Brazil Overview: Water, sanitation and hygiene

Summary

Brazil has a vision of achieving 99% coverage of safely managed water supply by 2033 and 92% access to safely managed sanitation services by the same year. To achieve these targets, Brazil will require an average of $6.1 billion annually invested in capital and maintenance costs. Currently, the financing gap is estimated as US$1.9 billion. The ambition is highest for rural and urban sanitation and hygiene. In addition, access to water and sanitation services is significantly lower in poorer communities and among vulnerable groups, notably in the North and Northeast regions of Brazil.

Six major actions to ensure an aggressive approach to progress include:

1. Continue to channel adequate public and private resources mainly to urban sanitation and hygiene, and to rural water and sanitation and hygiene
2. Scale-up strategies to eliminate open defecation in rural areas and improve access to basic sanitation levels
3. Identify and better target resources to improve coverage for vulnerable groups
4. Increase regulatory oversight in urban water supply and improve quality in order to achieve the new standards for safely managed services and enable utilities to be attractive for additional financing
5. Improve revenue collection and ring-fence financing for operating and maintenance costs
6. Promote escalation of good governance practices among public utilities

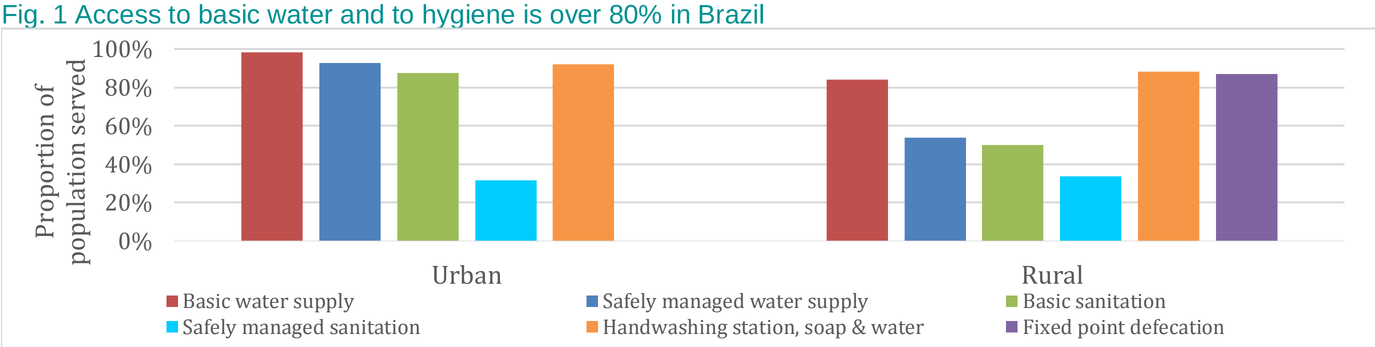
Overview of the Brazilian vision and targets for the SDGs

The water, sanitation and hygiene sector in Brazil is guided by a national plan (2013 - 2033) and by a federal law enacted in 2007. The plan prioritizes the elimination of open defecation, the achievement of universal access to safely managed water and the attainment of at least 92% access to safely managed sanitation. Moreover, according to the plan, expanding access to WASH includes substantial reduction of regional and local inequalities. These goals are essentially in agreement with the SDGs. The federal law, in turn, sets the main policies to the sector, main roles and planning and social participation guidelines concerning water supply and sanitation.

In 2015, Brazil achieved the respective MDG targets for water and sanitation. These targets were halving, by 2015, the proportion of population without sustainable access to safe drinking water and basic sanitation. The more ambitious WASH targets and standards under the SDGs significantly raises the bar for what is required. The main challenges are lack of services or poor quality services for the poor in urban and in rural areas in general, for the North and Northeast regions of Brazil where deficits are higher than the national average, and for a considerable number of small cities, under 50,000 habitants. Coverage and quality of services are significantly lower among these vulnerable groups.

The critical bottlenecks to overcome include: weak sector governance and integrity in many municipalities; heavy reliance on public financing; and insufficient social participation and commitment. If these are not resolved, progress will remain slow and the national goals and the SDGs will be missed.

Fig. 1 Access to basic water and to hygiene is over 80% in Brazil



2. Review of the sector – State of the Sector Building Blocks and Collaborative Behaviors

Brazil is improving the foundations of a well-functioning sector. These foundations include four very important legal instruments in the federal level. The first is the public consortia law enacted in 2005 that establishes general rules about agreements among members of the Brazilian federation. The second is the already mentioned federal law enacted in 2007. The third is a national plan published in 2013 which establishes national goals to the sector and estimates necessary investments. Finally, the fourth instrument is the Investments Partnerships Program (PPI) law enacted in 2016 which stimulates public-private partnerships and privatization of state-owned enterprises. Besides this legal framework, the federal government expanded the inflow of financial resources to the sector since 2007. This expansion was done by greater amounts of financial transfers from the national budget to the subnational entities and also by authorizations given by the national government to these entities and to the private sector to acquire more low cost loans. As a result, capital investments were leveraged nationwide in the past 10 years. All this has helped to clarify the vision for achieving the national goals and the SDGs. Nonetheless, there are gaps that still need to be better addressed in a number of building blocks.

Policy and strategy - Strategies to increase access to WASH in poor urban areas and in informal settlements need more improvement, such as added integration with other infrastructure betterments in these areas. Also, a clear strategy to boost WASH capital expenditures is necessary in order to help eliminate the financing gap. Among policy issues, social participation and commitment to help achieving the goals should be expanded.

Institutional arrangements - The Brazilian Federation is formed by the Union (26 States, the Federal District (DF) and 5,570 Municipalities). The latter, including DF, are local entities and are vested in the authority, according to the Brazilian Constitution and to federal laws, to plan, organize and provide water supply and sanitation services. Moreover, these entities are entitled to oversee these service provisions. Even though Municipalities are entitled to service provision and to their respective oversight, these entitlements can be delegated to other entities. In the end, there are many different types of institutional arrangements in Brazil. Presently, there is a predicament concerning Municipalities where there is conurbation among their urban areas. Many of these merged cities are served by shared water supply and sanitation systems. In such occasions, it is not clear whether a group of local independent entities, The Municipalities, should be vested in service provision and oversight of water supply and sanitation or if a regional entity, either a State or a local municipal consortia should be. There is also a dilemma regarding whether entities designated to provide service in urban areas should be mandated to provide services in rural areas as well.

Sector financing - With respect to capital, maintenance and operating costs, there still is heavy reliance on public budgets to finance them. This dependency is often seen in rural areas, in small cities where service provision lacks of economies of scale, in poor urban areas which are burdensome to be reached, and in cases which the service providers have inadequate governance and/or are not properly regulated. Encouraging the adoption of good governance practices integrated with effective regulation is a possible solution because it would allow service providers to attract and access additional financing and would allow them to increase coverage and service quality more rapidly and effectively.

Planning, Monitoring and review - The monitoring framework supported by multiple information systems which integrate data on water and sanitation services is being updated and expanded. The first review of the national plan for the sector will begin this year. Data quality and ways of publicizing this data still have room for improvement. Greater use of the findings captured by information systems and reports is needed to drive performance improvements.

Collaborative Behaviours - The federal government has been the most important driver due to its laws that contain main policies and strategies regarding roles of the public sector and the private sector, public procurements, federative agreements and public-private partnerships. In addition, the federal government continously acts as a major source and provider of financial and technical resources to the sector. The promotion and marketing, throughout the nation and the world, of good practices adopted by respected utilities and overseeing agencies can be improved.

Priority actions to be taken to ensure the readiness of the sector for the SDGs

- Increase efforts by all stakeholders in order to reduce drastically inequalities in the WASH sector
- Amend the policy to fully define governance, financing and oversight roles of rural water and sanitation and separate clearly the service provision and oversight functions for urban and water and sanitation services
- Promote higher participation of the private sector in water supply and sanitation service provision and in capital investments
- Push for the of adoption of good governance practices by utilities which require improvement
- Put forth more comprehensive studies regarding tax incentives to the sector

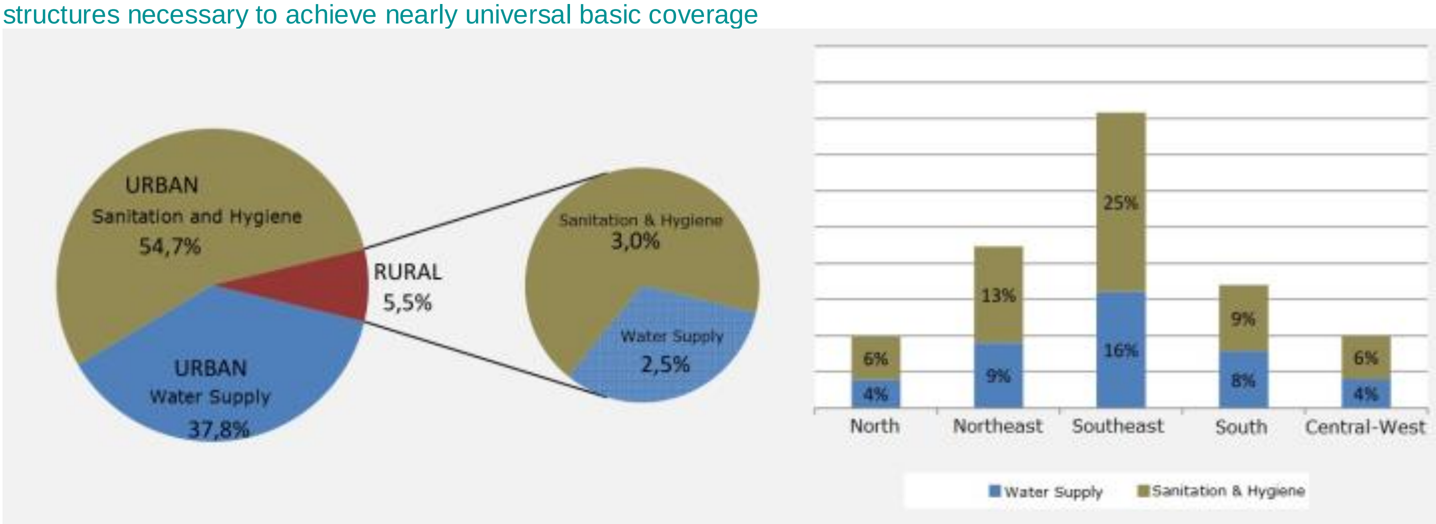
3. Sector investment needs, the financing gaps and areas for improving efficiency

Investment needs and funding gap

Brazil will require at least an average expenditure of $6.1 billion per year to achieve the water, sanitation and hygiene SDG targets. The largest share of the costs is dominated by investment needs in rural and urban sanitation and hygiene. These costs are driven mostly by population growth due to migration in urban areas, rehabilitation to maintain services and new construction to expand services. Currently, the financing gap is estimated as $1.9 billion. This gap exists largely because WASH expenditures are slower than necessary to achieve the goals in time. In other words, there are financial resources available, at least for most part of the annual needs in the short and medium terms, however applying these resources has been a major obstacle. Summarily, there is an absorption challenge that needs to be better addressed.

Regarding WASH inequalities, the largest relative access deficits are mostly in the North and Northeast regions of Brazil whereas the largest absolute access deficits are mainly in the Northeast and Southeast regions. When both deficits are accounted at the same time, the regions that will need the largest portions of investments are the Southeast and the Northeast regions. Budgets controlled by the federal government already channel most of their resources to where deficits are higher and, more recently, to sanitation and hygiene projects. This policy is in accord to the national plan and to the SDGs, and it helped reduce inequalities among the Brazilian regions. WASH expenditures *per capita*, for instance, has been generally higher in the North and Northeast regions than the national average in the past years.

Figure 2: According to Brazil's national plan, at least $124.7 billion will be required from 2013 to 2033 to build and recover structures necessary to achieve nearly universal basic coverage



Strategies to close the financing gap

The financial resources available to the WASH sector have increased greatly in the past 15 years, especially from the federal government. Budgets from both the Union and special funds have been financing investments nationwide. This helped reducing deficits and inequalities. However, because of inefficiencies present in the sector, a roof was reached. These inefficiencies, which is a reality in many public utilities, must be curtailed particularly those emanating from poor revenue collection, high levels of non-revenue water, poor functionality and high operating costs. These make the water and sanitation service providers unable to access all the loans available in the market which is needed to expand coverage and sustain services. Moreover, the current contribution of tariffs to operations and maintenance can be further improved if quality of services is high. To achieve this higher quality, an aggressive mobilization strategy, which combines the adoption of adequate governance practices and of more effective oversight, is needed. All this would also help to accelerate WASH expenditures of projects that already have financial resources secured.
Further discussions well-founded on comprehensive studies regarding tax incentives should also be included in the national agenda. There has been advancements in this area when it comes to capital investments, nevertheless there is still room to discuss about tax reliefs related to operating costs.

4. Planned actions to catalyze progress towards the SDGs

Steps the government and partners are prepared to take to make the sector fit for purpose

a. Policy and strategy - The Ministry of Cities and the Ministry of Health will continue to support Municipalities to develop local plans which include the national plan goals and that acknowledge the SDGs.

b. Institutional Arrangements - The Ministry of Cities will work with other ministries and agencies to amend the national policy and ensure that oversight functions and service delivery roles are clearly determined in all cases, including in conurbations, merged cities, and in rural areas.

c. Collaborative Behaviors - Respected public utilities and regulation agencies will be encouraged to share their experience and their good governance practices.

Plans and strategies to reduce the financing gap

d. Plans to use existing resources more effectively.

   i. Utilities will gradually improve cost saving measures, particularly in energy use

   ii. Ministries and spending agencies will improve the resource allocation strategies to better target vulnerable groups

   iii. To assure transparent management, utilities will provide publicly audited periodic reports

e. Plans to access more financing

   i. Public utilities will be further encouraged and aided to embrace a fitting water and sanitation tariff structure

   ii. Utilities will be motivated and assisted to reduce income losses due to ineffective collection and due to physical water losses

   iii. Ministry of Cities will work with other ministries to develop comprehensive studies regarding tax incentives to the sector

This country brief was prepared by the Ministry of Cities and it is based on information published by its own and by IBGE, IPEA, FGV, FUNASA and the Ministry of Environment. It is also based on information provided by the Ministry of Foreign Relations and the Ministry of Planning, Development and Management.