



Partners for Water and Sanitation

Note on project reports

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**Partners for Water and Sanitation
Project No: NIG82**

**Development of the WIMAG (Water Investment
Mobilisation and Application Guideline)
Strategic Framework Document.**

CONSULTATION COMMENTS

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1 Introduction

This document is intended to provide input to the draft revised WIMAG Strategic Framework that has been produced by the Federal Ministry of Water Resources (FMWAR). Comments have been made based on an understanding gained of the 'local' situation through a WSSSRP state visit by the PAWS partner, and a more general understanding of institutional frameworks/regulation gained by the Partner's general experience. This document is meant to provide constructive comments on the WIMAG document and refers to the specifics of what is proposed under WIMAG, rather than any commentary on the WIMAG approach as a whole. Timescales for response have been very limited, so this document contains comments as they arise from reading the WIMAG document. Given the timescales involved, all comments are the Partner's personal opinion as an informal consultee, and do not necessarily represent the opinion of PAWs as an organisation.

Many of these comments relate to maintenance rather than service expansion, as it is here (particularly where maintenance requires capital works) that much of the good work in expanding service provision has been undone in the past. The WIMAG system is 'naturally' more geared towards the provision of new works/service expansion rather than ensuring timely and appropriate funding for capital maintenance, which will be more difficult to ensure under this application based system.

2 Comments

The following comments and potential issues have been identified from reading the document:

1. **Key Components; Urban Sector (Section 2).** The text and figures in this section suggest that division of asset ownership and operations may be carried out in the urban sector. It is not clear why this is proposed, and what potential benefits could arise from doing this. Figure 2.1. suggests that the SWA Project Implementation Unit may sit within the asset holding corporation, which suggests a desire to completely separate the 'ownership' and implementation of capital works from day-to-day maintenance. We consider that such an approach would be extremely risky because:
 - There is a natural 'tradeoff' between capital maintenance works and routine maintenance, which is normally managed by asset maintenance planning within a single organisation. Two separate organisations formulating separate plans could lose this link and could seriously compromise maintenance of assets.
 - It may not be clear who was responsible for poor service, and there would be enormous opportunities for each organisation shifting blame and arguing over performance data.
 - Experience suggests that such an approach could promote deliberate under-maintenance by the asset operators, who are not responsible for the long term capability of the assets, but who would not be directly answerable to the asset owners

Outsourcing of O&M is, of course, commonplace, but this is normally done via contract with the asset owning company, which keeps overall responsibility and ownership of performance, service levels and business planning. In a few cases the business planning activities are handed over, but again the client/contractor relationship is maintained. If this client/contractor model is being proposed, then it is suggested that WIMAG may want to make this clearer to avoid unnecessary issues within the states.

2. ***Small Towns & Rural Project Application & Implementation (General)***. PAWS investigations at the state level indicated that, whilst RUWASSA have a good track record of implementing new supplies, monitoring and maintenance of those supplies can be poor. There are two key potential problems here:
 - i. If a scheme is implemented that cannot be simply maintained by local artisans, then support to identify maintenance problems and solutions is lacking. This is particularly relevant where motorised pumps/rising mains are involved, as specialist equipment may be required to identify the problem and solution. Provision and use of such equipment would be required well in advance of the point where any project application form can be filled in.
 - ii. Simple logistical support such as transport costs are often not available to the LGA teams, so they are effectively unable to liaise with WCAs and monitor performance of systems. Figure 3.2. does not indicate any additional funding for LGA teams, which would imply any extra costs would become a state/local government issue.

The concern is that, where schemes involve more than just simple hand pumps, WUAs may have to apply for funding in order to carry out an engineering appraisal to fix the root cause of an ongoing problem. This could mean that a water supply becomes extremely erratic or even unavailable during the potentially long time associated with contacting LGAs and obtaining funding for/carrying out engineering investigations before the WIMAG project funding application can be filled in. Long delays of this type could cause serious loss of support amongst consumers, and damage tariff/income streams for WCAs.

It may be the intention of WIMAG that this sort of process needs to be handled by state funding and support alone. If this is the case, then it is important that the state realises this, and plans for its obligations to provide financial and technical support to the WCAs during the identification/evaluation process. It may be advisable that this commitment, and mechanisms for ensuring this commitment, is contained within the State/WIMAG MOU.

3. ***General: Erosion and erosion response (General)***. One of the key causes of maintenance problems in the southern states is erosion. This can cause rapid failure of part of a system, which cannot be fixed without capital works. The funding system proposed under WIMAG does not allow for provision of rapid/emergency funding, and the lack of credit facilities at the local level means that consumers could be without water for a considerable amount of time following such an event. Would it be possible to include a route for emergency funding applications in the WIMAG framework?

4. **Project Implementation, contracts and payment (Section 3.4).** There are two minor issues here:
- i. Under 3.4.1. for the urban sector, it suggests that a pre-qual and tender evaluation process should be agreed on by all parties prior to tenders being invited. This seems to suggest that this is carried out individually for all tenders, which is somewhat impractical. It may be better to agree procedures and options for tender packages up-front as part of the WIMAG process, and then apply those processes to all subsequent tender activities.
 - ii. Under 3.4.2. *contracts and payment*, it is suggested that the arbitrator for contractual disputes should be the Engineer appointed by the PIU. Claims disputes are a specialist field, and it may not be appropriate or possible to ensure that the contract engineer is capable of acting as an arbitrator during any disputes. It may be better to have 'call off' contracts between specialists and the PIU who can be called in to support the Engineer if there is a significant claims dispute.
5. **Regulation and Regulatory Information (Section 3.5).** The quality of data and the validity of assumptions used in SWCU performance monitoring reports and WSP capital investment/operational management plans will be a significant issue. There appears to be very little guidance or support for this within the WIMAG framework, other than to indicate the potential for occasional audit by FMAWR and the requirement for a state regulatory law. Monitoring data quality does not appear to be within the remit of the SWRC. It may be advisable for the WIMAG to include a requirement that the state develops at least a simple system of checking and review to help ensure data integrity before WIMAG funding can be sought. This system could be developed in accordance with the local situation (e.g. southern states have strong town unions, which could be used as an independent reviewer), and could be improved over time, but failure to include a framework could be a potentially fatal flaw in the system.
6. **Asset Condition, Serviceability and Cost/Benefit Assessments (Sections 4.4 – 4.6).** It is very difficult to link asset maintenance to service levels (this is only just being attempted under very advanced, mature regulatory systems), unless the asset is left to deteriorate to such a state that it starts to fail regularly. Cost/benefit analysis of maintenance requirements is similarly extremely difficult. It is far simpler to use condition and performance criteria to identify those assets that are most likely to cause service problems if they are not fixed. A simple system of condition and performance assessment linked to investment and hence pro-active capital maintenance may be more workable than one that attempts to link maintenance requirements to serviceability. Without this type of system there may be a significant risk that capital maintenance will not be pro-active and will be left until the point where service levels really suffer until funding can be gained. This could impact on consumer confidence and lead to a breakdown in income/tariff collection.

7. **Penalties and Incentives (General).** The penalties and incentives associated with WIMAG appear to be simply related to the provision of, or removal of, WIMAG funding itself. This effectively benefits/penalises the consumers that would receive the service associated with the funding, so removal of funding needs to be regarded as a measure of last resort to be applied if the state/local government fails to act to ensure that WSPs provide the required service levels. To avoid having to use such measures, it may be a good idea to require that the state works with the WIMAG teams to develop an incentivisation/penalty framework as part of the WIMAG MOU. This does not have to be excessive, and could be as simple as, for instance, triggering written letters to town unions warning them that their WSP is failing to perform and WIMAG funding is at risk as a consequence.

8. **Performance Indicators (Section 4.6).** There is something of a 'one size fits all' approach here. For instance, the targets include estimated water loss per household per day. For water rich states this could be an extremely time consuming, potentially highly inaccurate measure that doesn't actually affect service to consumers at all. Failure to fix visible leaks/bursts can affect consumer confidence in such cases, but in that case it may be better to aim service levels at those issues rather than water loss per se. Similarly, estimates of population may be very difficult, so indicators could concentrate on property numbers instead. Generally speaking the performance indicators for small towns/urban supplies are fairly onerous (e.g. in some areas water quality sampling is currently very difficult, particularly because of logistics involved in obtaining relevant bacteriological standards). Overall it is therefore suggested that performance indicators should be developed in response to local capacity, issues and information availability, based on WIMAG guidance on a (possibly wider ranging) set of indicators that could be used. The only downside to this is that it removes some of the potential for comparative benchmarking between states. However, consideration may need to be given as to the level of benefit that would be gained by such benchmarking, compared to the time, costs, and data quality issues that could be caused by inappropriate indicators.