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Policy does matter!

Developing Policies and Strategies for Improving Water Supply and Sanitation for the Urban Poor

Policy should be developed to explicitly target the urban poor.

Policy should be backed by clear strategies and supported by the allocation of adequate resources.



¹ Some laws date back to the 1950s or earlier.

In the context of increasing urbanization, rapid growth of informal settlements and rising levels of urban poverty, it is essential that utilities, national and local governments develop coherent policies for water supply and sanitation services that explicitly target the poor and policy must be accompanied by resources to get the job done. Policy should also be supported by strategies that spell out the roles and responsibilities of the various institutions involved at both national and local levels, define long and medium-term objectives and outline institutional and regulatory frameworks that recognize the role of intermediate and independent providers. Strategies should also promote the development of appropriate standards, contracts and other necessary tools for reorienting the business of delivering water and sanitation services.

7.1 Reform national water supply and sanitation policies

In most countries, water is considered a basic right and addressing the needs of the poor is a stated objective of national policy. Despite this, policy statements on water supply and sanitation in a range of national policy documents (such as urban development, water supply, health, local government and environment) may be inconsistent and/or contradictory. Typically, policy is quite general, classifying activities as either urban or rural, and failing to address, in explicit terms, those factors that hinder service delivery to poor households in informal settlements. It is often assumed that the needs of the poor will be met in the same manner as other urban or rural residents. In practice however, this is rarely the case given the very different characteristics of informal, sometimes illegal, settlements. The lack of explicit reference to the particular needs of the urban poor in water and sanitation policies has led to a lack of clear direction (or mandate) for service delivery institutions and, as a result, past approaches that bring little benefit to the poor continue to prevail.

Compared with water supply, policies regarding sanitation are generally less detailed and many lack quantitative and qualitative objectives. Due to the multi-dimensional and diverse nature of sanitation services (detailed in Chapter 6) institutional responsibilities are often complex and difficult to structure and a wide range of agencies may be involved with varying roles and responsibilities. In Mali, for example, the stakeholders involved in urban sanitation include five central Government ministries (that have great difficulty in coordinating their policies and actions), local authorities, utilities/service providers (both public and private, large and small-scale), households and other civil society actors.

Policies should be supplemented by clear strategies that spell out, in specific terms, just how existing barriers will be removed and how business practices (rules, procedures, standards) will be changed to facilitate service delivery to the urban poor. In particular, outdated laws¹ should be amended to reflect policy shifts and to remove legal constraints to policy implementation.

Several governments are now preparing peri-urban water supply and sanitation strategies at national or local level that specifically outline measures (including legislative and regulatory reforms) that are required to enable water supply and sanitation services to reach low-income communities living on the outskirts of cities. For instance, in Zambia, an extensive program of policy, legislation and institutional reforms was carried out during the 1990s. However because of the scale of the peri-urban problem, the Government found that it was also necessary to prepare a 'peri-urban' strategy that identified the specific measures to be taken by various Government agencies, including changes in legislation, regulations and standards and the development of specific financing mechanisms (see Box 27).

Box 27

A Peri-urban WSS Strategy for Zambia

In the 1970s, growth in Zambia was characterized by rapid urbanization. During this period, the pace of infrastructure development did not match the rate of urban growth and numerous unplanned and informal settlements (known in Zambia as peri-urban areas or compounds) arose in the city. 40–80% of the urban population in towns and cities live in these peri-urban areas without adequate water and sanitation services. The reoccurrence of water-borne diseases like cholera has been an annual reminder of the cost of the environmental degradation in these settlements. In this regard, local authorities have found it increasingly difficult to provide the required basic services such as drainage, water supply and sanitation.

To resolve this situation and other problems facing the water sector, the Government undertook **major institutional and legal reforms** in 1993. In addition, recognizing the importance and special requirements of peri-urban areas, the Government initiated consultations with a wide range of stakeholders to develop a comprehensive peri-urban water supply and sanitation strategy. The overall objective of the strategy was to reduce the incidence of water-borne and water-related diseases, by improving water supply and sanitation service delivery. The strategy identifies challenges (including regularization, cost recovery and financing), outlines the principles to be followed and also identifies the policy, institutional and legal constraints to improving services in peri-urban areas.

Source:

Ministry of Local Government, 2000

Reform service objectives, standards and levels of service

In the urban sub-sector, the objective of 'ensuring water for all' is often interpreted as a 'house connection for all'. This interpretation may be shared by utilities and urban households alike, both of whom associate improvements in water and sanitation services with access to piped water supply and waterborne sewerage. Anything less is often considered a temporary or intermediate measure. In practice however, alternative modes of delivery in poor areas are common and in some places they have become the rule rather than the exception. Despite this, little, if anything, has been done to adjust regulations and business practice. Rigid or inflexible service objectives often limit the options available to a utility for serving the poor effectively and immediately. Furthermore, standards that apply to middle and high-income households, be they related to technical design (e.g. way leaves) or quality of service (e.g. pressure or continuity), may make services too costly or a legal or administrative impediment. For instance, a standard width of a way-leave may not be possible in unplanned low-income settlements.

Inappropriate standards may make services too costly for low-income households.

Intermediate objectives should be established in time bound agreements to serve settlements that may later be relocated.

² The Government is currently undertaking a comprehensive review aimed at streamlining such legislation.

In many countries, conventional waterborne sewerage systems are still considered the only acceptable sanitation option in cities. In practice however, the high investment and maintenance costs associated with conventional waterborne sewerage systems limits their applicability in low-income areas. Despite the lack of sewer networks, in some countries legislation and/or regulation prohibits the construction of pit latrines in urban areas and perhaps even contradicts other legislation that aims to establish appropriate standards for unplanned and informal areas. In Kenya, for instance, the Public Health Act prohibits the construction of pit latrines in urban areas but this contradicts the provisions in the Building Codes and Standards established under the Local Government Act.²

Appropriate technical and service standards are a critical element of any strategy to improve service delivery to the poor. Efforts should be made to increase the range of service options available to low-income households while ensuring that quality is not compromised. Regulatory frameworks must be adapted accordingly and, where appropriate, alternative regulatory arrangements should be linked to consumers and water vendors.

Establish intermediate policy objectives for provision of basic services

While it is necessary to maintain a goal of 'household connections for all' in the long-term, the scale of the urban poverty problem therefore points toward the need for intermediate objectives. In the short and medium-term, a variety of service options may be considered and adopted – regardless of the legal or formal status of the settlement. Where necessary, intermediate objectives can also be established in time-bound agreements with relevant authorities (e.g. a moratorium on demolitions for a fixed period). In Ouagadougou, Burkina Faso, only a limited number of households have access to a piped water connection. In a bid to increase water supply in poor areas, the Government and utility (ONEA) embarked on an ambitious policy promoting the installation of standpipes. This led to a variety of water supply options being introduced into the city and an overall coverage rate of 84% (of which 59% was achieved through standpipes). In the case of Senegal, illustrated in Box 28, the private utility is required to carry out incremental improvements to meet intermediate service objectives.

Standpipes: An Intermediate Objective in Senegal

In Senegal, the recently signed contract with a private utility includes intermediate service objectives and requires the asset-holding public company, SONES, to earmark a significant proportion of resources to provide incremental improvements through the installation of standpipes in the first phase. Standpipes may be converted to household connections as and when residents can afford the change. This policy is carried out jointly with residents' associations, that contribute to the capital costs, and with the assistance of NGOs.

Targets for urban water supply expansion by utility or CBO

	HH connections ⁱ		Standpipes ⁱⁱ	
	Liters per day per person	Service rate (%)	Liters per day per person	Service rate (%)
Dakar (and suburbs)	110	70	20	30
Main cities (population >10 000)	100	60	20	40
Medium towns (population 5 -10 000)	60	50	20	50
No. of users (per point source)	10		1,000	

Box 28

Note:

i = 10 users / HH connection

ii = 1000 users / standpipe

Source:

Primary data collected from SONES, 1999

Box 29



Establishing Minimum Technical Standards in Blantyre, Malawi

Water supply in the city of Blantyre (population 520,000) is managed by the Blantyre Water Board (BWB), a parastatal organization. The existing city facilities are insufficient to meet the increasing demand for potable water. In particular, the unplanned (squatter) and peri-urban areas (representing 55% of the population) and the traditional housing areas are all underserved. Only 27.4 % of households in the city have house connections, the remainder rely on 80 public water points.

As the BWB cannot meet the cost of financing mains extensions throughout the city, communities are encouraged to raise their own funds (from their members, NGOs, donors and other funding agencies) in order to speed up the implementation of water projects in their areas. However, despite the benefits of this approach in increasing the rate of coverage achieved, the downside was that materials of varying quality and sub-standard workmanship led to leaks, wastage and lack of pressure. The lack of availability of spare parts and other problems exacerbated the situation.

Standardizing procedures and contract requirements

Although BWB had provided assistance for community projects on request, in order to rectify this problem and simultaneously maintain the benefits from community or NGO/donors financing extensions, the BWB decided to standardize procedures and play a more active role in the planning, implementation and monitoring of community initiated extension projects.

BWB now accepts group applications for water development in low-income urban areas and the following procedures have been established:

- (i) on receipt of a request, BWB carries out an assessment of the feasibility of the proposed installation;
- (ii) if feasible, BWB prepares a preliminary design and cost estimates;
- (iii) the community finalizes financing arrangements with donors such as MASAF and UNICEF;
- (iv) BWB prepares a detailed design, a bill of quantities, a cost estimate and specifications (work to be done, materials to be used etc);
- (v) the donor, BWB, and the community draw up a contract for materials/works/costs. This tripartite contract stipulates the contract period and provides for supervision and a general commitment to accept adherence to standards and specifications;
- (vi) independent agents/technical staff supervise the works; and
- (vii) pressure tests and bacteriological quality analysis are required for approval of the installations and their connection to the public mains.

The contract stipulates that, in the course of installation, BWB is to supervise and inspect excavations, the setting out of pipework, civil works (valve chambers, standpipes etc), pressure tests and bacteriological analysis and, lastly, connections to the public mains. BWB also allocates responsibility for maintenance and the specifications to be followed. BWB insists on securing warranties for materials purchased from suppliers or local manufacturers. Contractors who do not meet specifications and standards are not paid.

Approach accepted and replicated

Five new area extensions (serving 183,000 people) have been completed adhering to these procedures. BWB takes total charge (directly or through appointed supervisors) of the technical aspects of the water development projects in unplanned communities. While there is some concern that the procedures may be too restrictive and limit initiative, it appears that, in practice, the standards and specifications are objective and accepted. Moreover, it is generally agreed that as BWB will operate and maintain the networks it is entitled to insist on minimum standards.

Source:

Chilowa and Chinsinga, 2000

Efforts should focus on developing greater acceptance of on-site sanitation solutions.

As the range of options for sanitation provision is limited and conventional sewerage systems are unlikely to play a major role in the short to medium-term, on-site sanitation will remain a solution for many urban areas in the years to come. Efforts should focus on developing greater acceptance of on-site sanitation and building this option into strategies for improving services to the urban poor. Where relevant, utilities and municipalities should take steps to support on-site sanitation by directly promoting on-site sanitation services and/or by offering financial incentives for improved sanitation facilities (see Box 21 on the initiatives in Burkina Faso). Enforcement measures may also be required to guard against the potential health risks associated with locating on-site sanitation facilities close to groundwater sources used for domestic purposes. Much work remains to be done in this regard.

For water supply the range of intermediate services should be expanded to include shared or yard connections, public taps or water kiosks and alternative service options that respond to demand (see Box 2 on the approach taken toward storage tanks in Durban).

Finally, intermediate objectives should be designed with long-term objectives in mind. In order not to constrain future household connection expansion programs, intermediate standards linked to specific design periods should be formulated and agreed. Minimum technical standards, that guide other actors involved in developing networks at community level, are an essential tool for enabling these independent systems to be integrated eventually into the city-wide network (see Box 29 on the minimum technical standards established in Blantyre).

7.2 Strengthen institutional policies, strategies and service delivery arrangements

Institutional policy also plays a crucial role in facilitating service delivery to the urban poor. As there are numerous types of institutions involved in water provision (including regional utilities, municipal water supply departments and national public and private operators), the nature and characteristics of the laws and policies governing their operations varies greatly.³ However, despite these differences the lack of specific institutional policy and strategy for reaching the poor is a common constraint.

Institutional mandate: setting priorities and objectives

Drawing on existing legal statutes, municipalities or utilities should develop corporate policies or business plans that articulate pro-poor objectives (such as coverage targets) and set down an approach (technical, financial, customer outreach) to delivering services to the urban poor. Once pro-poor priorities and objectives are defined, appropriate levels of financial and human resources must be made available. Institutional policy can also help to provide direction even when public policy gaps exist. For example, in order to reach consumers in informal settlements, the utility SODECI in Abidjan allows individuals to install connections at the nearest public points and develop standpipes at their own cost in informal settlements. SODECI has also adjusted tariffs and improved payment terms for authorized vendors (in response to demand).

Similarly when developing contracts for private sector participation in WSS service delivery, public authorities should take deliberate steps to develop pro-poor conditions of contract. These conditions should spell out legal obligations and

Intermediate water supply services should incorporate options that respond to demand.

³ These may have been established through acts of parliament, articles of incorporation.

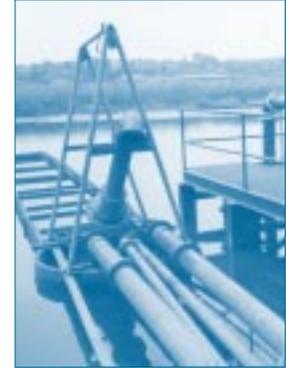
provide utilities with the mandate (appropriate terms and financial means) to improve services for urban poor.

Defining the obligations of service providers in business plans or contracts (through performance standards or targets), increasing the level of responsibility and providing the operator with increased autonomy can contribute to the improvement of services for the urban poor. Where necessary, a specialized unit or skilled team (be they in-house or outsourced) focused specifically on improving service delivery to low-income areas should be established. Their role may be to:

- implement targeted WSS service delivery programs;
- monitor and measure outputs (such as the number of new connections in low-income areas, number of working standpipes, percentage of volume sold at bulk price to alternative providers, percentage of disconnections, etc);
- establish more effective interaction with low-income residents and intermediate or independent providers; and
- provide better understanding of the specific requirements of the poor and the design solutions that meet their needs.

Institutional mandate: exclusivity and definition of service area

Most utilities enjoy a monopoly status - they have an exclusive right to deliver a service within a given area (generally the whole city)- and many consider it critical to the commercial viability of the utility and the economies of scale necessary to



Box 30

Small-scale Providers of Water and Sanitation Services

Despite efforts to increase coverage over the past few decades, currently some 25% of the urban population of Latin America and at least 50% of the urban population of Africa are not connected to the official utility water supply networks. These households rely on alternative providers including small-scale private and community-based organizations that offer a wide range of services and sustain themselves without government resources.

Small-scale providers provide households with options

The entry of alternative service providers into the market creates choices and options for householders. They tailor their services to customers needs and survive only by offering services which customers are willing to pay for. Although the nature and scale of small-scale service providers varies widely across the continent, they may include: (i) water tankers; (ii) independent piped networks; (iii) bulk purchase/on-selling of utility water (e.g. water kiosks); (iv) sanitation services (e.g. septic tank emptying); and (v) operation and maintenance services (e.g. management of public latrines).

Constrained by lack of legal recognition

Small-scale providers are usually regarded with suspicion by utilities and municipalities. They are often not legally recognized and therefore operate illegally with little regulation and quality control. In some cases this ambiguous operational framework has led to collusion between providers, or with utility staff (e.g. creating a 'cartel'). Poor consumers may therefore end up paying more than they should for poor quality services.

Despite shortcomings, the small-scale sector has enormous potential for increasing coverage and access to services for the urban poor. Those governments who learn to regulate it without stifling its innovation and demand responsiveness will gain access to a large number of previously unserved communities.

In the short to medium term, it may be necessary to remove exclusivity clauses and permit alternative providers.

provide an efficient service. This exclusivity mandate is often spelled out in legal statutes or contracts. While exclusivity may help to meet financial objectives, in practice most utilities have failed to meet the needs of all consumers in their service areas and, as a result, a number of intermediate and independent service providers may operate alongside or in competition with the utility (see Box 30 on small-scale providers). While some utilities recognize this fact and endeavor to accommodate alternative providers, others try to enforce their monopoly even when they are unable to provide adequate service to the unserved or underserved (notably low-income people in unplanned or informal areas).

In some countries, given the scale of alternative provision, arrangements to accommodate small-scale providers are an essential part of a strategy that improves access to services. In the short to medium term, it may be necessary to remove exclusivity from legislation, contracts, terms and mandates. Consumers can then be given the choice to switch over to the utility network once it is accessible.

7.3 Revise financing strategies and pricing policy

Ensuring sustainable financing to extend services to the poor

A realistic and sustainable financing strategy is an integral part of achieving policy objectives and meeting targets for improved services to the urban poor. Access to financing for capital investments, in particular for network extensions and standposts in informal areas, may be constrained by policy, legal or regulatory factors. The use of external financing is often earmarked for formal or planned areas in contradiction of stated project objectives to extend services to poor households. Many external support agencies (ESAs) are reluctant to provide loan financing to support WSS improvements in informal settlements until they are formally recognized and/or regularized by Government.⁴

It is therefore more common for grant funding to be used to finance improvements in unplanned areas. Grants may be provided by different multi-lateral and bil-lateral agencies or NGOs. They may be made available to utilities or municipalities or passed on to non-governmental organizations that can work outside the formal administrative framework. Communities may also contribute towards financing of investments through cost sharing arrangements including contributions to capital investments in cash or kind (see Box 6 on community cost sharing in Ghana).

A financing strategy that identifies various sources of external and internal financing and establishes clear rules to govern the allocation and use of these resources is an essential requirement for improving services to the poor. Internally generated financing drawn from a variety of sources (such as special purpose taxes included in the water tariff (see Boxes 1 and 20), added to municipal taxes, etc) can be used to enable the extension of networks in informal settlements, subsidize household connections or on-site sanitation facilities for the urban poor.

Pro-poor pricing policy: tariff structures and cross subsidies

Pricing policy is an important instrument for improving services to the urban poor. In addition to setting user charges for different categories of consumers, pricing policy may also be used to:

A financing strategy should establish clear rules to govern the allocation of resources.

⁴ In several cases, temporary permits/licences have been obtained by utilities allowing them to extend services, into unplanned or informal settlements for a specified period of time.

- improve affordability across a number of urban centers;
- raise financing for network extension;
- subsidize connections; and
- finance on-site sanitation.

Progressive or increasing block tariffs have been widely adopted by most countries in the region. As noted in section 3.4, many tariff structures include a subsidized social block targeted to poor consumers and a number of other blocks targeting domestic, industrial and other user categories. Although they share a similar objective, social blocks vary widely in nature. In Uganda, a 'social rate' is applied to the water bill for the first 3 to 10m³ per month, while in Durban, 6m³ per month is provided free to all consumers. The costs of this service are recovered through a cross-subsidy from customers who consume in the upper bands of the tariff.

Despite good intentions, social blocks designed to serve the poor do not always meet this objective. Many of the poorest households are either not connected to the network or:

- buy water second or third hand from vendors and standpipes/kiosks (at higher cost to the consumer because the vendor may be charged a higher band tariff);
- buy water from a household with a private connection (that may also be charged in the higher blocks of the tariff); or
- share a connection with their neighbor (and therefore consume more water than is provided for in the social block).

Social blocks are only effective in improving access of low-income people if: the number of poor households with a private connection⁵ is significant (at least more than 40% of households individually connected); and monthly fixed charges are kept low (e.g. standing charges, rental of meter, minimum consumption invoiced) enough to enable the poor to afford the service.

Where a large number of household connections are unmetered, some utilities have established 'flat rates' for households that meet specific criteria. In Kano, Nigeria, flat rates for domestic premises are charged according to living conditions (e.g. number of households using the same connection, number of taps, etc.). In many other urban centers, however, flat rates are charged regardless of living condition and as a result, households with higher consumption levels receive a high level of subsidy.

In several cases, bulk rates are charged for water sold through standpipes and water kiosks to enable low-income consumers access to water at the lower cost (e.g. Côte d'Ivoire, Kenya, Senegal and Tanzania). Unfortunately, these subsidies may not reach the consumer as retail prices are often unregulated. In Accra, the utility allows a bulk rate for several water tanker associations, while in Lusaka and Port-au-Prince, in recognition of the importance of community networks, the utility sells water at a bulk rate for independent community-owned networks. These cases demonstrate that social issues must be balanced with the economic interests of the utilities and can lead to improved cost-recovery for the utility.

Cross-subsidies (between municipalities or urban and rural consumers) may also be used to improve affordability of both connections and user charges. Inter-urban

Tariffs should help, not hurt, the poor.

⁵ In designing social blocks it is assumed that wealthier consumers (commercial, industrial and high income area) consume more water, and will therefore be charged for consumption at a level that allows subsidization of households with lower consumption

Pricing policies should be appropriate to the requirements and constraints of each city and country.

cross-subsidies are also prevalent in West Africa where it is common to find a single utility responsible for water supply to many cities and towns. Income from more profitable urban centers is used to subsidize smaller, less viable urban centers through a uniform tariff policy. In Côte d'Ivoire, this has allowed poorer households access to water at a more affordable rate. The utility, SODECI, provides water to 544 towns, of which only 6 make a profit and the remaining 538 post losses. By comparison, in Tanzania, each municipal water utility is independent and sets its own tariff and as a result, a number of utilities rely on central or local governments to subsidize inputs such as electricity.

Other charges – deposits, meter rentals and application fees

In addition to connection costs, many utilities levy other charges such as meter rents and deposits. As noted in section 3.4, these costs may present an additional barrier to disadvantaged low-income consumers who already have difficulty meeting the full cost of a connection. Although deposits are often requested as security against default, when set too high, they act as a deterrent to new consumer connections. In order to allow poor households access to a water connection, pricing policy should therefore aim to reduce the number of upfront charges and to spread the costs out over a longer period of time (see section 3.2).

Efforts should be made to design pro-poor pricing policies in relation to the specific requirements and constraints of each city and country and should build upon local research and knowledge. Tariff structures should be appropriate to the needs of customers while enabling the utility to remain economically viable. Where necessary, in order to facilitate sustainable financing for priority investments such as social connections, new government policy and legislation may be needed to introduce special taxes. Concessionary financing may be required to cushion the poor.

Financing of capital costs

The range of capital financing sources used for improving services to the urban poor includes grants and loans, taxes and revenues, as well as community and users' contributions, and NGO and private sector funds. In some cases several different financing sources are used under a wide range of financing arrangements (cost sharing, matching grants, labor swaps). Recent efforts to introduce public-private partnerships (PPPs) have been accompanied by the development of public subsidies targeted to low-income users. These are often achieved through out-based mechanisms that create an incentive for the private operator to design innovative solutions to reach the poor. A recent review⁶ of PPPs highlighted the importance of public financing as a means of reaching the poor while ensuring the commercial viability of private sector managed operations.

Generally, users do not contribute directly to the major capital costs of networked services such as production, treatment plant, storage, primary and secondary lines. More often these costs are financed directly by the utility through internally generated revenue (collected from consumers) or by municipal authorities through taxation (collected from residents). In Côte d'Ivoire and Senegal, the Water Development Fund, discussed in Box 1, financed by taxes collected from large consumers provides for the bulk of internally financed investments, including some network extension, standpipe development and household connections (see Box 31).

⁶ Stakeholder consultation on PPPs in Africa, Dakar, Senegal, 2000

Box 31

Financing Investment Costs

Most utilities view the financing of extensions in unplanned areas as high-risk. This perception is often based on their experience of standpipes that proved difficult to manage: in many cases water was not paid for, standpipes were vandalized, water was misused and the installation of networks feeding the standpipes enabled illegal house connections.

Given the perceived difficulty of recovering costs in these areas, grant financing from NGOs, communities and donors has become a key source of financing for water supply and sanitation services to the urban poor. However, in many of the projects undertaken with grant financing, **sustainability remains a concern**. Many have suffered from inappropriate institutional arrangements (poor incentive structures e.g. voluntarism, weak financial management), poor design (supply driven, inappropriate standards) and substandard construction. Much needs to be learned from the experience of small-scale providers who typically self-finance their capital costs and are able to offer a sustainable service.

Source:

Kariuki, 2000

Cost sharing arrangements for the development of tertiary distribution networks are more common and in some cases this has extended to secondary networks. In several countries, community/private network extensions have been resourced by contributions, in cash and kind, from local households. In Ghana (see section 5.1), some communities have financed fifty per cent or more of the network extension costs. While in theory the utility is expected to take over the task of connecting new consumers once the network has been laid, in practice, this has not been the case.

The private sector also plays a key role in network development. Both small-scale providers and large-scale developers invest in network expansion. Although the inputs of the former are in some cases piecemeal and may even be substandard, the latter play an important role in network development. In Senegal, property developers often finance network extensions to increase the prices of plots, while in Côte d'Ivoire their investment is mandatory.

Efforts should be made to identify financing requirements and to establish mechanisms for mobilizing resources from a range of users (including community groups, NGOs and the private sector). Financing policy should take into consideration the needs of low-income consumers and be designed to facilitate access to connections (e.g. through social connection policies). Tariff structures should be designed to suit the conditions under which consumers' access water supply so that they do not penalize consumers who share a connection. Clear rules should be established regarding community contributions to ensure that ownership and responsibilities for operation and maintenance are clear from the outset.

Efforts should be made to establish mechanisms for mobilizing resources from a range of users.

7.4 Adopt a regulatory environment to serve the urban poor

Regulation is essential for defining how the delivery of water and sanitation services is to reflect policy and to ensure that utilities follow the conditions of contract. However, the function of regulation should not be limited to definition and enforcement of rules and standards. It must also promote or require that utilities improve their response to users' demand, and it must facilitate or encourage innovation.

Defining roles and responsibilities in regulation

Regulatory functions are often split amongst agencies at different levels. Most governments typically regulate water utilities responsible for network services from a national agency or ministry (e.g. an independent regulatory agency), while point sources, such as wells and boreholes may be regulated at either local or national level. Due to the multifaceted nature of sanitation, regulation is often carried out at many levels. Certain aspects of waterborne sewerage may be regulated by the agency responsible for water supply regulation, while on-site sanitation is handled at municipal level by health and/or environmental regulators. Where an independent regulatory body exists it may delegate some tasks to other competent bodies (e.g. water quality monitoring, etc). To date there are only a handful of independent regulatory agencies in sub-Saharan Africa. These agencies, in Mozambique, Zambia and Ghana, are relatively new and are still working out arrangements for improving their functions in relation to serving the urban poor.

Access to information for monitoring quality and levels of service is a key area of concern for regulatory agencies. As information on services to the poor is often particularly weak, the regulator may not have access to the necessary information to allow for effective monitoring. Adequate regulatory capacity is required (either in-house or outsourced) to enable periodic independent assessments. Where a regulatory agency does not have the skills or capacity, the collection of information regarding services to the poor may be done with the assistance of NGOs, and consumer or professional associations. The regulator should adapt standards to reflect local circumstances and set clear targets and indicators. Regulatory agencies should also be willing to share information with consumers and other agencies in a regular and transparent manner.

Promoting the role of consumers, consumer associations and community organizations

Whether customers of the utility or small-scale providers, consumers are directly affected by the quality of service delivery, institutional arrangements, pricing policy and other aspects of service regulation. Accordingly, consumer groups should be consulted and informed about new developments on a regular basis. Some utilities set up customer complaints registers and publish their contents with indicators of the time they will need to address these complaints. These mechanisms are often outside the reach of poor consumers who are not connected and therefore do not have a direct link with the utility. At a community level, whether or not they obtain a utility service, consumers who buy from vendors, kiosks, or other alternative providers could demand that small-scale providers comply with regulations if such regulations were developed. Top-down regulation should be minimized and self-regulation (see Box 16) encouraged to ensure fair competition.

In some countries (e.g. Togo), consumer associations play an important role in lobbying utilities to improve services to the urban poor. While organized associations at city or national level may not be common, community organizations at local level also undertake some of the functions that would normally be carried out by a consumer association, albeit in an informal manner and on a small (localized) scale.



Promoting competition and encouraging independent initiatives to improve access to services for the urban poor

One of the main tasks of the regulator is to ensure fair competition and guard against monopolies and cartels. As noted in Chapter 5, despite the prevalence of small-scale providers in many countries, most utilities in Africa have exclusive (monopoly) authority to provide services within a defined area. However, since many municipalities and/or utilities do not serve all consumers within their designated service areas, where appropriate, regulation should facilitate private, NGO or community investment and encourage innovation in service delivery.

To enable this innovation, standards should not be restrictive and should be supported by the right incentives. For instance, in Ouagadougou, residents are encouraged to build improved latrines by means of a small subsidy. This subsidy does little to offset the extra costs of improved standards but encourages the recipients to take the first step. In Malawi, the Blantyre Water Board provides technical advice and guidance to NGOs and community organizations to ensure that minimum technical standards are met and that the facilities and network extensions installed through private initiative are sustainable over the long term.

Facilitating the emergence of professional/trade associations

Small-scale providers have only recently emerged as an important part of the water services industry. As a result, much remains to be done to put in place an appropriate framework for regulating their operations. Intermediate providers that purchase water from the piped water supply network should be regulated through a contract with the utility but may also regulate themselves through professional associations. Similarly, those that handle wastewater/sludge should be regulated by the municipal authority or utility (depending on the circumstances prevailing in the country - see Box 26 on Dar es Salaam pit-emptying services). Independent providers that work in parallel with the network (e.g. those with borehole based systems) may need to be regulated by a regulatory body along the same lines as the formal WSS utility.

The formation of professional/trade associations is a useful means of regulating practices. Tanker and vendor associations established in various countries such as Côte d'Ivoire, Nigeria and Benin, have enabled small-scale provider members to enter into dialogue with utilities improving the terms and conditions under which they work.

Trade or professional associations can help to improve professionalism and capacity building in the water and sanitation sector by:

- establishing common rules and procedures (and by promoting their acceptance);
- recognizing and protecting private investments; and
- creating a forum for dialogue between the authorities, the utilities and independent providers (too numerous to be handled on an individual basis).

In Ghana, the utility (GWCL) supported the creation of tanker-owners' associations illustrated in Box 16. These associations negotiated significant improvements for the tanker drivers and their customers, including:

A key task of the regulator is to ensure fair competition.

Trade or professional associations can help to improve the level of professionalism, but can also become cartels.

- (i) improved access to a reliable water supply by establishing filling stations (high pressure filling points that were set up by GWCL and managed by the association;
- (ii) a preferential bulk price for tanker drivers purchasing large volumes of water;
- (iii) agreement that the association regulate water quality and price (through the periodic inspection of tanker cleanliness and the requirement to display prices at the filling station).

However, associations can also become cartels and it is essential that associations of service providers devise methods to guard against collaborative action that works to the detriment of the customer. In Abidjan, 25% of approved resellers joined AREQUAP-CI in November 1998. Their aim was to establish a voice in issues that affected them: to improve their working conditions, to obtain proper recognition from the authorities and SODECI, and to obtain preferential prices. In particular, they sought special bulk rates, lower deposits and created a distinction between themselves and other 'illegal' resellers. They also requested that they be given a role, and therefore have some say over, the entry of an additional small-scale providers in the market. This attempt to limit further competition – through the action of a cartel – was not permitted by the utility (see Box 13).

Although less prevalent, associations of private sanitation operators also exist. In Benin, vacuum truckers established the Benin Union of Sewage Entities (USV Benin). However, while the initial idea of forming an association was sound, in practice it has also led to the establishment of a cartel. Since its establishment in 1995, USV Benin has had exclusive rights to license new vacuum truckers (none have been licensed) and the association has reduced competition by fixing tariffs and controlling prices offered by its members. Lessons can be learned from current experience in the formation of water tanker associations. There is obviously a key role for the public authority in Benin to regulate the sector and ensure fair competition.

Ultimately it must be recognized that trade associations are created to protect the interests of their members, not the interests of customers. Authorities should therefore continue to regulate the activities of independent providers and should also find ways of promoting and ensuring healthy competition. As the ultimate beneficiary and decision-maker, consumers also need to play a role in regulating the services of independent providers. So far the role of consumers has been limited to regulation-through-choice (a supplier of poor quality water is quick to lose his customers) but this could be expanded to an oversight role such as that carried out by the community in Yirimado, Mali (illustrated in Box 15). The regulatory agency can play an important role in ensuring that legal documents relating to association formation, service agreements and contracts, guard against the formation of cartels, promote competition and encourage the entry of new providers into the market.

Authorities should continue to regulate the activities of independent providers and also find ways of promoting and ensuring healthy competition.

7.5 Release bottlenecks in urban development policy

Water supply and sanitation service delivery should be framed within the overall context of urban development and governance. Planning for improved WSS services for the urban poor often requires the involvement of various stakeholders at municipal level and

may necessitate the development of a broad municipal policy and strategy under which the utility can operate. While, it is clearly not the role of the utility to design or formulate urban policy, in order to meet their own service delivery objectives, it is essential that utilities work with municipal and national governments to identify and eliminate the barriers constraining improved service delivery. Among the top issues to be addressed through dialogue with other actors at municipal level are: (i) the unplanned nature of low-income settlements; and (ii) the lack of secure tenure or proof of ownership/occupancy. Efforts should be made to establish clear rules in order that utilities are not constrained unnecessarily in delivering services to low-income communities.

Network extension in unplanned/illegal areas

Municipal regulations generally define conditions for laying networks within urban areas and a primary constraint to the development of water networks in many countries/cities is the lack of planning or development control. In most countries municipal (and utility) regulations state that networks can only be laid in formally planned areas, in a specified manner, according to an agreed set of rules.

The fate of unplanned and even 'illegal' settlements discussed in section 3.1 is mainly a political decision and can be solved through settlement regularization programs undertaken by municipal authorities or through intermediate solutions such as agreements that enable utilities to deliver services for a specified period of time. Some countries have undertaken far-reaching 'regularization' programs, and have removed most constraints (e.g. Burkina Faso in the 1980s). In Abidjan, some informal settlements have been earmarked for regularization to solve the problems of service delivery. In Tanzania, despite the fact that 70% of Dar es Salaam is unplanned or informal, the utility has no legal constraint to developing water supply systems in these areas.

Even when administrative or legal restrictions are removed, technical difficulties encountered in laying networks in unplanned areas need to be addressed. In some cities, new solutions have been tested and implemented. For instance, in Man, Côte d'Ivoire, the municipality and utility consulted with residents and agreed to set aside public access routes that residents would respect. In Port-au-Prince in Haiti, authorities accepted the installation of piped networks with standpipes and movable fiberglass water tanks in shantytowns (although they regarded them as temporary) and in Ouagadougou in Burkina Faso, 25 pumping stations (with an iron water tank and standpipe) were installed so they could be moved to make way for improved facilities when demand evolves.⁷

The installation of water supply and sanitation networks and facilities is often seen as a stamp of approval on an informal settlement (see Chapter 3 for further discussion). Where regularization is planned, improvements in water supply and sanitation may therefore act as a catalyst around which area-based planning can be organized. Some governments have therefore prevented the delivery of services to informal settlements that they do not want to regularize, even if these settlements remain where they are for long periods of time. Incremental improvements, such as those efforts in Manila illustrated in Box 4, should be made to tailor solutions to specific needs, and to agree on suitable planning horizons and service delivery arrangements for all consumers.

Land titles and occupancy certificates as security for a connection

In informal settlements, private water connections and, to a greater extent, sanitation facilities, create a heavy financial burden that many households may not be willing

⁷ In fact some have already been removed. (Cisse, 2000)

to shoulder if there is a risk of demolition. Even where a connection is granted, households may not wish to make more than a short-term or temporary investment unless they have secure tenure, until public access routes are established (to reduce the cost of parallel lines) and until distribution networks are extended within proximity of their dwellings.

Slum upgrading programs are an important solution to insecure tenure. They provide households with access to other basic services (e.g. sanitation, refuse collection, power, roadways, schools, health, public transport) and enable residents to participate in planning for services at a community level. They also create a strong incentive for households to improve and maintain the services, infrastructure and facilities in their neighborhoods. However, given the scale of upgrading requirements in many African Cities (see Figure xii) the broader slum upgrading agenda should not be made a prerequisite for water supply and sanitation expansion programs. The financing requirements and programmes and the unresolved policy decisions regarding regularization could delay improvements indefinitely.

Estimated Growth of Informal Settlements Lacking Water and Sanitation Services

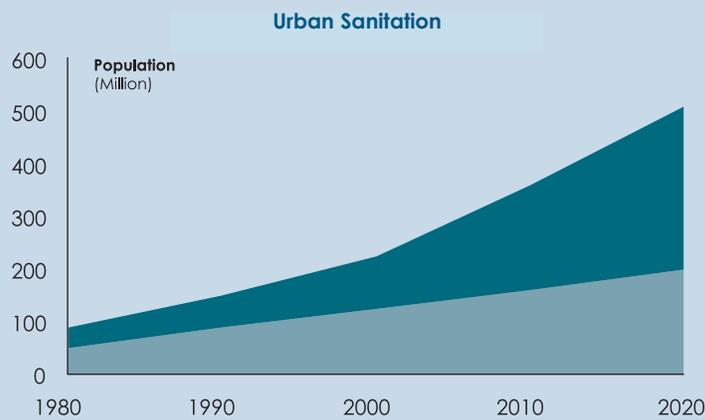
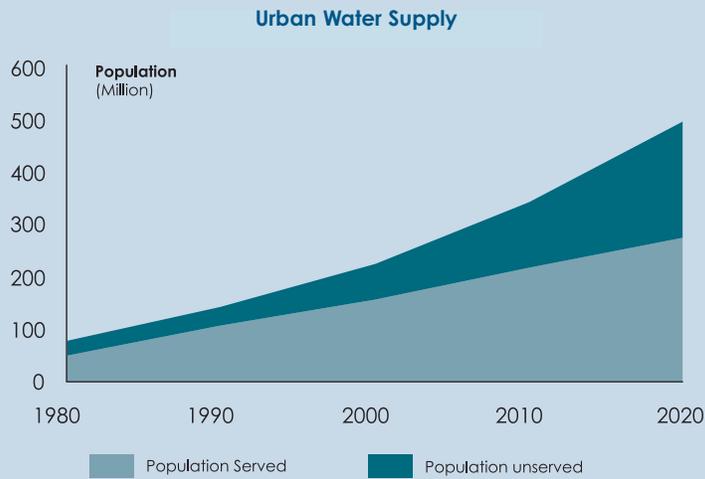


Figure xii

Source:
World Bank, 1996

In some cases, short to medium-term service delivery improvements may be needed before a comprehensive upgrading (or resettlement) programme can be implemented. This may be in the form of a simple agreement made between the utility and municipal authorities to suspend demolition for a given period. Under the Byan Tubig program in Manila illustrated in Box 4 and mentioned above, the utility has entered into a 2-year agreement with the municipality that allows the utility adequate time to extend services to households and recover the cost of extending networks into low-income areas.

As discussed in Section 3.1, regulations governing the operation of some utilities (and municipal authorities may also bar them from connecting households without official certificate of occupancy (title deed or lease, temporary occupation license, rental agreement), as this is considered a commercial risk. In order to provide services to residents of illegal areas, some utilities have introduced a deposit payment as a form of security. This arrangement is also well suited to cities or settlements where title deeds may not be available as traditional/customary land tenure is formally recognized.

Efforts should be made to waive restrictions related to tenure, titling, etc and find alternative methods for reducing the associated risk. A unit specialized in the management of low-income customers established within the utility (as proposed in Section 7.2 above) could help draw up relevant procedures and establish alternative measures to improve the access of low-income households to water supply and sanitation services.

