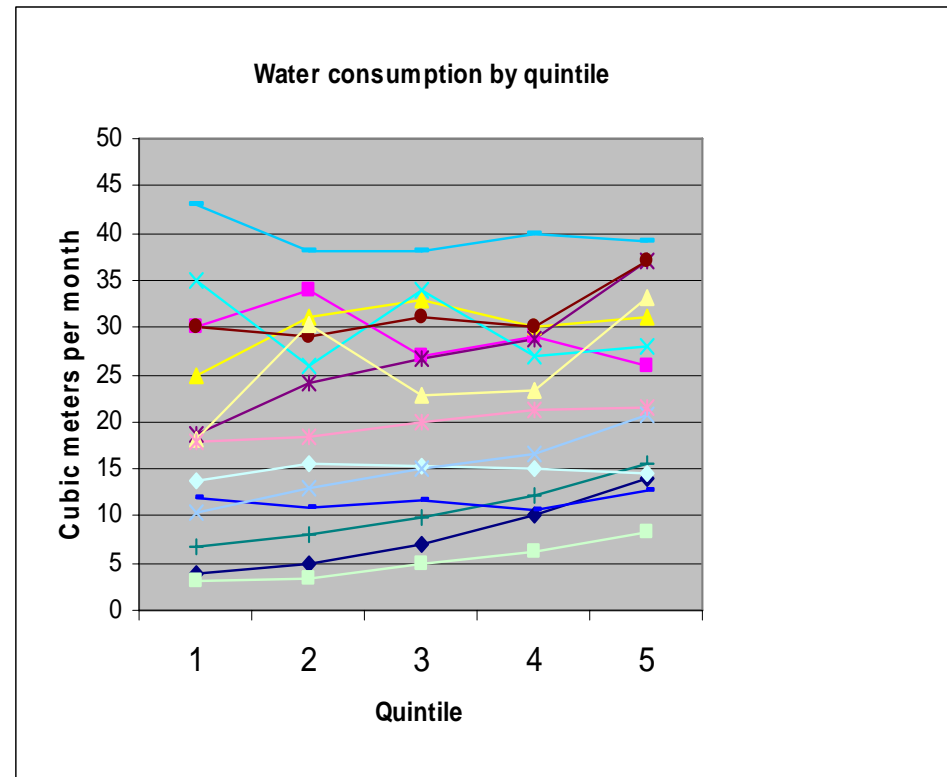
- Most residential customers are not charged the full cost of the water and sanitation services they receive
- Subsidies can be justified, but ....
  - ~ Impact of “unfunded” subsidies on customers
  - ~ Effect of subsidies on incentives
    - Inefficient water consumption
    - Disincentives on utilities to reduce costs, expand service
  - ~ Do subsidies really reach the poor?

# Existing quantity-based subsidies are regressive



# Can the targeting of quantity-based subsidies be improved?

- Tinkering with the tariff will not help households without access/connections or meters
- Two changes could help marginally improve targeting performance:
  - ~ Very small first block of IBT
  - ~ Moving from an IBT to a “volume-differentiated tariff”
- But only if
  - ~ poor consume significantly less than the non-poor and
  - ~ average residential tariffs are at or near average cost



# Other types of subsidies (1)



Median targeting performance, by type of subsidy and targeting method for existing consumers

Type of targeting	Targeting performance
Consumption	0.60
Geographical targeting	1.05
Means testing	1.35
Self-selection (service level)	1.81

# Other Types of Subsidies (2)



- Are connection subsidies doing better?
  - ~ Simulations results are all progressive
    - But will the poor be offered connections? And will they connect?
    - How large is the group of consumers that are poor and not connected?
  - ~ The effect of complementary investments that households need to make

# B. Billing and Collection Procedures



- ◆ Increasing flexibility in payments to match income flows of the poor
  - ~ Higher billing frequency
  - ~ Access to micro-finance facilities esp. for connection fee payments
  - ~ Pre-payment systems
  - ~ Use of devices to limit consumption

# C. Removing other obstacles



- Tools to reduce the cost of WSS services
  - ~ Alternative service levels
  - ~ Flexible standards
  - ~ Low-cost technologies
- Relieving legal restrictions that prevent expansion of service to the poor
  - ~ Technical norms and standards
  - ~ Alternative service providers
  - ~ Legal tenure

# Low-cost technologies: an example



## Condominial water and sewerage systems in Brazil

- ~ Reduction in capital cost by up to 25-40 percent, and also in O&M costs
- ~ Extensive use of community participation in slums (unplanned settlements, spatial constraints)



# Parting thoughts



- Our assumptions on the poor and their demand for WSS services are not always very accurate
- There is no easy way around the need to increase levels of cost recovery if service is to be improved and expanded
- Subsidies are likely to be around but the choice of instrument is important
- Dealing with non-price obstacles should be an integral part of any pro-poor WSS service delivery policy