

**SMALL SCALE PRIVATE SECTOR
PARTICIPATION IN THE RURAL WATER
SUPPLY SECTOR**

R8335

**PHASE 3 ANALYSIS AND
DISSEMINATION**

**FINAL COUNTRY REPORT
FOR
TANZANIA**

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LIST OF ABBREVIATIONS AND ACRONYMS

CBO	-	Community Based Organisation
DFID	-	Department for International Development
ESA	-	External Supporting Agency
KaR	-	Knowledge and Research
LGA	-	Local Government Authority
MoWLD	-	Ministry of Water and Livestock Development
MSWG	-	Multi-Stakeholder Working Group
NAWAPO	-	National Water Policy
NGO	-	Non-Government Organisation
PO-RALG	-	President's Office, Regional Administration and Local Government
PS	-	Private Sector
PSP	-	Private Sector Participation
SMES	-	Small and Medium Scale Enterprises
SSPS	-	Small Scale Private Sector
TAC	-	Technical Advisory Committee
UK	-	United Kingdom
WAMMA	-	Acronym for partnership among Water ESAs and Government Departments of Water, Community Development and Health
WMC	-	Water Management Consultants

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EXECUTIVE SUMMARY

This report documents the activities of the third phase of the research towards the development of guidelines for the enhanced participation of rural based small-scale private sector.

The development of the guidelines involved formation of a Multi Stakeholder Working Group and a Task Force of the Multi Stakeholder Working Group that was tasked with going through the research documentation that is, the Knowledge Review Document; the Inception Report, the Country Report and the Synthesis report and come up with the guidelines according to research findings and analysis provided in the above mentioned research documents.

The developed guidelines were finally presented to a final Multi-Stakeholder Workshop organised under the technical advisory committee of the Ministry of Water and Livestock Development where they were improved and endorsed for institutionalisation.

The key message coming from the recommendations made by the guidelines is that there should be well planned concerted effort by all water sector stakeholders towards improvement of water services in rural Tanzania by better and increased involvement of small scale private sector through these guidelines.

The lessons learned in the process of development of these guidelines include:

- There is a need to develop links with other like processes in other sectors viz; that of Ministry of Industries and Trade under the Small and Medium Scale Enterprise Development initiatives and of the President's Office, Planning and Privatisation under the Private Sector Policy development.
- There is a need for Private Public Partnership for the enhancement of rural water supply coverage in the country.
- There is a need for developing appropriate tools to harmonise what the water policy advocates and the practical means available to implement.
- There is need to ensure there is enough facility and capacity at district level to implement the guidelines.

It became clear during the process of development of the guidelines that there is a great need in Tanzania for private sector involvement in the rural water supply services, and that a significant part of this need can be supplied by having effective guidelines in place.

By the completion of this report the guidelines will be formally submitted to the Permanent Secretary Ministry of Water and Livestock development for institutionalisation. Thereafter it is expected that the institutionalised guidelines would be forwarded to the Local Government through the Presidents Office, Regional Administration and Local Government for final circulation to all stakeholders through the Local government Authorities.

1 INTRODUCTION

1.1 General

This report is the final report of the Tanzania team in relation to the Knowledge and Research (KaR) Project No. R8335 'Small scale private sector participation in the rural water supply sector'. The report presents peer reviewed guidelines for enhancing the participation of the small-scale private sector in the provision of rural water supply services in Tanzania.

Funded by the UK Department for International Development (DFID), the project began in November 2003 and has taken place in Ghana, Tanzania and Zambia.

The project was divided into three phases:

- Phase 1 – Inception, including a knowledge review of published and grey literature.
- Phase 2 – Surveys.
- Phase 3 – Analysis and dissemination.

This report has been produced at the end of Phase 3.

The research has been characterised by a participatory approach built around country teams whose origin in each country was a partnership between the relevant government water department and WaterAid. This core process of involvement was broadened to include a wide spectrum of sector stakeholders as the means to arrive at an acceptable set of guidelines.

Water Management Consultants Ltd has managed the study and has been responsible for the production of synthesis and final project reports, in conjunction with the various partners, covering the three countries. Project reports can be found at the project website www.ruralwaterpsp.org and documentation is listed in Appendix A of this report.

1.2 Objectives and assumptions

This research focuses on investigating the legal, financial and institutional frameworks through which governments can create an environment to enable an effective contribution to the rural water supply sector to be made by the small-scale private sector. As a consequence, the nature of the government's role as a regulator of such an enabling environment can be analysed.

The stated objective of the project is to enhance the effective participation of the rural based, small-scale private sector in rural water supply service provision through the production and dissemination of best practice guidelines.

A key assumption of this research in all three countries is that the small-scale private sector has a productive role to play in rural water supply. The research was not designed to question whether this assumption was valid.

Assumption of this research in Tanzania before commencement of the research process was that Dodoma Region offered an ideal place for the research on small-scale private sector participation in rural water supply and that the lessons learned from the Dodoma case could apply in other areas of Tanzania. Dodoma was strategically chosen, as there was already private sector participation in the delivery of water supply services in the region, thus the lessons learnt there from would be very practical.

1.3 Importance of this study

The importance of this research in Tanzania is justified firstly by the National vision 2025 statement, which reads, "The economic reforms implemented by the Government of the United Republic of Tanzania have been based on the philosophy that Tanzania is committed to a market economy whereby the private sector will take the lead in orienting incomes, employment and growth. On the other hand the state will be a producer of public goods, play a regulatory role to level the playing field and create a conducive environment for the private sector". The importance of the research is further emphasised by the National Water Policy of 2002 which stresses that the government will provide conducive environment for private sector operations in the sector and by the experience people in Dodoma region who have involved private sector operators in the rural water services delivery prior to the formulation of the said policy.

Lack of proper guidance on the participation of small-scale private sector in rural water supply service provision would not only undermine the good intention of the National Water Policy, but also adversely affect the ongoing operations undertaken by the private sector in terms of quality of services offered and their sustainability.

The research has successfully clarified and set the scene for the conducive environment to emerge for the implementation of the National Water Policy with regard to participation of private sector in rural water supply through the development of guidelines for the small-scale private sector participation in rural water supply.

1.4 Structure of the Tanzania team

The Tanzania team is composed of members from the Regional Commissioner's Office, from WaterAid and Dodoma Rural and Mpwapwa District WAMMA team members. The team's composition is as a result of long standing cooperation between the Regional Commissioner's Office, WaterAid and the District Water and Sanitation team members which evolved a participatory approach in the development and management of water and sanitation interventions in Dodoma Region popularly known as the WAMMA approach. It is out of the WAMMA approach that the district water and sanitation teams were designated WAMMA teams.

Tanzania team members

Name	Role	Organisation
Eng. Yunusu Rugeiyamu	Team Manager, Regional Water Engineer, Dodoma	Regional Commissioner's Office, Dodoma
Mr. Mussa Mpinga	Team Manager, WaterAid Tanzania	WaterAid Tanzania
Ms. Pauline Mrosso	Researcher, WaterAid Tanzania	WaterAid Tanzania
Mr. Obadia Zerubabeli	Survey Team Leader and Graduate Engineer	Regional Water Engineer's Office, Dodoma
Dodoma Rural and Mpwapwa District WAMMA Teams	Project Field Enumeration Support Team	District Council, Dodoma Rural and Mpwapwa Council respectively.
Ms. Mwendeché Senyagwa	Survey Team Member and Field Enumerator	Sokoine University, Morogoro.
Mr. Samson Shaidi	Survey Team Member Field Enumerator	Mzumbe University, Morogoro.

The Multi-Stakeholder Workshop, discussed and deliberated upon the developed guidelines consisted of members drawn from the already existing Ministry of Water and Livestock Development Technical Advisory Committee (TAC) plus invited but necessary participants from the Ministries of Industries and Trade and President's Office Planning and Privatisation.

Technical Advisory Committee (TAC) is a multi-stakeholder water sector advisory institution of the Ministry of Water and Livestock Development. It is constituted by the Ministry of Water and Livestock Development, water associated ministries of President's Office, Regional Administration and Local Government, Health, Community Development, Gender and Children, Finance, Vice President's Office (Environment Division), the water development agency of Drilling and Dam Construction and the institution of higher learning of the University of Dar es Salaam.

Other members are the external supporting agency, that is the Royal Netherlands Embassy, Embassy of the Federal Republic of Germany (KfW), Japanese Embassy (or JICA), UNICEF and Tanzania Social Action Fund; water associated NGOs of Plan International, WaterAid, NETWAS (T) Ltd and Concern Worldwide; and water associated private companies of Service Plan, WEDECO, TANIRA and Tanzania Wells Services and Supply Co. Ltd.

1.5 Structure of this report

This report consists of the chapter on introduction, which summarises the objectives and assumptions of the research, its importance and the composition of the in-country research team. Following the introduction is a chapter on the methodology that guided development of the guidelines. This starts from the preceding phases prior to the guidelines development phase, which is the inception, the fieldwork, analysis and dissemination and also the research implementation chart that gives the implementation program throughout the research period. There after follows a chapter on the developed country specific guidelines as agreed at the end of the study. In order to add value to the research, a chapter on the analysis and lessons learned during the research process, on the private sector and its operating environment, and on the policy environment has been included thereafter.

The report also consists of a chapter on the dissemination and uptake of the study and the consequent guidelines. This chapter consists of target audiences and strategies, the activities already undertaken, the anticipated future activities and under a sub chapter of uptake and implementation there are details on to which institutions the implementation of the guidelines can be tracked. There after follows two last chapters; one on the next steps and the last one conclusion. The report is also appended with texts on; summary of project documentation, phase two workshop report, MSWG task force terms of reference, MSWG task force minutes of meetings and lastly the phase three workshop report.

2 GUIDELINES DEVELOPMENT METHODOLOGY

2.1 Introduction

This section of the report summarises the research methods, which have led to the development of the guidelines. As far as possible the same methods were developed and applied in all three of the project countries. Each country has produced its own separate report on each phase of the project. Therefore whilst the research methodology is effectively the same in all of the countries, the application and outcomes are different. The process of engaging partners in the development and application of the research methodology has emerged as a fundamental requirement upon which to build and disseminate understanding and acceptance of these guidelines. This chapter presents a summary of the experiences and outcomes from the country teams in addressing the task of developing best practice guidelines for the involvement of the small-scale private sector in rural water supply services.

The methodology used in the development was primarily participatory, where by information was collected from the field through questionnaires and then shared through stakeholder meetings. This facilitated availability of reliable and practically tested information in the research report. This methodology was also enabled by the choice of Dodoma as a research area; otherwise if the research was conducted in an area where there was no private sector participation in small and rural based schemes, the research presentation would lack practical reference.

2.2 Phase 1: Inception

The inception period covered a period of four months from November 2003 to February 2004 and during that period the country project teams were established. In this phase, the country project team firmed the structure of the study, reviewed published and unpublished information material concerning small and medium size enterprises in rural areas and financing and legal aspects of reform in the rural water sector. The review culminated in the contribution towards the development of the Knowledge Review document. In this phase, the country project team identified the factors that were to be considered in order to ensure that the research methodology is more pro poor, and that facilitated moulding of the research in recognition of a number of products that the research intended to develop which were previously not foreseen such as strengthening the government in providing and regulating the environment for the private sector participation.

2.3 Phase 2: Field work

Phase 2 of the research project covered a period of March 2004 – November 2004 and during this period surveys were conducted in country with the purpose of:

- Understanding of the role and capacity of the small scale rural based private sector to provide services in the rural water supply in the country.
- Assessing the capacity of the government in Tanzania to encourage the participation of the private sector as well as regulate their performance.
- Underpinning the underlying factors for the creation of enabling environment for the improved participation of private sector in the rural water supply service delivery.

The survey generated the following key findings:

- During the dry season when the demand for water from the village water schemes is higher, private operators compete to win contracts to operate the water schemes. During the rain season most of the schemes struggle to find suitable private sector operators.
- Ineffective demand base due lack of education on the part of communities on the importance of using clean and safe water resulting into very low sales in the rainy seasons as most communities depend on water from natural sources e.g. swamps This renders the water supply schemes rather unattractive to the private operator as he has to meet the monthly fee and running costs.
- Contracting processes for private operators is lacking in transparency and often is corrupted.
- Inadequate knowledge on contractual matters among government officers at the district and village levels.
- Financial inabilities on the part of many private sector operators.
- Absence of networks or for building the social capital of the private operators
- Inconsistency of sector policies towards sector needs and promotion of small-scale private sector.
- Inadequate knowledge and understanding on how to integrate, promote and monitor small-scale private sector participation in water sector.

These findings clearly indicated the need for guidelines for the enhancement of private sector in rural water supply provision originated from.

2.4 Phase 3: Analysis and dissemination

Phase 3 of the research project covered the period December 2004 – October 2005 and based on the synthesis of the phase 2 Country surveys and consequent report, during this phase the country vision and guidelines for the enhancement of the rural based small scale private sector participation in water supply were developed.

The process started with a multi-stakeholder workshop in which the research background was presented to a multi-sectoral team, in that workshop it was agreed that with the support of the in country research team, a multi-stakeholder working group task force would be formed from the workshop participants and that it would be responsible for the development of the guidelines and their dissemination strategy.

In the workshop, the composition of the Multi-Stakeholder Working Group Task Force was agreed upon and the country research team was tasked to develop the Terms of Reference for guiding the group towards the formulation of the country specific guidelines and their dissemination strategy. The task force was required to present the guidelines to the second multi-stakeholder workshop for final approval and agreement.

Thereafter the country research team, in cooperation with the Director of Rural Water Supply in the Ministry of Water and Livestock Development, identified the personalities for the composition of the Multi-Stakeholder Working Group task force. On invitation the group members agreed to the task, and were served with the Terms of Reference for the guiding the group in the development of the guidelines. Below is the list of personalities who composed the task force and in Appendix C of this report are the Terms of the task force.

Multi-stakeholder working group task force

Name	Role	Organisation
Eng. Ryuba Magesa	Managing Director	NETWAS (T) Ltd.
Mr. John K. Moshi	Economist	Presidents Office, Planning and Privatisation
Mr. George Kafumu	Environmentalist	Vice Presidents Office
Eng. Clement Kivegalo	Civil Engineer/ TAC Secretariat	Ministry of Water and Livestock Development
Ms. Jane Lyatuu	Trade Officer	Ministry of Industries and Trade
Mr. Musa Mpinga	Programme Manager and Research Team Member	WaterAid Tanzania
Eng. Yunusu L H. Rugeiyamu	Water Engineer and Research Team Member	Regional Commissioner's Office, Dodoma

The meetings of the Multi-Stakeholder Working Group Task Force were such that the first two-day meeting went through the terms of reference of the task and brainstormed and agreed on the form the guidelines would take; by going through the challenges that were facing the development of the SSPS in rural water supply in the country. In that meeting, the group developed and agreed on the draft background information text, the draft vision and mission and the status of private sector participation in the rural water supply. Later the group split and each one was tasked to develop the guidelines individually and agreed to meet after another two days for the compilation of the guidelines.

After a two-day individual working session the task force went through each member's contribution and compiled the guidelines, and together they developed the final content of the guidelines. The draft vision and mission of the PSP in rural water supply was also agreed upon and the meeting was then adjourned for six days. A major observation at this point was that though the members of task force had different professional backgrounds there was a close resemblance of some of the individually developed guidelines with professional specific guidelines arising from some members of the task force. That implies the multi-sectoral diversity of the private sector in rural water supply.

When the task force met after being adjourned for six days, the guidelines text especially the mission, vision and guidelines were improved. The guidelines were also clustered into Demand, Finance, Enabling Environment and Information categories. The end draft version of the guidelines was then distributed among the task force members for a one-day independent review and preparation of presentation slides by the tasked task force members. This draft was also shared with WMC who provided comments.

The one-day individual review was followed by another one-day presentation review, discussion and agreement session on the internally raised comments and the ones from WMC. On that day the task force generated a final draft text and agreed on the agenda for the multi-stakeholder workshop, the roles and responsibilities of task force members during the workshop and the form of the presentations.

The task force then facilitated the multi-stakeholder workshop that was aimed at owning, improving and finalising the guidelines by the MSWG and after which the group had an hour session to review the proceedings of the workshop and to share roles and responsibilities for the finalisation of the country report.

Another key issue in the process is the form of the developed vision and mission of the private sector participation in water supply in Tanzania that read as follows:

Vision: to have a vibrant, dynamic and effective rural based small scale private sector participating in the provision of rural water supply service.

Mission: to stimulate the development and growth of the rural-based, small scale private sector participating in rural water supply service provision through creation of appropriate legal, institutional and financial frameworks.

The vision and the mission and the corresponding guidelines were generated from the country survey report and on presentation to the multi-stakeholder workshop there was consensus on the fact that they had satisfied the demand for government guidance and support towards private sector participation in the provision of rural water supply services as raised during the surveys and endorsed by the first multi-stakeholder workshop.

The generation and endorsement process of the guidelines leads the research beyond the traditional thinking about the objective of private sector making a living and thus poverty alleviation; to promotion of performance of water service provision, enhancement of coverage and thence poverty alleviation to the recipient of the private service in addition to the private service provider.

Once the guidelines have been finalised, they will be formally submitted by the in-country research team members on behalf of the participants of the Multi-Stakeholder working Group to the Permanent Secretary, Ministry of Water and Livestock Development through the Director of Rural Water Supply for their institutionalisation.

The guidelines will be disseminated through normal government channels. Bearing in mind that the forum that developed the guidelines is the government initiated Multi-Stakeholder Working Group, they will firstly be institutionalised by the Ministry of Water and Livestock Development and will then be disseminated to the Local Government Authorities through the Ministry responsible for Local Government, presently the Presidents Office, Regional Administration and Local Government.

The research team appreciates the active participation of sectors other than water, in the guidelines development process. The team facilitated the working of a very well informed group of professionals and decision makers from various sectors, thus the guidelines reflect the kind of actions that are required to enhance the small scale private sector in rural water supply service provision.

Table 2.1 Phase 2 and 3 work schedule as implemented

	2004										2005									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
PHASE 2 - SURVEYS	X	X	X	X	X	X														
Output 2: Report providing improved understanding of rural business livelihoods, supply chains and local government capacity.																				
<i>2.1 Activity: Assessment of demand for guidelines among key stakeholder groups.</i>																				
Task 2.1.1 Participatory survey of communities and water committees	X	X	X																	
Task 2.1.2 Interviews with local authorities	X	X	X																	
Task 2.1.3 Data analysis, interpretation and reporting		X	X	X																
<i>2.2 Activity: Assessment of capacity of local government to enable and regulate small rural-based private sector.</i>																				
Task 2.2.1 Participatory survey of village governments	X	X	X																	
Task 2.2.2 Participatory survey of district councils and water departments	X	X	X																	
Task 2.2.3 Participatory survey of regional and national level capacity and policy	X	X	X																	
Task 2.2.4 Data analysis, interpretation and reporting		X	X	X																
<i>2.3 Activity: Assessment of capacity of small and medium size enterprises and non-governmental organisations.</i>																				
Task 2.3.1 Analysis of RWS sub-sector	X	X	X																	
Task 2.3.2 Supply chain maps and livelihoods analysis of private service providers	X	X	X																	
Task 2.3.3 Data analysis, interpretation and reporting		X	X	X																
<i>2.4 Activity: Synthesis of small scale, rural-based private sector participation in RWS</i>					X	X														
Task 2.4.1 Synthesis and reporting					X	X														
Output 3: Guidelines for enhanced small private sector participation and regulation.																				
<i>3.1 Activity: Establishment of multi-stakeholder Working Group (MSWG) in each country to develop guidelines and dissemination strategy.</i>																				
Task 3.1.1 Discussions with all stakeholders																		X		
Task 3.1.2 Drafting of terms of reference															X					
Task 3.1.3 Meetings of MS Working Groups																X	X			
<i>3.2 Activity: Multi-stakeholder workshop in each study country involving target audiences to discuss results so far and plan Phase 3.</i>																				
Task 3.2.1 Organise workshop																X	X			
Task 3.2.2 Hold workshop																	X	X		
Task 3.2.3 Lessons learned and detailed work plan for Phase 3																	X	X		
Task 3.2.4 Report on workshop																			X	

Table 2.1 Phase 2 and 3 work programme as implemented (continued 1)

	2004										2005									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
PHASE 3 - ANALYSIS AND DISSEMINATION																				
<i>3.3 Activity: Legal and institutional analysis by the Multi-Stakeholder Working Groups.</i>																	X	X		
Task 3.3.1 Develop & agree vision for small scale private sector participation in rural water sector																	X	X		
Task 3.3.2 Legal and institutional environment for small private sector providers																				
Task 3.3.3 MSWG Meetings													X					X		
<i>3.4 Activity: Development of country-specific Guidelines and other documents by Working Groups.</i>																				
Task 3.4.1 First draft of Guidelines																	X			
Task 3.4.2 Second draft of Guidelines																		X		
<i>3.5 Activity: Testing of guidelines in study countries by Working Groups on target audiences.</i>																				
Task 3.5.1 Workshops with key members of target audiences																		X	X	
<i>3.6 Activity: Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.</i>																				
Task 3.6.1 Synthesis and reporting																		X	X	
Output 4 Peer reviewed guidelines and recommendations by target audiences.																				
<i>4.1 Activity: Development and implementation of strategy for dissemination of study guidelines.</i>																				
Task 4.1.1 Define target audiences																				
Task 4.1.2 Develop communications strategy	X		X																	
Task 4.1.3 Disseminate Phase 2 findings										X	X	X	X	X	X	X	X	X	X	
Task 4.1.4 Disseminate Phase 3 findings										X	X	X	X	X	X	X	X	X	X	
<i>4.2 Activity: Final multi-stakeholder workshop</i>																				
Task 4.2.1 Organise workshop																	X	X		
Task 4.2.2 Hold workshop																	X	X		
Task 4.2.3 Report on workshop																	X	X	X	
Task 4.2.4 Project Final Report and Guidelines																			X	
Milestones																				
Milestone 2: Phase 2 Synthesis Report incorporating Phase 2 Workshop																				
Milestone 3: Phase 3 Final Report and Guidelines													X						X	

3 GUIDELINES

These guidelines the purpose of which is to stimulate the development and growth of the rural based small scale private sector participating in rural water supply service provision through creation of legal, institutional and financial framework; aims at building a vibrant, dynamic and effective rural based small scale private sector participating in the provision of rural water supply service in Tanzania. For clarity these guidelines have been clustered it for categories, namely; demand, finance, enabling environment and information. They are presented in such away that for every challenge there is a corresponding recommendation.

3.1 Demand

Challenge

There is a need to attract and sustain private sector involvement in provision of rural water supply services. An ideal business environment for small-scale private sector is a consistent demand throughout the year of water supply and maintenance requirements. In most of our communities, willingness and ability to pay are seasonal. Communities' cash flow is driven by harvests while demand for water is driven by its availability and it is highest in dry season. Furthermore, some members of communities do not realise the necessity of using safe water; instead they opt for using unsafe water for the sake of saving money without knowing the health hazards associated with the use of such unsafe water.

Recommendation

District Councils should strategically keep on creating awareness continuously to all communities about the benefits of using clean and safe water. In order to limit communities from using water from unsafe sources, the District Councils through the Water Engineer's office should look into a possibility of helping communities to establish two categories of tariffs, if need be; one for rainy season and another for dry season. This technique should however be done without compromising the overall cost of provision of water supply services.

Challenge

Communities entrusted to run water supply schemes do not have the culture of allocating funds for preventive and routine maintenance of their facilities. Normally they tend to allocate funds when the equipment fails. Consequently, this attributes to the lack of assurance to retailers of spare parts of the market for their commodities.

Recommendation

District Water and Sanitation Teams should work together with communities to develop a framework for maintenance of community water supply facilities.

Challenge

Project implementers (government/NGOs/donors) have great influence on the type of technology installed. Installation of expensive equipment, which needs complicated and long supply chains to supply its spare parts and repair services, is not attractive to private sector.

Recommendation

The Ministry responsible for water should continue standardising water supply facilities e.g. pumps, engines, pipe fittings, etc to ensure their sustainability and simplicity in management. This will ease supply chain of spare parts. The standardisation should be on the quality, the level of service, etc.

Challenge

Most of spare parts used in the water sector are slow moving items and as such they discourage retailers from stocking them.

Recommendation

The Ministry responsible for water should work out mechanism of tax relief for all items related to provision of water supply services.

Challenge

In some cases the water being supplied does not meet quality standards.

Recommendation

The Ministry responsible for water should strengthen water quality laboratory services so as to facilitate water quality monitoring.

3.2 Finance*Challenge*

Private sector access to finance is critical to meet cash flow requirements, e.g. managing the delay in getting paid by communities for services and spare parts that they have purchased. Most small-scale private sector participants do not have sufficient collateral to raise finance through financial institutions. Probably the water sector is either unknown among financial institutions or is considered high risk.

Recommendation

The Government should finalise the process of formalisation of land ownership, which will eventually enable the rural based private sector to access loans using their formalised land as collateral. In the same line, the Ministry responsible for water should promote the water sector to financial institutions in order to tap the investment potentials available at this sector. Some of the existing potentials include construction of new water schemes and managing the schemes, building and operate water schemes and managing under public private partnership, and partnership in the maintenance of the schemes which are in appalling state.

Challenge

In some cases, decision to replace a broken pump, for example, has to go through District Water Engineer's office, a process that is time consuming and at times involves unnecessary bureaucracy.

Recommendation

- The Ministry responsible for water must make sure that rural water supply schemes are managed at the lowest possible level as outlined in the National Water Policy (2002).
- The Ministry should also promote local pumping machines, equipment and spare parts and encourage the formation of associations of registered private sector participants in rural water supply services.

Challenge

In some cases setting of tariffs for water supply and for repair services is politically motivated rather than reflecting actual costs of providing services.

Recommendations

- The District Water and Sanitation Teams together with communities should formalise transparent tariff setting mechanisms that will reflect the actual costs involved in provision of services.
- There should be deliberate efforts to impart entrepreneurship to the emerging enthusiastic private sector operators.

Challenge

Due to small revenue base in many communities, profit generated from operating most of the schemes is not sufficient to sustain an operator's livelihood.

Recommendation

Whenever possible, within the same geographical proximity, the District Water and Sanitation Teams should facilitate for one operator to operate more than one scheme in order to achieve an economy of scale.

Challenge

Non-transparent procedures for handling money and ensuring accountability are also another problem area especially at the water committee level.

Recommendation

The District Water and Sanitation Teams should facilitate training to the Water Committee members on areas of simple book keeping and good governance.

3.3 Enabling environment*Challenge*

Although the National Water Policy (2002) actively supports private sector involvement in provision of rural water supply services, there is no unit in the sectoral Ministry or Local Government Authority that is tasked to monitor them. The registration procedures for example are too long, tax incentives do not exist, tendering procedures are too complex for them to participate in local contracts and some need simple training to enable them to participate in the business. However, such training does not exist.

Recommendation

- The Ministry responsible for water and all Local Government should provide specific units within their existing institutional arrangements whose main responsibility will be to make sure that the small-scale, rural- based private sector has a conducive environment in which to operate.
- The Ministry responsible for water in collaboration with Local Government Authorities should work out procedures to make sure that registration of these small-scale private enterprises is a one stop centre at the district.

Challenge

Most of the schemes, which are now turning to private sector management/ operation, are too old and pose a lot of problems to the operators.

Recommendation

Before transferring any scheme into private operator, the District Council should employ the Public Private Partnership mechanism in those schemes in order to avoid an endless circle of repair, and hence guarantee good services.

Challenge

Tendering procedure is neither transparent nor consistent.

Recommendation

The Local Government Authorities should work out procedures, which will facilitate transparent and simple tendering process. Uniform tendering templates which is simple to use by rural based private enterprises, should be developed at the District and the same be made available for use. Awareness creation towards PSP should also be made to the lowest possible level, if possible using locally based organisations.

Challenge

For the case of operators, royalty fees payable to the village governments are mostly fixed while demand for water and willingness to pay by communities are variably changing.

Recommendation

There should be operation contract templates developed by the Councils and these should be available in the communities, these will be used in the District in order to have uniform contracts, which benefit all parties

Challenge

Vandalism and theft of water supply equipment is posing serious challenges to operators.

Recommendation

District Water and Sanitation Teams should embark on preparing and conducting training to communities aimed at sensitising them as to their role in development of rural water supply schemes so that they understand that they are the owners of the facilities and protection of those facilities against theft and vandalism lies squarely to them by installing regulatory mechanism to ensure finalising of the contract at the village level.

3.4 Information*Challenge*

Information (awareness) on the need of Private/Public partnership in the provision of rural water supply services is missing at village level. Subsequently, there is lack of knowledge to some of would be potential private sector that potential for such business exists, and the community is equally unaware

Recommendation

The Ministry responsible for water together with the Ministry responsible for Local Government Authorities in collaboration with Local Government Authorities should embark on vigorous promotional campaigns of involving rural based small-scale private sector in provision of rural water supply services. At the same time, there should be strategic capacity building to the would be small-scale private sector participants by the Ministry responsible for water in collaboration with other organisations such as the one responsible for development of entrepreneurship skills etc.

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4 ANALYSIS AND LESSONS LEARNED

4.1 The process

The guidelines' development processes have been participatory and have followed well-planned steps, each step benefiting from the previous and informing the next step.

An important aspect of the research process is the Multi Stakeholder Working Group (MSWG), its strategic composition in relation to the purpose of the research and the role it has played. Looking at the research trend in the successive research process phases, the following are lessons need to be recorded:

- There is enthusiasm in the government especially the Ministry of Water and Livestock Development towards the research process and the outcomes that form the basis for the ownership of the guidelines by the government.
- There is need for all government policies to be followed up by simple practical implementation tools that will facilitate and ensure their practical translation at all levels.
- Slight investment towards the establishment of guidelines once the policy has been put in place can generate appreciable benefits. The availability of policy without practical guidelines towards its implementation can render the policy to be impractical.
- The need for cross-sectoral consultation. The issue of participation of private sector small or large requires the cross fertilisation of ideas from many disciplines for them to be effective and acceptable to all.
- Participatory process towards the generation of the guidelines created a room for learning from each other and sharing of knowledge among various institutions, stakeholders and personalities.
- Involving various stakeholders including donors in the guidelines development process has automatically facilitated dissemination of knowledge towards the enhancement of PSP in rural water supply and ownership of developed PSP development principles.
- The research process enabled the research team to practically perceive what was actually ongoing in the field and what was being done the wrong way in the absence of proper guidelines.

- From the outcomes as perceived during the final multi stakeholder workshop the process used is acceptable due to its analytical nature and deductions from what is ongoing/ required in the field.
- The ongoing processes under the Ministry of Industries and Trade towards Small and Medium Scale Enterprise development will ease the enabling of small-scale private sector participation in rural water supply.
- There is multi-sectoral agreement through the MSWG that the developed guidelines will stimulate the development and growth of rural bases small-scale private sector participation in rural water supply service provision.
- The vision of the small-scale private sector participation in Tanzania has been justified in the course of the study as it has come to be recognised that small-scale private sector in the long run means increase local investment in the sector and provides room for attracting local solutions to local problems.
- Dodoma Region provided a practical scenario for the research due to the fact that practical guidelines could be developed from there. However this limited the possibility of comparing research outcomes across varied socio-economic, cultural, climatic, etc. circumstances.

4.2 Private sector and its operating environment

During the survey phase of the research, it was found that SSPS participation in rural water supply service provision operated in a difficult environment, thus it necessitated deliberate courage to undertake such business. It was also revealed that there was a need from the communities for an efficient alternative to the traditional water committee approach.

However this desire has not been converted fully to an effective demand for the services of SSPS, thus, making it difficult for the slowly emerging SSPS to take firm roots in rural water supply service provision.

Though the initiatives to use the service of SSPS in rural water supply in Dodoma Region can be traced back eight years, the SSPS involvement in rural water supply service provision is still characterised by unspecialised scheme operators, who depend for their livelihoods mostly on other businesses particularly peasantry farming. Development of specialised skills for enabling this emerging sub-sector has not yet started. Conflicts have been noted in community/ private sector partnerships that are caused mostly by vested interests of village governments due to weak contractual arrangements between the service providers and the village governments. This has contributed to the weak growth of SSPS participation in rural water supply.

Analysis of the situation reveals that the success of the SSPS participating in rural water supply has been a result of potential in terms of opportunities, efficiency and effectiveness on the part of the SSPS, coupled with individual shrewdness rather than by the presence of conducive working environment.

In order to attend to these anomalies, the research-developed guidelines are presenting a set of recommendations for the creation of the much-desired conducive environment for the participation of SSPS in rural water supply.

The recommendations that have been made on issues to do with the external environment, like building community understanding, development of institutional base for participation of SSPS, clarifications on tendering and contractual processes etc. on the one hand and recommendations on issues to do with the internal environment of the SSPS, like access to finance, sector skills enhancement, entrepreneurship development etc. on the other, will build up both the ground and players simultaneously. It is anticipated that such improved environment will set the stage for a rapid development of SSPS participation in rural water supply.

4.3 The policy environment

The goal set out in the NAWAPO that is to use the private sector as the means for speeding up the expansion of sustainable water supply services in the rural areas provides room for the participation of small-scale private sector in rural water supply.

On the other hand the policy describes among others, two important factors for the sustainability of water services as follows:

- Ensuring that the users themselves meet the costs for operating, maintaining, rehabilitation and expansion of schemes.
- Ensuring that spare parts and technical skills are available so that there is timely maintenance of schemes, standardisation of equipment and technologies, and involvement of private sector.

These policy statements together point not only to the need for participation but also to the need of a rapid growth of and expanded participation of private sector in rural water supply. The guidelines developed under this research project have augmented and provided for added insight into the practical requirements for this participation.

The following analysis summarises the envisioned contribution of the guidelines developed under this project towards the implementation of the four main steps that according to the national water policy must be taken before the participation of private sector in rural water supply is realised.

National water policy Objective one

‘The private sector will be mobilised to invest in water service provision’

There is in the guidelines a rural water sector promotion recommendation, where the available opportunities and methods for investing in the water sector in rural areas will be published and disseminated to the public and the would be private sector investors.

National water policy Objective two

‘Enabling environment will be provided, by providing incentives and legal framework backing’

In the guidelines there is a detailed discussion on enabling environment including legal issues. The key issues are stimulation of demand for private sector and institutionalisation of regulation at the lowest level, and simplifying the registration procedures for the SSPS.

National water policy Objective three

‘Support will be provided to help private sector and LGAs to build their capacity to provide water supply services in rural areas’.

In the guidelines there is a practical recommendation for enabling the private sector financially by formalisation of the informal sector resources so that they can be used as collateral by the small-scale private sector. There is also a recommendation for developing a step by step planning and strategizing manual for facilitating the district planning for involvement of private sector.

National water policy Objective four

‘Educating the public on the importance of involving PS in rural water supply’

The guidelines recommend for promotional activities and practical ways of building a public/private partnership at village level, which is accountable and mutually beneficial. That will attract learning by process in both partners.

The guidelines developed by the study therefore can be seen as a practical means for translating and taking further the objectives set out in the NAWAPO for the participation of private sector in rural water supply. What remains to be done by Government is the finalisation of the water sector strategy, where the future institutional framework and custodianship of initiatives for PSP in rural water supply will be clearly defined.

The participation of private sector according to the NAWAPO and the experience in service delivery in other sectors so far, is at the centre of sustainability and a means for ensuring flow of resources to the sector which will in turn ensure availability of water supply to the rural communities in the long term and hence contribute significantly to the national goal on poverty alleviation.

5 DISSEMINATION AND UPTAKE

5.1 Dissemination strategies

In the inception phase potential audiences were identified to whom the guidelines would have to be disseminated. These include:

- Local Governments Authorities.
- Sector Ministry, Rural Water Supply Department.
- Rural based small-scale private sector service providers.
- Communities and vulnerable groups.
- Donor Agencies, ESAs and NGOs.

During the process of developing the guidelines it was found necessary to disseminate the guidelines to all these audiences.

The strategy to disseminate the guidelines to all these groups is centred on the conventional government procedures that will be supported by the consensus building and action promotional forums.

The involvement of all targeted audiences in the guidelines development process as in the MSWG facilitates inbuilt ownership of the guidelines and dissemination to those key stakeholders. Once the guidelines have been finalised they will then be ratified by the Ministry of Water and Livestock Development and then be sent to the LGAs through the Ministry responsible for Local Government. The LGAs will adopt them, translate and utilise those guidelines according to the specific circumstances of the district, to the wards and village level governments, and to other sector stakeholders in the respective district including communities, CBOs, NGOs, the small scale private service providers and others.

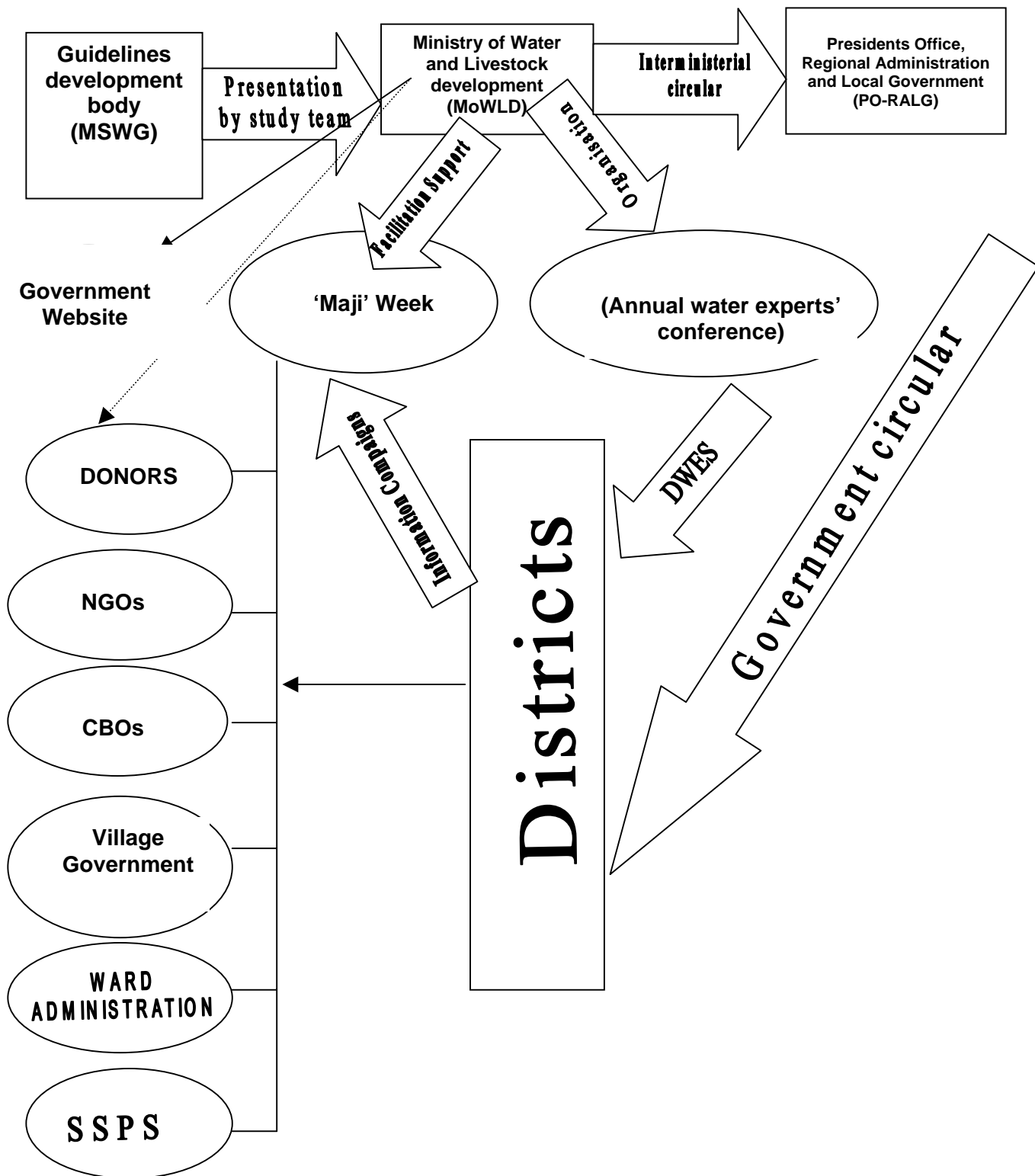
The Annual Water Experts' conference, which is the Ministry's forum for discussing issues requiring wide sector attention and peer reviewing of developments in various activity quarters, will be used to present the guidelines to a wider scope of stakeholders and facilitate implementation peer reviewing.

All stakeholders towards implementing the guidelines will use the annual water week, which is the ministry's action promotional forum at district and community level, to promote actions. The stakeholders who will be targeted at these annual forums will be the donors, the communities and the small scale rural based private sector. The LGAs will lead the promotional activities during the annual water week.

These guidelines will also be made available to the general public through the government website

The figure below shows the dissemination linkages.

Figure 5.1 Dissemination linkages



5.2 Strategies to ensure uptake by target audiences and implementation

The principle strategy for ensuring uptake of the guidelines by the various stakeholders has two components. The first component of the strategy is by ensuring participation of various stakeholders in the development of the guidelines, so that the guidelines developed are not only agreeable to all, but also easy to implement in the working environment of all the stakeholders. This was part of the original overall project design and the principle approach in the undertaking of every step in the implementation of this project. The second component is institutionalisation of the guidelines at the national and district levels to form the basis of operational approach for all stakeholders to adopt in the current and future water supply activities.

In their present form the guidelines present general recommendations and highlight areas where obstacles exist so that actions can be undertaken by relevant stakeholders to improve the situation. This ensures that there is flexibility and continuity in the planning and designing of appropriate actions at appropriate levels for the implementation of the guidelines.

Table 5.1 below summarises the expected uses of the guidelines by stakeholders

Table 5.1 Summary of use of guidelines by stakeholders

Stakeholder	Use of Guidelines
Ministry of Water and Livestock Development	<ul style="list-style-type: none"> Institutionalisation of guidelines and development and dissemination of corresponding ministerial circulars.
Ministry responsible for Local Government	<ul style="list-style-type: none"> Ministerial circular/ guidelines to Local Government Authorities for taking action
Districts	<ul style="list-style-type: none"> Development of specific strategies for improved participation of SSPS. Regulation of SSPS.
Wards	<ul style="list-style-type: none"> Monitor villages level implementation.
Villages	<ul style="list-style-type: none"> Regulate SSPS participation in water supply service provision
NGOs	<ul style="list-style-type: none"> Advocate and promote SSPS participation
CBOs	<ul style="list-style-type: none"> Promote Support the formation of water users association
SSPS	<ul style="list-style-type: none"> Service provision according to guidelines
Donors	<ul style="list-style-type: none"> Ensure investment plans are well designed for management by SSPS

These guidelines are aimed at stimulating the development and growth of the rural based small-scale private sector participating in rural water supply service provision through creation of enabling legal institutional and financial framework. The successful participation of private sector in the rural water supply provision will promote increased water service to the rural communities; enable improvement of their health and economic well being through rural development, It is therefore expected that the government through its various working machinery and other stakeholders depicted above will ensure that the guidelines are put to use as required.

5.3 Activities already undertaken

The activities already done towards the dissemination of the document include a wider scope involvement of small-scale private sector service operators during the survey. They all expressed enthusiasm during the interviews and expressed demand for the guidelines, which they said would ease their operational problems. Other parties to where dissemination has been made are 28 villages and two local government authorities that were involved in the phase 2 surveys of the research process.

At the central government level, the research material has been disseminated firstly to the Ministry of Water and Livestock Development through the Director of Rural Water Supply and secondly to the multi stakeholder workshop participants the majority of whom form the technical advisory committee of the Ministry of Water and Livestock Development.

The research team had two formal audiences with the Director of Rural Water Supply of the Ministry of Water and Livestock Development and in both meeting; he expressed interest in the research outcomes, with a comment that the guidelines that will be developed through the research process when institutionalised and operationalised, will be a deliberate step to the Ministry's endeavour in the empowerment of private sector towards provision of safe drinking water to the rural communities.

Under the research two multi-stakeholder workshops were conducted. The first was for informing the multi-stakeholders on the research intentions and what has been done and learned up to phase 2-research survey and the need to develop guidelines for enabling the PSP to grow. The second workshop was for presentation of draft guidelines. Both workshops were highly participatory and during the second workshop participants expressed their high expectations that the guidelines will stimulate the development and growth of the rural based small-scale private sector participating in the rural water services provision.

Bearing in mind the strategic membership to the conducted multi-stakeholder workshops, dissemination of the study findings has taken place as it was intended, and those members of the TAC who could not attend those workshops will be served with proceedings/ workshop reports.

5.4 Future activities

The effectiveness of the guidelines will depend on their translation into actions by all stakeholders. The institutional reforms currently ongoing in the government has enabled the private sector to be recognised as a development partner, thus it is expected that the introduction of these guidelines will provide a special bond towards the public-private partnership in rural water supply service provision.

In the context of demand by the Ministry of Water and Livestock Development to improve water service coverage in the country, there is demand for the usability of the guidelines by the Local Government Authorities, as the focal point for translation and taking action towards the water service provision.

The key activity for the future therefore is to facilitate the translation into action and designing of the implementation activities by the districts. There are three main activity areas that need to be undertaken for this research project to reach its logical conclusion:

i) Institutionalisation of the guidelines

This is to ensure that the guidelines assume a formal status within the government system. In the process the finalised guidelines will be formally presented to the Ministry of Water and Livestock Development through the Director of Rural Water Supply by the country research team on behalf of the multi-stakeholder working group where they will be owned and institutionalised. The Ministry will then disseminate these guidelines to the Local Government Authorities through the President's Office, Regional Administration and Local Government.

ii) Packaging the guidelines to facilitate implementation by key stakeholders

The guidelines in their present form present general action tones which will need to be considered by specific responsible groups, that will improve chances and nature of participation of the SSPS in rural water supply.

To facilitate actioning of these recommendations a more practical, simple to understand and use guide need to be developed aimed at key actors to facilitate acquisition of correct attitude and import practical skills to enable actions that will make a difference to the participation of SSPS in rural water supply.

Examples of such documents include guidelines for strategizing for the participation of SSPS in rural water supply, guide to council planners, council water engineers and council directors.

Included here will be step-by-step guidance on:

- Determining the current potential and hindrances
 - Who are the current actors in the district
 - Where they are
 - What are the hindrances and how to solve them
- Promoting the sector to attract more participation
 - What can be done with what profit potential
 - What are steps to do it (Investment or other participation)
 - Who is eligible to participate?
- Building the correct community/ Private Sector interface
 - What are the necessary contractual arrangements
 - How to manage contracts with private sector
 - How to ensure mutual accountability
 - Regulation bodies and regulation mechanisms.
- Starting up a vibrant Public Private Partnership
 - Ensuring viability
 - Ensuring profitability
 - Ensuring sustainability.

These specific guidelines are however only useful when the specific circumstances of the each LGA are taken into consideration when designing them and the language used should be Swahili for ease of sharing at LGA level

Another target responsible group includes Donors, NGOs (national and international) where the key message is actually to observe, respect and support efforts at LGA level to involve SSPS in rural water supply.

iii) Coordinating implementation

To maximise impact and benefit from cross learning among stakeholders and particularly between LGAs there needs to be set up an institutional structure within MoWLD and PO-RALG, to monitor and support the district efforts of promoting the participation of SSPS in rural water supply

This structure will have the role of collecting data and information over time, advising the LGAs and where necessary develop practical mechanisms to monitor problems as they arise, particularly such problems that would require higher level support. An example of such needs will be the need to effectively check the level of participation of PSP and the performance levels of the decentralised regulatory system.

For the purpose of monitoring water sector performance, the minimum capacity target requirements for every Local Government Authority are that every village should have a sustainable water system and at an absolute minimum, every water scheme should be visited at least once in every three months. Private sector participation in rural water supply schemes would be monitored within the existing water sector-monitoring framework.

6 NEXT STEPS

6.1 Introduction

In the longer term three actions have to be undertaken to maximise the benefits of small-scale private sector participation in rural water supply. These are;

- Institutionalising local checks and balances for efficiency and cost effectiveness of services provision by SSPS at the primary stakeholder level.
- Appropriate technology choices and development of local technology base
- Water demand and water usage for livelihoods

6.2 Institutionalizing local checks and balances for efficiency and cost effectiveness of services provision by SSPS at the primary stakeholder level

The guidelines developed if well utilised may result into a rapid growth of small-scale participation in rural water supply. This is the purpose of guidelines, and in principle a positive thing to happen in the water sector. However a danger of over-commoditizing water if the nature and extent of participation is left to proliferate without effective checks and balances.

Through there will be regulation bodies and mechanisms at village and LGA levels, there is a need to advocate for the creation of two counteracting associations.

The guidelines propose the establishment of Water Service Providers Associations and Water Users Associations. These associations will be the primary stakeholders of the water service will be better placed to inform and improve the functioning of the regulatory bodies at village and district levels.

6.3 Appropriate technology choices and development of local technology base

The experience gathered from the research is that sustainability and long-term cost of service provision depends very much on the technology used. The more the SSPS get involved into the rural water supply business, the more the technology issues will get more exposed and the more they will demand attention. In order to take care of this, in future intervention plans and technological choices will have to be sensitive to the capacities and capabilities of the SSPS to manage the rural water supply investments.

In future, promotion of technology that has a well-developed local base in the districts and even Tanzania made parts or equipment will have to be emphasised.

6.4 Water demand and water usage for livelihoods

The research has highlighted the seasonal nature and unreliability of the demand for water in rural areas. To ensure effectiveness of service provision through SSPS, it will be necessary for LGAs to develop mechanisms including community orientation that will ensure water usage for livelihood activities particularly for livestock and small scale farming (like chicken farms) and gardening. This will mean addition of infrastructure for livestock watering and or designing of cheaper water sources for farming and gardening.

7 CONCLUSIONS

Currently in Tanzania, water supply coverage is 74% in urban and 53% in rural areas. Considering the current flow of resources to the sector, sustainability of the existing investments can only be guaranteed through increased participation of actors in the water supply operation and maintenance, and in this case the private sector. This study has provided the means and insight for ensuring sustainability of water schemes in rural areas through improved participation of rural based small-scale private sector.

It is expected that the developed guidelines are answering to a recognisable need for a practical reference or a tool for planning and surmounting the obstacles inertia at various levels for ensuring the participation of the private sector in rural water supply.

To achieve an impact under the current situation in Tanzania, the vital point of application of the guidelines is at the Local Government Authority (LGA) level. In the LGAs, the guidelines have to be properly applied bearing in mind the specific circumstances of each LGA to develop council specific strategies for ensuring and developing the participation of emerging small-scale private sector in rural water supply. Effective participation of SSPS in rural water supply will be enhanced through integration of SSPS options in the LGAs water sector plans and strategies.

All stakeholders therefore, including the Ministry responsible for water, Local Government Authorities, Communities Private sector, NGOs, CBOs, and donor organisations should actively work towards maximising the opportunities within the SSPS in rural water supply.

This will, in the long run, ensure Tanzanian's progress towards implementation of NAWAPO, the National Vision 2025 and the millennium development goals. It is expected that all stakeholders will realise the significance of moving into action and taking steps to develop further the guidelines and other recommendations and findings of this study in order to support efforts to lay the foundations for economic growth and sustainable development of Tanzania.

This initiative to increase the participation of the small-scale, rural based private sector is a necessary move in the current conditions in Tanzania, and opportunities are available now to turn into reality all the effort that has gone into this and other similar studies.

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APPENDIX A
Summary of project documentation

SUMMARY OF PROJECT DOCUMENTATION

The project has developed the following documentation: -

1. Project proposal
2. Knowledge review
3. Inception report
4. Phase 2- Surveys, Country Report for Tanzania
5. Phase 2- Surveys, Synthesis Report
6. Phase two workshop report
7. MSWG terms of reference
8. MSWG Task Force minutes of meetings
9. Phase three workshop report
10. Final Country Report for Tanzania
11. Final Project Report.

APPENDIX B
Phase 2 of workshop report

APPENDIX B**THE MULTI-STAKEHOLDER WORKSHOP ON SMALL- SCALE PRIVATE SECTOR PARTICIPATION IN THE PROVISION OF RURAL WATER SUPPLY SERVICES, HELD AT COURTYARD ON 10TH MARCH, 2005****PHASE II WORKSHOP REPORT****1. Background information:**

The UK Department for International Development is funding a study of small-scale private sector participation in the rural water supply sector in Ghana, Tanzania and Zambia. The aim of the study is to enhance the participation of the small-scale private sector in the provision of services through the production and dissemination of best practice guidelines. The project is managed and coordinated by Water Management Consultants Ltd of Shrewsbury, UK. In each location a country team comprises staff the government agency responsible for rural water supplies and WaterAid. In the case of Ghana the Community Water and Sanitation Agency is the lead agency. In Tanzania it is the Regional Water Engineer's office, Dodoma Region and in Zambia it is the Department of Infrastructure and Support Services within the Ministry of Local Government and Housing. It was the requirement of the project after completion of Phase 2 to organise a one-day workshop drawing a wide range of stakeholders from the water sector to discuss the country report. The multi-stakeholder workshop was held in on 10th March 2005 at the Courtyard, Dar es Salaam. Participation was drawn mainly from the Technical Advisory Committee (TAC) of the Ministry of Water and Livestock Development. Other participants were from the Ministry of Industries and Commerce and the President's Office, Regional Administration and Local Government.

2. Objectives:

The objective of the multi-stakeholder workshop was to have the forum for the presentation of the study proceedings that is the synthesis report and the country report in order;

- to facilitate the understanding of the private sector and the corresponding government capacity to regulate the sector,
- the need for the need for guidelines for the regulation of the rural water supply private sector operations.

From the workshop it was anticipated that the participants would develop an insight vision of;

- i) the role that the rural-based private sector should play in providing services in the rural water supply sector,
- ii) the role that government should take in promoting the involvement of the private sector, and
- iii) the interaction between government and the private sector that will be required in order to enhance effective and efficient participation.

B-2

Subsequently, it was anticipated that the way forward would be decided upon, by agreeing upon the required actions or guidelines that should be followed if;

- the enabling environment is to be promoted and,
- participation of the private sector in rural water supply is to be enhanced.

3. Methodology:

The workshop was conducted in a participatory manner with members drawn from the already existing Ministry of Water and Livestock Development Technical Advisory Committee plus invited but necessary participants from the Ministries of Industries and Trade and President's Office and Regional Administration and Local Government.

The Chairperson of the workshop was Prof. Prof. Mtalo, the chairman of the Technical Advisory Committee of Ministry of Water and Livestock Development who was specifically chosen to facilitate the continuity of the role of the Multi-stakeholder Working Group (MSWG) would take on the subject in relation to the mandated role of the Technical Advisory Committee (TAC), which is to advise the Permanent Secretary of the Ministry of Water and Livestock Development.

The participants were each served with an electronic copy of Tanzania's Country report at least a week before the workshop so most of the participants had some background knowledge of the subject as they attended the workshop. Power point electronic technology was used for the presentations.

4. Workshop Proceedings:

After official opening by the workshop chairman Prof. Mtalo, two guiding presentations were made; an introductory presentation by the Study Team Leader Mr. Peter Baur, who presented the background of the project including the objective of the project, project area, and choice of study countries and of the project partners. The criteria for the choice of study countries and the present and future capacity of the private sector participation in rural water supply and its local, national and international perspective were also highlighted.

After clarification on issues raised by some participants, subject specific presentation was made by Mr. Yunusu L. H. Rugeiyamu, the National Team member who summarised major findings as from the study's synthesis report and with some link to the Tanzania's country report. Major issues raised in the presentation, were the role and capacity of the private sector, capacity of the government to guide and regulate the sector and guidance to assist the multi-stakeholder working group to develop subject vision; limitations, background of majority of the providers of service and factors affecting PSP that is demand for the service, finance, enabling environment, supply chains, policy, legislation, responsibilities structures and linkages and financial issues were also highlighted. The presentation ended up with group work session, where participants in three groups discussed and responded to major findings on;

- Legislation,
- Financial issues,
- Responsibilities, structures, and linkages.

Each of the groups was tasked to respond to questions on those key study findings the purpose of which was to enable the participants to crystallise the extent of the issues in relation to the promotion of private sector in the rural water sub sector and the necessity for guidelines to its promotion. The presentation by groups attracted the understanding among the participants and of the task ahead of the government for creation of enabling environment for the private sector to actually support the rural water supply service delivery. This task involves dissemination of policy, training of stakeholders, local government institutions and technical personnel on regulatory matters, enhancement of transparency and accountability at all levels, etc. It was also observed that the meaning and use of the terminology enabling environment for the private sector to operate and the necessary pre requisites for the private sector to operate were taken for granted and thus it was agreed that there is a need to analyse what enabling environment requires especially for the rural water supply private sector participation and the essential guidelines for its effective facilitation.

The group work responses are in the annexed workshop proceedings.

The last in the agenda was a session on the way forward that was presented by another National Team Member Mr. Mussa Mpinga. The way forward presentation was actually pre-empted by the matters that arose from the group work discussions and the plenary discussions there after. The presentation guided the workshop participants on how the Multi-stakeholder Working Group (MSWG) would be formed and what is actually expected out of it. Finally it was formally agreed that the Multi-stakeholder Working Group (MSWG) would constitute some members from TAC and individuals drawn from different disciplines in government/ private sector/ NGOs/ donors with particular knowledge of the rural business environment and the rural water sector and a common interest to enhance the participation of the small scale private sector in the provision of services for rural water supply such that Multi-stakeholder Working Group (MSWG) becomes a multi-discipline think tank that would: -

- mould sound legal and institutional mechanisms for governments to use to create an enabling environment in which firstly rural-based, small scale, private service providers can contribute effectively to the rural water supply sector, and
- develop guidelines that can facilitate the government to develop its capacity to regulate service providers.

There after the workshop wound up with closing remarks from the chairman, Prof. Mtaló.

5. Overview of stakeholder responses and workshop discussion:

From the responses of the workshop participants, there was very high enthusiasm for the promotion of the small scale private sector participation in the provision of rural water services in the country and thus the consequent need for the essential enabling environment and through building capacity of the private sector itself by developing guidelines and elaborate policies and well guided and transparent regulatory systems in the government. It was further pointed out that the government of United Republic of Tanzania was all committed to the involvement of private sector in all areas of service delivery and that as the concept was still in its infancy, professional and effective entry into the field was not very easy, accordingly knowledge and ideas were being gathered which would culminate into development of a private sector participation policy which is now being prepared under the President's Office, Planning and Privatisation. It is thus expected that the outcome of the study might be viable inputs to the anticipated policy document.

6. Conclusions and outcomes:

From the proceedings of the workshop, it could be concluded that the subject is still not well understood and needs further exploration and development. Thus the study would not only promote the sub sector but would also enable the stakeholders to be acquainted with the subject on a wider scope. On the practicability of the study outputs, the study outputs will enhance the service provision in the sub sector and promote the implementation of the water policy in a practical way; the Director of Rural Water Supply in the Ministry of Water and Livestock Development also confirmed this when he was being briefed on the workshop proceedings. The identification of the sectors of micro-finance, industries and trade and local government as key stakeholders in the enhancement of small scale participation in rural water supply, by the study team was appreciated as their inclusion in the Multi-stakeholder Working Group (MSWG) would enable development of sound guidelines and consequent sub sector progression.

7. The way forward (Team vision of Phase 3 modalities)

On the formation of the Multi-stakeholder Working Group (MSWG), it is proposed that the group constitutes, two study team members, three members from the TAC of which one should be the Legal Specialist, a member from the Ministry of Finance (Micro-finance Policies Specialist), one member from the Ministry of Industries and Trade (Small and Medium Enterprises Development Specialist) and a Policy Specialist on Private Sector Participation from the President's Office Planning and Privatisation. That will make a basic team of eight people; with intention that other members can be co-opted into the team depending on their professional necessity.

ANNEX 1

SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER
SECTOR

MULTI-STAKEHOLDER WORKSHOP

THE COURTYARD HOTEL

Thursday 10 March 2005

AGENDA

09.30 – 10.00	Registration	
10.00 – 10.05	Introduction	TAC Chairman
10.05 – 10.20	Background	Peter Baur
10.20 – 10.30	Clarifications	
10.30 – 10.45	Tea break	
10.45 – 11.15	Synthesis Report findings	Y Rugeiyamu
11.15 – 11.30	Clarifications	
11.30 – 12.00	Group work	
12.00 – 12.30	Plenary presentation	
12.30 – 13.00	The way forward	M. Mpinga
13.00	Lunch	

ANNEX 2

**MULTI-STAKEHOLDER WORKSHOP ON SMALL SCALE PRIVATE SECTOR PARTICIPATION
IN THE RURAL WATER SECTOR, HOTEL COURT YARD, 10TH MARCH, 2005.**

LIST OF PARTICIPANTS

No	Name	Role	Organisation
1	Professor Felix Mtalu	University Professor	University of Dar es Salaam
2	Albert Temu	Administrator	TANIRA LTD
3	Desystant Massawe	Trade Officer	Ministry of Industries and Trade
4	Ernest Doering	Advisor to the Ministry of Water and Livestock Development	GTZ
5	Ephygenia Woisso	Senior Planning Officer	TASAF
6	Boniphase Mwita	Civil Engineer	SERVICE PLAN
7	Rybha Magesa	Managing Director	NETWAS
8	Anderson Ngiloi	Ag. Director of Urban Water Supply	Ministry of Water and Livestock Development
9	Dr Hassan Mjengera	Director of Water Laboratories	Ministry of Water and Livestock Development
10	Daudi Makamba	Water and Sanitation Advisor	PLAN INTERNATIONAL
11	George Kafumu	Environmentalist	Directorate of Environment, Vice President's Office
12	Mwanamkuu Mwanyika	Technical Advisor	DDCA, Ministry of Water and Livestock Development
13	Ramadhani S. Hamisi	Asst. Director, Budget	Ministry of Finance
15	Clement Kivegalo	Civil Engineer, Rural Water Supply	Ministry of Water and Livestock Development
16	R.N.T Kwigizile	Asst. Director Rural Water Supply	Ministry of Water and Livestock Development
17	John Mukumwa	Asst. Director Rural Water Supply	Ministry of Water and Livestock Development
18	Mwanaisha Ally	Managing Director	WEDECO Ltd - SHINYANGA
19	Lister Kongola	Ag. Director, Water Resources	Ministry of Water and Livestock Development.
20	Suraj Kakar	Managing Director	TWS - MOROGORO
22	Rehema S. Madenge	Planning Officer	President's Office, Regional Administration and Local Government.
23	Yunusu Rugeiyamu	Regional Water Engineer and Research Team Member	DODOMA RS
24	Musa Mpinga	Programme Manager and Research Team Member	WaterAid - DODOMA
25	Peter Baur	Consultant & Research Team Leader	WMC UK

APPENDIX C
MSWG Terms of Reference

APPENDIX C

TERMS OF REFERENCE FOR THE MULTI-STAKEHOLDER WORKING GROUP FOR THE DEVELOPMENT OF GUIDELINES FOR SMALL-SCALE PRIVATE SECTOR PARTICIPATION IN RURAL WATER SUPPLY

Background: -

The UK Department for International Development is funding a study of small-scale private sector participation in the rural water supply sector in Ghana, Tanzania and Zambia. The aim of the study is to enhance the participation of the small-scale private sector in the provision of services through the production and dissemination of best practice guidelines. The project is managed and coordinated by Water Management Consultants Ltd of Shrewsbury, UK. In each location a country team comprises staff the government agency responsible for rural water supplies and WaterAid. In the case of Ghana the Community Water and Sanitation Agency is the lead agency. In Tanzania it is the Regional Water Engineer's office, Dodoma Region and in Zambia it is the Department of Infrastructure and Support Services within the Ministry of Local Government and Housing.

Role and functions of the Multi-stakeholder Working Group Task Force

The role of the MWSG is to be a think-tank on private sector participation in the rural water sector. The MWSG will be informed by the country report and the synthesis report. The function of the reports is to provide improved understanding of the private sector and of government capacity and of the need for guidelines. The Dodoma Regional Water Engineer's Office-WaterAid team that carried out the surveys and wrote the country report will advise the MWSG.

Based on the improved understanding imparted by the reports and the team, the functions of the MWSG are to:

Develop an agreed vision of (i) the role that the rural-based private sector should play in providing services in the rural water supply sector, (ii) the role that government should take in promoting the involvement of the private sector, and (iii) the interaction between government and the private sector that will be required in order to enhance participation.

Based on that vision, discuss and document an enabling environment and a series of actions or guidelines by identified stakeholders that should be followed if the enabling environment is to be promoted and participation of the private sector in rural water supply is to be enhanced.

Outputs

The output of the Multi-stakeholder Working Group will be a document providing:

- An articulated vision of the role of the private sector in rural water supply service provision and the enabling environment that would promote the involvement of the small-scale private sector in your country.
- A series of recommended country-specific actions that different stakeholders can implement, either alone or by working together, to effect a number of changes that should promote the enabling environment and hence the greater participation of the private sector in the role envisioned by the working group.

- The Multi-stakeholder Working Group will also make recommendations to the country team for the effective dissemination of the guidelines to maximise uptake by key stakeholders.

The document will initially form a discussion document and will be presented, reviewed and discussed at a final project workshop before a final version is produced. The final guidelines document will form a key output of the study and will be designed to be widely disseminated.

The purpose of this section, based on the findings of the field surveys is to present a tool to facilitate the work of the MSWG during this phase of the study. The tasks of the MSWG is to formulate a vision of the future role of the private sector in rural water supply and to develop guidelines for government and other stakeholders to implement to achieve that vision. The tool consists of a structured set of questions, which are intended to orient the MSWGs as to the possible scope of the guidelines, although not their content.

The research broadly shows that:

- The demand from the government in Tanzania for the private sector to operate and maintain rural water schemes is increasing. In providing any of these services the private sector operator faces a lack of working capital to finance his activities until payment is received and a lack of knowledge of ways round this situation. Turnover is very low, profits supplement other forms of subsistence income and working capital remains very limited. In short, the demand for RWS services from the small-scale private sector is not yet sufficient to support a full time livelihood.
- There are no government structures in place whose responsibility it is to promote or even monitor the emergence of the private sector. While there might be political desire to encourage the private sector to provide services there is no institutional and financial framework that supports this desire.
- The legal framework in the country makes no provision for the involvement of the private sector.
- The activities of NGOs in the study areas include building the capacity of the small-scale private sector to provide services.

There is therefore considerable scope for the MSWG to develop the way forward for government on the question of the future for small-scale private sector participation in the rural water sector.

Towards guidelines

A flow chart is presented in figures at the end of this text consists of a structured series of questions that aim to aid understanding why it is that the small-scale private sector might need to be involved in rural water supply. The objective underlying the questions relates to maximising coverage in rural areas with functioning water points. The ultimate question in this series asks "Does Government wish to enhance the participation of the small-scale private sector in RWS?" If the answer to this is positive then the role of the MSWGs as envisage in the design of this project is justified.

The tasks of the MSWG consist of defining a vision of the future role of the small-scale private sector and developing guidelines for enhanced participation. The process that the guidelines should cover is suggested in the stippled box. The scope of the guidelines starts with a scientific assessment carried out by Government, of the demand for water services and expressed in the amount of money per geographical area to be spent (either by Government or by communities) on purchase of services.

The demand study, to be carried out in future by Government if it wishes to implement the recommendations of the present study, quantifies demand for services, the fundamental factor to which the private sector should respond. The Government then presents the results of the demand study to a sample of the private sector in the geographical areas of interest and consults on whether the market is of interest to the private sector. An underlying premise at this point is that the private sector hasn't identified the market by itself. Depending on the response of the private sector the Government is then able to identify whether or not it has to increase or 'engineer' the demand for services by investing in the sector or whether it can assist the private sector just by creating an enabling environment. The possible strategies that Government can adopt in each case are shown in the final two boxes namely

The process identified here is not intended to be exhaustive or indeed the only answer. The MSWG is encouraged to identify additional or alternative steps and strategies that they consider to be important and develop guidelines for them.

Alongside consideration of the figures it is suggested that the following additional fundamental questions should also be addressed and documented by the multi-stakeholder working groups in this phase.

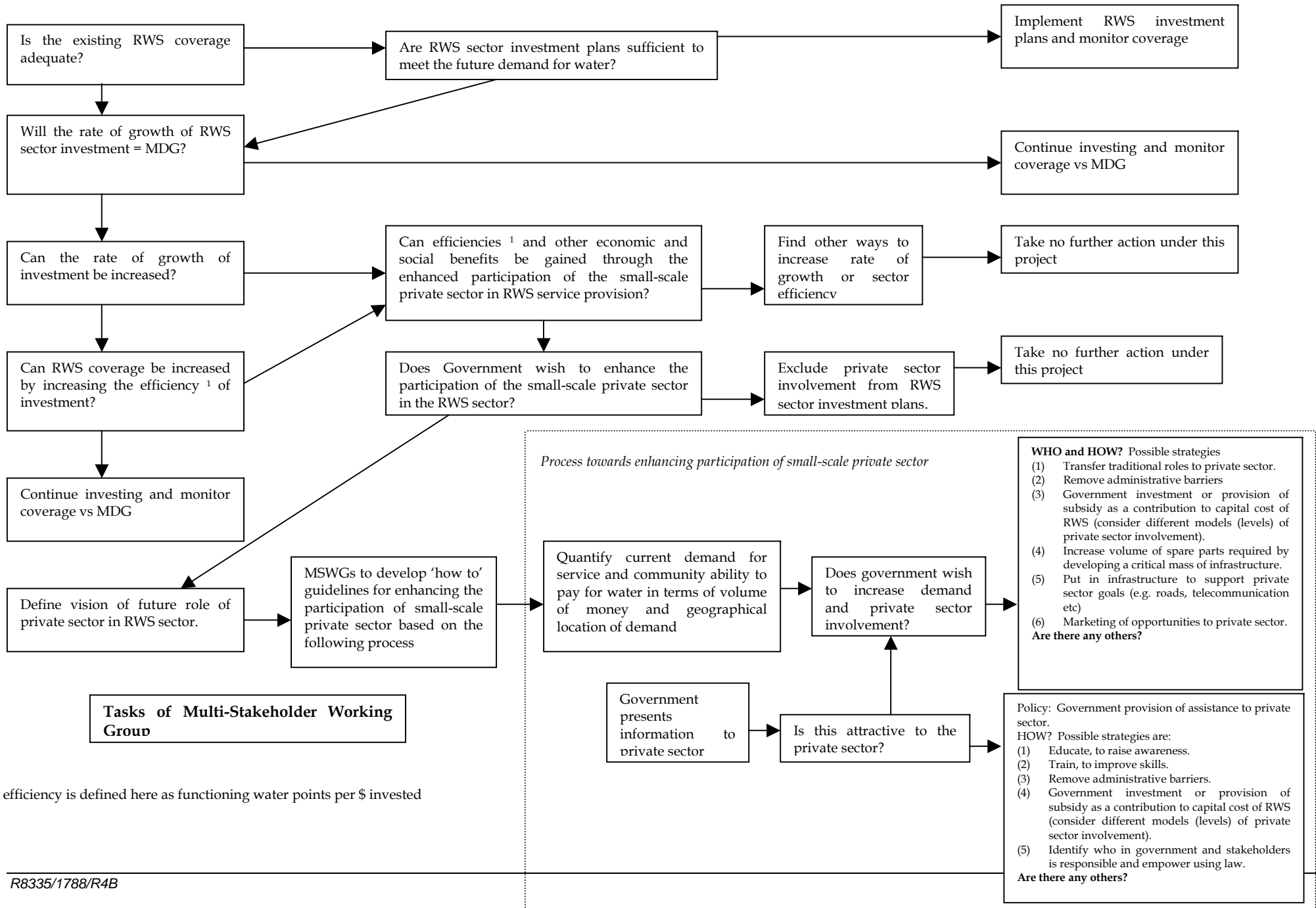
- On the existing evidence, is the small-scale private sector making a useful contribution to rural water supplies within the bigger picture in the country?
- What role could the rural based private sector potentially take and what services should the private sector provide in the rural water sector?
- Based on the above (if positive), what changes to the existing institutional framework for the rural water sector are necessary to facilitate the participation of the small-scale private sector? Note that institutional roles and responsibilities should be clearly defined and that there should be no undefined duplication.
- Should government provide support/assistance to the private sector to encourage it to emerge and provide the foreseen types of services. If so, what kind of support (financial, legal, institutional) should be provided? Which institutions should provide such support and how should the support best be provided?
- Specifically regarding financial support, is consideration necessary of a new or re-designed financial framework or financial mechanism for the private sector in rural areas?
- Assuming that no fundamental institutional or legal change is possible in the short term, what can be done by government and NGOs at local level to encourage the participation of the small-scale private sector?

C-4

Based on the above, the multi-stakeholder working groups should identify and document:

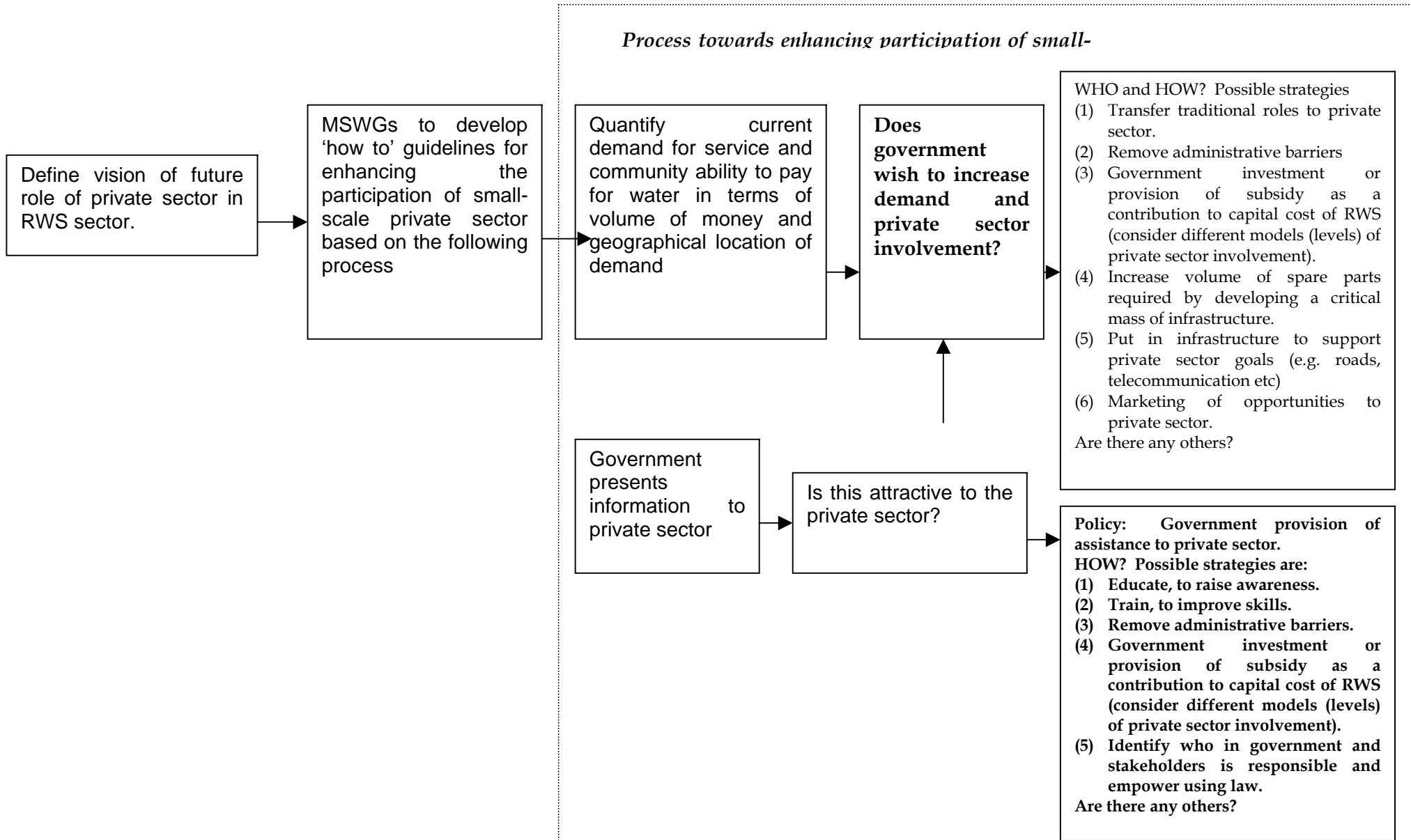
- The groups of stakeholders which need guidance in order that the participation of the private sector is enhanced.
- The form the guidance materials should take.
- The detailed content of the guidelines, i.e. list the actions to be taken by each stakeholder group that will lead to enhanced participation by the private sector.
- How best to disseminate the guidelines so that uptake by the stakeholder groups who are targeted is maximised.

FLOW CHART TO ASSIST MSWG TO DEVELOP GUIDELINES FOR ENHANCED SMALL SCALE PSP IN THE RURAL WATER SECTOR



Note: efficiency is defined here as functioning water points per \$ invested

TASKS OF MULTI-STAKEHOLDER WORKING GROUP



APPENDIX D
MSWG Meeting minutes

APPENDIX D

**MINUTES OF MULTI-STAKEHOLDER WORKING GROUP TASK FORCE MEETINGS
ON SMALL SCALE PRIVATE SECTOR PARTICIPATION IN RURAL WATER SUPPLY,
HELD IN FIVE SESSIONS AT THE MINISTRY OF WATER AND LIVESTOCK
DEVELOPMENT OFFICES,
FROM 9TH – 23RD SEPTEMBER, 2005.**

1. Background information:

The UK Department for International Development is funding a study of small-scale private sector participation in the rural water supply sector in Ghana, Tanzania and Zambia. The aim of the study is to enhance the participation of the small-scale private sector in the provision of services through the production and dissemination of best practice guidelines. The project is managed and coordinated by Water Management Consultants Ltd of Shrewsbury, UK. In each location a country team comprises staff the government agency responsible for rural water supplies and WaterAid. In the case of Ghana the Community Water and Sanitation Agency is the lead agency. In Tanzania it is the Regional Water Engineer's office, Dodoma Region and in Zambia it is the Department of Infrastructure and Support Services within the Ministry of Local Government and Housing. It was the requirement of the project after completion of Phase 2 to organise a one-day workshop drawing a wide range of stakeholders from the water sector to discuss the country report. The multi-stakeholder workshop was held in on 10th March 2005 at the Courtyard, Dar es Salaam. Participation was drawn mainly from the Technical Advisory Committee (TAC) of the Ministry of Water and Livestock Development. Other participants were from the Ministry of Industries and Commerce and the President's Office, Regional Administration and Local Government.

The Multi-Stakeholder workshop that was held on 10th March, 2005 for discussing the Tanzania Country report, recommended the country research team to collaborate with the Director of Rural Water Supply in the Ministry of Water and Livestock Development to appoint a team among the workshop participants for forming a Multi Stakeholder Group Task Force. The task force, with the support of the country study would then develop the vision for the small-scale private sector participation in rural water supply in Tanzania. Having developed the vision the task force would also develop country specific guidelines to facilitate the achievement of the vision and their dissemination strategy.

It was recommended that the task force constitute the following members; two study team members, three members from the TAC of which one should be the Legal Specialist, a member from the Ministry of Finance (Micro-finance Policies Specialist), one member from the Ministry of Industries and Trade (Small and Medium Enterprises Development Specialist) and a Policy Specialist on Private Sector Participation from the President's Office Planning and Privatisation. That will make a basic team of eight people; with intention that other members can be co-opted into the team depending on their professional necessity.

In fulfilling the Workshop recommendations, the country research team in association with the Director of Rural Water Supply in the Ministry of Water and Livestock Development developed the terms of reference that would guide the Task Force in the development of country specific vision, mission and guidelines towards enhancement of private sector participation in rural water supply and thereafter agreed on the constitution of the task force as follows:

2. Task Force Members:

Name	Role	Organisation
Eng. Ryuba Magesa	Managing Director,	NETWAS (T) Ltd.
Mr. John K. Moshi	Economist	Presidents Office, Planning and Privatisation
Mr. George Kafumu	Environmentalist	Vice Presidents Office
Eng. Clement Kivegalo	Civil Engineer/ TAC Secretariat	Ministry of Water and Livestock Development
Ms. Jane Lyatuu	Trade Officer	Ministry of Industries and Trade
Mr. Musa Mpinga	Programme Manager and Research Team Member	WaterAid Tanzania
Eng. Yunusu L H. Rugeiyamu	Water Engineer and Research Team Member	Regional Commissioner's Office, Dodoma

3. Objectives:

The objective of the Multi-Stakeholder Working Group Task Force Meeting is:

- To develop the vision for the small scale private sector participation in rural water supply in Tanzania.
- To develop country specific guidelines to facilitate the achievement of the vision.
- To present the task force findings to the second Multi Stakeholder workshop on a later date so as to capture multi sectoral comments and ideas.

Detailed Terms of Reference for the task force are as per Appendix C of the Final Report.

4. Methodology:

The Task force after agreeing with their appointment, they were served with the task terms of reference and invited for a series of meetings, which were held in five sessions in a period of two weeks, from 9th to 23rd September, 2005; giving room for the members to work independently on the assigned task and to attend their office matters in between the sessions. The task force meetings that were conducted in a participatory manner, were held in the offices of the Ministry of Water and Livestock Development under the facilitation of the country research team members.

5. Proceedings:

5.1 Session one: 9th & 10th September, 2005

During session one, in addition to the task terms of reference, each member of the task force members was served with a set of research documentation that is the Knowledge Review, the Inception Report, the Country Report and the Synthesis Report by the country research team members. There after the task force went through the terms of reference in order to ensure that there was common understanding of the task among all the task force members. The review of the TOR was followed by brainstorming and discussions on the form the guidelines would take. In order to facilitate orderly development of guidelines. The Country study team facilitated development of challenges that were facing the development of small-scale private sector in rural water supply namely:

Demand:

- Demand is critical as there is inconsistency of water supply demand all the year around. Also in most of our communities, willingness to pay and ability to pay are seasonal. Communities' cash flow is driven by harvests and demand for water is also driven by availability of alternative cheaper sources and is highest in dry season.
- Preventive maintenance is not a cultural habit in most community water supply systems, and this makes rural based retailing of spare parts unattractive.
- The technology behind some of the rural water schemes has been externally influenced by government/NGOs/Donors and that at times extends supply chains beyond accessible borders.
- Some of spare parts used in the water sector are slow moving items and as such they discourage retailers stocking them.

b) Finance

- Access to finance is critical to meet cash flow requirements, e.g. managing the delay in getting paid by communities for services and spare parts that they have purchased.
- Most small-scale private sector participants do not have formal collateral to raise finance through financial institutions, and the water sector is both unknown among financial institutions and is a high-risk investment.
- There is a lot of bureaucracy in having the decision right. In some cases, decision to replace a broken pump has to go through District Water Engineer's office, a process that is time consuming and at times involves unnecessary bureaucracy
- In some cases setting of tariffs for water supply and for repair services is politically motivated rather than reflecting actual costs of providing services

c) Enabling Environment

- Although the National Water Policy (2002) actively supports private sector involvement in provision of rural water supply services, there is no unit in the sectoral Ministry or Local Government Authority that is tasked to encourage them.
- Registration procedures for example are too long, tax incentives do not exist, tendering procedures are too complex for them to participate in local contracts and some needs simple training to enable them participate in the business but such training does not exist
- Schemes, which are at times earmarked for private sector management/ operation, are too old and pose a lot of challenges for the operators.
- Royalty fees payable to the village governments in the case of operators, are mostly fixed while demand for water and willingness to pay by communities are variably changing

d) Information

- Information flow and exchange is poorer in rural areas compared to urban areas and enterprises do suffer from poor information on business and concession opportunities.
- Importance of safe water downgraded by affordability. When the needy do not have money information that the source they are using is unsafe is normally ignored.

After the facilitation of the challenges, it was agreed that each task force member, work independently for two days in the development of the guidelines in line with the already identified challenges.

5.2 Session two: 14th September, 2005

A meeting on the 14th September, 2005, was spent on the analysis of the independently developed guidelines, agreeing on the viable guidelines and rectifying/ straightening some of them in order to make them as practical as possible. The end output here was a list of guidelines that actually was not clustered but a lesson learned after a day's task was that regardless of differences in professional backgrounds there were very close similarity in the draft guidelines that were raised by each task force member and the professional diversity contributed to the development of multi-sectoral focused guidelines, and primarily that was the purpose of the multi stakeholder working group task force.

The group brainstormed thereafter agreed on the draft vision and mission of the small scale private sector participation in rural water supply and contents of the conclusion and drafted a skeleton frame of the same for it to be finalised in the following session and adjourned the meeting up to Tuesday 20th September, 2005.

5.3 Session three: 20th September, 2005

On 20th September, 2005, the task force concentrated on improving and clustering of the guidelines. The clustering that was done participatory, grouped the agreed guidelines into Demand, Finance, Enabling Environment and Information categories. The vision and mission of the guidelines was also improved; the conclusion and the whole text in general were also reviewed and finalised. During this session, the task force also discussed and agreed on the guidelines dissemination strategy. It was agreed that as the guidelines have been developed through the government associated systems, they should be disseminated through the same systems for ownership and sustainability. It was agreed that once the guidelines have been endorsed by the Multi-stakeholder workshop they should be formally be submitted to the Ministry of Water and Livestock Development for institutionalisation and dissemination. The meeting on that day practically finalised the guidelines and distributed the guidelines text among the task force members and to WMC for review and comments. The meeting also drafted presentations for the MSWG meeting on 23rd September, 2005. Lastly on it was agreed that the available version of the guidelines documentation be sent in advance to the invitees of the 23rd September, 2005 Multi-Stakeholder Group Workshop participants. There after the meeting was adjourned to 22nd September, 2005 for finalisation of the both the guidelines and presentation.

5.4 Session four: 22nd September, 2005

A meeting on 22nd September, reviewed the internally raised comments from task force members and those received from WMC and did the final editing of the guidelines text. The presentations were also reviewed and finalised. As that was practically the final task force session before the Multi-Stakeholder Working Group Workshop on the 23rd September, 2005, the Agenda and corresponding roles responsibilities among the task force members during the workshop were agreed upon. Bearing that the guidelines document was a product of the multi-stakeholder working group task force, the task force members were collectively bound to make the presentations. On the roles and responsibilities during the multi-stakeholder workshop, it was agreed that Mr. Rugeiyamu would introduce the workshop; Eng. Magesa would present the guidelines overview, Mr. Melvin Woodhouse would introduce the group work and that Mr. Mussa would guide the workshop through the next steps of the research work. Finalised text of the guidelines that consisted the draft guidelines for formal presentation to the Multi-Stakeholder Workshop is attached herewith as an annex to these minutes.

5.5 Session five: 23rd September, 2005

After the Multi-Stakeholder Working Group Workshop in the afternoon of 23rd September, 2005, a brief task force meeting that was held, primarily to review the proceedings of the Multi-Stakeholder Workshop and to agree on the way forward. The task force agreed that the workshop went well and that in line with the Multi-Stakeholder Workshop recommendations; the research team would finalise the guidelines and the workshop report on behalf of the task force. That marked the end of the task force series of meetings.

6 CLOSING

The closing session was within session five, and that was after the Multi-Stakeholder Working Group Workshop on the 23rd September, 2005 afternoon. In closing the task force proceedings formally, the research team thanked the task force members for their commitment and cooperation towards the completion of the task. It was said that from the expressions of the Multi-Stakeholder Workshop participants, it was a work well done and what remained ahead that was institutionalisation of the guidelines and dissemination, the task that was between the country research team and the Ministry of Water and Livestock Development. Members of the task force other than the research team members thanked the Ministry of Water and Livestock Development and the research team members for picking them for the task as that has enabled them to learn that the sectoral guidelines are actually multi-sectoral in nature though they are normally given a mono-sectoral perspective and that was a professional boost to them.

The meeting marking the end of a series of multi-stakeholder working group task force series of meetings ended at 15.30 hours.

**DRAFT GUIDELINES FOR SMALL - SCALE PRIVATE SECTOR
PARTICIPATION IN PROVISION OF RURAL WATER SUPPLY SERVICES
IN TANZANIA**

**BY THE MULTI-STAKEHOLDER WORKING GROUP
(MSWG)**

SEPTEMBER 2005

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1.0 BACKGROUND INFORMATION

In the spirit of improving water supply service in rural areas, the UK Department for International Development is funding a study of small- scale private sector participation in the rural water supply in Ghana, Tanzania and Zambia. The aim of the study is to enhance the participation of the small- scale private sector in the provision of rural water supply services. The study is being managed by Management Consultants Ltd of Shrewsbury, UK and in Tanzania it is being coordinated by Regional Water Engineer's Office, Dodoma Region and Water Aid Tanzania. Initial general study was done followed by specific survey in each of the three countries and specific country reports were produced.

A multi-stakeholder workshop was held on 10th March 2005 to discuss the Tanzania country report. A Multi-stakeholder Working Group (MSWG) was later formed to be a think-tank on private sector participation whose main roles are to develop an agreed vision of private sector participation in rural water supply, and based on the agreed vision to develop guidelines for improved private sector participation in Tanzania.

These guidelines therefore are the output of the MSWG. Later on, a multi-stakeholder workshop will be held to discuss these guidelines before presenting them to the government for dissemination.

The objective of these Guidelines is to contribute to achieving sustainable rural water supply services through improvement of institutional framework in which rural-based small and medium enterprises (SMEs) may become more numerous and more effective providers in rural water supply services.

2.0 VISION AND MISSION OF PRIVATE SECTOR PARTICIPATION IN RURAL WATER SUPPLY

The vision is to have a vibrant, dynamic and effective rural based small-scale private sector participating in the provision of rural water supply service.

The mission is to stimulate the development and growth of the rural based small-scale private sector participating in rural water supply service provision through creation of legal, institutional and financial framework.

3.0 STATUS OF PRIVATE SECTOR PARTICIPATION IN PROVISION OF RURAL WATER SUPPLY SERVICES

3.1 General

In general, the term "private sector" refers to as a wide range of organisations from trans-national companies to one-man show whose main objective is to make a living. The private sector providing services in the water sector include consultants, drilling contractors, construction firms, providers of training and management services, scheme operators, individual builders, plumbers, retailers of spare parts, pump mechanic etc. Non Governmental Organisations (NGOs) and Community Based Organisations (CBOs) are also providing similar services but with different operational characteristics. In Tanzania, most private enterprises, which are formal and reasonably grown to the extent of providing quality service in the water sector, are urban-based and they provide services in urban and peri-urban areas.

After independence in 1961 until early 90s, provision of water supply services in both rural and urban areas was dominated by the public sector. The government through its respective Ministry used to plan, construct and manage water supply schemes, and as such the private sector was neither involved in any stage of the provision of water supply services.

Despite significant investment made by the government and other development partners in the water supply services since the early 1970s, water supply coverage has remained low. The 1991 National Water Policy, which was a kick-start towards reforms in the Water Sector, set a goal of providing clean and safe water to the population within a walking distance of 400 meters from their households by the year 2002. Today, only about 53.57% of the rural population has access to reliable water supply services. Due to improper operational and maintenance arrangements, over 30% of rural water supply schemes are not functioning properly. The coverage for urban areas is 74%, but most urban water supplies are treated inadequately due to malfunctioning treatment plants.

Currently, there is little involvement of private sector in the provision of rural water supply services. Most of these are retailers of spare parts, water vendors and very few operators of schemes. These in many cases are individuals who live in the same community and indeed they are informal with no legal status and mainly are involved into other economic activities like farming, etc for earnings. Majority of them do not depend on the water sector for their livelihood. Their operation in the water sector complements other sources of income. Many operators and retailers of spares are involved in the water supply out of sense of duty to the community rather than for profit. They are small in size and lack appropriate knowledge (human capital) and financial muscle and they often do not have access to information regarding market opportunities in the Water Sector.

These guidelines are aimed at making conducive environment for this kind of private sector to thrive and become vibrant and together with communities assume a role of provision of rural water supply services sustainability.

According to the National Water Policy (2002), there is a huge potential for participation of private sector in the provision of rural water supply services. On the other hand, the conducive environment is revealed by the government's will to ensure enhanced private sector participation in provision of rural water supply services. Without institutional, financial and legal reforms towards grooming the private sector participation in the provision of rural water supply services, the government's wish alone will not make any positive impact to the Water Sector.

3.2 Challenges Facing Private Sector Participation in Provision of Rural Water Supply Services and Recommended Measures to be Taken to Improve the Situation

The National Water Policy (2002) outlines the importance of private sector participation in provision of rural water supply service. The Policy stipulates that "an enabling environment for increased private sector involvement including incentives will be created". Much as the policy puts a clear way forward, there is much more to be done by the Government to make sure that an enabling environment for rural based private sector participation in provision of rural water supply services exists.

The few private enterprises participating in the rural water supply sub-sector in Tanzania are faced with a number of challenges. The study came up with the following challenges facing the private sector and specific recommendations, though not exhaustive, which if implemented, will create enabling environment for small-scale (rural based) private sector participation in water supply services. The challenges are organised in four groups namely; demand, finance, enabling environment and information.

The following chapter presents the challenges and the corresponding recommended actions to address them.

4.0 RECOMMENDED ACTIONS TO ENHANCE PARTICIPATION OF PRIVATE SECTOR IN PROVISION OF RURAL WATER SUPPLY SERVICES

4.1 Demand

(i) Challenge

To attract and sustain private sector involvement, demand is critical. An ideal business environment for small – scale private sector is a consistence demand throughout the year of water supply and maintenance requirements. In most of our communities, willingness and ability to pay are seasonal. Communities' cash flow is driven by harvests while demand for water is driven by its availability and it is highest in dry season. Furthermore, some members of communities do not realise the necessity of using safe water; instead they opt for using unsafe water for the sake of serving money without knowing the health hazards associated with the use of such unsafe water.

Recommendation

District Councils should strategically keep on creating awareness continuously to all communities about the benefits of using clean and safe water. In order to limit communities from using water from unsafe sources, the District Councils through the Water Engineer's office should look into a possibility of helping communities to establish two categories of tariffs, if need be; one for rainy season and another for dry season. This technique should however be done without compromising the overall cost of provision of water supply services.

(ii) Challenge

Most of our communities do not have a culture of allocating funds for maintenance of their water supply schemes. Normally they tend to allocate funds when the equipment fails. Consequently, this attributes to the lack of assurance to retailers of spare parts of the market of their commodities.

Recommendation

District Water and Sanitation Teams should work together with communities to develop a framework for maintenance of community water supply facilities.

(iii) Challenge

Project implementers (government/NGOs/Donors) have great influence on the type of technology installed. Installation of expensive equipment, which needs complicated and long supply chains to supply its spare parts and repair services, are not attractive to private sector.

Recommendation

Ministry responsible for water should standardise pumps and engines to ensure their sustainability and simplicity in management. This will easy supply chain of spare parts. The standardisation should be on the quality, the level of service, etc.

(iv) Challenge

Most of spare parts used in the water sector are slow moving items and as such they discourage retailers from stocking them.

Recommendation

Ministry responsible for water should work out mechanism of tax relief for all items related to provision of rural water supply services.

4.2 Finance**(i) Challenge**

Private sector access to finance is critical to meet cash flow requirements, e.g. managing the delay in getting paid by communities for services and spare parts that they have purchased. Most of small-scale private sector does not have sufficient collateral to raise finance through financial institutions. Probably the water sector is either unknown among financial institutions or is considered high risk.

Recommendation

The Government should finalise the process of formalisation of land ownership, which will eventually enable the rural based private sector to access loans using their formalised land as collateral. In the same line, the Ministry responsible for water should promote the water sector to financial institutions in order to tap the investment potentials available at this sector. Some of the existing potentials include construction of new water schemes and managing the schemes, building and operate water schemes and managing under public private partnership, and partnership in the maintenance of the schemes which are in appalling state.

(ii) Challenge

In some cases, decision to replace a broken pump, for example, has to go through District Water Engineer's office, a process that is time consuming and at times involves unnecessary bureaucracy.

Recommendation

- The Ministry responsible for water must make sure that rural water supply schemes are managed at the lowest possible level as outlined in the National Water Policy (2002).
- The ministry should also promote local pumping machines, equipment and spare parts.

(iii) Challenge

In some cases setting of tariffs for water supply and for repair services is politically motivated rather than reflecting actual costs of providing services.

Recommendations

- The District Water and Sanitation Teams together with communities should formalise transparent tariff setting mechanism that will reflect the actual costs involved in provision of services.
- There should be deliberate efforts to impact entrepreneurship to the emerging enthusiastic private sector operators.

(iv) Challenge

Due to small revenue base in many communities, profit generated from operating most of the schemes is not sufficient to sustain operator's livelihood.

Recommendation

Whenever possible, within the same geographical proximity, the District Water and Sanitation Teams should facilitate for one operator to operate more than one scheme in order to attract economy of scale.

(v) Challenge

Non-transparent procedures for handling money and ensuring accountability are also another problem area especially at the water committee level.

Recommendation

The District Water and Sanitation Teams should facilitate training to the Water Committee members on areas of simple book keeping and good governance.

4.3 Enabling Environment

(i) Challenge

Although the National Water Policy (2002) actively supports private sector involvement in provision of rural water supply services, there is no unit in the sectoral Ministry or Local Government Authority that is tasked to monitor them. The registration procedures for example are too long, tax incentives do not exist, tendering procedures are too complex for them to participate in local contracts and some needs simple training to enable them participate in the business but such training does not exist.

Recommendation

- The Ministry responsible for Water and all Local Government should provide specific units within their existing institutional arrangements whose main responsibility will be to make sure that these small-scale rural based private sectors has conducive environment to operate.
- The Ministry responsible for water in collaboration with Local Government Authorities should work out procedures to make sure that registration of these small-scale private enterprises is one stop centre at the district.

(ii) Challenge

Most of the schemes, which are now turning to private sector management/operation, are too old and pose a lot of problems to the operators.

Recommendation

Before transferring any scheme into private operator, the District Council should employ the Public Private Partnership mechanism in those schemes in order to avoid an endless circle of repair and hence guarantee good services.

(iii) Challenge

Tendering procedure is neither transparent nor consistent.

Recommendation

The Local Government Authorities should work out procedures, which will facilitate transparent and simple tendering process. Uniform tendering templates which is simple to use by rural based private enterprises, should be developed at the District and the same be made available for use.

(iv) Challenge

For the case of operators, royalty fees payable to the village governments are mostly fixed while demand for water and willingness to pay by communities are variably changing.

Recommendation

The District Water and Sanitation Teams together with Communities should facilitate preparation of operation contracts between communities and private operators, which benefits all parties.

(v) Challenge

Vandalism and theft of water supply equipment is posing serious challenges to operators.

Recommendation

District Water and Sanitation Teams should embark on preparing and conducting training to communities aimed at sensitising them their role in development of rural water supply schemes so that they understand that they are the owners of the facilities and protection of those facilities against theft and vandalism lies squarely to them by installing regulatory mechanism to ensure finalising of the contract at the ward level.

4.4 Information**(i) Challenge**

Information flow and exchange is poorer in rural areas compared to urban areas and enterprises in rural areas do suffer from poor information on a number of issues. At the same time, due to lack of knowledge, some would be potential small-scale private sector do not know that potential for such business exists.

Recommendation

Ministry responsible for water together with the Ministry responsible for Local Governments should embark on vigorous promotional campaigns of involving rural based small-scale private sector in provision of rural water supply services. These campaigns should focus on both communities, existing private sector and would be private sectors.

5.0 CONCLUSION

The observations that arise from the surveys reveal that the small-scale private sector participants in the districts are not aware of the process of the rural water supply projects in their districts. They are practically blind on how they could go around to secure ways of expanding their business.

In the other hand, regardless of the positive intention of the central and local governments towards private sector participation in provision of rural water supply services, to date there have been no institutions established within the sectoral departments to groom and monitor positive elements emerging from their participation in the provision of the rural water supply services.

According to the National Water Policy (2002) and experience of existing few private sector participation in provision of rural water supply services, we all agree, that if a conducive environment is created, mainstreaming small scale rural based private sector in provision of rural water supply services will make a significant positive impact towards sustainability of those services. This is an existing potential, which needs to be harnessed and positively utilised.

All stakeholders therefore, including the Ministry responsible for Water, Local Government Authorities, Communities, Private Sector, NGOs, CBOs, Donor Organisations, etc, should actively work towards finding an equitable way on how best the small scale private sector participants could be facilitated so as to enable them operate sustainably.

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The few recommendations given here therefore should not be regarded as exhaustive, rather a catalyst towards ensuring through many other ways that rural water supply schemes are operated sustainably with active participation of private sector and they are contributing significantly towards eradicating poverty.

APPENDIX E
Phase 3 workshop report

THE MULTI-STAKEHOLDER WORKSHOP ON SMALL- SCALE PRIVATE SECTOR PARTICIPATION IN THE PROVISION OF RURAL WATER SUPPLY SERVICES, HELD AT COURTYARD ON 23RD SEPTEMBER, 2005.

PHASE III WORKSHOP REPORT

1. Background information:

The UK Department for International Development is funding a study of small-scale private sector participation in the rural water supply sector in Ghana, Tanzania and Zambia. The aim of the study is to enhance the participation of the small-scale private sector in the provision of services through the production and dissemination of best practice guidelines. The project is managed and coordinated by Water Management Consultants Ltd of Shrewsbury, UK. In each location a country team comprises staff the government agency responsible for rural water supplies and WaterAid. In the case of Ghana the Community Water and Sanitation Agency is the lead agency. In Tanzania it is the Regional Water Engineer's office, Dodoma Region and in Zambia it is the Department of Infrastructure and Support Services within the Ministry of Local Government and Housing. It was the requirement of the project after completion of Phase 2 to organize a one-day workshop drawing a wide range of stakeholders from the water sector to discuss the country report. The multi-stakeholder workshop was held in on 10th March 2005 at the Courtyard, Dar es Salaam. Participation was drawn mainly from the Technical Advisory Committee (TAC) of the Ministry of Water and Livestock Development. Other participants were from the Ministry of Industries and Commerce and the President's Office, Regional Administration and Local Government.

The Multi-Stakeholder workshop that was held on 10th March, 2005 for discussing the Tanzania Country report, recommended the country research team to collaborate with the Director of Rural Water Supply in the Ministry of Water and Livestock Development to appoint a team among the workshop participants for forming a Multi Stakeholder Group Task Force. The task force, with the support of the country study would then develop the vision for the small-scale private sector participation in rural water supply in Tanzania. Having developed the vision the task force would also develop country specific guidelines to facilitate the achievement of the vision and their dissemination strategy.

It was agreed that once the task force has completed the assigned task, a second Multi-stakeholder Working Group workshop be held in order to review the vision, mission, guidelines and the way forward as developed by the task force.

In fulfilling the March 10th Workshop recommendations, the Ministry of Water and Livestock Development convened a second workshop on the 23rd September, 2005 at Hotel Courtyard. Hereafter are the proceedings of the workshop.

2. Objectives:

The objective of the workshop was to review the draft the vision, mission and guidelines for the development and growth of the rural based small scale private sector participation in rural water supply in Tanzania; as they were developed by the Multi-stakeholder Group task force that was recommended for the task by the 10th March, 2005 Multi-stakeholder Workshop that was held at Hotel Courtyard in Dar es Salaam. The workshop was also to finalise the guidelines and their dissemination strategy.

3. Methodology:

Workshop was conducted in a participatory manner, with participants drawn from the Technical Advisory Committee of the Ministry of Water and Livestock Development and from the Ministry of Industries and Trade and Presidents Office Planning and Privatization. The participants were served in advance with an electronic copy of the draft guidelines in order to influence earlier review of the guidelines prior to the workshop. The majority of the participants had good knowledge on the subject background as they had attended the 10th March Workshop and that attracted a healthy participation from them. Power point electronic technology was used for the presentations.

4. Participants

No	NAME OF PARTICIPANT	ORGANIZATION REPRESENTED	POSITION	E-MAIL ADDRESS
1	Dr. Hassan J. Mjengera	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	Director of Water Laboratories	dwl@maji.go.tz
2.	Gerald M. Maganga	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	Geologist	maganga_Gerald@yahoo.com
3	Eng. Christer Mchomba	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	Planning Engineer	mchomba@yahoo.com
4	Jason Kababi	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	Quality Assurance Engineer	jkababi@ruralwater.go.tz
5	Eng. R. A. Mulungu	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	O&M Engineer	ramamulungu@yahoo.co.uk
6	Eng. F. C. Rweyemamu	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	Executive Engineer	fcrweye@hotmail.com
8	Joseph Lobiloh	Ministry of Water and Livestock Development, P. O. Box 35066, DSM.	O&M Engineer	jalubilo@yahoo.co.uk
9	Mussa Mpinga	Water Aid, P. O. Box 2190 Dodoma	Program Manager-Dodoma	musampinga@yahoo.co.uk
10	R. Magesa	NETWAS (T) Ltd, P O Box 54068, DSM.	Managing Director	netwasz@bol.co.tz
11	John K. Moshi	President's Office, Planning and Privatization, P. O. Box 9242 DSM.	Economist	jomoshi@plancom.go.tz
12	Eng. A. Kigingi	Ministry of Water and Livestock Development, P. O. Box 9153 DSM.	Ag. ADCM (R)	abubakaringigingi@yahoo.com
13	D. M. Mihambo	Ministry of Water and Livestock Development, P. O. Box 9153, DSM.	AG DRWS	-
14	Clement Kivegalo	Ministry of Water and Livestock Development, P. O. Box 9153 DSM.	Civil Engineer and Member of TAC Secretariat.	ckivegalo@ruralwater.go.tz
15	Jane Lyatuu	Ministry of Trade, P. O. Box 9503, DSM.	Trade Officer	anaselijane@yahoo.com
16	Beda J. Lyimo	Service Plan Ltd., P. O. Box 33165 DSM.	Managing Director	md@serviceplan.tz.com
17	Albert Temu	TANIRA Ltd, P O Box 890, DSM.	Administrator	tanira@intafrika.com
18	Yunusu L. H. Rugeiyamu	Dodoma Regional Secretariat, P O. Box 930 Dodoma.	Water Engineer	yugeiyamu@yahoo.com
19	Eng. Daudi Makamba	Plan Tanzania, P O Box 3517, DSM.	Water and Sanitation Advisor	daudi.makamba@plan-international.org

20	George Kafumu	VPO-DOE, P Box 5380, DSM.	Environmentalist	grkafumu@hotmail.com
21	Naomi Lupimo	DDCA, P O Box 35066, DSM.	Technical Manager	naomilupimo@yahoo.com
22	Melvin Woodhouse	WMC, UK	Consultant	melvinwoodhouse@yahoo.co.uk
23	Luciano Ngallya	IPP Media/Mlimani Radio, P O Box 4067, DSM.	Journalist Reporter	ngallya@yahoo.com

5. Workshop Proceedings:

The workshop was chaired by Dr. Hassan J. Mjengera, the Director of Water Laboratories in the Ministry of Water and Livestock development, who opened the workshop at 10.10 hours by reminding the participants that the workshop was a follow up of the 10th March, 2005 workshop with a purpose of reviewing the draft vision, mission and guidelines for the development and growth of the rural based small scale private sector participation in rural water supply in Tanzania as they will be presented to the workshop by the Multi-Stakeholder Group Task Force.

After the opening, Mr. Rugeiyamu presented the workshop introduction, giving the project brief background of the workshop including the objective of the project, project area, and choice of study countries and of the project partners. He highlighted the purpose of the workshop as a follow up of the 10th March workshop recommendations and to come up with country vision, mission and country specific guidelines for the development and growth of the rural based small-scale private sector participation in rural water supply in the country.

Mr. Rugeiyamu's presentation was followed by that of Eng. Magesa who briefly presented the draft guidelines, highlighting the objective of the guidelines that is to contribute to achieving of sustainable water supply services through improvement of institutional framework in which the rural based small and medium enterprises (SMES) could increase in numbers and effectiveness in the provision of rural water supply services. He presented the draft vision, mission and the brief in country history to date of the private sector participation in the provision of rural water supply services. There after he briefly highlighted the challenges facing the SSPS participation in the rural water supply sector and the recommended actions, as all participants were already served with the draft guidelines documentation, they were all referred to that for details.

Engineer Magesa's presentation was followed by a plenary session that was facilitated by the workshop chairperson Eng. H. S. Mjengera. Issues that were raised during the plenary included,

- Issues that the guidelines should be gender focused so that the serve all the needy,
- Supporting SSPS participants with entrepreneurship skills through the guidelines, bearing in mind that water supply is classified as risky.
- If PS was seeing water supply as an opportunity or not.
- Promotion of SSPS participants association through where their demands could be channeled/ responded upon.
- If SSPS could be facilitated by the guidelines to engage in Build Operate and Own (BOO) of water services.
- Who will be the custodian of the guidelines?

- How the guidelines could be made accessible by the needy? The dissemination process.

In response to the issues raised in the plenary, the chairperson invited the task force members WHO clarified to the participants that most of the issues raised in the plenary were contained in the draft guidelines. However on issues like who should be the custodian of the guidelines the participants were made aware that, at the national level the custodian was the Ministry of Water and Livestock Development, whereas at Local Government Level the custodian was the Council Director. On the dissemination strategy the participants were informed that the workshop was part of the dissemination process and they were requested to wait for the agenda on the next steps from the presenters.

Group works that were introduced by Mr. Melvin Woodhose followed the plenary session. In the introduction for the group work Mr. Melvin split the participants into four groups, and each group tasked to discuss each of the Demand, Enabling environment, Finance and Information clusters' challenges and recommendation on the following focal questions:

- *Does the description of the “challenges” clearly and precisely focus the readers’ attention on a specific objective that improves private sector participation?*
- *Do the recommendations allow users to identify and understand: -*
 - A clear output, which is realistic and possible to achieve?*
 - Which stakeholders are to be involved in achieving this object, and show what their responsibilities are?*
 - What strategy the stakeholders are advised to follow to achieve the output. If the output cannot be achieved in one step, what are the preparatory or intermediate steps they should try to adopt?*

In addition to these questions, the group dealing with ‘Enabling environment’, that is group two was also tasked to review the definition of ‘Private Sector’.

Thereafter the participants went split into their groups where they were facilitated by the equally split task force members.

After the group discussions, the participants reconvened for group presentations. A summary of group presentations is annexed herewith, however major outcomes of the presentation that were agreed are as follows:

- **Recommendation that** *‘the Ministry responsible for water should continue standardizing water supply facilities e.g. pumps, engines, pipe fittings, etc to ensure their sustainability and simplicity in management’, on the challenge that requires ‘Project implementers (government/NGOs/Donors) have great influence on the type of technology installed. Installation of expensive equipment, which needs complicated and long supply chains to supply its spare parts and repair services, is not attractive to private sector.’*
- **Recommendation that** *‘PSP be encouraged to form Associations of registered private sector participants in rural water supply services’ on the challenge that ‘Although the National Water Policy (2002) actively supports private sector involvement in provision of rural water supply services, there is no unit in the sectoral Ministry or Local Government Authority that is tasked to monitor them.*

The registration procedures for example are too long, tax incentives do not exist, tendering procedures are too complex for them to participate in local contracts and some needs simple trainings to enable them participate in the business but such trainings does not exist’.

- **Recommendation that** *“There should be operation contract templates developed by the District Council available in the communities, which will be used in the District in order to have uniform contracts which benefits all parties”.*
On challenge that *‘For the case of operators, royalty fees payable to the village governments are mostly fixed while demand for water and willingness to pay by communities are variably changing’.*

Some other presentations were either not in conformity with the terms of reference or were in conflict with the policy and thus not all that were contained in the presentations was adopted. In the presentation annex, the recommended inclusions that were left out are highlighted.

After the group work presentations, there followed presentation on the next steps that was made by Mr. Mpinga. In a brainstorming way the next steps were agreed as follows:

- **Step one**

The Acting Director for Rural Water Supply, Ministry of Water and Livestock Development would brief the Director on the deliberations of the workshop and the resulting peer reviewed guidelines.

- **Step two**

The study team together with a member of the Multi-Stakeholder Working Group Task Force would present formally the finalized guidelines to the Director for Rural Water Supply. This is to follow after the completion of the research final report.

- **Step three**

The Ministry of Water will then own and institutionalize the guidelines, communicate with the President’s Office, Regional Administration and Local Government and other sectoral stakeholders for taking further action on the guidelines as appropriate

After the presentation and workshop agreement on the next steps, Mr. Melvin Woodhouse, Consultant from WMC joined in by commending the participants for the commitments, healthy discussions and deliberations. He expressed his appreciation on the whole process of guidelines development towards transforming the National Water Policy into reality.

After Mr. Melvin’s comment, it was now the workshop’s closing session, whereby the chairperson thanked all the participants for coming and useful contributions towards the development of the much-needed guidelines for the enhancement of rural based small-scale private sector participation in rural water supply. He urged those given the responsibility for taking the next steps to do so as recommended by the workshop.

The workshop closed at 14.30 hours.

ANNEX I TO APPENDIX E

MULTI-STAKEHOLDER PHASE III WORKSHOP ON GUIDELINES FOR SMALL-SCALE PRIVATE SECTOR PARTICIPATION IN THE PROVISION OF RURAL WATER SUPPLY SERVICES, HELD AT COURT YARD ON 23RD SEPTEMBER, 2005.

AGENDA

TIME	EVENT	RESPONSIBLE
9.00 – 9.30	Registration	All
9.30 – 10.00	Introduction	All
10.00 – 10.15	Objective of the Workshop	Eng. Rugeiyamu
10.15 – 10.45	Presentation of Draft Guidelines	Eng. Magesa
10.45 – 11.15	TEA BREAK	All
11.15 – 11.45	Plenary	All
11.45 – 12.30	Group Discussion	Melvin Woodhouse
12.30 – 13.30	Group Presentation and Plenary	All
13.30 – 14.00	Next Steps	Mr. Mussa
14.00 – 14.15	Closure	Chairman
14.15	LUNCH	All

ANNEX II TO APPENDIX E

THE MULTI-STAKEHOLDER PHASE III WORKSHOP ON SMALL- SCALE PRIVATE SECTOR PARTICIPATION IN THE PROVISION OF RURAL WATER SUPPLY SERVICES, HELD AT COURTYARD ON 23RD SEPTEMBER, 2005, SUMMARY OF GROUP PRESENTATIONS AND CORRESPONDING WORKSHOP REMARKS

GROUP NO & SUBJECT OF DISCUSSION	RECOMMENDED IMPROVEMENTS	WORKSHOP REMARKS
GROUP 1, DEMAND	<p>Challenge No.1 should be recast to reflect the fact that there is a need to attract and sustain private sector in the provision of water supply services. That means the challenge was edited by changing the first sentence which now reads as follows: <i>“There is a need to attract and sustain private sector involvement in provision of rural water supply services.”</i> On its recommendation, the group thought it is not good to have two tariffs, they prefer to have one tariff and instead the communities be educated on the benefits of using clean and safe water</p>	<p>This recommendation was not endorsed by the workshop for single tariff would not be considerate to the seasonal community incomes.</p>
	<p>On challenge No. 2, the group proposed the first sentence to read as follows: <i>“Communities entrusted to run water supply schemes do not have the culture of allocating funds for preventive and routine maintenance of their facilities”.</i></p>	<p>This was endorsed and accordingly inserted</p>
	<p>Recommendation No.3 was proposed to make changes on the first sentence as follows: <i>“Ministry responsible for water should continue standardising water supply facilities e.g. pumps, engines, pipe fittings, etc to ensure their sustainability and simplicity in management”.</i></p>	<p>This was endorsed and accordingly inserted</p>

GROUP NO & SUBJECT OF DISCUSSION	RECOMMENDED IMPROVEMENTS	WORKSHOP REMARKS
	The word “ <i>rural</i> ” was deleted in the recommendation No 4.	This was endorsed and accordingly inserted
	<p>The group added a fifth challenge and its recommendation as follows:</p> <p>Challenge: In some cases the water being supplied does not meet quality standards:</p> <p>Recommendation: The Ministry responsible for water should strengthen water quality laboratory services so as to enable water quality monitoring.</p>	This was endorsed and accordingly inserted
GROUP 2, ENABLING ENVIRONMENT	The group recommended to change the definition of Private Sector as presented in paragraph 3.1 to be the same as defined in the Small and Medium Enterprises Department of the Ministry of Trade and Industries.	This was endorsed and accordingly inserted
	The second bullet of recommendation No. 1 was added the following words at the end: “ <i>and encourage formation of association of registered private sector participants in rural water supply services</i> ”.	This was endorsed and accordingly inserted
	The group did not agree with Public Private Partnership. Instead it proposed as follows: “ <i>before transferring any scheme to private operator, The District Council should find ways to rehabilitate it if it is not functioning properly in order to avoid endless circles of repair and guarantee good service.</i> ”	This recommendation was not endorsed by the workshop for it conflicts with the involvement private sector in operations like Build/ (Rehabilitate), operate and Transfer.

GROUP NO & SUBJECT OF DISCUSSION	RECOMMENDED IMPROVEMENTS	WORKSHOP REMARKS
	A group added one sentence at the end of recommendation No3 as follows: <i>“Awareness creation should be done at the lowest possible level using local based organisations”</i> .	This was endorsed and accordingly inserted
	The group added a sentence on recommendation No 4 at the end as follows: <i>“There should be operation contract templates developed by the Councils and these should be available in the communities, these will be used in the District in order to have uniform contracts which benefit all parties”</i> .	This was endorsed and accordingly inserted
	The group replaced the last word but one on recommendation No. 5 by <i>“Village”</i> .	This was endorsed and accordingly inserted
GROUP 3 FINANCE	The group proposed to split challenge No 1 into two groups in order to give equal weight on every one of them. They proposed to have separate challenge that addresses <i>the lack of collateral to access credits</i> and a second challenge, which addresses <i>delay in payment by communities for the services/goods offered by private sector</i> . The group recommends top split the respective recommendation to suit the separation made.	This recommendation was endorsed by the workshop and it will be included in the final text of the guidelines.

GROUP NO & SUBJECT OF DISCUSSION	RECOMMENDED IMPROVEMENTS	WORKSHOP REMARKS
	On the recommendation for challenge No. 3, second bullet, the seventh word should be changed to read <i>impart</i> instead of <i>impact</i> .	This was endorsed and accordingly inserted
GROUP 4 INFORMATION	The group proposed the challenge to read as follows: <i>“Information (awareness) on the need of Private/Public partnership in the provision of rural water supply services is missing at village level. Subsequently, there is lack of knowledge to some of would be potential private sector that potential for such business exists, and the community is equally unaware.”</i>	This was endorsed and accordingly inserted
	The group modified the recommendation to read as follows: <i>“The Ministry responsible for water together with the Ministry responsible for Local Government Authorities in collaboration with Local Government Authorities should embark on vigorous promotional campaigns of involving rural based small-scale private sector in provision of rural water supply services. At the same time, there should be strategic capacity building to the would be small-scale private sector participants by the Ministry responsible for water in collaboration with other organisations such as the one responsible for development of entrepreneurship skills etc.”</i>	This was endorsed and accordingly inserted