

Pro-Poor Strategies for Urban Water Supply and Sanitation Services Delivery in Africa

Piers Cross, Regional Team Leader, Water and Sanitation Program Africa
The World Bank Kenya, Hill Park Blg, Nairobi, PO Box 30577, pcross@worldbank.org

Alain Morel, Urban Team Leader, Water and Sanitation Program Africa
The World Bank Kenya, Hill Park Bld, Nairobi, PO Box 30577, amorel@worldbank.org

Abstract

Water utilities in Africa find it increasingly difficult to provide adequate services to the needy areas: their core business operations are often stagnant, compounded by a dramatic rise in peri-urban and poor settlements. To address these challenges, the Water and Sanitation Program Africa has designed a work program to disseminate the best practice in pro-poor service development and to help utilities and municipal authorities to develop roadmaps to the MDGs for their service areas. Activities will primarily be directed at: (i) helping utilities and municipal authorities to include pro-poor objectives in their reform; and, (ii) working jointly with local partners, CBOs and NGOs, and SSPs to develop strategies and actions specifically targeting informal settlements. WSP-AF will focus on utilities that are engaged in reform or planning to do so. This program builds on support developed for Water Utility Partnership (WUP#5).

Key entry points for pro-poor strategies: (i) Pro-poor tariffs and financing mechanisms for service improvement, (ii) Institutional arrangements to improve services to the urban poor, (iii) Pro-poor transaction design (including regulation and monitoring), (iv) Advocacy and communications regarding the urban poor, and (v) Consumer voice and civil society engagement.

Keywords: Africa, Sanitation, Urban poor, Utility, Water supply

1 The Context in Africa: Water and Sanitation Utilities are Failing the Urban Poor

1.1 Urban Populations are Expanding Rapidly

By 2015, urbanization in Sub-Saharan Africa will have progressed from about 32% today to about 45%. The urban population will have grown from the current level of about 215 million to about 400 million. If current trends prevail, the large majority of these urban dwellers will be living in poverty in unplanned or informal settlements without access to safe water and hygienic sanitation.

1.2 Water and Sanitation Utilities are Weak

Existing water services in many African cities and towns are characterized by intermittent supplies, frequent breakdowns, inefficient operations, poor maintenance, and depleted finance. Political interference and low tariff policies have led to inefficiency and chronic financial weakness of public utilities¹. The inability of water and sanitation utilities to maintain and extend services has typically led to situations where subsidized services are in fact reserved to those privileged to have a network connection, while most of the poor have to rely on more costly and lower-quality alternatives. Many governments across Africa have recognized the necessity of structural reforms to break out from the cycle of poor services, lagging collection, weak finances, inadequate maintenance, deteriorating assets, and lagging coverage.

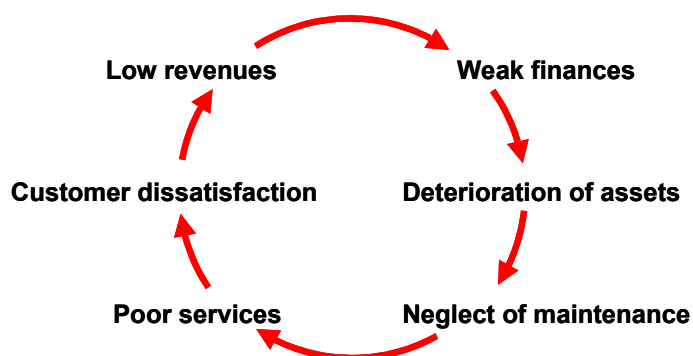


Figure 1: The stagnation cycle of WSS utilities in Africa

Institutional and policy reform are needed to break this stagnation cycle, by improving financial and technical performance. These reforms have brought the issue of services to the poor into sharp focus. In many cases this is due to the perception by many that the poor can only be properly served by the public sector, while reforms are often based on public-private-partnerships (PPP). There is now a clear realization that the political sustainability of reforms will depend on the success of reforming utilities in improving and extending services to low-income areas. The issue is how to create incentives for urban utilities both to perform better and simultaneously to draw poor and informally settled households into the consumer base.

1.3 The Millennium Development Goals are at Risk

There is now a global consensus that lack of access to water and sanitation should be at the center of the fight against poverty. The Millennium Development Goals for Water Supply and Sanitation (WSS MDGs), adopted by the Millennium Summit and the World Summit, seek to halve the proportion of people without sustainable access to safe drinking water by 2015 and without access to basic sanitation by 2020.

Africa has the lowest water supply and sanitation coverage of any region in the world. More than one in three Africans does not have access to improved water supply or to sanitation facilities.

¹ Here public utilities are taken to mean any public entity (either government department, municipal department, water company whose main shareholding is either in government hands or local authority) charged with providing water supply and/or sanitation services to urban areas including informal settlements

Today two-thirds of Africa's 625 million people live in rural areas, and one-third live in towns and urban centers. Forty percent of those living in rural areas and eighty percent of those living in urban centers have some access to safe water, but sustainability is not assured.

It is in Africa that the WSS MDGs raise the most difficult challenges. In order to achieve the MDGs, the number of people served with safe drinking water will need to double. An estimated 350 million more people, half rural and half urban, will need to be served by 2015. It is estimated that the investment required to achieve the 2015 MDG for water is at least \$20 billion (\$1.5 billion per year). Sanitation would cost at least another \$10 billion. Therefore, the MDGS have given added urgency to the challenge of developing water supply and sanitation services for rapidly expanding informal and peri-urban settlements in African cities.

1.4 The Urban Poor are a Key Strategic Challenge for Water Utilities

Over the next two decades, the bulk of population growth in developing countries will be concentrated in urban areas. By 2020, 50 percent of the developing world's population will be urban, most will live in small and medium-sized towns, and many will be low-income households.

African informal settlements currently account for an estimated 50 to 60% of the urban population. Lack of clear policies and effective programs for meeting the needs of the poor has resulted in the rapid expansion and densification of the slum areas where many residents live in absolute poverty. Poverty in the slums is manifested in many forms, which include not only the lack of subsistence income, but also lack of access to economic opportunities, to housing, land, education, health services, water and sanitation services, and to safe unpolluted environment. According to the statistics mentioned above and under the current trends, by 2015, those conditions would apply to 200 to 240 million people in Africa.

Providing effective WSS to informal settlements has a number of critical challenges, among them: (i) fears of low cost-recovery, jeopardizing plans for investment, operations and maintenance, (ii) itinerant populations - a high proportion of poor households are tenants and migrant dwellers (in some cases, rental periods do not exceed 3 months), (iii) uncontrolled development, congestion, ramshackled housing and absentee landlords - physical constraints present a technical challenge for service delivery, (iv) difficulty of employing conventional management arrangements in the delivery of WSS services due to social, economic and technical characteristics, and (v) possible risks due to the uncertainty of land tenure.

If coverage targets are to be met by year 2015, the vast majority of new clients for utilities will be the poor. Experience from a number countries shows that it is possible to significantly improve services to low-income urban areas through innovation in management and financing mechanisms, and by building on community and private sector initiatives. However, many utilities do not know how to do this, and do not understand the pitfalls and obstacles.

Low-income households who are connected to the main utility may struggle with tariff structures which do not benefit them, have difficulty in paying bills if they are delivered sporadically and

infrequently, experience inconvenient and time-consuming payment arrangements, and suffer from low priority for repairs and maintenance. The unconnected poor face even more problems. These people often live in informal settlements where the main utility does not operate, forcing them to rely on Small Scale Providers (SSPs) of water and sanitation services. SSPs include small-scale private sector service providers (private water kiosks, water vendors, private borehole operators, water tankers, and latrine pit exhausters), non-governmental organizations (NGOs), and community based organizations (CBOs). These forms of services delivery take place in the context of a variety of legal and institutionalization frameworks, which are often inadequate or even hostile.

Water supply and sanitation services delivery to the urban poor is thus a key strategic challenge for African utilities. Extending basic services to the urban poor has been considered a peripheral issue for utilities, now it is increasingly recognized as a strategic goal by planners and policy makers. It is also seen as key to the long-term survival of utilities confronted with the prospect of playing a more marginal role in sprawling and dysfunctional cities.

Reaching 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 means to improving health and sanitation.

2 Looking Ahead: Main Elements of a Utility Pro-Poor Strategy

2.1 What are the challenges faced by the utilities, and what do they need?

Work is underway in more than 35 African countries promoting institutional and policy reform aiming to break the cycle of inefficiency.

The Kampala Statement, published in February 2001 during the WUP conference in Kampala, and endorsed by 317 delegates from 38 African countries, including six ministers, captured this well: “a well-performing and financially sound utility is an absolute necessity, but an insufficient condition for serving the urban poor”.

Five key entry points for a pro-poor urban water and sanitation service strategy are:

1. Designing tariffs and subsidies to make them benefit the poor and developing mechanisms for financing service improvements for the urban poor. In many cases subsidies intended for the poor do not reach them, and existing tariff structures benefit the connected (more likely to be rich) and small-volume consumers. Sustainable financing mechanisms are needed to ensure that adequate funding is in place to meet coverage expansion requirements
2. Analyzing the existing situation and designing institutional arrangements to improve services to the urban poor. Many utilities lack data on the poor, and a basic understanding of the challenges they face. In addition, current situation lacks formal links between the utility and the various providers of services to the poor. This, combined with land tenure issue and the informal and unplanned nature of many settlements, often put the poor at a serious disadvantage. African

utilities should develop partnerships with NGOs, CBOs, SSPs and municipal agencies to go to scale at reaching the poor.

3. Designing transactions for new private sector arrangements (including regulation and monitoring) in such a way that the poor benefit

4. Designing advocacy and communications with respect to the urban poor - ensuring that utilities' plans, programs and results are properly communicated, that the case for making provisions to meet the needs of the poor is made clearly and convincingly, and that two-way communication with the urban poor audience is optimized

5. Engaging consumers in water and sanitation reform and developing exchanges with civil society. Those organizations are often vocal opponents of reform, but also committed advocates for the poor. Engagement with consumers association will ensure that consumers' voice is heard in planning reforms, their satisfaction is monitored on an on-going basis, and their concerns and priorities addressed.

2.2 Proposed Action Plan

Based on the above, a series of activities has been designed to address the current gaps in the knowledge base, and to provide concrete models and tools for utilities seeking to address the challenge of the urban poor. These activities will be the core of WSP-AF's urban work plan for the next three years. The objective of the program is to improve water supply and sanitation service delivery for the urban poor, by assisting our clients and partners to address the five major issues described above.

2.2.1 Sustainable Financing Mechanisms and Pro-Poor Tariffs

The cross-subsidy principle is a powerful tool to promote household connections and access to sanitation for low- and middle-income families.

In 1985, the municipality of Ouagadougou and ONEA (an autonomous public utility) introduced a sustainable financing arrangement for on-site sanitation, through a surcharge or levy, added to the water bill. By 1999, a total of CFA350 million (US\$0.5 million) had been collected, 20,000 sanitary facilities developed, and 206 artisans have been trained.

The Water Development Fund (FDE) implemented in Cote D'Ivoire in 1987 (during the concession control negotiations), is supervised by a government body, not by SODECI (Société de Distribution d'Eau de Cote d'Ivoire) itself. It makes capital available to SODECI for the financing of the subsidized connections. It is funded from a surtax paid by the customers, and thus constitutes a cross-subsidy between current customers and new customers. Following this policy, Abidjan has attained the highest connection rate in sub-Saharan Africa (other than South Africa): 10 household connections per 100 inhabitants.

Such consistent and massive financial flows from one category of customers to another have few equivalents in Africa, and we propose to analyze and document the few African success stories in financing WSS services development for the urban poor, and to develop guidelines to assist utilities implementing such financing mechanisms.

Regarding tariffs, in December 2002 the Water and Sanitation Program and the World Bank published two papers entitled “A Scorecard for India” and “Tariffs and Subsidies in Six Asian Cities – do they target subsidies well?”. Both these papers pointed out major flaws in the current tariff structures – in particular that current tariffs did not come close to achieving cost recovery, leading to financial instability of the utilities, and that subsidies were poorly targeted and did not necessarily reach the poor.

Using the framework established in these two papers, it is proposed to collect data from a number of African cities or national utilities – ideally about six, in order to analyze tariff and subsidy structures and examine both their impact on the poor, and their impact on the financial sustainability of the utilities. The analysis would allow conclusions to be drawn regarding the viability of current tariff-setting practices, and recommendations to be made for change, as tariff reform is often part of overall current water sector reform.

2.2.2 Situation Surveys and Interfacing SSPs with the Utility

To establish an institutional framework and financing mechanisms that rely on households, small scale local private operators, and communities resources for improved neighborhood services and facilities, an assessment of the existing situation of WSS services in informal settlements is needed, including identification of management arrangements for improving service delivery and the key policy and implementation issues that need to be addressed. Such assessments would enable the utility to prepare the tender documents for the extension of water services and on-site sanitation in non-connected areas, involving small-scale private operators, NGO’s and community based organizations.

Through analyzing utilities in 4 or 5 countries, WSP-AF proposes to develop standard contracts with SSPs to assist utilities in preparing the ground, and to initiate strategies and action plans to develop services in un-served areas.

2.2.3 Transaction Analysis and Advice

A great deal has been written on how transactions can be designed to be pro-poor, but in fact there is little documentation of actual experience, either in places where PPPs have been in place for any length of time (e.g. Dakar, Abidjan, Kampala, Johannesburg and Maputo), or of new transactions (Dar Es Salaam). It is proposed to carry out a comparative study of the poverty outcomes of planned or existing PPPs in a selection of these cities, to see how the type of contract, its content and its legal and policy environment affect pro-poor outcomes.

The methodology used for this analysis will be interviews with key stakeholders (government agencies, the utility, the regulator, consumers, civil society organizations) regarding their perspectives of the outcomes of the reform, and an examination of the relevant documentation (legislation, contracts, reports).

Based on the findings of this study, on-going advice would be provided to other utilities considering PPP arrangements, such as Kampala and Nairobi.

2.2.4 Advocacy and Communications

In terms of advocacy, there is a range of stakeholders regionally and in each country that need to be convinced about the value of specific programs aimed at the urban poor. In many instances, a strong case for the benefits needs to be built and convincingly communicated. Based on case studies in Africa, guidelines would be produced for both governments and utilities on how to advocate for reforms that benefit the urban poor.

In terms of communicating effectively with urban poor, guidelines need to be developed on how best to communicate with the urban poor audience for both shorter term reform issues and the longer term behavior change required for payment for services, protection of water sources and sanitation and hygiene.

Strategic communication programs with specific consideration for the urban poor are required for successful urban reform. Whilst there is a growing number of development related reform communication programs worldwide to learn from, there are few for the water and sanitation sector. There has been some experience in countries such as Ghana and South Africa, and the first two research-based, comprehensive WSS Reform Communication Strategies are now being produced in Kenya and Uganda with WSP-AF support.

We propose to review these case studies for examples of best practice, and to develop practical guidelines for utilities and governments can use on how to communicate with a range of stakeholders on the benefits of reform, particularly for the poor, and how to communicate with the urban poor themselves.

2.2.5 Consumer Voice and Engagement with Civil Society

Representation by urban poor consumers is absent in virtually every water utility. Previous work found that consumer associations show some potential to help speed up reform, but lack basic understanding of issues, and face many specific constraints. There is a need to assist these associations in a range of countries to engage with consumers themselves, and become an effective voice in urban water reform.

Civil society stakeholders are often the opinion-leaders that influence public/ consumer views, and are also often effective channels to reach the urban poor. In many areas, they are trusted by communities as sources of information, and have networks of influence that go beyond the reach of mass media vehicles such as newspapers and radio. As both 'influencers' and channels for communication, they are an important target audience for governments and utilities.

We propose NGOs and consumer organizations to be supported to lead the development and implementation of a strategy and action plan to carry out direct consumer engagement in water and/or sanitation service improvement at local city level. In addition, support for regional organizations is required to provide country/regional support services to local organizations, such

as training, monitoring, coordination and organization of regional level activities, and to undertake global dissemination of project experience.

A two-way, interactive communication is required to improve the relationship between WSS authorities and civil society stakeholders, including establishing ongoing public participation mechanisms such as the 'Forums' model developed by Rand Water in South Africa in the late 1990s. Forums were established with several different stakeholder groups to act as information sharing and relationship building platforms to achieve win-win outcomes for common problem areas.

The development of guidelines on how best to engage with civil society, based on a range of different development examples where organizations have partnered with civil society successfully and sustainably is needed by utilities and local governments.

3 Conclusion

Many experiences and pilot studies have been conducted in the recent past by the utilities in Africa, but experience remains piecemeal. If the MDGs are to be met, there is a urgent need now to take pro-poor utility practice to scale. Utilities are critical for WSS service provision in urban Africa and service to the poor must become a central component of their business strategy.

Five entry points for a pro-poor strategy: (i) Pro-poor tariffs and financing mechanisms for service improvement, (ii) Institutional arrangements to improve services to the urban poor, (iii) Pro-poor transaction design, (iv) Advocacy and communications regarding the urban poor, and (v) Consumer voice and civil society engagement.

Taking pro-poor utility practice to scale also requires broadening the partnership for utility pro-poor support in Africa. Each utility will need to expand its partnerships while WUP provides an excellent vehicle for exchanging experience on best practice.