

KfW Water Symposium 2009 Financing Sanitation

Session 4 Co-Statement

Utilities and Low Income Areas – What is Realistic?

Speaker:

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Summary

ASPA
utilities

§ Background: What is a utility ?

“Utility”: a specific word for a specific business

§ Is sewerage a standalone service?

Sewerage to be managed as a component of the water supply service

§ WS&S utilities and on-site sanitation

Requiring a company to handle non core non profitable activities ?

§ The specific case of low income areas

Where the frontier between “authority” and “utility” is unclear

What is a « utility »?

UTILITY a “corporatized” organization that maintains the infrastructure for a public service and also provides a service using that equipment

Why a specific word?

Intuitive idea: the kind of organization in charge of essential tradable goods or services (water, electricity, sewerage) is to be somehow peculiar:

- § Providing an essential “public service”. Below the political commitment of a public authority
- § Tradable good / service. The population is not only a beneficiary of the public service but also a client, who pays for a “private” service as well.
- § Collective infrastructure is required. A strong economy of scale is expected. Monopoly issues to be regulated.

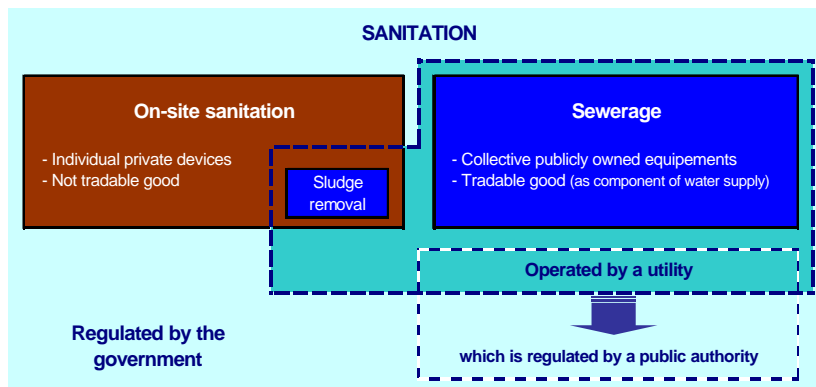
“Utility” vs. “Authority”

A strategic vision to address the population's needs

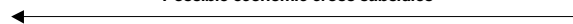
A professional capacity to perform the job

Often mixed within the same institutional shape

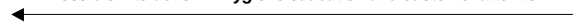
Utility – Authority - Sanitation



Possible economic cross subsidies



Possible interaction in hygiene education and customer attention



as far as it does not jeopardize the utility's capacity to deliver its core business

Is sewerage a standalone service?

§ In a modern conception, the sewerage service should not even be identified separately. It is simply part of the water supply commitment

- § environmentally responsible approach
- § customer oriented approach

§ But

- § Weight of History
- § Institutional arrangements
- § Financial concerns

Separating water supply from sewerage through distinct bodies may be justified by tactical reasons on a short-term basis

But the long-term trend should be to definitely aggregate into a single issue what today are known distinctly as water supply and sewerage

BRAZIL

Saneamento básico means both water supply and sewerage

No specific tariff for sewerage : 100 % over the water bill

WS&S utilities and on-site sanitation

§ Sanitation as a whole needs to be regulated by the Authority

planned - controlled – energized - subsidized
NOT operated

§ Nevertheless, some collective services related to on-site sanitation have to be performed. For instance sludge removal from septic tanks

§ Business rules

- § Don't ask a weak company to diversify towards non core activities as far as it does not dominate its main challenge
- § Avoid non profitable subsidiaries with no operational synergy with the core business

Only well-organized and wealthy companies are able to diversify their businesses without damaging their organization
This is not the case of most utilities

§ Economic cross subsidies can be managed separately

Low income areas

§ The distinction between solutions for sewerage and in-house sanitation is not so clear in low-income peri-urban areas

§ Sanitation is widely unregulated in precarious settlement areas

Loose conceptual frontier between authority and utility

Requiring more freedom to go out of the box and to embrace the sanitation issue as a whole, if it is to help develop water and sewerage programs

Rules to be drafted in the field with the hands-on service operation

§ A strong education effort is called for. Economy of scale in the necessary field of social work.

- sewerage project, basic sanitation programmes, water supply through standpipes, solid waste collection

§ *Out-of-the-box approaches*, like condominal technologies, are successfully based on a rejection of the simple distinction between "public" sewerage and "private" sanitation devices

**Typical working team of a
condominal sewerage implementation project**

- § 20 % professionals related to hydraulic engineering
- § 80 % social workers