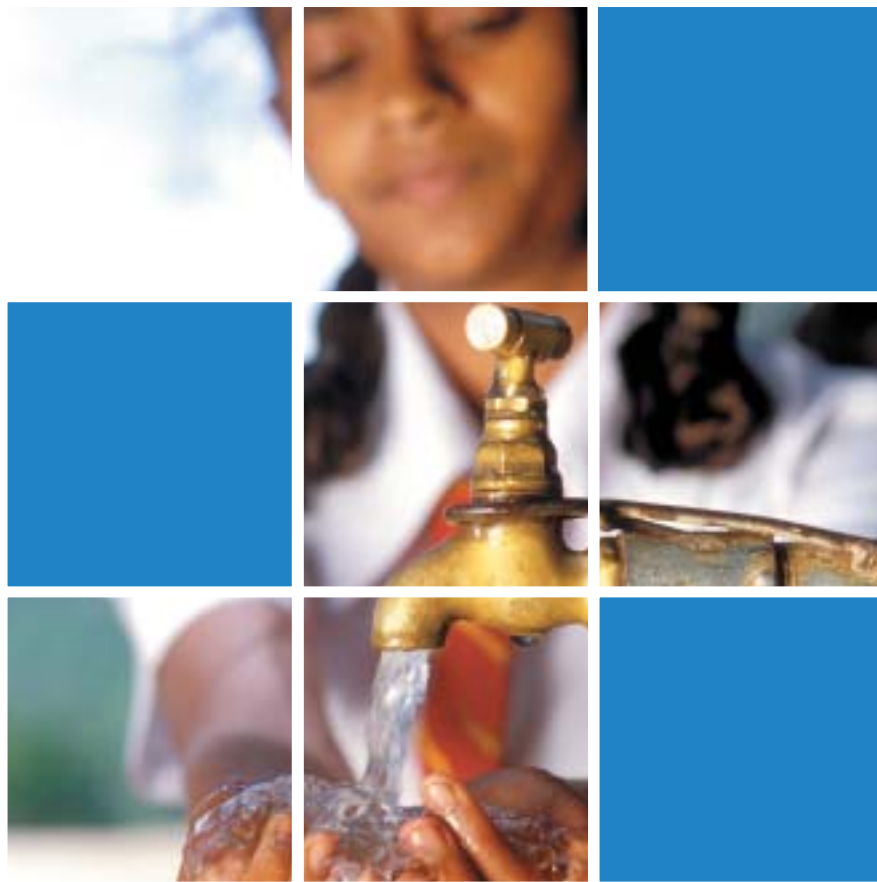


# The World Bank Group's Program for Water Supply and Sanitation





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The Water Supply and Sanitation Sector Board supports the World Bank Group's mission of reducing poverty in developing and transition economies.

Achieving these objectives requires a focus on  
“Efficient Sustainable Water Supply and Sanitation Services for All”

## WATER SUPPLY AND SANITATION SECTOR BOARD

*January 2004*

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## FOREWORD

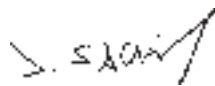
The international development community has recognized the importance of water supply and sanitation for reducing poverty in the developing world. Access to improved water supply and sanitation are explicit targets of the Millennium Declaration adopted by the United Nations in 2000, and have since been a central focus of international cooperation, including the International Conference on Financing for Development-Monterrey, the World Summit for Sustainable Development-Johannesburg, and the Third World Water Forum-Kyoto.

The growing awareness among policymakers in both the developing and industrialized nations that improving water supply and sanitation services is the key to achieving broader poverty reduction goals, has been accompanied by calls for more concerted efforts and additional resources from all stakeholders, including the World Bank Group. In this context, the World Bank Group's Water Supply and Sanitation Sector Board has developed a sector program which identifies key thematic areas on which to focus, strategic regional and sub-sectoral priorities, the range and choice of instruments, and opportunities to leverage development impact through partnerships.

The program draws on the World Bank Group's broad thematic and corporate policies and strategies, including those related to urban, rural, and private sector development as well as water resources management and the environment. It draws on evaluations conducted by the World Bank Group's Operations Evaluation Department and recent World Development Reports. It further takes into account a series of background notes that assess progress in the implementation of sector reforms, historical access coverage rates and capital flows, case studies of successful programs around the globe and recent experience within the World Bank Group.

Finally, it builds on the World Bank Group's comparative advantages: as a long-term partner that can assist governments meet changing development needs and objectives; as a knowledge institution that develops and shares global, regional and country-specific information with its clients and partners; as a multilateral agency with a comprehensive geographic and multi-sectoral perspective — placing water supply and sanitation within the broader fiscal, social and environmental context; as a development bank with access to a diverse set of programs and financing instruments that can be tailored to country specific needs — including long-term finance for large, complex investments; and as a convener of development partners — to address issues of common interest such as sector governance, financing, environmental and social concerns.

On behalf of the members of the Sector Board and the World Bank Group's Water and Sanitation Practice, I would like to thank Jonathan Halpern, Mukami Kariuki and Michael Hamaide for leading this work, and all the World Bank Group staff who contributed to this endeavor.



**Jamal Saghir**

*Director, Energy and Water*

*Chairman, Water Supply and Sanitation Sector Board*

TABLE 1  
WATER SUPPLY AND SANITATION ACCESS, 2000

Region	improved water supply (%)		improved sanitation (%)	
	Urban	Rural	Urban	Rural
Sub-Saharan Africa	83	44	73	43
Middle East and North Africa	95	77	93	70
South Asia	94	80	67	22
East Asia and the Pacific	93	67	73	35
Latin America and the Caribbean	94	66	86	52
Europe and Central Asia	95	82	97	81
Developing Countries	92	69	77	35

Source: WHO/UNICEF JMP, [www.childinfo.org/eddb/water.htm](http://www.childinfo.org/eddb/water.htm)  
[www.childinfo.org/eddb/sani.htm](http://www.childinfo.org/eddb/sani.htm)

## THE PROBLEM: LIMITED ACCESS AND POOR SERVICE

Inadequate water supply and sanitation services underscore the lives of billions of poor people in the developing world. Of every ten people, two lack access to a safe water supply, five have inadequate sanitation, and nine do not have their wastewater treated to any degree (Table 1). This translates to an estimated 1.1 billion people without access to safe water and 2.4 billion without adequate sanitation.<sup>1</sup>

Yet even these estimates understate the extent of the access gap. In many countries where water supply systems have been installed, the quality of services is poor. For many consumers there is often no water in the pipe, and when available, it is unsafe to drink. In addition, sanitation facilities are often inadequate, overloaded, in disrepair, or unused.

Inadequate water supply and sanitation affects multiple dimensions of poverty:

- In 2002 about 1.7 million deaths worldwide were attributed to unsafe water, sanitation, and hygiene, mainly through diarrhea. Nine out of ten such deaths occurred among children, and virtually all of the deaths were in developing countries.<sup>2</sup> The burden of illness weighs most heavily on the poorest members of society.
- Poor sanitation and the absence of minimal facilities for safe wastewater disposal contribute to the degradation of groundwater, rivers, and coastal resources, on which the poor are heavily dependent for their livelihoods. In densely populated urban and peri-urban areas, poor sanitation translates into squalid living conditions, high vulnerability to environmental hazards such as flooding, and increased prevalence of water-related infections and parasitic diseases.
- Many children, particularly girls, do not attend school because they must fetch water from distant sources. In some cultures, girls are not permitted to attend schools that do not have latrines out of concern for their privacy and modesty. Studies in Asia indicate that girls' enrollment rises with the provision of latrines in schools. Higher enrollment of girls can have a positive impact on child morbidity and mortality — the education level of mothers has been shown to be a strong determinant of water and excreta-related diseases in children.

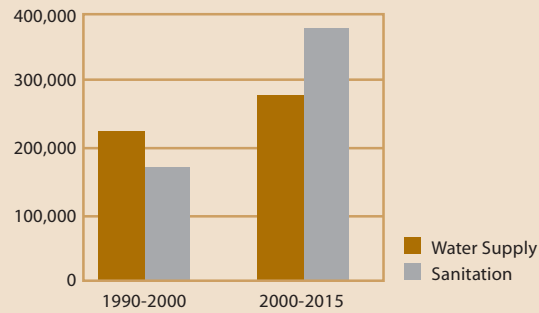
As these examples illustrate, improved water supply and sanitation can positively influence health, education, social and environment outcomes. Progress in expanding access and improving the quality of water supply and sanitation services requires an enabling environment and cross-sectoral interventions in such areas as water resource management, land management, fiscal decentralization, and public health, among others. Ensuring consistency in policies and approaches across sectors is vital for improved financial and operational sustainability of all water supply and sanitation services.

<sup>1</sup> WHO/UNICEF JMP, [www.childinfo.org/eddb/water.htm](http://www.childinfo.org/eddb/water.htm)

<sup>2</sup> Reducing Risks, Promoting Healthy Life, The World Health Report, 2002

FIGURE 1

GROWTH IN ACCESS TO WATER AND SANITATION, 1990-2000 AND 2000-2015

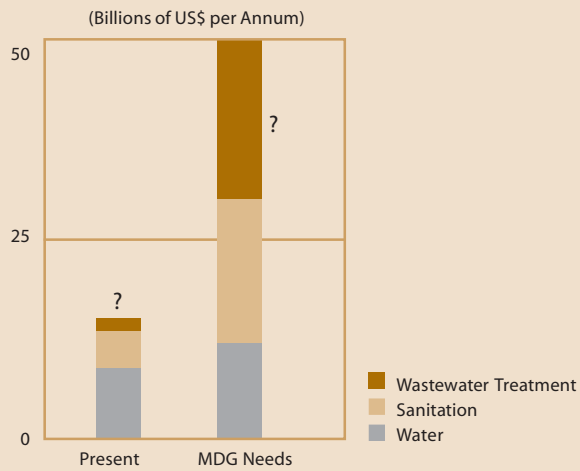


Number of new people with access to WSS per day for past 10 years and projection for 2000-2015

Source: UNICEF: [www.childinfo.org/eddb/water.htm](http://www.childinfo.org/eddb/water.htm)

FIGURE 2

COMPARISON BETWEEN HISTORICAL AND NEEDED MDG INVESTMENT LEVELS



Source: Global Water Partnership Framework for Action, 2000/World Bank



## THE CHALLENGE: REDUCING POVERTY THROUGH IMPROVED WATER SUPPLY AND SANITATION SERVICES

In recent years the challenge of reducing poverty by improving the efficiency and sustainability of water supply and sanitation services has found focus in the “Millennium Development Goals”. The Millennium Development Goals identify targets for improving water supply and sanitation. These are outlined in the Millennium Declaration and were further elaborated during the World Summit on Sustainable Development in 2002. The targets aim to *reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by the year 2015*. Success in this endeavor would mean providing an additional 1.5 billion people (1 billion in urban areas, and 0.5 billion in rural areas) with access to safe water, and about 2 billion people (1.1 billion in urban areas, and 0.9 billion in rural areas) with basic sanitation between 2000 and 2015 (see Figure 1).<sup>3</sup>

These global estimates of access mask large disparities between countries and within them. When viewed on a country basis, no more than 20 percent of developing countries, and less than 10 percent of the lowest-income countries, are increasing access at the rate needed to meet the targets.<sup>4</sup> To achieve these Millennium Development Goals, annual investments in water supply and sanitation would likely need to *double* from the historical level of US\$15 billion per year to US\$30 billion (see Figure 2).<sup>5</sup> These estimates

### LESSONS FROM THE INTERNATIONAL DRINKING WATER SUPPLY AND SANITATION DECADE

The Millennium Development Goals follow several earlier initiatives that established water supply and sanitation access targets. The most notable was the International Water Supply and Sanitation Decade in the 1980s. In *translating the Millennium Development Goals into quantitative targets* at country level countries should take into account the following lessons from the “Decade”:

- avoid the “*performance by target*” syndrome in which time-consuming and often politically difficult processes (such as realigning policies and institutional roles to achieve sustainable improvements in service quality and access) are bypassed in an effort to quickly show results, and make the case for increased domestic budgetary resources and concessional aid;
- *establish sound policies and institutions* at national, local and community level in order to ensure sustained progress; and
- *build capacity at local level* for identifying and understanding the specific characteristics of poverty groups, and establish mechanisms that respond to demand.

<sup>3</sup>WHO-UNICEF JMP: [www.childinfo.org/eddb/water.htm](http://www.childinfo.org/eddb/water.htm). Adjusted to reflect base year as 1990 rather than 2000. “Safe” water includes household connections, public standpipes, boreholes, protected dugwell, or spring and rainwater collection. “Adequate” sanitation includes connection to a public sewer or septic system, or possession of a pour-flush, simple pit, or ventilated improved pit latrine.

<sup>4</sup>Progress Report And Critical Next Steps In Scaling Up: Education For All, Health, HIV/Aids – Addendum 3, Water Supply And Sanitation And The Millennium Development Goals, Development Committee, March 27, 2003

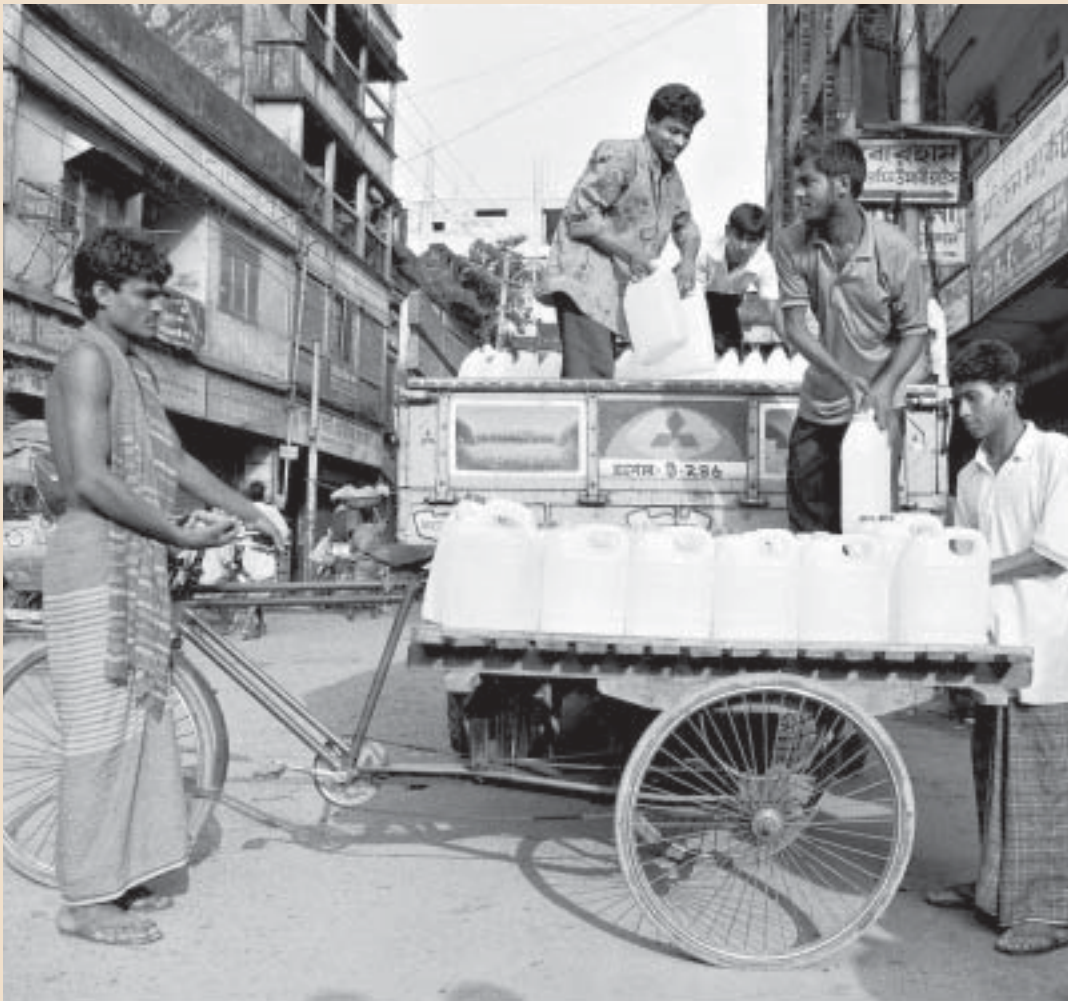
<sup>5</sup>Towards Water Security: A Framework for Action, Global Water Partnership, 2000.



do not include wastewater treatment and assume good maintenance of existing assets and efficient investment, in the absence of which investment needs will be much higher.

In summary, the magnitude of the access gap and the costs of closing it are considerable. But closing the gap is not simply a matter of more money. Sustainable access to safe drinking water and adequate sanitation requires: improving and sustaining the quality of existing services; tailoring new services to respond to demand from unserved households; and establishing sound environmental management practices. Common to each of these is the need for better utilization of existing resources. Doing so requires action along four fronts:

- Creating and disseminating *knowledge* on what works in local circumstances;
- Adopting *policies* that provide incentives to invest and operate efficiently, and ensure that services reach the poor;
- Building and strengthening local *institutions* to permit improvements in service quality and increased access; and
- Securing the necessary *financing* to rebuild infrastructure and expand service coverage and quality.



## KEY LESSONS: BUILDING ON GLOBAL EXPERIENCE

Over the past two decades much has been learned in developing countries about what it takes to improve water supply and sanitation services. The main lesson is that *where developing countries have steadfastly pursued sound policies and created supportive and sustainable institutions, they have made remarkable progress in expanding the reach of water and sanitation services*. In contrast, where efforts have not been consistent and sustained, funding for the sector has had very limited and only temporary benefit. Creating the conditions for reform — drawing on the following lessons derived from international experience — is key to making progress:

*Well-functioning service providers are essential to realizing sustained improvement in water supply and sanitation services*. Many water supply service providers currently operate with levels of unaccounted-for water in excess of 50 percent, and collection efficiencies below 70 percent. As a consequence, only about one third of the water produced generates revenue, leaving many service providers without the means to operate, maintain, and expand systems in response to growing consumer demand. When provided with clear incentives, service providers have reduced costs, improved service quality, and increased access. An important priority is to ensure that service providers are accountable (downward) to users rather than exclusively (upward) to government.<sup>6</sup>

**“In the absence of sound policy and institutions, increased investment will be ineffectual in reaching the Millennium Development Goals.”**

*Extending services to poor people in urban areas requires specific attention and targeted intervention*. Traditional monopoly service providers have often been deaf to the needs of poor households, perceiving them as customers who are costly to serve and unable to pay their bills. However, the unique and differentiated service demands of poor households can not be met through standard one-size-fits all approaches. Understanding these unique needs requires the participation of users in the design, management and regulation of services. When standards are too rigid or set too high, water supply and sanitation services may become inaccessible or unaffordable to the urban poor. Experience shows that where a range of options is offered and adapted to suit these niche markets (e.g., through small scale providers), the poor have benefited.

*Rural communities are willing to pay for and manage water supply and sanitation services when offered a choice of service level and a voice in the design of service delivery and financing mechanisms*. Significant action along several fronts is required to address the challenges associated with financing and delivering safe water and adequate sanitation services to dispersed rural communities, comprised largely of households with low incomes. Experience with community-driven development approaches has demonstrated the importance of: establishing financing arrangements that expedite the flow of funds from central agencies to communities, based on clear (and measured) performance criteria;

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<sup>6</sup>“Making Services Work for the Poor,” World Development Report 2004, World Bank

strengthening the role that communities, and women in particular play in managing water supply and water resources; and enhancing the capacity of local government agencies, NGOs, and entrepreneurs to support communities in the design and management of their water supply and sanitation systems.

*Sanitation and hygiene are critical to improving people's health and living conditions.* Realizing health benefits from improved water supply and sanitation depends on a three-pronged strategy: (i) access to sufficient quantities of water; (ii) sanitary disposal of excreta; and (iii) sound hygiene practices. Household demand for improved sanitation often lags behind the demand for improved water supply, and is driven by perceptions of other benefits (e.g., privacy, convenience, dignity). In many countries, on-site sanitation (which is the primary excreta disposal method) is a private/household responsibility. However, as improved sanitation yields important public benefits, greater public support — financing, policy, technical, and social marketing — is warranted. Achieving sustained improvements in sanitation is a *long-term undertaking that often requires a phased approach matched to consumer demand.*

*Partnerships are key to expanding access to water supply and sanitation services.* The public sector is the principal provider and financier of water supply and sanitation services in the developing world — at less than 10 percent of total sector financing, the private sector supports and augments public sector initiatives rather than supplanting them. While government is, and should remain, accountable for service delivery, over the past few decades other players — the private sector, communities, NGOs — have played an increasingly important role in delivering these services. NGOs and community-based organizations have been instrumental in expanding access to rural water supply and sanitation, and in recent years the role of the private sector has evolved from a narrow focus on the supply of goods and services to include a broader role in financing and managing water supply and sanitation services.

The role of the international private sector in managing large-scale water supply and sanitation services has grown significantly over the past 10 years — from a handful in 1990 to about 200 worldwide by 2001. Over this period, several notable trends have emerged: (i) the entry of private sector operators has challenged the idea of permanent, unregulated, public monopolies and stimulated better performance among all operators; (ii) more transparent and impartial regulation has improved access to and disclosure of information; and (iii) marked improvement in performance over extended periods has been achieved by creating incentives to meet specific targets.

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<sup>7</sup> Infrastructure Action Plan, World Bank, 2003



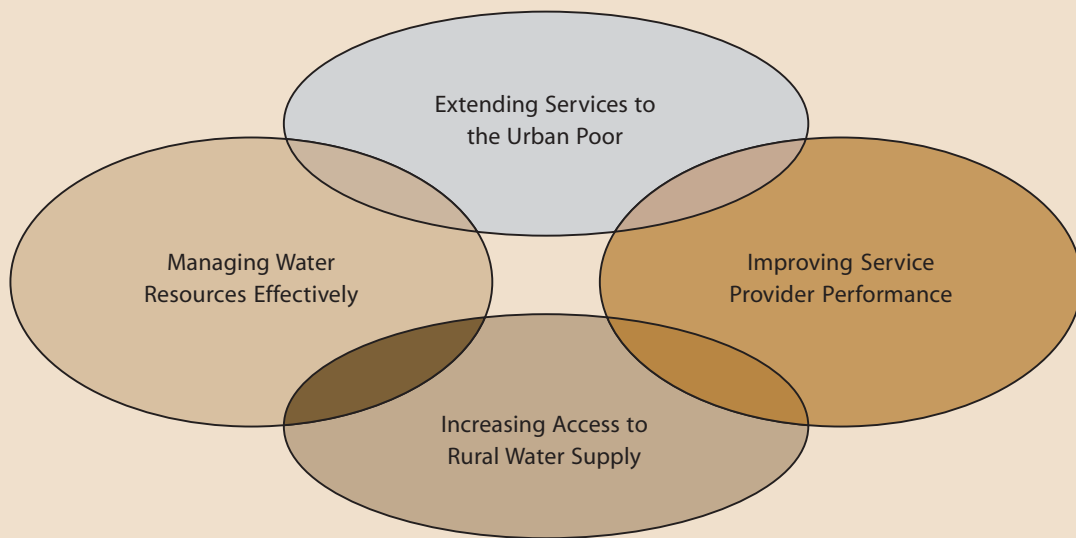
*Expanding and sustaining service requires clear and consistent financial policies.* Services should be paid for if they are to be sustained, and the extent and manner of cost recovery is crucial. In particular: tariffs should be aligned with costs; subsidies more clearly targeted to the poor; and a range of less costly service levels offered and delivered in a cost-efficient manner. Financing, and by extension pricing policy should take into account wide variations in payment capacity, distinguishing among urban, peri-urban, and rural consumers. In some countries this may mean that tariff adjustments to reflect the true costs of service are implemented gradually — during which time government subsidies may be required to bridge the gap between overall revenue and costs.

While user charges are critical to sound financing, affordability concerns and public externalities associated with certain types of water supply and sanitation services require public support. However, this should be provided in a manner that does not dilute service providers' incentives to perform. Keying public funding to the achievement of explicit improvements in service — e.g., through “output based aid” — is one such approach. Public support (and by extension development assistance) is also important for mobilizing private financing for water supply and sanitation systems — e.g., through partial guarantees to mitigate risks that hinder long-term private financing.

**“Water Supply and Sanitation Services are always paid for by someone, inevitably consumers or taxpayers.”**

*Better water resource management and environmental protection are essential for ensuring sustainable access to adequate water supply and sanitation.* In arid regions and those subject to high climatic variability, the costs of obtaining adequate sources of raw water are rising rapidly. In a growing number of countries, limitations in resource availability have led to better organization and increased cooperation among users, resulting in improved resource allocation. As only 10 percent of the wastewater generated in urban neighborhoods is safely collected and disposed of, further efforts to reduce overexploitation and environmental degradation are required. Integrated approaches to resource allocation, water quality management and pollution control which involve municipal, state, and federal agencies are required in order for priority setting and pricing mechanisms to work.

WATER SUPPLY AND SANITATION  
BUSINESS LINES



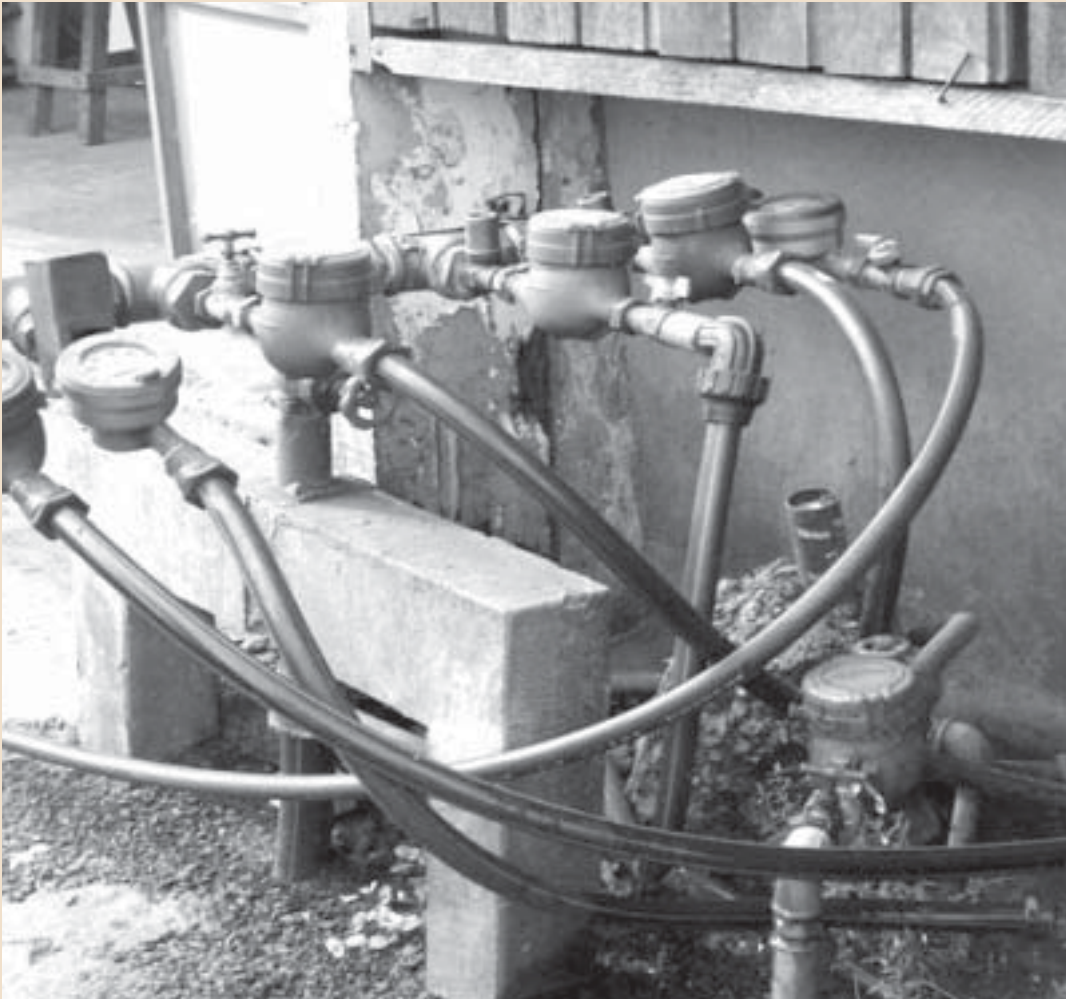


## **RESPONDING TO THE CHALLENGE: BUSINESS LINES AND CROSS-CUTTING PRIORITIES**

Over the past decade, World Bank Group assistance has incorporated these lessons, shifting from a narrow focus on physical infrastructure to fostering operationally and financially sustainable service provision. Assistance for water supply and sanitation focuses on four main business lines or thematic areas: (i) extending water supply and sanitation services to the urban poor; (ii) improving service provider performance; (iii) increasing rural access to water supply and sanitation; and (iv) better managing the water resource base. These are linked to the World Bank Group's broader strategies for Rural Development, Private Sector Development, Urban and Local Government, and Environment.

***Extending Services to the Urban Poor:*** Over the next two decades, the bulk of population growth in developing countries will be concentrated in urban areas. By 2020, 50 percent of the developing world's population will be urban, most will live in small and medium-sized towns, and many will be low income households. Reaching the poor requires targeted interventions and broader actions at the municipal level, including: offering households a menu of service options, with differentiated costs that reflect their willingness to pay; establishing appropriate tariffs and subsidies; expanding the choice of service providers; and increasing hygiene awareness through social marketing, as a means to improving health and sanitation. In addressing urban poverty, the World Bank Group's advisory and analytic assistance and lending activities are focused on strengthening the capacity of local institutions to conduct demand assessments across user groups, improve poverty mapping, establish targeted subsidy mechanisms, pilot output-based approaches, and reform regulations and standards. Among the vehicles for introducing these interventions are sector-wide programs and broad urban poverty-oriented programs such as slum upgrading initiatives (e.g., Vietnam), city development strategies (e.g., Johannesburg, South Africa), and local government supported community development programs (e.g., Nigeria)

***Increasing Access to Rural Water Supply and Sanitation:*** Rural communities are often directly responsible for the operation and maintenance of water supply and sanitation services. Increasing access to rural water supply and sanitation requires a community-driven development approach that gives communities choice of service while instilling accountability for service delivery. Key measures for improving accountability and building local capacity include: community contracting — whereby user groups manage investment funds and contract goods and services from local suppliers directly; capacity-building of local agencies and entrepreneurs rather than centralized ministries; channeling central government/donor financing to local governments based on actual performance; and involving communities in water supply and water resource management at the local level. As the share of rural water supply and sanitation



programs implemented through multi-sectoral initiatives such as social funds, rural development and natural resource management operations has increased, measures to ensure consistency in policy and approach are also being put in place, and attention to broader questions of fiscal decentralization (e.g., Uganda), local government capacity (e.g., China) and livelihoods (e.g., India) is a priority.

***Improving Service Provider Performance:*** In many countries poor service quality, limited access (especially for the poor) and lack of financial viability are key sector challenges. Expanding access to sanitation poses an additional challenge as the access gap is wider and responsibility for service provision is dispersed. An important priority is to transform monolithic state-owned water companies into more-responsive service delivery agencies that address the needs of all users. Central to most water supply and sanitation programs are policy, regulatory, and institutional reforms to create incentives for service providers to be more accountable, commercially oriented, creditworthy, and customer-focused. Key measures include: developing regulatory capacity, and enhancing participation with civil society; establishing incentive based programs to improve the performance of public utilities; more effective engagement of international, local and small-scale private sector operators; refining pricing policy; commercializing utility operations; and applying new financing instruments—output-based aid, credit enhancement and sub-sovereign lending. Making progress in these areas requires action beyond the sector including: the development of local capital markets (e.g., Mexico), and strengthening of municipal finance and intergovernmental fiscal systems (e.g., Indonesia).

***Managing Water Resources More Effectively:*** Competing demands for water have brought water resources management to the forefront of the water supply and sanitation agenda in a number of countries in Africa, the Middle East and South Asia. Better management of existing resources is crucial. However, in some countries, the costs of obtaining adequate raw water are rising. In these circumstances, the development of basic hydraulic infrastructure is required in order to meet broad social and economic objectives. With respect to environmental degradation, a growing number of middle-income countries, in the East Asia and Pacific, Europe and Central Asia, and Latin America and the Caribbean region have initiated actions to arrest the decline in ambient water quality and improve wastewater management, including flood control and water reuse. Recognizing the interdependence of water supply, sanitation and water resource management, the World Bank Group's water supply and sanitation practice is working jointly with the water resources management practice to prepare country water resource assessments that address allocation, water quality, pricing, wastewater management and other issues (e.g., Yemen). Collaboration across sectors, particularly environment, urban development, and rural development is being strengthened in order to scale up work on water quality management and

## CROSS-CUTTING OPERATIONAL, POLICY, AND INSTITUTIONAL PRIORITIES

<p><b>STRENGTHEN GOVERNANCE MECHANISMS</b></p> <p>Policy and regulatory reforms enhance sustainability. Creating the conditions for reform requires political commitment and long-term engagement.</p>	<ul style="list-style-type: none"> <li>• Integrate WSS within broader decentralization and local government reform initiatives to improve accountability, ensure financial sustainability, and increase the flow of finances to the sector.</li> <li>• Improve communication and advocacy on reforms in order to set realistic expectations, address stakeholder concerns, promote awareness of beneficial impacts, and build broader, more enduring support.</li> <li>• Strengthen regulatory capacity to oversee service delivery, set tariffs, monitor environmental quality.</li> <li>• Improve contractual and regulatory frameworks for partnerships with the private sector and communities.</li> </ul>
<p><b>ENSURE FINANCIAL SUSTAINABILITY</b></p> <p>Satisfied customers pay their bills. Cost-recovering tariffs enable service providers to operate and maintain their systems at adequate levels, and mobilize financing for service expansion.</p>	<ul style="list-style-type: none"> <li>• Advocate for pricing policies that promote sound resource management, more effective resource use, and long-term sustainability, while achieving social objectives.</li> <li>• Improve cost recovery to ensure that, at a minimum, revenue generates sufficient cash flows to cover explicit costs and financing commitments.</li> <li>• Design public sector financing mechanisms to meet social objectives while retaining a focus on more efficient resource use.</li> <li>• Enhance financial risk mitigation and guarantee instruments to leverage private financing and catalyze local currency and sub-sovereign lending.</li> <li>• Improve household access to financing for WSS installations through more appropriate payment mechanisms and micro-credit facilities.</li> </ul>
<p><b>IMPROVE SERVICE DELIVERY</b></p> <p>Improve access, quality, and sustainability of service delivery. Broaden and strengthen partnerships among governments, communities, the private sector, and civil society.</p>	<ul style="list-style-type: none"> <li>• Create the right conditions for accountability, and efficiency of service providers – whether public or private, international or local.</li> <li>• Provide flexible service options and standards in order to meet the needs of consumers under various economic and technical conditions.</li> <li>• Ensure that contracts address the needs of poor consumers.</li> <li>• Design performance incentives for service providers, to improve efficiency and effectiveness, and extend services to vulnerable groups.</li> </ul>
<p><b>TARGET INTERVENTIONS TO THE POOR</b></p> <p>Reach poor and vulnerable groups through specific and targeted interventions.</p>	<ul style="list-style-type: none"> <li>• Adapt regulations and standards to ensure that water supply and sanitation services can be extended to the poor.</li> <li>• Introduce tariff structures and subsidy instruments that are transparent, and target poor and vulnerable groups.</li> <li>• Pilot output-based approaches that shift public funding from inputs to services actually delivered to poor households.</li> <li>• Improve and expand poverty mapping and household demand assessment. Determine community preferences and tailor service delivery accordingly.</li> <li>• Deploy measurement tools to track outcomes, support regulation, and inform policymakers and consumers.</li> </ul>
<p><b>IMPROVE HEALTH OUTCOMES</b></p> <p>Improving health outcomes requires not only investment in water and sanitation facilities but also behavioral change.</p>	<ul style="list-style-type: none"> <li>• Promote self-sustaining hygiene education programs (including in schools) to stimulate demand for sanitation and reduce illness.</li> <li>• Employing social marketing tools/techniques to develop understanding of, and stimulate demand for, sanitation.</li> <li>• Introduce appropriate standards for sanitation, in accordance with the economic capacity and social needs of each targeted community.</li> </ul>

pollution control, through integrated basin management approaches; the use of new instruments such as output-based approaches for wastewater (e.g., Brazil); and phased approaches to the development of sewerage systems and introduction of effluent standards.

In each of these four thematic areas, the World Bank Group is working with client countries to address a core set of cross cutting policy and institutional priorities — strengthening governance, ensuring the financial sustainability of water supply and sanitation schemes, strengthening service delivery mechanisms, targeting interventions to the poor, and improving health outcomes — all of which are essential for achieving sustained improvements in sectoral performance and broader poverty reduction goals.



## SUPPORTING COUNTRY PROGRAMS

**Sharpening Focus:** Assistance for water supply and sanitation is focused on countries in which *the potential for impact is highest* – that is, where the World Bank Group's support for national programs is matched by country commitment to sound policies and institutions. In each region, an initial set of focus countries has been identified for enhanced support with a view to accelerating progress towards achievement of the Millennium Development Goals. While resources are dedicated to achieving impact in focus countries, this does not necessarily mean increased lending. In some countries, ensuring sustainable access to water supply and sanitation may require that support for policy and institutional reforms initially takes precedence over increased lending — some low-income countries may not be able to absorb large increases in external financing.

By the same token, focusing on an initial set of countries does *not* imply that work will cease in other countries. Activities will continue at a steady pace (where institutional capacity exists), with reduced intensity (in countries where reforms are slow or non-existent), or on a declining basis (where other partners are taking the lead, as in European Union (EU) accession countries, or where national governments no longer need external support).

**Working within Country Frameworks:** The Millennium Development Goals are global targets which should be translated into country specific priorities, implementation capacities, and timeframes. Scaling up water supply and sanitation takes place as part of a country-wide prioritization and resource allocation process that recognizes the interdependence of water supply and sanitation, health, education, and environmental outcomes. Meeting ambitious targets set at the national level requires sound sectoral policies and strategies, supported through discrete programs and dedicated funding. Well-elaborated country programs help to reduce duplication of effort among agencies and donors and establish a common framework for sectoral assistance. National development plans such as Poverty Reduction Strategies provide a clear indication of the priority that governments and development partners accord water supply and sanitation. However, policies, priorities, and budgetary implications should be elaborated with enough clarity to guide external assistance through: *multi-stakeholder assessments* — to bring diverse perspectives to bear; *sector diagnostics* — to establish baseline conditions; *investment programs and financing strategies*; and *monitoring and evaluation systems* that measure implementation progress and development impact.

**Working with a Wide Spectrum of Service Providers:** The scale of water supply and sanitation needs calls for engagement across the spectrum of public and private actors. Over the past few decades the nature of partnerships has evolved to accommodate diverse needs and country characteristics. Many governments are delegating responsibilities to community organizations, non-governmental agencies and







the private sector; and establishing national programs to replicate success and broaden impact. In this regard, assistance for strengthening governance systems, developing financing mechanisms and building capacity for contract management may be required. In the context of providing policy advice on sector reform the World Bank Group is deepening its support for well-functioning service providers — financing inefficient service providers without a clear reform program does not produce sustainable gains. As a means of increasing efficiency and performance of service providers, support for the engagement of private actors will continue. Drawing on lessons from several decades of experience, new relationships and business models are thus evolving in response to local needs.

***Strengthening Analytical and Advisory Assistance:*** Developing and consolidating sector knowledge at country level informs sectoral priority setting, feeds into the elaboration of programs and strategies, and guides sector reforms. Assistance may be required to address gaps in knowledge on a range of issues such as: assessing consumer demand for services; designing pricing policy and tariff structures, institutional capacity and performance; and broader sector policy and regulations. Addressing gaps in knowledge at the country level may require: joint work with other sectors — to prioritize and sequence interventions at the national and local levels (e.g., city development strategies, poverty assessments, public expenditure reviews); and collaboration with other actors — to ensure policy consistency, harmonize approaches and coordinate technical support and investment programs. Translating learning into country actions also requires improvements in knowledge sharing. To this end the World Bank Group hosts a variety of knowledge-dissemination, capacity-building, and learning programs such as the Water Sanitation Program and World Bank Group Netherlands Water Partnership, that generate and disseminate knowledge.



## DEPLOYING RESOURCES MORE EFFICIENTLY

**Broadening Impact:** Water supply and sanitation strategies prepared for each region anticipate increased World Bank Group lending and non-lending assistance over the next five years. These strategies reflect regional operational priorities derived from country experience. As conditions vary within regions, the specific priorities, mix of instruments and partnerships are geared to country-specific needs, capacities and policies. Notwithstanding, countries at similar levels of development share common characteristics that inform the nature and phasing of assistance:

- In *low-income countries under stress (LICUS)*, the first priority is to advocate and establish basic policies and build institutional capacity for modest investment programs implemented in partnership with communities, the local private sector, and NGOs using community based approaches e.g., through slum upgrading and social development funds.
- In *low-income countries*, assistance may initially focus on policy and institutional reforms at central and local government level, followed or complemented by investment financing to scale up on various fronts (e.g., sanitation, small towns) in accordance with local implementation capacity. Given the importance accorded to decentralization and local government reform in several regions, programmatic approaches to financing for water supply and sanitation operations are increasingly important.
- In *middle-income countries*, which typically have a greater ability to mobilize resources, assistance is highly selective and catalytic, directed at leveraging private financing through International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and concessional lending by regional development banks; addressing poverty pockets through the design of pro-poor targeting policies and programs; and strengthening local government management and financial capacity (e.g., facilitating sub-sovereign lending).

**Leveraging Assistance through Strong Partnerships:** The World Bank Group works closely with various agencies at global, regional, and country levels to share knowledge, leverage resources, build consensus on effective policies and practices, and support common programmatic approaches. These partnerships are being sustained and strengthened through joint activities to enhance advocacy, knowledge generation, financing and capacity building.

At the global level, joint initiatives are underway with various United Nations agencies and most bilateral agencies – many of which also support one or more trust-funded programs housed within the World Bank Group.

Membership in several global networks such as the Global Water Partnership is complemented by participation in special-purpose global task forces, such as the World Panel on Financing Water Infrastructure, and active participation in key international water supply and sanitation events. In addition to traditional partnerships with governments and donor agencies, over the past decade cooperation has increased markedly with private operators, financiers, academia, consumer organizations and civil society.

At the regional level, the World Bank Group often works with the regional development banks – many of which play a lead role in external financing of water supply and sanitation. The World Bank Group actively supports regional programs such as the New Partnerships for Africa's Development (NEPAD), and has recently launched a joint initiative with other international financing institutions aimed at mobilizing investment financing for water infrastructure. New partnerships aimed at strengthening institutional capacity have been established with regional and country networks of professionals such as the Latin American Association of Utility Regulators (ADERASA).

Strong partnerships at country level often reap the largest benefits from development assistance. The World Bank Group is currently working with its clients and their partners at country level to develop and share knowledge, support sector reforms, finance common sectoral programs, and harmonize procedures e.g., by consolidating reporting and fund management procedures, budget structures, regulations surrounding procurement of goods/ services and disbursement cycles across aid agencies. These actions improve the effectiveness of development assistance and reduce demands on scarce in-country administrative capacities.

Within the World Bank Group, joint initiatives are underway with other departments (e.g., environment, rural development, social protection, health) to strengthen cross sectoral linkages with water supply and sanitation services. These activities are intended to improve the quality and relevance of analytical and advisory assistance to permit better integration of water supply and sanitation within country programs and magnify the development impact of operational work. In recognition of the need for close coordination across infrastructure sub-sectors, an Infrastructure Action Plan has been prepared with the aim of increasing the contribution of infrastructure services to poverty reduction and economic growth.

***Measuring Results – Improving, Monitoring and Evaluation:*** Effective measurement of development is the basis for understanding and applying lessons learned from experience. Over the past year, demand for comparable information on various aspects of sector performance has grown rapidly, driven in part by the

desire to measure progress towards achievement of the Millennium Development Goals. In order to address these demands, a water supply and sanitation sector monitoring and evaluation action plan has been prepared. A coherent sector-wide approach to collecting, aggregating, and reporting on project and country-level performance is being established with the following key elements:

- *Monitoring Country and Global Outcomes*

Measurement of country outcomes is important for gauging the effectiveness of country policies and World Bank Group assistance. Immediate demands for country-level data on access can be satisfied using indicators already available from the WHO-UNICEF Joint Monitoring Program (JMP). However, effective measurement at global level is made difficult by the wide variety of performance indicators used at country level. The World Bank Group is working with partners to improve the relevance, quality, and timeliness of data collection; increase consistency between data collection instruments; strengthen effectiveness of the Joint Monitoring Program (JMP); and extend the range of country-level indicators.

- *Comparing Service Delivery Performance*

Comparative measurement of service provider performance can be used to raise awareness among policymakers, service providers, and consumers about what is possible relative to the service delivery they are currently receiving. One instrument for this is a benchmarking toolkit that enables information to be collected at the provider level with the potential for aggregation at national level. The World Bank Group is currently supporting the International Benchmarking Network (IBNET) to expand the number of participating countries and utilities as well as the range of indicators in order to broaden the scope and improve comparability of data sets.

- *Measuring Project Effectiveness*

The World Bank Group currently measures project effectiveness by monitoring inputs and outputs against indicators developed for specific projects. Measurement of the links between project outputs and country outcomes is currently a priority. In line with efforts to improve monitoring at the *global level*, the World Bank is streamlining *project-level* monitoring indicators with those used to assess country outputs and outcomes by: *standardizing* project-level monitoring indicators across sectoral and multi-sectoral operations, *disseminating* methods/tools for measuring sectoral performance at the country level, and *improving* portfolio monitoring. These efforts are closely linked to service provider and global efforts described above.

## CONCLUSION

The program outlined above identifies key lessons, themes, priorities and approaches on which the World Bank Group is focusing in order to accelerate progress towards the objective of “efficient sustainable water supply and sanitation services for all”. The following principle actions are outlined:

- *Focusing the World Bank Group's Business*  
Assistance is focused on: (i) extending services to the urban poor; (ii) improving operator performance; (iii) increasing rural access to WSS; and (iv) better managing the water resource base. Priority is accorded to countries which are committed to establishing sound policies and institutions where the potential for impact is highest.
- *Improving Development Effectiveness*  
Across each of these themes, the World Bank Group uses a mix of lending and non lending instruments to assist client countries in addressing a core set of cross cutting policy and institutional priorities – strengthening governance, ensuring financing sustainability, improving service delivery, targeting interventions to the poor, and improving health outcomes.
- *Using Resources Efficiently*  
The World Bank Group is strengthening cross-sectoral collaboration within and outside the institution, to maximize the impact of its modest resources. These partnerships at global, regional and country level, meet a variety of objectives: sharing and developing knowledge, building joint initiatives, harmonizing approaches, and ensuring that resources are used efficiently.

Following through on these actions requires several shifts in approach and emphasis in order to (i) align support to country specific needs and local priorities; (ii) ensure linkages with broad country programs and (iii) build on comparative advantages. These shifts are already underway, but require concerted attention and follow through.





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