

THE “KAMPALA STATEMENT” ON THE REFORM OF THE URBAN WATER AND SANITATION SECTOR IN AFRICA

Background

The Second Regional Conference on the Reform of the Water Supply and Sanitation Sector in Africa was held in Kampala, Uganda from 26 to 28 February 2001. The theme of the conference was *Enhancing Public-Private Partnership in the context of the African Vision for Water (2025)*. The conference was organized by the Water Utility Partnership (WUP) in line with its mandate to support institutional reforms in the water and sanitation sector in African countries. The conference, which was hosted by Uganda's Ministry of Water, Lands and Environment, was opened by the Rt. Honorable Prof. Apollo Nsibambi, Prime Minister of Uganda, on behalf of Her Excellency the Vice-President. The meeting sought to:

- a) share emerging lessons from the African experience and identify good practices for dissemination;
- b) seek a consensus on the new directions needed in sector reform; and
- c) strengthen existing networks of African water supply and sanitation sector as well as water resources professionals.

A total of more than 300 participants drawn from government, the utilities (including the private sector), financial institutions, external support agencies, and civil society took part in the conference. Thirty-eight (38) African countries, six of which were represented by the Ministers in charge of water and sanitation, participated. *This Statement summarizes key issues and challenges identified by participants which require action from policy makers, external support agencies, civil society and sector players.*

The Current Situation

Africa has the lowest water supply and sanitation coverage of any region in the world. More than 1 in 3 Africans do not have access to improved water supply or to sanitation facilities; Coverage levels in the year 2000 for both water supply (62%) and sanitation (60%) are about the same. The sad reality is that the absolute number of persons without these services is increasing; unless we act now, the absolute number will double between now and the year 2020 from 200 million to 400 million. The majority of these people will be those living in rural, informal and peri-urban communities.

To meet these needs, 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 recognized 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 including the pace and sequencing of reform, the choice of PPP, and the management of the process up to transaction closure. The time is therefore ripe for sharing the emerging regional experiences. *It is on this basis that the following issues were discussed and conclusions were reached.*

The Political Economy Of Water Sector Reform

Reforms should not be considered synonymous with privatization, but as a coordinated series of structural changes to provide better water and sanitation services to more and more people. However an 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. The evidence emerging from a number of countries is that PPPs are driving greater efficiencies in WSS delivery. Yet there are difficult processes to follow to ensure its success.

A strong consensus emerged at the conference 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 is not just 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 is not a one-time event, but a continuous process that must be followed to adapt the water supply and sanitation sector to changing conditions, and should be driven by local, rather than foreign, needs.

True reform is thus best promoted by:

- a) Strong and sustained political commitment;
- b) Effective public communication of the issues and decisions to be made;
- c) Involvement of all stakeholders, with special attention to the interests of the poor;
- d) Transparency; and
- e) Adequate provision of incentives and avenues to promote and sustain local participation in the business of water.

Initiating Reform

The experiences of countries undertaking reforms suggest that the structural changes resulting in autonomous utilities, under coherent regulatory oversight, could take 4 to 8 years to complete. The involvement of stakeholders, public communication, review of the legal and regulatory environment, commissioning of required studies to support the transaction with the private operator are key components of the process that must be followed. In recent years a number of African countries embarking on reforms have sought to shorten the period of learning and doing by undertaking study tours to other countries that have gone through the same processes, particularly in West Africa. The interaction between countries and the experiences shared at the Kampala conference should further improve their ability to complete the PPP phase of the reform process within a reasonable time frame.

Options For Public-Private Partnerships (PPP)

A wide variety of options to define the degree and nature of private sector involvement exists. The conference focused on the complex issues of choosing the best partnership arrangement to balance increased efficiency, public interest and service, and prudent long-term management of the system's assets. There is general consensus on the need to increase the role of the private sector in service delivery, but no single model is appropriate everywhere. All PPP options should be carefully considered, with a clear understanding of the potential benefits, risks, advantages and disadvantages of each.

The Bidding Process

The quality of the bidding process is important for sustainability of the relationship with the private sector, and with financing and external support institutions. Whilst it is recognized that procedures may differ from country to country, it is noted that one way of reducing the time between bidding and signing of the contract with the private sector and ensuring greater transparency, is to have a draft contract that forms part of the bid documents. But signing the contract should not be an end in itself; indeed it is the beginning of an arduous and challenging relationship, which requires goodwill from both sides to achieve the ultimate objectives.

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 can best be served through the following processes:

- a) 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;
- b) 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;
- c) Take note that the poor are willing and have the capacity to pay for services that are adapted to their needs;
- d) 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. 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 lead 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.

Labor And Reform

Reform should recognize the legitimate concerns of utility workers and factor these into the decision-making process from the beginning. Labor should be considered as a partner in the reform process and decisions affecting workers must include their participation. Issues of retrenchment, redeployment, and retraining during the transition phase of PPP should be handled in a manner that does not make them victims of the reform.

Labor can also be a powerful ally in explaining the benefits of the reform to the general public. It is essential therefore that the utility workers themselves understand and appreciate the need for the reform.

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. Experience over the last twenty years has shown that at the local

level, women frequently do a better job of managing water and sanitation services, precisely because of their stake in the outcome and their understanding of the realities on the ground. Greater involvement of women at the policy-making level can yield similar returns. Careful analysis of the differing impacts of sector reform upon women, children and men is essential to avoid repetition of the mistakes of the past.

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.

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 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.

Where price increases to cover costs and improve service are planned, these 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.

The objectives of addressing the needs of the poor and ensuring cost recovery for utility companies are not in contradiction; well thought-out mechanisms for cross-subsidies, alternative service provision, and easing 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 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 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 percentage of unserved populations 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. The Ugandan Minister of Water, Lands and Environment, Hon. Henry Muganwa Kajura, was respectfully requested to work in concert with his colleagues present at the conference, to assist in bringing these findings and recommendations to the attention of African governments, regional groupings and the OAU.

This conference has demonstrated the value of learning from experience, and the key role that the Water Utility Partnership can play in promoting such change. The conference calls upon governments to provide sustained commitment to reform processes in order to ensure their success and long-term sustainability. It further calls on WUP to strengthen its efforts to facilitate the interaction between countries and sector professionals in order to promote exchange of experiences and lessons learned. In particular WUP was requested to consider the following activities as part of its current mandate:

- 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 at the conference. WUP will facilitate a workshop on water, sanitation and the urban poor later this year; similar meetings should be organized by WUP or by other partners around a range of other critical issues raised, but not resolved, at this conference. 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.

The *next regional conference* to take stock of the progress of reforms and their impact on the achievement of the Africa Water Vision is planned for 2005.

KAMPALA, 28 FEBRUARY 2001