Community Water and Sanitation Facility
Cities Alliance

Partnerships to Deliver Water and Sanitation to the Urban Poor in Slums

GOAL: Increase slum residents' access to water and sanitation and enhance donor impact by partnering the ideas, efforts and resources of the public sector with those of the private sector and non-governmental organizations.

OBJECTIVES: The Community Water and Sanitation Facility (CWSF) within the Cities Alliance will support community-initiated construction of improved water and sanitation services in slum communities, will encourage risk sharing and innovative financing, and will advance collective know-how. CWSF, through outreach to private sector businesses, foundations, NGOs, CBOs, bilateral donors, and multi-lateral development banks will mobilize significant resources to support the efforts of slum dwellers and municipal governments to scale-up improvements in water access and sanitation.

STATEMENT OF NEED: UN-Habitat estimates that between 30 and 60 percent of all urban populations in developing country cities live in inner-city slums and squatter settlements. More than 75 percent of future urban growth is expected to occur in these already over-crowded areas. This means that the average age of slum dwellers is decreasing, leaving children and adolescents to suffer the most. This rapid pace and growth of slum communities will challenge the basic concepts of how development occurs. It is the urbanization of the poor and the young.

Slums are characterized, in part, by the lack of access to clean water and exposure to unsanitary conditions with excrement and open sewage running along unpaved walkways. The estimated number of slum dwellers without adequate access to water rose from 62 million in 1990 to 180 million at the beginning of 2000. Lack of access to sanitation is even more alarming, with 409 million slum residents living among their waste and having their health affected[1]. In addition to water and sanitation problems, slums have high density and an insufficient number of quality schools and health clinics to serve the unprecedented number of urban poor. Slum residents live without legal recognition or rights and in constant fear of government-led bulldozing of the humble shacks they call home. This lack of land security distorts market forces and fosters disincentives for private investment by businesses and the slum residents themselves.

Despite these deplorable living conditions, slums remain places of community and entrepreneurial activity. There is vast energy and diligence among the urban poor as they seek out daily subsistence and maintain their hope for a better future. Slum residents contribute substantially to the economy by fueling the informal market with their labor, ingenuity, and resources. Over the last decade, slum residents have begun organizing themselves and exerting collective pressure on their government officials to address their needs. These organizations of the urban poor have become a national force in a number of countries and are increasingly sharing their experiences internationally. In Asia and Africa this process has been consolidated through the formation of Slum Dwellers International (SDI), a network of national federations in 12 countries that build organizational strength and procedures among the urban poor.

The Cities Alliance, a coordinated effort among bilateral and multi-lateral development agencies and the world's major global associations of local authorities, supports SDI and similar associations of slum residents. The Cities Alliance emerged in 1999 from the realization that the

[1] Ray, Kalyan. "Basic Services for the Urban Poor." World Habitat Day 2001. UN-Habitat

poor increasingly live in slums, and that no one alone can address the scale and pace of urban transition. Cities Alliance focuses on moving urban interventions and slum improvement to scale, advancing collective know-how about urban upgrading, and improving the quality and impact of urban development cooperation. The *Cities Without Slums* action plan calls for improvement in the lives of 100 million slum dwellers by 2020. This common vision was adopted by world leaders from 150 nations and governments at the United Nations Millennium Summit in 2000 as a Millennium Development Target for Goal #7.

PROGRAM DESCRIPTION: *USAID, a member of Cities Alliance, proposes to partner with the Cities Alliance for the establishment, governance, and administration of the Community Water and Sanitation Facility (CWSF).* USAID funds will go toward forming a global development alliance that enhances development impact by mobilizing resources and capitalizing on synergies among the public and private sectors and non-governmental organizations. CWSF will focus on communities and cities committed to citywide upgrading and that are prepared to set specific local impact targets in support of the Millennium Development Goal, *Improving the lives of 100 million slum dwellers by 2020.*

CWSF will provide Cities Alliance members with a vehicle for channeling their assistance to water and sanitation within the framework of the Alliance's existing strategic approach to slum upgrading. The Cities Alliance Secretariat and members, will reach out to foundations, businesses, international city associations, and non-governmental organizations that may be interested in working in tandem with the CWSF to increase reliable and adequate access to water and sanitation services for slum dwellers. Organizations interested in working with/through the CWSF will sign an agreement with Cities Alliance.

CWSF funds will be catalytic and will be used to mobilize financial and resource commitments from national and city governments, local businesses and slum communities to improve the urban poor's access to water and sanitation services. CWSF funds must be matched dollar for dollar in accordance with current Cities Alliance application guidelines for grants over $250,000 and up to $500,000. For grants under $250,000, at least 20 percent of the total budget must be cost-shared. The exception to this cost-sharing policy is that CWSF funds used for infrastructure construction or for innovative financing may not be more than one-third of the total cost of the project.

RESOURCES AND RESULTS: CWSF is estimated to meet a funding target of $4 to $10 million over five years. USAID will take the initiative to seed fund CWSF with a $2 million obligation in its first year. Additional funding will be sought from other Cities Alliance members, private businesses and foundations.

Results will be measured by:

- *Number of slum dwellers with improved water and sanitation as the direct result of the CWSF activity.* The targeted community and their local affiliate of SDI or similar representative association will report the number of people impacted by the implemented activity. They will evaluate whether, in fact, the targeted people and places are better off as a result of the CWSF funded activity.

- *Number of partnerships that have directly improved water and sanitation services in slum communities.* Partnerships may include, but are not limited to, city government-slum dwellers association relationships, public-private partnerships with local businesses, and international partnerships among donors.

- *Number of slum dwellers included in the water and sanitation improvement targets for 2020, as established by cities participating in CWSF activities*. These local targets feed into Millennium Development Goal #7. Any reported progress toward achieving these goals will be negotiated by the slum community and their local authorities to assure that slum residents remain a focal point in CWSF activities.

TECHNICAL APPROACH: The following are illustrative types of CWSF activities. These activities are selected to support the achievement of the CWSF's planned results. They are in-line with overall Cities Alliance principles. This illustrative list is not meant to be exclusive but rather exemplifies how CWSF funds could be used. It should not hinder the ingenuity of slum residents and their local authorities to develop city-appropriate strategies and interventions for improving the access to water and sanitation services in slum communities. The uses of CWSF may include:

- **Partnerships for water and sanitation access.** CWSF funds will support local construction activities initiated by slum residents and their city government authorities to increase water and sanitation services reaching the urban poor. CWSF will make grants to CBOs that represent slum dwellers, such as SDI, and that are working in partnership with their local water/sanitation authorities, private businesses, and/or international NGOs. CWSF grants for implementation of activities may not exceed one-third of the total cost of the project, as funding is meant to be catalytic. As with all CWSF funded activities, coordination among the bilateral and multi-lateral donors working in-country is vital.

- **Risk-sharing and innovative financing.** CWSF funds will support public-private partnerships by creating risk-sharing local currency investment guarantees (or other incentives) to private financiers, who are funding water and sanitation extensions in slums. The CWSF funds are intended to provide only a catalytic input to innovative, market-based financing arrangements that include significant local private sector investment.

- **Technical assistance for partnership development.** As necessary for the development of the construction and financing activities, CWSF funds will support technical assistance for the design and development of partnerships that improve access by the urban poor to water and sanitation services. Technical assistance may go to slum dwellers' organizations, city governments, water/sanitation authorities, or private organizations.

- **Learning alliances.** Up to 10 % of the CWFS funds can be used to support the creation of global and regional learning and knowledge sharing alliances that engage slum dwellers, water and sanitation authorities, city governments, and private organizations in meaningful dialogue and partnership building. CWSF funds may also be used to further donor collaboration and to develop new relationships, particularly with private businesses, foundations, and other non-governmental organizations around the need for better access to water and sanitation in slums.

CWSF GOVERNANCE & ADMINISTRATION: CWSF will be administered as a Non-Core contribution to the Cities Alliance Multi-Donor Trust Fund. The CWSF work program will be developed following the same procedures in the Cities Alliance Charter, including proposal evaluation and approval guidelines, in addition:

- The donors to CWSF will form a governing board to review and approve applications recommended by the Cities Alliance Secretariat. This governing board will present the CWSF annual work program to the Consultative Group for endorsement. The CWSF Governing Board and the Consultative Group will work closely and collaboratively when giving final consideration to approving the work program for CWSF.

- Applications for CWSF funding will require sponsorship from at least two of the donors contributing to Cities Alliance and/or CWSF. Applications will be sponsored by as many member donors to CWSF and Cities Alliance as possible to assure that the partnership activity is linked to on-going donor programs in the same city.

- USAID and other donors to CWSF will be involved in establishing additional rules and guidelines for CWSF, as needed and with consensus from the Consultative Group and the Cities Alliance Secretariat.

- In the Cities Alliance's annual report, CWSF funded activities will be designated as CWSF and dis-aggregated from the total annual work program.

The Cities Alliance Secretariat will administer CWSF, including the evaluation, recommendation of activities to the CWSF governing board, disbursement of funds, management of the work program, the administration of activities, the supervision of the partnership agreements, and the monitoring and evaluation. The Secretariat will be responsible for reporting to the CWSF board and the full Consultative Group on the progress and outcomes of CWSF activities.

The World Bank will administer and provide fiduciary oversight for CWSF's trust fund and provide financial reporting, in accordance with the normal reporting procedures for the Cities Alliance.