

Case
study

Malawi



Low-income Customer Support Units

Country context

Malawi is a landlocked country in south-central Africa bordered by Tanzania to the north, Zambia to the west and Mozambique to the east and south. Malawi has vast water resources, including Lake Malawi, that cover over 21% of the country. It also has widespread groundwater sources associated with two major aquifers.¹

Malawi has an estimated 17 million people (2015), with a 3.3% growth rate. Two-thirds of the population is under 25 years.² Unemployment is estimated at 40% and the government is the biggest employer.

Malawi is a donor-dependent country, and its economy has struggled as a result of the withholding of direct budgetary support by major donors because of alleged systematic corruption in September 2013. Donor budget support constituted over 40% of the national budget.³ According to the World Bank, a raft of transparency

and accountability mechanisms has to be in place to enable the donor group to resume budget support.

Malawi has four major cities: Lilongwe (the capital), Blantyre, Zomba and Mzuzu. The population of Lilongwe is projected to double in 12 years to 1.3 million from the 669,021 recorded in the most recent census (2008).⁴ About 76% of the city's population lives in informal settlements that take up only 12.2% of the total city land area.⁵ According to UN-HABITAT, Lilongwe lacks the necessary financial resources to implement significant development plans and provide the required basic infrastructure and urban services needed for economic development to take place.⁶ Currently, there is limited donor interest in urban or peri-urban work in Malawi. Only the European Union and World Bank are funding initiatives in the urban sub-sector.

Urban water policy context

The Lilongwe Water Board (LWB) was established in 1947. In 1994 the Malawi government launched a **Water Resources Management Policy and Strategies** document to guide water resource management and to improve potable water supply and sanitation services through decentralisation and commercialisation of these services.⁷ A year later, the **Water Works Act (1995)** created the Ministry of Water Development made up of three regional water boards (Northern, Central and Southern Region Water Boards), and reconstituted the Water Resources Board and the Blantyre and Lilongwe Water Boards.

The Act gives powers to the Lilongwe Water Board to control and administer all waterworks and the supply and distribution of water to the City of Lilongwe and surrounding areas. The client base includes domestic, institutional, industrial and commercial customers.

Both the **National Decentralisation Policy** and the **Local Government Act of 1998** were significant in devolving administration and political authority to local level.⁸

Historical development of pro-poor services

Reforms related to the development of a **Low-income Customer Support Unit (LICSU)** began in 2002.⁹ Kiosks with connections to the water mains had been in place for many years as the mechanism for providing water supply to low-income and informal settlements and customers, with the support of several donors, government actors and NGOs. There was a range of operators and management systems of water kiosks in peri-urban areas. However, there was a lot of political interference, with kiosks in particular areas being taken over by different interest groups; it was common to find extensive non-payment of bills. The utility commenced a disconnection drive in 2002 when unpaid bills amounted to 12 million Malawian Kwacha (\$158,290).ⁱ

Faced with the threat of disconnection in peri-urban areas the **Mtsiriza Catholic Church Women's Group**, from the parish representing communities in Mtsiriza, Piyasani and Mtandire, approached WaterAid to drill boreholes in the area. This would have effectively circumvented the utility's disconnection drive, but it is illegal to drill boreholes to supply water in urban areas

ⁱ According to the xe.com historical exchange rate facility – the exchange rate on 1st July 2002 was \$1=75.81 MWK.

of Lilongwe, as Lilongwe Water Board is mandated by an Act of Parliament as the sole water supply authority in the city. WaterAid approached the Lilongwe utility with a proposal to stop the disconnections and to address the root cause of the problem – the management function of the kiosks.

WaterAid in partnership with CCODE (**Centre for Community Organisation and Development**) organised a series of meetings between the utility company and representatives of different community groups in peri-urban areas to discuss the issues and develop a more efficient, low-income service management system. The proposal from WaterAid and CCODE was that engaging the community in the management and ownership functions of the water kiosks was highly likely to have a positive outcome for the utility and assure access to water supply for the communities.

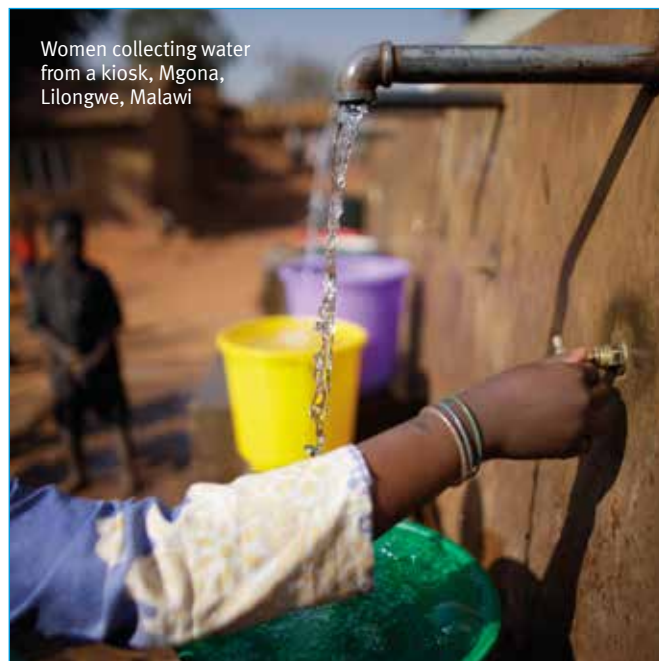
During 2002-2004, various models of kiosk management were proposed and discussed in depth. These included a community member model; a water users committee model (similar to a rural model); small-scale private operators model; the utility's own staff-managed model; a task force-managed model; and a **Water Users Association model (WUA)**.¹⁰ This WUA model emerged as the preferred option.

In 2013 the revised **Water Resources Act No.2**¹¹ affirmed WUAs as the recommended model of operation in Lilongwe and supported the establishment of WUAs in small towns and other schemes across the country. They were required to set out a constitution for the association,¹² to establish a management (executive) committee and to register the water users as members of the Association bound by the WUA's Constitution.¹³

Lilongwe Water Board pro-poor service reform

In August 2003 Lilongwe Water Board, WaterAid and CCODE finalised a memorandum of understanding (MOU) to collaborate on improving water services and systems in six target peri-urban areas: Mtandire, Mgona, Ngwenya, Chinsapo Ngomano and Kauma, to set out how the WUA would operate. Under the MOU, CCODE was to empower the community to have a deeper understanding of their water problems;

bridge the gap between community groups and the utility provider; and support the establishment of the community organisation function under the newly formed WUAs. LWB provided the connections, technical support and management oversight for the existing and new kiosks, while WaterAid funded a post in LWB to lead the six peri-urban project implementation. On the strength of the early success of the project, LWB and WaterAid secured funding from the EU Water Facility to increase access to water supply and sanitation for peri-urban areas of Lilongwe.



Women collecting water from a kiosk, Mgona, Lilongwe, Malawi

WaterAid/Layton Thompson

1. Establishing the Kiosk Management Unit

In **2004**, the Lilongwe water utility (with support from WaterAid) established a low-income customer support unit called the Kiosk Management Unit (KMU). The six peri-urban project team based in LWB formed the core of the new KMU. In 2007, funding from EU Water Facility and European Investment Bank, with technical support WaterAid was provided to the Board to:

- **Strengthen the new KMU team in improving services** in low-income, peri-urban areas and to act as a focal point between LWBⁱⁱ and low-income communities;
- **Rehabilitate all communal water kiosks**, replace meters and construct meter boxes, as well as improve drainage facilities at the kiosks;

ⁱⁱ WaterAid had originally envisioned that the KMU would either stand as a Division within the LWB or as an independent entity outside of LWB. LWB placed KMU as a Unit within the Directorate of Finance, likely because of the extensive arrears. Now that the arrears have, in the main, been paid off, some people question whether the KMU should remain within the Directorate of Finance or if it should be resituated in another part of the LWB. In Blantyre the equivalent KMU is situated in the Distribution and Commerce Directorate.

- **Map all kiosks** (using GPS) in low-income areas and build a database of their positioning, condition and functionality to help provide accurate information about population density around kiosks of served and unserved communities. This would help estimate investments required for the equitable distribution of peri-urban services.

The Malawi government gave impetus to these efforts in 2005 when it issued a National Water Policy (2005),¹⁴ which sets out guiding principles for equitable and commercially viable water and sanitation services for all, in urban, peri-urban and market centres.

2. Functions of the Kiosk Management Unit

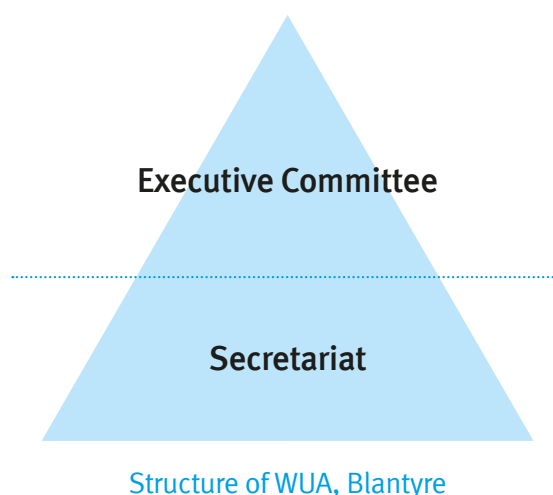
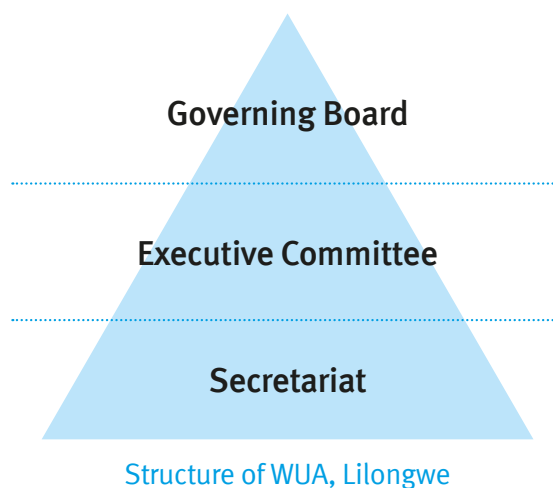
The Kiosk Management Unit has three key roles:

1. **Outreach:** The KMU is the point of contact between the utility and the WUA. The KMU also provides technical support to WUAs. This includes training, leak detections and troubleshooting on various aspects. The KMU is represented on the Board of each of the eight WUAs as the Secretary.
2. **Voice for communities:** KMU represents both the Lilongwe Water Board and the WUA, but more importantly it represents the concerns and voice of the WUA to the LWB in enabling senior managers to have insights into the issues that matter to a poor and marginalised market group. KMU also provides LWB business and utility updates to the WUA.
3. **Regulator:** The utility has a mandate to ensure services are accessible to people living in peri-urban areas and that water provision is done through the WUA. The WUA's governance mechanisms are in place to ensure functioning regulation of the business. KMU has both an oversight and a monitoring and evaluation function though its different roles in the operational organs of the WUA,ⁱⁱⁱ including in financial management, and monitoring as a signatory to WUA financial accounts.

There are seven staff in the KMU: a kiosk unit manager, three technical assistants, an accountant, inspector and driver.

3. Structure and functions of the Water Users Association

All WUAs in Lilongwe have a three-tiered organisational structure, with a ban on politically affiliated individuals participating in the management of the association through a decision taken at the WUAs' AGM in 2014. The main organs of a WUA are: the Governing Board, the Executive Management Committees (EMC) and a Secretariat. The KMU representative also plays an executive role as Secretary of the Board of the WUA. In a typical WUA, there are seven Board members, 12 EMC members and Secretariat staff. This includes an administrator, inspectors, plumbers, water sellers, guards and office cleaners. The number of water sellers depends on the number of kiosks the WUA manages.



ⁱⁱⁱ Opinion is divided on the regulatory and monitoring function of the KMU, and the strategic role it plays as the Secretary of the Board of all eight Water Users Associations in Lilongwe. Without an official monitoring and evaluation mechanism (or sector regulatory body) some consider that the agenda of the LWB is more prominent than voices of the community as represented by the Water Users Association. Others feel that the KMU plays an effective monitoring role and that the WUAs are not yet strong enough to be independent.

Table 1: Make up, roles and responsibilities of the WUA

The Board of Trustees	<ul style="list-style-type: none"> • Members include traditional authorities, representatives of religious bodies, business community and community elders. • Provide strategic direction and oversight. • KMU on Board (with voting rights); signatory on some documents, including cheques. • Meet quarterly with a quorum of 50%; receive an honorarium, except the KMU member.
The Executive Management Committee (EMC)	<ul style="list-style-type: none"> • Supervise the activities of the Secretariat. • 10-12 members including representatives of religious groups, local youth, women and disabled groups, chief and traditional leaders, plus key staff members of the WUA Secretariat. • Sub-committees deal with issues including welfare and training. • Meet monthly and receive an honorarium.
The WUA Secretariat	<ul style="list-style-type: none"> • Paid staff includes a secretary, administrator, treasurer, inspectors and kiosk water sellers. • Secretariat handles all money, banks cash and makes all payments by cheque. • Water kiosk sellers trained on technical reading, recording and function of meter, financial management, sanitary kiosk, conflict management, customer care. • Responsibility for maintenance of the water source from the meter to the tap. • Responsible for day-to-day running of the association.

4. Outsourcing low-income service function to WUAs

In recent years the KMU and WUA have signed service contract agreements stipulating the roles, responsibilities and deliverables of both parties. The WUA serves as the Lilongwe Water Board **outreach and access mechanism** for low-income customers both for distributing water for sale at kiosks, and as the point of contact for customers' complaints or issues related to their water access. The WUA has offices situated within the community so that the community has access to the WUA via the kiosk, through the WUA office and through different community representatives on the Executive Board.

As a community entity the WUAs are considered as Community Trusts and although they are pseudo-commercial entities, all profits are ring-fenced for community development projects. The WUAs have some outreach with communities, and occasionally

use the area where people gather to buy water at the kiosk to talk with the community. A recent review¹⁵ found that the relationship between WUAs and the community can be described as transactional only at the point of sale. Some accounts, including cost of the water at the point of sale and the amount of water sold per month are displayed in WUA offices.

An annual competition to choose the best performing WUA includes criteria such as ability to pay bills and salaries, expenditure towards water development projects, good corporate governance, meeting contractual obligations, good administration and human resources practices, hygienic kiosks, and community social responsibility. Mechanisms such as the service contract have helped to professionalise the WUAs.

Blantyre WUAs

Following the establishment of the WUA model in Lilongwe the NGO **Water for People**, based in Blantyre, worked closely with the Blantyre Water Board in supporting the development of a similar WUA model. The institutional organs of the WUA are organised slightly differently between the WUA models in Lilongwe and in Blantyre.

All WUAs in Lilongwe have a three-tier organisational structure, while WUAs in Blantyre

have a two-tier structure, except for the pioneer Nkolokoti–Kachere WUA, which retained a three-tier system. A second notable difference is that the Executive Committee of the WUAs in Blantyre is made up of political stakeholders, including representatives of political parties and councillors. In both Lilongwe and Blantyre the Kiosk Management Unit representative is Secretary to the Executive Committee.

In **2007** WaterAid began to work with TSP (Training Support for Partners) to strengthen WUAs' capacity to understand their roles and responsibilities and issues of corporate governance, financial management and responsibility to the community. WaterAid worked with WUAs to establish management and oversight structures, enabling them to register as legal entities. The capacity development support is ongoing as new members come into WUA structures on a regular basis. There are now eight WUAs, with two additional WUA (M'dyankhunu and Mulodza) being registered in 2013 and 2015 respectively (see Table 2).

Currently, about 65% of the safe water services in low-income peri-urban areas are delivered through WUAs. LWB operates around 18%, particularly in less densely populated peri-urban areas where no WUAs exist. The remainder (about 17%) are either small-scale private operators or privately run systems whereby former LWB staff were given a tap from which to sell water as part of a retirement or retrenchment package, although this practice no longer exists.

Table 2: WUAs' locations and population served

#	Name of WUA	Served area	Number of kiosks	Population served (2008 census report)
1	Area 56 WUA	Mtsiriza, Piyasani and Mtandire	115	36,642
2	Chinsapo WUA	Chinsapo	112	59,642
3	Area 50	Ngomano, Senti and Chimoka	91	26,881
4	Mgona WUA	Mgona	52	13,709
5	Kauma WUA	Kauma	34	25,911
6	Area 24 (Ngwenya) WUA	Tsabango, Ngwenya	102	22,708
7	M'dyankhunu WUA	Area 36, Phwetekere, Kaondo 1 and 2	75	47,308
8	Area 23 (Mulodza WUA)	Area 23, 22, 21	135	96,930

Pricing and accessibility

Water tariffs are set by the Ministry of Agriculture, Irrigation and Water Development for three different types of users: commercial, domestic and kiosks. Water sold through the kiosks is heavily subsidised by both domestic and commercial water tariffs. However, passing the fixed and recurrent costs for operating the WUAs to low-income customers in the sale price has meant higher prices at the point of sale. Compared to those with household connections (and monthly bills) people paying for smaller amounts of water per day at water kiosks are paying more in total per month. The sale price of water at WUA-run kiosks include bill arrears, kiosk operations and salaries for water sellers and WUA Secretariats as well as honorariums for Executive Management Committee and Board meetings.

In Lilongwe for example, LWB sells safe and clean water to the WUA at a cost of 137MK per cubic metre, and the WUA sale price for the same quantity is equivalent to 375KM, a 274% price increase. Although the WUA provides accessible water at a per pot rate of 7.5MK (7.5KM = US\$0.01), the sale price in peri-urban areas of 375KM per cubic metre is higher than the individual household connection price of 303KM per cubic metre (middle band). This means poorer communities are paying more than middle class ones. Many of the poorest families will ration their water and pay for drinking water by the pot and revert to shallow wells, rivers and other unsafe water sources for water for other purposes.

An **example** of related costs from both Lilongwe and Blantyre is given here:

Table 3: Comparative WUAs income and cost structure in Lilongwe and Blantyre

Lilongwe UWA Area 51 (Malawi Kwacha)

Cost to WUA of buying LWB water (stated as 137MK per m ³ = 1,000 litres)	137MK
Cost of cubic metre at point of sale at peri-urban water kiosk	375MK
Cost per 20 litre bucket (WUA sell per bucket) – fixed price	7.5MK
Total water bill paid by WUA to utility (per month in MK)	0.9 million
Salaries and overheads (15,000 MK for water seller per month, Executive members 7,200 monthly) bills 10 million per year	0.83 million
Total sales from 56 –58 kiosks (per month) of which 7–8% have pressure problems	2.5–3 million
Profit (for community development investment) plus for reserves	0.7–1.73 million

Blantyre UWA Area 24 (\$1 = 609 Malawi Kwacha)

Cost to WUA of buying BWB water (stated as 156MK per m ³ = 1,000 litres)	156MK
Cost of 1m ³ at point of sale at peri-urban water kiosk	750MK
Cost per 20 litres (WUA sell per bucket) – fixed price	15MK
Total water bill paid by WUA to utility (per month in MK)	2 million
Salaries and overheads including office running costs and 94 staff (three categories of water sellers wage: 10.5, 13, 15.2) – monthly bills	1.4 million
Total sales from 75 kiosks (per month)	5–6 million
Profit (for community development investment projects) plus for reserves	1.6–2.6 million

Strengths and challenges

Strengths

The most immediate benefit of the WUA-managed water kiosks model is that low-income customers in peri-urban have **access to reliable, safe and sustainable water**. People buy water through kiosks by the bucket, close to home, and pay at the point of purchase on a daily basis. This avoids both connection fees and monthly bills. Some homes are closer to kiosks and ongoing development of kiosks means that new kiosks are situated in areas requested by the community to fulfil a need in a particular area, reducing the level of inequity in access.

The original disarray, political interference, unreliability and lack of payment or any functioning water management system provided the right conditions for the WUA's system of kiosk management to develop effectively and **become a high-functioning one**.

Monies owed to the utilities for water bought are paid regularly, and some WUAs are in credit. Previous debts inherited by communities have been cleared, proving that customers in peri-urban areas are a **viable customer group**.

WUA governing bodies, including the Secretariat, Executive Committee and Governing Board are all functioning professionally and are legally registered with binding terms of operation, including service contracts with LWB demonstrating **willingness and ability**.

In November 2014, WUAs in Lilongwe formed a **WUA network** with two elected office bearers from each WUA. The elected office bearers intend to engage more stakeholders and develop the WUA network to represent the interests of a confident WUA coalition, able to take a considered role in the broader issues of water provision, including representing the **voices of citizens in discussions on service delivery improvements**.

Challenges

With high demand on the current raw water source in Lilongwe the city is preparing to secure a loan to develop a third dam to increase access to fresh water. It is understood that the establishment of an **independent water regulator** is a condition of the proposed loan.

The KMU and LWB are discussing with the WUA Executive Committee and community leaders where new kiosks will be placed. However, the **City Council**, which is responsible for land planning issues, is **sidelined** and not involved in any discussions about situating water kiosks in peri-urban areas. To date this has not been problematic, but it could be in future.

Issues of **equity and inclusion** come to the fore on two fronts. Firstly, some people face challenges when water is not available 24 hours a day. Secondly, although the government decides on the tariff, ensuring it is the same price at point of sale to all customers means there are **no additional subsidies in place at the point of sale for the most vulnerable customers** including the elderly, disabled and customers living with HIV and AIDS.

Challenges persist, including low water pressure (kiosks with insufficient water pressure run at a loss) and some areas not having enough kiosks. Low sales in one kiosk and high sales in another are calculated together as part of the Revenue Accounts for bill payment to LWB by the KMU, so that those kiosks with low sales can be sustained. When sales do not cover salaries, **WUAs continue to incur debts to LWB**, raising concerns about the outgoing expenditure of WUAs.

Vandalism is also a recurrent problem at some kiosk sites and **inequitable distribution of kiosks** result in some people having to travel further to access water.

Every WUA has female kiosk water sellers on its staff who are considered 'part of the Secretariat'; selling water at the kiosks is considered women's work. The standard kiosk opens for a total of seven hours a day. Though some consider this as enabling people to have access to water, others question the limited hours of availability leading to long queues at some kiosks at some times of the day.

In Blantyre, WUA Inspectors collect money from the kiosks every day, while in Lilongwe, **water sellers bring cash takings to the WUA office weekly, exposing the system to risk.** In some WUAs a lot of money comes through the office and some of WUAs hire armed police (plain clothes) to protect the money as it is transferred by taxi to the Lilongwe Water Board's bank account.

The cost of water that the utility charges the WUAs is highly subsidised and becomes affordable to the customer partly through the ability to buy small amounts at the kiosk. However, **low-income customers** are paying more for water at kiosks than people with household connections. The utility is considering a variety of options to make water more affordable to the poor, including through water meters.

Human Resources departments do not have training and learning programmes dedicated to increasing staff members' capacity to understand and deal with multiple and challenging social development issues in peri-urban areas. However, both Lilongwe and Blantyre Human Resources departments have said that given the growing base of customers in peri-urban areas, more consideration could be given to training and learning related to **customers' needs in low-income areas.**

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This case study examines how a highly indebted water kiosk operation was transformed into a well performing pro-poor water supply service unit, through a Water Users Association model. It outlines the urban water policy context, and discusses the remaining challenges and potentials of the Kiosk Management Unit within Lilongwe Water Board.

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Cover image: Women collecting clean water from one of the new water kiosks, Mgoni, Lilongwe, Malawi.
WaterAid/Layton Thompson



www.wateraid.org

Australia: ABN 99 700 687 141

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