

# Local Solutions Improve Water Supply and Sanitation Services in Colombia

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*The government of Colombia has been a pioneer in adopting sound water sector policies. It was among the forerunners of decentralization. It established a legal framework that clearly separates service provision from policy making, thus allowing private sector participation. The key to success in the Colombian water sector reform has been the development of homegrown solutions, and at times, skillfully adapting models used elsewhere to the particular circumstances and culture of Colombia. As a result, Colombia has made substantial progress in the expansion of water supply and sanitation (WSS) services. By 2002, urban water supply access was 99%, rural water supply coverage 71%. Sanitation access has also been upgraded with urban coverage of 96% and rural coverage of 54%. Over the years, the World Bank has supported Colombia through advisory work, capacity building and lending. Since 1988, the World Bank has provided a series of loans with a total value of over USD700 million to the Colombian WSS sector.*

## **EARLY SUCCESS IN CARTAGENA: A MIXED OWNERSHIP COMPANY**

In 1988, the World Bank supported the government of Colombia to implement the Water Supply and Sewerage Sector Project with a 150 million USD IBRD loan. Colombia developed its own approaches to partnering with the private sector to deliver WSS services, under a scheme whereby a municipality contracted operations under a long term lease contract to mixed ownership companies jointly controlled by the municipality, an international private operator and local private shareholders. The case of the city of Cartagena is a good example of a successful partnership.

In the early 1990s, WSS coverage was less than 70%. As Cartagena is one of the principle tourist destinations in Colombia, it was imperative to improve the water supply situation, and also to resolve the problem of inadequate disposal of sewage.

In 1994, a 26-year contract for the operation of the WSS system in Cartagena was awarded to a private company, Aguas de Cartagena, jointly owned by the municipality (50%) and private partners (the main private partner, Aguas de Barcelona, owning 46% and other private shareholders owning 4%). The management fee for the operator was keyed to revenues. This created an incentive to improve billing and collections, as well as to reduce leaks and to extend services. In 1999, the World Bank extended its assistance to Cartagena by providing US\$85 million IBRD loan to partially finance major sewerage, wastewater treatment and disposal facilities, as well as water supply infrastructure. By 2005, 99% of the population in Cartagena had access to water supply and 95% had access to sewerage. Over 1,000,000 inhabitants had received improved WSS services. Over eighty percent of the new connections were installed in poor neighborhoods. Services improved for existing customers. A 24-hour supply became the norm and nearly universal metering was achieved. Customer relations improved through greater transparency, more attention to service, more trust and better billing practices. Customers now wait less time fixing service problems, and the number of customer complaints declined significantly (see table below).

## Colombia at a glance



Population: 45.3 million - 76% urban, 24% rural; 1.6% annual growth rate  
Surface area: 1,138,900 km<sup>2</sup>

Life expectancy: 71.9 years

GNI per capita: 2,000 USD

Human Development Index ranking: 69 out of 177 countries

% below the basic needs poverty line: 64%  
% with improved water access: 92%  
% with improved sanitation access: 44%

## **MORE INFORMATION**

Cartagena Water Supply, Sewerage, and Environmental Management, *Jesús Blanco Garcia and Menahem Libhaber*, Energy and Water for Sustainable Living,

Project Appraisal Document, Colombia- Cartagena, Water Supply, sewerage and Environmental Management Project, World Bank, June 1999

Project Appraisal Document, Colombia- Water Sector Reform Assistance Project, World Bank, September 2001.

Project Appraisal Document, Colombia- Water and Sanitation Sector Support Program, World Bank, February 2005

## RELEVANT PROJECT

Indicators	Cartagena	
	1994	2005
# of employees per 1,000 connections	15	2.3
% of domestic metering	30%	99%
Unaccounted for water	60%	41%
Hours of service / day	7	24
Response to complaints (days)	6	0.5

### BOGOTA: A TURNAROUND PUBLIC UTILITY

The Santafe I Water Supply and Sewerage Rehabilitation Project supported the Bogota Water and Sewerage Company (EAAB) with a 145 million IBRD loan. EAAB did not change its status of public utility. However, the municipal administrations did not interfere with the running of the utility. EAAB recovered itself from the deep financial crisis in the early 1990s. The IBRD loan was part of a government rescue of the entity. Substantive average tariff increased revenues in real terms. After the recovery, EAAB has been able to obtain a credit rating and access the capital markets. This financial strengthening enabled the utility to implement an investment program between 1996 and 2003 amounting to about one billion dollars, with limited Bank financing (US\$ 144 million or 14% of total investments). In 2003, EAAB hired three private firms under five contracts to provide customer's services, including billing and collection, and operation and maintenance of small diameter water networks. EAAB signed a 20-year BOT contract for the rehabilitation, and operation and maintenance of one of its water treatment plants. EAAB also established a sophisticated planning department and modern management information systems. In the period 1996 – 2003, EAAB provided services to two million additional (mostly poor) inhabitants of Bogotá. In less than a decade, EAAB had transformed itself into a financially viable utility able that provides first-class services to its customers.

### EXTENDING THE SUCCESS TO SMALLER TOWNS AND RURAL AREAS

As the performance of the utilities in large cities improved, customer satisfaction grew. Mayors of other cities became interested in reforming their

utilities. Their political constituents are water consumers as well. The improvements in the large cities proved catalytic for scaling up sector reforms. By 2001, approximately 91% of the urban population was connected to water supplies. However, about 30 percent of Colombians live in smaller cities and towns and another 30 percent in rural areas, where water supply and sanitation coverage lags behind.

In 2001 the World Bank provided a 40 million IBRD loan in the form of the Water Sector Reform Assistance Project to support the Colombian Government to develop a policy to improve WSS services in smaller cities and towns, supporting the introduction of targeted subsidies for the poor, who form the majority of the population. The new policy introduced transparent, performance linked budget transfers from the central government to municipalities. It also promoted the contracting of small local entrepreneurs. The loan financed municipalities that meet policy and pro-poor targeting criteria to extend service to the poor. In addition, the World Bank approved another IBRD loan of US\$70 million for the Water and Sanitation Sector Support Project in 2005. The project was designed to improve the provision of water supply and sanitation services in Colombia, in a financially efficient and sustainable manner through the provision of capital investment subsidies for poverty-focused coverage expansion, and service quality improvement. The Project is expected to scale-up the involvement of the private sector in medium-sized cities, through the introduction of performance-based management arrangements with specialized operators; support service-improvement related investment through targeted capital grants in small- and medium-size cities, and in some high poverty peri-urban areas of large cities, served by public utilities; and deliver appropriate water supply and sanitation investments to Colombia's underserved rural areas.

Water Supply and Sewerage Sector Project	
Country	Colombia
Project ID	P006836
Loan Amount	150 Million
Type	IBRD Loan
Timeframe	1988-1996
Status	Closed

Santafe I Water Supply and Sewerage Rehabilitation Project	
Country	Colombia
Project ID	P006894
Loan Amount	145 Million
Type	IBRD Loan
Timeframe	1995-2004
Status	Closed

Cartagena Water Supply, Sewerage & Environmental Management Project	
Country	Colombia
Project ID	P0044140
Loan Amount	85 Million
Type	IBRD Loan
Timeframe	1999-2007
Status	Active

Water Sector Reform Assistance Project	
Country	Colombia
Project ID	P065937
Project Cost	70 Million
Loan Amount	40 Million
Type	IBRD Loan
Timeframe	2001-2007
Status	Active

Water and sanitation Sector support Project	
Country	Colombia
Project ID	P082973
Loan Amount	70 Million
Type	IBRD Loan
Timeframe	2005-2009
Status	Active

