State of efficiency in the WASH sector
Status quo is not an option

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ACHIEVING THE SDGS
Status quo is not an option

Current investment are a fraction of what is needed

$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

**Repayable financing**

- **Concessional finance**

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

Size of financing needs

- Large
  - Commercial bank loans
  - Bonds

- Medium
  - Vendor / Supplier finance
  - Microfinance

- Small
  - Households
  - SSIPs
  - Communities
  - Medium sized entrepreneurs
  - Utilities / Municipalities

Size of borrowers
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%

Percentage of utilities deemed viable: 29%, 41%, 65%, 77%
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
Allocative efficiency – Pricing and valuing water

Pricing water → Sustainable and equitable approaches

Valuing water

High-level panel on water
Global dialogue on valuing water
Innovative approaches to improve efficiency

- Use of ICT to improve services and collections
  - Nairobi, Kenya

- Well-managed FSM vs sewers
  - Senegal

- Cost-efficient condominial sewers
  - Brazil

- Contract based NRW
  - Vietnam

- Community participation helped reduce capital costs
  - Uttarakhand, India

- 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