



Reforming Africa's water and sanitation sector: Issues and challenges

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IN SPITE OF decades of government and donor-supported investments in water supply and sanitation (WSS), public utilities in many African countries have been unable to fully meet the demand for water and sanitation services. One of the resulting effects of the poor service is that Africa has the lowest water supply and sanitation coverage in the world. More than 1 in 3 Africans do not have access to improved water supply and sanitation facilities. Current coverage levels stand at 62% for water supply and 60% for sanitation. The reality is that the absolute number of people without access to water services is increasing and between now and the year 2020 the number will increase from 300 million to 400 million¹. The majority of these people will be those living in rural, informal and peri-urban communities.

Nearly in every case, studies have shown that the root cause of these problems has been poor choices with regard to the systems related to sector policies and institutional and regulatory frameworks. Often the water sector is still seen only as a social service, not an economically viable endeavour. Tariff levels tend not to recover costs and subsidies – justified in principle on the grounds of helping the poor – have actually made it financially unattractive for utilities to serve that segment of the population, while those most able to pay have enjoyed artificially low tariffs. At the same time many water utilities have been notoriously inefficient, at times wasting half of the water they produce, for technical reasons and through pilferage and poor account collections. Weak, unresponsive institutions that lack autonomy and accountability have been subject to pervasive political interference and have not had the incentives or the means to provide adequate services to their existing customer bases, let alone expand and improve services. As a result, potential private investors and operators have stayed away from what they perceive to be a risky business.

There is little prospect for improvement unless the water supply and sanitation sector engages in broad institutional reforms with the aim of increasing financial autonomy and providing greater transparency. These reforms should result in increased private sector participation in the water sector (both for access to private funding and access to management-expertise).

This presentation therefore outlines issues and challenges facing the ongoing water sector reforms in many African countries especially as they affect people and the

systems they choose. These were identified during a recently held regional conference on reforming the water and sanitation sector in Africa, where a total of 317 participants drawn from government, the utilities (including the private sector), financial institutions, external support agencies, and civil society took part in the conference. 38 African countries, 6 of which were represented by Ministers in charge of water and sanitation, participated.

The conference was organized by a number of partners but led by the Water Utility Partnership (WUP) based in Abidjan, Cote D'Ivoire. The WUP recognizes the need to promote and facilitate water sector reforms in Africa - promoting ownership, learning and identifying innovative ways for improving the quality of services. In response to these issues and challenges one of the goals of the WUP is to promote institutional reforms that result in good governance, accountability and transparency in water supply and sanitation utilities, in order to increase accessibility to water services as one effective strategy for poverty reduction.

The link (people and systems)

Any discussion of water supply can only be meaningful if we recognize the important role played by the people themselves. It is because the people are supposed to be beneficiaries of any reform programme. The systems which enable the people to have access to safe and adequate water and sanitation must be run in an efficient and sustainable manner. It is because currently the people have problems in terms of accessibility to water and sanitation and the systems have failed to deliver quality and efficient services. The resulting **health** and environmental problems (*of lack of accessibility to water and poor sanitation services*) take a tremendous toll, particularly on the poor, in terms of immediate human suffering -through premature death, disease and lost productivity, and in terms of ecological damage. The economic impacts are also great, estimated at several percentage points of GDP.

Yet, increasing access to this most basic social service is one essential element to the strategies of poverty reduction, to deal with urban environmental problems and enhance the productivity of cities and towns. Given the lack of capacity of most municipal level providers, water utilities play the role of institutional anchors, not only for water supply but also for sanitation and environmental management.

To meet these needs (*the needs of the unserved*) and to improve the quality of service to current water and sanitation users, will require greater efficiency in the management of existing systems, financial viability, and increased capital expenditure. Yet national and local government budgets for sector development have been dwindling. Under these conditions, governments must consider what financial, technical and managerial resources should be brought to bear on the problem from the private as well as the public sector, and to consider how best to define an appropriate partnership between the two. Policy makers must thus look beyond limited government budgets to consider the whole range of resources that could be mobilized in a Public Private Partnership (PPP) for sustained development of the WSS sector.

Over the last decade, most African governments have recognised the need to embark on reforms to address the problems of water and sanitation services and PPP has been a central feature of these reforms. Countries have had to deal with a number of issues on the reform of the sector. Some countries have been successful while others are still learning. *It is on this basis that the following issues have been identified as emerging in the water and sanitation sector reform process, particularly in relation to urban² areas.*

The political economy of reform

Reforms should not be considered synonymous with privatization, but as a co-ordinated series of structural changes to provide better services to more and more people. For example, countries are realigning the nexus between rural and urban water supply to respond to different management options (e.g. Ghana, Kenya, Uganda, etc.), adopting legislative and administrative measures to address the interests of the poor (e.g. South Africa), establishing new regulatory institutions (e.g. Ghana, Zambia) or strengthening existing ones to manage water resources and ensure consumer protection, among others. It is however the introduction of the private sector into the management of the production and distribution of water supply that has attracted the greatest attention. This is because it is a sensitive and more visible national issue, multi-disciplinary in context and is perceived as offering the panacea for addressing the problems inherent in the sector. Not surprisingly, it is in this area that there have been difficulties and in which the process of change seems to take much longer to achieve its objectives. The increased role of the private sector in WSS delivery has been a dominant feature of the reform processes of African countries as it has been recognized as a viable alternative to public service delivery and financial autonomy. Yet there are difficult processes to follow to ensure its success.

A strong consensus exists over the need to involve all sections of society in the reform of water and sanitation services. Meaningful sector reform involves fundamental changes in the way we all work together to meet water and sanitation needs. Reform should not just be the concern of

sector technocrats, but also requires the strong and sustained involvement of political leaders, national and local government officials, workers in water and sanitation, the private sector, NGOs and CBOs, community leaders, teachers, social researchers, traditional rulers, external support agencies, the media and the public at large. Reform cannot survive without public support, which can only be earned through respectful attention to the legitimate interests of each of these stakeholders.

Reform must not be seen as a one-time event, but a continuous process that must be followed to adapt the water sector to changing conditions, and should be driven by local, rather than foreign, needs.

True reform is thus best promoted with:

- A strong and sustained political commitment;
- Effective public communication of the issues and decisions to be made;
- The involvement of all stakeholders, with special attention to the interests of the poor;
- Transparency; and
- Adequate provision of incentives and avenues to promote and sustain local participation in the business of water.

Addressing the interests of the poor in the reform process

The needs of the poor are often overlooked in the design of various reform programmes and in the contractual relationship between the public and the private sector. These needs of the poor can best be served through the following processes:

- Recognize that the poor are legitimate and significant stakeholders in the business of water and sanitation, and often pay far more than the rich per cubic metre of water consumed;
- Take stock of the reality on the ground for the poor and learn about the systems by which their needs are met. Such systems may remain as credible alternatives to the utility, but may need legal recognition, regulation and management support;
- Take note that the poor are willing and have the capacity to pay for services that are adapted to their needs;
- Plan, from the beginning, to identify ways to ensure that the needs of the poor are reflected in the design, implementation, and follow-up to the reform process. The direct participation of the poor in the design, implementation and monitoring of the reform is the most effective way to protect their interests.

Reform policies and laws should unambiguously include a definition of the poor, and provide regulations and guidelines for meeting their needs. These policies should accommodate other service providers where they are more effective than the utility.

Small-scale private providers, Non-Governmental and Community-Based Organizations (NGOs and CBOs) have played a leading role in service provision to the poor where public services have been inadequate. Their insights and experience in serving the poor, and their potential contribution as experienced partners for the utility should be explicitly recognized.

Women, children and men

Women, children and men all need water and sanitation, but their perspectives and involvement in the sector differ. Women and children bear a disproportionate burden from poor services; women and children fetch water from distant sources, children are most susceptible to disease resulting from poor service, and the care of sick children has traditionally been one of the many demands on women's time. While women's role in water and sanitation management has increased over the last twenty years, their needs and insights are still all too often neglected or misunderstood by (largely male) decision-makers.

Women should be seen as a force to support reform. They stand to benefit from access to water and better environmental sanitation. Their organizations are a key element of civil society to be mobilized to participate in the broad-based coalition that is critical for the success of the reform.

Labour and reform

An informed and supportive labour front is an asset to the process of change. Opposition to the reform may either be the result of ignorance or in most cases a feeling of being left out in the decision-making process. Very often policymakers have embarked on reforms and strategies, considered to be in the overall national interest, without adequately involving their social partners. This situation now seems to have changed, at least for the reforms in the sector; the leadership of labour is increasingly identifying with the process and playing a constructive role. Yet this constructive role is only possible when the concerns of labour are adequately addressed in introducing a greater role for the private sector.

With most African water utilities overstuffed, the advent of the private sector imposes the need to downsize at considerable financial and social cost to government. Labour redundancies, redeployment, retraining and compensation for severance are all matters that can only be adequately handled if unions are well-informed and identify with the process of change. Nonetheless the management of labour rationalization could be one of the most difficult aspects of the reform. Some African countries have handled this with considerable success (Senegal, Niger) and with support from development partners. While there may be peculiar national differences, no doubt there are areas of common ground in dealing with the concerns of labour, which could be shared with other countries.

Mobilizing financial resources for development of the sector

Multilateral and bilateral agencies are keen to support the development of the WSS sector, as part of their commitment to the eradication of poverty. Prospects for such support are enhanced where there is a clear commitment to:

- i) reforming the sector to bring in other actors,
- ii) ensuring transparency in the process, and
- iii) addressing the needs of the poor.

Any price increases to cover costs and improve service should be gradual and should follow service improvements to maintain public support. In view of the limited budgetary resources in most African countries, external financing should be available to cover the operational deficit resulting from the lag between improved service and increased revenue during the initial years of PPP.

Achieving cost recovery

Improved cost recovery, to ensure sustainability and improve service must be one of the cornerstones of water and sanitation sector reform. The poor performance of a number of public utilities is rooted in a policy of repressed tariffs which leads to lack of investment, poor maintenance lagging coverage, and subsidized services reserved for the privileged who are connected to the network. The need to ensure the survival of African water utilities requires that there is sufficient generation of internal cash flow to meet expected expenditure. Governments and regulators should offer utilities the tariffs that will provide sufficient revenues to meet their long-term marginal costs. In addition government agencies must pay the bills for the services that they receive from the utilities.

Addressing the needs of the poor and ensuring cost recovery for utilities are not in contradiction; well thought-out mechanisms for cross-subsidies, alternative service provision, and easing the cash flow demands upon the poor can allow the utility to survive whilst attending to their needs.

Regulation

While the role of the private sector should increase in most cases, the public aspects of water and sanitation services should not be compromised. The creation of an independent regulator and corresponding legislation, *before* any major transfer of operational activity to the private sector, *can* help to ensure the priority of the public interest through increased fairness, transparency, accountability and better monitoring of contract performance. The exact form of utility regulation will of course depend upon the legal and administrative framework of each country; this will also be strongly influenced by the current and future extent of decentralization.

The challenges of sanitation and hygiene

People are more willing to pay for water than they are for sanitation and hygiene promotion; however the health benefits of water supply can only be maximized where all three services are provided. Examples in Africa exist of effective sanitation cost-recovery from water supply tariffs to ensure the integrated improvement of the entire sector. While sanitation and hygiene are easily overlooked during the reform process, they must be given a higher priority to achieve the greatest possible improvements in health and well being from sector reform.

Water resources management

Water is an economic, social and natural resource that must be managed in an integrated manner. Hitherto, the issue of water resources management has in most instances been ignored and relegated to the background in the water supply sector. However, water is a finite resource subject to increasing competition for its use. Sustainability of water supplies calls for a shift from an exclusive focus on water supplies to the broader approach of sustainable water resources management. The reform process must consider water and its management in a holistic way to assure a suitable balance between the agricultural, industrial and domestic use of water, ensure the protection of catchment areas and provide incentives for conservation.

The way forward

The issues and opportunities described above will not wait; unless we act forcefully now, the numbers of people without service will double within twenty years, and the quality of water and sanitation services will deteriorate further. These issues must be considered at the highest level if we are to achieve successful reform within the WSS sector. We must seek all opportunities possible to ensure that the political leadership in our countries receive the message on the poor service delivery and available options for improving the services.

Governments should provide sustained commitment to reform processes in order to ensure their success and long-term sustainability. The WUP will continue playing its role with other partners and also as part of its current mandate to:

- Provide a continuous update of the progress of reforms in African countries, and disseminate this to utilities, governments and their partners, as well as sector professionals. This shall include identifying both good practice and the lessons learned from less successful practice.
- Facilitate interaction between African water and sanitation utilities undertaking reforms and their various partners at bilateral and multilateral levels.
- Follow up on a number of specific issues highlighted above. WUP will facilitate a workshop on water, sanitation and the urban poor later this year (November to be specific); similar meetings should be organized by WUP and/or by other partners around a range of other critical issues raised above. These include such topics as gender, decentralization and regulation, sanitation, and the needs of small towns.
- Take the lead in working with other sector partners to organize learning and training activities on specific themes directly related to the theme of the conference namely: regulatory options, financing, use of local capacity and human resources in the context of reform and institutional options for sanitation delivery;
- Collaborate with sector partners in sponsoring regional workshops on broader subjects brought up in the conference, in particular water supply services in the context of decentralization.

¹WHO/UNICEF, Global Water Supply and Sanitation Assessment 2000 Report, 2000 and Kampala Statement of the Regional Conference on Reforms of the Water and Sanitation Sector in Africa 26th to 28th February 2001, Kampala, Uganda

²Urban areas includes all the formal and informal settlements (peri-urban, urban poor, etc.)

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