WSP Sanitation Global Practice Team

The Political Economy of Sanitation: 
How can we increase investment and improve service for the poor?
Operational experiences from case studies in Brazil, India, Indonesia, and Senegal

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Acknowledgments

This report presents the results of a Global Economic and Sector Work (ESW) Study on the Political Economy of Sanitation in Brazil, India, Indonesia, and Senegal that was conducted by the Water and Sanitation Program (WSP) and the World Bank. The purpose of the study is to help WSP and the World Bank—through a better understanding of the political economy of sanitation—in their efforts to support partner countries and development practitioners in the design, implementation, and effectiveness of operations that aim to provide pro-poor sanitation investments and services to improve health and hygiene outcomes.

This synthesis report was prepared by Sabine Garbarino and Jeremy Holland (Oxford Policy Management), with Simon Brook, Ken Caplan and Alex Shankland (OPM consultants). The background literature review, the research strategy, and the report were authored by Jeremy Holland and Sabine Garbarino, who also led the case studies for India and Senegal, respectively. Kit Nicholson and Jeremy Colin provided valuable contributions to the research design. The case study for Brazil was led by Alex Shankland and Ken Caplan, and the Indonesia case study was led by Simon Brook. The case studies benefited from vital support from national sanitation experts and researchers, namely, Ivan Paiva, Klaus Neder, Hernán Gómez Bruera, and Luciana Lupo (Brazil); Padmaja Nair (India); Risang Rimbamaja and Prathiwi Widyarni (Indonesia); and Ousseynou Guène (Senegal).

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Executive Summary

Background and objectives
According to the Human Development Report 2006 (UNDP 2006), 2.6 billion people—about half of the world’s population—lack access to basic sanitation. There is ongoing concern that governments, at many levels, are not devoting enough attention and resources to sanitation services, particularly when compared to spending on water supply and other infrastructure services. Additionally, existing sanitation investments and service provision rarely place sufficient stress upon the distinct and urgent needs of the poor. Recent World Bank research shows that this limited focus on sanitation is driven largely by political motivation in the context of competing demands for resources, and to a lesser extent by technical or economic considerations.

This global study on the political economy of sanitation in Brazil, India, Indonesia, and Senegal—conceptualized and financed by the Sanitation Global Practice Team of the Water and Sanitation Program (WSP) and the World Bank—attempts systematically to understand and thus help practitioners manage the political economy of pro-poor sanitation investments and service provision. It aims to provide practical advice to World Bank Task Team Leaders and other sanitation practitioners to help them better manage stakeholder relations and effectively maneuver within the complex institutional relationships of the sanitation sector in order to enhance the design, implementation, and effectiveness of operations that provide pro-poor sanitation investments and services. The ultimate goal is to improve health and hygiene outcomes.

This study follows current approaches to political economy—interdisciplinary inquiry drawing upon social and political theory and economic principles—to understand how political actors, institutions, and economic processes influence each other. The “political economy of sanitation,” therefore, refers to the social, political, and economic processes and actors that determine the extent and nature of sanitation investment and service provision.

Conceptual framework, methodology, and case study overviews
This study’s conceptual framework combines a diagnostic component with a typology of actions to help translate analytical findings into more effective support to operations and investments. The Diagnostic Framework aims to identify political economy constraints as well as opportunities that are entry points for subsequent operational actions. It does this by focusing on understanding country context, the sector arena—-institutions that shape stakeholder relationships, interests, and influence—and the sector process, which looks at information flows, public debate, coalition building, and participation over time. The Action Framework illustrates operational implications and practical advice to Task Team Leaders and practitioners to support sector investments. It demonstrates how an analysis of the political economy of sanitation can be translated into project design and action to better meet the sanitation needs of the poor. The Action Framework includes recommendations to improve the timing, tailoring, and sequencing of support to sector investment, informed by an understanding of the relevant institutional constraints and opportunities as well as key participants in the sanitation sector. The Action Framework furthermore stresses the importance of strengthened relationships of accountability among citizens, civil society organizations, and government and other service providers. Finally, a partnership strategy—often linked to an inclusive communications strategy and measures to foster public debate—provides opportunities to overcome institutional constraints and stakeholder opposition to pro-poor sanitation investment and service provision.

The study was conducted through a qualitative analysis of stakeholders, institutions, impacts, risks, and opportunities that was linked to processes and policy debate. This Synthesis Report is based on the findings from the secondary literature review and the results of primary research in the four case study countries, which examined how each had identified and managed political economy risks and opportunities in
its sanitation interventions. The four country case studies were chosen purposively by the World Bank/WSP team and represent a range of sanitation contexts. The Brazil case study analyzed the national-level political economy dynamics of urban sanitation investment over the lifetime of the Water and Sanitation Sector Modernization Project (known in Brazil as Programa de Modernização do Setor Saneamento, PMSS). In addition to this national (policy) component, the case study includes a regional (program) component that focused on the Bahia Azul program, implemented by the Bahia state utility, Empresa Bahiana de Águas e Saneamento (EMBASA), in the Salvador Metropolitan Region in northeastern Brazil. The India case study looks at the political drivers for the success of the Total Sanitation Campaign (TSC) in rural Maharashtra, contrasting it with earlier, failed attempts to implement TSC in most of the country's states. In Indonesia the analysis focused on the reasons behind the recent increase in government interest in urban sanitation provision. While this interest has not yet translated into increased investment levels, it constitutes a major shift from the previous understanding that sanitation is a private matter for households. Finally, the Senegal case study took the water and sanitation reforms at the end of the 1990s as the starting point of the analysis and explored political economy factors that explained the increased investment in urban sanitation in the capital, Dakar.

Diagnostic analysis

Country context refers to a country's socioeconomic, political, cultural, and historical characteristics, including its development trajectory and the current development aid architecture. Examining country context also involves looking at political processes within the sanitation sector, their potential links to national political institutions and stakeholders, the assumptions that underpin sanitation sector investment, and how and why sanitation investment was developed, and by whom. The research tests the influence of cultural and historical factors on sanitation attitudes and behavior, outlines the multifaceted risks and opportunities that decentralization provides for sanitation investments, and examines the extent to which political opportunism determines sector decision making.

Beyond sanitation's country context, a political economy analysis focuses attention on the sector arena - the formal and informal institutional arrangements that govern relations and behaviors of stakeholders, as well as those stakeholders' interests in the choice, management, and implementation of sanitation service provision and investments. The study considered that perceived political rewards, organizational resistance from the center of government, and/or implementers' lack of capacity to manage increased budget allocations significantly influenced whether and how policy priorities are translated into budget allocations and disbursements. Politically motivated decision making was found to be driven by a preference for highly visible, big infrastructure investments. In some but not all instances this is linked to opportunities for influential individuals or groups to use these investments to generate income by privileged access or politically created monopolies (rent seeking).

While all case studies came across evidence of corrupt practices and rent-seeking behavior, it was overall not identified as the predominant feature distorting sanitation investment decisions. There is evidence that civil society and the private sector not only can contribute to strengthening accountability but also can be reliable and trusted partners for delivering sanitation services and creating community demand for sanitation provision.

The sector process in this context refers to the dynamic and ongoing process of negotiation, bargaining, and identification of political economy risks and opportunities by government and development agency stakeholders. The study explores the potential for community participation, incentives for collective outcomes (an end to for example open defecation), and the trade-offs that strong political backing can have in terms of a sustainable engagement with a range of local stakeholders, including civil society and private sector organizations. The sector process discussion looks in detail at the role of evidence in decision making and considers when and how research was successfully used to inform investment decisions. Finally, this study confirms the potential of individual sector champions to secure higher priority for sanitation investments.

The research looked particularly for evidence of the impact on distributional outcomes in pro-poor sanitation investment from the interplay of political and economic factors. Some case studies found that political incentives (for example, career advancement or electoral support) played a positive role.
in the extension of coverage to the poor. Moreover, all the case studies made the case that decentralized governance of sanitation investment can create stronger incentives for, and accountability in, pro-poor investment. Subsidies for sanitation investment have proven successful when combined with information campaigns and community mobilization.

Overall, the study confirms the importance of assessing stakeholder interests, identifying potential winners and losers, identifying incentives, and examining formal and informal institutions (such as norms and behavior). When such an analysis is done well, by development practitioners in partner countries or development organizations, it provides the empirical evidence for both the support of and opposition to development, and the rationales behind them.

Operational implications
The report presents a number of significant operational lessons designed to inform future World Bank/WSP interventions that support sanitation investment. Several interlinked elements have contributed to the success of the sector process in the case study countries. Combining understanding of the political economy risks and opportunities in the sanitation sector with evidence marshaled on the economic, social, and political impacts of investment choices can promote greater accountability, partnership, and communication:

• The case studies have shown that understanding the political economy of sanitation investment provides the basis for adequate timing, tailoring, and location of investment and operations. This process includes recognizing windows of opportunity for formal and informal engagement, identifying sector champions, and strategically sequencing development partner support levels to create incentives for long-term investments and institutional reform.

• Donors and international institutions have successfully used their comparative advantage in providing timely and rigorous analysis to inform pro-poor sanitation investments. Examples from the case studies show how donors and lenders can successfully facilitate an exchange of experience among countries and support local policy makers with studies that find resonance with national debates.

• Strengthening accountability in the delivery and accessibility of sanitation services is a vital element in the successful management of the political economy of sanitation investments. It includes horizontal accountability mechanisms in which branches of the state engage in mutual oversight (for example, through performance contracts or regulations) combined with vertical accountability relationships between citizens and policy makers whereby more systematic support to civil society and grassroots organizations can successfully create a demand for sanitation services.

• The study has confirmed that political economy analysis in the sanitation sector can support a partnership strategy that is based on sustained, flexible engagement with strategic external support of acknowledged government leadership.

• Wider participation and clear communication of key issues are two important tools to address the power of vested interests who neglect the needs of the poor in sanitation investment and services provision. There is some experience of using related sectors (water supply, waste treatment) as an entry point for discussing sanitation provision with communities, particularly the poor.

Conclusion
The report presents a brief assessment of lessons learned from the retrospective political economy analysis of the case studies. It highlights how a better understanding of the risks and opportunities associated with institutions and stakeholder interests in the sanitation sector can be used to better support more pro-poor sanitation investment. In a sector whose default mode can be very technical, donor and lender involvement can facilitate practical operational guidance for political economy analysis of more pro-poor service delivery. Using the Action Framework, the following table—table 5.1 from the report’s conclusion—summarizes value insights that political economy analysis can add.
ADDED VALUE FROM POLITICAL ECONOMY ANALYSIS IN SUPPORT OF PRO-POOR SANITATION INVESTMENT

Optimize timing, tailoring, and location of investment and operations

- Ensure that support to sanitation investment is aligned with existing policy and planning cycles.
- Recognize windows of opportunity for reform.
- Manage the political economy risks and opportunities to increase impact on pro-poor sanitation investment.
- Ensure careful and strategic sequencing of operations to increase the overall impact of investments in later phases.
- Lobby through political economy insights for sanitation investments that are effective in different locations.
- Recognize and support government commitment and local leadership to help partners succeed and scale up their impact.
- Identify opportunities to support investment through political incentivizing.

Understand the sector through rigorous analysis

- Use available evidence and/or commission research to inform program design.
- Donors and lenders are well placed to identify appropriate evidence for different stakeholders and tend to have a comparative advantage in providing rigorous analysis to inform reform and sector choices.
- The timing of information flow is important. Even when rigorous analysis is undertaken dissemination of key findings can get lost, sidetracked, potentially misused, or captured if the timing is wrong (for example, at the start of a new political administration).
- Use analysis of comparative advantage in global practice to support local policy makers and administrations to learn lessons from elsewhere and refine their operational framework.
- Support strengthened horizontal accountability through careful design of contracts and specification of roles and responsibilities.

Realign accountability

- Support strengthened technical systems and information flows.
- Support decentralization and clarification of technical roles and responsibilities.
- Support initiatives to build demand and strengthen vertical accountability.
- Be flexible: Adapt and support models of vertical accountability and apply to the country context. The sector process may not be characterized by the kinds of vertical accountability relations central to much donor and lender thinking. This means that support for accountability must be tailored to the country context.
- Realign accountability by combining horizontal accountability with vertical accountability to allow, for instance, top-down changes to be complemented by a more systematic attempt to engage with grassroots, collective association and mobilization for institutional change.

Partner strategically

- Ensure effective engagement with key central and sector ministries.
- Support information campaigns “from one to many” (policy makers to public).
- Ensure that the partnership strategy is based on sustained, flexible engagement with strategic external support.
- Get the process of political economy analysis right: Ensure, where appropriate, that analysis is conducted with a broad group of stakeholders to ensure greater inclusion, and link this process to strengthened public debate and communication.
- Support wide two-way communication to democratize debate, prevent capture, and secure and sustain public support for institutional change.

Source: Authors’ analysis.