

Informal Water Supply Systems: Different Urban Governance Perspectives amongst Multilateral Organisations

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Abstract: This paper explores the different urban governance perspectives proposed by multilateral organisations in accessing water through informal supply systems, to assess the rationale and the guiding principles at the basis of their different ‘governance approaches’. In particular, it argues that the governance approach proposed – and often imposed – by the World Bank continues to belong to a neo-liberal policy agenda, which supports above all market mechanisms and considers, in turn, water and urban services as commodities to be managed through widespread competition and market rules. On the contrary, UN-HABITAT and the European Union, to a certain extent, underline the need for an urban governance system that promotes the ownership of development strategies by local communities and that rests on the principles of inclusiveness, equity and citizenship. The analysis is conducted focusing on how these three multilateral aid organisations try to involve, coordinate and regulate informal water supply systems, within the wider organisation of the water sector.

Introduction

Many critics share the opinion that there is a lack of analysis and understanding with regards to the current informal practices in accessing urban water services and, also, with regards to their role in flanking and integrating the more formal systems (see Allen *et al.*, 2004; Batley and Moran, 2004, for some relevant references on informal water supply systems). Furthermore, the informal networks and providers, and the resulting informal arrangements that they produce, ‘are often relatively underrepresented in donors’ policies’ (Wakefield, 2004:2). Nevertheless, it is possible to find out that, at the present time, the multilateral aid organisations considered in this paper are aware of the presence and importance of these informal practices and they develop different governance approaches to deal with them.

The analysis considers three main multilateral aid organisations, namely: the World Bank, UN-HABITAT and the European Union. With respect to these multilateral aid organisations, the paper analyses their different approaches to water urban governance through a specific focus on informal arrangements in accessing urban water supply. The relevance of the water sector in the international development community’s agenda has been clearly established when most of the world’s governments and international agencies committed themselves to the Millennium Development Goals. The MDGs include in fact a specific target related to water supplies (target number 10): halving, by 2015, the proportion of people without a sustainable access to safe drinking water. In addition, improving water provisions is increasingly becoming a problem related to urban areas, given the growing urbanisation phenomenon that interests developing countries (WHO and UNICEF, 2000).

Despite the centrality of the water sector in the international development agenda, policy and strategy documents and specific funded programmes/projects related to informal water supply systems are very limited. This scarcity rests upon two main reasons. The first one is related to the fact that this kind of water service providers have stated to be considered only very recently as possible positive contribution to improve urban water access. Until to the beginning of this decade they have been mainly opposed or, in the luckiest cases, ignored (Mitlin, 2002). It follows from this that, up to now, they have been sometimes considered at a normative level in the development assistance of various international aid organisations. Nevertheless, at a more operational level, only very few recommendations addressing the

importance to take into account the role of informal and small scale providers can be found in wider national or city water programmes promoted by these organisations, while much research is currently focusing on understanding how to practically support these informal and locally based practices (see for instance McGranahan and Satterthwaite, 2006; Kjellén and McGranaham, 2006). The second reason concerns the current official development assistance structure that makes it difficult to sustain this kind of providers. As it is pointed out by Satterthwaite (2005:26), supporting small scale and especially informal projects would require reforming the official development assistance execution of many multilateral aid agencies that ‘were set up to provide capital assistance to recipient governments and technical cooperation’, not to support small and community-driven initiatives. As a result, the relevant evidence applied in this paper relies on the few theoretical and empirical documents and reports that the multilateral aid organisations considered here have been producing recently, with regards to the specific issue of informal water supply systems.

Table 2: Evaluation models

Evaluation models	Human right	Community-based	General interest	Market-based
<i>Principles</i>	fundamental right	collective right 'droit coutumiere'	social cohesion, long-term community interest (planning, resources conservation)	optimal allocation through market rules
	justice, right	tradition, equity	equity	efficiency (price)
<i>Resource qualification</i>	common patrimony: humanity	common patrimony: community resources	common patrimony: public	economic good private good
<i>Propriety</i>	no propriety	collective propriety	public propriety	private propriety

Source: Baron, 2005.

To analyse and compare the different guiding principles amongst these international aid organisations, the theoretical framework applied in this paper relies on the ‘evaluation models’. According to Baron (2005), the evaluation models are represented by the values carried through the different models developed in accessing to drinking water. The author identifies four main archetypes related to these evaluation models and three main values. Table 2 illustrates the specific values corresponding to the different evaluation models.

The paper suggests that the selected multilateral aid organisations rest on different urban governance ideas to deal with informal systems of access to urban water services. At the same time, these different urban governance perspectives belong to as many different evaluation models. In particular, drawing on the above table, it is suggested that the World Bank approach relies largely on a ‘market-based evaluation model’, whilst the UN-HABITAT one and – to a certain extent – the European Union one rely mainly on a ‘general interest evaluation model’ and, partly, also on the two first models¹. According to the purpose of this paper the following analysis does not consider all the elements of the table, but it concentrates predominantly on the first line, that is, the *principles* belonging to these evaluation models.

The World Bank perspective on informal urban water supply systems

In the *World Development Report 2004 (WDR)*, the issue of water supply is specifically addressed under a section entitled ‘urban water networks’ and some informal systems of

¹ See Baron’s article (2005) for a detailed description of these four archetypes.

provision seem to have a specific place in improving the access of urban poor to service delivery. In reality, even if the *WDR* does not mention explicitly the term ‘informal’ in the delivery of drinking water, it makes reference to the ‘small independent providers’ alluding to their informal nature: ‘Their organization varies from household vendors of water, small network providers, and private entrepreneurs to cooperative. In some cases they are primary suppliers, and in others they supplement the formal provider’ (World Bank, 2003:171). According to Wakefield (2004), the World Bank has not yet developed a strategy incorporating small independent providers to improve urban service provisions. In addition, a recent World Bank review of small scale private service providers of water supply and electricity has concluded that the information available about this providers are very limited, making it difficult to draw an overall assessment of their role and, in turn, to define specific actions to support them (Kariuki and Schwartz, 2005). Nevertheless, despite the lack of a comprehensive strategy and targeted projects to enhance the contribution of small independent providers, the Bank seems adopt a relatively clear approach to cope with them. Thus, it recognises their important role in the provision of urban drinking water whereas the enhancement of their role is considered as a useful possibility to support client power and the short-route of accountability. This target can be achieved:

by recognizing independent providers and giving them a legal status, by ensuring that network providers are not given exclusively supply, by enabling greater partnership between formal public and private networks and small independents, by ensuring that the regulatory framework for network providers gives the flexibility to enable contracting with independent providers, by enabling small-scale providers associations and working with this umbrella bodies to introduce appropriate level of regulation and by enabling poor people to gain access to multiple independent providers (World Bank, 2003:171).

Recommendations regarding the way to deal with small scale independent water providers are also presented by some recent studies funded by the World Bank. A joint financed survey between the World Bank and UNDP, about independent water and sanitation providers in ten African cities, stresses that independent providers need a ‘fair institutional and legal environment’ and an ‘open market’ to successfully operate as urban water supplier (Collignon and Vezina, 2000:53). Likewise, a World Bank study on independent water entrepreneurs in five Latin American cities concludes that ‘national and local governments could review their statutes and regulations with an eye to opening the doors to independent providers, enabling competition and ensuring that all providers investments are secure before the law’ (Solo, 2003). Still, the World Bank approach to informal actors’ role in the delivering of drinking water – in the form of the independent providers – presents some critical issues.

Involvement of small scale independent providers

In the Bank perspective, small independent providers seem not to be deemed a valid form of access to drinking water for urban poor *per se*. This arises from some key considerations. The real challenge for the Bank can be identify in ensuring the separation of the delivery functions from those of benchmarking and regulation, in order to improve the accountability in the provision of urban water services – but especially the short route accountability (World Bank, 2003): if the role of service providers is clearly divided from the policymakers’ one, the former can be better accountable to the clients. The way to improve service provider performance is clearly stated in The Wold Bank Groups’ Program for Water Supply and Sanitation:

An important priority is to transform monolithic state-owned water companies into more-responsive service delivery agencies that address the needs of all users. Central to most water supply and sanitation programs are policy, regulatory, and institutional reforms to create incentives for service

providers to be more accountable, commercially oriented, creditworthy, and customer-focused. Key measures include: developing regulatory capacity, and enhancing participation with civil society; establishing incentive based programs to improve the performance of public utilities; more effective engagement of international, local and small-scale private sector operators; refining pricing policy ... (World Bank, 2004a:19).

Therefore, 'the role of government is to regulate and in some case to subsidise production and distribution' (World Bank, 2003:16), not to provide the service by itself; on the contrary, the delivery has to involve international, local and small scale private sector operators, following a market-based allocation. The solution preferred by the Bank, hence, seems continuing to lie in the institutional reforms, conducive to a market-oriented provision of urban drinking water: the broader approach to improve providers' performance still identifies the privileged reforms in decentralisation processes, private participation in operations and cost-recovery (Balbo, 2002a). As a result, small independent providers are regarded as a sort of second-best policy 'where [the] broader approach of making services work for all is not possible' (World Bank, 2003:177). In fact, they are not considered as the 'best' solution to deliver drinking water in certain urban areas, but just a 'targeted approach' that 'cannot form the basis of institutional reform' (*ibid*:177).

Moreover, the Public-Private Infrastructure Advisory Facility – built on the World Bank Group's Infrastructure Action Programme – states that 'public utilities are not well suited to providing services in small, remote towns and rural areas and that more must be done to encourage small-scale local service providers to play an important role in service delivery in areas not reached by public utilities' (PPIAF, 2005:19). Therefore, despite the World Bank affirms the importance to prevent 'the exclusivity to the main service provider' (World Bank, 2006:99) and many empirical studies have documented the relevant contribution of small scale providers in the access to drinking water (see Kjellén and McGranaham, 2006), these suppliers appear not representing a valid alternative in a big urban centre or at the metropolitan level, but just in the smaller or rural ones.

Competition amongst small scale independent providers

In a World Bank Viewpoint, the importance is stressed to recognise and support small independent providers because of their role in enhancing competition in water and sanitation (Solo, 1998), while the concern for an equitable access to urban drinking water seems to be subordinated to and conditioned by the economic performance of service delivery – and the resulting notion of 'customer' or 'client' – rather than sought according to the principles and values of the public sector delivery and the notion of 'citizen' (see also Cavill and Sohail, 2004). This consideration is based on some relevant observations

First, the Bank calls for the definition of a regulatory framework in order to increase competition, where 'small scale entrepreneurs' can play a fundamental role (Solo, 1998). 'The flexibility to enable contracting with independent providers' and to ensure 'that network providers are not given exclusive supply' (World Bank, 2003:171) are recommendations tailored to enhance competition between the different systems of service provision in the achievement of an improved efficiency and productivity. Furthermore, the small independent providers should be 'multiple' in order to increase competition through client choice and, in turn, to increase performance, by keeping the market open and the prices low. On this subject, Collignon and Vezina (2000:42) argue that 'the intensity of competition keeps the profit margins down and will continue to do as long as the market stays open to competition. ... any policy tending to limit the number of providers does not benefit consumers, since it allows the artificially low number of operators to raise their prices'.

Nevertheless, no particular reference is mentioned in the Bank's documents and in the funded regional country studies about the possibility and the importance of sustaining these small scale providers and arrangements beyond limitations in competitions and market mechanisms. Kjellén and McGranaham (2006:20) highlight how low prices are not always a direct consequence of competition: 'To take just one example, efforts to increase competition between water vendors is unlikely to reduce water prices if there is a binding physical constraint on the amount of water available'. They also stress the importance to take account free access for the very poor: 'In Khartoum, for example, women from very poor households are generally allowed to come directly to the water yards, where the donkey carts are being filled, and collect some water for free ...' (*ibid*:15).

Second, no references are made in the analysed World Bank strategic documents about the possibility, but also the value, of community-based networks involvement in urban water supplies. Within the Bank approach (World Bank, 2003, 2004a, 2004b, 2006), community involvement or participation is restricted to two particular circumstances. The first one concerns community involvement in the case of water service provisions in rural areas (even if this possibility is still deemed 'unsatisfactory' (World Bank, 2003:177)²). The second one relates to community consultations in order to provide information to private providers' interventions: in that way, the role of community-based associations in urban areas is limited to reveal needs and preferences for the water supply to the private providers (World Bank, 2006).

Regulation for small scale independent providers

Finally, it is possible to recognise that the Bank tries to firmly push towards the regularisation of small independent providers. The Bank in fact affirms that, to strengthen the role of these independent actors, it is necessary to fully recognise them and to give them a 'legal status' (World Bank, 2003:171). Even if it is not really possible to assert that the World Bank explicitly advocates the 'formalisation of informal providers' as the best possibility to regularise them (see also Collignon and Vezina, 2000:55; and Batley and Moran, 2004:53), the Bank's recommendations suggest an approach aimed at removing the independent providers from the status of informality. Moreover, the preference of the Bank for the formal arrangements is clearly expressed in its new strategy for sustainable cities, exactly in the section about good governance and management: 'Fostering *regular, formal* interaction between local government and residents (including through community-based and non-governmental organisations) – in approaches such as participatory planning and budgeting, and oversight of expenditure and service delivery – is a major focus of the Bank's municipal development activities' (World Bank, 2000:49-50). Thus, it is possible to recognise a clear incentive for their 'regularisation' and 'legalisation', raising two important issues.

An economic issue is connected to the legalisation and regularisation of small independent providers. These measures aim at increasing the productivity and efficiency of urban water services through a dynamic local market and a real competitiveness between the different systems of provision (Jaglin, 2001). They can also 'encourage resellers to be more professional, make the resellers' investments more secure and enable the utility to reduce the number of illegal connections and unaccounted for water' (Batley and Moran, 2004:53,

² This condition is particularly important in competitive perspective: supporting access to urban drinking water through community networks – which are based on solidarity and on the concept of water as a 'gift' (Allen *et al.*, 2004) – means to interfere with free market principles, particularly effective within big urban centres or metropolitan areas where multiple providers and economies of scale are possible.

quoting WUP, 2003³). Nevertheless, the legalisation and regulation of informal practices present various risks. Firstly, the risk of prohibiting some activities of independent providers may drive them to work at night or bribing petty officials (Collignon and Vezina, 2000) and further exclude some of them from water access; secondly, of fixing permanently the juxtaposition of official water services for some and palliative solutions for others, with the resulting enhanced urban fragmentation and segregation (Jaglin, 2001); and finally, there is the risk – as in the case of compensative social mechanisms – of exploitation and instrumental use of these practices to legitimise the implementation of donors' development agenda and, especially, of the poverty reduction strategies belonging to structural adjustment (Beall, 2001; Osmont, 2002).

An institutional and political issue is also applied. As it is noted by Mitlin (2002), through the involvement of the private sector – also in the form of small independent providers – the political process of service delivery has just become more complex because of the addition of private interests to citizens interests. The legalisation of independent providers entails an institutional re-structuring in order to define their legal status and their 'normative' relationships with the more formal public and private networks, requiring to intervene on the political and distributional issues, which constitute a fundamental standpoint of urban governance (Osmont, 1999, 2002; Devas, 1999; Beall, 2001; Balbo, 2002a, 2002b) and, in turn, to enter in the forbidden (for donor agencies) field of the internal political process of decision-making. In fact, through the technical prescriptions listed in the *WDR 2004* (notably: regulation, legalisation, partnerships, flexibility, multiple choices, competitiveness, prices ...) the World Bank defines the types of relationships between the independent providers and the other public and private actors to which they all have to adapt. In this perspective, it is particularly interesting to look at the critical analysis carried out by Osmont (1999) with regards to the role of the 'legal city' in the World Bank development strategies: drawing on the rationale of her conclusions, the 'legal independent providers' promoted by the Bank in the access to urban water seem to constitute another facet of the single and global neo-liberal type of economic development, backed by the versatile enough concept of governance.

The UN-HABITAT perspective on informal urban water supply systems

Drawing on the considerations developed in the analysis of the World Bank position as regards to independent water providers, it is possible to outline the UN-HABITAT perspective going along the same points.

Involvement of small scale providers and community-based organisations

Unlike the World Bank, UN-HABITAT seems showing a broader view over informal urban water supply systems. First of all, this UN agency recognises the presence and the importance of small scale independent providers both in small urban centres (UN-HABITAT, 2006) and in much bigger urban areas (UN-HABITAT, 2003). Secondly, UN-HABITAT points out and stresses that, along with small-scale providers, civil society organisations (CSOs) play a fundamental role in providing water supplies to the urban poor: 'critical to the success of these activities [pro-poor governance activities] will be the participation of beneficiary communities in the planning, provision and management of water and sanitation services' (UN-HABITAT, 2006b). Thus, the involvement of CSOs in the service delivery

³ Water Utility Partnership for Capacity Building (WUP), Africa, 2003, *Better water and sanitation for the urban poor*, WUP, Ivory Coast.

process is not restricted to gathering information for private investors, but it is deemed to be at the basis of the current models of participatory development:

In such models, users have a voice and a choice in aspects such as technology, level of service provider, financing arrangements and managing systems, in exchange for making contribution (in cash or in kind). Such models often seek to engage community members from the beginning of the service delivery process, in order to *build community ownership* and *strengthen their capacity to manage services*. (UN-HABITAT, 2003:184-185) (Emphasis added)

Therefore, unlike the World Bank position, here the ‘support for public, small-scale private, NGO, community and household provision in each neighbourhood because of the incapacity of conventional formal agencies⁴’ is considered the best solution in low-income countries or in the poor urban areas of middle-income countries (UN-HABITAT, 2003:233, 235). This view rests on the understanding that, even in the presence of very low-income populations and weak local authorities, people develop numerous informal small enterprises and community initiatives to respond to water shortage. Thus, a differentiated and pragmatic support to the current and on-going local solutions – which means an ‘enabling approach’ (Environment & Urbanization, 2000:199) – is seen as the right approach to ensure adequate provisions. On this subject, the UN-HABITAT Water for Asian Cities Programme⁵ clearly states that one of the programme activities at the country level should be to ‘promote innovative water and sanitation options with a focus on support to small scale informal providers, rainwater harvesting techniques, on site sanitation, low-cost sewerage, wastewater reuse etc.’ (UN-HABITAT, ADB, 2003:4) in order to improve water access to the urban poor, dependably on their necessities.

With regards to who should support this kind of differentiated initiatives and how, UN-HABITAT makes two important points. The first one concerns the role of local governments. They should support and coordinate the different activities promoted autonomously by local communities in their cities providing them, for instance, with bulk water supply (whilst the community is responsible for the distribution and management of their local systems) (UN-HABITAT, 2003, 2006). As a result, UN-HABITAT Water for African Cities Programme (2006b) highlights that – with respect to the focus area concerning ‘pro-poor governance’ – it is necessary to increase policy makers’ commitment to implement policies that favour the poor by building the institutional and human resource capacity of all key actors in the water and sanitation sector – including informal water providers – and thus enhance their ability to implement pro-poor policies and programmes. The second point stems from the previous one: local government support to community initiatives can present the advantage to avoid unnecessarily large external loans because of the possibility to rely on the much cheaper and more effective ways contrived by people of improving and extending water supplies (UN-HABITAT, 2003:237). It follows from this that international agencies can consider new and alternative funding channels to support local initiatives directly, moving away from the national governments based scheme of aid allocation (*ibid*:158).

Cooperation with small scale providers and community-based organisations

UN-HABITAT position seems not to rest exclusively on the same principles of competition and, in turn, productivity and efficiency, underpinning the World Bank approach

⁴ The ‘conventional agency model’ is identified in: ‘conventional formal agencies (public, private or cooperative) providing good quality provision for sanitation and piped water to each building, within broader systems for the good management of water going into the system and waste-water coming out of the system’. (UN-HABITAT, 2003:233)

⁵ This programme

to small independent providers. Here instead, the rationale is focused in ‘seeking to create trust and working partnerships between community organisations, local governments and the water company, in which each has defined roles and performance standards’ (UN-HABITAT, 2003a:237, quoting Cain *et al.*, 2002). It can be argued that here an improved supply does not exclusively entail a ‘perfect’ competition amongst the different suppliers, but rather a cooperative approach amongst the latter. The UN-HABITAT standpoint, in fact, seems adopting the governance metaphor of ‘two hats for one lady’ (Vigoda, 2002) in which the idea of ‘serving clients’ is combined with – not preferred to – that of ‘collaborating with citizens’ as partners, through a variety of joint and cooperative arrangements that redistribute not only responsibilities, but above all power and resources among institutions, agencies of public administration and citizens⁶. Even in this case, some few considerations help explaining this different governance approach.

Unless small scale providers are recognised to be important in various respects, they are considered as one of the many possible options to improve urban water supplies and not as a way to enhance water providers’ competitiveness (UN-HABITAT, 2003a, 2003b, 2006). Actually, UN-HABITAT focuses more on the ‘quality’ of partnerships and relationships between all the urban actors involved in the process of service delivery, which means the quality of urban governance. This highlights an inverted perspective with regards to the World Bank: small scale providers should not be supported to simply increase competition amongst them but, rather – as a part of civil society – they should be supported to cooperate with the other urban actors. Put another way, they do not have to represent one of the many given market possibilities to access water but they should constitute a part of the wider governance process in building up solutions to respond to citizens’ needs and priorities, relying on local and specific situations. This implies the consideration of both independent and dependent providers – the latter including also self-help groups – (Kariuki and Schwartz, 2005) as it is clearly expressed by UN-HABITAT (2006:147-148):

... it can be very difficult to discern whether neighbourhood water sellers are private enterprises in the conventional sense. Many millions of people pay their neighbours for access to water or sanitation facilities, and there is a continuum between commercial relationships where the seller is maximising profits, and collective arrangements where costs are simply being shared. Especially when relations are informal, it is hard to tell where along this continuum a given relationship lies.

In addition, UN-HABITAT (2003a:233) emphasises that the goal of good local governance in urban water supply is given by a ‘regular, safe, affordable supply within easy reach of all households’. Yet, the concept of affordable supply does not refer to the lowest price available generated by a free and competitive market. It rather rests, from one side, on the poor households’ ability to pay – with proxies based on site-specific, local surveys – and, from the other, on the technical and direct contributions that poor people can bring to reduce the operation costs (UN-HABITAT, 2006). Thus, the frequently quoted Orangi Pilot Project (OPP) in Pakistan is described as a successful experience mainly because prices have been kept down so that low-income households could afford and would pay for the service (UN-HABITAT, 2003a, 2006). In particular, this has been possible because of the direct

⁶ In the Vigoda’s metaphor (2002), the lady represents the ‘public administration’ while the two hats are associated with two different kinds of relationship between citizens, government and public administration: ‘responsiveness’ or ‘collaboration’. With this metaphor, Vigoda (2002:530) distinguishes between two competing options: ‘(1) There are two substantially separated faces of government and public administration (two ladies), one that adopts the idea of responsiveness and one that favours collaboration; (2) the discipline of governance and public administration is more coherent (only one lady) than we might think, and at most it changes colours over time (two hats).’

involvement of communities in the design and management of the sanitation system, the support – also financial – of the OPP local organisation and the technical contribution of the local authority (UN-HABITAT, 2003:236).

Regulation for informal small scale providers and community-based organisations

Contrary to the World Bank recommendation, it is possible to argue that UN-HABITAT does not drive towards any particular form of regulation of small scale water providers, relying on the contrary on locally-based solutions:

The informal sector is unregulated, virtually by definition. In any case, the issue is not one of deciding whether, how much or in what manner small-scale providers should be regulated. What are needed, as in other parts of the water sector, are effective, accountable local governance structures that can encourage and support effective local action and innovation, particularly when it will benefit the urban poor. The appropriate responses by local or national governments and international agencies need to be rooted in the specifics of each city or even neighbourhood (UN-HABITAT, 2004b:10)

On the other side, models of community-managed services to improve urban water supplies are considered to place a great emphasis on ‘self-regulation’ through which communities can develop their own and locally-based supply systems, building ownership and capacity to manage services (UN-HABITAT, 2003a).

Thus, formalisation or legalisation of these informal small-scale providers or community networks – and their resulting informal urban governance arrangements – are not deemed to be a regulation measure that can bring a substantial contribution to improved urban water supplies. UN-HABITAT (2006:156) argues that ‘the less formal relations with the utilities and the local government are often just as important as those set out in government plans’, being the real necessity ‘the best possible mix between good quality convenient provisions, what can be afforded and what can be managed locally’ (*ibid*:51). The support for locally-based formal/informal arrangements can clearly be seen in the UN-Habitat approach to urban governance, as it is revealed in *The Global Campaign for Good Urban Governance*:

Urban governance is the sum of the many ways individuals and institutions, public or private, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes *formal institutions as well as informal arrangements* and the social capital of cities (UN-Habitat, 2002). (Emphasis added)

According to UN-HABITAT urban governance should offer a framework to improve access to urban services, not only, through the formal and legal actors/institutions, but also, through the informal arrangements belonging to communities, based on the recognition that ‘power exists inside and outside the formal authority and institutions of government’ (UN-HABITAT, 2002:8). This is the reason why the principles of inclusiveness, equity and social justice underpin the rationale of this governance approach, in the attempt to support cities in providing ‘everyone with equal access to basic appropriate standards of ... safe drinking water, sanitation and other basic services’.

The European Union perspective on informal urban water supply systems

Before considering the European perspective on informal water supply systems, a digression on the European attention to urban issues is in order. In reality, the European

Commission⁷ has not yet defined a specific sector of aid assistance in urban areas. Since the establishment of the first assistance relationships to developing countries and until the current allocation of the EU development aid, the EU has never specifically addressed urban issues as a specific assistance sector⁸. The European Official Development Aid has principally been concentrated on rural development and food-security, transport and social infrastructure connected to health and education, environmental protection and, more recently, on measures to sustain the integration of developing countries into the world economy, to support the strengthening of the partner countries' institutional capacities and to combat inequalities and social exclusion. Urban issues have often been overlooked or tackled in other sectors of cooperation, such as transport, water and sanitation, etc. (Manchotte: 2000).

Unlike the case of the two other multilateral agencies, it is difficult to find a comprehensive and well-structured European strategy dealing with urban development and, in turn, with urban water supplies. Issues concerning urban water – and their potential informal supply systems – are briefly tackled separately either in the guidelines for urban development cooperation (European Commission, 2002), in the European policy for water resources management in developing countries (European Commission, 1998, 2002b) or in the recent ACP-EU Water Facility which clearly identifies small scale providers and community-based organisations as relevant actors to be supported to improve access to urban water supplies (European Commission, 2006; COWI, 2005).

As a result, the European perspective on informal water supply systems in urban areas appears somewhat fragmented and, still, not well defined. Nevertheless, the EC acknowledges small scale providers and community-based organisations as important ways to access to water supply in cities of developing countries and, eventually, the European perspective on urban governance and informal water supply systems appears to be closer to the UN-HABITAT approach rather than to the Bank one.

A common perspective on urban planning within development cooperation is witnessed by the EU – UN-HABITAT partnership developed since 2004 to share research results and disseminate new solutions to cities engaged in reducing poverty and promoting sustainable development (UN-HABITAT and the EU, 2004; European Commission, UN-HABITAT, 2005). The European support to the UN-HABITAT approach to sustainable urban development is clearly expressed: ‘The principles governing European Union development cooperation ... are coherent with objectives and programmes agreed at international level, including conclusions of the United Nations conferences and international development targets (particularly Habitat II) (European Commission, 2002a:17). In addition to this partnership, the claim that UN-HABITAT and the European Commission share – to a certain extent – a similar position with regard to an urban governance approach to in the involvement of informal eater provisions is also supported by the following considerations.

Involvement of small scale providers and community-based organisations

The EU claims that ‘the challenge is to build on their [informal private and community service sector] existing skills, and incorporate their activities into programmatic and project frameworks in an appropriate, equitable, and well regulated ... it is necessary to ensure that the participation of the informal sector is not exploitative’ (European Commission, 1998:33).

⁷ In this paper, the European Union perspective on informal urban water supply systems is analysed relying on the European Commission policies and strategies, given that this body role is to represent the European Union member states.

⁸ For a review of the European development assistance in the urban sector see Moretto, 2005 and Manchotte, 1997, 2001.

Similarly to the UN-HABITAT position, both community-based organisations and informal private vendors are considered the resource upon which it is worth building up interventions to improve access to water supply. In particular, ‘smaller scale community-based operations’ – including small scale operators and community projects – are considered as one of the three main components in the ACP-EU Water Facility co-financing mechanisms, both in very poor urban and rural areas without making a substantial differentiation between gigger and smaller urban centres (European Commission, 2004:12, 2006:16)⁹.

In addition, it is important to underline that the ACP-EU Water Facility aims at ‘enabling local people/communities to generate and sustain *own solutions* (community participation in project conceptualization, implementation and monitoring) and enhancing development of local initiatives (European Commission, 2004:21, 2006:27; emphasis added). It follows from this that, on the one hand, locally-based initiatives are considered as valuable solutions to urban water shortage at least at the same level than market-based interventions; on the other, communities are requested to be involved ‘at all levels of responsibility and all stages of project conception and implementation’ (European Commission, 2002b:8) and not only consulted in order to provide information to service providers. As a result, also in the European perspective, the local sphere is the best level to share the management and responsibilities for urban water services and to deal with and organise local water supply systems. This is because ‘many basic services programmes will depend for their successful outcome on an understanding of local people’s existing beliefs and behaviours surround water use and ... [on] the establishment and use of community mechanisms for the expression of views and decision-making’ (European Commission, 1998:64). According to this perspective, the European Commission geographical programmes called *URBS*¹⁰ specifically and directly aim at strengthening the role and capacities of urban local authority, also in involving communities in urban development process (Manchotte, 2000), even if they are not explicitly aimed at improving urban service provisions.

Cooperation with small scale providers and community-based organisations

Given that small scale operators and community-based organisations have been recognised as part of the urban water delivery process, the European objective to develop an ‘integrated water resource management’ implies the application of ‘a real integrated approach in which all actors cooperate as partners’ (European Commission, 2002b:23). Also in this case, the ACP-EU Water Facility adopts this perspective stating that co-financing civil society initiatives has to intend at ‘building bridges, networks and improving coordination between local communities, the local authorities, the water supply authorities and small scale operators’ (European Commission, 2004:21; 2006:27). Despite the lack of specific references in the European development cooperation to more competitive or cooperative arrangements involving this kind of suppliers, their involvement seems preferring the latter rather than the former involvement.

Regulation for small scale providers and community-based organisations

A recent report financed by the European Commission examines the potential of the ACP-EU Water Facility to increase and innovate financing in water and sanitation (COWI,

⁹ The 3 components of the co-financing mechanism of the ACP-EU Water Facility are: 1. Improving the water management and governance in ACP states; 2. Co-financing water and sanitation infrastructure; 3. Civil society initiatives for smaller scale operations in poor urban and rural areas.

¹⁰ The European programmes *URBS* are divided in geographical areas: *Urb-AI* for Latin America, *Asia-Urbs* for Asia and *Med-Urbs* for the Mediterranean African countries.

2005). The authors argue that regulation ‘is a major impediment to any private sector financing of water infrastructure projects except from households, other water users or CBOs’ (COWI, 2005:43) suggesting that the lack of formalisation and legalisation of these suppliers is not a constraint for their capacity to provide urban water to their low-income communities. The European approach to urban governance with regards to the regulation of informal arrangements in the governance process is clearly expressed in the two following paragraphs:

‘Good governance is a broader notion of government, involving interactions between formal institutions and those of civil society ...’ (European Commission, 2002:38).

‘It is desirable to build up an enabling environment through which all these institutional actors can contribute to the process of decision-making in the city. ... Along with municipalities, councils and other state agencies, known as government institutions, there are also *informal institutions*.’ (*ibid.* 45 and 47) (emphasis added)

Even if these lines are not exclusively related to informal systems in accessing to water supply, it is clear how the European Commission considers informal arrangements as a part of the governance process at the same level of the formal institutions, considering urban governance as ‘a more inclusive process in which citizens, business and other stakeholders are directly involved in decisions from the outset’ (UN-HABITAT and the EU, 2004:6). Thus, similarly to UN-HABITAT, the European Union promotes social inclusion as the first way to reduce poverty through development cooperation. This should be realised ‘by ensuring that they [citizens] have access to a whole range of human rights, including, for example, access to justice and the right to participate in decisions affecting their lives’ (European Commission, 2002a:100). Moreover, in the same document, it is stated that ‘equitable access to the basic goods and services required for healthy, dignifies life is a human right’ (*ibid*:21).

CONCLUSIONS

This paper has analysed a very specific but at the same time very relevant facet of the different multilateral aid organisations’ perspectives on urban governance in developing countries. Informal private providers and community networks are simply two of the many actors involved in the complex governance process to improve urban water supplies, although they are gaining an increased importance and recognition in the urban water delivery processes. The above analysis allows us to draw few concluding remarks that are consistent with much critical literature arguing for different general trends characterising donors’ approaches to urban governance (Stoquart, 2000; Environment & Urbanization, 2000; Balbo, 2002a; Manchotte, 2000; and also Degnbol-Martinussen and also Engberg-Pedersen, 2003 for a more general approach to international development cooperation).

It is nevertheless important to highlight that these conclusions are based on the evidence of the available documentation belonging to the three multilateral aid organisations considered with regard to this issue. Still, on the basis of the relevant evidence applied in this paper related to informal water supply systems, some relevant observations support the claim that the World Bank relies on a ‘market-based’ approach, whilst UN-HABITAT and – to a certain extent – the European Union rely mainly on a ‘general interest’ approach.

- *Private/independent providers vs community-based networks*: From the analysis carried, it emerges that – in the specific case of urban water supply – the World Bank considers the positive role of independent providers insofar as they operate through competitive and market-based rules, whilst it neglects the possible positive contribution of informal community-based arrangements, mainly based on the principles of solidarity between poor people and of an equitable access to water. On the contrary, the European Union and,

especially, UN-HABITAT base their urban strategy on the unique and central role that communities must hold in improving urban water supplies, rather than providing recommendations for the private providers' regulation. This is mainly due to the recognition of their great (political) power, which lies outside the formal institutions and mode of regulation.

- *Market choices vs community ownership*: The World Bank promotes an increasing involvement of 'poor clients' in the process of service delivery. Nevertheless, this enhanced participation is supported insofar as an 'increasing poor people's choice and participation in service delivery' can strengthen their role 'in revealing demand and monitor providers' (World Bank, 2004:9) – and so, also the independent providers – according to a business context and a market-based allocation (Cavill and Sohail, 2004; also box 1). This consideration is particularly relevant in the analysis of the Bank concept of governance. As it is underlined by Cavill and Sohail (2004:159), in fact, 'participatory accountability arrangements can foster better services by reducing the transaction costs of service users', in a complete coherence with the tenets of *corporate governance*. From the other side, the other two donors support a participatory approach in which *citizens* can develop and manage their own systems in accessing to water resources. UN-HABITAT highlights that this can reduce the total and direct costs (rather than the transaction costs) through their technical and social knowledge on how to access and manage water resources and through their contributions in kind. Furthermore, UN-HABITAT encourages the participations so that CBOs could develop the ownership of their initiatives and hold 'a greater role in determining policies and projects' (UN-HABITAT, 2003:230). The European Commission, in its place, identifies in the ownership of development strategies by each developing country the key to create greater equity and wealth redistribution, according to the local priorities.
- *Competition vs cooperation*: Instead of promoting a strategy built up on competitive principles amongst the broad array of urban water providers, UN-HABITAT and the European Commission are trying to support alternative systems to promote a fair, just and equitable access to urban water services because 'market (relations) alone cannot guarantee appropriate pattern of production and consumption' (UN-HABITAT, DFID, DPU, 2001:54; European Commission, draft:35). The UN-HABITAT different urban governance strategy is based on working and cooperative partnerships at the local level, between the local governments, the private sector and the community organisations, where the local authorities should overtake their function of service providers to enable and mobilise local potentialities (Stoquart, 2000).
- *Economic performance vs social performance*: It is widely recognised that the Bank has moved away from a restricted focus on macro economic and sectoral infrastructure issues, redirecting its policies towards a new range of connection between macroeconomic reforms and poverty alleviation strategies in urban areas, based on a holistic view of cities where 'sustainability, livableness and good government seem to coexist on an equal basis with competitiveness, sound management and fiscal responsibilities' (Zanetta, 2001:528). Nevertheless, the analysis has shown how the supported 'legalisation' of informal providers is conducive to an economic, institutional and political performance belonging to a neo-liberal type of development, that is, a development based on competitiveness and market rules. On the contrary, UN-HABITAT and the European Union recognise the informal arrangements and institutions as an active and essential part, not only, in the operational aspect of extending water supplies to poor communities, but also and especially, in the

construction of an inclusive decision-making process. The idea is, first of all, to build a shared vision of the city – amongst the formal and informal actors alike – and then to realise it through the contributions of all stakeholders (Balbo, 2002a). Here the development performance is mainly understood in social terms, resting on the principles of inclusiveness, equity, social justice and sustainability.

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