

BASIC SANITATION: A REGULATORY AND INSTITUTIONAL AGENDA

- *The inadequacy and poor quality of water and sewage services result in social, environmental and economic problems.*
- *Ensuring universal access to water and sewage services reduces health care costs, increases school attendance and reduces employee absenteeism and medical leaves.*
- *In Brazil, apart from their poor service levels, sanitation networks have depreciated greatly and their management by companies is highly inefficient.*
- *Regulatory and institutional improvements are essential to increase investment and to improve service quality.*

In the Brazilian infrastructure, the sector with the greatest deficit in services and that is facing the greatest challenges to expand is sanitation.

The slow expansion of water supply and sewage networks and the poor quality of the services provided by the sector have strong implications for the health of the population, the environment, and the productive sector. The reduction in health care costs in Brazil resulting from universal access to water and sewage services amounts to R\$1.45 billion a year, without considering all the invaluable gains associated with a reduction in child mortality. However, unfortunately, the indicators are still disastrous.

About 83% of the Brazilian population are served with water supply, 57% have access to sewage collection services, and only 50% of the sewage is treated. Consequently, about 44% of all Brazilian municipalities have receiving water bodies with poor, terrible or zero capacity to dilute sewage, affecting water consumption by humans and increasing production costs.

If investment remains at current levels, universal access to water and sewage services would only be available after 2050: more than twenty years

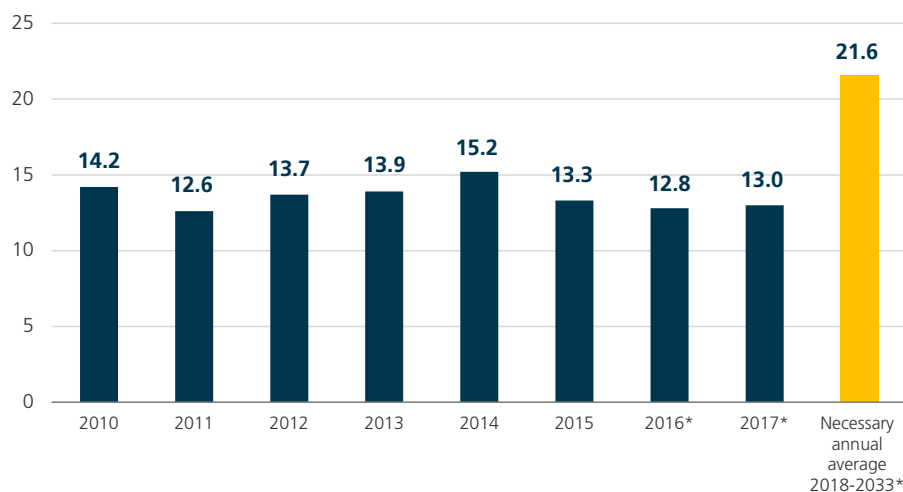
behind schedule. As each year goes by, the objective of the National Basic Sanitation Plan to ensure that drinking water is available in all the Brazilian territory by 2023 and that 92% of the sewage is treated by 2033 becomes less and less realistic.

Despite the Federal Government's efforts to reverse this serious situation, scant public funds, lack of regulation, and its inability to plan and invest led to the need to review the model adopted back in the 1970s.

International experience suggests that there is no single model for success. However, partnerships with the private sector have been playing a key role in expanding services and improving their quality.

Some myths need to be deconstructed. The idea that the private sector only operates in large municipalities is absolutely wrong. About 72% of the municipalities where private actors are active have populations of up to 50,000. And there is also the myth that private participation leads to a significant increase in rates: the rates charged by the private sector are about 11 cents higher than those charged by state-owned companies.

INVESTMENTS IN SANITATION IN BRAZIL
(BILLION REALS [R\$] AT CONSTANT PRICES IN DECEMBER 2017)



Source: Prepared by CNI based on SNIS and CNI data.

*Estimate based on information provided by the SNIS and the company Pezco Consultoria.

Main recommendations

- 1 Clear and effective regulatory guidelines should be defined** and agreements should be entered into between service providers and regulatory agencies to reduce the pulverization of the sector's regulation.
- 2 Water reuse should be regulated** to ensure legal certainty to producers and consumers.
- 3 The National Basic Sanitation Plan should be reviewed** in light of more realistic projections that take into account the current fiscal scenario and the heterogeneity of Brazilian municipalities.
- 4 The effectiveness of municipal plans should be assessed**, realistic deadlines should be set for them, and the widespread postponement of their completion should be rejected.
- 5 Means to ensure quality planning for the sector (with inspection, qualification and definition of parameters) should be created.**
- 6 A National Council on Sanitation Policy presided over by the Office of the Chief of Staff of the President of the Republic (Civil House) should be set up** with equal participation of representatives of regulated sectors and of civil society.
- 7 A system to check the data of the National Sanitation Information System (SNIS) should be set up.**
- 8 The concession program of the Brazilian Development Bank (BNDES) should be expanded** based on an analysis of the sector's markets for more states and municipalities.
- 9 The environmental licensing process for the water and sewage sector should be simplified.**
- 10 The process of releasing funds from the Government Severance Indemnity Fund (FGTS) for sanitation projects should be simplified.**
- 11 The Special Incentive Regime for the Development of Basic Sanitation (REISB) should be regulated.**

The full version of the document can be accessed through the QR code on the side or at: <http://www.cni.com.br/eleicoes2018/downloads/> This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the *2018-2022 Strategy Map for Industry* is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness. Any part of this publication may be copied, provided that the source is acknowledged. Brasília-DF, July 2018.

