

Results Profile: Uruguay Water



LONG-TERM PARTNERSHIP

Modernizing public water services in Uruguay

Overview

The International Bank for Reconstruction and Development (IBRD) worked with Uruguay to modernize its water utility company, [Obras Sanitarias del Estado](#) (OSE), helping in its transformation from an inefficient monopoly into a more accountable public utility providing better quality water to more Uruguayans than ever before.

Full Brief—3 Pages

[Modernizing Public Water Services in Uruguay](#)—PDF, April 2010

Challenge

Uruguay's economy is one of the most prosperous and its society is one of the most equal in South America. After decades of relatively slow economic growth, the economy grew by an average of 6.7 percent over the five years through 2008, reducing unemployment to 8 percent from 13 percent and poverty to 25 percent from 42 percent.

Given Uruguay's comparatively small size (its population is just over 3 million people), it is not surprising that its public utilities—water, electricity and until recently telecommunications—are monopolies in their respective sectors, which has made it difficult to benchmark and provide entry points to improve performance. While Uruguay has made impressive strides to achieve universal access to basic infrastructure services over the past two decades, access to piped sewerage at about 53 percent remains relatively low when compared to Chile, Colombia and Mexico, as well as several comparable Brazilian states. In addition, the country's public water and sanitation utility, OSE, historically lagged behind other public service providers in terms of operational performance and customer service.

Approach

Uruguay has long valued a consensus-driven approach to problem-solving and has managed an impressive level of continuity in sector policies across governments of different political stripes. The water sector is a case in point. Over the course of governments from three different political parties over 20 years and with steady engagement by IBRD, the Uruguayan water sector has been transformed from one in which a monopoly utility set its own standards and provided poor and inefficient service to a more accountable and efficient one in which service provision is separated from regulation and policy definition.

More Results

235,000

More people have access to water in metropolitan Montevideo.

MORE INFORMATION

- » [World Bank in Uruguay](#)
- » [Water Supply and Sanitation in Latin America](#)

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The Bank has supported development of Uruguay's water and sanitation sector for the past two decades through three infrastructure investment loans and one technical assistance loan:

- [Water Supply Rehabilitation project](#) (1988-1999) —\$22.3 million.
- [OSE Modernization and Systems Rehabilitation project](#), APL-1 (2000-2007) — \$27 million.
- [OSE Modernization and Systems Rehabilitation project](#), APL-2 (ongoing since 2007) — \$50 million.
- [Public Services Modernization Technical Assistance project](#) (2001-2008) —\$6 million.

Parts of several development policy loans have also helped to advance the reform agenda. Japan also contributed a grant for water sector regulatory reform.

With one (or at times two) investment and technical assistance loans under implementation at any one time over the past 20 years, IBRD has committed over \$2 million in supervision resources to Uruguay's water (and more broadly public utilities) sectors, which has allowed IBRD's Latin America region to field multi-sectoral teams including sector and macro economists, engineers, specialists in pumping technology, low-cost sewerage, financial specialists, social and environmental specialists and regulatory experts. At critical junctures, this long-term presence allowed IBRD to produce short policy notes with snapshots of key sector issues and possible policy options.

Results

With the help of IBRD, Uruguay's OSE has slowly evolved from a highly inefficient water utility into a solid one over the course of the last two decades:

- Labor productivity has improved to 4.3 employees/1,000 connections in 2006 from 12.7 employees/1,000 connections in 1987.
- Water treatment capacity at the Aguas Corrientes treatment plant, which supplies water to roughly half of Uruguay's total population, increased to 630,000 m3/day in 2006 from 440,000 m3/day in 1988. Water quality has improved significantly through the introduction of re-chlorination stations at intermediate points in the transmission system, which has allowed OSE to maintain chlorine residuals throughout the distribution network. The expansion of water production capacity has allowed OSE to connect over 235,000 additional people in metropolitan Montevideo alone.
- As a result of an internal benchmarking system established within OSE to compare performance across different parts of the country, OSE has introduced quality of service indicators and improved its performance on several key fronts: attention to commercial and operational claims as well as water quality are consistently rated excellent nationwide, while the speed with which water service is restored after a pipe break is excellent in almost all parts of the country. OSE's indicators use a grading system from Uruguayan public schools and so are easily understood. These are regularly published in the press along with a commitment by OSE management to reach defined performance levels by clearly-defined deadlines. This creates expectations for better service among the general population and pressure within OSE to meet those expectations.
- IBRD has financed 12,300 sewage connections in 12 cities as well as three treatment plants in Minas, Treinta y Tres, and Durazno, providing service for 60,000 people.
- IBRD has financed the installation of 125,000 new water meters and the replacement of 80,000 old or faulty meters, increasing the fairness of water billing.

As a result of IBRD involvement, Uruguay has created a more transparent and accountable

water sector. OSE, which formerly acted as de facto policymaker and regulator in addition to service provider in the water sector, is now part of a wider system that includes an autonomous water and electricity regulator, and a separate policy-making agency, created in 2006.

Toward the Future

IBRD support for Uruguay's water and sanitation sector is continuing under the OSE Modernization and Systems Rehabilitation project, APL-2, approved in 2007. Given OSE's operational improvements over the past two decades and the fact that OSE now charges water and sanitation tariffs that are more than enough to cover all operation and maintenance expenditures and some investment costs, the sustainability of OSE's existing assets is assured.

The main challenge, for both the government and for OSE, is to raise additional resources to increase sanitation coverage and sewage treatment to reach all Uruguayans. In addition, with water and sanitation services now the exclusive purview of the public sector—resulting from a 2004 referendum—the government will need to rely on internal benchmarking (within OSE) and external performance comparisons (through the regulator) to maintain the momentum for continuous improvement within the company.