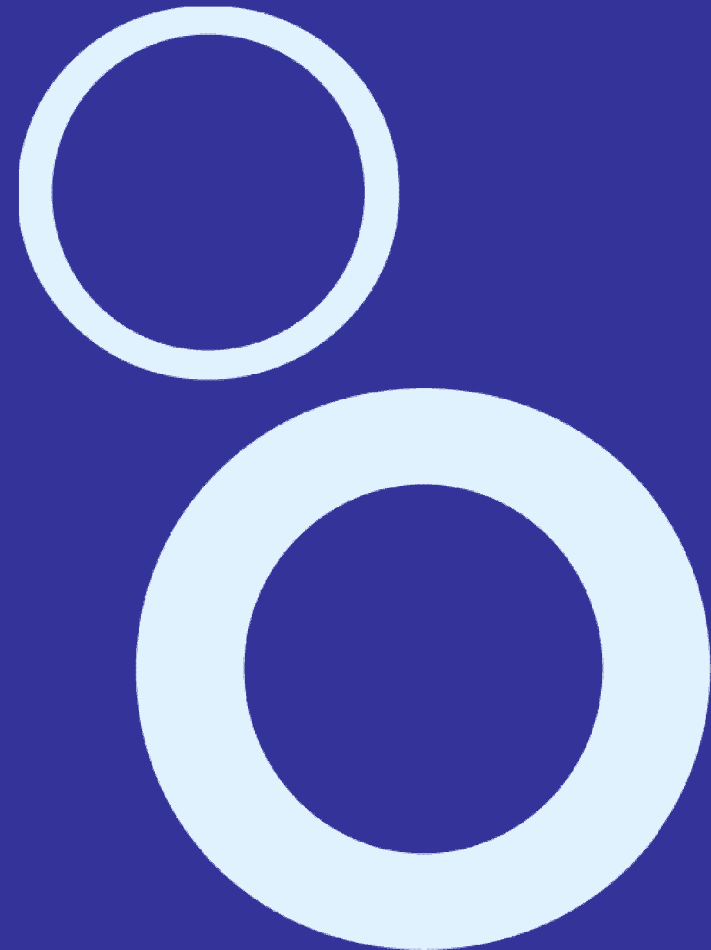


Case Study on Utilities' Good Practices

Kafubu Water and Sewerage
Company Limited (KWSC), Zambia

May 2012



The Background

Kafubu Water and Sewerage Company Ltd. (KWSC), was formed in July 2000 as a joint venture by three Local Authorities on the Copperbelt Province of the Republic of Zambia, namely the City of Ndola, the Municipality of Luanshya and Masaiti District in accordance with the Water Supply and Sanitation Act No 28 of 1997.

In 2009, the utility succeeded to supply water to the entire population living into the service area which represented 500,000 persons. Besides, non-revenue water (NRW) was reduced from 78% to 54% (decrease of 24%) between 2006 and 2009, while during the same period, the daily availability of water increased to reach 16 hours. It is a noticeable overall improvement of the utility performance, as in the same period of time it significantly **increased the supply** (both in terms of coverage and availability) and **reduced NRW**.

Performance Management Projects

In collaboration with the regulator (National Water Supply and Sanitation Council - NWASCO), KWSC implemented several projects, notably a performance management initiative, through the 'Regulation by Incentives' mechanism (a system of grants given by NWASCO according to the good performance of utilities). Several projects financed by the Devolution Trust Fund (DTF) under the Performance Enhancement Fund program were also developed to reduce the operational costs or increase the utility's revenue. This program is mainly targeted at measures in **water demand control management** through **metering of customers** aimed at reducing water wastage and NRW.

Water loss reduction has been identified as one of the key strategies to significantly improve the service, as it results in a better availability of water (in quantity and hours of supply, better quality – as the system is less prone to contamination when there are less physical losses) and in an increase of income for the utility. Besides, measures to reduce NRW are less costly than the development of infrastructure such as the building of a new treatment plant etc.

Projects in the peri-urban areas under the Performance Enhancement Fund

KWSC was invited to access a DTF performance improvement grant whose conditionality required carrying out interventions that would either reduce the levels of NRW, energy cost or improve the revenue collection of an already existing scheme in the poor peri-urban settlements. Metering was seen as an appropriate initial intervention towards reduction of water losses and subsequent improvement of water supply and revenue collection in low cost townships. Lubuto and Mikomfwa were seen as ideal areas to pilot low cost metering projects.

Projects in the peri-urban areas under the Performance Enhancement Fund (ctd)

The key objective was **to reduce water wastage** in the settlement through metering of all customers. It was envisaged that with this intervention there would obviously be a marked reduction in water consumption since the bills would be based on actual consumption. On the other hand KWSC would also easily enforce compliance since disconnected defaulters would not be able to draw from their “conniving” neighbors as their consumption would also be based on metered and not fixed billing as was the case.

From the immediate benefits observed in the two townships after implementing a metering system, it is clear that metering was the way to go as an initial water demand management intervention in low income communities. The immediate **improvement hours of supply and improved revenue collections** in the two areas have been remarkable. The average daily hours of supply in the two areas improved from 5 to around 16, while the average collection efficiency improved from 40% to 130%. These positive rates have been attained with the same volumes of water supplied into the townships.

How the 'Regulation by Incentives' mechanism was implemented within the utility

- Establishment of the RBI (Regulation by Incentives) team – This team was established to spearhead the program and included members from all relevant departments.
- Staff sensitization meetings – The RBI team carried out sensitization meetings to explain the objectives of the program and what was expected of them to achieve the set of corporate performance indicators.
- Staff Incentive Scheme (SIS) - personal target setting - Together with the supervisors individual target were set and agreed upon.
- Monthly SIS Evaluations – Monthly evaluations were done and agreed upon on how to increase performance where the actual indicators were beyond the target.

Main Lessons Learnt

- Set targets kept the company focused on achievement.
- There was enhanced team work and cooperation.
- All staff from management to general staff was involved in decision making.
- Enabled managers and supervisors to be more confident.
- All staff were motivated and focused.
- Revenue collection was dependant on service delivery.
- The down-up implementation process reduced the boss element and information flow was enhanced amongst all staff.
- Daily and monthly reports helped management to keep track of performance.

The main areas to be improved in the near future

- Reduction of NRW from the current 50% to 30% by the year 2015
- Improvement of collection efficiency to not below 85%
- Increase metering ratio from the present 52% to 100%
- Upgrade and re-train the existing labour force to match with the current trends on the market.

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