

WSP Sanitation Global Practice Team

Evaluating the Political Economy for Pro-Poor Sanitation Investments

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PROBLEM

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 are not often pro-poor. Efforts to increase access to sanitation infrastructure often benefit better-off urban residents at the expense of the urban poor, slum dwellers, or rural populations. However, even within the context of competing demands and limited resources, there is increasing awareness that government decisions regarding sanitation expenditures are determined largely by political, rather than technical or economic constraints.

PURPOSE, CONCEPTUAL FRAMEWORK, AND METHODOLOGY

In 2010, WSP undertook research on the political economy of sanitation in order to better support government and development partners 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 Research Brief summarizes the main findings of *The Political Economy of Sanitation*, a WSP Technical Paper.

Recent research on the topic of political economy uses an interdisciplinary approach, drawing upon social, political, and economic theories 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.

KEY MESSAGE

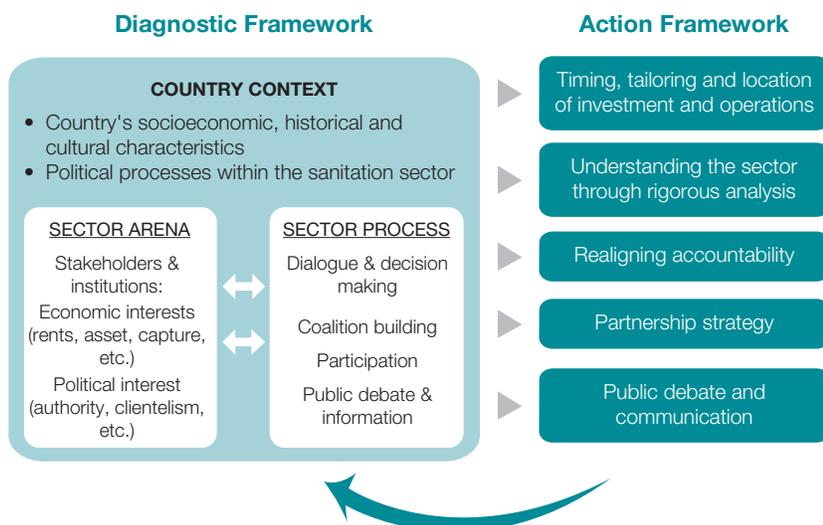
Understanding and working with the political economy of sanitation of a country is necessary for increasing investments and reaching the rural and urban poor. Assessing stakeholder interests, identifying potential winners and losers, identifying incentives, and examining formal and informal institutions provides a better understanding of the risks and opportunities associated with institutions and stakeholder interests in the sanitation sector. This knowledge can be used to better support more pro-poor sanitation investment.

This study’s Conceptual Framework, illustrated in Figure 1, combines a Diagnostic Framework with an Action Framework to help translate analytical findings into more effective support to operations and investments.

The Diagnostic Framework is used to identify political economy constraints as well as opportunities or entry points for subsequent actions. There are three focus areas:

- **Country Context** refers to a country’s socioeconomic, political, cultural, and historical characteristics, including its development trajectory and the current development aid architecture. Political processes within the sanitation sector, potential links to national political institutions and stakeholders, assumptions that underpin sanitation

Figure 1: Conceptual Framework for the Political Economy of Sanitation



Source: Authors, based on World Bank/OPM 2008.

sector investment, and how and why sanitation investment was developed, (and by whom), are also analyzed.

- **Sector Arena** comprises the institutions and stakeholders that govern relations and behaviors within the sanitation sector, and their economic and political interests that both influence and are affected by changes in sanitation service provision and investment.
- **Sector Process** refers to change through information flows, public debate, coalition building, participation, transparency, communication, and the interaction of actors engaged in the sanitation arena over time.

The Action Framework illustrates operational implications and practical advice to project 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. Furthermore, it stresses the importance of strengthened relationships and accountability among citizens, civil society organizations, and government and other service providers. Finally, a partnership strategy—often linked to an inclusive communications strategy and efforts to foster public debate—provides opportunities to overcome institutional constraints and stakeholder opposition to

pro-poor sanitation investment and service provision.

Box 1 provides a sample of the political economy questions linked to the Diagnostic Framework.

The study conducted a secondary literature review and primary research in four countries to examine how each had identified and managed political economy risks and opportunities in its sanitation interventions. The countries selected to study 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, or PMSS). The India case study examined 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 case study focused on the reasons behind the recent increase in government interest in urban sanitation provision. Finally, the Senegal case study took the water and sanitation reforms at the end of the 1990s as the starting point and explored political economy factors associated with the increased investment in urban sanitation in the capital, Dakar. The fieldwork for the country case studies employed a mixed-method approach, primarily using a qualitative analysis of stakeholders, institutions, impacts, risks, and opportunities that was linked to

processes and policy debate. Summaries of each study are presented in Box 2.

FINDINGS

Overall, the study confirmed the importance of assessing stakeholder interests, identifying potential winners and losers, identifying incentives, and examining formal and informal institutions. 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. 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 cases studied supported the conclusion that decentralized governance of sanitation investment can create stronger incentives for, and accountability in, pro-poor investment. A summary of the key findings:

Sanitation as Vote Winner or Career Maker?

The research looked at the incentives and interests of government stakeholders in relation to sanitation investment, testing the hypothesis that within government, sanitation is perceived as a vote winner (or career maker). There is evidence across the cases studied that sanitation investment promotion can be motivated by political opportunism. This represents an encouraging shift,

BOX 1: SAMPLE QUESTIONS FOR POLITICAL DIAGNOSTIC FRAMEWORK

Country Context

Historical Legacies. What is the past history of the sector, including previous reform initiatives? How does this influence current stakeholder perception?

Cultural and Religious Context. To what extent do religious or cultural values shape public debate around sanitation and demand for services?

Ideologies. What are the dominant ideologies that shape views and debates around the sanitation sector?

Policy Context. What is the policy context for sanitation? Is there a (pro-poor) vision for sanitation? What is its relationship to the water sector?

Sector Arena

Decision Making and Budget Allocations. How are decisions around budget allocations made within the sanitation sector?

National–Sub-national Relationships. What is the institutional relationship between national and sub-national governments? Are sub-national governments accountable to the national level or local electorate?

Power Relations. To what extent is power over investment decisions vested in the hands of specific individuals/groups? Which interest groups and population groups do politicians represent when deciding over sanitation investments? How do different interest groups outside government (for example: private sector, NGOs, consumer groups, the media) seek to influence policy?

Corruption and Rent Seeking. Is there significant corruption and rent seeking in the sector? Where is this most prevalent (for example: at point of delivery, procurement, allocation of jobs)? Who benefits most from this? What are the consequences (for example: preference of investment in big infrastructure projects)?

Financing. What is the balance between public and private investment? How is the sector financed (for example: public/private partnerships, user fees, taxes, donor/lender support)? What are the discussions around cost recovery?

Demand for Services. To what extent is there a demand for sanitation services from the communities? What are the factors shaping community demand for improved sanitation?

Sector Process

Sector Champions. What role do champions play in raising the profile of sanitation and supporting increased sector investment?

Civil Society. What roles do media, non-governmental organizations (NGOs), and community-based organizations (CBOs) play in the sector?

Development Partner Influence. How do donors and lenders attempt to influence decision making and reform implementation in the sanitation sector?

Source: World Bank 2007. *Terms of Reference for Global Economic and Sector Work (ESW) on the Political Economy of Sanitation in Four Countries.* WSP/SDV/ETW/FEU, Washington, D.C.; OPM 2009. *Global Economic and Sector Work on the Political Economy of Sanitation: Research Strategy.* Oxford.; and DFID 2009. Political economy analysis how-to note. *DFID Practice Paper.* London.

BOX 2: BRIEF SUMMARIES OF THE FOUR CASE STUDIES

Brazil: Analysis of the political economy of investment in sanitation (with a focus on sewerage), over a period of roughly 15 years, since the 1993 launch of the Water Sector Modernization Project (known in Brazil as Programa de Modernização do Setor Saneamento, PMSS). Over the lifetime of the project, Brazil's urban sanitation sector has undergone an institutional transformation and gained a reputation for innovative and pro-poor sewerage programs. In addition to this national policy component, the case study includes a regional project component that focuses on the Bahia Azul program, implemented by the state utility Empresa Bahiana de Águas e Saneamento (Water and Sanitation Company of Bahia, or EMBASA) in the Salvador metropolitan region in northeastern Brazil.

India: Analysis of the political drivers associated with the success of the Total Sanitation Campaign in rural Maharashtra. Designed as a supply-driven sanitation program, the campaign has a set of defined components that include information, education and communication, community mobilization activities, construction of household toilets and community complexes, and provision of toilets in government schools and *anganwadis*.¹ The case study examines why the Total Sanitation Campaign failed to take off in most of the states until 2004–05 and provides political economy insights on the Maharashtra success story.

Indonesia: Analysis of the political economy constraints that have limited investment levels for urban sanitation and examines the factors behind the recent increase in government interest in sanitation service provision. While this increased interest has not yet translated into increased investment levels, it constitutes a major shift from the previous understanding (both within and outside government) that sanitation is a private matter for households and not something for which the state has responsibility or obligations.

Senegal: Analysis of the political economy risks and opportunities influencing investment in Dakar's urban sanitation sector. Starting with the wide-ranging reforms of the water and sanitation sector in the mid-1990s, the study explores the institutional environment, including the role of the innovative contractual arrangements regulating the water and sanitation sector, as well as more recent World Bank/WSP-supported initiatives of onsite sanitation that for the first time extend services to Dakar's poor peri-urban areas.

as it reflects a higher political visibility for sanitation investment in some contexts. The political incentives operate where demand among the public has been generated or strengthened and/or where there is a higher visibility given to sanitation in national and international policy debates. There was evidence from the India and Brazil case studies of perceived political returns to sanitation investment, and some progress apparent at the city level in Indonesia in generating political incentives through the Indonesian Sanitation Sector Development Program. In Brazil, increased sanitation investment has benefited from a growing cross-party consensus since President Lula's decision to include it as a priority sector in the 2007 Growth Acceleration Program (Programa de Aceleração do Crescimento, PAC). Lula's Workers' Party (PT) is most clearly associated in the minds of poorer voters with an emphasis on sanitation as an issue of dignity and citizenship.

Pure Evidence-Based Policy Making in Sanitation Is Unrealistic

The research also looked at whether governments listen to evidence linking sanitation to development outcomes. It confirmed the observation that purely evidence-based policy

making is unrealistic and naive. But it also revealed that evidence could be an effective tool for unblocking or revising policy decisions and budget allocations when it was used to assist policy deliberations in a way that did not challenge powerful political economic interests or was built into a well-designed decision-making process. In Indonesia, despite the country context that has limited sanitation investment, decision makers within national government were increasingly using and acting upon evidence regarding the impacts of low levels of urban sanitation investment, and particularly the economic impacts. While evidence regarding the links between poor sanitation and poor health outcomes was not particularly powerful or discussed much at the national level, economic evidence has played a greater role.

Budget Allocations and Disbursements Are Impacted by Political Rewards and Technical and Governance Capacity

The research focused on the political economy factors that might explain the gap between sanitation as an expressed priority and actual changes in budget allocation and disbursement. The challenge of translating political statements into budget commitments was confirmed. In some cases this is a function of the pressure to allocate scarce resources to

¹ An *anganwadi* is a government-sponsored child-care and mother-care center.

sectors with a traditionally higher perceived priority or with higher perceived political rewards. In cases where resource scarcity is less of an issue, the importance of organizational resistance from within the executive level of government can become apparent. In these cases, executive ministries, departments, and agencies have insufficient pressure from above and from below to allocate budgets to (more progressive) sanitation investment. Therefore, even where there is high-level buy-in and demand generated within civil society, this will not necessarily change political preferences within institutions implementing government policy. Another explanation for the funding gap is seen where implementing agencies lack the technical and governance capacity to absorb and manage increased budget allocations. Where governments have successfully bridged these policy-to-funding gaps, national or federal level sanitation programs can provide a protected institutional vehicle for sanitation investment.

Cultural and Historical Context Is a Significant Determinant of Sanitation Investments

The research confirmed that cultural and historical context is a significant determinant of sanitation investment. In each country, contemporary attitudes and behavior toward sanitation investment could be explained at least in part by historical factors. Where an appropriate combination of historical cultural norms and devolved political authority prevailed, these could be cultivated by progressive decision makers to generate demand for sanitation among citizens. In contrast, where hierarchical political and social norms prevailed, they created a block to progress in sanitation investment. In India, for example, successful investment in sanitation in Maharashtra could be attributed to a long history of social movements led by local leaders supporting the liberation of oppressed castes.

Global Debates Can Impact Positively on National Sanitation Investments If Aligned with Internal Debates

The research looked at the facilitating role of external aid agencies and global policy debates for more pro-poor sanitation policies and investments. Global debates have impacted positively on national sanitation strategies and investments in contexts where they strike a chord with the progress of internal debates. Where sanitation debates are externally initiated or seen to be ideologically imposed, claims that external agencies have an impact are less convincing. International attention to sanitation in Senegal via the 2004 Global WASH Forum in Dakar kept water

and sanitation high on the country's agenda. This provided a platform for donor support and a clear demonstration of national commitment by the government, with President Wade himself attending the conference. In Indonesia, government interest has been stimulated through various external agency advocacy efforts such as a WSP Regional East Asia and the Pacific comparative study on the economic impacts of sanitation.²

External Assistance Can Help Achieve Institutional Change

The institutional complexity of the sanitation sector has long been recognized as a major obstacle to pro-poor sanitation investment. Despite this, the cases studied indicated that opportunities for institutional change have been recognized and supported. These changes have demonstrated that institutional complexity need not be a barrier to increased investment and that external aid efforts can work to support progressive change within complex landscapes. The research also confirmed the constraints that arise from a lack of a clear organizational home for sanitation investment. This can add to the complexity of sector planning and resource allocation processes, while limiting organizational accountability for progress. In Indonesia, for example, there is no single national level ministry responsible for sanitation policy; responsibilities are shared among at least five ministries. In Senegal, in contrast, the National Sanitation Office (ONAS) has taken increasing responsibility for urban sanitation policy and investment.

Local Government Decentralization Can Empower Stakeholders to Create Pressures for Sanitation Investments

The research findings emphasized the important status of local government decentralization as a key determinant of the pattern and impact of sanitation investments. With the exception of Senegal, where sanitation is not decentralized, the cases studied highlighted several facets of centralization/decentralization. On the demand side, the strength of decentralized authority can empower stakeholders to debate and contest sanitation investment with which they are dissatisfied. Decentralized budgetary authority can encourage pressure from regional government, civil society, and citizens to allocate budget

² For the full comparative study on the economic impacts of sanitation in Indonesia, see *The Economic Impacts of Sanitation in Indonesia: A Five-Country Study Conducted in Cambodia, Indonesia, Lao PDR, the Philippines, and Vietnam Under the Economics of Sanitation Initiative (ESI)*. Available online at http://www.wsp.org/wsp/sites/wsp.org/files/Publications/esi_indonesia.pdf

to sanitation investment. On the supply side, decentralization can keep politicians and bureaucrats in touch with their grassroots constituents. In all cases, the positive influence of decentralization on sanitation investment is conditional upon the level of awareness and strength of demand among budget holders and citizens. While in some cases, as in Maharashtra and in Brazil, decentralization can prove to be highly significant in promoting institutional arrangements that facilitate more effective cross-sectoral decision making at the subnational level, in other cases, such as in Indonesia, a lack of clarity over institutional authority at the national level can be reproduced and magnified at the sub-national level, with decentralization often providing more room for institutional maneuver.

Corruption and Rent Seeking

A particular dimension to the budget allocation and disbursement debate is the incidence of corrupt practices based on rent-seeking behavior within organizations with control and authority over sanitation budgets and investment decisions. While all cases studied indicated evidence of rent seeking and corruption, it was not identified as the predominant feature distorting pro-poor sanitation investments.

Pro-Poor Sanitation Provision Can Be Derailed by Technological Preferences

The research explored whether and why decisions about pro-poor sanitation investment can also be derailed by technological preferences. Politically driven decision making was characterized by a preference for highly visible, large infrastructure investments; and in some instances, rent-seeking opportunities were an important incentive for those in power. Among engineers, there is a strong technical bias for traditional sanitation investments, such as sewerage-based service provision, often at the expense of appropriate technological choices. The sector arena is therefore often characterized by political and technological preferences that benefit a minority of well-off urban residents rather than the poor majority. In cases where technological and political preferences are not the same, an interesting debate emerges between sector stakeholders. In Senegal, many high-ranking politicians are supporters of investing in the expansion of the sewerage network and costly treatment plants; at the same time, many technical sector specialists and bureaucrats have been increasingly convinced by examples of on-site sanitation and condominial systems that successfully work in poor semi-urban areas of Dakar. However, bureaucrats in Senegal have

limited power compared to politicians. This lack of influence over technological discussions by engineers and bureaucrats has limited the adoption of large-scale on-site sanitation and condominial systems and has undermined efforts to expand sanitation provision to the country's poor outside the reach of the network.

Demand for Sanitation Services and Willingness to Pay Can Be Generated with a Long-Term Strategy of Engagement and Promotion

The research considered whether communities and households are less interested in sanitation investment than in other services and are less willing to pay for sanitation services. It is evident that while demand for sanitation has traditionally been weaker than for water and other services, demand in both urban and rural areas can be generated with a selection of rewards and sanctions, an affordable mix of technologies, and a long-term strategy of engagement and promotion. In Maharashtra the demand for water is much stronger than that for sanitation. It is also highly significant, however, that under the state's *Sant Gadge Baba* scheme, community investments in sanitation have been much larger than government expenditure due to a careful combination of incentives and sanctions. Indeed, the experience in Maharashtra has demonstrated that in this context, rewards for sanitation outcomes are a key motivating factor for communities.

Relationship Between Accountability and Sanitation Investment

The research explored the relationship between accountability and sanitation investment. Good "accountability relations" emerged as vital to securing the delivery of and accessibility to sanitation investments. They were important both as triggers of change and as a means of monitoring change. The research revealed a wide range of types of accountability relationship. On the whole, donors supporting sanitation sector investment recognized the critical role of accountability relations, but did not promote off-the-shelf, pre-determined approaches to strengthening accountability. Instead, they followed a learning-by-doing approach that was sensitive to different contexts for accountability.

Sector Coalitions

Finally, within a wide range of contexts, the research confirmed the importance of sector coalitions in securing a high

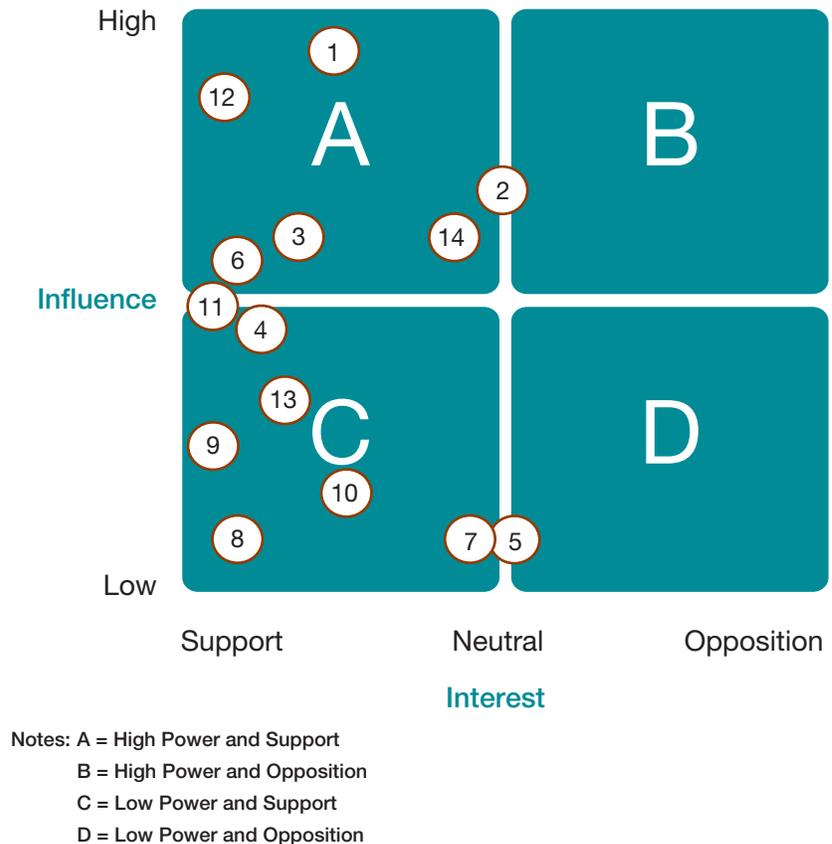
priority for sanitation investments. Sector coalitions are built within government, and between government and non-governmental actors. Sensitive lender and donor support can add value to the coalition-building process. Coalitions anchored all elements of the sector process discussed above, drawing on the evidence base for pro-poor sanitation investment, encouraging civil society participation, and developing accountability relationships to ensure investment and delivery. The common characteristics of sector coalitions across the cases studied included a capability to translate a general vision into concrete steps: “They knew where they wanted to go,” as one key informant in Senegal put it. Sector coalitions were often motivated by empathy with citizens or by a concern with distributive equity. They were able to stand outside the political economy of the sector while understanding and managing the political economy risks and opportunities. They had credibility and had earned respect from all stakeholders involved in the process.

Using information gathered through key informant interviews, a graphical presentation of stakeholder interests and power relations placed stakeholders, each assigned a number, on a matrix (see Figure 2); each stakeholder’s position is determined by its interest (x-axis) and its ability to influence decision making (y-axis).

LESSONS TO INFORM FUTURE SANITATION INTERVENTIONS

Based on evidence collected in the four country case studies, an understanding of the political economy risks and opportunities in the sanitation sector combined with evidence marshaled on the economic, social, and political

Figure 2: Stakeholder Mapping: Interest in Sanitation Investment



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 determining adequate **timing, tailoring, and location of investment and operations**. This 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. 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. This 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** 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.

CONCLUSION

The Political Economy of Sanitation 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.

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Full report

See *The Political Economy of Sanitation: How Can We Increase Investment and Improve Service for the Poor?* (WSP 2011). Available online:

<http://www.wsp.org/wsp/sites/wsp.org/files/publications/WSP-Political-Economy-of-Sanitation.pdf>.

Contact us

For more information please visit www.wsp.org or email Eddy Perez at wsp@worldbank.org.

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