

Crossfire: 'The involvement of the local and small private sector is critical for improving watsan services to the urban poor'

STEVE BLOOMFIELD and MANSOOR ALI

In our debate between two experts, Crossfire invites Steve Bloomfield and Mansoor Ali to debate the following: 'The involvement of the local and small private sector is critical for improving watsan services to the urban poor'.

Dear Mansoor,

There are many things that are critical for improving watsan services to the urban poor but I maintain that local, small-scale, private water sellers and bucket collectors are not one of them. In most cases the existence of private water sellers has more to do with the inadequacy of existing water and sanitation provision rather than a chosen preferred outcome. It is a sticking plaster solution to an underlying basic need. Water from private vendors can cost ten times or more than the price of water from the tap or standpipe.

Poor urban communities are mostly high density, informal settlements that often have no basic infrastructure – no drains, no piped water and sometimes no electricity. In the peri-urban settlements of South Africa peo-

ple regard water as an essential public service and they strongly oppose the idea that the private sector should make a profit from selling such an essential service. The concept of water as a human right is extremely strong and tends to support the principle of free water and sanitation at the point of use in much the same way as for the provision of health and education services. The fact that local private water sellers exist seems to be a reflection of gaps in service provision by local public authorities that are starved of cash and resources.

Most NGOs and donors now recognize that the successful provision of watsan services lies in a planned and coordinated approach by local publicly accountable municipalities. Recent history tells us that a reliance on ad hoc service provision is unsustainable and counterproductive. In too many cases NGOs have inadvertently contributed to this problem by installing wells and pumps that do not comply with local plans or agreed technical specifications. In one case a water authority in

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Investment in water and sewerage networks is a long-term solution that can be paid for over many generations

It is more difficult to control the water and waste situation where there are unregulated and independent private operators working

Ethiopia had an impossible task of trying to maintain a large variety of pumps for which parts were impossible to get hold of. This typifies the kind of ad hoc development that local private vendors can exacerbate.

Where there already exist piped water supplies and sewerage in many cities of the developing world, their history usually tells us that in a colonial past the occupying powers invested public money in these services for the benefit of an elite minority. Even this partial provision would never have been achieved without the utilization of public resources. Many would argue that the same determined approach should now be adopted for the urban poor.

What is critical today is that communities must be involved in the choices for investment: in water provision or sewerage. The public authorities must be adequately resourced through a combination of local taxation, national grant and international development aid. Moreover the prevailing requirement for full cost recovery places an impossible barrier to the provision of watsan services to the poor. Donors and governments need to learn from Western history that investment in water and sewerage networks is a long-term solution that can be publicly funded and repaid over many generations. It is also an undisputed fact that the private sector has an extremely poor track record of investing its own

resources in the improvement of watsan services. This should not be surprising given the impossibility of being able to construct a viable business case for supplying watsan services to the poor unless it is based on wildly optimistic forecasts of full cost recovery.

However, for many communities this investment is beyond their current financial wherewithal and, unless a more innovative approach is found based on cross-subsidization and fiscal support, then there is little hope that the Millennium Development Goals (MDGs) can be achieved.

Finally it is also critical for the relevant public authorities to have overall control over the management of water resources, the supply of water and the collection and disposal of waste. This is made much more difficult where there are unregulated and independent private operators exploiting the gaps in service provision.

Maybe in the short term private water vendors should be tolerated, but for the reasons explained they should not be seen as a long-term, sustainable solution to the watsan problem.

*Yours,
Steve*

Dear Steve,

Between 1983 and 1986, I worked with an NGO in a low-income country. During this period, I observed very carefully the small and independent pri-

The small private sector was providing a range of services at a price and standards affordable to poor people

vate sector which was providing a broad range of services to the city at a price and standards affordable to poor people. Their small scale, presence in the community and understanding give them huge advantages over governments or large private-sector companies. These services included education, health, water, waste collection, building materials and even banking and financial services. Unfortunately under-resourced governments, policies and regulations were not reaching anywhere near these low-income areas.

During 1986 to 1988, I got a chance to work closely with the municipal government of a large city in a low-income country. This helped me understand the workings of the government and in taking a policy and regulatory perspective. I was able to see clearly that such systems can work well if there are adequate and reliable systems of financial resources, able institutions and a mature democracy. It also helped me understand the political influence on government departments, lack of accountability and marginal participation of poor people. It was very evident to me that in cities and towns the demand for services is increasing, the government capacity is limited and the small private sector fills this gap – often very efficiently and intelligently. In many ways they were more accountable to users because of the system of payments and other market forces.

In many cases the private sector provide services without any external support

In many cases they sustain this without any external support.

On the other hand, governments and politicians only promise to provide the services to the entire population, ideally free of any charge. This has never happened, despite the grand vision of many donors and efforts by many NGOs to show the replicable models. With time the gulf between governments' wishes to serve their populations and the needs on the ground is getting wider. Now billions of people in low-income countries have lost trust in governments and politicians. In some Asian countries, governments are accepting the need for a different way of working and many donors, NGOs and private sector operators are coming forward with models of reliable and sustainable service delivery.

Observing these gaps and issues in practice, in 1992, I started my PhD research at Loughborough University, UK, looking into how and why small-scale private sector operators can work with governments and large private sector companies in a low-income country context. The results from this research identified clearly three main barriers to involvement:

While the activities of the private sector are extensive, their capacity to provide certain services or certain stages in a service is weak. For example, the independent private sector can supply water to homes, but

Often the users of the services do not see small operators as capable service providers in the long run

Billions of poor people are creating very important employment for themselves and providing needed services

they may not have the capacity to invest in the distribution systems and/or to develop water sources.

The users of the services do not see small private sector organizations as capable service providers in the long run. In particular, if the users can afford more, they expect governments or large private sector organizations to take this role.

Governments do not accept small-scale service providers as a reliable and capable group to trust with service delivery for a large population.

In the UK, I also saw similar government institutions delivering services and being accountable to the population. Since 1997, I have continued my search for models of service delivery where small-scale service providers are providing affordable, reliable and sustainable service in partnership with governments. I also asked the question: 'Is the involvement of the local and small private sector critical for improving watsan services to the urban poor?' Independent small private sector operators have limited capacity to provide services to the population and they cannot engage with changing policy and regulatory structures or make financial investments and develop improved technologies. In the last three years, I have read extensively about E.F. Schumacher's philosophy on the importance of work and the value of 'production by the

masses versus mass production'. Billions of poor people are creating very important employment for themselves and providing services. Billions of people need reliable and affordable watsan services and, if this is done by sharing the profits with the poor entrepreneurs, then these people can benefit from the resulting economic growth. This will mean the achievement of happiness, health, economic and environmental benefits from the services.

*Best wishes,
Mansoor*

Dear Mansoor,

It was reassuring to me that on the fundamental issue of need we do not have any significant disagreement. Of course watsan services need to be extended to many more people and as soon as humanly possible. However I do not accept that the small-scale private sector should be seen as the vehicle in which this should be delivered. I have looked at the track records of development interventions by donors and NGOs over the past decade and, despite the amount of time, effort and money spent, the position today is not much better and in some African countries the provision of watsan services is in an even worse state. So what went wrong?

The past decade was dominated by an international consensus emanating from the World Bank and many other international donors that the

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People saw watsan services as part of a core group of public services that should not be run for profit

public sector was innately corrupt and inefficient and to make progress in all sorts of fields, including watsan services, it was necessary to bring in the private sector. This led to 10 wasted years of social battles, financial disasters and dogmatic debates about which was best: public or private. This was despite the fact that approximately 95 per cent of the world's watsan services are already provided by the public sector. It was only in France and the UK that the private sector had made any significant entries into the watsan sectors and with one or two exceptions it was just the French companies that had any serious international ambitions.

I don't wish to rake over these cooling coals but I simply wish to point out that, instead of concentrating on the development of good-quality, accountable public watsan services, the donor community had been seduced by the private sector dream and spent many millions of dollars and time trying to lever in a role for the private sector.

I have had many discussions with water workers from all over Africa and have also visited many communities both urban and rural and one thing struck me more than any other. There was a virtual unanimity on the point that watsan services were regarded as essential public services that governments and local municipalities must provide for their people. Many went further

and argued that they should be accepted as fundamental human rights. There were extremely strong feelings that watsan services should not be used to make a profit for the providers. Rather they should be provided in much the same way as health care services, education and police services. In other words people saw watsan services as part of a core group of public services that should not be run for profit.

Mansoor, you are right to stress the need to involve local people and communities in developing plans for watsan services. You also stressed the need for a stable democracy as a precondition for the development of watsan services. This has been an issue I have been wrestling with because, whereas I accept that services need to be accountable and they need to be provided by competent, well-resourced public bodies, does this necessarily mean that a democracy as we know it needs to be in place? I have in mind what has happened in Iraq and in some South American countries where attempts have been made to graft Western liberal democracies on people who have no tradition of that form of government or leadership. I guess my feeling is that we should be more tolerant of different models of leadership, involvement and accountability. In the end it's what works and what is effective that matters.

We should build up the capacity and competence of the public sector bodies who provide watsan services

Many government departments were reformed to adopt the good working practices of the private sector

Governments should abandon their dream of 'free services for all'

So I'm afraid that I remain convinced that in the medium to long term the correct thing to do is to focus on building up the capacity and competence of the public sector bodies tasked with providing watsan services. I accept that in the short term it would be churlish to kick out the small-scale water vendors but they should be seen as a short-term sticking plaster waiting for the main body to heal.

*Yours,
Steve*

Dear Steve,

Thanks for the response and I am pleased that the debate is moving forward constructively. While I do not want to impose my conclusions on you, I am sure you will allow me to say that we are in agreement on two points.

First, we seem to agree that despite very positive intentions of NGOs, donors and their supporters/ tax payers the situation on water and sanitation is not changing as it was expected to change. Second, I am pleased that you also think that 'what works and what is effective matters more'.

Adding further to what you have said, globally there is now more flexibility on these poles – public vs private, especially on definitions and processes. For example, the great Northern dream of early '80s that large private companies from high-income countries are capable, willing and ready to move in

and serve low-income countries in the areas like water and sanitation, did not come true. Now, many organizations are suggesting integrated models, which are often developed between the two extremes of government and large private sectors. Many government departments were reformed to adopt the good working practices of the private sector, while a number of small and medium private enterprises demonstrated their capacities to reach large numbers. This has contributed very well to the practical knowledge pool of water and sanitation.

If you allow, I would also like to elaborate a bit on your point about building capacity of the government sector. The key question there, is building capacity to do what? I would say that rather than building capacity in governments' ever-favourite 'command and control model' the capacities need to be built in listening to their customers; running services as businesses; being responsive to demand like the private sector; and being more accountable. I think it is important that they abandon their dream of 'free services for all' and enable the small and medium private sector to provide services to a large number of the poor, reliably and at an affordable price. This may need some fundamental changes in thinking.

I believe that the time has come, when people should receive these basic services

The services of small and medium enterprises are affordable, could create employment, and could potentially provide better choice to consumers

without going to the politicians and promising their votes in return. The time has also come when poor people do not need to pay excessive charges or bribes to government employees to get access to basic services. The organizational model which can deliver this is the small and medium local private sector. Their services are affordable, could create employment, do not create monopolies and could potentially provide better choice to consumers.

Finally, I would like to comment on your point on 'what went wrong?'. This is a much larger debate than the space allowed by *Waterlines*. The answer is, we need some fundamental changes in the way we think about international development. I am firing this note from already war-affected Sudan, (so please do not fire back!). The common case in Sudan and in any low-income country, is that a number of government organizations are supported by international agencies to prepare pro-poor policies. This process conducts inventories, collects

data and information and develops strategies. This often leads to comprehensive glossy publications written in English and sometimes translated into the local language. Formation of special units take place within governments and training of staff is also supported. A number of issues these strategies address are either of global importance or reflect global perspectives of looking at local issues.

However, many of these strategies fail to create a sustained impact. This is because the proposed interventions are often beyond the resources available within the governments, the issues identified are not a political priority or the approaches suggested are not workable. As a result, in spite of the very positive intention of international organizations, their experts, supporting governments and their taxpayers, these investments do not benefit countries and their populations.

I am sure this will be an interesting area for one of the next crossfires.

*Thanks,
Mansoor*