Turning off the taps

Donor conditionality and water privatisation in Dar es Salaam, Tanzania

actionaid international

Abbreviations

ADB	African Development Bank
BW	Bournemouth Water
CAS	Country Assistance Strategy
DAWASA	Dar es Salaam Urban Water and Sewerage Authority
DFID	Department for International Development
DWSSP	Dar es Salaam Water Supply and Sanitation Project
ECGD	Export Credit Guarantee Department
EIB	European Investment Bank
ESAF	Enhanced Structural Adjustment Facility
ESRF	Economic and Social Research Foundation
EWURA	Electricity and Water Utility Regulatory Authority
IFI	International Financial Institution
IMF	International Monetary Fund
HIPC	Heavily Indebted Poor Country
MLWD	Ministry of Water and Livestock Development
MP	Member of Parliament
NGO	Non-governmental Organisation
OFWAT	Office of the Water Regulator
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
PSRC	Presidential Parastatal Sector Reform Commission
PSAC	Programmatic Structural Adjustment Credit
REPOA	Research on Poverty Alleviation in Africa
TA	Technical Assistance
TANGO	Tanzanian Association of Non-governmental Organisations
TGNP	Tanzania Gender Networking Project
Tsh	Tanzanian Shilling
UK	United Kingdom

Executive summary

For twenty years, aid donors have been pushing poor countries to privatise their basic services and liberalise their economies. Conditions attached to aid and debt relief have been combined with technical assistance and other forms of 'knowledge transfer' to ensure that recipient countries comply with donor demands.

Today, donors argue that they have changed their approach and that 'conditionality' has been replaced by 'ownership'. They say that a dogmatic insistence on neo-liberal policies, such as privatisation, has been replaced by poverty reduction strategies and pro-poor growth.

However, ActionAid's new research on donor conditionality and water privatisation in Tanzania shows that little has changed on the ground. Donors are still using their influence to push poor countries into privatising basic services such as water, with little concern for the views of the public or poor people's needs.

ActionAid's new report shows that:

- **Donors are still applying pressure:** pressure from donors, in particular the World Bank, has been crucial in pushing the Tanzanian government to privatise the water system in the former capital, Dar es Salaam. Donors have applied both 'hard' pressure, in the form of conditions attached to aid and debt relief, and 'soft' pressure, through technical assistance, 'privatisation friendly' consultancies and other forms of policy advice.

- **Public opposition was ignored:** donors have continued to push for water privatisation despite widespread public opposition. There has been very little meaningful public participation or consultation, limited public debate, and no transparency around the privatisation process. Even the country's elected MPs have been kept largely in the dark.

- **The risk is still carried by the public sector:** far from bringing in private capital and sharing risk, City Water, the private company now running the water system, is contributing only a fraction of the money needed to repair it. Risk remains largely with the public sector.

- **Costs have increased, while quality remains poor:** since City Water took over, water tariffs have increased substantially, but water quality has not improved. Whole areas are being cut off because a few households fail to pay their bills. Customers continue to receive bills without receiving water, sometimes resulting in City Water bill collectors being 'chased away with dogs and knives'.

- **Poor people are being marginalised:** neither the World Bank, nor the government, nor City Water, have paid much attention to the needs of poor men and women. Higher tariffs mean that people living in poorer areas without water connections are likely to face higher water bills from their neighbours and water vendors. City Water's 'pro-poor' measures are paltry and tokenistic compared to the scale of unmet needs. In fact, donor resources, and the Tanzanian government's current and future tax revenues, will be used to fund a project in which 98% of the money will be spent on the richest 20% of the population.

ActionAid believes that it is time for donors to stop tying aid and debt relief to risky and unproven economic reforms, such as water privatisation. Donor conditionality should be limited to what is necessary to ensure that aid money is spent on the people it is intended to benefit. Donors also need to give countries the space to develop local solutions which meet poor people's needs.

Introduction

Two decades after the explosion in economic policy conditions of the early 1980s, there is a growing recognition amongst both donors and recipients that economic policy conditionality has failed. Conditionality-heavy 'structural adjustment' programmes have supposedly been replaced with models based on 'country ownership' and 'participation'. While donors still attach conditions to their aid, they now argue that these are mainly designed to help the country implement locally developed Poverty Reduction Strategies (PRS). Neo-liberalism and market orthodoxy have, it is claimed, been replaced with an emphasis on poverty reduction and pro-poor growth.

Romilly Greenhill/ ActionAid UK

A child takes time off school to collect water in Magomeni, Dar es Salaam

Yet ActionAid's research in Tanzania suggests that the new 'ownership' based model of development aid is far removed from the reality on the ground. Despite its history of collectivism and self-reliance, Tanzania is now one of the most donor dependent countries in the world. With donor aid accounting for 41%[1] of all government spending, donors potentially have substantial leverage over the country's policy choices. Tanzania is also categorised as a Heavily Indebted Poor Country (HIPC), with a debt stock which in 2000/01 stood at two and a half times its annual revenues[2]. Recent debt relief under the HIPC initiative has brought a welcome reduction in the country's debt burden – but only in exchange for a new set of policy conditions.

Our research shows that donor agencies are still using their influence to push for substantial policy change in Tanzania. One of the clearest examples of this is the case of water privatisation in the country's largest city, Dar es Salaam. Donors have long been advocating privatisation of the Dar water system[3], both through the funding of 'privatisation friendly' technical feasibility studies and technical assistance, and through more formal conditionality. Since at least 1997, the World Bank and the IMF have included conditions within their aid programmes related to the divestiture of Dar es Salaam Urban Water and Sewerage Authority (DAWASA), the semi-autonomous government body previously responsible for running the water supply system. Tanzania's donors and creditors stepped up the pressure in March 2000, when the 'signing of a concession agreement assigning the assets of DAWASA to private management companies'[4] was included as a condition for badly needed debt relief under the HIPC initiative[5]. When lack of investor interest meant that Tanzania was unable to comply with this condition, donors agreed to waive it, only to push for a weaker form of privatisation through a new project loan.

1 *Budget 2004 Commentary, Price Waterhouse Coopers, 2004.*

2 *Country Profile on Tanzania, Jubilee Research, 2001*

3 *The World Bank claims that privatisation means only the full divestiture of public assets to the private sector. In ActionAid's view, a more meaningful definition would cover situations where the private sector has assumed management responsibility and substantial control has been taken out of public hands, for example, through a concession or lease contract.*

4 *Decision point document under the enhanced heavily indebted poor countries (HIPC) initiative, IDA/IMF, 2000.*

5 *Ibid.*

By 2003, Tanzania had complied with donor demands, and City Water, a joint venture between British, German and Tanzanian firms, had taken over responsibility for operating the water system, billing, tariff collection and routine maintenance. DAWASA, backed by a $143m loan from the World Bank, the African Development Bank (ADB) and the European Investment Bank (EIB)[6], has retained responsibility for rehabilitating and expanding the water network, although some of the works under the project will be subcontracted to City Water.

ActionAid's research, based on desk studies and interviews with more than 20 Tanzanian government officials, non-governmental organisations (NGOs), donors, think tanks and private companies in Dar es Salaam in June 2004, found that:

- Donor pressure has been crucial in pushing the government to privatise the water system in Dar es Salaam;
- There has been very little public discussion or consultation about the reforms;
- Most Tanzanians are opposed to the privatisation process;
- The reforms are unlikely to meet their stated objectives; and
- Poor people's needs – particularly those of poor women – have been largely ignored in the reform design.

[6] *The total value of the Dar es Salaam Water Supply and Sanitation Project (DWSSP) is $164m, of which roughly $20m is being funded by City Water and DAWASA. The three donors involved are lending $143m between them.*

Water privatisation in Dar es Salaam – the role of donors

Background to the water system in Dar es Salaam

Before privatisation, the water system in Dar es Salaam was hardly a model of public sector efficiency. Until 1991, the Tanzanian government provided water in the capital at no cost, apart from in some high income areas. The system was unsuccessful, leading to disrepair, a lack of investment, high levels of wastage, and very poor levels of service coverage. In an attempt to improve the situation, the government developed a new National Water Policy in 1991, removing government subsidies for water utilities and prescribing that they should eventually become self-financing. As part of this strategy, the semi-autonomous DAWASA was created in 1997.

DAWASA proved to be no better than its predecessor, and the wastage and disrepair reached crisis levels. The water system had failed to keep up with population growth in the city, and by 2003 only 98,000 households in a city of 2.5 million people had a direct water connection[7]. Only 26% of water was being billed, 60% was lost through leaks, and a further 13% through unauthorised use, illegal taps and non-payers. Even those with connections only received water irregularly, and the water quality was poor. In low income areas, the vast majority of households had no water connection at all, relying instead on buying water from kiosks, water vendors or their neighbours, at more than three times the price[8].

The initial proposal for reforming the system was to move DAWASA to a concession; a form of 'quasi-privatisation' whereby DAWASA's assets and responsibility for all its functions would be transferred to the private sector. In the initial bidding round, however, there was a lack of government and donor clarity about what kind of arrangement was being sought. No bids were accepted, as no bidder was willing to provide the kind of money and take on the risks required to invest in a water system that had suffered decades of neglect. The government scaled back its plans and instead proposed an 'operating lease contract', in which a private operating company would take over responsibility for billing, tariff collection, operation and routine maintenance. DAWASA would retain ownership of its assets and rehabilitate and expand the network. In the new bidding process, however, only one bidder came forward: City Water, a joint venture of BiWater (UK), Gauff (Germany) and Superdoll (Tanzania). Despite the lack of competition, the contract was awarded in December 2002. Three donors – the World Bank, EIB and ADB – are providing Tanzania with a $143m loan for rehabilitating and expanding the network. Out of this, $40m will be used to subcontract City Water to undertake specific delegated works[9].

The Dar system is therefore a complex mixture of public and private service provision. City Water bills customers and shares the profits raised with DAWASA under a formula agreed in the lease contract. The vast majority of the financing – $143.5m of the total $164.5m project cost – will continue to come from donors. DAWASA will provide $12.5m through internal cash generation. City Water, the private operating company, is only bringing in $8.5m, mostly to cover removable assets, such as computers[10].

It has been suggested that the long-term plan will be moving DAWASA to a concession once the initial 10 year lease arrangement comes to an end[11]. One of the key aims of the $143m donor loan will therefore be to make DAWASA and its assets more attractive to private sector investors, although who will have responsibility for paying back the loan in this case remains unclear[12].

Water privatisation in Dar: the role of donor conditionality

Donors, most notably the World Bank and the International Monetary Fund (IMF), have long been pressurising Tanzania to privatise key public enterprises, either through the conditions attached to their lending programmes, or by setting progress in privatisation as a trigger for high or low case lending. In the World Bank's Country Assistance Strategy (CAS) for 1997, for example, three different lending scenarios were presented: If Tanzania sped up the divestiture of parastatals, including public utilities, it would

7 *Prospects for the poor: Water reforms and private sector participation in Dar es Salaam, Tanzania, WaterAid Tanzania, 2003.*

8 *Water reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2003.*

9 *Interview with City Water, 15th June 2004.*

10 *Project appraisal document on a proposed credit in the amount of SDR45 million ($61.5m) to the United Republic of Tanzania for the Dar es Salaam Water Supply and Sanitation Project, World Bank, 2003.*

11 *This was suggested, for example, by both DAWASA and City Water.*

12 *Dubious Tanzania Water Privatisation Increases Debt, Afrol News, 2002.*

receive $300m per year under the 'high case' lending scenario, compared to a baseline scenario of only $200m. Conversely, if parastatal divestiture stalled, the Bank would only lend $100m per year. This provided cash-strapped Tanzania with a $200m incentive to privatise as quickly as possible[13].

By the late 1990s, specific references to the privatisation of DAWASA were appearing as conditionalities for new aid and debt relief. The IMF was the first to do so, including the 'completion of evaluation of financial proposals for DAWASA and beginning final negotiations' as an indicative structural benchmark in the 1998/9 third Annual ESAF arrangement[14]. The 2000 Programmatic Structural Adjustment Credit (PSAC), agreed in 2000, also included specific conditionalities on bringing DAWASA to a point of concession/lease[15].

Most importantly, in 2000, World Bank and IMF officials decided to include the privatisation of DAWASA – under a concession agreement that would assign its assets to a private management company – as a condition for the country receiving HIPC debt relief. Meeting this conditionality would reduce Tanzania's debt service burden by $3bn over time, or between one half and one third each year[16]. Moreover, the 2000 Country Assistance Strategy also required Tanzania to meet all conditions for HIPC debt relief in order to qualify for the baseline lending scenario of $260m each year between 2000 and 2003. If Tanzania failed to meet the triggers on schedule, Bank lending would fall to only $100m per year[17].

Tanzania did not manage to sign a concession agreement for DAWASA, largely because no bidder was prepared to take on the risks and invest the money that the project required. The country did not meet the HIPC trigger, but Tanzania's creditors granted a waiver and provided debt relief anyway. But this did not mean that they were letting up the pressure. Conditions relating to the signing of a concession agreement disappeared from project and programme documents, but a watered down form of privatisation – a lease contract – was pushed instead through the $143m Dar es Salaam Water Supply and Sanitation Project (DWSSP), which includes as a sub-component the signing of a lease contract with a private operating company. This project lending may differ from traditional programmatic conditionality, but it remains a form of conditionality: Money was needed in the water sector and it was clear to the government that the World Bank in particular would only have lent money for a project involving private sector participation. The cash-strapped Tanzanian government, faced with a failing water system, had little choice but to accept money under the Bank's terms.

Decisions about whether to include privatisation conditions in World Bank and IMF loans and HIPC debt relief were taken largely by Bank and Fund staff. However, it must be remembered that all loan documents pass through the Boards of the Bank and Fund. Executive Directors representing shareholder countries, including the UK, are central to approving loan agreements and their associated conditions.

'Soft power' – policy influence through technical advisors, consultancies and policy advice

As well as using 'hard' conditionality, donors have also exerted substantial influence over the direction of public sector reforms through the use of 'soft' conditionality: Technical assistance, consultancies and other forms of policy advice.

Donors, in particular the World Bank, have lent Tanzania an enormous amount of money to fund technical assistance (TA) to support the privatisation process. In 1993, the Bank gave Tanzania a $34.9m loan to purchase TA for privatisation promotion under the Parastatal and Public Sector Reform Project[18]. This was followed in 1999 by a further $25.4m loan to provide technical assistance and advisory services for the 'preparation and execution of public enterprise divestiture transactions'[19]. Of this total, no

[13] *Memorandum of the President of the International Development Association to the Executive Director on a country assistance strategy of the World Bank Group for the United Republic of*

[14] *Letter of intent for third annual ESAF arrangement 1998/99, government of Tanzania, 13th July 1999.*

[15] *Tanzania: Programmatic structural adjustment credit, release of the short term tranche – full compliance, World Bank, 30th December 2002.*

[16] *Decision point document under the enhanced heavily indebted poor countries (HIPC) initiative, IDA/IMF, 2000.*

[17] *Country assistance strategy for Tanzania, World Bank, 2000.*

[18] *World Bank website project database.*

[19] *Project information document - Tanzania privatisation and private sector development project, World Bank, 1999.*

less than $1.3m was spent on contracting the Adam Smith Institute, a British free market think tank, to undertake a public awareness campaign extolling the virtues of privatisation[20]. Ensuring public support for privatisation was clearly a key part of the World Bank's TA strategy in Tanzania. According to World Bank documentation, 'the risks of wavering government commitment to an efficient and transparent divestiture process, undermined by undue influence of powerful vested interests, must be considered as significant. *...these risks are to be addressed to the extent possible principally through the provision of considerable technical assistance* aimed at increasing understanding within government, and more generally, of the implications of various policy options'[21].

As well as public awareness campaigns, World Bank TA has been used to specify the details of the reform.

According to WaterAid Tanzania, donor pressure to privatise started as far back as the early 1990s, with the first of a set of five donor-funded technical feasibility studies prepared between 1991 and 1995, which helped to pave the way for privatisation[22]. According to DAWASA officials, all the details of the DWSSP were determined by Elmcrest, an international consultancy firm, in partnership with MMK projects, a Tanzanian firm, under a World Bank funded consultancy project[23]. Such details included politically charged issues about which parts of the water network should be rehabilitated first. The World Bank subsequently contracted Severn Trent International to prepare the final bidding documents for the private operator[24]. Severn Trent, a UK company, has a dubious success record in providing water within the UK, and also saw its contract in Trinidad and Tobago expire without renewal after it failed to make the island's water authority financially viable[25].

Box 1: The UK government and privatisation in Dar es Salaam

While the World Bank has been the primary champion of privatisation in Tanzania, the UK government has undoubtedly played a strong supporting role. Since 1998, the Department for International Development (DFID) has spent £9.5m on supporting privatisation in Tanzania. This includes a contract of at least £66,000 with Adam Smith International to fund study tours promoting water privatisation in other countries, and a further £1m on 'scoping studies and statistics'. To this day, DFID is funding a technical advisor with the Presidential Parastatal Sector Reform Commission, who is instrumental in driving privatisation reforms.

The UK has also promoted water privatisation in Dar es Salaam in other ways. In June 2003, for example, the UK's Export Credit Guarantee Department (ECGD) insured BiWater, a British company, to the tune of £2m against risk of expropriation by the Tanzanian government, war, and restrictions on profit remittances. If the Tanzanian government decides to cancel BiWater's contract and expropriate its resources, or places restrictions on its ability to take profits out of the country, the ECGD will compensate BiWater for their losses. Eventually, however, the ECGD will charge the Tanzanian government for any payout made. While BiWater is doing its best to minimise its own risk, Tanzania risks having a further £2m added to its debt burden.

[20] *World Bank project database.*

[21] *Project information document - Tanzania privatisation and private sector development project, World Bank, 1999.*

[22] *Water Reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2003.*

[23] *Interview with DAWASA, June 21st 2004.*

[24] *Project appraisal document on a proposed credit in the amount of SDR 45 million ($61.5m) to the United Republic of Tanzania for the Dar es Salaam Water Supply and Sanitation Project, World Bank, 2003.*

[25] *David Hall, Water in Private Hands, ATTAC, February 24, 2002.*

'Donorship' or 'ownership'?

Under the new rhetoric of 'partnership' and support for 'locally owned development strategies', donors now claim that their conditionality only helps governments to undertake reforms that are locally owned and developed in the context of Poverty Reduction Strategy Papers (PRSPs). However, the Tanzania story shows that this is far from being the case.

First of all, Tanzania's PRSP contains no real reference to the importance of water privatisation, except as part of a commitment to increasing cost sharing and co-financing for public utilities. Instead, the PRSP makes clear the continued influence of the World Bank and IMF in particular over Tanzania's policies, stating that 'the poverty reduction strategy is to a large extent an integral part of ongoing macroeconomic and structural reforms that are being supported by Tanzania's multilateral and bilateral partners'[26]. The interim PRSP does include a commitment to bring DAWASA to a point of concession, but there is no discussion of why this is justified, apart from the fact that it is a condition for reaching the HIPC Completion Point. The 2000/01 PRSP progress report makes this clear, listing as part of the government's reform agenda 'meeting the conditions for the HIPC Completion Point'[27].

Admittedly, in Tanzania 'the government was not dragged into water privatisation kicking its feet', as one NGO observed[28]. Within the government, many officials have expressed strong support for the privatisation process. Senior officials within the Ministry of Livestock Development (MWLD), for example, described the private sector involvement as 'seriously welcome'[29], while staff at the Presidential Parastatal Sector Reform Commission (PSRC) thought that private sector involvement was 'essential for the success of the water sector'[30]. Politicians have also made public announcements extolling the virtues of utility privatisation[31].

However, all of those interviewed agreed that the World Bank was instrumental in pushing for the reforms and determining what form they should take[32]. This much is clear, even from the language used by the donors. World Bank staff in Dar es Salaam, for example, described the inclusion of Dar water privatisation as a HIPC Completion Point trigger as a 'carrot' to encourage policy change. In their view, the country needed the money and the reforms were needed to make sure it did not slip back into debt[33]. World Bank documentation also refers to a 'high risk [of] inadequate government commitment to necessary reforms' in the area of public enterprise privatisation[34]. DFID staff were also clear on the dominant role of the World Bank, describing a 'hegemony of views'[35] around water reforms, with narrowly defined policy options and discussion of alternatives only taking place at the margins. The DFID-funded technical advisor within the Parastatal Sector Reform Commission, for example, agreed that 'donors are of course able to influence. They bring in experts'[36].

The World Bank's dominant role was also confirmed by MLWD officials. One senior official observed that 'donors come and talk about water in Zambia, water in Sweden. Well, I have never been to Sweden and I have never looked at water in Zambia, but they still use this to make suggestions about our policy. The World Bank will often bring the *aide memoire* already written and present it to me with no time to digest'. Another official noted that 'some donors come with big money and this can skew priorities'[37].

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[26] *Tanzania poverty reduction strategy paper, government of Tanzania, 2000.*

[27] *PRSP progress report 2000/01, government of Tanzania, 2001.*

[28] *Interview with NGO Policy Forum, 17th June 2004.*

[29] *Interview with Ministry of Water and Livestock Development, 15th June 2004.*

[30] *Interview with Presidential Parastatal Sector Reform Commission, 21st June 2004.*

[31] *For example, Speech by Hon. Edward N Lowassa (MP), Minister for Water and Livestock Development at the Handing Over Ceremony for DAWASA activities to City Water Services Ltd, 1st August 2003; Speech by the Hon. Edward Lowassa (MP), Minister for Water and Livestock Development at the DAWASA Lease Contracts Signing Ceremony at the Royal Palm, Dar es Salaam , 19th February 2003*

[32] *Interview with WaterAid, 18th June 2004.*

[33] *Interview with World Bank staff in Dar es Salaam, 14th June 2004.*

[34] *Project information document - Tanzania privatisation and private sector development project, World Bank, February 1999.*

[35] *Interview with DFID staff in Dar es Salaam, 16th June 2004.*

[36] *Interview with PSRC, 21st June 2004.*

[37] *Interview with MWLD officials, 15th June 2004.*

Local observers from NGOs and think tanks are also clear about who has been the driving force behind the privatisation. The Tanzania Gender Networking Project (TGNP), said that 'the design of the privatisation, like in most African countries, has been imposed from above. Donors have been at the forefront of shaping, designing and imposing policy reform packages'[38]. The Tanzanian Association of NGOs agreed that 'the government wants to have a good name before the IFIs [international financial institutions]. It does more what the donors want to do'[39]. The think tank Research on Poverty Alleviation in Africa (REPOA), went even further, arguing that 'absolutely everything happens because of donors… Where did privatisation come from, if not from donors?'[40]. Local community groups were also aware of the pressure donors put on their government. According to members of one such group, 'the IMF have got money – our leaders are fed by them'[41].

Ownership for the many, or for the few?

Despite the emphasis on public participation and consultation within donor agencies' policy statements, the Dar water privatisation process has involved virtually no meaningful public participation, nor public discussion of policy alternatives[42]. Unlike the PRSP, the government's National Water Policy does include references to water privatisation and states that it was put together in a 'participatory manner involving all water resources stakeholders'[43]. This, however, was not the perception of relevant NGOs. TGNP, for example, observed that 'the public debate has never happened'[44]. WaterAid confirmed this, noting that 'community awareness of the privatisation process taking place was extremely poor… More than half of those interviewed did not know it was going on'[45]. Local members of the Africa Youth for Development group agreed that 'No one comes to ask. People don't know about the water policy and what it is. They don't know at the local level'[46]. A household interviewee, Mrs Hassan from Tabata, Dar es Salaam, captured what seemed to be a common sentiment: 'People have not been involved in discussions. Discussions take place between people of high rank. Normal people are not involved'[47]. In particular, it is clear that there was no public discussion about the alternative policy options[48].

The consultation that did take place was mainly aimed at informing people about what had been decided, rather than seeking any meaningful input. This is clear, even in the language used by donors and the government. A senior DAWASA official, for example, described 'a number of consultations with stakeholders to *make sure they understood what the government intends to do*'[49], while the World Bank said they had employed a consultant to do a stakeholder analysis to look at issues arising from the privatisation *'and how they could be mitigated'*[50]. Even the government's National Water Policy proposes to run *'public campaigns to enlighten the public on the objectives of Private Sector Participation'*[51]. Local NGOs have reportedly held 'difficult' meetings with the government on the privatisation process and many NGOs complain vociferously that all decisions had been taken before they

[38] *Interview with Tanzania Gender Networking Project (TGNP), 17th June 2004.*
[39] *Interview with TANGO, 15th June 2004.*
[40] *Interview with REPOA, 18th June 2004.*
[41] *Interview with members of Africa Youth for Development 17th June 2004.*
[42] *Interview with TANGO, 15th June 2004; Interview with the NGO Policy Forum, 17th June 2004; interview with WaterAid, 18th June 2004; interview with Economic and Social Research Foundation (ESRF), 21st June 2004.*
[43] *National water policy, p 6, Tanzania Ministry of Water and Livestock Development, 2002.*
[44] *Interview with TGNP, 17th June 2004.*
[45] *Water Reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2003.*
[46] *Interview with members of Africa Youth for Development, 17th June 2004.*
[47] *Meeting with women at the Tenger Gender Resource Centre, Tabata, 17th June 2004.*
[48] *Interview with WaterAid, 18th June 2004.*
[49] *Interview with DAWASA official, 21st June 2004.*
[50] *Interview with World Bank officials, 14th June 2004.*
[51] *National water policy, Tanzania Ministry of Water and Livestock Development, 2002.*

were even consulted[52]. Even the country's elected MPs have been marginalised in the process. According to one MP, 'the truth is that we are not against privatisation and we amended the water law but we are not happy with the way it was done. We feel ownership of our development programmes has been taken to Washington and the Bretton Woods institutions'[53].

The World Bank, however, appears to have had little problem with the lack of public participation in developing the reforms. This is surprising given the emphasis on participation and consultation in the World Bank-led Poverty Reduction Strategy process. The World Bank has even seen public participation as somewhat antithetical to the reforms' main aim, which is, in their view, to 'provide a barrier against bad politics'. For World Bank officials, 'Tanzania has bad politics', and the government has in the past 'played politics with water'[54]. Privatisation is therefore seen as a technical fix, a way of reducing political control over water and transferring management to the supposedly apolitical private sector. Participation and consultation represent the risk that 'politics' will be brought back in.

In addition to the lack of public participation and debate, the reform process has been kept totally hidden even from those wanting to engage with it[55]. Privatisation documents have remained so confidential that not even Members of Parliament have had an opportunity to look at them[56]. Local NGOs have found it hard to assess the reform's potential impacts because of secrecy surrounding both the bidding process and the content of the final lease agreement. When DAWASA and the PSRC were approached for information by WaterAid Tanzania, both were unforthcoming[57]. This has made it more difficult for local stakeholders to monitor the performance of either DAWASA or City Water.

Limited public support for privatisation

Most NGO and think tank observers agree that there was little public support for privatising the running of Tanzania's water system[58]. Many see the lack of public discussion and consultation as a deliberate government strategy, because it knew that the public would oppose the reforms if fully consulted. According to one local NGO, the government spent years conditioning the public to think that privatisation was 'bad', and that the state should be responsible for providing public services[59]. The government could therefore not risk consulting the public on a privatisation reform that it knew had to be implemented in order to get debt relief. The Economic and Social Research Foundation (ESRF) believes that public consultation would inevitably show that people want water to be provided for free, or cheaply. Yet free water would not generate revenues to repay foreign loans[60]. MPs felt that if there had been more public consultation, alternatives to privatisation would have been suggested, and the government might have been put to task for failing to spend enough money on repairing the water system[61].

According to local stakeholders, water privatisation involved two key points of contention. Firstly, there were concerns that privatisation would lead to a greater dominance of foreign investors, with local investors unable to compete. Profits would therefore leave the country rather than being used to benefit Tanzanians[62]. According to TGNP, for example, privatisation is not bad in essence,

[52] *Interview with TANGO, 15th June 2004; Interview with NGO Policy Forum, 17th June 2004; Interview with WaterAid, 18th June 2004.*
[53] *Interview with an MP from the CCM party, 19th June 2004.*
[54] *Interview with World Bank officials, 14th June 2004.*
[55] *Interview with NGO Policy Forum, 17th June 2004; Interview with ESRF, 21st June 2004.*
[56] *Interview with WaterAid, 18th June 2004.*
[57] *Ibid.*
[58] *Interview with DAWASA, 21st June 2004; Royal Netherlands Embassy; 16th June 2004; Haki Elimu, 16th June 2004; Interview with ESRF, 21st June 2004.*
[59] *Interview with NGO Policy Forum, 17th June 2004.*
[60] *Interview with Economic and Social Research Foundation (ESRF), 21st June 2004.*
[61] *Interview with a MP from the Tanzania Labour Party, 18th June 2004.*
[62] *Interview with Royal Netherlands Embassy, 16th June 2004.*

but it is bad if it does not give special concern to local investors. For one TGNP researcher, 'lots of profit has been made out of privatisation and this profit is going to enrich foreigners'[63]. MPs agreed with this point. One MP argued that 'the end goal of privatisation should be to build capacity of the nationals to participate in the global development agenda, not to bring those who are already there to reap from our inability to serve ourselves until they get tired and go, leaving us poorer than they found us'[64].

Secondly, those interviewed raised concerns about whether privatisation would increase water costs and make it more difficult for poor households to access safe water[65]. For some, this was linked to a fear that water would be 'commoditised', seen as something that can be bought and sold, rather than as an essential for human life. Many interviewees felt that most people in Dar es Salaam were too poor to be able to pay the full cost of water. They worried that private firms would try to make a profit at the expense of the poor. Local young people at the *Africa Youth for Development* group in Dar es Salaam expressed what seemed to be a common sentiment: 'Water used to be a service, but with privatisation it seems that water is going to be a business. If people can't afford water they won't get it… We do not want businessmen to run the water system'[66].

[63] *Interview with TGNP, 17th June 2004; Interview with Haki Elimu, 16th June 2004.*
[64] *Interview with an MP from the Chadema party, 18th June 2004.*
[65] *Interview with the Economic and Social Research Foundation, 21st June 2004.*
[66] *Interview with members of Africa Youth for Development, 17th June 2004.*

The privatisation process: will it meet its objectives?

Among the various rationales put forward for privatisation, three were mentioned most often[67]:

- Bringing in new money and relieving the government budget;
- Improving the management of the water system in order to increase efficiency in service provision;
- Improving access to water, especially for poor people.

While it is too early to gauge the full impact of the reforms, early indications show that the project is unlikely to meet these objectives. Firstly, far from bringing in private investment, the project will instead require the already debt-burdened Tanzanian government to take out a $143m loan. In contrast, City Water will only bring in $8.5m, mostly to cover removable assets, while DAWASA itself will put in a further $12.5m. The Ministry of Finance is giving 60% of the project's value to DAWASA in the form of a grant, while 40% is being provided as a loan – presumably to be repaid out of higher tariffs. According to World Bank projections, the interest paid by DAWASA on the loan, plus the tax increases paid by City Water and DAWASA, should mean that the overall impact on the Tanzanian budget is slightly positive over the total length of the project[68]. However, City Water officials told us that they have already been granted a tax holiday by the Tanzanian government until at least year six[69]. If the project remains unprofitable, it seems possible that the government will decide to extend the tax holiday. If City Water and DAWASA fail to pay their tax contributions, the Tanzanian government risks being saddled with yet more debt. Overall, City Water is neither bringing in private capital, nor is it removing much of the risk from the public sector.

The second rationale for privatisation – to increase management efficiency within the water system – is much more likely to be met. The water system has started from such a low base that City Water could hardly fail to improve management efficiency and run the system more effectively. However, it is also likely that management efficiency could have been increased in other ways while retaining public sector ownership and control. For example, incentive structures within DAWASA could be changed, or private sector management expertise brought in through a management contract. One observer noted that other semi-autonomous water authorities around the country had been successfully reformed, and that similar changes could have been attempted in DAWASA. Others felt that DAWASA could have been reformed and the water infrastructure upgraded if it had been given enough financial support[70].

One key rationale for privatisation is that competing bidders can be selected on the basis of their track record and cost efficiency. Tanzania had no such option, as only one firm came forward to bid: City Water, a joint venture of the British firm BiWater, the German Gauff and Tanzanian Superdoll. Tanzania signed the contract despite BiWater's reputation for providing sub-standard levels of service, corruption, price hikes and over-charging *(see Box 2 overleaf)*.

It is also far from clear that the government has the capacity to effectively regulate City Water, nor make sure that consumers' needs are taken into account. Many promises have been made that regulatory structures will be set up, such as consumer councils, but so far none are in place[71]. Even the Electricity and Water Utility Regulatory Authority (EWURA) has not yet been established, leaving the over-stretched Ministry of Water and Livestock Development with sole responsibility for regulation.

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[67] *Interview with MWLD officials, 15th June 2004; interview with PSRC officials 21st June 2004.*

[68] *Project appraisal document on a proposed credit in the amount of SDR45 million ($61.5m) to the United Republic of Tanzania for the Dar es Salaam Water Supply and Sanitation Project,World Bank, 2003.*

[69] *Interview with City Water, 15th June 2004.*

[70] *Interview with ESRF, 21st June 2004.*

[71] *Interview with MLWD officials, 15th June 2004.*

Box 2: BiWater – a byword for failure?

BiWater is a private British company, wholly controlled by Adrian White, one of the richest men in Britain with an estimated fortune of £68m. It is also one of the world's largest water companies, and one of those with the worst reputation.

In **Bournemouth, UK,** Bournemouth Water (BW), BiWater's UK operation, has consistently been rated by OFWAT, the UK's water regulator, as among the worst performing water companies. In 1997/8, not long before the Dar deal was signed, BW's performance was deemed to 'need improvement', and OFWAT wrote to the company demanding an explanation for their poor performance. The UK Drinking Water Inspectorate also served an order on BW in April 1997 over its failure to begin construction of a new disinfectant plant. According to officials, this was necessary to 'protect the public drinking the water in the local areas'. BW finally complied with the order nearly two years later.

In **Nelspruit, South Africa,** BiWater failed to bring in the capital expected under the concession, tripled water rates and refused to expand access because of fears the company would not make enough profits. As BiWater officials explained, 'what is the point of pumping money in while we are not sure of cost recovery?'. Even where water was made available, it was provided only occasionally, and households were charged for water even when it wasn't available. There was an increase in disconnections, disconnections were performed illegally with no advance notice to households, and communities did not receive the 6,000 litres of free water they were entitled to under the agreement.

In **Puerto Vallarta, Mexico,** the World Bank has noted 'operational, financial and political difficulties' with BiWater's sewerage concession.

In **Bangalore, India,** BiWater was essentially thrown out of a project in 2001 after winning the contract. The government determined that BiWater was charging too much for water and also made allegations of 'financial irregularities'.

BiWater's deals in **Malaysia and Nigeria** have also been the subject of disputes over satisfactory completion.

BiWater was one of the major beneficiaries of the UK's **Aid and Trade Provision** during the Thatcher era, which offered countries aid in return for arms deals. According to South Africa's *Mail and Guardian* newspaper, BiWater's contracts 'included projects in Malaysia, Sri Lanka and Thailand – some linked to efforts by the British government to sell advanced defence equipment to these countries'.

BiWater, Public Services International Research Unit (PSIRU), 1998; BiWater II, PSRIU, 2003; BiWater – A Corporate Profile, Public Citizen, 2003; Report on levels of service for the water industry for England and Wales, 1997/8-2002/03, OFWAT; Fiascos: Nelspruit, South Africa, Public Citizen, 2004.

Most importantly, it is very unlikely that the privatisation programme will increase poor people's access to water. On the contrary, poor people's needs – particularly those of poor women and girls – have been almost totally ignored in the reform design.

Turning off the taps: the impact so far

City Water had only been operating for 10 months at the time of our research, and it is therefore still too early to tell what the overall impact of the reforms will be. City Water, donors and the Tanzanian government have all been keen to stress that 'expectations must be managed' – people should not expect too much, too soon. However, early results are far from encouraging.

Tariffs have increased substantially[72], while the service remains patchy and irregular. Water often only flows at night, or for a few hours a week. Tariff increases are arguably justified, as the government previously provided large subsidies to those with connections – generally the middle and upper income households[73]. However, evidence from interviews shows that consumers are angry. They resent the fact that they are being charged more for their water, even though there has been no public debate about the need for privatisation. They do not feel they are getting a better service, and believe that City Water is making excessive profits at their expense[74]. Addressing public discontent will be an uphill struggle, especially given that tariffs will eventually have to double from their pre-privatisation levels, according to World Bank staff[75].

ActionAid found that City Water continues to charge households for water even though water only comes through occasionally[76]. This means that households often have to pay twice – once to City Water for water that does not come, and again to the water vendors who provide water at much higher prices. Public anger at this situation is at such levels that, according to one local NGO, City Water bill collectors are being 'chased away with dogs and knives'[77]. Households that refuse to pay simply face higher water bills and are threatened with disconnection. Even households who do pay are sometimes disconnected, because City Water disconnects whole areas in an attempt to get those with illegal connections to pay up[78]. According to members of *Africa Youth for Development,* 'there is a problem with water privatisation because local people don't have water. After privatisation, the bills are coming, but no water!'[79]. In Tabata, members of the local women's group said that since City Water took over they have not received water on a regular basis, while they used to get it twice a week[80].

Faced with a population unwilling to pay high prices for a poor service, City Water itself is facing financial difficulties. A senior City Water official described the first year of operations as 'difficult' and complained that the company would have to go back to investors and ask for more money just to cover operation and maintenance costs. Rather than the tidy profit they were anticipating, City Water now expects to make a loss of $0.7m this year[81]. If such losses continue, the company's commitment to the project may well be called into question.

There is also public scepticism about the measures taken by City Water to reduce corruption[82]. As part of the lease agreement, City Water agreed to take on all DAWASA employees, including many who are well known for their corrupt practices. Corrupt DAWASA employees have now become corrupt City Water employees[83]. Several interviewees reported that households still have to pay bribes just to get water, or to avoid being disconnected.

[72] *Although those interviewed agreed that tariffs had increased substantially, it has been difficult to obtain an accurate estimate of overall price increase. According to City Water, tariffs have increased by 11%, although WaterAid reported that they had increased by 40%.*

[73] *Prospects for the poor: Water reforms and private sector participation in Dar es Salaam, Tanzania, WaterAid Tanzania, 2003.*

[74] *Interview with NGO Policy Forum, 17th June 2004; Interview with ESRF, 21st June 2004.*

[75] *Interview with World Bank officials, 14th June 2004.*

[76] *Interview with NGO Policy Forum, 17th June 2004; Interview with ESRF, 21st June 2004; Interview with Africa Youth for Development, 17th June 2004; Interview with Tenge Gender Resource Centre, 17th June 2004.*

[77] *Interview with NGO Policy Forum, 17th June 2004.*

[78] *Interview with City Water, 15th June 2004.*

[79] *Interview with members of Africa Youth for Development, 17th June 2004.*

[80] *Interview with Tenge Gender Resource Centre, 17th June 2004.*

[81] *Interview with City Water, 15th June 2004.*

[82] *Interview with TGNP, 17th June 2004.*

[83] *Interview with ESRF, 21st June 2004.*

Privatisation and poor people's access to water

One of the objectives of water privatisation in Dar is to improve people's access to water, especially for the poor[84]. Nevertheless, poor people's needs – particularly those of poor women – have been largely ignored in the reform design[85]. WaterAid Tanzania, for example, has noted that 'from the beginning, it was clear that the poor, unconnected settlements of Dar es Salaam were marginal to whatever process was being considered and implemented'[86]. DFID's Technical Advisor within the Parastatal Sector Reform Commission (PSRC) admitted that 'the problem [with the water system] was so acute that we didn't actually talk about poverty alleviation'[87]. No Poverty and Social Impact Analysis (PSIA) was undertaken prior to the reforms, making it very difficult to assess the likely impact on the poor[88]. A Social Impact Study was carried out in 2002[89], but was not available on the World Bank website, and those interviewed in Dar es Salaam had no knowledge of what it contained. In future, some poverty monitoring will be carried out by the National Bureau of Statistics and WaterAid, with World Bank funding, but this has not yet begun[90]. All of these factors mean that it is very difficult to determine what the impact on the poor has been to date. However, there are several reasons to believe that the impact has not been, and will not be, positive.

Firstly, efforts to rehabilitate and expand the water network will focus primarily on the rich and middle income areas of Dar es Salaam. There, City Water is more likely to recover its costs, rather than in poorer areas where people's ability to pay is low[91]. For the World Bank, this does not represent a problem. One senior Bank official noted that 'all of Dar-es-Salaam is poor, so anything which helps to provide more water in Dar es Salaam will automatically help the poor'[92]. Unplanned settlements, where 80% of the population live[93], will be left to local NGOs under a 'community water supply and sanitation' project subcomponent which will account for only 2% of the total expenditure. In other words, donor resources, and the Tanzanian government's current and future tax revenues, will be used to fund a project in which 98% of the money will be spent on the richest 20% of the population.

For some observers, the privatisation process might not help the poor, but it will not hurt them either. Most poor households did not have access to DAWASA connections before privatisation, and are unlikely to gain access after privatisation. There was therefore a common perception that things 'could not get any worse'[94]. Yet although poor people in general do not have direct access to connections, many of them rely on neighbours with connections, or on water vendors who sell water by the jerry can in un-connected areas[95]. It is reasonable to assume that if the price charged by City Water goes up, neighbours and water vendors will pass on those price increases to consumers. More importantly, perhaps, City Water is now metering water, while under DAWASA households were only charged a flat fee, regardless of use. In the past, households with connections would find it easy to pass on water to their un-connected neighbours. Now, they will be charged for every drop they use, making it much more difficult and expensive to share water with less fortunate households[96]. Many of those interviewed said that poor people now have to spend longer looking for water because the service is more unreliable[97].

84 *Project appraisal document on a proposed credit in the amount of SDR 45 million ($61.5m equivalent) to the United Republic of Tanzania Dar es Salaam Water Supply and Sanitation Project, World Bank, 2003.*

85 *Interview with TANGO, 15th June 2004; Interview with Haki Elimu, 16th June 2004; Interview with ESRF, 21st June 2004.*

86 *Water reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2003.*

87 *Interview with PSRC, 21st June 2004.*

88 *Interview with DFID officials, 16th June 2004.*

89 *Project appraisal document on a proposed credit in the amount of SDR 45 million ($61.5m equivalent) to the United Republic of Tanzania Dar es Salaam Water Supply and Sanitation Project, World Bank, 2003.*

90 *Dar es Salaam water supply and sanitation project operational research for an independent assessment of project impacts, draft concept outline, World Bank, 2004.*

91 *Interview with DAWASA, 21st June 2004; Interview with WaterAid, 18th June 2004.*

92 *Interview with World Bank, 14th June 2004.*

93 *Water reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2003.*

94 *This view was stated, for example, by Rakesh Rajani at Haki Elimu; and Brian Cooksey at REPOA.*

95 *Water reforms and PSP in Dar es Salaam, WaterAid Tanzania, 2002.*

96 *Telephone interview with WaterAid, 11th August 2004.*

97 *Interview with the NGO Policy Forum, 17th June 2004; Interview with Africa Youth for Development, 17th June 2004; Interview with Tenge Gender Resource Centre, 17th June 2004.*

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With piped water a long way off, water vendors in poor areas of Dar es Salaam have reasons to be cheerful

According to the World Bank, access to water for the poor will be improved through three special measures: the lifeline tariff, the social connection fund, and the community water and sanitation component of the Dar es Salaam Water Supply and Sanitation Project. However, as Box 3 demonstrates, these measures are insignificant in the extreme in view of the hundreds of thousands of people who still cannot access, nor afford, water.

Box 3: Pro-poor reform measures?

Lifeline tariff: the lifeline tariff provides each household with a lower tariff level for the first five cubic metres of water per month. However, it only provides a reduction of Tsh110 per cubic metre, or roughly 25%. According to City Water, the small size of the tariff reduction makes the lifeline tariff 'irrelevant'. Moreover, it takes no account of the fact that many connections serve several households at a time.

Community water supply and sanitation: under the DWSSP, NGOs, including WaterAid, Care and Plan International, will be subcontracted to carry out water projects in low income areas which are unlikely to be served by the piped network for some time. Although this component is likely to immediately benefit poor people, it only accounts for $3-$4m, or roughly 2%, of the total project costs. This is despite the fact that much more money is necessary to meet the basic needs of the poorest communities according to WaterAid Tanzania.

Social connection fund: the social connection fund provides low-cost connections for households with fewer than three water points located within 20 metres of the main pipes. The fund is being financed by tariffs, rather than donors, with middle and upper income households effectively financing cheaper connections for poorer households. However, the Social Connection Fund is unlikely to bring substantial benefits to poor people. In most low income areas, there are no water pipes at all, meaning that only a fraction of households are likely to be located within 20 metres of a pipe. Moreover, the World Bank estimates that the fund will only raise $200,000-$300,000, a tiny proportion of the total project cost. At the time of our research, the social connection fund had not yet begun.

Sources: Project Appraisal Document for DWSSP, World Bank, 2002; Interview with City Water, 15th June 2004; Interview with World Bank officials, 14th June 2004; Interview with DAWASA, 21st June 2004; Interview with WaterAid Tanzania, 18th June 2004.

There are other indications that the reforms have been designed with little reference to poor people's needs. For example, there are high expectations that the privatisation will address the issue of people's 'unwillingness to pay water bills'. This appears to have ignored the possibility that 'unwillingness' to pay could in reality be 'inability' to pay[98], particularly given that many of the 'unwilling' customers survive on less than one dollar a day. If households must pay more for water, many people will be forced to cut down on other essentials, including healthcare, education and even food. It is likely that this will impact particularly negatively on women and girls because they have less power over the distribution of household resources than men and boys (please see further explanation on page 18).

[98] *Interview with the Economic and Social Research Foundation (ESRF), 21st June 2004.*

Rising water prices, combined with an irregular water supply, are also forcing women to look elsewhere for water, often at the expense of their family's health. For example, a woman working for TANGO, a local NGO, said that since she has not received any water through her connection for the last six months, her only source of water has been a neighbour's ground well: 'I have taken [sic] six months now without getting any water in my house. For all that time, I have been collecting water from my neighbour's ground well. I know it is not clean but it is better than nothing'[99]. Meanwhile, as Box 4 explains, some households not only have to get potentially dangerous water from wells – they are also acquiring debts to City Water for water they have never received.

Box 4: Case study of Mrs Mwaura S. Hassan, Tabata

Mrs Hassan lives in Tabata, a low income area of Dar es Salaam. She is the chairwoman of the Tabata women's group. Her household is large, with four children living at home and four other dependent relatives.

Mrs Hassan is one of the lucky ones, because she has a water connection in her house. However, she does not receive any water through it. In her view, there may have been a change of name from DAWASA to City Water, but the service is as bad as it was before. But now, bills are being delivered. She received a bill for Tsh400,000 ($400) even though she had not received any water. She complained to City Water, but they did not respond. They later came to try to disconnect her because she had not paid the bills. Eventually they left without removing the pipes.

Because she cannot get water through her connection, Mrs Hassan has to buy water from a well dug by a private individual. She has to pay Tsh800 ($0.8) per day for this. Water delivered through her connection would be cheap, but since it does not come, she has to collect water from a well instead. This is much more expensive, and she is not sure whether it is safe and clean, but she has no choice. Mrs Hassan doubts whether water will ever come through her connection.

Families in her area that can't pay for water have to go to shallow, contaminated wells. People are forced to drink the water because they have no money, or working water connection. If they bathe in it, water from shallow wells makes people itch. It also makes them ill, and this costs money because they then have to buy medicines to treat the illness.

Source: Interview at Tenge Gender Resource Centre, 17th June 2004

[99] *Interview with Mary Mwingira, TANGO, 15th June 2004.*

Gender blindness in designing reforms

Although women have primary responsibility for providing water in Tanzania, there has been no consideration of gender issues in the design of the reforms, and no efforts to target women as major stakeholders who need to be consulted. Indeed, when a World Bank official was asked whether there had been any gender considerations in the project design, his answer was 'we have already considered gender in education. We are talking about increasing the number of girls in school, what more gender do you want the World Bank to do'[100]?

All the supposedly 'pro-poor' water reforms treat households as homogenous. They do not take into consideration the fact that 'people' respond to changes in gender specific ways. In particular, there has been no consideration of how to ensure an equitable distribution of costs and access to water among poor men, women, boys and girls.

Instead, the reforms have simply reflected the traditional household gender relations that place women in weaker and more subordinate positions. This means that women and girls will continue to have to walk long distances to access water, and to sacrifice their own well-being if rising water prices reduce the family's ability to buy food or basic education.

Likewise, there has been no targeted effort to ensure that the reforms will reduce women's vulnerability. For example, the social connection policy will only provide low cost connections for households living within 20 metres of the main pipe. This leaves those living further away having to walk long distances to look for water. Irregular supply of water means that women sometimes have to go out at night to collect water, despite the risk of rape[101].

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Women in Dar es Salaam are likely to suffer most from increased water tariffs

Overall, the reforms of Tanzania's water system appear to have focused mostly on increasing efficiency and cost recovery, for example, by improving service delivery, reducing leakages, improving billing and bill repayment and eliminating illegal connections[102]. Although the project aims to increase people's quality of life, the lack of gender analysis clearly illustrates that poor people's needs have not been in any way central to the reform design.

[100] *Interview with World Bank officials, 14th June 2004*

[101] *Interview with Tenge Gender Resource Centre, 17th June 2004.*

[102] *Interview with City Water, 15th June 2004.*

Conclusions

This report has shown that, despite the emphasis on 'locally owned development strategies', 'country ownership' and 'civil society participation' within donor agencies' policy statements, little has changed on the ground. Donors, in particular the World Bank, continue to push for risky and unproven economic reforms, such as water privatisation, in the face of public opposition, and with little consideration of the potentially negative impacts on poor people.

World Bank officials in Tanzania, and the Executive Directors on the World Bank board, have applied multiple forms of pressure to 'encourage' Tanzania to privatise the water system in Dar es Salaam. Pressure has come through formal conditionality included within World Bank loan agreements, sometimes worth hundreds of millions of dollars a year. It has also come through conditionality under the HIPC debt relief agreement, worth $3bn to Tanzania over time. Although Tanzania did not meet the conditionality before being granted HIPC relief, the World Bank maintained the pressure through the $143m project loan agreed with two other multilateral donors. Donors, including the World Bank and DFID, have also used technical assistance and other forms of 'knowledge transfer', in an attempt to persuade the Tanzanian government and the population of the virtues of privatisation.

While there was some support for privatisation among government officials, the public was largely opposed to a process that they feared would lead to greater dominance by foreign firms and increased water charges. For this reason, the government and donors have attempted to limit public consultation and discussion, focusing on 'selling' the reform package rather than debating policy alternatives. There was also a lack of transparency around both the reform process and the content of the final lease agreement. Even the country's elected MPs were kept largely in the dark.

City Water has only been in operation for 10 months, and it is therefore too early to gauge the full impacts of the reforms. However, early indications show that the project is unlikely to meet its objectives. City Water is only bringing in 5% of the total project costs, while risk will remain concentrated in the public sector. BiWater, one of the leading firms behind City Water, has a reputation internationally for failed concessions and for reneging on the terms of its contracts. Unfortunately, City Water seems to be repeating many of BiWater's errors by charging households for water which does not come, cutting off whole areas because a few households fail to pay their water bills, and refusing to invest in areas where there is so-called 'unwillingness to pay'.

Indeed, one of the main aims of the privatisation project has been to increase Dar es Salaam's population's 'willingness to pay' for water. Yet those designing and implementing the reforms seem to have paid scant attention to the fact that 80% of Dar es Salaam's residents are poor. For them, 'unwillingness' to pay could in fact be 'inability' to pay. Those forced to pay for water are likely to have to forgo other basic essentials, such as food or education – a burden which will most likely fall most heavily on women and girls. Most poor people do not have direct water connections and rely largely on neighbours or water vendors. As prices go up, and metering means that every single drop of water is charged for, they are likely to suffer most from the reforms. There is already evidence that poor households are shifting towards unsafe water sources, with serious consequences for their family's health. Meanwhile, it is abundantly clear that the 'pro-poor' measures, ostensibly designed to increase water access for poor households, will only benefit a very select few, if anyone at all.

Far from pushing governments in a direction which is 'pro-poor', donors have instead pushed for reforms in which poor people's interests are marginal at best. ActionAid believes that it is time for donors to end the practice of tying IFI loans, bilateral aid and debt relief to such risky and unproven policies. Instead, donors should restrict conditionality to what is necessary to ensure that aid is spent on those it is intended to benefit, and give countries the space to develop locally grown solutions which meet poor people's needs.

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Authors:

Romilly Greenhill and Irene Wekiya

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For more information, contact:

Romilly Greenhill – rgreenhill@actionaid.org.uk, or
Patrick Watt – pwatt@actionaid.org.uk

ActionAid International is a unique partnership of people who are fighting for a better world – a world without poverty.

ActionAid UK
Hamlyn House
Macdonald Road
London N19 5PG
United Kingdom

Telephone
++44 (0)20 7561 7561

Facsimile
++44 (0)20 7272 0899

E–Mail
mail@actionaid.org.uk

Website
www.actionaid.org.uk

International Head Office
Johannesburg

Asia Region Office
Bangkok

Africa Region Office
Nairobi

Americas Region Office
Rio de Janeiro

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