WaterAid

Synthesis report

Low-income Customer Support Units:
How utilities are successfully serving poor people

Introduction

An increasing yet already high proportion of people living in cities in many developing countries live in informal settlements[1,i] and unplanned peri-urban neighbourhoods characterised by poverty and harsh living conditions, including high population densities, sub-standard housing and low levels of basic services. Utilities mandated by governments to provide water services face a complex social, political and economic environment within which to operate.

Over the last decade, it has become common knowledge that residents of low-income communities in urban areas are paying much more – and for lower quality services –than residents of more affluent neighbourhoods. Also increasingly common is the desire and willingness of low-income customers to pay for effective, affordable pro-poor WASH services. In response, a few smart utilities are providing viable inclusive services, and have established specialised units to understand this market[2] and provide customer appropriate services.

These utilities have explored a range of service models that have enabled low-income customers to get direct access to water services. While complexities remain, low-income customers in some developing country urban centres – and their town's utilities – are experiencing a win-win situation, where poor people are accessing water that is safe, affordable and accessible, while the utilities have lower rates of non-revenue water and increasing revenue collection.

However, several utilities are still challenged with how to serve the low-income customer in a win-win scenario. This report is a synthesis of the findings of five country case studies on how utilities are successfully extending services to people living in low-income settlements. It draws on the experiences of utilities through three field case studies in Uganda, Malawi and Bangladesh, and desk research of two utilities in Zambia and Kenya, to help deepen understanding and identify the critical context and professional conditions necessary to establish a successful Low-income Customer Support Unit (LICSU).

The models adopted by the utilities differ in each country context. This synthesis report has adopted what is described as a **4P** framework, to help draw together common and some specific learning on four dimensions of the services offered by each of the utilities' Low-income Customer Support Units.

An unclean water source used for laundry and washing at Ngombe settlement, Lusaka, Zambia

WaterAid/Zute Lightfoot

[i] WaterAid takes the broader view that poor urban communities include concentrated/pockets of slum conditions but also include other groups of urban poor people – small vendors in market places, pavement-dwellers/street children, informal settlements, blighted planned areas etc without access to public facilities, so the term poor urban communities is not restricted to those living in slums.

The 4P framework

1. **Product:** the way in which utilities deliver their water services to poor people.

2. **Price:** the pricing mechanisms (tariffs, subsidies and revenue collection methods) offered to the poorest.

3. **Participation:** how customers relate to, engage with or are engaged in the design and delivery of the services of the LICSU.

4. **Policy:** the policy environment that enables utilities to provide pro-poor services.

This synthesis report starts with a process review, which discusses the triggers and drivers of the pro-poor reforms that led to the visible changes in the studied utilities. It presents its findings, attempts to analyse the findings across the countries, and identifies policy implications and recommendations therefrom. It is the hope that this document will provide some guidance to other utilities interested in developing a Low-income Customer Support Unit.

The triggers for establishing LICSUs – a process review

The triggers that have prompted governments and their appointed service providers to focus on poor people as viable customers, and to extend utility water services into peri-urban areas, vary across the countries studied. Broadly, this study found two key pro-poor reform triggers. These are:

1) Government-led reforms in the water sector:

The study found two types of government led pro-poor service reforms. The first, **utility-driven internal reforms**, were primarily inspired by both commercial and social motivations to serve a gap in the pro-poor market. In this scenario, a point in time came when the government or utility had their own realisation that poor people had been excluded from the formal system of service delivery, and that the utility needed to develop a vision supported by the necessary policies, strategies and coordination mechanisms to serve informal and peri-urban communities. Reforms were carried out with the overall **objective of equitable and sustainable service provision**, managed effectively and efficiently. This realisation was further guided by the emerging **principle that sustainable access to safe water and basic sanitation is a human right** and should be accessible and affordable to all.[3]

This was the case in both Uganda and Kenya, where the study found that it was the utility that drove the process with reforms to serve the urban poor. The National Water and Sewerage Corporation (NWSC) in Uganda set up a pro-poor unit in Kampala while in Nairobi, Kenya, the Nairobi City Water and Sewerage Company (NCWSC) set up the Informal Settlements Department based at their headquarters, to provide support across five NCWSC service areas to the Water Service Boards (WSBs) and the Water Service Providers (WSPs).

The second type of government led pro-poor service reforms were **regulatory oversight-driven social and public health changes**. In this type of reform, the government responded to the continuation of environmental degradation and reoccurrence of waterborne-diseases in peri-urban areas, and other water sector problems, to instigate major reforms. This was found to be the case in Zambia, where in 1993 the government's response to public health concerns included the establishment of a **statutory regulatory body**, the National Water and Sanitation Council (NWASCO) and the decentralisation and commercialisation of water (and sanitation) services. A **peri-urban working group** was established, through the Water Sector Reform Support Unit of NWASCO, to coordinate a two-year multi-stakeholder process, which led to the development of the 2001 peri-urban water and sanitation strategy.[4]

2) NGO/CBO-led reforms through the demonstration of the viability of the pro-poor service option:

In some of the case studies, non-governmental organisations (NGOs) took the lead either through developing and demonstrating a workable pro-poor model, or by working in partnership with the utility to establish such a model, which the utility later adopted, as the trigger of the reform process. The process of establishing pro-poor models in each of the countries usually involved working with governments or utilities to establish systems where the community was enabled to take a management and oversight role in service delivery, to better organise bill collection and payments or a system of standpipes or water kiosk operation and maintenance. This could be as community based organisations (CBOs), NGOs or Water Users Associations (WUAs). In some instances, a combination of these entities played some role in the reform process.

In **Dhaka**, Bangladesh, local NGO Dushtha Shasthya Kendra triggered one of the earlier pro-poor utility processes, when it agreed to guarantee two communities' bill payments for a piped water network extension into slum areas. The utility, seeing the demonstrated **willingness of poor people to pay for a reliable service**, set about developing a Low-income Customer Support Unit (Community Program and Consumer Relations Division) which outsources water supply service coordination to CBOs in slums, across the city. In **Lilongwe, Malawi,** extensive non-payment concerns from a mismanaged water kiosk supply system threatened wide-scale disconnections, and led the utility to work with other stakeholders to establish and outsource the management of a system of water kiosks to **Water Users Associations**, under the Kiosk Management Unit, based in Lilongwe Water Board.

WaterAid/Lucille Flood

May, a community volunteer, teaches Sumaya and her daughter Katrina about the health and sanitation issues that living in the slums brings, Uganda

Kenya

Nairobi, Kenya's capital city and host of the UN Regional Office in Africa, has an estimated population of four million, 60% of whom live in informal settlements whose population is expected to double in the next 15 years. The Nairobi City Water and Sewerage Company (NCWSC) and Athi Water Services Board (AWSB) committed to bringing services into the informal areas in 2008 when they opened the Informal Settlements Department. In 2009 the Strategic Guidelines for Improving Water and Sanitation Services in Nairobi's informal settlements was issued to address the major challenges in expanding water services into Nairobi's informal areas.

The Water Services Trust Fund, established in 2004 and operational in March 2005, became the urban investment mechanism for development partners to support the government's efforts to increase access to utility water (and sanitation) services in informal settlements.

The Strategic Guidelines laid out a series of principles for interventions and an action model for operational engagements in the informal settlements. Although the operational framework was developed for Nairobi, it could provide a good reference point for water service providers in other urban areas (Table 4).

NCWSC and AWSB are now coordinating their activities within broader efforts towards slum upgrading, which involves an array of public agencies. An active pursuit of water, sanitation and hygiene improvements is being considered as an entry point and catalyst for accelerating progress on the broader objectives of Kenya's Slum Upgrading Programme.

In late 2015 a financial case was made to the Board of Nairobi Water, which led to the elevation of the Informal Settlements Department into a fully-fledged Informal Settlements Region (one of seven Regions or business units within the company). The newly established Region is now a one-stop shop for pro-poor services' development and delivery, and staff numbers have been increased from 30 to 180.

The water product and pricing for poor people

Prior to the introduction of the various pro-poor reforms, the research found that both the utility and the low-income customer were **losing out on a regulated, accessible and affordable safe water utility system** that served **all the customers in a city**. Common across all countries studied were four concerns:

- **Poor people were paying between 5 and 20 times as much for water** as people who had legal connections to utility water systems. Premium prices and exploitative middlemen made significant profits in unregulated market places.

- **Utilities were contending with non-payment** for water sold at yard taps, water kiosks or community standpipes; for instance, in Lilongwe, unpaid bills amounted to MKW 12 million ($159,532) in 2002.

- **Increasing amounts of non-revenue water** were being realised from vandalism and water theft that were used to feed illegal operations, run by the 'Mastan' (a local water mafia) in Bangladesh, for example, controlling the water market and selling at inflated prices in densely populated areas.

- **Growth of small private water sellers** selling water outside the utility system at unregulated prices.

Pro-poor reforms had the onerous task of developing a system that breaks down the traditional method of water supply, a continuous flow to homes or water points to be paid for at the end of a month or quarter, into a product that is:

- Able to **sell water in small amounts or packages** (buckets, jerry cans etc).

- Whose **revenue collection is flexible** and at the convenience of poor people (possibly at point of sale, in small bits and at affordable rates).

- Available in **adequate quantity and quality**, delivered through the pipe network close to homes in low-income communities.

Water service models in peri-urban areas

The research found that various approaches have been adopted to address these challenges and achieve the listed conditions for people living in low-income settlements. Most of the approaches were an upgrade of existing and known methods, which can be grouped into two:

1) Pre-paid water supply and immediate revenue collection system:

The pre-paid method of water supply and immediate revenue collection has been used over the years for low-income customers. What the pro-poor reform utilities in the study did differently was to develop efficient methods for collecting their revenue, including introducing regulatory functions and incentives as well as smart technologies. For instance, all utilities continued to use the water kiosk as the preferred pre-paid water supply method, but in **Kenya and Malawi** they **outsourced pre-paid water kiosks to community organisations** – CBOs and WUAs respectively. These organisations are managed through Service Agreements, setting out roles and responsibilities. At each kiosk people buy water in small amounts daily, usually by the 20-litre bucket or pail, and pay at the point of purchase. In **Zambia**, water kiosks are **outsourced to commercial Service Providers**, based on agreed contracts.

A technical solution has also been found for pre-paid water supply and revenue collection through **smart pre-paid water meters**. In **Uganda**, where pre-paid water meters are run by the utility, customers are issued electronic tokens that, when charged with credit, dispense water in the required quantity. The tokens are recharged through the pro-poor unit or through authorised vendors. The water vendors are paid an 11% commission for every m^3 of water credits sold. This serves as an incentive to keep the system secure and sustainable. The study found that this technology has recently been piloted in **Kenya**, while the utility in **Malawi** is in the planning stages of developing pre-paid water meter systems in Lilongwe.

2) Post-paid water supply and delayed revenue collection system:

Although popular in wealthier neighbourhoods, the use of post-paid water supply and revenue collection is not common in low-income communities. Under this system, the utility supplies water over a period of time, usually one month, and issues a bill at the end of the period based on a water meter reading. This is the method that has been adopted in Dhaka, where the utility has outsourced the management of bill collection and remittance to CBOs. The **community based management system** has meant that the community has a sense of ownership of these systems. Groups of about ten families are supported by NGOs to form **legal community groups**, which gain water licences and a shared metered tap. A representative of the group is the registered 'customer' and receives the bill, and members of the community group share the payment.

Revenue remittance to the utilities

In both pre-paid and post-paid water revenue collection systems, the agents of the utilities – CBOs, WUAs or commercial service providers – still have to remit the revenues received on behalf of the utility. Kiosk owners with public water points in Uganda have a variety of **payment options**, including over-the-counter at partnering banks, mobile money services, or at the office of the pro-poor unit within the informal settlement. In Bangladesh the CSOs pay at designated banks. In **Kenya** the utility uses a range of payment options, including an **ICT platform** that enables water customers to use a mobile phone to send water meter readings, receive bills and pay online using mobile money – it allows multiple billing within the same month and for payment of water as customers use it. It was designed to suit the fluctuating incomes of self-employed and informal sector earners.

In Uganda, not unlike in most other countries studied, public **water points without a pre-paid meter** co-exist alongside pre-paid meters introduced under the reform. There are also **public standpipes**. Similarly, private small water sellers sourcing water from yard taps or private boreholes can be found in Zambia, while Malawi has kiosks being operated by ex-water authority staff or the utility. Some of these operate as commercial water selling points.

Zambia

Zambia's largest city – the capital Lusaka – has a population of almost 2.5 million, with 33 peri-urban areas where at least 60% of the city's population resides. Over half of the peri-urban population has inadequate access to water supplies, and the bulk of water infrastructure needs rehabilitation and expansion.

NWASCO, as the independent Regulator for the urban water supply and sanitation sector in Zambia, established the Devolution Trust Fund (DTF) in 2001. The DTF, operational since 2013 as a basket fund, with donor and government funds, is guided by a set of facilitating principles:

- economies of scales: all customers get connected to the utility and it benefits all consumer groups

- access to the provider's services for all consumer groups within the service area

- the 'right' technology of infrastructure

- participation of consumer groups and local authorities

- cross-subsidies.

The DTF is pro-poor focused and at least 80% of the funds go towards peri-urban areas (the 'voiceless').

The DTF's regulatory policy stipulates that a commercial utility will contract a service provider whose business plan includes extensions into low-income areas, and who can offer adequate water access outlets in the form of kiosks. In the long run the government's vision is a system that serves all consumers with at least a water kiosk, where everyone benefits from the utility's services rather than having different 'classes' of providers.

In recent years the government's Peri-Urban Department has been working to find ways of linking community based water and sanitation schemes into its current operations. Community structures such as water trusts, water committees, ward development committees and neighbourhood health committees exist, but further support is needed to ensure these bodies coordinate their activities and to ensure local communities have a real voice in decision-making.

Tariffs and subsidies

Two main subsidy approaches are adopted by utilities – consumption and connection subsidies. It has been argued in the literature[5] that consumption subsidies are more open to abuse and of less benefit to poor people, who are not connected to the system anyway.

Consumption subsidy: This study found that consumption subsidies were still prevalent in utilities, and in some instances had not been structured in a way that could support the pro-poor efforts of the utility and their vision to be efficient and viable entities. For instance, in Bangladesh there is a universal consumption subsidy in place. All domestic customers, including the poorest, pay the same tariff for water at 8.91 Taka (US$0.11) (including VAT) for 1,000 litres, whereas the cost of production is estimated at 14 Taka.

Where correctly structured, consumption subsidy regimes enable **the operation and maintenance costs of pro-poor units** to be cross-subsidised by the tariffs charged to both domestic and commercial customers. In Zambia kiosks provide a regulated tariff, based on a life-line subsidised tariff, while the Uganda pre-paid meter tariff is the subsidised lower band. Despite the consumption subsidises in place, some utilities charge VAT on water supplies, raising the cost and burden of drinking water for the poorest people.

Table 1: Rates of VAT on water supply

Country	Rate of VAT
Bangladesh	15%
Malawi	16.5%
Uganda	18%

Connection subsidy: This study found that Kampala's pre-paid meters are a useful connection subsidy, bringing services that are equitable, affordable and accessible to informal settlements, albeit with the **capital cost of the meters** funded largely by external development partners. In most of the city utilities studied, the **capital costs for the rehabilitation** of peri-urban kiosks or pro-poor water supply facilities and network extensions were funded by donors and central governments. For example, through the EU Water Facility, Malawi's Lilongwe (and Blantyre) utilities were able to extend services, as part of the utilities investment budgets from transfers and taxes.

A water drainage site, Kifumbira area, Kampala, Uganda
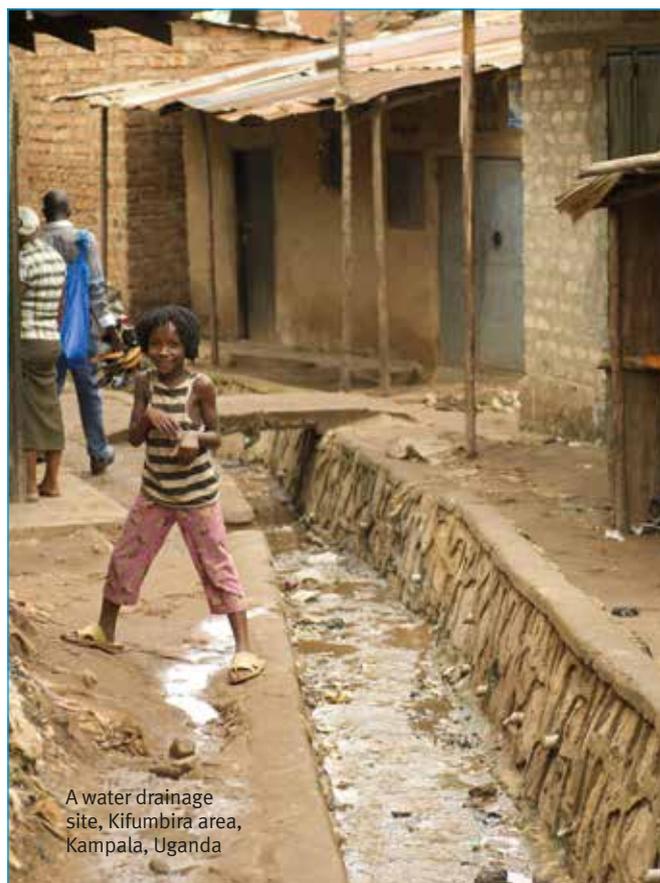
WaterAid/Des Willie

Low-income customers in **Dhaka** also benefit from a **connection subsidy, paying a connection fee** of 5,000 Taka (US$63.25) against 20,000 (US$253) for a domestic household connection. In Zambia there is a 100% subsidy for **infrastructure** through the Devolution Trust Fund.

Hidden costs: A perverse outcome of the process of outsourcing pro-poor outlets' operation and management is the revelation that **WUA and CBO operating costs** in Malawi and Bangladesh are being subsidised through the water sold at kiosks. Hence, poor people may be paying the hidden cost or higher water rates than those approved by the utility, to sustain agents that the utilities have appointed. In the case of Malawi, this was found to have raised official tariffs by 270%. In Dhaka each family pays 50 Taka per month towards the cost of the CBO caretaker who reads the meters, collects payment and pays the bills at DWASA on their behalf.

In addition, **staff** costs at the Dhaka utility and the pro-poor unit in particular are subsidised by a programme of the Water and Sanitation for the Urban Poor (WSUP), which seconded four staff to the low-income customer support unit, including the Manager.

Community participation in demand-driven water services

Utilities have addressed the challenges of engaging with their new customer base in peri-urban areas by establishing mechanisms that enable the utility to reach out to their new customers. Most utilities have tended to reach out with a **presence and accountability** that customers can engage with. Across all countries utilities were developing **demand-driven services** and creating different ways of finding out about the needs and challenges of low-income customers, so that those customer's needs could inform their priorities.

This has been through three principal avenues: intermediary agents; direct feedback mechanisms; and public outreach and engagement programmes.

1) Intermediary agents:

Various utilities have engaged in **partnerships with NGOs** to reach out to the peri-urban community and work with communities to generate **citizens' voices** and facilitate **community feedback**. These were designed to improve planning and coordination mechanisms, and to help communities access pro-poor services. **NGOs engaged with communities** to understand gaps in the system, and used that information to influence the utility's planning processes. **Mapping service levels** in Uganda and Malawi also helped NGOs present real time maps of water access points, **highlighting the levels of inequities** of service provision in order to inform planning.

NGOs also provided **knowledge and training to CBOs and WUAs** (as utility agents) to build up their skills, capacity and knowledge about water and water safety, and the skills required for the process of securing and managing water connections. With this knowledge, CBOs and WUAs **enabled senior utility managers to have insights into the issues that matter to a poor and marginalised market group**.

2) Direct customer feedback mechanisms:

Some utilities have developed customer charters or ethos and have put mechanisms in place for **good customer service**, including situating officers or a low-income customer support unit in an informal settlement to ensure that people have access to services easily. A **toll-free helpline** for logging complaints has been introduced in Kampala, Uganda.

However, in Bangladesh community leaders and individual customers still have to visit the utility head office to engage directly with pro-poor units, as the Community Program and Consumer Relations Division is situated at the DWASA headquarters.

In **Kenya**, the **Informal Settlements Department** has been based out of NCWSC headquarters since 2008, providing support to five service areas. Two of these service areas have teams dedicated to informal areas, including a **sociologist**, technical staff and meter readers. These people provide a permanent link and presence in informal settlements to pick up matters as they arise, and also to educate and sensitise the community. In **Zambia** the independent water Regulator NWASCO established **Water Watch Groups** (WWGs) to involve customers in monitoring services and help improve its presence on the ground. The service provider has to name a senior employee as a contact person who is authorised to deal with all issues brought forward by a respective WWG, and display contact details of WWGs in all pay stations and offices to which customers have access.

3) Public outreach and engagement programmes:

The utilities also reach out to communities in informal settlements **to inform about utility and water-related developments,** and to respond to customers' questions, through public forums. This could be through participation in live **radio programmes** organised by NGOs, or where utility or regulatory teams (Water Watch Groups) organise consumer sensitisation events, mainly using TV, radio and media fora and popular **theatre** in peri-urban areas. Pro-poor units also **participate in workshops, debates** and open-air meetings.

In Bangladesh the work of the low-income customer support unit has been accompanied by a media campaign, including television adverts outlining the process for serving low-income customers and featuring interviews with DWASA staff and low-income customers. In Kenya the utility uses forums such as public meetings, **focus group discussions,** landlord meetings, workshops and training to help the company to get useful feedback. The utility in Kenya also targets the energy of **youth** and **women's rights groups** as key stakeholders in water services programmes.

The policy environment enabling the expansion of pro-poor services

The delivery of pro-poor services is supported by enabling legal instruments, policy guidelines and mandates to expand services to poor people in informal settlements in peri-urban areas, through capable and fairly independent water supply utilities, which are able to establish specialised units and a regulator of some form. In **all case study countries** there is a hands-off approach from central government, so that there is less interference from political leaders and the utility is **autonomous and responsible for practical decision-making**. The utilities have very different staffing levels (Table 2) for their pro-poor operations.

Key policies and legislations and their mandates to the water utilities for pro-poor services are outlined in Table 3.

Table 2: Staffing levels of pro-poor units

Country	No. staff in utility	Estimate population informal areas
Bangladesh	8	5.95m
Kenya	180	2.40m
Malawi	7	0.51m
Uganda	20	0.75m
Zambia	33 [ii]	1.50m

[ii] In addition, LWSC has 121 temporary and contract employees.

Karail (above left), is the largest slum in Dhaka, Bangladesh

Laura Elizabeth Pohl/Bread for the World

Table 3: Policy instruments and mandates of utilities to promote pro-poor services

Country	Policy instrument	Mandate
Uganda	National Water and Sewerage Corporation Act (2000)[6]	Sets out the roles and responsibilities of NWSC.
	National Water Policy of Uganda (1999)[7]	Sets objectives related to providing safe water and sanitation facilities within reach of communities based on community responsibility and management, and to ensure facilities are effectively used and remain functional.[8]
Malawi	Water Resources Act No. 2 of 2013[9]	Established the National Water Resources Authority who periodically monitor and reassess sector policies; and made provisions for the establishment of Water Users Associations.
	National Water Policy 2005[10]	Sets out guiding principles including achieving a sustainable, commercially viable provision of water supply and sanitation services that are equitably accessible to and used by individuals and entrepreneurs in urban, peri-urban and market centres for socio-economic development at affordable cost.
Bangladesh	WASA Act (1996)	Enacted the Water and Sewerage Authorities as the sole authorities to provide water in cities.
	National Strategy for Water and Sanitation Hard to Reach Areas of Bangladesh 2011[11]	Set out strategies for sustainable solutions for providing water for hard to reach areas, including urban slums.
	National Strategy for Water Supply and Sanitation 2014[12]	Mandates that in case of financial or technical reasons in low-income or other communities, piped and non-piped community water points may be considered.
Kenya	2002 Water Act (revised 2012)[13]	Created the institutions to undertake the provision of water and sewerage services in urban areas and the Water Services Regulatory Board.[14]
	National Water Services Strategy[15]	Advocated for implementation of pro-poor strategies targeting households living in informal settlements and a pro-poor Implementation Plan for Water Supply and Sanitation was developed.
Zambia	Water Supply and Sanitation Act 28, 1997[16]	Established the National Water Supply and Sanitation Council[17] as the regulator for the urban water supply and sanitation sector, and defined its functions.
	Peri-urban Water and Sanitation Strategy (2001)[18]	Remains the urban water and sanitation sectors' guiding document for services in peri-urban areas.
	National Urban Water Supply and Sanitation Programme (2010-30)[19]	Provides a coherent set of institutional and sector support activities aimed at facilitating provision of water supply and sanitation services to the urban population in Zambia.

In Kenya the Water Act and related strategies were usefully **popularised in an accessible booklet** by the Hakijamii Trust.[20] In Bangladesh the **Citizens Charter** was published in Bangla only.[21]

Key elements of pro-poor reforms: The example of Uganda's National Water and Sewerage Board (NWSC)

Components of an enabling environment

Clear goals set by the government, including more autonomy and support provided to the NWSC in relation to budget, tariffs, internal policies and strategies.

Strong leadership by NWSC management with the long-term vision of being one of the leading water utilities in the world.

Focus on **strengthening financial credentials**, including cutting costs, reducing operational inefficiencies, improving billing and revenue collection through improving customer metering and reduction of illegal connections, and increasing the number of registered connections/customers.

Creation of a **professional incentive-based structure** and associated internal monitoring and evaluation systems. This is built on two performance-tracking practices:

- **A performance contract system**, under which NWSC is contracted to the government of Uganda, and service units contracted to NWSC.

- Increased **accountability and effective performance management** with a monitoring and evaluation system and the development of Management Information Systems (MIS) for operations and feedback systems.

Creation of a **customer-orientated culture**, dovetailing with NWSC's motto: "The customer is the reason we exist".

Improved donor coordination through sector-wide approaches to planning and working with donors to expand the corporation's knowledge base.

Components of a pro-poor model

1. Establishing a **pro-poor unit in slum areas** of Kampala to ensure responsiveness, and employing different business approaches that take into account society's well-being, customer satisfaction and rights to water for the low-income, moving away from the 'business as usual' engineering solution approach.

2. **A pro-poor targeting project** where water supply connections – including shared yard taps and pre-paid public water points – were subsidised.

3. Establishing a **pro-poor tariff policy**, setting a specific tariff for each of the customer categories across all water supply areas. An additional tariff was developed for public water points.

4. **An affordable connections policy** to increase coverage in all NWSC urban areas by lowering the connection fee for any customer living within 50 metres of the water mains.

5. Introducing **pre-paid meter technology** on public water points to avoid disconnections resulting from unpaid bills and corruption, and ensure poorer citizens pay the real tariff by preventing abuse or marked-up prices by middlemen.

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Uganda

Sector regulation

There are independent regulatory bodies in both Zambia and Kenya. In state monopolies such as water services, where utilities are mandated as the sole authority to provide water access in cities, independent regulatory bodies provide oversight of the implementation of policies and strategies related to service provision, including tariff setting and rules and standards for water quality, quantity and efficiency, to ensure that consumers are protected.

In the absence of an independent regulatory body in **Uganda**, water regulation is carried out by the Urban Water Supply Regulation Unit within the Directorate of Water Development.[22] In **Malawi**, the Ministry of Agriculture performs regulatory functions at sector level, whilst the Kiosk Management Unit performs some regulatory functions as a member of the Board on all WAUs. It is understood that a new independent regulator is a condition of the proposed loan, under negotiation by Lilongwe city authorities, to develop a third dam to increase access to fresh water in the city. To date **Bangladesh** does not have an independent regulatory body, and sector regulation is guided by the rules and regulations of the WASA Act (1996), set out by the National Parliament of Bangladesh.[23]

Observations and lessons

The human right to water and sanitation, adopted by the UN in 2010, affirms that all city residents from all socio-economic backgrounds should have adequate access to water and sanitation. Affordable access must be guaranteed for all. Developing a Low-income Customer Support Unit will enable governments and utilities to address equity and inclusion in water services. Through extending access to safe water services to the whole urban population with appropriate, accessible and affordable services for all, nations will also meet the Sustainable Development Goal on water supply.

Key observations and lessons from this study are:

- Successful pro-poor reforms are often informed by extensive stakeholder engagement, engendering civic responsibility and participation. In Zambia the process of establishing the pro-poor strategy for water services took two years and involved all stakeholders with an interest in access to water for the urban poor.

- Having personnel in utility offices in or close to low-income areas enables customers to have access to the utility, and enables the utility to better know the needs of these customers.

- Poorly structured consumption subsidies can result in perverse benefits, such as subsidising richer families, as in Bangladesh. A pro-poor reform that enables the Dhaka utility to cover its full costs, through charging richer customers the true cost of water production (14 taka, rather than 8.91 taka) would provide a cross-subsidy mechanism and enable the utility to invest further in extending services to poorer customers.

- Outsourcing service delivery to CBOs and WUAs takes the responsibility away from the utility, whilst layering additional costs onto the poorest people. In Dhaka poor people are paying slightly more through the cost of meter readers employed by the CBO, while in Malawi a 270% mark-up in prices is the result, effectively removing the original subsidy. Utilities also need to take ownership of direct service delivery to low-income communities.

- Pre-paid kiosks can heighten the vulnerability of the poorest people, who cannot afford to pay for water. Some may have to beg, and be taken advantage of, at water points or kiosks. Social safety nets are required so that the poorest people can also access water services.

- There are examples of small-scale sellers inflating the price of water that they sell on to people without access to regulated water points. Utilities need to put mechanisms in place to address this situation so that low-income customers can access water at regulated prices.

- Hidden costs in water are being passed onto low-income customers, including through the payment of VAT. Water is an essential good, necessary for life.

- Some schools and hospitals are paying commercial rates for water. As public institutions, it would be expected that lower tariff rates should be applied.

Table 4: Guidance steps for establishing pro-poor services

Action	Detail

Step 1
Preliminary **identification of interest and target community**
Beginning of action planning
	• Choosing the intervention area(s).
	• Formation of a water and sanitation community forum at the settlement level to:
	  a. agree on the principles of intervention
	  b. identify specific areas/villages, and
	  c. be involved in all phases of the work.
	• Terms of reference (TOR) are drafted for a situational assessment of the area.
	Output: TOR for situational assessment; procurement of consultants (if necessary).

Step 2 A **thorough situational assessment and data collection** of the targeted area	• General characteristics of the area to be assessed. • Collecting community data related to water and sanitation interventions – baseline survey. **Output:** action plan based on the assessment and including financial considerations.
Step 3 **Presentation of findings**	A workshop is organised for relevant stakeholders to discuss the results and recommendations of the assessment and to agree on an action plan. **Output:** detailed project work-plan drafted by appointed steering committee and approved by the forum.
Step 4 **Design**	• Technical design of project. • Management and transaction design. • Communicating the activities.
Step 5 **Selection of community partners** and requests for collaboration	• Potential partners selected based on their qualifications, and in agreement with the steering committee. **Output:** community operators selected and relevant training started.
Step 6 **Project implementation**	With three components: (i) procurement of contractors/consultants, (ii) construction and installation of infrastructure and (iii) training partners to prepare for Step 7. **Output:** infrastructure constructed.
Step 7 **Operations and maintenance**	With four components: (i) selected partners manage scheme, (ii) technical support from utility, (iii) oversight and performance enforcement and (iv) capacity building by NGO partner. **Output:** the scheme is operating successful and sustainably.
Step 8 **Monitoring, evaluation and reporting**	After six months of completion of construction and the initiation of operations, utility will (i) assess success and failures, (ii) assess potential for replication, (iii) document and (iv) disseminate findings. **Output:** result measured, assessed, documented and disseminated, enabling increased capacity and preparedness to replicate and sale-up intervention.

Excerpt from: *Strategic Guidelines for Improving Water and Sanitation Services in Nairobi's Informal Settlements, 2009*

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A woman does laundry in a river in Ngombe, an informal settlement in Lusaka, Zambia with 70,000 residents.
WaterAid/Candace Feit

February 2016

Cover image: Rina Begum,
21, at home in the Shattola
Pora Basti slum, Dhaka,
Bangladesh, September 2014.
WaterAid/Abir Abdullah

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