



Partners for Water and Sanitation

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**Partners for Water and Sanitation
Project No: 85-NIG**

**Anambra State Water and Sanitation
Sector Institutional Reform Project,
Nigeria**

TECHNICAL REPORT

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Glossary of Terms

ASWC	Anambra State Water Corporation
CBOs & CSOs	Community Based Organisations (CBOs) and Civil Society Organisations
ANSEPA	Anambra State Environmental Protection Agency
BBI	Bureau of Basic Infrastructure
HoA	House of Assembly
RUWASSA	Rural Water Supply and Sanitation Agency
LGAs	Local Government Associations
WIMAG	Water Investment Mobilisation and Application Guidelines
STU	State Technical Unit
MPUWRCD	Ministry of Public Utilities, Water Resources and Community Development
WCA	Water Consumer Associations
WSSSRP	Water and Sanitation Sector Reform Programme
WASCOM	Water and Sanitation Committee

1 Executive Summary

Partners for Water and Sanitation (PAWS) is a collaboration of government, private sector and NGO organisations dedicated to solving problems associated with providing access to water and sanitation in developing countries. The PAWs approach is to provide technical supporting to existing initiatives, and in this case the project is part of an ongoing programme of support for the Water Supply and Sanitation Sector Reform Programme (WSSSRP) within Anambra State, Nigeria.

This report has been submitted following two visits to Anambra State. The reform process that is being attempted within Anambra state is very ambitious and far-reaching. It effectively covers the whole of the water supply and sanitation sector, and the PAWs assessment visits have concentrated on identifying the underlying institutional issues that are existing within that sector. This does not just cover the individual governmental, parastatal, community and private organisations involved in water and sanitation, but it includes the institutional framework that dictates the relationships between those organisation.



It is well known that key organisations such as the Anambra State Water Corporation (ASWC) are almost defunct and there are serious issues associated with making such organisations 'viable' again. However, it appears that there has been little attention applied to the issues associated with the overall institutional framework. This report therefore concentrates not just on reform objectives for individual organisations, but also seeks to provide an institutional framework that avoids repeating past mistakes, and avoids the 'pitfalls' that could occur within the community based approach that has been developed for small town and rural areas.

In order to show the reasoning behind the suggested framework and reform objectives, this report also provides some indication of the current institutional issues and some of the history that has led to those issues. It is acknowledged that there are significant problems within the State, which cannot be addressed through capital expenditure and community ownership alone. However, it appears that there is strong political will for reform in the State, and the WSSSRP team have funding and capacity to help promote the necessary reform. This document provides a framework for that reform process, and provides some details of the recommended institutional structures and reform programme required to eventually achieve sustainable water supplies in the State.

The general approach to reform follows that outlined in the Federal WSS Policy and the associated Water Investment Mobilisation and Application Guidelines (WIMAG), but with a few exceptions and with much more detail. This concept is basically one of commercialisation and autonomy for ASWC, a regulatory role for the Ministry of Public Utilities, Water Resources and Community Development (MPUWRCD) and sustainable, appropriate community based supplies at the small town and rural level. The framework described within this document builds on that concept and has been designed to help reduce the corruption, political interference and lack of maintenance culture that have afflicted the State water supplies in the past.

A considered, strategy led approach to the reform process is recommended, with an emphasis on producing enabling 'tools', identifying and supporting suitable 'sponsors' for change and activating the resources required to actually carry out change activities. However, it should be noted that this document has been written following two relatively short assessment visits by an international consultant. It is therefore recommended that this document is closely reviewed by the STU and counterpart staff, who can then use it as the basis for the production of their own reform programme.



2 Introduction

Partners for Water and Sanitation works with developing countries providing unrivalled knowledge and expertise to help them supply clean water and adequate sanitation to their population. An innovative not-for-profit initiative, the partnership has members from three sectors: government, private enterprises ranging from water companies to engineering groups, and NGOs such as WaterAid, Tearfund and a trade union. This allows the partnership to draw from the widest possible range of expertise to rapidly respond to each unique challenge and to help local African partners develop and strengthen capacity and build truly sustainable solutions.

Each partner brings a unique set of skills and expertise. These are matched with a wide range of potential needs identified with partnering countries at a national or local level, working alongside their existing water and sanitation programmes. The emphasis of partner involvement is on-the-ground capacity building, such as knowledge transfer, to ensure the sustainability of each project and to encourage any lessons learned to be shared and used again throughout the region.

And it's not just about engineering: corporate, institutional and financial capacity building is also required. While the initiative does not itself provide funding, it often strengthens each locality's ability to identify and access available sources through the capacity building approach.¹

This project is a follow on to a previous institutional sector scanning assessment that was carried out by the PAWS partner to Anambra state in May 2007. It is part of ongoing support work for the Water Supply and Sanitation Sector Reform Programme (WSSSRP) activities that are being carried out by a joint EU, Federal and State funded team within Anambra State, Nigeria.

Much of the background information and understanding gathered from that previous visit has been used in the production of this report along with case studies, academic texts and guidance documents gathered in the U.K. prior to this second visit. This report is therefore based on much more than just the relatively short visit that was specifically carried out for the current project.

2.1 Terms of Reference

Initial terms of reference were provided prior to the visit, but these were clarified in meetings with the WSSSRP STU programme manager during the visit. The objectives of the visit were:

¹ From the Partners for Water and Sanitation website: <http://www.partnersforwater.org/>



- To develop a water and sanitation sector restructuring plan for the Anambra state STU in line with the national strategic framework and taking into consideration Private Sector Participation options
- To recommend a trigger/activation strategy and change management plan that will help to implement the restructuring. This should include indications of capacity development required within the State.

Deliverables:

- A restructuring plan that identifies: the key institutions required for effective service delivery, the capacity requirement for each institution, the relationship between institutions in the post restructuring, and management of the changes that will occur in the sector.
- An activation strategy, change management, and capacity development plan that, together with the restructuring plan, will be contained in a single technical report to be submitted to the in-country partner and stakeholders.

All deliverables are contained within this report. The structure of the deliverable document was further refined by the STU programme manager during the visit and is reflected in the structure of this report.

This project has been identified in the PAWS Business Plan 2007-08.”

2.2 Activities Carried out

The PAWS visit consisted of:

1. A review of the latest reports and papers produced by the WSSSRP STU, including consultants reports and additional information provided by the counterpart staff.
2. Interviews with STU and counterpart staff, including representatives from the Ministry of Public Utilities, Water Resources and Community Development (MPUWRCD), Anambra State Water Corporation (ASWC), Department of Due Process and the STU sanitation expert.
3. Interviews with the management of MPUWRCD and the Rural Water Supply and Sanitation Agency (RUWASSA).
4. A visit to the House of Assembly during a ‘defence’ by MPUWRCD of the current condition of water supply in the state.
5. A debriefing presentation for STU and counterpart staff.

These activities were carried out with the support and presence of appropriate members of the WSSSRP project team.



2.3 Terminology

Where appropriate, this report uses terminology as set out in the latest version of the Federal Water Investment Mobilisation and Application Guidelines (WIMAG). These have been adopted because of uncertainty over some of the terms used locally in the state, particularly in relation to organisations associated with small town and rural water supplies. Some terms that are not covered in the WIMAG also require up-front clarification. Key terms used, and their definitions are as follows:

- *'Asset': This refers to all physical infrastructure and items (treatment works, boreholes, pipelines, offices, computers, vehicles etc) that contribute to the operation of the service provider and hence allow them to produce and charge for water, or provide a sanitation service.*
- *Capital Maintenance: This refers to the wholesale replacement of part or all of a capital scheme through capital replacement works. It effectively results in a new asset, as opposed to recurring maintenance, which keeps an asset running but does not change its age or asset life.*
- *Capital Works: This refers to works that result in the building of a capital asset – i.e. physical infrastructure that attracts a capital depreciation charge (or in the case of pipelines, infrastructure renewals expenditure).*
- *O&M: Operations and Maintenance. This includes all recurring expenditure associated with wages, power, chemicals, replacement parts and materials required for the operation and maintenance of water supply schemes (including billing, tariff collection etc).*
- *RUWASSA: Rural Water Supply and Sanitation Agency. Note, in this report the 'local term' RUWASSA has been used rather than the WIMAG version (RWSSA), as the former is widely used and understood in state institutions.*
- *WSPs: Water Service Providers. This includes all state providers, from the State Water Corporation, through to WCAs and private suppliers*
- *WASCOMS: Water and Sanitation Committees. This is the name currently used in the WIMAG for WCAs at the rural level (i.e. WASCOMS are responsible for Water and Sanitation in communities of less than 5000 people)..*
- *WCAs: Water Consumer Associations. These are bodies officially set up to own and maintain local water supply schemes under the terms of the Federal WIMAG. WCAs are the Small Towns' equivalent of WASCOM. They are charged with the O&M of systems of Small Towns with populations between 5000 & 20,000. Currently they are being set up as part of the WSSSRP programme.*



3 Key Current and Historical Institutional Issues

3.1 Current Issues

The water and sanitation sector within Anambra state is largely supplied by private suppliers and community schemes. The state has some success with a rural community supply implementation programme carried out by RUWASSA, and there are disparate attempts by government departments to provide water supplies to schools and other larger users. However, the key state provider, Anambra State Water Corporation (ASWC), is effectively almost entirely defunct. Most of its supply schemes are run down to the extent that very large sums of money will be required to carry out the capital rehabilitation works required to get water flowing again.

There have been two reports to date on the current institutional situation within the state; the previous PAWs sector scanning report (PAWs 2007) and a more detailed institutional assessment carried out by the WSSSRP STU (Egwatu 2007). These provide detailed background and analysis of the current institutions, which will not be repeated here. However, a summary of some of the key points need to be made in order to provide a setting for the reform recommendations contained within this report.

3.1.1 Current Structure

The current structure and status of the Ministries and Agencies directly involved in the water and sanitation sector has been detailed in previous documents and will not be repeated here. It should be noted that RUWASSA was, until recently, within the Ministry of Health, although it is understood that it has now moved to MPUWRCD.

3.1.2 Key Institutional Issues

Ministry of Public Utilities, Water Resources and Community Development

There are a number of detailed issues that could be discussed for this institution, but some of the key issues that need urgent attention appear to be:

- A severe lack of capacity, enabling powers, procedures and plans that would allow the Ministry to effectively regulate and manage ASWC and the sector as a whole. The Water Resources department is effectively made up of a director, one civil engineer and 5 hydrogeologists, which reflects the Ministry's current focus on service delivery (as discussed below).

A focus on service delivery and the building of new works, rather than acting as strategic directors and regulators for the water and sanitation sector (WSS). This has, in part, been brought about by the almost complete breakdown of services within ASWC. However, there appears to be an attitude that 'success' for the Ministry relates to the number of boreholes drilled, new schemes built etc, rather than their success in enabling and monitoring parasatals employed to implement water supply strategy.



These issues are perhaps symptomatic of a lack of institutional confidence and well as technical capacity to act as regulators. Historically it is likely that the Ministry has not considered itself empowered or capable to act to effectively intervene when the functioning of ASWC was deteriorating.

The lack of a well structured programme for human resource development is also mentioned in the WSSSRP report (Egwatu 2007), but obviously training programmes can only really be developed once the function and role of the Ministry has been confirmed.

Anambra State Water Corporation

The institutional issues with the ASWC relate to internal organisational and cultural problems, and the relationship between ASWC and the governmental institutions that guide it. These problems are probably best described by examining the history of the sector, as discussed in Section 3.2. In summary there appear to be the following key issues with the institution as it stands:

- The current system for appointing Board members is very open to political interference and has historically resulted in technically unsuitable Boards with no real interest in running the corporation.
- Although theoretically autonomous, ASWC has no real autonomy in a number of key areas, which could let it manage finances and reduce costs. These include:
 - The ability to set and manage tariffs (within appropriate rules that protect consumers and ensure a competitive price).
 - Autonomy over its own staff (incentivisation, number of people, structure etc). Although it is understood wages within the ASWC are higher than other government organisations, staff are basically still controlled by the same hierarchical, incentive poor processes that control all government departments in the state. The WSSSRP report estimated that the total wage bill for the corporation is around N17m per month, and ASWC effectively has no means of managing that bill.
 - Business planning and budgeting. Although ASWC has a budget submission process, this is basically a 'bid' for subvention and capital allocation that goes to the central budget allocation process. This is therefore subject to the whim of the politically decided budgetary approvals process. Historically this has reduced business planning to a fairly meaningless exercise where the ASWC has no real idea of the income and expenditure it is likely to face from one year to the next.
- There has been a severe lack of accountability, including systems to review performance and powers to reward/punish Board members for that performance.
- Theoretically ASWC was responsible for pursuing, punishing and prosecuting corruption within its own ranks, but it has not had the desire or capacity to do so.



- No defined Take Over/acceptance procedures exist for new works, especially where those works have been provided by other governmental organisations. Often works that have been taken over by ASWC have been missing key elements (e.g. erosion control walls) or have been completed to a very poor standard.

A 2004 white paper provided by MPUWRCD showed historically there as been significant corruption within ASWC, particularly where capital works are involved. This was discovered by a special audit investigation and was, in many cases, admitted.

The current state of payment of staff in ASWC is a huge issue. Numbers vary, but it appears some staff have not been paid for up to 40 months (Egwatu 2007, HoA 2007). Morale and welfare are, needless to say, extremely low.

The corruption, mis-management and labour issues are immediate and massive problems, but they appear to have been caused by the underlying institutional factors discussed above. This is investigated further in Section 3.2.

RUWASSA

The RUWASSA 'model' of providing sustainable water supplies and sanitation to rural communities appears to be relatively successful. However, there are a number of key institutional issues that could threaten the sustainable nature of some of the schemes that are being carried out:

- There is some uncertainty over funding from contributors (other than the EU). In particular it has been difficult to get the counterpart funding required from the Local Government Authorities (LGAs) to help set up the WASCOMs.
- Some thought is clearly being given to ensuring that water supply schemes are 'sustainable' (e.g. they are considering imposing 5 year warranties on contractors for all new works). However, monitoring and evaluation (M&E) is still problematic and the funding mechanisms and capacity development are still not geared towards ensuring that boreholes, solar panels, motorised pumps etc can be fully replaced if these items break down and cannot be repaired by local tradesmen. The draft Federal policy indicates that WASCOMs should only be responsible for 70% of O&M funding and 5% of capital investment, but there is no clear indication in the policy or state funding structure how capital replacement, technical support and monitoring of schemes will be funded. There is no mention of capital depreciation or approaches for handling capital replacement costs in either the Federal Policy or WIMAG, although 'Capital Investment Plans' required under the WIMAG do include 'rehabilitation/refurbishment' investment categories. This means that Federal counterpart funding for capital maintenance may be available (up to 50% for rural areas), but support systems are required to help WASCOMs and WCAs identify and secure funding for potential refurbishment needs.
- None of the new institutions being put in place (WCAs, WASHCOMMS, WASH steering committees) are yet backed by legal authority or are formally institutionalised.



- Interviews indicated that RUWASSA is just starting to think about how the current lack of capacity and guidance for monitoring and evaluation (M&E) in the LGA WASH units should be addressed. M&E is vital in order to identify best practice and pitfalls of building and maintaining small towns and rural supply systems, particularly in areas where simple borehole/handpumps are not appropriate. M&E is also a basic requirement for the WIMAG and the state will not be able to provide necessary support to the WCAs and LGAs WASH units if it is not aware of how schemes are performing against targets.

RUWASSA has been carrying out sanitation promotion activities, but has moved away from setting up of community sani-centres (i.e.. facilities that allow communities to build latrines for themselves) to direct provision of pit latrines. This has happened because of the poor performance achieved in setting up sustainable sani-centres, although there is an impression that the underlying causes of failure of these sani-centres was never properly assessed.

ANSEPA/Ministry of Health

As noted in the previous PAWs report, ANSEPA's role is poorly defined and funding/operation are in a critical state. Funding for ANSEPA comes from internally generated revenue, but this only covers around N3m of the N4m recurrent expenditure. A lot of heavy equipment is in dis-repair and the WSSSRP report (Egwatu 2007) indicates around N40m would be required to activate 'some' of it. ANSEPA do have a base workshop provided by the World Bank, and there is a UNDP provided laboratory, however most of the equipment for the laboratory has never been unpacked and there is significant uncertainty whether this could be made into a functioning facility.

ANSEPA's only major function at the moment is in solid waste management, but both ANSEPA and the Ministry of Health are involved in providing this service and there appear to be overlapping and conflicting functions relating to this service provision.

LGAs

The main issues around LGAs at the moment are over status, funding and capacity. Because the WASH units are units rather than departments, they tend to have little power when funding is being allocated at the LGA level. This means they are underfunded and never prioritised . They cannot fulfil the monitoring and evaluation role that has been envisaged. There is evidence of significant lags between schemes breaking down and repairs being carried out that are beyond the WASCOMs and WCA's capabilities.

WASH units do not appear to have the technical or engineering capacity required to support the WASCOMs/WCAs in bidding for and maintaining sustainable water supply systems. Financial and contract management skills in particular do not appear to have been even considered. Worryingly, the WSSSRP report contained a reference that '*engineers can be found in the works department [to satisfy the technical capacity required for WASH units]*'. Obviously WASCOMs/WCAs will need technical engineering support, but they are also going to need capacity building/support for finance, budgeting and tariff setting, as well as advice on management of private service providers, if they decide to use them to run schemes.



Private Sector

WSSSRP has commissioned two reviews of the private sector to date. The private sector currently provides water via bottles and sachets (which are regulated by NAFDAC), and private tap points, tankers and water vendors (which are not). In Awka alone there were over 600 private boreholes. Costs vary significantly, from free supplies by affluent neighbours, through to tankers and vendors charging 10 – 20 times the ASWC tariff and sachets that effectively cost around N500 for 220 sachets (132l).

Apart from bottles and sachets, there is effectively no regulation of private suppliers, other than the N25,000 installation and N10,000 annual charge levied by ASWC on borehole owners. Borehole owners, through the Manufacturers Association of Nigeria, are currently challenging the right of ASWC to levy these charges via the courts. The lack of regulation means that private supplier's water quality is not guaranteed and can be poor, particularly if boreholes are sited in unsuitable locations (next to rivers, in erosion/flooding areas, near industry or garages etc).

CBOs/CSOs

The SRIP and WSSSRP initiatives are both engaged in the promotion and capacity building of Community Based Organisations (CBOs) and Civil Society Organisations (CSOs). A Coalition of Transparency, Accountability and Good Governance (COTAGG) has been formed in the state, although they are currently still using the WSSSRP office to meet. These CBOs are still relatively new, but there does not appear to be a clearly defined strategy of how they might be best involved in the water and sanitation sector. Currently WSSSRP is working with two interface consultants to develop this strategy and also assist the CSOs in identifying capacity gaps that can be bridged under this programme.

3.2 A Brief History of ASWC

In order to understand why ASWC has ended up in the state it is currently in, it is necessary to understand the fundamental, underlying problems that exist within the institutional framework and led to the current institutional failure. This is best done by examining how ASWC has moved from a reasonably viable organisation that supplied water to most urban areas in the early 1990s to the current, failed institution that now exists.

The exact process is not entirely clear. There are conflicting opinions, uncertainty and almost certainly some deliberate obscuring of the facts by people involved in the corruption and mis-management that has contributed to the current state. The information contained in this section comes from the following sources:

1. 'A Study of Anambra State Water Corporation of Nigeria' (Eni 1993)
2. Interviews with management level staff within ASWC
3. 'Brief Historical Survey and Analysis of the Current Problems of the Anambra State Water Corporation' (Onyekwelu et al 2007)
4. Attendance at the HoA 'defence' (HoA 2007).
5. Interviews with MPUWRCD staff
6. A 2004 white paper provided by MPUWRCD relating to a special audit of ASWC to review corruption and mis-management of capital schemes



7. 'Report of Finance of Anambra State Water Corporation From January 2006 to January 31st 2007' (BBI 2007)

The text in this section is the author's understanding of events based on these sources of information and is as objective as possible. Due to time constraints and, in some cases, lack of final documents or the ability to take notes, there may be some minor factual inaccuracies. However, the underlying events and issues are almost certainly accurate and provide a high level understanding of the causes of failure in ASWC. **It should be noted that this section is not meant to apportion blame and it is very important that the state moves on from this history as quickly as possible.** This review also deliberately does not seek to identify any individuals (either in ASWC or government), as this is beyond the remit and responsibility of the PAWs team.

In the early 1990s, most of the systems operated by ASWC, and in particular the large Onitsha water supply scheme, were relatively new with few maintenance problems. The operation as a whole was considered to be 'viable' – i.e. the tariffs collected were sufficient to cover all, or nearly all, O&M costs. There was a training programme (particularly for technical, financial and management training of senior staff) and although the organisation was not particularly efficient, it does appear to have been reasonably well run.

The situation during the mid to late 1990s is somewhat unclear. ASWC claims they achieved a position of 'no subvention' (Onyekwelu et al 2007). However, in that same paper they admit that 'rolling overdrafts' were required to finance monthly shortfalls in revenue versus O&M expenditure of up to N3m. The situation in 1993 is best described as 'marginal' (Eni 1993), with some years breaking even and some in deficit.

The Eni thesis highlighted issues with the institution in 1993 that appeared to continue right through to 1999. A few quotes from that document are contained below. These give an indication of the sorts of problems that existed, which are depressingly familiar considering they were written 14 years ago:

- *'[politically] un-co-operative officers of ASWC are dismissed even when they are protecting the interest of the Corporation and customers. The Corporation prepares its annual capital and operations budget for its needs without any reference to available revenue'....'The Corporation cannot employ or promote personnel in accordance to its internal needs without the approval of the Governors Office. Similarly it cannot compensate the hard working staff'.*
- *'There is no established preventative maintenance scheme and no stock of frequently needed equipment. Purchases are made as need arises so [are] subject to a lot of inflation, fraud and embezzlement of resources by staff and contractors involved'*
- *'There is no control on revenues and expenditures to ensure its ability to meet current obligations and maximise funds available for investment.....Forecasts of cash flow are irregular, unreliable and grossly inefficient. Budget projections based on it have always been misleading because revenue items and expenditure are not well developed'.*



- *'[financial performance] figures do not show any meaningful trend because the data its computation was based on is scanty, inadequate and may be misleading... Financial data are consistently being manipulated by the Corporation to suit a particular purpose by conveying certain impressions'*

Other general issues such as the loss of experienced, senior staff to private firms due to lack of incentives within ASWC, non-functioning vehicles, lack of internal communication and poor procurement practices also indicate an institution that, whilst functional, was nowhere near 'healthy'. Procurement of chemicals seems to have been particularly problematic, and often caused the Corporation to fail to cover its monthly expenses. Revenue shortfalls appear to have been covered by public debts, which were rolled into larger debts associated with the procurement of new capital works. Overall the position of 'no subvention' appears to be somewhat misleading. One exception to the generally mediocre performance appears to have been revenue collection, which is described as 'efficient', probably because ASWC was largely expected to be self-financing.

It is interesting to note that the 1993 report indicated it was only those staff members that were close to large sources of expenditure (mainly capital projects) that appeared to be motivated. The Government white paper (2004) indicates that many of the capital schemes that were commissioned in this time were either never built, or built to extremely poor standards (basically due to corruption in the procurement process). Technical staff in ASWC had no powers to 'refuse' to take over these assets and were then often subsequently blamed for their failure to maintain them. Similarly, schemes meant to combat erosion were often not suitable, which also lead to impossible maintenance burdens. It should be noted that this refers to schemes provided through a variety of agencies, and not just works procured by ASWC.

The impact of the mediocre management in the 1990s is difficult to gauge, but it is highly likely that it resulted in poor maintenance and poor customer service (with associated gradual loss of customer confidence). It seems extremely unlikely that the deterioration in assets that lead to the breakdown of the system was only caused by a lack of maintenance during the strike (see below), as claimed in the ASWC paper to the HoA (Onyekwelu et al 2007).

In 2000, the government increased the minimum wage. Because ASWC had no control over revenues and no meaningful budgetary forecasts, this meant that revenue covered only half of monthly O&M costs, and resulted in ASWC seeking 'interim' subvention of N10m per month. This was not provided and led to a strike, which seems to have been used as an excuse for wholesale political takeover of the Board. This led to a rapid deterioration of the revenue base, physical assets and staff payments. The Corporation staff then joined the general strike that occurred within the State, after which the deterioration of ASWC assets was almost complete.



Throughout the 1990s, the BBI appeared to be unable or unwilling to take action to try and ensure ASWC became more efficient and actually achieved full cost recovery with proper fiscal discipline. It appears very likely that much of the corruption and mismanagement was being caused (directly or in-directly) by Board members appointed by the State Executive. This would have made intervention politically extremely difficult, but it is also noted that the BBI did not appear to have any robust monitoring or audit mechanisms in place to determine how bad the situation was and what exactly was causing it. Theoretically ASWC was supposed to carry out internal investigations and, where necessary, prosecutions for fraud and corruption, but this was a fairly ridiculous notion when many of the problems seemed to emanate from the Board itself.

Because the eventual collapse of ASWC was largely politically sourced, it is not particularly surprising that BBI was unable to act as this occurred. However, there did not appear to have been any plans or powers in place to properly 'rescue' the Corporation once this happened.

The lack of actual service since 2001/02 has lead to extremely low cost recovery and almost total dependence on subvention. This has been intermittently paid, which has resulted in the very large wage and pension backlog that now exists. This has now become a huge political issue that affects the families of a large proportion of ASWCs 752 employees. However, it should be noted that even in the current situation, the MPUWRCD has suspicions that senior management are manipulating expenses and minor items such as the running of vehicle fleets (BBI 2007).



4 Preferred Institutional Structure and Capacity Requirements

The current situation in the water supply and sanitation sector in Anambra State means it would be a significant mistake to attempt to carry out institutional reform for individual organisations within the sector. Reforms of individual organisations are very unlikely to have much impact unless the institutional framework of the sector as a whole is also reformed.

Section 3.2 shows that many of the problems with ASWC have been caused by political interference and corruption. It will be very difficult to create an institutional structure that could be immune to these issues in future. However, it is clear that the relationship between ASWC and governmental institutions has been one that has allowed corruption and mis-management to flourish. Poor communication, procedures and planning between the State and AWSC in relation to new and replacement assets has further contributed to a system where maintenance of assets is difficult, even without corruption or mis-management.

The provision of rural and small town water supply services is directly aimed at avoiding issues of corruption and mis-management by promoting community ownership. However, the current institutional framework is still being developed and is currently geared towards the delivery of new schemes, rather than making sure existing schemes are monitored, supported and maintained. To achieve this will require clear interactions between institutions, as well as properly funded monitoring, technical support and (when required) capital maintenance functions at the LGA level.

There is almost no clear strategy or definition of roles/responsibility for sanitation within the state and most programmes are currently only seeking to implement new sanitation facilities.

In order to address these issues, Figure 4-1 to Figure 4-3 show potential institutional structures for organisations directly involved in the provision of urban (state owned) water supplies, small town and rural (community owned) water supplies and sanitation/waste disposal. Notes on the structures within each sector are provided after the figures. **It should be note that these are bespoke structures that have been developed specifically for Anambra state.** They are not meant to apply to all situations and States within Nigeria.

These are only suggestions and should be considered as a potential solution to the problem, which may be improved as the reform process and understanding of issues progresses.

It should be noted that these structures relate to the preferred outcomes once immediate issues such as the wages backlog, infrastructure rehabilitation and revenue collection have been addressed to the extent where ASWC is at least largely 'viable' once again. The process for reaching that point is discussed in Section 7.1.



Figure 4-1: Example of Preferred Institutional Structure for Urban Water Supply within Anambra State

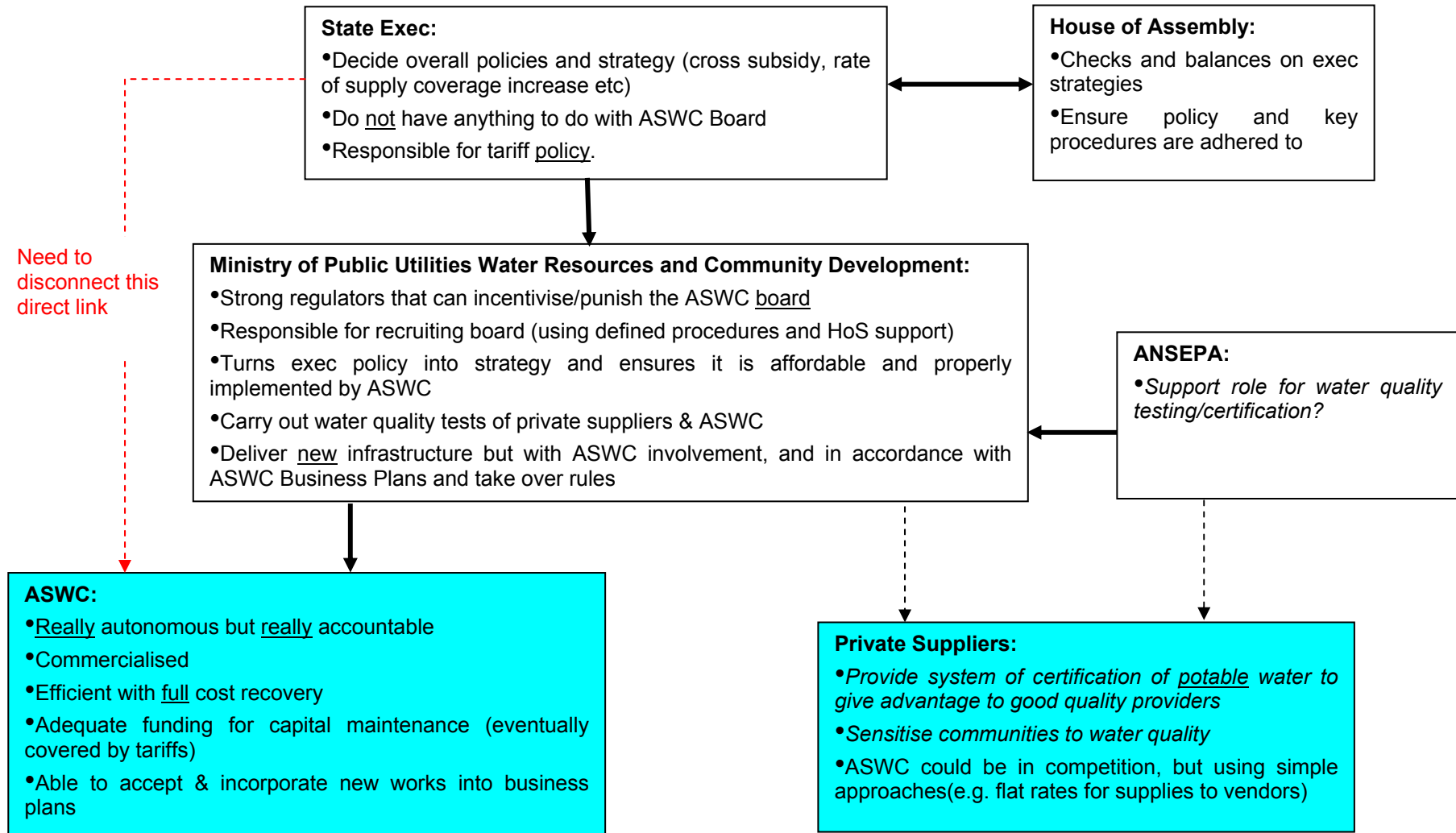




Figure 4-2: Example of Preferred Institutional Structure for Small Towns/Rural Water Supply within Anambra State

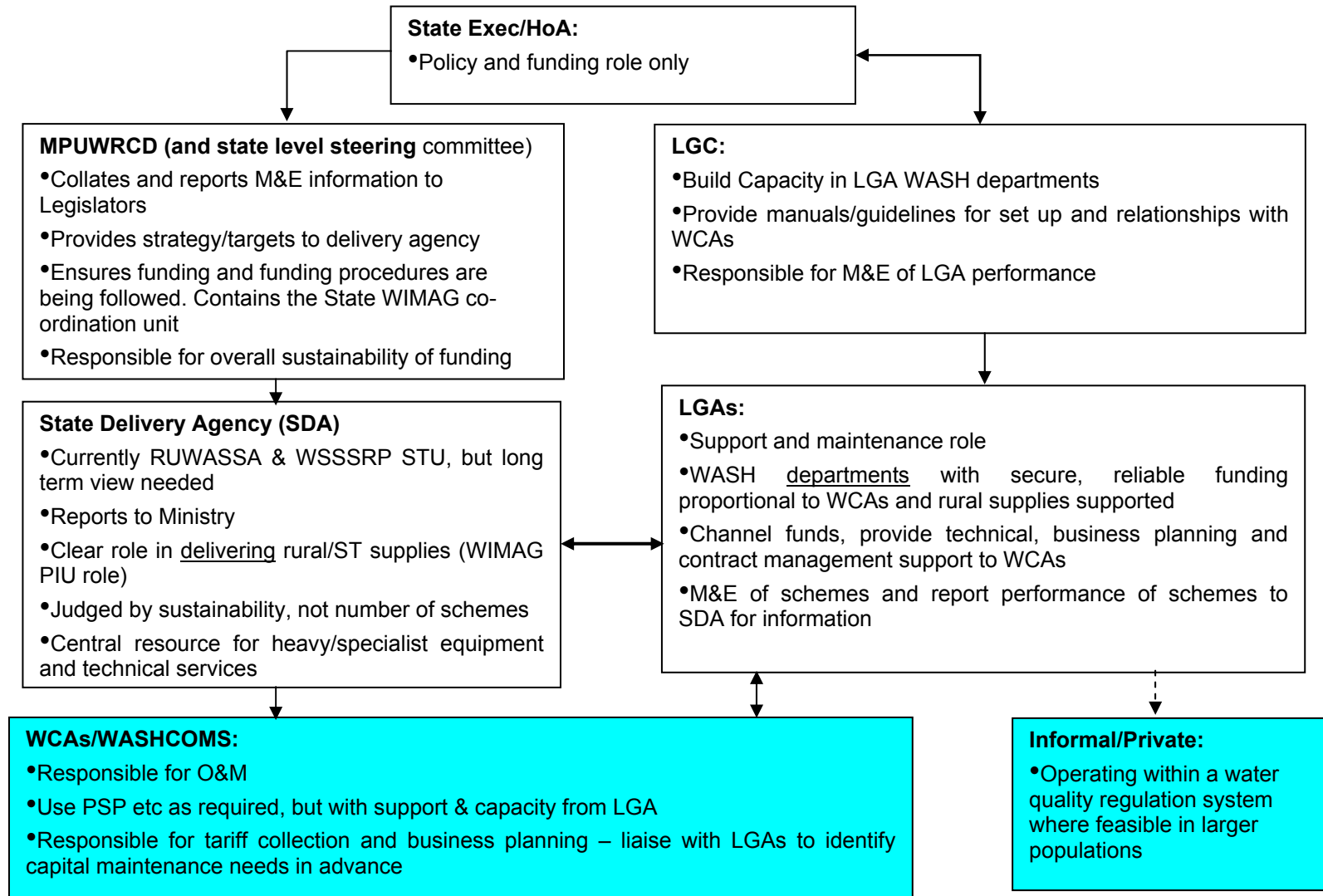
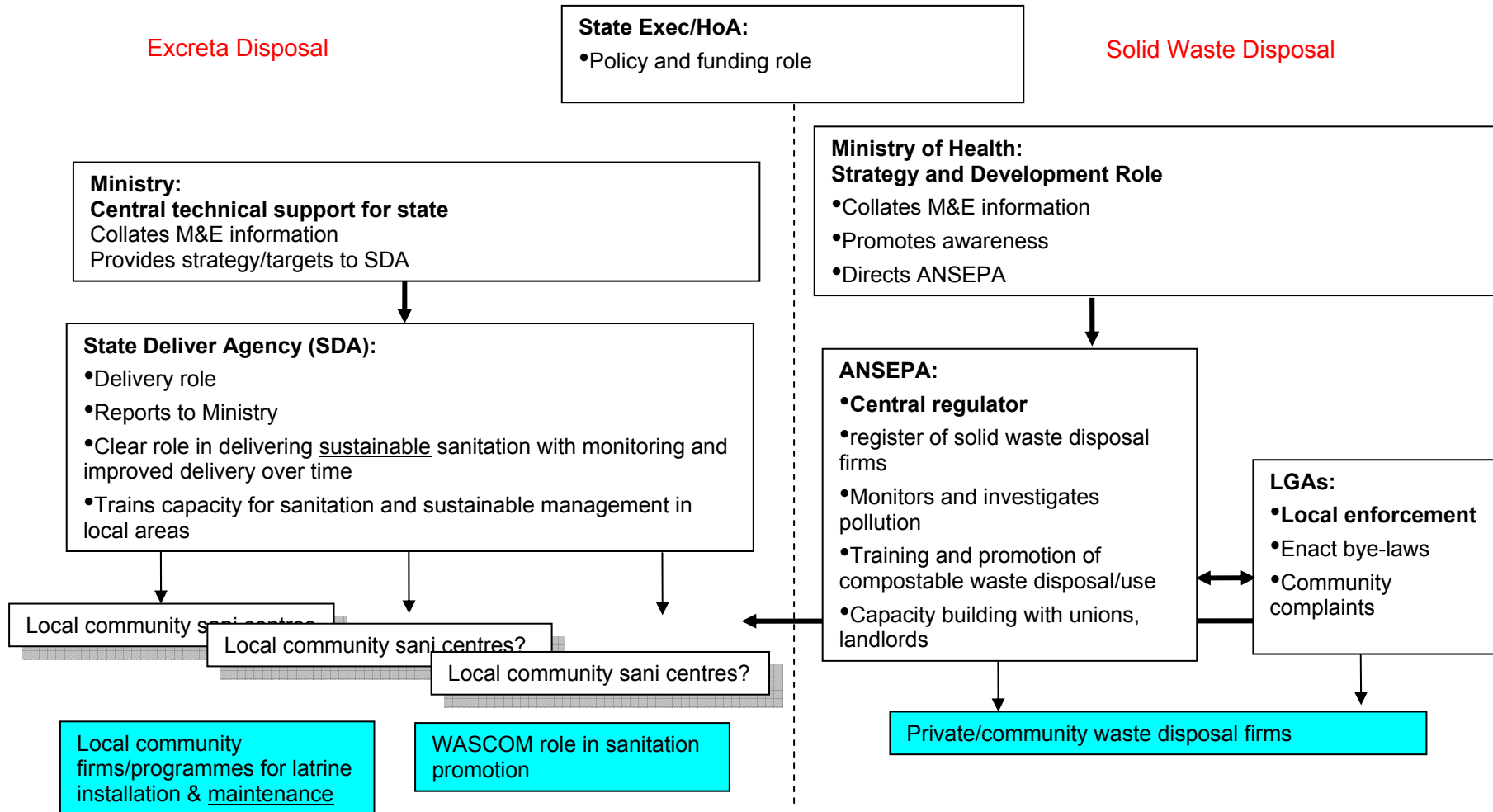




Figure 4-3: Example of Preferred Institutional Structure for Sanitation within Anambra State





4.1 Urban Water Supplies

Overall it is proposed that ASWC is kept as an institutional body and that delivery of service is contained entirely within AWSC, but with appropriate autonomy, regulation and monitoring. The reasons behind this general structure are as follows:

1. Provision of supplies through a commercialised state provider at the 'urban' level is in line with Federal level policy and the WIMAG.
2. Numerous studies worldwide have shown that central government is, as a rule, extremely poor at maintaining water supplies and billing. Because of necessary procedural constraints and bureaucracy, governments are generally unable to react to changing situations quickly or effectively enough to ensure sustainable, reliable maintenance of complex or specialist systems such as water supplies. Almost all successful examples of sustainable water supply systems are either community owned, or operated by commercialised parastatals or private businesses.
3. Currently there is almost no capacity for regulation or performance contract management within the MPUWRCD. This means that attempting to privatise the ASWC is very likely to result in poor contracts, poor contract management by the state and the ultimate failure of the concession/privatised industry.
4. Direct interference by the government (particularly at the Legislative level) has been largely responsible for past failings of ASWC. ASWC needs to be autonomous and free from this interference if it is to be a sustainable operation. However, past experience shows that close monitoring, regulation and plans for effective action are needed to ensure that corruption or mis-management is not tolerated or allowed to continue if it is detected in the ASWC management.
5. Although it is in serious decline, ASWC still contains most of the state capacity/technical knowledge of large-scale water supply. Any re-structuring needs to maintain that capacity as far as possible. State Executive, State Legislators and Capital Works Budgets

One of the key points of the proposed structure is that the State Executive and House of Assembly have no direct involvement in water supply. They decide policy, which includes rules for tariff setting and the general locations and rate of implementation of new supply schemes. Policies on cross-subsidies of tariffs (including pro-poor policies) should be determined at this level, although the actual technical strategy for delivering those policies (e.g. 'zoning' of properties) should be left to the MPUWRCD.



Capital budgets are still finally decided by the Executive based on state budgeting process, with the usual 'checks and balances' by the House of Assembly. However, the actual annual budget is proposed by MPUWRCD based on a defined business planning procedure. This includes capital maintenance funding required by ASWC and the cost of new works calculated by MPUWRCD based on State policy. It is recommended that the budgeting process is procedurally obliged to provide capital maintenance funding before any new works. MPUWRCD is then responsible for deciding how to deal with any capital budget shortfall and explaining to the legislators which parts of its policy may not be affordable if there are any budgetary shortfalls

Urban water supplies are able to attract 30% counterpart funding from the Federal Government, but this is intended '*to support the development of water services infrastructure*'. It therefore appears that refurbishment/replacement may not attract counterpart funding, which raises the risk that this will also be less well supported at the state level. It would be very unfortunate if lack of state funding for refurbishment or capital replacement schemes once again contributed to widespread failure of water supply in the future.

4.1.1 Role of the Ministry of Public Utilities, Water Resources and Community Development

In the new structure, the MPUWRCD is responsible for developing and costing the water supply strategy, based on Executive policy. It is also responsible for acting as a regulator to ASWC and private suppliers within the state.

In order to fulfil this role, it is considered that the MPUWRCD will require the following powers, responsibilities and capacity:

- They must have business planning and budgeting capacity that will allow them to review the acceptability and affordability of ASWC Business Plans and ensure that they are in line with State regulatory guidelines. They must also be able to budget for capital works, and be able to liaise meaningfully with ASWC over the affordability of new works in operational and maintenance terms.
- They must have effective regulatory powers and regulatory capacity that allows them to audit ASWC finances and Due Process on a regular basis, audit the reliability of Service Level figures provided by ASWC, and review the legitimacy of ASWC cost projections (including capital maintenance). It is suggested that external consultants are used for the actual auditing, but MPUWRCD must have the capacity to define terms of reference and ensure they are able to understand and act upon the information provided to them by the auditors. Any regulatory reporting systems will have to meet the basic requirements of the Federal WIMAG if the state wishes to attract the 30% counterpart funding available for capital works. Further recommendations in relation to regulation are contained in Section 7.



- It is recommended the MPUWRCD should be responsible for moderating and finalising tariff setting (based on State policy), but that they have an obligation to ensure that ASWC has access to sufficient funds for its O&M activities, provided they operate within agreed efficiency targets and obtain agreed minimum levels of tariff recovery. This means MPUWRCD will need capacity for understanding the tariff setting process and O&M finance requirements.
- It is recommended that MPUWRCD is responsible (along with the State prosecutor) for investigating and prosecuting reported cases of corruption within ASWC.
- It is recommended that MPUWRCD should only have direct powers at the Board level within ASWC. It should not have powers to set or interfere with wages, incentives or staff recruitment below Board level. The only exception to this is in the case of reported corruption, as discussed above. The Board should report to, and be accountable to, MPUWRCD, who have powers to incentivise, punish or remove Board members. The procedures and ‘triggers’ for this should, however be clearly laid out and should be monitored and reviewed by external bodies (e.g. Head of Service & CBOs). Ideally incentives or punishments should be based on clearly defined performance targets that are related to ASWC’s financial and Service Level targets.
- MPUWRCD should not interfere in the workings of ASWC unless targets are not being met (in which case they can punish/remove Board members) or there are serious, immediate concerns about the sustainable operation of ASWC. In the latter case, emergency procedures should be laid out in advance, and the ‘triggers’ for enacting those procedures need to be transparent and open to external scrutiny.
- Although it is clear that MPUWRCD will be responsible for applying for, and monitoring, funding associated with new capital works, it is not clear who should actually be responsible for delivering them. It seems likely that in the short term many works will be delivered by special project teams working with international and state co-funding in order to rehabilitate the existing systems. Those works should be subject to the Take Over procedures described for ASWC below. However, once the current major works are complete, then there will be an ongoing requirement to procure design and construction services for new supply systems and capital replacement works. A firm decision is needed over which organisation should be responsible for this – MPUWRCD or ASWC. The obvious technical choice is ASWC due to their technical capacity and under-utilisation of staff. Because of this it is suggested that ASWC should effectively act as project managers (although not budget holders) for new works. It is acknowledged that initially there will be significant ‘trust’ issues between ASWC and MPUWRCD if this approach is adopted. However, building trust between the two organisations could actually become a positive benefit from this system if it is managed well.

Whilst capacity for regulation is being developed within MPUWRCD, their key role will be in helping to develop the systems, procedures and reporting mechanisms that will eventually help them regulate within the state. Much of this will be done with outside assistance, but it is vital that MPUWRCD staff are involved if they are ultimately going to fulfil a strategic implementation and regulatory role.



Currently the role of MPUWRCD in relation to water quality and the private sector is not clear. ANSEPA have some human capacity and experience of water quality monitoring, so could be used for water quality regulation. Because of the relative lack of water quality testing capability in the state it may be best to keep the capacity within one organisation (ANSEPA) and have a system of cross funding for the sampling and analysis of water quality samples as required by MPUWRCD.

It is strongly recommended that MPUWRCD is responsible for any licensing and certification of private borehole or other water suppliers. This should not be within the remit of ASWC as it represents a direct conflict of interest. The regulation of private sector suppliers in the urban environment is discussed below.

4.1.2 Anambra State Water Corporation

The structure and function of the Anambra State Water Corporation certainly needs to change if it is to become a long term, sustainable, viable WSP. The key proposed changes in structure are as follows:

- The Board should consist of non-executive directors that are, effectively, political appointments (i.e. they represent the ‘owners’ of the Corporation on the Board), and executive directors that actual fulfil the top-level management and leadership function within the Corporation. The executive board is made up of an overall head (CEO or MD) and directors that represent the key functions within the corporation. ‘Functions’ could include Operations, Assets/Engineering, Finance and HR. Other positions such as Commercial Director could be considered, but only if this is deemed to be structurally necessary. Executive directors should be technically competent, full time and incentivised towards delivering the financial and service targets of the corporation. The non-executive directors (usually around three members) are there to represent the government at Board meetings and would be part-time roles. **Ideally there should be a process that will institute the authority of the MPUWRCD over the Board. This will include the interview and appointment process, but it may be advisable to have a process of political pronouncement that confirms the Board’s role and clearly shows the removal of direct influence by the Executive.**



- As far as possible, the appointment of executive directors should be based on merit and be as free as possible from political interference. This may be possible through a clearly defined interview and appointment process that is carried out by civil servants within MPUWRCD, supported, if necessary, by the Head of Service. It is likely that external professionals will have to be used during the appointment process under clearly defined, transparent terms of reference to avoid politicisation of the process. It is acknowledged that salary and incentives are a big issue in recruiting suitably skilled senior managers. Historically they have been low, which means candidates have either been politically appointed and are there to 're-direct' as much money as possible, or members have been promoted via the hierarchical, length-of-service based internal route. In the latter case this means Directors are not necessarily commercially oriented or even particularly good candidates for the job. Serious consideration therefore needs to be given to salaries and incentives, and whether it is feasible/desirable to pay enough to attract suitable candidates from the private sector.
- As noted previously, the Board effectively forms the accountable layer. Ideally the rest of the Corporation should be autonomous. This means the Board should be allowed to determine structure, staff incentives, hiring and redundancy policies (within appropriate employment laws), as well as being responsible for the effectiveness of financial, operational and commercial management procedures. They should be allowed to negotiate labour issues (once the current issues have been addressed) and are ultimately responsible for the accuracy of management information systems and performance data within ASWC.
- It is recommended that all Board members have a legal obligation to report any suspected corruption or fraud immediately to MPUWRCD and the State Prosecutor. Failure to do so should be considered a serious failure against performance targets and result in disciplinary procedures against the Board member concerned.
- The purpose and success of ASWC should be re-oriented so that it is geared towards delivering defined financial and service level indicators based on a robust and deliverable Business Plan. Board performance should be judged against those targets. The Business Plan should contain forecasts of recurrent costs, revenue and capital maintenance requirements over a 3-5 year period. In the medium term it is suggested that a Business Plan, along with service level and efficiency targets, is produced once a year. This is in accordance with Federal level WIMAG requirements, and should ensure that Federal counterpart funding of 30% is available for all capital investment works. ASWC should be responsible for reporting financial and technical progress against those targets, but this reporting needs to be subject to auditors employed by MPUWRCD, as discussed previously. Recommendations over service levels and targets are given in Section 7.



- ASWC needs to have a clear, defined, technical input to the evaluation of the suitability and ongoing costs associated with new capital works. It may be too bureaucratic to require that they 'sign off' budgets associated with new works, but they should at least be statutory consultees in the budget process. They certainly should have powers to require and issue Take Over Certificates (TOCs) for any new or replacement capital works that they are expected to operate. It is suggested that State level works contracts contain a requirement that a TOC is obtained before final payment is made to contractors, although it is recognised that this process needs to be 'policed by an independent adjudicator. Some capacity and experience for this exists within the Due Process department, although additional capacity will be required in order to fulfil this role.
- The structure of the Corporation needs to be commercialised and geared towards the delivery of its financial indicators and service levels. Staff incentives and performance also need to be geared towards delivering those service levels. Purchasing procedures also need to be commercialised, and procurement skills are a key capacity building requirement for the Corporation. Equipment and materials should only be purchased as part of a thought out, costed plan, and the Corporation should have a procurement and energy security strategy. There should be no need or desire to 'hire out' spare plant, and stocks should be maintained at a level that balances out inflation and supply pressures, but maintains efficiency and discourages theft. Attitudes towards customer contacts, billing and debt recovery should be similarly commercial, and the Corporation needs to realise that its revenue is largely dependant on keeping customers 'on side'. In practical terms this means that the service levels and tariffs need to be such that a customer is willing to pay their bills and is seriously concerned by the thought that they might be cut off.

Currently the structure and culture of ASWC is basically the same as the civil service. It is very hierarchical and based on age/experience, rather than merit. There is a full expectation of job security, irrespective of utilisation and job security. As discussed in later sections, this will be very difficult to change and there are welfare issues that need sensitive consideration.

However, improving efficiency has to be a key target and goal of ASWC if it is to become financially independent (ideally for Capital Maintenance as well as day-to-day O&M). Structurally this could mean progressive reductions in some of the layers of hierarchy within the Corporation. This should be combined with a strategy of greater utilisation of staff as supply connections increase, some natural 'wastage' of staff through retirement etc, and some movement of staff out to LGA WASH units or MPUWRCD as the number of community based rural/small town schemes increases in the State.

4.1.3 Role of Private Suppliers

In the current situation, private suppliers basically keep the urban areas supplied with water. Care should be taken during sector restructuring to ensure that these supplies are not removed or made more costly (particularly for poor people) by over-prescriptive regulation and unrealistic state ambitions. Currently there are two main problems with private suppliers in the State:



1. Water quality can be poor and lead to ill health amongst consumers.
2. Costs can be very high in comparison to ASWC tariffs, and tend to particularly penalise poorer households.

Monitoring and regulation is the obvious answer to the first problem. However, problems with rapid price inflation, black market selling and resentment/vandalism of ASWC supplies could result if an approach is taken where all supplies are monitored and immediately shut down if they do not meet water quality standards. It is therefore recommended that alternative, 'incentive based' approaches are considered.

For instance, suppliers that meet standards (including ASWC) could be given certificates, and populations could be incentivised (via radio etc) to seek out good quality supplies. Vendors and tankers should then also tend to seek out the good quality supplies and could carry badges/certificates that show they are selling good quality water. This would also tend to encourage vendors to buy water from ASWC, if it is decided that they should operate as bulk suppliers in some areas. Policing to check 'approved' vendors are getting their supplies from an appropriate location could be largely community based, provided the communities know it is in their interests to report offenders. This approach should encourage good suppliers to expand and extend supplies, whilst effectively putting poor quality suppliers out of business at a manageable, market controlled rate.

It is suggested that the state does not attempt to regulate tariffs, rather it should use them to 'benchmark' ASWC tariffs and ensure they are below private rates. If this is done, then private suppliers will, generally, have to reduce costs, particularly if they are competing against vendors that are able to obtain their supplies from ASWC bulk supply points.

4.1.4 CBOs

The role of CBOs in this new structure is difficult to define because of the current lack of capacity in the State CBOs. Generally speaking, if capacity can be developed, then the CBOs role will be to try and ensure transparency in the regulatory system and report poor performance of ASWC to MPUWRCD. If CBOs can gain the technical capacity, then it would be advisable that they are allowed to have access to the audit reports and final Business Plans produced by MPUWRCD and ASWC. It may also be advisable to allow them to act as monitors during Board level interview or disciplinary hearings.

4.1.5 Provision of Water Supply Services to the Urban Poor

Unlike small town and rural supplies, the institutional structure discussed above is not specifically aimed at providing water to the urban poor. This does not mean that the structure cannot be used to provide services, but it will need the correct policy approaches to achieve this. Connecting poor areas to standpipes or yard taps should be a matter of governmental policies, which are translated into cross-subsidies and performance targets by the Regulator (MPUWRCD). Considerations for ensuring service improvements to the poor include:



- 1) The draft Federal policy suggests only concentrating on reticulated supplies. These can be difficult and expensive to install in poorer areas, even if customers are not expected to pay for their connection. This will also mean that available funding may not reach poor areas as quickly as it otherwise could do due to the cost of installing reticulated supplies. Alternative approaches such as ASWC providing bulk supply selling points for vendors, ASWC supplies to community yard taps, water selling kiosks etc should be considered to determine if this could help with rapid and affordable provision of supplies.
- 2) Promotion of cross subsidies and block tariffs could be considered. Approaches such as 'zoning' of tariffs based on housing type, or designating demographic areas based on income can be used for applying basic cross subsidies. This is obviously a politically sensitive issue, but cross subsidies of water supplies exist in many countries in both the developing and developed world.

It is recommended that tariffs are still collected at standpipes by ASWC employees, or PSP contractors employed to manage and charge for standpipes (via kiosks etc) on behalf of ASWC. These tariffs should be enough to cover treatment and delivery costs, which are generally affordable and less than private water sellers, if the cost of connection can be subsidised or commuted.

Care should be taken that focusing solely on the poor during the extension of water supplies does not damage the commercial viability of ASWC. It is recommended that a 'mix' of consumer types is maintained to ensure that cross-subsidies and good levels of payment can be maintained. Nevertheless, if services to the poor are not considered in policies and strategies, then poorer urban areas can often be effectively ignored as the utility expands. Details of approaches to identifying potential methods for marketing and supplying water to poorer urban areas are discussed in detail within *Sansom et al* (2004).

4.2 Small Towns and Rural Water Supply

4.2.1 State Executive and the Ministry

Under the proposed framework, the relationship between the government bodies and service providers would be similar to urban water supplies – i.e. the Executive would provide policy and guidance and the MPUWRCD would formulate this into a strategy. Currently there is no real State strategy for service provision in small towns and rural areas, although the preferred approach is detailed in the Federal level policy and counterpart funding supported by the WIMAG. This is effectively being supported through the RUWASSA and WSSSRP programmes, but only at a pilot/piecemeal level. The proposed framework includes a policy that outlines the approach for small towns and rural supplies, and also clarifies the exact role that MPUWRCD and LGAs fulfil within that 'community based' approach.



As well as strategy development, MPUWRCD should also act in a central reviewing and reporting role that will help monitor the effectiveness of small towns and rural supplies, and act as the central budgetary co-ordinator. This includes collating and reporting against Business Plans as required in order to draw down Federal funding. As contained in the Draft WIMAG, it is recommended that MPUWRCD should contain the 'State WIMAG Co-Ordination Unit' (SWCU). This is a general co-ordination role, with duties that include 6-monthly progress reports to the Federal WIMAG Co-Ordination Unit, and strategy/general co-ordination of WIMAG funding and procedures in the state.

There should be no real need to directly 'regulate' the community schemes themselves (as that would be against the philosophy of the community ownership and WCAs), but MPUWRCD should review the effectiveness of the schemes that the State Delivery Agency (see below) is implementing. This should help to improve strategy and provide feedback on the effectiveness of the community models, scheme types and support roles that are being carried out. MPUWRCD should also be responsible for collating data on the number of 'significant' scheme failures that have occurred in the year and report these to the Executive/HoA to highlight trends in and reasons for budgetary and capacity failures.

4.2.2 State Delivery Agency (SDA)

The institutional structure for delivery of small towns and rural water supplies is already largely defined by the Federal level policy and the delivery of rural schemes via RUWASSA. However, a number of interviewees and previous reports have noted that the division between small towns and rural areas in Anambra state is not clear. Therefore, it is suggested that, once the current programme for 'pilot' WCAs has been delivered by the WSSSRP STU, it would be advisable to combine small town and rural scheme delivery into one State Delivery Agency. This would avoid duplication of effort, ensure that 'best practice' and best capacity are combined in a single technical agency and (possibly most importantly) help provide a single point of contact for WCAs and LGA WASH departments. If necessary this could be split into 'small towns' and rural' functions in order to satisfy WIMAG procedural requirements, but the division is likely to be fairly arbitrary. It is noted that RUWASSA is a state body, as opposed to WSSSRP which is, effectively, a project. The SDA, when formed, should be a state body with a well defined, appropriately accounted and funded position.

The SDA would form the WIMAG Project Implementation Unit (PIU). Essentially this unit would be responsible for advising on and 'packaging' WIMAG funding applications from potential small town WCAs and rural WASCOMs, and providing these to the SWCU. Although not stated in the WIMAG, it is also advisable that the SDA should act as a central support to WCAs & LGAs WASH Units in setting up WIMAG Project Execution Agreements to ensure these are robust and consistent across the State.



Although RUWASSA is starting to consider sustainability of its schemes as an important issue, the institutional relationship between the SDA, LGAs and WCAs will need to be strengthened to the point where effective maintenance is assured. This means that funding, equipment and technical support needs to be available to carry out reactive (capital) works when local artisans and WCA funds are not sufficient to cover maintenance needs. Ideally, technical support should be available through the SDA and LGAs that can identify capital replacement requirements before catastrophic or repetitive failure of schemes results in unacceptable service levels.

On a practical level this means helping to ensure that the WCAs have decent Investment Plans that can identify necessary refurbishment works sufficiently in advance so that WIMAG Federal counterpart funding is available. These will need to be identified in general terms in the 5 yearly Business Plans (required by WIMAG), and in specific terms in the annual update before the capital works are needed. The SDA will also need to ensure that the MPUWRCD is informed of investment requirements so that State level counterpart funding is also made available.

Because the SDA is primarily responsible for identifying funding for, and helping to deliver, new schemes and training WCAs, its physical role in maintenance/replacement is limited. However, it should be able to:

1. Provide complex technical support if this is required to determine what capital replacement works are required (e.g. borehole reaming, erosion control schemes etc).
2. Provide some specialist equipment (e.g. frames for lifting borehole pumps) where this is difficult to hire at the local level.

The SDA should also act as a central technological and knowledge base for the LGA WASH departments. This means that it should actively gather M&E data, prepare case studies and reports, and report these to the MPUWTRCD.

On a practical point, the Federal WIMAG indicates that LGAs should be responsible for helping WCAs implement capital projects for new (and refurbishment of) water supply systems. Specialist engineering design and capital procurement capacity is unlikely to be readily available at the LGA level for some time to come. It may therefore be more sensible to have these skills within the SDA (PIU) at the state level, and effectively provide consultancy services to the LGAs as required (possibly with some form of cost transfer arrangement if this can be worked out with the LGC/LGAs).

4.2.3 Local Government Commission

The role of the Local Government Commission has not been addressed in the Federal WIMAG, but it appears that it will need to be involved in developing systems and procedures that are used for setting up, funding and staffing LGA WASH departments. They should also act to ensure that LGA WASH departments are carrying out their required functions, and help to address any problems in performance that do arise.



4.2.4 LGA WASH Departments

The LGA WASH department essentially act as the primary point of contact with WASCOMs and possibly WCAs. They will need to liaise with the SDA to help design new water supply schemes, ‘package’ funding applications for submission to the SDA, and carry out M&E activities for reporting to the SDA. This means that any LGA that really wants to carry out the implementation of community based supply schemes in its area will need a properly set up, funded, WASH department that has:

- Access to, and fuel for, vehicles to visit communities
- At least one member of staff who is trained in the WIMAG process and basic business planning, tariff setting and contract management skills. They must also be able to carry out M&E visits and be able to understand why schemes have failed, or might be in danger of failing in the near future.
- Access to telephones, stationary and (if necessary) computers that allow them to send applications and report findings to the SDA.

Ideally the WASH department should also have, or have access to, a suitably qualified engineer that can help in the design and implementation of any capital works that are required in that area. As noted in the previous PAWs report, it may be possible to transfer capacity from ASWC to WASH Departments, if ASWC utilisation of technical resources is poor in that area of the State.

Before setting up a WASH department, the LGA should be fully aware of the costs involved, and be able to identify the implications of the number of existing and planned schemes on this cost (i.e. the more schemes, the bigger the department is likely to be). The SDA will need to provide some support in this area based on its experience gained from RUWASSA and the STU pilot schemes.

4.2.5 WCAs/WASCOMs

The WCAs are basically responsible for running schemes once these are set up. Requirements for this will vary depending on the nature of the scheme. Some schemes will involve a single, trained operator (or part time community operators), with some local capacity for maintenance activities. WIMAG Business Plans will only consist of very simple reporting of performance to LGAs, as there will be no capital works or complicated operational management plans to implement. Other schemes could require contracts with local Private Service Providers, enhanced operating and management arrangements and slightly more detailed Water Services Development Plans.

All of these requirements and their financial implications (in terms of tariffs) need to be properly explored during the production of the WIMAG funding application. It is important to realise that this funding application is not just about the cost of the capital works involved, but also about the sustainability of the scheme that is implemented. This includes management costs as well as other simple O&M activities.



4.3 Sanitation

There has been less work carried out to date on potentially preferred structures for sanitation, and this is not really covered within the WIMAG. This Section describes suggested institutional structures associated with sanitation, but much of this will depend on consultation with state Ministries and the ongoing sanitation programmes being carried out by RUWASSA and WSSSRP.

Sanitation has been separated into Safe Excreta Disposal (SExD) and solid waste management in Figure 4-3. Solid waste management is really outside of the remit of this report, although it is briefly examined due to synergies with the final disposal of excreta from pit latrines, and the water quality/pollution implications of other solid waste disposal activities.

4.3.1 Safe Excreta Disposal

RUWASSA has had some success in programmes of sanitation promotion and the installation of pit and VIP latrines, but there has never really been a large scale State level strategy for sanitation. The WSSSRP programme is currently carrying out pilot programmes, again with some success.

The first institutional issue that needs to be addressed here is clarification of roles and development of a strategy for sanitation in the State. As with other aspects of water supply and sanitation, the State is currently taking the role of service provider – i.e. RUWASSA is using donor funding to carry out community sensitisation and pit/VIP latrine installation programmes. The structure presented within Figure 4-3 is based on discussions with WSSSRP staff. It supports the view that it could be a more effective use of funding and could be more economically useful for local communities if they set up sani-centres within local communities. One of the reasons for failure in the past seems to be poor fiscal discipline in the organising communities (e.g. base slabs being given away), combined with a lack of interest/market for the sanitation products. The proposed institutional structure seeks to address this in two ways:

1. Sani-centres could be set up in parallel with water supply schemes, so that WCAs or WASCOMS would own the sani-centre. This would mean that the fiscal/commercial capacity gained from setting up the water supply could also help to ensure that sani-centres are run on a more commercial basis.
2. Sanitation programmes would be supported by LGAs and LGA WASH departments. WASH departments could maintain hygiene and sanitation promotion activities alongside their monitoring visits for water supply facilities. It may also be possible to use local bye laws to ensure that open defecation is phased out in favour of improved latrines. This would help ensure there was a 'market' for the sani-centres who could also fulfil a basic role of selling replacement slabs or facilities.



If the sani-centre approach is not adopted, then the same basic structure could be used, but with the SDA continuing to install pit/VIP latrines and WASH departments trying to promote sanitation within communities that want to set up their own sani-centres. The SDA could even adopt a ‘hybrid’ approach where it installs sani-centres only in those communities where it thinks that success is more likely. Whatever approach is adopted, it is strongly recommended that the state has a clear strategy and has clear reasons why it is adopting that strategy. The current piecemeal approach does not seem to have much justification or strategy behind it, which is likely to result in a relatively inefficient use of the very limited resources that are available. Further information regarding integrated policies can be found in the Draft Federal National Water Sanitation policy, which promotes ‘the participation of people at household and community levels in the planning, provision, ownership and management of sanitation facilities’.

4.3.2 Solid Waste Disposal

One of the main points to make about solid waste disposal is that the current approach clearly isn’t working. It is not clear whether there is the political will to adopt a system similar to small towns/rural water supply – i.e. where the Ministry and ANSEPA adopt strategy and regulatory functions respectively, and communities provide their own, regulated, disposal activities via private suppliers or community owned services. If this is not supported then reform would be difficult and it is likely that solid waste disposal will remain very poor within the State.

WSSSRP staff indicated there is support from landlords, town unions and other local community groups for the community led approach, provided there is decent regulation and the state is able to provide (and charge for) landfill or other managed waste disposal sites. The process of waste collection is not hugely technical at a basic level, but ANSEPA would be well placed to provide advice and support in setting up disposal services, as well as acting as a regulator. Regulation should not be detailed or onerous. It is suggested that a simple licensing regime based on the capacity of the firm to provide the service should be sufficient at first. ANSEPA would also help LGAs and community organisations with a policing role, and revoke licences if service providers are found to be disposing waste illegally.

The disposal of waste from pit latrines is a particular area where capacity building/training by ANSEPA is vital, as this carries higher health risks if it is not done correctly. Separate licensing systems could be used to identify service providers that can do this, or provide an information service for individual farmers etc who might want to use composted waste as a crop fertiliser.



5 Overview of the Reform Process and Key Strategy Considerations

A reform process such as the one that is being attempted in Anambra is not just about evaluating individual organisations and determining HR/funding objectives. It needs a clear strategy that supports and helps to enable the reform programme. It needs defined objectives and enabling tools that direct and allow the individual reform activities to succeed.

Figure 5-1 is a bespoke diagram that provides a conceptual overview of the approach to the reform process that is likely to be required in the State. It has been synthesised from a number of documents, including DFID 2003, USAID 1988, Yakubu 1995 and UDWD 2005.

The reform process itself can be separated into three main components:

1. Targets and objectives for reform (i.e. what is it we want to achieve?)
2. Reform activities and actions (i.e. how will we achieve it?)
3. Triggers and enablers for reform (i.e. what tools are needed for success?)

Each of these components is further sub-divided into two categories, with the items in red indicating those categories that are often forgotten or poorly implemented during the reform process. It also shows that there should be two separate, but linked documents (or sets of documents) that provide the framework for the reform process:

1. The strategy. This concentrates on the desired targets/outcomes and triggers/enablers that are likely to be required in order that the reform programme is successful. It also provides an overview the general approaches that should be taken when defining actions and activities.
2. The programme or programmes. These generally concentrate on the activities and actions for reform and should effectively be treated like projects (i.e. identify timelines, critical actions, communications, risks and mitigation etc). Targets and enablers are contained, but generally to show how they need to be used to support the activities and actions.

The actual strategy and programme for reform are not contained in this report, as they will need to be developed in detail following consultation and consideration from the people involved in the reform. The following Sections do, however, contain notes on the strategy considerations. They also contain fairly detailed indications of short, medium and long term objectives, notes on actions and activities, and a discussion about triggers and enablers. These can be used to form the basis for detailed programme development.



One key point needs to be remembered when implementing change:

Change does not come from systems and procedures. These are 'enabling tools' that allow people to enact that change. Every change process must have a 'sponsor' and identified 'champions' that can promote and implement that change within an organisation or institution.

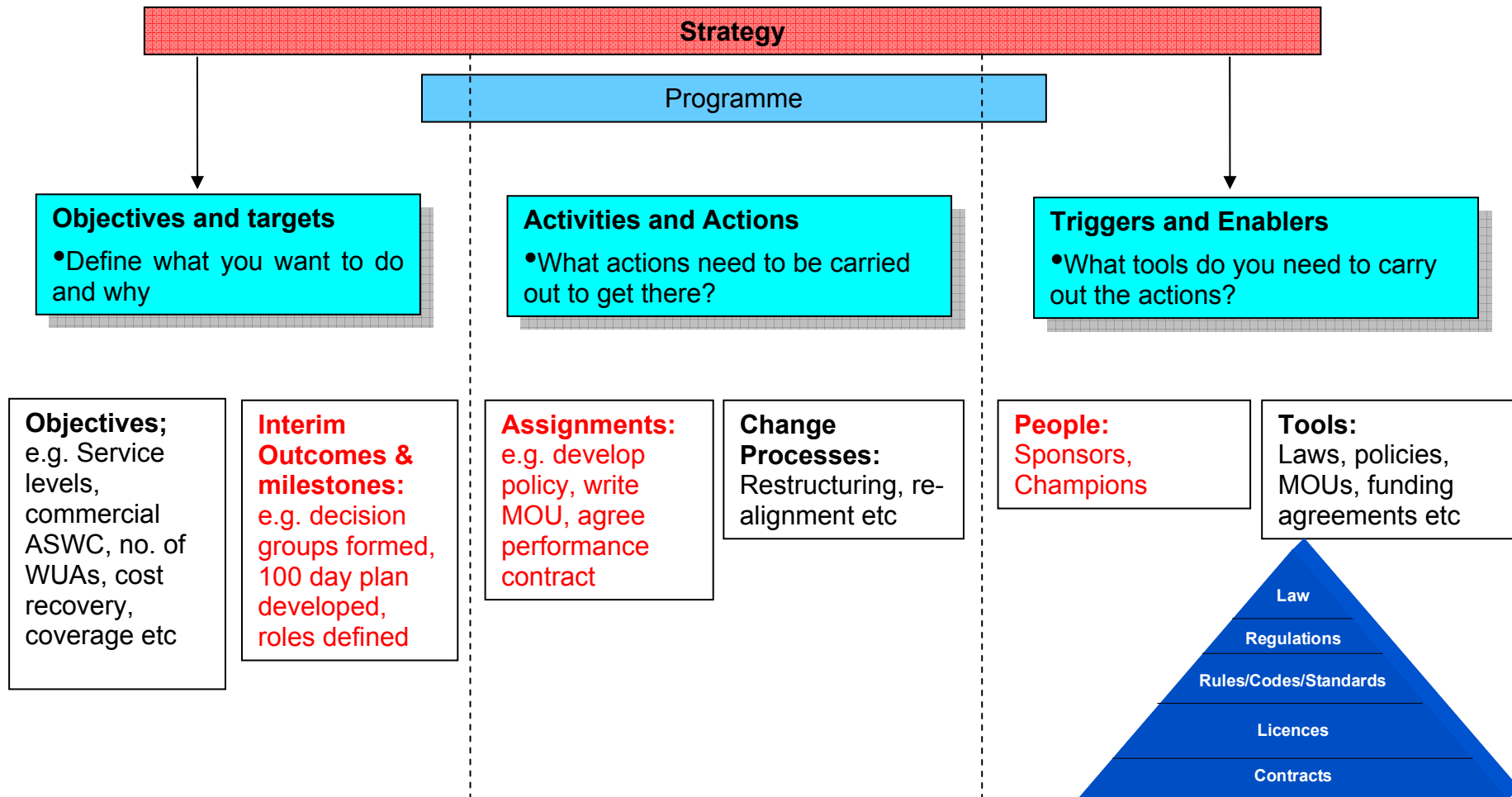
This point is reflected in the targets, processes and triggers/enablers discussed later, but it is easily forgotten when the technical business of appointing consultants, carrying out reviews, writing guidance etc is being carried out.

Considerable numbers of documents exist about the theory and practice of managing change. Most of that is outside the scope of this report, but there are two key underlying points that may be worth repeating here:

- 1) It is vital that change concentrates on identifying 'sponsors' and 'champions' who are willing to support, and have the necessary influence to actually help implement, that change. It is not always easy to identify who is really supportive (or indeed against) the change process, but the simplest way of identifying support is to 'give the person something to do'. If they are really supportive then they will tend to achieve targets or carry out actions that are vital to the change. If they consistently fail to act then it is very likely they are not actually supportive of that change process.
- 2) If there is resistance to change (once procedural/systematic barriers have been removed), then the key to success is to identify who is resistant and really understand why they are resistant to that change. Resistance should not always be taken at face value, and the process of really understanding the reasons for their resistance will often present a solution or opportunity for changing their attitude. Simply trying to 'force' people to accept change is very difficult and is only likely to succeed if there is overwhelming power and drive behind that change.



Figure 5-1 Overview of the Reform Process





6 Strategy Considerations

The strategy for reform needs to ultimately show what the targets and objectives of the reform programme are, and what triggers/enablers are going to be required to get there. These are discussed in the following Sections, but there are number of general points that should be considered when developing the strategy for reform of the water sector in Anambra state.

DFID (2003) refer to a 'management of change' strategy that focuses on the 'means' by which institutional reform can be brought about. Such a strategy needs to include:

- 1) The vision and concept behind the reform process. Most of this has already been laid out in the Federal level policy and the preferred institutional structures in this document – i.e. reform of the Urban state WSP and promotion/support of community owned schemes at the small towns and rural level. This, combined with the overall short, medium and long term objectives (discussed in Section 7) should form the 'vision and concept' behind the strategy. The strategy for identifying and refining these objectives is discussed below.
- 2) Identification of 'change sponsors'. Change is brought about by people and it is important that the change process has sponsors for each of the actions and activities that are going to be carried out. It is recommended that named sponsors are identified for each of the main objectives listed in Section 7, with emphasis on the short term objectives for the initial strategy document.
- 3) Approaches for recognising and managing barriers to change. Some of this is structural or technical (e.g. methods for managing funding and capacity constraints). The strategy should ensure that these 'technical' constraints are recognised when change objectives are being developed to ensure that those objectives are realistic. The strategy should also attempt to identify and manage the 'soft' barriers to change. This means trying to predict the reaction of individuals and groups to change and looking for ways to build support for reform and manage key stakeholders. This is discussed under the 'influencing strategy' below.
- 4) An overview of the current and preferred structure of the individual organisations within the reform process. Again, much of this has been detailed in previous Sections, but these need to be agreed (possibly in more detail) with stakeholders.
- 5) Methods for identifying how the political, financial, managerial and technical resources required for change are going to be mobilised. This differs from the influencing strategy, as it effectively identifies how the resources that are already available should be used in the reform process.



The situation in Anambra is slightly unusual in that it contains an immediate and significant issue with one of the key institutions (ASWC) that needs to be addressed before the change process can start to achieve significant change in the Urban sector. Sorting out the current payment backlog and broken infrastructure associated with ASWC is not covered by the WSSSRP programme, but it is vital that a process (including objectives and timelines) for dealing with this is identified and referred to in the overall strategy for reform.

6.1.1 Refining and Identifying Objectives

A number of suggested targets and objectives are contained in Section 7, but it is important to note that the actual targets and objectives that are contained within the strategy need to be confirmed with the people and organisations that will be trying to achieve them.

Initially it is suggested that objectives are separated into two types:

- 1) 'Practical' objectives to be achieved in the first year, which should be outlined by the WSSSRP STU and then agreed via the technical steering committee (e.g. ASWC reporting requirements and business planning guidelines).
- 2) Longer term and key strategic objectives (e.g. Levels of Service and Financial indicators/targets for ASWC). These are likely to require higher level inputs, possibly through the State Programme Steering Committee.

The approach to identifying and agreeing targets and objectives needs to be set out in the strategy to ensure they are acceptable to the stakeholders who will then be responsible for meeting those targets.

6.1.2 Designing Activities and Mobilising Resources

To date there appears to be a tendency in the WSSSRP programme to engage consultants to produce reports on specific components of reform. This is, of course, necessary, but could result in a tendency to produce recommendations without identifying who is going to implement those recommendations and how they are going to manage the actions required. For example; under the WSSSRP STU programme, items 2.8 through to 2.10 cover the following activities:

- 1) Preparation of an institutional restructuring plan
- 2) Develop capacity building (HRD programme and follow up M&E instruments)
- 3) Develop regulatory framework for service providers

These are all basically documents that contain either processes or 'tools' (guidelines, frameworks etc) for reform. Such processes and tools do not in themselves mobilise resources. Therefore any recommendations also need to identify:

- Where the sponsor and resources (financial and people) are going to come from to carry out the change processes.



- Who is going to be affected by any guidelines or tools that are developed, and what processes need to be followed to actually get them to adopt and use those guidelines or tools.

As well as identifying specific resources and processes within individual output reports, it would be sensible to have a strategic overview of the resources that are available to support the reform process within the State. Similarly, it would be useful to have an overview of which organisations are likely to be affected by the guidelines and 'tools' that are going produced during the reform process and a strategy that indicates how guidelines and tools are going to be adopted.

6.1.3 Creating an Enabling environment

Influencing Strategy

There appears to be Executive level support for the reform process within the State, but there are a large number of potential opponents that could effectively make the reform process impossible. It is therefore suggested that an 'influencing strategy' should be developed that identifies the key groups and individuals that could significantly affect the success of the programme. If there are concerns that there is insufficient support for reform in a key area, then it would be prudent to decide what approaches could be used to try and gain that support. These could include:

1. Informing the stakeholders about the underlying causes of failure in the past and explaining why the new structure should address those failures.
2. Outlining the funding that will be available from the Federal government to support the new approach.
3. Finding out the reasons for their apathy/resistance and working out if there are ways of aligning the reform process to their interests, or showing them that the process is already aligned with their interests.

The third point should form an ongoing, updatable part of the strategy. The influencing strategy could also be used to identify those people who are likely to remain opposed to the reform, and keep track of the risks and impacts caused by that opposition. Obviously the influencing strategy needs to identify who is going to carry out the influencing actions and (in general terms) where/how they intend to do it. This could involve people from the technical steering committee, the State Programme Steering Committee, EU and Federal supporters of the WSSSRP, or any other 'sponsors' from government or parastatal institutions involved. Feedback on success, or otherwise is important and ideally should be recorded.

It should be noted that the influencing strategy does not need to be a complicated or clandestine document. The key aim of the influencing strategy is to be open about the process and try to show important stakeholders the benefits from carrying out reform. It is important that stakeholders realise the reform is not being driven by self-interest, and that any 'influencing strategy' is about promotion of that reform. It should not attract political or commercial overtones and should not create an 'us and them' atmosphere.



Conflict Resolution

As well as an influencing strategy, the reform programme should have general strategies for resolving conflicts between individuals and organisations. This strategy needs to link to the ongoing register of risks and barriers within the strategy document, and ideally should have a 'pool' of individuals that can be called upon for conflict resolution. Basic principles and issues surrounding conflict resolution were referred to in the PAWs institutional sector scanning report (PAWs 2007).

Policy Development

One of the key enabling tools that should be developed and guided to support the reform process should be the State Water Supply and Sanitation Policy. As well as harmonising with the Federal level policy, it is important that the policy supports the creation of an appropriate institutional framework (such as the one detailed in Section 4). It is also important that it supports the development of the other 'enabling tools' discussed in Sections 7 and 9.

The exact content of this policy will need to be developed as a separate project, but it is important to note that the WSSSRP will not actually be responsible for approving the final text. Therefore, as well as helping to draft the policy, it is important that the team is aware of the timing and processes that will actually be involved in approving the policy. They should also be aware of the risks and implications of major changes or delays to the policy on the rest of the reform programme.



7 Water Sector Objectives and Targets

The Objectives and Targets basically define what needs to be achieved during the reform process. These, in turn identify the actions and activities that have to be carried out, and the enabling 'tools' that are required in order to meet the objectives and targets. This Section therefore contains most of the information about the reform programme that is recommended for Anambra State.

It should be noted that this is a very preliminary view of the programme, and significant further thought/updating is recommended as the WSSSRP team become more familiar with the reform process. However, it is intended that this Section should provide a fairly detailed list of objectives, at least in the short term, which can then be reviewed, amended and added to as required. It is, to a certain extent, a 'wish list' and not all of the objectives necessarily have to be achieved to achieve improvements within the water sector.

For clarity, 'targets' and 'objectives' have been given specific meanings within this report. Objectives refer to the final 'outcomes' that are required in the short, medium and long term. 'Targets' represent interim outputs that are required to achieve each objective, and provide a good indication of the 'actions and activities' needed to meet that objective.

It is important that readers have read and understood Section 4 of this report before examining the objectives and targets contained in this section. The text in this Section assumes the reader is familiar with the concepts and rationale behind the framework described in Section 4.

Because of the uncertainties surrounding preferred policy and institutional frameworks for sanitation in Anambra State, Sections 7 to 10 do not contain any details for the reform of the sanitation sector. These can be developed using the same framework as described for the water sector here, but only after a preferred strategy for sanitation reform has been developed for the state.



7.1 Short Term Objectives (1st year)

The short term objectives generally concentrate on producing the enabling tools that will allow reform to happen, and focus on getting institutions to the position where they can start to be reformed. This 'initiation' phase is likely to take up to a year, and realistically (particularly where policy and legislation is involved) could take longer.

Suggested Objectives and associated Targets are given below:

Ref.	OBJECTIVE DESCRIPTION	TARGET
General Sector Objectives		
GS1	Finalise Draft State WSS Policy	<ul style="list-style-type: none"> Identify key sponsors and policy approvals process Mobilise resources and produce Draft Consult and submit for approval
GS2	Complete Review of Legislative Requirements (see note 1)	<ul style="list-style-type: none"> Identify sponsors and resources Produce review document, including details of legislation and regulations required to implement State policy
GS3	Finalise First Draft of Reform Strategy	<ul style="list-style-type: none"> Determine need and content of strategy with Federal WSSSRP Identify strategy 'owners' Produce relevant documents, including influencing strategy and final, preferred, medium term institutional framework
GS4	Produce first State WSS Budget, under new guidelines, for HoA approval	<ul style="list-style-type: none"> Produce new budgetary guidelines based on State Policy and WIMAG funding Complete training of MPUWRCD and Ministry of Finance Produce Budget and submit for approval
GS5	Produce Version 1 of State WSS Regulatory Framework Guidelines (see note 2)	<ul style="list-style-type: none"> Review state policy in relation to proposed institutional framework Identify sponsors and resources Produce guidelines
GS6	State signs up to the Federal WIMAG MOU	<ul style="list-style-type: none"> Ensure consistency of policy with WIMAG requirements Negotiate and sign MOU

Notes:

- 1) Although the WSSSRP programme contains a review of the current legislative framework, it is likely that there will need to be a number of new legislative and regulation/guideline documents that are required to implement the policy in the relevant institutions and procedural systems. Ideally this should be done by the relevant governmental institutions, but it would be preferable if there was a legislative implementation document that provided a strategic overview of the actions that are needed. This objective could be included within GS3 (reform strategy) if resources and need for a separate document are lacking.



- 2) *A regulatory framework and guidelines will have to be produced that give practical details of how the State policy on regulation and any associated State water laws will be implemented in the state. The suggested general regulatory approach is described in Section 4 of this report, but reasonably clear details will be needed that show the role and powers of MPUWRCD in relation to other Ministries and institutions in the water sector. Development of these guidelines should also help to define the capacity required within MPUWRCD in the short term, and an idea of growth in capacity that may be required in the longer term.*



Urban Water Supply Objectives		
US1	Implement ASWC Charter/guidelines (see note 3)	<ul style="list-style-type: none"> • Confirm legal arrangements needed to enable Charter/guidelines • Consult and produce documents • Enact into law (if required)
US2	Achieve 'baseline' viability of ASWC Staff (see note 4)	<ul style="list-style-type: none"> • Identify and confirm legal employment status of staff on payroll • Reach agreement with unions/decide level of backlog payments • Agree plan for staff payment to coincide with plans for rehabilitation/water production • Liquidate backlog and resume staff payments as appropriate
US3	Install Technically competent, 'viable' Board	<ul style="list-style-type: none"> • Complete investigations into fraudulent activities and suspend/remove management as appropriate • Complete advertising and interview process in accordance with ASWC Charter/guidelines • Appoint Board
US4	Set initial Tariff levels for ASWC water supply	<ul style="list-style-type: none"> • Complete tariff setting guidelines • Complete tariff investigations (including levels of private charges and first year estimates of 'break even' tariff requirements) • Obtain legislator agreement and publish intended tariffs
US5	Finalise Rehabilitation Plan for ASWC supply infrastructure	<ul style="list-style-type: none"> • Complete technical/engineering evaluations • Complete implementation schedule • Complete procurement strategy
US6	Implement Version 1 of Capital Works Take Over/Due Process procedures	<ul style="list-style-type: none"> • Assess stakeholders involved in new works • Identify sponsors and mobilise resources • Assess risk and cost implications and produce models for contract completion (commissioning requirements etc) • Appoint ASWC and government Due Process responsibilities
US7	Appointment and initial capacity building of MPUWRCD regulatory department (see note 5)	<ul style="list-style-type: none"> • Finalise 'medium term' department structure • Complete 'year 1' training plan • Interview and appoint staff • Complete initial staff training
US8	Complete Version 1 of ASWC Reporting Requirements and Business Planning Guidelines (see note 6)	<ul style="list-style-type: none"> • Produce initial set of guidelines • Complete sensitisation of and consultation with MPUWRCD and legislators • Finalise Version 1 of the Guidelines



US9	Finalise 1 st Urban Sector Business Plan (see note 6)	<ul style="list-style-type: none"> • Appoint and train ASWC staff to produce 1st rolling 3-5 yr Business Plan • Complete Business Plan • Appoint auditors and carry out 1st regulatory audit
US10	Reform revenue and billing collection <u>systems</u>	<ul style="list-style-type: none"> • Review current systems and capacity • Identify gaps and produce reform document • Appoint change sponsors and consultants • Change structure and systems
US11	Produce year 2 ASWC re-structuring and HRD plan (see note 7)	<ul style="list-style-type: none"> • Form focus groups and identify change 'champions' within ASWC • Identify key 2nd year change objectives in each functional area (finance, operations etc) • Achieve Board agreement and produce plan

Notes:

- 3) *The existing Edict/legislation is clearly inadequate to ensure the correct level of autonomy, responsibility and efficiency of the ASWC. A legislative 'tool' that is linked to the State WSS Policy is therefore needed that sets out the purpose, Board appointment procedures etc for the Corporation. This is further discussed in Section 9, but a key objective of the first year needs to be that this 'tool' is produced and implemented to allow the correct structure and function of the Corporation to be set up.*
- 4) *As well as clearing the backlog of payments to an agreed level, there is an issue that some ASWC staff cannot be gainfully employed until the water supply schemes have been re-habilitated. It may therefore be necessary to produce a plan of staff re-employment and payment that aligns with the timing of other relevant Objectives. Finance/strategy staff will be required to carry out tariff calculations, produce initial business plans etc, and some operational/technical staff will be required to help with the rehabilitation process. It will not be possible to gainfully employ all operational staff until supply systems have been rehabilitated. Re-employment of staff may therefore need to be planned, and interim welfare payments may be needed for staff that are on the books, but effectively have no job to do in the meantime.*
- 5) *As noted above, the capacity requirements for MPUWRCD should become clearer as Version 1 of the state regulatory framework guidelines are produced. However, care should be taken that these are initially not over-complicated, and that excessive capacity building is not attempted too quickly. If MPUWRCD uses consultants for its auditing of ASWC, then there should not be a need for more than 3-5 professional regulatory staff within MPUWRCD, at least in the short to medium term.*
- 6) *The Federal WIMAG contains details of potential reporting requirements and it is important that the state level guidelines comply with these to ensure that counterpart funding can be secured. However, initial requirements should be kept very simple and need to concentrate on financial indicators and basic efficiencies rather than 'service levels'. Practically this means initial operational management plans should concentrate on the Principal and Sub-Activities contained in Tables 4.3 (a) and 4.3 (b) of the current Draft WIMAG and indicators F1 to F4 in Table 4.4 (a). Because of the initial difficulties associated with starting change in a demoralised organisation such as ASWC, any efficiency or re-structuring targets should be closely aligned with the 2nd year re-structuring plan outlined under US11.*



- 7) *It is suggested in this case that for year 1 the only real re-structuring objective is to produce the Year 2 Plan. This is because of the current state of ASWC and the need for rehabilitation of the supply system. The targets for achieving this objective are largely based on the process followed by the successful reform in Uganda, where functional areas/departments were encouraged to develop an initial '100 day plan'. This was then built on as successes were achieved in each department. The initial re-structuring plan should include reform and implementation of management information systems that are initially geared towards reporting financial indicators. It should contain 'quick wins' for efficiency and contain an initial HRD plan. This should initially concentrate on management (including HR and labour management) capacity and business planning/financial management capacity.*



Small Towns/Rural Water Supply Objectives		
SRS1	Appointment and initial capacity building of MPUWRCD strategy function (see note 8)	<ul style="list-style-type: none"> Define MPUWRCD role and responsibilities Appoint and train staff
SRS2	Achieve 1 st year small town WCA set-up objectives (see note 9)	<ul style="list-style-type: none"> Identify participatory WCAs Sensitise and train Build infrastructure and set up O&M processes
SRS3	Obtain legal recognition for WCAs	<ul style="list-style-type: none"> Identify legal processes required Identify sponsor and submit legislation
SRS4	Enable selected LGA's WASH units to become functional WASH Departments (see note 10)	<ul style="list-style-type: none"> Identify sponsors and implement procedural changes to recognise WASH departments Confirm capacity requirements and recruit/second & train staff Secure year 1 budgets for LGA WASH Departments
SRS5	Produce M&E procedures and reporting format (See note 11)	<ul style="list-style-type: none"> Confirm M&E reporting routes and content Consult and formalise format & timing of reports
SRS6	Produce 'year 1' models and procedures for WCA set up, operation and <u>maintenance</u> (see note 12)	<ul style="list-style-type: none"> Identify sponsor and resources available for carrying out the assessment Review M&E reports Produce current recommended best practice
SRS7	Produce strategy for integration of RUWASSA and STU functions	<ul style="list-style-type: none"> Consult with stakeholders (RUWASSA, Federal WSSSRP, STU team etc). Determine preference for separate or integrated SDA functions within MPUWRCD. Produce strategy
SRS8	Complete business plans and applications for year 2 funding of WCAs	<ul style="list-style-type: none"> Identify LGAs and WCAs involved Sensitise/train and produce business plans/funding applications
SRS9	Secure medium term budgets for RUWASSA and LGA WASH depts	<ul style="list-style-type: none"> Identify sponsors in budgetary allocation system Produce financial forecasts based on MPUWRCD policy implementation strategy Apply for funding and review

Notes:

- 8) Capacity for M&E evaluation and strategy relating to small towns and rural functions in MPUWRCD should not need to be large, and may simply form part of the function of the urban regulatory department referred to under note 5. This depends on the number of applications being collated and processed and the number of supply systems being monitored, so capacity may have to grow in the medium term.



- 9) *This objective covers a number of sub-objectives, but these are already detailed within RUWASSA and WSSSRP programmes. Essentially these relate to the set up, sensitisation, and training of WCAs, as well as the physical installation of the water supply infrastructure. **It is strongly recommended that the set up of WCAs involves, and uses the capabilities of, the strong Town Unions that exist within Anambra state.***

- 10) *Setting up 'functional' WASH departments includes ensuring they have capacity to advise WCAs on business planning, management of contractors and monitoring of maintenance/system condition. Requirements for this will be uncertain at first, and should link with Objective SRS6 – i.e. reflect 'best practice and model operational management in WCAs. Functional capacity also includes budgets and capability to manage logistics associated with M&E activities (access to vehicles, drivers, fuel, computers/stationary etc).*

- 11) *M&E procedures include formats and methods of reporting from LGA WASH Departments to the SDA (RUWASSA/STU at first), the overall reporting from the SDA to MPUWRCD and reporting from MPUWRCD to the Federal level (as required by WIMAG).*

- 12) *'Models' for setting up WCAs, securing budgets, training, handling WSP contractors and identifying/funding capital maintenance will have to be based on lessons and 'best practice' identified during STU pilots and RUWASSA experience. Ideally these should be formalised into a report or set of guidelines on a regular (annual or bi-annual) basis.*



7.2 Medium Term Objectives (Years 2 and 3)

The medium term Objectives generally cover the implementation of reforms planned in the short term, and review/embedding of enabling ‘tools’ (policy, guidelines, procedures etc) that were initially set up as short term Objectives.

Suggested Objectives and associated Targets are given below:

Ref.	OBJECTIVE DESCRIPTION	TARGET
General Sector Objectives		
GM1	Complete Implementation of State WSS Policy	<ul style="list-style-type: none"> Review barriers/issues if required Confirm sponsors and process and implement into law
GM2	Complete Implementation of Legislative Requirements	<ul style="list-style-type: none"> Review barriers/issues if required Confirm sponsors and process and implement into law
GM3	Review and Update Reform Strategy	<ul style="list-style-type: none"> Evaluate commitment of sponsors and success against targets to date Update/amend as required and produce medium term influencing strategy
GM4	‘Embed’ processes and support for WSS in State Budgetary Approvals	<ul style="list-style-type: none"> Review year 1 budget process Reflect ‘lessons learned’ in influencing strategy if required
GM5	Review and update State WSS Regulatory Framework Guidelines	<ul style="list-style-type: none"> Produce gap analysis Update as required
GM6	Produce assessment of land ownership, planning and erosion control issues in relation to water sector (See note 1)	<ul style="list-style-type: none"> Identify sponsor and engage consultants for review Produce evaluation of issues, current legislation and planning procedures Recommend changes and routes for change

Notes:

- 1) *Erosion control and the impact of other sector infrastructure and development works has been a major issue in this State. This issue needs to be considered during rehabilitation works, but it is recommended that it is reviewed at the state policy level to determine whether there is any institutional protection that can be put in place to reduce the damage caused by erosion and development activities on water supply infrastructure in the future. This could include legal requirements to consider erosion control for any new development near water infrastructure assets, legal instruments for cost recovery if water supply assets are damaged by developers etc. It is acknowledged that this issue extends beyond the water sector, but water supply systems are particularly vulnerable and perhaps have a greater need for protection than other sectors.*



Urban Water Supply Objectives		
UM1	Complete Rehabilitation and Take Over of existing urban supply systems	<ul style="list-style-type: none"> Complete capital works as programmed
UM2	Achieve ASWC Year 2 re-structuring, efficiency and HRD targets (see note 2)	<ul style="list-style-type: none"> Implement re-structuring as planned Review effectiveness
UM3	Identify Year 3 service level indicators and targets (see note 3)	<ul style="list-style-type: none"> Carry out community consultation to identify preferences Evaluate current service levels Produce realistic targets based on current levels, preferences and planned rehabilitation/re-structuring
UM4	Review and update ASWC reporting requirements and Business Planning Guidelines	<ul style="list-style-type: none"> Review effectiveness of reporting requirements and year 1 audit Update as required
UM5	Complete 2 nd Urban Sector Business Plan and update tariff forecasts accordingly	<ul style="list-style-type: none"> Report against financial targets in 1st Plan and produce 2nd Plan (including activities required to meet 3rd year Service Level targets). Produce financial projections and updated tariffs within agreed framework Submit to MPUWRCD and audit
UM6	Produce and achieve year 3 ASWC re-structuring and efficiency plan (see note 2)	<ul style="list-style-type: none"> Review effectiveness of year 2 plan Reform focus groups if necessary Consult and produce plan
UM7	Review and update Capital Works Take Over/Due Process procedure for the water sector	<ul style="list-style-type: none"> Review issues and cost implications Produce updated procedures and appoint additional resources if required
UM9	Review and formalise Board incentives	<ul style="list-style-type: none"> Review content of Business Plans and re-structuring plans Finalise business targets and associated financial incentives Implement contractual reward/punishment conditions based on targets
UM10	Complete 3 rd Urban Sector Business Plan and update tariff forecasts accordingly	<ul style="list-style-type: none"> Report against 2nd Plan targets in and produce 3rd Plan. Produce financial projections and updated tariffs within agreed framework Submit to MPUWRCD and audit
UM11	Produce a plan for improving capacity for materials and parts supplies within the State	<ul style="list-style-type: none"> Complete an assessment of current suppliers, costs and capacities within the State Identify potential manufacturers and suppliers that could develop capacity, or exist within Nigeria outside of the state Identify trade bodies/organisations that



		can help promote capacity and produce a procurement plan for ASWC
UM12	Install regulation/certification regime for private suppliers (see note 4)	<ul style="list-style-type: none"> • Review available capacity (testing, administration etc) and assess financial implications • Confirm approach for licensing and delivery/policing of licenses/certificates • Produce and implement legislation

Notes:

- 2) *The 2nd and 3rd year of re-structuring in ASWC should seriously consider efficiencies in staff and procurement, and plans should identify the specifics of how these are going to be achieved. On the staff side this will involve some welfare issues, although, as discussed previously, it will require realistic targets and care needs to be taken to avoid damaging industrial disputes. Plans for efficiency should include; extending supply coverage in line with the Business Plan strategy, and achieving improved efficiency by maintaining staff levels whilst increasing coverage/revenue. HRD can move onto technical capacity requirements identified within the new structures, although continuing training is likely to be required in staff management, incentivisation and labour issues. The intention is that this HR and labour issues will be handled by ASWC rather than directly by the Head of Service. Procurement has been identified as a serious deficiency within ASWC (and the state in general), and capacity building will be required within ASWC.*
- 3) *Service level indicators and targets for improvement are a key feature of making ASWC more commercialised and customer focused. It is therefore important that these are introduced and become part of the Board incentives reasonably quickly. However, the full range of indicators contained within the WIMAG document are fairly onerous and may not be realistically reportable until management information systems have improved considerably. It is therefore important to carry out consultation in Year 2 to identify which indicators are actually important to customers and the financial viability of ASWC, and which indicators are likely to be reasonably reliable in terms of reporting accuracy.*
- 4) *Potential approaches to licensing/certification of private suppliers have already been discussed in Section 4.1.4. It should be noted that any strategy for ASWC acting as bulk suppliers to private vendors needs to be reflected in the Business Plan and that the financial implications of any system of regulation need to be allowed for. Licence fees (collected by MPUWRCD) could be considered but these would need to be set at a level that did not cause an unacceptable burden on (often poor) consumers and did not encourage illegal selling of non-potable water.*



Small Towns/Rural Water Supply Objectives		
SRM1	Achieve 2 nd & 3 rd year WCA set up objectives	<ul style="list-style-type: none"> Identify participatory WCAs Sensitise and train Build infrastructure and set up O&M processes
SRM2	Review and update WASH department procedures	<ul style="list-style-type: none"> Review and report on issues and 'gaps' Update as required
SRM3	Strengthen systems for identifying and funding capital maintenance (see note 5)	<ul style="list-style-type: none"> Produce studies of potential capital maintenance 'failures' and requirements Identify and confirm approaches for identifying and securing works in advance
SRM5	Review and update M&E procedures and reporting format	<ul style="list-style-type: none"> Review and report on issues and 'gaps' Update as required
SRM6	Review and update models and procedures for WCA set up, operation and <u>maintenance</u>	<ul style="list-style-type: none"> Identify issues with existing models and new 'best practice' Update as required
SRM7	Implement strategy for integration of RUWASSA and STU functions	<ul style="list-style-type: none"> Confirm practicalities, funding streams and current resource status (employment type, current responsibilities etc) Re-structure in consultation with relevant funding authorities
SRM8	Complete business plans and applications for year 3&4 funding of WCAs	<ul style="list-style-type: none"> Identify LGAs and WCAs involved Sensitise/train and produce business plans/funding applications

Notes:

- 5) *In the medium term there may be cases of asset 'failure' requiring capital works caused by environmental factors, poor/unsuitable construction etc. It is also more likely that potential requirements for capital maintenance in the longer term will start to be identified. It is therefore advisable that this issue starts to be seriously considered in the reviews of best practice for management and funding of WCA systems.*



7.3 Long Term Objectives (4 Years +)

Longer term objectives generally relate to continuing improvements and capacity building in regulation, efficiency in ASWC, and the cohesion of the institutional framework for small towns/rural institutions. A detailed table of objectives is not therefore provided, but specific comments include:

- 1) ASWC should start to look at levels of efficiency that will actually provide a 'return on capital' and hence allow them to meet capital maintenance expenditure without having to rely on State budgetary approvals. Mechanisms for handling cash flow associated with this will need to be considered. It is more sensible if returns on capital are used for investment, but lack of credit and budgetary uncertainties means that this could put capital maintenance activities at risk.
- 2) The MPUWRCD should consider forming a regulatory authority that is separate from, but reports to, the Ministry. This could be formed from the capacity developed within the existing Ministry regulatory department. This would make regulation less prone to political whim, but is only realistic once an acceptable level of regulatory experience has been gained within the State.
- 3) At the small towns/rural level, the proposed approach is one of consolidation and improvement - e.g. a single, integrated SDA that is best suited to delivering to the mix of settlement types in Anambra state. Greater private sector involvement needs to be promoted, particularly for more complex schemes. Capacity building to manage PSP involvement should have been developed within the SDA and MPUWRCD by this point.
- 4) Eventual privatisation of ASWC could be considered as this makes it even less vulnerable to political whim, although this very much depends on the success of the commercial model and the nature of political development within the State.



8 Water Sector Actions and Activities

The outputs of the various actions and activities required during the reform process are reasonably well described by the 'targets' contained in Section 7. The actions required to achieve those targets are, in most cases, fairly obvious, and generally would involve:

- Identifying the sponsor, resources and tools required to achieve the target
- Identifying dependencies with other activities and risks to achieving the target
- Gathering base information (e.g. staff lists and status, market prices for water etc)
- Producing relevant documents
- Carrying out physical activities (holding meetings, changing contracts, holding interviews etc)

Some activities will need to be treated as a 'project', with Terms of Reference project plans etc. Others activities (e.g. interviewing and appointing staff) are relatively straightforward once the antecedent 'tools' and guidelines are in place. Determining the details of each activity needs to be done on an individual basis, either by, or in consultation with, the 'sponsor'. This is outside of the scope of this report. However, some specific notes on the actions and activities associated with the objectives contained in Section 7 are given below:

- Processes that involve the implementation of legislation or policy will need a sponsor that is experienced with the procedures involved and also has the time to devote to the process. This activity will probably have to involve organisations with little input to the technical steering group (e.g. Ministry of Justice, Head of Service etc). It is important that they are consulted and kept informed during the drafting of policies or regulations that are then submitted for approval and implementation.
- Objectives US2 and US3 (associated with addressing labour issues and ensuring corruption and fraud is not propagated into the new ASWC) are very delicate, political issues. In practice the WSSSRP programme is only going to be able to advise on approach and care should be taken to avoid appearing politically biased. It is recommended that this is basically left to identified political sponsors.
- Objectives such as US4 (tariff setting) and US5 (designing rehabilitation works) will require large amounts of technical inputs involving out of State capacity. These are best run as WSSSRP or other donor agency projects, and require project managers more than 'sponsors'. Even so, a sponsor will be required to implement or authorise the outcomes of the technical project, so content, Terms of Reference etc need to be acceptable to relevant stakeholders.



- Derivation of regulatory reporting and business planning guidelines can be helped by Federal level documents and WSSSRP capacity, but it is important to ensure that the MPUWRCD is fully engaged and understands the reasons behind the guidelines. This will help with capacity building, so it would be preferable if the Ministry could decide on structure and have appointed at least one member of regulatory staff to help in the actual derivation of the guidelines.
- The capacity and commitment to realistic Business Plans is likely to be very low at first. Identifying a technically competent, engaged sponsor for this activity is therefore particularly important and it would be useful if the sponsor could also be involved in the derivation of the regulatory reporting and business planning guidelines. They should be clearly aware of what is required in the Business Plan, aware of the ASWC resources that are going to be needed to put it together, and aware of the consequences of the business planning process.
- The development and implementation of restructuring and HRD plans in ASWC is challenging. It is likely to need outside capacity to help manage the focus groups, identify possibilities for improvement, help identify 'engaged' managers, and provide those managers with the skills needed to negotiate and affect change. It is particularly important to avoid producing long, meaningless documents at the expense of the real outputs; i.e. the engagement and support of ASWC staff.
- For the small towns and rural sector, the main issue is likely to be the fact that many of the processes are going to have to involve RUWASSA, the WSSSRP STU and the LGAs. All of these are funded by, and currently report to, different organisations. Therefore, care will be needed to ensure that the funding/overseeing organisations are all comfortable with the proposed activities. In most cases it should be possible to address the issue of the WSSSRP/RUWASSA interface by the presence of counterpart staff in the WSSSRP, but ensuring LGA inputs will be more difficult.



9 Water Sector Triggers and Enablers

The importance of ‘sponsors’ and ‘champions’ as enablers of change has already been discussed. One of the key ‘triggers’ for change for any change process is trying to ensure that as many influential people as possible understand the reasons for change and support a successful outcome for each of the actions and activities. This is referred to as ‘building consensus’ and should tend to become easier as reform continues. A good influencing strategy and some good ‘sponsors’ should help with this, but practically it will also be useful to ensure that key ‘tools’ of change are implemented within the state.

Outcomes associated with the production and implementation of these ‘tools’ (policies, regulations, guidelines etc) have already been detailed as objectives within Section 7. The following table indicates which enabling tools are likely to be initially most important for consensus building within the State:

Enabling Tool	Priority	Notes
State WSS Policy	Very High	The policy not only provides a basis for all WSS strategy, but implementing it shows political will and significantly raises awareness of the issues within the state.
ASWC Charter (or enabling law), including Board appointment procedures, responsibilities, autonomy etc	Very High	Reform of ASWC cannot really start until its role, powers, responsibilities and key functions have been documented and, ideally, passed into legislation. The Charter needs to outline key issues such as Board appointment, function and interface with MPUWRCD, levels of autonomy in staff management and hiring, Business Planning obligations etc. These are generally detailed in Section 4.1.3.
State Regulatory and Business Planning Guidelines	High	The process of producing these guidelines is almost as important as the guidelines themselves. They will help build capacity and understanding of the regulatory role within MPUWRCD and help to clarify the relationship between the government and ASWC.
Promotion of LGA WASH Units to WASH Departments and associated guidelines/responsibilities	High	LGA WASH departments are a vital link in the support to WCAs as they help monitor and maintain systems, and ultimately will help put together applications for funding. They are unlikely to be able to fulfil this role unless they have the status and appropriate guidelines to help them fulfil that role.
Guidelines on tariff setting	High	These are important because, if they are properly formulated, they should provide a clear understanding of the link between expenditure and costs within the Urban water sector. They should also help MPUWRCD understand the consumer base and their willingness to pay for various types of service



Other tools will, of course, be needed. Some of these have not yet been identified (e.g. all the ancillary legislation required in order to implement the policy requirements contained in the State WSS Policy), but should become clear once the above tools have been developed.



10 Timelines

The basic timelines for reform have already been included within Section 7 by breaking objectives and targets into short, medium and long term categories. Ideally these should be developed into a GANTT style project programme, but the objectives and strategy need to be consulted on and confirmed before a programme can be developed to that level of accuracy. Guidelines for the development of the programme are as follows:

- 1) The targets contained within each Objective are generally sequential, so they provide a good indication of the programme of actions required for each Objective
- 2) The relative timelines for each Objective should be based on a consideration of the actions that need to be completed before the reform process associated with that Objective can start. For instance, the appointment of the ASWC Board cannot start until the Charter/guidelines for appointment have been produced.



11 Conclusions and Recommendations

The reform process being undertaken within Anambra state is very ambitious and far reaching. It effectively covers the whole of the water supply and sanitation sector, so it needs to address the interfaces between organisations (i.e. the institutional framework) as well as reforming the organisations themselves. Much of the existing institutional framework, particularly in relation to urban water supply and sanitation, has not been able to provide acceptable levels of service to the people of Anambra state. Key organisations such as ASWC are almost defunct and there are serious issues associated with making such organisations 'viable' again.

Despite this, the political will for reform in the State appears to be high and the WSSSRP team have funding and capacity to help promote the necessary reform. This document provides a framework for that reform process, and provides a reasonable level of detail of the recommended institutional structures and reform programme required to achieve sustainable reform.

The general approach to reform follows that outlined in the Federal WSS Policy and the associated WIMAG guidelines, but with a few exceptions and with much more detail. This concept is basically one of commercialisation and autonomy for ASWC, a regulatory role for MPUWRCD and sustainable, appropriate community based supplies at the small town and rural level. The framework described within this document builds on that concept and has been designed to help reduce the corruption, political interference and lack of maintenance culture that have afflicted the State water supplies in the past.

A considered, strategy led approach to the reform process is recommended, with an emphasis on producing enabling 'tools', identifying and supporting suitable 'sponsors' for change and activating the resources required to actually carry out change activities. However, it should be noted that this document has been written following two relatively short assessment visits by an international consultant. It is therefore recommended that this document is closely reviewed by the STU and counterpart staff, who can then use it as the basis for the production of their own reform programme.



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