

Cost Effective Boreholes News

Mozambique Drilling Association Climbs the First Step on the Ladder towards Cost-effective Boreholes

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The recently established Mozambican Drillers' Association has successfully lobbied the Government of Mozambique and UNICEF to amend unrealistic contract terms for a Dutch co-funded programme.

The **Government of the Netherlands - UNICEF Partnership WASH programme Mozambique** (2008 to 2012) operates in 18 districts situated in the central provinces of Sofala, Manica and Tete. Of the total budget of US\$ 42.82 million, 37.4% is earmarked for the construction of 2,000 new boreholes (an average of 400 boreholes per year). This amounts to one fifth of the new water points needed in the country to meet the MDGs. It is estimated that the programme will consume nearly 40% of Mozambique's domestic drilling capacity.

In February 2008, the Government of Mozambique/UNICEF tendered the first contracts. They were packaged in lots of 20-25 boreholes per district. However, the contractors were not attracted to the contract terms offered, as:

- (i) The required bank guarantee was too high, about twice the legally stipulated limit.
- (ii) Although the packages were relatively small, the required licence categories were high¹, meaning that only international contractors would be allowed to bid.
- (iii) The window of three months for drilling activities to take place was unrealistic for the drilling companies.

Confronted by what should have been an opportunity, but was actually an unreasonable business situation, many drilling companies called the president of the drilling association, requesting his intervention.

A week later, the association engaged in negotiations with the Government of Mozambique/UNICEF regarding the issues mentioned above. This led to some promising results. First of all, the tender process was publicly cancelled and its terms revised, including reducing the bank guarantee to legally acceptable levels. Secondly, innovative solutions to meet national contractors' capacities and categories were identified. For example, they were allowed to form consortia in a flexible manner and in some cases, smaller packages were arranged. Finally, the drilling window was doubled to 6 months.

A meeting to assess developments was held on 19th May 2008, at the National Directorate of Water. Both parties agreed that the negotiations went well, and that without the drilling association things would have been much more difficult. The bottom line is that the Mozambique Drilling Association has climbed its first step on the ladder towards building capacity to deliver cost-effective boreholes.

¹ There is a relationship between the licence category and the contract size legally allowed. For example, if a company is classified in category 3 (to which many of the Mozambican drillers belong), it should not be awarded contracts exceeding \$125,000. However, 20 boreholes at \$10,000 = \$200,000. This would be subject to an international tender process.