

## **Human Resources Development – a Precondition for Effective Capacity Development and Fruitful Private Sector Participation**

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### **1. Mixed Experience with Private Sector Cooperation**

Over the last two decades mixed experiences were made in private sector cooperation. Early enthusiastic forms of privatisation, especially in the UK but also around the world revealed later major deficiencies. The previous deputy director of Ofwat, the water regulator for England and Wales, Mr. Alan Booker, came to some critical conclusions about these early experiences:

*“Private sector companies working in water have made excessive profits in some of the poorest countries in the world by exploiting the twin evils of corruption and lack of knowledge... Through the **lack of knowledge** of host governments in the developing world the contracts are often biased towards the contractor.”(1)*

As operating a business for making a profit is not an offense but the driving force of private entrepreneurship, the more relevant question would be in this context, at whose expense were such profits made.

Recent experience with less radical forms of PSP has been much more encouraging. Nevertheless, one should keep the points raised in mind, in particular the importance of knowledge about private sector participation.

While it is estimated that globally more than 90 % of water and sanitation systems are still publicly owned and operated, small private water producers and transporters (e.g. tank trucks) cover already up to 50% of the urban water supply in Yemen's highland cities with extremely scarce water resources. They complement the water supply by the utilities beyond their hours of operation and beyond the existing network, particularly outlying areas. Therefore they are already a factor to reckon with. This is even somewhat surprising in a country where the economy is still largely dominated by the public sector and which takes only the 121<sup>st</sup> place in terms of economic freedom in the 2010 ranking of the Heritage Foundation. (2)

### **2. Challenges of Decentralisation**

Within the context of the water sector reform and decentralisation process in Yemen local corporations have been carved out of a previously central national provider. Over the last decade such decentralised local corporations have been established in 16 towns and operate the provision of water and sewerage systems. An additional number of utilities of the central provider and branches of large corporations in surrounding smaller towns are in process to be transferred into independent utilities supervised by a Board of Directors. The clear intention of decentralisation is to **bring the services closer to the customers** in accordance to *subsidiarity* principles, to extend the coverage and to improve the services.

According to the International Water and Sanitation Centre *“Decentralisation has shifted roles and responsibilities to local governments and stakeholders. Many of these actors struggle with their newly assigned roles for which they are not fully “equipped” in terms of financial resources, knowledge, methodologies, tools and*

*experiences. Strengthening these intermediate actors is crucial to achieving good governance” (3).*

By design, the UWSU in Yemen face at least three different and contradicting objectives:

1. Extending the coverage and **bringing the services closer to the local communities including the low income sections of the society** (the poor); this causes a major challenge to the design of tariffs, which at least at the entry level (lifeline) must remain affordable for the poor.
2. The UWSU are expected to **operate on commercial terms** and cover at least their operational and maintenance costs; this calls for water tariffs which allow increased income in order to cover costs.
3. The UWSU have to **cope with scarce and depleting water resources** and ensure optimal utilisation of these resources, which implicitly requires the utilities to become a custodian of the dwindling water resources. Although this aspect is rarely mentioned, the extreme limits of water resources pose major impediments to expanding the services and coverage (“Sana’a, first waterless capital”) (4).

Therefore one has to raise the question, how capacities can be developed to pursue these almost inconceivable objectives and which actors, public or private, are most competent to achieve them.

### **3. Capacity Development to Meet Particular Challenges of Yemeni Utilities**

OECD defines capacity development in general as *“the process by which individuals, groups and organisations, institutions and countries develop, enhance and organise their systems, resources and knowledge; all reflected in their abilities, individually and collectively, to perform functions, solve problems and achieve objectives” (5).*

Within the circles of GTZ Capacity Development comprises at least four major components:

- 1) Development of the Institutional and Policy framework
- 2) Development of Cooperation Systems and Networks
- 3) Organisational Development
- 4) Development of the Human Resources

It is obvious that genuine Capacity Development is much more than the ironically quoted three “Cs” of Capacity Building, namely Cash, Cars and Computers of early finance or procurement based capacity development approaches.

In addition it must be emphasised that **capacity development** does not always entail a quantitative expansion of an institution through increasing existing sections or departments or by adding new ones. In contrary, **capacity development can also mean shrinking an overgrown organisation in order to concentrate on core**

**business processes.** Then non-core activities can be outsourced to private companies.

#### 4. HRD as a Pillar of Capacity Development in Yemen

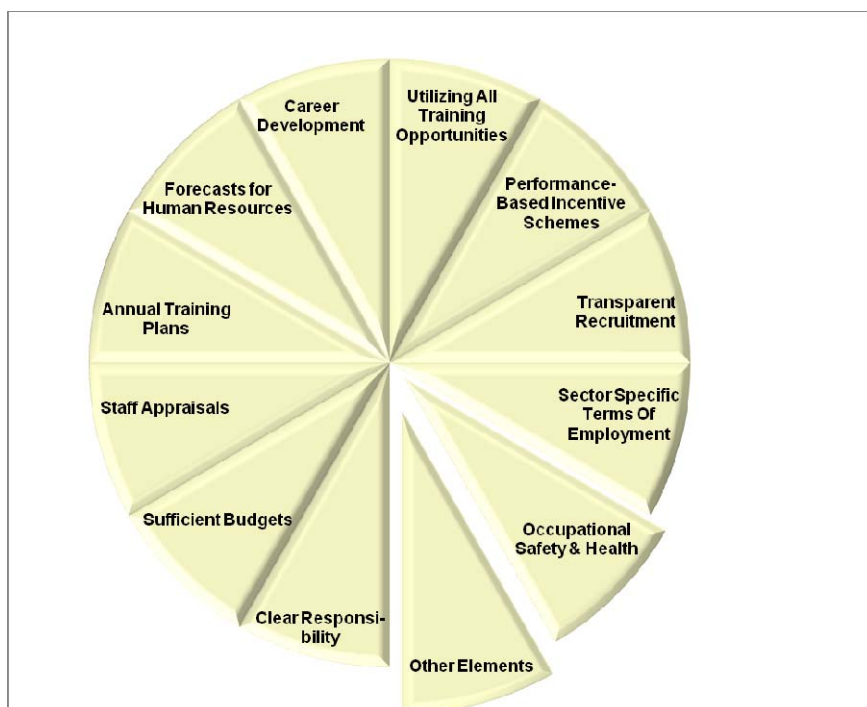
In the following, emphasis will be given to the importance of HRD for Capacity Development.

The given scenario is clearly stated in the NWSSIP, namely to overcome the “shortage of qualified human resources...as the biggest constraint to building the capacity necessary for sound water management” (6).

The prevailing situation can be characterised in a view words.

- The decentralised **utilities inherited a labour force** from the national central provider without much of a choice and without the opportunity to recruit or retrench staff in accordance to a clear business plan (unlike the cases of Miyahuna and Aqaba Water in Jordan).
- Almost the entire labour force is **employed under the Civil Service Conditions** (low salaries but high job security); utilities can only employ a limited number of personnel and for a limited period as “contracted” staff and in addition recruit casual labourers on a daily basis.
- As a result the utilities suffer from an excessive number of employees who cannot be fully utilised and from a severe lack of qualified senior professionals; in short the utilities are **over-staffed** and the personnel is **under-qualified**.

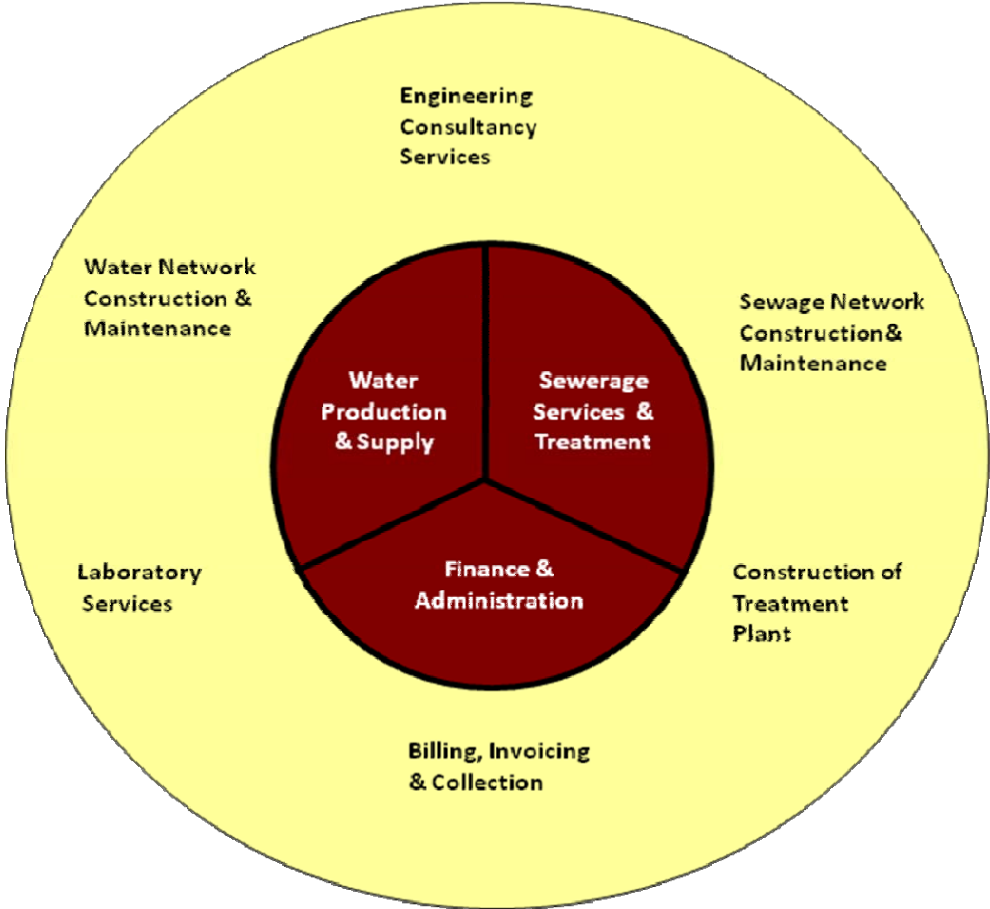
In order to overcome the problems posed by this scenario, a holistic approach to Human Resources Development has been adopted by the Yemeni-German Water Sector Program. Based on a SWOT analysis a framework built on ten Strategic Guiding Principles was developed and is gradually put into implementation. These principles include as illustrated in the “holistic cake”:



Among these Guiding Principles the following are of particular importance to PSP:

According to Guiding Principle No. 3. the **demand** for the development of human resources will be **related to the roles, functions and mandate of the Local Corporations/utilities** and their departments/sections. Why?

Management and employees need to become fully aware of the mandate roles and functions of their utility. Only then, they will be able to **differentiate between essential core services and supplementary non-core services as basis for setting priorities and for identifying useful links to cooperating with the private sector.**



According to Guiding Principle No. 7. all available options and systems will be exploited for **knowledge and skills transfer**. Available national long and short term training opportunities (programmes and courses) will be utilized to a maximum. Their further development and expansion will be supported in order to create sustainable growth of national capacities. Why?

In response to the properly established demand for further qualification the appropriate measure should be identified and taken. Apart from the conventional short courses as per national training catalogue there are other options like on-the job/in-house training, team building exercises, study tours and in special cases also training officers for senior staff by specialised institutions in the region. **Excellent forms of cooperation have already been established with competent private training providers** like AHIEAS in Taiz and others that will be expanded in the future.

As it seems unrealistic to expect the utilities, even after the proposed transformation from public corporations to public companies with a separation of ownership of the assets from the management, to be delinked from the civil service, efforts should be made in line with Guiding Principle No. 10 to **negotiate special terms and conditions of service** for the employees in the water sector. This task has been taken on by the utilities but still requires further steps of action.

## 5. Relationship between HRD and PSP

A number of questions still remain:

- What has HRD to do with Private Sector Participation?
- Are the weak human resources in the water sector not a reason for the private sector to take over the operations of utilities?
- Is the private sector - driven by achieving a return on investment - not known for professionalism and human resources tailored to the task without the “baggage” of redundant staff?
- Are the staffing rates revealed in the PIIS of more than 10 employees per 1,000 connections not a clear indicator of redundant employment?
- Would scaling down the labour force not be the right answer?

But facing reality of the poorest country on the Arabian peninsula, where unemployment is rampant with about 35% and more than 200,000 new job seekers entering the labour market every year and competing for the 15,000 new jobs jointly created by the public (11,000) and private (4,000) sector, what to do with the retrenched employees? (7)

In principle, one could imagine different dimensions of links between HRD and PSP. The following table gives an overview of potential PSP support to beef up, qualify or assist the human resources of the utilities.

<b>Subject</b>	<b>Water utilities</b>	<b>Private Sector</b>	<b>Potential</b>
Reduce Overstaffing	Retrench excessive (semi skilled) Labour Force	Absorb retrenched labour force, e.g. in construction sector	Low due to lacking diversification of economy
Lacking qualification	Upgrade qualification	Private Training Providers qualify staff through training	In practise
Lacking engineering capacities	Demand for specialised professional services	Consulting firms in Engineering provide professional services	Partly practised
Lacking managerial qualification and motivation	Demand for management & HR solutions	Consulting firms to create management & HR solutions	Partly practised
Peak demands and limited number of staff	Meeting seasonal peak demands	Provide short term labour force through work contracts	Realistic
Specialised Services	Retain/Reduce permanent Labour force	Providing specialised construction and maintenance services through e.g. outsourcing	Realistic
Organisational Development	Strengthening capacities; concentrating on core functions, restructuring	Providing advisory and consultancy services	Realistic
Dissatisfactory management	Replace management	Management contract	Delicate
Poor resource base (HR, finance, water, infrastructure)	Tendering, surrender from operations	BOT	Delicate; most suitable at fresh start

## 6. Conclusions

If we take the mandate, roles and functions of the utilities serious in the context of the contradicting objectives, the Supervising Board of Directors and the management of the utilities have to take the driver's seat and decide about the most suitable form of cooperation and about the most suitable partner in the private sector.

There is a need to create awareness and factual information about PSP among all stakeholders including all decision makers to **create their competence to make informed decisions** that keep the mandate, objectives, roles and functions in mind. As much as PSP is currently high on the international agenda, decisions should not be made simply on the basis of “political correctness”.

In particular, pertaining questions have to be asked about the cooperation with the private sector in relation to the earlier mentioned contradicting objectives of water utilities:

- Can PSP bring the services closer to the communities, including the poor?
- Can PSP enhance the commercialisation of the utilities?
- Can PSP assist utilities in coping with scarce and depleting water resources?

Therefore, all relevant stakeholders and particularly the management and the supervising Board of Directors need to be educated about the potentials, advantages and limitations of PSP in order to enable them to actually take the “driver’s seat”.

This can be seen as a special task within HRD for creating the necessary competence for informed decision making. This task would include **illustrating the various options and issues related to PSP like:**

:

- Advantages of outsourcing to structure, operations and performance of utilities
- Expected positive effects of outsourcing on service and staff
- Advantages of management and concession contracts
- Effects of management/concession contracts on structure and staff
- Most favourable conditions for BOT arrangements
- Role of the Ministry and Regulator to supervise and monitor arrangements
- Correcting measures if cooperation does not work out as planned
- Role of independent advisory and consulting firms in providing impartial advice

If we agree that the good thing about mistakes is to learn about what not to do, we can now look back at the lessons learned from over two decades and enhance an informed decision making process by **transferring the relevant knowledge and experience**. And this is clearly part of HRD. Major target groups for this knowledge transfer are for example:

- senior managers of utilities
- members of the board of directors
- senior officers in the MWE
- senior officers in the regulator
- senior officers in NWSA
- senior officers in NWRA

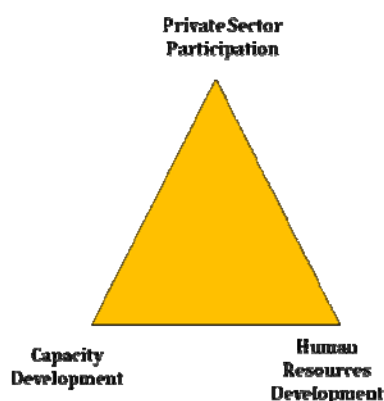
Returning back to the initially quoted comments by Mr. Alan Booker we need to address the points raised. In the given context one can assume that the WB-ACAP programme, SNAC and good governance projects of various cooperating agencies, including GTZ, focus on the corruption issues. Therefore here we can focus on the challenge of enhancing the knowledge transfer and **creating the required competence for informed decision making**.

But how to transfer the relevant knowledge and experience?

The Sana'a meeting in March can be regarded as one step in this process. But much more has to be done. Suitable options could be:

- Study tours to utilities with good and bad experiences
- Designing and introducing a series of short courses (starting with awareness creation, highlighting different models of PSP, enhancing negotiations skills, role plays and simulations, introduction of monitoring tools etc. )
- Utilising the regional network of ACWUA to share experience and lessons learned on regional level
- Utilising the future national association of Yemeni utilities to exchange experience on national level

In conclusion active steps in this direction have to be taken a.o. by the HRDU under the MWE and the Personnel Development Component of the Yemeni-German Water Program to ensure that **HRD contributes to capacity development in the urban water sector, creates the competence for informed decision making and enhances a fruitful win-win cooperation with the private sector.**




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#### References:

- (1) Alan Booker, "Talk Back", Birmingham, 1999
- (2) The Heritage Foundation, Washington, 2009
- (3) IRC International Water and Sanitation Centre, The Hague, 2006
- (4) Yemen Observer, 30<sup>th</sup> of January 2010
- (5) OECD 2006 DAC Guidelines and Reference Series Applying Strategic Environmental Assessment: Good Practice Guidance for Development Cooperation, OECD, Paris
- (6) National Water Sector Strategy and Investment Program, 2005-2009
- (7) Yemen Times, 21<sup>st</sup> January 2010

#### Abbreviations:

ACAP	Anti Corruption Action Plan
ACWUA	Arab Countries Water Utilities Association
AHIEAS	Al-Saeed High Institute of Engineering and Administrative Sciences
BOT	Build, Own Transfer
CD	Capacity Development
DAC	Development Assistance Committee of OECD
HRD	Human Resources Development
HRDU	Human Resources Development Unit
IRC	International Water and Sanitation Centre
MWE	Ministry of Water and Environment
NWRA	National Water Resources Authority
NWSA	National Water and Sanitation Authority
NWSSIP	National Water sector Strategy and Investment Plan
OECD	Organisation for Economic Cooperation and Development
PSP	Private Sector Participation
SNAC	Supreme National Anti Corruption Authority
SWOT	Strengths, Weaknesses, Opportunities, Threats
UWSU	Urban Water and Sanitation Utility
WB	World Bank