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Title: Improving Water Utility Management and Performance in Developing Countries

Background

Enormous challenges are faced by public urban water utilities in developing countries, and especially in Africa, to provide water services for their rapidly growing urban populations. Many of these challenges are due to poor utility management practice and the fact that a commercially-oriented culture to drive performance improvements often does not exist. Private sector participation has been seen as a possible means to address these issues, and in Africa, has involved contracting multinational water companies to run water utilities. However, there is still strenuous debate amongst policy makers and water sector professionals about the degree to which this offers sustainable improvement to public utility performance. There is therefore interest in alternative innovative approaches, which are characterized by inter-organizational partnerships between the private sector, the public sector and civil society.

The success of a capacity-building project initiated the Water Utility Partnership (WUP) for Africa (see Box 1) is due to the fact that international experts worked closely with the participating utilities, facilitating the identified areas of capacity building within those institutions using a participatory approach. There are important policy lessons emerging from this initiative in relation to utility management and opportunities for scaling up these approaches to other utilities.

Box 1: Water Utility Partnership for Capacity Building Africa

The Water Utility Partnership (WUP) is an organisation 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 organisations. The project provided support to six water utilities in 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

There are a great many water utilities in developing countries, varying in their size, organisational culture and operating environments, although the difficulties they experience relating to management are often very similar. A basic problem is that the inefficient working of water utilities causes poor access to services by the poor, as, in extreme cases over half of the water produced can be lost in form of physical and administrative losses. . Additionally, low revenues

mean that operating costs are often not adequately covered and furthermore, there is no scope for expanding service coverage. To compound these problems is the fact that utilities have not yet developed a strong commercial approach. In a climate of alarming population growth in many urban centres, it is clear that water utilities have to address these issues urgently, implementing strategies for both improving the effectiveness of their own operations and meeting customer needs.

Many managers of water utilities in developing countries do not follow good management practices as manifested by lack of clarity in organisational mandate and mission, inadequate management structures and systems for effective delegation, low human resources capacity and poor customer service. Part of the solution to this is the maintenance of effective management information systems, so that utilities can know the extent of the problems faced and can have a mechanism to monitor and evaluate any progression. Currently, data is not collected in any systematic way resulting in a lack of the information necessary to design improvements and make decisions on associated investment costs

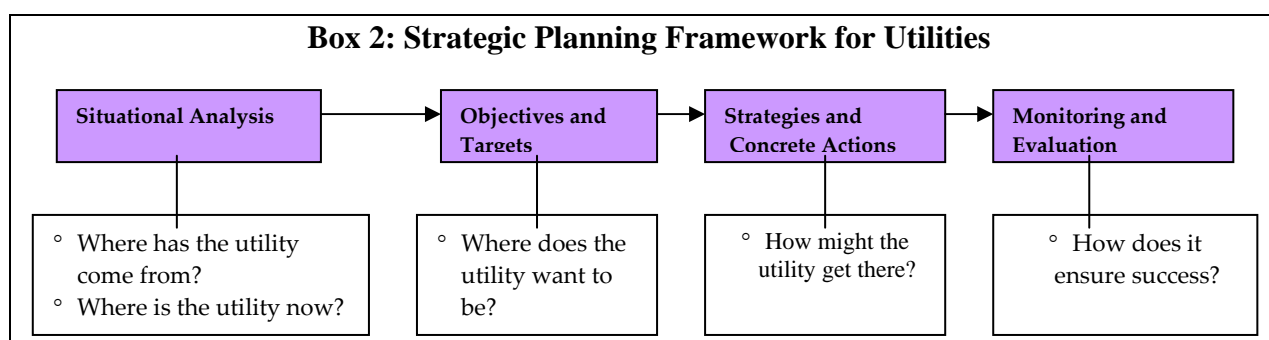
A response to the challenges through a Capacity Building Partnership approach

The most important benefit derived from building partnerships among water utilities and other sector institutions is the opportunity for sharing experiences and for capacity building. In particular, the WUP project has demonstrated that a well-designed capacity building partnership (CBP) between water utilities in developing countries, international expertise, and training and research organisations has an immense impact in terms of building critical management skills. These partnerships are based on the premise that utility staff have in-depth knowledge of the local situation and any relevant barriers to progress that exist at organizational level. Added to this, is the extensive knowledge of best practice from different parts of the world which is brought by those with international expertise. This combination, in the form of a distinctly participatory approach, with external consultants or training organisations acting as facilitators, enables utility managers to think strategically about the way forward.

What are the key lessons for policy makers?

- The most important lesson emerging from this approach is that donor support for water utility reform in Africa is successfully delivered through a capacity building partnership. Conversely, the traditional ‘consultancy’ approach in which international consulting organisations or individuals are recruited as technical advisors on a long-term basis to evaluate, design and implement the reforms is not only less cost-effective, but offers less of a learning experience for local staff.
- The results of the Water Utility Partnership (WUP) demonstrate the ways in which local capacity building has the potential to improve the performance of water utilities where private sector participation has often failed. Even through a short two weeks’ training module, which was an integral element of the project, significant improvements in the capacity and attitudes of those participating were evident. Two important contributory factors to this change were the exposure of participants to concepts and applications of contemporary water utilities management which were largely new to them, and also the provision of a novel environment for the exchange of ideas and adaptive learning.
- A fundamental lesson for water utility managers is that comprehensive strategic planning is a crucial part of efforts to improve utility performance. Box 2 captures a Performance Improvement Plan framework, designed to be further adapted and developed by utility managers to reflect specific organizational circumstances. The overall aim is to develop

comprehensive strategic work plans addressing a variety of management issues, in order to improve utility performance and enable the utility to achieve its short, medium and long term objectives.



- The use of a variety of capacity building tools was found to be conducive to the learning process. These included: on-the-job training, lectures, group discussions, peer review of presentations, field visits and practical exercises, conference papers, workshops, benchmarking exercises and on-line support.

Where there is a high level of senior management responsiveness and buy-in to the project, the evidence suggests there is maximum improvement in utility performance. Table 1 shows the progress made by Mwanza Urban Water and Sewerage Company during the project period, as depicted by key operational performance indicators. Resources spent on advocacy, education and mobilization at this organizational level, should be given more priority in future.

Table 2: Key Performance Indicators for Mwanza Urban Water and Sewerage Organisation (MWAUWASA), Tanzania for the period 2002/03 to 2005/06

Indicator	2002/03	2003/04	2005/06
Water produced/yr (000' m ³)	14,279	14,337	14,280
Unaccounted for water	57%	50%	40%
Water supply area coverage	70%	72%	82%
Customer base (no. of connections)	14,515	16,303	21,340
Metered connections	76%	89%	97%
Staff per 1000 connections	14	12	10
Operating ratio	0.85	0.96	0.8
Days receivable ration	206	180	120
Revenue collection efficiency	94%	95%	97%

Adapted from Mihayo, Z. and Njiru, C. (2006). Improving Utility Management: Case Study of MWAUWASA, Mwanza Tanzania, *Proceedings of the 31st WEDC International Conference*, WEDC, Loughborough University, UK, pp. 196-199. Available at: <http://wedc.lboro.ac.uk/conferences/pdfs/31/Mihayo.pdf> [accessed 21 June 2006]

Scaling-up the Capacity Building Partnership approach

Although donor-supported investment has provided assistance for decades, still many low-income countries, especially in Africa, cannot finance the level of water and sanitation services demanded. Experience shows that inadequate service provision is mainly caused by management-level and institutional deficiencies. Partnerships with multinational water companies are currently promoted as an alternative management option; however, they have not provided the level of improvement anticipated in many countries, with some contracts having to be prematurely terminated. This being the case, public utilities will continue to dominate water service provision in many developing countries for the foreseeable future. Therefore alternative approaches for reform must be developed for service delivery to improve. Interim results from a project initiated by the African Water Utilities Partnership (WUP) shows that capacity building partnerships offer a real opportunity for addressing management deficiencies and for assisting utilities in adopting a commercial-oriented culture.

Conclusions

The capacity-building partnership concept demonstrated by this project provides clear evidence that it can have an immense impact on building critical management skills through a participatory approach. The most important policy lesson emerging is that water utility reform is better delivered through such a partnership than through the traditional consultancy approach. A key lesson for water utility managers is that comprehensive strategic planning using the Performance Improvement Plan framework is crucial to improving utility performance.