Rural Water Supply & Sanitation, CDD, and Multi-Sectoral Projects

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What is “CDD”? Terminology

- Community Driven Development is an approach that can be applied in all sorts of projects.
- Multisectoral Investment Projects (e.g., SFs) can be based on CDD approaches, or not.
- Sectoral Investment Projects can have CDD elements, or not.

**Note:** For many sectors, including water, CDD is crucial.

- Single sector programs often have a significant policy/strategy component related to the sector in question; multisectoral projects have less leverage to do this.
- CDD approach ≠ “a CDD Project” (don’t use the latter).
Multi Sectoral Investment Funds and Rural Water Supply and Sanitation: What’s the Issue?

- As much as ¼ of investments financed by MSIFs are in W&S, much of this rural—latent demand may be higher
- As much as 1/2 of Bank-financed investments in RWS go through MSIFs
- Evidence that MSIF financed W&S projects not sustainable
- →Lots of potential gain
What makes W&S projects unique in MSIF portfolios?

- Communities are investing in a “service” that requires management.
- Impact and sustainability hinges on proper use, effective operations and maintenance.
- More than others, RWS Management tends to be:
  - More routine - preventative maintenance
  - Community-managed (with outside support)
  - Complex (based on choice of technology)
  - Reliant on technical assistance
  - Reliant on dependable supply chains
  - Reliant on tariffs to finance O&M
What makes W&S projects unique in MSIF portfolios? (cont.)

- Project has multiple alternatives for design and level of service
  - Community decision and participation required
  - The level of cost varies with the technology and management system selected

- Multi-faceted and Interdisciplinary: integrates social, engineering environmental, hygiene, economic/financial, organizational issues
What makes W&S projects unique in MSIF portfolios? (cont’d)

- Has direct and immediate welfare consequences (and multiple uses).
- Beneficiaries should be willing to pay because benefits accrue directly to individuals (economic good)
- Sanitation: Not generally fee-for service, but largely deals with behavioral issues.
Toolkit for RWS Components in Multi Sector Projects

- Bank-Netherlands Water Partnership
- Rural Water and Sanitation Thematic Group and Social Funds Thematic Group (plus others)
- Draft May 2002
Four Building Blocks

- General Orientation (brochure): Overview of the problem, success factors for RWS components
- Country Assessment Tools
- Operational Guidelines
- Implementation, Supervision and Monitoring
Key Factors for Sustainability:
6 Strategic Areas

- Institutional (breakdown of roles between the public sector, the private sector and communities)
- Social (community participation in the decision-making process)
- Technical (technology of water and sanitation systems)
- Economic (financial aspects and resource management)
- Norms, Knowledge, and Values (taking behavioral patterns and customs into account)
- Environment (crosscutting dimension)
Color Code

- Green: Factors that correspond to a strength of the CDD approach
- Red: Factors beyond the scope of CDD approach
- Yellow: Factors that may be positively affected by a CDD approach, but needs other interventions as well
1. Institutional Factors

- Clear breakdown of competence
  - **State**: planner, regulator and facilitator for the emergence of the community and the private sector
  - **Local Government**: involvement in local planning and community support
  - **Private sector** (enterprises, consulting firms, NGOs): in charge of social engineering (software) and the implementation of subprojects
  - **Communities**: responsible for operation and maintenance, management of funds and investment decision

- Someone needs to be assigned responsibility for timely follow-up, monitoring, support to communities
2. Social Factors

- Participation of local actors throughout the project cycle, with no exclusions
- Selection of the system by the community, with full knowledge of the implications and constraints in terms of quality of service, cost of investment (community contribution), tariff, and management complexity
3. Technical Factors

- Choice of technological and quality-of-service options to meet demand most effectively
- Technological approach that minimizes recurrent costs and the complexity of maintenance
- Policy of standardization of short-lived equipment
- Capacity of the private sector to execute the work
- Viable supply chains for supplying goods & spare parts, and services
4. Economic Factors

- Choice of technology guided by willingness and capacity to pay for the service
- Clear national policy of financing for the investment (subsidy / local contribution)
- Tariff policy for operation & maintenance and replacement of equipment
- Capacity to ensure the security of replacement funds and/or access to credit
5. Norms, Knowledge and Values

- Project appropriateness within the context of local customs and beliefs
- Sanitation & hygiene training based on local practices and behaviors
- Long term training and awareness campaigns
6. Environmental Factors

- Local protection of water resources (quality and source sustainability)
- Minimize impact of discharge
Conclusion

- CDD approach is necessary but not sufficient for RWS, both in sectoral and multisectoral projects.
- If the sector analysis shows that most of these factors are "favorable," then rural water supply has a good chance of success in a multisectoral project, with CDD approach and IF the project adheres to the sector policy/strategy.
- Otherwise, a sectoral program focused on policy and strategy is also needed, involving government and sector stakeholders.

The success of a rural water supply investment component is highly dependent upon factors external to scope of CDD approach.
Honduran Social Fund (FHIS): Improving Performance in Water and Sanitation Sector
Honduran context

- Honduras coverage
- The W&S coverage is relatively high by Central America standards
- There are however important gaps in coverage in poor neighborhood of main citie.
- and in rural dispersed areas where one million people are living without access to W&S.
Honduran context

- W&S Sector in Honduras
- A new regulatory framework transfers the responsibility for construction, operation and maintenance to municipalities who could delegate functions to the private sector or to user associations.
- Formal efforts to coordinate approach in rural areas began in 1991 with the creation of a National Network, bringing together all private and public actors of the W&S sector.
- Sector actors have adopted common approach demand responsive based in rural area.
Honduran context

- FHIS
- Exists since twelve years and invests approx. 15% of its total investment in W&S sector it’s the unique channel for the WB and others
- FHIS worked with weak interactions and collaboration with sectoral stakeholders
- The sustainability of W&S systems financed by FHIS was relatively weak
A strategy to improve FHIS performance in Water and Sanitation Sector

Three part strategy
1. Instruments to evaluate the sustainability & quality of all FHIS sub-projects, and
2. A pilot for rural dispersed areas with 3 alternatives
3. Reduced and clear focus for urban area interventions in “phase” with sector modernization
Honduran Social Fund (FHIS)
A strategy to improve FHIS performance in Water and Sanitation Sector

Three part strategy

1. Mainstream approach in rural concentrated areas
   - Pilot in rural dispersed area
     - Community contracting
     - Municipality contracting
     - FHIS contracting

2. Mainstream approach in urban slums
   - Redesign
   - Reparation

3. Evaluation of piloted arrangements & approach
   - Scaling-up

Design | Ex-ante appraisal | Execution | Ex-post appraisal | Post-investment

6 months
There is an expected synergetic effect

- The quality control procedures are expected to create incentives and guidelines to reform FHIS procedures in the sector.
- Procedures developed for the pilot program are expected to be relevant for investments and will give FHIS a field of learning.
- The pilot holds potential learning opportunities for all the sectoral stakeholder
- FHIS strategy will push sectoral reflection