



Donor assistance towards self-sustainability

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TRADITIONALLY FOREIGN DONORS have considered that their contribution to the improvement of water and sanitation services in developing countries should consist of funding large capital-intensive projects. In doing so little regard is often taken of the poor standards of operation and maintenance prevailing in the country.

In the Kenyan context the German Development Bank, Kreditanstalt für Wiederaufbau (KfW), on behalf of the Federal Republic of Germany, has invested some US\$ 350 million in water and sanitation infrastructure in recent years. This investment has been confined to the urban sector and used for the augmentation of water supply schemes and the construction and improvement of sanitation facilities.

It soon became apparent, from experience gained with these newly-constructed schemes, that if this investment was to be self-sustainable, improvements would have to be made in the way the schemes were managed and operated by their owners, the Local Authorities.

Phases I and II of GTZ assistance (1987-1993)

To assist in this objective of self-sustainability the German Technical Cooperation Agency (GTZ) established, in 1987, the Urban Water and Sanitation Management Project (UWASAM), in the Ministry of Local Government (MOLG). At that time water and sanitation services were run as a section of the Town Engineer's Department with the Town Treasurer in full control of the revenues collected.

Thus began, in July 1987, Phase I of the UWASAM project working with the Technical Section of the MOLG. The following three results were expected from this phase:

- the Technical Section of MOLG would monitor effectively the implementation of water and sewerage schemes on behalf of the Municipal Councils;
- MOLG would establish guidelines for Operation and Maintenance (O andM) for water supply, sewerage and refuse collection;
- water supply, sewerage and refuse collection services in Kitale, Kericho and Nyahururu would become self-supporting. These 3 municipalities were chosen as pilot towns.

In phases I and II the emphasis was on technical assistance in particular on O and M. A Water and Sanitation Operation Unit was established in the MOLG to spearhead this effort. A detailed work programme was developed for the 3 pilot

towns and technical and financial management tools were prepared. These tools included O andM manuals covering all aspects of these services. In order to improve the revenue base, block maps were prepared of the distribution systems; water meter management was improved; billing systems and tariff revue procedures were introduced. Model byelaws were prepared covering water supply; sewerage; drainage; trade effluent; refuse disposal.

During Phase II of the project, between January 1991 and December 1993, the activities started in Phase I were continued. The need for more effort in the financial areas became more apparent and a firm of accountancy consultants was engaged to prepare a series of 12 financial management training modules.

It was also recognised during this phase that if self-sustainability was to be achieved some method would have to be developed to provide these services with financial autonomy from the Councils. The concept of establishing autonomous Water and Sanitation Departments was therefore developed during Phase II of the project.

Phase III of GTZ assistance (1994-1996)

Basically this phase was planned to extend the experience gained in the initial 3 pilot towns to the other Local Authorities, which were acting as Water Undertakers, with the exception of Nairobi City Council. The overall goal remained as before—the achievement of self-sustainability of water and sanitation services.

The target municipalities for this phase, and phase IV, thus became: Kitale; Kericho; Nyahururu; Eldoret; Kisumu; Nakuru; Nanyuki; Nyeri; Thika.

In this phase UWASAM was planned to achieve the following 5 results:

- Water and sanitation section of the Urban Development Department strengthened;
- Improved cooperation between the actors in the water and sanitation sector of Local Authorities facilitated;
- Improved operational management of water and sanitation facilities of Local Authorities supported;
- Financial/commercial administration of water and sanitation services in Local Authorities improved;
- Public awareness of water and sanitation issues in Local Authorities increased.

The water and sanitation section of the Urban Development Department (UDD) is responsible for providing technical assistance to the Local Authorities in

the operation and maintenance of their water and sanitation facilities. By strengthening this section the thinking was that the advice it gave would be improved and thus bring benefits to a large number of Local Authorities. This idea did not prove to be very satisfactory in practice mainly due to unavailability of funds within the UDD's budgets to enable its staff to visit the Local Authorities, and also due to the lack of motivation of the staff involved. For these reasons the emphasis of the project moved from strengthening the staff of the UDD to working directly with the staff employed by the 9 target Local Authorities.

The main actors in the water sector in Kenya are the Ministry of Water Resources (MOWR) and the Ministry of Local Government (MOLG). Another key player is a parastatal - National Water Conservation and Pipeline Corporation (NWCP). In addition important roles are played by Donor Agencies; NGO's; Private Organisations; Churches. At the start of this phase cooperation between the two main ministries was not good. This improved during 1995/6 with the appointment of counterparts, to the GTZ Team Leader, from the MOLG and MOWR. The project introduced monthly progress monitoring meetings. These were attended by representatives from the two ministries, and the NWCP, which greatly improved cooperation. In November 1996, following an initiative by the donor community, a Water Supply and Sanitation Coordination Group was established, under the chairmanship of the Permanent Secretary in the MOWR. This Group invites representatives from all actors in the water sector and still remains active with regular quarterly meetings. In addition it has formed 3 sub-groups dealing with:

- Urban and periurban water and sanitation;
- Rural water and sanitation;
- Policy and finance.

The sub-group dealing with the urban sector has taken as its priority the drafting of a policy on commercialization and private sector participation which, it is hoped, will form the basis of future Government policy on the matter.

In order to improve the operational management of water and sanitation facilities, the UWASAM project has extended its advice on operation and maintenance to the 9 target Local Authorities. This advice made use of the tools developed under Phases I and II of the project, and the experience gained in their application since 1987.

The staff of the Urban Development Department, MOLG, were mainly utilised in this aspect of the project.

The fourth result of this phase introduced what was to become the future main thrust of the project. The improvement of the commercial/financial administration of water and sanitation services was now regarded as the key to their long-term self-sustainability. As already noted, by the end of Phase II, the need for financial autonomy by the formation of Water and Sanitation Departments (WSDs) was recognised. During Phase III these departments were established in the 9 target towns. This required the

establishment of the posts of General Manager; Commercial Manager; Technical Manager; and the creation of a separate bank account for the WSD. The 12 financial management training modules, developed under Phase II, were implemented in the 9 towns during this phase, and the first year of Phase IV. The 12 modules covered the following topics:

- Chart of accounts;
- Billing and consumer management;
- Budgeting and budgetary controls;
- Costing;
- Accounts preparation;
- Cash management;
- Purchasing and supplies management;
- Stores management and control;
- Auditing procedures;
- Computer applications;
- Effective controls and supervision;
- Capital outlay.

During the first module training was provided in the preparation of organograms for the new WSDs. The filling of the newly-established posts, however, remained a problem since the senior posts had to be filled through the Public Service Commission as for all senior civil service posts. The net effect was that most of the General Manager posts remained vacant 3 years after their creation.

The fifth result expected from this phase was also an innovative one - public awareness. Water and sanitation services are meant to improve the public health among other things. Water, being a scarce resource requires conservation. The public must also be made aware of the impact of water and sanitation services upon the environment in general. Public awareness workshops were conducted in the 9 target towns, attended by representatives of a wide cross section of the community. During the workshops visits were made to strategic areas of the towns including markets, bus parks and unplanned squatter communities. Having identified the problems action plans were prepared to list the actions required from : Central Government; the Local Authority; the community itself. At the conclusion of the workshop an Action Group was elected to continue with the implementation of the action plan. The project continues to provide support to these Action Groups, and monitor their progress through a social development officer seconded to the project from the MOLG.

Although the creation of WSDs resulted in some improvement in the services provided by the Local Authorities it was however realised during this phase that water and sanitation services were unlikely to achieve self-sustainability so long as they remained subject to the constraints of the local government structure. Amongst the constraints identified were:

- The non-application of cost-covering tariffs for short-term political gain;

- Delays in approval of tariffs and budgets due to long bureaucratic approvals procedures;
- Diversion of water revenues to unrelated expenditures at the expense of water services;
- Difficulty of recruitment of professional staff;
- Over-staffing at unskilled personnel levels.

In April 1996 the MOLG accepted in principle the need to introduce a commercial approach to the provision of water and sanitation services in the main urban centres. A working group, supported by the project, set out the options available, and developed a concept involving the creation of Water and Sanitation Companies under the Companies Act.

Phase IV of GTZ assistance (1997-1999)

The main task of Phase IV of the project is to facilitate the establishment and consolidation of Water and Sanitation Companies (WSCs) in Eldoret, Kericho and Nyeri Municipal Councils. This is an innovative approach within the water sector in Kenya, and was the subject of a paper to the 23rd WEDC Conference entitled: "Commercializing local government water departments".

Although emphasis is being placed upon the above task, Phase IV of the project is planned to achieve four results as follows:

- Preparation of Local Authorities for commercialisation of water and sanitation services intensified;
- Capacity of local organisations to coordinate and promote commercialisation of water and sanitation services of Local Authorities strengthened;
- Autonomous and commercially oriented water and sanitation companies established;
- Consolidation of WSCs facilitated.

By October 1997 the following companies had been registered:

- Nyeri Water and Sewerage Company Limited;
- Kericho Water and Sanitation Company Limited;
- Eldoret Water and Sanitation Company Limited.

A firm of management consultants was appointed by the project in order to assist with the establishment of these 3 WSCs including the recruitment of their corporate management teams; preparation of their first commercial-accounting budgets and five year corporate plans.

By July 1998 the Nyeri WSC was fully operational, and by October the 3 members of its Corporate Management

Team (Management Director, Commercial Manager, Technical Manager) had been appointed.

Unfortunately problems arose in both Eldoret and Kericho, which resulted in delays in the establishment of these 2 WSCs. In Eldoret a court injunction was brought against the Council preventing it from transferring responsibility from its WSD to the new WSC. In Kericho the new Council, elected in January 1998, reversed the decision of its predecessor to commercialise its WSD. It is expected that both of these issues will be resolved early in 1999.

Involvement with other reform initiatives

In addition to activities directly included in the UWASAM project the team has assisted with other reform initiatives having the same objective of self-sustainability.

As noted earlier, as a member of the urban sub-group of the Water and Sanitation Coordination Group, UWASAM has been assisting with the formulation of a draft national policy on commercialization and private sector participation for the sector. It is hoped that this will be incorporated as part of the National Water Policy, which was issued in February 1998.

The Water Act, CAP 372 of the Laws of Kenya, is also currently being reviewed as recommended in the National Water Policy. Proposals have been made for several of the UWASAM initiatives to be incorporated into this review. Of particular interest to the project is the inclusion of both water and sanitation services into the revised Act. With the formation of more autonomous WSDs and WSCs it is also important that the framework for a Regulatory Body be established under the revised Act.

Conclusion

By the end of Phase IV of the UWASAM project many lessons will have been learned by GTZ in the area of technical cooperation in the institutional development field. The principal message for donors is that, if any progress is to be made on the self-sustainability of water and sanitation services, an holistic approach must be adopted. Donors must also be flexible in their initiatives to meet the changing needs of the counterpart organisations.

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