



## GIZ's experience in the water and sanitation sector in Latin America

# Overview of Latin American Water and Sanitation Sector

## Overall Picture

Presently in Latin America more than 34 million people have lack to secure potable water sources and approximately 110 million do not have improved sanitation. Around 94% (97% & 82% urban-rural, respectively) of the population have potable water services and 83% (87% & 63% urban-rural, respectively) have access to improved sanitation. While coverage has increased, the coverage growth rate has slowed down due to difficulties with bringing the services to the suburbs, peri-urban and rural areas, making it impossible to achieve the Millennium Developing Goals<sup>1</sup>.

Coverage does not guarantee “secure and adequate” access. Potable water service quality is still low in relation to service continuity and water quality, especially for low income groups and rural areas. In the case of sanitation, around 70% of the collected urban wastewaters are discharged directly into the rivers, lakes and oceans without treatment, resulting in many highly contaminated watersheds, especially around big cities.

The organization of the water and sanitation sector in Latin America is very diverse. Some countries have specific laws for the sector (Bolivia, Peru, Nicaragua, etc.), while in others they are contained within the health or environment sectors. The countries with poorer coverage have national sectorial plans that are normally not fulfilled; they have

ambitious approaches and/or centralized budgets with poor coordination between central and subnational level. Contrarily, countries with higher coverage (Chile, Uruguay, Colombia, Argentina, etc.) have wide plans for sustainable or national development.

With reference to the regulatory authority there are different institutional conceptions. In Chile, for example, the regulatory body is in charge of control and supervision. There are other cases where the regulator also provides technical assistance, or in which the management of the water resources are included, or where several services are regulated under the same institution.

Regarding the water and sanitation service providers (WSP) in urban areas, it is found that: (1) Geographically small countries have only one provider (Nicaragua, Costa Rica, etc.), which normally has a small directory close to the government with a high risk of political meddling; (2) WSPs with a provincial, state or regional administration (Chile, Argentina, Brazil, etc.) achieving an equitable participation from governments, society and WSPs; (3) Countries in decentralization processes often have municipal or inter-municipal WSPs dominated by the local governments' hegemony. The service provision in rural areas is mainly carried out with community models<sup>2</sup>.

<sup>1</sup> [Interamerican Development Bank \(IDB\), 2013: Agua potable, saneamiento y los Objetivos de Desarrollo del Milenio en América Latina y el Caribe.](#)

<sup>2</sup> [Economic Commission for Latin America and the Caribbean \(ECLAC\), 2014: Políticas e institucionalidad en materia de agua potable y saneamiento en América latina y el Caribe](#)

## Difficulties and challenges

Even though there is huge variability in the sector in Latin America, difficulties and challenges for achieving universality and sustainability in the provision of services have been identified and worked on, some of which are listed below:

- Lack of prepared and capable WSPs and governmental organizations' personnel.
- Scarcity of awareness from citizens and governments – lack of hygiene culture, excessive water use and inadequate citizen involvement with the WSPs.
- Absence or poor quality information regarding the services' status. Infrastructure in damaged or poor condition.
- Tariffs do not cover operational nor investment costs.
- Users' payment capacity or/and availability is not in accordance to the tariff scale.
- High amounts of non-revenue water and physical water losses.
- Not enough available funding for increasing coverage or improving service quality.
- Conflicts of interest between ministries, mayors' offices, regulatory authorities, WSPs and citizens, making the decisions mainly oriented to local political subjects or power relations and not to environmental, WSPs' and users' necessities.
- Lack of political structures clearly defined and oriented to service sustainability.
- Utilities atomization – hampers the conception of uniform financial policies to deploy regulatory systems and the WSPs' financial sustainability and governance.

## GIZ strategies and working lines

Due to the cultural, governmental and resource diversity, there is no unique solution for enhancing and increasing the services across Latin America. Nonetheless, seeking to achieve sustainable water and sanitation services, the necessity of taking action with an integrated view, and not only investing in infrastructure, has been identified.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), on behalf of the German government, has directed the Latin American sector for more than ten years seeking to achieve sustainable results in relation to environmental, economic and social approaches. Underpinning this

process are the following working approaches:

### Social-Political Management (SPM):

Investing in infrastructure and institutional capacities is not enough; socio-political comprehension, acceptance and support are also required to achieve sustainable services. To this end the GIZ advises the countries in three working lines: (1) Fostering the empowerment of citizens and politicians. (2) Health, environmental and payment culture education. (3) Strengthening relations between governments and WSPs.



### Capacity Development (CD) Systems:

To overcome the institutional weaknesses described before, countries need solutions that allow them to develop and sustain capacities permanently. On the basis that the human resource is the key factor to improving institutional management and generating a positive impact for the sector's competitiveness, the GIZ advises using two strategies: (1) CD of management and technical knowledge of the sector's work force by carrying out technical assistance and training in pertinent subjects. (2) Strengthening of CD structures in the sector; proposing the development of a systematic solution which takes into account financial requirements, understanding of the supply and demand and maintaining a relationship with a system of CD at the national level.

### Governance and Corporate Governance (G&G):

The functional and constructive relationship between the private and public sector actors provides the basis for achieving service sustainability. WSP management autonomy guarantees their economical sustainability. With this aim, the GIZ advises ministries, regulatory authorities, sector associations and WSPs to seek reforms aimed at service sustainability with effective and transparent communication between the government, WSPs, and citizens.

In terms of corporate governance, institutions are oriented to improve their internal management to achieve business structures that provide sustainable services. In matters of governance, the management between WSP, governments and citizens (users) is advised.

## GIZ's current portfolio

The GIZ, on behalf of the German cooperation, is currently implementing water and sanitation programmes in three Latin American countries: Bolivia, Nicaragua and Peru.

In **Bolivia** the programme PERIAGUA is being currently carried out, working at the WSPs operational level, with a focus on the peri-urban areas of Santa Cruz and Tarija, applying the SPM guidelines. CD from the sectorial institutions is continued, using the National Service for Sustainable Water and Sanitation Services (SENASBA), an instrument for CD developed in the past with support of

the GIZ. The water resources governance is being enhanced by giving advice on the management of public water services, including climate change factors.

In **Nicaragua** the programme PROATAS is being developed, which supports the institutional strengthening strategy of ENACAL (utility responsible for approximately 90% of the country's urban areas), fostering the deconcentration of four departmental delegations (Rivas, Masaya, Boaco and Chontales). This model is to be used in other delegations, enhancing the capacities and consolidating the corporate







governance. Other challenges that are being addressed are the development of a systematic solution for CD, the consolidation of the autonomy of the national water authority (ANA), and supporting the updating and harmonizing of its policies and strategies based on the water law.

In **Peru** two programmes presently exist: (1) PROAGUA II, which in the context of the Sanitation Services Modernization Law implements the necessary reforms seeking economies of scale around the utilities, in which WSPs achieve social inclusion, optimization and autonomy. One of the tools that is being used for such a purpose is the Capacity Development System (SFC), developed under GIZ supervision and support, and is currently being complemented with the training of technical professionals. (2) ProACC; the GIZ in cooperation with the private sector is guiding the management of four watersheds, adapting them for climate change and developing a governance model for the water resources management.



Highlights of German technical cooperation after more than 10 years of experience

*Ley de modernización de los servicios de saneamiento*

*Sistema de fortalecimiento de capacidades (SFC)*

*Servicio nacional para la sostenibilidad de servicios en saneamiento básico (SENASBA)*

*Manual: Método de planificación por procesos de impacto (MPPI)*

*Aprendizaje vinculado a resultados (AVAR)*

*Sistema de indicadores de Gobernabilidad & Gobernanza*

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# Social-Political management in the Latin American water and sanitation sector

## Concept

In order to achieve sustainable water and sanitation services, investment in infrastructure and institutional capacity is not enough; social-political comprehension, acceptance and support is also required. Having this in mind, the [Social-Political Management \(SPM\)](#) concept was implemented in the Bolivian and Peruvian water sector, in an effort to help citizens take initiative to solve the problems surrounding them when the public actors have failed, and/or contribute to the implementation of the state's solutions.

The sanitation services management is developed between technical, political and social players. Regardless of the water and sanitation service provider (WSP) management model, these actors should participate equally to maintain the services' sustainability with an integrated corporate, environmental and social vision. SPM is then assuming the decisions to different problems in a consensual manner between the actors. There are different participation mechanisms in accordance with the players involved, which allows them to represent their interests in the WSPs.

The users could, for example, participate through neighbourhood councils, schools, parent councils, community groups, markets, civil associations, etc.

Within SPM three working lines have been identified:

1. Strengthening the civic and political engagement (empowerment): defined as the capacity to stimulate individual development (improve their own, or someone else's quality of life), not increase dominion over another. It seeks to strengthen capacities and knowledge of responsibilities and rights, to achieve a qualified social and political contribution.
2. Handling and preventing conflicts: conflict is considered as expression of different points of view manifest between actors with different interests. It is deemed essential to identify mechanisms to handle them and reach constructive solutions. Knowing how to handle conflicts is important to be able to communicate and mediate with citizens in topics such as new infrastructure, change in tariffs, etc.
3. Health and environmental education: Ensure users are aware of the importance of resources, hygiene and the environment. By raising awareness, effective and rational use of the resources is achieved, and the relationship between hygiene and health is understood.

## Difficulties and challenges

In Latin America a series of difficulties and challenges were identified, which have been addressed with the SPM implementation. A few are mentioned below:

- WSPs leave the social scope behind; it is only considered when technical and/or financial solutions have not yielded results. The citizens, governance





and political culture are normally not included in development plans.

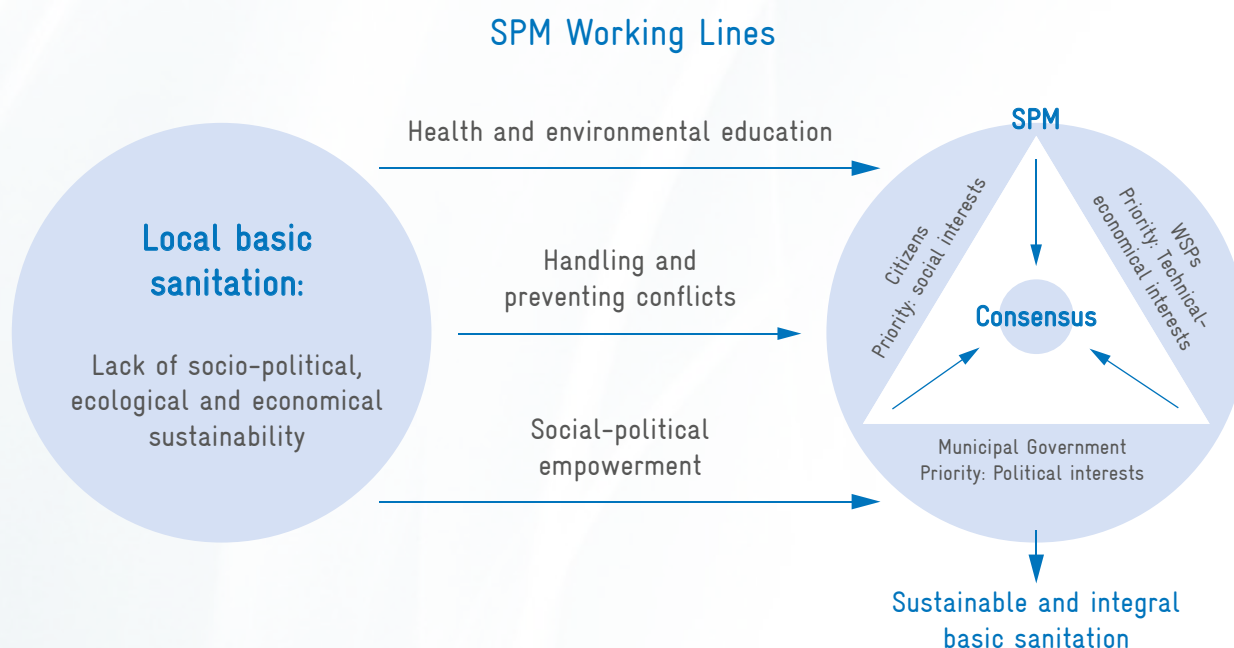
- Low sensitization and awareness from the people and the governments: lack of health culture, overuse of water, absence of citizen involvement with the WSPs, and lack of awareness of sanitation services as a preventive health measure.
- In some cases water and sanitation systems depend on central offices, which are foreign to local realities.
- Citizens have a poor perception of the WSPs and are not motivated to get involved in the WSPs' decision making or actions.
- Users are not conscious of the operational costs needed for achieving sustainable services. Water is considered a public resource that should be free; therefore there is a lack of motivation to pay tariffs, which are needed to cover service costs.
- Citizens are not aware of the works planned and developed in their communities to increase and improve the services.
- Lack of social and cultural considerations in the project development.
- Absence of empowerment and envelopment of local authorities with WSPs.

## GIZ strategies and working lines

The GIZ proposes a strategic alliance between the WSP (responsible for the water and sanitation provision), the local governments (promoters; responsible for the services) and the citizens (users; give financial support to the WSPs).

the GIZ proposes management programs measured with indicators. For example, in the health education case, a program could be the execution of awareness campaigns about the importance of sanitation for health, and an indicator would be measuring the amount of sewerage connections.

On the basis of the 3 SPM working lines described above,





The SPM implementation is envisioned as a continual improvement process that allow the enrichment of the WSPs' business strategy, providing a short, medium and long time vision in social-political and environmental aspects related to water and sanitation. These programmes help as an in-

ternal and external thermometer of the WSPs' needs, enable the measuring of the quality of the service provided, and take actions for future development, leaving behind those solutions addressed only to daily needs.

## GIZ Experiences

### Bolivia:

The GIZ included the SPM concept in the [utilities association management model \(WSPs aggregation, known in Bolivia as "Mancomunidades"\) for the provision of water and sanitation services](#) in the regions of "el Chaco" and "Norte de Potosí". These associations arose after years of a participative process with the citizens and authorities. The following SPM activities stand out from this process: dissemination of project information to citizens, municipal governments and WSPs to be integrated; model consultation and consensus with citizens; development of the communication, identity and corporate image strategies from the associations; WSP's socio-educational capacity development and implementation through fairs, contests, etc.; formation of citizens committees and election of its representatives to become part of the shareholders board.

Additionally, [GIZ/PROAPAC](#) was the first sector programme to arise with a social component. This citizen participation concept was included in the sector norm and applies to all programmes and investment projects. It is also considered in the sector's social strategy as an initiative of the potable water and basic sanitation vice-ministry; it was supported by donors such as the GIZ and the KfW, enhancing and complementing the citizen participation concept with the SPM.

In relation to citizen empowerment, it was successful in informing and creating awareness amongst different

confederations, assemblies and boards regarding the political constitution in topics related to water resources and basic sanitation. The municipal governments have also been addressed, with a focus on the responsibilities of the sanitation sector.

SPM is known as DESCOM<sup>1</sup> in the sector; it is already included in the sector politics, largely due to the GIZ's work in its initial programme PROAPAC and currently PERIAGUA, which continues to strengthen the social component of the projects.

### Nicaragua:

The [GIZ/PROATAS](#) is presently guiding [ENACAL \(Nicaraguan WSP responsible for around 90 % of urban coverage\)](#) in how to involve citizens with water resources protection, the care of ENACAL's infrastructure and facilities, and supporting ENACAL's sustainability by paying the tariffs. In [Monimbó](#) over 50% of the users resisted paying the water tariffs because the service continuity was very low. In order to increase revenue, parallel to improving the infrastructure, awareness campaigns focused on the economical value of water are being developed to generate a payment culture.

In the consultancy given by the GIZ to the [national water authority \(ANA\)](#), by means of an [integrated water resources management](#) plan, is included the creation of water user committees with a female participation of at least 30%.

<sup>1</sup> DESCOM (Community development) it is an old denomination used to refer to work with the citizens, even though SPM has a wider approach, the term is maintained in the sector but with the inclusion of SPM concepts.





#### Peru:

The [GIZ/PROAGUA](#) started the [implementation of SPM](#) in the [quick impact measures programme \(PMRI\)](#), including the concept in nine WSPs. One of the results was the elaboration of the SPM consultant manual, in which the sequence of actions and strategies for implementing SPM in the WSPs is summarized. Due to its success, SPM was integrated into the national regulation to be implemented by all the WSPs in the country.

The [Optimized Master Plan \(PMO\)](#) is an example of the SPM implementation; it is an instrument for planning

budget, investments, objectives, and goals and has been institutionalized by all WSPs. This PMO is developed with consent of the citizens and must be approved by the regulator. It is important to conduct PMO citizen queries, as the investments directly affect the tariffs and service quality and thus the users. To inform the public of the PMO's benefits, [communication campaigns pre and post public hearing](#) are carried out. To evaluate the PMO two indicators are used: [\(1\) amount of assistants and speakers in the public hearings](#) (2) [Percentage and punctuality of PMO's approval](#).

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## Health and environmental education



Within the Social-Politic Management (SPM) strategy, the GIZ advised Latin American countries to develop consciousness and awareness about hygiene and the importance of environment protection as a mechanism to achieve sustainable, equitable, participative and integrated water resources management.

The health and environmental education concept is defined

as “The process aimed at promoting healthy lifestyles (habits, customs and behaviours) from the person, family or community specific necessities. From this standpoint, the health education is comprised of educational activities developed in formal and informal processes, which are developed with all the actors in a permanent manner (continuous education) as part of the institutional activities, and are not limited to a timely transmission of talks or demonstrations”.

### Justification

- Decrease the diseases caused due to misuse of water by promoting hygienic habits and encouraging the citizens to assume responsibility for their health.
- Protect and preserve water resources (diminish pollution).
- Ensure the proper use of domestic facilities, decreasing potable water leakages and preventing clogging and overflow of the sewage systems.
- Expand the interaction possibilities between the community and the institutions.
- Improve the relationship between the water and sanitation service provider (WSP) and the users, by including local experiences and knowledge in the decision making process.

### Outstanding experiences

In Bolivia, the GIZ developed [two country campaigns](#), integrating the WSPs in their implementation. The campaigns were mainly addressed to primary and secondary students from public schools, chosen as the key change actors from the municipalities. It is an excellent example of how to create awareness of subjects related to water, the environment and hygiene through inter-sectorial cooperation. By 2012 the campaigns involved around 300.000

students and more than 10.000 teachers/facilitators all over the country. (1) The “[agua para la vida](#)” campaign aimed at creating awareness on a large scale of proper care and usage of water resources, sanitation and the environment. It used didactic materials (games and short stories such as “[Mariquita la cochinita](#)” and “[Juan botatodo](#)”) with a simple and understandable language (including native languages) as instruments to involve children with the theme and en-





courage the gathering of family members to read and learn. (2) The “[lavado de manos](#)” campaign was an educational process that encouraged children at schools to wash their hands with soap, having the idea that they will transmit and replicate the hand washing and hygiene practices at home, contributing to the diminishing of diseases. For this campaign booklets were developed in order to guide teachers in the activities and the [themes to be developed in the classrooms](#) and also booklets [on which students could work and reinforce the knowledge](#) (as for example “Ser un Pasaporte a la Salud” and “el cuaderno de actividades”).

The basic sanitation sector put together the [sanitation and environmental educational guidance](#), carried out by the National Service for Sustainable Water and Sanitation Services (SENASBA). The guidance collects the experiences from educational programmes and institutions such as the GIZ, Plan Internacional, SODIS foundation, and SumajWasi. It is addressed to facilitators and trainers with the aim of spreading and sharing knowledge and experiences mainly from urban and peri-urban areas.

The SENASBA and the GIZ/PERIAGUA developed [an innovative communication strategy](#) to encourage domestic sewage connections in peri-urban areas, with [visual](#) and [graphic](#) material and creating [animated characters](#), to help convey the message. Presently it is been tested in Santa Cruz to promote 8.000 connections and is also expected to be used in the coming years to reach 200.000 connections. With the goal of protecting ground water resources, educational material is been developed using the character of “Mariquita” (for example “Mariquita y la Madre Tierra” and “[Mariquita y el Cambio Climático](#)”), taking advantage of the fact that this character was already introduced in the other campaigns.

In Peru, within the programme PROAGUA, a sanitation programme was established ([EDUSAN](#)), in which the WSPs’ strategies for implementing educational measures are defined. It contains different campaigns such as “*adapta un caño y cuídalo todo el año*” (addressed to schools and

[markets](#)), “*todos somos responsables de los servicios de agua y saneamiento*” which put together different [workshops](#), [didactic material](#), and guided visits to technical facilities in order to complement the classroom learning (to dams, treatment plants, etc.).

The character “[El Pataclau del Agua](#)” was created in the EDUSAN programmes and implemented by the Moquegua WSP. This character visited the schools and institutions with a red nose teaching the water care commandments.

In Nicaragua the GIZ/PROATAS presented the programme in the earth fair, expounding responsible water usage. Also, as a commemoration to the water day (2014), PROATAS carried out the water fair in four cities to raise awareness on water subjects. ENACAL (Nicaraguan WSP responsible for around 90% of urban coverage) is developing campaigns for sensitizing the citizens using [radio](#) and [booklets](#) and constructed the [Asososca museum \(water museum\)](#), with the objective of educating citizens on how to protect water resources and the environment. It is mainly visited by students.

Another example of health and environmental education is the project developed between the GIZ and the Pan American Health Organization/World Health Organization (PAHO/WHO): “[Indigenous population health: environmental conditions \(water, sanitation\) improvement in indigenous communities](#)”. In this project 15 Latin American countries were involved with the goals of diminishing: (1) the transmission risk of diseases introduced by environmental factors, particularly those related to water quality and access; (2) inadequate sanitation and; (3) poor hygiene habits from the Latin American indigenous communities. Within this project the [validation guide for educational materials](#) was developed in Peru as a useful tool for laymen, institutions or companies willing to work with the society using educational materials. It brings together specifications for validating educational materials before they are distributed to the public.



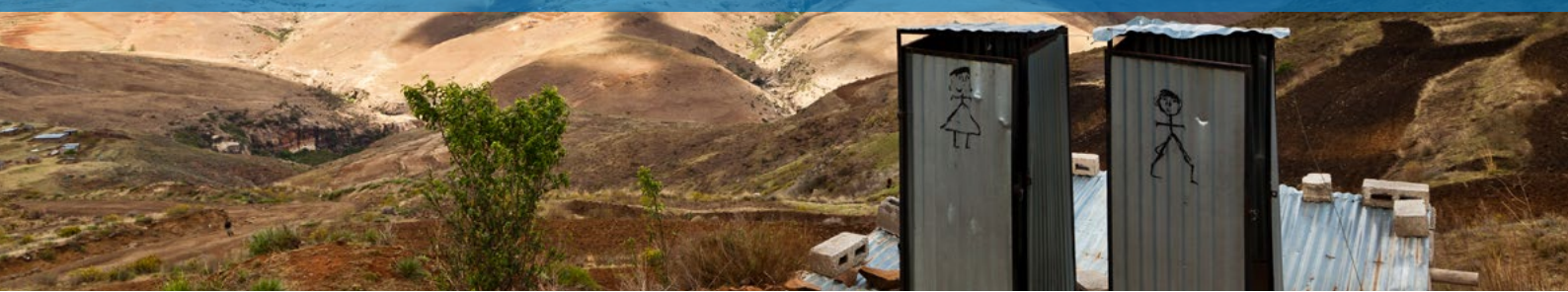


## Good practices

- Children work as multipliers: It has been proven that they share with their families what they have learned in the school.
- There is evidence from the teachers that students' academic performance improves as a result of better sanitation practices.
- Parents are aware of the importance of hygiene for good health.
- Private companies are involved in the campaigns as part of their social responsibility to the communities.
- Striving for a greater impact, the campaigns were developed as inter-sectorial and inter-institutional projects between the educational and health departments, municipal and district governments, the WSPs, and other institutions (NGOs and foundations).
- WSPs recognize the importance of hygiene and environmental education and include them in their annual management plans.
- Municipalities commitment to improve schools toilets, set as a previous request to carry out the “lavado de manos” campaign in each school.
- Peruvian WSPs are still developing the [EDUSAN](#) programmes and complementing them with didactic material on their [web sites](#).







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*[Una mirada retrospectiva desde el PROAPAC](#)*

*[Hacia modelos de gestión sostenible en agua potable y saneamiento](#)*

*[Programa de Medidas de Rápido Impacto \(PMRI\)](#)*

*[EPS: Gestión político-social y educación sanitaria y ambiental. Propuesta de intervención desde una visión integral](#)*

*[Sistema Modular de Capacitaciones: Gestión Político Social en la EPSA](#)*

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## Citizen Involvement

Within the social-political management (SPM) policy the GIZ has encouraged the necessity to increase citizen involvement, in such a manner that the society can make decisions on issues affecting directly their water and sanitation services. By training the citizens and informing them about their rights, duties, and water and sanitation subjects, citizens internalize the knowledge foundations, which results in opportune and adequate decision making related to the water and sanitation provision.

Citizens are engaged through existing social and trade associations (neighbourhood or market councils, agrarian confederations, civil-women or youth associations, etc.), developing awareness of rights and duties and generating possibilities for promoting dialogue and negotiation mechanisms. Emphasis is also placed on enhancing participation amongst marginalized community groups.

### Justification

- Strengthen public relations between the water and sanitation service provider (WSP) and the civil societies and social organizations.
- Foster citizen involvement, engaging users to actively participate with the WSPs, as they are the beneficiaries from the services provided.
- Through clear, relevant and transparent information, the utilities' public image is improved, and by doing so users are motivated to become involved.
- Contribute to conflict prevention by improving how the WSPs handle political advocacy and increasing the citizens' WSP acceptance.

### Activities

- Carry out information and training workshops with citizens, working towards strengthen public relations between WSPs, civil societies and social and governmental organizations.
- WSPs' public image: keep users informed regarding WSPs' future infrastructure projects, tariff changes, investments, etc.
- Develop and carry out awareness programs for neighbourhood councils and community-based organizations, with the purpose of making them co-responsible for the service provision by taking care of the surveillance, protection and care of the services and ensuring its quality.
- Upgrade WSPs' installations and customer services. All staff must be trained and informed regarding the utilities' situation, functioning and future projects (complaints response, new connections, investments,



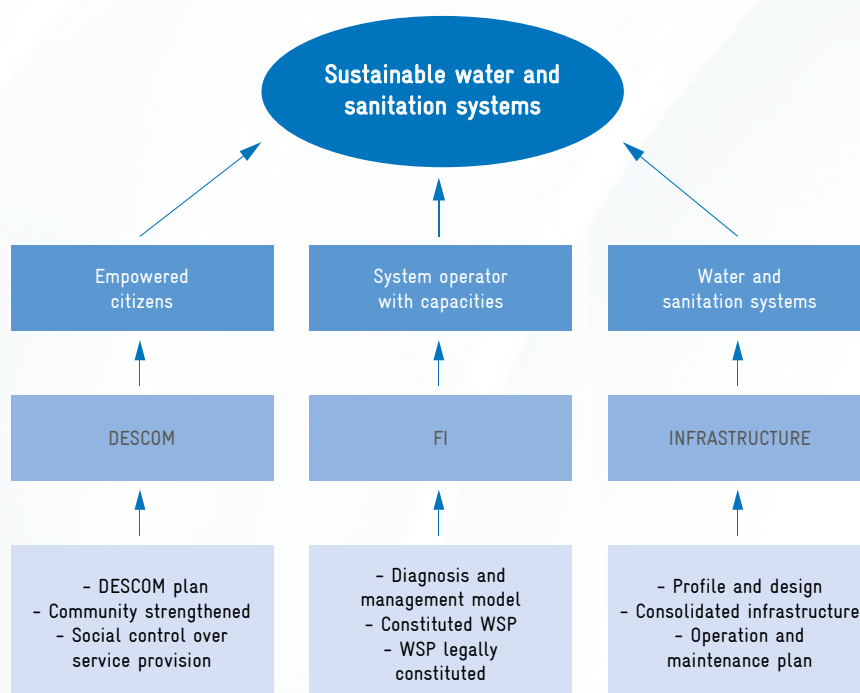


etc.) to be able to correctly transmit the information to the users and address the demands efficiently and professionally.

## Outstanding experiences

1. The GIZ, the Bolivian National Confederation of Neighbourhood Councils (CONALJUVE), and the farmers and indigenous organizations worked together to transfer the importance of sanitation and incorporate basic sanitation in their portfolio.
2. One of the components of the Bolivian [water for small communities programme \(APPC\)](#), is the [Community Development and Institutional Strengthening \(DESCOM-FI\)](#)<sup>1</sup>, pursuing community development that encourages participation

from the beneficiary citizens in the preparation, execution and operation of the projects, and promoting their sustainability. With this goal, a series of activities were developed, such as meetings with leaders and representative institutions, community diagnosis, development of a participatory intervention plan, trainings, etc. The organization of the communities to monitor the construction of infrastructure, and social control on issues related to the provision of services constituting the responsible project committees was largely realized.



Source: Desarrollo Comunitario y Fortalecimiento Institucional- Instrumento de aplicación: (DESCOM-FI); 2009

<sup>1</sup> DESCOM, is based in a large proportion on the experiences from the GIZ and the lessons learnt from its implementation in the PROAPAC.

3. The Bolivian water and sanitation utilities association management model (WSPs aggregation, known in Bolivia as “Mancomunidades”) exemplifies how citizens are included in decision making, by creating the board of associates (JGA) of the [WSP](#), which are formed evenly between the aggregated WSPs, the municipal governments and the citizens. For the election of the community representatives, the localities were invited to nominate candidates and to carry out the electoral process. The candidates elected to join the JGA were trained in business management topics, human relationships, gender roles and ethics in order to guarantee a qualified participation.
4. Working together with the Bolivian [women farmers, indigenous and “Bartolina Sisa” national confederations](#), in socializing the human water rights training and in the development of project profiles, financed by the Indigenous National Fund (FDPPIOYCC), and supported by the PROAPAC.
5. Currently, women councillor selected by the citizens are being trained, together with the Bolivian water and sanitation cooperatives federation of Santa Cruz (FEDECAAS), in subjects related to water and sanitation and management of the services provision, to achieve a better WSP management with a more inclusive and integrated vision.
6. In Nicaragua, as part of the GIZ’s integrated water resources management consulting, water user committees were created in two pilot watersheds, which have at least 30% female participation.
7. In Peru, a project for [strengthening the political dialogue between the municipalities and the social society \(FODIPO\)](#) was carried out. It launched with the idea of enhancing the political dialogue to engender positive behavioural effects and attitudes from the actors involved, reducing the cities’ structural weaknesses and health risk, and achieving a sustainable quality of life improvement for the impoverished communities.







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*Hacia modelos de gestión sostenible en agua potable y saneamiento*

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*<http://www.enacal.com.ni/>*

*El agua un derecho fundamental para construir desarrollo integral con identidad, participación y decisión*

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Nacional de Saneamiento (PNS)				
Servicio	Cobertura			Inversión Requerida (Miles millones)
	2005	2010	2015	
Agua Potable	76%	79%	82%	1,457
Saneamiento	57%	66%	77%	1,455
Tratamiento (*)	22%	54%	100%	1,131
TOTAL				4,042

(\*) Porcentaje estimado sobre la población urbana servida con sistemas de alcantarillado. Existen 54 EPS, entre ellas SEDAPAL, que tiene la responsabilidad de atender al 70% de la población del país y las otras EPS al 30%.

## Political Management

The political environment (understood as governors, mayors, shareholders, directorates, etc.) immediate to the water and sanitation service providers (WSP) has great influence in the technical decision making, tariffs and investments<sup>1</sup>. The high staff turnover can, in some cases, be attributed to political meddling; politicians assign positions in WSPs to return favours, resulting in medium and long term process instabilities. With the strengthening of the political management capacities of the WSPs, the negative political influence is reduced and addressed for achieving sustainable water and sanitation service provision. It also pursues positive empowerment of the authorities to fulfil their duties and support the WSPs, either with financial counterparts or with technical assistance.

With these objectives, the following working strategies are proposed:

1. Search for a common objective between the interested actors to achieve a sustainable management with involvement from all. As such, the first step should be in understanding the correlation between forces in an effort to develop a political map in which the forces, and how they are organized or aligned

(in favour, against or neutral) are explained. Weak Institutions allow for increased interference from the governmental representatives. The media also plays an important role, as they can influence the leaders and institutions; it is thus also important to include them and understand their capacity to meddle in political processes.

2. Capacity development of the political environment addressing decision making towards the service's sustainability; informing the WSPs' managers and directors, and local and national authorities on the importance of having a political management that achieves and maintains capacity development in the long term.
3. Ensure WSPs' transparency with regards to their objectives and expenses, allowing the strengthening of relationships with citizens, the media and politicians; keeping them informed of the necessity of construction works, investments, importance of tariffs, etc., and reducing the opportunities for politicians to make arbitrary decisions.

## Outstanding experiences

The development process of the Bolivian water and sanitation utilities association (WSPs aggregation looking

for economies of scale, known in Bolivia as "Mancomunidades") advised by the GIZ stands out as a positive

<sup>1</sup> In the Bolivian case are the municipal governments the responsible by law of the service provision but they delegate them to the WSPs





experience in political management. One of the many activities performed was the [diagnosis of the local forces](#), in which the distribution of forces in the area was characterized by developing surveys completed by citizens and sector organizations. It was found that citizens perceive the local organizations to be highly politicized and that decision-making positions were allocated due to political or family connections. The citizens also expressed that such organizations were unreliable (in the context of whether or not they positively impacts community, refer also to honesty and transparency). From the organizations included in the surveys, the mayor's offices were perceived as having a higher amount of negative aspects (corruption, politicization, poor role development, private-sectorial interests).

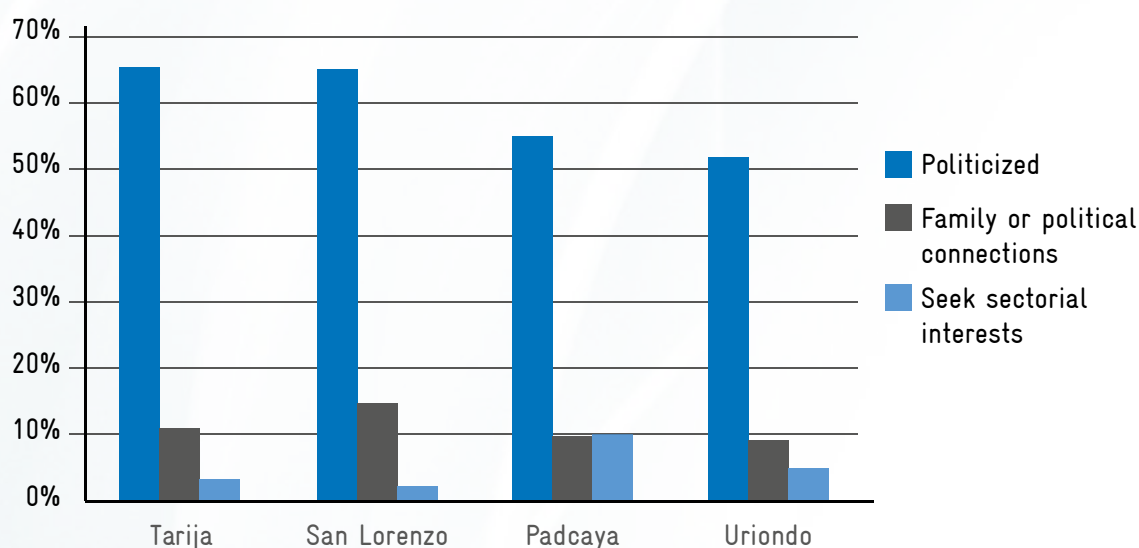
Looking to overcome this situation, the GIZ advised, within the [associations build up process](#), the [project diffusion strategy](#). With the objective of having a more transparent management, the information and communication strategies of the WSPs to be aggregated were strengthened, and hygiene and environmental educational campaigns were carried out. To guarantee an equal participation of

the interested actors, the utilities associations' board was established, to be formed by representatives from the municipal governments, the WSPs, and the citizens. The board members were trained to achieve quality involvement and role development.

The top managers from the WSPs were included in capacity development processes, to help ensure the fulfilment of their roles. Regulations and standards were developed for improving the WSPs' management and to establish mechanisms and rules for dealing with the municipal governments, as well as to be able to better use the investment resources, taking advantage of investment opportunities with different programs existing in Bolivia.

Some of the activities developed in Peru under guidance of the GIZ/PROAGUA during the development of the [quick impact measures programme \(PMRI\)](#) are good examples within this topic. WSPs were advised in the development of their institutional relations and communication plans; awareness campaigns were carried out in regard to the [economic value of water](#), [board members roles](#) were defined,

### Citizens organizations perception



Source: Fuerzas locales en Tarija, San Lorenzo, Padcaya y Uriondo. UCORE-PROAPAC





[managers and process leaders](#) capacities and abilities were strengthened in [leadership and coaching](#) subjects, improving their external relations and creating dialogue opportunities, promoting closer relations between the social and political actors within the field of activity.

By implementing a strategic plan for the development of the water and sanitation services, known as the optimized master plan (PMO) that, according to the Peruvian law, must be developed by all WSPs, management transparency is sought by including citizens and municipalities in its approval. The WSPs that took part of the PMRI were strengthened by carrying out citizen consultation processes and external political and social communication

tasks. To that end, teams were established with WSP staff from different areas. Amongst many other tasks, these teams had to deepen their knowledge of the social and political environment, [strengthening institutional and personal capacities, with an emphasis on communication, public speaking, publicity and public relations skills, and communication workshops](#), using theoretical explanations and practical training on how to present the projects to big groups and to the media; reinforce relations with press and media; strengthen public relations (civil society institutions, social organizations, interest groups, etc.); strengthen political relations with the regional and local governments, political parties, mayors, etc.







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*<http://www.proagua.org.pe/>*

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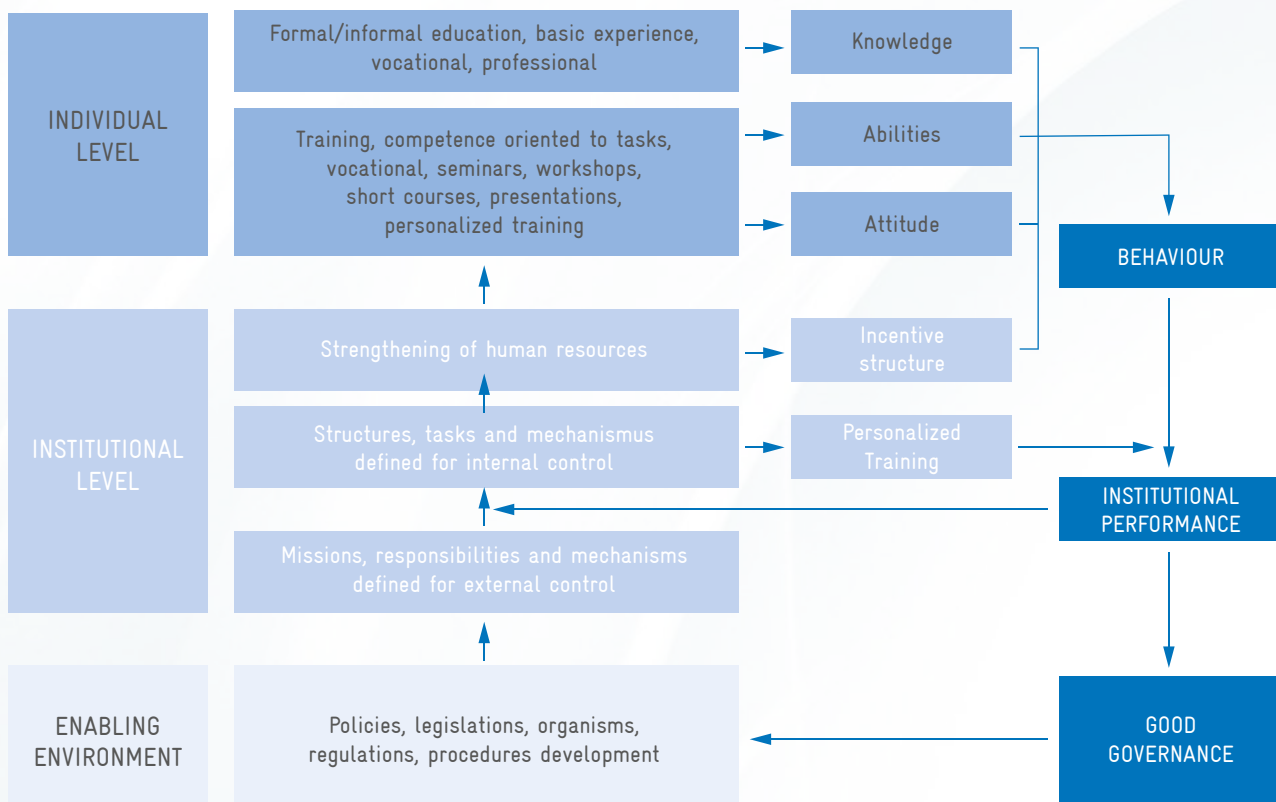


# Capacity Development in the Latin American Water and Sanitation Sector

## Concept

Water and sanitation services in Latin America are unsustainable and its tariffs are not affordable for all citizens. It has been identified that in addition to infrastructure investments, there is a need for capacity development (CD) in the human resources sector. CD defined as “an endogenous course of action that builds on existing capacities and assets,

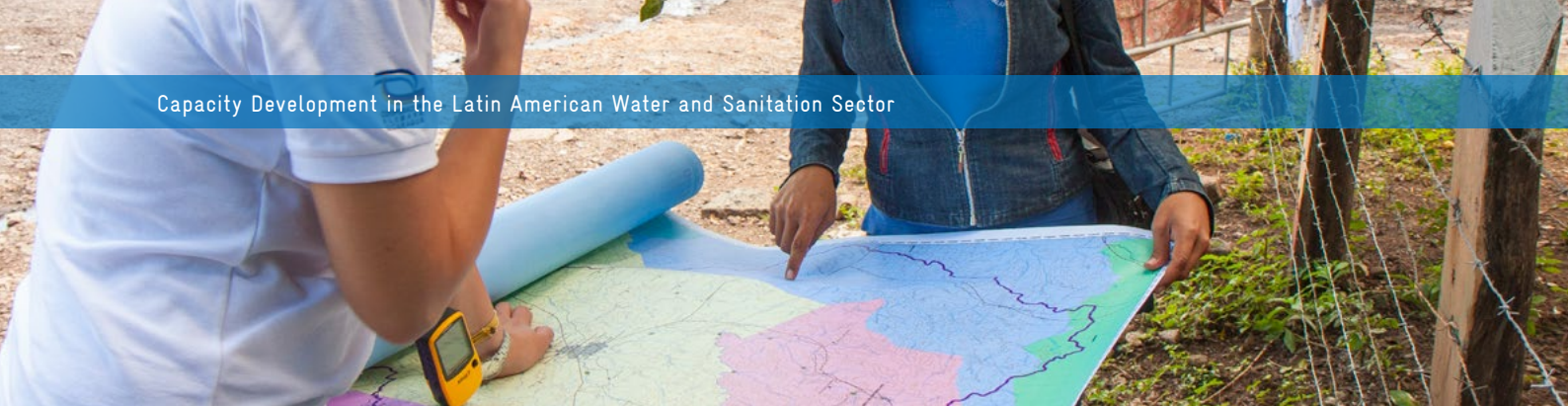
and the ability of people, institutions and societies to perform functions, solve problems and set and achieve objectives” (UNDP<sup>1</sup> 1997, Lopes y Theisohn 2003). Policies that consider an equilibrium between knowledge and personal-institutional capacities with infrastructure investments for coverage expansion and quality improvement are required.



Source: 4th World water forum. Adapted from Van Holwegen; 2004

<sup>1</sup> United Nations Development Programme





With this in mind, 3 levels of human resource sector CDs are defined. (1) Individual level: developing abilities, knowledge bases and attitudes that support increasing the professional level, improving the institutional capacities needed for the development and sustainability of the sector. (2) Institutional Level: management capacity to include the requirements of staff CD in the policies, procedures and frameworks of the water and sanitation service providers (WSP). (3) Enabling environment: looking at the society as a whole, such that externalities and an enabling environment foster a system in

which the individuals and the institutions accomplish their tasks based on established standards and guidelines.

Properly trained staff increase the social value and the economic benefits of the infrastructure investments. The strengthening of the WSPs fosters their efficiency and interactions with other involved institutions. Sector policies and reforms oriented to sustainable development improve service management and prioritize establishing knowledge supported by a legal and political framework.

## Difficulties and challenges

- Lack of trained staff within the WSPs and government institutions.
- Lack of information on the current service status.
- Infrastructure in poor condition.
- An oversaturated, poorly trained work force. High staff turnover results in loss of process continuity.
- Staff are poorly remunerated, and incentives that motivate the employees to continue their careers in the utilities do not exist. This hinders long term CD and reduces its impact.
- Employee's roles and responsibilities are not established or defined, generating a decrease in WSP efficiency.
- Recruitment and layoff processes lack transparency, highly related to political interference. In many cases there are high levels of inequality for women.
- Absence of national institutions in charge of the sectorial technical assistance and CD.

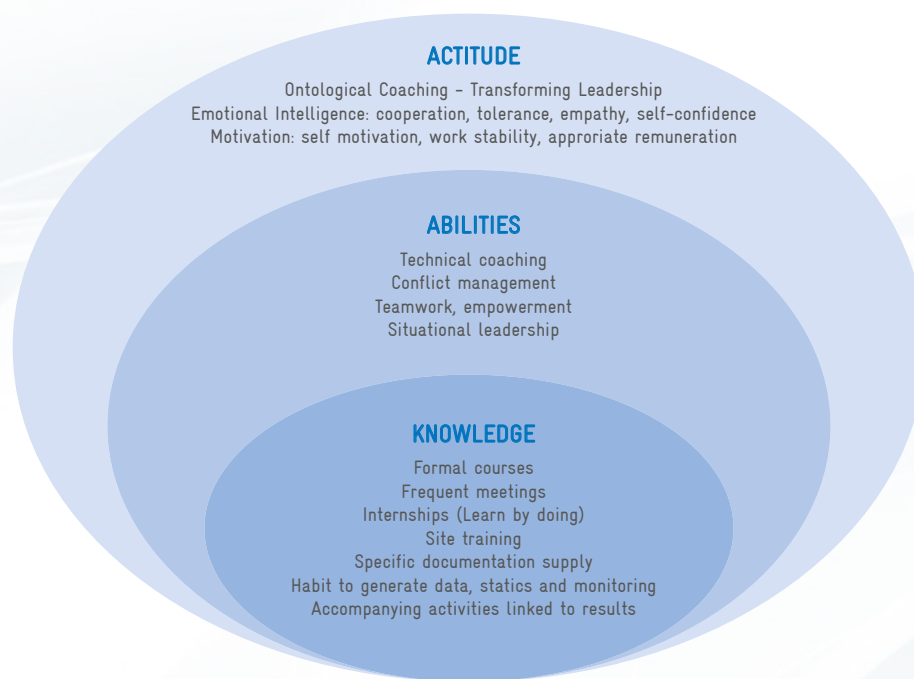
## GIZ strategies and working lines

In order to overcome the institutional difficulties previously described, and to work towards achieving sustainable CD, the GIZ advises using two strategies:

1. CD of management and technical knowledge, for which technical assistance and training on topics of interest is performed. An approach oriented to change management and sustainable development which is described in 3 rings, the first one referred to knowledge transfer, the second to abilities development and the

third to behavioural change with a positive vision. For the implementation of them, different tools can be developed, as shown in the figure.

Keeping this in mind, several aspects are strengthened such as: operational and administrative processes, technical criteria for operation, maintenance and administration of water and wastewater systems, implementation of tariffs, policies and actions that allow resource acquisition for the service improvement and expansion.



Source: PMRI-PROAGUA GIZ

2. Strengthening of the sectorial CD structures, enhancing the setup of a systematic solution which includes aspects such as financial solutions, supply

and demand, and retaining an interrelation with a national CD system.

## GIZ Experiences

### Bolivia:

The first approach for CD in the sector started with the cooperation agreement (1997) between the Bolivian Urban affairs Ministry, [the National Water and Wastewater Utilities Association \(ANESAPA\)](#) and the German Federal Ministry for Economic Cooperation and Development, signed for creating the [national training system for water and sanitation \(SNCSB\)](#). In 2001 the SNCSB was replaced with the [Sustainability Assistance System \(SAS\)](#) seeking to broaden the CD vision with a larger inventory of topics. At the moment the SAS still operates, but under the administration of ANESAPA, and offers advice to its subscribed WSPs. Additionally, the GIZ guided ANESAPA in the development of the [modular training system](#), information and documentation centre with 61 didactic texts, covering all the thematic

areas in the water and wastewater sector context. These modules were developed with engagement of sector professionals and technicians with practical knowledge of the national reality and by collecting experiences from international institutions specialized in national technical commissions, which gave the guidelines for performing the project.

Finally, a systematic national solution for CD is available in Bolivia, the [National Service for Sustainable Water and Sanitation Services \(SENASBA\)](#), as a public decentralized entity, led by the Bolivian Environmental and Water Ministry (MMAyA).

### Nicaragua:

The water programme from the GIZ (PROATAS) supports



the [Nicaraguan water and sanitation utility \(ENACAL\)](#) (in charge of approx. 90% of the urban coverage) in implementing staff training and developing a system for CD that includes different learning methods and instruments (such as the methodology for [Learning Associated to Results \(AVAR\)](#)), in order to give professional support and achieve sustained operation and maintenance.

Additionally, capacities from [CAPS network](#) members are being strengthened in administrative and organizational topics related to integrated water resources management, with a focus on increasing the participation of women community leaders (37% participation achieved).

#### **Peru:**

The GIZ/PROAGUA supported the Peruvian government, through the National Sanitation Directorate (under leadership of the Housing, Construction and Sanitation Ministry), in the implementation of the national [System for Capacity Development \(SFC\)](#), a network that connects public and private institutions with experiences, knowledge and resources for a sustainable CD strategy.

As a complement to the SFC, the GIZ/PROAGUA has advised WSPs in the development of their [Capacity Development Plans \(PFC\)](#), WSPs' strategic management instrument to plan and organize in macro processes the activities

required for personnel and institutional CD in periods of 5 years. Additionally, PFCs benefit the SFC, as the information of the CD can be used for promoting the training, technical assistance, innovation and technology transfer supply (in 2013, 36 WSPs developed their PFCs from a total of 50 existing in Peru). This PFC is included in the WSPs' [Optimized Master Plan \(PMO\)](#), as required by the modernisation law for sanitation services, ensuring funding of CD costs through the tariffs.

As part of PROAGUA, the [Quick Impact Measures Programme \(PMRI\)](#) was developed. Within it, utilities' staff capacities were developed, in order to improve processes and procedures.

The GIZ/PROAGUA also supports [SENATI](#) and [SENCICO](#) (institutions intended to develop human skills) to make available, in cooperation with the WSPs, new professional training and educational modules for new profiles needed in the water and sanitation sector.

The GIZ advised the development of the [CD Action Plan embedded in the Water for All programme](#), a programme developed with the objective of facilitating improved water resources management and infrastructure investment. CD processes were generated to ensure the efficacy and efficiency of water and sanitation investments.

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# Supply and Demand Capacity Development



In an effort to overcome the water and sanitation sectorial weaknesses, solutions that allow developing and permanently maintaining capacities are needed. To this end, the setting up of organized and sustainable national systems for capacity development (CD) is proposed, being the key for decision making, promoting the supply and taking care of the demand. With this in mind, it is essential to firstly characterize the sector and its necessities (supply and

demand), and involve all actors (at national, regional and local levels) through consultation mechanisms (surveys, interviews, workshops, focus groups). Laying the foundations for identifying the CD model required, for example establishing a national institution (Bolivia), or a system coordinated by the vice-ministry functioning as a CD network provider (Peru), or having an area inside the water and sanitation service provider (WSP) (Nicaragua).

## Demand

The CD demand refers to the necessity for improving the processes performed in the sector: What must be strengthened in order to achieve proper functioning? Does the WSP have adequate and sufficiently trained staff for operation, maintenance and supervision? Are there defined profiles for every position? Are there resources to finance CD?

The demand can be divided in two blocs, which are not necessary exclusive, as they could have similar CD requirements. (1) Internal demands are the institutions or people directly involved with the water and sanitation services

(ex. WSPs, local, regional and/or national governments, regulatory authorities, users, etc.). (2) External demands are the persons or institutions that provide services to the sector temporarily and only in specific projects or topics (ex. professionals and/or consultants, builders, companies of specific technical services, etc.).

Knowing the CD demand is not just useful for developing the supply in a precise way, but also allows for the admittance of new CD providers to the sector with a lower risk, and the planning of organizational structures to achieve CD permanently.

## Supply

Once the demand is identified, the supply should be characterized: what must be generated or fostered to satisfy the demand? Firstly, the existing supply must be identified in order to analyse the weaknesses and gaps that require improvement.

The following requirements should be kept in mind during this process:

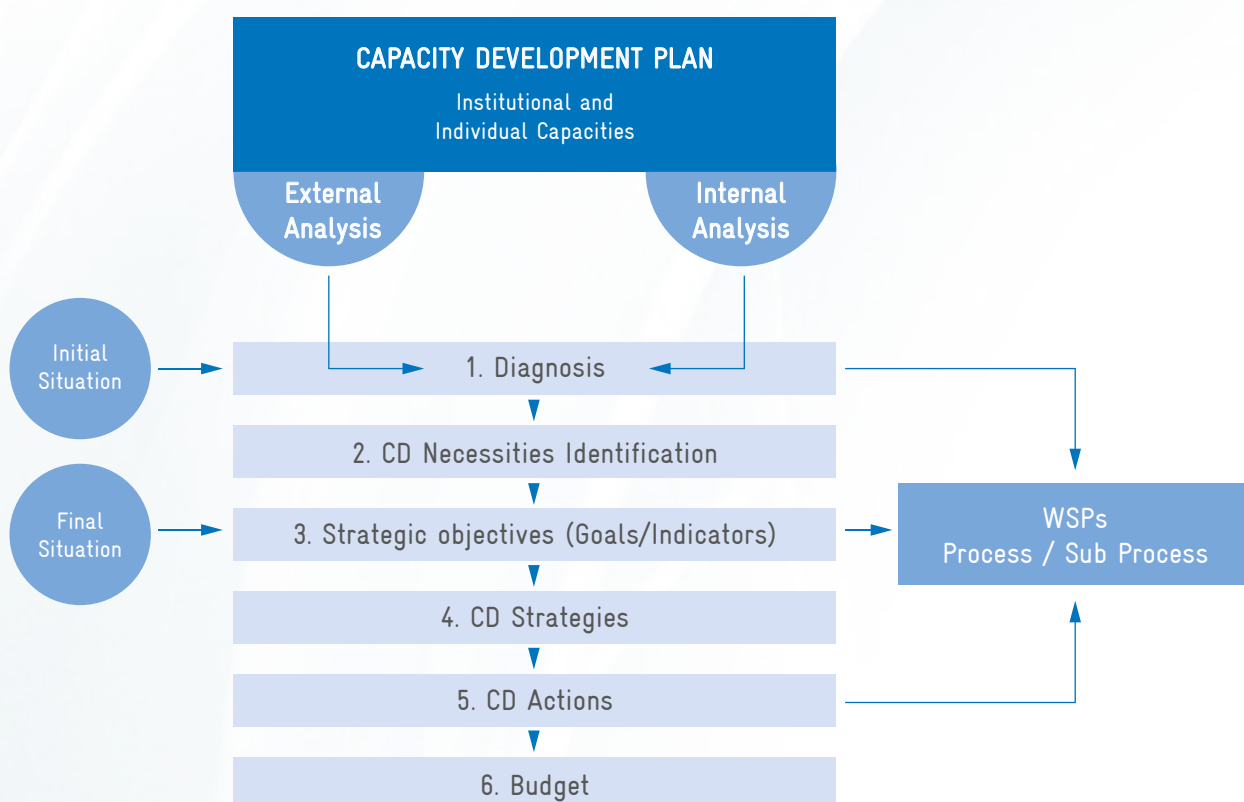
- What types of CD services are required by the WSPs and other players of the sector?



- Who are, or could be the potential developers/ institutions to build up CD (ex. WSP associations, private or public institutions that train or educate professionals, universities, NGOs, etc.)?
- What type of public is embedded within the existing CD, and should it be broadened to be more inclusive?
- Which CD policies exist?
- Do the users actively participate in the decision making and are they trained for doing so?
- What are the costs and payment mechanisms, keeping in mind the requirement of resources for CD?

## Outstanding experiences

- The GIZ/PROAGUA developed a study entitled [water and sanitation service provision in Peru: human resources and institutions approach](#), in which the status of the WSPs' human resources is evaluated, and the interaction between utilities with other institutions and their role within the framework of urban water and sanitation is defined. This study allows foreseeing how the sectorial CD should be directed.
- With financing from GIZ/PROAGUA and using the experience of the Information and Documentation Centre in Sanitary and Environmental Engineering (CIDISA) developed by the [WSPs National Association \(ANESAPA\)](#), the [Modular Training System for Basic Sanitation](#) was elaborated. It is offered by ANESAPA and consists of 61 didactic texts that include all the requested topics for the utility.





- In Peru, under the guidance of the GIZ, 36 WSPs (from a total of 50) elaborated and implemented their [CD Plan \(PFC\)](#), management tool that considers in an organized, coherent and systematic manner the objectives, goals, strategies and actions required for the WSPs to improve their performance through their CD processes. Additionally, the PFCs work as an input for the National Sanitation Directorate, [as they represent the WSPs' CD demand](#) and allows for the promotion of institutional and individual CD supplies through the [National System for Capacity Development \(SFC\)](#).
- Through the Peruvian [SFC](#) and Bolivian [National Service for Sustainable Water and Sanitation Services \(SENASBA\)](#), the CD supply development has been promoted, the demand has been organized, and the WSPs' economic resources, together with those from organizations have been properly directed to achieve CD. In order to optimize resources and increase attractiveness to the CD providers, synergies between WSPs with similar demands have been made.





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## Sector Structures' Capacity Development

The lack of sustainable investments for the Latin American water and sanitation sector has awakened the interests of applying more integrated policies and strategies, including a systematic solution that continuously provides human capacity development (CD) identified as a critical factor to be able to overcome the current situation. This is achieved, not only by accomplishing timely CD, but with the establishment of organizational models.

### Bolivia

In 2004, the water and sanitation sector, supported by the GIZ and other international organizations, created the [Foundation for Supporting Sustainable Basic Sanitation \(FUNDASAB\)](#), as a private non-profit institution with public interests. The intention was to have a specialized institution dedicated to WSPs' technical assistance aimed at improving the water and sanitation services. [Nonetheless, in 2008 it was closed, due to political changes in the country.](#)

FUNDASAB was replaced by the [National Service for Sustainable Water and Sanitation Services \(SENASBA\)](#), as a public decentralized institution, with administrative, financial, legal and technical management autonomy, housed by the Bolivian Environmental and Water Ministry. The SENASBA has the purpose of providing technical assistance and institutional strengthening, implementing [Community Development \(DESCOM\)](#), sharing positive sector experiences, and executing sector policies and strategies.

The GIZ supported the SENASBA in activities such as: staff specific CD, carrying out the proposal for the cooperative of water and sanitation services of the Santa Cruz

In the three Latin American countries where the GIZ is present, different national and systematic CD structures for the sector have been advised and/or developed, which are briefly elaborated upon below.

city (COOPLAN) institutional strengthening, conceptualizing the [Pluri-national water school \(EPA\)](#), designing the SENASBA institutional strategic plan, coordinating and developing two massive educational campaigns "[Agua para la Vida](#)" and "[Lavado de Manos](#)", and implementing the CIMAS-SIS (management model in basic sanitation).



Source: SENASBA adaptation



## Nicaragua

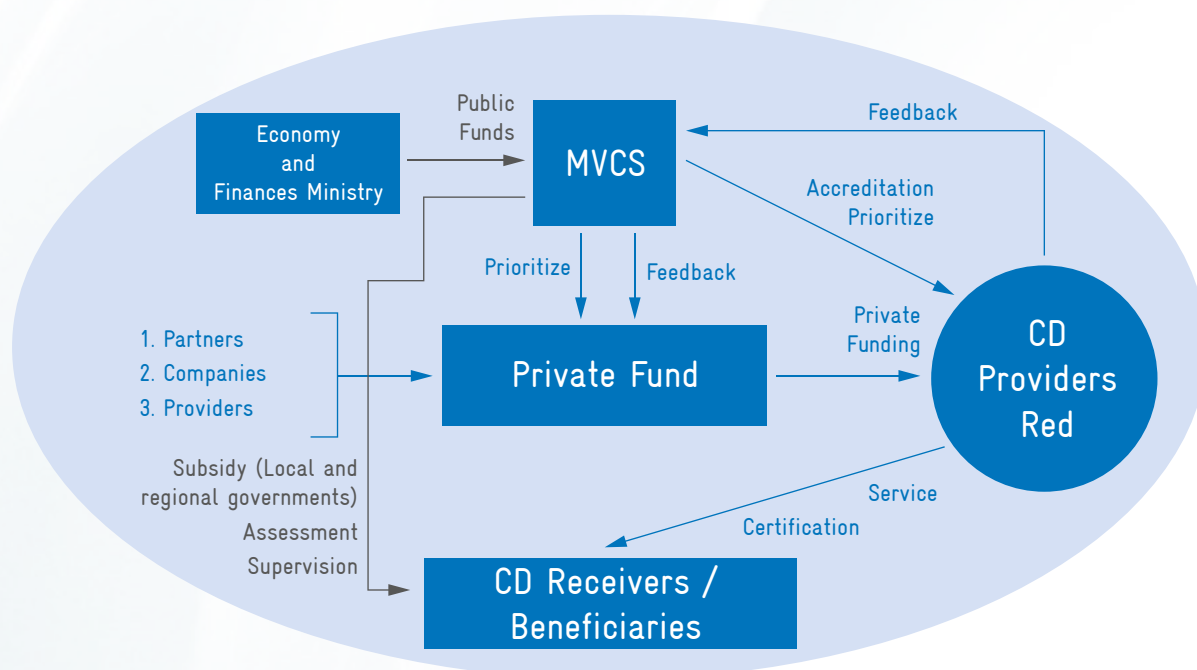
As a GIZ strategy, it is presently advising the establishment of a specific area within the [Nicaraguan Water and Sanitation Utility \(ENACAL\)](#), to systemize the CD. Currently, the methodology made by the GIZ, [Learning Associated to Results \(AVAR\)](#), is being used. However, this is considered to be used as an instrument, not a systematic solution that includes financial considerations and organizes the supply and demand. AVAR proposes a strategy for programming and executing training and technical assistance events, achieving

tangible results, and organizational improvements. It has been implemented for the training of directors, managers and technicians from ENACAL, and also covers topics such as municipal public services management, municipal financial management, rural potable water management, management CD for territorial indigenous governments, development of municipal water and sanitation plans, and investment management.

## Peru

The GIZ has supported the Peruvian government, through the Vice-Ministry of Construction and Sanitation (MVCS), in the implementation of the national [Capacity Development System \(SFC\)](#). The SFC was built up as a network of public and private institutions, based on the co-responsibility and technical-financial cooperation of the state, the private sector, and civil society.

[Currently 54 institutions' providers of CD have joined the SFC](#). The financial system has components including: (1) the conceptual framework for financial support of the SFC of the sanitation subsector [approved with a vice-ministry resolution](#), "essential for requesting and managing the allocation of economic resources that ensure the SFC sustainability and funding"; (2) International cooperation organizations (BID, COSUDE, JICA), which have





committed resources to finance activities related to the SFC institutionalization and the development of CD services (training and technical assistance); (3) The WSPs have assigned their own resources (approved by the regulator and included in the tariffs) to finance their staff participation in CD processes promoted by the SFC.

The SFC has three service implementation lines: (1)

Training: the Specialization Programme in Water and Sanitation (PEAS) is executed for developing university study programmes in the sector. The Water and Sanitation Competences Update Programme (PACAS) carries out different training types as courses, workshops, conferences, seminars, etc. (2) Technical assistance: WSPs are advised in topics such as governance and corporate governance, commercial management, CD plans and optimized master

plan (PMO) development, business CD, and user education programs development etc. (3) Innovation and technology transfer: Different programs have been structured with specific objectives in mind. For example, the technology transfer programme linked to the utilities management, and the technological research and development programme in water and sanitation

Additionally, with cooperation of dual professional training institutions ([SENATI](#) and [SENCICO](#)), careers for technical staff are being developed as demanded by the WSPs. A study carried out by the SFC identifies the necessity of having qualified operators in waste water treatment plants, water purification plants, HidroJet, and water and waste water networks.





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# Governance and Corporate Governance in the Latin American Water and Sanitation Sector

## Concept

The functional and constructive interrelation between the social and public sector actors provides the basis for achieving service sustainability. The management autonomy from water and sanitation service providers (WSP) guarantees their economic sustainability. Improper Governance and Corporate Governance (G&G) in the sector is one of the reasons why universal and sustainable water and sanitation services have not been established in Latin America.

The term **governance** in water and sanitation services refers to the “dynamic equilibrium between the social-political demands and the service provider’s capacity to effectively and legitimately address them in accordance to the established standards, processes, and procedures”. While WSP **corporate governance** concerns the WSPs’ management, understood as “the leadership (non-hierarchical) that enables the achieving of goals and objectives through

consensus, coordination, and development of policies, standards and procedures, together with accountability and transparency” (Franz Rojas, 2010).

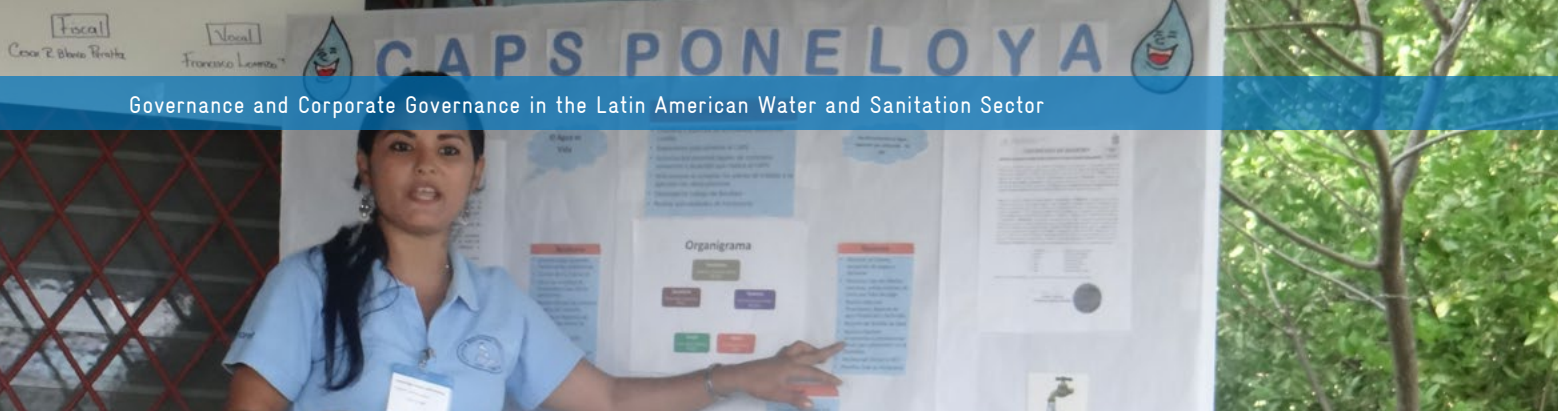
Even though governance and corporate governance are defined differently, these two are not necessary exclusive; proper corporate governance enables the achievement of governance parameters. For example, if the WSP staff is not satisfied with the utility or qualified for developing the role, the quantity and quality of the service provision will be affected and therefore the users satisfaction, which will be reflected in the WSP’s effectiveness and legitimacy.

Although the concepts of G&G were addressed to WSPs, they can be applied to the whole sector and/or to specific institutions in charge of regulating, managing and governing the water and sanitation services.

## Difficulties and challenges

- Insufficient funding of WSPs for increasing coverage or improving water quality. In many cases, the tariffs do not consider investment costs recovery, and in those cases where there is an operational profit, the revenues must be used to cover debts and not on new investments.
- Utilities regulations and tariff structures are outdated; due either to WSPs’ management or because the regulatory authorities have not approved them.
- The management of funds aimed at the sector investments has not achieved sufficient levels of efficacy and efficiency to accomplish the necessary increases in coverage and water quality for the most deprived areas.
- WSPs atomization and fragmentation affects their financial sustainability and corporate governance, as well as hampers the possibilities of unifying financial politics and implanting WSPs’ regulatory systems.





- Lack of transparency in the information management. Users are not aware of, or cannot access information. In some cases, WSPs are afraid to expose information that might be questioned or challenged.
- Users have a negative image of WSPs, resulting in low credibility.
- High staff turnover due to low economical remuneration, lack of work force motivation and/or forced turnover for political interests.
- The directors, managers and staff from WSPs and sector institutions lack the capacities and experiences needed to develop their position.
- WSPs do not have capacity development plans and/or health and environmental education plans. Due to lack of liquid assets, they are developed based on current necessities.
- When the governments change, the sector's strategies are modified because every incoming government wants to leave a "footprint".

## GIZ strategies and working lines

With the objective of overcoming the situation explained before, the GIZ advises ministries, sector associations and WSPs in the institutional-legal framework. This includes analysing the existing governmental structures and the WSPs' management models in order to propose reforms that target service sustainability, with an effective and transparent communication between the government, the WSPs and the citizens. The GIZ also fosters the usage of different instruments that enhance utilities management, and support the institutions in their development, such as: roles and procedures manuals investments, regulation and licences, capacity development plans, citizen awareness campaigns, development plans, accounting, operating licenses; etc.

Regulator entities are directed towards operating in a decentralized manner in order to better control and monitor the provision of services. The development and implementation of the conceptual framework, standards, regulations and laws aimed at sector sustainability have also been advised.

On the other hand, with the objective of strengthening the small to medium WSPs' liquid assets, utilities aggregation is proposed as a solution to the current atomization and fragmentation in several Latin American countries. It aims at economies of scale, with adequate financial and institutional capacity to manage the service provision with satisfactory continuity and water quality.

## GIZ Experiences

### **Bolivia:**

As a result of the GIZ/PROAPAC programme, the sanitation sector presently has a national systematic solution for capacity development (known as [SENASBA](#)), with national and international recognition. With the [investment mechanism for coverages in the water and sanitation sectors \(MICA\)](#), Bolivia has an instrument and policies to assign financial resources in an optimized and transparent manner,

considering resources for technical assistance, institutional strengthening and community development.

As part of the [National Development Plan \(PND\)](#) and with the emergence of the new State Political Constitution, the adjustment of the sectorial regulations was advised, developing and adapting new standards to the established guidelines.



Concerning the regulator, the institutional strengthening of the prior Basic Sanitation Superintendence (SISAB) and the current [Potable Water and Basic Sanitation Inspection and Control Authority \(AAPS\)](#) were supported. These regulatory entities were advised in subjects such as the G&G strategies, instruments and tools to include in their management (for example, the establishment of a benchmarking system), and staff training for developing their regulation and control interventions.

Within the PROAPAC, the setting up of two [water and sanitation utilities associations](#) (recognized in Bolivia as “Mancomunidades”) that are small aggregated WSPs seeking autonomy and sustainability of the service provision through economies of scale and increased social involvement.

With the purpose of achieving financial sustainability of the WSPs belonging to the [Water and Sewerage Cooperatives Association of “la Gran Chiquitania” \(ASOCAACH\)](#), the development and execution of institutional strengthening plans were advised.

#### Nicaragua:

Subjects related to integrated water resources management have been supported. Currently, the development of watershed management and monitoring

plans, and a water resources national information system are been promoted. Within this context, the GIZ is also working with the [National Water Authority \(ANA\)](#) to elaborate organizational and capacity development regulations and directives.

The GIZ advises [ENACAL](#) (utility responsible for around 90% of urban services) on a process of gradually restructuring the central level accompanied by progressive deconcentration of the roles and functions of the departmental delegations furthering autonomy. The GIZ is directly supporting four of the delegations in the strengthening and improvement of their services.

#### Peru:

The WSPs’ institutional enhancement process started with the development and implementation of G&G instruments (see figure) within the utilities advised by the GIZ, gaining initial experiences of effectiveness and generating the legitimacy needed to establish them nationally with regulatory support. As a next step, with the purpose of having a continual improvement process, the sector actors begin with the [G&G indicator system](#), developed and implemented with the support of the GIZ, as the basis for implementing targeted and corrective measures. The annual G&G report allows the Housing, Construction and Sanitation Ministry to

#### WSPs’ G&G Instruments:

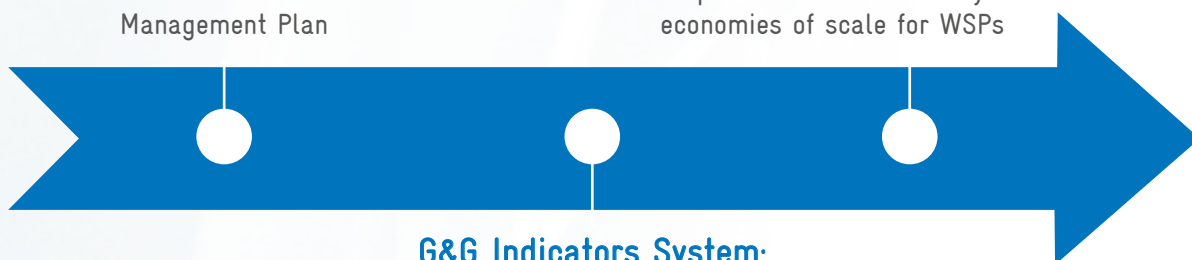
- Exploitation contract
- Good Corporate Governance Code
  - Accountability and Performance Standards
- Social and Business Management Plan

#### Modernization Law:

Attempts to achieve autonomy and economies of scale for WSPs

#### G&G Indicators System:

WSPs and continual sector improvement





generate public transparency in relation to the institutional WSPs' situation, and to foster a report, comparison and continual improvement culture between the WSPs. This system seeks to evaluate the WSPs' G&G situation and identify solutions at a macro level. Finally, taking in to account the results of this evaluation and seeking to overcome some recognized sectorial legal and structural obstacles, a reform for the water and sanitation sector was conceived through the [Sanitation Services Modernization Law](#). The core is to ensure, through the **Technical Organism for the Sanitation Services Administration (OTASS)**, *"the adequate WSPs manage, as efficient service providers, with business autonomy, territorial and social integration, safeguarding*

*the proper sectorial policy implementation in matters of their administration"*. The GIZ supported the design, public consultations and legal process of the law as part of a wider reform developed in cooperation with organizations such as the IDB<sup>1</sup> and the KfW<sup>2</sup>, with the objective of achieving an increase in coverage with enhanced service quality, and a sustainable management of the water resources.

Presently, with the new GIZ programme PROAGUA II, the GIZ is supporting the implementation of this law within the sector, addressing the aggregation of small WSPs as a solution to their financial deficit, while concurrently improving their operative efficiency.

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<sup>1</sup> IDB: Inter-American Development Bank

<sup>2</sup> KfW: German Development Bank

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Proyecto de Optimización Operativa del Sistema  
de Abastecimiento de Agua Potable de la Ciudad  
de Rivas  
Financiado Por el Programa de Asistencia  
Técnica en Agua y Saneamiento  
PROATAS



## Governance and Corporate Governance Instruments

In Latin America, despite increases in investments for the water and sanitation sector in the past years, universal coverage and service sustainability has still not been achieved. It has been identified that utilities management must be transparent in the long term and not only attempt to solve problems presented in the short term, ensuring the establishment of a solid Governance and Corporate Governance (G&G) and therefore achieving service provision with higher coverage and better quality.

As an outstanding experience, the Peruvian case is described below, in which the GIZ has identified a variety of G&G deficiencies of the Peruvian water and sanitation service providers (WSP). With the purpose of overcoming WSPs' G&G weaknesses, the GIZ, together with the Housing, Construction and Sanitation Ministry (MVCS), developed G&G instruments which are implemented by the WSPs looking to modernize and strengthen their G&G, and thus achieve quality (associated with operative efficiency and users satisfaction), and sustainable (environmental, social and corporate) service provision.

### Good Corporate Governance Code

In 2007 the [Good Corporate Governance Code](#) was published, composed of 32 principles (divided into generalities, property rights, the board and top management, and transparency) that establish the WSPs' directors, managers and staff roles and behaviours in terms of adequate management of policy standards, principles, etc. The main

focus of this instrument is contributing to the WSPs' corporate governance, addressed to improve their transparency, efficacy and fiscal prudence. This code was [developed by all WSPs](#) and approved by the MVCS. It is intended that compliance encourages directors and top managers to work for the equitable benefit of the interested actors.

### Accountability and Performance

It is developed with the purpose of achieving service management transparency, understood as the WSPs' and governmental organizations obligation to keep the users informed of the institutional plans, programmes, tariff changes and any other relevant information for the users.

In Peru, as an instrument to control authority abuses, [Accountability and Performance Standards](#) have been

established as part of the existing regulatory framework. They promulgate the WSPs' instruments and mechanisms in order to keep the users informed of their management. The obligation of transparently is equally directed towards the [local governments](#) developing the water and sanitation services management.





## Exploitation Contract<sup>1</sup>

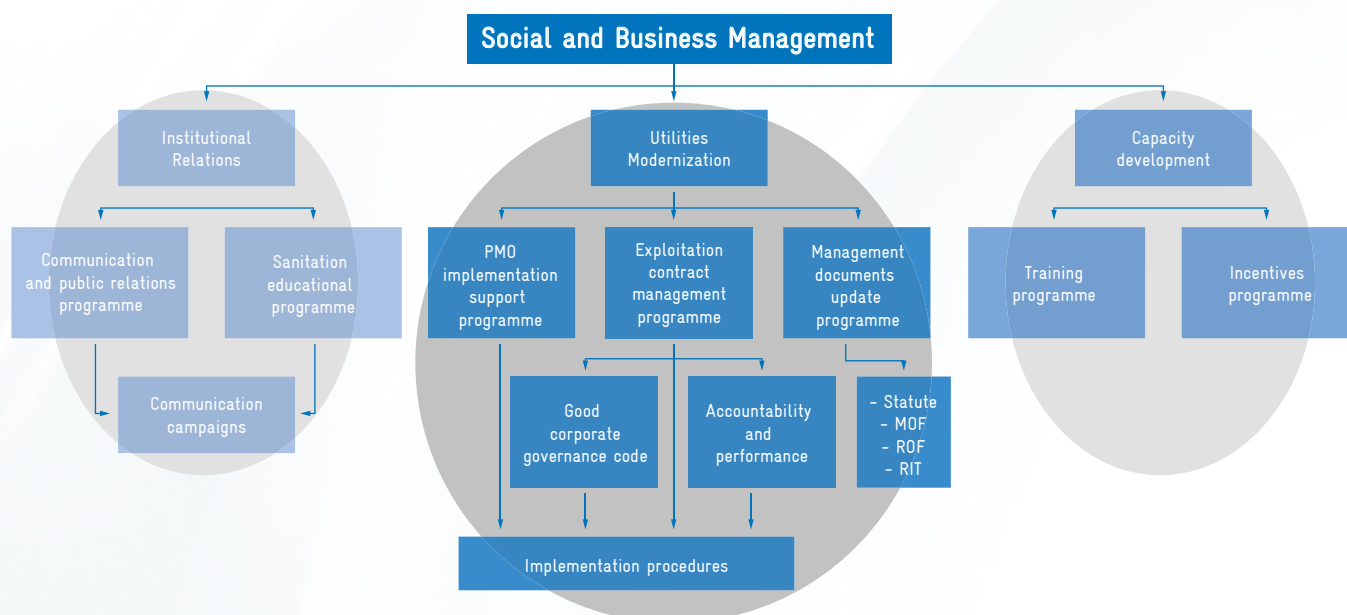
As the municipalities are the owners of the WSPs in Peru, they attempt to intrude upon the WSPs' decision making (political meddling). Seeking WSPs' functional, technical and administrative autonomy, the [Exploitation Contract](#) is developed. In it are established the “general conditions for the relationship between the licensing municipalities and the WSP” and “the service provision responsibility from both sides”.

The WSPs' [social, economic, technical, environmental, legal and institutional](#) requirements and obligations are established. The signature of the Exploitation Contract is the beginning of the G&G improvement process; subsequently, monitoring of the WSPs is needed to evaluate their performance of the products, management and actions, which make up the [compliance evidence](#).

## Social and Business Management Plan

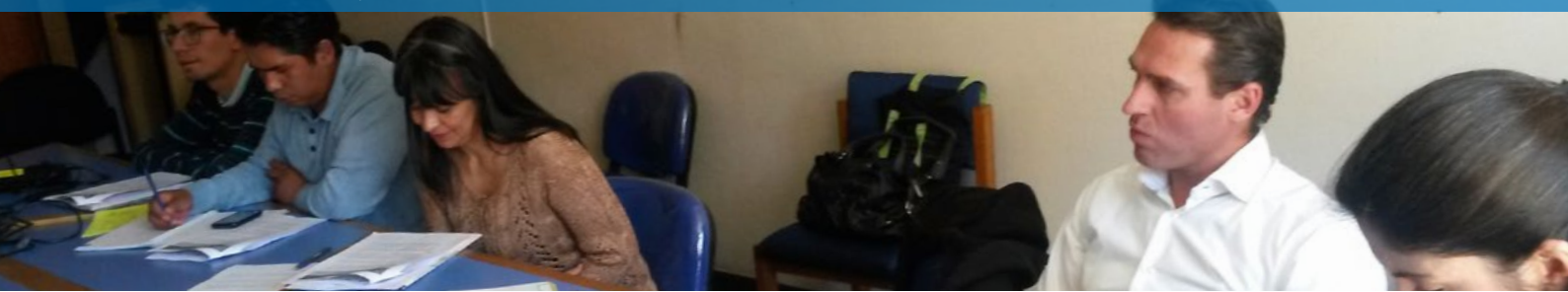
A [resolution](#) is developed taking the [Social-Political Management \(SPM\)](#) experiences of the GIZ's Quick Impact Measures Programme (PMRI) as its foundation. This resolution contains the guidelines that the WSP must follow to

present the “actions proposal for their social and business management strengthening”. In the figure is illustrated the intervention strategy. The [GIZ supported the WSPs](#) in the development of the plans and programmes.



Source: Vice-ministerial Resolution N° 001-2008-VIVIENDA-VMCS

<sup>1</sup> Exploitation Contract: Also known as operating, concession or management license, in which the interrelation between the grantor (municipalities or states) and the service operator (public or private) is defined



## G&G indicator system

The indicators are meant for monitoring WSPs' G&G conditions and for them to develop good corporate governance attributes, described as their capacity to act transparently within the legal framework, aligned with user satisfaction and maintaining economical and business autonomy, ensuring the efficient service provision, with financial sufficiency and sustainable quality. The indicators measure the individual performance of each WSP and allow them to design improvement plans. In Peru, the GIZ contributed with technical support in the development of the G&G indicator system, seeking to characterize the whole sector at a national level. The GIZ is currently offering WSPs training in its implementation.

The WSPs are responsible for keeping the indicator system up to date using the [web platform](#), in which they enter their management information in a questionnaire and the system will process and rate the WSPs in agreement with [23 established indicators](#) from all of the analysed areas (see figure). The WSPs use the system to identify their weaknesses and strengths, and propose the necessary measurements and improvement plans.

This indicator system is monitored by the MVCS, but the WSPs are responsible for providing the information. With the results from the WSPs evaluation, the MVCS gets a macro vision of the service provision status and can implement measurements to provide a better environment for the utilities.

### Governance

- WSP management transparency
- Customer service
- WSP social and institutional management

### Corporate Governance

- Financial sustainability
- PMO performance
- Institutional strengthening
- Working environment

Currently 30 WSPs use the system and develop their improvement plans in accordance to the indicators results. These plans include the capacity development requirements to improve their management (in 2012, 30 WSPs developed the plans, but until now there has not been any follow-up of these plans from the regulator authority). The G&G results from 2013 showed that there is still no WSP with a good performance; 60% qualified with a regular performance and 40% with a low one<sup>2</sup>. Even though the G&G results are still not very positive, presently the majority of WSPs are in charge of providing the information in the platform and developing the capacity development plans, measurements that in the medium to long term will be reflected in better G&G performance. At the sector level, progress has also been achieved; with the sector evaluation obtained from the system, measurements are been established, as those promulgated by the Modernization Law. It is now the responsibility of the Technical Organism for the Sanitation Services Administration (OTASS) to follow up and supervise the WSPs' good governance conditions and carry out the sanitation modernization process monitoring.

<sup>2</sup> Measuring done with the indicators system were the highest possible score is 1000 points. Scores between 760-1000 represent a good performances, 600-760 a regular one and 0-600 a low one.





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*[Sistema de indicadores de G&G Perú](#)*

*<http://www.proagua.org.pe/>*

*[Gobernabilidad y Gobernanza. De la Teoría a la Práctica. Aplicación a los servicios de agua potable y saneamiento](#)*

*[Ministerio de Vivienda, Construcción y Saneamiento – Dirección Nacional de saneamiento](#)*

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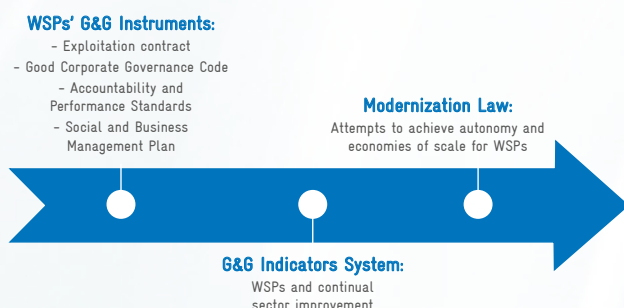


## Reforms to the Water and Sanitation Sector

In order to achieve sustainable and universal coverage of water and sanitation services, it was identified that it is not enough to only address changes to the water and sanitation service providers (WSP) and their direct environment: it is imperative that the whole sector follow the same standards and criteria.

The sector reform that has been carried out in Peru exemplifies some of the actions that can be developed at the macro level to achieve sustainable services. This reform is a process in which the GIZ, together with organizations such as IDB<sup>1</sup> and the KfW<sup>2</sup>, has advised the WSPs, and governmental institutions with the purpose of accomplishing the sector's modernization and thus autonomy.

As shown in the figure, the sector reform process begins with the development of instruments as the foundation for accomplishing a solid business management and Governance and Corporate Governance (G&G) in the WSPs. These instruments are presently implemented by all WSPs (as demanded by resolution). It continues with the development of the [G&G indicator system](#), establishing responsibility between the WSPs and the Housing, Construction and Sanitation



Ministry (MVCS) for the monitoring (meaning not only understanding but also to be in a position to enact change) of the WSPs' performance and the promotion of Corporate Governance enhancements. The process ends with the WSPs' modernization law, which seeks sustainability of the water and sanitation sector. The reason why the reform process did not start with the establishment of a law decreeing, from the beginning, all the requirements needed to achieve universal and sustainable coverage has to do with the "science of delivery" concept. This concept propounds first becoming familiar with the problems, the culture, and the WSPs and thus year by year creating solutions and improvement rings, allowing for the strengthening of the whole sector from the bottom up.

Although the instruments were successfully implemented, measured and monitored, the sector itself confirmed that the established measures were not sufficient to achieve service sustainability, autonomy and quality. WSPs are still not financially capable of carrying out the service provision. One of the reasons identified is that the management models are not sustainable; there exists an atomization of WSPs, so that many do not have enough capital to increase their coverage or keep operating (financial deficit). With the objective of overcoming this situation, the MVCS with the guidance of the GIZ proposed the [Sanitation Services Modernization Law \(Law N° 30045\)](#), enacted in June 2013 and whose [regulation](#) was approved in November of the same year. It establishes improvements for the WSPs' management through different mechanisms: Transitional Support Scheme, aggregation of regional WSPs, technical or financial assistance, and incorporations of tariffs and subsidies.

The creation of the [Technical Organism for the Sanitation Services Administration \(OTASS\)](#) is established as a requirement of this Law. To date it has been formed and is in charge

<sup>1</sup> IDB: Inter-American Development Bank

<sup>2</sup> KfW: German Development Bank

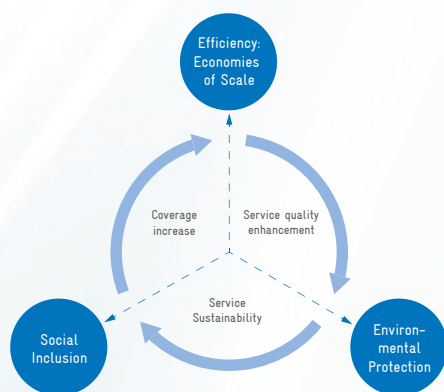


of “ensuring the adequate implementation of the policies from the governing body in relation to the administration of the water and sanitation services provision conducted by the WSPs, which is fulfilled through service providers with business autonomy, territorial, and social integration”. “The OTASS exercises competences in matters of regulation, promotion, supervision, auditing, and restructure of the administration and management of WSPs as corporate entities responsible for the provision of public sanitation services”.

The Law decrees that as a first step an assessment of the WSPs must be done, intended to evaluate: a) WSPs’ financial and economical solvency level; b) the technical solvency level associated with the fulfilment of service management indicators established by the [Sanitation Services National Superintendence \(SUNASS\)](#) and; c) compliance of other technical and legal criteria defined by the OTASS. This assessment classifies the WSPs into three categories:

1. Those that do not merit the Transitional Support Scheme and therefore will continue functioning as usual, however they could receive technical or financial assistance, or they could voluntarily submit to it.
2. Those that merit the Transitional Support Scheme. In this period “the rights and attributions from the WSP shareholders board are suspended, the WSP’s directorate members are removed from their positions and roles, and the WSPs’ shares with municipal, provincial or district ownership are transferred to the WSP Shares-Guarantee trust fund, formed for such a purpose”. Every three years, an assessment of the WSP will be carried out to determine if the Transitional Support Scheme should continue or if it will be terminated.
3. Those which begin a bankruptcy process under the requirements of the Law N° 27809 are the ones with financial insolvency.

The GIZ, under, its new programme PROAGUA II, provides advice to the WSPs, the MVCS, the SUNASS and the OTASS in the implementation of the law, develops training and support for OTASS’ and WSPs’ staff, and assists the regional aggregation of WSPs.



Source: Technical Organism for the Sanitation Services Administration; Peruvian Housing, Construction and Sanitation Ministry

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[\*Reglamento ley de modernización de los servicios de agua y saneamiento\*](#)

[\*Sistema de indicadores de G&G\*](#)

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[\*Reglamento de Organización y Funciones del OTASS\*](#)

<http://www.proagua.org.pe/>



## Management Models

As a response to the lack of autonomy, low liquid capital and fragmentation of water and sanitation service providers (WSP), new management models are required aimed at sustainability. The GIZ, within its portfolio in Latin America, fosters the aggregation of small and medium WSPs “seeking production and operational costs reduction by increasing the aggregate demand, in addition to a more qualified and efficient management” with regional and cultural complementarities. These activities have led to successes, such as the sharing of capital costs between small WSPs for the construction of water quality analysis laboratories and water meter workshops.

### Bolivian Associations

The formation and implementation of the water and sanitation utilities association model (WSPs aggregation, known in Bolivia as “Mancomunidades”) in Bolivia arose as an alternative business management necessary to overcome the existent WSP atomization and took advantage of the expressed willingness of the WSPs to make alliances with the aim of strengthening and increasing the services provided. The advising process started with [an assessment of different management models in Latin America](#), looking for successful examples of WSPs with a mixed nature. As none of the existing models fit within the Bolivian legal conditions at that time, the utilities association management model for the service provision was developed.

To begin with, populations to be integrated were selected, taking in to account different assessments and visits to small and medium cities based in remote parts of the country. The populations of Chaco (formed by six municipalities from 3 different departments) and Bustillo

To successfully carry out such an aggregation, the following aspects from [the environment and the localities](#) to be aggregated must be considered: (1) there must exist common interests amongst the localities and benefits from the aggregation must be clear. (2) Political willingness from the authorities to compromise with the service provision and to promote the project and help in its implementation. (3) Cultural affinity and social-economical complementarities. (4) Geographic feasibility.

(integrating three population districts from Llallagua, Norte de Potosí) were selected. Afterwards, the project was publicized and the utilities association management model was developed through meetings and workshops with [participation from all types of involved players \(municipal government, operator, citizens\)](#). The decision was reached to create the associations as a Mixed Limited Company, with an integrated administration (technical, financial, administrative, social-political and environmental), aimed at better responding to the necessities, where the three interested actors take equitable part in the decision making and investments come from both the public (citizens’ tariff payments) and private sectors. The organizational structure model is shown in the schematic diagram below. It is important to point out that it is not universal; it could change in accordance to the specific needs of each association.





Source: RPOAPAC

In 2002 the enactment of a supreme decree was achieved, in which such a management model was legalized and gave allowance for [setting up the two Bolivian Associations of Chaco and the region of Norte de Potosí](#). To this end, institutional strengthening processes were carried out, keeping in mind the specific conditions of each association and differentiating between centralized and decentralized roles. Local governments were also involved and cooperated with the infrastructure projects and the land acquisition needed for their development.

Due to both a change of government and the termination

of “Aguas de Illimani” (Bolivian private utility), in 2006 a sector review process of the public policies, standards and institutional frames was started in Bolivia in which an adaptation of the utilities association model was required. For this purpose, legal changes were developed to create the [adjusted model](#). However, the fundamental principles under which the associations were created remain intact. Once legal modifications were completed, the GIZ supported the associations in the transition to the new structure, for which technical assistance, capacity development, political and social empowerment and trainings in all areas of the service management were provided.



## Integration model Peru

Peru presently has 50 WSPs officially recognized by the National Superintendence for Sanitation Services (SUNASS), of which 66% are small or medium WSPs providing coverage to only 9% of the total urban population<sup>1</sup>. The advantages of economies of scale, in the context of a potential WSP integration, signify an urgent solution to achieve the country's objective of universal access to these services.

The GIZ, with its new programme PROAGUA II, advises the sector, together with the [Technical Organism](#)

[for the Sanitation Services Administration \(OTASS\)](#), in the implementation process of the [Sanitation Services Modernization Law](#), created with support of the GIZ as part of the sector's reform carried out in the country with participation of other organizations such as the IDB<sup>2</sup> and the KfW<sup>3</sup>. This law establishes the criteria and legal requirements for the integration process. The GIZ will develop the management model proposal and will carry out training for the WSPs' board members and OTASS' staff in subjects related to the integration.



<sup>1</sup> Source: Peruvian Housing, Construction and Sanitation Ministry (MVCS)

<sup>2</sup> IDB: Interamerican Development Bank

<sup>3</sup> KfW: German Development Bank



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