

Water Utility Partnership

Policy Briefing Note

Background

Public urban water utilities in developing countries (especially in Africa) face enormous challenges in meeting the water needs of their growing urban populations. Many of the challenges are as a result of poor utility management practices, and a lack of a commercially-oriented culture to drive performance improvements. A number of options have been tried in an attempt to address this problem. The most notable one is private sector participation, which has included contracting multinational water companies to run water utilities in Africa.

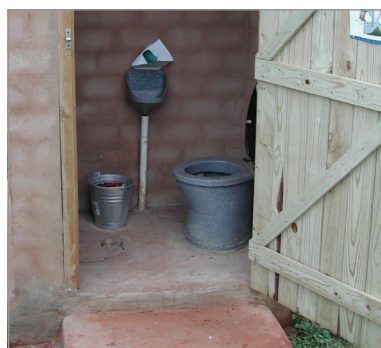
However, there is growing scepticism among policy makers and water sector professionals on how extensively the private sector can be called upon to improve the performance of public utilities. This position has compelled the major players in the water sector to seek alternative approaches to improving utility management and performance in developing countries. Such alternative approaches include innovative inter-organizational partnerships between private, public and civil society.

The African Water Utility Partnership (WUP), supported by the Swedish International Development Agency (Sida) has pioneered a successful partnership between Severn Trent Water International (an international private water company), the Water, Engineering and Development Centre (WEDC), Loughborough University, UK and six African water utilities (see Box 1). This partnership arrangement was aimed at helping African water utilities to improve their performance by improving their operations and management. This briefing note summarizes important policy lessons emerging from this intervention.

Improving water utility management and reduction of unaccounted-for-water

Headline facts

- Africa has the lowest water and sanitation coverage of any region in the world, yet it is also urbanizing faster than any other region.
- Public utilities are facing enormous challenges in meeting the water needs of growing urban populations, many of which are poor and living in informal and unplanned settlements.
- Many of the challenges that utilities face are as a result of poor utility management practices, and a lack of a commercially-oriented culture to drive performance improvements.
- Recent experience with African utilities shows that developing critical management skills (such as strategic thinking) through capacity building partnerships has the potential to turn around and institutionalize good performance in public utilities.



Box 1: Water Utility Partnership for Capacity Building Africa

The Water Utility Partnership (WUP) is an organization established to help water utilities in Africa to improve their performance and achieve economic and environmentally sustainable service delivery. WUP works by building partnerships among African water supply and sanitation utilities and other key sector institutions, to create opportunities for sharing experiences and capacity building. In order to achieve its objectives, WUP, supported by the Swedish International Development Agency (SIDA), initiated a project in 2001 aimed at improving utility management and reduction of unaccounted for water (UfW). This project formed part of WUP's Action Programme designed to meet its objectives of improving utility performance, improving services to the urban poor and creating a framework for collaboration among water utilities and various training and research organizations. The project provided support to six water utilities in the six African countries of Uganda, Kenya, Tanzania, Lesotho, Benin and Congo. At the heart of this project was a novel partnership of international expertise and participating utilities, which allowed for capacity building using participatory approaches. Severn Trent Water International (STWI) (UK) in association with the Water, Engineering and Development Centre (WEDC), Loughborough University (UK) constituted the consultancy and backstopping team.

Further details may be obtained from project web pages at in the WUP and WEDC websites:
<http://www.wupafrica.org/activities.html#activities>
 and
http://wedc.lboro.ac.uk/projects/new_projects3.php?id=225

Management challenges facing water utilities in developing countries

Water utilities in developing countries differ greatly in terms of size, organizational culture and operating environments. However, a number of shared management problems can be identified. First, the inefficiencies of water utilities are a major cause of poor access to water services in developing countries. In many systems, as much as a third of production is lost through physical and administrative losses, and revenues are insufficient to cover operating costs let alone to expand service coverage. Indeed, for African utilities, reduction of UfW remains one of the major challenges. These problems are made worse with the general lack of a commercial orientation in utility management and inappropriate tariffs regimes. With the growing urban population reported in many developing countries, water utilities need to quickly adopt robust plans and strategic actions to improve operational efficiency and reduce the service gap.

Secondly, many utilities in developing countries lack effective management information systems to allow adequate monitoring and evaluation. Many of them rarely collect data systematically to assess their own performance in order to design operational improvements. As a result, both those responsible for service delivery, and those willing to support them lack the necessary information to design measures and investments to improve service delivery. A third problem facing water utilities in developing countries relates to generic utility management issues such as lack of clarity in mandate and mission, lack of sound management structures and effective delegation, poor customer service and lack of human resources.

Responding to the challenges: a Capacity Building Partnership (CBP) approach

Building partnerships among water utilities and other sector institutions creates opportunities for sharing experiences and capacity building. In particular, experience with the participating utilities has shown that a well-designed Capacity Building Partnership (CBP) between water utilities in developing countries, international expertise, training and research organizations, has an immense impact in terms of building critical management skills. The logic of such partnerships is based on the premise that local staff of participating utilities have knowledge of the prevailing situation and problems in their organization, while external experts have knowledge of best practices and experiences from different parts of the world. At the heart of such partnerships is a participatory approach, in which international experts or training organizations act as facilitators, while utility managers plan and produce the intended outputs. The resulting partnership of international expertise and local knowledge plays a crucial part in addressing many performance-related problems of water utilities. This partnership approach was taken by six African utilities in the WUP/Sida Project (Box 1). Important lessons for policy makers at sector and utility management levels are highlighted in the following section.

Policy lessons

At the sector level, the most important lesson emerging from this approach is that donor support for water utility reform in Africa is better delivered through a Capacity Building Partnership rather than the traditional 'consultancy' approach, in which international consulting organizations or individuals are usually recruited as technical advisors on a long-term basis to evaluate, design and implement the reforms as they are being understudied by counterpart staff. Such an approach is not only expensive, but on many occasions, the social, cultural and political dimensions have not favoured the learning process to progress as anticipated.

The results of this project also reinforce the crucial lesson that capacity building may be able to improve the performance of water utilities where private sector participation has failed. The two week training module, offered as part of the project, precipitated significant changes in the capacity and attitudes of the participants. Not only were the participants exposed to concepts and application of contemporary water

utilities management, but the social interaction of participants from different organizational and social cultures created an atmosphere of an exchange of ideas and adaptive learning. With the mixed results coming out of private sector participation in various water and sanitation sectors in several countries in Africa, it may be worthwhile to revisit the earlier emphasis of committing adequate resources to capacity building.

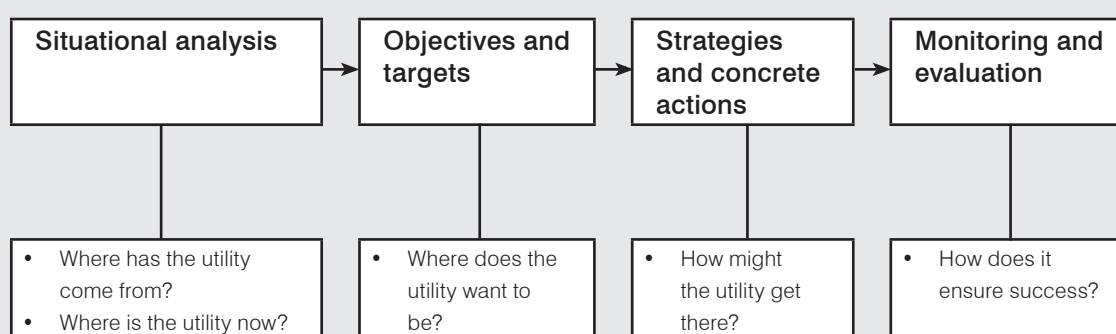
A key lesson for water utility managers is that comprehensive strategic planning is a crucial part of efforts to improve utility performance. Managers need to adapt the performance improvement plan framework developed as part of the project (Box 2). They also need to develop comprehensive strategic work plans addressing a variety of management issues, with the aim of improving utility performance and enabling the utility to achieve its short, medium and long term objectives.

Other key lessons learnt, which have implications for policy makers and funding organizations, are summarized in Box 3.

Opportunities for scaling-up the CBP approach

Despite decades of donor-supported investments, many low-income countries, especially in Africa, are still unable to fully meet the demand for water and sanitation services in their areas of jurisdiction. Experience in these countries has revealed that service problems are mainly caused by management and institutional deficiencies. Partnerships with multinational water companies, currently being promoted as an alternative management option, have not provided the level of improvement expected in many countries, and some partnership contracts have subsequently been terminated prematurely. Therefore, public utilities are likely to dominate water service provision in many developing countries for decades to come. To address the problems faced by public utilities, alternative approaches for reform must be developed in order to facilitate improved service delivery. Capacity Building Partnerships offer a real

Box 2: Strategic planning framework for utilities



Box 3: Other key lessons learnt

1. This project utilized a mixture of capacity building tools which included on-the-job training, lectures, group discussions, peer reviews of presentations, field visits, writing and presentation of conference papers, workshops, benchmarking, case studies, on-line support and field practicals. The diversity of tools was found to be conducive to learning.
2. There was a time lag of about two years between implementation of the two project phases. During this time there were significant changes in the staffing profile, and in some extreme cases, changes in the institutional setups of some utilities. Such situations required a revisit to the concepts of the project right from the start, in order to induct new staff. This resulted in a waste of time and other resources.
3. Some utilities with a narrow financial base could not apply all the knowledge and skills obtained through the capacity building project, mainly due to a lack of matched funding to purchase the necessary tools and equipment for piloting. This scenario mainly affected the setting up and equipping of active leakage management teams. It is suggested that in future the level of funding to participating utilities should be determined by the resource envelope. Such information could be obtained through scoping studies.
4. The responsiveness of top management to the project activities and their buy-in is a key factor to the success of the intervention. In future the criteria for selecting participating utilities should be based on the willingness of senior management to improve the performance of the utility. More resources should perhaps be spent on advocacy with, mobilization and education of senior management staff.
5. Given the complex enabling environment in the developing countries, it is important that flexibility is built into the timing and length of project visits and other inputs.

opportunity for addressing management deficiencies, and assisting utilities to adopt a commercially-oriented culture. In particular, the PIP framework developed through the WUP Project No. 3 on 'Water Utility Management and reduction of UfW' is a useful tool for use by other utilities to improve their performance. It also provides a basis for utility benchmarking in the region.

This Briefing Note summarizes the key policy lessons from an innovative approach to utility management improvement taken by six African water utilities, and identifies opportunities for scaling up to other utilities.

It is based on the Sida-funded research project "Improvement of water utility management and reduction of unaccounted for water".

Severn Trent Water International Ltd.



Further details of the research project are available at:
http://wedc.lboro.ac.uk/projects/new_projects3.php?id=225

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