Pushing the envelope

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Introduction
The Pushing the Envelope study was carried out in 2004 to assess the needs and service requirements of the urban poor, and how they were served at the time in order to inform the options review commissioned by government on the best pro-poor institutional framework within the National Water and Sewerage Corporation (NWSC). This paper reviews the entire study, which consisted of methodology development, fieldwork in the informal settlements where various exercises were conducted to appraise the urban poor and the services they receive, backed by reviews of current research, and global practice. Recommendations based on an analysis of the findings were presented to stakeholders at a feedback workshop.

The project and concepts
Private sector management of urban utilities has proved its value but must be regulated to ensure that interests of the poor communities are not neglected. The main outcome of the assignment was an objective analysis of NWSC and the Private Public Partnership (PPP) models with recommendations on the way forward on the following specific issues:

- Access to improved WSS services by the urban poor
- Efficiency and value for money by the utility operator
- Effective involvement of civil society in the reform process
- An implementation framework and guidelines for developing services targeted to the poor

NWSC and the Urban Poor
Under new management since 1998, NWSC has implemented various change management programmes, which improved performance. However, success at NWSC has not spread to service to the urban poor. Coverage in the urban areas is still low at 65% and 8% respectively. Improving efficiency and effectiveness through the ongoing reforms is aimed at freeing up resources to increase access to quality and affordable services by the urban poor, and to develop infrastructure in the rural areas where 80% of the Ugandan population lives.

How the Study was managed

Study Areas
Study areas were identified with the help of NWSC staff concerned with delivering services to the poor. All five and three divisions of Kampala and Masaka towns respectively were included to capture information widely.

Method
The research team made pre-field visits and consulted the local council leaders to identify the urban poor, to fine tune research instruments and to agree dates and venue for the exercises. Two semi-structured focus group discussions (1
for women and 1 for men to obtain the different perspectives) lasting between 2-3 hours were held in each of the eight divisions with the identified poor. These were supplemented by twelve, 1-2 hour semi structured key informant interviews with city and municipal authorities, water operational area managers, local council leaders, public health officers, and landlords because they are in regular contact with the poor and have different perspectives of their situation. Information was triangulated through 1-2 hour semi-structured in-depth interviews with individuals: from selected poor households (other than those in the focus groups), and water vendors and stand pipe operators, who supply the poor directly with water.

**Document reviews**

Documentation was collected and reviewed to understand what is on paper (or not) about the urban poor and NWSC. These documents were not restricted to urban poor issues, but general operational actions and policy matters.

**Institutional requirements for utility service to the urban poor**

The investigation of PPP Options is not that the goal might be the best PPP but is rather the means to an end with the goal being water and sanitation for all. Above all else water and sanitation services have to be effective, providing the required services in a way that delivers the desired benefits, emphasizing outputs rather than means of service. Critically this effective service has to be equitable in delivery, to be accessed by all. This is the overwhelming ‘human right’. However, solutions must be sustainable therefore there is a ‘human responsibility’ to contribute towards wise use of water for example, to ensure hygienic disposal of human wastes and to pay a fair and reasonable amount for these services. Particularly where poor customers are paying a contribution any service provision must be efficient, using the least possible resources, so as to minimize any tariff. Provision must also be replicable in that the solution has to be able to grow to scale to meet new demands and for the sake of widest possible commitment and understanding of all stakeholders it must be transparent to consumers and interested parties. The EESERT acronym was used as a check against existing systems and against possible institutional developments, to answer the question: ‘What are the institutional and organizational requirements to serve the urban poor?’

Going beyond the ‘vicious spiral’ often used to describe utility service an understanding of what has been happening in service provision in urban areas was developed based upon an interpretation of the ‘S-Curve’ used in marketing to describe the take-up of any new product. This model sees a slow beginning to acceptance and purchase of any new product, followed by a rapid expansion as society generally recognizes their interest and value in whatever is on offer with the ‘S-curve’ concluded by a flattening tail as the product reaches its limits of affordability, interest and value.

Transplanting this diagram to urban water supply and sanitation sector shows the initial take up stage describing the process of a typical urban utility where the public sector invests in fixed assets and serves the relatively easy, straightforward customers in the conventional business districts and housing areas. However, this expansion halts somewhere along the expansion phase of the curve when it reaches a ‘performance ceiling’ which is fairly typical of most utilities. Expansion is halted not because of lack of demand but rather because of problems in supply. Typically the service has been under priced and as water and sanitation is the most capital intensive of all networked utilities the utility simply runs out of productive capacity. The government as prime
source of funding (or of guarantor to borrowing) reaches its perceived limits for this one of many sectors for which it is responsible whilst continuing to limit tariff increases (always the main source of long-term funding for necessary fixed assets). The result is that the expansion of this very necessary service halts long before it properly reaches the needs of the poor.

**Case Studies**

There is now a wealth of experience around the world about utilities providing services to the urban poor. A review of world-wide experiences was included in the study to provide evidence of innovative ways to serve the urban poor.

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Utility/ City</th>
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</thead>
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**Findings**

A broad consultation with many diverse stakeholders identified the following findings.

**Who and where are the poor located**

The urban poor live in densely populated and immensely fragmented informal settlements which hamper systematic expansion by NWSC. Per capita water consumption is between 10-20 litres per capita. Women are more involved in the collection and use of water, although men decide where the taps are located. Sanitation is poor and coping strategies developed have negative health impacts.

**Problems and issues of the poor**

1. Technical problems such as low water pressure which causes low flows, and high air pressure which causes the meters to over record
2. High water charges, inaccurate billing, high vendor prices, high connection costs and Value Added Tax, compounded by the low purchasing power of consumers
3. Arrears accumulated for various reasons
4. Inconsistent NWSC customer care
5. Inadequate and in many places non-existent sanitation and solid waste disposal facilities

**NWSC service provision to the urban poor**

The study revealed the following:

1. Service to the urban poor is neither mentioned nor entrenched as NWSC’s core values, norms or roles. NWSC does not have targets based on service to the urban poor. The utility itself receives contradictory signals from the national coordinating and regulating institutions (the Water Sector Working Group and the Utility Reform Unit) about service to the urban poor.
2. NWSC does not have ample information to make informed decisions about the urban poor. Its perception of service to the urban poor is pegged to the provision of public standpipes. However, as Table 1 shows, the inbuilt subsidy in NWSC’s tariff for stand pipe does not filter through to the intended beneficiaries. On the contrary the urban poor pay much higher prices for the services than those with private connections.
3. Major activities planned for the urban poor are externally driven through donor-funded projects. There is minimal internal effort by NWSC.
4. There are no clear mechanisms within NWSC to involve consumers in low-income settlements in planning, designing, managing and monitoring services in their locations. NWSC lacks the capacity to effectively tackle the complex situation of low-income settlements.
5. Though service to the urban poor is mentioned in the follow-up performance contract between NWSC and GoU, the concept has not been given enough priority. For example, no performance indicators and targets on service to the urban poor have been stipulated. NWSC incentives to serve the urban poor are externally driven by political affairs and not as a corporate mandate.

<table>
<thead>
<tr>
<th>Level in the price chain</th>
<th>Charges Uganda Shillings</th>
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<tbody>
<tr>
<td>Per m³</td>
<td>Industrial Tariff per m³</td>
</tr>
<tr>
<td>Public standpipe wholesale (NWSC tariff)</td>
<td>400</td>
</tr>
<tr>
<td>Public standpipe recommended retail charge</td>
<td>1650</td>
</tr>
<tr>
<td>Public standpipe actual charge</td>
<td>2500</td>
</tr>
<tr>
<td>Vended water charge (private vendors)</td>
<td>5000</td>
</tr>
</tbody>
</table>
Findings from International experience

The case studies revealed that water utilities can deliver appropriate quality service to the poor at an affordable price. The success of these programmes has demonstrated the willingness to pay of the poor, even the poor in the informal slums, shanties and multi-occupancy dwelling units. The programmes have also demonstrated that the anxieties about serving the ‘illegal’ poor or those without formal land tenure can easily be overcome when the political license or will is present.

Conclusions and Recommendations

NWSC

Clearly, NWSC has made significant moves towards effectiveness, sustainability, efficiency and transparency – well beyond many comparable utilities – but it has to date failed in equity, particularly in serving the poor, and replicability, that is learning how to scale up service in low-income areas. However, it is recognized that NWSC has begun the process of delivering capacity to move up the ‘S-curve’ and that it has been necessary to achieve some level of efficiency and financial sustainability before it can make the additional effort to serve the much more difficult part of the curve.

Conclusion regarding the PPP option

Although utilities can reform without private sector involvement, the introduction of PPPs has often been necessary to provide a strong enough impetus to overcome the reluctance to disturb current patterns of working, as well as overcoming various vested interests. The most effective PPPs for reform and service to the poor have been those with the utility that has retained very clear, comprehensive and integrated responsibilities and authority over operational expenditure and capital expenditure.

The Concession Model

The concession model of PPP which best incorporates these characteristics is no longer an option because of the reluctance of international operators to risk their capital in fixed assets and the reluctance of governments to allow them the pricing structure, the profit margin and/or the foreign exchange guarantees which might overcome this reluctance to invest.

The implications for utility management derived from this analysis is the need for the direct provider to ‘break through the performance ceiling’ through some sort of reform process – with strategic goals agreed with vision, autonomy and financeability with clear responsibility and authority, to deliver mechanistically an exact product (potable water) along with flexibility to respond to changing customer needs, all as efficiently as possible through comprehensive operational expenditure/capital expenditure trade-offs delivered with appropriate regulatory oversight. This is the overall option which is best positioned to deliver EESERT service, effective, equitable, sustainable, efficient, replicable and transparent.

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