CASE STUDIES

WATER AND ELECTRICITY

HOW TO EXTEND ACCESS TO THE URBAN POOR

As more people move to cities, inadequate land regulations and policies are a major factor in the proliferation of slums and lack of formal land titles (or ‘secure tenure’) stands in the way of connections to basic services (water, sanitation, electricity), maintaining millions of urban poor in appalling conditions. The following examples show how this obstacle has been overcome in a few Asian cities.

Surabaya, Indonesia

In Surabaya, East Java, the second largest city in Indonesia, water and sewerage services are provided by a public utility known as PDAM. The utility has jurisdiction over a population of 2.7 million, of which it is able to serve only 67 per cent through house connections to the water network. Having increased production capacity through optimized water treatment plants, the utility has started to expand its distribution network and set up new connections in order better to reach out to the urban poor. These find that they can now afford access to piped water through two alternative schemes. For individual connections, households can contract standard two-year loans from Bank Rakyat Indonesia, the country’s largest microfinance institution. The second option involves a subsidised aid scheme which is to extend piped water connections to 15,500 eligible households (or a total 77,500 end-users). The subsidised scheme includes bulk supply or ‘master meter’ connections for particularly poor, dense, or informal communities not otherwise eligible for individual connections since they do not hold land titles. With subsidisation, households pay only 40 per cent of the total cost of home connections.

Manila, the Philippines

The Manila Water Company (MWC) has been awarded a 25-year concession to provide services to 5.3 million people. In 1998, the utility launched a flagship programme known as Tubig Para sa Barangay (‘water for the community’) to improve access for the poor. Since then, more than a million poor people have received a regular supply of clean, safe and affordable drinking water. As in Surabaya (see above), the problem of individual connections in the absence of legal land titles (not to mention an often difficult terrain) has been sidestepped through bulk water deliveries, with subsequent distribution among households through pipes and kiosks. In 2007, a grant from the Global Partnership for Output-based Aid supported individual connections for 20,000 homes (or 120,000 end-users). The Filipino government has agreed to subsidise the MWC scheme once it has provided three months’ acceptable service. The subsidies will make individual water connections more affordable to households who, for the sake of project sustainability, will still meet part of the connection cost through water bills.

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Ahmedabad, India

Between 2001 and 2008, the Ahmedabad Electricity Company (AEC) worked in partnership with local business and civil society to implement a pilot Slum Electrification Project for 800 households in the Indian city. Prior to launch, a survey found that willingness to pay for connections to the power grid declined significantly if the price was higher than 50 per cent of what the company normally charged to other users. The problem was remedied through a partial subsidy provided by USAID and the utility itself. The project built on an ongoing slum upgrading programme (known as Parivartan) involving a partnership with the Municipal Corporation. As mentioned earlier, municipal authorities took this opportunity to sever the conventional link between land tenure status and service provision. This took the form of formal certificates whereby the Municipal Corporation declared it had “no objection” to connections to the power grid. The success of the project was also due to the substantial efforts deployed to inform potential clients about the process.

The poor have secured connections to the service at subsidised rates and, in the process, gained the stronger tenure afforded by the municipal certificates, not to mention the health benefits of better, safer lighting. From the utility’s point of view, the number of illegal connections has declined and revenues increased. And as has happened with water, this success has prompted the electricity company to expand connections – in this case, to another 115,000 households in slum areas by 2006. This was achieved through a reduction in connection charges that was made possible by cross-subsidisation among users, rather than external subsidies. This network expansion has also had an indirect beneficial effect, as the company adopted not just special technologies but also new methods for better outreach and bill collection for the new clientele in slum settlements. This clearly demonstrates how subsidisation can leverage access in a mutually beneficial way – to basic services and better living conditions for the poor, and to new, profitable markets and methods for utilities.

In the Philippines, the Manila Electric Company has conducted a similar programme where more than 300,000 households were either regularized or connected to the power grid for the first time.

State of Asian Cities Report 2010/11, Ch. 4, Box 4.16