



# THE UN-HABITAT WATER AND SANITATION TRUST FUND **STRATEGIC PLAN** (2008-2012)



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#### COVER PHOTO

Changing lives for the better in Indore, Madhya Pradesh, India, a new pipeline brings clean water and all the benefits that come with it to a neighbourhood in need. Photo ©: UN-HABITAT / J. Arora. The other photographs carried in this report all depict various aspects of UN-HABITAT's water and sanitation work around the world. All are UN-HABITAT © copyright and may be reproduced so long as the source is printed with the picture.

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## FOREWORD



Since its launch on World Habitat Day 2002, UN-HABITAT's Water and Sanitation Trust Fund has made major strides in supporting governments in their pursuit of the water and sanitation Millennium Development Goals agreed by world leaders. It has done this mainly by helping to develop a suitable environment for increased

investment in water and sanitation specifically intended for the urban poor. So far, the Fund has channeled about USD 50 million from the Governments of Norway, Canada, The Netherlands, Sweden and Spain to help mobilize further international finance and investment in pro-poor water and sanitation schemes. It does so by combining normative, advocacy, monitoring and operational activities to prepare bankable projects, aided by a judicious mix of grants and loans.

The Trust Fund has thus far been able to leverage over USD 1 billion in matching grants and loans to improve water and sanitation in informal settlements in more than 30 African and Asian cities through its partnerships with the African, Asian and Inter-American development banks. As part of our work to help create more balanced national settlement patterns and to reduce the proliferation of urban slums in the least developed countries, the Trust Fund is also working to support quick impact initiatives to achieve the goals in secondary towns within five years in two trans-national water basins of critical environmental importance. These are East Africa's Lake Victoria region, involving 15 urban settlements which comprise 1 million people in Kenya, Tanzania and Uganda. The other is the Greater Mekong River Basin, covering 12 urban settlements and half a million people in Cambodia, Laos and Vietnam. China and Thailand are also participating in the Mekong Delta project as supporting middle-income neighboring countries in the region.

It is heartening to note that a recent Mid-term Review by the Trust Fund's Advisory Board concluded that the Trust Fund's work is to be appropriately directed towards the water and sanitation goals by focusing on the vulnerable and neglected populations in small urban centers and poverty pockets in larger cities. By seeking to improve governance and by building models of good practice for

emulation by most other larger entities, such as state and national governments and multilateral institutions, the Review noted that the Fund is now on its way to establishing its role, with the real prospect of providing help. It also noted that the work in progress had received wide local appreciation and also attracted the attention of larger donors, including multilateral financial institutions.

The findings and conclusions of the Review have been used to guide the development of this *Strategic Plan for The UN-HABITAT Water and Sanitation Trust Fund 2008-2012*. Development of the strategic plan has also benefited from the guidance of recipient countries, development partners and UN-HABITAT field staff. The Strategic Plan's purpose is to guide Trust Fund work in addressing challenges of the internationally agreed-to water and sanitation goals and UN-HABITAT mandates, including the overall goals of shelter for all and sustainable human settlements development, as embodied in *The Habitat Agenda* and the agency's 2008-2013 Medium Term Strategic and Institutional Plan.

The strategy envisages a focus on consolidation of activities supported by the Trust Fund combined with modest expansion. It outlines four key programme areas: delivering sustainable services to the poor; ensuring synergy between the built and natural environments; monitoring the internationally agreed water and sanitation goals; as well as integrating infrastructure and housing provision. Considering the proposed range of activities, the Trust Fund will need to mobilise about USD 150 million for the 2008-2012 period.

I am confident that with the collective support of our donors we will successfully implement the Strategic Plan, and so relieve the suffering of the urban poor in the developing world.

A handwritten signature in black ink, reading 'Anna K. Tibaijuka'.

Dr Anna K. Tibaijuka,  
Under-Secretary General & Executive Director  
UN-HABITAT



## PREFACE

The UN-HABITAT Water and Sanitation Trust Fund aims to create an enabling environment for pro-poor investment in water and sanitation in urban areas of all sizes in the developing world, thus providing a vehicle to significantly improve the volume and effectiveness of both the Official Development Assistance and national financial flows into the water and sanitation sector.

This document's purpose is to guide the Fund's work in addressing the challenges of the widely-recognized international commitments to the Millennium Development Goals and UN-HABITAT mandates, (including the overall goals of shelter for all and sustainable human settlements development as embodied in The Habitat Agenda and the Mid-Term Strategic and Institutional Plan. The strategy examines current responses, drawing conclusions on gaps to be filled and the types of actions urgently required. An indicative budget is also presented.

A Strategic Planning Process has been followed in the document's preparation. As part of this process the Strategic Plan of the Trust Fund approved in 2003 and the Medium-Term Strategic and Institutional Plan of UN-HABITAT were reviewed. The findings and recommendations of the mid-term review conducted in the first half of 2007 contributed to the strategy development process. Concurrent consultations held in partner countries with government, civil society, external support agencies and implementation partners have also been part of the development of the strategy. A first staff retreat was conducted from 19 to 21 June 2007 to discuss the intermediate findings of the Mid-Term Review and conduct group work for a suggested strategy outline. Based on the outline, a draft strategy was prepared and circulated to many of our partners and has received guidance from regional partners in Africa and Asia who contributed to the process. The preparation of the document was carried out in a participatory manner.

Further consultations were held with donors and other stakeholders in August 2007 during the Stockholm Water Symposium, and a draft document was discussed at Advisory Board meetings in October 2007 and in April 2008, when final suggestions were made and incorporated into this version of the document.

The suggested strategy for the 2008-2012 period envisages a focus on consolidation of activities, combined with modest expansion in activities and initiating preparatory activities for the Programme in Latin America.



**Creating an enabling environment for pro-poor investment in water. © UN-HABITAT**

The focus of activities has been organised around four areas:

- Delivering sustainable services to the poor;
- Ensuring synergy between the built and natural environments
- Monitoring the Millennium Development Goals and beyond; and
- Integrating Infrastructure and housing

These programme areas have been selected to consolidate existing activities, not to start new initiatives. For example, in the second area, activities will consider climate change factors, but only those relevant to water and sanitation infrastructure. A good example would be current work on energy audits for water utilities. The fourth programme area, focusing on synergy between UN-HABITAT's work on slum upgrading and infrastructure provision, will address sustainable infrastructure as part of slum upgrading.

Considering the proposed activities, the Trust Fund will need to mobilize about USD 150 million for 2008-2012.

The Implementation of the approved Strategy commenced in early 2008 with development of an initial annual work plan.

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# 1 DEVELOPING A STRATEGIC PLAN FOR THE UN-HABITAT WATER AND SANITATION TRUST FUND 2008-2012

## INTRODUCTION

Current levels of overseas development aid to the water and sanitation sector are woefully inadequate to meet the Millennium Development Goals, let alone achieving universal access. There are various reasons for this, mainly stemming from the fact that provision of basic services competes with such other sectors as health and education. Also, current global estimates on service coverage present an overly optimistic picture. Policy makers are therefore not aware of the scale of lack of service provision. It is often difficult to track investments into the sector and, even more, the proportion that reaches the poorest.

On World Habitat Day, 6 October 2002, UN-HABITAT launched a Water and Sanitation Trust Fund (WSTF). It was the agency's response to two major international alarm calls: Millennium Development Goal 7, Target 10 which aims *"to reduce by half the proportion of people without sustainable access to safe drinking water by the year 2015"*; and an appeal in 2002 at the World Summit on Sustainable Development, which added a target on *"reducing by half the proportion of people without access to basic sanitation by 2015"*.

The strategic approach in this document extends the development of the UN-HABITAT Water and Sanitation Trust Fund in line with the document that established the Trust Fund in 2003. It presents the overall strategic framework for the development and implementation of the Fund and reflects UN-HABITAT's overall vision on how good water supply and sanitation services are an integral part of sustainable urbanisation and human settlement development.

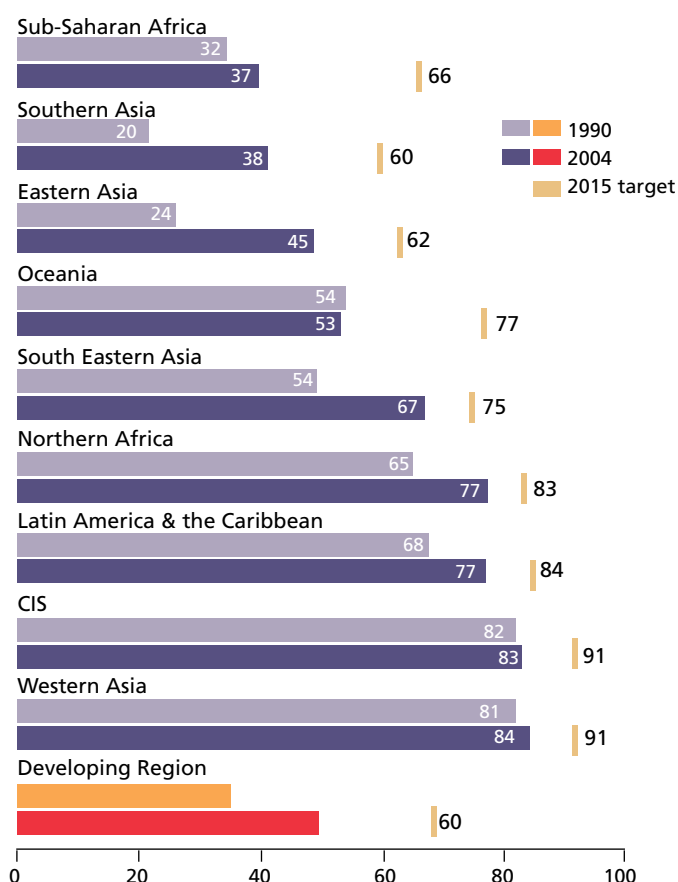
The advantages of using a programmatic mechanism such as a Trust Fund to increase the efficiency and effectiveness of international response to some of these challenges are discussed. Building on the knowledge and know-how acquired over the years by UN-HABITAT in water and sanitation and related infrastructure provision, and more specifically on its current programmes in this sector, the document then presents an outline strategic plan to guide the operation and management of the Water and Sanitation Trust Fund. A summary of the Fund's achievements is in Annex IV.

### TARGET 10: MILLENNIUM DEVELOPMENT GOAL 7

Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation

With half the developing world without basic sanitation, meeting the MDG target will require extraordinary efforts

Proportion of population using improved sanitation, 1990 and 2004 (Percentage)



Source: UN-HABITAT / MDG 2007 Report

Although the Millennium Development Goals are applicable to all, the UN-HABITAT mandate, and thus the Water and Sanitation Trust Fund, works across the full spectrum of urban areas: in poverty pockets in major cities; in secondary cities and small towns; and in peri-urban areas where settlement development is actively happening. Similarly, the partnerships are with all sorts of stakeholders. There is a focus on partners at the sub-sovereign level, especially city governments, planners and utility managers, as well as local communities, but these are linked to, and supported by, partnerships with regional governments, national governments, international development agencies (especially multilateral development banks) and Non-Governmental Organisations.

## 1.1 VISION STATEMENT

The UN-HABITAT Water and Sanitation Trust Fund seeks to create a hospitable environment for pro-poor investment in water and sanitation in urban areas of all sizes in the developing world and thus provide a vehicle to improve significantly the volume and effectiveness of the Official Development Aid and local financial flows into the water and sanitation sector. Special attention is given to vulnerable groups, especially women (See Box 1)

### BOX 1. WOMEN TALK ABOUT THE DIFFICULTIES THEY FACE WITH WATER AND SANITATION

#### Struggle for Water

Mumbai has a population of 15 million. More than half of this population live in slums. Only some of the slums have been legalized and are provided with limited piped water supply and a few public latrines. These are grossly inadequate for the entire slum population. In such a situation, the major burden of searching for water and sanitation facilities falls to women.

Sagira, a young woman, lives in an illegal slum of 30,000 people on the pavements of Mumbai. She gets up in search of water at 3.30 in the morning but often has to buy water for cooking. Shazia, who also lives in the same slum, says, "We have to steal water by illegally tapping the underground water pipe. The water is available from 4.00 a.m. to 7.00 a.m. We have started charging INR.20 per month per family and several people have started buying and using this illegal water. We recovered the cost of installing the tap used for stealing water in a few days. Now more people have started tapping underground pipes for stealing water. The police have also come to know of it, but we have put a few boys on the lookout. On receiving information of the police's arrival, we cover up everything. After the police leaves, we fill our buckets again."

Sunita, who lives in another illegal slum in the same city, has to walk through slush and mud every morning to fetch water. Going to the water source takes her an hour while the return home takes even longer, as she carries the water pots on her head. There are often fights near the water tap, especially when anyone tries to jump the queue. Sometimes, these fights end up in the police station.

Shalini lives in a slum settlement of 3000 families. She speaks about how, two years ago, a group of 10-15 families, including her own, collected money and got a water connection each. For the past six months, however, there has been no water at all in these taps and she has had to buy water for drinking, washing, bathing – everything. "We pay INR.10-15 for water every day," she says, "We have to hire bicycles or auto-rickshaws to bring water...The people from whom we are buying water have tapped water lines going into big buildings and have put pumps to draw water. Some of them sell water to individual families at INR.100 a month."

Source: **Unheard Voices of Women.** Based on a study undertaken by UN-HABITAT in Partnership with VIKRAM SARABHAI FOUNDATION, International Centre for Women and Child (ICWC), Institute of Social Studies Trust (ISST), Self Employed Women's Association (SEWA), Centre for Women's Development Studies (CWDS), Mahila Chetna Manch, Aga Khan Foundation, and SPARC, 2004.

## 1.2 GUIDING PRINCIPLES OF THE WATER AND SANITATION TRUST FUND

### UN-HABITAT's Mandate and Responsibilities

As the “City Agency” within the United Nations system, and the focal point for the implementation of the Habitat Agenda, UN-HABITAT supports member states in efforts to achieve international goals and targets related to urban development. Specifically, UN-HABITAT's mandate and its accountability to member states derives from inter-governmental decisions. These resolutions are outlined in Box 2.

#### BOX 2. RESOLUTIONS ON UN-HABITAT'S MANDATE

**United Nations General Assembly resolution 51/177** on the Outcome of the United Nations Conference on Human Settlements (Habitat II) committed UN-HABITAT to strengthen existing financial mechanisms and, where appropriate, developing innovative approaches for financing the implementation of the Habitat Agenda.

**The United Nations General Assembly resolution 56/206**, in recognition of UNCHS (Habitat's) growing responsibility to respond to the international mandates and decisions in the field of human settlements management and development, upgraded UNCHS (Habitat) into a fully-fledged agency of the United Nations, designated as the United Nations Human Settlements Programme (UN-HABITAT).

**The United Nations General Assembly resolution 57-275** in recognition of the outcome of the UN conference on Human Settlements (Habitat 2) calls upon UN-HABITAT to further support the implementation of the Water for African Cities (WAC) programme, as requested by the New Partnership for Africa's Development (NEPAD).

The development of the Water and Sanitation Trust Fund reflects resolutions adopted in the 19th session of the UN-HABITAT Governing Council in May 2003 (see Box 3), which requested the Executive Director to take actions in the field of urban drinking water and sanitation and invited Governments and international financial institutions to increase support to Habitat's water and sanitation activities. Under the aegis of the Trust Fund, UN-HABITAT re-organised its water and sanitation activities into a comprehensive Water and Sanitation Program with a pro-poor focus in late 2003.

#### BOX 3. GOVERNING COUNCIL RESOLUTIONS ON WATER AND SANITATION

**The 19th session of the UN-HABITAT Governing Council requested the Executive Director to:**

1. Further strengthen and promote the work of UN HABITAT in the field of urban drinking water and sanitation and to enhance cooperation with other United Nations and international agencies, and other relevant UN-HABITAT partnerships such as the Cities Alliance
2. Elaborate a program for water and sanitation in human settlements in interested countries with economies in transition, in line with those in other regions, subject to the availability of resources, including those of the Water and Sanitation Trust Fund
3. Consult with Governments in other regions on the possibility of establishing or strengthening water and sanitation programs in cities
6. Maintain the leading role of UN-HABITAT on urban water and sanitation in the Millennium Task Force on Water and Sanitation
7. Make Water and Sanitation in the World's Cities a recurrent publication to be published every three years on the occasion of the World Water Forum, subject to the availability of funds



The overall approach of UN-HABITAT has been further elaborated in the Medium-Term Strategic and Institutional Plan 2008-2013, which responds to various resolutions of the 20th session of the Governing Council and the recommendations of the Committee for Program Coordination resulting from an in-depth programmatic review undertaken by the Office of Internal Oversight Services in 2004. The Medium Term Strategic and Institutional Plan represents an organisational response to global trends in urbanization and poverty reduction, and also reflects wider UN reforms and the “One UN” process recently adopted, to ensure complementarities and minimize duplication within the UN system.

The new plan reflects the need for a sharper focus in UN-HABITAT activities that reflect the agency’s overall agenda, core competencies and comparative advantage in building partnerships for sustainable urbanization. To achieve this, the Plan calls for results-based approaches, integrated approaches that include policy, advocacy, capacity-building and monitoring and research activities, the scaling up of initiatives to produce substantial and measurable results and improvements to UN-HABITAT’s management systems to support the implementation of the plan. These characteristics of the new plan are reflected in the development of the Water and Sanitation Trust Fund strategy.

Provisions related to water and sanitation fall under the focus area of “environmentally sound basic urban infrastructure and services” (see Box 4). This focus area reflects a vision of water and sanitation as part of a wider sustainable human settlement development process discussed above. This vision is carried through to the innovative approaches of activities under the Water and Sanitation Trust Fund, where development of water and sanitation services are seen as part of wider processes of settlement development and improvements in the living environment of, in particular, the urban poor. The focus on all types of urban areas, large cities, peri-urban areas and small towns, has been reflected in the development of different initiatives under the Water and Sanitation Trust Fund. The issues of energy consumption, urban transport and climate change are also noted as integral to this focus area, and the need to include disaster mitigation and climate change mitigation and adaptation within Water and Sanitation Trust Fund approaches is discussed in Box 4.

#### BOX 4. MEDIUM-TERM STRATEGIC AND INSTITUTIONAL PLAN FOCUS AREA 4: OBJECTIVES AND INDICATORS OF ACHIEVEMENT FOR THE PLAN PERIOD

##### **Environmentally sound basic urban infrastructure and services**

To expand access to, and sustain provision of, adequate clean drinking water, improved sanitation and waste management, ecologically sound energy-saving transport and power supply technologies in urban and peri-urban areas, with due regard to small secondary towns.

- (a) An agreed number of countries and cities adopting improved infrastructure governance frameworks, ensuring the involvement of local authorities, communities and vulnerable groups
- (b) An agreed number of urban centres, including secondary and small towns, adopting environmentally sound and energy-efficient technologies in construction and provision of services and basic infrastructure
- (c) An agreed number of countries demonstrating increased and sustainable access by the urban poor to adequate clean water, improved sanitation and waste management
- (d) An agreed number of cities with strategies to minimize and/or deal with climate change effects

In conclusion, the development of the Water and Sanitation Trust Fund within UN-HABITAT reflects the institutional goals and strategic direction of UN-HABITAT. It builds on UN-HABITAT’s core competencies, which include a range of urban issues combining global experience and credibility with regard to improved infrastructure provision as a key component of sustainable urbanization.



Changing water use ethic among children is critical © UN-HABITAT

### 1.3 STRATEGIC FOCUS AREAS

During the 2008-2012 period, building on its international mandates, core strengths and strategic imperatives, the Trust Fund will focus on key programme areas:

- **Delivering sustainable services for the poor** — the Water and Sanitation Trust Fund will continue to strengthen its core programme area of developing hardware and software models to improve pro-poor access to water and sanitation in human settlements.
- **Ensuring synergy between the artificial and natural environments** — strengthening the responsiveness of Water and Sanitation Trust Fund programmes to environmental concerns will include developing capacity and elaborating models to reduce water and energy consumption, improve resource recycling, and reduce pollution outputs.
- **Monitoring the Millennium Development Goals and beyond** — In the coming period, the focus will be on refining and extending the use of existing monitoring tools for more reliable, affordable and democratic data collection and use.

- **Integrating infrastructure and housing** — Drawing on UN-HABITAT's wealth of human settlements expertise, the Water and Sanitation Trust Fund will reinforce synergies between water and sanitation infrastructure and sustainable human settlements development, of which housing is an important part.

In terms of geographical focus the Water and Sanitation Trust Fund will consolidate activities in Africa and Asia, and conservatively prepare for expansion into Latin America. The expansion into Latin America will commence with limited activities in the region focusing on problem identification and addressing specific issues. An initial activity will focus on sustainable solid waste management.

The Strategic Focus Areas are expanded upon in Section 5.

## 2 WATER AND SANITATION TRUST FUND CORE COMPETENCIES AND STRATEGIC ADVANTAGES

The function of most organizations is often described from the perspective of its three core organizational drivers: the market, its products and its core competencies. Organizations involved in international development do not escape this reality. In the context of this document, these three core drivers would be:

- The market: developing countries' need for programmes, activities and resources for sustainable improvement in the sector.
- The products: policies, advice, programmes and projects generated by the organization.
- The core competencies: the strengths and capacities specific to the organization and its partners that allow it to generate quality products.

Any organization has to decide on its strategic orientations in function of the three drivers: otherwise, it becomes obsolete (wrong product) or incompetent (low-quality product). However, to keep its focus, an organization has to have a primary driver. In the case of knowledge-based organizations, such as the United Nations, the primary driver has to be the core competencies.

By contributing to a Trust Fund dedicated to the planning and implementation of programmes in the water and sanitation sector that correspond to the organization's areas of demonstrated excellence (i.e. its core competencies), donors can involve themselves in interventions that are crucial for the achievement of the Millennium targets in a way that is quick and effective.

Based on the work of the Water and Sanitation Trust Fund, both before and since its inception, a number of core competencies have emerged, which are presented in Box 5.

### 2.1 PROMOTING SMART PARTNERSHIPS

UN-HABITAT plays a key role in developing and promoting key partnerships amongst all stakeholders at all levels of governance. The organization works with intergovernmental organizations, national and local governments, the private sector, Non-Governmental Organisations and Community Based Organisations. Aside from water and sanitation-related actors, their activities cross traditional sectoral boundaries to other related sectors including housing, local government, lands and planning, health, urban development, environment, education and gender.

The Trust Fund has special relationships with multilateral organizations and regional development banks, some of which have been formalized in Memoranda of Understanding. The partnerships with development banks are particularly important in terms of ensuring that capacity improvements to aid more effective investments are directly and immediately linked to substantial investment possibilities. The Water and Sanitation Trust Fund can effectively bridge the divided institutional responsibilities in the water and sanitation sector, which increases the potential to promote investment. For example, regional development banks most often negotiate sector support with finance ministries. These ministries do not have information to assess the impact of water and sanitation investments, which is partly why national water and sanitation budget allocations attract less support than, say, education and health. Boxes 5 and 6 give criteria for selection of partnerships.





BOX 5. CRITERIA FOR SELECTING THE WATER AND SANITATION TRUST FUND IMPLEMENTING PARTNERS

Relevance to Water and Sanitation Trust Fund objectives	Institutional capacity to undertake Water and Sanitation Trust Fund activities	UN-HABITAT's Legal Requirements
<p>Do the partners' objectives and related activities contribute to the achievement of internationally agreed upon water and sanitation goals and related targets?</p> <ul style="list-style-type: none"> <li>The partners' activities should focus on water, sanitation, infrastructure and human settlements and/or urbanization-related issues.</li> <li>Partners' activities should target the urban poor.</li> <li>Partners' activities should be in line with the recipient country's Poverty Reduction Strategy.</li> <li>Partners should demonstrate commitment to the principles and vision of the Habitat Agenda and Medium-Term Strategic and Institutional Plan.</li> </ul>	<p>Does the partner have the financial and human resource capacity to undertake Water and Sanitation Trust Fund programme activities?</p> <p>Key issues include:</p> <p>Range of experience and number of years in the field of water, sanitation, infrastructure and human settlements and urbanization-related issues.</p> <p>Ongoing operations or past experience in the Water and Sanitation Trust Fund recipient countries is an added advantage.</p> <p>Level of expertise (technical skill and competence) as demonstrated by Curriculum Vitae of personnel who will be committed to Water and Sanitation Trust Fund activities.</p> <p>Existing links with other organizations involved in similar activities.</p> <p>Amount of financial and in-kind contributions by the partner (to be assessed from the proposals submitted by the partners).</p> <p>Transparent procedures and good reputation of the partner is also critical.</p>	<p>Does the partner meet UN-HABITAT's Legal Requirements?</p> <p>These are verified by:</p> <ul style="list-style-type: none"> <li>Certified true copy of original certificate of registration/ Incorporation or Charter in cases of education institutions.</li> <li>Certified true copy of original Audited Account Statement for the last two years.</li> <li>Certified true copy of proof of non-profit status.</li> <li>Copy of the Constitution or by-laws.</li> <li>Annual report.</li> </ul>

The existing partnership base needs to be extended. Recent activities in the Lake Victoria region, for example, in association with the East African Community have built stronger links with regional institutions. There are financing windows in some development banks, which are designated exclusively for the purposes of regional initiatives.

BOX 6. CONSIDERATIONS WHEN SELECTING BENEFICIARY COUNTRIES

For beneficiary countries, demonstrated commitment to sector reforms, level of water and sanitation investment needs, and willingness to make financial contribution to Water and Sanitation Trust Fund activities are critical.

Key issues of relevance to the development banks when selecting partner countries include:

- Opportunities for Water and Sanitation Trust Fund's pre-investment capacity-building activities to complement the Bank's infrastructure financing programme. There is need to link Water and Sanitation Trust Fund activities (raising political ownership, advocacy on pro-poor and gender-sensitive frameworks, building local institutional capacity, preparing investment proposals, etc) to the Bank's ongoing sector lending operations in the region.
- Programme coverage - the Bank supports water and sanitation programmes in countries covered by Water and Sanitation Trust Fund and vice versa



## 2.2 PRE-INVESTMENT CAPACITY-BUILDING

Most water and sanitation investments still go to support large-scale projects, favoring bulk supply and expensive reticulation systems, which do not reach the poor. Even though these systems may be perfectly adequate, and could easily be extended to those not served, little support is given to increase service coverage amongst the poor. Efforts to engage in management reform and promote a culture of sustainability by improving efficiency in operational practices will greatly contribute to the provision of services amongst those not served.

By developing specific pro-poor components to larger support projects, efforts can be exerted to re-align lending policies and approaches to include the poor. The Water and Sanitation Trust Fund can provide the “missing link” in both promoting the inclusion of the poor and unserved, but also in achieving an appropriate balance between physical infrastructure and supportive capacity-building. The Water and Sanitation Trust Fund relationships with the regional development banks have allowed many of the issues surrounding serving the urban poor that fall through the cracks to be included into mainstream investment (see Box 7).



Children fetch water from a burst water pipe in Bukoba, Tanzania © UN-HABITAT



## BOX 7. WATER AND SANITATION TRUST FUND PRE-INVESTMENT CAPACITY BUILDING

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### **Strategic partnerships with financing institutions in Africa:**

The Water for African Cities Programme Phase II has established collaborative arrangements with regional and international financing institutions to promote increased investment into the water and sanitation sectors in participating cities. The programme provides pre-investment capacity building necessary for the sustainability of investments provided by the financing institutions. A Memorandum of Understanding with the African Development Bank sets out the framework under which UN-HABITAT and the African Development Bank will collaborate on safe water supplies and sanitation in African cities and small urban centres. The African Development Fund will provide grants to the value of about US \$217 million over the next five years. It is expected that this will lead to African Development Bank loans of an estimated US \$362 million. Synergy has also been established with the World Bank in Ethiopia to collaborate and scale up activities being demonstrated under the Water for African Cities Phase II programme in Addis Ababa, and to involve the programme in the preparation of project proposals worth about \$60 million, to target the country's urban poor.

### **African Development Bank/ Water and Sanitation Trust Fund collaboration in Zanzibar**

"Water and Water use" is now becoming a sensitive agenda in many parts of the world. The fact that Zanzibar is surrounded by sea with no neighboring fresh water body except its ground water reserve makes the issue more complex and sensitive. The country's limited reserve is solely supplied by rainfall, raising issues related to the sustainability of this resource, particularly given continued growth. The Water Policy of 2004 and the Water Act of 2006 have been turning points for the water sector. The Zanzibar Water Authority was established in August 2006 and has been fully operational since July 2007. The African Development Bank and UN-HABITAT undertook a joint project identification mission in December 2007 and identified the following components:

- Capacity Building for the Water, Sanitation and Solid Waste Sector;
- Urban Water Supply and Sanitation Infrastructure;
- Rural Water Supply and Sanitation Infrastructure; and
- Water Resources Conservation and Management.

After reviewing the current Zanzibar Water Authority and the Zanzibar Municipal Authority situation, it was agreed that the highest priority should be formulation of a business plan for Zanzibar Water Authority. UN-HABITAT will finance this effort, was completed by the end of March 2008. The review also included an update of technical studies, designs and cost estimates which were completed by the end of June. The activities will also assess solid waste management and sanitation and develop a strategy for sewerage, on-site sanitation and solid waste management. Capacity will be built in the monitoring of water and sanitation coverage, which will allow efficient tracking of progress towards the Millennium Development Goals. In view of the scarcity of water resources, UN-HABITAT will also work with the African Development Bank and Zanzibar Water Authority to develop a water resources conservation and management strategy. UN-HABITAT's expertise on water demand management and use of alternative sources will be invaluable in this respect.

The project is a good example of how UN-HABITAT can work in partnership with a development bank to fast-track the bank lending processes. By undertaking key pre-investment activities, the project preparation period will be significantly reduced and more clearly focused on serving the poor.

### **Strategic partnerships with financing institutions in Asia:**

The Water for Asian Cities Programme in four cities of Madhya Pradesh in India, which are the recipients of a \$181 million loan from the Asian Development Bank, has catalysed reforms in the water and sanitation sector, including policy directives and guidelines issued by the Government of Madhya Pradesh on establishing community-based funding mechanisms, mainstreaming gender strategies. The focus has been on poverty mapping, environmental sanitation, water demand management and gender mainstreaming, with pilot demonstrations of quick-win projects implemented with local communities, Non-Governmental Organisations, local governments and other local bodies. In China, the Water for Asian Cities Programme forged a partnership with the city of Nanjing to undertake a diagnostic study that has become a basis for the Asian Development Bank to initiate investment projects for the water and sanitation sector in the city. The city government has also adopted a community-based approach for integrating peri-urban areas for domestic water supply and sanitation.

## 2.3 MODEL-SETTING INITIATIVES

UN-HABITAT has developed new models to improve delivery of infrastructure for the poor, particularly in smaller urban centres that have to rely on market-based sources of funding. The model-setting initiatives aim at applying the appropriate combination of capital investment in physical infrastructure across a wide range of urban services and in an integrated fashion, supported by capacity-building to improve revenue generation to maintain the investments. This type of initiative breaks the vicious circle of infrastructure services falling into disrepair, followed by reduced revenue and complete failure. Examples currently being widely acclaimed include the Lake Victoria and Mekong Water and Sanitation Initiatives described in Box 8.

### BOX 8. REPLICABLE MODEL-SETTING INITIATIVES IN THE LAKE VICTORIA AND MEKONG REGIONS

The target group of the Replicable Model-Setting Initiatives is mainly the poor in small urban settlements and large rural communities with urban characteristics. Under these initiatives, the Water and Sanitation Trust Fund provides strategic support to local pro-poor, gender-sensitive initiatives with a focus on local communities' involvement. The design assumption is that modest investment, rehabilitation of existing infrastructure and strategic capacity-building support can improve operation and management and enhance the revenue base for local authorities. A key approach is the implementation of immediate interventions that improve water and sanitation service provision. Such interventions are followed by tailor-made capacity-building programmes, to support the investments. When a "working system" has been developed and gained the confidence of key stakeholders, a follow-up programme of larger-scale investments is undertaken.

Regional initiatives and model-setting initiatives share overall aims and objectives, although they achieve them differently:

- Regional initiatives seek to promote investment, principally through capacity-building but also through limited "pilot" demonstrations.
- Model-setting initiatives seek to demonstrate the balance between novel approaches to investment in physical infrastructure and investments in capacity-building for sustainability.

The former supports existing procedures and methodologies of financing institutions, the latter supports new approaches that can be adopted by national and international or multilateral institutions.

## 2.4 PROMOTING REGIONAL AND INTER-REGIONAL COOPERATION

The agency's Water and Sanitation Trust Fund programmes have significant regional and inter-regional components. There are many advantages to be gained from this approach:

- Expertise and experience from one region can be readily shared among countries and regions, leading to a pool of knowledge anchored in regional institutions.
- Policy approaches can be unified and support given to regional governments and organizations to promote good management of shared natural resources, such as shared river basins.
- Some donors have funding windows that specifically support regional integration. Many of these resources are currently untapped.

UN-HABITAT is well placed to support these networks and promote further cooperation and exchange. Water and Sanitation Trust Fund has recently started a new initiative in the Latin American and Caribbean Region. Further details of the proposed programme are given in Box 9.

## 2.5 MONITORING THE SECTOR

Traditionally, the monitoring of the water and sanitation sector has been weak. Although the work of the official monitoring organ, the Joint Monitoring Programme, is based on available statistics from national statistical offices, the information provides little more than broad, blanket figures on service coverage. These statistics alone are not sufficient to undertake effective planning, let alone monitor progress towards achievement of the Millennium Development Goals.

UN-HABITAT's monitoring and evaluation activities focus on the progress towards achievement of water and sanitation-related targets, including liaison with the WHO/UNICEF Joint Monitoring Programme, in streamlining definitions for the indicators for targets 10 and 11 of Goal 7. They also include the development of Geographic Information Systems based methodologies for poverty mapping and establishing baseline information on urban centres

## BOX 9. WATER FOR CITIES PROGRAMME IN LATIN AMERICA AND THE CARIBBEAN

The Latin American and Caribbean region has experienced unprecedented demographic growth, from 167 million in 1950 to 519 million in 2000. This demographic growth has been accompanied by significant urbanisation – from 42 percent in 1950 to 75 percent in 2000, and it is projected to reach 84 percent by 2030. Nearly 103 million people lack sanitation services. In urban areas, 63 percent of the regional population is connected to conventional sewerage systems and another 27 percent use ‘in situ’ sanitation systems. Most of the “in situ” systems are not technologically appropriate in urban areas and generally cause problems of ground water pollution. About 103 million persons (21 per cent) do not have access to wastewater and excreta disposal services, including 37 million in urban areas and 66 million in rural areas.

The main objective of the Water for Cities Programme in Latin America and the Caribbean is to support the pursuit of the water and sanitation-related Millennium Development Goals in cities in the region.

The Programme will focus on seven thematic areas: i) pro-poor urban water governance; ii) integrated urban environmental sanitation; iii) implementation of Integrated Water Resource Management in urban settings; iv) democratic governance, decentralisation and empowerment; v) capacity-building; vi) water, sanitation and hygiene education; and vii) strengthening water operators.

### **Strategic Partnership with the Inter-American Development Bank**

To implement the Water for Cities Programme in Latin America and the Caribbean, UN-HABITAT is forging a strategic partnership with the Inter-American Development Bank. Presently, the bank is launching a new and ambitious Water and Sanitation Initiative. The new initiative proposes ambitious targets for the Bank’s activity in this sector and renews the Bank’s commitment to pool efforts in the region and support development of the water and sanitation sector. This has created a propitious opportunity to forge a strategic partnership to implement the Water for Cities Programme in Latin America and the Caribbean.

### **Strengthening Water Operators**

Following on the recommendations of the Hashimoto Action Plan, the United Nations Secretary General has mandated UN-HABITAT to promote and coordinate activities related to Water Operators Partnerships at the international level. In Latin America, the UN Department for Economic and Social Affairs water operators’ conference in Recife, Brazil, adopted the Recife Statement, in which the Latin American utilities supported the idea of establishing a Water Operators’ Partnerships mechanism in the region. UN-HABITAT will support the regional mechanism through the Water for Cities Programme in Latin America and the Caribbean. Priority will be given to helping to maximise the effectiveness of water operators to provide improved services, particularly to the urban poor, in the attainment of the water-related Millennium Development Goals by promoting, facilitating and supporting not-for-profit cooperation, partnership and knowledge-sharing amongst water operators aimed at enhancing their capacities.

of different sizes, providing necessary information for programme design purposes and for tracking the progress towards the attainment of the Millennium Development Goals at the local level. These are applied in the Lake Victoria and the Mekong water and sanitation model-setting initiatives and could be developed for the regional Water for Asian and African Cities programmes.

UN-HABITAT, with its wide experience in the monitoring of human settlements, has recently developed a methodology to disaggregate water and sanitation service coverage

by gender and socio-economic status, and has, for the first time, developed methods to display the data spatially (at an intra-urban level). The impact of the new approach means that water and sanitation planning can be considered in the overall context of human settlements planning, which can result in improved delivery of services in other areas, such as slum electrification or improved public transport. The Geographic Information Systems packages lend themselves to the development of related planning tools such as cadastral mapping, town planning and utility mapping packages.





Contaminated water in a slum in Rio de Janeiro © UN-HABITAT



Polluted freshwater source in Curitiba, Brazil © UN-HABITAT



## 2.6 INTEGRATING WATER AND SANITATION NEEDS INTO URBAN PLANNING AND MANAGEMENT

UN-HABITAT's slum upgrading facility is a technical advisory facility designed to assist national and local governments and community organizations in the development of their own slum upgrading, low-cost housing, and urban development projects. It supports projects that can attract capital primarily from domestic capital markets, utilizing, where necessary, seed capital grants and bringing in existing guarantee and credit enhancement facilities. As a key indicator of slum conditions, access to water and sanitation is central to any strategy to upgrade slums. Now based within the same Human Settlements Financing Division, the Water and Sanitation Trust Fund is working closely with the Slum Upgrading Facility by focusing on water and sanitation as a strategic entry point to slum upgrading, which can then leverage improvements in other sectors such as electrification and road access. This integrated approach can provide a more comprehensive basis for addressing a range of poverty-related Millennium Development Goal targets.

The synergies between the two programmes will support innovative financing for housing and infrastructure. The focus is on promotion of an enabling environment, where commercial financing is available for improving facilities in slum areas across a wide range of services, including through community-based organisations that are able to interact with banks and other commercial financial institutions. This approach has the potential to greatly increase the flow of funding into the sector – funding that is often more sustainable and immediately available than capital from other sources. The slum upgrading facility also helps communities to develop repayment structures with risk management for investments, and can bring into play various forms of credit enhancement to offset risk through guarantees. The link with the Slum Upgrading Facility consequently provides an important means for meeting the Water and Sanitation Trust Fund funding objectives.

Current planning approaches, or lack of them, result in unplanned human settlements and infrastructure. Promoting good urban planning practices must address the integration of housing and urban services. The Water and Sanitation Trust Fund is well placed to help assist in the reform of the planning process at the national and local level.

## 2.7 ADVOCACY AND COMMUNICATION

UN-HABITAT contributes to furthering the debate globally in a variety of publications, such as *The World Water Development Report* and international events such as the World Water Forum. It is an active member of UN-Water and UN-Energy, and supports initiatives such as the International Year of Sanitation, coordinated by UN-Department of Economic and Social Affairs. It also produces its flagship publication *The Global Report on the State of Water and Sanitation in the World's Cities* every three years. It also supports networks such as the Global Water Operators Partnerships and undertakes extensive activities on gender assessment and mainstreaming with partners such as the Gender Water Alliance.

UN-HABITAT sees advocacy and communications as strategic tools for ensuring that the impact of Trust Fund interventions extends far beyond the limited audience of beneficiary communities and direct partners. Despite its current contributions to the global water and sanitation dialogue, UN-HABITAT has identified advocacy as an area that stands to be bolstered by a coherent communications strategy. By highlighting the added value of the trust fund, this strategy will also greatly assist resource mobilization and donor support. In order to garner this support, the advocacy tools must also communicate human interest stories and anecdotal successes that will attract media attention.

A young boy pumps water from a tube well in Terai region of Nepal.  
© UN-HABITAT





# 3 THE ORGANISATION AND IMPLEMENTATION OF THE WATER AND SANITATION TRUST FUND WORK

## 3.1 INSTITUTIONAL SETTING IN UN-HABITAT

The recent reorganization of the Water Sanitation and Infrastructure Branch through the creation of four Sections and its transfer from UN-HABITAT's Global Division to The Human Settlements Financing Division is bringing increased coherence to the work of the organisation and the opportunity to integrate infrastructure and slum upgrading to more effectively contribute to the overall goal of sustainable human settlements development.

Although there is a substantial amount of institutional knowledge within UN-HABITAT specifically related to the water and sanitation sector, internally, expertise is also available on sector monitoring, training and capacity-building, gender, information, urban governance, energy, transport, shelter and other areas. The cross-cutting nature of these key areas of expertise gives UN-HABITAT a distinct lead in addressing the needs and finding sustainable infrastructure solutions for the urban poor. Through relationships with important external organizations, the Water and Sanitation Trust Fund can gain access to an additional wide range of human settlements expertise.

Recent efforts to solidify intra-agency coordination have resulted in highly productive collaborations with other UN-HABITAT branches and divisions. The complementary expertise of the Monitoring Systems and Water and Sanitation Branches, for example, has enabled the production of tools to keep track of the various targets that are truly innovative and stand to influence the official international Millennium Development Goal monitoring protocol. Collaboration with the Urban Development Branch on urban planning in the Lake Victoria basin is facilitating the integration of new water and sanitation infrastructure in rapidly urbanizing small towns. More remains to be done on governance, environment and capacity-building in general, but these recent successes are building motivation for further in-house collaboration.

## 3.2 THE SYMBIOTIC RELATIONSHIP BETWEEN OPERATIONAL AND NORMATIVE ACTIVITIES

The work of the Trust Fund broadly follows two approaches -- normative work (mainly applied research) leading to the identification and development of new operational activities and models, and operational

programmes leading to the identification and development of normative tools.

There is a debate within UN-HABITAT and amongst its partners about the normative and operational elements of the work of the organization. On one hand it could be argued that all of our work is "normative". On the other, the Water and Sanitation Trust Fund does undertake some "operational" activities which are, by definition, demonstration projects designed to develop normative approaches and tools. In reality, the two areas of work mutually reinforce one another.

This iteration between process and practice may be unique to the Trust Fund activities and has contributed to building it into a centre of excellence. In this dual role, UN-HABITAT is involved both in defining the leading edge applied research agenda and promoting best practices or emerging issues through pilot demonstrations on a scale that enables replication with confidence. This unique experience has also contributed to the UN-HABITAT task force for an enhanced normative and operational framework .

The integration of normative and operational work is facilitated by a flexible structure at the agency's headquarters.

## 3.3 IMPLEMENTING THE WATER AND SANITATION TRUST FUND

Implementation is approached in an integrated manner in which stakeholders are linked with locally-appropriate solutions to address the needs of poor communities in rapidly growing towns and cities. The underlying strategy is one of learning by doing, in which the programme constantly looks to innovate, test, evaluate and inform the rest of the world about what works where to maximize the contribution of water supply and sanitation services to sustainable urban development.

Implementation follows a general trajectory that is affected by feedback from the components of the overall Water and Sanitation Trust Fund program

Supporting activities, labeled "normative" and "cross-cutting" in program parlance, identify policy, governance, management, technical and financial options that could improve pro-poor service provision. These options are

elaborated in norms, standards and management toolkits for testing on the ground in structured pilots and model development activities. They are attractive ideas that need to be tested.

Approaches and options identified in the supporting activities are tested and adapted through the operational programmes that constitute the bulk of the Water and Sanitation Trust Fund work. There are now a range of program activities in 19 African and Asian countries: the Regional Programs in Africa and Asia implemented in collaboration with the African Development Bank and the Asian Development Bank, and the two Replicable Model-Setting Initiatives in the Lake Victoria and Mekong regions.

Experiences and lessons from implementation of the Water and Sanitation Trust Fund on the ground are assessed through the monitoring and evaluation system. This component also includes collaboration with the

WHO/UNICEF Joint Monitoring Programme in defining indicators for assessing progress towards the attainment of Millennium Development Goals Targets 10 and 11. This monitoring component of the Water and Sanitation Trust Fund is aimed at assessing factors that lead to success in the different innovative approaches, with these assessments used to provide feedback to further refinement of models and approaches developed in the first bloc of activities. The refined models (which will include an emphasis on more integrated approaches to community infrastructure provision across a broader range of services, thus increasing choices for the urban poor and planners and improving governance conditions) will then provide the basis for further pilots and for replication and scaling up through partnerships with host governments, regional development banks, utility operators and other stakeholders. Typical activities and management tools are described in Box 10.

#### BOX 10. WATER AND SANITATION TRUST FUND – SOME EXAMPLES

**Poverty mapping** - The Water and Sanitation and Monitoring Branches of UN-HABITAT, in collaboration with the national Statistical Bureaus in Kenya, Uganda, and Tanzania in the Lake Victoria Water and Sanitation Initiative, developed a methodology based on Geographic Information Systems framework for establishing baseline information on urban centres of different sizes for monitoring progress towards attainment of the Millennium Development Goal and ensuring the sustainability of investments in the region. A similar methodology has also been applied for the poverty pockets covering a population of 2.3 million in four cities in the State of Madhya Pradesh in India and 10,000 people in four settlements of Sayabouly town in Laos.

**Piloting on Water Demand Management** – The Water for Asian Cities Programme support on Water Demand Management has resulted in improved planning and engineering design of the water supply network in Indore, a city of over 1 million inhabitants. This has provided an example for similar improvements in all four cities in the state, which are the recipients of a US \$181 million Asian Development Bank loan, and in this manner would help in enhancing the impact and sustainability of an investment, which is much larger than its own contribution in financial terms. The Government of India has asked the Bank to organize a national seminar to disseminate information on the innovative approaches developed in Madhya Pradesh for countrywide replication.

**Economic modeling** - The Lake Victoria project is not a stand-alone project, but an integrated programme that works with various institutions that provide water and sanitation in the 15 secondary towns around the lake. The initiative will demonstrate that the Millennium Development Goal water and sanitation targets in these towns could be met with modest investments targeted primarily to rehabilitation of existing infrastructure (including improving the energy efficiency of water systems), with due emphasis on local capacity building to ensure the sustainability (including financial sustainability) of these services. In economic terms, increased incomes from the stimulated economic activities provide a strong economic rationale for the programme, since there will be removal of existing constraints on social development and economic growth. This has very important positive ramifications with respect to individuals, families, and communities affected by HIV/AIDS.

**Advocacy and awareness in Human Values-based Water and Sanitation Education** - seeks to educate children, utility staff and the public on the value and cost of water supplies, helping to protect scarce water resources more widely, using them more wisely, and sharing them more equitably. This programme was requested by a Ministerial Advisory Group of six countries (Ethiopia, Ghana, Ivory Coast, Kenya, Senegal and Zambia) for the Water for African Cities Programme in 2000. The approach was participatory from the start. Ministers and high-level staff involved in curriculum development took part in the formulation and planning in both Africa and Asia.

In projects and programmes the work of the Trust Fund has been refined to promote a phased approach to implementation. This methodology seeks to address immediate problems through support to physical infrastructure and rehabilitation, followed by supportive capacity-building. This then paves the way for sustainability of larger scale investments.

In terms of replication and scale-up, the key requirement is that pre-investment capacity-building and piloting, is designed in such a way that the information on cost of scaled-up activities can be effectively extrapolated. It is also important that UN-HABITAT fully engage the donor/development bank which is supporting the follow-up investment, from the initial process of project inception.

### 3.4 REPORTING ON TRUST FUND ACTIVITIES

For the purpose of monitoring activities supported by the Water and Sanitation Trust Fund, UN-HABITAT will prepare and submit the following reports:

#### SIX-MONTHLY PROGRESS REPORT

UN-HABITAT shall submit a six-monthly progress report indicating the extent to which the objectives of the Trust Fund have been achieved. The report shall be submitted within two months of the end of the preceding six-monthly period.

#### ANNUAL REPORT

UN-HABITAT shall submit an annual result-based narrative report and a certified annual financial statement on the previous calendar year, showing income and expenditures as at 31 December each year with respect to the funds provided to the Trust Fund. The financial statement shall be prepared in accordance with UN-HABITAT's accounting and reporting procedures. The report shall be submitted before 30 March of each year.









## 4 RECENT REVIEW OF OPERATIONS AND RECOMMENDATIONS FOR IMPROVED OPERATION

### 4.1 WATER AND SANITATION TRUST FUND MID-TERM REVIEW SUMMARY

A mid-term review of the Water and Sanitation Trust Fund was undertaken in 2007 to assess the effectiveness of operations. The Review found that the Trust Fund goal remains valid, and Water and Sanitation Trust Fund activities are relevant, effective and useful, and are consistent with the goal; they address key barriers to the expansion of services to the urban poor and to small urban areas. The Water and Sanitation Trust Fund has several comparative advantages, including its ability to build multi-stakeholder partnerships, to help Non-Governmental Organisations gain acceptance by government agencies and the potential to add value to the United Nations Human Settlements Programme. A policy of consolidation rather than expansion was considered prudent in the immediate term. For sustainable impact, donor commitment to longer-term funding is needed.

Among the findings were that country programmes show promise, and that community development models are innovative, work well and complement conventional Multilateral Development Bank approaches. The review noted that the approach that combines infrastructure rehabilitation and development with capacity-building can ensure good operation and maintenance and create a sustainable revenue base for service providers. It was found that delivery is good where there are strong local partners, and the review emphasised the need to further develop pro-poor governance systems and the poverty targeting of activities.

Capacity-building for government officials and elected local representatives was appreciated, as were public awareness activities. Water Demand Management is working well and is viewed by utilities, the banks and some private entities to be of considerable value. The partnerships with the African and Asian development banks are working well and are among the programme's core strengths. The review concluded that it is appropriate that the programme should focus on small urban centers and poverty pockets in African and Asian cities.

### 4.2 SUMMARY RECOMMENDATIONS

The review recommends that the program developed under the Water and Sanitation Trust Fund should revolve around the flagship activity of pro-poor governance and community-driven development, which should be the driving rationales of the program, with two further focal activities supporting this approach:

1. Water conservation and demand management as a key management instrument.
2. Community-driven sanitation, together with systems for small- to medium-scale sewage treatment facilities that can be located close to residential areas

The program should therefore further emphasize capacity-building and development of sustainable investment and management models to enhance service provision. Governance, gender and education/awareness are central issues in developing these models, which should be developed through the creation of partnerships among government, water and energy utilities and service providers, local communities, civil society and international development partners. Cooperation with the regional development banks provides the means to ensure that investments follow capacity-building and the vehicle to explicitly adopt principles of proven pro-poor approaches in scaling up.

The programme should give a wider range of choices in technology, design, and energy efficiency measures from both the supply and demand sides, and finance and management options, and should ensure that communities and local authorities can choose among these options. This should include a stronger emphasis on household sanitation programs for and with poor communities and on waste water treatment and solid waste management, including transport considerations. Gender- and value-based education should be part of this mainstream work rather than separate projects.

The Flagship Activity and other focal areas should be used as criteria for future expansion of Program activities and staffing, based around development of country strategic plans with countries/states and other partners. Regional programmes should be assessed for their actual and



Contractor delivering pipes for a water project in Kisii, Kenya. © UN-HABITAT

potential impact in the concerned country programs. The program should move managerial control closer to points of activity and impact, and should ensure a balanced staffing profile in all program elements, including staff with community development skills. Management of the program should link production of documents with dissemination plans to ensure field usage and advocacy, develop a communications strategy and enhance the monitoring and evaluation system to more effectively include impact monitoring.

#### 4.3 SPECIFIC RECOMMENDATIONS

Several recommendations with particular relevance to the strategic plan were made:

- There is an urgent need to develop a concise communications strategy for the Water and Sanitation Trust Fund to project our activities at global and local levels. This will require specific expertise within the Water Sanitation and Infrastructure Branch.
- Monitoring the effectiveness of programme implementation and tracking the Millennium Development Goals will require a greater focus in the normative work of the programme. The work of the Water and Sanitation Trust Fund greatly compliments the work of the WHO/UNICEF Joint Monitoring Programme. Expertise within UN-HABITAT (Monitoring

Systems Branch) has played a key role in developing these methodologies

- To increase programme effectiveness, the Water Sanitation and Infrastructure Branch regional offices must be strengthened. Their function could change so that they act as focal points for all Trust Fund activities, regional projects, model-setting initiatives and other activities.
- Development of country strategies for the Water and Sanitation Trust Fund components should be undertaken so that they feed into the United Nations Development Assistance Frameworks, in fulfillment of the "one-UN" approach, and the UN-HABITAT Country Plans being developed within the framework of the Medium-Term Strategic and Institutional Plan and the Enhanced Normative and Operational Framework. This should not, however, reduce the regional flavour of some of the Fund's new activities.



# 5 WATER AND SANITATION TRUST FUND STRATEGY 2008-2012

The Trust Fund Strategic Plan approved in 2003 and the Mid-Term Strategic and Institutional Plan of UN-HABITAT and the mid-term review of the Water and Sanitation Trust Fund programme have guided development of the proposed forward-looking strategy for 2008-2012. A key element in development of this strategy has been the continual dialogue on water and sanitation established in partner countries with a wide range of participants, including national, provincial and local governments, as well as implementing agencies, external financing institutions, civil society organizations, and utilities and communities. The close engagement of these parties, encompassing on-the-ground implementation of innovative approaches and national and sub-national policy formulation, made possible by the trust-fund supported activities of the last three years, has resulted in a forward-looking strategy that articulates, and is responsive to, real needs in partner countries. The proposed forward-looking strategy for the 2008-2012 period will focus on consolidation of activities and modest expansion. A logical framework for the work of the Water and Sanitation Trust Fund appears in Annex I.

The activity will mainly focus on four areas:

- Delivering sustainable services for the poor
- Ensuring synergy between the artificial and natural environment
- Monitoring the Millennium Development Goals and beyond
- Integrating Infrastructure and housing

These areas will enable the UN-HABITAT Water and Sanitation Trust Fund to support delivery of widely recognized mandates while fulfilling the overall goal of sustainable urbanization in The Habitat Agenda, recently articulated in the agency's mid-term plan new framework.

## 5.1 DELIVERING SUSTAINABLE SERVICES FOR THE POOR

**Promoting efficiency and consistency through pro-poor governance** – It is going to be necessary to address the issue of community participation versus centralized management. Most poor city dwellers in developing countries get their water from private operators that are not officially recognized or regulated. The informal nature of service for the poor makes them much more vulnerable to the vagaries of high prices, poor service and unreliable quality. Delivering sustainable access to the poor will depend on building linkages between the formal and informal water and sanitation sectors. The formal sector will need to learn how to embrace the benefits of the informal providers, a sector that could be a valuable partner in the delivery of cost-effective and sustainable services.

**Facilitating community-led sanitation** — The next five years of the Water and Sanitation Trust Fund will see an increasing emphasis on sustainable sanitation, reflecting the scale of the international challenges and the recommendations of the mid-term review. The mid-term review emphasised the need for more substantial work on all aspects of community-driven sanitation, together with systems for small- to medium-scale sewage treatment facilities that can be located close to residential areas. There is little doubt that urban sanitation is an area where innovation is needed, capacities need to be developed and far more investment from all sources is needed. Targeting the health benefits of improved environmental sanitation and greater dignity and convenience for women, the programme will seek to holistically promote hygiene and diminish barriers to sanitation, particularly for the poor. Activities will include demonstrations of innovative and community-based financing mechanisms and opportunities for developing “markets” for sanitation; demonstration of workable and affordable wastewater management options at the community level; human values-based sanitation and hygiene education; and comprehensive participatory planning approaches at the town level for improved environmental sanitation (see Box 11. Addressing the Barriers to Improved Sanitation). The importance of hygiene promotion cannot be overstated as a sanitation component.

<sup>1</sup> In Asia, this dialogue has resulted in UN-HABITAT Country Support Strategies for Water and Sanitation and in the Vision and Strategy (2008-2012) for the Water For Asian Cities Programme and the Mekong Region Water And Sanitation Initiative (MEK-WATSAN).

**Capacity-building of urban water utilities** — The Water and Sanitation Trust Fund will continue to build on this traditional programme area that the mid-term review noted as being much appreciated by recipient countries. Building on a strong history of working with utilities to improve their water demand management, customer care and advocacy capacities, the Water and Sanitation Trust Fund is increasingly helping utilities overcome historical barriers to serving the poor, by helping develop capacities in gender mainstreaming, appropriate tariff-setting, and engaging in dialogue with communities and informal

service providers. One important opportunity that will greatly support expansion and growth of the Water and Sanitation Trust Fund's capacity-building activities is the Global Water Operators' Partnerships. As host of the growing Global Water Operators Partnerships Alliance, UN-HABITAT will be able to use the Global Water Operators' Partnerships Alliance to build on its existing capacity, as well as to diffuse its breadth of knowledge in the domain amongst an extensive network of utility partners.

#### BOX 11. ADDRESSING BARRIERS TO IMPROVED SANITATION

**The Knowledge and Information barrier and the Governance Gap:** Sanitation is often an “unseen” problem for local authorities and citizens. Promotion of sanitation and hygiene therefore forms an integral part of the Water and Sanitation Trust Fund programme activities in Asia and Africa. The “Community Led Total Sanitation” approach in Nepal and the “Water, Sanitation and Hygiene (WASH) Proximity” campaign in Senegal, for example, are raising awareness of sanitation and hygiene issues amongst the community, service providers and policy makers. In four cities of Madhya Pradesh, India, and in several municipalities in Nepal, UN-HABITAT has supported participatory environmental and poverty assessments. This is helping governments to better target programmes to improve sanitation coverage. Similar initiatives have recently been commenced in the People's Republic of China.

**The Financing barrier:** Even when improved sanitation is perceived as a priority, poor people are not able to afford a toilet. A UN-HABITAT-supported environmental sanitation initiative in Madhya Pradesh, India, aims to make 63 slums “open defecation -free”. A community-based revolving sanitation fund was established and, as of late 2007, an estimated 16,000 people had benefited from toilets built with the fund's support. The money borrowed by the community is being repaid, facilitating circulation of the money to benefit others in the community. The programme has also supported the participating towns in preparing plans for gender mainstreaming. As a result, some 30 women's self-help groups are functioning in these towns and taking a lead role in water and sanitation issues, including in relation to government- and external agency-supported projects. Looking at these examples, the Government has issued guidelines on revolving funds and gender mainstreaming applicable for all cities in the state.

Gender-based analysis of the environmental sanitation situation in the seven project towns of the Lake Victoria Water and Sanitation Initiative has shown that the lack of finance is preventing households from constructing toilets. This analysis has led to town-based action plans, which include increased allocations to sanitation in the towns' budgets and establishing micro-finance mechanisms for toilet constructions as priority actions.

**The Technological Barrier:** Conventional sewage systems are expensive, take long to build and involve complex operations. This makes them unfeasible for many small urban communities. UN-HABITAT has supported development of a community-level waste water management system serving a small community of about 100 households, in Sunga, located in the Kathmandu valley. The community-managed system, based on reed bed wastewater treatment, is the first of its kind in Nepal, and is maintained and operated by the community with technical assistance from a local Non-Governmental Organisation. The system is now serving as a demonstration site for other municipalities. Under its normative programme, UN-HABITAT has also developed a *Constructed Wetlands Manual* that will aid replication of this model, where feasible.

In the town of Ouagadougou, Burkina Faso, technical problems in connecting a community of 300 people to the city's sewer system was overcome by installing a small-bore sewerage system connected to a communal treatment facility. A micro-credit facility is supporting households' connection to the system.

### Linking service provision to income generation –

There are many ways to ensure increased sustainability of services by linking provision of services to income generation for the poor. For example, urban agriculture is a primary activity in many slums and for many of the poor in targeted countries. There is a direct link between sustainable water and sanitation and urban agriculture that must be addressed, including all related donor coordination and local stakeholders' good practices and ownership issues. To increase the affordability of water and sanitation services for poor communities, their income can be increased through development of entrepreneurship skills and linking their ethnic production to the market.

#### BOX 12. SUSTAINABLE SOLID WASTE MANAGEMENT

The issue of solid waste management is frequently neglected in the overall picture of provision of basic services. In addition, poor solid waste management has a huge environmental impact on human settlements and water catchments.

Sustainable solid waste management has been promoted by UN-HABITAT since our global activities commenced in 1995. Our activities have included development of guidelines for establishment of small-scale waste recycling industries in Asian cities, contributions to Sao Paulo's solid waste master plan; and advice on sustainable recycling and reuse in Ecuador, Nicaragua and Guyana; and pilot-scale recycling in many African countries.

The proposed activity supported by the Trust Fund would address the following aspects:

- Diagnosis of existing solid waste management systems
- Design of interventions for both physical infrastructure and institutional capacity-building
- Preparation of equipment specifications, design and procurement
- Development and Implementation of monitoring system
- Support to community-based recycling and reuse

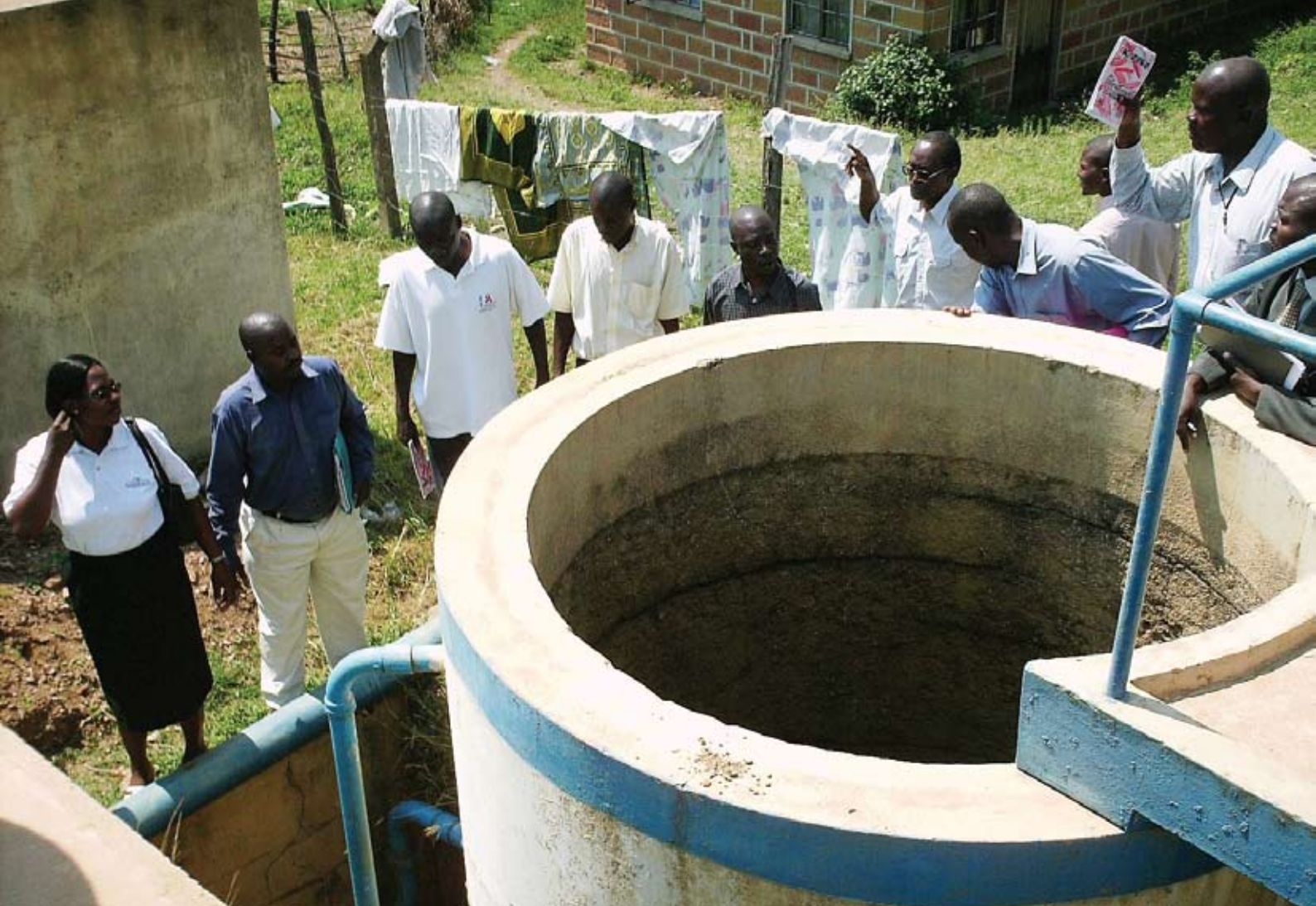
The components would focus on developing a sustainable solid waste management system, properly supported by user fees and taking full opportunity for waste recycling and reuse as an income-generating activity for the poor. It is anticipated that the total budget for this component would be circa US \$ 5.6 million.

### PROMOTING SUSTAINABILITY

There are two main ways the Water and Sanitation Trust Fund strives to make a sustainable impact. The first is the sustainability of the individual pilot initiatives. This includes facilities such as improved toilets and water points, the capacity to build and manage them and institutional arrangements to ensure they are well run. Ensuring the sustainability of these city-level benefits is a fundamental consideration in programme design. Communities participate in the identification of needs, the design, construction and management of new services, and the monitoring of results. On an individual project basis, these strong partner foundations can help communities ride out changes in governance, and give them "the confidence, skill base and capacity for organizing poor communities and local bodies who can then develop the ability to seek other sources of support if the work of the Trust Fund withdraws support". High levels of community participation are associated with greater sustainability of results, and this aspect of Water and Sanitation Trust Fund interventions has been evaluated by the mid-term review team as likely to help sustain benefits over the long term.

However an equally meaningful sustainability consideration is the extent to which pro-poor processes developed through the Water and Sanitation Trust Fund take root on a lasting basis, independently of UN-HABITAT funding. Longer-term sustainability will rely on a progressive withdrawal of UN-HABITAT Water and Sanitation Trust Fund support. In a number of cities hygiene, sanitation and solid waste management are local government responsibilities. The exit strategy (and the entry strategy for future programs following the current Water and Sanitation Trust Fund phase) should include well-targeted involvement of local authorities with balanced focus and delegation principles and a clear partnership framework developed in a participatory way with key stakeholders i.e. civil society organizations (Non-Governmental Organisations, Community Based Organisations) and the private sector. Interventions delivered by the Water and Sanitation Trust Fund will need to address all aspects of sustainability, including: financial, institutional, and environmental aspects. At the national and city levels there is a need to link the programme to National Poverty Reduction Strategy Papers, long-term city plans or city development strategies where applicable. UN-HABITAT is working to do this in the Lake Victoria region but there is a need for concrete examples to be highlighted.





Members of the Multi-Stakeholder Forum on a site visit in Homa Bay, Kenya. © UN-HABITAT

#### BOX 13. UPTAKE OF WATER AND SANITATION TRUST FUND MODELS IN THE WATER FOR AFICAN CITIES PHASE II PROGRAMME

The extent to which practices are independently adopted can be a good measure of their usefulness. The spontaneous up-scaling of piloted UN-HABITAT-built models is already visible in many of the countries involved in the Water for African Cities Programme. Here are some notable examples:

- In the Soweto neighborhood of Kibera, improvements to drainage systems and sustainable sanitation facilities are being adopted by the government for extension throughout the massive Kibera slum
- The small-bore sewerage system in Douala and Ouagadougou has been picked up and replicated by the national sanitation initiative in Dakar and in Djicoroni Para (Bamako, Mali), and a proposal is in place for replication in Kisumu, Kenya
- Mobile toilets demonstrated through the Water for African Cities Phase II Programme in Harar, Ethiopia, have been adapted and up-scaled by the municipality for distribution throughout the city, and it is planned that the revenue they generate will allow further extension.

In a more practical sense, capacity-building of utilities (and other service providers) to improve cost recovery is a key element of sustainability. Many activities developed to strengthen utilities, including work on Water Operators Partnerships, will focus on both operations and maintenance expenses and, where possible, on amortized cost for capital investment.

In terms of environmental sustainability, all activities undertaken undergo environmental impact assessments in line with national regulatory bodies, or, if these are unavailable, acceptable standards will be developed by UN-HABITAT.

In line with the Paris Declaration Principles, every effort will be made to avoid duplication of management structures and parallel systems of procurement, etc. Capacity-building will focus on ensuring sustainability of decision making systems at country level.

#### BOX 14. FOSTERING SUSTAINABLE LOCAL GOVERNANCE STRUCTURES IN THE LAKE VICTORIA BASIN

The Memoranda of Understanding signed between UN-HABITAT and the Governments of Kenya, Tanzania and Uganda under the Lake Victoria Water and Sanitation Initiative, establish a framework for management, implementation and coordination for the programme. The Memoranda of Understanding provide for the establishment of a Project Management Unit, responsible for coordination and management of the Initiative at the regional/national level, and Project Implementation Units to coordinate implementation at town level. The Governments also committed themselves to ensure that each project town establishes a Multi-Stakeholder Forum to monitor and guide the performance of the Project Implementation Unit.

The Multi-stakeholder Forums facilitate participation by a broad range of stakeholders in project activities. They bring together representatives of women's groups, youth groups, orphan-headed households and other vulnerable groups, as well as Community Based Organisations, Non-Governmental Organisations, local government (elected leaders), local media and private sector actors, among others.

Apart from being a mechanism for inclusive governance and decision-making in the implementation of the Lake Victoria Initiative, the composition of the Multi-Stakeholder Forum also makes it an ideal forum for addressing broader democratic governance issues in the participating towns. The Multi-Stakeholder Forum model has proven to be a vibrant partnership between community groups, local authorities, utilities and the private sector, covering all aspects of municipal governance, including participatory budgeting, emergency response and conflict resolution. In Kisii town, for example, upon the urging of the Multi-Stakeholder Forum, the Municipal Council has for the first time put its annual budget in the local newspapers. The Council has also, for the first time, invited town residents to contribute to the development of its service charter.

Continuing institutional reforms aimed at enhancing stakeholder participation in local development processes has reinforced the need for the Multi-Stakeholder Forums and created opportunities for their use in participating countries. Based on the success of the Multi-Stakeholder Forums in Kenya, for example, the Government has issued a circular to all local authorities to set up Multi-Stakeholder Forums and involve local stakeholders in all their operations. Water service regulators and providers are also recognizing the important role of the Multi-Stakeholder Forum. The Chief Executive Officer of the Lake Victoria South Water Services Board, Eng. Patrick Ombogo, recently said during a stakeholders' workshop: "I find the Multi-Stakeholder Forum model useful in involving local stakeholders in all stages of project development and I will apply it in all our projects covering 21 Districts of Kenya".

**Gender mainstreaming** – Strong partnerships are the key to ensuring that gender concerns are strengthened across the programme. The importance of working with global partners has also indicated that there is a need to move from theory to practice. Other actors have capacity to do this better than UN-HABITAT. For this reason, the focus in the forthcoming period will be building capacity in international and national Non-Governmental Organisations such as the Gender Water Alliance and their national-level cooperating organizations. Similarly, the internal capacity of UN-HABITAT and its partners needs to be enhanced by collaborating with those expert agencies. This will strengthen the internal institutional capacity of UN-HABITAT to see major cross-cutting issues such as gender mainstreaming more effectively and efficiently.

**Human Values-based Water, Sanitation and Hygiene Education** – With the current business-as-usual approach, the internationally agreed-to goals for water and sanitation might not be met. There is an urgent need for a new ethic and behaviour change amongst service providers and users to ensure more equitable and sustainable delivery of services. This can be achieved through a values-based approach to water, sanitation and hygiene education focusing on the education and service delivery sector.

#### 5.2 ENSURING SYNERGY BETWEEN THE BUILT AND NATURAL ENVIRONMENT

Sustainable water and sanitation service provision cannot be achieved without integrating broader environmental issues such as energy consumption, transportation and climate change into urban planning and management.





**Public standpipes are a source of water for many low-income families. © UN-HABITAT**

Indeed environmental hazards are responsible for the most common causes of ill health and mortality among the urban poor. Environment-related infections and parasitic diseases thrive where there is a lack of clean drinking water, sanitation and drainage, and where air quality is poor. They are exacerbated by undernourishment, poor health and inadequate public health services such as waste collection. A lack of access to clean drinking water coupled with inadequate sanitation and waste collection present the most serious environment-related health risks. In the developing world, up to 80 percent of all environment-related diseases are attributable to a lack of clean, safe drinking water. Diarrhoea is the greatest water-borne disease burden in developing countries and has been described as 'the silent killer of the slums'.

These problems highlight how disregarding environmental issues has a significantly damaging effect on cities and urban settlements. In response, the WSTF programme will support strategic environmental assessment to ensure that the environmental impact of its interventions are identified, assessed and mitigated. The programme will also support interventions with environmental benefits, such as solid waste management to reduce the spread of diseases and promote income generation through recycling and reuse, aided by innovative and energy efficient non-motorized transport technologies; improving water quality by developing strategies for pollution control; construction of rainwater harvesting tanks to complement intermittent municipal supplies; local catchment management in cities; promotion of environmentally friendly technologies such as eco-san; facilitation of citizen participation in urban

decision-making; and other modest income-generating activities such as water vending and the provision of toilet facilities and biogas.

Climate change and basic services – Climate change will profoundly affect the long-term sustainability of water and regional, national, local and community sanitation service provision. Many towns and cities are in areas such as coasts and semi-arid regions where climate change has severe implications for the availability and reliability of water resources and for the frequency and intensity of water-related disasters, such as floods, major storms and droughts. The Fund will therefore integrate climate change adaptation and disaster management into strategic planning, auditing, resource management, service provision, settlement development and infrastructure design models developed in the different program elements. UN-HABITAT will also work with partners in the Water and Sanitation Trust Fund to increase the awareness of urban managers, politicians and communities of the implications of climate change for their individual settlements. The Water and Sanitation Trust Fund will develop approaches to integrate climate change, including adaptation, mitigation as well as disaster management, in the framework of the strategic planning options and approaches in water utility operation. This will be assessed and developed within an Integrated Water Resource Management framework that takes account of long-term sustainability in water resources management and infrastructure development, including locally sustainable community forestry practices to ensure more energy-efficient use of biomass.

Energy consumption and efficiency in water and sanitation service provision – Often, upwards of 70% of water utility running costs are energy-related, including electricity. Therefore, close attention will be paid to energy consumption patterns and efficiencies, from supply and demand sides of water utilities and water consumers. This will include working with energy providers to ensure that power supplies for water utilities are available and service provided is more energy efficient. Attention will also be paid to the exploration of biogas options as part of an ecological sanitation approach. In addition, a central component of ecological sanitation is recirculation of nutrients for wastewater treatment. Opportunities to link this with livelihoods creation, such as improved opportunities for urban agriculture, will also be explored. There are also many opportunities for carbon trading, particularly in relation to the capture of greenhouse gases in relation to solid waste management and excreta collection and disposal. Renewable energy technologies, such as solar, wind and hydro power, are a growing source of supplemental energy for water utilities, and their applications in a variety of service delivery settings will be explored.

Reducing environmental impacts and ecological footprints – The importance of environmental conservation in water and sanitation interventions has not been fully addressed by the Water and Sanitation Trust Fund. Water and sanitation activities can have a huge environmental impact with respect to quantity (sustainable water resources management and water demand management, including energy efficiency measures) and the quality (water pollution). The impact of uncontrolled urbanization on the natural environment and on the health of urban and rural communities, particularly of the poor, needs more research. More efforts will be made to integrate environmental considerations into the poverty mapping element as well as the education component for more effectiveness. In slum areas, environmental considerations should be integrated throughout all programme components, in a manner similar to the way gender has been mainstreamed.

Nutrient Recycling and Reuse – Considering the looming crisis facing natural resources, reuse of waste and wastewater will feature strongly in programmatic activities. The world reserve supply of phosphorous, a key element in the production of fertilizers, is limited. It is anticipated that within 50 years, this resource may be exhausted, making the production of fertilizers and, thus, food much more expensive. On the other hand, waste and wastewater sludges offer a plentiful supply of nutrients that could help supply the required needs. Ecological concepts for sanitation will be pursued for the same reason.

### 5.3 MONITORING THE MILLENNIUM DEVELOPMENT GOALS AND BEYOND

Data collection and monitoring is essential in tracking progress towards water and sanitation targets, but it also has other important functions -- it helps policy- and decision-makers improve their performance and achieve results, it allows communities to be better informed and consequently empowers them to demand better services; it provides essential baseline data for advocacy; and it helps to identify weaknesses hindering progress in the water sector. Despite the importance of adequate and accessible data and how it can positively contribute to accountability between policy-makers, providers and citizens, monitoring is still rarely used to its full potential. Lack of reliable, affordable, and accessible monitoring practices continue to limit its potential utility in bringing safe and affordable water and sanitation to those who need it most.

In recent years, the Fund has been honing its capacity in this area, for example, through its ongoing involvement in the Millennium Development Goal Joint-Monitoring Protocol, and more recently through the development of its Lake Victoria monitoring methodology. This methodology allows collection of relatively low-cost geo-referenced, ground-level data disaggregated by gender and socio-economic group and supported by information on health, the environment and socio-economic status. The Fund plans to work with the Monitoring Systems Branch to apply this area of competency to development of further monitoring tools that can be used to benefit the poor. Notably, its new collaboration with Google.org aims to combine powerful data collection methodology (such as that developed and tested in the Lake Victoria Initiative) with utility benchmarking and citizen-based participatory monitoring techniques to support and empower communities. The initiative will test the utility of the internet in democratizing the monitoring process – both by allowing a more balanced collection of information and by making it more transparent.

More work remains to be done in monitoring the impact of the work of the Fund itself. There is still a need to develop methodologies for monitoring “soft” impacts, i.e., how to assess the results of capacity-building in terms of the incorporation of participatory approaches. Linking programme outcome assessment with Millennium Development Goal 7 targets 10 and 11 monitoring will also be essential to ensuring consistent and reliable reporting. As has been long pointed out, the goals for water and sanitation should also go beyond the 2015 Millennium Development Goal “milestone”.





## 5.4 INTEGRATING INFRASTRUCTURE AND HOUSING

There is a growing realization that integrated infrastructure provision can be an entry point for slum upgrading and comprehensive urban planning and development. Provision of infrastructure constitutes as much as 40 per cent of the cost of upgrading a slum or establishing a new settlement. New approaches combining affordable and durable housing and infrastructure are still beyond the reach of many urban poor. It is also reasonable to assume that there is a great similarity between the types of novel financial mechanisms needed for both housing and infrastructure provision. Using infrastructure as an entry point for slum upgrading could thus yield huge potential, reducing unit costs and leading to a real improvement in the lives of slum dwellers.

The agency's Global Slum Upgrading Facility is working closely with the Water and Sanitation Trust Fund. It is designed to mobilise domestic capital for urban upgrading activities. It does so by facilitating links among local actors, and helping to prepare local projects for potential investment by international donors and financial institutions, and, potentially, investors in the global capital markets – with the intent of leveraging further, domestic, capital for slum upgrading. Its key clients are municipal authorities, civil and Non-Governmental Organisations, central government departments, as well as the local private sector, including retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies. It was established in 2005 in response to General Assembly Resolution A/56/206 of 2001, strengthening the United Nations Habitat and Human Settlements Foundation.

The Slum Upgrading Facility comprises a small team of specialists on international and domestic financial institutions and financing models. Their task is to find and develop mechanisms to mobilise domestic savings and capital for affordable housing, and to work with financing institutions and UN-HABITAT's normative and technical cooperation activities.

The Human Settlements Financing Division works with the Cities Alliance, a collaborative initiative of the World Bank Group and UN-HABITAT, to improve conditions of the developing world's cities. Slum Upgrading Facility works with international donor facilities such as the Private Infrastructure Development Group, and international financial institutions including the World Bank Group, International Bank for Reconstruction and Development,

International Finance Corporation, Asian Development Bank. Other partners are United Cities and Local Governments, Slum and Shack Dwellers International, and the UN-HABITAT Governing Council. With initial funding of about USD 1.8 million from the Governments of the United Kingdom and Sweden, the Slum Upgrading Facility identified potential operations in ten countries in Africa and Asia, and is now conducting pilot programmes in four selected countries – Ghana, Indonesia, Sri Lanka, and Tanzania. The Slum Upgrading Facility Pilot Programme has a budget of USD 18.8 million from the Governments of Norway, Sweden and the United Kingdom.

The Facility is being designed to work with governments, people living in slums and local financial institutions to mobilise investments for slum upgrading. Its objective is to develop, test and apply new and innovative means of financing pro-poor urban development with a strong emphasis on the mobilisation of domestic capital.

The slum upgrading facility is influencing UN-HABITAT's activities Water and Sanitation Trust Fund positively. The facility is expected to lead the way regarding housing finance issues and it is at the forefront of developing UN-HABITAT's financing strategy.

## 5.5 PERFORMANCE MANAGEMENT

The overall objective of the Water and Sanitation Trust Fund is:

**“To promote, facilitate and demonstrate an enabling environment for increased access to affordable water and sanitation services and related infrastructure by the urban poor in partner countries”.**

The key success indicators for the Water and Sanitation Trust Fund are based, focused and guided by a Results-Based Management approach. Indicators have been developed to track progress of the programme at all levels that include both output and outcome through specific indicators:

- Increased investment flows as a result of UN-HABITAT programme activities;
- The number of urban areas of all sizes adopting pro-poor gender-sensitive water and sanitation governance frameworks;
- Increased participation in fund activities by local authorities, target communities and other stakeholders;



- Perceived effectiveness, efficiency and equity of water, sanitation and related infrastructure coverage and provision;
- Increased number of households with access to water and sanitation services, differentiated by gender and income group; and
- Promotion of culture of cross-regional information flow, knowledge transfer and access to benchmarking studies;

Since inception the Water and Sanitation Trust Fund has followed a work programme guided by an Results-Based Management framework, reviewed annually to track the progress of the project, specifically focusing on outputs and outcomes and their contribution towards Millenium Development Goal attainment. While building on experiences of Water and Sanitation Trust Fund programmes that have been a mix of both normative and operational activities (It is clear that all activities do fall under either the software or hardware definitions), with the specific recommendations of the Mid-Term Review of last year, an agreed logical framework has been developed for the strategy period that has also incorporated learning from the field. It thus focuses more on having a fine synergy between the normative and operational activities of the organization, and on complementarities and replications, hence designing more coherent, effective and efficient programmes..

The logical framework for the Trust Fund is for it to be used as a guiding living framework, to be reviewed and aligned as different projects and programmes progress, the overriding principle for future interventions is to design new and realign existing programmes focused on consolidation and replication of successes within and across regions with a modest incorporation of new initiatives and geographical areas.

The Trust Fund is to have a refined monitoring and evaluation component, which would not only serve accountability, transparency, and learning but would guide the fund towards achievement of programme goals. The component is to be participatory and collaborative in nature, with clearly defined roles and responsibilities of different participants, especially the national governments and water and sanitation service providers across partner counties. It would make use of different instruments that have been applied to monitor and evaluate the projects or programmes. The instruments would include, but not be limited to, baseline reports, annual reports, mission/review reports, quarterly/biannual review meetings and annual stakeholder conventions.

Individual projects and programmes would draw heavily from the trust fund log frame, but would be encouraged to develop mutually agreed work plans and benchmarks for monitoring and evaluation of the respective programmes. Indicators, consistent in nature, collected at regular intervals across the different operations of the trust fund, would enable the fund to manage an integrated database for information and reporting purposes both at the project/programme and headquarters levels.



**Rain water harvesting is a viable source of water supply.**  
© UN-HABITAT

# 6 FUNDING AND RESOURCE MOBILIZATION STRATEGY

## 6.1 HISTORICAL PERSPECTIVE AND CURRENT LEVELS OF FINANCIAL SUPPORT

The Water and Sanitation Trust Fund is intended to follow a well-coordinated programmatic approach with strategic impetus allowing donors to improve their aid effectiveness by contributing to a consolidated fund dedicated to a clear set of objectives. It promises “to offer its contributors an opportunity to target a high priority sector with maximum impact by taking advantage of the mandate and demonstrated core competencies of UN-HABITAT.

The Trust Fund was founded with contributions from various donor countries and organizations including the Governments of Canada, Sweden, Norway, and The Netherlands.

A combination of traditional and innovative financing mechanisms has been employed for the capitalization of the Water and Sanitation Trust Fund.

- Grant contributions from bilateral and multilateral donors, including development financing institutions and foundations, will be sought for the capitalization of the Fund
- In view of Africa’s special situation, earmarking or ring-fencing of contributions for this region will be accepted and
- Non-traditional sources of funding will also be sought through partnerships with private industry, within and outside of the water and sanitation sector

These contributions are managed by the Fund in accordance with the established rules and regulations of United Nations.

Starting from a budget of about USD 4 million in 2003, the Trust Fund, by the end of 2007 expected to have capitalization of about USD 47 million. The budget for 2007 USD 20 million.

As noted above, one of the key success indicators of the Water and Sanitation Trust Fund is the level of increase of investment as a result of UN-HABITAT’s programme activities. The Water and Sanitation Trust Fund budget, therefore, is expected to leverage additional investment into the sector. Investments into the water and sanitation sector are often constrained by the lack of information,

institutional deficiencies, capacity limitations, and the absence of viable pilot projects, which offer potential for scaling up. These constraints tend to be compounded in situations in which there are no flexible and fast disbursing financing instruments to address information bottlenecks, pilot studies and capacity-building quickly.

The Water and Sanitation Trust Fund experience has shown that these constraints can be overcome and investments speeded up through strategic partnerships between UN-HABITAT and the Development Banks. The scaling up of the Lake Victoria Water and Sanitation Initiative, now in progress through a partnership arrangement with the East African Community and the African Development Bank, and the collaborative effort between UN-HABITAT and the African Development Bank to expedite the formulation and processing of a major investment proposal for Zanzibar (with UN-HABITAT providing key financial and institutional studies and a comprehensive sector information system), offer practical examples of how these strategic partnerships translate into increased investment in areas being addressed by UN-HABITAT’s programme activities.

Accordingly, potential investments being leveraged by the Trust Fund are much larger than its annual budget – USD 1.5 billion in loan funds and USD 15 million in grant funds from the Asian Development Bank (through two consecutive Memoranda of Understanding) and USD 217 million in joint grant funds with the African Development Fund and USD 362 million in follow-on African Development Bank loans. These agreements have been formalized in Memoranda of Understanding with the two regional development banks. In addition, the Trust Fund has leveraged about US \$6 million through contributions by governments and other partners.

## 6.2 PROJECTED NEEDS

From the experience of implementing the Trust Fund work programme since its inception, it has become apparent that our existing donors and those with whom we are currently in negotiation are interested in two lines of support:

1. To the core activities of the Fund, mainly in the operational and normative programme areas; and



2. To the so-called “special replicable model-setting initiatives”

It can be concluded that this is a logical extension of the approach adopted at the inception of the Trust Fund where “soft” earmarking was considered. Good examples are the support of the Government of Canada to the Water for African Cities Programme and the Dutch Government to the Lake Victoria Region Water and Sanitation Initiative. This is also important considering the longer term strategy for the Trust Fund “exit” from programmes. It can reasonably be expected that as donor support to the Fund increases, so the opportunity for support to core activities and specific initiatives will continue.

In moving forward, the programme recognizes the need for greater resource mobilization and wider support. The basic principle of UN-HABITAT leveraging in support from an array of participants for improved access to water supply and basic sanitation will be followed for resource mobilisation. The resource mobilisation strategy includes:

- (i) **Consolidation of the existing donor base:** This will be achieved through excellence in the delivery of the ongoing programmes and concurrent advocacy for additional support.
- (ii) **Expansion of the donor base:** Support from new donors will be sought for innovative new programme components. These could include a regional urban water supply and sanitation indicators programme, and a solid waste management initiative, to be developed in collaboration with member countries and partner UN agencies.
- (iii) **Investigation of the opportunity of establishing a revolving fund for urban water supply and sanitation:** After a close examination of best practices worldwide, a revolving fund will be developed with partner governments, international donor agencies, commercial banks and community organizations. As a specialized niche, the Water and Sanitation Trust Fund-supported revolving fund will finance project proposals prepared by community groups working in collaboration with municipalities. About 3 to 10 times as much resources as provided by UN-Habitat could result from the establishment of this fund.

- (iv) **Partnership with the private sector:** Partnerships will be developed with the private sector for a wide variety of activities. These may include sponsorship of events and other advocacy activities, joint implementation of pilot and demonstration projects, advising private sector organizations on corporate social responsibility functions, including providing support in devising water- and sanitation-related projects for implementation by such organizations. Careful attention will be given to avoiding conflict of interest.

Considering the proposed range of activities, the Trust Fund will need to mobilize about US \$150 million for the period 2008-2012. The activities are given in Box 15.

#### BOX 15. PROGRAMMES SUPPORTED BY THE TRUST FUND

- I. Regional operational activities:
  - Water for Asian Cities Programme (on-going)
  - Water for African Cities Programme (on-going)
  - Water for Latin American Cities and the Caribbean (New Initiative)
- II. Normative activities providing a neutral forum for policy dialogue among service providers, users, utilities and governments, including values-based water, sanitation and hygiene education
- III. Replicable Model-Setting Initiatives:
  - Lake Victoria Region Water and Sanitation, on-going
  - Mekong Region Water and Sanitation, on-going
- IV. Monitoring progress of the Millennium Development Goal
- V. Global Alliance of Water Operators Partnerships (New Initiative)

The guiding principle of the funding and resource mobilization strategy will be to continue the focus on building partnerships and leveraging in resources from governments, donors, multilateral development banks and the communities themselves. Annual Trust Fund expenditures over the medium term of 5 years are expected to grow at a slower pace, as the level of

leveraged in resources increase and level off at about USD 36 million by 2012. An outline projection reflecting the main activities is presented in table 1 below.

**TABLE 1: OUTLINE PROJECTION OF TRUST FUND EXPENDITURES 2008-2012 (MILLIONS US D)**

ACTIVITIES	2008	2009	2010	2011	2012
<b>Operational Activities</b>					
Regional Operational Activities	10.50	12.00	12.80	13.50	14.50
Replicable Model-Setting Initiatives	4.65	5.50	8.40	8.40	9.40
<b>Normative Activities</b>					
Management toolkits, Advocacy and Awareness & Capacity-Building	1.55	1.6	1.65	1.95	2.10
Monitoring progress towards the MDGs	1.00	1.20	1.20	1.30	1.50
Global WOPs Alliance	2.20	2.31	2.40	2.40	2.40
<b>Programme related Costs</b>					
Programme Staff Costs	2.00	2.50	3.00	3.10	3.50
Programme reviews and Evaluation	0.15	0.15	0.15	0.15	0.15
<b>Total</b>	<b>22.05</b>	<b>25.41</b>	<b>29.75</b>	<b>30.90</b>	<b>33.70</b>
Add 13% Overheads	2.87	3.30	3.87	4.02	4.38
<b>Grand Total</b>	<b>24.92</b>	<b>28.71</b>	<b>33.62</b>	<b>34.92</b>	<b>38.08</b>

*A detailed budget is presented in Annex II.*





The Water and Sanitation Trust Fund leverages infrastructure investment. © UN-HABITAT

### 6.3 INNOVATIVE FINANCING MECHANISMS FOR SLUM UPGRADING

There is a growing understanding that up-scaling the provision of water, sanitation, housing and neighborhood development in developing countries is more successful and sustainable where innovative financing mechanisms are used that involve commercial loans coupled with direct repayment elements by the householders themselves. With this kind of process in place, augmenting affordability with smart subsidies and grants becomes all the more possible.

Two processes can be observed. The first is the area upgrading approach. Crucial to this process is establishment of business plans for upgrading projects – so that the commercial loan element can be seen in the context of affordable repayments, local guarantees, and other contributions. Important in this process is the role of local government in overall land and planning issues, coupled with the recognition of local savings schemes within the communities themselves. These provide powerful evidence of the capacity of the urban poor to make regular, if modest, payments. Where funding gaps persist, other contributors can see a role for themselves, be it universal subsidies or pure philanthropy. With such assurances, the risk to local lending organisations can be minimized, and thus the projects become attractive business propositions.

The second method is the establishment of local revolving funds that can act as a stimulus for application of loan products from local financial institutions. In this case, community savings can be augmented by grants to act as a local guarantee arrangement for household groups or cooperatives to take loans collectively.

These mechanisms are being developed by the agency's Slum Upgrading Facility and together help to inform how the Water and Sanitation Trust Fund can take forward similar products and processes.

UN-HABITAT is also developing a reimbursable seeding type of operation, in which the processes mentioned above can be taken forward on a global revolving basis. In this case loans can be made to local community-based operations through local financial institutions – banks, or other local institutions – for slum upgrading and infrastructure projects. The process is housed within the United Nations Habitat and Human Settlements Foundation.



## 7 PROGRAMME ADMINISTRATION

A restructuring and strengthening of the Water Sanitation and Infrastructure Branch is being undertaken to enhance the delivery capacity of the Programme. In order to streamline and further improve administrative support to programme implementation, both at Headquarters and at the country level, a new and more structured organogramme (see Annex III) for the Water Sanitation and Infrastructure Branch has been developed and has been approved by the Executive Director.

The new structure includes appointment of additional staff, particularly Chief Technical Advisors with field experience and the capacity and credibility to work with government agencies and Non-Governmental Organisations at the country level. It is intended to enhance human resources capacity and to facilitate the decentralization/devolution of

the management of the programme closer to the points of activity.

The structure will also see the strengthening of the regional support centers, with staff with appropriate skills, in New Delhi (for Asia) and in Dakar (for Francophone Africa) and the establishment of a regional centre for Anglophone Africa in Nairobi.

There are also many initiatives to streamline the disbursement of funds, including the adoption of standard formats for cooperation agreements and improved tendering procedures, which promote use of local contractors.





## ANNEX I: LOGICAL FRAMEWORK WATER AND SANITATION TRUST FUND STRATEGIC PLAN (2008 – 2012)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	TARGETS 2008-2012	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Goal</b> Partner countries in Asia, Africa, Latin America and Caribbean region progressively on path to attain Millennium Development Goals related to water and sanitation	✓ Millennium Development Goal 7 target 10 and 11		✓ Millennium Development Goal Monitoring Report ✓ World State of Cities Report ✓ National Poverty Reduction Strategy Papers	✓ Political will exists at all levels for achievement of Millennium Development Goals
<b>Specific Objective</b> To promote, facilitate and demonstrate a hospitable environment for increased access to affordable water and sanitation services and related infrastructure by the urban poor in partner countries	✓ Increased number of urban poor provided with access to affordable and environmentally sustainable water and sanitation and related infrastructure compared to baseline	✓ Additional 2 million urban poor access to safe water and 4 million to sanitation facilities through Water and Sanitation Trust Fund supported activities (Normative and Operational)	✓ Baseline data ✓ Water and Sanitation Trust Fund Annual Reports ✓ Project specific reports	✓ Different stakeholders willing to enter into a strategic partnership(s) ✓ Governments of participating countries approve and support Water and Sanitation Trust Fund interventions ✓ Donors committed to pool resources into Water and Sanitation Trust Fund for the plan period and beyond ✓ UN-HABITAT maintains and improves its global standing as a key player in water and sanitation sector
<b>Outcome 1</b> Increased institutional capacity in partner countries for advocating/ promoting and implementing pro-poor water and sanitation initiatives and policies with focus of gender equity, renewable energy and efficiency, and environmental sustainability	✓ Increased number of water and sanitation service providers having marked improved operations ✓ Number of countries adopting pro-poor, gender-sensitive and environmentally sustainable water and sanitation policies		✓ Water and Sanitation Trust Fund Annual Report ✓ National water and sanitation Report	✓ Water and sanitation is prioritized sector by the participating countries

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	TARGETS 2008-2012	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Outputs related to outcome 1</b>				
1. Strengthened institutional capacity at all levels of government and service providers for pro-poor water and sanitation service delivery	✓ Increase in number of water and sanitation provider reported to be providing reliable, demand responsive, affordable and quality service	✓ At least one water and sanitation service provider per partner country benefiting annually from Water and Sanitation Trust Fund capacity-related activities	✓ Water and Sanitation Trust Fund Annual Reports	✓ State institutions operate in a reasonably transparent manner
2. Increased capacity at community level for planning, implementing and managing water and sanitation facilities	✓ Number of new community based water and sanitation initiatives resulting in a number of cities/countries from pre-investment capacity-building	✓ At least two cities/utilities on annual basis adopt one new refined policy on either of the target policies	✓ Water Utilities Annual Reports	✓ Opportunities exist to improve operations of water and sanitation service providers and other stakeholders
3. Advocacy and communication strategy for pro-poor water and sanitation policy at country level, developed	✓ Number of regional and country-specific advocacy and communication strategies developed	✓ One communication and advocacy strategy developed by one partner country on annual basis with the participation of national governments and other stakeholders	✓ Mission Monitoring Reports	✓ Access to information, knowledge and best practices is limited
4. Appropriate toolkits developed and disseminated across water and sanitation service providers	✓ Number of countries/cities adopting pro-poor, gender-specific and environmentally sustainable water and sanitation policies	✓ Four new toolkits developed and adopted across a pilot city/country on annual basis	✓ Initial Environment Assessment Reports	✓ Major energy sources are expensive and uneconomical to use
5. Alternative sources of energy and other approaches promoted resulting in more environmentally friendly water and sanitation projects	✓ Number of sectoral toolkits and manuals developed; both generic and region-specific	✓ Two cities/utilities are piloted for exploring and adopting utilizing alternative source of energy	✓ Toolkit and Manual documents	✓ Civil society organizations are reasonably established across partner countries
	✓ Number of service providers, government entities and policy makers progressively utilizing toolkits in planning, managing and evaluating their projects and operations	✓ Ten countries/cities achieve integration by the end of the plan period, with two happening annually	✓ Benchmarking studies report	
	✓ Number of projects that have solid waste management incorporated as an integral part of their water and sanitation operations	✓ Two capacity initiatives happening across each partner country		
	✓ Number of municipalities and community organizations gaining access to capacity-building and training in solid waste management	✓ At least five water and sanitation service providers using alternative sources of energy		
	✓ Number of countries supported for adopting alternative sources of energy, specifically at local level	✓ At least five water utilities undertake energy audit by the end of the plan period		
	✓ Number of utilities undertaking energy audits of their operations	✓ One country adopting initial Environment Assessment as a prerequisite for new Watsan investment annually		
	✓ Number of countries adopting Initial Environment Assessment as prerequisite for approval of new water and sanitation investments			



# LOGICAL FRAMEWORK WATER & SANITATION TRUST FUND STRATEGIC PLAN (2008 – 2012) - CONTINUED

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	TARGETS 2008-2012	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Outcome 2</b> Increased flow of investment into water and sanitation sector catalyzed by Water and Sanitation Trust Fund interventions	✓ Number of countries/cities reporting on increased involvement of target community and increased flow of investment into water and sanitation sector		✓ Water and Sanitation Trust Fund Annual Reports ✓ Minutes/Proceedings of Mid-Term Institutional and Strategic Plan Advisory Board Meetings	✓ Different stakeholders have sufficient confidence to work collaboratively ✓ Fiduciary risks associated with water and sanitation investment can be managed
<b>Outputs related to outcome 2</b> 1. Strengthened partnership with multilateral and bilateral agencies for increased investment into water and sanitation and other related infrastructure 2. Increased demand for investment for community-managed water and sanitation projects 3. Increased number of financial institutions lending to community-managed water and sanitation projects	✓ Number of multilateral and bilateral agencies including Domestic Financial Institutions and International Financial Institutions partnering with UN-HABITAT and other partners for promoting water and sanitation activities in a number of cities/countries ✓ Amount of private and public financing leveraged for water and sanitation and related infrastructure through pre-investment capacity-building and model-setting initiatives ✓ Number of financial facilities providing loans for water and sanitation and related infrastructure projects developed and managed by municipalities and local community organizations ✓ Increased uptake of Slum Upgrading Facility- and Experimental Reimbursable Seeding Operations-like initiatives in partner countries through appropriate support of National governments	✓ Foster and strengthen partnership with Inter-American Development Bank for Latin America and Caribbean Countries ✓ Expand to additional 2 countries within African and Asian Countries under the Asian Development Bank and African Development Bank partnership agreements ✓ Amount (USD equivalent) leveraged annually across partner countries. ✓ One new additional financial institution in each partner country financing water and sanitation projects at the end of the plan period ✓ Two projects managed by community finance through public-private capital successfully tested in each partner country	✓ Memoranda of Understanding ✓ Water and Sanitation Trust Fund Annual Reports ✓ Project Reports ✓ Domestic Financial Institutions, International Financial Institutions and Local Financial Institutions Annual Reports ✓ National investment data (Relevant Ministry)	✓ Water and sanitation stakeholders are competent to take up participatory approach within the sector ✓ Public and private financial institutions are reluctant to have water and sanitation projects in their lending portfolio ✓ Civil society, especially community-based organizations, is institutionally stable, with experience in water and sanitation related initiatives ✓ Financial markets are fairly regulated

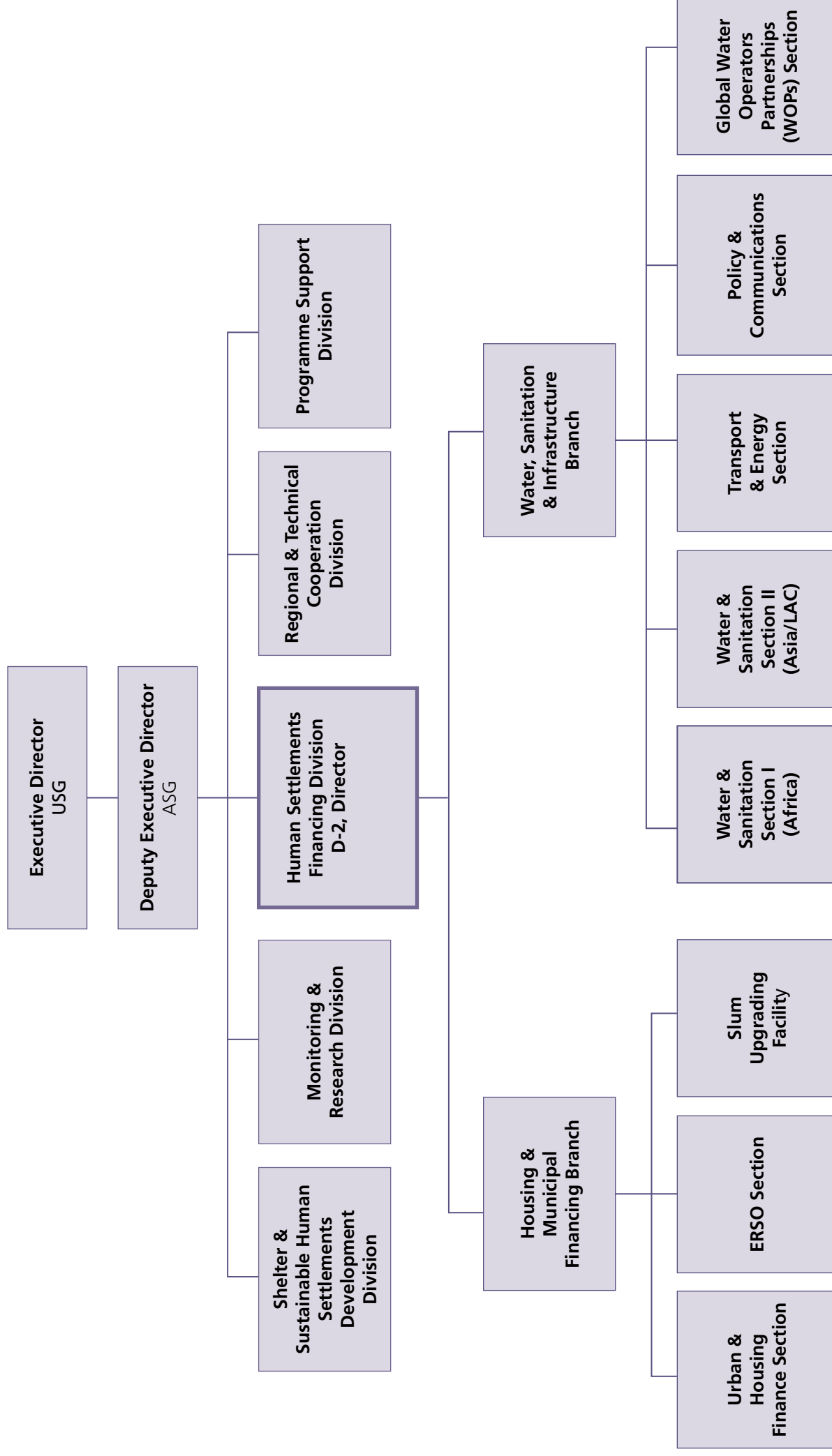
NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	TARGETS 2008-2012	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Outcome 3</b> Improved Millennium Development Goals monitoring mechanisms in place in partner countries, with improved benchmarking of water and sanitation service providers	<ul style="list-style-type: none"> <li>✓ Increased evidence of community participation in water and sanitation activities</li> <li>✓ Increased number of countries/cities have comprehensive Millennium Development Goal monitoring system complimented by information generated at the grass-roots level</li> </ul>		<ul style="list-style-type: none"> <li>✓ Community perception survey(s)</li> <li>✓ Annual stakeholder convention reports</li> <li>✓ National Millennium Development Goal Monitoring Reports</li> </ul>	
<b>Outputs related to outcome 3</b> <ol style="list-style-type: none"> <li>1. Reliable and comprehensive information at national level available on access to water and sanitation facilities by urban poor</li> <li>2. Increased participation of target group in planning monitoring and evaluation of water and sanitation projects and utilities</li> <li>3. Increased number of national Governments and local authorities sensitized on use of integrated sector monitoring tools</li> </ol>	<ul style="list-style-type: none"> <li>✓ Improved availability of data related to water and sanitation in partner countries water and sanitation sectoral planning and implementation and its coverage</li> <li>✓ Number of water and sanitation service providers at all levels participating in community perception surveys (benchmarking studies)</li> <li>✓ Increased involvement of different water and sanitation stakeholders in developing national sectoral monitoring mechanism</li> </ul>	<ul style="list-style-type: none"> <li>✓ Each partner country having an improved Millennium Development Goal monitoring data collection mechanism in place by end of plan period, with urban water and sanitation indicators collected on regular periods</li> <li>✓ Each partner country contributing to the Millennium Development Goal Joint Monitoring Programme and similar protocols</li> <li>✓ At least two utilities in different regions conducting benchmarking surveys through external sources</li> <li>✓ At least one annual water and sanitation monitoring stakeholder consultation workshop happening in each partner country</li> </ul>	<ul style="list-style-type: none"> <li>✓ Country census information</li> <li>✓ Water utility Annual Reports</li> <li>✓ National Millennium Development Goal Monitoring Reports</li> <li>✓ Benchmarking reports</li> <li>✓ Workshop reports</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of information on water and sanitation coverage across partner countries</li> <li>✓ A sound monitoring system at community level does not exist in partner countries</li> </ul>



## ANNEX II: ESTIMATED BUDGET FOR THE FORWARD LOOKING STRATEGY (2008-2012)

Nr.	Component/Activity	Estimated Budget 2008	% of Total	Estimated Budget 2009	% of Total	Estimated Budget 2010	% of Total	Estimated Budget 2011	% of Total	Estimated Budget 2012	% of T otal	Estimated Total Budget 2008-2012	% of Total
<b>1</b>	<b>NORMATIVE WORK (GLOBAL)</b>												
1.1	Global Report and WWDR II	300,000.00	1.20	350,000.00	1.22	350,000.00	1.04	400,000.00	1.15	450,000.00	1.18	1,850,000.00	1.15
1.2	Pro-poor Governance	400,000.00	1.61	450,000.00	1.57	450,000.00	1.34	550,000.00	1.58	550,000.00	1.44	2,400,000.00	1.50
1.3	Urban Water resource/Environmental Management/	300,000.00	1.20	350,000.00	1.22	350,000.00	1.04	400,000.00	1.15	450,000.00	1.18	1,850,000.00	1.15
1.4	Advocacy and Public Awareness campaign	400,000.00	1.61	450,000.00	1.57	450,000.00	1.34	500,000.00	1.43	550,000.00	1.44	2,350,000.00	1.47
1.7	Ensuring Synergy between the built and natural environment	150,000.00	0.60	150,000.00	0.52	200,000.00	0.59	200,000.00	0.57	250,000.00	0.66	950,000.00	0.59
1.5	Global Water Operators Partnerships Alliance	2,200,000.00	8.83	2,310,000.00	8.05	2,400,000.00	7.14	2,400,000.00	6.87	2,400,000.00	6.30	11,710,000.00	7.31
1.6	Monitoring of progress Towards MDGs	1,000,000.00	4.01	1,200,000.00	4.18	1,200,000.00	3.57	1,300,000.00	3.72	1,500,000.00	3.94	6,200,000.00	3.87
	<b>Sub-total Normative Work</b>	<b>4,750,000.00</b>	<b>19.06</b>	<b>5,260,000.00</b>	<b>18.32</b>	<b>5,400,000.00</b>	<b>16.06</b>	<b>5,750,000.00</b>	<b>16.47</b>	<b>6,150,000.00</b>	<b>16.15</b>	<b>27,310,000.00</b>	<b>17.04</b>
<b>2</b>	<b>REGIONAL OPERATIONAL ACTIVITIES</b>												
<b>2.1</b>	<b>Water and Sanitation Programmes in Africa, Asia and Latin America</b>												
2.1.1	Country Level Operations	8,000,000.00	32.11	9,000,000.00	31.34	9,500,000.00	28.26	10,000,000.00	28.64	10,500,000.00	27.57	47,000,000.00	29.33
2.1.2	Region wide Activities*	2,500,000.00	10.03	3,000,000.00	10.45	3,300,000.00	9.82	3,500,000.00	10.02	4,000,000.00	10.50	16,300,000.00	10.17
	<b>Subtotal WATSAN in Africa, Asia and Latin America</b>	<b>10,500,000.00</b>	<b>42.14</b>	<b>12,000,000.00</b>	<b>41.79</b>	<b>12,800,000.00</b>	<b>38.08</b>	<b>13,500,000.00</b>	<b>38.66</b>	<b>14,500,000.00</b>	<b>38.08</b>	<b>63,300,000.00</b>	<b>39.50</b>
2.2	Replicable Model-Setting Initiatives												
2.2.1	Lake Victoria Initiative	2,500,000.00	10.03	3,000,000.00	10.45	4,700,000.00	13.98	4,700,000.00	13.46	5,200,000.00	13.66	20,100,000.00	12.54
2.2.2	Mekong Region Initiative	2,150,000.00	8.63	2,500,000.00	8.71	3,700,000.00	11.01	3,700,000.00	10.60	4,200,000.00	11.03	16,250,000.00	10.14
	<b>Sub-total Replicable Model Initiatives</b>	<b>4,650,000.00</b>	<b>18.66</b>	<b>5,500,000.00</b>	<b>19.15</b>	<b>8,400,000.00</b>	<b>24.99</b>	<b>8,400,000.00</b>	<b>24.06</b>	<b>9,400,000.00</b>	<b>24.68</b>	<b>36,350,000.00</b>	<b>22.68</b>
	<b>Sub total - Operational Activities</b>	<b>15,150,000.00</b>	<b>60.80</b>	<b>17,500,000.00</b>	<b>60.95</b>	<b>21,200,000.00</b>	<b>63.06</b>	<b>21,900,000.00</b>	<b>62.72</b>	<b>23,900,000.00</b>	<b>62.76</b>	<b>99,650,000.00</b>	<b>62.19</b>
<b>3</b>	<b>PROGRAMME RELATED COSTS</b>												
3.1	Programme Staff Costs	2,000,000.00	8.03	2,500,000.00	8.71	3,000,000.00	8.92	3,100,000.00	8.88	3,500,000.00	9.19	14,100,000.00	8.80
3.2	WSTF Programme Reviews and Evaluation	150,000.00	0.60	150,000.00	0.52	150,000.00	0.45	150,000.00	0.43	150,000.00	0.39	750,000.00	0.47
	<b>Sub-total Programme Related Costs</b>	<b>2,150,000.00</b>	<b>8.63</b>	<b>2,650,000.00</b>	<b>9.23</b>	<b>3,150,000.00</b>	<b>9.37</b>	<b>3,250,000.00</b>	<b>9.31</b>	<b>3,650,000.00</b>	<b>9.58</b>	<b>14,850,000.00</b>	<b>9.27</b>
	<b>Annual Total</b>	<b>22,050,000.00</b>	<b>88.50</b>	<b>25,410,000.00</b>	<b>88.50</b>	<b>29,750,000.00</b>	<b>88.50</b>	<b>30,900,000.00</b>	<b>88.50</b>	<b>33,700,000.00</b>	<b>88.50</b>	<b>141,810,000.00</b>	<b>88.50</b>
	Add 13% Overhead Cost	2,866,500.00	11.50	3,303,300.00	11.50	3,867,500.00	11.50	4,017,000.00	11.50	4,381,000.00	11.50	18,435,300.00	11.50
	<b>Grand Total</b>	<b>24,916,500.00</b>	<b>100.00</b>	<b>28,713,300.00</b>	<b>100.00</b>	<b>33,617,500.00</b>	<b>100.00</b>	<b>34,917,000.00</b>	<b>100.00</b>	<b>38,081,000.00</b>	<b>100.00</b>	<b>160,245,300.00</b>	<b>100.00</b>

# ANNEX III: ORGANOGRAMME FOR THE ADMINISTRATION OF THE WATER AND SANITATION TRUST FUND





## ANNEX IV

# ACHIEVEMENTS OF THE WATER AND SANITATION TRUST FUND SO FAR

UN-HABITAT set up a Water and Sanitation Trust Fund in 2003 to provide a fast-track mechanism to cities and small towns and enable them to reach out to the poor. The objective of the Fund is to create an enabling environment to stimulate follow-up investments in water and sanitation with a focus on cities in Africa and Asia.

The Trust Fund provides a well-coordinated programmatic approach, allowing donors to improve their aid-effectiveness by contributing to a consolidated fund dedicated to a clear set of objectives. It has also facilitated reporting of programme activities to a group of donors rather than to each single donor.

Specific achievements of the Trust Fund include:

### ***i) Stronger linkage between normative and operational activities of UN-HABITAT***

The Trust Fund has facilitated a stronger linkage between normative and operational activities of UN-HABITAT through the development, piloting, testing and dissemination of information about pro-poor and gender-focused models, processes and tools such as poverty mapping, advocacy and awareness creation, capacity-building and community and gender empowerment processes. It has supported on-the-ground application of pro-poor governance tools in the Water for African and Asian Cities programmes. It has also supported the adoption of a “learning-by-doing” approach that combines investment in physical infrastructure with capacity-building activities in the model-setting initiatives in the Lake Victoria and Mekong regions.

The Trust Fund has also supported an extensive review of pro-poor water and sanitation governance mechanisms and preparation of a number of documents including a draft *Pro-Poor Governance Framework Document*, and a publication on *Methodologies for Mapping the Poor, Gender Assessment and Initial Environmental Assessment*. Other publications supported by the Trust Fund include an *HIV/AIDS Checklist for Water and Sanitation Projects*, *Strategy for Addressing HIV/AIDS in Programme Activities of the Water and Sanitation Trust Fund*, *Guidelines for Revolving Funds for Water and Sanitation*, *Social Marketing of Sanitation* and *Energy and Sanitation*, and others on water demand management, human values in water, sanitation and hygiene education, and



**Attitude and behaviour change is critical to improving access to water and sanitation. © UN-HABITAT**

gender mainstreaming. The Trust Fund also supports the publication of the *Global Report on Water and Sanitation* and UN-HABITAT's contribution to the *World Water Development Report*.

The Water and Sanitation Trust Fund normative products and operational activities have attracted the interest of a number of donors and private entities such as Google and Coca Cola. Examples include the participatory environmental assessments in the four cities of Madhya Pradesh, which have enabled a DFID-supported USD 75 million project to target the poor in the four cities. The methodology and results of the participatory assessments are being replicated in initiatives across the programme countries. A collaborative project with Google.org has recently been concluded to the tune of USD 4 million to provide an integrated information system on: access to water and sanitation services; the performance of service providers in delivering these services; and user perceptions of the quality of the services being provided. This will be piloted in Zanzibar. The Coca Cola Company has also

entered into an agreement to contribute to the Fund for support to the programme in Asia.

### ***ii) Pre-investment Capacity-Building***

The Trust Fund has helped UN-HABITAT to develop and integrate pro-poor and gender-focused models, processes, and tools into large-scale projects financed by multilateral financial institutions. The Trust Fund provides the “missing link” in both promoting inclusion of the poor and unserved and in achieving an appropriate balance between physical infrastructure and supportive capacity-building in programmes supported by multilateral financial institutions. The partnerships with regional banks have also provided an excellent opportunity to test and implement such pro-poor models at scale, proving their efficacy as effective tools for the pursuit of the Millennium Development Goals for water and sanitation.

### ***iii) Leveraging resources through strategic partnerships***

UN-HABITAT has forged strong strategic partnership arrangements with the African Development Bank and the Asian Development Bank to provide pre-investment capacity-building necessary for the sustainability of investments provided by the financing institutions in Africa and Asia to provide safe water supplies and sanitation in the countries in the two regions. This type of innovative partnership is now being rolled out in Latin America and the Caribbean through the Inter-American Development Bank.

In Africa, a Memorandum of Understanding signed with the African Development Bank provides the framework for both parties to provide grants to the value of about USD 217 million over five years. It is expected that this will lead to additional opportunities for follow-up fast-track loans from the Bank of about USD 362 million to speed up the achievement of Millennium Development Goals for water and sanitation. The process of concluding the Memorandum of Understanding with the African Development Bank took longer than expected because of initial inertia in the process of establishing trust and confidence between the two parties. Since signing the Memorandum of Understanding in 2006, collaboration has improved significantly and, currently, joint activities are underway in Kenya, Zanzibar, Mali, Ethiopia and Cameroun. It is envisaged that this collaboration will be extended to other countries, including Egypt, Mozambique, Rwanda, Uganda and Zambia. Another very important collaborative activity for further investments

from the African Development Bank is the scaling up of the Lake Victoria Water and Sanitation Initiative to more small towns in the region through a partnership arrangement with the African Development Bank and the East African Community.

Synergy has also been established with the World Bank in Ethiopia to collaborate and scale up activities that are being demonstrated under the Water for African Cities Phase II Programme in Addis Ababa, and to involve the programme in the preparation of project proposals worth about USD 60 million, to target the urban poor in the country.

In Asia, under the collaborative framework with the Asian Development Bank, UN-HABITAT's programme is associated with the Bank's investments on the order of USD 538.26 million across 30 towns. The first Memorandum of Understanding with the Bank has been enhanced, with the objective of expected joint grants amounting to USD 20 million and expected the Bank investments of USD 1 billion, with a strong focus on sanitation. This will also be linked to the Bank's Water Financing Programme, which covers five countries, including India and Viet Nam (already covered under present work focus of Water for Asian Cities programme) and Pakistan, Indonesia and Philippines (to be considered as potential Water for Asian Cities expansion countries in 2008).

### ***iv) Partnerships with local water and sanitation stakeholders***

The Trust Fund has also facilitated the forging of partnerships with a wide range of sector stakeholders such as Non-Governmental Organisations, research organizations, private sector entities, civil society, and local governments for implementing UN-HABITAT programme activities. Under the Water for Asian Cities Programme, several cooperation agreements have been entered into for implementing various activities, such as formulating strategies for public awareness campaigns and advocacy, exchange of information, and establishing a regional media network for water and sanitation with International Water and Sanitation Centre, the Netherlands; promoting human values-based water, sanitation and hygiene education in South East Asian countries with the South East Asian Ministers of Education Organization and the Centre for Environmental Education India; slum environmental sanitation initiative in Madhya Pradesh with WaterAid India and urban local bodies of the project cities; developing water demand management strategies for the four cities of Madhya Pradesh with Water Resource Planning and Conservation, South Africa and The Energy





**Low-cost technology options critical to attaining Millinneum Development Goal on sanitation © UN-HABITAT**

and Research Institute, India; development of gender-mainstreaming strategy with Mahila Chetna Manch, Bhopal; community-managed water supply scheme with urban local bodies in Gwalior and Jabalpur, as well as with the District Urban Development Agency, Indore.

In Africa, several cooperation agreements have been concluded with implementing partners such as ENDA RUP for the development of a small-bore sewerage project in Somgande informal settlements in Ouagadougou and in Douala and Edea in Cameroon. Partnership has also been entered into with the Regional Centre for Low-cost Water and Sanitation (CREPA), a regional Non-Governmental Organisation with headquarters in Ouagadougou, to support implementation of water and sanitation technologies in Ouagadougou and in Bobo Dioulasso (in collaboration with the *Projet d'assainissement urbaine* (PASUB), under UN-HABITAT's Sustainable Cities Programme and in cooperation with the Regional Office for Africa and the Arab States) and to provide support to Water for African Cities Programme Phase II country programmes in Mali and Senegal through its subsidiaries – CREPA Mali and CREPA Senegal – in these countries. Similar partnership arrangements have been entered into with WaterAid, and local government structures in Accra (Ghana), Jos (Nigeria), and in Bamako (Mali) for integrated water supply and sanitation interventions with a focus on the poor. Water utilities in the participating countries have also been partnered in the development and implementation of water demand management strategies. In the area of human values in water, sanitation and hygiene education, partnerships have been entered into with the implementation arms of the Ministries of Education in the participating countries. There is also an ongoing partnership arrangement with the Gender and Water Alliance to ensure that gender issues are effectively taken up in the activities of the programme, and with

International and Regional Resource Centres, such as UNESCO - Institute for Water Education Delft and Network for Water and Sanitation, to support training and capacity-building activities under the programme.

#### **v) Tracking progress towards the Millennium Development Goals**

The Trust Fund has supported the streamlining the definitions for the monitoring indicators for Millenium Development Goal 7 targets 10 and 11 in close collaboration with the WHO/UNICEF Joint Monitoring Programme process. It has also supported development of a methodology for establishing baseline data in urban centres of different sizes and for tracking the progress towards attainment of the Millenium Development Goals in the three countries involved in the Lake Victoria Region Water and Sanitation Initiative (Kenya, Uganda and Tanzania). The methodology developed in collaboration with the Monitoring Branch of UN-HABITAT is based on a Geographic Information System framework and questionnaires carefully designed to elicit disaggregated information at the household level (including mapping the poor). This methodology has been field tested in the first-phase Lake Victoria towns.

A similar methodology has also been applied for the four cities in Madhya Pradesh and four settlements of Sayabouly town in Lao PDR, covering a total population of 2.3 million people in Madhya Pradesh and 10,000 people in Laos in poverty pockets. The baseline is being used by the Governments to channel investments aimed at attaining full coverage in water and sanitation.

## ANNEX V: THE GLOBAL WATER OPERATORS PARTNERSHIPS ALLIANCE

Ongoing sector reforms in the water and sanitation sector have provided opportunities for creating more efficient, customer-focused and autonomous water and sanitation utilities. However, most developing country utilities continue to face enormous challenges in meeting the ever-increasing demands of growing populations. They suffer from a number of interrelated institutional weaknesses, including inadequate cost recovery compounded by a low customer base and limited physical coverage, dilapidated physical infrastructure, high levels of unaccounted for water, the low skill levels of the staff and poor customer relations, among others.

Improving utilities' effectiveness (especially in serving the poor), their efficiency and sustainability is at the heart of the global water supply challenge. The fostering of collaboration between utilities to share knowledge and exchange experiences, in order to improve the effectiveness and efficiency of the non-performing ones, is a vital element in meeting the challenge and sustaining positive outcomes of the sector reforms.

The need for the establishment of a mechanism to promote Water Operators' Partnerships (Water Operators' Partnerships), to provide a basis for collaboration among water utilities is highlighted in the "Hashimoto Action Plan," which was announced by the United Nations Secretary General's Advisory Board on Water and Sanitation during the 4th World Water Forum in Mexico in March 2006.

The decision to establish the Water Operators' Partnerships mechanism stems from concern about the risk of missing the water and sanitation targets in the Millennium Development Goals. The Water Operators' Partnerships effort is therefore a response to this concern. It is based on the premise that establishing direct and effective partnerships and networking among operators at a global, regional, sub-regional and national levels and facilitating a process of "learning by doing" amongst them is an urgent necessity for better equipping the key players in the sector to play their crucial role in meeting the challenges of attaining the Millennium Development Goals on water supply. Thus the Water Operators' Partnerships are to be based on mechanisms to enable operators to systematically communicate amongst themselves and to share their experiences and learn from each others' practices for the benefit of all on a not-for-profit basis.



**Inadequate access to water impacts negatively on the girl child**  
© UN-HABITAT

The UN Secretary-General endorsed the Hashimoto Action Plan and mandated UN-HABITAT to promote and coordinate activities related to Water Operators Partnerships at the international level "in order to strengthen the capacities of the public water operators that currently provide over 90 percent of the water and sanitation services and who are key players for attaining the Millennium Development Goals on drinking water supply and sanitation".

UN-HABITAT has taken up this challenge, and has since initiated a process for the establishment of a Global Water Operators' Partnerships Alliance Secretariat within the organization, including: initiating donor consultations; support to regional Water Operators Partnerships processes; initiating staff recruitments for the Global



Water Operators' Partnerships Alliance Secretariat; the formulation of a framework document for the Global Water Operators Partnerships Alliance, and the hiring of a Programme Manager for the Alliance at its offices in Nairobi, to be responsible for the day-to-day affairs of the Alliance.

The strategic objectives of the Global Water Operators' Partnerships Alliance mechanism are to:

1. Position the Global Water Operators' Partnerships Alliance as an efficient, effective and functional global mechanism for regional, sub-regional and national Water Operators' Partnerships supported by a coalition of agencies.
2. Engage in advocacy for Water Operators' Partnerships in appropriate national, regional and international forums

3. Facilitate and support regional, sub-regional and national Water Operators' Partnerships mechanisms, for improving the performance of public water utilities.
4. Provide web-based and other platforms to facilitate information collection, analysis and dissemination.
5. Host, promote and support a range of events directed at meeting the demands and needs of public utility members of the Alliance.

It is envisaged that the cost of operations of the Global Water Operators' Partnerships Alliance Secretariat over the first three years of its activities will be in the order of USD 7.15 million (see budget in table 2). Out of this amount, UN-HABITAT will provide the core staff and office expenses at an estimated USD 1.8 million. It is envisaged that the Alliance partners will contribute to the substantive activities of the Secretariat for the remaining USD 5.35 million.

**TABLE 2: ESTIMATED 3-YEAR BUDGET FOR THE GLOBAL WATER OPERATORS' PARTNERSHIPS ALLIANCE**

ITEM	ESTIMATED 1ST YEAR BUDGET (US\$)	ESTIMATED 2ND YEAR BUDGET (US\$)	ESTIMATED 3RD YEAR BUDGET (US\$)	TOTAL (US\$)
<b>Core Staff (Salaries, Allowances, and Travel)</b>	<b>500,000</b>	<b>600,000</b>	<b>700,000</b>	<b>1,800,000</b>
	<i>PM – UNHABITAT</i>	<i>PM – UNHABITAT</i>	<i>PM – UNHABITAT</i>	<i>PM – UNHABITAT</i>
Global WOPs Office Set-up and Expenses	200,000	250,000	300,000	750,000
Support to Regional WOPs activities	600,000	700,000	800,000	2,100,000
Organisation of Annual Global WOPs Alliance Convention	150,000	150,000	150,000	450,000
Network Development (including web based and communication tools)	250,000	300,000	350,000	900,000
Feasibility Studies (and updating) on Financial Instruments and Capacity-Building of Water Operators	300,000	100,000	100,000	500,000
<b>Total</b>	<b>2,000,000</b>	<b>2,100,000</b>	<b>2,400,000</b>	<b>6,500,000</b>
Miscellaneous (10% of Total)	200,000	210,000	240,000	650,000
<b>Total</b>	<b>2,200,000</b>	<b>2,310,000</b>	<b>2,640,000</b>	<b>7,150,000</b>

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