International Conference on Water Supply and Sanitation for Small Towns and Multi-Village Schemes

Addis-Ababa, Ethiopia
11-15 June 2002

Small Towns, Special Challenge
ACRONYMS AND ABBREVIATIONS

AG  Attorney General
BNWP  Bank Netherlands Water Partnership
BOO  Build Own Operate
BOT  Build Operate Transfer
CBO  Community Based Organization
CLG  Community Liaison Group – Malawi
CO  Constructor Operator
CSA  Central Statistical Authority – Ethiopia
CTB  Central Tender Board
DEM  Directorate of Operations and Maintenance
DHH  Direction d’Hydraulique Humaine – Côte d’Ivoire
DRA  Demand Responsive Approach
DWD  Directorate of Water Development
EU  European Union
GNP  Gross National Product
GWC  Ghana Water Company
HIPC  Highly Indebted Poor Countries
IDA  International Development Association
IWE  Institute of Water and Environment (United Kingdom)
KfW  Kreditanstalt für Wiederaufbau (German Development Agency)
LA  Local Authority
MDG  Millennium Development Goals
MWR  Ministry of Water Resources of Ethiopia
NGO  Non Governmental Organization
NRWB  North Region Water Board – Malawi
O&M  Operations and Maintenance
PLC  Private Limited Company
PLC  Public Limited Company
PO  Private Operator
PPIAF  Public Private Infrastructure Advisory Facility
PPP  Public-Private Partnership
PSP  Private Sector Participation
RWSB  Regional Water Boards
RWSS  Rural Water Supply and Sanitation
SHC  State Holding Company
ST  Small Town
WEDC  Water, Engineering and Development Centre
WFI  Water Fund Indonesia
WSC  Water Supply Company
WSS  Water Supply and Sanitation
WTP  Willingness to Pay
Addis Ababa, Ethiopia  
11-15 June, 2002  
Small Towns, Special Challenges

The Addis Ababa Conference on “Water Supply and Sanitation (WSS) Services for Small Towns and Multi-Village Schemes” was the first international meeting dedicated entirely to small town and multi-village schemes. This Conference followed the first regional conferences on this topic sponsored by French Cooperation in Ouagadougou in 1998 and in Nouakchott in 2001. The Conference drew more than 200 practitioners from all continents; about 70% of them from Africa; and the majority with over 15 years of experience in water and sanitation. The five-day Conference was hosted by the Government of Ethiopia through the Ministry of Water Resources (MWR) and sponsored by the World Bank, the Water and Sanitation Program and the World Bank Institute, as well as the UK Government and the Bank-Netherlands-Water-Partnership (BNWP).

Objectives and Expectations

The goal of the Addis Conference was to provide water and sanitation specialists with the unique perspective needed to meet the challenge of improved WSS services for small towns.

The objectives and expectations for the conference were:

- To share global experience, build a community of interested professionals, and start a knowledge network focused on small town WSS
- To review and enrich our understanding of the ingredients for success in small town water supply
- To better understand the needs of small towns for professional support and the options to access the required financial and technical expertise
- To identify tools of the trade that address professional support needs and build local capacity
- To build knowledge on key issues and approaches for the development of a sanitation strategy in small towns
- To identify priorities for further learning, and to use the Addis Ababa conference as a launch pad for the BNWP Town WSS Initiative which will provide recommendations and guidance to task managers and governments concerned with small town WSS.

Ethiopia moving towards a Programmatic Approach to Water Sector Development

Addis Ababa provided an ideal backdrop to the conference. Water supply and sanitation is at the heart of Ethiopia’s development agenda, including over 600 small towns earmarked for improvement and extension of WSS services. The sector strategy is based on decentralization and local cost recovery for urban systems. It supports the shift to a programmatic approach to sector development.

Global Overview

The global consensus on the need to improve access to WSS services is reflected in the Millennium Development Goals (MDG) which specifically call for: (a) by 2015, reducing by half the proportion of people without sustainable access to safe drinking water and to basic sanitation; and, (b) by 2020, to ensure that 100 million slum dwellers have access to improved sanitation. These are daunting targets considering that 1.1 billion people are without access to safe drinking water and that 2.4 billion do not have access to improved sanitation.

The MDG for water supply implies a 70% increase in annual investments from the current average level of US$11.5 billion to US$27.5 billion. Business as usual will not do. Countries will have to find new ways of mobilizing resources for the WSS sector in particular from the private sector.
Equally important will be measures to tackle gaps in knowledge, policies and capacity. The Addis Ababa conference provided an opportunity to address these issues in the context of small towns.

The Special Challenge of Small Towns

A significant part of the challenge of improved WSS services will have to be met in small towns, which account globally for about one billion people in a total of roughly 150,000 towns and small settlements.

Sector planners, policy makers and communities face special challenges when it comes to WSS services for small towns. Water supply systems for small towns can be characterized as follows:

- They are sufficiently large and dense to benefit from economies of scale and higher levels of services offered by piped systems;
- They are too large and complex to be operated by communities;
- They are too small and dispersed to be profitably managed by a conventional urban water utility;
- They “can’t go it alone”, and need specialized professional support in particular to train operators and to prepare and update business plans, expansion programs and efficiency strategies.

As urbanization progresses, the number of small towns (ST; population of 3000 to 30,000) increases. While their number rose rapidly, the proportion of towns without improved water supply services has doubled over the last twenty years (see Box 1).

As a rule small towns have “fallen between the cracks” because they are neither an attractive market for urban utilities, nor are they within the scope of interventions designed for rural communities. The strong demand for piped systems has led local authorities, communities and private entrepreneurs to take initiatives to develop and manage such systems, in many instances outside a formal policy framework.

The vast range of institutional models illustrated by the case studies reviewed by Conference showed the resourcefulness of local actors as well as their limitations and the constraints under which they operate. ST Management models fall into two main types:

- Direct management by local authorities or by communities employing their own staff; often a “default” scenario; and,
- Delegated management to a professional operator either local or regional/national; with capacity requirements and risks increasing with the scope of delegation and with the size of the systems.

Inability to access professional skills and precarious governance structure have been recurring weaknesses.

The great variety of approaches and the dynamism of local communities, acting on their own or in groups, points out the importance of:
(i) learning from the emerging experience; and,
(ii) adapting to local conditions and capacities. Hence the importance of gaining a bottom-up understanding of what are the factors underpinning successful water supply services for small towns.

The Ingredients for Success

Success for water supply and sanitation means good quality, affordable and sustained services for all.

The Conference reviewed and refined the findings of research concerning key ingredients for success for WSS services in small towns. These are summarized below together with the outcome of the Conference.
deliberations concerning the policies, practices and tools through which they can be developed and sustained:

1) Financial and managerial autonomy
Financial and managerial autonomy is essential to encourage entrepreneurship and investment. Autonomy for ST WSS means:
- Control of operations (staffing, connection and disconnection, billing)
- Own bank account, ring fencing, no transfer to town budget;
- Tariffs set in light of local conditions;
- The flexibility to adapt service level to demand;
- Ability to invest to adapt and develop system

Autonomy rests on: (i) financial viability; (ii) stakeholders support; (iii) protection from political interference through community oversight (Box 2).

<table>
<thead>
<tr>
<th>Box 2: How to establish and maintain autonomy</th>
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<tbody>
<tr>
<td>• By designing system to be financially viable</td>
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<td>• By building support among all stakeholders for the principles of autonomy</td>
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<tr>
<td>• By building the professional competence of the service provider</td>
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<tr>
<td>• By ensuring protection from political interference through community oversight</td>
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<tr>
<td>• Through user oversight and independent auditing</td>
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2) Transparency and accountability
Transparency and accountability are critical to gain and maintain the trust of users and investors. They are founded on: (i) clear roles and responsibilities; (ii) independent audit and monitoring; and, (iii) disclosure of information. They are particularly important in situations where there is a monopoly in service provision.

Transparency and accountability are key to good governance but require good information flows and consultation. Customers must be aware of their rights and oversight boards need the qualification, the capacity and the tools to exert their responsibilities. The latter include most importantly by-laws, internal rules, accounting systems, performance backed contracts for operators and monitoring systems.

3) Professional support.
The need for outside professional support for tasks beyond routine functions is a defining characteristic of ST WSS systems. STs need professional support for: (i) training their own staff (or the staff of their small scale operator) in routine functions; and, (ii) supporting non-routine functions: i.e. financial management, business planning, tariff setting, expansion planning, efficiency improvement, trouble shooting and communication, customer relations (Box 3).

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<th>Box 3: Professional Support</th>
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<tr>
<td>Routine Operations</td>
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<tr>
<td>• Meter reading</td>
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<tr>
<td>• Billing</td>
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<tr>
<td>• Revenue collection</td>
</tr>
<tr>
<td>• Accounting</td>
</tr>
<tr>
<td>• Routine O&amp;M</td>
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<tr>
<td>• House connections</td>
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<td>• Stores</td>
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The country cases showed the range of strategies adopted by STs to access the expertise and the professional support that they require, ranging from cost sharing to more formal aggregation whereby one operator is given responsibilities for the WSS systems of a number of towns. Aggregation strategies also allow STs to strengthen their bargaining power with suppliers and operators.

Professional support comes at a price – customers/community must be willing to support related expenses. Sharing of professional resources between neighbouring towns results in economies of scale. Guidelines and tools are needed for a range of functions including:
- establishing and regulating professional standards
- procurement and contracting of management and support services
- business planning,
- cost effective design
- tariff setting and review process, billing etc.

The three ingredients for success outlined above deal essentially with management and operational responsibilities. They apply to the whole range of management models although they are much more easily achieved and sustained in situations where the oversight function is clearly separated from day-to-day management. Hence the trend for delegating system management to private professional operators through contracts. Limitations include: (i) inability to attract competent operators; (ii) lack of capacity in
drawing up and regulating the contract; and, (iii) lack of customer confidence.

The next two ingredients for success deal with the enabling environment for WSS services in STs.

4) Competition

Competition keeps prices down, brings quality up, fosters innovations and builds capacity. STs offer a range of opportunities for local firms. Although network-based water supply systems serving small towns share some of the “natural monopoly” characteristics of urban water utilities, they are more amenable to competition. The large range of sizes of small towns found in most countries, and the extent to which they are clustered together, creates multiple market niches attractive to different sizes/types of operators.

Competition on the market requires: (i) supportive legal and regulatory environment (open entry and minimum restrictions on service areas); (ii) attractive contracts in scope, duration and size (through pooled procurement, clustering and aggregation); and, (iii) a competitive procurement process.

Competition in the market can be fostered by: (i) alternative services (tankers, vendors, private stand posts, reselling); (ii) limited contract duration and re-bidding; (iii) support to innovations; and, (iv) benchmarking.

5) Legal framework and regulation

As far as small towns are concerned the central purpose of national laws and regulations is to establish and enforce “rules of the game” that foster fair and sustainable relationships among local actors. The challenge is to translate policies into country-wide norms and regulations without stifling local initiatives.

The primary focus of regulation is to reconcile the imperative of financial viability with the need to protect the customers. The regulatory functions for ST WSS services should focus on process and quality standards and on guidelines for tariff setting and revisions (periodicity, information, consultations and recourse and arbitration).

Effective regulation is enhanced by: (i) community oversight; (ii) sound contracts and business plans; (iii) open communication and consultation mechanisms; and, (iii) external auditing and benchmarking.

The build up of regulatory capacity for ST WSS should be approached with limited objectives as a response to specific needs. The reasons for caution relate to the fact that: (i) regulation is costly and would ultimately be supported by the users; and, (ii) in most countries, the concept of independent regulation is not yet well established and would in any case be difficult to apply to a large number of small decentralized systems. Whether the operator is a private or public body, simple contracts in which responsibilities, payments terms and incentives are clearly set out, underpin regulation.

The next two ingredients for success cover services and system development.

6) Responding to the demand

Approaching ST WSS with the basic goal of offering services that customers want and are ready to pay for is a powerful ingredient for success. At the system level demand responsive approaches lead to higher cost recovery and internal cash generation ensuring sustainability and allowing further development. At the country/program level demand responsiveness allows for more efficient use of public funds.

Development projects (supported by government/external aid or NGO’s) can foster demand responsive approach by: (i) allowing flexibility concerning design standards, technology choices and services levels; (ii) providing for informed choice by households and communities; and, (iii) encouraging competition.

7) Incentives for expansion

operators of ST WSS systems are keen to develop their distribution network thereby adding customers and sales. The issue for planners is to ensure that the proper requisites are in place; essentially: (i) access to adequate water resources; (ii) stable institutional/legal framework allowing fair return on investment; and, in most situations, (iii) basic production and storage facilities built (or rehabilitated) with sufficient capacity.

Box 4: Supportive policies and laws are needed for ST Water Supply

- To ensure stable access to and protection of water resources
- To legitimize the role of local actors in ST WSS services
- To establish a framework for delegated management and for the involvement of the private sector in operations and financing
- To establish cost recovery principle for water services
- To define regulatory mechanisms

6 • Small Towns Special Challenges
Incentives and facilitating factors for system expansion include:

- Access to financing in particular for household connections
- Pre-financing of private connections by the operator and payment in monthly installments
- Limited regulatory or administrative restriction on service area; certification focused on quality and safety
- Freedom of initiative with limited approval requirements focused on quality and safety
- Access to expertise and capacity for business planning and management
- Incentives for expansion built in operator’s contract
- Output based aid to encourage expansion into less profitable areas

**Equity and services to low-income groups**

Rising tides lift all boats. In most countries poverty is prevalent in small towns and villages, therefore programs that target small towns respond to poverty reduction objectives. The first concern should therefore be to ensure that small towns have efficient and financially viable water systems. Within this framework expansion and demand responsiveness will foster broader access to services for low-income households in particular through reselling, kiosks and community taps. The key point is to ensure that low-income households are recognized as legitimate customers. As they grow, towns and cities would eventually require programs specifically directed at services for the poor.

Access to services for poor households can be supported by: (i) providing an element of grant for the initial investment so that tariffs remain affordable; (ii) pre-financing “social” connections; and, (iii) ensuring the poor have a voice as stakeholders and customers.

While communities and private operators seem able to mobilize the resource needed for expanding small town distribution networks, this is often not the case for the lumpy capital injection needed to build or rehabilitate the basic facilities (borehole, pump and elevated reservoir).

This suggests that development of optimal financing strategies is a critical element for the preparation of sector programs that seek to maximize the poverty impact of public funds (budget and external aid) allocated to the water sector.

**Sanitation**

The problems facing sanitation and public hygiene in small towns reflect the general state of sanitation in most developing countries; i.e. lack of awareness and low demand; lack of policies and institutional leadership; and, no financing.

The starting point is for communities and households to see the need for a clean and healthy environment. The drive to improve sanitation in small towns should address the range of environmental issues: used water and excreta disposal, solid waste management and drainage, and should rest on a clear understanding of the respective role and responsibilities of households and the community.

It is when future cities are still small towns that incipient urban communities have the best opportunities to establish shared expectations and land-use planning that will set them on the right environmental path. In order to seize these opportunities small towns need:

- A Vision of a clean and healthy environment
- A Policy reflecting the attitudes needed to carry the vision, e.g. ART (Avoid, Reuse, and Treat waste) and, the will to implement it through advocacy, clear institutional arrangements, standards, funding mechanisms and enforcement capacity
- A Priority to mobilize communities and households to take initiatives that can make sanitation a reality and evolve their own local strategy to pursue their vision of a clean and healthy city.

**Box 5: Roles and responsibilities sanitation systems in Small Towns**

<table>
<thead>
<tr>
<th>Guiding principles: Decentralization and autonomy</th>
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<tbody>
<tr>
<td>Standards/Guidelines</td>
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</tr>
<tr>
<td>Implementation</td>
</tr>
<tr>
<td>Policy/legislation</td>
</tr>
<tr>
<td>LA = local authority</td>
</tr>
<tr>
<td>PS = Private Sector</td>
</tr>
<tr>
<td>NGO = non-governmental organizations</td>
</tr>
</tbody>
</table>

**Guiding principles:**

- Focus on sanitation services from the household’s point of view,
- Achieve more effective advocacy through social marketing and health and hygiene promotion
- Make local authorities responsible for organizing sanitation and environmental services and clarify the supporting responsibilities of sector agencies (Box 5).
- Set up funding mechanisms that reflect community and household responsibilities and ensure at least recovery of O&M.
- Foster opportunities for private sector initiatives.

**Tools of the Trade**

Tools of the trade address professional support needs, and help build the capacity of local service providers. They also play a role in the implementation of sector policies and in investment decisions. The tools reviewed by the Conference are outlined below together with the key points arising from the debate.

The Cost Effective Design tools allow planners to test the cost recovery potential of water systems and provides a basis to match system components and service levels to town size and affordable user charges. It promotes cost effective design and resulting financial viability. One of the striking characteristics of small town water systems is that higher investment and higher service levels (e.g. more house connections and less households served through stand-posts) usually lead to lower average costs per liter, and hence lower tariff, because the revenue increase faster than investment and O&M costs.

**Box 6: Business Planning**

(an iterative, rolling process)

While the cost effective design tool models a range of options, the Business Planning (BP) tool focuses on the operations and financial results of a specific system. The BP tool models the operations of the system over time and year-by-year financial flows. The BP tool pays particular attention to the parameters affecting revenues; namely willingness to pay, household demand and service levels (see Box 6). The value of the BP process is that it treats the WSS system as a whole focusing on the continuity of its operations. It avoids the shortcoming of the project driven approach centered on the appraisal and funding of capital expenditure.

The Contingent Valuation Methodology (CVM) allows planners to assess the willingness to pay for selected level of services; typically, stand posts, yard taps or shared connection and individual connections. This information is essential to support community participation and enable “informed choice” at the household level as well as for the community as a whole. WTP surveys provides the necessary basis for projecting sales and revenues for evaluating expansion plans and for setting tariffs. The relative high cost of WTP polls is likely to come down as they are systematically applied and as the local consulting profession build-up its capacity.

The fourth tool, billing systems, is critical for sustainability and autonomy. Small towns need support in setting up and managing their billing and collection functions. The challenge is to keep costs down in relation to the small revenue basis and to overcome the constraints arising from the lack of trained personnel, the unavailability of banking services, etc. Key points: metering is indispensable as well as a clear responsibility for each connection.

The Conference stressed the critical role of tools of the trade to support improvements in WSS systems and to translate general policy principles into practical guidelines. Tools need to be adapted to the context of each country. The dissemination and adaptation of the four tools reviewed and the development of additional tools and guidance material should be given priority in the follow-up to the Conference.

**Management and Contracting Options**

Direct vs. delegated management
Understanding ST water systems require clarifying: Who owns the facilities? Who oversees the assets and supervises operations (water authority)? And who operates the facilities (water services providers)?

Often the responsibility for ensuring that services are provided is interpreted as the responsibility for
providing the services. As a result, town water supplies are often managed directly by a public entity (see Box 7), which hires and directly manages its own staff. It is inherently difficult under direct public management to realize the ingredients for success.

As they expand and become more complex, ST WSS systems evolve from the so-called “default option” — direct public management or informal delegation — towards delegated management and contracting options and management models under which “professional support” is provided with increasing levels of private sector involvement in management and financing.

There are two types of contacts full service and specialized services. Full service operators “offer one stop shopping” where both routine and specialized services are provided by the operator. In the specialized service model routine operations and specialized services are offered separately. An example of the specialized services model is franchising, where the franchisor offers specialized services to a local operator, the franchisee for a share of the revenue.

Aggregation
Aggregation is critical to share cost and build a sufficient demand for specialized services and support. This applies also to smaller towns (2,000 to 10,000) for which costs can be reduced by directly employing their own staff through performance agreements or by contracting a private operator from within the community.

Aggregation models differ by the extent to which their association is institutionalized. Towns can:
- Form a formal association or company that contracts a full service operator
- Join together for bidding, but sign separate contracts, or
- Enter into separate contracts with established operators in a given areas.

Private Public Partnership (PPP) for ST WSS Services
The unfolding worldwide movement toward PPP in the WSS sector has provided a growing body of knowledge and lessons on which to develop an understanding of how to pursue PPP for small towns WSS services.

The first point is that in order to succeed PPP needs some prerequisites — most importantly: commitment from all stakeholders based on good communication of the changes that will be necessary to implement PPP. The choice of contract has to rest on a realistic assessment of the local context against the prerequisites for success corresponding to each option (see Box 8).

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Political Commitment</th>
<th>Cost-covering tariffs</th>
<th>Regulatory Framework</th>
<th>Good Information</th>
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</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Management Contract</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Lease/Amortgage</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
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<tr>
<td>BOT</td>
<td>Moderate</td>
<td>High</td>
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<td>Concession</td>
<td>High</td>
<td>High</td>
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The second point concerns the fact that designing a successful PSP transaction is essentially about understanding risks, trying to reduce them and make sure that they are allocated in line with competence, capacity and ability to control.

While the principle of private sector participation in the development and provision of WSS services is broadly accepted, PPP could not be considered as the exclusive avenue for improved services. Most countries still lack the legal framework, the regulatory capacity and the knowledge basis to benefit fully from PPP. Nonetheless, there is no doubt that PPP introduces opportunities for entrepreneurs in the water sector, and that this builds capacity. PPP contracts set performance targets and introduce checks and balances between the oversight body and the operator. Bidding for contracts promotes competition. The overall impact is to foster productivity and fair pricing.

The franchising approach as applied to WSS services, would have an experienced operator, the Franchisor, render services and transfer business know-how to a smaller water company, the Franchisee (see Box 9). The Franchisor would be responsible for monitoring quality of performance of its Franchisees. Although there are
just few instances where the franchising approach have been implemented, in the water sector, the Conference considered that it had considerable potential for WSS services for small towns.

**Box 9: Franchising**

- Under the franchise 'brand' Franchisees receive business 'know-how' from Franchisor and provides services / products to customers
- Franchisor monitors quality of product / service to customers
- Customers pay franchisees for products and services and a % is passed back to the franchisor as a royalty payment

Franchising – a business methodology, based on the duplication of success, between two or more separate legal business entities operating under the same brand name.

In conclusion,

- Larger towns could contract with a full water service operator to provide both routine and specialized services, whilst smaller towns would use local operators, public or private, supplemented by specialist service providers.
- Towns benefit from competition to counter monopolies that build capacity and improve service; and
- Towns need to join together in one way or another (aggregate) to create viable units capable of securing the necessary professional support.

**The Way Forward – a ‘Change Process’**

The change process is driven by the fact that, as small towns grow and as their WSS system expand and become more complex, “default options” are not good enough. The lessons from the cases is that community management has notable strengths, but is not adequate to address long term sustainability. Beyond 5,000 inhabitants, community management needs to evolve toward more institutionalized models involving water boards with a legal basis and the capacity to enter into formal contracts.

The ingredients for success provide a useful framework to assess the performance of town water supply systems and to identify their needs for professional support and to map options to foster efficiency and to support continued expansion.

Public-private-partnerships introduce many advantages. Not least in building local business opportunities and better career prospects. The challenge is to balance aggregation and delegation strategies with local accountability.

Governments and their development partners should recognize that small towns and multi-village schemes represent special challenges and opportunities that necessitate development or adaptation of a supportive legal, policy, and regulatory frameworks as well as programs. Sector policies related to small towns must be broad enough to allow a range of alternative management arrangements to emerge and evolve in response to local demands and capacity.

**Box 10: Processes of Change**

From default options to new approaches

The proper focus of programs for the development of WSS services for small towns would be to guide and support local initiatives. The learning and piloting can be supported by "retail" projects dealing with a limited number of towns, leading to a more systemic approach based on sector-wide programs better suited to deal with institutional issues and financing mechanisms.

Programs to support the change process for should be guided by the following principles:

- To nurture and support the initiatives of local actors through flexible response and support mechanisms;
- To emphasize capacity building based on tools and practices reflecting local experience;
- To foster country-level learning, knowledge sharing and networking among scattered actors involved in ST WSS services.

**Priorities for further learning**

Developing and improving ST WSS service should be approached as a learning process at all levels: communities, country and global/regional, relying on case studies, models, good practices, tools and guidelines.

The Conference stressed the need for further knowledge development and networking on issues related to WSS services for ST with special attention to sanitation and to services for low-income groups and communities which
should be a guiding pre-occupation for all knowledge development activities.

In order to support the development and the evolution of ST WS systems, policy makers, planners as well as operators will need to develop their understanding of:
- How best to structure the contractual relationships between operators and small towns water board;
- How to foster aggregation and which aggregation models are best adapted to various situations and categories of towns;
- How to approach capacity building of oversight boards and local operators; and,
- How to nurture the emergence of specialized WSS enterprises.

They also need to learn more about the following specific issues: (i) tariff setting and cross subsidies, (ii) household connection policies, (iii) financing and risk mitigation, (iv) regulation, and (v) water resource management.

The Conference stressed the importance of networking (web-based activities, workshops, help-desk), help-desk, training and databases. They specifically recommended a follow-up e-conference on ST WSS services in mid-2003. Participants from West Africa resolved to form a regional network during the Conference.

**Concluding Statement**

The Addis Conference resolved that the above findings and recommendations provide useful guidance to recognize and address the special challenge of improving WSS services for small towns and multi-village systems.

The Conference mandated the organizers to disseminate its findings and recommendations to all actors engaged in the water and sanitation sectors including knowledge organizations and development agencies as well as organizations focused on local authorities.

The Conference mandated the organizing partners to pursue the learning agenda outlined above and to organize within the next three years, i.e. by 2005, regional or global consultations on small towns WSS issues preferably in partnership with organizations serving municipalities and local authorities. The BNWP town water initiative was welcomed as an opportunity for further development of the ideas presented during the conference and the priorities for further learning.

The Conference mandated the organizers to express the gratitude of all the participants to the Government of Ethiopia and in particular to H.E Ato Shiferaw Jarso and the staff of the Ministry of Water Resources, for hosting the Conference. The Conference thanks the organizers and the supporting partners for their initiative and for the good conduct of the proceedings.

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**Box 11: WBNP Initiative for Town WSS**

The Town WSS Initiative is BNWP largest program. It searches for optimal arrangements between demand and supply, between revenue base and operator size. The program will:

1. Prepare best practice notes to facilitate sector dialogue and improve the design and implementation of town water and sanitation programs.
2. Identify, assess and field test professional support and aggregation options in three to five countries in East Asia, Central Asia, South Asia, Africa and/or Latin America.
3. Develop practical “tools of the trade” to help practitioners improve town water supply.
4. Disseminate results.

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The Bank-Netherlands Water Partnership (see Box 11) continued support to the Small Town WSS Initiative will:
- consolidate what has been learned,
- investigate aggregation from the perspective of towns and private operators,
- develop practical tools of the trade that build capacity,
- assist selected countries that are committed to building state of the art town water and sanitation programs, and
- disseminate information and support continued consultation.