

ENHANCING PRIVATE SECTOR PARTICIPATION IN RURAL WATER SUPPLY

An action-oriented study DFID KAR R8335

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Context

The number of people without an improved water supply in rural Africa is six times greater than that of the urban population. (WHO and UNICEF 2000).

Alongside a process of decentralisation of government powers the rural water sector in Africa and elsewhere is in transition:

- Governments are seeking to limit their role to that of facilitator and regulator
- Communities are being encouraged to take responsibility for their water supplies
- Finance is becoming increasingly channelled through local government.

The private sector and NGOs are increasingly seen as providers of skills and labour to communities and local authorities for the design, construction and maintenance of water supplies.

The economic climate in rural areas differs markedly from urban areas. Small rural-based businesses (artisans and traders), and not urban-based enterprises, may be most likely to find the rural business climate financially viable and be able to provide an affordable and sustainable service to rural communities.

To what extent is the rural-based private sector able and willing to provide services to communities and local authorities for developing and maintaining rural water supplies?

Is there an 'enabling environment' which can enhance the involvement of the private sector in rural water service provision?

Research Objective

To enhance the participation of the small-scale rural-based private sector in rural water supply service provision through the dissemination and uptake of best practice guidelines.

Working premise

In the light of sector trends enhanced participation of the private sector in service provision will lead to increased coverage of the rural population with improved water supplies. The research was designed to investigate institutional, legal and financial aspects

Target audiences

Potential target audiences include:

- Local government (councils and rural water departments)
- National government (rural water departments and agencies)
- Rural-based, small scale service providers
- Communities and vulnerable groups
- Local engineering institutions and in-country networks
- Donor agencies and NGOs

Project partners

- Intermediate Technology Consultants Ltd
- WaterAid in Ghana, Tanzania and Zambia
- The Community Water and Sanitation Agency (CWSA), Ghana
- Regional Water Engineer's Office, Dodoma Region, Tanzania
- Department of Infrastructure and Support Services (DISS), Zambia

Study areas



People without a water supply in the study countries

	Number of people without a water supply (000's)		Percentage of rural water supplies in working order
	Rural areas	Urban areas	
Ghana	6,355	1,008	35 %
Tanzania	13,048	2,204	70 %
Zambia	2,879	436	72 %
Total	22,282	3,648	

Source: WHO and UNICEF (2002). Global water supply and sanitation assessment 2000 report. World Health Organization and United Nations Children's Fund.



Demand

- Demand (the desire for services coupled with the ability to pay) is seen as the most important factor affecting private sector involvement. Demand can be driven by communities or engineered by Government.
- Demand from communities is presently low - limited by willingness and ability to pay.
- Demand from Government is also low - insufficient sector funding and insufficiently decentralised financial frameworks - but can and should increase substantially.
- In Ghana and Zambia the demand for services in rural areas is driven by communities.
- In Tanzania the Government is actively encouraging formal private sector participation in the operation and maintenance of rural water supply systems.

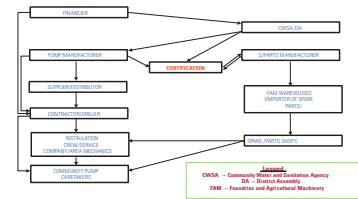
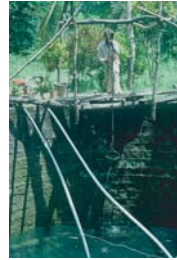


Institutional framework

- Responsibility must be established to help the relationship between the private sector and communities grow and work so that satisfaction is achieved. Making contracts workable will require hands-on management.
- A clear lead from central government is necessary if water supply coverage is to increase sustainably. PSP in the rural water sector can't yet be left to market forces.
- Local government should be supported in taking up the directions of policy and central government.
- Policies that establish principles and procedures are likely to be more effective than policies which set standards. At the same time government officers need to have the understanding and ability to use their discretion when applying policies on the ground.



Supply chain for pump and pump parts in Ghana



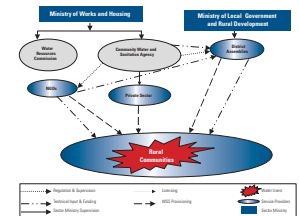
Livelihood analysis of small scale entrepreneurs in rural water supply sector in Zambia

Vulnerability context	Livelihood assets	Politics, Institutions, Processes	Livelihood Strategies
SHOCKS <ul style="list-style-type: none"> • Drought • Deaths • Witchcraft TRENDS <ul style="list-style-type: none"> • Migration • HIV/AIDS • Rising transport costs • Changes on economic environment (location) SEASONALITY <ul style="list-style-type: none"> • Droughts • Hunger (August to April) • Good harvest (May to July) 	PHYSICAL CAPITAL <ul style="list-style-type: none"> • Owned land • Rented land • Ox carts • Animals (cattle) • Bicycles • Shops • Farm tools, hoes, etc SOCIAL CAPITAL <ul style="list-style-type: none"> • Immediate family members • Extended families • The members of their villages • The traditional leadership (headman) • The social clubs in drinking places for men • Women's clubs • Water points (for women) FINANCIAL CAPITAL <ul style="list-style-type: none"> • Income from the daily sales of goods and services • Income from other activities like farming • Income from miscellaneous activities engaged in (e.g. general merchandising) NATURAL CAPITAL <ul style="list-style-type: none"> • Agricultural land • Rivers, streams • Trees • Natural products (honey, mushrooms, fruits) 	STRUCTURES <ul style="list-style-type: none"> • District business associations • Village banking groups • Traders associations • Co-operatives • Gov units specifically addressing needs of small scale entrepreneurs PROCESSES <ul style="list-style-type: none"> • No access to loans • Harsh banking conditions and loan regulations • Registration of businesses with authorities • Registration fees/requirements • Shift in govt. policy on technology type • Access to more information and training 	<ul style="list-style-type: none"> • Formation of business associations in related trades • Broadening market through improving information flow on services provided • Improving technological skills through training

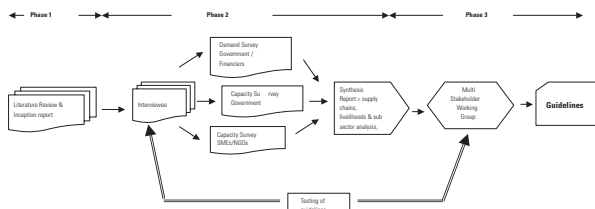
Legal framework

- The key role of law is in setting the objectives, acceptable levels and procedures to be followed
- The law is also the means to clarify and establish the legal basis for decentralised authority and responsibility for water supply and explicitly identify who should do what tasks. (eg. the government role in regulating small scale business).
- In general National laws do not as yet make such provisions for the involvement of the private sector
- National laws are difficult to change, so local solutions (eg by-laws) may be the way forward in the medium term.

Organisation of the rural water sector in Ghana



Project process



Phase 2 survey findings

The surveys provide a 'snapshot' of private sector involvement in rural water supplies.

Private sector capacity

- Small service providers do exist in rural areas; they are almost all male.
- They are usually members of the communities within which they live and work.
- Services rendered to communities supplement other forms of income generation - usually subsistence farming.
- Training, access to small scale finance and information on market opportunities are lacking.

Financial framework

- Government financial frameworks are not yet providing sufficient opportunities for paid work for small service providers in rural water supply.
- There is a significant need for clear procedures and monitoring to be put in place that ensure that funds for rural water do flow from central government to local government and that procurement takes place at local level.
- Small operators have great difficulty in obtaining capital. Innovation in rural credit schemes is required to enable access for small operators without significant collateral to appropriate levels of working capital.

Phase 3

- Country-specific best practice guidelines were produced by the Multi-stakeholder Working Group in each country, tested with target audiences, synthesised into generic guidelines and disseminated in Phase 3 of the study.

The future

- Short term - Donor interest and finance is most likely to be the driver for PSP in the near future. At present investment is low and donor commitment is uncertain.
- Mid term - it is likely to be public funds awarded through government contracts and ultimately by direct engagement by the public.
- Pilot programmes are required which implement and test policies, administrative and financial procedures for involving small service providers in order to learn and better understand needs of the parties.

Publications

M Woodhouse, P Baur and O Walklin (2004) The legal, institutional and financial framework to enable small-scale service provision of rural water supplies in Africa. Proc. Good Water Governance for People & Nature: What Role for Law, Institutions, Science & Finance, 29 August-2 September 2004, International Water Law Research Institute, University of Dundee and American Water Resources Association.

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Project outputs are available at www.ruralwaterpsp.org

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