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Dar-es-salaam Water Privatisation - An Untenable Policy Option

(Ms) Rose A Mushi

1.0 Introduction

1.0 Background

Dar-es-salaam is the capital city of Tanzania with a population of around 2.5 million people out of the total population of 34 million countrywide. Almost 20% of the population in Dar-es-salaam is considered living below the poverty line (HBS 2000/01). The situation with respect to access to clean and safe drinking water has deteriorated during the last decade with the proportion of household depending on unprotected water sources doubling over the period due to the limited capacity of the Dar-es-salaam Public Water Utility firm to expand and maintain services to the city population that is rapidly growing at a rate of 4.3% per annum.

Pressure by the World Bank and IMF Institutions to the Government of Tanzania for policy reforms to revamp the economy that declined during the 1980's included as you all know pressure to privatise State owned utility firms including water utilities. This was part of the market oriented macro economic policy reforms that the Government adopted in the mid 1980 ushering in an economy driven by the private sector. The Government after dragging its feet for a number of years on privatisation of water utilities gave in to the World Bank Policy prescription in 2000 to lease the Dar-es-salaam Water Utility firm to a Private Company Biwater as a policy measure to improve the firm's water service delivery to the city residents and other economic and public institutions.

2.0 Objectives and Scope

The Case that is being put forward is a modest attempt to rationalise why the Dar-es-salaam water privatisation Policy Case in Tanzania failed, challenging the notion that privatisation of water utilities is a solution to the developing challenges of poor countries such as Tanzania. I hope to draw from the Case the lessons challenges and prospect that Churches and Civil Society Organisations in general have in advocating for pro-poor water policy alternatives.

2.0 Privatisation of Urban Water Supply and Impact on the poor

The water system in Dar-es-salaam before privatisation was hardly a model for public sector efficiency. Water infrastructure for most urban water supplies were old, dilapidated and poorly functioning. As a result water delivered was inadequate and some times of quality. Revenue collection and billing was poor too resulting into grudges by city residents. There were a lot of red tapes and corruption in acquiring water services associated with poor management. Up until 1991 The Government of Tanzania provided water free to the resident with the exception of high income areas that were connected to piped water in households. The system did not deliver due to lack of public investment to expand coverage because of the deteriorating economic situation with resultant declining government resource capacity to deliver. As a result there were high levels of wastage due to poor maintenance and repairs and poor quality water services

Tanzania like other African countries has been under going Political Social and Economic reforms to improve the management of the economy and resultant performance including the performance of the different sectors of the economy the water sector inclusive. In 1991 the Government developed a new water policy removing government subsidies for water utilities as it ran out of the resources to continue doing so and therefore converted the Public water utilities to semi autonomous entities operating on a self financing basis. As part of this strategy in 1997 the Semi Autonomous Dar-es-salaam Urban Water and Sewage Authority (DAWASA) was created.

With the creation of semi autonomous water utility the situation deteriorated further with wastage and disrepair reaching crisis levels. Only 100,000 thousand out of the population of 2.5 million people had direct connections, only 26% of the water was being billed and 60% of the water being lost through leakages and a further 13% through unauthorised use. In low income areas the majority of households had no water connection at all relying on buying water from water vendors or their neighbours at more than three times the price. The reasons for the poor performance are basically attributed to poor management and poor oversight of the governance board of the utility.

In 2000 under the pressure of the Multilateral financial institutions IMF and the World bank the Government of Tanzania conceded to the privatisation of the public water utility firm in return for a loan of U\$ 143 million to Tanzania for the rehabilitation and expansion of the network. About a quarter U\$ 40 million was to be used to subcontract the private company to undertake delegated works. The initial proposal for reform was to fully divestiture DAWASA to a private firm. However the initial bidding to get a private firm to buy DAWASA did not receive any interested bidders. It seems no private investor was willing to bring in the scale of capital required to purchase the utility and take on the risk to invest in a water system that had suffered decades of poor management and lack of investment for rehabilitation and maintenance. The Government was therefore compelled to offer it to a company through a ten year leased contract to a private firm that would manage the water

supply system and provide the services with DAWASA retaining ownership of the assets and undertaking rehabilitation and network expansion investments. City Water a joint venture of Bi Water UK and Gauff Germany and a Tanzanian Company Super Doll were awarded the lease having been the only bidder who came forward. The Dar-es-salaam water privatisation model is a mixture of both public and private service provision, the private managing the service delivery and sharing the profit with the Public Utility firm that is responsible for investing in rehabilitation maintenance and expansion of the network including performance monitoring of the private firm.

Financing for the investment was to come through the U\$ 143 million loan provided by the multilateral financial institutions with the public firm providing U\$ 12.5 million from it's own internal generated resources. Certainly a part of the resources would be derived from the leasing contract with private management firm that was to commercially operate and deliver water and sanitation services to the city.

Unfortunately the policy did not delivered on its objectives that of improving management and quality of services to city dwellers and particularly to the poor. The Urban Water privatisation policy experience in Tanzania was and is still an acknowledged disappointing failure. Consequently it did not solve the water supply challenges of the city. To the contrary it delayed and stalled the policy process to design alternatives for addressing the challenges of urban water supply and delivery in Dar-es-salaam.

For the two years that the Private Firm - City Water was managing the utility it was mostly preoccupied with managing labour discontent and labour uncertainty with the firms workers. A study commissioned by Germany Development Agency GTZ (2005) noted that the most significant area that the City water did not perform is in respect to monthly revenue collection significantly lower by 30% compared to the Public Utility Firm (DAWASA) despite increases in tarrif. No tangible results were exhibited as far as the public eye could observe due to limited transparency about the companies dealings and strategies to address the water situation in the city which was considered by the public to be at crisis levels.

The negative impacts on the entire users in city and particularly the poor that were experienced during the pre privatisation era prevailed during the tenure of the private leasing company. Action Aid research did a Study that was conducted in 2004 titled Turning of the Taps Conditionality and water Privatisation In Dar-es-salaam. The observations made by the research as well as my own personal observations as a city resident during that time support the evidence that there were no significant changes in the situation after the privatisation of water service delivery to City Water in 2004. There were still complaints among the users that the situation had not improved. Examples of the prevailing situation include;

- i. Inability of the poor sub-urban dwellers against middle and high income well off to do people to pay for water services. Majority of the poor people live in unplanned areas without water connections, they depend on either their neighbours with connections, vendors, open wells, ponds or seasonal streams. Some have drilled shallow wells near their homes that provide water that is neither clean nor not safe from risks of disease such as cholera.

- ii. Sabotage of water pipes became a common phenomenon. Low-income people deliberately perforate or cut plastic pipes in order to get free water as coping mechanisms against the payments of user fees. Water leakages and wastage was a key issue, causing unnecessary repairs for the company.
- iii. The quality of water that used by majority of the low-income people is poor as result outbreaks of waterborne diseases like cholera, typhoid; dysentery is a major problem. In the long run the efforts carried by the government towards poverty eradication are compromised as it has to spend her meagre resources for health programmes that are caused by self created inappropriate policy options.
- iv. Women, girls and children spend about eight hours in search of water. This has an impact on education and future human resource capacity because children supposed to be in school spend significant time out of school to sell water as survival mechanism for poor households.

In addition to the fact that the private firm did not improve either the management nor the delivery of service to city residents, its failure also created a disgruntled public that felt that their government policy is not in favour of its citizen but in favour of a private foreign company interested in making non tax deductible profits at their expense. Due to public disgruntlements in the midst of the campaigns for the General Elections in 2005 the Government decided to terminate City water Contract and replaced it with a management arrangement with public company Dar-es-salaam Water Supply and Sewage Company (DAWASO). The new company has a dynamic new management as well as a board. There is noticeable progress in the public eyes on the efforts that the new company is making to improve management particularly on billing and tariff collection as well as improving services. DAWASA with responsibility to rehabilitate the infrastructure has made noticeable efforts in the City and there is an apparent effort by the new Administration elected to power in 2005 to strengthen its administration of the public sector including public firms. The challenge with the new administration is on how to implement pro-poor water supply policies while ensuring the sustainability of the public water utility firm. As it stands the public firm managing the utility is concentrating on improving management and service delivery through cost recovery which will not solve the challenges of accessibility of water services to the poor and their inability of the to pay for the tariffs.

3.0 Urban Water Supply Privatisation - Untenable Policy Option

The Tanzanian case of urban water privatisation is a failed case because of a number of underlying technical and political flaws.

With the benefit of hind site there is a clearly and obvious technical flaw with the rationale for privatisation of the water utility firm as was evident in the first bid to attract private investor to outright purchase it. No investor came forth to outright purchase the utility. Technically it was not a viable profitable venture that the private sector was willing to take the risks given the fact that pricing of the service is not a free will dictum of the monopoly investor but that the Government has a role to play in safeguarding the public from monopoly firm taking advantage of the lack of competition in pricing. It is

therefore technically not feasible to attract private sector investment in utilities firm such as water unless the Government is willing to forsake the interest of the public and the economy at large in allowing for pricing/tariffs of utilities that give private companies the profits and returns they seek in such ventures. This is not economically and socially tenable because our economies industries transport and the whole range of productive units depend on the reasonable priced utilities such as water to efficiently produce and sell in the competitive International markets that the poor countries are struggling to access. We are told it is both trade and Aid that will get us out of poverty. How can we get out of poverty if our domestic policies such as water utility policies curtail and undermine our capacity to produce goods and services for export and trade that would enable our economies to grow out of poverty. Economically the policy is untenable as I would dare urge for.

The second technical flaw is the proposition that only a foreign management firm could turn around the utility firm into an autonomous self financing entity. The Bi-Water Case has proved this proposition as technically flawed. Under the circumstances that the private management firm was not bringing any of its capital resources in the leasing contract, a resource that is obviously would have limited national firms to bid there was no need to float and Limit the bid to foreign firm. Given the fact that there was no private capital investment condition imposed it was possible to provide the management contract to a national management and board an alternative that was not considered at until the foreign company failed to deliver on the lease contract.

Under a transparent and accountable Government an environment that would promote sound decision making that have the support of the majority even a utility managed by public with a competent Board appointed by merit and competence could deliver the results. Lesson drawn from Tanzania Case show that failure of public managed water utility firms have to do more with the environment created by the political systems. Political systems that do not promote transparency participation and accountability of the people to its' government and the policy decision it makes rather than inherent weaknesses of managing public utilities as such as assumed by the privatisation policy objectives.

It is sometimes no wonder when CSO's and the public cry foul play in such contractual dealings implying that there is an element of corruption in adopting and executing such policy prescription because of the fact that they do lend themselves to the test of being technically plausible.

Socially in a poor country like Tanzania with an urban poor of almost 20% of the population it is not tenable for an essential services as water to be commercialised/privatised as a policy for whatever reasons that may be. Such a policy as has happened would deny a basic right to a significant proportion of the population unless complementary policy measures are taken to address the access of such services to those who would not afford the tariffs imposed as part of the commercialisation/privatisation measures. The challenge is to

translate the water policy of 1991 that calls for full cost recovery for water supply services with consideration for the vulnerable groups through various policy instruments including lifeline tariffs.

The Dar-es-salaam case study does not lend itself to any lessons on how the poor have counter such negative impact of privatisation policy. The resistance to privatisation has largely been driven by the labour movement with security for employment as the motive rather than the Citizenry at large and the poor consumer users in particular who could influence policy on the access and water as a basic right issue for the poor. This is due to the limited awareness of the role and infancy of CSO's and sometimes political apathy of poor citizenry in promoting their rights. And this is particularly critical with the poor segments of the citizenry.

Politically the Case of Tanzania shows that water privatisation is not a tenable policy option as well and particularly when the privatisation short changes nationals in favour of foreign companies. Public support to the privatisation coupled with lack of transparency in the dealings of Bi –water contributed to albeit a limited extent, failure of the firm to deliver on the contract. For policies to work for citizenry they have to be supported by the citizenry at large. Our Government and Political leadership in Africa need to learn that it is not enough to ride up to and win successfully a general election. It is equally important to garner political support during the tenure as you translate you policy into welfare improvements program for the citizens. There is need for our Government and Leaders to articulate and expound on the policies they propose and how they would benefit the nation and individual citizens so as to convince the public and themselves that it is in our interest to pursue such policy alternatives. More open dialogue and debate on policy issues would widen opportunities for economically socially political workable policy alternatives that can deliver in our context bearing in mind those who are poor need to be listened so as to address their aspirations and needs. I think this is all about how we tackle the challenges of poverty in poor countries and if we are politically serious about addressing poverty then we need to take cognizant of the fact that transparency by Government and Private and Public Firms, participation by the poor and citizenry at large and accountability of the Government to them is the cornerstone of our success in improving our policy formulation processes as well as policy execution.

4.0 Challenges and Prospects For Churches and CSO's

The challenges of addressing poverty the ugly scar that has remained on the face of this earth despite the tremendous technological and material advances is the onus of all peace loving and moral upright mankind. The church that stands for the virtues of mankind has an obligation and great leverage morally to influence change for the betterment of those who are disadvantages and marginalised by the prevailing political systems both nationally and internationally. The Church and Its members have a great

leverage in influencing the attitudes thinking and behaviour of society as it promotes love peace and brotherhood among mankind. It can never be a better time to leverage change than the current times when the world is growing more divided between those who have and those who don't have and who are politically and economically and sometimes socially powerless because they have been left out in the cold without the moral and material support they so desperately need to build their confidence and hope that can enable them take their destiny and future in their own hands.

A lot of what takes place in our countries in terms of the political processes that determines our future takes place amidst a passive citizenry that has lost the hope that they can make a difference. At least I have experienced the political apathy of the citizenry in my country on issues that affect them due to lack of hope. The Church has a great role in Africa and the World at large in giving the poor the hope and in building their confidence that an alternative world and a future without poverty is possible for them and their future generations.

With the strength of its moral authority and tremendous potential to mobilise resources both human and financial that church can and should join in the and contribute to the antipoverty mass movement that can call in question both nationally and internationally policies that contravene the basic values that the church so much upholds and promote, brotherhood and the concern the betterment of human kind in earth and in heaven.

Such failed policies should will not be repeated and replicated in other countries if we all raise our voices including the church against them. We also need to move beyond condoning policies that hurt the poor but also make deliberate efforts to research and identify workable solutions to the development challenges poor country faces. They may be genuinely gap in policy alternatives because of the limited capacity of poor government to invest in policy research as basis for sound policy decisions. CSO the Church and its community is best placed to mobilise and galvanise citizenry and community in raising the voices of what are practicable policies from the perspectives of the citizenry experience. The Church and their communities including CSO have developed workable models for addressing community needs in health education water and sanitation. These workable low cost community unsophisticated management models for delivery of social services need to be promoted. Action Aid experience in Tanzania in policy advocacy work has demonstrated that influencing Government to change policies that work for poor people is more effective if you have practicable models to demonstrate what can be achieved on the ground. Good success models inspire Local Authorities and pave the way for influencing policy change particularly at local level.

5.0 Summary

