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# IFC SmartLessons

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## Scaling Up Rural Water Supply Service in Benin: A Programmatic Approach and Budget Support

*People in rural areas of Benin have a greatly increased access to safe drinking water, thanks to government vision, donor support, and the investment and advisory assistance of the World Bank. In 2000, the government of Benin began preparing the ministries of key sectors for a shift from a project approach to a programmatic approach with enhanced budget support. The World Bank, through Budget Support Operations<sup>1</sup> and other donors, has supported Benin's reforms in budget preparation and management and in implementation of the country's Poverty Reduction Strategy Paper. The Ministry of Rural Water Supply was part of this move, and Benin is on track to meet the Millennium Development Goals (MDG) target for its rural drinking-water supply. The SmartLessons below share how the World Bank contributed to Benin's remarkable progress in this sector, and what we learned along the way.*



In 2004, Benin constructed more than 1,200 water points. A water point is a borehole with a hand pump that can serve 250 people. Or it may be a small supply system with communal standpipes—the equivalent of many water points. (Photos by Sylvain Adokpo-Migan)

### Background

Initially, the World Bank's Budget Support Operations (BSO) series was intended to support the implementation of Benin's Poverty Reduction Strategy Paper with concessional financing through the national budget processes. These operations focus on key policy and institutional reforms in priority areas and are designed to assist the government with establishing priorities and implementing a rolling core reform program.

The program contained policy measures and outcome indicators for each operation. Then a gradual transition toward a consolidated programmatic approach was launched at both government-wide and sector levels.

The first reason for including Rural Water Supply (RWS) in the BSO was to enable the Ministry of Rural Water Supply to continue to benefit from World Bank support, since no new project could be prepared. Secondly,

<sup>1</sup> Adjustment Credit (PERAC) and Poverty Reduction Support Credit (PRSC 1–6).

all of the sector stakeholders viewed policy dialogue through the BSO as the way to improve overall planning, strengthen relationships with the Ministry of Finance, boost reforms of a difficult sector, strengthen harmonization and alignment of donors' interventions, and develop an effective monitoring and evaluation (M&E) system.

The government RWS reform program included: i) implementing a sector-wide approach; ii) improving budget planning, execution, and monitoring through a medium-term program budget; iii) increasing access to a reliable, affordable, and sustainable provision of water service; and iv) improving the governance and management practices for the small piped-water systems through a local public-private partnership (PPP) arrangement.

As a result of all these efforts, Benin is on track to meet the MDG target of a 67 percent rate of access to potable water by 2015. Since 2001, the government has made significant progress in increasing the rural population's access to potable water (from 33 percent in 2001 to 49 percent in 2008), and the sector execution capacity has been multiplied fourfold. In 2004, for the first time ever, Benin constructed more than 1,200 water points against a target of 700, and more than 2,000 in 2008. More than 500,000 people gained access to safe water in 2008, against fewer than 100,000 in 2001—an outstanding performance in scaling up investment, since over the previous two decades no more than 500 water points were constructed annually. Also, the water-facilities functionality rate improved from 77 percent in 2003 to 87 percent in 2006, due to better postconstruction follow-up. (See Figure 1.)

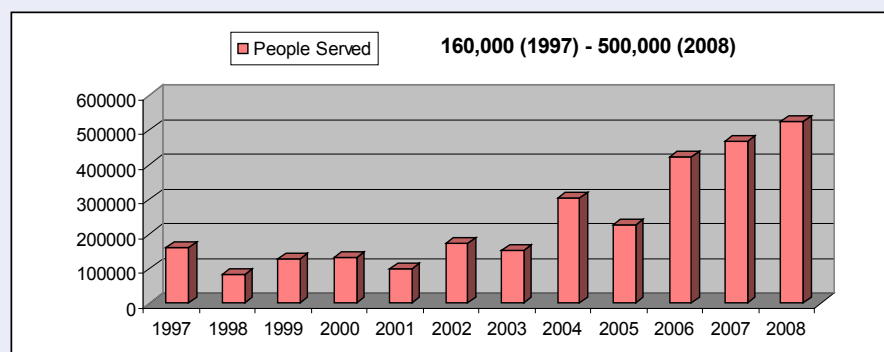


Figure 1: Number of additional people served with safe drinking water per year.

## Lessons Learned

### 1) Focus on sector planning first.

Generally, this sector is heavily dependent on external financing and is supported through multiple donors' projects, but coordination and planning are weak. Introducing a medium-term program budget and MDG roadmap can make a big difference. Including these new planning tools prior to the second World Bank BSO had a great impact on the sector stakeholders' practices, and ultimately on the performance of the sector as a whole. The sector program budget was used as an inclusive planning vehicle for all stakeholders, including the Ministry of

Finance. The program budget became the reference framework for strategic and operational programming and for the monitoring and evaluation of all sector activities. All projects or capacity-building activities were *de facto* included in the program budget, discussed, and validated by the Directorate of Water and the donors.

Also, we supported the development of a roadmap setting out clear annual targets for the acceleration of physical service delivery and financial investment/expenditure to achieve the MDGs in 2015. In Benin, the target was delivery of at least 1,350 new water points per year from 2005 to 2015. This roadmap provided a clear plan—a critical step toward harnessing the efforts of all sector players and promoting collective and coordinated action toward achieving the MDGs. Also, involvement of communes and regions in the formulation of investment plans and budgets has increased progressively since 2002. In addition, a procurement plan and an annual work plan were prepared along with the program budget.

Introducing a planning procedure based on objectives generates a strong dynamic of responsibility, accountability, and results. In Benin, for example, all programs and projects were consistent and aligned with the country's national development strategies, regardless of their modes of financing and implementation. Donors' contributions to capacity building in the sector have increased. The program budget has been critical in shifting the focus from a project approach to a programmatic approach in the RWS sector. At the same time, it has contributed considerably to improved communication and coordination among donors, predictability of funding, harmonization of donor objectives, monitoring, and alignment with country systems. And it has optimized the impact of both government and external financing.

This experience also has had a demonstration effect, with the program budget and the sector RWS roadmap being introduced in other countries: Mauritania, Rwanda, Madagascar, Mali, and Burkina Faso.

### 2) Develop an accountability framework, including a credible

### M&E system and participatory reviews.

First, to properly track physical achievement and financial disbursement, it is important to define performance indicators. But keep it simple—and make sure there are internal resources and capacity to sustain the M&E system. In Benin, the Ministry of Water in 2002 put in place an M&E system, and it has been continually improved over time to capture the physical and financial progress made by the sector. Indicators were simple and sufficient, and the processes for gathering and storing information were clearly defined and easily implemented. The system includes a central database for water points and an information system for financial management. Annual program

execution reports were improved over the period and produced in time to be presented to the Ministry of Finance and for the joint government/donors annual sector review.

Second, the participation of all stakeholders is required in reviewing the progress achieved in implementing a national program. This is an excellent way to ensure transparency and build confidence among partners, including all donors—nongovernmental organizations, the private sector, and the several sector ministries. In Benin, the process strengthened sector coordination and efficiency. It included three types of sector meetings: i) a bimonthly group meeting of donors; ii) an annual sector review with all stakeholders, generally in May, to review progress in national program implementation against the agreed target, exchange best practices, and discuss the way forward; and iii) another meeting organized in September by the Directorate of Water to discuss sector budget allocation and the next year's program. Those meetings have seen the involvement of all donors and have led to a greater percentage of donor funds reported in national budgets since 2005.

The Benin experience is a good example of the need for this sort of framework. Initially, the sector had four major sources of external financing: DANIDA (Danish International Development Agency), KfW (Kreditanstalt für Wiederaufbau, Germany's development bank), CTB (Coopération Technique Belge, Belgian Technical Cooperation), and JICA (Japan International Cooperation Agency). Since 2004, two more have been added: AFD (Agence Française de Développement) and AfDB (African Development Bank). Funds have been flowing more predictably (from the central to local entities) since 2004, thanks to the implementation of the program budget and increased donors' information and coordination. Total funding to the rural water-supply sector has increased by 214 percent over the past six years—from \$14 million to \$44 million. However, the percentage of project funds flowing through project implementation units has not gone down, because donors would like to see tangible budget-support results in the field before shifting completely from the project approach to budget support.

### ***3) Be smart in using budget-support leverage.***

Generally, a ministry's operating budget is not sufficiently robust to handle pure state tasks, such as carrying out proper planning, improving national procedures, and ensuring proper post-construction activities. So in order to ensure greater sustainability for the sector, BSO leverage is necessary to increase the operating budget and overall domestic funding—a key issue we had to address in Benin. Then, in 2001–02, the operating budget increased from \$50,000 to \$1.5 million, and the budget for investment increased from \$1 million to \$5 million, due to intensive discussions between the Ministry of Finance and the Ministry of Rural Water. These discussions, directly facilitated by the World Bank team, constituted a critical step in helping the RWS sector adjust the amount of operational budget to the sector needs, and these amounts have been increasing.

Another example of our having to use the leverage provided by the BSO was implementation of management reform for the rural piped-water system. Introducing a local PPP

arrangement for improving the management and sustainability of the water-supply systems of small towns was one of the most difficult reforms to achieve in Benin. All of the stakeholders talked about it for years, but nothing really moved. Then, a decision to require implementation of the sector reform as a prior action for the third World Bank BSO played a key role in moving the reform process forward. As of 2008, 23 percent of small-town water-supply systems are under PPP arrangements.

### ***4) Review and address quickly the sector bottlenecks—and understand other factors beyond the sector.***

It is important to thoroughly understand the overall situation. In Benin, a public expenditures review that we conducted with DANIDA revealed a number of critical issues to be addressed. For instance, financial management systems and procurement were flagged as major areas for improvement. So we prepared an action plan that included implementation of a rigorous tracking system of all the contract-procurement steps and a strong boost to the decentralization of procurement to the regions. This action definitely led to a progressive increase in sector absorption capacity.

This transition toward more decentralization of service delivery, including procurement, was facilitated by the introduction of a prior action in the fourth BSO. As a result, 29 percent of the budget was delegated to the decentralized level for sector operational expenditures in 2007, and over 90 percent of contracts are now procured at the local level within 75 days. However, continued efforts are needed to speed up the procurement process and increase the budget execution rate.

But just fixing the sector bottlenecks is not enough. Successful implementation of the programmatic approach involves a number of other factors, such as strong government buy-in and ownership, sound budgetary reform, alignment of strategies, effective donor coordination, and a sound analytical basis. It should be noted that other reforms and prior actions included in the World Bank BSO strengthened public procurement, improved government financial management, and streamlined internal control and audit. All of these improvements had a strong positive impact and contributed to the achievement of RWS sector objectives.

### ***5) If you want to go fast, go alone. If you want to go far, go together.***

Moving the reform process forward is not a one-man show! Every stakeholder has some comparative advantages, and spending time and energy to build alliances is necessary—and pays off. It is also important to understand other partners' constraints, make the best use of the potential synergies, and look ahead. Achieving results takes time.

A good illustration of this team approach in Benin is the Small Towns Water Initiative to provide potable water for 2 million people living in 500 localities with populations between 2,000 and 25,000. This initiative was adopted



during the 2004 government/donors joint annual sector review, and the framework agreement for it was signed by the Ministry of Finance and the donors (the European Union, DANIDA, AFD, and KfW) in February 2007. The World Bank supported the initiative process through a policy action included in the BSO. Finally, the donors' pooled fund was established, and €20 million committed. Funds are disbursed based on the country system procedures and managed by national capacity. In 2008, 25 small-town water-supply systems were constructed through this initiative—a good example of working together and contributing the best each one can offer.

## Conclusion

Results achieved in scaling up investment and reforms in the RWS in Benin are due to a combination of: i) government vision and ownership of the budgetary reform and programmatic approach, and ii) the complementary mix of donor support and instruments used (sector investment projects, capacity building, and BSO). Donors directly contributed to building national capacity and

procedures and to financing water-supply infrastructures. Also, sector prior actions and sector policy dialogue, carried out through the World Bank BSO with the Ministry of Rural Water Supply and other donors, contributed significant support to the government's efforts to implement major reforms:

- *Introduction of a results-oriented medium-term program budget that radically improved planning and achievements*
- *Management reform of small piped-water systems that introduced a new governance framework to ensure sustainable service*
- *Strengthening of decentralization, with a regional program budget and procurement at the local level, to increase sector absorption capacity and empower local governments*

Government vision and ownership, planning and accountability, analytical work and results-oriented approach, stakeholder coordination, and a learning-by-doing approach are key elements of this success story in Benin.



The Small Towns Water Initiative provides potable water for localities in Benin with populations of 2,000 to 25,000. (Photo by Sylvain Adokpo-Migan)



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