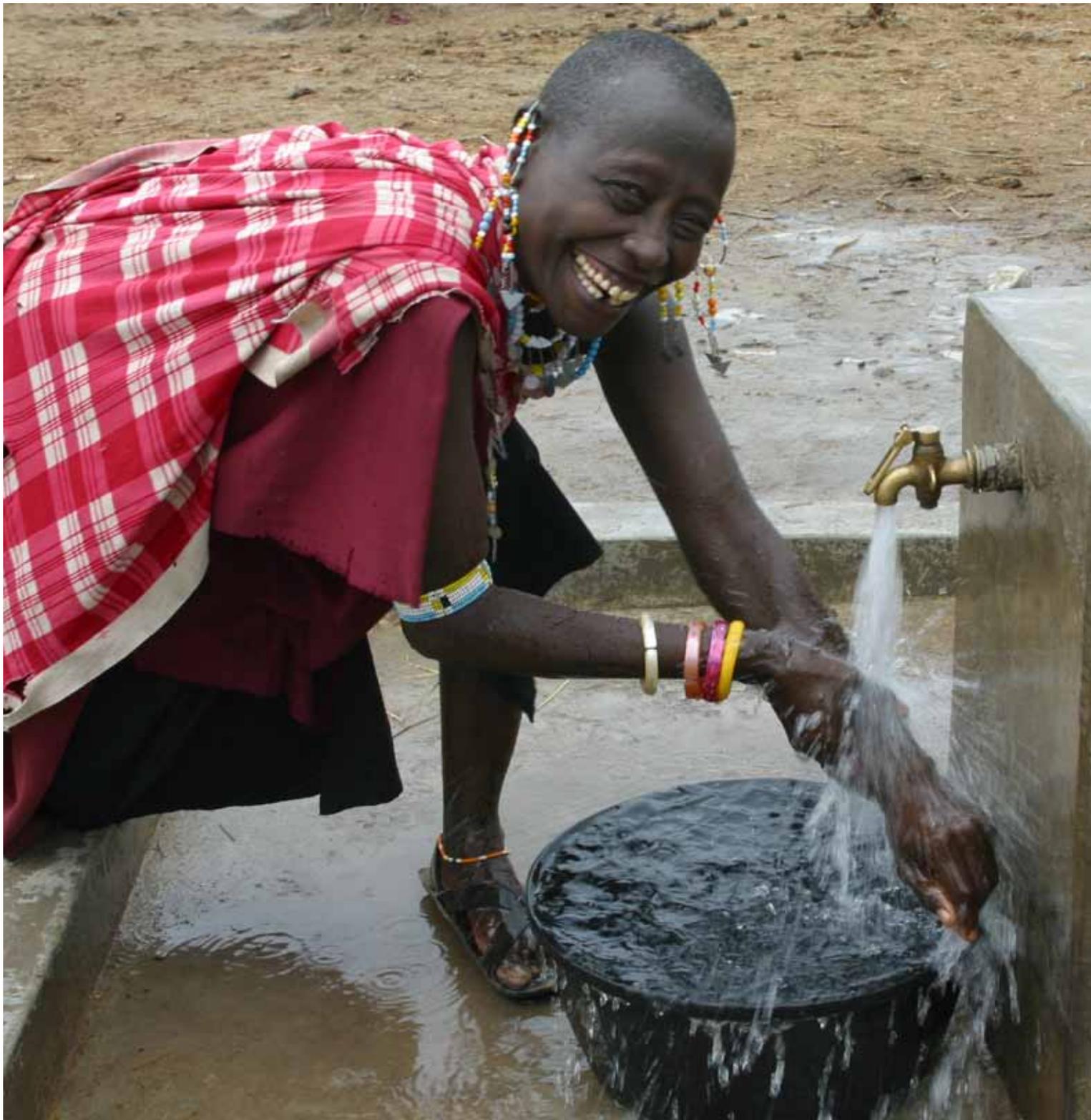


Equity Delayed – Equity Denied:

Improving the effectiveness of pro-poor urban water and sanitation investments supported by World Bank-IDA



The World Bank is the largest source of development finance for water and sanitation in Africa. Its financing window for Low-Income Countries, the International Development Association or IDA, is counted by many official bilateral aid agencies as the single most important funding channel for the sector. And with the increasing donor pledges made in the IDA 16 replenishment round, the financial commitments for the sector are likely to increase.

In 2009, WaterAid commissioned a study¹ of four Bank projects in three African cities – Ouagadougou, Accra and Dar es Salaam – to assess the effectiveness of some of the Bank’s work in delivering water and sanitation services to the poor. The studies looked at the extent to which IDA investments, totalling over USD\$300 million, reached areas where poor people lived and strengthened mechanisms for targeting service delivery to poor people.

This paper summarises the research and goes on to propose a set of policy options for the Bank, utilities and donors with the aim of strengthening the delivery of water services to the urban poor. It looks first at the findings from each of the three city projects studied and summarises some of the issues in common to all three and then proposes recommendations for follow up and guidelines to improve effectiveness.

The Studies

All the projects studied, incorporated measures to target poor urban dwellers. But the research findings raise some serious questions over whether the pro-poor dimensions were systematically pursued or all the desired results achieved. It concludes that there was a lack of sufficient rigour attached to targeting IDA’s investments for the delivery of services to poorer communities and that significant reforms are required to achieve IDA’s mission on equitable development outcomes.

The research aimed to capture three phases of Bank-supported investments: mature, ongoing/ mid-term, and new project/design phases. It attempted to analyse the effectiveness of pro-poor targeting by assessing whether the poor were the chief beneficiaries of services, designed for their benefit in the Project Appraisal Documents (PADs), and by measuring the accountability, affordability of services and the prospects of longer term sustainability.

And, lastly, it explored the extent of the inclusion of the poor in the projects’ planning, implementation and monitoring processes.

The researchers used desk studies, semi-structured interviews with senior civil servants and Bank officials, focus group discussions in beneficiary communities and poverty mapping and surveying techniques in conducting the research. When the research was undertaken, the Bank had not yet launched its Access to Information policy. As a result, the key sources of information were the PADs and other official documents of the Bank such as the *Implementation Completion Report* of the Burkina Faso project and, the mid-term review of the urban water project in Ghana.

While the findings of this study are drawn from a limited number of projects, it is WaterAid’s view that there is a discernible consistency or similar material weaknesses in all three projects that raise questions on the Bank’s operations and IDA’s financing structure.

1 The Research was conducted by the *Overseas Development Institute* (ODI) and the University of London’s *School of Oriental and African Studies* (SOAS). The research team was led by Peter Newborne (ODI) and included Josephine Tucker (ODI) and Kate Bayliss (SOAS). The report *Strengthening pro-poor targeting of investments in urban water and sanitation – the role of the World Bank IDA finance* brought together findings from country case studies. The studies were carried out by the following in-country partners: Burkina Faso Dr Claude Wetta (from the University of Ouagadougou) and M. Djimé; Ghana – Joseph Ampadu-Boakye; and Tanzania – Dr Paul Tibandebage and Festo Maro.

Findings in common between the three projects

Critical analyses of project work too often downplay or obscure some significant achievements. It is worth remembering that water and sanitation programming in urban slums face formidable and dynamic challenges in complex social, economic and spatial environments. Despite this, all three projects reviewed did manage to improve the provision of bulk water, strengthen management systems and improve the financial viability of the utilities. These constitute some of the necessary conditions for delivering services to the poor. Indeed, significant numbers of poor people now have access to services as a result of the Bank's finance and work.

Without wishing to downplay the scale of these positive achievements, there are significant weaknesses in common between the projects that are worth considering in the interests of improving future water and sanitation investments. The areas of particular weakness outlined are important to explore further because they are central to the main purpose

of the Bank and IDA finance –*viz* delivering sustainable and affordable services to the poor. These are:

- A disproportionate amount of IDA financing ended up benefitting the better served households or communities – that is, the non-poor or more affluent communities. In all the projects analysed, customers from households not connected to the network mains – including low income households – continue to pay more, in absolute terms, than those already connected; sometimes more than twice the price.
- The financial and technical analyses in project preparation dominated service design, and this tended to overshadow, if not displace, the focus on pro-poor targeting. While financial viability and technical performance are vital components to the successful delivery of services to the poor, the prioritisation led to utility plans and contracts focusing on improving utilities' technical performance and financial stability, without any comparable performance targets, or policy priority, given to meeting social objectives.



A latrine under construction in Burkina Faso.

- There was a variable use of socio-geographic mapping for pro-poor targeting and coverage policy in the project design. The lack of systematic rigour attached to the identification of the poorest areas excluded large groups of poor people from network expansion, new connections or even standpipes.
- There was little evidence of the rigorous use of *ex ante* analyses to identify the constraints, depth or severity of poverty and vulnerabilities of the poorest, most marginalised groups such as those with physical handicaps, single women headed households, the elderly, people living with stigmatising diseases such as AIDS or people excluded from services by official utility policies or regulations such as those without land ownership or title.
- None of the projects showed detailed preliminary analyses of tariff structures that work for the poor. The loading of subsidies onto established networks had a regressive distributional impact.
- There are some serious shortcomings in the sustainability of service provision in poorer areas. The Burkina Faso research finds that in Tabtenga, all eight standpipes installed under the project were non-functioning while only 7% of kiosks built under the Dar es Salaam Water Supply and Sanitation Project (DWSSP) in Tanzania were functioning at a reliable level.
- While it is difficult for researchers to pin down the particular areas of weakness between the Bank, recipient authorities or utilities' agency, it is clear that there was insufficient attention paid to the setting up of performance monitoring systems and there is no evidence of any that included poorer and more marginalised groups.
- Where IDA finance was delivered with a lending component, it was accompanied by the recipient authorities passing on an escalation in interest rates as it travelled through mediating recipient authorities. WaterAid argues that this interest rate escalator skewed investments towards fulfilling a cost recovery imperative that weakened the original pro-poor objectives.

Burkina Faso – Ouagadougou Projects

Operating environment:

The objectives of social equity and inclusion for poor people take primary place in national laws and policies in all three countries. In Burkina Faso, both the Water Law and the National Water Policy recognise water as a right with the policy promoting equity as a principle in delivering water supply and sanitation. *The National Programme for Water Supply and Sanitation (PN-AEPA)* sets clear targets for increasing access to drinking water in urban areas. However, the targets are not disaggregated on a socio-economic or geographic basis. It recognises the need to investigate low-cost solutions for service delivery to the poor. But no clear criteria, guidelines, regulation, action plan or strategies have been developed for targeting poor communities.

Key social objectives in the PAD:

The study reviewed two IDA-supported projects in Burkina Faso. The Urban Water Supply Project (the '*New Project*') was approved for IDA funding in May 2009 while the Ouagadougou Water Supply Project, (the '*ZIGA*' project) concluded in 2007, with a World Bank evaluation carried out in June 2008.

The key social objectives in the Bank's Project Appraisal Documents, or PADs, for the two projects are:

- ZIGA project –
 - to provide connections to 'low-income households', by reducing the price of connection, or installing standpipes (*bornes fontaines*).
 - to improve the access in poor fringes of Ouagadougou, and
 - to reduce the access bias between formal and informal areas.
- New Project –
 - to facilitate access to services through programmes for constructing social water

Urban Sanitation Fund: Innovative financing for an orphan sector

The Government of Burkina Faso introduced an Urban Sanitation Fund in 1985 to generate funds for sanitation investments. The fund is supported by a cross subsidy system where urban water users pay a surcharge of 21 FCFA per cubic metre of water sold on their water bill. The fund supports the implementation of the Strategic Sanitation Plans for Ouagadougou and Bobo-Dioulasso. It provides finance for the construction of urban sanitation facilities – sewerage, drainage and on-site sanitation.

Sanitation did not receive any funding under the ZIGA Project but features prominently in the new Urban Water Sector Project with 50% of the IDA grant going towards the sanitation component. The focus of one of the objectives of the new project is on on-site sanitation facilities. The absence of a set of disaggregated criteria by which its key performance indicators will report on households who are to benefit from the sanitation investments is of concern. Given the large positive social and health impacts that come with access to basic sanitation, it is hoped that the Urban Sanitation Fund will provide a constant source of funds to sustain the investments.

service connections, public standpipes and on-site sanitation facilities

Findings

On the positive side of the balance sheet, it is clear that the activities of the Burkinabe implementing authority, Office National de L'Eau et de L'Assainissement (ONEA) and the Bank's financial and technical support have together substantially increased the city's bulk water supply. This achievement cannot be downplayed. It is a necessary condition for the success of an equitable distribution of services. Indeed, the activities of ONEA have substantially increased the spatial coverage of standpipes in Ouagadougou and coverage has reached some poorer areas. The research also finds considerably strengthened managerial leadership of the utility.

However, there were significant material weaknesses in the project's approach to pro-poor targeting; weaknesses that are identifiable in the Bank's project documents.

- The focus of the Bank's Key Performance Indicators and in its logical framework is on strengthening the utility's technical and financial viability. There is no comparable weight attached to the project's social or poverty reduction objectives.
- Some of the areas with the deepest levels of poverty are excluded from any explicit references by the Bank and, on project completion, miss out entirely on access to services. There was, for instance, no mapping of areas of extreme poverty and so the opportunity for developing a systematic approach to the pro-poor targeting of new services was weakened [see Annex maps 1 and 2 provided by the researchers].
- There was little available evidence of the systematic use of any *ex ante* analyses to inform the design of pro-poor tariff structures to make services affordable and accessible.
- Utility revenue considerations led to a bias towards infrastructure investments as the preferred option in the project design. This choice took precedence over the findings from community engagement studies, referred to in the PAD, where alternative access solutions indicated poorer households as potentially viable customers.
- The loan component in IDA appears to have been passed on to recipient authorities with an interest rate escalation. WaterAid argues that this introduced a cost-recovery imperative that weakened pro-poor objectives.

Ghana – Accra Project

Operating environment:

The Constitution of Ghana stipulates that water is a right of all citizens. Access to potable water supply, especially for the poor, is recognised in the country's Growth and Poverty Reduction Strategy (GPRS II) and the National Water Policy. The high level aim is supported by policies with a strategic focus on the poor such as the development of a Social Connection Fund, service extension to low-income customers and support to domestic small water providers. The Public Utilities Regulatory Commission (PURC), the sector regulator, provides leadership for realising these social policy aspirations and leads a process to develop pro-poor service models funded² by the IDA-supported Urban Water Project (UWP).

Key social objectives in the PAD:

The Urban Water Project has experienced significant delays. It was scheduled to close in 2010 but was still ongoing at the time of the research. Its key social objectives include:

- To provide at least 50,000 new household connections, the majority of which will be low-income households and from the provision of standpipes.
- To increase the cubic metre of water sold at the 'lifeline' tariff in the private sector management contract.

Findings:

Although it is too early to make a final assessment of the performance of the Ghana UWP, the study finds that the UWP has suffered several setbacks because of procurement delays, a lack of coherence of roles and functions between Ghana Water Company Limited (GWCL) and Aqua Vitens Rand Limited (AVRL) and a weak collaboration between PURC and GWCL.

While the Bank's project documentation available to the researchers does include

extensive mention of poverty, the research found significant omissions in its execution. These included:

- Little attention to the geographic location of poorer households and the pro-poor targeting of new services, and little detail on the design and implementation of affordable tariff structures for low-income households.
- An apparent excessive optimism given to a, hoped for, trickle-down benefit for the poor that was expected to emerge from new investments in capital works and the setting up of a management contract.
- Few details on the identification of marginalised and excluded groups and few targets or plans for the expansion of access to targeted population groups.
- Few recognisable institutional mechanisms that will monitor the clear poverty focus of the PAD and overcome the regulatory constraints to service delivery for the poor.
- Procurement delays that impacted project implementation and the valuable pilot scheme on how to better serve low-income areas.

Tanzania – Dar es Salaam Project

Operating environment:

In the last 30 years, the population of Dar es Salaam has tripled to 2.9 million. With 70% of inhabitants living in poor areas and slums, a strategic and systematic focus on delivering water and sanitation services to unplanned areas is urgently needed.

The National Water Policy in Tanzania enshrines the right to water and sanitation and mandates urban water supply and sanitation entities to take the appropriate social equity considerations when providing a basic level of service to the poor at affordable cost. The 2006 to 2016 National Water Sector Development

2 PURC is a key stakeholder in the IDA facility for Ghana re pro-poor services. Concerns arise as to whether the model is appropriate – where a regulator is funded by IDA grant to provide pilots rather than the utility.

People collecting water at a tapstand, Dar es Salaam, Tanzania.



WaterAid/Marco Bettf

Strategy specifies that low-income groups will be identified and provided with appropriate water and sanitation services. The strategy expects low-income users to contribute to the cost of services, and requires the determination of affordability criteria to establish low-income subsidy and service mechanisms.

The National Strategy for Growth and Reduction of Poverty (NSGRP) – known as MKUKATA, – prioritises targeting urban poverty and the promotion of social well-being. It proposes a series of strategies to promote basic services, including a lifeline tariff for water supply for vulnerable people and the achievement of 90% access coverage by 2009/2010. Sector policies and strategies expect the utility to implement plans for achieving these targets.

According to sector managers, identified low-income households receive eight 20 litre buckets of water per day for free. There exists a national sector regulator, Energy and Water Regulatory Authority (EWURA).

Key social objectives in the PAD:

The Dar es Salaam Water Supply and Sanitation Project (DWSSP) in Tanzania, supported by

IDA, originally aimed for completion by June 2010. The DWSSP set out to achieve an increase in water production, the rehabilitation of sewerage facilities, improvements in the equity of water distribution and the strengthening of institutional capacity. The PAD outlines a set of measures to provide more affordable water to low-income households including establishing:

- a low-cost ‘lifeline’ volume of water for domestic networked customers;
- free connections for low-income households by 2008 – with at least 80% of the proposed new domestic water supply connections expected to be installed under the project financed from the Connection Fund (established from a levy on water bills);
- construction of water kiosks, for those in networked areas without a connection – about 250 new water kiosks proposed were expected to be built by 2008: and
- standalone community-managed schemes in areas far from the network – about 50 community WSS schemes were expected to be built and operating by 2008.

Findings

The Project included a set of pro-poor measures aimed at providing more affordable water for low-income households. These included a low-cost ‘lifeline’, free connections and the construction of kiosks for off-network areas. Like the example in Burkina Faso, the project also included a much needed investment in bulk water supply in an effort to bring the volume of water supply up towards the demand of a hugely expanded urban population. There were elements of the Dar es Salaam Water Supply and Sanitation Programme that effectively reached poorer households. In large part this was through the Community Water Supply and Sanitation Programme (CWSSP) project.

The researchers also found that Dar es Salaam Water and Sewerage Authority (DAWASA) officials conceded that there was little work on developing a pro-poor focus until the Bank raised these concerns. But the support for a stronger poverty dimension was not followed through with adequate guidance on how to target the poor most effectively.

In common with the findings of the Ouagadougou and Ghanaian samples, there were significant weaknesses in the Project’s pro-poor aims. These included:

- Project documentation that gave only a cursory review of the suitability of tariff structures for low income households but did produce extensive financial and forecasting analyses.
- In the three significant instances where poorer communities were successfully reached (in the CWSSP), it is notable that the use of local knowledge and analysis of those communities and the higher levels of community participation in the project design and implementation, led to pro-poor outcomes. However, the comparatively small sums of the total project expenditure – 2.3% – raise questions over the priority given to this dimension of the project.
- Like the Burkina Faso findings, the IDA lending component to the Tanzanian recipient

authorities entered onto an interest rate escalator. WaterAid argues that this had the effect of introducing a cost-recovery imperative that weakened the pro-poor targeting objectives of the original loan.

Analysis and recommendations

Despite the clear pro-poor focus in the Bank’s own Operational Guidance on water and sanitation, the researchers found shortcomings in the thoroughness or rigour attached to the pro-poor aspects of all three projects. The researchers did however find that the Bank attached a high priority to strengthening the utilities’ financial viability and technical performance. Little comparable priority was given to the pro-poor targeting.

This imbalance gives rise to questions over whether the lending component within IDA’s financing structure encourages incentives within the recipient authorities that are out of step with IDA’s central pro-poor purpose. The researchers found instances in at least two projects where IDA finance entered into an on-lending structure with Ministries of Finance passing on IDA’s loan component to utilities. This was accompanied by Ministries of Finance requiring a return on investment and, in some instances, ‘full cost-recovery’.

The question then arises as to whether the loan component in the terms of IDA’s finance, albeit relatively small and highly concessional, structures the incentives of project development towards pursuing financial viability at the expense of targeting the delivery of water and sanitation services to poorer communities where the returns are less apparent. The speculation here is that a cost recovery imperative is introduced and comes at the expense of targeting coverage in poorer areas where leveraging financial returns is more complex and the prospects of cost recovery more precarious, requiring more rigour. In short, the loan component of IDA is being passed on to utilities that are seeking out ‘bankable investments’ with returns.

Can this skewed incentive structure be reformed to embed pro-poor goals? If it is the case that the lending component of IDA bends the incentives away from pro-poor outcomes, can this be reversed? Can the prospects of achieving pro-poor outcomes be strengthened by shifting IDA's financing terms from concessional lending to grants when pro-poor targets are met? The proposition here is for a fundamental review of the way IDA finance is delivered to set explicit pro-poor goals and the satisfactory coverage of sustainable, affordable and accessible services for the poorest. In other words, the terms of IDA's finance are shifted wholly to grants when key social and pro-poor objectives have been met and certified under a more rigorous monitoring framework with clear key performance indicators and socio-geographic outcomes.

WaterAid proposes the following options for Bank staff and the Executive Directors' to consider.

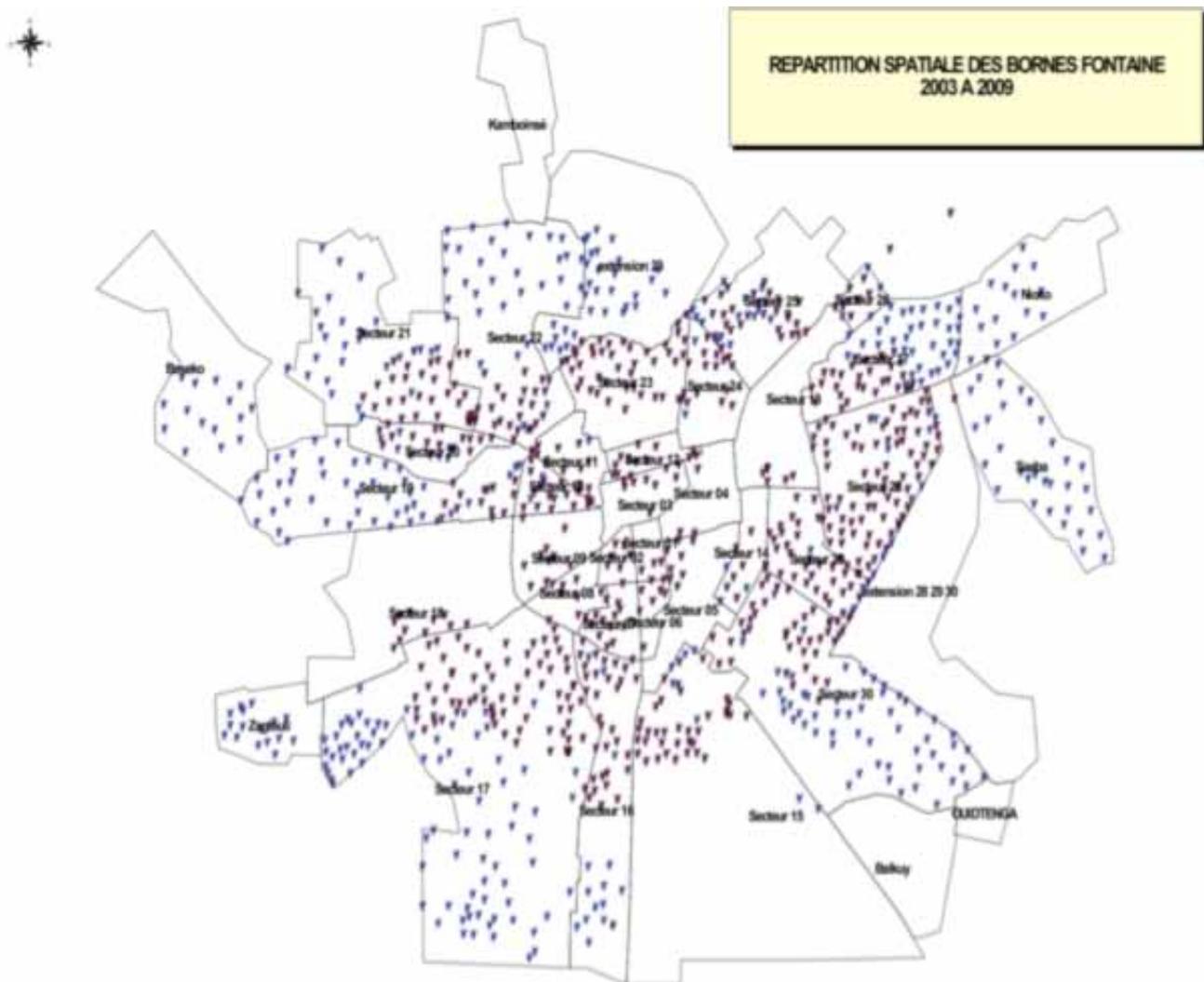
- A review of IDA's financing terms and conditions, to include reforms that strengthen the incentives for pro-poor targeting by shifting concessional loans to grants on the successful achievement of pro-poor objectives.
- The use of detailed *ex ante* analyses, using local sources of social, economic and technical analysis, to better understand the identities and particular economic, physical, socio-cultural and regulatory constraints faced by poorer and more marginalised communities including the poorest of the poor, single women headed households, the elderly, disabled, people living with stigmatised diseases such as HIV/AIDS and landless informal settlement dwellers. And further, that the social development advisors are influential in all aspects of the project design.
- The participation of representatives of local communities and marginalised groups throughout the development of the design, implementation and monitoring processes.
- The development of affordable and accessible connections that allow for 'lumpy' income streams and lifeline sanitation and water provision.
- The increased prioritisation of sanitation coverage and hygiene promotion.
- Structures of accountability that leverage more responsive and capable service provision beyond a paying consumer-service provider relationship.
- Delivering equitable expansion of water services with pro-poor subsidy regimes and social and economic geographic mapping of communities and water point sites.
- The development of a rigorous pro-poor performance framework that includes key performance indicators and logical frameworks giving balanced prioritisation between technical performance, financial sustainability and pro-poor targeting indicators and which also set out how strategies for targeting the poor, and particular sub-sets amongst the poor, will be measured and monitored.

A sewage channel in between houses in Ghana.



Annex

Map 1: **Distribution of standpipes in Ouagadougou**



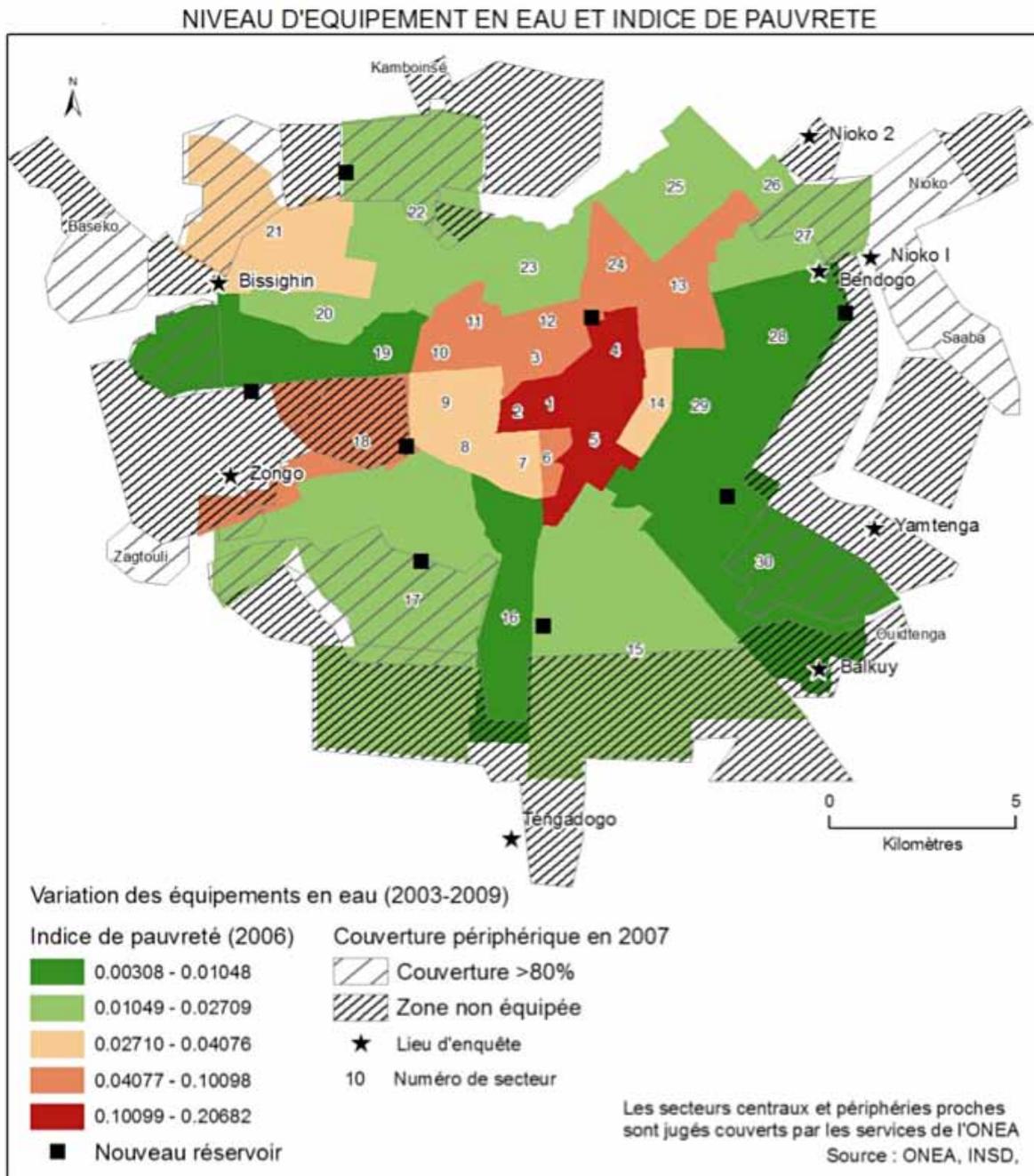
Map 1: This map on the spatial distribution of standpipes in Ouagadougou shows standpipes installed before 2003 in red and those constructed between 2003 and 2009 as part of the IDA-supported programme marked in blue.

During this period, the utility ONEA focused installation of standpipes in the parts of Ouagadougou outside the central sectors, consistent with agreed criteria. Only five central sectors are listed as receiving standpipes. These are non-poor districts as defined in Map 2, and they each received fewer than five standpipes.

The three sectors that received over 40 standpipes (17, 19, and 30), and three of the four that received between 20 and 40 standpipes are all either poor or very poor: this is consistent with a pro-poor targeting approach.

However, sectors 15, 20, 26, 28, and 29 are all poor or very poor, and received fewer than 10 standpipes each. This is not consistent with a pro-poor targeting approach, and leads to the conclusion that there is no systematic pro-poor targeting approach detectable.

Map 2: **Poverty levels in Ouagadougou neighbourhoods**



Map 2: This map is based on poverty levels in different parts of Ouagadougou, drawn with the help of the National Institute of Statistics from the 2006 census. It should be read in conjunction with Map 1.

The areas in green and dark green are respectively the poor and poorest areas surrounding the central sectors of the city which are coloured in beige to red, indicating higher income neighbourhoods, with red representing the most wealthy sectors.

Areas well covered by water infrastructure are marked in wide hatching and areas 'not equipped' with narrow hatching.

Those not hatched are between these ends of the spectrum.

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