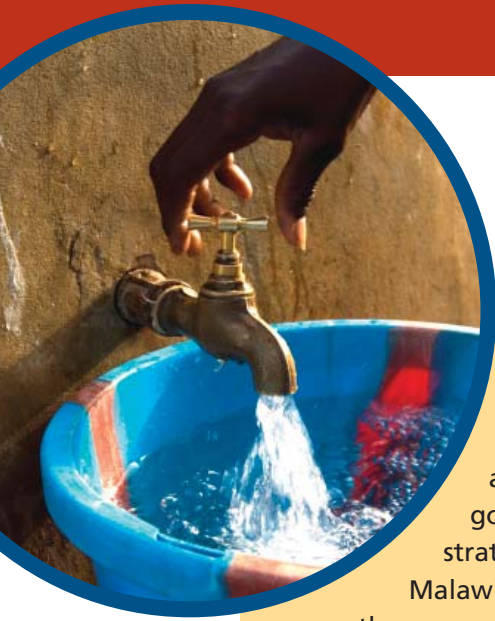


IMPACT STORIES

PPIAF Support to Private Sector Participation in the Water Sector in Malawi



PPIAF support to the water sector in Malawi has paved the way for increased private sector participation and improved water services to Malawian residents. In 2000 PPIAF provided support for a private sector participation options study for the provision of basic water and sanitation services in the cities of Blantyre and Lilongwe. In 2006 PPIAF provided additional support to help finalize the government's urban water sector reform agenda, and develop a communications strategy to build awareness among key stakeholders. In July 2009 the government of Malawi signed a contract to engage Dutch firm Vitens-Evides International to oversee the expansion of water supply services in Lilongwe and Blantyre. The €3.85 million four-year management contract, which began in November 2009, will provide 723,000 additional people with access to safe drinking water and 468,000 people with access to basic sanitation.

The government of Malawi developed a privatization program in the mid-1990s, and the Water Resources Management Policy and Strategies (WRMPS) of May 1999 stated the government's intention to introduce private sector participation in the water sector. The WRMPS called for the strengthening and reconstitution of Malawi's Water Boards to allow private sector participation and investment in the delivery of water supply and waterborne sanitation services in urban areas.

Both Lilongwe and Blantyre Water Boards were confronting financial challenges related to poor revenue collection, increasing operating costs, indebtedness, and relatively high tariffs that dissuaded subscriptions. These challenges compromised public health and restrained economic growth, and the government believed that the funds it was committing to subsidize the inefficiencies of the water boards should be spent on other national priorities.

Both systems had huge investment needs that were too large for either the water boards or central government to pay for alone, and there was a realization that pouring new money into a broken system would yield limited results. Both the Lilongwe and Blantyre Water Boards were interested in exploring private sector participation to help them carry out the government's objective of increasing service coverage and improving quality of service.

The government of Malawi sought assistance in 2000 and 2006 from the Public-Private Infrastructure Advisory Facility (PPIAF) to develop and implement private sector participation in the water sector in the cities of Lilongwe and Blantyre.

PPIAF SUPPORT

PPIAF funding was requested by the government in 2000 for a study to determine potential options for involving the private sector in the provision of water supply services in Blantyre and Lilongwe, whose water boards served over 1,000,000 residents combined, and suffered a non-revenue water rate of between 26–35%. Private sector participation was seen as a means of extending coverage to the urban poor at affordable prices, meeting future demand, and improving efficiency and service levels.

The study concluded that sectoral reform and private sector participation could stem the performance decline at the Lilongwe and Blantyre Water Boards. Importantly, the study recommended that private sector support should first be targeted toward commercial improvements and management contract options, rather than a concession or lease contract. Several workshops were held to build consensus and provide capacity building and training on private sector participation in the water sector.

By 2006 the water boards had not implemented the recommendations from the PPIAF activity, and both utilities continued to grapple with operational efficiencies. Follow-on PPIAF support was requested in 2006 to finalize the government's urban water sector reform program and develop a communications strategy to gain support for the reform agenda from key stakeholders. In September 2007 a delegation from Malawi visited Mozambique to learn from its experience with private sector participation in the water sector and how these lessons could be applied in Malawi.

OUTCOMES

The recommendations of the private sector participation options study supported by PPIAF were subsequently accepted by all key stakeholders. The communications strategy developed with PPIAF support was launched in early 2009 to build consensus on the reform agenda and to sensitize and explain private sector participation to key stakeholders. The strategy was specifically tailored to address concerns, particularly from low-income water users and the Lilongwe and Blantyre Water Boards' employees, that a private sector operator would raise tariffs to unaffordable levels and force job losses.

In July 2009 the government of Malawi signed a management contract to engage Dutch firm Vitens-Evides International to oversee the expansion of water supply services in Lilongwe and Blantyre. The four-year contract, which began in November 2009, was a culmination of PPIAF's support to water sector reform in Malawi. The management contract reflected the key recommendations of the PPIAF-funded options study, and will see Vitens-Evides International work together with the Lilongwe and Blantyre Water Boards to improve the supply of affordable, sustainable, and reliable drinking water to the residents of Lilongwe and Blantyre.

The €3.85 million contract is financed by the European Union and the European Investment Bank through the Peri-Urban Water Supply and Sanitation Project for Blantyre.

DONOR COORDINATION

Several donors have provided considerable support to the water sector in Malawi. Beginning in the 1980s the urban water boards in Malawi have received support with institutional and infrastructure development from the World Bank, Development Bank of Southern Africa, African Development Bank, European Investment Bank, and European Union.

IMPACTS

During the course of the contract Vitens-Evides International will work with the Dutch water company Waterleiding Maatschappij Limburg, engineering consultants Dwars, Heederik, and Verhey, and the international health organization Simavi to ensure the smooth operation of the water supply services for the two cities. In particular, Vitens-Evides International and Waterleiding Maatschappij Limburg will support the Lilongwe and Blantyre Water Boards with regard to organization, finance, investment planning, water loss control, network modeling, customer administration, management and maintenance, and energy-savings.

As a result of the project, it is foreseen that 723,000 additional people will have access to safe drinking water and 468,000 people will have access to basic sanitation.

RELATED PPIAF ACTIVITIES IN MALAWI

- 2000: Increasing Private Sector Participation in the Provision of Water Supply Services, **\$194,350**
- 2001: Harmonization of the Institutional and Regulatory Framework, **\$200,000**
- 2005: PPP Legal and Regulatory Framework, **\$269,000**
- 2006: Developing a Public Communication Strategy for Urban Water Sector Reform, **\$149,500**
- 2007: PPP Implementation—Development of Regulations and Procedures, **\$251,500**