

The Small Town Pilot Project in Peru

A Private-Public and Social Partnership to Change Water and Sanitation Management Models

The Small Town Pilot Project (STPP) is an initiative implemented by the Vice Ministry of Construction and Sanitation of Peru, the Canadian International Development Agency (CIDA) and the Water and Sanitation Program administered by the World Bank. This project aims to improve water and sanitation services through new management models based on an innovative approach where the municipality associated with the community delegates the service administration to a local specialized operator.



The STPP aims to improve water and sanitation services through the active participation of the community, the municipality and local operators in the selection, operation and monitoring of a new water and sanitation service model designed to ensure better service delivery and sustainability.



viders and the municipality work in partnership. The community makes the decision to change the management model after learning about the advantages and disadvantages of the different options. The project has financial support from the Canadian International Development Agency (CIDA) and technical assistance from the World Bank's Water and Sanitation Program for Latin America.

Overview

In small towns of Peru,¹ municipalities have traditionally provided water and sanitation services, making all decisions with respect to service characteristics and fees. Of the 650 small towns in the country, approximately 150 have water and sanitation services administered by municipally owned water and sanitation enterprises whereas provincial or district municipalities deliver water and sanitation services in the remainder. According to the results of a recent assessment², water and sanitation services managed by the local government –regardless of whether it is a provincial,

district or town municipality– are characterized by insufficient coverage rates, fees that do not recover costs, municipal subsidies, inadequate system operation and maintenance, deficient management, political interference, high turnover of service personnel, delays in fee payments and the unwillingness of community members to pay fees due to poor service quality.

In response to this situation and in the context of the decentralization process currently underway in the country, the Vice Ministry of Construction and Sanitation launched the Small Town Pilot Project (STPP). The STPP tests new water and sanitation service management models in which civil society organizations, the community, local small-scale pro-

Municipalities interested in changing their water and sanitation service management were invited to participate in the project. Fifty-six municipalities responded and 10 were selected for participation in the STPP based on their geographic location, population size and inadequate service quality and coverage. These municipalities signed a city council agreement committing them to empower the community to change the water and sanitation service management model.

Within the STPP, the management model is defined as the established institutional arrangement to deliver water and sanitation services based on four key elements: quality and price determination; service operation; supervision of the operator; and authorization to operate.

¹ The 2002-2011 Sanitation Sub-Sector Strategic Plan of the Vice Ministry of Construction and Sanitation in Peru defines small towns as settlements with populations ranging from 2,001 to 30,000 inhabitants.

² Assessment made by the STPP in 2004.

The STPP Approach

In rural areas, communal work and participation are essential because the community is an extension of the family and the population tends to be homogeneous. As these rural communities grow into small towns, however, inhabitants become more diverse and develop different interests because of their varied economic activities.

People in small towns tend to gather around common interests, which give way to different channels for social interaction. Since social channels are diverse in small towns, residents rely on the local government to resolve municipal problems, usually with little or no community participation.

Local governments are often incapable of resolving the problems associated with water and sanitation services. This is because, in addition to infrastructure problems, there are difficulties with service management, user fees, political interference and community work. In this scenario, long-term sustainability can only be achieved through the active involvement of the community.

Empowering the Community

In order to involve the community in the solution to the problem, the project brings residents together around a common interest: access to improved sustainable water and sanitation services to improve community health and quality of life.

The STPP promotes community involvement by encouraging the municipality to empower the community to do the following:

- Decide on the change of management model and the service quality users require and can pay for;
- Lead the change process together with the municipality;
- Give a local operator an opportunity to provide the service; and
- Participate in the supervision of the local operator.

The STPP chose this option for community empowerment because it has consistently produced good results in rural and peri-urban areas of developing countries.



JOINING FORCES TO IMPROVE WATER AND SANITATION SERVICES

Traditionally, municipal governments have delivered water and sanitation services in the majority of small towns of Peru. With this practice, the municipality may establish user fees without being held accountable for service quality.

To improve the quality and coverage of water and sanitation services requires changes at three levels: the user, the government and the service operator. The STPP works to strengthen the capacities of these actors. Government agencies must contribute to balancing the interests of the parties in the framework of an alliance designed to guarantee the sustainability of services.

The new management models proposed by the project have the following characteristics:

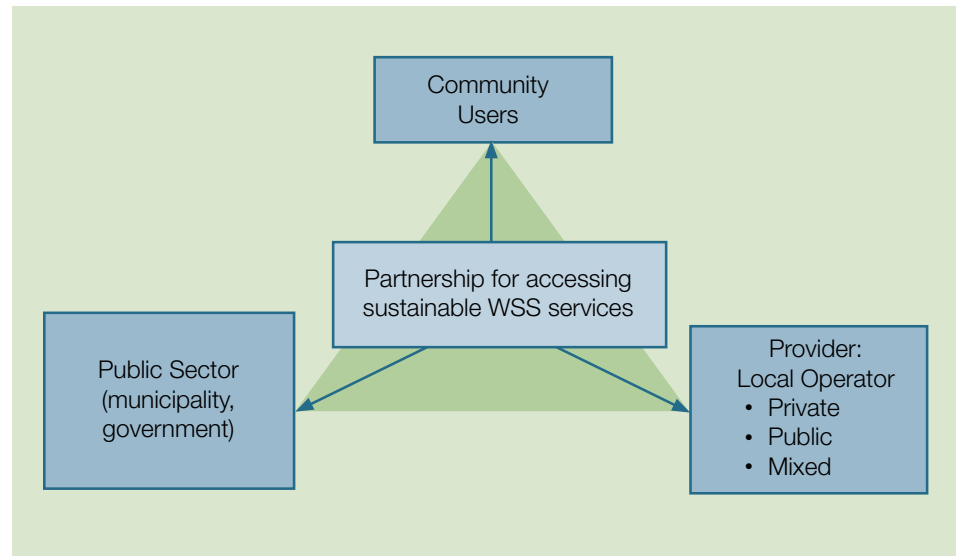
- The municipality does not directly administer water and sanitation services.
- Based on a technical proposal, the community determines the service quality it requires and can pay for.
- A specialized private or mixed economy operator delivers the services under a contract with the municipality. The municipality continues to own the infrastructure.
- Users agree to pay service fees in a timely manner.
- The community, represented by a Neighborhood Community Board, monitors the quality of the service provided by the service operator.

Experience has demonstrated that the community should be actively involved in change processes to ensure the implementation of appropriate, sustainable models.

The participation of a local operator

Having the municipality and the community work together to develop the solution is positive but insufficient since water supply and sanitation services need to be modernized in order to deliver quality sustainable services. In addition to the municipality and the community, the third pillar to support service sustainability is the specialized operator, which provides technical support to the municipality to expand the systems and delivers drinking water to the community in the quantity needed as well as sanitation services to protect the environment, thereby contributing to public health.

This alliance between the community, the municipality and the local operator is the backbone of the STPP's approach to providing sustainable water and sanitation services in small towns.



Project Description

Main Objective:

To improve the quality of life and health of small town inhabitants through improved access to sustainable quality water and sanitation services.

Specific Objectives:

- To raise awareness of the population regarding the critical water and sanitation situation in their localities and to disseminate the objectives, strategies and scope of the project.
- To promote a change in the management model and support the community in making this decision.
- To implement the institutional arrangement of the new model and train local actors.

- To evaluate the performance of local actors, reinforce training and measure the impact of the new management model on service quality.

Strategies

Project strategies focus on ensuring the economic, social and political sustainability of the new management model.

Economic sustainability must be ensured to permit improved service quality; once quality is improved, user satisfaction and thus social sustainability are guaranteed. With economic and social stability, political considerations are less likely to have an impact on service delivery.

Experience has demonstrated that the community should be actively involved in change processes to ensure the implementation of appropriate, sustainable models.

Community participation in selecting a service management model encourages the local population to appropriate and commit to the new model, thereby creating an environment conducive to the operator's economic stability, user satisfaction and the de-politicization of water and sanitation service management.

Beneficiary Population

The main project beneficiaries are the inhabitants of the 10 small towns participating in the STPP. Three of these communities are located on the coast, three in the highlands and four in the Amazon jungle. They have a combined population of approximately 132,300 inhabitants. Municipal employees and service operators will also benefit from the training components of the pilot project.

Activities

Activities of the STPP in the participating small towns will be implemented between January 2004 and June 2006. They are divided into the following phases:

Project information

- Creation of a communication commission
- Preparation of the communication assessment
- Design and implementation of communication strategies
- Results measurement

Promotion and empowerment

- Establishment of the special municipal committee



SERVICE QUALITY AND USER FEES

In the STPP, the community determines the level of service quality it needs and what it is willing to pay for the service.

Service quality is one of the main components of service cost because it is associated with the need for system investments and operating costs; consequently, user fees are set in accordance with the different levels of service quality. The STPP believes that micro-metering is crucial for promoting equity and establishing affordable service rates. For this reason, the different models offer fixed and variable rates for water and sanitation services, depending on the type and frequency of services the community chooses.

The service fee also includes a contribution to a fund to be administered by the operator or municipality, which will be used exclusively for its stated purpose and which may include the following:

- Funds to provide subsidized services to the poorest citizens
- Environmental protection measures
- Health and hygiene education programs

In addition to the user subsidy, the municipality may grant a temporary subsidy to the operator during the transition period until operations become economically sustainable.

In the project promotion phase, women and men were given equal access to information on the project's objectives, strategies and scope.



- Adjustments to the communication strategy
- Development of in-depth participatory assessments
- Development of the service development plan
- Formulation of the proposal for the new management model
- Dissemination of the proposal for the new management model
- Community consultation

Capacity building and implementation

- Selection and contracting of the specialized operator
- Implementation of the monitoring unit
- Implementation of communication mechanisms
- Training of the specialized operator
- Training of the municipality and Neighborhood Community Board

- Transfer of the services to the specialized operator

Monitoring and impact measurement

- Periodic performance evaluation of local actors
- Reinforcement of local actors' training
- Evaluation of social communication mechanisms
- Assessment of community perceptions regarding services
- Accountability of local actors
- Evaluation of the impact of service quality and sustainability of the new management model

In addition to these local activities, a national intervention will take place to strengthen the sector through capacity building for the large-scale replication of the initiative. The institutional strengthening of the sector will be based on sector studies, research visits, participation in events

and specific workshops that will permit professionals and decision makers to learn from successful regional and international experiences on small town water and sanitation service delivery. They will also strengthen their capability to formulate and implement policies and strategies specifically tailored to these localities.

Control and Oversight

The Neighborhood Community Board

The Neighborhood Community Board (NCB) will be composed of three to five members elected by the community in neighborhood assemblies, with an emphasis on the equal participation of men and women. After their formal appointment, NCB members will receive training from the STPP in the following areas:

- Use of quality indicators
- Supervision of the quality of reports and information provided by the operator
- Processing of user complaints
- Conciliation mechanisms

Once trained, the NCB, which will meet monthly, will fulfill the following responsibilities:

- Request information on service delivery from the specialized operator
- Ensure correct application of the approved fee
- Monitor water quality in coordination with the health sector
- Resolve users' complaints in the second instance

- Request that the municipality sanctions the operator in the case of non-compliance
- Inform the community about the performance of the operator
- Participate in municipal council sessions

Other Components of the STPP

The STPP has included the following components to contribute to improving the quality of life of inhabitants of small towns.

Gender Equality

The STPP seeks to promote gender equality and contribute to a better understanding and awareness of gender discrimination and ways to overcome it within the community.

In the STPP, gender equality means that men and women have equal rights with respect to accessing information on the project and to participating in decision-making processes regarding the new institutional arrangement. They also equally assume the commitments and obtain the same benefits associated with the new management model.

In the project promotion phase, women and men were given equal access to information on the project's objectives, strategies and scope. During the promotion and empowerment stage, the project provided equal opportunities for men and women to discuss and decide on the change of the management model and service quality and fees associated with this change. During the implementation stage, both sexes will have the opportunity to contribute to the

SPECIALIZED OPERATORS

In the STPP, specialized operators are small or medium-sized enterprises created for the purpose of delivering quality water and sanitation services. They may be private or mixed economy entities, depending on the preferences of the community and the capabilities of the municipality.

If the community chooses a private operator, the municipality will pre-qualify entrepreneurs and/or firms to determine their technical and financial status. The STPP will encourage the participation of local entrepreneurs, merchants and technicians in service delivery. Specialized operators will require capital of approximately US\$ 5,000 and a financial capability of US\$ 30,000 for loans to be paid through user fees.

In the case of mixed-economy operators, the municipality will determine its percentage of participation in the enterprise and define the economic terms of the contract (payment for management, payment for lease of facilities or participation in benefits) as well as other selection mechanisms.

Training

Once the operator is chosen, the STPP will provide training for the operator's staff in service operation and maintenance, utility service administration and social promotion. Additionally, the STPP will monitor operator performance and provide refresher training as needed. After training and coaching from the STPP, specialized operators will be in a position to expand their services to other localities.





well-being of the community by becoming service operators or NCB members.

Health and Hygiene Promotion

Having access to quality water and sanitation services provides little benefit if community members do not improve their health and hygiene practices. For this reason, the STPP will promote the leadership of the municipality in conducting a local health and hygiene program with civil society and the health and education sectors to encourage the population to improve these practices for a stronger, more lasting impact on community health.

Alternative Technologies

The STPP encourages the intensive use of alternative technologies to deliver the affordable quality service communities

demand. The alternative technologies applicable to small towns mainly originated from rural areas. They are characterized by the following:

- Predominance of the use of unskilled labor
- Use of local materials
- Low operating and maintenance costs
- Adaptation to the geographic region
- Reduced user fees

Construction of Impact Infrastructure

This component will focus on efforts to rehabilitate, improve or expand the water and sanitation systems to enhance service quality or coverage.

The construction of impact infrastructure will not completely resolve the problem of water and sanitation services in small towns; rather, it will serve as a seed investment to obtain resources from public or private entities and international cooperation agencies interested in supporting the development of sustainable, cost-effective systems.

Environmental Protection

The service development plan and the construction of impact infrastructure will comply with the environmental protection requirements and standards established by the World Bank and CIDA.

In this component, the STPP has emphasized unconventional technologies and options that meet environmental standards with the lowest possible investment, operating and maintenance costs.

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