

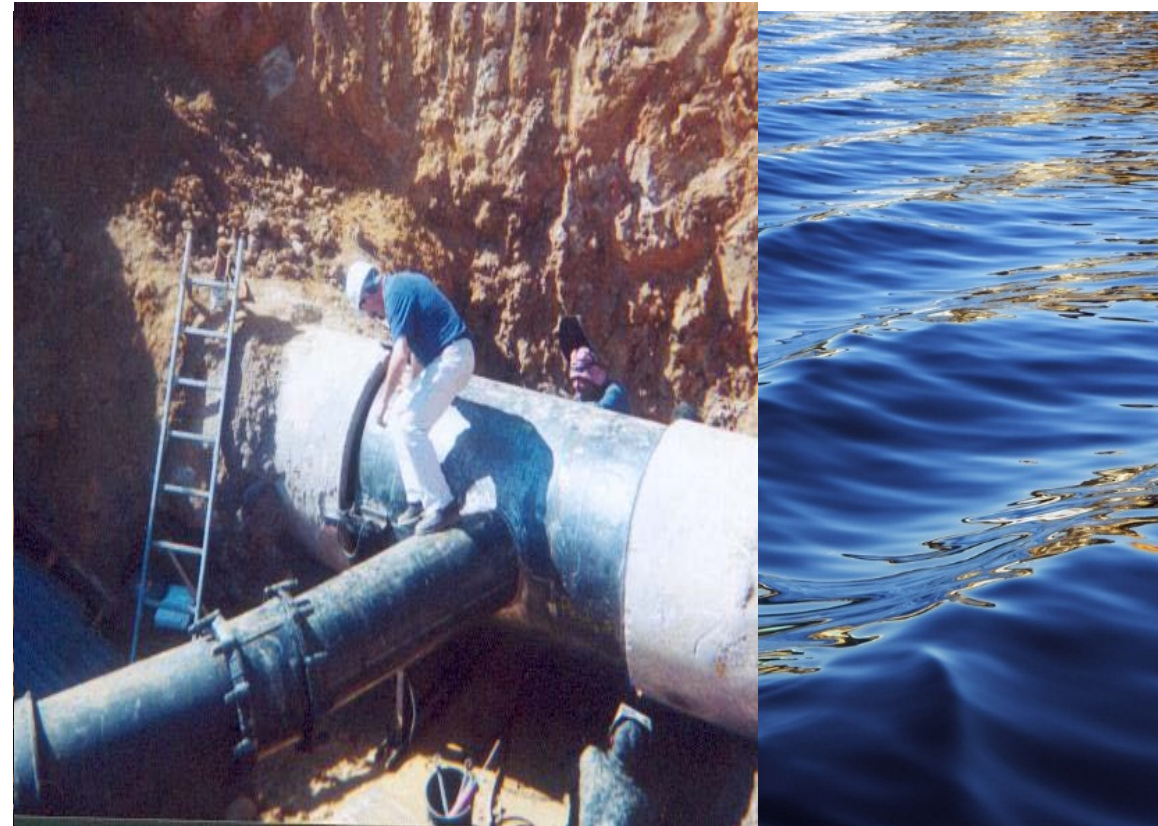
Tools to guarantee Access
to low income families to
W&S services

Good practices from some
Latin American countries:
Chile and Colombia

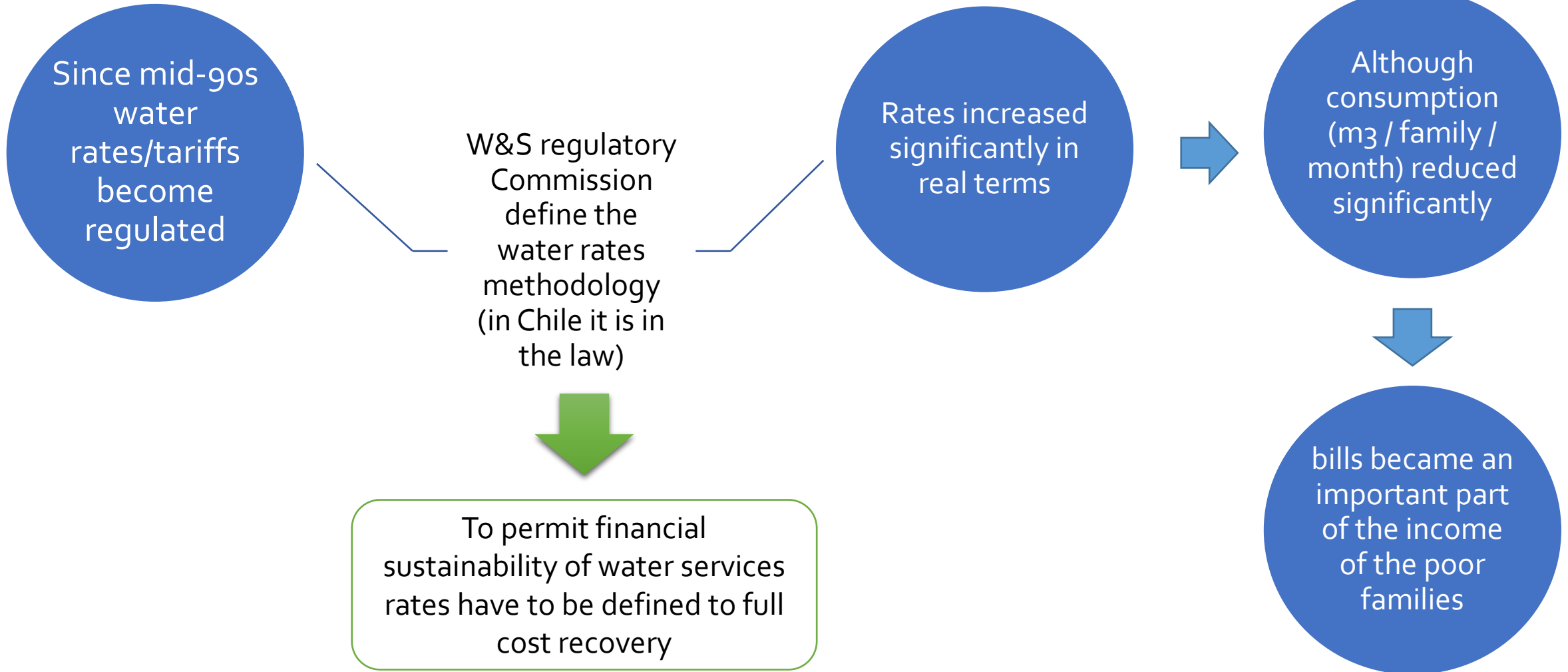
Similar system are used in Peru and some
federal states/provinces from Brazil and
Argentina.



Diego Fernandez



1 Rates/Sustainability and the poor



2. Financial Tools

Cross Subsidies (differential rates/tariff)

Subsidies (rates lower than economic cost) to poor families.

Overprices (rates higher than economic cost) to high income families/nonresidential users.

Direct Subsidies

Subsidies (rates lower than economic cost) to poor families.

Budget transfers to water companies to cover a portion of the water bill of poor families.

Public Investment in water services

National government transfer to municipalities :

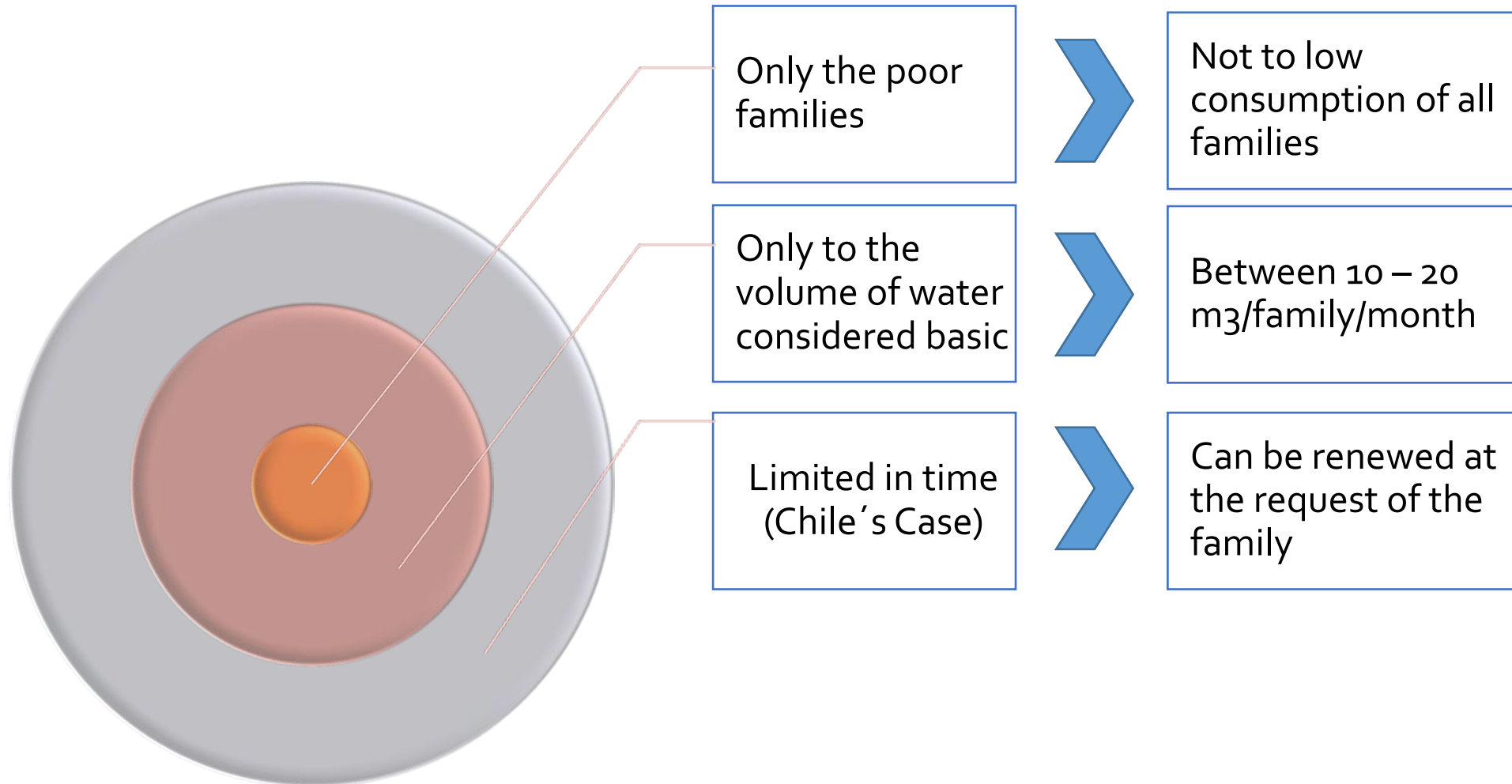
Permanent transfer (by law) to be used in W&S sector (investment or subsidies).

Occasional (annually defined) transfer to selected municipalities to W&S investment.

- Investment with company (private or public) funds have to be recovered through rates

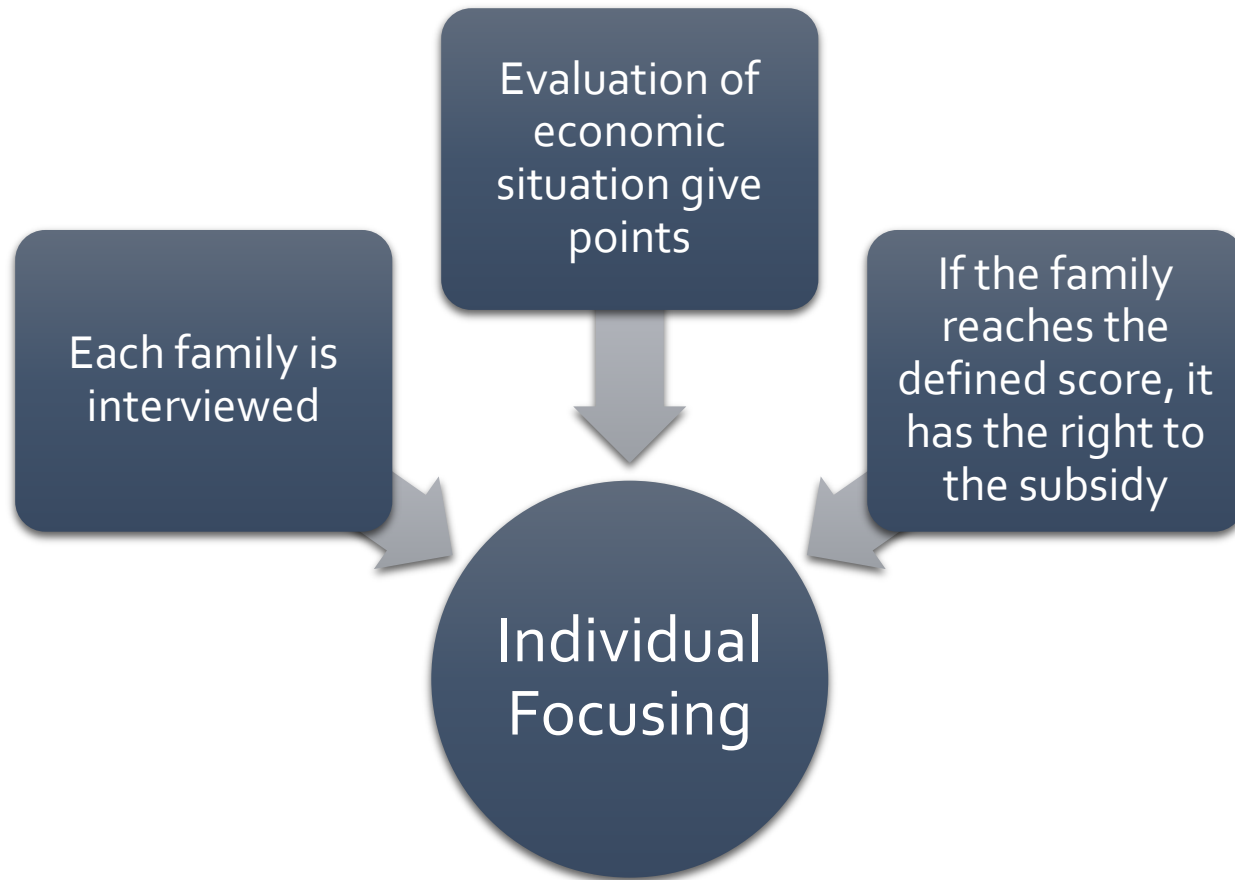
- Investment with municipal/national budget do not have to be recovered through rates

3. Limits to subsidies



4. Focusing subsidies

4.1 Individual Focusing: Chile's Case



Direct subsidies: Financing by national budget

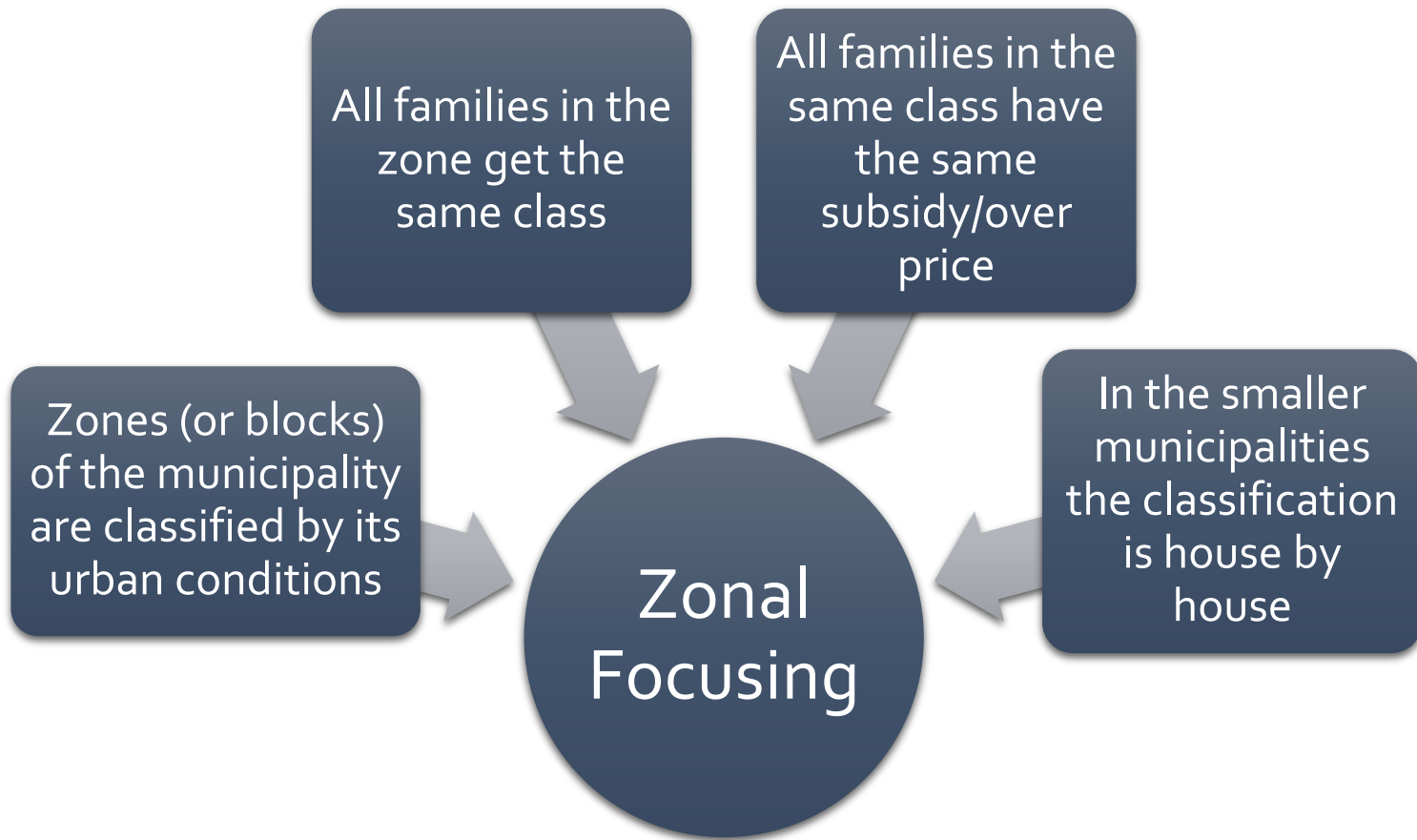
Only two groups of beneficiaries

↑ It is a fairly accurate (focusing) system

↓ It is an administratively costly system

4. Focusing subsidies

4.2 Zonal Focusing: Colombia's Case



Houses are classified in 6 groups (stratums):

- Stratum 1 y 2 receive subsidies
- Stratum 5 y 6 and Non residential user pay over prices
- Stratum 4 and official users:
Do not receive subsidies
Do not pay overprices

↑ It is a less administratively costly system

↓ It is a less accurate (focusing) system

Cross subsidies: Financing by high income users, non residential, plus local budget

5. W&S Subsidies and Over prices in the 30 largest Colombian utilities

Thousands USD (2013)

Utilities	Subsidies	Over prices	Difference
The 10 largest	282.684	203.094	79.590
20 following	47.905	24.604	23.302
Total (30 largest)	330.589	227.697	79.590

30 providers, serving 117/1122 municipalities
More than 70% of households

This difference is covered by municipal contributions

5 Destination of Municipal Drinking Water Resources (2013) US\$ Million

