Welcome to the latest edition of Crystal Clear. In this issue we will bring you up to date on our recent activities and introduce you to some forthcoming developments here at the BPD Water and Sanitation Cluster.

Some time has passed since the last newsletter in September 2000 so there is much to report! We showcase an article by Steve Waddell extracted from analysis on emerging models for providing water and sanitation to the rural poor (based on the South African experience). We then highlight two recent research pieces: a short synthesis of the findings from the three sectoral workshops held in 2000 and a summary of a Cost Recovery in Partnership survey. Finally we introduce two forthcoming research reports on Education and Awareness in Partnership and Alternative Approaches to Service Provision.

Editorial

Since September last year there have been a lot of developments at the BPD. During the early stages of the Cluster there was necessarily a great deal of learning to be done. The eight focus projects that form the nucleus of the Cluster’s work were already active in the field, but time was needed to establish contacts and communication between the partners at an international level. As mentioned in the previous BPD Crystal Clear newsletters (back copies of which can be obtained from the website), in the early stages stakeholders were just beginning to explore what being in partnership fully entailed and how governance structures and ongoing communications should be developed. Both the projects and the Secretariat needed time to get acquainted.

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Your queries and contributions are most welcome.
Extracting lessons from the projects has taken a three-pronged approach, looking at the sector specific contributions and challenges to working in partnership, the project specific context from which can be derived general lessons about the do's and don'ts of partnership approaches, and theme-based analysis that looks specifically at water and sanitation themes.

Since then the Cluster has made great strides. The consolidation of the partnerships at the project level has progressed, with partners further exploring what tri-sector partnership means to them in their individual context. Relationships have deepened and changed over time. A series of events has taken place, aimed at bringing these partners together, and has allowed close contact to be established between practitioners in different countries. Following on from the progress initially made in the study visits to Buenos Aires and South Africa (covered in Crystal Clear I and III respectively) were a series of sector workshops. The first two workshops (documented in Crystal Clear IV) brought together same sector partners from the NGO and public sectors (June and July 2000). The final sector workshop, bringing together private sector partners, took place in December 2000 in Paris and was timed to coincide with and contribute to the joint Water and Sanitation Programme / PPIAF workshop on designing pro-poor contracts. All three workshops engendered rich discussion on each sector's particular stake in and perception of tri-sector partnerships. Reports from all three workshops can be found on the website, as can a synthesis report which brings together the various findings. This report is introduced in further detail on page 5.

Analysis of the focus projects themselves has also progressed. Introductions to each project, available on the web since the founding of the Cluster, have been updated and standardised. Visits to each project by the Secretariat have been followed up with project-specific internal partnership analysis reports that form the basis of Flexibility by Design - a composite piece that brings together general lessons on partnerships based on actual focus project experience. Several focus projects have taken advantage of funding made available by the Secretariat to conduct action research on partnership-related topics within their own project. For instance, the Cluster has funded the work of an external consultant to evaluate the relationship between the Fundación Riachuelo and Aguas Argentinas in Buenos Aires. A documentation and dissemination exercise on the Dakar, Senegal project was also undertaken, co-funded by the Agence France du Développement.

Flexibility by Design: Lessons from Multi-Sector Partnerships in Water and Sanitation Projects

A multi-disciplinary team of experts engaged in municipal capacity building, corporate social responsibility, NGO-private sector relations, domestic water and partnership spheres was assembled to draw out partnership lessons stemming from actual focus project experience. Their analysis was based on the Cluster's internal partnership analysis reports which for each focus project document the context, formation process, partnership structures, individual and mutual goals and incentives, evolution and institutionalisation, impacts and key lessons. The team considered what we know about when and how tri-sector partnerships are effective at: 1) providing water and sanitation to the poor; and 2) building systems in which the poor have a sustainable voice. This exciting study presents their findings. (36 pages including executive summary - available on the web or as hard copy).

\*The Public Private Infrastructure Advisory Facility of the World Bank
The third prong of the Cluster’s research has been theme-based whereby the impact of tri-sector partnership on several themes central to the provision of water and sanitation services has been studied. These themes have included cost recovery, education and awareness and alternative approaches to service provision. More details of this research can be found later. The Cluster is continuing this look at specific themes through the lens of partnerships and is about to start a study into how regulatory issues and tri-sector partnerships are interrelated. Several Practitioner Notes (short guidance on particular subjects) on building and managing partnerships, measuring the effectiveness of partnerships, and contracting NGOs are also nearing completion.

Finally, for those of you that are not familiar with the BPD, please know that it was originally established as a three-year initiative. Our scheduled end date is in March 2002. Though there is a recognised need for furthering the BPD’s work particularly in the water and sanitation sector, different approaches are currently being reviewed as to how this work is best taken forward.

Emerging Models for Developing Water Systems for the Rural Poor: From Contracts to Co-Production

A new water services strategy

Following many years of limited success with single-sector service provision a new strategy combines the unique resources and competencies of three organisational sectors: business, government and civil society. Projects working with all three sectors (public, private and civil society) are resulting in more cost-effective, financially sustainable and environmentally friendly systems for water and sanitation provision. These systems have been shown to have widespread and long-lasting benefits for all involved.

This report looks at how inter-sectoral groups are leading the way in developing this new strategy in the development of water supply systems in South Africa. Here, four new organisations have been set up for water supply systems development, with the leadership of the national government. They provide role models for both commercial and non-profit organisations (the BPD Eastern Cape and Northern Province are two examples – see www.bpd-waterandsanitation.org).

Lessons learnt

The experience of these pioneers in water supply systems in South Africa provides several important lessons. Firstly, combining the competencies of the three sectors is never straightforward or easy. Each sector’s goals differ and must be stated early on in a project. The government’s goal is to obtain recognition for its role in bringing services to its electorate; the business sector’s goal is to produce profits; and civil society’s goal is to develop socially responsible processes and structures. Success must be judged against all three independent goals, as well as within the overall context of developing sustainable water supply systems.

Secondly, inter-sectoral relationships require a longer period of time to develop ways of working together than intra-sectoral relationships.
Intra-sectoral relationships involve simple business-to-business or non-governmental organisation (NGO)-to-NGO partnering. They therefore have very similar operating frameworks, values and principles. Inter-sectoral relationships are much more complex. The South African experience suggests it is helpful to create an environment of learning and experimentation, encouraging teamwork between the three sectors. This allows for open communication and helps build up trust on all sides. It also ensures that essential learning is fed back into behaviours, processes and structures to develop them more effectively.

Thirdly, when key stakeholder organisations do not act as peers in making plans and decisions, confusion and misdirection can arise. In the South African case, the government has tried to direct activity through a traditional contractual structure. One reason for this is the desire to lessen government involvement and let the other parties take control. However, the government is an essential stakeholder and co-participant and should not just act as a contractor. Structures and processes aim to bolster this ‘equal status’ in order to generate, co-ordinate and optimise these innovative partnerships.

Team work

The South African experience demonstrates the difficulty of the three sectors working together as peers. However, doing so is vital in order to utilise each other’s resources and competencies, particularly when the ‘currencies’ of the sectors are so different. For business the key currency is financial strength and technical management expertise. For government, it is its policy-making, regulatory power and tax-raising ability. For NGOs it is their ability to connect with communities, apply this technical expertise in a developmental way and mobilise volunteer resources. Better inter-sectoral structures are needed in order to tap all of these resources effectively.

Realising the vision

Perhaps the greatest lesson from these experiences in South Africa is that with persistence the vision of combining these unique sectoral competencies can be achieved. With the expertise of companies focusing on the physical construction, the government creating a supportive legislative environment and the NGO building capacity to maintain and pay for the facilities, the vision is attainable.

Of course there are a multitude of difficulties to be encountered along the way. Compared with traditional approaches developed over many decades, the newness of this approach means processes are still in development. But one thing is clear – success depends on the participants’ ability to change their way of working. Businesses must understand that rather than constructing water and sanitation structures, they are developing sustainable water and sanitation systems. Government must learn that it is not ‘in charge’ simply because it has legislative power, but rather that it is a partner in a developmental process. NGOs must learn more about their own internal strength, overcome fear of collaboration, and develop new ways to ensure people-centred development.

Developing the model

South Africa is at the forefront in creating these new models for
linking business, government and civil society stakeholders in the development process of water supply systems. Rather than following the traditional buyer-seller relationship of the commercial contract, the ongoing co-development aspect must also be emphasised. Contracts can then shift from being the glue between the sectors to positive relationships, trust and mutual respect reinforcing the bond.

Undoubtedly, developing this new model and building the capacity of people and organisations to support it will require many years of work. However, the vision of a world with increasingly successful economic, social and environmental outcomes is one we must pursue.

(Adapted from a research piece by Steve Waddell of Organisational Futures Inc.)

The Sector-Specific Workshop Series

Three sector-specific workshops brought together project practitioners to explore the key roles, strengths and weaknesses of each sector, and develop recommendations for future partnerships. The full reports are available on the website or can be sent by post (please contact the Cluster Secretariat for further information).

The first step was to analyse each of the sectors in turn, looking at what characterises each actor as well as what their various motivations and incentives may be (a strengths, weaknesses, opportunities and threats or SWOT exercise). Once a better understanding of the sectors themselves had been reached, the next logical step was to look at what roles and responsibilities these sectors adopted within the various focus projects, and how this related to the characteristics already examined. The following step in the analysis, having set the scene by thinking about the actors and their roles, was to see how they interrelate - what forms of governance mechanism partnerships require and whether the partners’ relations are set down contractually. Given that the communities are often outside these formal aspects of partnership, the workshops moved on to look at the role of the community within projects and how this related to the partnership. As three separate workshops were run, a further opportunity exists to bring the three sectors together to debate and discuss the findings of the Cluster over the past three years.

SWOT analyses

The participants of each workshop analysed their own perceptions of each sector’s SWOT. By and large the different sectors shared similar perceptions of what these SWOTs were.

All sectors noted that reputation is important for tri-sector partnerships, and can be significantly enhanced should such partnerships succeed and damaged should they fail. A more clear-cut opportunity exists through sharing responsibility (and financial burdens) through partnership. Where partnerships do lead to expanded coverage, all partners can benefit (through greater constituency satisfaction for the public sector, replication activities for the NGO sector and access to new markets/customers for the private sector).

All sectors considered that one of the most challenging aspects of working together was that of managing rising expectations of both beneficiary groups and partners. Where management of these expectations falls short and expectations go unfulfilled all sectors can suffer. The public sector may face electoral losses, the NGO sector may be increasingly asked to resolve conflicts and perform social intermediation, whilst the private sector may face increased financial obligations (to cover shortfalls in project planning or partner commitments). Another commonly perceived threat was that posed by differing time cycles for each partner - the public sector election cycle, donor-funding cycles and timeframes impacting NGOs, and either quarterly and year-end or
other external commitments proving a challenge for the private sector.

Some threats were considered particular to each sector. These included: a loss of control for the public sector; a loss of identity for the NGOs; and for the private sector, both a loss of autonomy regarding decision-making and costly time commitments required by partnership. The public and NGO sectors were perceived to face a threat should a lack of care in designing partnership structures lead to imbalances in power. The workshops went on to conclude that perhaps the greatest threat was to public sector officials, as whilst NGOs and the private sector can ultimately ‘walk away’ (though with significantly more difficulty for the latter), in the end it is the public sector that cannot distance itself from a failing project.

Roles and responsibilities

NGO participants clarified three different roles that NGOs may adopt - essentially service delivery, knowledge gathering/research and advocacy. Participants suggested that whilst an NGO could perform two roles simultaneously, three might engender a ‘service provision’ versus ‘consumer watchdog’ conflict of interest.

Public sector participants similarly highlighted three roles their organisations can take in project implementation: provision of services; regulation of services; and provision of finance. Through private sector participation, the role of the public sector changes from operator to a regulatory and overseeing role. Not only service provision and financing, but also monitoring and evaluation can be delegated or contracted out. Regulatory responsibilities, however, cannot realistically be delegated.

Other BPD exercises (for instance, the education and awareness workshop, discussed later) have shown that throughout the focus projects there is wide variation in the patterns of roles and responsibilities (in other words, sectors in different projects assume different roles – there is no global template). Nevertheless, whichever roles and responsibilities different stakeholders assume, roles, responsibilities and expectations of each partner all need to be clearly defined. Equally, thought needs to be given to what each partner will regard as success, how to measure such success and how to ‘share’ the credit between parties.

Framing interaction between partners (contracting mechanisms, etc)

Many of the recommendations regarding relationships between partners related to the dynamic nature of the projects. Early on it is beneficial to draw up formal agreements between parties (with the NGO publicly recognised as an equal partner). As far as possible, these agreements should incorporate clear and agreed dispute resolution mechanisms. Where contracts do exist they should be rigorous but should not restrict innovation. Contracts need to be flexible, yet carefully and clearly designed with input from all partners. Quality external advice may be needed.

Transparency and accountability are critical. Many public sector participants highlighted the need for the contract to have a provision for public disclosure, clarifying the risks, levels of service and standards, in order to ensure accountability.

Governance structures

Governance structures were considered to play an important part in partnerships. Where these structures exist in a formalised manner, all parties must have equal rights with no partner dominating decision-making. Understanding and recognising different stakeholder agendas from the outset should allow trust to build up, whilst participants recommended that an ‘Advisory Committee’, ‘Pilot Steering Committee’ or similar structure should be created to ensure multi-level commitment and attention to the project.

Partnership governance issues
should be reviewed periodically as partnerships are dynamic and roles, responsibilities and capabilities all evolve. Easy-to-measure indicators that enable both this evolution and actual project progress to be monitored should also be determined up front, with input from a range of stakeholders.

**Community participation**

All workshop participants recognised the value of community participation. The main benefits associated with greater community participation included: higher community commitment, ownership and acceptance of the scheme (hence improved sustainability); the potential for lower costs as a result of community contributions; more appropriate decision-making; increased accountability through increased transparency; a greater chance to identify failures and mistakes; improved cost recovery; community empowerment; and job creation. Despite numerous benefits, community participation may also pose certain challenges. Examples include the need to manage raised expectations, the lengthening of timeframes, and the consequent challenge of incorporating varying perceptions of who should be responsible for providing services.

According to NGO participants, most focus project partnerships do not incorporate community perspectives in the early macro-level stages. It was generally agreed that communities have an under-appreciated ability to participate in the design of small, neighbourhood interventions (though perhaps not in large bulk-schemes). There was general acceptance that ‘customer focus’ and community participation in decision-making should be promoted at every stage, especially if communities are to be involved in the implementation and operation and maintenance phases. Public sector participants felt that in order to establish ownership, communities must share risk through their own contributions. Meanwhile, private sector participants believed that NGOs were especially useful in ‘kick-starting’ a dialogue process and for dealing with issues that lie outside the typical remit of company activities. However, NGO participation and NGO capacity need to be considered carefully. Any organisation ‘representing’ the community must have a clear mandate from the community.

A clear exit strategy should also be publicised, with the community steadily replacing the NGO.

**Comparing and contrasting the sector workshops**

The private sector workshop came last and as such provided an opportunity to compare and contrast the three workshops. This exercise served to highlight broad overlaps in thinking between the three sectors, overlaps that could be considered either as evidence of the sectors moving together through partnership, or as further proof that the perceived ‘divisions’ between the sectors may be more easily bridged in water and sanitation projects than many may appreciate (however, what people think objectively in a workshop setting can be quite different to how group dynamics make them behave on the ground).

As mentioned, all three workshops placed similar emphasis on managing expectations amongst partners and within organisations, mismatched timeframes, the ‘balance of power’ and the...
influence of external factors. Other similarities included agreement that new skill sets needed to be learned and that solid partnership structures need to be put in place.

Next steps

A tri-sector workshop of the eight projects is being planned for the near future to review the findings of the Cluster. The three sector-specific workshops, summarised in this report, provide a good starting point to assess specific roles and responsibilities. These workshops established more clearly what each sector brings to the partnerships and how these partnerships can be improved in the future.

(Adapted from a more comprehensive piece drafted by the Cluster.)

Cost Recovery in Partnership: Results, Attitudes, Lessons and Strategies

The BPD Water and Sanitation Cluster paper on Cost Recovery in water and sanitation projects in poor neighbourhoods. In addition, the BPD’s specific emphasis on partnerships between the private sector, the public sector and civil society enables us to examine how partnership contributes to, or complicates, cost recovery.

In many of the BPD partnerships full cost recovery is not among the goals of the partnership, nor is cost recovery an agreed upon indicator of success. The objective for the BPD study was therefore not to evaluate or judge the projects with respect to their cost recovery goals or achievements, but rather to learn from their experience. This synthesis from the report touches upon such issues as partnership goals and strategies for improving cost recovery, and how cost recovery and partnerships may be inter-related.2

Cost recovery attitudes & goals

Most BPD focus projects are trying to recover 100 per cent of operation and maintenance costs through some sort of tariff.3 However, setting a cost recovery tariff is complicated by politics and the poverty of the population. Additionally, some projects cannot set the tariff in the project area - tariffs are set for the entire service area by governments or through contracts with private operators. On the other hand, the focus projects only aim to recover part (or none) of the capital cost of building the system directly from consumers. In the BPD standpost projects, households have usually not been required to make any significant contribution towards the infrastructure costs. In the case of private connections, households are asked to pay a connection fee, but this fee is often lower than the actual cost of the household connection. To partially make up for this shortfall, customers in some BPD projects contribute to infrastructure expansion through a monthly tariff or through a monthly set fee for network expansion.

Cost recovery is an important issue for all partners - in some instances some projects will not be expanded if they are unable to recover costs (although in other projects, water...
will probably continue to flow regardless of revenue collection). Opinions on whether consumers should be charged the full operation and maintenance (O&M) cost and/or the full infrastructure cost of the water service varied. None of the partner groups are overwhelmingly ready to charge poor consumers for the full cost of their water service, though the private partners are more willing to have consumers pay these costs than are the other project partners. All the partners are much more willing to charge a full cost recovery tariff than a full infrastructure fee.

Strategies for achieving and improving cost recovery

The eight BPD projects have tried many strategies to achieve or improve cost recovery. A number of points stand out from this experience.

- **Service improvement**: None of the projects is trying to increase cost recovery without offering customers some type of service improvement in return.

- **Institutional solutions**: In standpost projects, the BPD project partners have created new institutional structures to manage the standposts and cost recovery. Institutional solutions are less common in projects with private connections. The cost recovery relationship in these projects is directly between the customer and the utility.

- **Communication with the community**: Every BPD project has implemented some kind of education or promotion campaign, ranging from pre-project information to hygiene education during the project period, to follow-up training for standpost operators once the project is constructed. Many said that these campaigns had been

Outcomes of cost recovery goals

Partners were asked to identify the factors that make it harder to collect tariffs from households. ‘High’ tariffs and a history of non-payment for water stand out as the biggest obstacles. Close behind are the lack of a convenient payment place, poverty of the population, violence in the project area and organisational/billing problems. None of the BPD projects have systematically studied which consumers do and do not pay their bills and why. A few projects reported that they think payment is especially low among jobless households, landless households and larger households. Of the projects that have started collecting tariffs in poor areas, Bolivia, Indonesia, Haiti and Senegal have relatively high revenue collection rates, while BoTT and Argentina have mixed results.
among their most successful cost recovery efforts, in part because they encourage water use.

**Technology options:** Technology plays an important role in a number of the projects – through pre-payment technology and lower cost technology options.

**Billing, charging and payment systems:** Improving billing, charging and payment systems is of major importance for several projects. Getting bills to customers is clearly a common problem in poor urban areas.

**Tariffs and connection fees:** For the most part, tariffs were not reduced to make service especially affordable in the BPD areas. On the other hand, connection fees in the project areas are in some cases lower than the fees applied in the greater service area.

**Disconnection:** Three BPD projects are employing disconnection as a strategy to encourage households to pay. In the other BPD projects, disconnection is either not allowed or not enforced.

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**Partnership and cost recovery**

BPD project partners expressed confidence that working together helped improve cost recovery; by working together the partners can each focus on their areas of strength. Roles vary but the public sector partner is generally responsible for setting and approving tariffs, billing and collection is usually done by the private sector (either a private urban utility or a small private standpost operator), whilst civil society partners largely carry out work with the community. In some projects, the value of these partnerships is seen by the fact that they are replicated in other areas or that one project partner has, over time, learned and taken on functions of the other.

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**Conclusion**

Many decisions that affect cost recovery outcomes are not made at the project level, but rather in the local or national government policy arena. Initiatives such as the BPD offer potential for serving as a forum for discussing these broader policy problems and for sharing insights from experience with political leaders. The report also leaves many questions about cost recovery unanswered, because it relies only on the existing knowledge and experience in the BPD projects. A great deal can be learned from international experience in areas like tariff and subsidy design, community participation and new technologies. Another type of information missing from this cost recovery story is information about the cost of the strategies that BPD partners have employed. Increasing efforts are being made by many partners to try to evaluate the cost effectiveness of the measures they take.

Despite these gaps, the BPD project experience generates useful lessons to add to the global body of knowledge about cost recovery. Examples include when and where to use pre-payment systems versus community management institutions in standpost projects, how to use multi-actor project oversight committees to avoid inevitable problems and misunderstandings that arise in projects, and how to encourage partnerships in privatisation contract design. For more details please download the full report from the website.

(Adapted from a paper by Kristin Komives and Linda Stalker Prokopy.)
Forthcoming Research

Education and awareness in partnership
The Cluster held an education and awareness in partnership workshop in Washington DC between 9-11 May 2001. It was the first workshop to bring together partners from each of the three sectors – private, public and NGO – and from all of the eight pilot projects. The principle aims of the workshop were to explore how education and awareness (E&A) worked in partnership, to identify and understand approaches that have been successful and those that have not, and to understand how the partnership played a role in facilitating (or inhibiting) the different approaches.

The agenda covered several topics including: definitions of E&A (in which E&A emerged as a process or comprehensive strategy where knowledge and information could be transferred both to partners and consumers); the instruments and tools that can be used to deliver E&A (street theatre, community newspapers, etc); and methods of defining the key messages and the factors influencing the design and development of those messages. The group also shared models of E&A provision (through the identification of ‘roles’ on a project wheel), success stories and cost and benefit indicators for evaluating E&A activities.

The findings from the workshop will be published in September, on the website and in the next issue of Crystal Clear.

Alternative approaches to service provision
A soon to be completed research survey collates experiences from the BPD focus projects regarding the adoption of alternative approaches to service provision. Alternative approaches can be described as those in contrast to the ‘standard’ model of service provision – one that relies on traditional technological solutions (such as a distribution network feeding household connections) and a traditional utility-customer relationship (for instance, where the utility provides services and then bills the customer directly). Obvious examples include the condominial sewerage system in La Paz-El Alto and the three-tiered system and groundtank programmes in Durban and Pietermaritzburg. Other examples include alternative billing practices, the use of community labour, pre-paid standposts, etc. Again the focus is on how the partnerships have made these approaches possible (or hindered their success).

RECENT EVENTS continued...

poor in Asia and to contribute to the development of preliminary guidelines on how to expand service networks through partnerships.
www.adb.org/Documents/Events/2001/Beyond_Boundaries/default.asp

August 2001 - CIVICUS World Assembly: the Secretariat contributed to a session at the CIVICUS World Assembly in Vancouver (19-24 August). The participative session began with a presentation Preview of Emerging Lessons: Can Tri-Sector Partnerships Improve Development Outcomes and was well attended. CIVICUS is a network of 500-plus civil society organisations that span the range of small community-based organisations to large international NGOs.
www.civicus.org

September 2001 - UN regional forum on sustainable development in Asia: the Secretariat took part in the forum in Jakarta, presenting findings to date from the BPD. The forum is part of the preparations for the World Summit on Sustainable Development in Johannesburg in 2002 (10 years on from the Rio Summit).
www.indonesiamission-ny.org/rio+10/media/event1detail.htm
The survey provides an overview of some of the alternative approaches being tried in the focus projects. It looks in more depth at the rationale for these alternative approaches, the impact of the external environment on choices and practices and the partners’ roles and responsibilities in developing these approaches. The issue of community representation and the limits to NGO participation are also put under review. Other topics considered are the role of education and awareness, how mechanisms for learning are incorporated, what technological choice is offered and what the financial arrangements underpinning the approaches are.

The value of partnership in developing these approaches is reviewed, strong points being the complementarity of partners, the scope for institutional learning and the strength that the development of a common vision brings. Individuals have also been found to play a key role in the success or failure of the approaches, something that has important implications for replication. The options available for mainstreaming such alternative approaches are also reviewed.

The preliminary conclusion of the paper is that the eight BPD focus projects provide ample evidence that, where conventional models of service delivery have failed, investment in alternative approaches can bring significant benefits to both service providers and poor consumers. Not all approaches will be commercially viable in the short term, but those developed under the umbrella of an effective bi- or tri-sector partnership perhaps stand the best chance of sustainability.