Governance in Urban Sanitation Sector

Module 3: Institutional aspects

March 2008

Fadhel Ghariani
IDEA-Tunisie
2, Rue du Sénégal
1002 Tunis - Tunisie
Contents

ABBREVIATIONS
1. INTRODUCTION TO THE MODULE .......................................................................................................................... 1
2. WHY ARE THERE GOVERNANCE DEFICIENCIES IN THE SANITATION SECTOR? .................................................. 1
   2.1. LACK OF POLITICAL SUPPORT ......................................................................................................................... 1
   2.2. INADEQUATE INSTITUTIONAL FRAMEWORK ..................................................................................................... 2
3. ANALYTICAL FRAMEWORK ........................................................................................................................................ 2
   3.1. SANITATION SERVICES DEFINED ......................................................................................................................... 2
   3.2. BASIC INSTITUTIONAL PRINCIPLES .................................................................................................................... 4
      3.2.1. Political anchor for the sanitation sector ........................................................................................................ 4
      3.2.2. Functions and actors ......................................................................................................................................... 5
      3.2.3. Service provider options .................................................................................................................................. 10
         3.2.3.1. Municipal department ................................................................................................................................ 11
         3.2.3.2. Public utility ................................................................................................................................................. 13
         3.2.3.3. Options in different urban settings ............................................................................................................ 16
         3.2.3.4. PSP in sanitation .......................................................................................................................................... 16
   4. STRUCTURING RELATIONSHIPS IN THE SDT ......................................................................................................... 24
      4.1. RELATIONSHIP BETWEEN THE SERVICE PROVIDER AND USERS ............................................................... 24
      4.2. RELATIONSHIP BETWEEN GOVERNMENT AND THE SERVICE PROVIDER .............................................. 24
      4.3. RELATIONSHIP BETWEEN GOVERNMENT AND USERS ............................................................................. 24
      4.4. OTHER ACTORS ................................................................................................................................................. 27
   5. MOVING TOWARDS GOOD GOVERNANCE IN THE SANITATION SECTOR ......................................................... 27
      5.1. DESIGNING EFFICIENT INSTITUTIONAL FRAMEWORKS ............................................................................. 28
      5.2. PROMOTING AND ENFORCING NPM CONCEPTS ............................................................................................ 28
      5.3. IMPLEMENTING REFORMS ............................................................................................................................... 31
         5.3.1. Incremental approach ................................................................................................................................... 31
         5.3.2. Sharing results and experiences .................................................................................................................. 31
         5.3.3. Sustainability ................................................................................................................................................ 31

REFERENCES

TABLES
TABLE 1: SANITATION OPTIONS AND COMPONENTS ........................................................................................................ 3
TABLE 2: MINISTRIES IN CHARGE OF SANITATION ........................................................................................................ 5
TABLE 3: REGULATORY AGENCIES IN SELECTED AFRICAN COUNTRIES ..................................................................... 7
TABLE 4: SAMPLE OF SERVICE PROVISION ARRANGEMENTS .................................................................................... 15
TABLE 5: ALLOCATION OF KEY RESPONSIBILITIES UNDER THE MAIN PSP OPTIONS .................................................. 18

FIGURES
FIGURE 1: SERVICE DELIVERY TRIANGLE (SDT) FOR NETWORK-BASED SANITATION ................................................... 21
FIGURE 2: SERVICE DELIVERY TRIANGLE (SDT) FOR ONSITE SANITATION ............................................................ 21

BOXES
BOX 1: COMMUNITY TOILETS IN TANGERANG (INDONESIA) ...................................................................................... 11
BOX 2: HOW DOES DECENTRALIZATION AFFECT THE RELATIONSHIP OF ACCOUNTABILITY? .......................... 13
BOX 3: SANITATION – DRAINAGE AND FLOOD MANAGEMENT ..................................................................................... 14
BOX 4: PSP IN ABIDJAN SANITATION SERVICES ........................................................................................................ 19
BOX 5: PSP IN THE TUNISIAN SANITATION SECTOR ................................................................................................. 20
BOX 6: MOST COMMON PSP OPTIONS ..................................................................................................................... 21
BOX 7: SENEGALESE EXAMPLE OF SANITATION WITHIN THE WATER SECTOR REFORM ........................................... 22
BOX 8: SUCCESSFUL PUBLIC–PRIVATE PARTNERSHIP IN CENTRAL AMERICA — HANDWASHING FOR DIARRHEAL DISEASE PREVENTION

BOX 9: THE INTERNATIONAL BENCHMARKING NETWORK FOR WATER AND SANITATION UTILITIES
Abbreviations

LG    local government
MDG   Millennium Development Goal
NGO   non-governmental organization
NPM   New Public Management
O&M   operation and maintenance
PPP   public–private partnership
PSP   private sector participation
Sandec Department of Water Supply and Sanitation in Developing Countries
SDT   service delivery triangle
UNITAR United Nations Institute for Training and Research
WBI   World Bank Institute
WWTP  wastewater treatment plant
1. INTRODUCTION TO THE MODULE

Many causes have been pointed out in sector evaluations to explain the difficulties in attaining the United Nations Millennium Development Goal (MDG) sanitation target, why sanitation is held back and what the constraints to expanding access to sanitation services are. Institutional deficiencies are among those most frequently cited.

Developing access to sanitation services poses several challenges with different dimensions: technical, institutional, financial and also social and cultural. These challenges appear at several territorial levels: national, regional, local and community levels. Sanitation also has three very different forms: onsite sanitation, network-based sanitation and hygiene promotion.

Regarding the technical aspects, science has provided a range of solutions that are not only available, but also respond to a wide spectrum of needs in any setting, whereas the solutions for other aspects are unfortunately not universal. Success that is obtained merely here and there is not easy to transpose to other contexts and often remains indefinitely in a pilot state.

This module is primarily intended for local decision-makers from developing countries, although target audiences could also include high- and mid-level government officials, especially those involved in the decision-making process and in the implementation of reforms in the urban water supply and sanitation sector.

There are many challenges for sanitation sector governance and the relevant authorities should attempt to:

- present reasons for governance deficiencies in the sector;
- help in understanding the conceptual framework of the institutional aspects of sector governance;
- familiarize the participants with the different functions and actors in the sector and options for service provision;
- help in design and implementation of sector institutional reform by structuring relationships between the main actors of service provision.

2. WHY ARE THERE GOVERNANCE DEFICIENCIES IN THE SANITATION SECTOR?

2.1. LACK OF POLITICAL SUPPORT

Sanitation faces many difficulties in obtaining the attention of politicians and elected officials and there are many reasons behind the low political priority of the sector.
First, decision-makers are sometimes ill-informed about the social and economic benefits of access to sanitation.

Second, when compared to other infrastructures and urban services, sanitation calls for high investment costs and thus with a given amount of investment fewer people (i.e. potential voters) are served. Furthermore, sanitation infrastructure is not very visible and there is no ribbon cutting for most sanitation projects.

Third, sanitation projects usually have a long planning and implementation period before results are seen on the ground. The typical duration for a wastewater treatment plant (WWTP) and a transfer network to be operational is from four to six years. In such a situation, there is probably no payback (i.e. votes) during the political mandate.

2.2. INADEQUATE INSTITUTIONAL FRAMEWORK

When addressing the lack of national level institutions with responsibility for sanitation, it is difficult to determine the institutional anchor among the potential options (health, home affairs, environment, public works, land planning, etc.).

Sanitation suffers from weak national planning and institutional fragmentation since many sectors are involved, at different levels of government. Interactions of responsibilities are between national and local, local and provincial, and national and provincial levels.

Progress is very slow for the following reasons:

- the issues arise locally, but institutional and financial responses are almost always beyond the local level;
- the focus has been put on investment, but solutions are sustainable only if they adequately address the other dimensions and especially institutional and financial ones;
- sustainable arrangements are more difficult to design for onsite sanitation where the needs are probably more important;
- actors in the service delivery chain have no incentives to be responsive to demand and there is a lack of accountability to end users and communities.

3. ANALYTICAL FRAMEWORK

3.1. SANITATION SERVICES DEFINED

Two broad options are available for providing sanitation services: (i) onsite sanitation; and (ii) network-based solutions. Each of these options has two components: a public good component and a private good component.

For onsite systems, the public good component may be the fleet of pit or septic tank emptying trucks, intermediate transfer stations when necessary and facilities for treatment and disposal of the materials removed by the emptying trucks as
well as the fate of the effluent (liquid) from the onsite facilities, while the private
good component includes a range of onsite facilities such as latrines and septic
tanks.

For sewerage systems, the public good components are sewers, pumping stations,
treatment plants and discharge outfalls, whereas the private part of the system
consists of toilets (see Table 1).

<table>
<thead>
<tr>
<th>Table 1: Sanitation options and components</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hardware</strong></td>
</tr>
<tr>
<td><strong>Public good component</strong></td>
</tr>
<tr>
<td>Emptying trucks</td>
</tr>
<tr>
<td>Treatment facilities</td>
</tr>
<tr>
<td>Disposal</td>
</tr>
<tr>
<td><strong>Private good component</strong></td>
</tr>
<tr>
<td>Onsite facilities:</td>
</tr>
<tr>
<td>latrines, septic tanks, toilets</td>
</tr>
<tr>
<td><strong>Software</strong></td>
</tr>
<tr>
<td>Education – sensitization</td>
</tr>
<tr>
<td>Hygiene promotion:</td>
</tr>
<tr>
<td>• household level</td>
</tr>
<tr>
<td>• community level</td>
</tr>
<tr>
<td><strong>Network-based solutions</strong></td>
</tr>
<tr>
<td>Sewerage</td>
</tr>
<tr>
<td>WWTP</td>
</tr>
<tr>
<td>Disposal/reuse</td>
</tr>
<tr>
<td>Toilets</td>
</tr>
</tbody>
</table>

Source: Author’s analysis.

According to the World Health Organization/United Nations Children’s Fund
Joint Monitoring Programme (2006), improved sanitation facilities include:

- flush or pour-flush to:
  - piped sewer system
  - septic tank
  - pit latrine
- ventilated improved pit latrine
- pit latrine with slab
- composting toilet.

According to the descriptions in Table 1, sanitation options and components
imply that:

- Sanitation is a service, and service is not a one-off infrastructure project.
  There is a need for operation and maintenance (O&M) of networks and
  WWTPs as well as onsite facilities.
- Sanitation has greater public good characteristics than water supply does.
  The public good component is essential for health, environment protection
  and downstream communities. Connection to a piped sewer or a septic
  tank should not be considered as “improved sanitation” options if WWTPs
  and disposal and treatment facilities for sludge are missing in the service
  provision chain.
- A critical issue for the sector is the unwillingness to pay for the public
good component, the remote part of the chain.
• Providing access to sanitation hardware alone is not enough; education, sensitization and hygiene promotion in order to induce changes in behaviour are required for full health benefits to be achieved. In addition, an enabling environment is needed to ensure the sustainability of sanitation services and hygiene improvements (policy improvement, institutional strengthening and cost recovery).

3.2. **Basic Institutional Principles**

While designing the institutional framework, the following guiding principles would include:

• finding a suitable political anchor in the government to champion the sanitation cause;
• structuring relationships between the main actors involved in the service delivery chain to promote performance and responsiveness to demand as well as accountability mechanisms to hold each actor responsible for its action in improving access;
• deciding on service delivery needs to be taken at the lowest appropriate level;
• involving each actor in what it does best.

3.2.1. **Political Anchor for the Sanitation Sector**

The political anchor should be defined at the national level by identifying which ministry could move forward the fastest with the sector and could better deal with its:

• multiple facets (technical, financial, institutional, social, environmental, etc.);
• three dimensions: hygiene promotion, network-based sanitation onsite sanitation;
• national, regional and local dimensions.

Depending on the country context, options for a national level anchor generally include the following ministries:

• Ministry of Health
• Ministry of Urban Planning and Housing
• Ministry of Water Resources and Agriculture
• Ministry of Home affairs and Local Government (LG)
• Ministry of Environment.

Whatever option is selected, there is a strong need for inter-ministerial coordination and clear allocation of roles as well as integration with other sectors policies such as health, agriculture, tourism, fishing, land planning, housing, and industry (see Table 2).
Table 2: Ministries in charge of sanitation

<table>
<thead>
<tr>
<th>Country</th>
<th>Ministry in charge of sanitation</th>
<th>Country</th>
<th>Ministry in charge of sanitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Ministry of Water Resources</td>
<td>Côte d'Ivoire</td>
<td>Ministry of Economic Infrastructures</td>
</tr>
<tr>
<td>Benin</td>
<td>Ministry of Health</td>
<td>Senegal</td>
<td>Ministry of Urban Planning, Housing, Urban water, Hygiene and Sanitation</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Ministry of Housing and Basic Resources</td>
<td>Tunisia</td>
<td>Ministry of Environment and Sustainable Development</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Ministry of Public Works</td>
<td>Zambia</td>
<td>Ministry of Local Government and Housing</td>
</tr>
</tbody>
</table>

Source: Author’s analysis.

It is important to note that sanitation very seldom appears explicitly in the ministries’ denomination.

3.2.2. FUNCTIONS AND ACTORS

Institutional framework definition or institutional reform design starts with a review of the functions and the activities to be carried out and the actors that could play a role in implementing these functions. In the urban sanitation sector, the main functions are the following:

- policy and sector planning and strategy:
  - financing policy
  - institutional framework
  - legal framework
  - on the national level, there is the task of “setting up an action plan for reaching the MDG on sanitation”;
- infrastructure and facilities development (especially for network-based solutions):
  - asset ownership
  - investment planning
  - design and construction;
- service provision/operational functions:
  - O&M
  - commercial functions;
- hygiene promotion:
  - education/communication;
- monitoring performance/evaluation;
- regulation.
The regulation of service provision would promote the quality and coverage at effective and affordable prices, while increasing the balance between the interests of the users and investors.

The regulation of services is needed irrespective of the market structure (competitive or non-competitive) and the status of the service providers (public or private). The institutions responsible for regulation may be ministerial departments, sectoral or multisectoral autonomous regulatory agencies. The regulatory agency should also be independent from political influence.

In order to increase and favour accountability between actors, some functions should be separated, while others could gain by being grouped together.

The infrastructure development activities (planning, design construction and operation) should be implemented by the same entity. Otherwise, the operator, for example, could cite construction defaults as reasons for poor performance.

International experience suggests that the functions of regulation and service provision should be separated. It is also advisable for the sake of efficiency to separate operation and monitoring performance activities (see Table 3).
<table>
<thead>
<tr>
<th>Regulatory body</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ghana</strong></td>
<td>Multisector utility regulator (Public Utilities Regulatory Commission, PURC); it operates along with the State Enterprise Commission (SEC), responsible for regulating the national water company (GWCL) through performance contracts</td>
</tr>
<tr>
<td></td>
<td>Provides guidelines for rates; examines and approves water rates; monitors and enforces standards of performance; receives, investigates complaints and settles disputes between consumers and utilities; monitors quality standards</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>The Water Services Regulatory Board (WSRB)</td>
</tr>
<tr>
<td></td>
<td>Oversees water services provision and licenses seven water service boards in charge of contracting and supervising water providers</td>
</tr>
<tr>
<td><strong>Mali</strong></td>
<td>Commission de Regulation de l'Eau et de l'Energie (CREE)</td>
</tr>
<tr>
<td></td>
<td>Promotes and organizes competition in the sector; sets tariffs</td>
</tr>
<tr>
<td><strong>Mozambique</strong></td>
<td>The Water Regulatory Council (CRA) is responsible for economic and other regulation of water systems that are under delegated management</td>
</tr>
<tr>
<td></td>
<td>Regulates only the areas under private management</td>
</tr>
<tr>
<td><strong>Senegal</strong></td>
<td>Regulation by contract</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>Regulation through performance contracts with the public utility</td>
</tr>
<tr>
<td><strong>Zambia</strong></td>
<td>The National Water Supply and Sanitation Council (NWASCO)</td>
</tr>
<tr>
<td></td>
<td>Advises government and local authorities; licenses providers; establishes and enforces standards; monitors performance of providers; disseminates information to consumers</td>
</tr>
</tbody>
</table>

The actors generally involved in the sector include:

- public actors:
  - central government, ministries (health, environment, home affairs, finance, public works)
  - LGs
  - utilities

- private actors:
  - planners and designers
  - construction companies
  - water and sanitation companies
  - small-scale providers (masons, truck emptier, etc.)
  - communication and advertising agencies and media

- non-governmental organizations (NGOs), community organizations

- regulator.¹

Service delivery triangle (SDT)

Three actors are at the centre of the service delivery process:

- government (LG)
- service provider
- users.

The design and the functioning of the relationship between these three actors will – to a large extent – determine the performance of service provision. Thus, the challenging task is to structure relationships between these actors in order to promote performance, responsiveness to demand and accountability (see Figures 1 and 2).

¹ Credible regulation needs to be provided by an entity that is independent from public and private partners; however, in some cases, the regulation is insured through a contract or by a ministry.
Figure 1: Service delivery triangle (SDT) for network-based sanitation

Source: Author’s analysis.

Figure 2: Service delivery triangle (SDT) for onsite sanitation

Source: Author’s analysis.
3.2.3. SERVICE PROVIDER OPTIONS

Many options for a service provider exist depending on the political and administrative contexts of the country: sector context and urban context (large cities, small cities, multi-village). The following are among the most common options:

- municipal department
- corporatized public utility or local utility
- public–private partnership (PPP).

Other options include:

- national sanitation utility
- inter-municipal or regional utility (special purpose or multi-purpose)
- community management.
- small scale informal sector service provider.
Community toilets were constructed in Tangerang, an industrial zone close to Jakarta, Indonesia, where migrant workers settled in areas with neither water nor sanitation facilities. A typical community sanitation centre provides basic sanitation facilities such as bathrooms (six units), toilets (six units), a washing area, a community water point and a WWTP (biogas digester).

By 2002, there were 29 Community Sanitation Centres receiving over 13,000 users each day, with each centre receiving between 300 and 500 users a day and generating an annual revenue of up to $2,400.

The construction of each centre is fully subsidized by a grant from donors, while running costs are covered by fees. The initial financial outlay for one centre ranged from $15,000 to $18,000. The cost includes land acquisition, construction (including a WWTP and bio-digester) and the purchase of a water pump. The average annual operational costs are $1,500, excluding periodic maintenance costs, while annual revenue, through user fees, ranges from $1,800 to $2,400.

Potential users of the service were invited to participate in early community consultations that included the following activities: (i) needs assessment and site identification; (ii) community meetings at the village level in order to discuss the project proposal; and (iii) development of a memorandum of understanding, which detailed community agreement to support project implementation and its willingness to pay for the facilities provided at an affordable price. Active community participation in the project phases helped to create a sense of community ownership and enhanced the willingness to use the service, ultimately contributing to its sustainability.

This project is a partnership between the Institute for Integrated Social and Economic Development. (BEST), an independent NGO, and local communities, LG and international donor agencies. Through this partnership, BEST was able to draw on outside financial and technical resources as well as to ensure that the centres would meet the needs of the community.

The operators of the centres are families chosen from the community who are paid a basic salary by BEST and take part of the profits. Most of them also provide another business on the side such as a corner shop or cafe. Each toilet maintenance operator signs an individual contract with BEST covering the conditions of employment, including monthly salary and rewards for achieving the target revenues.


3.2.3.1. MUNICIPAL DEPARTMENT

The municipal department is the most common option for the service provider since sanitation is a local service.

The benefits of this option are:
• good coordination with other urban services (e.g. roads and drainage) and with urban planning;
• political accountability of elected people;
• proximity to the users if feedback mechanisms are available and functioning.

Nevertheless, in general, the LGs lack adequate technical capacity to develop and maintain complex sanitation infrastructure such as WWTPs.

The great majority of LGs do not have the capacities to implement social marketing campaigns to stimulate demand for onsite sanitation nor are they able to satisfy this demand. They also lack skills to promote hygiene and household behaviour changes.

On the financial and commercial side, the viability of municipal sanitation services is often quite uncertain. LGs have a poor record of cost recovery through property taxes and user fees are rarely adopted in developing countries, thus preventing the generation of dedicated resources. This situation could negatively affect the feasibility of private sector participation (PSP) options.

The sanitation service is often coordinated with other urban services (e.g. solid waste management, roads, lightening) and thus shares scarce municipal resources with them.

If networked systems prove to be the most feasible and viable option, then the municipalities – especially small ones – probably need to enter into partnerships in order to optimize investments and capture scale economies. Inter-municipal cooperation is needed in master planning and in construction and operation of main transfer sewers and WWTPs. Sometimes it is difficult to find an appropriate location and a discharge point for treated effluent on the city territory, however, institutional arrangements for such cooperation are difficult to put in place in developing countries.

Furthermore, the LGs do not have easy access to best practices and successful solutions from elsewhere in the country or abroad. Inversely, successes at the local level do not necessarily benefit other LGs.
Box 2: How does decentralization affect the relationship of accountability?

Putting sanitation responsibility at a lower level of government makes much sense since it becomes closer to the citizens. However, LGs do not have financial autonomy and local infrastructures are still financed to a large extent by transfers from the central government.

Record of service improvement in a decentralization process has mixed results with water and sanitation since devolving responsibility to LGs has had negative consequences (loss of scale economies, erosion of commercial viability by fragmentation).

However, decentralization allows service and political boundaries to better coincide. It also allows for separation between regulatory functions and service delivery ones as well as creates an opportunity for benchmarking and reward through fiscal grants from the central government.

To be successful, decentralization reforms should define an efficient allocation of roles between different levels of government and between government and communities and local organizations. Solutions should be found to the atomization issue through inter-municipal cooperation arrangements (some examples include the “syndicat” in the French model, multi-municipal companies in Bolivia and state companies in Brazil).

### 3.2.3.2. PUBLIC UTILITY

A public utility in charge of sanitation services could be either a single-purpose agency or a multi-purpose one. Several combinations exist including:

- water and sanitation and drainage as the responsibilities of the utility;
- wastewater collection combined with roads remaining with municipalities, while main sewers and treatment plants are assigned to a special public utility;
- drainage remaining with roads in LG hands, while the wastewater collection and treatment are the responsibility of the utility.

Sometimes other services are also included in the combinations, for example, solid waste management, electricity and public lighting.

Of course, all of these combinations have important consequences on financial and cost recovery issues.

---

Box 3: Sanitation – drainage and flood management

The National Sanitation Utility (ONAS) in Senegal is in charge of sanitation and drainage. In Tunisia, stormwater management was the responsibility of ONAS for many years in addition to sanitation before it was transferred to LGs (within urban areas) and the Ministry of Public Works and Housing (upstream and outside urban areas). Furthermore, ONAS (Tunisia) contributes during flood crises with relief efforts by pumping.

In both cases, no regular financial resources have been allocated to this mission and the performance of the service largely depends on uncertain government transfers since local taxes collected by LGs barely cover other urban services.

Specialized utilities could provide high-quality service, but would involve higher costs due to duplication of expenses such as billing, collection, administration and asset planning.

The benefits of an integrated solution with the water supply include: (i) closer coordination with the water supply (no water without sanitation) and integrated management of the whole water cycle (vertical aggregation); (ii) minimized administrative, commercial (billing and collection) and maintenance costs and efficiency gains; and (iii) reduced payment risk by adopting cost recovery on water bills. In fact, a stand-alone sanitation utility is not in a good position to enforce payment since it cannot cut off the service.

Drawbacks of the integration with the water supply include (i) risks of giving less priority to sanitation; and (ii) potential cross-subsidies.

The service area may coincide with an administrative entity (national territory, state in a federal system, one or more cities, a province) or fit in with a river basin. The service area would have implications in determining the supervisory authority of the utility.

The utility could benefit from some autonomy, however, it would remain liable to numerous cumbersome administrative constraints (public procurement rules, civil servants wages) and also to political interference in the day-to-day operations.

A utility could more easily adopt sanitation user fees, which would in turn facilitate fundraising for the sector and the PPPs. Nonetheless, financial autonomy – even for operating costs – is generally difficult to achieve without subsidies from the central government.

The utilities have shown technical capacities in planning, implementing and maintaining complex projects of WWTPs and to accumulate knowledge from different projects. Yet, they are unfamiliar with the hygiene promotion component

---

3 This option remains possible even in the case of specialization by an agreement between both utilities.
4 In fact, if cross-subsidies are between water and sanitation, then financial viability for water services could be at risk; and when cross-subsidies occur between different users’ categories, then this could be challengeable by the subsidizing category (for instance, industrial and commercial users to households). Furthermore, if tariffs are too high for subsidizing customers (large users, for example), some of those customers may disconnect from the network and obtain water from other sources, such as their own wells.
5 Local taxes are then dedicated to other local services.
of the sanitation sector and are usually blamed for their preference for networked conventional sanitation (see Table 4).

### Table 4: Sample of service provision arrangements

<table>
<thead>
<tr>
<th>Country</th>
<th>Service provider</th>
<th>Type of utility</th>
<th>Service area</th>
<th>Tasks</th>
</tr>
</thead>
</table>
| Benin         | SONEB            | Public utility  | National     | Water supply and sanitation  
Acting on behalf of LGs                                             |
| Brazil        | SABESP           | Mixed economy company | State of Sao Paulo | Water supply and sanitation services in 367  
of the state’s 645 municipalities  
Company operates as a concessionaire of municipal sanitary services |
| Cambodia      | PPSU Phnom Penh sewage Unit | Unit within the municipal public works department | Phnom Penh city | Construction and operation of sanitation infrastructure |
| Morocco       | LYDEC            | Private company | Casablanca   | All water supply, sanitation and electricity services, including investments and operations |
| Uganda        | NWSC             | Parastatal utility | National     | Water and sewerage services in the larger urban centres              |
| Tunisia       | ONAS             | Public utility  | National     | Wastewater collection and treatment in urban areas                    |
| Colombia      | EAAB PPP         | Public utility  | Bogota       | Water supply and sanitation                                          |
| Viet Nam      | TUPWS            | Public company & PPP | Hai Phong city | Water supply and sanitation                                          |
| Burkina Faso  | ONEA             | Public utility  | National     | Water supply and sanitation in urban and peri-urban areas            |

*Source: Author’s analysis.*
3.2.3.3. OPTIONS IN DIFFERENT URBAN SETTINGS

Big cities

Mega-cities and big cities generally retain a special status at the political level and maintain a governance system different from other LGs.

Institutional options include a municipal or regional utility (multi-purpose or sanitation special purpose or integration with the water supply) and PPP arrangements, depending on the financial viability of the sector.

Cooperation with neighbouring small towns is to be encouraged, whether on a contract basis or through an institutional arrangement.

Special issues include dealing with:
- sanitation in peri-urban areas;
- industrial wastewater with sometimes severe environmental impacts (feasibility of integration with urban wastewater has to be evaluated including pre-treatment options at the industrial units level).

On the technical side, onsite sanitation is often unworkable due to high density and lumpy investments required for big conventional sewerage are not affordable. Unbundling networks into smaller independent systems could help in phasing investment efforts.

Small towns

Small towns cannot benefit from scale economies for WWTPs when opting for centralized network sewer systems. In such cases, there might be a need for inter-municipal cooperation.

The most common institutional option is the municipal department in charge of urban services (integration of services).

These municipalities also lack technical and financial capacities and need support from higher levels of government (province, state, central government). In particular, access to international funding sources is seldom possible or feasible without the involvement of the upper tier of government.

Technical options in small towns include onsite solutions or small networks with simple-to-operate treatment plants such as lagoons.

3.2.3.4. PSP IN SANITATION

Why PSP in sanitation?

As is the case in other sectors, private participation in service provision brings efficiency gains in operation – for example, it may be able to provide services with fewer staff.

In addition, PSP facilitates have access to technology, technical expertise and know-how, especially for WWTPs. The private partner may also be asked to invest in increasing access.

PSP increases accountability to users and may lead to environmental benefits such as incentives for compliance to discharge standards.
Who is the private sector?

The private sector in sanitation takes a variety of forms including:

- small-scale private (independent) provider: individual, company or voluntary/non-profit organization providing sanitation goods or services operating independently of the system of public provision;
- water and sanitation companies that provide sanitation goods and services on a commercial basis for profit;
- building contractors;
- advertising agencies and the media;
- soap industry.

In many developing countries, local private service providers are lacking in the sanitation sector. Activities are usually initiated historically by the public sector, especially for network sanitation; and, such as with the chicken–egg theory, no service providers exist if there is no market.

Measures to be taken by the public sector to help developing local private sector include:

- announcing a clear political will in favour of private involvement and providing public information and communication about private sector policy;
- adopting a package of market development initiatives, including fiscal incentives, microcredit and capacity-building activities;
- encouraging partnerships between the international and national private sector, at least during the starting phase of a local private sector development programme;
- facilitating the transfer of expertise and labour between the public and private sectors.

Moreover, in order to encourage bids from small service providers, the size and scope of individual contracts should not be larger than necessary in order for economies of scale to be realized.

Options of private participation

A wide range of options and roles for the private sector exist, see Table 5 for several examples.

There are three different fields of PSP:

- for network-based sanitation, the options include: service contract, management contract, affermage-lease, concession, build-operate-transfer, design-build-operate, build-own-operate;
- PSP in onsite sanitation;
- hygiene promotion.
Table 5: Allocation of key responsibilities under the main PSP options

<table>
<thead>
<tr>
<th>Option</th>
<th>Asset ownership</th>
<th>Operations and maintenance</th>
<th>Capital investment</th>
<th>Commercial risk</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service contract</td>
<td>Public</td>
<td>Public and private</td>
<td>Public</td>
<td>Public</td>
<td>1-2 years</td>
</tr>
<tr>
<td>Management contract</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>Public</td>
<td>3-5 years</td>
</tr>
<tr>
<td>Lease</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>Shared</td>
<td>8-15 years</td>
</tr>
<tr>
<td>Concession</td>
<td>Public</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>25-30 years</td>
</tr>
<tr>
<td>BOT/BOO</td>
<td>Private and public</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>20-30 years</td>
</tr>
<tr>
<td>Divestiture</td>
<td>Private or private and public</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Indefinite (may be limited by license)</td>
</tr>
</tbody>
</table>

BOT = build-operate-transfer
BOO = build-own-operate

Governance in Urban Sanitation Sector – Institutional aspects

Box 4: PSP in Abidjan sanitation services

Since 1960, urban water services have been provided by SODECI, a private Ivorian water distribution company with a 20-year concession contract (renewed on 12 December 1987). The shareholders of the company are: Saur International (46.06 per cent); private Côte d’Ivoire shareholders (37.20 per cent); SODECI staff (5.39 per cent); SIDIP (4.19 per cent); Côte d’Ivoire (3.25 per cent); others (3.91 per cent).

In this partnership, the state retains ownership of the infrastructures, sets the national water policy and has decision-making power over the tariff proposed by SODECI. It also co-manages, with SODECI, the National Water Fund, intended to finance the sector's infrastructure investments; and, more generally, monitors all of SODECI's activities and performance. SODECI is in charge of water production, treatment and distribution, O&M of the infrastructures and commercial functions.

For sanitation, SODECI initially had a service contract whereby activities were performed after the prior approval of the government on a task-order basis. This contract proved to be inefficient and with no accountability for results and performance.

Since August 1999, the service contract has been transformed into a 16-year lease contract covering sanitation and drainage for Abidjan. Tasks entrusted to SODECI include: (i) collection, transfer and treatment of wastewater; (ii) drainage by piped systems; and (iii) quality monitoring of industrial wastewater discharges. SODECI bears full operational and commercial responsibility for running the service.

A sanitation charge is included in the water bill and collected by SODECI. Through this charge, users contribute 69 per cent of the lease contract and the government pays the remaining 31 per cent.
Box 5: PSP in the Tunisian sanitation sector

The government policy of Tunisia has encouraged PSP in the sanitation sector for more than a decade.

The private sector currently operates 1,580 km of sewers (12 per cent of total length) and nine WWTPs under five-year O&M service contracts. It is planned that 40 per cent of sanitation infrastructure would be under private operation by 2016. The National Sanitation Utility (ONAS) is also outsourcing other operational and miscellaneous activities (maintenance, laboratory analysis, gardening, safekeeping, etc.).

Active private operators in the market are generally joint ventures between international professional firms and local investors or operators. Former local sludge haulers are also entering this new market.

PSP shows very encouraging results in terms of efficiency gains and service quality, and also helps in improving public management. Coexistence of private and public management is benefiting ONAS since the private operator serves as a benchmark for productivity ratios and provides real scale proofs of what is feasible. It also brought some technical innovations that have been adopted by ONAS, which imitates and adopts good practices of the private operator.

Nevertheless, the pace of private involvement is restrained by the issue of ONAS staff redeployment and the lack of adequate regulation to allow labour mobility between the public and private sector.

The government is now looking for private financing in the sector. Two WWTPs are currently planned under a build-operate-transfer arrangement in the Greater Tunis area and the private sector will finance, design, build and operate the facilities for 20 years.

Why sanitation is different?

Frequently, when dealing with private involvement in the sector it is done by grouping water and sanitation services together, even though PSP in sanitation has specific characteristics.

Because there is no willingness to pay for sanitation services, the sector has weak potential revenue generation. Furthermore, the weak creditworthiness and the lack of commercial viability of LG and sanitation utilities make the sector less attractive to the private sector. These financial constraints put severe limits and restrictions on PSP options.

Models for developing countries’ contexts

The most likely PSP options for developing countries are those that are the least risky for the private sector. These include service/management contract and lease (affermage). Concessions and build-operate-transfer arrangements are more problematic and habitually unfeasible since foreign capital is too often invested in large markets with very limited risk and clear financial viability (see Box 6).
Box 6: Most common PSP options

Management contracts transfer responsibility for managing a utility to a private operator, often for a period from three to five years. The simplest management contracts pay a private operator a fixed fee for performing managerial tasks. Other management contracts offer greater incentives for efficiency by defining performance targets and basing the fee in part on their fulfilment.

A management contract could also serve as a transitional arrangement, during which the government could prepare for a deeper form of private participation.

The term affermage-lease is used here for a class of arrangements under which an operator is responsible for operating and maintaining the business, but not for financing investment. Under a lease, the operator retains revenue collected from customers and makes a specified lease payment to the contracting authority, which the authority can use to pay for investment.

Under an affermage, the operator and contracting authority share revenue from customers. The operator pays the contracting authority an affermage fee, which varies according to demand and customer tariffs, and retains the remaining revenue.

Under both affermages and leases, the operator’s profits depends on the utility’s sales and costs, which typically give the operator incentive to improve operating efficiency and increase sales.

Affermage-leases are usually more difficult to implement than management contracts because the operator usually bears more risk.

A concession gives a private operator responsibility not only for the O&M of assets, but also for financing and managing investment. Asset ownership typically rests with the government from a legal perspective, however, and rights to all of the assets, including those created by the operator, typically revert to the government when the arrangement ends – often after 25 or 30 years.


PSP in broader water sector reform

Within water sector reforms, several options could take place: (i) integration with the water supply; (ii) hybrid contracts mixing forms for each service; and (iii) sanitation exclusion from reform (for an example, see Box 7).
Box 7: Senegalese example of sanitation within the water sector reform

Before the introduction of private participation in Senegal, there were financial, operational and access gaps between water services and the sanitation sector. The government decided to split management responsibilities for the services: a concession was given to a publicly owned asset-holding company that entered into a 15-year affermage contract with a private operator, and sanitation services were transferred to a government agency. The objectives of the split were to make the contract for water services more attractive and to achieve rapid efficiency gains in the water sector.

PSP in onsite sanitation

Onsite sanitation is the type of PSP that entails a strong accountability relationship between providers and clients (for more detail, see section 4.1). Private actors are local small providers such as latrines providers, cesspit cleaners, sludge haulers, de-sludging and toilets operators\(^6\) and masons. The private sector can also play an important role in hygiene promotion. For example, in many countries, soap companies are participating in public campaigns for hygiene resulting in win–win arrangements (for an example, see Box 8). For promoting PSP in onsite sanitation, the government has an important role in:

- market development activities
- social mobilization
- recognizing informal providers
- training and technical assistance
- providing subsidies
- regulating and coordinating final disposal of wastes.

\(^6\) For example, privately run toilets in India by Sulabh.
Box 8: Successful public–private partnership in Central America: handwashing for diarrhoeal disease prevention

Under the Central American Handwashing Initiative from 1996 to 1999, the United States Agency for International Development was the catalyst that created a PPP with four soap companies, the ministries of health from Costa Rica, El Salvador and Guatemala and numerous NGOs and development organizations.

The initiative was based on the concept that private firms and public entities would find it mutually beneficial to work in partnership to achieve complementary profits and gains by promoting handwashing with soap to prevent diarrhoea.

The PPP handwashing campaign involved the media, social mobilization and hygiene promotion programmes implemented through private voluntary organizations and soap companies to reach communities and schoolchildren throughout Central America.

As the initiative continued, over 450,000 schoolchildren were reached in 2001 alone. The partnership resulted in a 50 per cent increase in handwashing with soap among mothers and a 4.5 per cent reduction in diarrhoeal disease prevalence among children under five, leveraged significant private sector resources and sustained the private sector’s involvement in social programmes. Based on the success of the Central American Handwashing Initiative, other PPP initiatives are being implemented in Nepal and Peru with support from the Environmental Health Project. In PPPs, the soap industry (private sector) stands to gain by selling more soap, while the public agencies move towards the desired objective of improved hygiene practices and a reduction in diarrhoeal diseases.


How to involve the private sector? A four-step process

1. **Policy and objectives definition**: (i) designate the reform leader; (ii) identify the objectives and problems to be addressed by PSP; (iii) define the service required; (iv) select a procurement strategy; and (v) shape the market structure and competition rules.

2. **Designing the partnership**: define the service standards and the responsibilities the government intends to assign to the operator; evaluate willingness to pay and collect information about consumer preferences; conduct feasibility study; make decisions regarding risk allocation; identify incentives to perform in the contract design; human resources and social equilibrium in the sector.

3. **Selecting the right private partner**: three broad approaches: (i) competitive tendering; (ii) competitive negotiation; and (iii) direct negotiation. Often the best approach is competitive tendering.
4. Managing the partnership: effective performance monitoring and operator supervision are key for successful PSP arrangements; managing the relationship as a partnership more than a contract; PSP takes time to work smoothly; whether or not to renew the partnership to be decided at the end of the initial contract period.

Performance monitoring
Capacity-building is needed for the public sector to manage the relationship with the private operator and supervise its performance. A performance monitoring unit should be assigned to the management of the contract. Examples of performance indicators in sanitation include the following: response time to complaints; response time to connection requests; number of connections; compliance to environmental standards for WWTPs; length of sewers cleaned.

PSP in the SDT and accountability perspectives
PSP allows for a separation of monitoring performance and operational functions. It is conducive to more accountability to users. It also facilitates environmental compliance since the private operator is subject to penalties application. The accountability is enhanced since the contract explicitly details the relationship between the government and the service provider.

In conclusion
Sanitation services are less attractive to the private sector than water supply services because of their modest cash generation potential and thus private participation is not always feasible. Private participation is also impeded for technical reasons, for instance, when infrastructure is malfunctioning or overloaded.

Service provision remains, to a large extent, among public hands. This is why emphasis should be put on improving public management.

When feasible, PSP could contribute to better sector governance by introducing market incentives and strengthening accountability. However, in designing PSP, care should be taken regarding transparency, corruption and pro-poor provisions.

PSP arrangements should also be tailored to the country and to sector specific contexts. For onsite sanitation, private participation should be strongly encouraged through small-scale local providers.

4. Structuring relationships in the SDT
This section describes the relationships between actors in the SDT for both types of sanitation services (onsite solutions and networks-based solutions) and explains how to structure these relationships to enhance performance and accountability.

4.1. Relationship between the service provider and users
Onsite solutions
There are many service delivery options: self-provision; community initiatives; informal provision by small-scale operators; public provision by municipalities and utilities.
Municipalities and public utilities have demonstrated a poor record of performance in stimulating and meeting demands for onsite sanitation services, particularly in informal settlements.

In contrast, when service providers are small-scale operators (e.g. latrine emptiers, masons) there is a strong accountability to the users since a market relationship exists between both parties (i.e. a transaction for the service) – and there is always the possibility that users may choose another provider based on price and performance.

LGs or utilities could also adopt a franchising approach with civil and private organizations that in turn involves smaller ones.

Network-based solutions

First, it should be emphasized that network-based solutions are generally expensive and not affordable for the majority of the unserved or underserved people around the world.

For obvious scale economies reasons, the service provider is in a monopolistic position and there is no scope for competition.

The service provider may be a public entity (LG, public utility, etc.) or a private operator under a PPP arrangement. When the service provider is a public entity, it generally has no incentive to be accountable to users, whereas involving the private sector in service provision would improve accountability. In fact, in this case, service quality is governed by an explicit contract including positive and negative incentives for performance and measurable criteria (for instance, response time to complaints).\(^7\)

When user charges exist, accountability is increased since this entitles the user to be demanding about service quality and empowers it to hold the service provider accountable.

Whatever the service provider is, whether public or private, regulation and information about the service would strengthen the accountability to the users.

4.2. RELATIONSHIP BETWEEN GOVERNMENT AND THE SERVICE PROVIDER

Onsite solutions

The government plays a critical role in checking the compliance with environmental and health standards of onsite facilities. It may also provide guidance for appropriate technical options.

The government must also insure that facilities for sludge treatment and disposal are available and that service providers are complying with disposal guidelines. Enforcing disposal regulation is not an easy task. For example, it is frequently noticed that introducing a gate fee at the WWTP/sludge treatment facility would encourage illegal discharge. This may also be the result of sharp competition between pit emptying service providers.

---

\(^7\) This supposes that the public partner has the capacity to manage the contract efficiently.
The government can take measures in order to facilitate enforcement of disposal regulations and minimize the risk of illegal discharge. Such measures could include the following:

- establishing a permitting and penalties system;
- imposing reporting obligations on haulers;
- increasing the number of discharge points;
- setting affordable gate fees (by subsidizing treatment);
- adopting a user charge on water bills for households served by onsite facilities covering treatment cost;
- involving the private sector in the management of treatment facilities, including commercial functions;
- increasing the amount and type of available information and sensitizing campaigns;
- requiring the posting of identity information about the trucks to facilitate control and denouncing illegal practices.

Another role for the government is to develop incentives for market development in order to stimulate competition. The government could, for instance, implement capacity-building programmes for small enterprises, facilitate access to microcredit and regulate tariffs in case of lack of competition.

*Network-based solutions*

If the service provider is a public entity (e.g. municipal department, public utility), there is usually no clear delineation of responsibility between the government (central or local) and the service provider. The main issue is the lack of autonomy (or limited autonomy) since service provider staff and managers are vulnerable to political interference in priority setting, pricing and investment planning. This situation could induce a lack of accountability and probably a service delivery decline, since service providers are in this case more accountable to policy makers and to supervisory authority.

To overcome these deficiencies, reform is needed to introduce New Public Management (NPM) concepts (e.g. accountability, autonomy, customer orientation, market orientation). The central government could use incentives and legislation to support reform at subnational levels.

The accountability of the service provider to the government could be slightly enhanced through a “programme contract” or “performance contract” for a three-to-five-year period. Such contracts generally set performance targets and define technical, financial and social indicators. It should be acknowledged that these contracts have a limited impact since there are no truly strong incentives for both parties to comply with their stipulations.

When the service provider is a private operator, there is competition pressure during the selection process, and the contract with its explicit performance requirements enhances accountability through financial incentives. It also may include pro-poor provisions (e.g. subsidized connection fee). The government
ensures that the operator provides efficient and equitable service for all and
complies with environmental regulations and standards.

Nevertheless, the government should have the capacity to efficiently monitor
operator performance and to carry out environmental monitoring and to inform
users and other interest groups about the private sector performance. In fact, the
government ultimately remains responsible for service provision.

4.3. RELATIONSHIP BETWEEN GOVERNMENT AND USERS

The government role is to help good decision-making at the household level, to
catalyse and stimulate demand for sanitation and to facilitate access to the poor by
taking measures such as:

- undertaking sensitization campaigns for education and information and for
  hygiene promotion;
- adopting a bundling strategy between water and sanitation – e.g. a latrine
  installation as a prerequisite for receiving water;
- providing subsidies and soft loans targeted to the poor;
- overcoming the tenure issue by admitting some form of recognition of
  informal settlements.

The accountability question between government and users appears at the political
level with electoral campaigns and votes.

4.4. OTHER ACTORS

Other actors involved in the sector also have a role to play in the accountability
context:

- Donors and development agencies could play an active role at the policy
  level by sensitizing policy makers and help in insuring a better
  coordination between water supply and sanitation at the sector planning
  level. They are also interested in the sector and utilities financial viability.
  Donors also help by enforcing environmental regulations. The
  relationships between LGs or utilities and their financial institution
  partners have a place in the accountability context since lenders apply
  conditions to guarantee an efficient use of the loans.
- Civil society actors such as customer organizations could strengthen the
  voice of users and the accountability relationship between the service
  provider and the users.

5. MOVING TOWARDS GOOD GOVERNANCE IN THE SANITATION SECTOR

This section provides some proposals to overcome institutional deficiencies that
impede sanitation sector governance. Institutional decisions are generally part of
the sector policy and, therefore, are the central government responsibility.
5.1. DESIGNING EFFICIENT INSTITUTIONAL FRAMEWORKS

构建有效的体制框架

An efficient institutional framework is at the heart of establishing governance in the sanitation sector. In particular, such a framework should:

- Define an institutional anchor for the sector at the national level that is able to manage its multiple facets and dimensions and especially its three components: networks – WWTPs; onsite sanitation; and hygiene and behaviour change.
- Insure a clear and efficient allocation of roles and functions between government agencies, civil society organizations and the private sector at different territorial levels covering the three above-mentioned components.
- Strengthen in parallel and in a complementary manner the role of:
  - local and community level service providers for the private component of the service (toilets, latrines, connections);
  - agencies and utilities in providing network-based sanitation and sludge facilities for the public good component of the service.
- Allow for synergies with the water supply to close the water cycle and also link sanitation to other services (health, education) and sectors (agriculture, tourism, industry).
- Include sanitation and hygiene promotion within broader poverty alleviation strategies.

5.2. PROMOTING AND ENFORCING NPM CONCEPTS

Private participation in sanitation services as well as in water services remains limited for a variety of reasons and it is expected that sanitation services are likely to remain in public hands for decades to come. The MDG challenges are, therefore, to be taken up by public entities. As a result, it is important to design policies that emphasize improving public utilities performances. NPM is among these policies options.

In the early 1980s, NPM originated in New Zealand and the United Kingdom as a more market-oriented and output-based approach to the traditional model of public administration. It is based on the assumption that public entities could improve their efficiency by mimicking the practices of private service providers. NPM has four basic concepts:

1. Accountability for results, both within the utility as well as externally. Within the utility, the accountability mechanisms between the service provider and the management board could be insured by:
defining clear and measurable targets that must be achieved by the service provider and measures in case of non-compliance with the performance targets and rewards for achieving performance targets;

setting reporting requirements that the service provider must adhere to.

The same requirements could be put in place between the government and the management board.

The accountability of staff of the service provider (managerial accountability) could be established through:

- a system of performance evaluation of the employees;
- use of (internal) performance contracts, either personnel contracts or contracts between departments;
- a system of penalties and rewards of the employee respectively failing or succeeding to achieve the performance targets.

**The external accountability** mechanisms are between the service provider and the government, the regulator, financing institutions, customer organizations and non-governmental special interest groups. The service provider is accountable for different aspects with these different entities/groups. The various accountability mechanisms that together form the web of accountability to which a service provider is subject include:

- The use of **performance contracts** between the service provider and the government – such contracts could be used not only to hold the service provider accountable for improving performance, but also to ensure that governments do their part. Contracts should include elements such as (i) clear specification of the responsibilities of each party, including performance targets that are being sought; (ii) performance targets should be attainable; (iii) realistic and few indicators to measure compliance; (iv) format and frequency of reporting on progress; (v) realistic sanctions; and (vi) external auditing of performance.

- A national benchmark system to monitor performance and public reporting of performance.

- The application of the regulatory framework to which the service provider is subject; and which protects consumers from the abuse of market power, limits political interference and provides incentives for service providers to operate efficiently.

- The application of requirements imposed on the service provider within loan agreements concerning financial reporting by financial organizations that lend money or provide grants to it.

- The application of customer service charters that the service provider is bound to.

- Giving a voice to external groups.

- The use of incentive-based intergovernmental transfers and making them conditional on good performance.
2. Market-orientation (making greater use of markets and the introduction of market-style incentives) that could be undertaken by:
   - outsourcing non-core activities;
   - using benchmarking practices (see Box 9);
   - establish contracts within the utility between the executives and other operational units.

Box 9: The International Benchmarking Network for Water and Sanitation Utilities

The objective of the International Benchmarking Network for Water and Sanitation Utilities is to facilitate access to comparative information that will help to promote best practices between water supply and sanitation providers worldwide and eventually provide consumers with access to high-quality and affordable water supply and sanitation services. By providing access to comparative information, key stakeholders would receive the knowledge to do their jobs better:

- utility managers and employees could identify areas for improvement, adopt realistic targets and – most important – convince authorities of the need for change;
- governments can monitor and adjust sector policies and programmes;
- regulators can ensure that customers receive value and providers have incentives to perform;
- customer groups and NGOs could exercise “voice” in an informed way;
- international aid agencies and advisers can identify what works, counsel their clients accordingly and back the advice with convincing “before–after” and “with–without” stories;
- private investors can identify viable markets and opportunities for creating value.


3. Customer-orientation (or client focus) to be put in place through actions and measures could include:
   - proposing a wide range of options for service delivery to better meet users needs;
   - responding in a timely manner to users’ complaints;
   - seeking the opinions/views of the customers through customer surveys;
   - developing and enforcing a customer chart.

4. Decentralization of authority to and within the service provider (e.g. reducing the burden of hierarchical rules) in the areas of financial
5.3. **IMPLEMENTING REFORMS**

5.3.1. **INCREMENTAL APPROACH**

Reforms and actions in the institutional field are time-consuming and need high political commitment and will. Moving forward could be done gradually through *incremental reforms* addressing priority gaps, while preparing longer-term reforms.

A two-fold programming approach could be adopted to develop short-run interventions to maintain progress and increase access and long-run interventions that set in place a new institutional framework to support sustained service delivery over time.

5.3.2. **SHARING RESULTS AND EXPERIENCES**

Since institutional aspects are not an exact science, it is of a crucial importance to design and implement a *learning process* that allows for best practices identification at whatever level and wherever they are and facilitate dissemination and sharing of results.

Since project implementation takes place at the local or community levels, there is, therefore, a need for documenting the implementation and sharing results with upper levels of governance and other communities.

*Sharing experiences* on institutional reforms between countries of similar contexts is also to be encouraged to build on past successes and failures.

5.3.3. **SUSTAINABILITY**

The sanitation projects often focus on technical and investment aspects and do not pay enough attention to institutional and financial ones even though they are more important for sustainability.

Also, in order to avoid exacerbating the access gap, reform should be carried out in parallel with investment and capacity-building in the whole sector, including for decision-makers.
References and further reading


