

The State in a Globalising World: Providing Water in Africa SID NL Closing Conference, 14 September 2012¹

Introduction

What is the role of nation-states in the globalising world? This was the main question in a series of ten lectures organised by the Netherlands Chapter of the Society for International Development (SID-NL). The lectures focussed on the changing role of the nation-state and its relations with corporations, civil society and other countries. On Friday 14 September, SID NL, together with the African Studies Centre (ASC), Vitens Evides International (VEI), NCDO and the Worldconnectors, organised a conference to close the 2011-2012 lecture series. With this conference, chaired by Willemijn Aerdt, the organisers wanted to apply the acquired insights to one particularly vital theme: The provision of drinking water in Africa. Only 61% of the people in Sub-Saharan Africa have access to improved water supply sources and, considering the rapid growth of cities with over-burdened water services, providing safe drinking water in Africa is unfolding itself as an enormous challenge. The role of the state is shifting from a service provider to a facilitator and governments are increasingly relying on the private sector, hoping to benefit from their expertise. As a result, interdependencies increase. What can be said about the role of the state in providing water to its citizens? What are the challenges? And, are public-private partnerships the solution?

Opening the conference, René Grotenhuis (president of SID NL) shares some of the insights from the lectures. In many ways, the role of nation-states is eroding. Corporations are gaining power and people are moving across the globe, as if borders do not exist. Nation-states are less and less able to control what is happening outside their own borders, and even within. They are becoming bystanders – watching what is happening, without being able to intervene. Some hope for global governance by some super entity, but this seems far away: The Doha round got stuck, there is no joint approach towards climate change, and Rio+20 did not result in any major breakthrough for an effective sustainability agenda. The reality is that nation-states remain the main pillars of the international system, even if other levels of governance are gaining in importance, such as forms of regional cooperation, like the European Union, the Economic Community Of West African States (ECOWAS), Mercado Común del Sur (Mercosur), *etcetera*. At the same time, metropolitan regions are becoming more important as centres of wealth creation, all with their own international networks. Problematically, some fragile and post-conflict countries are characterised by the virtual absence of a proper functioning state and behave more like corporations, primarily looking



¹ Report by Koen Kusters, Wereld in Woorden – Global Research and Reporting

to sell their assets. Obviously, the governance of public goods is one of the main challenges in the globalising world, and this may very well require new, mixed, coalitions of the state, private sector and civil society.

Session 1: The Changing Role of the State

The changing responsibility of the African State in providing public goods (Ebrima Sall, CODESRIA)

The first invited speaker is Ebrima Sall, who is the Executive Secretary of the Council for the Development of Social Science Research in Africa (CODESRIA). He speaks about the general trends and key issues for African states in the contemporary, rapidly changing world. African countries have long been seen as lagging behind, but today the image of Africa has shifted from the 'hopeless continent' to the 'new frontier'. Still, however, poverty is widespread, and 29% of all Africans have no access to safe drinking water. Infrastructure is insufficient and the way in which access to water is negotiated often lacks transparency.

An important development is the globalisation of resources and public goods. Structural adjustment programs that were introduced in many African countries have led to extensive liberalisation, but even the basic requirements were not in place, i.e., regulatory frameworks to prevent abuse. The result is the impoverishment of many people and a scramble for resources. Another major issue in many African countries is that of youth unemployment. Job creation is not keeping pace with the growth of young people looking for work, and this is leading to social tensions. In general, citizens are becoming more vocal. In Senegal, for example, new social movements have come up in response to the failure of the state to deliver basic services. And they are impatient.



Experience with structural adjustment programs shows that liberalisation of the provision of public goods like education and water can create problems in terms of quality, access and equity, if done in the absence of proper government regulation. At CODESRIA social scientists are currently discussing a new type of development which, as the Egyptian economist Samir Amin has argued, is about building a new civilisation, – one that is sustainable, inclusive, democratic and balanced. This goes beyond the role of the state. The whole governance system needs to be assessed, as the whole system would eventually have to contribute to improving people's lives.

The state is a central actor in the provision of public goods, but what exactly should its role be? Should it be the regulator, or should it be the exclusive provider? Public Private Partnerships (PPPs) have now been recognised and accepted as a promising way of organising the provision of services, but this requires "empowered stakeholders", as Adam Habib of the University of Johannesburg would say. The current problem with many PPPs is that private companies are more powerful than the state, and can therefore determine the conditions of the agreements. Ultimately, according to Sall, the state should always be

responsible, as it ought to be with regard to the guaranteeing of all human rights and the protection of the public good. This does not mean that the state has to provide public goods itself, but it should make sure that those who provide them, do so responsibly. In addition, a strong civil society plays a crucial role. In many African countries, citizens are increasingly aware of their rights. They are getting better organised, and bolder. Civil society is becoming an important force when it comes to triggering change, also related to the delivery of public goods.

Sall concludes that African states should not only be developmental and democratic, but also have to strive for further regional integration in order to be able to play a role on the global stage. And, importantly (paraphrasing the former Tanzanian president Mwalimu Julius Nyerere, and the Malawian economist Thandika Mkaandawire) ‘Africa will have to run where others walk’.

Providing drinking water in Africa and the role of the state (Gerhard van den Top, VEI)

Gerhard van den Top, the second keynote speaker, is the managing director at Vitens Evides International (VEI), an international not-for-profit joint venture of Vitens and Evides, the two largest water utilities of The Netherlands. VEI applies knowledge and experience of Vitens and Evides in developing countries to improve performance of drinking water companies. Through public-private partnerships VEI works to improve water and sanitation facilities for more than 30 million people in 15 countries in Africa and Asia.



The role of the state in the provision of water is typically ‘problematic, yet indispensable’, says Van den Top. Of all water companies in the world, 85% are publically owned, but many do not perform well. Governments are increasingly engaging the private sector in the provision of water in order to improve performance. Based on VEI’s experience with the privatisation of water services,

Van den Top shares four key messages: Firstly, sustainable solutions to water and sanitation do not come cheap. Large investments are needed, particularly in emerging African megacities. Quick fixes do not work. Secondly, there will be no investments if there are no capital flows. This means that water utilities will need to perform better than they do today. To attract the private sector you need to make sure they can earn money. Thirdly, technology is over-emphasised. The main challenges are not technical, but related to institutional change and human resources. Currently, most multilateral institutions are focussing mostly on the hardware, and are structurally underfinancing the ‘social engineering’ aspects of the water sector. Fourthly, to bring about change, the public and the private sector need to join hands and form coalitions. Public-private partnerships are the way to go. Multilateral agencies, too, should be part of these coalitions, because they bring

the leverage. In short: Serious coalitions are needed to make sure that performance is improved, which will attract investments.

Van den Top then shares VEI's experience with privatisation in Ghana and Mozambique. In the late 1990s, the Ghanaian government received a loan from the World Bank to invest in water and infrastructure on the condition that it would privatise its water utility. This resulted in the establishment of a single national water company: Ghana Water Company Limited. The Ghanaian unions were against privatisation, fearing it would have negative consequences for the poor. According to Van den Top, however, water companies can provide water at much cheaper rates than the small-scale private sellers that are now selling water in many urban neighbourhoods. If properly done, the poor will ultimately benefit from privatisation. Van den Top stresses that it is not privatisation, but vested interests that are hampering the Ghanaian company's performance in service delivery. One of the main issues in Ghana, for example, is that the organisation of the company has remained closely linked to the Ministry, which means that every political change also leads to organisational changes in the company. There is a need for more distance between the politics and the company's organisation.

VEI's experience in Mozambique is different. In Mozambique the government and VEI developed a hybrid form, looking for the middle ground between private and government ownership. This has worked well. Publically run water companies are now managed according to private principles, are well organised, have good performance, and attract investments in infrastructure. Together they have reached 75% coverage in 18 cities. Only the capital, Maputo, has a fully privatised operation, but its coverage is very limited. Recent attempts to buy the company and turn it into a public-private partnership have failed, because several private players – powerful local elites – have been eying the company for the sole reason of making quick money.

Van den Top's take-home message is that multilaterals, private companies, governments and academics need to join hands to bring change. The success of such partnerships, however, depends to a large extent on local organisational strength.

A recurring discussion is whether to allow private companies to own the physical assets, or to leave the physical assets with the government, with the company paying a fee. In the Netherlands, the water sector consists of fully publicly owned water companies that are managed by professional boards, completely independent of politics, bound by efficiency, and balancing short-term income with long-term water supply. According to Van den Top, the Netherlands should share this hybrid model with the rest of the world.

Discussion

Reacting on a question from the audience about the role of local elites and vested interests, Van den Top gives the example of recording water meters, which is highly susceptible to small-scale corruption. A company manager is aware of these practices, but tolerates them. In fact, everyone in the company knows what is happening, but there are too many vested interests. As long as there is no proper information system, the practice will continue. And, when a particular person exploits his or her positions in a company in a way that hampers the interests of the company or its clients, he or she should not be able to get away with it. Going up the ladder, towards the Ministry, water companies may be used by politicians as



cash cows, for example to finance election activities. Someone from the audience suggests that decentralisation of water provision, for example by establishing regional water companies and water utilities at the city level, could help to prevent elite capture, but Van den Top warns that one may end up with too many water companies, which will not make water provision more efficient.

Ebrima Sall agrees that elite capture is an important problem in the provision of public goods and he mentions the example of South Africa, which currently has an extremely high growth rate of millionaires. In many other countries one can see similar developments. According to Sall the antidote is in civil society. You need people who care and who can put pressure on governments to make public goods delivery more transparent.

Session 2: Hybridization of the public-private framework

Panel discussion with Dick van Ginhoven (Ministry of Foreign Affairs), Aline Saraiva Okello (UNESCO-IHE), Marco Schouten (VEI) and Ebrima Sall (CODESRIA)



The role of the state

There is widespread agreement that the state plays a crucial role, especially for regulation (e.g., ensuring quality standards and setting tariffs), investing in infrastructure, and to ensure access to services for groups that are vulnerable. Making money should not be the prime objective. Once a utility is running well, it can attract more (private) investments. Van Ginhoven stresses that the state should own the physical assets, but should not be running the system. Aline Saraiva Okello from Mozambique says that African states can learn a lot from the European experience, but should not adopt the western model as a blueprint. Instead, they should use the European experience to develop their own model – one that suits the local circumstances.

Getting angry and the role of civil society

Living conditions in slums are deteriorating rapidly. Sanitation, in particular, is a huge problem. Van Ginhoven argues that the much-needed change is more likely to happen when there is a clear trigger, such as the outbreak of cholera. Politicians may only start moving when faced with serious problems. There needs to be a sense of urgency, or, in other words, someone has to get angry to get things done. People are increasingly aware. They are starting to claim their right on safe water and proper sanitation. Ebrima Sall sees that more and more people are demanding reforms, particularly in the service of public goods, and they are getting better organised. Someone from the audience warns, however, that the development of true civil society organisations is still in its infancy in several countries, which underlines the need to strengthen civil society.

The role of donors

Aline Saraiva Okello is currently conducting a PhD research on water management in Mozambique, where only 51% of the people have good access to water and where international donors are responsible for more than half of the finances in the water sector. These donors often have their own agendas, and set their own priorities. Saraiva Okello emphasizes that, in order to find sustainable solutions, donors should first talk to the people to find out about local needs and possibilities. Desalination technology, for example, may be interesting from a donor's perspective, but may not be very logical to apply in Mozambique, where there is plenty of fresh water which is not reaching the people because of a lack of basic infrastructure.

The role of knowledge centres

Ebrima Sall argues that knowledge and capacity are indispensable for the development of properly run public enterprises in the water sector. This requires learning from each other's experiences, e.g., by studying how other countries are dealing with similar problems. Many African universities and research centres are, however, still mostly inward looking. Sall also argues that researchers would need to connect the discussion on water services to other issues like food security, and increased global demand for land and energy.

Reforming the utility

Dick van Ginhoven of the Dutch Ministry of Foreign Affairs explains the Ministry's approach towards water operator partnerships, i.e., Dutch utilities partnering with utilities abroad, aiming to develop a more business-like functioning. Such reforms are much needed. In many countries both the provision of water and the collection of revenues are in bad shape. A business-like approach requires: Managerial and financial autonomy; accountability for results; incentives for performance improvements; and benchmarking. According to Van Ginhoven, large investments are needed, but private companies will not invest as long as the utilities are not properly reformed. Utility reform comprises of several steps. Firstly, a trigger for reforms is needed. Secondly, the utility should be stabilised through debt restructuring. Thirdly, there is a need to implement internal (management/tariffs) and technical changes, to increase customer orientation, decentralise authority, and increase accountability. Fourthly, the reforms are to be institutionalised. Finally, it is essential for utilities to generate their own cash flow, as this allows them to get loans from banks.

Decentralisation

There is some discussion about the pros and cons of the decentralisation of water provision services. Marco Schouten argues that the provision of water is, in essence, a local process. Technically, there are no benefits to centralisation. A decentralised system is cheaper, because it reduces transportation costs. Also, to improve water provision, the options are mostly local – think of repairing leakages. Someone from the audience questions the feasibility of decentralisation of water services in countries with a weak central government, as it will 'decentralize the weakness'. Sall adds that complete decentralisation of water services is not likely to work, because the investment costs are high and local councils do not have the resources to buy equipment.

Rural water services

In rural areas people are seldom connected to central water systems. People in villages tend to get their water from 'stand-alone systems', such as water pumps. This has consequences for the way in which revenues can be collected, but it does not mean that revenue collection is not possible. After the construction of a water pump (e.g., by an aid agency) people often form water user groups, in which all users pay a fee for the water they use. The only problem is that such local groups do not have the capital to finance major repairs when the system breaks down. In such instances, the government needs to step in. An arrangement in which local providers run a stand-alone water system, but with government-owned assets, may work well in small towns and villages. Another aspect brought up in the discussion is the relation between the provision of water in cities and the source of the water in the hinterland, stressing the need to look further than the urban borders.

Local initiatives

Dr. Dick Foeken (African Studies Centre) brings to the fore that people, without any help of the government, may be able to arrange their own water service. In a slum in Kisumu (Kenya), for example, people developed their own water company. They made a borehole and developed a pipe system of about 20 kilometres. This local water company works according to business principles, all the management is local, and profits are reinvested in the system. They received support from a local NGO (Sana International) and Cordaid, but



there was no involvement of the state. Aline Saraiva Okello mentions that there are many more examples of such locally developed solutions, sometimes with assistance from abroad. These are promising examples, but at the same time it remains important to consider the link between local actors and the state, because 'you cannot walk in different directions'.

Closing

Summary (Ton Dietz, ASC)

Ton Dietz, director of the African Studies Centre (ASC), provides a summary and shortly reflects upon the presentations and discussions. The target for the Millennium Development Goal on water and sanitation has been reached in Asia and Latin America, but in Africa progress is not fast enough. A significant percentage of the African population still does not have proper access to water. The costs are high. The lack of well-functioning water services implies a risk for people's health, significant time investments to get water in rural areas, and high financial costs to buy water from small-scale private providers in urban areas. The Dutch hybrid system – without political interference – is an interesting model that could serve as an example to improve water services in Africa.

The main lessons from the presentations and discussions are: (1) Solutions are not cheap; (2) utilities will only work properly if they cover the costs and have access to capital for investments; (3) social – and political – engineering is more important than technical engineering; (4) public-private partnerships can generate the required synergy; (5) multilaterals play an important role in the financing of water services in poor countries; (6) there are often vested interests in the water sector, which can be held responsible for a lack of transparency and underperformance; (7) a separation between ownership of physical assets and running the operations may be necessary; (8) civic organisations and movements can act as important countervailing agencies; and (9) we need to invest in the exchange of knowledge and experience regarding the various options that exist.

Regarding the role of the state, there are two major trends. Firstly, one can see a shift of authorities. Authorities are moving upwards from national towards regional and global agencies, while at the same time there is a shift downwards, with an increasing role for large municipalities. Secondly, 100% state-driven agencies are becoming scarcer. We increasingly see alliances between state and non-state actors. Still, although the role of the nation-state is changing, the importance of the regulatory function of the state was emphasized time and time again. Likewise, although the authorities of nation-states are eroding, at least to a certain extent, Ebrima Sall emphasized the need for states to become more democratic and developmental. This may very well be one of the biggest challenges for the near future.

Implications for Dutch Foreign Policy (Ben Knapen, Dutch Minister for European Affairs and International Cooperation)



To be efficient and effective, Dutch development cooperation needs to focus on those areas where the Netherlands can make a real difference. Water fits the bill. A sound water policy helps to improve health, reduce poverty and improve people’s economic position. Giving water the attention it deserves means promoting professionalism. A recent review of Dutch efforts to

provide drinking water and sanitation over the last twenty years led to several measures. Firstly, to increase impact, the number of countries where drinking water and sanitation are part of the Dutch development programme has been reduced to seven. Secondly, the Netherlands now recognises a universal right of access to safe drinking water and sanitation. Thirdly, partners have to comply with stricter sustainability requirements. And fourthly, a water knowledge platform is being set up, to make better use of know-how and research.

The fact we can drink straight from the tap in the Netherlands is no miracle – it is the result of a publicly owned and privately managed utilities system. Clean drinking water is largely a

governance issue and that's why the Netherlands is pushing public-private partnerships in this field. Based on successful experiences in, for example, Mozambique and Ghana, the Dutch government is now providing more opportunities for companies to engage in public-private partnerships. Six months ago, on World Water Day, Knapen introduced the Sustainable Water Fund. The first call for ideas brought in 81 proposals – all on a cost-sharing basis. This is a clear sign that the private sector wants to step in. The government is working with the Partnership Resource Centre and other institutions to draw lessons from previous partnerships – both successful and unsuccessful.

Recent droughts in the Sahel and the Horn of Africa clearly show that water and food are closely linked. The Dutch government has a duty to help the suffering people in these regions, but should move beyond emergency aid, towards a more fundamental approach. Therefore, the Ministry is preparing a Regional Programme for Food and Water in the Sahel and the Horn of Africa, taking an integrated approach to water, agriculture and environment. The programme focuses on connectedness, shared innovation and learning, and aims to unleash local potential and innovation. The programme seeks to work with various actors like NGOs, businesses and local communities. The task of the state is primarily to support local solutions and eliminate regulations that hamper innovation at local level.

To sum up, the Dutch government believes in a coherent policy, aims for local solutions and advocates public-private partnerships. According to Knapen, the government is putting the money where its mouth is, as the water budget will increase from 156 million euros in 2011 to 254 euros in 2015. Water is a Dutch development policy priority.

Closing (René Grotenhuis, SID NL)

René Grotenhuis closes the conference by thanking the keynote speakers, panel members, chair, participants and organisers. SID's new lecture series will focus on the changing paradigm of ODA, the post MDG agenda, and a new framework for intentional cooperation.

