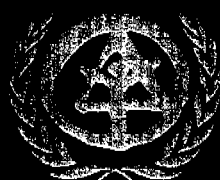


Framework for Promoting Pro-poor Water and Sanitation Governance in Urban Programmes and Projects



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UN-HABITAT

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Executive Summary

Current concepts, reports and international discussions on water supply and sanitation (WSS) service delivery seem to capture the general guiding principles of what constitutes good governance; however, there is an identified lack of understanding about the measures required to include pro-poor governance concepts as a strategy to improve WSS service delivery. The key issues that have been identified in most of these discussions explaining what hampers effective WSS urban governance, which in turn affect access and adequate service provision, include the following:

- Addressing the gaps existing in legislation and policy, in order to accelerate urban WSS service coverage;
- Lack of effective and adequate institutional frameworks for pro-poor urban water and sanitation, leading to inequitable resource allocation;
- Inefficient information on urban service coverage (especially intra-urban differentials) and monitoring tools to track progress towards Millennium Development Goals and world summit on sustainable development targets in urban areas;
- Poor water demand management, and a disproportionate (i.e., detrimental) allocation of resources to low-income urban populations;
- Low emphasis on sanitation (marketing and hygiene promotion) and options for provision of sustainable sanitation systems;
- Inadequate financing mechanisms for the urban poor to enhance sustainability and affordability;
- Inadequate capacities to deal with new forms of dynamics and complex WSS governance issues including mobilisation, conflict mediation/resolution, forming partnerships, practical management of stakeholder dialogues, etc.; and
- Lack of donor coordination to promote complementary intervention, national and sector budget alignment, and intensify policy dialogue for improved service delivery.

As highlighted in UN-HABITAT's (2006) Global Report¹, proper water and sanitation provision is not just about infrastructure, but also includes local capacities to make appropriate technological and institutional choices that facilitate 'smart partnerships', so that where conventional means are not effective innovative options can be embarked upon. For instance, in the Water for Asian

¹UN-Habitat. 2006. 'Meeting Development Goals in Small Urban Centres' pp245



Cities programme, (launched in 2003) there is a clear indication that **focus has been placed** on enhancing capacity at city, country and regional levels, as well as on creating an enabling environment for new investments to be channelled to marginalised poor groups. As part of the Water for Asian Cities programme, and in a collaborative framework between Thimi Municipality, the Centre for Integrated Urban development (CIUD) and WaterAid Nepal, **pro-poor urban water and sanitation governance tools** are developed through mapping of the poor communities using GIS, remote sensing, rapid gender assessment and Initial Environmental Examination, the results of which will be replicated in programmes.

The design and implementation of UN-HABITAT projects/programmes is strongly pro-poor: For instance, in both the Lake Victoria Water and Sanitation Initiative (LVWATSAN) and the Kenya Slum Upgrading Programme (KENSUP) projects, local community participation in project design and preparations for implementation has been a key principle. However, such community-based management models, where the local community takes responsibility for the management, operation and maintenance of the facilities, must be promoted further and supported by more innovative pro-poor mechanisms in order to improve WSS service delivery. For instance, helping the communities set up an effective intermediary in the form of grassroots associations (for both water and sanitation, particularly in informal settlements where small-scale WSS providers are not regulated), provides effective forums for community/consumer voice and to address issues like water quality, tariff regulation, user charges, operations and maintenance, etc.

To facilitate these processes, important questions seem to arise including, how to:

- reconcile the governance perspectives of different stakeholders;
- develop workable field strategies to secure good governance;
- identify appropriate intervention points; and
- develop robust diagnostic tools of specific relevance to water governance.

If we are to understand the critical challenges underlying these questions, it is essential first and foremost to understand why most countries lag behind in the first place. Perhaps the answers lie in understanding the current constraints facing the water sector, namely:

- the inadequacy of political will at all levels of government (from national to local);
- the limited scope of governance approaches for implementing this goal, including inadequacy of legal frameworks and poor management structures both at utilities and regulatory levels;
- inadequate participation of stakeholders;
- an apparent shortage of financial resources to meet the goals; and
- inadequate provisions for resolving conflicts between WSS needs and interests.

The purpose of this framework is to provide a basis for the development of practical tools/instruments that would facilitate improvement in the operational activities of UN-HABITAT and ensure adequate water supply and sanitation services to the urban poor. The proposed pro-poor urban water and sanitation governance framework model is based on global reviews of existing definitions and concepts of WSS governance and draws heavily from UN-HABITAT programmes, projects and concepts (prepared as a separate document – Part I), and aims to be as practicable as possible. The main principles behind this framework are as follows:

- promoting pro-poor water and sanitation legislation and policies;
- pro-poor institutional reform;
- promoting pro-poor financing/investment mechanisms; and
- pro-poor technical arrangements including capacity building mechanisms;

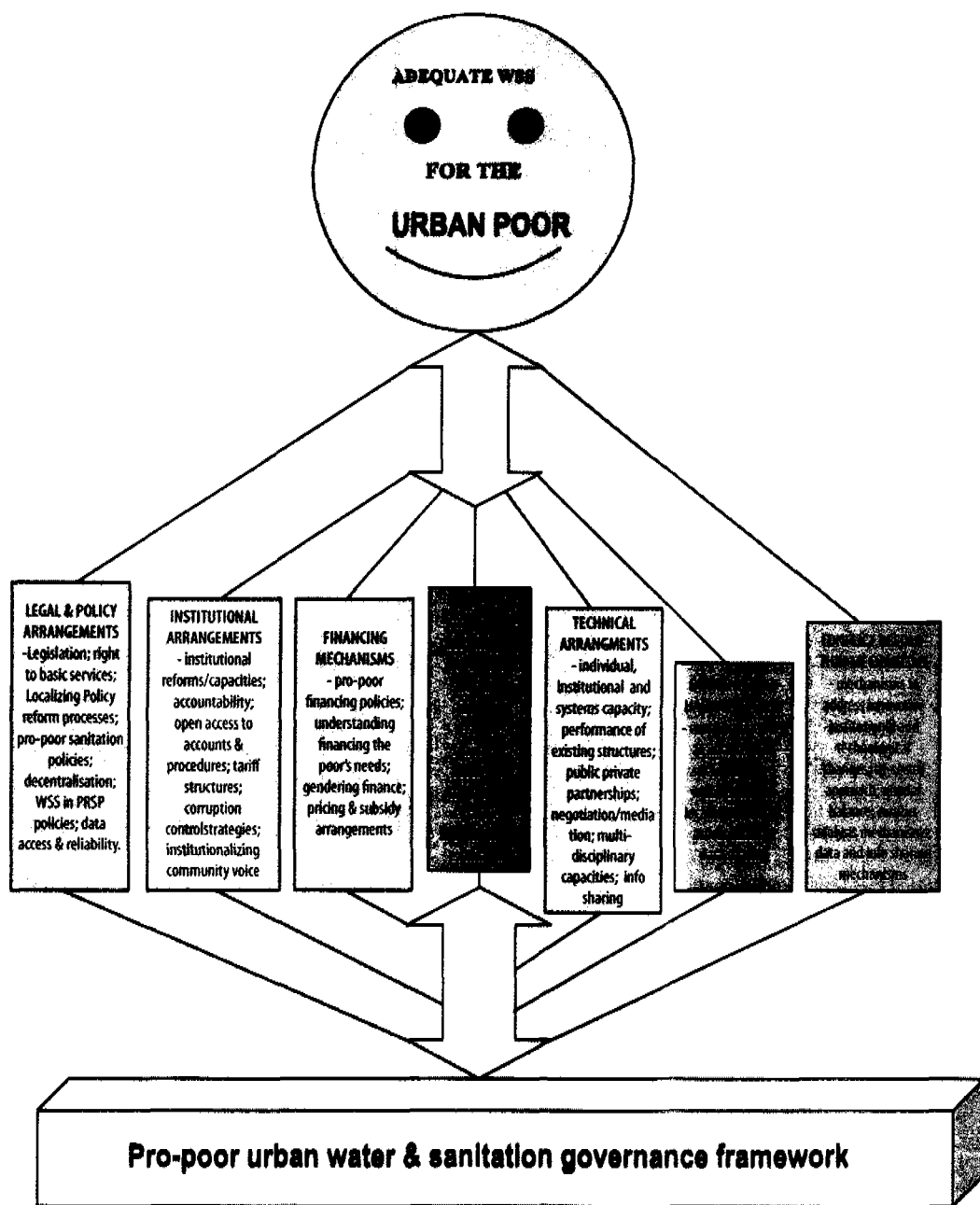
Additionally, this framework has incorporated cross-cutting issues that help facilitate the application of these main elements, namely:

- mapping: assessing existing governance structures, target groups and available resources (finance, human and technical)
- monitoring and evaluation mechanisms (tools and other instruments)
- conflict analysis, management and resolution mechanisms in WSS governance structures; and
- the role of harmonised donor policies and activities in enhanced service delivery to the urban poor.

The key issues/gaps within these categories are discussed in this document, along with the potential challenges that may be faced when implementing the framework:

- Ensuring that the mechanisms put in place do not end up excluding the intended target group (directly or indirectly);
- Selecting context-specific (locally identified) indicators by making the framework as adaptable as possible for different locations and needs;
- Addressing risk management and outcomes both for the communities and for the projects;
- Achieving the right balance between efficiency, social equity and sustainability, since in some interventions the drive for efficiency has not necessarily benefited the poor;
- Achieving the right policy mix, particularly where policies may conflict, or sector strategies and plans are not harmonised, i.e., fitting the pro-poor governance framework within the wider urban planning governance structure.

This framework is an important step towards the long-term endeavour of improved water and sanitation governance and service delivery to the urban poor. Although the framework is not a blueprint for meeting the Millennium Development Goals targets 10 and 11 it is, to a large extent, a first step towards the development (or, where available, adaptation) of tools that can enhance effective WSS service delivery to the urban poor, which effectively works in favour of the Millennium Development Goals. Clearly, putting any tool package together calls for coordinated action from the various actors, which in turn requires objective balancing and prioritisation that can only be achieved through concerted efforts between the different sectors and institutions involved.

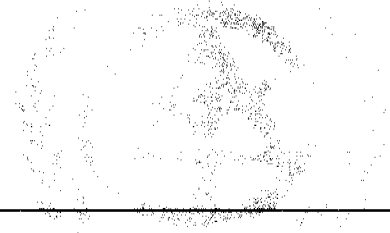


Main Components of the Framework

- 1. PRO-POOR LEGISLATION AND POLICIES**
- 2. PRO-POOR INSTITUTIONAL ARRANGEMENTS**
- 3. INNOVATIVE FINANCING/INVESTMENT MECHANISMS**
- 4. PRO-POOR TECHNICAL ARRANGEMENTS**

Cross-Cutting Issues: Other Supporting Elements of the Framework

- a) Mapping – target group and coverage levels/ local financial resources/ institutional and regulatory arrangements and capacities;
- b) Negotiation, management and conflict resolution: community and local level to ensure effectiveness of rights & entitlements;
- c) Role and influence of donor policies on project activities and in facilitating pro-poor policy designs within sector reform processes; and
- d) Embedding gender in all processes, including policy design, implementation and monitoring.



Legal and Policy Arrangements: Promoting Pro-Poor Water and Sanitation Legislation & Policies

Both legal and policy arrangements have an important role to play in improved access to WSS and to ensure adequate provision of services. However, most WSS legal frameworks still support inadequate models of service provision, with no proper definition of what constitutes equitable access or provision to the urban poor. It is also clear that most legislation overlooks the needs of the poor – for instance, in unplanned settlements, the relationship between security of land tenure and the right to provision of basic services is often ignored; as a result, and short of the necessary legal provisions, the poor cannot articulate the human rights issues surrounding WSS.

This makes legislation and policy reforms vital when setting up the legal and institutional frameworks that will facilitate pro-poor governance and to ensure the long-term sustainability of WSS interventions. At the national level, the challenge lies, first and foremost, in translating the existing good policies into specific frameworks that can be used to assess governance at the various stages of the reform process in order to help craft new pro-poor policies while at the same time making legal and institutional provision to support the implementation process.

Municipal authorities lack the capacities and guidelines needed to assess and bridge any gaps in the legal and institutional set-up that affects service delivery to the poor; therefore, the relevant reform efforts must be localised and institutionalised within municipal governance structures. This cannot be achieved without external support to facilitate the necessary collaboration between sector policies and stakeholder institutions (utilities, small-scale independent providers (SSIPs), civil society and local communities/residents). If the activities of the institutions required for effective implementation of specific reforms remains fragmented, marginalised or lack necessary capacities, the Millennium Development Goals targets for water and sanitation cannot be achieved.

CASE STUDY 1 WSS in Ethiopia

Policy and Legal Arrangements:

In Ethiopia, a comprehensive National Water Resource Management policy (1998) and strategy (2000) provides guidance for investment in rural, town and urban water supply and sanitation. This policy and strategy mandates that local government plan, implement and maintain WSS schemes. However, capacity gaps impair effective implementation of these policies and strategies, such as ill-defined roles and responsibilities for the various institutions involved. For instance, although the government recognises improving sanitation and hygiene as important steps toward poverty reduction, the relevant interventions are not coherently or adequately addressed in the sustainable development and poverty reduction plan (SDPRP) and related sector budget. Of course, both the Ministries of Health and Water resources take proper care of sanitation but then only as only wider-ranging policies. It is important to point out that the Ethiopian government has developed and adopted a sanitation and hygiene strategy, and a related protocol is under preparation. Despite these policy reforms, however, Ethiopia lacks a coherent planning and budgeting framework to pursue set goals and targets.

Institutional Arrangements:

The Federal ministry is responsible for formulation of policies and regulations, provision of technical support and raising funds. Regional water bureaux do the same at their own level, with an additional mandate to provide technical assistance to the woredas and towns when needed; actual implementation is left to woredas, towns and communities, with assistance from local stakeholders. The arrangements follow a decentralised pattern, but identifying the leading institution has been a challenge and although the national memorandum of understanding (MOU) defining the roles and responsibilities of the relevant ministries has been drafted, the constraints pose a huge challenge to the sector.

Financing arrangements:

Estimates of financial requirements depend on projected coverage targets, therefore financing requirements are only indicative and need validation by achievement on the ground. The National Water Resources Management Policy requires urban centres to cover investment, operation and maintenance costs. However, the National Sanitation Strategy calls for a shift towards funding 'sanitation promotion and leveraging resources' and away from hardware, i.e., prioritisation of low-cost, pro-poor solutions. This calls for capacity building, coherent budget and planning frameworks to match national strategies, as well as leveraging of domestic finance, particularly from users and the local private sector.



Technical Arrangements:

Although most sector frameworks are in place, local service providers cannot do much to diversify choice. Therefore, the private sector, NGOs and other stakeholders must contribute to increased capacities through effective and efficient participation.

Sector Monitoring and Evaluation:

Overall, Ethiopia lacks a coherent performance monitoring system for sanitation and hygiene interventions, and the existing M & E system for water supply is not well developed. The government and some development agencies (e.g., the World Bank) are looking to develop a comprehensive M & E to shift away from project-based ones. Clear guidance is required regarding what is collected and for whom, as are processing, reporting and feedback mechanisms.

Key Issues

a) The Right to Basic Services and Recognition of Inter-Sector Linkages

While policies based on the right of access to basic services are crucial to help the poor build sustainable livelihoods, the right of access to clean water can be viewed as a potential vehicle to achieve economic and political rights, so long as the mechanisms that generate poverty are recognised in parallel. According to UNDP², the human right to water includes five primary features that make a significant contribution to current developmental efforts to improve poor groups' access to water and that are relevant to improved WSS service provision for the urban poor.

The UN General Comment on the Right to Water indicates that in far too many situations, States establish expensive services that serve only a small privileged fraction of the population, rather than low-cost alternatives that would provide water for a greater number of people. The right to water means that governments must prioritise access to adequate water services to all, using available resources in a pro-poor manner. In this sense, the right to water provides a strong basis for individuals and groups to hold the State and other actors to account. Communities can,

²UNDP, March 2006. Applying a Human Rights-based approach to development cooperation and programming. A UNDP Capacity Development Resource

for instance, use this right in lobbying the State for water services, or to be allowed to manage their own water programmes without arbitrary interference from the State or demands for bribes. Having a legal entitlement to water effectively mandates sympathetic government officials to ensure access to water. It also can increase the political profile of access to water.

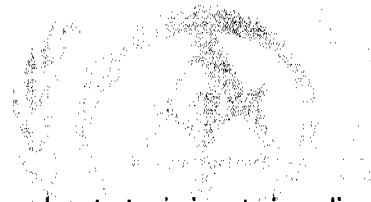
Informal settlements across the world are often denied water services as a matter of policy. Denial of access to water can, in some situations, be a deliberate choice of governments, or local authorities, to exclude communities that are seen as undesirable. For instance, the European Roma Rights Centre has documented the refusal of a local authority to supply a Roma informal settlement with water and sanitation, despite offers from international foundations to provide funding; Roma residents subsequently contracted skin diseases after using contaminated groundwater. In some instances, denial of access results from lack of policies and mandates to serve communities in 'illegal' settlements.

The human right to water requires genuine consultation and the participation of the communities affected in water service delivery and conservation of water resources. One good example is the municipality of Porto Alegre, Brazil, where the public water utility's operations undergo a participatory budgeting process. In public meetings, every citizen can have a say on which new investments should be made first. This model has contributed to dramatic increases in access to water by poor communities in Porto Alegre.

As part of the human rights approach to water, one of the most significant obstacles to access is lack of political will and corruption. At the international level, UN human rights institutions monitor whether States have honoured their human rights commitments and publicly point out when they have failed to do so. National institutions, such as courts and human rights commissions, as well as human rights NGOs, can monitor government programmes and ensure accountability. In Argentina, communities suffering from polluted groundwater have obtained a court order requiring the government to provide emergency water supplies and take steps to decontaminate water resources. Courts in India, Argentina, Brazil, and South Africa, among others, have reversed disconnections of water supply affecting people who were unable to pay.

At more practical levels, given the mutual dependency existing in the policy and institutional arrangements of the sectors/ministries, however, the cross-cutting issues influencing urban poverty levels must be addressed through concerted efforts. The challenge lies in facilitating the involvement and efforts of the various relevant ministries, who are guided by different policy and institutional mandates. Clearly, a policy that considers water and basic sanitation to the exclusion of other related areas of infrastructure is unlikely to do much that effectively meets the WSS needs of the urban poor.

In order to promote the right of the urban poor to basic services, interventions must concurrently consider linkages to policies on urban development, migration, industry, energy and the environment. In this respect, stakeholders at all levels can also assist reform through integrated policies and outcomes that recognise the need to engage with political power; they must also



learn how to manoeuvre in highly politicised contexts and to make strategic inputs in policy-making and other decision-making processes in various social and political contexts. This is particularly true for low-income areas, where land tenure affects service delivery. For instance, the role of UN-HABITAT in the Kenya Slum Upgrading Programme (KENSUP) has deliberately gone beyond supporting water and sanitation services to include components that address other aspects of infrastructure – roads, housing, drainage, etc. However, without legal provisions and without poor people’s awareness of their rights and entitlements, the issues of transparency and accountability of those institutions facilitating service provision could still remain unaddressed, short of properly coordinated mechanisms for sharing of information on sector policies and stakeholder institutions (including utilities, small-scale independent providers (SSIPs), civil society and local communities).

b) Focusing on Sanitation: Integrating Sanitation in the Pro-Poor Urban WSS Governance Framework

Pro-Poor Sanitation Policy:

Although the inclusion of a specific sanitation millennium target, alongside that of water, is a decision that reflects the crucial importance of sanitation in its own right and its central role in achieving other goals (health, education, poverty reduction, etc.), the sanitation challenge remains a daunting one. In urban areas, sanitation is very scarce. The challenge of serving urban populations keeps mounting due to rapid urbanisation and the expansion of unplanned and informal settlements (where ‘conventional’ approaches to provision of sanitation services have demonstrated an extremely low impact), and the challenge is all the greater for lack of financial support.

Investment in Sanitation:

With regard to low-income urban settlements, provision of water and sanitation (and related aspects such as solid waste management and drainage) are inextricably linked, but sanitation investments nearly always lag behind water supply; there is an urgent need to give equal prominence to sanitation. This requires new approaches and the consideration of other options besides subsidies, which could include emergency programmes.

Institutional Arrangements:

Most cities still use the traditional fragmented approach when dealing with WSS. Separate bodies and institutions handle technical know-how, water supply and sanitation, drainage, solid waste disposal, housing, transportation, etc. For this reason, management requirements do not match the capacity or resources of those in charge of adequate sanitation (both basic and hygiene). Fragmented management results in continued degradation of the urban ecosystem (See Case study 2 on Metropolitan São Paulo, and Case study 3 on the Causes of inadequate sanitation in Mumbai and Pune below:

CASE STUDY 2 WSS in Metropolitan São Paulo

As result of the federal political system in Brazil, São Paulo presents a complex institutional arrangement. The Union and States are in charge of the administration of rivers and the municipalities are in charge of land use management. The population has expanded fifty-fold in the last century. Water management a single utility in São Paulo faces the tremendous challenge of providing water to a population of 18 million. Solid waste generation is making urban drainage management complicated. Lack of waste water treatment is a threat when summer flooding occurs.

In densely urbanised basins, a new concept, known as Total Urban Water Management (TUWM), is proposed where sectoral vectors (combining different water uses) and territorial vectors are integrated separately. This approach requires communication with many sectors that do not use the resources, such as municipal management, housing and urban transport as well as the multiple water resource users (industrial, public water supply, sewerage, storm drainage).

Recognition of these dimensions of institutional integration/communication results in a structural connection between water resource management and regional metropolitan planning, the latter having jurisdiction over the common public functions that extrapolate the sphere of water resources itself. TUWM brings together all relevant sectors under one umbrella, although this does not mean that a single major institution is responsible for all the actions.

Source: Water resource Development, Vol. 22, No 2, pp.337-352, June, 2006.

CASE STUDY 3 *Inadequacies of Sanitation Provision in Mumbai and Pune, India.*

Over the past decades, few city governments in India have invested much in sanitation in slum areas. It is common for 25 to 50 per cent of the population in Indian cities, and for most slum residents, to live with inadequate, if any, sanitation. Shortage of funds may be a factor in many cities, but this is not as the case for Mumbai and Pune where, until recently, municipal authorities failed to spend the funds that had been allocated to toilet construction. Nor can the inadequacies in provision for water and sanitation in cities such as Bangalore be explained by lack of funding, since large investments have been made in infrastructure there; rather, political choices regarding infrastructure priorities are to blame.

In Indian cities, what little capital expenditure has gone into sanitation in low-income areas has generally been through local bodies (slum boards, housing authorities, development authorities and municipal corporations) and for building public toilet blocks, which these bodies are also expected to maintain. But the number of blocks built in any year does not seem to be based on any assessment of the population's needs or on available budget resources. The need is far greater than what is planned for, even though the resources allocated for sanitation often remain underutilised.

For those blocks that were built, the traditional method has been for the municipal corporation to estimate the construction costs according to a government schedule of rates, and then to call for tenders from contractors. Typically, it is for the engineering wings of local bodies to deal with these matters, and they hardly bother to consult with local communities regarding the location, design, construction and provision for maintenance. The agencies responsible for construction and maintenance generally have little accountability to local communities and there is no sense of ownership among residents or their organisations. Contractors' construction standards and design are often poor and inadequate – for instance, scarce water supply causes blockages and there is no access to drainage.

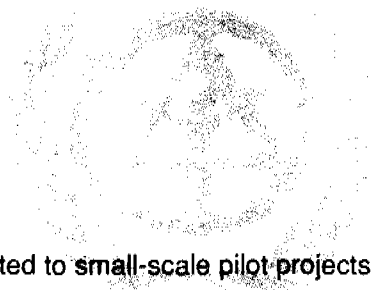
Municipal maintenance departments are expected to clean and maintain public toilet blocks as well as drains and streets. Clearly, staff usually fails to maintain the public blocks in slums and the local population has no control over them. Communities often find that have to pay municipal staff extra money to do a job for which they are already being paid. Municipal bureaucracies are also large and cumbersome, making supervision difficult, and attempts to impose discipline among staff invariably fail. The local government bodies that build the public blocks see these as their property and make no effort to involve communities in maintenance. The blocks are often in serious disrepair within three months of construction, leaving people with little if any alternative but to relieve themselves in the open.

They often do so in the immediate vicinity of the public blocks, and the attendant serious health hazard contributes to high infant and child mortality rates. Toilet blocks also become places where household wastes are dumped, since communities often have no garbage collection. Women suffer most from having no accessible and safe toilet. To protect their modesty, they often wait until nightfall to relieve themselves in the open – but this long wait until dark also causes widespread gastric disorders.

Various organisations such as charitable trusts, NGOs, international agencies and local business associations (e.g., Rotary Clubs) have had some involvement in “toilets for the poor” projects. They often build “pay-and-use” facilities. In many cities, agencies act as contractors, construct sanitation facilities and appoint caretakers to maintain them. User charges go towards caretaker and cleaner wages, materials and maintenance. These public toilets work well in large concourses such as railway stations and bus stops, but are not a workable solution in slums because of the high prices charged, usually one rupee per person. A family of five would have to spend 150 rupees a month to allow each member to use these toilet blocks just once a day – a sum beyond the means of most of the urban poor. As with government-built toilet blocks, the question of community participation in the design, construction and maintenance of “pay-per-use” toilets does not arise. Therefore, none of these facilities serve slum residents. The municipal model flounders on early deterioration and disuse, and the “pay-and-use” approach is too expensive for low-income households.

Various factors account for the lack of attention to sanitation in Mumbai over the years. Primarily, the serious health hazards associated with inadequate sanitation no longer affect most middle- and upper-income groups, whose homes and neighbourhoods have piped water and sewerage connections. Another major factor is the stereotyping of the poor by most middle- and upper-income groups as “freeloaders”, who seem to get access to free amenities. Yet the reality for most of the urban poor is that they often end up paying far more than middle- and upper-income groups for water.

Source: http://www.iied.org/human/eandu/documents/burra_patel_kerr.pdf/



Sanitation Technology:

The current focus on alternative forms of sanitation is restricted to small-scale pilot projects; the required large-scale, urban projects are conspicuously missing. At the same time, lack of coherence and of consensus plague both thinking and decisions, including with regard to the most appropriate technologies and the most effective forms of organizing service provision. In order to achieve the millennium sanitation target, enhanced awareness of the complex issues surrounding sanitation is required, as are stronger political will and additional capacity building.

It is clear from Case study 3 above that in order to meet the wider challenge of universally accessible sanitation, the technical, institutional and social barriers that constrain access to sanitation alternatives for the urban poor must be urgently addressed. Case study 4 below (the Orangi Pilot project in Karachi), provides a good illustration of how decentralised approaches in sanitation provision in heavily populated low-income areas can be financially and technically feasible and manageable if government provides technical assistance and capacities with regard to planning, organisation, budget management, fee collection, resource mobilisation and system operation and maintenance.

CASE STUDY 4 *Karachi: The Orangi Pilot Project – Community-Led Sanitation Services for the Urban Poor*

In Karachi, some 60 per cent of the 13 million residents live in illegal subdivisions of State land (Katchi Abadis). Orangi Township began as a squatter settlement in the 1960s but has since largely been regularised and land titles have been granted; it is now home to over 1.2 million people. Households have made their own sanitation arrangements, with concomitant pollution and health problems, but when local government agencies attempted to lay out conventional sewerage systems in the township a cost-recovery problem arose immediately. A belief that it was for the government provide this service also removed incentives for self-help. The Orangi Pilot Project (OPP), a non-governmental organisation, was established in 1980, initially with the objective of demonstrating to government that community involvement would result in cheaper, more adequate sanitation systems that would be maintained and paid for by local residents. OPP organised meetings in lanes that comprised of 20–25 dwellings and offered technical assistance to any lane willing to invest in their own infrastructure and set up the structure needed to collect funds and organise system maintenance. OPP's research concentrated on simplifying the design of latrines and sewerage lines to reduce costs to affordable levels (some USD16–30 per household). It took six months before any lane group agreed to take responsibility for its sewerage system and approach OPP for technical help.

One of the key features of the OPP model is the way the financial and management burdens of service provision are shared between the community and the State. Local residents fund, manage and maintain the construction of latrines, lane sewers and small, secondary or neighbourhood sewers (internal development level) while government takes responsibility for 'external development' (large secondary sewers, trunk sewers and treatment plants). With this sharing arrangement, it is perhaps somewhat ironic that a sanitation model that reduces government responsibility has actually led to it doing more that it had done previously for poor communities.

Source: Hasan, 1997; UN-Habitat, 2003; Wright, 2005



c) Making Decentralisation Pro-Poor

Roles and Responsibilities viz. Power and Control:

Decentralisation is not necessarily pro-poor only a minority of local authorities and water associations have the resources needed to carry out devolved responsibilities as power and control over resource allocation, access and management of funding for infrastructure do not seem to be delegated. UN-HABITAT's global report on 'water and sanitation in the World's Cities' (2006) identifies the failure of national/local governments to support local actions in ways that involve, and are accountable to, local actors as a major reason for the existing inadequate WSS provision to most urban low-income areas.

Legal and Institutional Arrangements:

Under decentralisation, the legal obligation of municipalities to provide water and sanitation is confined geographically to the 'urban' areas within their jurisdiction. However, this means that this form of 'demarcation' acts as a political device through which most municipal authorities avoid responsibility for WSS to poor peri-urban settlements, on the grounds that they are not located within the 'urbanised' area of the municipality. In effect, the un-served areas have often ended up receiving inadequate WSS services from independent or small-scale providers, who mainly work outside of any regulatory regime. The challenge with this is the major effect on coverage targets – most of the poor in urban neighbourhoods continue without access to adequate sanitation or safe running water.

d) Localizing Sector Reforms: Participatory Approaches to Decision-Making

If the Millennium Development Goals are to be achieved, efforts must be made towards investing in democratic governance processes at the local level, and particularly in engaging the poor in the relevant planning and decision-making processes, while at the same time encouraging responsive and participatory action by local governments and other actors and improving their accountability to the urban poor.

Reaching out to the poor requires targeted interventions and broader actions at the municipal level, including: offering households a menu of service options, with differentiated costs that reflect their willingness to pay; establishing appropriate tariffs and subsidies; expanding the choice of service providers; and increasing hygiene awareness through social marketing as a way of improving health and sanitation.

If the poor are involved at all stages of project design and implementation, replicability and scaling-up of pilot programmes (of reasonable size) can be enhanced and WSS services for the urban poor will be improved. We must point out that scaling-up can succeed where institutions

are capable of distributing both gains and costs; otherwise, it can on the one hand generate welcome economies, while at the same time intensifying inequalities.

e) Poverty Reduction Strategy Papers to Serve the Poor

Although in many countries, water and sanitation is high on the development assistance list and is often mentioned in Poverty Reduction Strategy papers, the issue of serving the poor is not. At the same time, much donor support keeps funding trunk and bulk infrastructure, which hardly ever results in improved services to the poor. There is an urgent need to review Poverty Reduction Strategy papers to include pro-poor components; in the case of WSS, it is important to acknowledge that improved distribution contributes to economic growth (and provides the basis for improved public services as it expands the public revenue base and the demand for WSS services).

f) Constraints with Data Reliability and Accessibility

A major limitation to any analysis of water and sanitation problems in most urban areas has to do with data reliability and accessibility: official data often tends to be inconsistent, posing huge constraints to decision-making which ends up based on either conflicting information if any at all. At the same time, the public have very limited access to any information available at the institutional level.

Recommended Actions to Promote Pro-Poor Legislation and Policies

For policies to be pro-poor, the rights and obligations and participation of the various stakeholders (including monitoring, compliance and enforcement) must be clarified.

Recommended action is as follows:

- Leveraging expertise from the government, community/civil society, and the private sector through a tri-sector approach in decision-making affecting WSS service provision for the urban poor. The Water for African Cities Programme has demonstrated, in seven countries, how to put in place integrated urban water resource management strategies that can bring three key sectors urban, environment and water affairs to work together to serve the needs of the urban poor. This approach is crucial as it links these groups. Through multi-stakeholder engagements with all groups, government WSS policies and strategies for the urban poor will not undermine the needs and interests of the communities and civil society.
- National and local governments must improve and /or include sanitation policies (for low-income urban areas) in the legislation, and particularly in any privatisation policies. Basic sanitation and hygiene sanitation is excluded from the policies; for instance in Nairobi,



Kenya, the mandated service water provider the Nairobi Water and Sanitation Company (NAWASCO) is only responsible for providing water and sewerage services to the urban population. An analysis of city-wide systems and their components is required for most urban areas, so that effective and workable sanitation systems (based on the real situations on the ground, rather than an imposition of pre-selected technologies) can be developed. This should involve consultations with the various interest groups at household level.

- Enhancing the capacity of water users, and in particular endowing them with the skills and ability required for a number of functions: identifying policy gaps and in assessing policy environments; becoming involved in the design of workable WSS programmes and being able to use any skills and experiences available locally in projects; and finally, establishing and maintaining open communication channels with service providers/water managers and with anyone influencing WSS service provision (e.g., through water user associations, watch-groups, committees, etc.).
- Establish systematic and harmonised inter-ministerial/cross-sector coordination both at policy, institutional and decision-making levels. This will not only accelerate the pace of programme interventions, but it will also provide for better accountability to local stakeholders while ensuring that there is no duplication of efforts.
- Establish baseline data and information systems regarding access, coverage and service delivery to the poor. The systems should be designed in a way that enables effective reporting to decision-makers and the public on annual progress with regard to WSS as well as tracking progress towards the Millennium Development Goals. This entails harmonised structures for information-sharing between government departments and with utilities/ service providers, civil society and local communities. This will be achieved if the data and information systems include the following: clearly defined indicators; the performance management of small and independent water providers through benchmarking; and monitoring through cross-checks by water regulators to ensure data reliability. Information sharing between sectors/ministries, external support agencies, development partners, the private sector and formal/informal service providers should be shared promptly in order to enhance and improve advocacy and budget planning.
- Formulate and implement long-term, integrated management plans with systematic, well-coordinated water allocation plans and more efficient institutional arrangements. This is necessary if the needs of expanding urban poor populations in terms of water quality/ quantity and adequate sanitation are to be satisfied.
- Need for concerted campaigns in favour of policies that will support financing, marketing, technology, organisational assistance and guidance for sanitation for the poor.

2

Pro-Poor Institutional Arrangements

This section addresses the role of the complex and dynamic political processes that influence the economic and social power of the urban poor. However, ensuring effective 'institutional reforms' is complex as it involves a variety of arrangements including legislation (detailing rights and responsibilities over WSS), public policies (setting objectives and mechanisms for management), decision-making and consultative institutions, public agencies to carry mandated functions, cultural norms and values underlying the way different actors think and act, informal/traditional institutions underpinning WSS management practices and, finally, financial arrangements.

Involvement of the Poor in all Processes:

This calls for a shift in focus from outputs/effects to process, i.e., the procedures, communication, decision-making, and participation of all stakeholders and sectors. In the case of water, demand management is important for the utilities since it is financially viable (reduces wastage and losses), but requires adequate legislative and policy support, consumer education/awareness, and enforcement of whatever measures are required to ensure efficiency.

Pro-Poor Regulation:

One of the main challenges facing adequate WSS services for the urban poor is a lack of efficient regulation. In particular, and as far as institutional reform is concerned, new institutional arrangements are emerging, including the transfer of tasks and responsibilities to municipalities, civil society organisations, water user associations, watch-groups, etc. In this respect, and although regulation is viewed as crucial to improved transparency of, and access to, these services for the poor, an effective regulatory regime should provide incentives to all operators in order to ensure that urban poor areas are adequately provided; on top of this, effective regulation should also set out targets as far as their needs are concerned while keeping a sensible balance between social and economic objectives.

A well-designed regulatory regime, as opposed to the contractual approach that has been used so far, would have a much wider variety of responses to water problems, as they would vary from traditional enforcement techniques to negotiation, education and other voluntary approaches. A crucial component of pro-poor regulation is comprised of a number of regulatory instruments and procedures such as information sharing on coverage and service levels; the formal rules that govern relationships between the various actors against existing policies and political processes; degrees of delegation of power and control of resources at all levels (including human resources, financial resources, technical, etc.); and monitoring.



Technical Gap:

The second major challenge for pro-poor institutional arrangements lies in the fact that most municipalities have no in-house technical team of WSS technical experts. Therefore, they lack the formal mechanisms for channelling demands and /or suggestions relating to the technical aspects of the municipal WSS sector. In these conditions, the responsibilities for decision-making regarding pro-poor approaches and initiatives, and the monitoring for efficient service delivery within a municipality, end up undertaken by non-experts/municipal politicians. This places serious limitations on the sustainability of pro-poor initiatives and provides little assurance of continuity.

CASE STUDY 5 *Innovative Institutional Arrangements: The Impact of Targeted Subsidies in Chile*

In 1977 Chile set up a National Water Supply and Sewerage Service (SENDOS) with responsibilities both for the operation and maintenance of urban water services and for the regulation of existing public operating companies. Under SENDOS, tariff policies were gradually reformed to achieve operating and investment cost self-financing and the elimination of cross-subsidies between consumer groups and regions. Towards the end of this reform process in 1989, targeted subsidies were first introduced. In 1990 SENDOS was superseded by the Superintendence of Water and Sanitation (SISS) and operating functions were separated from monitoring and regulation. SISS was responsible for regulation, while largely public utilities were the service providers. Regulation through a 'model' company approach used a form of comparative competition to enhance company performance.

Major improvements were made to service coverage but sewage treatment was limited, which caused health and environmental problems. The policy decision to introduce widespread treatment added markedly to the capital needs of the sector (some USD2 billion) and was the main reason for privatizing public utilities from 1998 onward (over 77% of urban areas are now served by private companies). However, privatisation occurred in the context of a well-established regulatory system and was accompanied by legislation strengthening consumer rights. Although public acceptance of full cost pricing was due to a number of factors, including the buoyancy of the national economy, undoubtedly the existence of the targeted subsidy programme played a role.

Basic services represent a significant proportion of household expenditure for the lowest income groups in Chile and cost-based pricing involves a regressive redistribution of real income, unless the poorest are helped. State subsidies go through a municipally run system which identifies the lowest income groups and pays only a part of their monthly water and sanitation bills, which helps avoid wasteful usage behaviour. Inevitably, to

achieve the welfare objectives, the amount of national government contributions has had to keep pace with cost-based price rises; both the number of people subsidised and the average value of each payment has increased significantly over time. A key issue for any targeted scheme is to ensure that the subsidies actually reach the poorest groups; this appears to be broadly the case in Chile, where in 1998 60 per cent of total expenditure went to the two lowest income groups.

The Chilean experience of urban water supply and sanitation is interesting in many respects. It has

- not followed the trend of decentralisation to municipalities;
- developed a competent national economic and environmental regulatory system;
- increasingly involved the private sector, and
- instigated a full-cost recovery policy with targeted subsidies.

The Chilean approach clearly illustrates the importance of macro-economic policies, apparently unrelated to water, and their influence on the institutional arrangements, management tools and performance of the WSS sector.


Source: Peña, Lurashi and Vanenzuela, 2004-5. Quoted in the Global Water Partnership (GWP, Urban water and sanitation Services: An integrated water resource management approach

A gap analysis model is needed to assess existing regulatory regimes and:

- identify stakeholder interests and networks;
- explain both failed and effective policy changes; and
- help establish more realistic, feasible policy designs that include the poor in their regulatory frameworks and promote accountability at all levels.

In this respect, if governments place a high priority on serving the urban poor, then they must take other actions, such as:

- requiring the separation of the water budget from general municipal funds;

- 
- providing targeted subsidies to allow the utility to serve poor customers as in Chile – see Case study 5 above);
 - providing direct social welfare subsidies to facilitate payment by the poor;
 - requiring utilities under contract or regulatory controls to extend coverage and cross-subsidise services for the poor; and
 - changing the legal status of unauthorised settlements.

Key Issues

a) Institutional Capacities

Institutional capacities should be increased to ensure that the institutions have: clear and strong mandates to promote and enhance institutionalisation of good water management and use at all levels; an organisation system conducive to effective and efficient management decisions; improved decision support mechanisms established through research on lessons learned and informal knowledge (socially accepted values and norms). Service providers require support to strengthen their provision mechanisms and better serve the poor through explicit pro-poor policies and innovative delivery arrangements. Support is required to facilitate the design of operational frameworks/codes of practice/definition of roles and responsibilities, particularly in their interaction with small-scale independent service providers (SSIPs) and with regard to demand-driven available options or systems.

b) Accountability

This applies at all levels and requires all those involved to be responsive in the participatory interaction needed for improved accountability to the urban poor. This is to be achieved through the following:

- **Maintaining Open Access to Accounts and Procedures:** Knowledge and awareness enable participants/stakeholders to conceptualise problematic situations and come up with informed agreements and decisions on how to improve access and provision.
- **Pro-Poor Tariffs, Subsidies:** The challenge lies in the fact that, on the one hand, tariffs must be sufficient to enable water utilities to recover operating and investment costs while at the same time include a pro-poor element by making provision for cross-subsidies (e.g., in the form of 'solidarity fund', in Colombia under the National water tariff, inspired by the philosophy of social solidarity embedded in Law 142 of 1994. See Case study 6 below).

CASE STUDY 6 *The Water Tariff Structure and the Urban Poor in Aguas de Cartagena, Colombia*

In Aguas de Cartagena, Colombia, implementation of the pro-poor tariff structure requires municipalities to carry sample surveys in order to categorise households in their jurisdiction in six levels (estratos). The criterion for classification is exclusively the nature of house construction. The mayor is required to establish a Permanent Committee for Stratification comprising the head of planning, the municipal ombudsman, a representative from each of the utilities, and two citizens appointed by the mayor. This advisory committee monitors the implementation of the stratification process, and handles any complaints from households who claim that their properties were wrongly classified. The committee is required by law to respond to a complaint within a maximum of two months. In the event that the customer is still not satisfied, s/he may appeal to the national watchdog committee, the Suprintendencia servicios publicos (SSP).

Under this 1994 legislation, owners of properties classified in level 4 are charged a tariff that covers the operating and capital costs of service delivery. Those classified 1, 2 and 3 pay a subsidised tariff, while those householders in levels 5 and 6 bear the cost of this subsidy and pay above-cost charges. This approach does not result in a common national tariff for all water companies: the 'break-even' cost applied to level 4 householders varies across municipalities because of a combination of geographical factors and the degrees of efficiency of respective water utilities. Clearly, the water tariff structure in Cartagena features a strong pro-poor element.

Source: Andrew Nickson, Establishing and Implementing a Joint Venture: Water and Sanitation services in Cartagena, Colombia. Working Paper 442 03. GHK International.

- **Addressing Corruption:** As estimated by the World Bank, corruption undermines the efficiency in the water sector by 20 to 40 per cent; it also undermines the rule of law and jeopardises the democratic principles of equal access in public decision-making, as it turns agencies meant to serve the public into instruments for individual gain. In order to combat political corruption in WSS service delivery, it is crucial to build the capacities of the urban poor (through NGOs and CBOs). This will preserve them from manipulation at the unscrupulous hands of some of the municipal officers and operators that determine how costs are to be distributed between the various interests involved. In Kenya, (see Case study 7 below) corruption has been recognised as one of the major challenges facing the WSS sector.



CASE STUDY 7 Governance Challenges in the WSS sector in Kenya

Legislative Framework:

To address the problems in Kenya's water sector, the government resolved in 2002 to undertake comprehensive reforms which led to a New Water Act 2002 (enacted in March 2003). The act laid the foundation for governance as it separated the functions of policy, regulation and service delivery. Previously the three functions were under one mandate, which encouraged lack of transparency, poor accountability and low efficiency in the planning and management of water resources and service provision.

Policy and Institutional Arrangements:

Kenya's new water policy redefines the role of the government as focusing on policy, regulatory and enabling functions. It leaves actual service provision and water resource management to private sector operators and community-based groups such as Water Resources User Associations (WRUAs) and other types of local self-help groups involved in local water services. Some of the regulatory authority is devolved to sector associations under self-regulation.

The new institutional structure has made a clear division between water services and water resources management:

- **Policy Function:** Ministry of Water and Irrigation (MWI)
- **Regulatory Functions (National and Regional Levels):** Water Resources Management Authority (WRMA), Catchment Areas Advisory Committees (CAACs), Water Services Regulatory Board (WSRB) and Water Services Boards (WSBs)
- **Service Provision (Local Level):** Water Resources User Associations (WRUAs) and Water Services Providers (WSPs)
- **Funding Mechanisms:** Water Services Trust Fund: Funding mechanism for expanding and improving WSS in rural areas. The government is currently considering opening up a facility for investment in water resources management. A Community Project Cycle (CPC) has been created to prioritise investments and assist local communities as they apply for funds.
- **Conflict Resolution:** Water Appeal Board (WAB)

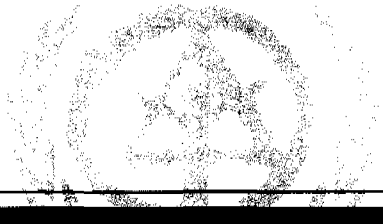
WSRB is responsible for issuing licenses to the WSBs; licenses give WSBs responsibility for effective and economical provision of water services in their areas of jurisdiction.

However, since under the Water Act, WSBs cannot provide services directly, they enter into service provision agreements with Water Service Providers (WSPs), leaving the WSBs with

the important role of regulating the WSPs within the framework provided by the WSRB. New strategies for capacity building have been developed, particularly for enhancing management capacities. Technical capacities have been improved through the introduction of bulk water supply chains, which extend services to more local authorities under a single service provider.

Governance Issues/Challenges:

- a) High degrees of corruption at service providers' level: According to a recent survey of corruption in the WSS sector conducted at the request of the management of the Nairobi Water & Sewerage Services Company Limited (NAWASCO), corruption is rife within the ranks of the water and sewerage service provider, with bribes demanded from consumers before connections to the meters, as well as in hiring and procurement.
- b) The "lumping" of budgets makes these difficult to track. As part of decentralizing water decision-making, fewer funds will go through the Ministry itself since its new role is supervision, issuing guidelines, etc. Therefore, funds are increasingly allocated directly to the seven National Water Services Boards and Water Services Providers, etc., and each water institution is financially responsible. The re-distribution of responsibilities and financial means creates needs for additional capacity-building at regional and local levels to make sure that budget tracking, auditing, procurement etc. provisions are strictly enforced. Capacity building will enhance tracking efficiency.
- c) Lack of monitoring and evaluation mechanisms for ensuring equitable access to and transparency in the operation of the Water Services Trust Fund, and with regard to user fee inflows (services and water permits), allocation of water permits, etc. For instance, service fees provide the resource for effective maintenance and operation as well as for future capital expenditure and expansion; therefore, corruption-free management is critical, while also enhancing confidence in sector reform.
- d) Consumer participation - Establishing structures for accountability, transparency and participation: Currently, mechanisms for handling complaints between consumers and the Water Services Providers are not developed. Redress mechanisms such as the citizen's score card piloted by WSP in Mombasa, Nairobi and Kisumu, should be considered. In Zambia, the establishment of Water Watch Groups (WWG) led to a situation where the service providers and regulator followed up customer complaints much more seriously than in the past. For instance, the Lusaka Water and Sewerage Company opened a new office for customer complaints reporting directly to senior



staff. The result was a shortening of response time (improved accountability) and opened the way for new options in resolving customer disputes. Another experience is found in Ghana. The water regulator, PURC, has set up regional offices and customer service committees to get closer to the customers. PURC organises regional workshops to present its role and to get feedback from the customers on service quality in the region. This approach has been seen as useful, but has its limits due to the financial constraints of the regulatory agency.

- e) Although there is a Water Appeals Board, it is unclear how consumer feedback and civil society participation will work out in practice under water sector reform. Another need is to build community capacities to educate them on rights/entitlements, service providers' roles and responsibilities, etc.

Gaps:

- Developing practicable complaints and redress mechanisms between Water Services Providers and consumers, including effective consultation and customer protection to ensure accountability and transparency in the new water institutions.
- Capacity building and local community/consumer awareness on service providers' roles and responsibilities; rights and entitlements and other aspects of WSS reform - in other words, localizing water sector reform.
- Developing indicators and other mechanisms for monitoring and evaluation, to help track accessibility and use of (financial) resources.
- Developing sector policies and business plans that include the poor and other marginalised areas/groups.

Through bilateral cooperation projects (KfW, GTZ and DED), experience gained through reform in Kenyan towns like Nyeri and Eldoret (which involve upgrading local municipal providers, and a private provider in the town of Malindi), can be used to steer national policy formulation. At the same time, to ensure sustainability of these reforms, suitable associations and user groups are being trained to provide advisory activities in the field of drinking water and water management.

Source: UNDP Water Governance Facility: Scoping mission to develop anti-corruption in water programmatic activities in Kenya, July, 2006.

It has been suggested that corruption in the WSS sector can be addressed through the following: (1) legal reform, including means of strict enforcement of existing rules and regulations; (2) financial reform, including multilateral cooperation and coordination to track financial flows and monitor international contracts, a major requirement if the drive against corruption is to be effective; (3) public-sector institutional restructuring/reform, to enhance efforts towards poverty reduction through the WSS sector; and (4) increased public awareness of the extent and nature of corruption (including capacity development of stakeholders and more effective anti-corruption mechanisms).

c) Community Voice in Institutional Arrangements

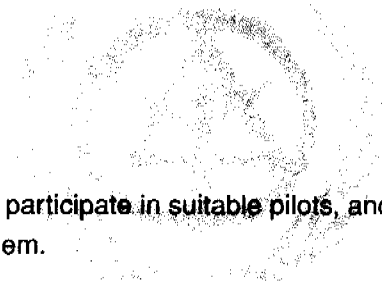
This is required to remedy the unfair representation and marginalisation of the poor, largely as a result of weak linkages between institutions and the consumers and a lack of information sharing between stakeholders. Efforts at consumer advocacy in the WSS sector in developing countries have often been caught up in political debate. Evidence suggests that poor households find it more difficult to wield consumer power or make their voices heard than non-poor households; improved accountability of government and WSS service providers is urgently needed.

Many sector reforms are currently underway, but meaningful consumer participation is often overlooked. In this respect, the launch of separate regulatory bodies has helped to some extent (for instance in the case of OFWAT and its "Water-Voice" Committees in the UK, or of Zambia's NWASCO and the Water Watch Group", or the Consumer Consultative Council to be set up by water and power regulatory body in Tanzania). Neutral, credible and apolitical information on consumer choices, preferences and concerns is required to give the reform agenda in the water sector much-needed objectivity and focus, and to shift the rationale of consumer advocacy from anecdote to informed debate.

While consumer associations are one of the means to provide feedback to the regulatory bodies, constraints like lack of information and lack of understanding of sector policies and strategic arrangements undermine consumers' efforts. Therefore, it is for WSS institutions to develop and implement effective tools and methodologies.

Recommended Actions for Promoting Pro-Poor Institutional Arrangements:

- Creating or strengthening water operator partnerships (WOPS): This should be a structured programme of cooperation among water operators, based on mutual support and a not-for-profit basis. This should include the following actions:

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- National water ministries to encourage public utilities to participate in suitable pilots, and national finance ministries to make funds available to them.
 - Development of institutional arrangements (including the rule-enforcing mechanisms, norms and values that govern the poor within formal structures) to support the WOPs. Institutional arrangements to use multi-faceted pro-poor approaches, taking into account the social, cultural, political, economic, legal, normative aspects of governance. This should be achieved through: (i) signed contracts/licensing with existing small-scale providers of both water and sanitation to reinforce the effectiveness of service delivery and extend WSS coverage; (ii) tripartite arrangements between the municipality, public-private partners and the community; (iii) Guidelines on pricing, water quality and quantity standards (with consideration for the constraints arising from high investment costs for public outlets and connections); and (iv) specific guidance on how to avoid monopolies and cartels of small-scale third parties, for the sake of good governance.
 - Formal WSS service providers to provide necessary information on all the different options for essential services that are available to poor urban communities, in order to ensure that interventions add to, rather than reduce, their choice of service. For instance, in densely populated unplanned settlements where sewer lines are not provided for by formal utilities, information on technological options including the use of exhausters (e.g., vacutug) should be made available.
 - Incentives for involving private providers in sanitation should be promoted through the development of a dedicated support fund that would contribute to improved and adequate sanitation.
 - Promoting consumer participation/involvement through capacity building of communities, service providers and regulators to promote and strengthen consumer voice mechanisms/processes, including tools, e.g., civil society-led tools and approaches such as report cards, participatory expenditure tracking, community score cards, public hearings and social audits.
 - Development agencies/donor agencies to help institutions establish multi-stakeholder learning alliances to promote professional networking and sharing views and experiences on governance (successes and weaknesses).

3

Financing Arrangements: Pro-Poor Financing /Investments

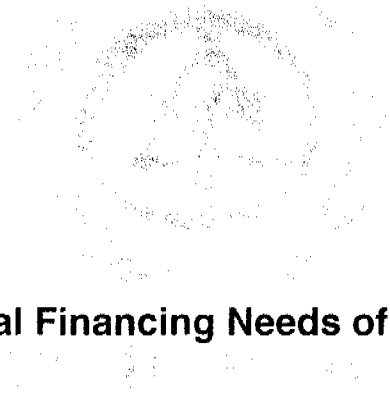
Without sound financial mechanisms, WSS sector reforms cannot be sustainable or even possible. At the national level, operators/service providers must remain capable and financially viable. The State must therefore provide the relevant institutions in the sector and in government (regulatory or management agencies) with appropriate budgets.

Pro-poor revenue and expenditure policies: This may include setting specific goals and financial targets for WSS, with close reference to the Poverty Reduction Strategy Papers (PRSPs). It must be noted that new capital expenditure and existing financing mechanisms, in isolation, do not necessarily facilitate access and adequate WSS services to the urban poor; pro-poor policies and institutions are needed to direct capital expenditure and monitor their impact on the poor.

Capacity strengthening/ building: WSS and waste water management utilities (usually run by the State or local authority) seem to suffer from weak capacities, leading to inefficiency and poor collection management regarding water prices and sanitation fees. The challenge for the sector is to build capacity through careful preparation of contractual arrangements as well as transparent and competitive contract-awarding procedures.

Monitoring: At the same time, monitoring mechanisms with strong indicators must be designed. As the UN MDG report 2005 notes, the sanitation target cannot be met without a dramatic increase in investment in services, given that sanitation (compared to water) poses a greater challenge in terms of linking to income generation both for utilities and SSIPs.

Pro-poor innovative financing: At the consumer/user level, sustainable financing of WSS services must be achieved through pro-poor innovative financing mechanisms. However, this is not possible if consumers are not adequately involved in the supervisory boards of utilities or public stand posts (water kiosks) where they gain knowledge and information through dialogue as they share information with other stakeholders in the sector.



Key Issues

a) Limited Understanding of the Special Financing Needs of the Urban Poor

This mainly takes the form of high costs of connection to the network. The question of affordability and willingness to pay is usually not negotiated at the time most public-private partnerships are entered into or when new institutional arrangements are established. This is the problem that the Nairobi Water and Sewerage Company in Kenya (NAWASCO) is facing in its WSS service extension to poor urban settlements through its bulk-metering system, which requires households to connect to individual meters located on the periphery of the slums. Short of innovative flexible payment arrangements, these bulk metering systems (which are intended to extend WSS networks into poor communities in urban informal settlements) will only be perceived as huge financial burdens and will create unnecessary conflicts with the informal WSS service operators.

b) Gendering Financing

Although cultural differences across communities and countries will challenge the notion of engaging women in managing innovations, it is now recognised that women in poor communities must be involved in local water and sanitation management³. For any pro-poor strategy to work, it must address the role of women who are the key managers of resources at the household level, particularly in the access, use and management of water. Poverty and gender aspects of projects must be kept in mind and, in particular, the participation of women at all levels of planning, to avoid errors and to identify appropriate financing solutions. The deprivation (gender-based or otherwise) commonly associated with exclusion is not only related to economic resources, but also to a lack of recognition and entitlement. In this sense, access to WSS can be viewed as a potential vehicle to achieve economic and political rights. WSS interventions can bring this about if they ensure gender balance both in the management institutions and among the service providers.

The way in which data on WSS is collected, i.e. at household instead of individual level, is not gender-specific. Without the Multiple Indicator Cluster Surveys (MICs) and other mapping tools (which include pointed questions on who does what in WSS processes even at the household level), current collection methods might not provide data on who shoulders which responsibility when accessing and maintaining WSS services in the household. Data should provide relevant numerical evidence if strategies for improving WSS are to target the right groups.

³David Brooks, IDRC. Water:Local-level Management. 2002.

c) Diverting Investments to the Poorest (Against Traditional Donor Approaches)

National government must prioritise pro-poor WSS financing and accept their responsibility to help local communities gain access to financing, and improve their own performance to meet the relevant Millennium Development Goals. One of the steps towards this is an efficient tariff system for water services with cross-subsidies to poor people where most needed. In addition, governments should establish innovative local financing mechanisms, including pro-poor credit schemes, and make provision for economic instruments and mechanisms to address the needs of the various socio-economic groups.

d) Need for Pro-Poor Water Pricing and Subsidy Arrangements

CASE STUDY 8 South Africa – Subsidy Systems

In South Africa, two different types of subsidy are in use. A capital subsidy is available on a means-tested basis to cover the cost of land, infrastructure and a small housing unit. Generally, this includes a household connection for water and sanitation. Whilst over one million capital subsidies have been provided, the quality of construction involved is controversial. A lifeline tariff for water and electricity consumption was introduced in July 2001, provides beneficiary households with six kilolitres of water and 50kWh of electricity free of charge each month. This is based on 25 litres per day and an eight-strong household. The issue of service charges in addition to this provision appears to be unresolved. In Durban Metro, residents also benefit from free-of-charge services charges for similar volumes. This policy was introduced in some areas in 1997 when Durban Water decided that providing households with limited quantities of free water "... was more cost effective ... than to recover the costs from households, especially when the subsidy provided to poor households via a national government transfer (Equitable Share) was taken into account". However, in another area called Dolphin Coast, 10kl of water is provided for free every month, but a standard monthly R24.60 is charged on metered consumption. Some households have no access to piped supply. Those who secure water from standpipes pay R3.94 per kl (without the benefit of a lifeline tariff). Workers, consumers and councillors all agree that these charges are too high.

A recent study considers a number of aspects of pricing and cost recovery of water services in over 300 municipalities throughout South Africa. In summary, just over 60 per cent of consumer bills are fully paid, with about 80 per cent of consumers on meters. More than 70 per cent of consumers live in municipalities where service is restricted if they

are more than 90 days in arrears, and more than 60 per cent of consumers are subject to progressive tariffs. The evidence suggests that measures to encourage repayment (such as progressive tariffs, promises of additional services to high payment areas and opportunities to pay for services at supermarkets) can increase repayment by an average 7.5 per cent.

Predictions of the implications of extending services on repayment suggest that payment rates will fall because these people are generally poor, some will be offered public taps and administration costs increase to service non-payers. To some extent, the policy of free water for basic needs reflects this reality. The author argues that the opportunity costs associated with this policy are much lower than otherwise, because cost recovery policies have had limited success.

Source: David Mitlin, 2004. Beyond second best: The whys, hows and wherefores of water subsidies. Centre for Regulation and Competition

In the South Africa Case Study 8 above, increasing block tariffs (where unit costs rise with the volume consumed) is a useful approach in which higher consumption users pay higher than average prices at the upper levels of their consumption, enabling low-consumption users to pay below average costs; an estimated 60 per cent of consumers benefit from such cross-subsidies. In Asia, 20 out of 32 water utilities also do this. It must be pointed out, however, that even block tariffs can still put a considerable burden on the poor; in Cape Town, a particular form of increasing block tariff is the provision of a fixed amount of free water to ensure that every household has access to the supply required for their basic needs.

The most serious difficulty with this particular strategy, however, is that increasing block tariffs require household connections and metered consumption. In many countries this is not possible, either because households have no supply to their site and/or because the cost of meters is prohibitive. If the poorest households are without household supply and are buying from neighbours, then block tariffs may become regressive insofar as their neighbours' supply is charged at the higher rate. Therefore, in many places, this type of support for water access by the poor is not feasible.

For example, in Accra, two-thirds of the poorest 20 per cent of households have no water source at home; in Jakarta and São Paulo, the equivalent figures are 31 and 19 per cent (UNCHS, 2003). It must be ensured that subsidy strategies are effectively targeted and do not end up benefiting the higher income groups instead of the poor. In this respect, the Asian Development

Bank⁴ has argued that subsidies should be provided within a cost-recovery framework, while Organization for Economic Cooperation and Development favours water pricing beyond revenue generation, i.e., the use of tariffs to achieve a wider range of economic, environmental, and social objectives.

Recommended Actions for Pro-Poor Financing/Investments

- National governments and operators/service providers should develop and implement innovative and appropriate financing mechanisms for both water and sanitation and, together with local authorities, design emergency programmes. This should include sustainable cost-recovery policies with efficient tariffs, adequate subsidies and cross-subsidies. Importantly, subsidies must not favour the well-off or well-connected instead of supporting the poor. Therefore, local networks must use a mix of tariffs and subsidies so that any inequities in current user-fee schemes are addressed through fair and viable systems.
- For sanitation, a policy mix will be required to help meet the Millennium Development Goals and which must involve stakeholders at all levels of governance. The Task Force on Water and Sanitation 2005 suggests five possible policy and planning options: (1) land tenure reform; (2) social marketing and education; (3) partnerships with civic organisations; (4) regulatory reform (mainly to remove overly stringent technical standards); and (5) innovative technologies. However, policy reform objectives are only likely to be met if a clear strategic approach is taken, with policy packages developed and implemented at the same time. A critical component of any policy mix package must be capital availability, including appropriate financial tools and cost-sharing.

In most developed countries, water supply, bulk sewerage and sewage treatment have been seen as public goods and therefore heavily subsidised from general taxation. Only relatively recently have moves been made to recover all or a significant proportion of the costs involved from individual households. In places like Karachi (where the Orangi and most other sewerage networks discharge untreated waste into the natural drainage channels and on to the sea, with all the concomitant health and economic hazards) the management of pollution control outside urban sewered areas must be urgently addressed, and should be included in any discussions and strategies on pro-poor innovative financing. In other words, the financial tools to be used and the distribution of costs must adjust in response to shifts in the willingness and ability of individuals to pay for the services. Such a staged approach may have relevance for developing countries today, as can be seen from the Chilean Case study 4 cited earlier.

⁴Cost recovery is crucial to sustaining capital expenditure for expanded access to water. However, costs must relate to the efficient provision of services. Inefficiencies cannot be passed on to consumers. If the extreme poor need to be subsidised, they should be. (Asian Development Bank 2004, p.3).

- Financial authorities and institutions should set up programmes to develop local financial markets and establish financial frameworks to enable operators to borrow in local currencies at affordable interest rates.
- Local authorities must attract more funding for water and sanitation operators through new partnerships and approaches that enhance cooperation in water supply and sanitation development. The goal is to make use of the advantages that different stakeholders hold in terms of skills, resources, and perspectives on the sector.
- The larger utilities should see small-scale providers as a business opportunity and be prepared to invest in their formation and ensure their sustainability. These partnerships should help advance good water and sanitation governance and facilitate service provider accountability to the low-income groups that they serve.
- National policies must explicitly provide for fiscal decentralisation and tax-system improvements and arrangements whereby WSS operators/service providers retain revenues; also needed are policies against corruption, as well as capital market reforms that address low saving rates, among others.
- Donors must streamline and prioritise support to WSS for marginalised low-income urban areas (including informal settlements), instead of focusing on providing equipment and resources to areas that are already well-served at taxpayer's expense. Under-performing service providers should be assisted through capacity enhancement.
- Managing water demand: The Water for African Cities I programme has introduced a new, demand-side focus in water management. Reductions in water wasting and containing excessive demand have enabled several cities to demonstrate how coverage, especially for the benefit of the urban poor, could be extended through only modest additional investment. Pro-poor policies should focus on managing demand, because in most countries the problem with water lies in resource governance rather than scarcity.
- Establish financial resource mapping mechanisms to help identify sources of finance and the criteria for securing the funds, and provide a basis for donor convergence. (See Case study 9 below for illustration).

CASE STUDY 9 *Madhya Pradesh – Financial Resource Mapping*

As part of UN-HABITAT's Water for Asian Cities (WAC) Programme in Madhya Pradesh (India), a financial resource mapping exercise has identified a broad range of funds/resources. Public financial sources include all centrally and State-sponsored schemes and programmes on urban poverty alleviation, women's empowerment, and health and education (as linked to urban environmental improvements and with a focus on water and sanitation). This financial mapping exercise identified resources on which new interventions could draw – for instance, the community structures in 'notified slums' that had been in operation for over 80 years, having been set up by earlier employment generation programmes.


At the same time, the Water for Asian Cities programme in Madhya Pradesh included the development of pro-poor governance structures that will allow WSS reform and investments to reach the lowest income groups through partnership building at all levels. The governing principles of this approach, which allows for both qualitative and quantitative assessments, include:

- Influencing priorities and investments through civil society involvement;
- Empowerment of marginalised groups (including women, youth, children, etc.) through involvement in governance;
- Formulation and application of regulatory frameworks that provide protection to service providers and consumers; and
- Working towards responsive, affordable and sustainable WSS provision.

Part of the approaches for ensuring effective WSS governance include mapping of existing structures; mapping the roles of different partners and their management practices to identify underserved areas; assessing principles of good governance within stakeholder groups; linking local institutions with community groups to help create spaces for 'voice'; using urban management tools for planning, monitoring, technology options, communication and information; and building genuine partnerships.

The tools that have been adapted under the in Madhya Pradesh include, among others: the Community-based Environmental Management Information Systems (CEMIS) ; the Urban Governance Index; The Urban Governance Observatory; the Water for Asian Cities programme (Africa)'s Values-based Water Education; water demand management; and financial resource mapping.

Source: UN-HABITAT, 2006. Global report – Meeting Development Goals in small urban centres. p.261.

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- Establish community-managed cross-subsidy arrangements through committees and water groups. The capacities of these groups must enable the poorest among the poor to benefit from these arrangements. Where cross-subsidies between use and connection are not viable, micro-credit can help individuals and communities and can be used either for initial connections or for subsequent improvements. In the case of the Community Organisation Development Institute in Thailand, loan funding is available for member communities. Beneficiary groups must have been active savers for several months prior to accessing loans. It must be noted that successful community management thrives on a supportive environment where upfront planning is there to identify suitable approaches. For instance, communally managed pay-as-you use toilets, water kiosks, commercial septic tanks and pit-emptying services require both professional skills and financial back-up. Even where services are provided through a utility or municipal service provider, the role of the community in up-front planning and in monitoring performance is crucial, as this will contribute to improved services for the poor and will ultimately impact on national level processes.

4

Pro-Poor Technical Arrangements

Most national studies and international discussions conclude that MDG targets are not met for chronic lack of capacity at municipal and local level in most developing countries. This is an extremely important point, as in most cases central government has devolved responsibility for water and sanitation to the municipal/local tier. To build this capacity up in terms of human resources, strategies and plans requires targeted long-term support. Given the changing institutional roles involved in sector reform, the process of change in the quality and sustainability of technical inputs poses a huge challenge; this in turn requires specific and direct interventions at various levels to avoid possible political and social resistance. In this respect, capacity building becomes vital to ensure that:

- Government plays a meaningful facilitation role and is supported through the process of reform;
- Service providers come forward to support direct implementation;
- Investments are sustained and reach out to the poorest people;
- Technology is appropriate and cost-effective;
- Prices are set fairly and financial arrangements ensure long-term O & M; and
- Participatory approaches and empowerment of local communities become part of the poverty alleviation process. Building social capital is an essential component of capacity development; the more people trust each other, the better off they will be. This involves the features of social organisations such as social networks and interactions that facilitate coordination and cooperation among people, enabling them to act collectively for the benefit of all.

The table below provides a summary of the potential levels of capacity building (individual, institutional and enabling environment) which, it is suggested, would facilitate adequate WSS for urban poor communities. The funding for capacity building activities is typically biased in favour of individual strategies. The reason is that organisational and system-wide strategies tend to be costly, risky, longer-term and dependent on political commitments. At the same time, the roles of funding agencies are more uncertain in these latter approaches. However, the organisational/institutional and systems level is where capacity building can help sort out underlying governance issues affecting WSS service provision. Capacity building interventions should, therefore, adopt a tripartite view (that covers the individual, the organisation and the systems) if good governance practices are to be ensured.

Level	Interventions	Outcomes	Enabling	Long-term output
<i>Individual Level</i>	Education (formal/informal): Basic, vocational, professional experience	Knowledge	Behaviour	Service delivery performance Underlying governance issues within the institutions will be addressed. If this improves, it acts as incentives to individual skill building/sector performance.
	Training (competency-task oriented): vocational, on the job, seminars, workshop, short courses, exposure, coaching.	Skills/attitude		
<i>Institutional Level</i>	Human resource development	Incentive structure		
	Defining structure, tasks and internal accountability mechanisms	Coaching		
	Defining mission, responsibilities and external accountability mechanisms			
<i>Enabling Environment</i>	Development of policies, legislation, organisations, regulations and procedures.	Sector performance		

Source: Van Hofwegen, 2004. Quoted in WWDR II, 2006.

Key Issues

a) Assessing the Performance of Existing Institutions

Among the technical constraints affecting WSS governance in urban poor areas is a widespread lack of knowledge and skills (particularly for sanitation) amongst the professionals – at service delivery level, municipal/national level and in the local community.

In order for managers and decision-makers to be well equipped to deal with new forms of dynamic and complex WSS governance issues (including mobilisation of communities; conflict mediation/resolution; forming partnerships; management processes of stakeholder dialogues and negotiations), it is important to develop new capacities as effective parts of social steering and co-governance⁵. This entails concurrent development of skills for managing resources and services (the hardware component), and significant strengthening of people-management capacities (the software component).

The first step is to develop instruments for gap analysis and to spread the use of tripartite perspectives on capacity building (i.e., individuals, organisations/institutions and systems). An analysis based on good governance principles will be useful in this respect.

CASE STUDY 10 *WSS Institutional Capacity Building Strategies in Kenya*

As part of reform under Kenya's New Water Act, the Coast Water Services Board was in July 2005 mandated to provide water and sewerage services to the Coast region. The Board does not provide the WSS services directly, but contracts service providers – mainly public utilities sponsored by local authorities – and involves stakeholder participation in all the processes. At the moment, four companies provide these services in the region (Mombasa Water and Sewerage Company (MOWASCO), Malindi Water and Sewerage Company (MWALASCO), and Kwale Water and Sewerage Company (KIMASCO) for Kilifi, sponsored by Kilifi and Mariakani town councils). The Board resorts to internally generated efficiencies to extend WSS, including capacity building (particularly for management). Technical capacities have been improved through the introduction of bulk water supply chains, which makes it possible to extend service coverage to more local authorities under one single service provider (e.g. in Kilifi and Mariakani).

The Board's experience illustrates how water sector reform can enhance the management capacities of service providers through redefinition of the institutional arrangements for wider and much more specific coverage. Prior to these institutional reforms, the whole of

⁵Hakån Tropp. Water: A Crisis of Governance. Water Front - A Forum for Global water Issues: No. 2 June, 2006. p.11.

the coast area was served by the National Water Conservation and Pipeline Corporation under the guidelines of the Ministry of Water and Irrigation. Although the Ministry retains responsibility for a number of areas (policy development and implementation; sector coordination and supervision; and sourcing of finances for the water sector), the New Water Act 2002 has provided for WSS establishment and operation under different institutional arrangements and management. For effective capacity building, however, an assessment of institutional regimes and management systems is necessary; it should look into the following areas: operational effectiveness; economic efficiency; distributive equity; environmental quality; consultation/participation; integrated/holistic management; national/government expectations.

The WSS sector in Kenya as a whole is enhancing its financial capacities through the sector-wide approach to planning (SWAp) that has worked so well in the region (Uganda, Zambia, Zimbabwe). SWAp makes it possible to channel all significant investments in the sector towards the same objectives, under government leadership and guided by a consolidated investment plan, in order to support sector policies and capital expenditure programmes. With SWAp, funding is made directly available through the existing water institutions for specific activities under new financial management and procurement systems, and with support from development partners. In this respect, SWAp does more than enhance the institutional financial management capacity: it also promotes harmonisation of WSS interventions as well as the prioritizing and strategic use of available resources to meet .

b) Process Orientation Towards Networking, Partnership Formation, Negotiation and Mediation.

Municipal capacity building is crucial for the success of pro-poor public-private partnerships at the local level, since developing an understanding of the constraints imposed by existing macro-economic and political context and of the extent and nature of poverty in their area of jurisdiction is critical prior to negotiating public-private partnerships. For instance, short of municipal authority awareness of the poverty dimension to its service provision, responsibilities through another national directive might not be based on informed decisions and therefore would not provide the right impetus for improved WSS among the urban poor. This clearly calls for building or strengthening institutional capacity for improved collection and assessment of relevant information, deliberation and execution of policies and responsiveness to the community/consumers.

c) Multi-disciplinary Knowledge Based on Understanding of Society and Nature that Facilitate Integrative Approaches

Capacity building for the institutions dealing with inter-sector coordination and those in control of financial decisions should be a priority, as these are critical though often neglected areas. Because these institutions often reside outside of the WSS sector (e.g., in the Ministries of Finance, Housing, Health, etc.), and short of proper coordination between these and other WSS institutions, both budgetary and other resource allocations may still remain wanting.

d) Knowledge and Information Sharing

For the purposes of identifying gaps in WSS provision, national government must have the resources to measure and report consistently the number of people with various types of access to water and sanitation. Capacities for designing the best methodologies to ensure accuracy in data collection and management are necessary for improved WSS and to monitor the performance of the water and sanitation sector. This will further enhance production of socio-economic information and knowledge pertaining to data like income levels and consumption patterns.

Recommended Actions for Capacity Building to Support the Pro-Poor Strategies

- Develop or adapt capacity mapping tools and advocacy strategies
- Involve donor and development agencies in programme interventions to organise sustained capacity building for all levels of stakeholders (including national, municipal, operators/service providers, community, etc.) and provide technical assistance for improved institutional and managerial capacities.
- Existing institutions like WASH and ECOSAN should be assisted to design capacity strengthening schemes at all levels, with involvement of all stakeholders from relevant ministries (including Education, Health, Housing and Planning, etc.) in order to improve sanitation for the urban poor.
- Building gender-equitable capabilities among the poor to manage their water resources should also be at the heart of capacity building in the water sector. Capacity-building strategies must address pervasive water-related gender issues, as women are most affected by water problems while those deciding on solutions tend to be men.



Crosscutting Issues: Implementing the Framework

a) Mapping: Assessing Existing Governance Structures and Monitoring the Millennium Development Goals

Key Issues

a) *Identifying/Mapping the Poor to Ensure MDG Target Group Identification*

On top of targeting the right groups, mapping the poor is needed to ensuring that the design and implementation of any intervention is rooted in informed decisions with regard to the WSS needs of the poor. Effective mapping should, in as much as possible, involve the community and abide by certain principles (e.g., accuracy, consensus, community mobilisation, etc.) that are supportive of social change and practical service delivery.

CASE STUDY 11

Mapping the poor – UN-HABITAT'S Programmes in Africa and Asia

Examples of how best to identify/map the poor can be found in UN-HABITAT's Lake Victoria water and sanitation initiative water and sanitationthe KENSUP programme (jointly undertaken with the Government of Kenya and UN-HABITAT) and the Water for Asian Cities programmes.

The main objective of the Lake Victoria water and sanitation initiative Initiative is to support secondary urban centres in the lake area to achieve Millennium Development Goal target for water and sanitation. The initiative also aims for equitable and sustainable economic, social and environmental development of the inhabitants of the population. The pro-poor aspects of the design and implementation of this initiative include the following:


- using multi-stakeholder fora to identify WSS options in small urban centres in the Lake Victoria region of East Africa;
- acknowledging multiple users of resources and potential conflicts;

- sustainability checks on local authorities and utilities, with performance benchmarks;
- political will – government involvement in defining mandates through MOUs;
- land use planning;
- catchment management;
- way-leaves/rights of way and compensation.

In collaboration with national governments (Kenya, Uganda and Tanzania), UN-HABITAT has facilitated a rapid appraisal of the current status of water and sanitation provision, through questionnaires (verified by field missions) in 10 secondary towns in each country. The initial assessment of 30 secondary towns clearly indicates that, despite ongoing reforms, any development in the region has largely bypassed the poor communities. This is largely due to the lack of a governance structure that involves poor communities in decision-making.

Existing Pro-Poor Approaches in the Lake Victoria Water and Sanitation Initiative

- An integrated approach to the provision of basic services in these towns (five in each country), with capacity created at all local levels, raising awareness among the public and policy-makers, information sharing and coordination with other programmes in the region.
- A strategy for income generation by the poor communities through provision of services to be developed as part of the programme. For example, community-managed and micro-enterprise-based water kiosks and pay-per-use community toilet schemes will be introduced, based on experiences from the Water for African Cities Programme Phase I.
- A strategy to promote and support development of small-scale private water providers in secondary towns to generate additional employment at local level, and particularly small-scale independent service providers who are currently responsible for most of the provision to poor communities in secondary towns. This is to include: (a) facilitating and supporting the formation of associations of small-scale service providers; (b) providing access to finance and supporting development of entrepreneurship skills; (c) regulating prices and monitoring water quality; (d) establishing linkages with utilities (through franchising, etc.) to ensure vertical integration and synergy.

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- Task Forces to be set up as an important way of implementing sector reforms at the local level. For example, in Kenya, the Executive Secretary of the Lake Victoria (South) Water Services Board (an outcrop of sector reform) has been made the focal point for this initiative and his office has been staffed to respond to the needs of programme implementation.

Challenges/Gaps:

- Initial assessment highlights a need to retain a certain amount of flexibility in the planning, design and implementation phases of the projects at town level for three main reasons: (1) disparities and lack of readily available information on current and projected urban population; (2) the impact of a changing institutional and legal structure in the wake of sector reforms; and (3) varying preferences in technology, willingness to pay, etc.
- Flexibility in deciding on service levels is also important, as user preferences (and willingness to pay) are likely to vary over time (and with local economic development of these towns, some of which should be triggered by the project itself).
- In terms of technological choices, a mix of designs may be preferable in many towns, combining low-tech solutions with standard engineering designs (e.g., on-site sanitation and water-borne systems).
- Establish multi-stakeholder forums in each town to help ensure flexibility during implementation through a consultative process.
- Gender responsiveness (in both analysis and approach) will be critical to the realisation of the broader objectives of the Lake Victoria water and sanitation initiative.. A gender mainstreaming strategy is being developed for the preparatory phase, focusing on gender analysis (e.g., gender balance in the decision-making structure), gender-responsive planning (taking into account the differentiated needs of women and men with regard to service), gender-strategic planning (e.g., implementing sector reforms at local level in a gender-sensitive manner). The gender strategy will also address the need for improved customer relationships, as the majority of consumers are women who are the traditional water managers in African society.
- Lack of reliable information makes it difficult to develop meaningful indicators. However, without indicators the various stakeholders are unable to pinpoint trends and progress regarding access, financing, cost-effectiveness, etc.

To maintain this pro-poor focus, partnerships must be promoted between all levels of civil society, market and government, with community involvement in the planning and implementing the various phases and components of the initiative. This will ensure that accountability and transparency are built into the programme and that investment is targeted at the poor communities (with the level of service adjusted to what the poor can afford and are willing to pay).

Source: UN-HABITAT. See www.UN-HABITAT.org

b) Mapping Financial Resources


Establish financial resource mapping mechanisms to help identify sources of finance; establish a framework to assess and identify practicable subsidy arrangements and strategies; define criteria for distribution of funds and provide a basis for donor convergence. (See Case study 9 from Madhya Pradesh cited earlier).

c) Monitoring and Evaluation Mechanisms

Although central to good governance, monitoring and evaluation are all too frequently overlooked. However, in order to determine the nature and extent of change and whether interventions meet expectations, programmes call for continuous, transparent and participatory monitoring for enhanced transparency and accountability. Therefore, monitoring is essential to assess the real impact of investments and programmatic interventions in connection with MDG targets.

Recommended Actions in Support of Effective Mapping

- National governments must deploy the monitoring and reporting systems that will help them manage their own programmes efficiently.
- Donors and development agencies must collaborate and help provide the methodologies and reliable data required to measure how programmes compare with water target (e.g., the joint WHO/UNICEF Joint Monitoring Programme for Water and Sanitation).
- For effective financial monitoring, interventions must coordinate activities with multilateral/ bilateral and small micro-enterprises, in order to develop better knowledge of pro-poor WSS financing.

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- For improved WSS delivery among the urban poor, it will be crucial for service providers to proactively disclose standards of service and consumer entitlements. Therefore, consumer voice must be institutionalised into regulatory frameworks and included in performance audits.
 - Develop generic mapping tools, including for mapping governance structures (the poor group; institutional/regulatory arrangements; financial resources; capacities, etc.).

b) Integrating Conflict Management and Resolution Mechanisms in Water and Sanitation Governance

Water as a resource is necessary for nearly every sector of human activity, including agriculture, industrial production and power generation. As a result, the potential for pressure on fresh water supplies due to population growth, economic development and pollution, as well as on access to water, its allocation and use, is high and leaves room for concerns over social stability. WSS conflicts can occur at national and local levels (which are essentially interlinked). See Case study 12 below, highlighting the causes of conflicts among the urban poor with regard to WSS management at Morelia, Mexico.

CASE STUDY 12 *Resolving conflicts between Privatisation and Social Administration of Water Services in Morelia, Mexico*

This experience of social administration of water in popular settlements in Morelia —a medium-sized city in Mexico, emerged in the context of changes in relevant legislation and represented an alternative that went in the face of the dominant tendency towards privatisation of water distribution (where the State considers private business as the central actor, rather than social organisations).

This conflict in popular settlements implied a confrontation between two projects; one was based on self-administration and was supported by social participation; the other was State-controlled and implied little or no community participation. At the core of the controversy was the question of the responsibility for the administration of water. Local residents proposed the self-administration approach, while the municipality favoured State control, in stark contrast to the privatisation trend. Beyond this difference was also struggle for the control of water resources: local residents wished to secure their present and future water-supply through the formation of a self-administered Board, but the municipality wanted control over water in order to satisfy the demand of the entire city of Morelia, and not only that of the popular settlements.

This is an example of how urban struggles have become more complex, with the urban poor suggesting new forms of municipal administration including social control over

urban services such as water distribution. Among the elements that influenced such new demands for water were: 1) the reduced participation of the State in financing projects for waterworks as a result of cutbacks in the budget for social spending; 2) the social appropriation of waterworks that arose because of the contributions the residents made in labour and in cash; and 3) the socio-cultural perception that water is a scarce, limited resource that requires an adequate system of administration in order to guarantee its conservation and availability to the entire population. In the face of the processes of "shrinking" and privatizing services, the legal and institutional bases were created for co-administration; that is to say, the State exercises a dependent power because it maintains control over water and assigns decision-making to another body, in this case leaving water administration in the hands of local residents. This is how co-administration of water became a political "way out" for the State, defusing from the pressure exercised by urban organisations in favour of some kind of social control over water.

This entailed larger social participation in decision-making, and greater economic responsibility in actually supplying the service itself, as local residents would have to pay the real cost of water with no State subsidies. The resources flowing from user fees were to be administered by the Board itself and would not be mixed with those of the municipal body in charge of providing water to the city proper. In this sense, the function of the State would be strictly a regulatory and normative one: it would oversee the proper operation and administration of the Board and prevent local power groups from taking political control of water.

Source: Patricia Garcia, PhD Anthropology. Professor-Researcher, Centre for Rural Studies, El Colegio de Michoacán, Mexico [Http://www.gdnet.org](http://www.gdnet.org).

The Morelia case study showed that conflicts can emerge out of an institutional vacuum caused by the State's lack of participation in urban water management in 'informal settlements and the absence of a legal framework or institutions to regulate access to and distribution of water. This situation gives certain stakeholders an opportunity to exercise a kind of independent power over water, and where differences arise, violence becomes a way of resolving them. The potential for dialogue or negotiation is scant because no social regulations exist, or where they do they are constantly transgressed.

At the local level, low-scale tensions can arise between: the local authority and the citizenry; service providers and the community (including over service accountability and pricing); the main service provider and small-scale providers (mainly based on unhealthy competition); public



and private utilities; and different social groups. At the national level, tensions/conflicts can occur between the different interest groups (ministries/sectors, over policies and strategies) and about various issues (allocation of resources between different user groups, donor and development agencies, etc.).

With sector reform, change may not be welcome to all WSS stakeholders, particularly if the change affects livelihoods or social and economic well-being. The same holds with innovative financial and technological approaches which, if stakeholders are not consulted, can lead to tensions or even open conflicts. This calls for inclusion of conflict analysis and resolution mechanisms/instruments in WSS governance structures, along with enhancement of relevant capacities and skills among stakeholders.

Key Issues


- a) At both the national and local levels, conflicts/tensions are compounded when i) no social or legislative agreement exists, or ii) when formal policy threatens the ability of the poor to access and use water. A good example here is privatisation of water supply networks in Uganda where, for fear of competition, the efforts of independent private water services providers are frustrated, by local authorities who support the formal service provider. In such situations, legislation has failed to provide adequate pro-poor water and sanitation policies.
- b) In those instances where urban poor communities are not homogenous (e.g., in slums), conflicting needs and interests co-exist and one should make sure that dominant groups do not thwart any efforts in favour of the water target.
- c) Conflicts arise when innovative institutional and technological changes involving the development of mechanisms for equitable water access are motivated by manifest or perceived threats of conflict, rather than as part of pro-poor strategies to promote better and adequate WSS provision to the urban poor. If social equity and harmony are to be enhanced among the poor communities, WSS pro-poor policies must become more supportive of the service delivery mechanisms.
- d) Direct, violent conflicts over water are most likely on a local scale, for example, over the privatisation of drinking water or access to a water point. Irrespective of the approach chosen, governments maintain a major responsibility for providing an effective and efficient regulatory framework within which the service providers operate. Moreover, and quite separately from water service provision, it is the government's responsibility to provide a framework of water use rights that do not violate the customary rights of traditional water users and indigenous peoples.

- e) Support for stakeholder dialogue and improved customary and formal governance can assist confidence-building among societal groups over water resources (e.g., helping with allocation of rights, resolve disputes and ensure equitable compensation). Sustainable water governance hinges on long-term, demand-side management.
- f) Violence can result from weak institutional and social capacity.

When addressing the governance and management of water, the complex inter-relationships that also affect the dynamics of conflict and peace must, therefore, be taken into account. It is clear that water management disputes arising between communities, service providers (the State or the private sector) and national and/or local authorities, may potentially spill over into violence. WSS governance among the urban poor may, for example, result from an absence of adequate mechanisms for dialogue, a lack of capable institutional structures, shortfalls in administrative capacity, a lack of transparency and/or ambiguous and overlapping functions.

Recommended Actions for Integrating Conflict Resolution into Pro-Poor Water and Sanitation Governance

- Adopt a tri-sector approach to decision-making and ensure gender balance. Ensure broad participation in dialogue on resource governance and co-operative WSS management; in particular where water is taken out of its natural system (i.e. through dams or diversions), the people affected by these changes must be compensated for any loss and be involved in decision-making (including over with land and water rights). Any such process must take in the voices and needs of women.
- As an incentive for dialogue, donors should make co-operation between stakeholders a prerequisite for the funding of a water development project.
- Clarify responsibilities between sector institutions and service providers, a vital step towards making interventions run smoothly. A lack of clear responsibilities between institutions may lead to failures in the effective and peaceful management of competing claims and practices. For example, decisions made by various institutions (e.g., agriculture, fisheries, water supply, regional development, tourism, transportation, conservation and the environment) often produce divergent management approaches that serve different objectives.
- Develop a communications strategy: Establish open data- and information-sharing mechanisms, so that decisions and all stakeholders are well-informed and divergent interests need not clash. If the resource is to be allocated or re-allocated effectively, efficiently and equitably, the value of water in alternative uses must be known and this information shared among all stakeholders. One significant example of lack of knowledge has to do with the value of water as required to sustain ecosystem services, which in most cases is inadequate. This area that urgently requires data collection and research. Whether



water is allocated through government institutions or the market, allocation decisions will be improved when stakeholders have access to information on the value of water for alternative uses. Major differences over the value of water for alternative uses among stakeholder groups are a primary source of water conflicts.

- Establish conflict analysis and resolution mechanisms and build negotiation skills/capacities at all levels, since negotiation (both formal and informal) with the groups interested in the service is a critical way of assuring accountability.
- Develop negotiation strategies and tools. These should be interest-based to ensure: higher satisfaction levels among the parties, enhanced and more enduring solutions, and the preservation or enhancement of relationships. This could be achieved through stakeholder training programmes and proper definition of mandates, roles and responsibilities.
- Define monitoring techniques, including for any type of agreement once roles, responsibilities and activities are agreed. Assign specific responsibilities and set aside a dedicated if modest budget.

c) Enhancing the Role and Impact of Donor Policies and Activities

If aid is to reach its intended target, new approaches are required to facilitate harmonisation, alignment, complementarity and mainstreaming of development cooperation, with clear budget allocations and more intense policy dialogue for enhanced WSS for the poor.

Projects with specific design and implementation arrangements can offer good opportunities to innovate, test and demonstrate new approaches and more effective local impact, while projects and intervention programmes that are implemented with a high degree of external control and management are unlikely to promote harmonisation and alignment between the government and multiple donors. In order to create coherent frameworks for WSS reforms that can impose policy changes at various levels (government, intermediary institutions, organisations (meso-level) and local (micro) levels), proper donor coordination is required. Short of this, priorities and strategies will not be effectively defined. Harmonised donor positions, on the other hand, will enhance and intensify sector policy dialogue for a coherent development-oriented policy.

Key Issues

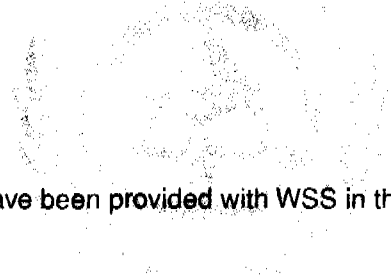
- a) **Coupling Financial Assistance and Sector Reforms.** This is to improve the absorption capacity and implementation capability of national structures.
- b) **Mobilisation of Local Funds:** Currently, the global funding gap for WSS NDG achievement stands between EUR10 and 30 billion a year, even though official assistance is on the increase. The main reasons behind this situation include:
 - inadequate public investment in the WSS sector;
 - water tariffs that do not recover capital, operational and maintenance costs;
 - poor billing and collection management;
 - ineffective or non-existent monitoring and evaluation.

Clearly, mobilizing local funds (e.g., micro-finance if not too labour-intensive) is required to address this financial shortfall.

- c) **Donor Accountability:** Mechanisms to monitor donor progress and performance are needed at country level to improve the quality of donor aid to country programmes. This should be achieved through indicators for country-level targets and action plans.

Recommended Actions for Improved Donor Support to the Urban Poor

- Donors and governments must distinguish between sanitation and water supply in their reports and policies, so that clear-cut strategic sanitation policies and plans are tailored to specific economic, social and environmental situations.
- Donors and development agencies must facilitate and /or conduct studies on appropriate options /models for strategic sanitation policies and plans, including micro-credit to support poor households to acquire sanitation.
- Provide financial resources to enhance capacities both at national and service provision levels, along with stronger support to household- and local community- based WSS action.
- Organise regional workshops to help identify and share nationally and locally appropriate WSS policy models and technical solutions.



- Donors should report on the numbers of people who have been provided with WSS in the programmes/projects they have sponsored.
- Collaborate with the media and educate the public on service provision and the mechanisms required for improved WSS provision to the poor. This should include knowledge of public and private infrastructure, operations and maintenance, household expenditures, etc.
- Donor and development agencies must create a platform to compiling and continuously share data on WSS service provision for the poor in their areas of activity.
- Develop new pro-poor aid instruments to address a wider range of sector constraints, using a blend of approaches, financing mechanisms and activities in accordance with sector reform.

Steps for Implementing the Framework

a) Preparation of a Generic Tool Package

Effective implementation of the framework as part of WSS programmes and projects requires a set of tools (for mapping, monitoring and evaluation) that will make it possible to reach the right target group and the right beneficiaries.

Mapping Tools

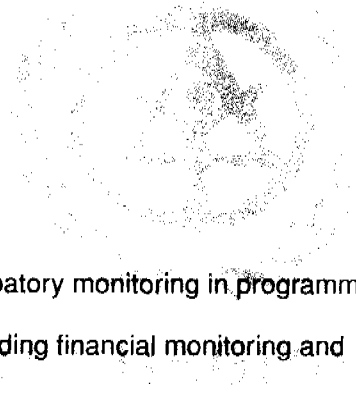
- *Identifying priority areas*
- *Identifying the right target groups and beneficiaries*
- *Assessing locally available resources – financial, human and technical*
- *Assessing the status of existing institutional and regulatory arrangements*
- *Assessing capacities – individual, organisation and systems*

Analysis / Assessment Models

- *Required to identify feasible policy designs and any capacity gaps (e.g., Gender mainstreaming strategy initiative in Madhya Pradesh (Water for Asian Cities, Phase II).*
- *Required to identify new dynamics within the sectors and monitor performance*
- *Negotiation and conflict management and resolution tools*

b) Organise Sustained Capacity-Building or Strengthening Programmes for all Stakeholders

- *Provide the technical assistance to improve institutions and managerial capacities, including training workshops for national, municipal, utilities, the private sector, small-scale providers, etc.*
- *Develop advocacy strategies for social steering/networking, including building the gender-equitable capabilities of the poor.*



c) Monitoring & Evaluation

- Design and include continuous, transparent and participatory monitoring in programmes
- Assess the effective impact of capital expenditure (including financial monitoring and evaluation)

d) Information / Data Sharing

- Integrate the media in project designs
- Share information on coverage levels
- Disseminate knowledge of public/private infrastructure, operations and maintenance, service coverage and household expenditures, etc.

e) Design reliable Data Methodologies

- Address the analytical gap and help link the conceptual and operational levels
- Help collect lessons that can be applied in new interventions, e.g., through a governance cooperative (learning network)

Potential Challenges

- i) Ensuring the framework does not effectively exclude the target group – consistent monitoring and evaluation of programmes activities is necessary. The challenge lies in identifying priority areas, identifying the actors to be involved, ensuring that the right capacities are available and that the tools required for interventions are effectively adapted, designed and tested in pilot programmes.
- ii) The task of selecting indicators for each particular context must be supported by specific tools and methods to suit the specific needs. Successful implementation would, therefore, require the identification of critical, finely defined tools and prioritised entry points. It would be impossible at this stage to undertake activities on all elements of the framework. In this respect, available generic tools should be adaptable rather than rigidly mechanical or simply developed to “rubber stamp” project implementation arrangements. One must make sure that the elements of the governance tool should be demand-driven, from the needs of UN-HABITAT projects and programmes. The type of tools would range from traditional training, manuals and other delivery mechanisms.
- iii) Risk and outcome assessment (both for communities and for the project) for different groups/areas. For each project, the framework must be as adaptive as possible. Subsequent interventions should focus not just on the poor but also look at the macro scale, as all levels are important to ensure effectiveness.
- iv) Achieving the right policy mix, particularly where policies conflict, or when the strategies, plans and budgets of the different sectors are not harmonised and interventions require support from various sectors. Strategies that integrate WSS approaches and interventions into wider urban planning are required. The challenge is whether one manages to involve those entities responsible for mitigating the consequences of rapid demographic changes.
- v) Ensuring that the gender dimension is equitably embedded in all planning, design (including mapping and tool development), implementation, monitoring and evaluation. It is clear from empirical evidence that women and girls are the main victims of poor provision of water and sanitation services. Girls of school age are often prevented from taking advantage of educational opportunities by the time spent on fetching and carrying water for their families every day. This task invariably falls on women and girls. Moreover, too many schools either have no toilet facilities for girls or only dilapidated, filthy facilities. Both these situations encourage girls to opt out of formal education. Therefore, investment in water and sanitation schemes has a beneficial impact on the lives of girls and women. However, even though women and girls play a pivotal role in the provision of water for their families

and communities, they are often denied an opportunity to get involved in the planning and development of new water and sanitation schemes. The challenge is to ensure that programmes first and foremost recognise the important role played by females and should develop strategies to ensure that females are involved in the development of water and sanitation schemes for their communities.

- vi) Integrating strategies for improved health and education through water and sanitation in projects/programmes. The focus here is on the needs of those suffering from HIV/AIDS, which have often been overlooked in the development of water and sanitation strategies. Medical evidence shows that access to clean water and hygienic sanitation can assist in the treatment of people with AIDS and can help prolong life.
- vii) Repositioning water and sanitation as a priority target for all country offices and ensuring that sufficient human resources with the appropriate knowledge and skills are made available. Considering that water and sanitation targets do not feature very highly in country Poverty Reduction Strategy papers strategies, pushing water and sanitation up the list of priorities requires the interventions of programmes and donor support to the water sector at all levels. The challenge lies in the definition of the relevant entry points.
- viii) Dealing with the difficulties of achieving the right balance between efficiency, social equity and sustainability.

Conclusions

Programme interventions and projects clearly require more systematic, meaningful content and guidance, if the urban poor without WSS services are to be adequately served. Some of the practical steps that have been identified and which should be considered in any programme design include the involvement of all actors in the various processes of dialogue, information sharing, decision-making, partnership formation, networking, negotiation, mediation, monitoring and evaluation. At the same time, programme interventions should feature pro-poor arrangements/instruments that promote expansion and multiple levels of service, including multiple service providers in the absence of sufficient provision by utilities or municipal service providers.

For pro-poor urban water and sanitation governance to work effectively, cross-cutting obstacles (including the role of the policies and institutional and regulatory arrangements that are beyond the WSS sector) must be taken into consideration in the wider framework of poverty reduction. We must note that this proposed framework does not specifically aim at the WSS MDG targets (since water governance is influenced to a large degree by the larger frameworks of other national/state governance structures); rather, the framework provides a pro-poor approach to improved access to and adequate WSS service provision for the urban poor, and is also a basis for the development (or, where available, adaptation) of tools for enhanced, effective pro-poor urban water and sanitation governance.

In order to cope with the various issues discussed in this framework, and be able to address the diverse constraints, it is necessary to develop tool packages, which typically involve concerted actions from different institutional levels and by several non-WSS actors. It must be acknowledged that putting a tool package in place that requires coordinated actions by several different actors, is much more difficult than using a single sector tool under municipality or utility control. Issues of objective balancing, prioritisation and sustainability must be given due consideration in any collaboration within or between sectors and institutions.

It must further be noted that improving governance is a long-term endeavour, with results and impact difficult to monitor in most interventions. As such, a rigorous and systematic process of analysis must be built into any intervention, in order to capture experiences, learn from them and improve further interventions. A 'learning network', such as a 'Governance Cooperative', is one approach that can be used to address the analytical gap between collecting anecdotes and truly capturing lessons that can be applied in future interventions. This can act as a welcome forum where experiences and lessons learned can be shared, and where some of the tensions between conceptual and operational issues in governance programming can be highlighted.



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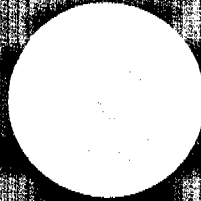
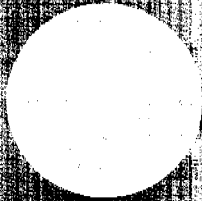
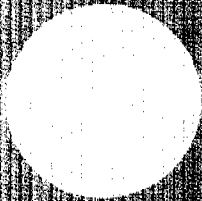
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