

EWDAF/URB/82

Supporting the supply side of the urban water market by promoting pro-poor utility reform.

Year: 2 of 3

Task Manager: Alain Morel

Client: Urban authorities in Kenya, Zambia, Benin, Mozambique, DRC and potentially Tanzania

Region: Africa

Partners: EWD, BNWP/PPIAF, GPOBA, Bank Task Managers, WUP, AFTU1&2, AFD, EU, Cities Alliance, UN-Habitat

Desired Project Outcome: The capacity of water and sanitation institutions, and the interface between utilities/municipalities and private actors operating in the market, is developed and brings about increased coverage to the unserved urban poor.

Project Description: Based on the WSP work with the Africa Water Utilities Partnership (WUP), Toolkit and Good Practice documents which outline the key areas for capacity building and institutional reform, this project will further develop and disseminate pro-poor tools, and build the capacity of utilities and local governments in pro-poor approaches. Working with 4 out of the 8 utilities selected for the fourth phase of the WUP project # 5, it will undertake practical activities with utilities to promote pro-poor instruments in reform processes. Related current partnership linking this work to AFD investment programmes in Kisumu, will be developed and extended to AFD and WB investment programmes in Nairobi, Mombasa, Maputo, and potentially Dar Es Salam and DRC. The work developed under this project will be closely integrated to the pro-poor component of the investment programmes. The project builds on prior WSP-AF, WUP and MDP work implemented during previous FYs.

Activity A: Developing the capacity of utilities and municipalities for local PS engagement. With limited and deteriorating networks, low capacity, insufficient bulk water supply and questionable political will, the level of coverage of poor areas by utilities and municipalities is very low. The water that makes its way to the urban poor does so through intermediate or independent means, through privately established piped or transported operations. Understanding the characteristics of this transfer process is critical to pro-poor sector reform processes. Using this knowledge, optimizing the mechanisms and supporting the various actors involved can result in significant improvements in service to the poor, sometimes with little public investment. These DPSP-related activities are vital segments of action plans / roadmaps aimed at accelerating progress toward the WSS MDGs.

The project will develop practical tools and instruments for utilities to assess, strategize, negotiate, communicate, contract and perhaps regulate and finance the path to a more sustainable distribution system in slums. It will provide support for skills development in this unconventional area of business, much-needed attitudinal change, as well as the institutionalization of processes through management and organizational options (such as pro-poor units) in utilities. The methods of developing pro-poor attitudes and skills of utility and LG officials will draw on the established process from WUP and involve two sub-regional launch workshops which bring together the pre-selected utilities and key partners as well as resource persons/consultants. It will utilize a strategy which emphasizes the need for political champions and high-level managers able to spearhead the process of change, skills development and incentives to serve the poor, followed by direct engagement with utilities to impart best practice and mainstream a pro-poor focus in their business planning and annual budget allocations. A key aspect is to build support within the utilities / municipalities to endorse and nominate the staff and to bring about the organizational change needed to create an effective and functioning pro-poor unit.

Activity B: Supporting the development of an effective interface between utilities and SMPPs. WUP5 and a complementary WSP initiative on SSIPs have highlighted the need to facilitate the interface between the local private providers and utilities and local government. The interface may be (i) physical - bulk meters, bulk supply, subnetworks (ii) financial – through bulk pricing, bulk meters and accountability / simplification / rationalization of revenue collection, incentive structures; or (iii) legal – through effective compacts (MoUs, contracts, tender procedures) that work for both sides; (iv) managerial – through partnership building or (v) institutional by nominating staffing and establishing a dialogue. This project aims at pioneering the integration of SSP into ongoing reforms by supporting the various aspects that makeup this interface between the actors, facilitating action, enhancing communication, unlocking blockages and building the capacity of all actors involved. This bridge between the formal and informal is a keystone critical to improving service delivery to the urban poor. The activities will be convergent with the support for SMPPs described in EWDAF/URB/83, and the institutional capacity building activities described above and will be coupled together for their implementation. This work will also feed-in the project EWDAF/URB/80 supporting policy and regulatory development for DPSP.

The practical tools developed in this project will be disseminated to all WUP, MDP and WSP-AF partners in Africa and through the global DPSP Initiative.

Start Date: Jul 2005

End Date: Jun 2008

Assumptions

1. Bulk water is available to supply to poor areas
2. Policy and legislative frameworks do not prohibit action on the part of utilities
3. Incentive structures do not overly inhibit action on the part of utilities
4. Funding secured to implement pilot actions

Indicators of outcome:

1. 4 pro-poor units in place in utilities or local governments - June 06
2. SMPP service delivery formally recognized and adopted in 4 pilot utilities/municipalities –Jun 07
3. WS Services in informal settlement improved in the areas covered by the pilot projects – Jun 08
4. Methodology developed by the utility adopted for scaling-up under the related investment programmes – Jun 08

Project Milestones:

1. Guidelines for sub-delegated arrangements in Kisumu – Jun 06
2. Sub-regional workshop on Pro-Poor strategies organized – Aug 06
3. Capacity building programmes defined in 4 cities – Dec 06
4. Pilot projects preparation reports – Jun 07
5. 3 Field Notes published – Jun 08

Project Activities and Products

Activities	Products and their deliverable dates
<p>Develop the capacity of utilities and municipalities</p> <p>From countries engaged in the WUP process, identify 8 interested utility/municipality and related SSMP providers to engage in institutional capacity building. Selection criteria will include (i) political will for pro-poor strategies and action plan, (ii) engagement in a reform process, and (iii) possibility to integrate this work into a wider investment programme to have impact at the scale of the city. Anticipated cities include Kisumu, Nairobi, Mombasa, Dar es Salam, and Maputo.</p> <p>Carry out capacity assessment and document capacity gaps.</p> <p>Support the development of capacity building strategies for SMPP integration, Target high level government officials to provide endorsement of SMPPs. Implement capacity building strategy in 4 locations – training of managers and middle level utility staff – development of materials ,planning and M&E instruments – incorporation into urban development and planning processes.</p> <p>Support to utilities for improving their communication on reforms and pro-poor issues (i) with the poor, (ii) with DPS, and (iii) with other stakeholders.</p>	<p>Consultation and identification of 8 interested utilities – Dec 05</p> <p>Dialogue launched through 2 sub-regional workshops on utility Pro-Poor strategies - Jun 06, Aug 06, Dec 06</p> <p>Capacity analysis completed in 4 cities - Sep 06</p> <p>Capacity building strategy defined in 4 cities (key actors, content of program, implementation plan) over 2 year period – Dec 06 Pro-poor units established and functioning – Dec 06 Capacity building programs piloted (training events ITN/WBI/WUP and workshops) – Jun 07 Capacity building programme expanded to another 2 utilities - Jun 07. Support the utility association in Kenya to develop capacity and pro-poor focus of members – Jun 07 Practical communications support to each utility to disseminate progress in relation to service delivery to the poor – Jun 07</p>
<p>Document and illustrate capacity building framework, best practice and lessons for global dissemination.</p>	<p>Institutional capacity building experience documented - Jun 08</p>

<p>Support the development of an effective interface between utilities and SMPPs</p> <p>Develop dialogue with utilities and consultation with SMPPs.</p> <p>Develop and pilot mechanisms to improve the interface between SMPPs and utilities / municipalities in 4 locations.</p> <p>Review political , technical, existing instruments and assess constraints in relation to SMPPs</p> <p>Develop understanding of partnerships through joint utility/ SMPP associations', capacity dialogue and practical interfacing workshops (e.g. BPD).</p> <p>Specific needs of utilities and SMPPs discussed and identified in relation to the following aspects (bulk water metering and pricing / subnetwork development / incentive structures / tendering, contracting and regulating arrangements / accountability / rationalisation of revenue collection)</p>	<p>4 locations with interested utilities and providers identified - Dec 05</p> <p>Dialogue launched through pro-poor information sessions - Jun 06</p> <p>Guidelines for sub-delegated arrangements development in Kisumu – Jun 06</p> <p>Design an OBA mechanism in Kisumu to extent services to the poor through DPSP – Dec 06</p> <p>Interfacing action plan discussed and agreed in 3 cities – Aug 06</p> <p>Additional 2 cities identified– Dec 06</p> <p>Pilot project and transaction preparation report in the 5 cities - Jun 07</p> <p>Partnership building processes designed and initiated in the 3 first cities Dec 06, and two additional ones Jun 07. Training action plans related to the pilot projects – Jun 07</p> <p>Interfacing arrangements piloted in 5 cities - Jun 08.</p>
<p>Document and illustrate capacity building framework, best practice and lessons in monitoring for global dissemination</p>	<p>FNs - Jun 06, Jun 07, Jun 08</p> <p>Institutional capacity building and 'interface' development experiences documented for global dissemination – Jun 08</p> <p>Guidance note on pro-poor unit drawing from the Benin case experience – Jun 07</p>