



SUPPORT TO DGIS SECTOR POLICY DEVELOPMENT

**Report on the Rural Water and Sanitation workshop
PUBLIC PRIVATE PARTNERSHIPS FOR COMMUNITY WATER
SUPPLY AND SANITATION,
a learning event of the Infrastructure forum**

Washington DC, May 8-10, 2001

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IRC Water and Sanitation Centre

IRC facilitates the creation, sharing, and use of knowledge so that sector staff and organizations can better support poor men, women and children in developing countries to obtain water and sanitation services they will use and can sustain. It does this by improving the information and knowledge base of the sector and by strengthening sector resource centres in the South.

As a gateway to quality information, the IRC maintains a Documentation Unit and a web site with a weekly news service, and produces publications in English, French, Spanish and Portuguese both in print and electronically. It also offers training and experience-based learning activities, advisory and evaluation services, applied research and learning projects in Asia, Africa and Latin America; and conducts advocacy activities for the sector as a whole. Topics include community management, gender and equity, institutional development, integrated water resources management, school sanitation, and hygiene promotion.

IRC staff work as facilitators in helping people make their own decisions; are equal partners with sector professionals from the South; stimulate dialogue among all parties to create trust and promote change; and create a learning environment to develop better alternatives.

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CONTENT

Introduction.....	4
Workshop participation and organisation	4
Workshop content.....	4
<i>Workshop theme and objectives.....</i>	<i>4</i>
<i>Workshop papers and presentations.....</i>	<i>5</i>
Financing and cost recovery in Community Water and Sanitation.....	5
Public Private Partnership management models for small towns and multi-village water systems.....	6
Offering informed choice to client communities for hygiene and sanitation promotion;...	7
Environmental guidelines for rural water supply.....	7
Public Private Partnership in handwashing.....	7
Gender equity, sustainability and poverty linkages.....	8
Establishing priorities for the global learning and knowledge programme of WB/WSP: action planning for the fiscal year 2001-2002.....	8
Side meetings	9
Potential implications for DGIS	9
Appendix.....	11
<i>Workshop programme.....</i>	<i>11</i>

Introduction

Public-Private Partnerships for Community Water Supply and Sanitation is one of the Rural Water and Sanitation Workshops organised by the World Bank, WSP and the Infrastructure Forum to be a learning event. The workshop was a component of the Infrastructure Forum 2001, held at the World Bank Headquarters in Washington, DC. It intended to provide an opportunity for infrastructure professionals from around the world to discuss important infrastructure and development themes.

The workshop was designed to allow Bank and WSP staff to learn about and discuss issues related to public-private partnerships for community water supply and sanitation. IRC participated in the workshop on the request of DGIS/DSI. This was done as part of the project to support the development of a sector policy.

Workshop participation and organisation

The Rural and Small towns Water and Sanitation Workshop, held on May 8-10, 2001, was organised by the World Bank Group in collaboration with the Water and Sanitation Programme as part of the Bank's Infrastructure Forum 2001. In addition to Bank and WSP staff from Head Quarters as well as from the regional offices, a limited number of external participants from government, external support agencies, the private sector and NGO's were invited to encourage a broader sharing of experiences. In particular India, Ghana and Lao PDR were well represented, which was probably largely due to the fact that case studies from these countries were presented.

Plenary discussions, clinics, round table sessions as well as informal discussions were part of the workshop programme.

Workshop content

Workshop theme and objectives

The workshop was to explore the issue of Public-Private Partnerships for Community Water Supply and Sanitation. The main objective was to provide an opportunity for Bank/WSP staff and selected external participants to learn and share experiences about the latest developments in public-private partnerships for community water supply and sanitation.

The programme offered a range of topics that were one way or the other related to public private partnerships for water and sanitation (see annex I for the agenda). These are:

- 1. Financing and cost recovery in Community Water and Sanitation;**
- 2. Public Private Partnership management models for small towns and multi-village water systems;**
- 3. Offering informed choice to client communities for hygiene and sanitation promotion;**
4. Rural infrastructure and cross-sectoral linkages;
5. Economics of Rural Water Supply and Sanitation;
6. Large rural water supply project demand responsive design features;

7. Financing and managing rural water supply in the US;
- 8. Environmental guidelines for rural water supply;**
- 9. Public Private Partnership in handwashing;**
10. Public sector and institutional reform;
- 11. Gender equity, sustainability and poverty linkages;**
12. Multi-village water supply systems.

Most of the topics were dealt with in parallel sessions. The topics in bold are those attended by the DGIS-representative and reported about below.

Workshop papers and presentations

Financing and cost recovery in Community Water and Sanitation¹

The clinic on this issue started with a presentation of the results of a rapid survey of government subsidies in rural water supply. The survey was done in 9 countries through a questionnaire to be filled out by WB and WSP staff in these countries. The key-questions the survey was to answer were:

- What is the range of government subsidies for rural water supply systems?
- Do different programmes/donors/International Funding Institutions have different subsidy approaches?
- Are these levels of subsidy scaleable?
- How long will it take to achieve full coverage?

It appeared that all countries have (or are about to approve) government policies of RWS-subsidies and apply a policy of full O&M recovery for users. Subsidies range from 40-100%. Consistency in subsidy approach is not always present and in most cases the policy states that capital cost subsidies have to be further reduced or eliminated. For India it was calculated that if O&M costs (including replacement) and 10% of the capital costs can be recovered from users, full water supply coverage can be achieved in 4 years time.

Subsidy levels are lowering in Bangladesh, where subsidies range from 0-75% for the installation of a shallow handpump (depending on hydrological features). In Nepal the WB supported Fund Board programme requires a user contribution to capital costs of 20%. The government slowly follows suit. In Sri Lanka the policy goes towards the principle: the more money users contribute, the earlier water is supplied.

In all countries communities are allowed to set up their own tariffs. In 4 out of the 9 countries the private sector is allowed to take responsibility for RWS. With the present financing it will take another 1 to 2 generations to achieve full coverage. It was concluded that we need to look more in-depth into financing mechanisms of water supply as well as of sanitation.

¹ Results of a Rapid Survey of Government Subsidies in Rural Water Supply, initiated by WSP-India (2001).

Public Private Partnership management models for small towns and multi-village water systems²

Water supply for small towns is getting increasingly important. The small towns population grows fast, the individual consumption rises. So far small towns have been neglected because decentralisation was not accompanied by transfer of tax resources.

There is a general trend that people would like to abandon public standposts in favour of house connections. Where the amount of available water is not a problem, the connection fee is.

Crucial small town issues include:

- tariff setting rules are not efficient;
- possibilities for cross subsidisation between large and small towns disappear with decentralisation;
- service provision to low income groups requires special care;
- how to attract new investors to less attractive places;
- how to arrange ownership of assets such as pipes and pumps;
- a concession approach makes it difficult to target poor;
- to arrive at good service against fair prices competition is required, however, often a 'natural monopoly' exists. (Although bidding processes are often applied and suggest competition, once pipes are laid a monopoly is there.)
- oversight and operations need to be separated, for systems that are still to be built through private sector involvement as well as for running an existing scheme.
- in the case of bulk supply for various communities, bulk distribution may be privatised. Distribution of the bulk into the community can be community managed, provided communities can get access to professional support.

A few cases were presented.

In the **Philippines** for example, the Bank and the municipality developed a ToR and through a bidding process selected a contractor to build an urban water supply system under the supervision of a construction supervisor. The National Government has a role in policy development, but was totally left out of procurement.

In **Paraguay** the question arose how Small Scale Independent Providers, active in urban areas, can be drawn into the rural areas and small towns. An option is to make the grid available to SSIP's. A pilot will soon start with a Bank loan, whereby private companies can bid for concessions for small town water supply. Output based subsidy, a certain amount per user connected, will be provided.

Many questions require attention, such as: how are tariffs set and who regulates this? How can tariff setting be improved? What key-elements define the relationship between a water board (providing oversight) and the operator? How can professional support be provided? Where can people go to file complaints or in case of conflict with the service provider? What is the role of the government? Who controls the water resources? How can users organise themselves? How can poor households be assured of good and affordable services? What alternative mechanisms can be used for financing small towns water supply? How to ensure that delivery of water (and sanitation) services remain competitive.

² Conference on Small Towns Water Supply: Inter-Country Dialogue of West African Countries, Executive Summary. Nouakchott, Mauritania, March 11-14, 2001 (WSP, WB, PS-Eau, CF)

In **Mali** communities can employ an operator and get organised in a Water User Associations, with representation in a Water Board. The government established a section to provide support and training to the Water Boards. This section is financed through a topping up of the water fee. The government of Mali now explores the possibility of privatising this support section.

Offering informed choice to client communities for hygiene and sanitation promotion;

This session started with a presentation on the use of the sanitation ladder in Lao PDR. The sanitation ladder is a participatory tool used to assist community members in making an informed choice about their preferred sanitation option. It is also a helpful tool to indicate possibilities for upgrading. The session continued with the never ending debate on subsidies for sanitary facilities. One of the documents made available³ clearly summarises the present debate on sanitation. Major conclusions emerging from this study are:

- Sanitation projects should focus on long term sustainability by stimulating both demand and developing local supply capacity to respond to demand.
- Sanitation projects should offer a range of options and information about those options to potential customers, to help them make informed choices in terms of technology, design of facilities, cost and modes of payment.
- Projects should subsidise technical assistance, awareness promotion and local enterprise development, rather than subsidise construction.
- As with the introduction of any new product or service, sanitation projects should ensure that early adopters' experiences are positive- by paying sufficient attention to technical and social sustainability of sanitation services to communities.

Sanitation projects need a considerably longer time frame than water supply and programme need to allow opportunities for upgrading for people to achieve the level of facilities they may be unable to afford at the time of the project intervention. Promoting facilities and their upgrading potential may unleash latent demand. In addition projects need to use outcome indicators that measure progress in terms of sustained access of the poor.

Environmental guidelines for rural water supply

The presentation of the environmental guidelines⁴ by WB-staff Ms. Edeltraut Gilgan-Hunt was little inspiring. It appeared that there is a big need to further develop ideas on; communication processes, involving all stakeholders, on how to deal with conflicting interests, how to make trade offs. The ethical question whether an outside agency, such as the Bank, can impose guidelines.

Public Private Partnership in handwashing

The clinic on PPP in handwashing started off with an excellent presentation by Ms. Valery Curtis of London School of Hygiene and Tropical Medicine on the importance of handwashing as a cost-effective means to save 1,5 million lives a year (www.wsp.org).

³ Mukherjee, N. (April 2001). Achieving sustained Sanitation for the Poor, policy and strategy lessons from participatory assessments in Cambodia, Indonesia and Vietnam.

⁴ Segnestam, L. (October 1999). Environmental Performance Indicators; a second edition note. Published in the Environmental Economic Series of the World Bank.

Handwashing is in particular effective to combat forms of diarrhoea that cause illness or even death. This was followed by a presentation of approaches to PPP initiatives for handwashing through a case study from the EHP/BASICS project in Central America by Mr. Camille Saade (find out about the basics project by looking at website) and a presentation by a representative of Hindustan Lever. The latter showed, also in terms of costs, what a campaign to promote handwashing with soap would look like. It was interesting to see where development programmes and the commercial sector feel they can benefit from each others' strengths. New PPP experiments for the promotion of handwashing will soon start in Kerala and Ghana.

Gender equity, sustainability and poverty linkages

This presentation largely drew upon the work done by WSP and IRC, which led to the development of the Methodology for Participatory Assessment. The MPA, developed through an assessment in 15 different countries, basically combines participatory methods and tools for measurement, an analysis methodology and a sustainability score. Scoring will lead to an assessment of technical, environmental, financial, institutional and social sustainability. It presented the main outcomes of the study, the main conclusion being that Demand Responsive Approaches need to be made gender and poverty sensitive if water supply services are to be sustainable. In particular the analysis and scoring exercise make MPA different from the use of PRA-tools.

In Indonesia an MPA-study is now ongoing in 40 communities with the support of WSP and AUSAID. Two sectoral and two multi-sectoral projects all 'provide' 10 communities to find out how project rules and approaches impact on equity and sustainability. Two regional conferences are planned to take place in Africa in September 2001, where findings of MPA will be disseminated and validated. Where needed adaptations will be made before the MPA is packaged for wider use and integration in sector policies.

Establishing priorities for the global learning and knowledge programme of WB/WSP: action planning for the fiscal year 2001-2002

Members of the various thematic groups of WSP sat together to present what they did over the past year and what their plans are for the year to come. A number of WSP partners were present to follow and take part in the debate. On a number of issues the following areas for the next fiscal year were indicated:

On Handwashing

- Further explore PPP's in Kerala and Ghana to promote handwashing, in collaboration with LSHTM and the BASICS project (Environmental Health Project).
- Continue the global soap study and organise a global meeting.
- Implement a market study.
- Document the BASICS project.

On gender

- Develop MPA training module for managers.

- Develop MPA field practitioners package.
- Support mainstreaming gender in multi-sectoral projects.
- Implement a global study on the quality of participation and the impact on gender and poor.
- Develop MPA orientation modules/workshop and skills development for WB staff.
- Stimulate cross-regional collaboration for capacity/awareness building.

On economics and finance

- Finalise draft of economic guidelines.
- Develop guidelines and policy background paper on cost-recovery.
- Carry out two in-depth studies on subsidy policies.
- Organise a clinic on financing of rural water supply.
- Develop cases on user financed community infrastructure and on self supply using credit schemes.

On small towns

- Develop a toolkit on management modules.
- Develop tariff setting guidelines and billing software.
- Translate Paraguay case study on water supply contracts.

Side meetings

Environmental Health Project: With Dr. Eckhard Kleinau of EHP, Dr. Eduardo Perez and John Austin (of USAID we discussed i) IRC's potential involvement in the sanitation programming initiative of EHP; ii) possible collaboration to further develop monitoring, linked to WSSCC and in the field of training and supporting field staff in monitoring their programmes.

UNICEF: With ms. Lizette Burgers some elements of the School Sanitation and Hygiene Education Programme were discussed, in particular where it concerned IRC's limited possibilities to address the limited information flow from the various UNICEF country offices to IRC.

Community Water and Sanitation Agency (Ghana): With Mr. Kofi Asamoah (potential) areas of collaboration between IRC and CWSA was discussed as well as the Agency's relation with TREND.

WSP: a couple of WSP-staff showed interest in the study on Sustainability of changes in Hygiene Behaviour, which is co-funded by the EC and DGIS.

Potential implications for DGIS

In countries where DGIS is supporting development efforts and in particular in those where the water sector is supported. DGIS might consider a few potential areas:

At the global level, DGIS may support initiatives that try to get more insight in *cost-recovery* mechanisms for water supply services. Cost recovery as an important mechanism for speeding up coverage.

It becomes more and more evident that *livelihoods approaches*, whereby people make money by using water, merits attention and further development of case studies. In particular when it

comes to finding answers as to how to ensure that poor sections in a society obtain capacity contribute to cost-recovery and hence access to service. As long as these groups do not have the means to do so, they will not be interesting for the private sector. Livelihoods approaches may also be an answer to the issue of unsustainability of subsidies for sanitation.

A third area of DGIS support (that also addresses the Minister's wish to support good governance) is *strengthening capacities of municipalities* with regards to negotiation, monitoring of private sector performance, creating technical support mechanisms. Whether private sector involvement or community management is opted for, the role of municipalities or local governments involves 'oversight' and being supportive. Again, the development of good cases and exchange among municipalities is crucial.

Local training institutes should be supported in the development of training for community groups, water associations etc. such groups have to be able to voice their opinion, to judge the quality of work done by outsiders, to provide the government with monitoring information etc.

Appendix

Workshop programme

Public-Private Partnerships for Community Water Supply and Sanitation, May 8-10, 2001

Objective: Provide an opportunity for Bank/WSP staff and selected external participants to learn and share experiences about the latest developments in public-private partnerships for community water supply and sanitation.

MAY 8, 2001

9:00-10:00 am **Welcome and Introduction** *IFC Auditorium*

Introduction of participants and overview of workshops. Presentations by (1) Jamal Saghir, Energy and Water, World Bank (2) Diana K. Grina, Global Business Development, Colgate-Palmolive (3) Nigel Twose, Business Partnership Group, World Bank.

10:00-10:15 am Break

10:15-1:00 pm **Clinic on financing and cost recovery in community water and sanitation.** *IFC Auditorium*

Organizers: Ede Ijjasz-Velasquez, Parameswaran Iyer

The clinic will include presentations and discussions on the effect of subsidy policies on coverage rates, strategies to encourage greater cost recovery from users, and experiences in attracting private sector financing. Lessons will also be drawn from the rural energy and rural telecommunications sectors. The clinic will also include small group work to allow participants to share experiences across countries and relate lessons to their work.

1:00-2:30 pm Lunch

2:30-6:00 pm **Clinic on PPP management models for small towns and multi-village water systems** *IFC Auditorium*

Organizers: Robert Roche, Francois Munger, Annie Manou Savina, Nicholas Pilgrim

The clinic aims to familiarize participants with management models that have been identified, and the basic principles and best practices that ensure financial viability and quality of service. Participants will have the opportunity to voice experiences from their own region/country, raise issues of concern for wider discussion, undertake small group analysis and to collectively assess the way forward.

6:00-7:00 pm **Reception** *Room L-101*

MAY 9, 2001

9:00-10:30 am

Round Tables

(i) Offering informed choice to client communities for hygiene and sanitation promotion

Room FL-101

Organizer: Nilanjana Mukherjee

Evidence from policy studies of the criticality of informed choice for the sustainability of sanitation services. Demonstration of process and materials for offering informed choice from Lao PDR and Indonesia. Interactions with participants and sharing of experiences.

Speakers: Soutsakhone Chanthaphone, Santanu Lahiri, Richard Hopkins, Nilanjana Mukherjee

(ii) Rural infrastructure and cross-sectoral linkages

Room 4P-190

Organizer: Robert Fishbein

A review of policies and strategies for improving rural communities' access to and sustainability of infrastructure services, including transport, telecommunication and energy. Synthesis of commonalities across sectors, including discussions of issues related to poverty, cost recovery, institutional options for delivering services: roles of communities, local government and private sector.

(iii) Economics of RWSS

IFC Auditorium

Organizers: Tracy Hart, Maria Angelica Sotomayor

The roundtable discussion will include 'good practice' approaches to economic analysis in Bank rural water supply and sanitation projects, with definitions of technical terms and descriptions of analytical alternatives. Background material prepared for this discussion will include a collection of pertinent references and links to other relevant sources of information, e.g. other agencies who have their own guidelines for RWSS economic analysis (ADB, DFID, EPA), as well as sample TORs. Participants' experiences will add context to the discussion.

10:30-11:00 am

Break

11:00-12:30 pm

Round Tables

(i) Large RWSS project demand-responsive design features

IFC Auditorium

Organizer: Santanu Lahiri

This roundtable will include presentations and discussions on lessons learned from applying the demand responsive approach in large-scale RWSS projects, as well as an update on developments in community contracting, including examples from outside the sector.

(ii) Financing and managing RWSS in the US

Room FL-101

Organizers: Bob Roche, Nicholas Pilgrim

Mr Sanjay Saxena of the National Drinking Water Clearing House will present (i) case study of 3-4 different sizes of water systems; (ii) details on how each of the systems differ from the others in management structure; and (iii) details on how each system operates and conducts itself as an entity. Mr Randy Plum of the US Department of Agriculture will outline (i) the procedure followed by a community in seeking financing for construction, rehabilitation or expansion of water services; and (ii) the assessment that determines the amount and terms of the loan. Panelists from the US Rural Community Action Program will also participate.

(iii) Environmental guidelines for RWSS

Room 4P-190

Organizer: Edeltraut Gilgan-Hunt

The roundtable on Environmental Guidelines for Rural Water and Sanitation Projects will (i) focus on issues related to environmental management and assessment of such projects; and (ii) propose tools that will assist in project design and preparation.

12:30-2:00 pm

Lunch

2:00-6:00 pm

Clinic on PPP in Handwashing

IFC Auditorium

Organizers: Rita Klees, Parameswaran Iyer, Valerie Curtis

Presentation on the importance of handwashing in relationship to health (Valerie Curtis, London School of Hygiene and Tropical Medicine). Review of approaches to public private partnerships for handwashing initiatives with a presentation of a case study from the EHP/BASICS project in Central America (Camille Saade and a representative of a soap company). Presentation on the global PPP in handwashing initiative. Small group work on analysis of lessons and possible applications.

MAY 10, 2001

9:00-10:30 am

Round Tables

(i) Public sector and institutional reform

IFC Auditorium

Organizers: Franz Drees, Satyajit Singh

This roundtable will feature 3 short presentations (10-15 minutes), each followed by discussion. **India** : New central govt. RWSS policy as applied to case studies (Kerala, AP, Maharashtra). **Ghana** : Creation of semi-autonomous agency that assumes leadership on implementing sector policy, facilitating a decentralized approach to service delivery, and piloting a management fee approach. **Ecuador**: Restructuring of the RWSS sector and its lead agency, the Sub-Secretaria de Saneamiento Ambiental (SSA).

(ii) Gender equity, sustainability and poverty linkages

Room FL-101

Organizers: Nilanjana Mukherjee, Bruce Gross

The roundtable will share the results of the 15-country global study, its implications for sector institutions and policies. There will be an update from around the globe about how the MPA methodology for measuring and monitoring these aspects is being adopted in large scale projects of various funding agencies. Findings from a review of gender-poverty-targeting and sustainability of investments in selected infrastructure projects in Indonesia.

(iii) Multi-village water supply systems

Room 4P-190

Organizers: Francois Munger, Nicholas Pilgrim

Presentation of case studies from Latin America and India. Case studies followed by discussion on (i) differences between small towns and multi-village systems institutional arrangements and key ingredients for success; (ii) comparative assessment of small and large multi-village systems; and (iii) brainstorming on the way forward for the multi-village work.

10:30-11:00 am

Break

11:00- 12:30 pm

Plenary: Findings from clinics and roundtables

IFC Auditorium

1:00-5:00 pm

Lunch (provided) and setting of RWSS Thematic Group agenda for FY02

F8P-100