

# LESSONS LEARNED



The Global Partnership on Output-Based Aid



## Morocco Improved Access to Water and Sanitation Services Output-based Aid Project

### DEVELOPMENT CHALLENGE

Although Morocco has good water and sanitation infrastructure, service delivery in peri-urban areas remains a challenge. More than 1 million people currently lack access to safe water supply and sanitation services in the outskirts of the main cities. This has serious health and economic implications for families. A major obstacle for poor households is the high fee to connect to the piped network. In 2005, the government of Morocco set the extension of adequate services to peri-urban settlements as a national priority, and encouraged operators and local governments (municipalities and communes) to develop pro-poor water and sanitation programs.

the OBA principles, the subsidy was reimbursed to the service providers after independent verification by an Independent Technical Reviewer. For each output, 60 percent of the pre-established unit subsidy was paid upon certification of a working connection to an eligible household, and the remaining 40 percent upon verification of at least six months of sustained service provision.

### THE PROJECT AND ITS PARTNERS

In 2006, the government, two private water operators (Société des Eaux et de l'Electricité du Nord, SEEN (also known as AMENDIS-TANGER), and Lyonnaise des Eaux de Casablanca, LYDEC), and one public utility (Régie Autonome de Distribution d'Eau et d'Electricité de Meknès, RADEM), approached the World Bank to mobilize a US\$7 million grant from the Global Partnership on Output-Based Aid (GPOBA) to pilot an innovative output-based aid (OBA) scheme to expand services in poor peri-urban areas. The objective was to bridge the financial gap between households' ability to pay for connections and the cost of service (the "output"). This OBA project, the first in the Middle East and North Africa region, was implemented from 2007 to 2011, leveraging investments of more than US\$30 million. The outputs that triggered the disbursement of the subsidies were individual connections to water and sewerage services (in Meknes, it was the connection to either one or the other service). Consistent with

### RESULTS ACHIEVED

The project provided 10,504 low-income households with piped water supply, and 9,036 households with improved sanitation services (see table 1).

Table 1. Beneficiaries reached per service and city

City	Water beneficiaries	Sanitation beneficiaries
Casablanca	5,593	5,593
Tangiers	2,909	2,909
Meknes	2,002	534
Total	10,504	9,036

Before the project, households used unimproved sources of water (unsafe shallow wells or water vendors) and sanitation (mostly latrines or toilets and cesspits). By enabling access to 24/7 water supply and standard sewerage services, the project had a significant impact on their daily lives and immediate environment. In a beneficiary survey, households reported high satisfaction with the new services, which translated into collection ratios higher than average, for both connection fees and ongoing tariffs. The project also sparked economic opportunities that transformed the beneficiary settlements into bustling neighborhoods, and a stronger sense of community among beneficiaries.

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## Lessons Learned

- 1 Commitment at the highest level, engagement by service providers, and a shared understanding of OBA created the right enabling environment for the project.** The priority set by the government of Morocco to extend services to low-income peri-urban settlements sent a strong signal. The project built on previous “social connections” programs, which allowed low-income households to pay their access fee in installments over time, through the water bill. In turn, the three autonomous, professional, and accountable service providers demonstrated strong capacity in implementing innovative OBA programs in their respective service areas, and leveraged their own funds to pre-finance the outputs. In addition, all stakeholders had a common understanding of the OBA principles. Notably, the service providers remained actively involved during both project preparation and implementation, and coordinated with relevant counterparts and other stakeholders. This allowed service providers to be constantly responsive to issues encountered, and propose appropriate actions.
- 2 Successful adoption of the OBA approach by a public provider.** This innovative project tested the hypothesis that performance risks can be borne by both the private and public sectors. By selecting RADEM as one of the grant recipients, GPOBA’s funds were transferred for the first time to a public utility provider. This revealed that a public utility, under a well-designed scheme, could adopt the OBA methodology, bear the operational and financial risk, and successfully deliver services to poor, unserved segments of the population.
- 3 Innovative awareness-raising, reach out, and support beneficiaries had a catalytic role in rolling out the OBA subsidy program.** The three operators developed comprehensive communication programs to build awareness among beneficiaries. For instance, in Tangiers, AMENDIS-TANGER sent dedicated teams in fully equipped vans to marketplaces in the targeted neighborhoods to record the demand for connections from new customers. The teams also processed bill payments in real time to accommodate customers who were unable to reach to the operator’s local branch. In Casablanca, a “social accompaniment team” (put in place by LYDEC) provided information and administrative support to households to help obtain a connection.
- 4 Greater specificity in the targeting of beneficiaries improved the subsidy efficiency.** The project was initially designed using a geographical targeting method to reach poor households. During implementation, the operators encountered households with varying characteristics and socioeconomic status within their respective targeted areas. Accordingly, they decided to complement the geographical targeting with additional criteria, mainly based on housing characteristics (such as size, construction material and number of stories) in order to better direct the OBA subsidies to low-income households.
- 5 The focus on social engineering, moving from a “network-centric” to a “customer-focused” approach, was critical to success, as was the active engagement with local authorities.** The OBA approach encouraged the operators to fundamentally rethink the way they initiate, design, and deliver

connections in poor settlements. Together with the central and local authorities, the operators established strong coordination mechanisms among all project stakeholders. On the one hand, they engaged in discussions with municipalities and communes to identify solutions to the sensitive and complex issue of land tenure—otherwise preventing beneficiaries from joining the program—and to approve the lists of eligible beneficiaries. Issues related to slum upgrading and land acquisition for works were particularly significant in Casablanca including halting progress for over a year and preventing the extension of services to 5,000 households. In some cases, these consultations were lengthy, but in the end all parties managed to find solutions to land informality matters. On the other hand, unlike traditional connection programs where each household is responsible for obtaining the required documentation and authorizations for eligibility, the project’s operators offered full assistance to households throughout the administrative process. Some operators even helped group requests for connection, presented these to local authorities, and obtained the legal authorizations on behalf of the group. These proactive, concerted efforts allowed the project to reach its objectives, increasing coverage in an efficient and more responsive manner than in the past.

- 6 Scaling up OBA needs more than a successful pilot: it requires strong political support and institutional capacity.** The success of the project revealed that the OBA approach could be strategically relevant for Morocco, as until then, the country did not have subsidy mechanisms targeted at poor households living in informal settlements to access basic services. This prompted the government to develop a nation-wide OBA program, with support from GPOBA and the World Bank, to extend similar services to low-income residents still without access in other informal peri-urban areas, consistent with its larger National Initiative for Human Development. The first discussions on the scale-up took place during a review of the project at mid-course, when early lessons on design and implementation arrangements emerged. This shows the importance of engaging strategic policy dialog with counterparts on potential scale-up as soon as progress and results start to materialize on the ground. The government’s larger program will test its readiness to allocate sufficient resources to achieve results at scale. It will also encourage local governments to establish clear urban policies and institutional capacity to manage urban expansion, while enhancing reforms for financing the water and sewerage sector.

## Works Cited

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