State of efficiency in the WASH sector

Status quo is not an option

Jyoti Shukla @jyotishukla
Director, Water Global Practice, World Bank

Washington DC, 19th April
ACHIEVING THE SDGS
Status quo is not an option

Current investment are a fraction of what is needed

Future investment needs: $114 billion per year
Sources of financing

**Funding sources**

- **Tariffs**
  User fees for services provided and households’ investment for self-supply

- **Taxes**
  Domestic taxes levied by local and central governments and provided as grants or subsidies

- **Transfers**
  Transfers from external sources, such as international donors (ODA grants), foundations, NGOs, remittances

**R/payable financing**

- **Concessional finance**

- **Commercial finance**
Multiple options for private finance

Size of financing needs

Small
- Households
- SSIPs
- Communities

Medium
- Vendor / Supplier finance
- Commercial bank loans

Large
- Medium sized entrepreneurs
- Utilities / Municipalities

Size of borrowers

Microfinance

Bonds
Efficiency – A no-regrets investment
How can we improve efficiency?

- Operational efficiency
- Capital efficiency
- Financial efficiency
- Allocative and pricing efficiency
Improving operating efficiency

- Improving bill collection
- Reducing non-revenue water
- Boosting energy efficiency
- Improving staff productivity
Improving operational efficiency to move to financial viability

Step 1
Increase collection rate to 100%

Step 2
Reduce non-labor cost by 15%

Step 3
Reduce non-revenue water to 25%

Step 4
Increase revenues by 10%

Currently viable
15%

Step 1
29%

Step 2
41%

Step 3
65%

77%

Percentage of utilities deemed viable
Improving capital investment efficiency

Cost-effective investment approaches

Timely and adequate maintenance

Maximum efficiency of selected approach
- Procurement, governance, results-based
Improving financial efficiency

- Use public funds for areas of most externalities
  - Sanitation has a high public good element

- Blend public funds to mobilize private finance
  - Liquidity, guarantees, first loss provisions

- Target public funds to provide services to the poorest
  - Subsidies, micro-finance, output based aid
Innovative approaches to improve efficiency

- Use of ICT to improve services and collections
  - Senegal

- Well-managed FSM vs sewers
  - Senegal

- Community participation helped reduce capital costs
  - Uttarakhand, India

- Cost-efficient condominial sewers
  - Brazil

- Contract based NRW
  - Vietnam

- Re-using waste water
  - South Africa
TO CONCLUDE
Efficiency is a no-regret investment

Critical to attracting more financing in the sector
It is the right thing to do!

IT IS WITHIN (Y)OUR CONTROL