

Interactive Discussions CSD-13
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**Inter-Linkages among Water Supply, Sanitation and
Human Settlements**

Presentation by:
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Madam Chairman,
Excellencies,
Distinguished guests and colleagues

I am honored to participate in the 13th meeting of the Commission on Sustainable Development and would like to join the many others who have thanked Ambassador Ashe for the leadership he has shown in the preparations for this important event, and to congratulate him on the excellent work done in preparing the User-friendly matrix of the Chair's IPM Summary.

One case, from my own country... El Salvador, will illustrate the challenges and opportunities of five policy options and practical measures contained in this matrix:

- Decentralize water supply and sanitation services;
- Enhance the contribution of small scale providers of water supply;
- Consider a range of water supply and treatment options suitable to local conditions;
- Promote local enterprise development (in the human settlements section of the matrix); and
- Mobilize domestic financial resources

This case will highlight the inter-linkages between water resource management, water supply, sanitation and human settlements; and also shed light on the potential contribution of local private sector in meeting MDG targets in water supply and sanitation, health and poverty reduction.

San Julian is a small town of about 6,000 people. In 1997, the municipality created an autonomous municipal company to manage its urban water system. The Board of Directors includes community members, and members of the city council. The by-laws exclude the Mayor from the Board of Directors. This was done to provide increased operational autonomy.

The water company was created because the public utility was only providing water 2 to 4 hours a day and San Julian had one of the highest rates of gastrointestinal disease in the country.

I highlight the following points:

- Five full time staff run the company
- Connections increased from 700 to over 1,000
- Now, 98% of the urban population has access to water and every household connection is metered
- Service is provided 24 hours a day, seven days a week
- Today, San Julian has one of the lowest incidences of gastrointestinal disease in the country.

Due to system expansion, low overhead costs and good management, the Water Company reported a profit of US\$ 10,000 in its first year; \$15,000 the following year; and \$20,000 thereafter.

- The tariff was increased, but residents did not object, as it was evident that better and affordable services were being provided.
- The Company has no debt, no subsidies, and is financially viable.

Rigoberto Molina, an Agronomist and Manager of the water company, reports four success factors:

- First, autonomous management of the company;
- Second, local political will, and popular support -- the company was set-up as the result of a participatory consultation process, where the residents identified "an improved water delivery system" as the priority;
- Third, early technical assistance from USAID; and
- Fourth, a small grant of \$300,000 from the Social Investment Fund.

Despite success, three challenges related to inter-linkages remain: First, sanitation in San Julian is lagging behind. Expanding the system will require a wastewater treatment facility that San Julian cannot afford.

Second, the company's bylaws state that, "5% of monthly income should be set aside for aquifer protection," but negotiations with landowners where the aquifers are located have not produced results.

Third, despite by-laws, political interference continues to be a threat. During his campaign, a candidate for Mayor promised to cut the water tariff in half. This would have lead to the company's bankruptcy. Fortunately, Rigoberto, the manager, met with the candidate, explained the consequences, and he abandoned the idea... and won the elections anyway.

In my conversations with Rigoberto, he told me that many people, friends and relatives from neighboring towns, come to him asking for help to solve their water supply and sanitation problems.

He told me that many times he has thought about setting up his own company to run these small systems... *"it is good business, he said..., a captive clientele, good returns*

of about \$25,000 a year for 1,000 connections, and by working locally, one is accountable to neighbors, and relatives in the city."

Rigoberto was referring to a local entrepreneurial development opportunity. All around the world, in cities far away from San Julian, there are other local private sector entrepreneurs, like: Fernando Minoza in the outskirts of Cebu City, and Khalid Ahmed in the poor settlements of Delhi, that are already providing services to tens of thousands of poor people that have been left behind by central government utilities and that are of no interest to large multinational corporations.

The work of local private operators, in Jakarta or Asuncion, Bamako or Cartagena, is not easy. They face legal, financial and administrative constraints. Many of them operate in legal limbo and under harassment by local authorities.

Harrison Mutikanga, Chairman of the Association of Private Water Operators in Uganda; expressed his concern: "*...if Banks, or financial institutions had lines of credit that we could access, we could really take off and become more efficient, more sustainable...*"

The Mvula Trust in South Africa is a good example of this type of financial institution, but given the enormous challenge of the MDGs, there should be thousands of these agencies that can be created and supported by donors and governments.

This is truly a great opportunity for the World Bank, the Asian Development Bank, and others, including bilateral donors, to allocate half a billion dollars through banking systems of willing and able countries – for lines of credit to be opened promoting local enterprise development in water supply and sanitation services.

These funds can then be channeled through micro, small and medium sized financial institutions as small loans of between \$20 to 200 thousand dollars for willing and able local entrepreneurs like Rigoberto Molina and Harrison Mutikanga.

Governments on their part, could come closer to achieving MDG is WS&S by unleashing the potential of local private sector. This would require four things:

- First, recognize local private sector entrepreneurs in WS&S;
- Second, formulate flexible and inclusive policies that reduce bureaucratic procedures and include appropriate standards and regulations;
- Third, provide legal status and secure tenure for land and infrastructure; and
- Fourth, provide access to financial resources, along with the definition of financial policies for the sector that include targeted subsidies for the poor and financing arrangements for wastewater treatment infrastructure.

Madame Chair, I wish to propose that the Secretariat include a more explicit reference in the chair's recommendations to "enhance the contribution of local private sector in delivery of water supply and sanitation services in small towns."

Thank you