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## **Water operators partnerships: a tool for capacity building and institutional strengthening, Blantyre, Malawi**

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**WATER, SANITATION AND HYGIENE SERVICES BEYOND 2015:  
IMPROVING ACCESS AND SUSTAINABILITY**

**Water operators partnerships: a tool for capacity building  
and institutional strengthening, Blantyre, Malawi**

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**BRIEFING PAPER 2227**

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*In the recent past, efficient and effective delivery of water has been so erratic in Blantyre with frequent water disruptions resulting into prolonged rationing. As a result of poor service delivery from the public utility, the Government of Malawi through Blantyre Water Board (BWB) entered into a Service Contract (SC) agreement with Vitens-Evides International (VEI) of Netherlands. Results of the Service Contract have revealed mixed fortunes for Blantyre Water Board. It has been observed that the SC if well managed can be a good vehicle for both individual capacity building as well as Institutional strengthening. The SC has also shown satisfaction in terms of improving access to safe water for the Low Income Areas (LIAs) of Blantyre. Through the SC, it was also observed that there was slight improvement on Non-Revenue Water (NRW) even though the KPI was far from being attained. On a different note, it has been seen that the SC failed to adhere to contractual obligations as stipulated in the contract. It has been observed that failure to adhere to contractual obligations can be a recipe for disagreements in any partnership.*

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## **Introduction**

Water can be considered as both social and economic good (Gleick et al 2002). This entails that access to clean water is fundamental to survival and critical for reducing many water related diseases. However, for Blantyre Water Board, one of the five water utility companies in Malawi, its performance in the recent past has not been all that satisfactory. Effective and efficient delivery of portable water has always been hampered by intermittent water supply. This is despite the heavy investment that has been flowing to Blantyre Water Board through various development partners of Malawi with the World Bank taking the lead.

As a way of mitigating the water problems, the Government of Malawi entered into a Service Contract with Vitens-Evides International (VEI) of Netherlands under the water sector reforms program. This choice of the Service Contract was arrived due to the reluctance by the Government and the Water Boards to venture into the full privatization of the Water Boards. In Malawi, just like many developing countries, water issues are very political and in most cases used as a political campaign tool. Due to continuous pressure by the World Bank to push for sector reforms, the Government then opted for softer PPP in the form of the Service Contract. This agrees with assertions that water is the most difficult commodity to deal with because people don't want to pay for it. Electricity is different as people accept that they have to pay for the service but others say that water is from God and that no one has to pay for it. (Emerging trends in PPP BPD water and sanitation, page 9).

## **Service contract defined**

Before understanding the concept of the Service Contract, it is very essential to consider basic definitions of Public Private Partnership as this was the basis for entering into the Service Contract.

The International Monetary Fund (2001), describes a PPP in a global context, as the combination of the deployment of private sector capital and sometimes, public sector capital to improve public services or the management of public sector assets. The IMF further says that by focussing on public service outputs, PPPs offer a more sophisticated and a cost effective approach to the management of risk by the public. This is in

agreement to the South African National Treasury Department, 2007 which describes a PPP as an enforceable contract between a Public Company and a Private Company for the latter to manage some of the aspects of the public company.

According to Marin (2009), Service Contracts are modern and hybrid forms of PPPs which are usually short term in nature. They may be considered to take the nature of Management Contracts of which operation and maintenance is transferred to the Private Company but not to the level of a full scale management contract. The OECD (2009), puts it in a more specific way that a SC is situated between Technical Assistance Contract and a Management Contract. The Service Contractor is responsible specific, tome-bound tasks. A further analysis of the SC would therefore bring us to another dimension of partnerships, Water Operators Partnership (WOP).

According to UN Habitat (2007) a WOP is any structured programme of cooperation among water operators based on mutual support on a not for profit basis. This definition was later slightly modified in 2009 as any form of simple or structured partnership aimed at capacity building on a not for profit basis (IWA, UN Habitat and VEI, 2009). It is therefore safe to say that the Service Contract fits in well to the definitions of WOP despite the fact that VEI received performance based compensations on top of the huge amount of base fees.

### **Nature of the service contract**

The Service Contract between Blantyre Water Board and Vitens-Evides International is the first of its kind in Malawi and aims at improving the operational and commercial efficiency of Blantyre Water Board<sup>1</sup>. This was a large incentive performance based 4 year contract. In addition to the Service Contract, there was also a contract with a local Non-Governmental Organisation as a Facilitation Service Provider whose aim was to do community mobilisation and sensitisation for the provision of improved sanitation and hygiene among the residents of the low income areas of the city. Specifically, in the low income areas, this local NGO was supposed to facilitate the construction of 363 water kiosks and about 40 000 improved latrines by the year 2013.

### **Study area**

This paper is presented based on the results of the Service Contract that took place in Blantyre, Malawi and was being implemented by Blantyre Water Board. It should be mentioned that the SC was also being implemented in Lilongwe, simultaneously with the one in Blantyre. In some occasions, the report will be mentioning Lilongwe Water Board but much of the details will focus on BWB.

### **Methodology**

This paper is basically a project brief, giving a summary of what happened under the said project. It is aimed at presenting the key outcomes, key learning points and solicit ideas on how similar programming can be undertaken should there be another opportunity in other quarters. As the author of this paper, I have been the Project Implementation Unit Manager and I was key in coordinating day to day activities of the project in Blantyre. This paper is therefore as a result of direct involvement in the project as well as informal interviews with beneficiaries coupled with personal observations.

### **Difficulties during implementation**

#### **Low levels of trust and satisfaction at the onset of the project**

In the early stages, it appeared that the Blantyre Water Board was not satisfied and showed lack of trust with the Service Contractor. The Board felt convicted that the personnel that were sent for various activities including the Resident Project Managers were not fit for the purpose.

Specifically, Blantyre Water Board felt that the Resident Project Manager was not technically competent to undertake the activities at BWB. On the part of VEI, they thought BWB was not ready for changes as suggested by them. Absence in technical meetings, low levels of participation convinced VEI that BWB was not ready for the SC.

## **Lack of political will**

At the onset of the project, VEI proposed some radical changes. One of the key and first activities that was done was to develop an excel based Tariff calculation model which was aimed at automatically adjusting the water tariffs based on the prevailing costs of water production. However, the government showed no political will to provide water at cost recovery prices. This proved difficult on the part of VEI to tackle the issues to do with Working Ratio. As the project was reaching to 2014, the Government had not yet approved the use of the model and no authority had even made a suggestion to gazette the issue in parliament. This clearly shows lack of political will to make radical changes in the governance of water. This may also explain as to why at this very moment, BWB is still using Walker's Ferry as its source despite the huge production costs associated with the source

## **Reporting**

VEI often times complained of writing "too much" reports as it was reported in a workshop that was conducted in Mangochi from 14<sup>th</sup> to 16<sup>th</sup> March 2011. The workshop was aimed at improving the chemistry between the Water Boards and VEI after it was noted that the parties kept on blaming each other for every other thing that happened. The sentiments were also echoed in the Independent assessment report by Sophie Tremolet and Goufrane Mansour (2014) in that VEI alluded to the fact that they were failing to do the actual work as their effort was concentrated on report writing.

## **Employee buy-in**

As it was expected, the initial stages of the project were hard as the Board needed to do more in order inform the employees on exactly what was happening at the Board. Many employees at the Board were of the view that the Water Boards were being "privatized" and that they would lose their jobs. Despite BWB making good efforts to communicate to its employees, there were still some little pockets of resistance and that hindered some progress during early stages of the project.

## **Lessons learnt**

### **Improper definition of approaches towards achieving KPIs**

At the onset of the contract, both parties were eager to go into the implementation, as such they had no ample time to take a thorough analysis of the requirements for Blantyre Water Board. For example under non-revenue water, the project made huge procurements by the second year before undertaking a water balance of the network. The parties also did not agree on the proper method for measuring sales and production figures to measure NRW. It was therefore noted that heavy investment alone without analysis of the needs would not achieve the intended results.

### **Chemistry between the Resident Project Manager and BWB**

In the early stages of the project, there was poor chemistry between the Resident Project Manager of the Service Contractor and the Blantyre Water Board. While Blantyre Water Board did well to sensitize the employees on the SC, there was little that was done to address some concerns that were raised by Board. For example, Blantyre Water Board had in a number of times complained of the "technical competence" of the Resident Project Manager. In its view, BWB was justified to demand the change of the RPM because BWB had more technically challenging work than LWB and yet LWB had a qualified Resident Engineer in addition to the competent Resident Project Manager. This created some tension in Blantyre as the Board felt that its concerns were not being addressed. As if the issue of the RPM was not enough, there was a time when VEI sent a lot of students from the Netherlands. This did not go well with the Board who felt that VEI was clueless on the deployment of its short term experts

### **Clear definition of contractual targets**

According to Philippe Marin (2009), Contractual targets are difficult to set and baseline data are seldom reliable; they generate many opportunities for conflict. Private Companies do not always deliver and have a tendency to seek renegotiations to their advantage. This thought by Marin was evidenced in Blantyre as it transpired that some words in the contract were not as clear as initially thought. For example, the term "assistance" proved to be difficult to interpret in the contract. BWB understood the word as doing the

activity in question while VEI thought the term meant some kind of remote assistance or just providing manuals and other forms of reading materials.

### **Lack of ownership of the KPIs**

As a result of the three issues raised above, it was observed that there was no ownership and leadership in accomplishing the KPIs. The Board was waiting for VEI to initiate things while VEI was of the view that BWB would lead in attainment of KPIs as management responsibilities still rested with the Board. As a result, in some cases, activities of the project just flowed without any executive direction.

### **Did the service contract work?**

Overall, the Service Contract only achieved part of the expected results from the contract. As already pointed out, this may be attributed to the fact that almost all operations of the Board remained with the water board. The SC had limited powers to influence decisions. From my analysis, below are the few things that worked:

For example, under Non-Revenue Water, achieving the target proved to be a tall order despite the investments. From the Water Sector performance report (2014), it is apparent that NRW still is a big challenge for BWB. Nonetheless, from 2013, BWB recorded the biggest improvement when compared with other Water Boards in the country as shown in Table 1 below.

<b>Table 1. NRW in Water Boards</b>		
<b>Water Board</b>	<b>2013</b>	<b>2014</b>
Lilongwe	35	35
Blantyre	42	38
Central Region	25	22
Northern Region	34	33
Southern Region	27	29
<b>Overall</b>	<b>32.6%</b>	<b>31.4%</b>

Source: 2013/14 Irrigation, water and Sanitation Sector performance Report

### **Capacity building and institutional strengthening**

A quick assessment of the results and as well as quick interviews with some key staff of the Blantyre Water Board, it has been observed that the Service Contract has been a perfect tool for organizational and individual strengthening. Immediately VEI came to Blantyre, it tried to increase staff versatility among staff of Blantyre Water Board. On Institutional strengthening, it can also be confidently put forward that the Service Contract has been instrumental in fostering organizational restructuring at Blantyre Water Board. During the third year of the SC, BWB had started embracing the changes that were put forward by VEI with regards to organizational staffing.

### **Increased access to unserved areas**

Perhaps the key achievement of the Service Contract, extension of supply to Low Income Areas was as a result of strong collaboration between partners. These partners include Water for People, Blantyre City Council, Blantyre Water Board and VEI. The City Council was even exceptional as they made sure that land for the construction of kiosks was readily made available.

### **Innovations in empowering employees**

As a utility with old infrastructure, Blantyre Water Board receives huge amount of faults on daily basis. This in a way contributes to physical losses. As a way of fighting NRW, VEI built capacities of individuals at BWB through the introduction of “caretaker approach” in fighting NRW. Some members of staff who were perceived as “low” suddenly felt a sense of responsibility and were able to proactively contribute to positive operations of the Board. In addition to caretaker approach, VEI also increased staff versatility by removing

the attitude that only a group of people could perform certain functions. This saw a number of employees undertaking tasks that they “normally” would not have done.

### **Management of water kiosks (Water User Associations)**

In continuing with the successes of Water Supply to Low Income Areas, the project also facilitated a robust management option for the kiosks in form of Water User Associations (WUA). These were set up in such a way to foster sustainability of efforts even after the close of the project. Most WUAs were encouraged to add the number of kiosks in their areas of jurisdiction. Though this was not directly linked to the Service Contractor, the SC was commended for ensuring that there was not political involvement in decision making processes.

### **Team building**

The Service Contract in Blantyre was also exception because VEI not only concentrated on meeting the targets, it also contributed in creating “winning teams” within the Board. In a number of instances, VEI organized workshops to enhance team work between staff of Blantyre Water Board and also to increase communication between staff. This saw even junior staff taking part in decision making on technical matters of the Board.

### **Communication and customer service**

The SC in general contributed to improved communication within the Board and even outside the Board. Prior to the SC, it was generally observed that many things were happening at the Board but the public including other members of staff were not able to access valuable information. VEI encouraged the Board to improve its PR by sharing all information. This in a positive way contributed to an improved customer care from the Board. For a long period, BWB was known for poor customer service. But the emergence of VEI changed the outlook and even delivery of valuable information to consumers including delivery of bills improved.

### **Conclusions**

In general, despite only achieving part of the targets, it can be seen that the Service Contract is a good tool for building capacity of individuals as well as that of the institution. Through innovations and hands on experience that was shared by short term experts from VEI, many employees of the Board gained vast knowledge in handling various tasks. Others were given challenging positions thereby exposing their potential in tackling complex issues. In addition to capacity building, it has also been observed that the SC was a good tool for organizational restructuring. Starting from 2011, BWB saw a smooth restructuring process without legal challenges because it was well handled.

However, it has to be mentioned that there was still room for improvement to have a workable Service Contract. Deployment of short term experts by VEI was not critically analysed by the Board hence shortfalls of the experts were only identified once the experts were already in. BWB as well as other utilities intending to venture into similar arrangements need also to undertake a serious due diligence and involve many players in formulating of contracts. This will ensure reduction of ambiguities in the texts of the contract.

With regards to contractual obligations, it was noted that VEI was not fully willing to adhere to the contractual clauses. In a number of instances, VEI promoted that the spirit of “partnership” be upheld. While this was good, it did not completely help the cause as some issues were left hanging and led to unnecessary tensions between the parties. As a way of resolving this in future contracts, the Government must provide a dispute resolution mechanism that will amicably resolve differences while advancing the interests of all parties. Some people also have an opinion that VEI were only in this partnership in order to improve their PR as they are aiming at winning more contracts in Africa. This however is another area to be investigated.

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