

Contractualization in Africa: Evolving Concepts and Adaptive Practices in WSS

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Introduction

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Always remember:

“Make a new arrow by comparing it to the old one”.

(Akan)

-----we can do a lot from the experiences we have!!-----

Rationale

Why Contractualization in WSS? It helps to:

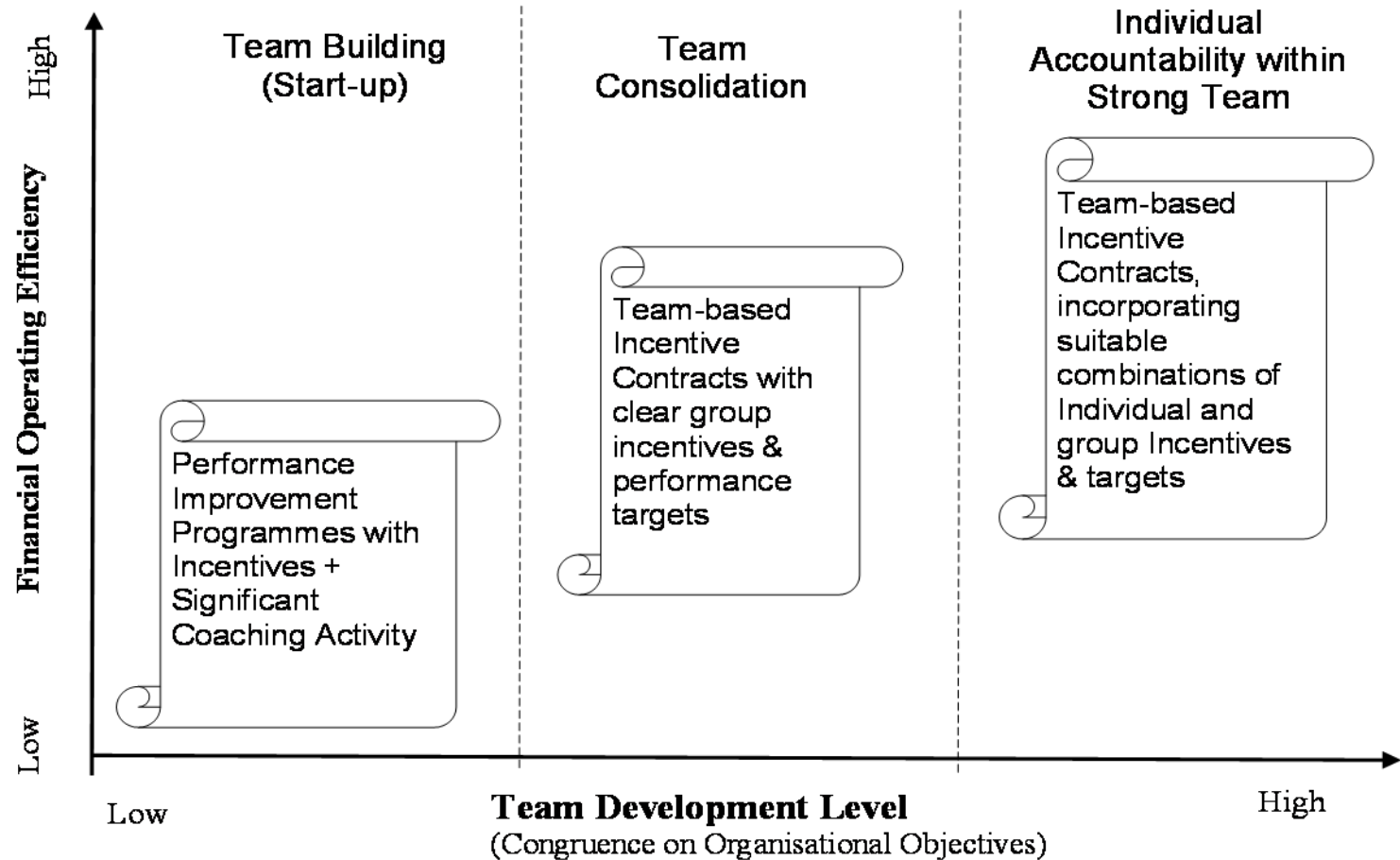
- Separate operating and performance monitoring/asset holding roles => increased performance accountability
- Allows for performance enhancement through incentives/penalties
- Apportion performance responsibilities/obligations in a meaningful manner
- Attract competent and committed management teams transparently
- Apportion operating risks equitably
- Regulate undue interference in the operator's conduct of business

Categories of Contractualization

From the African Experience, these include:

- **Strategic Level Contracts (SLCs) e.g. between Government/Ministry and WSS Utility**
- **Operational Level Contracts (OLCs) – to action SLCs e.g. between the Utility/Principal and operating Agent**
- **Staff Commitment Contracts (SCCs) – between individual staff and supervisor to facilitate a transparent and objective performance appraisal**

Contractualization Development Process: Evolving Utility Perspective



Other Contractualization Recipes

Our Experience in Africa suggests the following precursors, among others, for a successful contractualization process:

- **Team spirit among operating staff reasonably well developed**
- **Fairly established performance track record and data management**
- **Agitation for performance-based pay among staff**
- **Industrial commitment and support among operating staff**
- **Contractualization awareness through prior simplified arrangements like performance M.O.U.s.**

Partnering Versus Legalistic Contracts

“No single form is perfect”

Partnering Contracts

- Involve strong orientation towards continuous P-A interaction
- Incorporates persuasive and strong shared problem solving approach
- Recognises that each party (P-A) needs to learn from one another for continuous performance improvements

Legalistic Contracts

- Involve strong orientation towards arms-length P-A operations
- Incorporates strong deterrent and strict zero-tolerance to non-compliance
- Each party sticks to its obligations and roles – heavy output orientation

NWSC-Uganda uses hybrid contractualization processes

Key Elements of Contracts

These include, among others:

- **Well defined duration**
- **Obligations of the Principal**
- **Obligations of the Agent**
- **Arbitration terms**
- **Termination conditions**
- **Definition of Scope of works**
- **Business plan**
- **Performance standards**
- **Incentives Plans/ Mechanisms**
- **Compensation Fees**

Adapting M&E Approaches

M&E approaches must take into account the following, among others:

- **Sound infrastructure asset maintenance**
- **Corporate image enhancement**
- **Ambiance of premises and facilities**
- **Compliance to agreed performance objectives/standards**
- **Correct performance data capture and computations**
- **Fulfilment of each others' contractual obligations**
- **Mainstreaming informational asymmetries, through structured “checking” activities**

Incorporating Incentive Plans

A good and motivating incentive plan must be incorporated in the contractualization process, characterised by, among others:

- **Fair share of operating risks**
- **Reference to a multi-faceted performance criteria**
- **Priority performance enhancement objectives through a suitable weighting system**
- **Reflection on unique performance problems for a particular agency company/utility**
- **Simple to understand by a wide spectrum of operating staff for effective stakeholder mapping**
- **Equitable sharing arrangement for individual operating staff**
- **Use of performance indicators that exhibit minimum variability/volatility**

Exploiting Potential from Competition

An effective contractualization process must consider competition for the market/managerial responsibility through:

- **Willingness to take more operating risks (pay loss in case of poor performance)**
- **Proposing strong productivity improvement strategies**
- **Tangible cost containment initiatives**
- **Ability to 'tame' 'hostile' operating environment (statement of a fair list of assumptions)**
- **Offer of challenging and yet motivating set of performance indicators/standards**

Other Contractualization Facets

These include, among others:

- **Compliance to wider utility corporate policies (financial management, personnel, IT, procurement etc)**
- **Realistic requisite hardware and software investments**
- **Incorporating comparative competition possibilities, among peer utilities**
- **Contractual flexibility to allow for continuous innovation and creativity input into the contractualization process**
- **Allowance for progressive growth of managerial autonomy through decentralisation**

*The list can go on and on----- but always remember:
“An astute undertaking requires two persons”.
Rundi (Burundi)*

In Conclusion:

Ladies and Gentlemen, I want to finish with these African proverbs:

“Having a good discussion is like having riches”. Kenya

“If your house is burning, there is not time to go hunting”. West Africa

“Better a single decision-maker than a thousand advisors”. Ethiopia

We have listened, heard, discussed-----let us act. The WSS sector, especially in Africa needs our concerted efforts

Capacity building is part of the solution and NWSC-External Services is available to make a contribution!

-----Thank you for listening to me-----