

Changing the Rules to Reward Efficiency: Linking Formal and Informal Providers

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Small Scale Water Providers (SSWPs) are a Fact of Life for Millions of Customers in Asian Cities

They service:

- A total of 7 million people in 8 Asian cities
- 1 million in Cebu, Philippines
- 5 million in metro Manila, Philippines
- 19% of the population in Ho Chi Minh City, Vietnam
- 6% of the population in Kathmandu, Nepal

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SSWPs Provide a Good Service to Their Customers

- They are responsive to their customer needs, delivering water at the doorstep
- Where they manage small piped networks, they have flexible arrangements for connections
- They provide the linkage between the utility and the customers that the utility does not serve
- Their margins are low
- Where they link officially with a major supplier, water quality supplied is good

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SSWPs Struggle in an Unfavorable Business Environment

- Administrative regulations hamper their operations
- To ply their trade, they often have to bribe officials, adding to their costs
- Their access to credit is limited because their business is seen as risky and non-profitable
- They can be subject to political interference and political ownership
- They lack information about future water planning in their service area, discouraging investment

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SSWPs should be Officially Recognized as Part of “The Water Sector”

- A conducive legal framework would recognize the important part SSWPs play in water provision
- Recognition could translate into better information and possibly benchmarking of SSWPs
- Public suppliers should recognize SSWPs as legitimate bulk customers
- Policy regarding tariff setting should recognize that SSWPs predominantly service the poor

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Recognition and Licenses would Encourage SSWPs to Expand and Improve their Services

- Medium term licenses would provide SSWPs with security needed for expansion planning
- Licenses and contracts would help SSWPs in getting access to commercial, long-term finance
- Licenses specifying SSWP coverage expansion would integrate them into water sector investment strategy
- Licenses specifying minimum levels of service can improve proper monitoring of SSWPs and thus improve their services

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Examples of Good Practice

Cebu, Philippines

- \$100 connection fee plus legal document requirements prevent poor citizens from connecting to the public utility's water system
- SSWPs provide water through cheap piped systems or polyethylene hoses at connection fees of \$20-60

Ho Chi Minh City, Vietnam

- Legal Framework developed to promote involvement of SSWPs
- Regulation of 2002 specifies types of services, selection procedure for SSWPs, rights and responsibilities, and hand-over process
- SSWP tariffs are significantly lower than in other cities

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Conclusion

- **Reaching the Millennium Development Goals cannot happen without adding SSWPs to the equation**

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Thank you