



Building Partnerships for Development  
in Water and Sanitation  
[www.bpdws.org](http://www.bpdws.org)

## **Public-Private Partnerships for Water Supply and Sanitation:**

Implementation Guidelines  
for Household and  
Community-Based Services

**July 2011**

***WORKING DRAFT***



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## ABBREVIATIONS

ADB	Asian Development Bank	PD	Project Document
BDS	Business Development Services	PHAST	Participatory Hygiene and Sanitation Transformation
BPD	Building Partnerships for Development in Water and Sanitation	PIDG	Private Infrastructure Development Group
CBO	Community-based organization	PPA	Public performance assessment
CMB	Conflict Mediation Board	PPP	Public-Private Partnership
CSO	Civil Society Organization	PRA	Participatory Rural Appraisal
CWSP	Community Water and Sanitation Project	PRSP	Poverty Reduction Strategy Paper
DFID	Department for International Development	PSP	Private Sector Participation
DRA	Demand Responsive Approach	ROI	Return on investment
ESA	External Support Agency	RWSS	Rural water supply and sanitation
FRUGAL	Forming Rural Utility Groups and Leases	SARAR	Self-esteem, associative strength, resourcefulness, action planning and responsibility
GIZ	German Gesellschaft für Internationale Zusammenarbeit	SC	Stakeholder committee
GWP	Global Water Partnership	SDC	Swiss Development Cooperation
HIPC	Highly Indebted Poor Countries	SECO	State Secretariat for Economic Affairs
IDE	International Development Enterprises	SLA	Service level agreement
IFI	International financial institutions	SMART	Specific, Measurable, Attainable, Relevant, Timely indicators
IWMI	International Water Management Institute	SME	Small and Medium Size Enterprise
IWRM	Integrated water resource management	TA	Technical assistance
MDGs	Millennium Development Goals	UFW	Unaccounted for water
MIS	Management Information System	WATSAN	Water supply and sanitation
MFI	Micro-Finance Institution	WB	World Bank
NGO	Non-governmental organization	WHO	World Health Organization
O&M	Operations and maintenance	WSDF	Water Sector Development Fund
OBA	Output-based aid (payment scheme)	WSP	Water and Sanitation Program
ODA	Official development assistance	WSUP	Water and Sanitation for the Urban Poor
OECD	Organization of Economic Co-operation and Development	WSS	Water Supply and Sanitation
		WUA	Water User Associations
		WUC	Water User Committee

## INTRODUCING THE GUIDELINES

Water is fundamental for life and health and by extension is a prerequisite for realizing other basic human rights in the fight against poverty. The Millennium Development Goals (MDGs) reflect this by recognizing the need to reduce the number of people without access to safe drinking water and adequate sanitation in half by 2015.

New and innovative partnerships are needed to meet this huge challenge, particularly in rural and other smaller settlement areas, which cannot be easily connected to municipal water and sanitation services. Even in the remotest areas, different forms of private sector involvement are increasingly seen as a promising option. Forms of collaboration range from straightforward buyer-supplier relationships with contract-based service provision arrangements to more sophisticated partnerships between public authorities, private companies and communities.

Numerous case studies show that collaboration between the public authorities and a private sector that is willing and able to take financial risks leads to results. For this to work, governance structures have to be defined properly for all actors: roles and responsibilities must be assigned, and particularly where natural monopolies exist, regulatory mechanisms must be clearly established.

The Swiss Agency for Development and Cooperation (SDC), the Swiss State Secretariat for Economic Affairs (SECO) and Swiss Re have facilitated a process to develop instruments to respond to these challenges. The objective of this initiative is to enable optimal use of these new forms of collaboration between the public and the private sector, in urban as well as in peri-urban and rural areas. While Swiss Re contributed its risk expertise in this partnership, SDC and SECO placed additional emphasis on improving the sustainability and poverty focus.

A set of tools with Policy Principles and Implementation Guidelines for Municipal Water and Sanitation Services was published in spring 2005. The tools were developed through a multi-stakeholder process and with input from a variety of experts with the aim of contributing to the design of approaches that provide access to safe drinking water and adequate sanitation, particularly for the poor.

Whilst the other tools focus primarily on partnerships at a more macro urban level, this working document seeks to collate best practice around the roles of and relationships between poor households and communities vis-à-vis public private partnerships in rural and other smaller settlements.

Please note that this document, whilst originally drafted by SDC and SECO in 2006<sup>1</sup>, has more recently evolved to bring together further ideas and approaches that may not represent the views of and should not be attributed to either organization. It is part of a package of materials including the *Policy Principles, Implementation Guidelines* and *Assessment Tool* available on [www.partnershipsforwater.net](http://www.partnershipsforwater.net)

## PURPOSE AND BACKGROUND

### *Millennium Development Goals (MDGs)*

In pursuit of the Millennium Development Goals (MDGs), the international community seeks to reduce the proportion of people having no access to water and sanitation, by 50% by the year 2015. Massive investments and a total mobilization of all possible partners (governments, civil society, private sector and donors/funders) are needed to meet this ambitious target.

In areas difficult to reach through municipal networked services, providing access to clean water & sanitation is often beyond the capacity of the public sector. Basic information and campaigns on hygiene and health, if used at

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<sup>1</sup> The editing team for the original draft consisted of Francois Muenger (SDC, Berne), Pierre Walther (Walther Consulting, Berne) and Urban Frei (Ecos, Basel). Substantial contributions were made by Armon Hartmann (Muensigen), Urs Heierli (MSD Consult, Berne) and Erich Baumann (SKAT St. Gallen). SDC and seco gratefully acknowledge the helpful comments and inputs received on earlier versions from the regions and networks during field visits and back-testing workshops in La Paz/El Alto (Bolivia), Nueva Cajamarca (Peru) and Maputo (Mozambique).

all, are often ineffective due to the lack of investments for basic infrastructure. Community solutions are often the only option with a large part of the municipal responsibilities being "transferred" to the populations themselves.

### *The private sector has a contribution to make*

Governments and NGOs increasingly recognize that, if their engagement is shaped with clear public policy goals in mind, the private sector can bring the skills, initiative and, in some cases, investment capital to increase coverage and the quality of water and sanitation systems in these areas.

The local private sector, often the unique providers in rural and other small settlement areas, has always existed, but has remained in the "shadow" of policies or subsidized Government or NGO programs. Once the public sector concentrates on key tasks such as creating demand, regulation and/or monitoring, this will allow the development of an enabling environment for entrepreneurs to deliver on the supply side.

For larger more commercially-minded companies, rural and other smaller settlements areas may be seen as risky investments. The relative political obscurity, low population density (with subsequently low economies of scale) and prevailing poverty of these areas may present obstacles too great for certain forms of private sector engagement.

These examples are increasingly available (see references). But yet, still many prejudices towards any form of private sector involvement have to be overcome.

#### ***What do we mean by private sector?***

In these Guidelines, the term private sector covers a very vast and quite diverse spectrum. The private sector in water and sanitation can include any economic unit from water vendors, latrine suppliers to multi-village system operators and in some cases a large multinational soap company. Due to considerations around economies of scale, large international companies specialized in water supply and sanitation services tend to be more interested in urban systems than in rural or unstable settlements and small community systems. They may also be interested in product innovation and as partners in public health campaigns. For smaller communities, long-term sustainable access to water supply and sanitation often depends on a chain of small-scale enterprises involved in servicing and providing spare parts in the future (e.g. pump manufacturing, well-drilling, manufacturing of water filters).

#### ***Three Success Stories***

- 1) Mauritania** - More than 300 rural & small town community services and stand pipes in urban poor areas of Nouakchott are operated and maintained by local private contractors under short-term management contracts from a civil sector institution responsible for the sustainability of the water services and under contract with the national water authority.
- 2) Bangladesh** - More than 6000 small workshops started to produce and successfully sell latrine components once the 1000 poorly performing subsidized Government latrine production centres were closed. Household sanitation is becoming a standard component of any settlement.
- 3) India** - Hindustan Lever involves poor women as entrepreneurs in their supply chain. If a woman joins a self-help group for rural savings and credit, she can get a loan to buy HLL products for re-sale in the village. Started in 2001, the project already covers some 12,000 villages.

**OBJECTIVE AND SCOPE**

The overall goal of this second set of Implementation Guidelines<sup>2</sup> is to draw attention to the important role the private sector plays and can further play for community-based services. It provides hands-on practical guidance on how to successfully involve the private sector, in areas that are often natural monopolies. Areas of particular focus include guidance on good planning, monitoring and regulation in order primarily to minimize risks for consumers who may have no viable and safe alternatives to the service provider. The document acknowledges differences between models for rural and small settlement areas that may not be grid-based like municipal services.

Level	Examples	Type
<b>Municipal</b>	Piped water supply sewerage	Municipal Services
<b>Community</b>	Piped community water supply	Community Services
<b>Neighborhood</b>	Neighborhood well	Household Solutions
<b>Family</b>	Family well, on-site sanitation	Household Solutions
<b>Individual</b>	Hand washing	Household Solutions

**Figure 1: Variety of Models**

Where no services are readily available, the initiative of people in the community for self-supply becomes more crucial. Business models in community-based systems are often not yet profitable even for local providers and / or they cannot cover the population including the poorest. Many barriers have to be removed to reduce transaction costs and risks to make business models viable. Issues to be addressed that directly affect the role of the private sector include adjustments in the policy and the legal framework (e.g. contractual procedures, regulation of quality of services and prices), ensuring government's do not interfere unless required to do so, and development of affordable products and services that meet the demand of the poor through sustainable supply chains.

***Different models of private sector involvement in water supply and sanitation***

In the community context, private sector activity can take various forms. The most prominent are the following:

- (a) *Independent private sector activities*: The private sector develops business opportunities and has a share on the water and sanitation market. Examples include local manufacturers, sellers, servicing and upgrading agents both for latrine components and water supply.
- (b) *Public-private partnership (PPP)*: This implies the delegation of certain public responsibilities to a private entity and therefore requires a more formal agreement (e.g. a contract) between the public and private partners. Examples include private operators of a community water network.

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<sup>2</sup> To be read in conjunction with the Implementation Guidelines for Municipal Water and Sanitation Service Delivery – also available on [www.partnershipsforwater.net](http://www.partnershipsforwater.net) which goes into some detail on PPP solutions for larger-scale contractual arrangements required for the provision of municipal services. There is a structured description of the PPP implementation process, special aspects of the larger-scale contractual arrangements (lease contracts, concession model etc.), procurement procedures, risk analysis, finance architecture, arbitration, etc.

- (c) *Public-private-community partnership (PPCP)*: The agreement may also be tri-partite. As an example, a private company could have a contract with the community and receive additional support from a national agency and / or municipality.

At this community level, most of the businesses will be local and often not registered under company law. They may face financial constraints or interference from facing serious constraints. For example, studies reveal that, in rural areas, around 90% of the businesses use either their own savings to initially start their business, or borrow the money from family members (Wakelin, 2000).

### **Focus on environmental health (clean water, sanitation and hygiene)**

The rationale for supporting rural or smaller settlement areas with public funds is the hope that it is possible to achieve health impacts and to improve quality of life. To achieve these impacts, however, an integrated view of environmental health (clean water, sanitation, hygiene) is needed. In all of these areas, there is room for private sector involvement. Examples include:

- (a) *Clean water*: e.g. private operators of village services, private tube well mechanics, local drilling companies, bulk water companies
- (b) *Sanitation*: e.g. latrine producers, pit emptying services.
- (c) *Hygiene*: e.g. soap companies, becoming involved in hand washing initiatives

### **TARGET AUDIENCE**

These Implementation Guidelines are primarily aimed at policymakers and practitioners whose primary focus is on the development and management of community-based services in rural and small settlements or possibly even peri-urban areas. Examples include district water engineers, small town administrators, employees of the rural unit in the national regulator, municipal Governments, local banks, planners of new NGO programs and, if reachable, small scale entrepreneurs and providers.

### **EXPECTED BENEFITS FOR THE POOR**

These Implementation Guidelines should lead to direct benefits particularly in the following areas:

**(d) Developing the role of the local private sector in meeting the needs of poor rural and smaller settlements communities**

In order to dramatically increase the coverage of water supply and sanitation in remote areas, many barriers have to be removed for the private sector. These Guidelines provide step-by-step instructions on how to analyse the context and develop participatory community-based projects.

**(e) Ensuring greater sustainability in operations and management (O&M)**

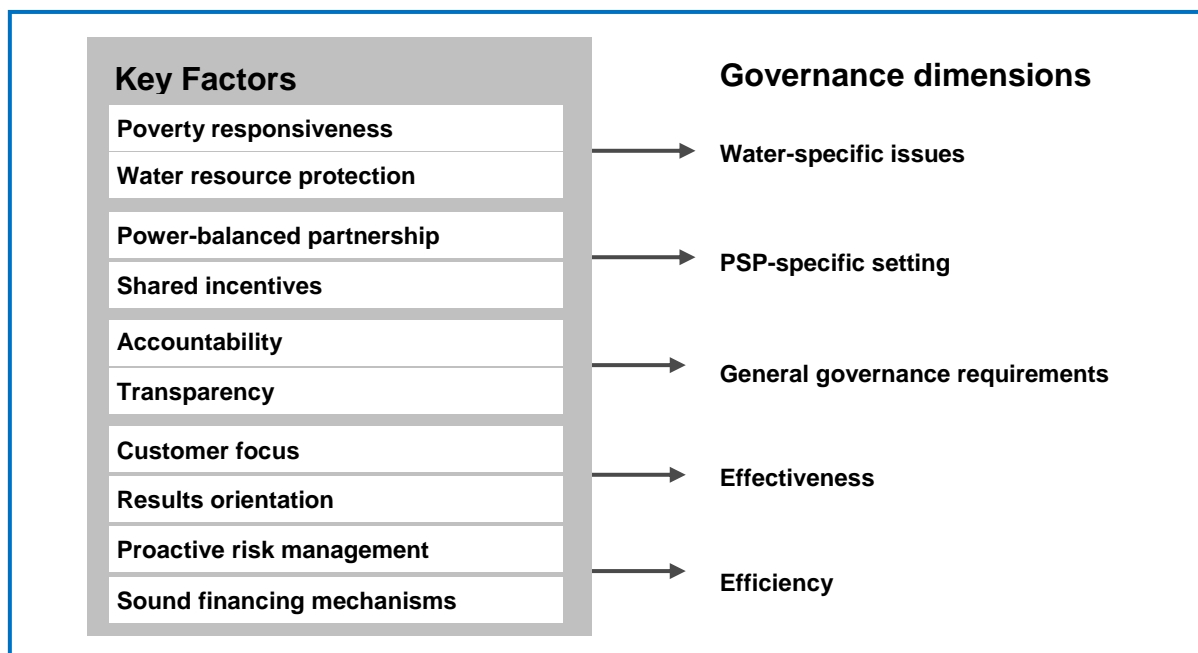
Over the years, many community-based organizations (CBO) have been established, but few remain viable, providing sustainable services to poor communities. Collaboration with the private sector as an additional tool may contribute to ensure sustainable service delivery. This collaboration may also increase professionalism and management capacity at the community level (DFID, 2005).

**(f) Creating jobs, know-how and expertise in rural areas**

In rural areas and in the context of informal economies, small and medium enterprises (SMEs) are the largest creators of employment. Creating an enabling environment for private investments can be an effective strategy to create jobs, know-how and expertise in rural areas. It can also trigger a competitive dynamic to shift the dynamic away from an unsustainable beneficiary model.

**KEY FACTORS FOR GOVERNANCE**

The quality of governance can be critical for the successful collaboration between actors from the public and the private sector. To this end, ten *Key Factors* have been identified in the elaboration of the Policy Principles instrument.<sup>3</sup> They are introduced below with a brief reference on what could be particularly important in the case of community-based services.



**Fig. 2: Key factors for good water governance**

**Poverty responsiveness** – A key goal must be to bring access to the underserved and the main challenge therefore, is to properly involve the poorest people. Whenever possible, combined or hybrid solutions (and if possible income-generating solutions) should be targeted.

**Water resource protection** – In rural areas, water is often a scarce resource and therefore has to be managed wisely. Stakeholders have to understand the importance of the protection of their watersheds and be aware of the competition of water uses.

**Power-balanced partnership** – Power structures in communities might be well established but not easily visible. Efforts need to be placed on ensuring that gender and other equity and inclusion criteria are used to take decisions on behalf of the community.

**Shared incentives** – Win-win solutions require transparent efforts to meet the incentives for all parties involved. While incentives of the poor may be the realization of their hopes and dreams, small entrepreneurs and local service providers are looking to ensure the sustainability and growth of their businesses.

**Accountability** – Clear indicators should be established (e.g. quality, quantity, service disruptions etc.) that dictate the expectations of all parties. Similarly clear grievance mechanisms need to be established so each party has recourse in the event of something going wrong.

**Transparency** – Making clear information available transparently (e.g. on financing arrangements, project status, difficulties and open issues) establishes trust with all stakeholders. The clarification and separation of roles are

<sup>3</sup> The Policy Principles are the “policy level” part of this set of instruments. For more details see: [www.partnershipsforwater.net](http://www.partnershipsforwater.net)

critical steps towards achieving transparency, as they establish clear responsibilities. Transparency is key to countering (perceptions of or actual) corruption and eradicating bribery.

**Customer focus** – The needs and possibilities of the future users of any solution have to be the basis for the shaping of organizational and technical solutions. Participation of customers at critical stages in the process can ensure the customer focus is kept at all times. If demand for sanitation does not yet exist while health issues are apparent, social mobilization can induce and create this demand.

**Results orientation** – To realize each party's incentives, all parties should focus on negotiating optimal results for all rather than trying to closely control the processes of getting there ("management by results"). Any arrangement should however, be flexible enough to be revised consensually if parts of a desired result prove to be unrealistic.

**Proactive risk management** – To detect and mitigate risks in the community context, an open dialogue about potential problems must be maintained. In the event of conflicts, clear procedures for resolving the conflict should be developed by the main actors. Where the magnitude of risks is larger than what the community or the private entrepreneurs could absorb, fallback support from a higher level of government should be sought or other mechanisms identified.

**Sound financing mechanisms** – A sound financial basis is crucial to the sustainable operation of water and sanitation services. Even on a very small scale, the solutions must be economically viable for the provider, acceptable for poor consumers and realistic for the authorities in terms of required contributions from their part (e.g. required subsidies for rural development). For services, all revenue comes through tariffs or taxes and needs to cover the long-term costs of the solution. Availability of local credits could support the scaling up of smaller businesses.

## HOW TO INVOLVE THE PRIVATE SECTOR?

Ensuring viable and reasonably profitable markets will make it attractive for private actors to deliver household solutions or contribute to community services, complementing the activities of public sector duty bearers. Private sector involvement is not a goal in itself, but one way of ensuring greater coverage. Involving the private sector means setting off change processes in the water sector that includes the following steps:

### (g) Facilitate access to existing markets

The private sector faces many constraints when entering rural markets. Settlements may be dispersed and have a low population density, the purchasing power is low and a critical mass of sales volume is not immediately there to make private sector activities obviously viable. Often the existing private sector has not yet discovered the water supply and sanitation markets.

### (h) Stimulate the demand

While the demand for water and sanitation is generally high, the willingness and capacity to pay is low. Furthermore the solutions proposed for off-grid populations often do not correspond to the demand of the population and, particularly in sanitation and hygiene, social marketing campaigns are largely absent. In response, new products and solutions should be introduced. To make it attractive for the private sector to deliver these products and services, efforts in market creation and supply chain development are needed.

### (i) Create new markets

Usually, the private sector itself creates these markets, but the water and sanitation sector, especially the underserved segment of the rural poor – is not a very attractive market to invest in. One of the key problems is usually the lack of a critical mass of demand that could be translated into profitable sales volumes. Another problem is that as soon as the sales volumes pick up, competitors and "copy cats" will emerge and eat into the profits.

For this reason, it is justified to use public sector funds to facilitate the emergence of these markets. This public investment is a much cheaper way of achieving the goal: rather than giving the solutions for free or in a highly subsidized way, investments in market creation will lead to private sector delivery and economic development with the customer paying at least a part.

The problem of scale is not the unique aspect. When local income levels are generally low, small incomes can be attractive for the local private sector. In various villages, the job as an operator of a standpipe can become an opportunity for a local small entrepreneur.

## HOW TO ACHIEVE LOCAL PARTICIPATION

### *Collaborative networks*

In remote areas, none of the actors, including national agencies, local government, NGOs, private sector, regulator or the community, act in isolation. To achieve their goals, they have to form a network of collaboration. Collaboration is also needed for technical reasons. Investments in water supply cannot have a great impact on poverty without parallel advances in hygiene and sanitation, environmental protection and efforts to achieve a sustainable level of water consumption.

### *Participation of women*

In most cultures, women bear the responsibilities and burden of water supply, sanitation and hygiene. It is therefore important to involve them actively, especially when private sector involvement in any of these areas is being discussed. Women are also an important source for local entrepreneurship. Successful examples including female tube well mechanics, female operators of community wells, etc.

### *Participatory planning*

Experiences with private sector involvement show that there is plenty of room for adapted and innovative solutions. To take full advantage of the options, it is important to start each planning and decision making process with a participatory and comprehensive assessment of the present situation and options for change. In this process, the demand and expectations of the population have to be at the centre. Looking for alternative and new models should be a key characteristic of the preparation and planning of any water supply and sanitation project, also in rural areas.

These Implementation Guidelines can offer only options. It remains up to the reader and local actors (e.g. community water and sanitation committees, local government) to transfer these into specific situations and contexts. When describing such solutions and recommendations, references to the Tool-Container have been included, where tools, checklists and best practices for involving the private sector are available.

## STRUCTURE AND CONTENT OF THESE IMPLEMENTATION GUIDELINES

These Implementation Guidelines follow the structure outlined in the figure below. The chapters distinguish the main process steps, areas and alternatives necessary for the successful involvement of the private sector in water supply and sanitation in the community context.



**Fig. 3: Overview of the 4 parts of the Implementation Guidelines**

### ***Part 1: Support processes and supply chains***

Especially in rural and other smaller settlements, the community has to be organized and mobilized to prepare for successful private sector involvement. Gaps in the institutional framework or the financial arrangements have to be closed. Unlike in urban centres, private sector engagement is very unlikely to be a “one community solution” but will require a critical mass of communities adopting the same approach. Therefore, such an approach has to be part of the general strategy of the water authorities.

Apart from the initial activities to enable projects, a second range of support processes will have to be sustained over a longer period of time to make PPPs successful. Stakeholder cooperation, communication, capacity building and mediation are the most critical elements.

For the long-term sustainability of services, the supply of equipment, consumables, spare parts and services has to be built up. To ensure well functioning supply chains, each link of the chain has to be economically viable. Part 1 thus includes recommendations on how to enable and set up sustainable supply chains.

### ***Part 2: Household services***

Household solutions often remain the only viable service alternative for families and neighbourhoods to gain sustainable access to safe drinking water and adequate sanitation, especially in areas with dispersed settlements. Even in more densely populated areas the “household approach” can be useful to compensate for deficiencies of the services (e.g. WHO household water treatment recommendations).

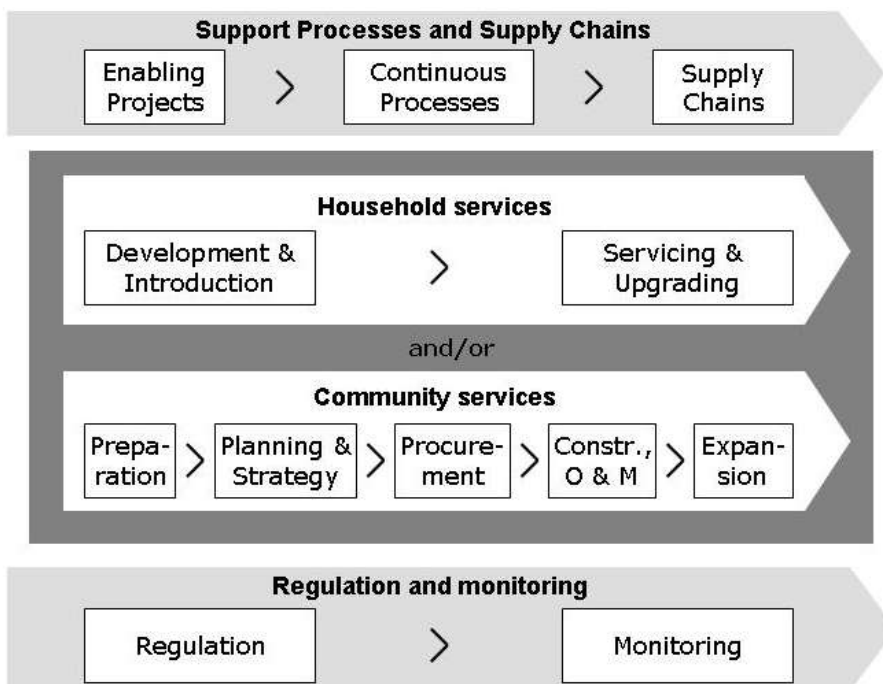
The chapter outlines critical cooperation requirements between private and public partners for the successful development, market introduction and sustainable operation of household solutions (latrine slabs, hand-pumps, on-site sanitation, water filters etc.), including their upgrading and further improvement.

**Part 3: Community services**

If the community decides to involve one or more private operators for delivering water supply and sanitation services, this chapter provides the main elements of the preparation, planning and procurement phase. It also gives guidance on important topics for coordination during construction and outlines the elements of successful public-private collaboration for operation, maintenance and service expansion.

**Part 4: Regulation and monitoring**

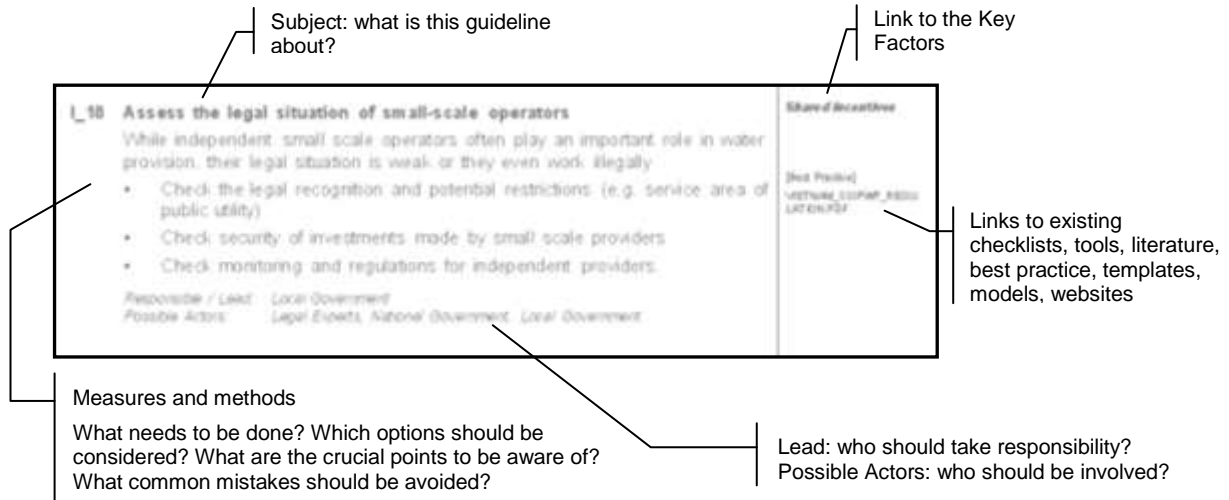
To ensure viable, equitable and practical solutions, regulation and monitoring of service delivery is an enabling factor for the long-term sustainability of household and community-based services. This chapter provides recommendations on how to establish these processes.



**Fig. 3: Overview of the subsections in the Implementation Guidelines**

**Structure of guideline notes**

All guideline notes offer options for actions, crucial points for consideration, and provide input for developing appropriate solutions. They are in no way meant to provide a blueprint. Solutions always have to be found locally on a case-by-case basis. A “guideline note” is the smallest unit and normally consists of the following elements:



**Fig. 4: Schematic and referencing in each guideline note**

**HOW TO READ THESE IMPLEMENTATION GUIDELINES**

***Make a choice and do not try to be perfect***

As reader/user of these Guidelines, you will need to select the elements that are most useful for your specific situation, always bearing in mind the practical aspects and constraints of the particular context in which you are working.

***Finding your way through these Guidelines***

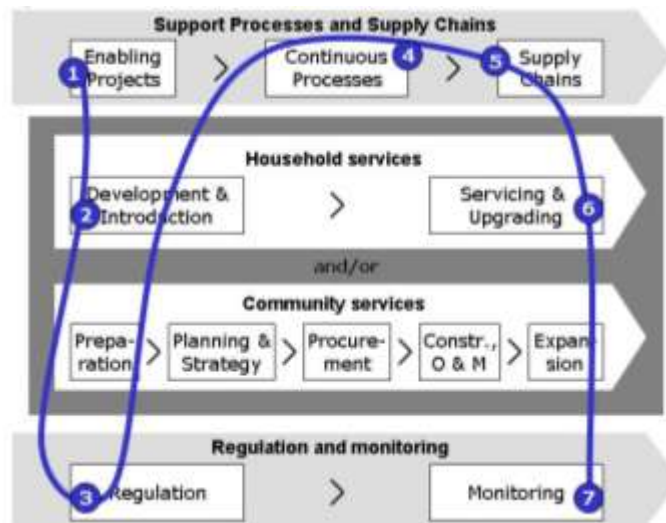
Be aware that these guidelines cover two fundamentally different options of PPP:

The HOUSEHOLD SERVICES, where each household becomes its own service provider and is assisted in this by PPPs.

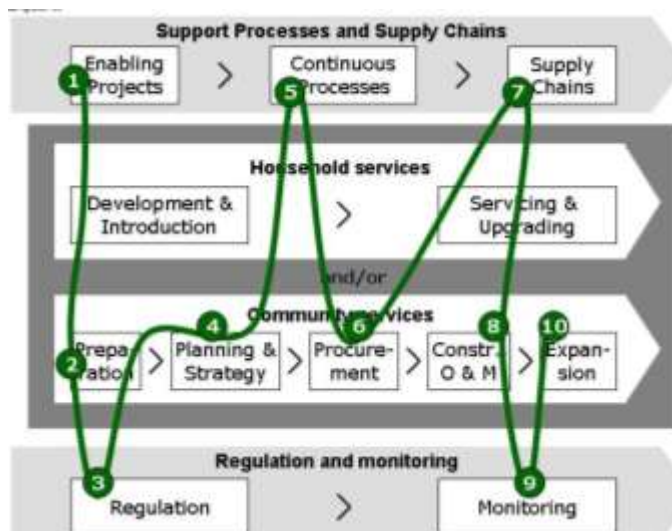
The COMMUNITY-BASED SERVICES, where the families of a community decide to entrust their service provision to a private operator, therefore creating a small PPP themselves.

Depending on this main option, the reader will need different sections of the Guidelines. The following examples should indicate possible “menus”:

A) Setting up household solutions will probably follow a path like this:



B) B) The following sequence may be helpful for setting up community-based services:



## Guideline Notes

### SUPPORT PROCESSES AND SUPPLY CHAINS

Support processes are required throughout any project: (i) for setting it up and (ii) making it sustainable by way of a functioning partnership and well established supply chain.

(i) To **enable** the development of projects with the private sector, **market creation in water supply and sanitation in underdeveloped and underserved rural and smaller settlements** is the entry point. This involves stimulating both the **demand** (through awareness creation, hygiene education, social marketing etc.) **and** the **supply** (through product development, training of plumbers, pump manufacturers, masons).

(ii) Longer-term **continuous support processes** such as **stakeholder collaboration, communication, capacity building, conflict mediation, etc** have to be permanently ensured to keep the partnership functional and win-win focused. Goods and services (e.g. equipment, training, repair services, financial and technical services, and water service management) are delivered to the customers **through a stable supply chain** from manufacturers, importers or service providers - through a network of distributors to the users. As access to rural areas is usually difficult, supply chains **tend to be very weak and costly**. Existing commercial networks should be used for the development of sustainable supply chains.

#### Main tasks

- Work towards **community cohesion** and mobilise the community for hygiene and sanitation programmes
- Focus on the **institutional and policy framework**: recognize community organizations; prepare inter-municipal collaboration and enlist the support of local training institutes; remove subsidies that distort the market
- Create forums for **stakeholder collaboration** and ensure leadership and a favourable political climate
- Ensure clear and regular flows of **communication**: permanent access to information creates trust between the partners.
- Understand needs for **market creation** in a particular development context
- Determine what is needed and **build capacity** to manage emerging agreements
- Focus on **conflict prevention**: find adequate and culturally accepted forms for the prevention and mediation of conflicts and ensure the independence of local conflict mediators
- Ensure **effective supply chain management** through procurement support and subsidy analysis

Enabling projects	Themes and Relevant Tools
<p><b>1.01 Carry out participatory assessment</b></p> <p>Assessments to promote self-reflection on the situation of the community in water, sanitation and hygiene should be carried out in a participatory way. NGOs and other organizations that have easy access to the community play a key role.</p> <ul style="list-style-type: none"> <li>● Assess the situation in the community:             <ul style="list-style-type: none"> <li>○ <i>Address all aspects – water, sanitation and hygiene</i> – as health impacts can only be achieved if all dimensions are addressed.</li> <li>○ <i>Use participatory assessment</i>: use available, well-tested methods such as participatory rural appraisal (PRA) or SARAR</li> <li>○ <i>Hold special focus group discussions with women</i>: What are their perceptions and expectations of the project? What are their beliefs and desires?</li> </ul> </li> </ul>	<p><b>Power-Balanced Partnership;</b> <b>Customer Focus</b></p> <p>[FURTHER READING]            A TRAINERS GUIDE FOR PARTICIPATORY LEARNING AND ACTION (PRETTY ET. AL. 1995)            PARTICIPATORY HYGIENE AND SANITATION</p>

- *Discuss expectations regarding hygiene and sanitation:* Considering that any solution has to meet the specific demand of the customers, it is important to carry out a survey on their preferences.
- *Discuss possible means of participation and willingness to pay for better services:* Assess in which form the community would be willing to make its own contribution (cash, manpower) both for construction and operation.
- *Explore possibility of household solutions:* discuss options for the involvement of the private sector at the household level
- Carry out participatory mapping: map out the present sanitation practices to increase awareness about water, hygiene and sanitation using concrete examples.
- **Avoid:**
  - Discussing the needs and obstacles exclusively within the authorities
  - Excluding the powerless (e.g. the illiterates) from the process

*Responsible/lead:* Local government

*Possible actors:* WATSAN committee, NGOs

### 1.02 Mobilise and involve private sector as a partner

Local government, supported by NGOs or a consultant, should take the initiative to discuss with local companies, the informal private sector and interested communities about possible options for their collaboration in water supply and sanitation.

- For more effectiveness:
  - Identify and establish relations with intermediary actors: programs and institutions with relevant experience in the area and existing relationships to the private sector (e.g. universities, NGOs, ODA-funded projects, rural training programs and colleges);
  - Educate community representatives both in specific water- and sanitation-related know-how/skills and general entrepreneurial realities.

*Responsible/lead:* Local government

*Possible actors:* NGOs, local universities or training centres, community leaders

### 1.03 Adapt policies to create business opportunities

A favourable business environment should have secure macroeconomics, open trade, and un-bureaucratic financial and fiscal sectors. When these aspects are not well developed, the private sector may be reluctant to invest and establish itself on a long-term basis.

Advocacy towards policy changes should include:

- Governments and ESA can create effective support mechanisms for small local enterprises to get access to finance. They also can create regulation mechanisms that are conducive to improving the environment in which to do business.
- Tax legislation: Contrary to projects and NGOs, local entrepreneurs have to pay import tax and duties. In addition, they often might have to compete against state monopolies and may be hampered by interventions in pricing and distribution.

TRANSFORMATION  
(PHAST), (WHO, 1998)

**Results Orientation;**  
**Shared Incentives**

**Poverty Responsiveness;**  
**Customer Focus;**  
**Power-Balanced Partnership**

- Incorporate spare parts issues into a national O&M policy.
- Good infrastructure is also vital for business. Good roads and reliable communications reduce the costs and simplify cash flow management.

*Responsible/lead: National government*

*Possible actors: Legal experts, local governments, Projects NGO*

#### 1.04 Explore options for multi-village cooperation

To reach economies of scale, collaboration with neighbouring communities or municipalities or communities may help to get private sector partners interested in a project. Local government can facilitate this collaboration.

- Functions that can be aggregated are e.g.:
  - *Promotion*: joint campaigns for stimulating demand
  - *Operation*: e.g. system operation, maintenance, quality control, billing, customer relations, laboratory for water quality analysis
  - *Management*: e.g. financial and technical management, strategic planning, human resources
  - *Procurement*: e.g. equipment, consumables, spare parts and services
  - *Investment*: e.g. for maintenance operations, new projects, shared projects at municipal level
  - *Financing*: identifying financial sources, aggregation of small loans.
- The advantages of aggregating service areas include:
  - economies of scale,
  - increased efficiency,
  - easier access to finance.
- Challenges include:
  - designing an appropriate structure (new entity, grouping, clustering for a specific purpose, etc);
  - collaboration between different political parties
  - meeting specific needs of individual communities

*Responsible, lead: Local Government*

*Possible actors: Communities, Private operators*

#### 1.05 Explore options for integrating different water uses

Rural communities often have various demands for water uses (e.g. water for people, for food production, for electricity) with potential for the integration of different uses.

- Explore options for:
  - integration of water supply and irrigation (hybrid systems, or multi-sector projects),
  - integration of small hydropower production with water supply services (gravity systems).
  - generating income from productive water uses for the financing of primary investments.
- Options have to be discussed at community level.

*Responsible / lead : Local Government*

*Possible Actors: NGOs, Communities*

#### **Sound Financing Mechanisms**

#### **Customer Focus; Poverty Responsiveness**

[FURTHER READING]  
RURAL WATER SUPPLY  
AND SANITATION  
TOOLKIT FOR  
MULTISECTOR PROJECTS  
(WORLD BANK, 2002)  
TRANSFORMING RURAL  
WATER ACCESS INTO  
PROFITABLE BUSINESS  
OPPORTUNITIES (POLAK  
ET AL., 2002)

**1.06 Plan and implement a campaign to raise public awareness**

Such a campaign can ensure that residents are well informed to make decisions on water, sanitation- and hygiene-related topics.

- Select professionals to conceptualize the campaign
- Select intermediaries (NGOs) to carry out the task at the field level
- The main objective is mobilization, leading to activities , e.g.:
  - training sessions or workshops to learn about and explore the current state of the water supply and sanitation system(s) presently in use
  - focus group and stakeholder discussions, using participatory methodology
- Stakeholders and residents should participate in these workshops and give feedback on their capacity-building needs.
- Always integrate water, sanitation and hygiene education into a comprehensive package and highlight any connections between them.

*Responsible/lead: National government*

*Possible actors: NGOs*

**Results Orientation;**  
**Poverty Responsiveness**

[TOOL]

SARAR – WORLD BANK PARTICIPATION SOURCEBOOK, ANNEX I: WWW.WORLDBANK.ORG / WBI/SOURCEBOOK/SBA105.HTM

[FURTHER READING]

HEALTH COMMUNICATION PARTNERSHIP (WWW.JHUCCP.ORG)

**Continuous support processes**

**1.07 Sustain campaigns for demand creation**

Many topics, especially behaviour changes in hygiene and sanitation, need long-term sustained campaigns and will not have any impact if they are just short-term activities.

The following topics should be communicated:

- Hygiene messages
- Range of products available for household water supply and sanitation
- Financial aspects and facilities (for instance loans for latrines)
- Roles of stakeholders and partners

*Responsible/lead: Local government*

*Possible actors: NGOs*

**Poverty Responsiveness;**  
**Results Orientation;**  
**Customer Focus**

**1.08 Plan for social mobilization of communities**

Social mobilization is the process of bringing together all feasible and practical inter-sectoral social allies to raise people’s awareness of and demand for water, sanitation and hygiene. Particularly where behavioural changes have to be achieved (e.g. hygiene, sanitation), total mobilization is needed to achieve impact. This also involves:

- Assisting in the delivery of resources and services of the different actors
- Strengthening community participation for sustainability and self-reliance.

*Responsible/lead: Local government*

*Possible actors: NGOs, WATSAN committee*

**Results Orientation**

[FURTHER READING]

SANITATION PROMOTION (WSSCC, 1998)  
 SOCIAL MOBILIZATION AND SOCIAL MARKETING IN DEVELOPING COMMUNITIES (MC NEIL, 1992)

**1.09 Achieve advocacy of charismatic leaders**

Advocacy of leaders (and the rich) is a first step to create demand. “Total community mobilization” can lead to a renewed demand for water, sanitation and hygiene.

**Results Orientation**

- Charismatic leaders can be:
  - Political or religious leaders
  - Theatre or music stars
- Advocacy consists of:
  - Organizing information into arguments to be communicated through various channels;
  - Gaining political and social leadership acceptance and preparing a community for a particular development program.
- The leaders maximize their impact at the community level by:
  - Building up a certain level of persuasion which is needed to achieve behavioural change at the community level;
  - Setting an example for behavioural change.

*Responsible/lead: National government*

*Possible actors: NGOs, local government, public persons*

[FURTHER READING]  
 SOCIAL MOBILIZATION  
 AND SOCIAL MARKETING  
 IN DEVELOPING  
 COMMUNITIES (MC NEIL,  
 1992)

### 1.10 Maintain momentum in social mobilization campaigns

Campaigns to stimulate demand for water supply and sanitation services have to be long-term. If necessary, certain activities have to be repeated from time to time to achieve behavioural changes.

- To achieve momentum in the long run:
  - Build alliances with local leaders who have an impact on decision making
  - Seek co-financing and marketing know-how for such campaigns from private companies (e.g. soap manufacturers)
  - Maintain momentum in the campaigns

*Responsible, Lead: National government*

*Possible actors: NGOs, private companies, community leaders, public persons*

**Results Orientation**  
**Poverty Responsiveness**

### 1.11 Support local governments as facilitators

With increased decentralization, local governments are increasingly required to facilitate at all levels (policy making, promotion of regulation, support, and implementation).

- Focus capacity building on:
  - Identifying the relevant focal point for all issues related to private sector involvement
  - Managing the PPP process politically
  - Managing the contractual arrangements of the PPP
  - Organising tenders and the role of regulation
  - Collaboration with stakeholders in local partnerships

*Responsibility, lead: National governments*

*Possible actors: Local government, capacity building programs*

**Accountability;**  
**Power-Balanced**  
**Partnership**

### 1.12 Ensure participation of stakeholders

A comprehensive stakeholder analysis will include:

- *Identification of lead stakeholders:* check which of the following may have

**Power-Balanced**  
**Partnership**

an interest in the project:

- Private sector partners (e.g. local companies, shops, informal private sector)
- Local government bodies concerned with water supply and sanitation
- Existing water supply and sanitation service providers
- Municipal engineers
- Communities to be served
- Entrepreneurs (e.g. hotel owners, mining companies) and the agricultural sector
- NGOs
- Women associations
- Donors
- *Assess existing platforms:* Do stakeholder forums already exist that could be used for e.g. consultation, training, awareness raising? Examples are associations of mayors, municipal councils, farmers associations, mothers clubs, inter-municipal committees
- *Define interest in project:* What are stakeholders' expectations of the project?
- *Assess resources/mandates:* What resources will the stakeholder wish to commit (or avoid committing) to the project?
- *Assess potential conflicts:* What other interests do stakeholders have which may conflict with the project? How does the stakeholder perceive others on the list?
- Avoid marginalizing certain stakeholder groups

*Responsible/lead:* Local government

*Possible actors:* WATSAN committee, NGO, local consultants, facilitators

### 1.13 Ensure permanent access to information

All stakeholders must have permanent access to information throughout the entire private sector involvement project. Basic principles are:

- Consider your information policy:
  - Communicate proactively
  - Make all existing analyses of the water system available to the community in public meetings
- Communicate effectively making sure that all information is understandable for all segments of society, including the less literate
- Define channels for disseminating information actively:
  - Make use of complementary information channels: Public meetings, road shows, television, radio, community radio, press.
  - Maximise non-written communications for less literate audiences (e.g. use local artists to prepare printed promotional material).

*Responsible/lead:* Local government

*Possible actors:* Local government, NGOs, community WATSAN committee (or WUC)

### 1.14 Develop training capacity locally

Needs for capacity building have to be satisfied with locally available resources. Steps include:

[CHECKLIST]  
 STAKEHOLDER ANALYSIS  
 AND EVALUATION TOOL

**Transparency;**  
**Accountability**

[FURTHER READING]  
[WWW.ACCESS-INITIATIVE.ORG](http://WWW.ACCESS-INITIATIVE.ORG)

**Proactive Risk**  
**Management**

- Identifying suitable local training institutions with links to national / international training programmes;
- Establishing and implementing training programmes with appropriate trainers and case studies from the region.

*Responsible/lead: Local government*

*Possible actors: NGOs, local training institutes*

### 1.15 Establish Conflict Mediation Board

Where the WATSAN committee cannot play this role, and to further establish a basis of trust between the public and private actors, a Conflict Mediation Board (CMB) should be established consisting of local people who are respected by all parties in the community. Preferably, and to avoid political interference or to ensure impartiality, such a board is established at the inter-municipal level. Members have to be selected on technical (and not on political) grounds.

- Establish basis for the Conflict Mediation Board:
  - Explain the role of the CMB to the local stakeholders (WATSAN committee, local Government)
  - Prepare a shortlist of possible candidates
- Specific tasks of the Conflict Mediation Board are:
  - Take action to prevent conflict
  - Assist (or act as impartial mediator) in the mediation of conflicts around PPP arrangements in the water supply and sanitation sector
- Select members

*Responsible/lead: Local government*

*Possible actors: WATSAN committee and, where available, local regulator*

### 1.16 Train local mediators

All mediators and members of the Conflict Mediation Board (CMB) have to be independent, well respected and trained personalities who are credible for all parties (e.g. customers, community WATSAN committee, private sector). Examples include lawyers living in the municipality, teachers, church representatives, community leaders. Steps include:

- Identifying a suitable training institution in the region and establish links to national/international training institute
- Establish a training program with experienced trainers in conflict prevention, management and mediation (with local / regional case studies);
- Implement the training program.

*Responsible/lead: Local government*

*Possible actors: NGOs, local training institutes, CMB*

### 1.17 Actively prevent corruption

Concrete measures will be needed to reduce the risk of corruption in any project with private sector involvement. These measures must be applied from the start to even the most provisional design documents to ensure that a dishonest consultant does not engineer the entire preparation process for the benefit of preferred contractors or suppliers.

- Possible anti-corruption measures:
  - Maximize transparency of processes and transactions.

**Proactive Risk Management**

**Proactive Risk Management**

[TOOL]

[WWW.CRNHQ.ORG](http://WWW.CRNHQ.ORG)

**Transparency**

SEE TOOLS CREATED BY  
[www.waterintegritynetwork.net](http://www.waterintegritynetwork.net)

- Include independent observers in the tender issuing and acceptance processes to reduce the likelihood of officials being bribed. Suitable, reputable NGOs can provide this service.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, national Government agencies, firms*

## Supply chains

### 1.18 Explore and mobilize local capital

Local capital markets are often underdeveloped or, in some countries, virtually non-existent in rural areas. A large variety of sources of local funds can play a key role for the development of sustainable supply chains, for all types of private sector involvement

- Explore sources such as the following:
  - Micro-lending for small projects
  - Sub-sovereign lending by donors in local currency (e.g. World Bank’s GuarantCo facility)
  - National and/or local water-sector development funds (WSDF) such as a revolving fund designed to cross-subsidize new connections for poor people or enable urban-rural transfer.
  - For governments of HIPC countries: Consider negotiating with lender countries on project financing via a “debt for water” mechanism.
  - Family resources
- Invite representatives of local banks to important meetings of the water supply and sanitation sector.

*Responsible/lead: National government*

*Possible actors: Local government, banks, chamber of commerce*

### 1.19 Avoid project centred procurement that circumvents local suppliers

Project centred procurement is often at the core of broken down supply chains. Projects purchase on behalf of users. International importers supply the equipment, and the economically not lucrative sales of spares should be taken up by the local private sector. Buying directly abroad short circuits the essential lower links in supply chains, and thus impedes the capacity of local spare parts dealers to support water systems.

*Responsibility, lead: Project managers*

*Possible actors: Local Private Sector*

### 1.20 Recognize importance of intact supply chains

The availability of spare parts and specialized services is influenced by a number of inter-related factors including:

- market size and segmentation;
- standardization of products and services;
- existing base(s) for equipment;
- local equipment and spares manufacture;
- efficiency of after-sales support;
- policy on involvement of informal service providers.

**Sound Financing Mechanisms**

**Proactive Risk Management**

[FURTHER READING]

USAID, CREDIT GUARANTEE PROGRAM

WSP, FINANCING MECHANISMS

**Poverty Responsiveness;**

**Shared Incentives;**

**Results Orientation**

**Poverty Responsiveness;**

**Shared Incentives;**

**Results Orientation**

[FURTHER READING]

SANITATION IS A BUSINESS

TAPPING THE MARKET

*Responsibility, lead:* Procurement  
*Possible actors:* Local Governments, Projects, NGO

**1.21 Make supply chains profitable on all levels**

The underlying objective of a functioning and sustainable supply chain is to deliver a successful product to the customer that allows for an acceptable profit to the provider.

*Responsibility, lead:* National level programs  
*Possible actors:* Local Governments, Projects, NGO

**1.22 Facilitating supply chains effectively**

Facilitators assisting the creation of supply chains need to limit their interventions to the absolute minimum. They should absolutely avoid becoming part of the supply chain but concentrate on:

- building effective relations between stakeholders
- identifying and developing potential partners in the chain
- making partners aware of the 'bigger picture'
- creating a collaborative environment for planning

*Responsibility, lead:* NGOs, outside Facilitators  
*Possible actors:* Local Private Sector, Projects, NGOs

**1.23 Support standardization process**

Standardization is a pre-requisite to help set up successful supply chains and the familiarization effect brings about big savings in training and O&M.

- Main objectives of standardization include:
  - Limiting the variety of equipment to a minimum
  - Establishing effective quality control measures
  - Supporting local production
  - Promoting sustainable supply chains and after sales services
  - Reducing training needs
- Adjust your implementation methodology to:
  - Support the national government in its efforts to use uniform technology options
  - Ensure that national standardization allows for necessary product innovation and that spare parts and after sales services will be available for this equipment.
  - Determine mechanisms for testing equipment so that it can be included into the standardized list

Standardization is an intervention by government, which interferes with free markets. Therefore, decisions to standardize should be well considered.

Standardization has many benefits as it:

- reduces training needs
- offers the potential to utilize the benefits from economies of scale
- minimizes fragmentation of the market
- thereby enhances economic viability of local production

PROMOTING DREAMS  
 POVERTY ALLEVIATION  
 AS A BUSINESS

**Poverty Responsiveness;  
 Shared Incentives;  
 Results Orientation**

**Poverty Responsiveness;  
 Shared Incentives;  
 Results Orientation**

**Accountability;  
 Customer Focus**

**Poverty Responsiveness;  
 Results Orientation**

- limits the variety of spare parts enhancing their availability and reducing their cost

*Responsible/lead: National Government*

*Possible actors: Regulating body, national government,*

## HOUSEHOLD SERVICES

Household solutions for clean water, hygiene and sanitation are a valid alternative to grid-based services, particularly in rural areas with their often disperse settlements. Examples of such “domestic” solutions are: on-site sanitation, family wells, hand pumps, family water filters and many more. (EAWAG, 2004)

The private sector plays a key role in the production and dissemination of these household solutions. Dynamic small and medium sized enterprises strive to fulfil the needs of their customers: to have a clean water source or the comfort and the privacy of an adequate sanitation facility. They will also assume significant costs of promotion and training of villagers (Polak et al., 2002; MSD consult et al., 2004) if they can rely on fair conditions for developing a flourishing business.

To create an enabling environment is important (see above). Over time and using progressive steps, people will have access to water of an improved quality and quantity.

### Main tasks

Develop desirable, affordable and well designed products: To make a product reliable, easy to handle, sturdy, nice-looking and still low-priced is a challenge. So many products designed “for the poor” have failed, as nobody wants a product for the poor, not even the poor. Poor people have the same aspirations as better-off people. Designers of products and services should preferably use local resources and keep the costs low or break down the products into affordable units.

Diffusion of innovations is a social process: The adoption of innovations, especially those that require behavioural change like hygiene – follow a social pattern. People are influenced by reference persons and efficient communication strategies must therefore reach such change agents in a village first. Effective communication campaigns should understand and be guided by the social dynamics of the diffusion process (Everett Rogers, 1982).

### Main challenges

Advocacy and government recognition: Advocacy may be needed among policymakers as they are often reluctant to include low cost technology options since they may appear retrogressive. However such systems can be incrementally up-graded over time as additional resources become available. Other households might copy the idea using their own resources. Thus the government can tap a considerable funding resource coming directly from private owners.

Information: Adequate technical and software information for practitioners and users allow them to make informed decisions and to improve their supplies with minimum subsidy. Most private supplies remain the property of individuals; this creates an optimal feeling of ownership, allowing them to make decisions, take direct benefit and to form linkages with local artisans who can maintain systems at minimum cost. The owner chooses the technology s/he feels able to sustain.

Resistance to change: Government agencies are perceived to be responsible for the construction of infrastructure with households having a natural resistance to taking control of the development of their own systems.

Market building, product development and introduction	Themes and Relevant Tools
<p><b>1.24 Invest in rural marketing and communication</b></p> <p>The investment in generic promotion of a technology or a solution usually does not pay for the private sector as this may be seen to also benefit their competitors. Investment in market creation and communication needs to be supported with public funds and requires know-how in rural marketing. Strategies can be elaborated in a participatory process together with the private sector. Main tasks include:</p> <ul style="list-style-type: none"> <li>• Identifying and testing products and services that meet demand.</li> <li>• Designing and implementing a communication strategy by:           <ul style="list-style-type: none"> <li>○ Identifying (and eventually involving) groups who are likely to be early adopters for the products and services.</li> <li>○ Planning activities for promotion, training of members of the supply chain, making the links between providers and social mobilization and awareness campaigns.</li> </ul> </li> </ul> <p><i>Responsible/lead: National Governments</i>  <i>Possible actors: NGOs, local Governments, private sector</i></p>	<p><b>Results Orientation;</b>  <b>Poverty Responsiveness</b></p>
<p><b>1.25 Encourage large firms to participate in rural markets for hygiene and sanitation</b></p> <p>National or international firms can be key actors in the promotion of hygiene and sanitation. Examples include:</p> <ul style="list-style-type: none"> <li>• Soap factories becoming involved in the promotion of hand washing and personal hygiene campaigns</li> <li>• Cement factories becoming a key supporter of small-scale latrine producers or masons</li> </ul> <p><i>Responsible/lead: National Government</i>  <i>Possible actors: NGOs, local government, private sector</i></p>	<p><b>Customer Focus;</b>  <b>Poverty Responsiveness;</b>  <b>Shared Incentives</b></p> <p>[FURTHER READING]            HEALTH            COMMUNICATION            PARTNERSHIP</p>
<p><b>1.26 Document presently used simple and homemade technologies</b></p> <p>Before launching new products for water, sanitation and hygiene in rural markets, it is important to analyze existing and culturally accepted technologies like simple filter techniques and homemade latrines.</p> <ul style="list-style-type: none"> <li>• Such analysis should review:           <ul style="list-style-type: none"> <li>○ Whether these technologies can comply or not with sanitary standards?</li> <li>○ Who is making a living from producing and distributing these technologies?</li> <li>○ How these products are priced and how such prices compare with alternative products?</li> <li>○ Whether these private producers can become allies for the launching of the water supply and sanitation revolution in rural areas?</li> </ul> </li> <li>• Where there is already a private sector making its income from these simple technologies, an inventory of such SMEs and technologies should be created.</li> </ul>	<p><b>Poverty Responsiveness;</b>  <b>Customer Focus</b></p>

*Responsible/lead: National and Local government*  
*Possible actors: NGOs, consultants*

### 1.27 Increase the range of options with new products

Government, private sector and local research institutes should continue to identify, test and standardise solutions that are likely to be successfully launched in rural markets. Rural research and training institutes as well as larger companies or specialized NGOs can play a leading role. ODA funds may provide funding support to such programs.

- Examples of technologies that are likely to meet demand in rural areas include:
  - Hand-pumps: locally manufactured pumps, rope pumps
  - Latrines
  - Filters and other products for water purification (chlorination, SODIS)
  - Soap and hygiene products and information packages
- Participatory design of new products: Products have to be designed by professionals, but they have also to meet the complex demand in rural markets. In traditional societies, women normally manage water, sanitation and hygiene. Thus, products have to meet their expectations. Getting their feedback at an early stage will quickly prove worthwhile.
  - Involve professionals in the design of affordable products for rural water supply and sanitation markets
  - Organize focus group discussion
  - Incorporate recommendations in the design of products

*Responsible / Lead : NGOs, Private sector*  
*Possible Actors: Research institutes*

### 1.28 Carry out large field tests with new technologies

Field testing of new technologies in rural areas should be supported by the public sector as it may be very costly to undertake participatory technology development and testing. Affordable technologies are usually not patented and will be rapidly copied. For this reason, the small-scale private sector in developing countries is usually not interested in investing in research and development and field testing (unlike small-scale industries in Western countries where investments in R&D will lead to a competitive edge).

Particular issues are:

- *Technical performance:* costs and benefits of the solution, quality of the product and pricing of the product.
- *Expected costs of maintenance and repairs:* particularly for the poor
- *Impacts on gender:* New products can have a negative impact for women and public funds may be needed to monitor these aspects in the field tests.

*Responsible/lead: National and Local Government*  
*Possible actors: Private Sector, research and training institutes*

### 1.29 Acceptance and promotion of low cost technologies

Recognised low cost technologies should be promoted among households by governments and NGOs not as second best but as complementary – rather than competitive – solutions to improve the access of rural people to water supply

**Poverty Responsiveness;**  
**Customer Focus**

[EXAMPLE]  
SOLAR WATER  
DISINFECTION (SODIS)  
REDUCING POVERTY BY  
IMPROVING  
TECHNOLOGY  
(WWW.PRACTICAFUND  
ATION.NL)

**Customer Focus;**

[FURTHER READING]  
POLAK ET AL.  
ROGERS

**Customer Focus;**  
**Accountability**

and sanitation.

- Good promotion includes:
  - Non-distorting measures of promotion and market creation;
  - If subsidies are needed, these should stimulate rather than distort the emergence of private supply chains
  - New low cost technologies may need ample field testing and official recognition in order to become accepted in the mainstream markets
  - Low cost technologies require the same attention and care as sophisticated technologies and should therefore be well documented and supported by necessary knowledge and skills.

*Responsibility, lead : National and Local Government*

*Possible actors: Local Governments, Projects, NGO*

### **1.30 Ensure access to credits for companies and the informal private sector**

Access to credits for proposed household solutions is not always easy. Banks often have little knowledge about opportunities in the water supply and sanitation markets. Many investments for household solutions are – like the housing market of the poor – characterized by incremental investments. Work towards:

- Making financial loan programs available to support this process
- Utilizing newly emerging financial products such as credit guarantee programs and incremental loan schemes (USAID, 2004).

*Responsibility, lead : Local Banks*

*Possible actors: National Government, Donors, NGO*

### **1.31 Product: Select the right technology**

A product must fulfil its intended purpose to create and sustain consumer demand. Product quality and reliability affect consumer demand. Poor consumers are not always willing to pay for quality improvements; often a compromise between price and quality is needed. The product should be straightforward enough for people to understand how to use and repair it.

- Choice of technology:
  - Trade-off between installation and operation costs with required level of sophistication
  - Carefully assess the future use(s) of a technology to be sure to have selected the “right” equipment for the purpose.
  - Review existing products already in the country (project area)

*Responsibility, lead: National level programs*

*Possible actors: Local Governments, Projects, NGO*

### **1.32 Price: Promote affordable options**

The cost of a product must be within acceptable limits to the consumer.

- Ability and willingness to pay is a function of available cash but also the added value the customer expects from the product.
- Low cost technologies can stimulate and sustain a demand from individual families or from small communities.
- Affordable, simple technologies can be produced near the users and lead to the establishment of short and uncomplicated supply chains.

***Poverty Responsiveness;  
Shared Incentives;  
Results Orientation;  
Customer Focus***

***Poverty Responsiveness;  
Results Orientation;  
Customer Focus***

- Expensive, complex products have more players in the supply chain who need to make a living from selling goods or services. The components have to travel greater distances. This increases the cost and as a result, has an adverse effect on demand.
- Avoid grouping users into larger user communities to make a certain technology affordable (with all the social and management implications) rather than first seeking affordable solutions.

*Responsible/lead: Local government*

*Possible actors: NGO, local consultants, facilitators*

### 1.33 Place: Consider geographical situation

It is very costly for private sector suppliers if they have to travel large distances (often on bad roads), to deliver products, perform maintenance and make repairs. The number and density of customers per location is critical, they have a strong influence on the viability of a business. Successful supply chain examples usually profit from high population densities, which allow SMEs to operate due to short delivery distances and close suppliers.

A project-centred approach with little co-ordination between implementing agencies results in a variety of small, limited and unsustainable markets for different technologies. Standardization has the potential to create sufficient levels of demand for supply chains and viable markets.

- The availability of goods and spare parts is influenced by a number of inter-related factors:
  - market size and segmentation;
  - equipment standardisation;
  - existing production or utilisation base(s) for equipment;
  - spares manufacture;
  - efficiency of after-sales support;
  - the policy on involvement of informal service providers.

*Responsible/lead: Local government*

*Possible actors: NGOs, facilitators*

### 1.34 Promotion: Employ innovative approaches

To stimulate and increase demand, potential consumers need to have enough product information, such as the utility and benefits, the specific properties and qualities, as well as how it can be purchased.

In RWSS, the promotion of products has traditionally been centred on intangible health benefits. Users, however, often do not understand health as the main reason to invest or to pay for maintenance.

- Consider in the promotion policy
  - Social marketing might be necessary
  - Structured support is required for O&M activities to ensure that repairs are not neglected
  - Area mechanics might be the most effective promoters for sales of after sales services

*Responsible/lead: Local government*

*Possible actors: Local government, NGOs, community WATSAN committee*

**Poverty Responsiveness;  
Results Orientation;  
Customer Focus**

**Poverty Responsiveness;  
Results Orientation;  
Customer Focus**

PROMOTING DREAMS -  
VIETNAM

Servicing, upgrading and further development	
<p><b>1.35 Train local workshops</b></p> <p>Local workshops are trained in manufacturing and marketing of innovative products which are introduced e.g. in a South-to-South technology transfer. Where possible, the training programs will be integrated in the programme or curricula of local (vocational) training programs.</p> <ul style="list-style-type: none"> <li>• Training programs include:           <ul style="list-style-type: none"> <li>○ Production</li> <li>○ Marketing, including pricing</li> <li>○ Study tours</li> </ul> </li> </ul> <p><i>Responsibility, lead : National and Local Government</i>  <i>Possible actors: Projects, NGO</i></p>	<p><b>Customer Focus;</b>  <b>Results Orientation</b></p>
<p><b>1.36 Incremental expansion and improvement</b></p> <p>In the same way poor people build their houses incrementally and expand and improve them over a long period, they also expand and improve their household water supply and sanitation solutions. This provides a constantly growing market for the private sector and the expansion adds to the sustainability of supply chains.</p> <p>This process should be supported by an enabling environment whereby, for example, credit should be made available in a tailor-made way. Long-term communication campaigns can support this process significantly and therefore provide an incentive for gradual improvements.</p> <ul style="list-style-type: none"> <li>• Support for this incremental expansion and improvement should include:           <ul style="list-style-type: none"> <li>○ New affordable technologies</li> <li>○ Financial incentives and registration of these improvements and expansions (for instance, if a shower is added to a latrine)</li> <li>○ Provision of credit through micro-credit institutions (such as the SEWA home improvement loans) and/or private support programmes for self-builders (e.g. cement companies) or using remittances for financing this process</li> <li>○ Sustained social mobilization and communication campaigns could provide a lot of scope to award this improvement process with prizes, identification of the best solutions and similar activities</li> </ul> </li> </ul> <p><i>Responsibility, lead : National and Local Government</i>  <i>Possible actors: Local Governments, Projects, NGO</i></p>	<p><b>Customer Focus;</b>  <b>Accountability</b></p>
<p><b>1.37 Reliable and long-term servicing arrangements</b></p> <p>Households should understand the servicing tasks before installing new options. They should be provided with information on servicing options and potential providers during installation</p> <p><i>Responsibility, lead: Private service providers</i>  <i>Possible actors: Local Governments, NGOs</i></p>	<p><b>Results Orientation</b></p>
<p><b>1.38 Quality control of private service providers</b></p> <p>To ensure that service providers are fulfilling their agreements, stakeholders should consider:</p>	<p><b>Accountability;</b>  <b>Power-Balanced</b></p>

- Who takes on the role of a local regulator?
- What minimum quality standards (e.g. for wastewater disposal etc.) should be put in place?
- Whether there should be a franchising or other arrangement with a larger parent company or public utility?

*Responsibility, lead:* Local Governments,  
*Possible actors:* National governments, private service providers

### **1.39 Explore PPP arrangements for campaigns**

PPP arrangements could support social mobilization campaigns or hygiene education campaigns. Determine how the private sector can best support government or NGO programmes to deliver these programmes.

*Responsibility, lead:* Local Governments,  
*Possible actors:* National governments, private service providers, NGOs

### **1.40 Create an inventory of installed options for coordinated upgrade campaigns**

Know what has been installed, where and when for later replacement, connection to follow-on systems, gradual improvements, etc.

Promotion for follow-up business with previous clients. This will make businesses more profitable and allow active promotion of incremental upgrades.

*Responsibility, lead:* Local Governments  
*Possible actors:* Water users associations, private service providers

### **1.41 Establish transparent service directory**

Service directory to highlight possible options for servicing / upgrading household solutions

Include indicative pricing information

*Responsibility, lead:* Private service providers  
*Possible actors:* Local Governments, NGOs

### **1.42 Consider private sector services as the prolonged arm of public authorities**

Ensure that know-how about new technologies is passed on to service providers

Make use of the services provided through public communications (TV shows, radio broadcasts etc.)

*Responsibility, lead:* National governments  
*Possible actors:* Local Governments, Media, NGOs

**Partnership**

**Results Orientation;  
Shared Incentives**

**Shared Incentives  
Transparency;  
Power-Balanced  
partnership**

## COMMUNITY SERVICES

Community-based service systems are planned and realized under the initiative and strong involvement of the community and usually managed by a community based organization (CBO), e.g. a community WATSAN committee. The aim of this chapter is to indicate how to increase the performance and long term sustainability of the services through a stronger participation of the private sector, both in the realization of new systems and the management of the services. Often, public-private partnerships in this context result in a tripartite private-public-community partnership (PPCP).

For small towns where all the processes are driven by, and under the direct responsibility of the municipality, it is recommended to use the "Implementation Guidelines for Municipal Services".

### *Arrangements with the private sector in the community context*

*Sales contract:* Private sector sells a product or a one-time service to the customer which is either an individual or from the public sector. This is not a PPP, as there is no lasting partnership arrangement involved, unless it comes with a long-term guarantee or servicing capability from the seller.

*Consultancy contract:* Private-sector entity acts as consultant to a contractor for a publicly (usually municipality or community) owned and operated water services network.

*Service contracts (0.5–2 years):* Private-sector entities are employed under service contracts to carry out certain narrowly defined tasks (e.g. operation of the mechanical equipment). The public authority pays a fixed fee and/or a fee based on the performance to the private entity to fulfil the service contract. The degree of risk transferred to the private sector is limited to the particular service task.

*Lease contract (1–3 years):* Management contract extends a service contract to include the management of the service as a whole and includes usually limited investment for network expansion. Management risk is thereby transferred to the private sector. The private partner is usually paid a fixed fee, though a part of the compensation may be covered by a bonus based on performance.

*Concession contract (5–10 years):* The private sector both operates the system and is responsible for new investment for a period of time defined in the concession agreement. At the end of the contract, the concessionaire hands over the system.

### *Main tasks*

*Support Processes:* Communities or local governments often lack adequate information and skills and thereby must be supported through in communication, capacity building and stakeholder cooperation for the sustainable implementation of PPP models.

*Preparation:* The context of the project has to be assessed to determine whether the collaboration with the private sector will increase the quality and sustainability of the service. Participation mechanisms are established.

*Planning/strategy:* The main challenge is the design of the tariff policy which covers the risks of the investor.

*Procurement:* Transparency and power-balanced partnership are key issues.

*Operation & Monitoring:* Together with local government, the community group must have sufficient capacity to effectively manage the contract.

*Renegotiation, termination and / or expansion:* In rural areas, PPP contracts are normally short term and termination is not a key issue. To foster development, successful arrangements should be actively expanded.

### *Main challenges*

Institutional and legal framework may be inadequate for community in rural and smaller settlements: National laws and regulations are often formulated with a focus on urban areas. Community-based organisations (CBO) are commonly accepted by sectoral authorities but often they do not have a legal status.

Local policy: Political interests of parties are often a barrier to stakeholder collaboration in rural areas. This can become an obstacle for effective collaboration with the private sector.

Trust building and local leadership are crucial to achieve sustainable community services.

Low capacity: In many areas, a PPP / PCP is a new experience. Community committees or local governments lack capacity to effectively guide and regulate the process. An already existing local private sector is often informal and has low recognition by sectoral authorities. External support and funding are needed to fill the gaps.

Adequate parameters for monitoring need to be SMART – Specific: do they measure what we think they ought to measure? Measurable: Provides the indicator measurable data? Attainable: The identified indicator may be measurable, but is the target volume attainable? Relevant: Do actors and stakeholders see the indicator as being relevant to the project? Timely: Can the information be collected in a timely manner and at regular intervals (time, effort, resources?)

Preparation	Themes and Relevant Tools
<p><b>1.43 Assess level of community organization</b></p> <p>Communities are at the forefront of decision-making and management in water supply and sanitation. It is therefore crucial to maintain close involvement and continuous representation of community leaders in water supply and sanitation projects, particularly if they involve the private sector.</p> <ul style="list-style-type: none"> <li>• Pay particular attention to:               <ul style="list-style-type: none"> <li>○ Work with NGOs active in the community to assess and potentially improve community organization.</li> <li>○ Strongly demand participation of women’s groups and of minorities in community committees.</li> <li>○ Check regularly that the communities are organized internally and are able to designate well-respected representatives for discussions on behalf of the communities.</li> <li>○ Refrain from accepting representatives who are most of the time living outside the community and are not always available to represent the community.</li> </ul> </li> </ul> <p><i>Responsible/lead: Local government</i>  <i>Possible actors: Community leaders, NGOs, facilitators</i></p>	<p><b>Power-Balanced Partnership</b></p>
<p><b>Training needs assessment</b></p> <p>Needs for capacity building have to be assessed together with the stakeholders. Steps are:</p> <ul style="list-style-type: none"> <li>• Hold meeting to carry out needs assessment, particularly focusing on the following aspects:               <ul style="list-style-type: none"> <li>○ Technical aspects</li> <li>○ Administration: contract management, accounting</li> <li>○ Organizational issues</li> </ul> </li> <li>• Summarize training needs in a short paper</li> </ul> <p><i>Responsible/lead: Local government</i>  <i>Possible actors: NGOs, local training institutes</i></p>	<p><b>Proactive Risk Management</b></p>
<p><b>1.44 Establish WATSAN committee</b></p> <p>To represent community interests, it is advisable to set up some form of</p>	<p><b>Power-Balanced</b></p>

specialized body within the community to be responsible for water supply and sanitation (WATSAN) related issues. Depending on the approach to private sector involvement, the establishment of one of the following is suggested:

- Water supply and sanitation (WATSAN) committee: a community based organization (CBO) that coordinates all water supply and sanitation activities in the community.
- Water user association (WUA): formalized legal body that has the status to make contractual agreements with third parties for service provision.
- Water user group (WUG): formalized legal body that manages a community system and has proper land rights and legal status to operate the system.
- Water user committee (WUC): informal group of people with a special concern for water supply and sanitation and the remit to promote water supply and sanitation solutions in the community.

**Note: Names may change from country to country. In these Guidelines the Term “WATSAN committee” is used throughout for all of the above options.**

- Pay attention to:
  - Not simply replicating local power structures by including powerless groups e.g. women, ethnic minorities, etc.
  - Ways to manage expectations by clearly communicating what is expected of the committee members at all stages of the project (e.g. time commitment).
  - Participation of women’s groups and minorities
  - Avoid representatives elected in these bodies living outside the community most of the time

*Responsible/lead: Local government*

*Possible actors: NGOs, facilitators*

#### 1.45 Analyze existing and potential consumer structure

Knowing the composition of the customer portfolio helps to assess the risk situation, particularly in larger communities. The following should be investigated:

- Expected level of fresh water demand and level of services including relevant waste water evacuation and treatment (e.g. future immigration)
- Bulk versus retail consumers
- Economic situation of households (poor – poorest)
- Potential role of bigger consumers such as public institutions and industries
- Role of seasonal migration on water demand
- Role of demand from family level horticulture, gardening and/or income generation activities
- Present organization of these customers
- Comparison of existing consumer portfolio and projected portfolio following expansion of delivery network
- Estimate future water demand and projected revenues (serious overestimates were a common problem)

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, NGOs*

#### 1.46 Establish local partnership for financing

Economic figures should be presented to local investors (e.g. local banks) who are

#### **Partnership**

#### **Customer Focus**

[EXAMPLE]

PEACE AND STABILITY  
 THROUGH  
 SUSTAINABLE SOCIAL  
 AND ECONOMIC  
 DEVELOPMENT

#### **Results Orientation**

#### **Proactive Risk Management**

#### **Poverty Responsiveness**

SEE ALSO  
 WWW.SMALL-TOWNS.ORG

#### **Sound Financing**

often not aware of investment opportunities in the local water supply and sanitation market. The objective is to establish a local partnership for the financing of the investment.

- Organize a workshop to inform possible investors
  - Invite local banks
  - Approach micro-credit programs of banks
- Get commitment for financing

*Responsible/lead: Local government*

*Possible actors: Ministry for Water (or Environment), community WATSAN committee*

#### 1.47 Review of existing infrastructure

The condition of existing assets, water losses, existing service levels and covered service areas are often not well known, but are critical for designing improvements or more comprehensive rehabilitation programs.

The *technical analysis* should assess:

- Water supply infrastructure status, including connection rates/types, intake and treatment facilities, storage capacity, quality of installations (e.g. water losses)
- Present sanitation and waste water treatment solutions and coverage
- Service levels in terms of quality (standards, control facilities) and quantity (hrs/day, etc) in delivery
- Operational procedures and overall performance

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, technical experts*

#### 1.48 Explore options for development of the system

Attractiveness for a private investor might be increased by following options:

- Multi-village cooperation/system(s)
 

For economies of scale, collaboration with neighbouring communities or municipalities or communities may help to get private sector partners interested in a project. Local government can facilitate this collaboration. Functions that can be aggregated include:

  - *Promotion*: joint campaigns, for stimulating demand
  - *Operation*: e.g. system operation, maintenance, quality control, billing, customer relations, laboratory for water analysis
  - *Management*: e.g. financial and technical management, strategic planning, human resources
  - *Procurement*: e.g. equipment, consumables, spare parts and services
  - *Investment*: e.g. for maintenance operations, new projects, shared projects at municipal level
  - *Financing*: identifying financial sources, aggregation of small loans.

The advantages of aggregating service areas include:

- economies of scale
- increased efficiency
- easier access to finance

Challenges include:

#### **Mechanisms**

SOURCE: USAID

#### **Results Orientation**

#### **Customer Focus**

SDC REVISED WATER SUPPLY AND SANITATION POLICY

#### **Sound Financing Mechanisms**

[TOOL]

RURAL WATER SUPPLY AND SANITATION: TOOLKIT FOR MULTISECTOR PROJECTS

[BEST PRACTICE]

STORIES OF SUCCESS  
[WWW.IDEORG.ORG](http://WWW.IDEORG.ORG)

- designing an appropriate structure (new entity, grouping, clustering for a specific purpose, etc)
- collaboration between different political parties

- Multiple uses of water for small scale horticulture and for household level production activities

To improve the living condition and additional income for the families, it could be appropriate to "extend" the service by providing water for gardening, horticulture and other household level income generating activities.

- Multi-services system

To realize economies of scale it could be appropriate to consider joining the management of additional services to improve private sector interest (e.g. including battery charging, solar electricity production, and mobile phone services).

*Responsible, lead: Local Government*

*Possible actors: Communities, Private operators*

#### 1.49 Review current economic status

Reviewing the financial situation and performance, including direct and indirect subsidies, reveals the current extent of cost recovery and enables a comparison with utilities of other villages. This *economic analysis* should assess:

- Charges and income structure of the present service: operational expenditures, tariff structures and collection rates
- Mode of control of water consumption and losses (existence of micro-metering system)
- Magnitude of unaccounted losses
- Mode of present management (voluntary, fees, performance fees)
- The valuation and ownership structure of existing assets
- Investment requirements for renovation or extension of the infrastructure
- Existing financial liabilities and debts
- Possibilities for dealing with these liabilities (can they be transferred to the new service provider or be absorbed by the community or the municipality?)
- Potential to integrate drinking water with family horticulture, gardening, or other forms of income generation

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, financial experts, donors*

#### 1.50 Review environmental situation

The environmental review has to focus on raw water availability (quality and quantity), source protection (surface water and aquifers), ecosystem protection (e.g. forest cover) and prevention of water pollution (e.g. from poor sanitation, agrochemical uses).

- Analyse water sources: quantity and quality
- Do alternative water sources exist, and partners who could have an interest to develop them?
- Define exposure to contamination through settlements, not appropriated use of agrochemical, industry, deposits
- How is the watershed protected?

**Results Orientation**  
**Sound Financing**  
**Mechanisms**

[TOOL]

SDC REVISED WATER  
 SUPPLY AND  
 SANITATION POLICY

**Water Resource**  
**Protection**

**Results Orientation**

[TOOL]

ONLINE IWRM-  
 TOOLBOX UNDER  
 WWW.GWPFORUM.ORG  
 SDC WATER SECTOR

- Identify competing uses/shortages that could cause conflicts or necessitate tapping new sources
- Analyse quantity and quality of wastewater discharge: how much is collected and treated (centrally and locally); what is the extent of pollution?
- Which sanitation and water treatment systems are used, and what is their coverage?

*Responsible /lead: Local government*

*Possible actors: Community WATSAN committee, local government, environmental experts*

### 1.51 Review and reinforce women’s participation

Commonly, water, sanitation and hygiene issues are managed by women who are directly concerned when private operators provide water supply and sanitation services. To ensure appropriate inclusion of their demand and interest:

- Form a "lobbying" group within the community to represent women’s interests
- Actively invite women to participate in all participatory discussions around water, sanitation and hygiene

*Responsible/lead: Local Government*

*Possible actors: Community WATSAN committee , NGOs*

### 1.52 Clarify legal titles

Traditional (customary) rights play an important role in rural areas. As the relationship between national and local governments and communities is often conflictive, legal issues have to be resolved before successfully bringing in private actors.

- Issues may include:
  - Customary laws entitling individuals from the community to take water free of charge.
  - Many of the Community-based services are legally still owned by the national government. In other cases, ownership has been transferred to the communities or municipal Governments to claim the right of ownership.
- Some possible questions include:
  - Legal status of present institutional entity normally operating the system (normally in rural area a communal WATSAN committee)
  - How to validate any (in-kind and/or financial) contributions which the community may have made in the construction phase(s) of the system (e.g. in the context of an earlier national program).

*Responsible / lead : Local government*

*Possible actors: National government, NGOs, Community WATSAN committees*

STRATEGY

**Poverty Responsiveness**

[FURTHER READING]

WSP: WATER SUPPLY AND SANITATION IN PRSP INITIATIVES

[TOOL]

SDC GENDER AND WATER

**Transparency**

**Power-Balanced Partnership**

**Proactive Risk Management**

[TOOL]

SDC REVIEWED WATER SUPPLY AND SANITATION POLICY

## Planning / strategy development

### 1.53 Decide on the level of participation of the community

In the concept of demand responsive approach, active and integrated community participation is fundamental for project planning & design, and quality of the service delivery.

The level of involvement of management in the community can be from intense to minimal, depending on the objectives and constraints of the project.

**Power-Balanced Partnership**

**Results Orientation**

**Poverty Responsiveness**

**Proactive Risk**

- Decide the mechanisms of participation for each of the following steps: (i) planning & design, (ii) operation and maintenance, (iii) service delivery and (iv) expansion in this particular case:
  - *Information (passive)*: Inform people regularly of what is going to happen, is happening or has happened.
  - *Involvement (participation by consultation)*: People are consulted, and external professionals listen to their views. These external professionals define both the problems and possible solutions; the institutional power holders make the decisions.
  - *Partnership*: Local residents negotiate with institutional power holders on roles, responsibilities and levels of control, with the aim of reaching decisions by consensus.
  - *Delegated power*: define part of power that the community agrees, and agree what is delegated and to whom
  - *Citizen control*: Full delegation of all decision-making and resulting actions
  - *Joint implementation*: Stakeholders are directly involved in realising the project and are invited to make a significant contribution towards its realization.
- Avoid:
  - Letting the participatory processes be manipulated by existing power structures
  - Excluding marginalised groups from processes
  - Imposing unrealistic deadlines on participatory activities.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, NGOs, facilitators*

#### 1.54 Develop and agree on target framework

Prepare a framework for delivering project targets based on the various consultations held in the preparation phase. Performance should be measured against these targets and reported to the stakeholders.

- Targets should as a minimum include:
  - Project timelines and key milestones
  - Expected quality of the service(s)
  - Service coverage in the poor(est) and underserved areas
  - Brief overview of outputs and activities, using objectively verifiable indicators
- Sanitation coverage should be defined in terms of behavioural change and less on physical indicators such as latrine coverage.

*Responsible /lead: Community WATSAN committee*

*Possible actors: Local Government, WUC, NGOs*

#### 1.55 Water supply and sanitation costs

To be able to drive a PPP or PCPP process requires a good understanding of the full cost structure of the service in the specific situation.

- Below are some of the wider issues that should be addressed and clarified in these sessions:
  - What does the community expect in terms of adequate quantity and

#### **Management**

SEE [WWW.BPDWS.ORG](http://WWW.BPDWS.ORG)  
 DOCUMENT ON  
 COMMUNITY  
 ENGAGEMENT

#### **Customer Focus Transparency Accountability**

[TOOL]

#### **Logframe Development**

#### **Power-Balanced Partnership Sound Financing Mechanisms Transparency**

- quality in water and/or sanitation services?
- How can we reduce water losses and excessive consumption in non-domestic uses?
- How to internalise the costs for the protection of the environment?
- How to determine an adequate rate of return for the private operator?
- How to promote acceptable solidarity mechanisms amongst consumers?
- To be realistic about the full cost of water supply and sanitation services the following positions have to be accounted for:
  - Operation and maintenance costs
  - Staff expenses
  - Management expenses
  - Renewing fees
  - Renewal equipments and installation
  - Network extension
  - Environment cost.
  - Taxes

*Responsible/lead: Local government, Community representatives*

*Possible actors: Development agencies, independent advisors, Tariff Commission,*

#### 1.56 Pre-select the best option for collaboration with the private partner

Once all issues are clarified with local stakeholders and the target framework has been agreed, the different options for involving the private sector should be explored with possible options pre-selected for a discussion with the community.

- The text box with the most prominent options is presented in the introduction to this chapter.
- Check the preferred model and compare it with the public provision option, particularly looking at:
  - Which model best suits the situation at hand?
  - What consequences does the selected model most likely have (e.g. financially, for the poor(est), for the development of the community)?
  - What risks are linked to the selected model?

*Responsible/lead: Community WATSAN committee*

*Possible actors: Local Government, NGOs, facilitators*

#### 1.57 Carry out a participatory gender assessment

Before entering into a PPP arrangement, impacts of the proposed solutions on the quality of life, particularly of women, should be carried out.

- Organise discussions with women’s groups where the proposed PPP project is presented
- Incorporate results of the discussion into the formulation of the PPP proposal
- Ensure adequate representation of women in all committees (WUC, community WATSAN committee)

*Responsible/lead: Community WATSAN committee*

*Possible actors: Local government, NGOs*

#### **Results Orientation**

[FURTHER READING]  
 AARHUS-CONVENTION

#### **Poverty Responsiveness**

[FURTHER READING]  
 WSP: WATER SUPPLY AND SANITATION IN PRSP INITIATIVES

[FURTHER READING]  
 WATERAID: PRSP AND WATER – FAILING THE POOR?

### 1.58 Present project and expected outcome to community

Organise meetings in which the community (or a water user association) can be thoroughly informed and where decisions can be taken on how to proceed.

- Define the nature of expected PPP / PPCP project outcomes together with an approximate timetable for completion, and communicate this to the community. Outcomes would normally include:
  - Provision of safe drinking water to a specified population (extension)
  - More sustainability in operation and management of the service
  - Time saved (mostly for women and children) in carrying water
  - Improved health for the population (lower infant mortality rate)
  - Increased availability water for gardening, horticulture and household level income generating activities
- Explain the financial side of the project in particular:
  - Impact on tariffs
  - Modalities of payment
- Address potential disadvantages for stakeholder groups, in particular:
  - On informal service providers (e.g. water vendors)
- Engage in discussion with potential customers to establish whether there are any obstacles which might prevent them from benefiting
- Use adequate time and means, to also reach illiterate members of the community.

*Responsible/lead: Community WATSAN committee*

*Possible actors: Local government, NGO*

### 1.59 Design investment model

In certain cases where a long term PPP / PPCP arrangement is selected, a number of issues will need to be addressed

- Propose financing arrangements that are perceived to be socially responsible. Such arrangements should include, as a minimum:
  - Service levels and future tariffs (eventually by customer segment)
  - Connection charges
  - Sources of additional financing
  - The target return on investment (ROI) rate must be agreed among the partners.
  - What will be considered as “investments”?
  - Consensus on whether efficiency gains will be passed on to consumers or retained as profits; whether local government gains from taxes on profits? Etc.
- Make provision that poor residents can contribute not only with cash but also with their labour and local materials:
  - Use the local rate which is paid for a day labourer e.g. in construction as a basis for the calculation of this input.
  - Reduce cash contributions (e.g. connection fees) accordingly.

*Responsible/lead: Local government*

*Possible actors: Local government, financing institutions*

**Transparency**

**Results Orientation**

**Poverty Responsiveness**

[FURTHER READING]

WATERAID: PRSP AND WATER – FAILING THE POOR?

**Sound Financing**

**Mechanisms**

**Shared Incentives**

[FURTHER READING]

GLOBAL PARTNERSHIP ON OUTPUT-BASED AID  
WWW.GPOBA.ORG

### 1.60 Design / elaborate a local tariff structure

With private sector involvement, tariff reforms are likely to be on the agenda. National tariff policy is usually formulated and regulated by central government. The community WATSAN committee, in consultation with local government, has to adapt it to the local context. This can be done by trying to recover the largest rate of costs as possible and considering the capacity and willingness to pay by the community's consumers.

This local tariff strategy should ideally cover the full costs of the system.

- If full cost recovery cannot be attained, the tariff should at least generate enough revenue to cover:
  - Operating costs
  - Maintenance
  - Depreciation of short life span assets (pump, mechanical equipment)
- Protect consumers:
  - Define the tariff and its development over time in relation to the purchasing power of consumer groups (poor; poorest), taking also the seasonal variations of cash into account;
- Be fair:
  - Promote solidarity among consumers
  - Take account of consumers' ability to pay.
  - Be adjusted to the level of service (e.g. public stand posts, household connections)
- Protect the resource: consider introducing a tariff for raw water which is positive in as much as it:
  - Creates incentives for efficient operation by (a) preventing over-abstraction and (b) reducing losses in the water production process (treatment) as well as in distribution (leakages)
  - Generates resources for source protection and resource conservation

*Responsible/lead: Local government*

*Possible actors: Community WATSAN Committee,*

### 1.61 Define appropriate billing and payment system

Affordability is not simply a matter of tariff but also of liquidity. Poor households often depend on seasonal incomes, e.g. from harvests. Appropriate payment mechanisms are vital in situations where conventional billing systems cannot be used. Specific considerations are needed for:

- Methods of payment for water services:
  - Frequency
  - Location
  - Charge collectors (local representative who collects payments instalments from community members)
- Methods for connecting to water supply and sanitation systems:
  - Payment plan for connection fees over a certain period of time with reasonable interest (to be paid with the tariff invoice) offered by the private operator
  - Micro-credit programme in collaboration with financial institutions or NGOs
  - Reduced connection charges in cases where consumers perform part of the labour themselves.

***Sound Financing  
Mechanisms***

***Power-Balanced  
Partnerships***

***Customer Focus***

***Shared Incentives***

***Poverty Responsiveness***

[CHECKLIST]

REQUIREMENTS FOR  
MICRO CREDIT  
PROGRAM

[FURTHER READING]

WWW.MICROFINANCE.  
ORG

*Responsible/lead: Local Government*  
*Possible actors: Community WATSAN committee*

### 1.62 Secure long-term water abstraction rights by granting licenses

Particularly in rural areas, and under customary law, individuals might be entitled to water free of charge, as a result of that individual's identity with a particular community. Access is generally unrestricted and community management of the water resources is weak. To avoid conflicts, capacity should be developed in the following directions:

- Water licenses for raw water abstraction and wastewater should be granted:
  - Based on the resource management standards
  - According to the project's progress
  - Check whether additional water abstraction can be avoided (e.g. by fixing leakages)
- Charge for the licenses according to the tariff policy.

*Responsible/lead: Local government*  
*Possible actors: Ministry for Water (or Environment), community WATSAN committee*

**Water Resource Protection**  
**Proactive Risk Management**

## Procurement

### 1.63 Evaluate and select consultants or firms in public contests

Tendering and procurement procedures are mostly defined in national legislation. Local governments have to follow these laws and regulations. Specific recommendations are:

- Use community WATSAN committee as selection committee, with the following tasks:
  - To ask for manifestation of interest of potential candidates and firms
  - To prepare a short list: candidates should have no prior association or financial relationship with any of the members of the stakeholder committee, and have a fair and balanced view of the risks and benefits of private sector participation.
  - To prepare a list with criteria for the selection of the consultant or firm. The criteria against which bidders are evaluated should include mainly criteria which are agreed upon by those communities that will receive the service
  - To disclose the offers of the consultants
  - To rate consultants / firms in a public and/or transparent process
  - To reach a final agreement on the preferred consultant(s).
- In the selection process, in the event of similar offers give priority to the nearest local private sector with sufficient independence and least likelihood to have social conflict of interest:
  - Operational tasks are carried out in a cost-effective manner.
  - Close ties with local community may facilitate good revenue collection rates, and it may enhance communications with consumers
  - Sub-contractors can carry out a range of tasks (e.g. meter reading) that may be difficult for a utility company where they have not yet won the trust of consumers. In extreme cases (e.g. insecurity and civil unrest), local entities will likely be the only actors that can operate with any degree of safety.

**Transparency**

[CHECKLIST]  
 LA SELECCIÓN DE CONTRATISTAS PARA EJECUTAR PROYECTOS DE SANIEAMIENTO RURAL (WSP, 2001)  
 LA SELECCIÓN DE MUNICIPIOS Y COMUNIDADES CON EL ENFOQUE DE LA DEMANDA (WSP, 2001)

- Social pressure will make unpopular unilateral decisions (e.g. service termination) very difficult.
- Seek the maximum level of transparency in all stages of the process.
- If no bids are received:
  - Check whether the chosen model for private sector involvement is appropriate.
  - Go for direct negotiation.

*Responsible/lead: Community WATSAN committee*

*Possible actors: Local government*

#### **1.64 Award the contract in a traceable manner**

The contract should be awarded in such a way as to maximise value for the community.

- The awarding authority must be able to justify its choice of contract to the community.
- The community should be made aware of where the responsibilities for the various parts of the water system will lie in the chosen arrangement.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee*

#### **1.65 Ensure that the contract is based on clear definitions and targets**

The contract should be based on clear definitions and targets to avoid misunderstandings and conflicts during contract implementation.

- Seven main criteria to be considered in a tender:
  - Technical, material, equipment and cost specifications
  - Levels of service: Water (quality, pressure, continuity, maintenance, etc); sewerage (effluent, spill-over, maintenance, etc); customer service (billing, responses to queries or complaints, interruption notifications, etc)
  - Level of involvement of the community and consequences on private sector responsibilities (e.g. free labour input and warranty, representation of the community in the water board and responsibilities for decision taken)
  - Tariffs: Tariff formula and structure, indexation, adjustment and renegotiation criteria
  - Level of social commitment: staffing, salaries, etc
  - Levels of investment: It is preferable to define targets (time, coverage, extension, quality, UFW, etc) rather than the actual amount or method of investment in the contract.
  - Levels of maintenance (e.g. as percentage of defined asset value or as fixed annual amount, etc)
- Further elements the contract should address:
  - Risk allocation: who carries which risks to what extent
  - Changes in the operating environment, including regulatory changes
  - Insurance
  - Contract termination

***Transparency;  
Accountability***

***Proactive Risk  
Management  
Sound Financing  
Mechanisms  
Results Orientation***

FOR MORE ON MULTI-STAKEHOLDER PARTNERSHIPS, SEE [WWW.BPDWS.ORG](http://WWW.BPDWS.ORG) THE PARTNERSHIP PAPERCHASE

*Responsible/lead: Local government*  
*Possible actors: Community WATSAN committee,*

**1.66 Define termination procedures in the event of breach of contract**

“Termination for cause” occurs when one or more partners fail to perform in accordance with the terms of the contract.

- Termination criteria should be defined in advance, as should appropriate “exit strategies” and financial penalties/reimbursements.
- Causes for breach of contract
  - One of the partners fails to fulfil the contract clauses on investment
  - Changing the objectives of the contract
  - One of the partners does not respect certain contract clauses
  - The private operator goes bankrupt

*Responsible/lead: Local government*  
*Possible actors: Community WATSAN committee*

***Proactive Risk Management***

**1.67 Define termination procedures in the event of “termination for convenience”**

This occurs when the public or private partner wishes to end the contract for reasons other than poor performance.

- The contract should specify which standards are to be applied and define the process for reaching a financial settlement.
- If the public partner/community initiated the termination, the private partner must be compensated for demobilisation costs and lost revenues and profits.
- If the private partner initiated the termination, the public partner’s/community’s costs must be reimbursed to ensure continuity and replacement of contractor.

*Responsible/lead: Local government*  
*Possible actors: Community WATSAN committee*

***Proactive Risk Management***

**Construction, monitoring of operation & maintenance**

**1.68 Supervise construction**

Private sector providers should invite both official actors and local stakeholders to supervise the progress and stages of construction to ensure a good understanding of the system

***Transparency  
 Accountability  
 Results Orientation***

**1.69 Appoint a qualified supervisor and caretaker group**

Once the local authority or community contracts private enterprise for construction and/or private operator for service delivery, it will also have to manage the respective contract(s). Therefore:

- Designate somebody (e.g. the community WATSAN committee) who will:
  - Have primary responsibility for managing the contract
  - Ensure that the partners comply with their contractual obligations
  - Act as the primary liaison with the private counterpart
- Use the following criteria for selecting these persons:
  - Familiarity with construction and facility operations
  - Time availability

***Power-Balanced Partnership***

- Detailed understanding of the contract terms and conditions
- Experience in contract monitoring
- Good in negotiation

*Responsible/lead: Community WATSAN committee*

*Possible actors: Local Government*

#### **1.70 Equip water supply and sanitation services for the new tariff regime**

Especially in larger communities, the introduction of water metering is advisable. Particular attention should be paid to the following:

- Involve community elected committees (e.g. WATSAN committee)
- Ensure proper timely information to the community
- Consider the political cycle when making key decisions (e.g. it is difficult to introduce conflictive issues in election years)
- Foster community to community learning: visit communities in which water metering has been successfully introduced.

*Responsible/lead: Local government*

*Possible actors: Local government, NGOs, Community WATSAN committee*

#### **1.71 Implement customer-friendly payment systems**

Implement a payment system tailored to the local situation in the preparation and planning stage of the project cycle.

- If the modalities of the payment system are not further specified in the contract, they must be discussed and agreed at the beginning of the Operation Phase, preferably with the WATSAN committee.

*Responsible/lead: WATSAN committee*

*Possible actors: Private operator*

#### **1.72 Employ local partners where possible**

Involving residents and local companies in the partnership helps to build a local economy, thereby creating a sense of “local ownership”. It also helps to reduce a community’s dependence on imported skills and labour and provides income for the local economy.

- Sub-contracting of tasks to local companies:
  - Operational tasks are carried out in a cost-effective manner.
  - Close ties with the community may facilitate good revenue collection rates and enhance communications with consumers.
  - Sub-contractors can carry out a range of tasks (e.g. meter reading) which may be difficult for a private company to do where they have not yet won the trust of consumers. In extreme cases, local entities may be the only actors that can operate with any degree of safety.
- Sub-contractors may need capacity building if they have little commercial experience.

*Responsible/lead: Private operator*

*Possible actors: NGOs, Local Governments, community WATSAN committees*

**Accountability,  
Transparency  
Sound Financing  
Mechanisms**

**Customer Focus**

**Poverty Responsiveness  
Shared Incentives  
Proactive Risk  
Management**

**1.73 Regularly monitor progress of implementation**

Both the public and private partners need to be actively involved in supplying the public with relevant information – and in coordinating this information effectively.

The specific tasks are distributed as follows :

- The public partner assumes responsibility for communicating with the public on the status of implementation and construction (public meetings, educational materials).
- The private partners provide details of their progress to stakeholders and update customers on changes.

*Responsible/lead: Private operator*

*Possible actors: Local government, private operator, contractors*

**Accountability**  
**Transparency**

**Expansion, renegotiation & termination**

**1.74 Conduct renegotiations equitably**

Contracts are not written in stone. They require monitoring, nurturing, adjustments and sometimes renegotiation to keep them viable over the entire project life cycle.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, private sector partner, NGO*

**Transparency**  
**Accountability**

**1.75 Involve stakeholders in exit strategy**

If the contract is being renegotiated or is in dispute, the community and all stakeholders should be kept informed about the nature of the contract dispute and the history of contract management.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, private sector partner, NGO*

**Transparency**  
**Accountability**

**1.76 Push successful arrangements towards expansion**

Arrangements that have proven successful should be replicated and expanded to cover a larger proportion of the population, greater service area, longer time span, etc. This incentive will trigger gradual but longer-term investment.

*Responsible/lead: Local government*

*Possible actors: Community WATSAN committee, private sector partner, NGO*

**Poverty-  
 Responsiveness**  
**Proactive Risk  
 Management**

**REGULATION AND MONITORING**

**Regulation:** Governments have to establish an effective regulatory framework with published standards and guidelines to control the provision of goods and services through the private sector. The following tasks would be the responsibility of the regulating body: regulation of contracts between public and private entities, setting of standards, enforcement of standards, setting tariffs, issuance of permits, quality control, data collection, management of customer complaints and management information.

**Monitoring:** Setting up monitoring processes as a basis for a Management Information System (MIS) to collect sufficient data for planning investments and to provide a picture of the functionality of existing systems is the joint responsibility of national, local government and the communities. MIS systems need to be designed for constant up-dating and with the aim to take corrective action when the data reveals weak points.

**Main tasks**

- **Quality assurance:** The regulating body has to constantly monitor the performance of the private sector. Based on feedback from local governments who send completion records and performance assessments, the regulator has to analyse quality of work on a regular basis. Contractors who show weak performance should be warned that they might lose their license if the quality of work is not improved. Performance monitoring should be even more rigid when a new contractor tries to get into the market.
- **Performance indicators:** A set of performance indicators should be established in a joint effort by government and the development partners. Performance indicator targeting should be monitored by a commonly agreed qualitative and quantitative M&E-system including tracking studies
- **Management Information System:** A database of RWSS facilities needs to be implemented. The regulating body, together with the departments responsible for IWRM, need to establish effective data collection. The data has to be analysed on a regular basis. The database should provide a complete and consistent account of the field conditions in case of recorded problems needing remedial action.
- **Standards:** A technical regulatory system at the national level with published standards (catalogue of eligible equipment) is required to control the provision of goods and services through the private sector.
- **Registration of suppliers:** The registration of companies operating in RWSS and issuance of permits: Assessment of applicants includes vetting of human resources, equipment, managerial and financial capability. Permits should be renewed at regular intervals. The renewal has to be based on past performance.

**Main challenges**

- **Enforce compliance to regulation policy:** National laws are often not followed in remote rural areas. National regulators have no capacity to regulate RWSS.
- **Donor influence:** Project implementation often follows its own rules, dictated by donors, undermining national policy.
- **Procurement regulations:** National and international procurement regulation might require free open markets and free competition. Differences between those rules and regulation- standardisation need to be reconciled.

Regulation	Themes and Relevant Tools
<p><b>1.77 Review present policies and laws</b></p> <p>Most of the sector policies and laws have been drafted for urban areas with little reflection on the particular characteristics of rural areas. Unclear regulation however can block sector development in rural areas.</p> <ul style="list-style-type: none"> <li>• The review should also include checks regarding:             <ul style="list-style-type: none"> <li>○ Overlapping responsibilities between local, regional and national governments</li> <li>○ How the sector issues might be affected by decentralisation (e.g. increased financial capacity of local governments, fiscal decentralisation)</li> <li>○ Is the sector reform owned by the government and developed in a participatory process or simply imposed by the donor community on the government?</li> </ul> </li> </ul> <p><i>Responsible/lead: National government</i>  <i>Possible actors: Legal experts, Local government</i></p>	<p><b>Accountability</b></p>

### 1.78 Review of regulatory arrangements

Regulation is required to protect the public interest in a situation of 'natural monopoly' where the market creates undesired effects. A comprehensive review would also include the identification of areas that can be de-regulated.

- Main objectives of regulation include:
  - Ensuring that water/wastewater services are delivered at a fair and reasonable price
  - Protecting the short-term and long-term interests of customers
  - Ensuring that customers receive the expected levels of service
  - Providing certainty for public and private sector investment
  - Increasing the accountability and transparency in the sector
- In rural areas, regulation issues may also include:
  - Ensuring that community managed systems are recognised by public law. National regulators often have no capacity in rural areas. There is therefore, a specific need to delegate regulation tasks to local governments or civil society regulators.
- Deregulation is on the agenda on issues such as:
  - Subsidies that lead to an under-pricing and harm the private sector

*Responsible/lead: Local government*

*Possible actors: National government, regulation experts*

### 1.79 Work towards stable markets

The stability of the market for a certain product or service is a key incentive on which to base business activities. Entering a market requires some assurance of a reasonable rate of return. If the prospects of staying in the market are short (because of uncertain or volatile demand), the investment costs could be prohibitive.

- Ensure that
  - Procurement policies are transparent and long-term
  - Competition is between comparable (local) partners
  - Stable supplier-buyer relationships reduce transaction costs for both
  - Information about the availability of products and services is known to potential buyers

*Responsibility, lead: National level programs*

*Possible actors: Local Governments, Projects, NGO*

### 1.80 Establish links to national institutions for rural water supply and sanitation

In most countries, national institutions for water supply and sanitation exist. Identify which entities are responsible for rural areas and ensure these institutions are involved or at least informed about the envisaged projects.

- Ideally the following structure exists
  - Rural Water Division e.g. in Ministry of Public Works
  - Regional Support Team within the Rural Water Division for co-ordination, planning and technical assistance to District Rural Water Teams
  - District Rural Water & Sanitation Team(s) with specialists for

***Accountability;  
Sound Financing  
Mechanisms***

***Poverty Responsiveness  
Shared Incentives  
Results Orientation***

***Power-Balanced  
Partnership***

construction, maintenance, health and community mobilisation

*Responsible/lead: Local government*

*Possible actors: National Government, Ministries*

### **1.81 Involve national and regional institutions in pilot projects**

Whenever pilot projects and innovative approaches are being tried out by NGOs or communities, make sure the competent national and regional institutions are informed about the projects and have a possibility to be involved. It is critical not to circumvent institutional bodies for pilot projects and to get buy-in at the national level for easier replication in other areas.

*Responsible/lead: NGOs, Local government*

*Possible actors: National Government, Ministries*

### **1.82 Inform the public about the outcome of any regulation process**

Particularly in the case of longer-term PPP arrangements, written reports are needed for reporting to the communities. In short-term arrangements, public meetings are sufficient.

- Inform stakeholders about:
  - All failures to meet standards and any fines or penalties imposed as well as positive outcomes of the regulation procedures.
  - Regular (annual) reports on compliance with regulatory standards and achievements of customer satisfaction.
- Co-ordinate information activities of the public and private partner

*Responsible/lead: Local regulator*

*Possible actors: Private sector*

### **1.83 Adjust subsidies in the water supply and sanitation sector**

The way subsidies are designed can create or prevent the emergence of viable supply chains. Therefore, government and NGOs need to review their subsidy policies if they want to involve the private sector more actively in water supply and sanitation.

To target subsidies well:

- Initial investments should be subsidised, but not to a level so that future operation and maintenance costs are above an affordable level for the subsidised community.
- Subsidies should focus on connections rather than consumption.

Issues include:

- Deregulation and/or elimination of such subsidies will not be easy as this may require negotiation at the political level and vested interests may be affected
- Positive impacts are expected from subsidies:
  - that support the creation of the market (e.g. subsidies to early adopters) or
  - that leverage resources of important customer groups (e.g. the poor)
  - that allow the market entry of new customers (e.g. first access for the poor)

***Shared Incentives***

***Transparency  
Accountability***

***Customer Focus  
Transparency  
Power-Balanced  
partnership***

*Responsible/lead: National government*  
*Possible actors: Local government, NGOs*

**1.84 Nominate a local regulator**

In cases in which the national regulator is not available or has no capacity, a local regulator should be established. In most cases this will be a civil society regulator, having a defined relationship to the national regulatory authority which remains formally in charge.

- Formalise the relationship between the local and national regulator
- In case of implementing the option of a civil society regulator, proceed as follows:
  - Draft terms of reference, specifying the relationship of this civil society regulator to the public regulation authority
  - Nominate a group of independent and honourable persons

*Responsible/lead: Local government*  
*Possible actors: national government, regulation experts*

**1.85 Recognise new and affordable products in national standards, where needed**

Simple and affordable technologies should be recognised in national standards in cases (a) where this may support their successful launching on the market, and (b) where obstacles to the promotion of these simple technologies can be removed. Very often, the national quality standards are too high, thus preventing products from becoming affordable for the poor.

- Review national standards to identify norms that are an obstacle for the promotion of pro-poor technical solutions, e.g. in a national water supply and sanitation program.
- Incorporate appropriate technologies where there is a need e.g. to meet quality criteria.

*Responsible/lead: National and Local Government*  
*Possible actors: Private sector, research institutes*

**Accountability**  
**Sound Financing**  
**Mechanisms**

[FURTHER READING]  
 FORMING RURAL  
 UTILITY GRPIÛS AMD  
 ÖEASPS (WSP, 2004)

**Poverty Responsiveness**  
**Customer Focus**

**Monitoring**

**1.86 Organise meetings to discuss issues**

Periodic reviews should be held to assess progress of the PPP arrangements. Meetings with representatives of the communities should be held regularly to discuss issues and problems of collaboration with the private sector. The exchange of experiences may help to prevent conflicts.

- Each issue which is forwarded as a problem should be taken seriously by the parties concerned
- Prevention is easier in an early stage when the conflict parties have not yet taken their positions

*Responsible/lead: Local government*  
*Possible actors: WATSAN committee, local regulator*

**Power-Balanced**  
**Partnership**  
**Proactive Risk**  
**Management**

### 1.87 Participatory monitoring

Monitoring and evaluation of the performance is the joint responsibility of all stakeholders. A system that allows participatory monitoring of the performance of the PPP should be established. Community elected WATSAN committees play a role in this process.

- Setting up databases that record status (functionality) of RWSS systems and performance of partners in the project
  - Monitoring is not data collection, but analysing the records should indicate where weak points exist and lead to corrective action
  - Use the data for planning processes for further investments and extension
  - Most countries have monitoring and evaluation systems, use existing MIS programs to avoid duplication

*Responsible / Lead :* National regulator

*Possible Actors:* National regulator, local Government, private operator

### 1.88 Wider links should be made

Links should be made to national monitoring programs and comparisons should be (carefully) drawn between programmes and projects in neighbouring communities. Similarly exchange programmes between regions could usefully reveal new approaches that could be applied.

*Responsible / Lead :* National regulator

*Possible Actors:* National regulator, local government, NGOs/CBOs

**Accountability**  
**Results Orientation**

## Annex

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## GLOSSARY

**Preliminary remark:** For many terms listed below there is more than one definition available. This glossary indicates in which sense such terms are to be understood in this document. Wherever possible, the source of the definition is given in brackets.

**Basic need** – Minimum amount of a public service that society would like to provide to everyone. (ADB)

**Basic water supply and sanitation** – Water supply and sanitation services which are based on relatively simple technologies, often managed either directly by families or by a water committee at community level. In the majority of the cases, expenses are covered by the payment of user charges.

**Capacity Building** – The process by which (i) individuals and groups develop the skills, knowledge and competence to perform functions, solve problems and achieve objectives more effectively and efficiently, (ii) an organisation or a system of organisations is strengthened to serve a specific existing or new purpose and role, and (iii) the institutional framework (laws, attitudes, rules, norms) is created, reformed, developed, and/or strengthened. (OPM)

**Commercial provider** – Public or private providers operating under commercial terms, seeking an adequate return on their investments.

**Community WATSAN Committee** – Committee dealing with water supply and sanitation issues at the community level. Depending on the national law, it has a formal or an informal status. In most cases, it represents also the water user association (WUA).

**Company** – An organisation registered under company law.

**Conflict mediation board** – A board of local, independent and well respected persons, responsible for initiating and supervising conflict resolution processes with the method of mediation.

**Concession** – A contractual arrangement whereby a private company acquires the right to provide a service at a given standard or specification for a fixed time, usually on behalf of the government or a government agency. The private company operates and manages the system, usually makes the necessary investments and carries the commercial risks for the agreed concessionary period. The role of the government is predominantly regulatory and as the ultimate owner of the assets.

**Connection** – On-grid provision of water and/or sanitation services to a user (customer) on commercial terms in a piped system. The connection is normally compensated through the payment of a connection fee. Water consumption is usually metered and afterwards billed to the customer on the basis of a water tariff.

**Contracting party** – An actor who has concluded a PPP contract with one or more other actors and is bound by the terms of that contract.

**Decentralisation** – The transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organisations and/or the private sector.

**Demand Responsive Approach** – Approach based on the principle that “progress and continuing success depend most on responding to consumer demand”. (Cairncross, 1992)

**Household Services** – When grid-based water supply and/or sanitation services are not available or uneconomic, installations and products can enable households to be their own “service provider”. Decisions to buy these products are taken at the family level with services managed by the family. Examples include handpumps, on-site sanitation facilities, water filters, products for cleaning the water. PPPs can assist families and households in acquiring, servicing, maintaining, upgrading and improving the service level desired by the family.

**Independent providers** – Small-scale enterprises, often of the informal sector, providing goods and services for the water supply and sanitation sector. Examples include water sellers, producers of latrine components, hand pumps, cement rings, private drillers.

**Informal sector** – The informal sector includes, first, unregistered commercial enterprises, and second, all non-commercial enterprises that have no formal structure in terms of organisation and operation. Enterprises are typically operated on a small scale and at a low level of organization with little or no division between labour and capital as factors of production.

**Integrated water resource management** – A concept to deliver a required quantity of water with an admissible quality to the required place in the specified time using organisational and technological frameworks and other resources in a sustainable manner. A system based on accounting all potential water sources, on hydrographic methods, and rational water resource use, coordinating inter-sectoral interests and all levels of water use hierarchy, widely involving all water users. It ensures ecological security and sustainable water supply to society and nature. (IWMI)

**Key Stakeholders** – Actors directly involved in a public-private collaboration agreement. It includes contracting parties, other government agencies, major sector organisations, donors, financing institutions and facilitators, having an active role to play.

**Lease Contract** – A written agreement between the public owner of a system and an operator that stipulates the conditions under which the operator may possess the facility for a specified period of time and amount of rent. In contrast to a concession contract, the private operator does not invest in infrastructure and hence only receives the parts of the revenue which cover operation and maintenance costs.

**Local Regulator** – A local entity, assuming most of the tasks of a regulator, based on mutual agreement with the regulating authority (e.g. a signed contract). Often, the municipalities or so-called civil society regulators (nominated, well respected persons) assume this role.

**Management Contract** – Contractual arrangement in which management, operation and maintenance of the public infrastructure are contracted to the private sector; but in which ownership, capital investments, and commercial risks remain with the public sector. There is usually a performance-based component in the remuneration for the private operator.

**Mediation** – A structured conflict resolution process in which the conflicting parties themselves elaborate and agree on a sustainable solution that meets their particular interests. The process is facilitated by a mediator who has to be neutral, supportive and un-biased towards all of the parties involved in the conflict. The result is mutually agreed upon by all the parties.

**Monitoring** – The measurement of information on the implementation progress of a project, program, or policy and the achievement of its objectives.

**Normal Profit** – Profit required to ensure the owners of an enterprise can keep it in operation indefinitely. (ADB)

**Operation and Maintenance Costs** – Costs necessary to operate the water supply and/or sanitation system, and to maintain the existing infrastructure, including rents, payments to the regulator, duties, and taxes, etc.

**Partnership** – The concept connotes shared goals, common responsibility for outcomes, distinct accountability and reciprocal obligations. (OECD)

**Private Sector** – A commercial organisation of any scale that is self-financing and operating on profit. Comprises all formal and informal businesses.

**Pro-Poor** – Focusing activities on the low-income segment of the society, which often has inadequate access to water services of sufficient quality and at an affordable price. Pro-poor implies that the overall aid is beneficial towards the poor, while poverty focused implies a greater degree of targeting.

**PPP contract** – A legally binding agreement concluded between two or more actors under the applicable legislation with the aim of developing and implementing a PPP for water supply and sanitation services.

**Public sector** – International, regional, national and/or local (municipal) authorities, particularly the ones entrusted with policy and law making, regulation and financing.

**Public Utility** – Privately or publicly owned enterprise that has a legal monopoly over the supply of a good or service. A public authority usually regulates the operations of a privately owned public utility. (ADB)

**Public-Private-Community Partnership (PPCP)** – Agreement between the public sector (mostly a national office), a private entity, and a community (sometimes not having legal recognition). All parties share at least goals and in some cases also risks, responsibility or even investment.

**Public-Private Partnership (PPP)** – Agreement between the public sector and a private sector entity whereby both parties share risks, responsibility and in some cases investment. PPP arrangements typically allocate public duties to private operators, which are mandated to fulfill the public responsibility on clearly defined terms. The basis is

mostly a contract. These Implementation Guidelines focus on PPPs directly providing or enabling access to water supply and sanitation services.

**Regulator/Regulating Authority** – A public and/or independent institution or institutions, monitoring and observing operations and behaviour of the operators with a particular focus on its compliance with the PPP contract. It also monitors tariffs and services, manages reset processes and arbitrates disputes between consumers and the service providers.

**Sanitation** – Interventions to reduce exposure to diseases by providing a clean environment for the population. It usually includes disposal and treatment of human excreta, solid waste and wastewater treatment and disposal, hygienic management, control of disease vectors, and provision of washing facilities for personal and domestic hygiene (In the present document, solid waste treatment and disposal is not included under this term).

**Stakeholder Participation** – Those affected by decision-making processes are able to make their voices heard in these processes. It requires consultation and articulation of interests within the decision-making processes, either through direct participation or through representatives who are accountable to those they represent.

**Stakeholders** – Agencies, organisations, groups or individuals who have a direct or indirect interest in or who are affected by a project, programme or development intervention.

**Standardisation** – Standardisation is an intervention by government which interferes with free markets. In the area of technology, it involves specifying the technical requirements and performance criteria for a particular application and then identifying a number of models or brands that are proven to meet the criteria. It normally helps to speed up capacity building and has a vital effect on the sustainability of the repair and maintenance service.

**Subsidies** – Contributions to the costs of an enterprise from other sources (governmental or non-governmental), external to the particular purpose for which these costs are incurred.

**Sustainability** – Meeting the needs of the present without comprising the ability of future generations to meet their own needs. Key dimensions are: economic, social and environmental.

**Tariff** – General schedule of charges that a customer faces in using a public service.

**Total Sanitation** – Coverage with sanitation in at least 90% of the households in the village (or neighbourhood), allowing for a drastic reduction of bacterial load in the environment with subsequent positive health impacts.

**Transaction Costs** – The time, effort and money necessary to implement a project or to provide a service. It includes all the costs, such as e.g: consulting, capacity building with government, adaptation of legal frameworks, or contracting.

**User Groups** – User groups are defined on the basis of the type of water user, average water consumption and with specific tariff structures. Examples are: households, commercial users, municipal services, industries.

**Water Governance** – Refers to the range of political, organisational and administrative processes through which communities articulate their interests, their input is adsorbed, decisions are made and implemented, and decision makers are held accountable in the development and management of water resources and delivery of water services. (Bakker, 2003)

**Water license** – Public license, to use water, either through a defined period of time, or at a defined quantity.

**Water Supply System** – System for the collection, transport, treatment, storage and distribution of water from source to consumers.

**Water User Association (WUA)** – Association representing all the customers of a specific service. Such associations normally meet regularly to approve regulations, or to elect members of the water user committee (WUC) or the WATSAN committee.

**BPD's goal is to enhance and increase water and sanitation provision in poor communities by strengthening partnerships.** Challenges around water and sanitation service delivery in developing countries are not primarily rooted in gaps in technology or finance. BPD promotes more efficient and effective relationships between stakeholders across the public, private and civil society sectors. Active since 1998, BPD is the sector leader in providing non-profit, neutral and independent guidance that both challenges and supports policymakers and practitioners. We do this through action research, direct support, and learning events and activities.

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**BPD Water and Sanitation**  
2nd floor, 47-49 Durham Street  
London, SE11 5JD UK  
Tel: +44 (0)20 7793 4557  
[info@bpdws.org](mailto:info@bpdws.org)/[www.bpdws.org](http://www.bpdws.org)