

From Despair to Promise

A Comparative Analysis of WSS Reforms in East African Cities

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Abstract

There have been significant efforts in the last fifteen years to improve performance in water supply and sewerage services (WSS) operations of most cities in Africa. This has called for a number of reforms of various forms. WSS utilities in the three East African capital cities have been among the list that has undertaken such reform. Consequently, a number of legislative, institutional and managerial reforms; all aimed at creating good enabling environments to drive performance have been undertaken. This paper outlines a number of these reforms in WSS operations of the three capital cities of Kampala, Nairobi and Dar Es Salaam. We present, among others, the key reform drivers, reforms undertaken, achievements and underlying success factors. We conclude that there is need to synergise the use of incentives, strong leadership, managerial autonomy and accountability as important buttresses for successful reforms. In doing all this, political support and indeed support from other stakeholders is important. We also note that reforms need time, adequate stakeholder mapping and incorporation of significant local capacity development to be fully effective.

Key Words: WSS Reforms, Regulation, Local Capacity, Incentives, Monitoring

1. Introduction

There have been significant efforts, instituted in most African countries, to improve water and sanitation services delivery, with the overall aim of moving closer to Millennium Development Goals (MDGs) frontier. However, although many countries have succeeded in stepping up progress, the current pace of advance is still below what is necessary to reach the MDGs. At this stage less than half of Africa's countries have succeeded in putting themselves on track for reaching the MDG targets. The search for ways to quicken progress in all countries has brought into sharp focus the need to improve the performance of public operators which are responsible for providing water and sanitation services to more than 90% of urban households (HH). While there are cases of successful public operators, many of them have been stuck for decades in a 'poor performance/weak finance' trap. In developing countries, and particularly in Africa, most public utilities have been unable to extend their services to fast growing urban population consisting mostly of poor households living in informal settlements and in peri-urban expansion areas. This has typically led to situations where those privileged to have a network

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connection receive below cost services while most of the poor have to rely on more costly and lower quality alternatives.

In order to address this poor performance predicament, there have been significant restructuring/reform efforts in the last fifteen years to improve performance of WSS operations in most cities of Africa. This has resulted into a number of reforms of various types, mostly country-specific, in African utilities. For example, according to Brown (2007), after an abysmal performance in the 80s and 90s, the last 15 years have seen major utility reforms in many countries in Africa. There have been concessions in North Africa (Morocco and Egypt); private sector participation (PSPs) in West Africa (Senegal, Ghana, Ivory Coast and Burkina Faso); renewed vigor in public utility management in Eastern and Southern Africa (Uganda, Tanzania, Zambia, Ethiopia, Lesotho, Botswana and South Africa). The utilities in the three East African capital cities have been among a long list that has undertaken a number of reforms in the last fifteen years. Consequently, numerous legislative, institutional and managerial reforms; all aimed at creating good enabling environments to drive performance have been undertaken. This paper presents an anatomy of these reforms in three capital cities of Kampala, Nairobi and Dar Es Salaam. We present, among others, the key reform drivers, reforms undertaken, achievements and lessons learned. In order to present a holistic picture, we utilise a balanced performance scored card approach to carry out an analysis of the reforms.

2. Analytical Framework

A balanced performance score card framework is used to discuss reform efforts in the three East African Cities. Figure 1 below shows the focus areas of analysis.

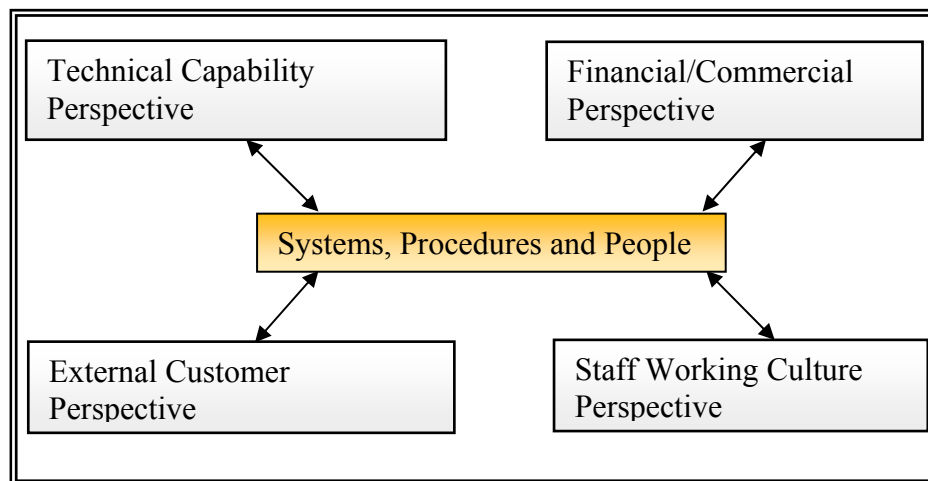


Figure 1: Focus Areas of Analysis

We analyse the reform drivers, initiatives undertaken and achievements realised, within the overall framework of technical, financial/commercial, customer and staff working culture perspectives of a WSS utility operation. The discussions of the production processes and technologies under these areas are logically interspersed with organisational imperatives, namely: systems, procedures and people (SPP), without any of which, a utility's performance *'portrait'* is imperfect.

3. Reform Drivers

The reforms that have taken place in WSS utilities in Africa were triggered by various factors ranging from poor financial and commercial performance, deteriorating networks and water productions systems, enraged customers who were receiving poor services and inadequate staff organisational behaviour. In our analysis of the driving forces for change, an overview of specific pestilences that characterised WSS operations is carried out, which elicited wide ranging reform activities.

3.1 Dar Es Salaam City

On the financial and commercial perspective, the main driving force, like in many WSS utilities in developing countries, was inadequate internal capacity to generate sufficient revenues to meet operational and capital development costs. Table 3.1 shows Dar es Salaam City WSS operations' internal income generation capacity versus operating expenditure.

Table 3.1: DAWASA Financial Performance Since, 1985 (TShs)

Year	Operating Income (M)	Government Subsidy (M) ³	Total Income (M)	Total Exp (M)	Surplus/Deficit (M)
1985	61	0	61	135	(74)
1986	98	0	98	164	(66)
1987	143	0	143	296	(153)
1988	199	0	199	409	(210)
1989	933	0	933	742	(191)
1990	765	0	765	5,464	(4,669)
1991	937	0	937	2,810	(1,873)
1992	1,395	0	1,395	3,712	(2,326)
1993	2,673	0	2,673	5,402	(2,729)
1994	2,784	5,223	8,007	7,980	27
1995	3,965	0	3,965	6,703	(2,738)
1996	2,660	1,502	4,162	6,248	(2,086)
1997	8,409	2,176	10,585	10,204	381
1998	10,432	1,246	11,678	11,159	519
1999	13,326	0	13,326	13,066	260
2000	13,963	0	13,963	13,835	128
2001	15,130	3,307	18,437	19,278	(838)
2002 ³	15,323	0	15,323	19,376	(4,052)

Source: DAWASA, 2004

Table 3.1 shows a significant gap between operating income (cash collections) and expenditure. The organisation could only cope with its financial problems through a stream of government subsidies. Worse still, the water sector was in dire need of huge investment funds for both infrastructure rehabilitation and expansion, estimated at about USD 600 M as at 1991. The extra investment costs were required to put in place requisite infrastructural facilities that would increase service penetration, which was estimated to range from 50%-60% at that time. The above financial problems, could not allow DAWASA to offer effective and efficient services to her esteemed customers. The situation was compounded further by the apparent unwillingness of development partners to put financial resources into a system that had no clear performance improvement plans. Accordingly, the need to attract financial capital into infrastructure

³ Un-audited accounts, *source*: DAWASA, 2002/2003 Financial Year Budget.

development was one of the most significant factors that triggered reforms in Dar es Salaam WSS operations. It must be reckoned that a lot of investments had been undertaken before with no corresponding incremental service improvements. That is why development partners were unwilling to put good money after bad money. Mugisha (2007) underscores this fact by concluding that both commercial and engineering orientations are vital for performance improvement.

On the side of external customer service, DAWASA was under pressure from all stakeholders, especially the Tanzanian Government, to improve service delivery to her existing customers and, at the same time, increase service coverage. But even with low coverage, the services in served areas had many problems. Supply reliability was hardly 10 hours due to inadequate network balancing, rampant water leaks and bursts, undersized pipes and fluctuating pumping regimes. New connections were taking more than one month to effect and the bureaucratic red tape and underhand (*under-the-table*) dealing was a commonplace. The customers were losing hope about good service delivery. Consequently, poor customer service was another strong imperative for WSS reforms in Dar Es Salaam City.

On the technical side, because of the limited (negative) cash flow from internal revenues, most of the critical maintenance activities were either delayed or abandoned altogether. This was a recipe for asset stripping and pointed directly towards inadequate technical sustainability of the production and distribution systems. Expansion programmes were significantly curtailed and customer base stagnated. Operating efficiency, measured by level of unaccounted for water (UFW) was poor, at more than 55%. There were no network hydraulic zones and therefore technical accountability mechanisms were ad-hoc and insufficient. There was improper technical planning of service lines and a lot of spaghetti lines, resulting into water leaks and illegal connections. The metering efficiency was low (at about 15%) and most of the customer bills were on assessment basis.

The staff working culture was also unsatisfactory. The staff had poor organisational behaviour with sharp differences between individual goals and institutional goals. There was inadequate operational autonomy from government and limited flexibility to adjust tariffs. In addition, the staff capacities and capabilities to design performance-based strategies and operational plans were deficient. There were no staff incentives to improve performance since the salaries and job tenure were almost guaranteed. As a result, staff attitudes to work were characterised by 'I don't care attitude'. There was a lot of illicit dealing both in terms of systems adulteration and field manipulations on customer accounts and billings. Furthermore, there were inadequate technical operating procedures and most of the work was carried out via shambolic means.

3.2 Nairobi City

One of the main driving forces behind the reforms was inadequate financial resources to cater for vital inputs to carry out basic infrastructural operations, maintenance (O&M) and investments. The main cause of financial problems was lack of financial discipline by Nairobi City Council authorities⁴. There was a lot of diversion of revenues from WSS services to finance other activities instead of WSS operations. In other words, the revenues were not ring-fenced and this caused a lot of political interferences and diversion of funds for other purposes other than

⁴ Prior to 2004, Nairobi City Water operations were under the City Council authorities.

water. On the side of revenue generation, the collection efficiency was low (less than 50% in 2000). There was clearly need to improve revenue performance if service delivery was to be improved. The situation was worsened by many irregularities in data management. As a result it was difficult to make a realistic assessment of the performance status. There were many incidences of “window dressing” of financial records especially whenever officials from development partners would be coming. This was aimed at giving a false picture that funds from WSS services were ring-fenced.

In terms of institutional and legal framework, there were a number of bottlenecks. These included the overlapping roles and responsibilities of key public actors in the wider water sector, which also affected service provision in Nairobi City. This caused conflicts and poor services in the sector. The conflicts mainly relate to allocation of resources and poor checks and balances. There was overall poor coordination in the water sector, poor policy accountability, lack of clear regulatory framework, performance monitoring and evaluation. This situation in turn resulted into poor service delivery to customers. There was widespread outcry about the level of services being offered and the low-income sections of citizens in slum areas were most affected. There were no customer feedback mechanisms like regular customer surveys. The situation was aggravated by the poor customer orientation of employees.

On the technical capability side, the WSS infrastructure continued to deteriorate unabated. The level of service grossly declined with most areas of the city increasingly becoming “dry zones”. The sewerage situation was alarming. Unaccounted for water was extremely high (at about 50% in 2000). Scheduled maintenance was largely abandoned and there were no proper operating technical procedures. The limited investments that were being undertaken were carried out in unplanned manner, resulting into spaghetti systems that became a hub of leaks, bursts and illegal connections.

In terms of organisational culture, there were a lot of gaps when the employees were still under the Nairobi City Council management. Illicit activities were rampant, with individual staff soliciting their own direct rents from customers. This in turn caused a lot of operating and managerial inefficiencies with no deliberate efforts from the top leadership to control the situation. Patronage of staff from the councillors was a common phenomenon and this made re-alignment of staff actions to organisational objectives virtually impossible.

3.3 Kampala City

Like the other cities, Kampala City’s financial and commercial challenges relating to its WSS operations were not different in nature. Prior to reforms in 1998, there was a high arrears portfolio amounting to more than 12 months of accounts receivables. The bill collection efficiency was less than 70% and the billing efficiency was less than 50% (implying more than 50% of UFW). The current ratio (current assets/current liabilities) was poor at 1.13, given that revenues from Kampala City WSS operations also subsidised other operations in other parts of the country. In fact the quickest ratio (bank and cash at hand/current liabilities) was as low as about 0.13 meaning that there were no sufficient funds to dispose of debts. A bankruptcy situation was soon creeping in.

Because of the financial and commercial challenges pointed out above, it was increasingly becoming difficult to supply efficient service delivery to customers. As at 1998, the customer base was very low at about 29,000 connections and the service coverage was about 50-55%. There were hardly any funds to carry out network expansion. The poor communities

suffered most as there were no plans to extend services to such areas. The conduct of internal staff to customers left a lot to be desired – a lot of ‘*under-table*’ dealings and seeking direct rents. The customers knew that no service can be obtained without ‘*kintukidogo*’ (a local term used for a bribe). Service reliability was irregular mainly because of poor maintenance practices. There was no system for capturing customer perceptions to enable orderly planning and implementation of customer service facilities like convenient pay-points, parking, and front desk, among others.

On the technical aspects, because of poor maintenance and operating practices, there were rampant water leakages and sewage spillages. The water reticulation system was largely unplanned and there was no way the technical teams could pinpoint areas of high water loss due to lack of hydraulic zones. Materials management systems and procedures were flawed, allowing a lot of poor quality materials and possibilities of ‘air’ delivery. Maintenance teams were disorganised and incompetent. As a result, a lot of spaghetti configurations and materials of wrong pressure ratings were installed leading to rampant water leakages and bursts on the network systems.

The employees involved in WSS operations of Kampala City, like those in Nairobi and Dar es Salaam, were also fond of acts like illegal connections, manipulation of meter readings, uncoordinated operations, laziness and I don’t care mentality. The employees had no incentive systems to improve performance. The salaries were low and there was a general tendency to pursue alternative coping mechanisms. Late coming was the order of the day and there was no management system to check this affliction. Employees dressed scruffily, in a manner that did not create ambience for customer service. Customer delight was a myth.

4. Initiatives Undertaken to Turnaround Performance

As a result of the performance situation outlined above, a number of reforms have been carried out in urban water sub-sector of the three East African Cities. The main objective of the reforms was primarily to enhance the potential to attract investment capital and improve managerial efficiencies. Consequently, significant reforms have been undertaken. These have included legal, institutional and managerial at macro and micro level.

4.1 Dar Es Salaam City

Legislative and Institutional Reforms: The most notable reforms included the establishment of the National Urban Water Authority (NUWA) under Act No. 7 of 1981; cited as NUWA Act, 1981. The Act provided for the functions and powers of the NUWA to regulate and supply water in urban areas of Tanzania. In order to focus efforts on the Dar es Salaam WSS situation, another legislative reform was carried out in 1997. Consequently, Act No. 8 of 1997: Water Laws (Miscellaneous Amendments) Act, 1997 Authority Act 1981; substituting DAWASA Act, 1981; was enacted. This Act No. 8 of 1997 also established the Dar es Salaam Water and Sewerage Authority (DAWASA) by merging the water supply operations of the defunct National Urban Water Authority (NUWA) and the sewerage activities of the Dar es Salaam Sewerage and Sanitation Department (DSSD) of the Dar es Salaam City Commission.

In order to allow for more commercial flexibility, further legislative reforms were carried out in 1999. As a result, Act No. 10 of 1999: Water Laws (Miscellaneous Amendment) Act, 1999 was enacted; allowing for the privatisation of DAWASA through appointment of a water operator and designating DAWASA as a Public Granting Authority. In 2001, Act No. 11, cited

as EWURA Act, 2001 was enacted; allowing for the establishment of a Regulatory Authority in relation to energy and water utilities. At the same time, all previous amendments to DAWASA Act No. 21 were amalgamated into the main Act namely; DAWASA Act, 2001; thereby repealing DAWASA Act, 1981.

The main structural reform objective was to separate operations management from asset holding, regulation and policy formulation. Subsequently, a long procurement process was undertaken to source for a suitable private operator for Dar es Salaam operations. The process started in 1997 and ended with the commencement of a 10-year lease, under City Water Services Limited; in August 2003. With operations put under the private lease operator, the asset holding roles (contract management; investment planning, delivery and asset management) remained under DAWASA. The latter is responsible for monitoring the lease contract, investment planning and delivery of non-delegated works and asset management. A Regulator (EWURA) has also been put in place. The Regulator is responsible for overseeing the development contract between DAWASA and Government. It also approves tariff adjustment proposals from DAWASA and handle customer complaint appeals from consumer councils. The Regulator also issues operating licences to prospective WSS service providers.

City Water Lease Contract: As already pointed out above, the procurement process was lengthy. It took five years, from 1997 to 2003. The initial specification of the bidding process was a joint venture between DAWASA and a winning private operator, since the main objective was to attract private capital to address the deteriorating WSS situation in Dar es Salaam. In the first round of the bidding process, five companies responded to a public advertisement in the press. The companies were Aquanova Consortium of South Africa, Northumbrian Lyonnaise, Brown and Root Consortium of U.K., Biwater International of U.K., Groupe Generale Des Eaux and Saur International both from France. However, because of lack of specification of the preferred management option, all the four bids had different offers with varied merits and demerits. One bid offered to go for a joint venture; the other one offered a management contract and two offered lease and concession contracts respectively. As a result, it was difficult to compare the bids and select a winning company in a transparent, competitive and credible manner. It was therefore deemed necessary to go for a second phase of the bidding process.

Considering the difficulties faced during the first phase, IDA provided funds for carrying out a rapid PSP options study with a view of selecting the most suitable management option, given the prevailing conditions. The study was carried out and the Tanzanian Government's preferred option was a Lease. Consequently, a Supplementary Information Paper (SIP) was prepared and issued to the four bidders who were responsive in the first phase. On submission of the second round of bids, only Saur and Generale Des Eaux responded, while Biwater and Northumbrian Lyonnaise opted out. At this stage, the main selection criterion was the tariff. No other qualifications were required. It was again not easy to select the winning bid among the two because both of them offered additional qualifications/requirements. One of the bidders wanted the government to give a loan of US\$ 5.0M to execute urgent WSS rehabilitation and limited expansion of the treatment plants to increase production. In addition, the bidder wanted government to pay electricity bills of the power company, TANESCO in lieu of water bills. The other bidder proposed a cascading tariff and other conditionalities. These included assurance from government that it will diligently pay its water bills and treating power interruption as a *force majeure*.

Due to these difficulties in selecting a winning bid, the government decided to restructure the solicitation documents and incorporate all the concerns and impediments raised in the previous bidding processes. A prequalification process was once again carried out, where only three firms were short listed. These were Biwater/Gauff, Vivendi and Saur. In tandem with the lease contract bid, two supplementary contract bids were incorporated, namely the Supply and Installation of Plant and Equipment (SIPE) contract and the Procurement of Goods (POG) contract. The POG contract was introduced to take care of procurement of meters to be financed by a special project and not the private operator to reduce on the capital requirements from the prospective companies. As part of concessionary arrangements, an optional sub-loan of US\$ 5.5M was introduced for a prospective operator. As in the second round of the bidding process, the key evaluation criterion this time round was the tariff offer. To guard against unreasonably low tariff proposals that would later result into financial difficulties for the operator, a minimum tariff of Tshs 322 per m³ was incorporated in the bidding documents. The tariff was determined through detailed financial modelling. Accordingly, the minimum tariff was based on a minimum equity investment of US\$ 2.5M.

The third round of the bidding process attracted only one bid, Biwater/Gauff. The evaluation of the bid was, therefore, limited to compliance with the terms and conditions of the bidding documents. Consequently, a 10-year WSS lease contract was negotiated and awarded to Biwater/HP Gauff joint venture and a local company – Superdoll Limited in August, 2003. However, after two years, in June, 2005, the government of the United Republic of Tanzania unilaterally terminated the contract. The government of Tanzania explained that the decision was made because the private company failed to meet revenue collection targets and other performance conditions as spelt out in the contract.

Dar Es Salaam Water and Sewerage Corporation (DAWASCO): After the termination of the lease contract with the private operator, the government of Tanzania replaced it with a management arrangement under a public company called Dar Es Salaam Water and Sewerage Corporation (DAWASCO). Consequently, DAWASCO, with the support of NWSC-Uganda's External Services Unit has, since, designed and implemented a series of performance improvement programmes. The specific operational reform activities have been varied. On the financial and commercial side, attempts to rationalize the customer base through rigorous block mapping and customer surveys have been instituted. A strict disconnection policy for non-payment of water bills has been implemented and a new billing system (IDAMS) has been installed to increase billing efficiency and accuracy. Billing and revenue collection systems have been streamlined to reduce illicit activities. In this respect, a structured decentralization process has been introduced, through a series of internally delegated performance contracts (IDPCs). Customer service centres have been refurbished, increasing their ambiance. Financial modeling has been introduced to monitor revenues and expenditure processes. A new social connection policy has been designed and is ready for implementation, targeting poor communities.

On the external customer services side, DAWASCO has intensified public awareness campaigns through use of loudspeaker-mounted cars on weekly basis. There is zero-tolerance for illegal field activities and anybody caught in this act is terminated outright. On the technical side, operating procedures have been designed and implemented. A hydraulic model has been installed and is being calibrated to assist in managing the water network efficiently. Technical teams have been decentralized to increase efficiency and accountability. Incompetent employees have been replaced with more qualified and energetic ones. On the staff working culture, a new

organizational structure has been implemented. Late coming is not tolerated and competition among operating teams has been introduced. The IDPCs also incorporate an incentive plan that involves both financial and non-financial incentive mechanisms. The non-financial incentives include trophies and cash awards given to winning teams based on agreed evaluation criteria. The financial incentive formula⁵ is as follows:

$$\text{Incentive Fee} = \left[\frac{C_A - C_M}{C_T - C_M} \right] * 30\% \text{ of } GSP$$

The formula is applicable only if: $C_A > C_M$

Where:

C_A = is the actual monthly collection achieved during the month under review

C_M = is the average minimum revenue collection for the respective Area a

C_T = is the average monthly collection Target for the respective Areas

GSP = is the Gross Salary Pay for the staff in the Areas

4.2 Nairobi City

Legal and Institutional Reforms: In order to streamline the legal framework governing WSS operations, the old Water Legislation CAP 372 was amended into New Water Act 2002. The new Water Act provides for separation of policy formulation, regulation and service provision. The Act also separates Water and Sewerage Services (WSS) from Water Resources Management (WRM) services. In addition it provides for devolution of responsibilities to the lowest local level. The institutional set up under Water Act 2002 provides for a Water Appeal Board (WAB) at the topmost level. The WAB hears and determines appeals on orders, decisions, permits and licences. The Board also resolves disputes that emanate from the lower bodies. At the national and policy level there is the Ministry responsible for water supply and water resources. At the same level, there are two bodies responsible for regulation. These are Water Resources Management Authority (WRMA) and Water Services Regulatory Board (WSRB) for water resources and water & sewerage services respectively. At the service provision level, the Act provides for establishment of Catchment Areas Advisory Committees (CAACs) and Water Services Boards (WSBs) for water resources and water & sewerage services respectively. Under the later boards, the Act provides for Water Resources User Associations (WRUAs) and Water Services Providers (WSPs) respectively. The Consumers and Users come at the services consumption and usage level.

The WSRB gives advice to the Minister, licences the WSBs, consents to the agreement between WSBs and WSPs, monitors WSBs and WSPs and develops tariff guidelines. In addition the Regulatory Board develops model licence agreements; model performance agreements; establishes procedures for customer complaints and updates the public on sector performance. On the other hand, the Water Services Boards (WSBs) are responsible for the efficient and economic provision of water and sewerage services within their areas of jurisdiction. Specifically, the WSBs develop infrastructural facilities, prepare business plans and performance targets and apply for licences to provide water and sewerage services. The WSBs also propose

⁵ It should be noted that if C_A is less than C_M no incentive is paid and in that respect, management at their discretion have the right to slap penalties. Incentive earnable is shared such that no individual staff gross pay exceeds 50% increment in the monthly salary. DAWASCO management may discretionary, decide to award special awards to excelling Areas in order to drive financial viability of the Company.

tariffs for the Regulator's approval and contract services provision to the operator. The Water Services Providers (WSPs) are contracted by WSBs to provide quality water and sewerage (sanitation) services. In this regard, the WSPs operate and maintain facilities; comply with quality standards and service levels and carry out billing and revenue collection operations. The sector reforms have also provided for a Water Services Trust Fund (WSTF) to assist in financing the provision of water services to areas which are without adequate services.

The Nairobi City water reforms have taken place within the above legislative and institutional frameworks. The City is currently under a company, which was registered in December 2003. The company is responsible for WSS operations under a lease arrangement. It has a Board of directors with various stakeholder representations. These include: Nairobi City council, non-governmental organisations (NGOs), Kenya National Chamber of Commerce; professional bodies; Plan International; AMREF and Kenya Association of Hotels and Cattle keepers. The Chief Executive Officer (CEO) is also part of the Board representing management.

Leasing WSS Operations through a Public Limited Company: Initially Nairobi City Council was not akin to letting go of the WSS operations management. Because of the resistance and opposition from many stakeholders, the Kenyan Government asked for a more comprehensive performance improvement strategy involving more WSS aspects. Consequently, HACROW Consultants were engaged to carry out private sector participation (PSP) options study. Following this study, a lease arrangement was proposed for Nairobi City WSS operations. The Government together with the World Bank then asked the Nairobi City Council to implement the proposal. However, this option met mixed reactions from the City Councillors. The main concern was how the Council would benefit from the reforms. Eventually the Council was convinced to form a Company that would act as a service provider, in line with the Water Act, 2002. This consensus was enhanced by an arranged trip to other Kenyan WSS towns where similar reforms were in advanced stages and had started delivering efficiency gains. The buy-in process of the City Council also involved the signing of a Tripartite Agreement (TA) between the City Council, the Water Services Board (WSB) and the Service Provider, within the framework of the Water Act, 2002. Consequently, Nairobi City Council formed an operating Company and registered it in December, 2003. The Company is publicly owned but operates under the Company Law of Kenya. There is a Service Provision Agreement between the Board and Management to regulate the WSS operations management.

Specific Operational Reforms: Since the new management of the operating company came into place, a number of operational reforms have been instituted. On the commercial and financial side, financial procedures have been streamlined. A new billing system has been installed reducing temptation for revenue adulteration and the customer base has been rationalised through rigorous customer surveys. Strategic business service units have been instituted through a decentralisation process and a strict disconnection policy for non-payment of water bills has been instituted. On the external customer service side, regular public hearings are regularly organised to capture consumer voice and preferences. A website has been set up to disseminate information to the public and ambience of customer service areas and offices has been greatly revamped.

On the technical side, maintenance teams have been strengthened and plans to introduce effective network hydraulic zoning are in advanced stages. Materials management systems have been strengthened and improved revenues have enabled maintenance activities to be scheduled and implemented. On the staff working culture, employees with right technical skills have been placed and strong human resource management systems including streamlined welfare systems

instituted. Individual performance contracts, with regular appraisals, have been introduced. A performance-based incentive mechanism has been introduced to revitalise employee motivation. The typical incentive formula⁶ is as follows:

General Formula

$$G.I = \{(B_G) * (P/N)\} + \{X_G * (COM_a - COM_m) * (\alpha_1 WR_{pa} + \alpha_2 UFW_{pa} + \alpha_3 CE_{pa} + \alpha_4 MR_{pa} + \alpha_5 TA_{pa})\}$$

Specified Formulation

$$G.I = \{(B_G) * (P/N)\} + \{0.3 * (COM_a - COM_m) * (0.2 WR_{pa} + 0.3 UFW_{pa} + 0.2 CE_{pa} + 0.2 MR_{pa} + 0.1 TA_{pa})\}$$

Where:

GI = Global Incentive that relate to the entire NCWSC

B_G = The Base given by the average monthly Global Bonus for the previous year (for the first year, the annual bonus that was paid in the previous year will apply)

P = The weighted number of minimum performance standards that have been achieved for the given month. The performance is discrete, taking 1 if the actual performance has been achieved relative to the minimum performance standard or zero otherwise

N = The total weighted number of minimum performance standards to be achieved

X_G = The agreed %age of the improvement in the global COM to be shared/retained by the staff (e.g. 30%). This is to be decided by the management. X_G is then used to determine the maximum proportion (Y %) of the staff Basic Salary (BS) that will be earned on achievement of the desired performance targets

COM_m = Minimum Cash Operating Margin given by the difference between the agreed minimum revenue collections (Excluding Deposits and Grants) and the agreed OPEX on accrual basis (Excluding CAPEX).

COM_a = Actual Cash Operating Margin given by the difference between the actual revenue collections (Excluding Deposits and Grants) and the OPEX (on accrual basis - Excluding CAPEX) for the month under review.

WR_{pa} = incremental achievement in the reduction of Working Ratio. WR is defined as a - %age of total monthly operating expenses as a proportion of total monthly billing

UFW_{pa} = incremental achievement in reduction of Unaccounted for Water. UfW is defined as the percentage of difference between water supplied to the system and authorized consumption as a proportion to the water supplied for a given month

⁶ It should be noted that the monthly Incentive is paid to the staff on a prorated and weighted basis once NCWSC or business unit exceeds the Minimum Performance Standards (average performance for the previous year). Also, the improvements in a specific indicator that contribute to the computation of the Incentive are capped and are limited to the achievement of the desired target performance standard. If performance for a given month exceeds the desired target performance standards, that improvement beyond the desired target performance standard, it does not contribute to the incentive. In addition, the desired target Performance Standards are negotiated and agreed upon between management and the respective business units.

CE_{pa} = incremental achievement in the increase in Connection Efficiency. CE is defined as the ratio of active water connections as a proportion of total water connections for a given month

MR_{pa} = Incremental achievement in the increase in Meter Reading Efficiency. MR is defined as the ratio of meters read as a proportion of total water connections for a given month

TA_{pa} = incremental achievement in the reduction of Total Arrears in KShs.

$\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5$ are specific weights for the respective indicators with the condition that $\alpha_1 + \alpha_2 + \alpha_3 + \alpha_4 + \alpha_5 = 1$

pa = Percentage Incremental Achievement given as

$$pa = \frac{Ia - Im}{It - Im}$$

Where:

Im = Is the minimum performance standard for a given indicator derived from the average performance for the previous year

It = the desired target performance for a given indicator for the month under review

Ia = Is the actual achieved performance level for a given indicator for the month under review

Therefore, (Ia – Im) gives actual performance improvement

(It – Im) gives improvement on the target

4.3 Kampala City

Institutional and Legislative Reforms: According to Mugisha and Berg (2008), the WSS operations in Kampala City are part of the corporatized NWSC, which is a public corporation, wholly owned by the government of Uganda. The NWSC was established in 1972 by decree No. 34 (during the time of President Idi Amin Dada). The corporation's legal position was strengthened by NWSC Statute No. 7 of 1995, which was later incorporated into the NWSC Act of 2000. Under the new legal framework, the powers and structure of NWSC were revised to enable the corporation to operate on a commercial and financially viable basis.⁷ Accordingly, the corporation is currently mandated to manage water and sewerage services in 23 urban areas under its jurisdiction. The NWSC is structured in such a way that there is a head office, which acts as an asset holding arm. Then there are service providers (operators) in large towns that carry out the day-to-day operations management in those towns. The head office is responsible for large-scale investments, asset management, operations support, and performance monitoring.

As a result of the performance situation outlined above, a number of reforms have been carried out in Kampala, in the last 15 years. Most of these reforms were characterized by involvement of the private sector in operations management after huge capital investment (of more than USD 50M) were carried with no compatible commercial and service delivery efficiency gains. In this regard, two management contracts have been successively implemented in Kampala. These are the Kampala Revenue Enhancement Programme, code-named KRIP and the Ondeo Services Uganda Limited (OSUL).

KRIP Contract: In 1997, NWSC management decided to involve the private sector in the management of Kampala under a project code named KRIP. This approach was also aimed at fulfilling the Government policy of involving the private sector in the provision of services.

⁷ Before the new legislation, NWSC was operating under a decree. The powers of the corporation were constrained through cumbersome reporting requirements to the minister (government). The NWSC was not allowed to freely outsource operations management. There were a lot of overlaps in role definition between the government and the corporation. The new NWSC Act of 2000 was aimed at streamlining these inconsistencies.

Consequently, the NWSC engaged a private operator Ms. H.P. Gauff Ingenieure of Germany in December 1997, through a sole sourcing process. The contract lasted for 42 months (January 1998 – June 2001). The NWSC expectations in this contracting process were: achieving a win-win situation for both parties; mutual respect and good faith between the involved parties; improved financial performance and improved service delivery; capacity building and technology transfer. The KRIP contract had fixed management fees (excluding O&M costs) of initially 190,000 Euros per month, which was later adjusted to 145,000 Euros per month payable in local currency but not performance based. The scope of works included all operations of water distribution, sales and arrears collection but excluded water production and sewerage services. The design was such that the employer could terminate the contract if the firm persistently failed to achieve 75% of target levels over four consecutive months. These provisions later proved not to deter poor performance because such a situation could easily be avoided by the operator without, necessarily, improving performance.

There were a number of challenges and constraints during the KRIP contract implementation process. Some of the performance targets were not ambitious and the contract heavily favored the operator. Consequently, the operator had no incentive to contain costs in operations as the NWSC was fully responsible for all operational costs. Furthermore, there were internal problems, including managerial conflicts, within the operating company, causing a high rate of turnover of senior management staff (expatriates). There were also conflicts between the operator and the employer over issues related to inadequate performance. Other challenges related to slow speed with which Government Ministries paid WSS bills/arrears. The operator did not have adequate funds for investments especially network improvements.

The OSUL Contract: After the KRIP contract expired on 30th June 2001⁸, the NWSC found it necessary to procure a new operator, through competitive tendering. This was carried out under the overall sector reform objective of separating operations from contract monitoring/regulation and asset holding functions. The procurement process took about one and half years, from the period of expression of interest (EOI) to contract award. Ondeo Services of France was the Successful Bidder. The company eventually registered in Uganda as Ondeo Services Uganda Ltd (OSUL). The key elements of the contract included the operator taking full charge of all water and sewerage services (except water production and sewage treatment), for a fixed management fee covering both operational and management costs. The operator also took full control of all staff and a performance incentive fee was incorporated for achievement of key targets. The contract design also included operational investment fund (OIF) to finance network rehabilitation supported by KFW of Germany and NWSC.

There were a number of challenges and constraints during the OSUL contract implementation process. During the first year of the contract, the operator expressed dissatisfaction with the management fees and demanded a renegotiation of the contract. The operator claimed that there was need for an increase of management fees by a minimum of 20 percent to cover additional un-anticipated operating and expatriate middle management staff

⁸ After the expiry of KRIP contract, an interim NWSC management was set-up to run the Kampala WSS operations until a new operator was procured through an international competitive procurement process. The interim management was tasked a set of performance targets that were largely similar to the former KRIP contractual targets. Similar operating conditions incorporating an incentive arrangement for staff were given to the interim management.

expenses. In addition, the operator requested to be compensated for the Euro/US dollar exchange costs. In fact, there was a request to pay the foreignised component of the management fees in Euros instead of US dollars. As a result, the NWSC engaged the services of an independent international accounting firm to give an independent opinion on the Operator's demands. The firm reviewed the operator's demands relative to the terms of the contract. Most of the demands were found to be legally invalid. However, the NWSC still proceeded and negotiated a contract amendment to allow the Operator to earn additional management fees, pegged to incremental performance. The OSUL contract was designed to last for two years and had room to be extended for another one year through a negotiation procedure. However, towards the expiry of the first two years, negotiations did not yield an extension due to disagreement on level of management fees requested by OSUL.

The Kampala IDAMC: as a result of failure to extend OSUL contract (beyond 17th February 2004), a new management code-named Kampala Water negotiated and signed an IDAM contract with NWSC Head Office to run Kampala WSS operations. Under IDAMC, the scope of services expanded from those under OSUL contract, i.e. water distribution, revenue and OIP related functions, and includes water treatment and sewage disposal functions. The IDAMCs are the latest internal reforms introduced by the NWSC management to improve performance. They are quasi-PSP Management contracts in which the Areas are operated by Area Management teams (as the Operator) with Headquarters acting as the Employer/Regulator. The contracting parties (see figure below) include the NWSC-Head Office (represented by An Authorized Representative) on one side and the Operator (represented by General Manager as the Managing Partner, supported by Key Select Team, under a Deed of Partnership) on the other side. The Managing Director of NWSC is still accountable for operations of both parties as acts as an adjudicator of disputes.

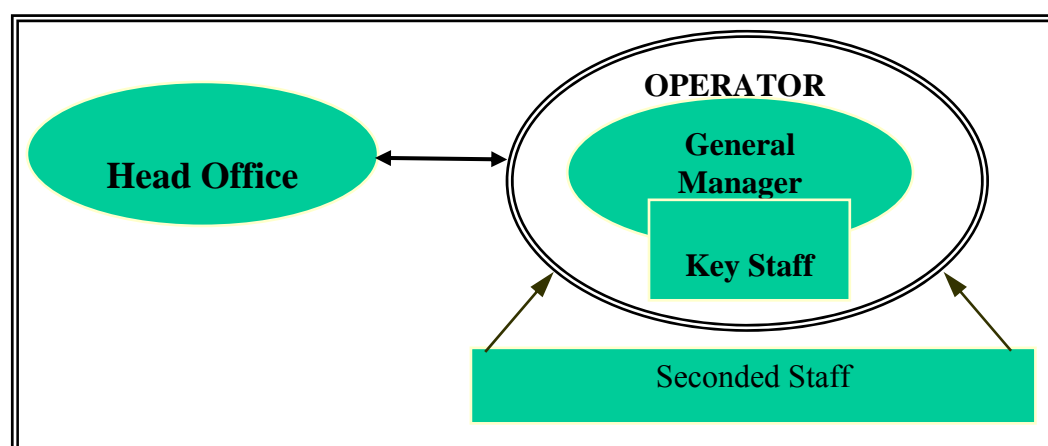


Figure 2: Kampala Water IDAMC Structure

The duration of the contract is initially 2 years with periodic quarterly reviews; but can be terminated, with adequate notice, to allow for better management options as the Corporation deems fit. The contracts have so far gone through two phases (2004-2009), at each stage allowing for modifications and improvements. The model provides for increased autonomy to the Area Management Team in staff management and decision making. In this respect, KW has full control over operating staff. There is operating risk-sharing through “performance-based

pay” pegged to key performance targets. As a result, KW is paid a management fee that comprises a base fee, performance fee and an incentive fee. In this regard, the incentive fee⁹ for Kampala Water is computed as follows:

General Formula

$$IF = B_{IF} * (P/N) + \{X\% * (OM_E - OM_O) * [aWR_{pa} + bNRW_{pa} + cCE_{pa}]\} + YTA_{pa}$$

Specific Formula

$$IF = 139,037,000 * (P/N) + \{15\% * (OM_E - OM_O) * [0.4WR_{pa} + 0.3NRW_{pa} + 0.3CE_{pa}]\} + 10,000,000TA_{pa}$$

where:

B_{IF} = Ushs.139, 037,000 is the Base Incentive

P = the weighted number of minimum service standards that have been achieved for the given month

N = 100, is the total weighted number of minimum service standards to be achieved

X% = 15% is the agreed proportion (%) of the improvement in operating margin (OM) to be retained by the Operator as bonus

OM_O = Minimum cash operating margin based on the agreed operating expenditure (Base Fee + Performance Fee) and the set Minimum Standard for revenue collections

OM_E = the achieved cash operating margin during the month being evaluated

WR_{pa} = Percentage incremental achievement in the improvement of the *Working Ratio*

NRW_{pa} = Percentage incremental achievement in the reduction of *Non Revenue Water*

CE_{pa} = Percentage incremental achievement in the increase in *Connection Efficiency*

TA_{pa} = Percentage incremental achievement in the reduction of *Total Arrears*

Z = Ushs.10,000,000 is the agreed incentive attached to reduction of arrears (debts)

a, b, & c = Area specific weights for Parent Targets for computing Incentive Fees where $a+b+c=1$.

The percentage incremental achievement (PIA) is computed as follows:

$$PIA = [(I_a - I_m)/(I_t - I_m)] * 100$$

Where:

I_m = the minimum performance standard for a given indicator

I_t = the desired target performance standard for a given indicator for the month or quarter in question

⁹ The Incentive Fee (IF) is paid to the Operator on a prorated and weighted basis once the Operator exceeds the Minimum Performance Standards (MPS) for the parent indicators. The IF computation is prorated between the MPS and the desired target Performance Standards for parent indicators at the end of the Contract duration or the end of the respective months as the case may be. The improvements in a parent indicator that contribute to the IF are capped and are limited to the achievement of the desired target performance standard. If the Area improves performance beyond the desired target performance standards, that improvement beyond the desired performance standard, except for the cash Operating margin, does not contribute to the IF. The IF is capped.

Ia = the actual achieved performance level for a given indicator for the month in question.

Specific Reform Initiatives: Within the framework of the above overarching reform activities, a number of specific operational reforms have been undertaken for WSS operations in Kampala City. On the financial and commercial side, financial systems have been revamped and strengthened to ensure proper accountability and increased use of budget guidelines. Proper financial management indicators that promote financial sustainability (e.g. cash operating margin) have been incorporated in the performance contracts. The balance sheet has been re-engineered by converting debt into equity¹⁰ so that the utility can be more attractive to private financial markets. In this regard, the NWSC (mainly based on revenue projections from WSS operations in Kampala City) has already (in February, 2009) signed a loan agreement with French Development bank to acquire a low interest loan (about 13%) to carry out critical investment activities. To improve revenues from water sales, a dedicated illegal use reduction unit was created to handle this critical function. In addition, a vigorous outreach program incorporating use of telephone SMS reminders, disconnection threats and debt collectors has been implemented. In addition there is an existing memorandum of understanding with Government to ensure that government bills are settled, most often in advance. This has greatly enhanced overall collection efficiency. Further the water tariff is continuously adjusted through an automatic tariff indexation formula that was approved by Government, to ensure that inflationary effects do not affect revenue generation.

On the external customer service side, smart front desk offices have been instituted with good customer oriented staff to reflect the ambiance and service offer that is appealing for a client. A lot of strategic alliance meetings are held involving ‘giving-back’ activities like city cleaning, donations and customer recognitions luncheons/dinners. Customer surveys are regularly held to map out the varying customer needs, feeding into performance improvement plans. A web site has been put in place to assist the public to know about WSS operations. To increase the customer base, a social connection policy involving issuance of free connection materials up to 50m from the main water pipe was introduced in 2004. On the technical side, operational teams have been decentralised to ensure efficient operation and maintenance. The network is being modelled into hydraulic zones to ensure better accountability of water sales. In this regard, a geographical information system (GIS) coupled with block-mapping have been strengthened.

On the staff working culture, a transparent medical and transport policy has been put in place to avoid abuse and cost escalation. There is strict monitoring of staff attendance through use of movement books. Further, there is zero tolerance to illicit behaviour and a strong surveillance system has been put in place to discover corrupt tendencies. Staff restructuring was carried out and there is a deliberate policy to maintain staff of best qualities. In this regard, use of performance incentive and payment of competitive core salaries is being used as a good retention tool.

¹⁰ This process was approved by the Government of Uganda after a thorough consideration to allow NWSC finance its own investments, given that the debts were incurred through mainly unviable (social mission) projects implemented in the past.

5. Achievements of the Reform Activities

In this section, we outline some key quantitative and qualitative achievements of the reform efforts in the three East African cities. The quantitative achievements are structured in the categories of technical, commercial, financial, customer service and staffing.

Table 5.1: WSS Achievement in Dar Es Salaam City (DAWASCO)

Performance Indicator	Before (2005)	After Some Time (2008)
Technical Performance		
Water production mil m3/yr	80.0	91.8
NRW	46.0%	49.0%
Commercial Performance		
Income (Tshs. Billion)	32.1	30.8
Revenue Collections (Tshs. Billion)	11.3	19.4
Customer Care		
Total number of water connections	104,171	140,809
Financial Performance		
Operating Surplus (Tshs. Billion)	14.1	12

Table 5.2: WSS Achievements in Nairobi City (NCWSC)

Performance Indicator	Before (2004)	After Some Time (2007)
Technical Performance		
Non Revenue Water	50.0%	45.0%
Commercial Performance		
Income (Kshs. Billion)	3.55	3.2
Revenue Collections (Kshs. Billion)	1.3	2.6
Customer Care		
Total number of water connections	186,000	191,807
Staff Productivity (staff/1000c)	11	11
Financial Performance		
Operating Surplus (Kshs. million)	115	238

Table 5.3: WSS Achievement in Kampala City (Kampala Water)

Performance Indicator	Before (1998)	After Some Time (2008)
Technical Performance		
Water production mil m3/yr	31	48
Non Revenue Water	55.0%	39.8%
Commercial Performance		
Income (Ushs. Billion)	15.6	51.9
Revenue Collections (Ushs. Billion)	9.4	49.2
Customer Care		
Total number of water connections	28,985	120,393
Service coverage	51	74
Staff Productivity (staff/1000c)	26	5.4
Financial Performance		
Operating Surplus (Ushs. Billion)	8.0	22.0

Source: Authors' Analysis of Utility Performance Reports

As the tables show, the reform processes in the three east African cities have yielded significant progress. The commercial, financial and technical performance has improved in some cases, more than three times. In some instances, however, performance has drifted because of start up challenges. For example in DAWASCO, the billings have gone slightly down due to a data clean-up activity that has led to reduced customer accounts. The reforms in Kampala show the most consistent improvements, probably because of the longest period of reform experience and stability. On the qualitative side, staff attitudes to work have improved due to incorporation of performance-based incentives. Customer services areas have drastically improved in ambience and management teams are better geared to performance management systems. Staff capacity building has been vigorously carried out to build a core staff compliment to sustain reforms.

6. A Dissection of Key Success Factors

This study identifies a number common key success factors (KSFs) that have led to steady progress of performance as a result of WSS reforms. These factors are categorised (see figure 3) into five broad-based factors, namely; (1) Autonomy (2) Accountability (3) Incentives and (4) Leadership (5) Political Support

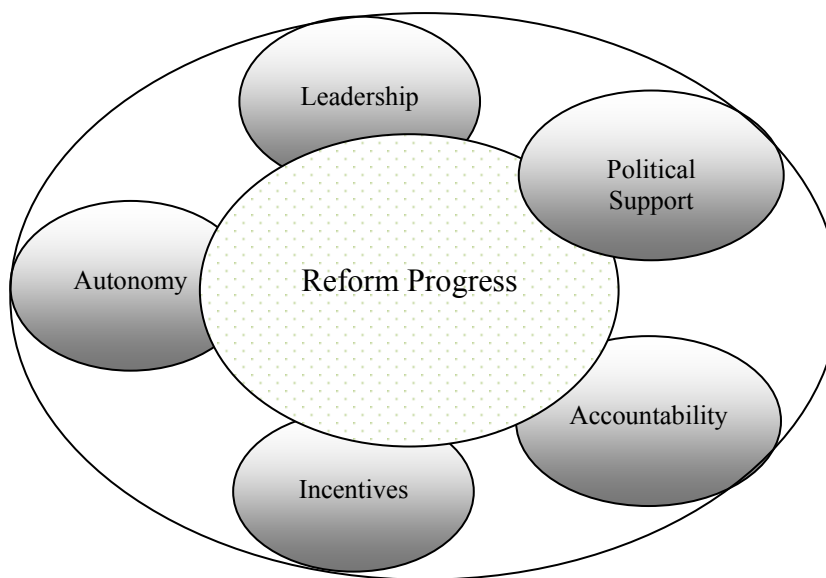


Figure 3: Synergy of Success Factors

(i) Managerial Autonomy

Strengthening autonomous decision making in matters of customer service and other aspects of operations management has been a key input in reform activities. Importantly, reforms have been guided by strong customer focus. To ensure effective service delivery, the principle of subsidiarity was incorporated in the planning and design of reforms. Management teams, based on various sets of performance contracts/commitments were put in place. This approach is consistent with solutions suggested by K'Akumu and Appida (2006) who attributes past privatisation failures in Kenya to lack of commitment to decentralisation and adequate autonomy. Another key ingredient was use of home-grown solutions adaptable to local conditions. In all cases, reform processes were staff-driven and owned. They were all preceded

by thorough situation analyses based on local practical problems and threats. This was important because the staff on the ground could easily see that the ‘ship on which they were sitting was sinking’. The threat of privatisation was another primer.

(ii) Performance Accountability

All WSS reforms were characterised by logical use of external overarching commitment contracts. There have been overarching performance contracts with the oversight body and this contract is cascaded through a multitude of internal incentive contracts with operating units. The latter are designed in such a way that their objectives are more ambitious than the mother contract to minimise the risk of non-compliance. In this respect, all reforms were characterised by periodic evaluations and vigorous new idea infusions. Successes and failures were viewed in a positive perspective and used to plan better reform strategies. There was no fear to look back and un-do what was originally planned to create better performance opportunities. Flexibility characterised all reform implementation processes. Most important all reforms incorporate strong requirements for performance reporting. In Dar Es Salaam City, DAWASCO has a reporting obligation to the asset holding authority (DAWASA), the regulator (EWURA) and government. In Nairobi City, the operating company has reporting requirements to the asset holding company (Athi Water Services Board), the regulator and Nairobi City Council through the Board. In Kampala City, the operator (Kampala Water) has a reporting requirement to the oversight body (NWSC-Head Office) and eventually government.

(iii) Strong Leadership

Committed leadership was another reform enabler. The commitment of top leadership in fighting illicit activities contributed to good governance. In this regard, good governance (intelligence) networks were set up, specifically targeting corrupt staff. There was zero tolerance for staff caught in illicit activities. They were fired to show example to the rest of the colleagues. Lack of patronage and political interference was a key support factor. In addition, use of do-it-yourself approach helped in many ways. Reform planning, design and implementation have been, ubiquitously, owned by utility staff and management. External input is called in for hand-holding but on short-term basis to build start up capacity. Rugumyambeto (2004) underscores this imperative for a successful innovative process. Furthermore, good leadership resulted into meaningful benchmarking and use of peer support partnerships. In this case, National Water and Sewerage Corporation (NWSC) External Services¹¹ was key in working with operating teams in the Nairobi and Dar Es Salaam city WSS operations. The NWSC external services has provided short-term technical input for operations in the two cities in the areas of revenue billing, performance improvement planning, incentive designs, internal contracting, among others. The key motivation was the successful implementation of similar techniques in similar environments. In doing all this, and in accordance with Mugisha (2008), we find that creativity requires proactive benchmarking to cross-fertilize managerial thought with best practice and building desire for peer excellence.

(iv) Political Support

¹¹ NWSC-External Services is a non-for-profit department of NWSC which was formed to work with companies that show interest in the utility’s turnaround initiatives. Its operations are ring fenced and draw expertise from all sections of NWSC, based on required specialties.

Without political support and encouragement of other stakeholders, reforms can easily grind to a halt. In most of these reforms, smart strategic alliance networks with government and donors were carried out. To do this, regular updates by utility managers to key stakeholders with respect to reform achievements were maintained. Respect rather than fear of bosses was emphasised. Efforts to synchronise utility objectives with those of government and donors guided relationship management throughout the reform processes. Sansom (2006) emphasises the role of stakeholders, emphasizing that constructive engagement with water and sanitation service providers can be split into five main types: recognition, dialogue, facilitation/collaboration, contracting and regulation.

(v) Use of Incentives

Use of incentives pegged to key priority areas of performance improvement also played a significant part. All the reform activities incorporated strong group and individual incentive plans. Incentives were structured into financial and emotional (cash awards, recognition, trophies etc) categories. The role of incentives in enhancing performance is emphasised by Mugisha et al. (2007). Incentive plans are usually incorporated into performance improvement plans (PIPs). In this respect, the successful reform implementation was anchored on a core group of champions that could easily buy-in the underlying rationales and spread them to the rest of the employees. The champions spearheaded reform planning, design and implementation.

7. Conclusion

We have outlined a number of utility reforms, both institutional and operational, in the three East African capital cities, which have taken place in the last 15 years. The cases show that the reforms supported by strategic partners began with hardware investment programs but were, later on, deemed unsatisfactory. This trend went on until the late 1990s when there was a change in emphasis towards institutional reforms. As a result, today Kampala has gone through two sets of management contracts (1997-2004) and moved on to an internal delegated management contract (IDAMC). Dar Es Salaam is implementing a 10-year lease contract, with an asset holding authority; while Nairobi put in place a lease contract incorporating a local private company. The latter is 100 percent owned by Nairobi City Council and has entered into a lease operating contract with an asset-holding authority.

All these cases have a number of similarities. They all aim at separation of the functions of regulation, asset management and day-to-day operations. They emphasise financial self sustainability through cost containment, optimal tariffs and revenue maximisation. According to Dagdeviren (2008), the latter is a sustainable reform path. In addition, all the three cities have a significant customer focus (including pro-poor activity) at the centre of the WSS reforms. The latter derives from the fact that the three countries have water as a priority sector on which a significant part of their financial budget has been directed. On the other hand, there are sharp differences reflecting different local conditions that directly affected the reform path (public and private sector leases, corporatization, and internally delegated performance-based contracts). On the regulation side, Kenya and Tanzania have shells of regulatory institutions which are operational, while a study for an effective regulatory framework is still on-going in Uganda. It is clear that, while some measure of progress has been recorded in all three cities, there remain a long way to go.

The experiences in the three cities point to some early lessons. There is need to synergise the use of incentives, strong leadership, managerial autonomy and accountability as important

buttresses for successful reforms. In doing all this, political support and indeed support from other stakeholders is important. Furthermore, the role of custom-made models that fit local conditions needs to be emphasised in the reform process. We also see that reforms take time to be fully effective and operational and this fact ought to be acknowledged in addition to the fact that transactions are just the beginning of the process. Furthermore, peer support partnerships have a promising role in promoting performance. Therefore, sustainable approaches and implementation options to ensure their sustainable application need to be sought and encouraged. The recent Water Operators Partnership (WOP) initiative is a good idea in this direction.

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