

Beyond Scarcity: Power, Poverty and the Global Water Crisis.

Remarks presented at the Launch of the Human Development Report 2006

By: Dr. William T. Muhairwe, Managing Director, NWSC

1. Introduction

Our Guest of Honour, the Prime Minister, Rt Hon Professor Apollo Nsibambi, the Chairman, Professor Fredrick Kayanja, the UNDP Resident Representative/Resident Coordinator, dear Panellists ladies and Gentlemen. First and foremost, I wish to take this opportunity to thank the UNDP for inviting me to the Launch of the Human Development Report 2006, and above all, to be a discussant of this very important theme, “**Beyond Scarcity, Power, Poverty and the Global Water Crisis**”.

I have read through the report and found it extremely intriguing and well researched, giving the global insight and perspective of the water sector trends and challenges. Indeed the theme of the report summarily reflects the true picture of the challenges being faced by water practitioners today.

As the report reflects, water pervades all aspects of human development, and is vital for sustaining life, promoting economic development and ensuring environmental protection.

Ladies and gentlemen, the report asserts that globally, there is a clear distinction between provision of water and sanitation services in the rich developed world and the developing world. It is also a known fact that in this respect, Africa lags far behind in the provision of these essential services. The report further makes reference to the inequity of service provision within the developing countries to which I fully concur. For example, in most African countries, the access to water and sanitation services is less than 60% leaving the majority of the population devoid of safe water services. This represents a sharp contrast with the coverage indicators in developed countries where both sanitation and water stand at 100%.

The work done in this report is indeed extensive and comprehensive! Therefore, for purposes of time and clarity of discussion, I have restricted my analysis to a few areas, which are pointed out in the report, offering my perspective and practical experiences.

2. Government/Political Support to the Water Sector

The report points out that few countries take water and sanitation as a political priority. Consequently, they do not provide sufficient budget allocations. This is not to say that insufficient budget allocation means lack of political priority! It is important to add that even those countries, which would have liked to see drastic improvements in service coverage and quality, are hampered by limited budgets or budget deficits that cannot be covered by their own internal revenue generation capacities. Undoubtedly, this trend is true for many African countries. For example, the Government of Uganda places the water sector as one of the priority sectors as enshrined in its Poverty Eradication Action Plan. However, when it comes to budgeting, the sector receives only 3% to 4% of the total national budget. With this budget allocation, most of the sector needs are largely not financed. This is a clear demonstration that the willingness to develop the water and sanitation sector can be there but the ability to finance all the requirements is limited. The situation is compounded by rapid population growth in most African countries, which increases the investment requirement faster than the countries' self-financing growth. The available resources are therefore thinly spread over the sector requirements.

3. Financing of Infrastructure

Some where in the report I noted that the crisis in water and sanitation is, above all, a crisis for the poor! Therefore, if we are thinking of mobilising capital from the private sector, we must bear in mind the costs of risks associated with service to the poor. The question is which private sector would be interested in investing for services to the poor? Can the poor afford to pay for the cost of capital? You will agree with me that financing infrastructure for such a market is indeed a challenge for all of us. Therefore, while the private sector may have a role to play in delivery of services, public financing holds the key to overcoming deficits in water and sanitation services provision, because they poor cannot pay the full cost of services.

My concurrence with the above statements cannot be over emphasised. I have always argued that significant portions of investment in water and sanitation are basically social mission projects, which may be economically viable but not necessarily financially feasible. This implies that water and sanitation projects can have huge benefits to the economy as a whole (e.g. health of the citizens, reduction of time wasted in fetching water etc), but from a private financier's point of view, financial viability (ability to pay debt service obligations and earn a profit) is of paramount importance. This, therefore, limits the participation of the private sector in financing of water and sanitation projects.

Again in the report it is stated that in many low-income countries the scope for cost recovery is limited by poverty and low average incomes. This evidence further supports the notion that public financing backed by aid in form of grants or concessional loans is critical. As a minimum, such funding mechanism should cater for investments in large infrastructure projects e.g. water works and large transmission mains, which cannot be financed by less-than full cost recovery tariff.

Therefore, if we are to achieve the MDG targets, Governments have to play a significant role. In this endeavour, utilities should not be complacent and seat back. They should be called upon to make contributions to some of the minor investments. I am happy to report that currently, the NWSC is able to finance 40% to 60% of its capital budget from its own internally generated resources. We finance all small-medium size development projects, and even provide counterpart funding to large infrastructure projects.

4. Operational Efficiency

I am happy to note that the report recognizes that some public utilities can actually deliver quality services efficiently despite some stakeholder reservations about public sector participation – that it cannot work efficiently. My view on this debate is that efficient management is not about colour or race, but about performance and creation of favourable operating environment to let it happen! The managerial principles necessary for good performance are well known and they have no access barriers. **Any body, whether in a 'public' or 'private' jacket can apply them to enhance performance, as long as the right incentives have been put in place and the 'ground' levelled.**

Today the NWSC stands out as a model utility in the African region because of its exemplary exploits and achievements. The Corporation operates at an average unaccounted for water rate of 28%, with all Areas apart from Kampala operating at 14%. The staff productivity ratio is 7 staff per 1000 connections and customer base is about 152,138 accounts, having grown from 50,000 in 1998. The corporation meets all its operating costs including depreciation and posts a reasonable surplus for re-investments. This is a rear operating situation in a developing world context.

5. Service to the Poor

The report clearly points out that some of the world's poorest people are paying some of the world's highest prices. I wholly agree with this finding. Indeed service to the poor remains a major challenge in many African Countries, Uganda inclusive. Subsequently, the poor continue to be marginalised and the situation is not sustainable in the sense of achievement of MDGs.

In the context of the towns operated by the NWSC, it is today estimated that 70% of the people in the urban areas live in informal settlements. The corporation uses a number of strategies to serve the poor. The most prominent ones include use of stand posts, which have a lower subsidised tariff. However, and as pointed out in the Human Development Report, stand posts have proved ineffective with the poor accessing less quantities of water and paying much more than those connected directly to our network. The poor pay about shs 50 to 100 per jerrican which translates into 3-4 times the price paid by customers (mainly the rich) with house connections, who pay about Ushs 20 per jerrycan. This paradox is created by the intermediaries or middlemen who hike the price despite the fact that NWSC price at the stand posts is only Shs 14 per jerrican. **This therefore confirms the notion that consumption subsidies are difficult to apply and can be ineffective, as they don't translate into increased benefits for the poor.**

Today, our strategy follows the principle that subsidising access is more effective than subsidising consumption. Accordingly, the NWSC has carried out a number of amendments to its tariff to make it user-friendly. Specifically, we have reduced the connection and reconnection charges by 50% and 75% respectively; eliminated the minimum charge and introduced a free water connection policy within a radius of 50 meters. The free water connection policy caters for all connection materials, trenching costs up to the premises of a customer. One of the cardinal objectives of this policy is to improve access to the poorer communities. The underlying rationale being applied in this policy is "some for more and not more for some".

Practically speaking, the new connection policy encourages individual yard taps as an alternative to communal stand posts so as to minimise the exploitative role of a middleman, who sells water far above NWSC-price. However, this does not mean that we can do away with a 'stand pipe' level of service. In fact, to improve the sustainability and mutually benefiting use of standpipes, we are planning to incorporate use of prepaid metering systems as a means of fostering effective revenue collections from these water points.

Ladies and gentlemen, this discussion does not erase the fundamental questions: "who should actually pay for the subsidised services to the poor?" We all know that services to the poor constitute a social mission objective. So, who should pay? We in NWSC can and have actually introduced cross-subsidies in the tariff so that the rich subsidise the poor, but this approach also has limitations. What do you do in developing countries where increased tariff would discourage investors? Do you just increase tariffs for sections of the rich and leave commercial customers – what is the political economy of this? I want to suggest that the ultimate responsibility lies with Government if the Utility is to remain afloat.

6. Water Resources Scarcity Paradox

I note that the Human Development Report alludes to the fact that water scarcity goes beyond physical scarcity. Water scarcity looks at a large percentage of people especially in the developing countries that do not have access to clean safe potable water due to political choices and institutional policies.

I partially agree with this point of view and would wish to underscore the physical element. Due to the rapid population growth, a lot of pressure has now been put on the continents natural resources, water in particular. The provision of water to agriculture, industry and the growing number of urban residents, especially the urban poor, is one of the biggest challenges facing governments and local authorities. This has further been escalated by the changing climatic patterns. Today the water resources that we took for granted some years back have brought us to our knees. The current power crisis we are faced with is just the beginning of the manifestation of the water crisis situation. The water resources problem manifests itself in **reducing quantities, poor quality and increased siltation**. Indeed as we speak now, our water intakes in the towns of Kampala, Jinja and Entebbe have been greatly exposed threatening the sustainability of water supply. We are increasingly using more chemicals to treat water, and at the same time we are forced to extend water intakes deeper into the lakes. This situation manifests itself into lack of water for the different user groups. This therefore calls for quick and concerted efforts to avoid the looming crisis.

7. Sanitation Plight

The report clearly points out the crisis in the sanitation sub-sector. I wish to add my voice to this fact. In Uganda today, the general situation shows that only 58% of the households have latrines. In the towns operated by the NWSC, only 8% of the population have access to water borne sewer systems. Consistent with the Human Development Report, the majority of the households rely on on-site sanitation facilities such as the latrines. As mentioned in the report a consequence of this has been the contamination of ground water sources, which further jeopardises public health.

Looking at the causes of the apparent abysmal sanitation situation, the report seems to have taken a leaf from the Uganda situation, in reference to institutional fragmentation, or the spread of sanitation responsibility over several institutions. This is because in Uganda today, sanitation activities are spread over the Ministry of Water and Environment, the Ministry of Health, the Ministry of Local Government, and the Ministry of Education. This fragmented responsibility is a recipe for weakness in the implementation of sanitation activities.

I cannot ably talk for the entire country, but we in the NWSC are embarking on constructing sewerage systems in the towns, which have no systems such as Arua, Bushenyi and Kasese. In addition, effective 1st July 2006, the Corporation introduced a simplified sewerage connection policy in which all customers within a radius of 60 meters, the NWSC will cater for all the materials for the installation of the sewer lines upto the customer premises. It is envisaged that this will more than double our sewer connection rate and hence provide more people access to our sewerage services.

However at the national level, there is need to raise the sanitation profile if the MDG targets are to be achieved.

8. Conclusion

Let me conclude by thanking the authors of the Human Development Report for their accuracy in reporting about the woes of the water and sanitation sector. Indeed the challenges are real and there is need for an integrated approach if we are to realise the MDG targets. The plight of the poor needs urgent and concerted efforts to ensure that there is equity. As the report points out there is need to front load investments, and to put more emphasis in the sanitation sector.

I thank you