Paraguay: Water & Sanitation Sector Modernization

Task Team Leaders: Maria Angelica Sotomayor Araujo and Miguel Vargas-Ramírez
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Project Objectives & Challenges

Paraguay’s state water and sewerage utility (ESSAP S.A.) is the largest individual service provider in Paraguay, supplying water to approximately 260,000 household connections, representing 35.8 percent of the market share. Three quarters of these connections are in Asunción. Local water user committees (juntas) collectively have the largest market share, supplying water to approximately 362,000 households - 49.8 percent of the total connections. Private operators (aguateros) operate around 105,000 connections, representing 14.4 percent.

While over 80 percent of the population in urban areas is served by water networks, only 49 percent have similar access in rural areas, and just 15 percent of urban residents have access to sewerage networks. Adequate wastewater treatment is practically nonexistent, and untreated sewage either infiltrates shallow aquifers or is directly discharged into the streets, creating serious public health and environmental pollution. The project therefore seeks to, over a five-year period, extend sanitation systems to 100,000 people.

The World Bank has played an important role in assisting Paraguay to define its first Anti-Corruption Strategy in the late 1990s. However, governance conditions still impose significant constraints on Paraguay’s development. The project builds on four previous World Bank-financed projects, and is based on the premise that sustainable water and sanitation service expansion in urban and rural areas can only be achieved through efficient and solid institutions. Improving sector governance is a basic requirement to address those challenges. The project’s Governance Action Plan is modeled after a plan developed under a road maintenance project, which is also supported by the World Bank.

Client Initiatives for Improved Governance in the Water Sector

The Government of Paraguay introduced a new regulatory framework in 1999 to reform the water and sanitation sector and introduced a plan to incorporate the private sector through a concession contract for the National Water and Sanitation utility (Corporación de Obras Sanitarias – CORPOSANA), for which a new “clean” utility, ESSAP S.A., was formed.

The Government is interested in implementing a modernization strategy for the sector and increasing service coverage in a sustainable manner. As such, the Government is seeking to strengthen sector finances through increased efficiency, and clear priorities for the use of public resources and subsidies.
Governance Measures Supported by the Project

The project supports a Good Governance Strategy that will be jointly developed by ESSAP S.A. and the water agencies involved in the sector. This Strategy comprises institutional-based and social accountability activities that are designed to (a) provide a comprehensive sectoral framework, which clarifies the roles and responsibilities of the different water supply and sanitation sector agencies, and proposes measures to better coordinate interventions; (b) strengthen the corporate governance\(^1\) of ESSAP S.A. (the state-owned water and sanitation utility); (c) improve regulatory governance of the sector's regulator (ERSSAN); (d) improve the institutional governance of the agency responsible for rural water supply and sanitation (SENASA), and the Environmental Secretariat (SENASA); as well as (e) increase cross-sectoral and sectoral governance. An Action Plan with a Monitoring Framework, including specific activities to address main good governance risk areas, was prepared agencies involved in the project, with control of corruption featured as a cross cutting theme.

Accountability

The project supports ESSAP S.A. to empower its stakeholders and raise awareness of sector issues within the new sectoral framework, which aims at clarifying ESSAP S.A.'s roles and responsibilities among the different water and sanitation sector agencies. In addition, an internal benchmarking system will be developed to measure performance across juntas and ESSAP S.A. service units.

The project further supports the strengthening of the regulator, development of ethic codes and audit councils. In order to achieve financial stability, ESSAP S.A. will seek increases in the water tariffs to reflect inflation, and seek a gradual increase over seven years of the sewerage tariff from 60 percent of the water bill to 100 percent.

Participation

The planning methodologies for the project are highly participatory in nature, and will provide numerous opportunities for beneficiaries, affected groups and other stakeholders to have input into the design process. A wide range of instruments will be used, including communication campaigns, cultivating relationships with journalists, stakeholder workshops and educational site visits. The project's social and environmental framework includes mechanisms for information exchange and active engagement of NGOs throughout the life of the project, including strengthening of juntas that by nature are participatory.

Transparency

The project aims to improve governance and transparency of all sector institutions. Simple and verifiable goals and objectives will be established between staff members and the community through the implementation of Citizen's Commitment Charts, used to measure key quality-of-service standards and governing relations between citizens and sector agencies.

As a measure for increased transparency, respective agencies will work to ensure that information is presented and disseminated in a user-friendly manner and tailored to its specific audience. This will empower stakeholders to better understand their entitlements and key sector issues. As part of a broader strategy, appropriate channels will be identified to ensure feedback from stakeholders.

\(^1\) Corporate Governance in this Project refers to the internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, as well as a healthy board culture that safeguards policies and processes.
Water sector agencies will develop and refine websites and link these to a unified sector website. To ensure appropriate dissemination to key stakeholders, information will also be provided in the water bill and through local radio.

The project has received support from the GPF-funded *GAC in Infrastructure* advisory initiative.

**Reference Documents and Contacts**

For more information on this project, please visit:

Para mayor información sobre el proyecto, por favor visite:

Project press statement April 14, 2009:
tMDK:22141881~menuPK:342853~pagePK:2865066~piPK:2865079~theSitePK:342833,00.html

Declaración sobre el proyecto a los medios de comunicación del 14 de abril 2009:
EXT/PARAGUAYINSPHANISHEXT/0,contentMDK:22141866~pagePK:1497618~piPK:217854~theSi
tePK:500945,00.html

Maria Angelica Sotomayor Araujo, msotomayor@worldbank.org
Miguel Vargas-Ramirez, mvargasramirez@worldbank.org

This note is part of a review of infrastructure sector projects to identify emerging good practice within the governance and anti-corruption (GAC) agenda under the *GAC in Infrastructure* initiative by the Transport, Water and ICT Anchor. The focus is on GAC measures designed to improve accountability, participation and transparency by client sector institutions. The purpose of this series is to provide information that may be of interest to those involved in designing and implementing projects in the water sector.

The series is based on a review of project documents in recently approved projects. Therefore, no attempt has been made to evaluate the effectiveness of the measures introduced. Task Team Leaders for the featured projects have reviewed the notes and, in some cases, provided additional information.

The *GAC in Infrastructure* website provides links to publications and additional reference materials.

*Prepared by Maj Fiil-Flynn*