

**DEPARTMENT FOR
INTERNATIONAL DEVELOPMENT**

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

R8335

PHASE 3 – ANALYSIS AND DISSEMINATION

FINAL REPORT

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1788/R4D

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LIST OF ABBREVIATIONS AND ACRONYMS

BDS	Business Development Services
CWSA	Community Water and Sanitation Agency
DFID	Department for International Development
DISS	Department for Infrastructure and Support Services
HIPC	Heavily Indebted Poor Countries
ITC	Intermediate Technology Consultants
KAR	Knowledge and Research programme
MDG	Millennium Development Goals
MLGH	Ministry of Legal Government and Housing
MSWG	Multi-stakeholder working group
NGO	Non-Governmental Organisation
O&M	Operation and Maintenance
PSP	Private sector participation
SME	Small and medium size enterprise
TAC	Technical Advisory Committee
UNICEF	United Nations Children's Fund
WHO	World Health Organisation
WMC	Water Management Consultants

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EXECUTIVE SUMMARY

This document is the final report of a two-year research project entitled 'Small-scale private sector participation in the rural water supply sector'. The project (R8335) was funded by the Department for International Development under the Knowledge and Research (KAR) programme theme 'W4 Water Supply and Sanitation'. The project started in November 2003 and was completed in October 2005. Project outputs are currently available at www.ruralwaterpsp.org.

The goal of the project is the well-being of the rural and urban poor enhanced through cost effective improved water supply and sanitation. The purpose (objective) of the project is enhancement of 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.

The study took place in Ghana, Tanzania and Zambia and was carried out using participatory approaches by country teams comprising staff from the rural water departments at national level and WaterAid. The teams were coordinated and managed by Water Management Consultants (WMC) in collaboration with Intermediate Technology Consultants. The study has comprised three phases – 1 inception, 2 surveys of small-scale private sector and government capacity and 3 analysis and dissemination. The study has been a 'learning journey' for the teams.

The surveys established that in the study countries demand for spare parts and services is presently low, private sector activity is very small and informal, and the sector is poorly equipped in human resource terms to lead a major transition to Private Sector Participation (PSP). The final phase has involved the production, by the teams, of country-specific guidelines or actions for the respective governments to take to remove barriers and enable small-scale private sector participation. WMC has synthesised the country guidelines and produced generic guidelines, presented in this report, for these and other governments in Africa and elsewhere. The generic guidelines are methodological in nature and are intended for use by governments reforming their rural water sector and who wish to investigate and involve the rural-based small-scale private sector but do not yet know how. A knowledge review conducted in Phase 1 found no similar guidelines focusing on rural-based service providers.

The recommended generic methodology for identifying the key factors necessary to enable the participation of the private sector in rural water supply services comprises a three-stage process that starts with the existing situation in rural areas:

- Stage 1 Consolidate understanding among key sector professionals
- Stage 2 Assess national level demand for goods and services from the rural-based private sector and decide the rules for engagement. Decide how to proceed and start programme / project level assessments
- Stage 3 From the various programme / project level assessments, discuss and develop national guidelines, such as has been developed by the country teams, with sector stakeholders that reflect good knowledge of local conditions and needs.

It is recognised that without demand there can be no PSP, but that demand can take many forms from private sector provision through to public sector provision. It is also recognised that PSP has yet to be proven to be a better route to rural water supply than previous approaches, and we must strive to measure, evaluate and compare its performance as and when it emerges. The recommended approach is based on the understanding that one model of rural water provision, public, private or a combination of the two, won't fit all situations and that programmes and institutional frameworks should be designed such that we can compare and learn from them before committing to a specific approach.

1 INTRODUCTION

1.1 General

This report is the final report of Knowledge and Research (KAR) Project No. R8335 'Small-scale private sector participation in the rural water supply sector'. The report presents best practice generic guidelines for governments and stakeholders in Africa and elsewhere. The guidelines are for use in enhancing the participation of the small-scale private sector (hereafter termed SMEs, small and medium sized enterprises) in the provision of rural water supply services.

Funded by the UK Department for International Development (DFID) under KAR theme W4 Water Supply and Sanitation, the project began in November 2003 and took 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 was characterised by a participatory approach built around country teams formed by a partnership between the respective government rural water departments and WaterAid. This involvement was broadened to include a wide spectrum of sector stakeholders in order to arrive at a set of guidelines, acceptable to all.

Water Management Consultants Ltd has managed the study and been responsible for production, of the knowledge review, inception, synthesis and final project reports in conjunction with the partners. The country teams have each produced reports on their surveys and their country-specific guidelines for enhancing the participation of the SMEs in rural water supply. This work is now in the process of being taken up by the respective governments. All reports produced under the project are listed in Appendix A of this report and can be found at the project website www.ruralwaterpsp.org. Appendices B, C and D contain the final country reports produced by the teams in Ghana, Tanzania and Zambia respectively.

1.2 Objectives

The goal of the study is to enhance the well-being of the rural and urban poor through cost-effective improved water supply and sanitation.

The objective (purpose) is to enhance the effective participation of the rural-based SMEs in rural water supply service provision through the production and dissemination of best practice guidelines.

The basis of this objective is two-fold: firstly that there are six times more people unserved by improved water supplies in rural areas than in urban areas in Africa (WHO and UNICEF, 2000). Secondly, that while significant attention has been paid to investigate and enhance the role of the SMEs in urban water supply service provision, little work has been done to enhance the role of small, rural-based, service providers in the development and maintenance of rural water supplies. The business environment in rural areas in Africa is different from that in urban areas and may not be attractive to urban-based businesses. The rural business environment may prove attractive to rural-based service providers, such as artisans and traders who may be more able to provide affordable and sustainable services to communities. It is the role of governments to enable the small-scale private sector to provide these services, thereby improving job opportunities and livelihoods as well as the sustainability of rural water supplies in rural areas. This research has therefore focused on investigating the legal, financial and institutional frameworks through which governments can create such an environment.

This final report presents a generic methodology for governments in Africa and elsewhere that can be used to increase the role of the rural-based SMEs in rural water service provision. A key assumption 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.

1.3 Target audiences

The study recognised the following potential target audiences for the country-specific guidelines:

- National government;
- Local government;
- External support agencies, including NGOs;
- Local engineering institutions and in-country networks;
- Rural based, small service providers;
- Rural communities.

It was left up to the country teams to identify their target audiences and dissemination strategies depending on local needs and circumstances. Section 5 discusses dissemination strategies.

Target audiences for the generic guidelines are principally:

- Governments in Africa and elsewhere;
- External support agencies, including NGOs;
- Researchers in the South and North.

1.4 Project team

The project team consisted of the following organisations:

UK-based

- Water Management Consultants (WMC, lead partner), in a project management and coordination role;
- Intermediate Technology Consultants (ITC), providing expertise in small and medium enterprise development.

WMC provided the following personnel to the study team:

- Project Manager;
- Rural Water Supply / Legal Specialist.

ITC provided the following personnel to the study team:

- Small and Medium Enterprise Specialist.

Ghana

- Community Water and Sanitation Agency (CWSA);
- WaterAid Ghana.

Tanzania

- Regional Water Engineer's Office, Dodoma Region;
- WaterAid Tanzania.

Zambia

- Ministry of Local Government and Housing (MLGH) / Department for Infrastructure and Support Services (DISS);
- WaterAid Zambia.

Details of the country teams' composition can be found in the final country reports. Contact details of the key people are given in Appendix E.

By combining the rural water departments in the respective governments and an international NGO in the country teams WMC's intention was to provide an opportunity for participatory learning. Out of this, realistic guidelines for enhancing the role of the small-scale private sector and ownership of the process could emerge.

1.5 Research administration

1.5.1 Management

The management structure of the project team is shown in Figure 1.1.

Overall coordination of the country teams and management of the DFID budget was provided by the WMC Project Manager. The WMC project Manager was advised and assisted by the other WMC and ITC team members. Each country team had two key persons, one from the government department and the other from WaterAid, who are senior officials in the respective organisations and who acted as managers of their respective personnel. Each country manager reported to the WMC Project Manager for administrative purposes. Close working relationships were developed between WMC and the country teams and were maintained throughout the project.

In addition to the administrative project reporting relationships shown above, formal technical and managerial reporting relationships developed during the study between the government teams and their ministerial superiors, which resulted in the upward communication of progress to the directors of departments who themselves became actively involved, particularly in workshops. For example, the team from DISS (Zambia) reported to the Director of DISS who took an active part in the multi-stakeholder workshops at the end of Phase 2 and Phase 3. In Ghana, although the role played by CWSA was initially contracted out to a consultant, in Phases 2 and 3 the management of CWSA took a leading role in the study (see the minutes of the last meeting of the multi-stakeholder working group in Ghana held on 3 October 2005, presented in Appendix F). In Tanzania the Regional Water Engineer Dodoma Region has reported consistently to the Director of Rural Water Supply in the Ministry of Water and Livestock Development. These governmental reporting relationships are shown in Figure 1.2.

1.5.2 Communications

Most communication between WMC and the country teams took place by email, and to a lesser degree by telephone. Specific virtual team meetings were initiated by email early in the project, but were subsequently dropped as being time consuming when normal constant email communication was found to be sufficient for management purposes.

There was insufficient budget to allow the country teams to meet. Although not originally included in the project scope it was decided to set up a project website to facilitate horizontal communication and exchange of outputs between the teams as well as for external stakeholders.

1.5.3 Support of country teams

While it was important that the country teams addressed the same study objective using similar information-gathering techniques, the teams were given a high degree of autonomy in the design of their data gathering processes, choice of fieldwork sites and approaches and analysis of the information obtained. The following assistance was given by WMC to the teams during country visits and throughout the project by email and telephone from the UK:

- Orientation on issues to be addressed, objectives and methods;
- In-country training, in survey techniques such as livelihoods analysis, sub-sector analysis and supply chain analysis;
- Advice on an as-needed basis;
- Provision of report templates, to guide report writing so as to provide comparable outputs.

Country visits were made by WMC and ITC at the following times:

- In Phase 1, to provide orientation to the country teams;
- Early in Phase 2, to provide training to the teams in survey methods (livelihoods analysis, sub-sector analysis and supply chain analysis);
- End of Phase 2, to participate in the consultation process (first multi-stakeholder workshop);
- End of Phase 3, to participate in the consultation process (second multi-stakeholder workshop).

1.6 Research design

1.6.1 Overview

Figure 1.3 shows the overall study design. The project comprised three phases:

- Phase 1 – Inception;
- Phase 2 – Surveys;
- Phase 3 – Analysis and dissemination.

Phase 1 consisted of a review of published and unpublished material on private sector participation in the rural water sector (WMC, 2004a) and the formulation of a detailed work plan for the study, presented in the Inception Report (WMC, 2004b).

Phase 2 comprised field surveys conducted by the country teams in selected districts of:

- The capacity of the small-scale private sector and NGOs to provide services in rural water supply
- The capacity of government to enable and regulate the small-scale private sector
- The need among stakeholders for guidelines to assist the process.

Each country survey was reported in a country report, each of which was made available via the project website, and discussed at the first multi-stakeholder workshop held at the end of Phase 2. The results of the surveys were brought together in a synthesis report (WMC, 2004c).

In Phase 3 a multi-stakeholder working group (MSWG) comprising selected and invited individuals with particular expertise relevant to small-scale private sector development was formed in each country by the country teams. The role of the MSWGs was two-fold. Firstly the objective was to develop a vision for the future role of the small-scale private sector in relation to rural water supplies based on the knowledge and understanding gained during Phase 2. Secondly it was to develop guidelines or actions for government and other stakeholders to carry out in order to achieve that vision. These guidelines form the country-specific guidelines for enhancing the role of SMEs in the rural water sector. The country guidelines were tested by consulting sector stakeholders in a second (final) workshop at the end of Phase 3 and reported in each final country report. The final country reports are located in Appendices B, C and D, also available from the project website.

This report brings together the country-specific guidelines and a series of generic guidelines that it is hoped will be of interest to governments hoping to increase rural water coverage by involving the small, rural-based, private sector.

The following sub-sections discuss the methodological aspects of the three phases in more detail.

1.6.2 Phase 1 – Inception and knowledge review

The Inception Phase covered the four-month period from November 2003 to February 2004 during which the project teams and management systems were formally established in Ghana, Tanzania and Zambia, the knowledge review was carried out. The country teams were able to contribute to the knowledge review, electronic discussions and the development of project management guidelines.

The knowledge review was available at the end of this phase as a separate document (R8335/1788/R1). The review improved understanding of the nature of the study as well as highlighting where special emphasis should be placed. Following this review and experience of working with the country teams the project design and management structures were reassessed prior to the completion of the Inception Report. No major changes were proposed to either the objectives, methodology, scheduling or financing and it was expected to deliver on time. In addition, the project team was able to identify a number of factors for ensuring that the methodology was more sensitive to a pro-poor focus as well as developing a number of unforeseen products, such as the website.

Key messages from the knowledge review are discussed in Section 2 as part of the development of the generic guidelines.

1.6.3 Phase 2 – Surveys

The Survey Phase covered the thirteen-month period from March 2004 to March 2005. The overall objective was to gather first-hand information to allow improved understanding of the reality of private sector involvement in rural water supply and serve as the basis for guideline development.

Each country team designed and carried out surveys, which had the following, three aims:

- Assess the role and capacity of SMEs and NGOs to provide services for rural water supply
- Assess the capacity of government to enable and regulate the provision of services by SMEs
- Assess the need for guidelines among key stakeholder groups to assist in the creation of an enabling environment to support the development of SMEs.

The surveys were carried out in districts selected by the teams as listed in Table 1.1.

Table 1.1 Study areas

Ghana (Volta Region)

- Nkwanta District (savanna belt)
- Ho District (middle belt)
- Akatsi District (coastal belt)

Tanzania (Dodoma Region)

- Dodoma Rural District
- Mpwapwa District

Zambia (various provinces)

- Siavonga District (Southern Province)
 - Namwala District (Western Province)
 - Chibombo District (Central Province)
 - Mpika District (Northern Province)
 - Solwesi District (North Western Province)
-

District selection was based on a number of factors, such as the need to represent geographical diversity in each country, accessibility (given the budget) and the known existence of some private sector activity. Details of the study areas can be found in the Phase 2 country reports and the synthesis report (WMC, 2004c).

The country teams based their data collection on the use of questionnaires, which they developed and tailored to investigate what they considered to be important within the overall objectives of the surveys. The questionnaires were completed during the course of semi-structured and open-ended interviews with individuals and focus group discussions. Each questionnaire addressed a different stakeholder group. The individuals and groups interviewed represented:

- The rural-based private sector in the study areas;
- Communities in the study areas (in the case of the Ghana team only);
- Government at local and national levels;
- Development partners (donors and NGOs) at national level.

The information was interpreted in the country reports using the following techniques:

- Livelihoods analysis, to understand better the livelihoods of small private sector providers;
- Supply chain analysis, in order to understand better supply chains and private sector roles in them;
- Sub-sector analysis, in order to understand better the role of the private sector in the bigger picture of the rural water supply sector.

The following limitations to the surveys were identified:

- The number of private sector operators interviewed in each country was typically between 20 and 30; a rather small sample on which to base general conclusions;
- The absence of gender and poverty analyses. Of all the private sector operators interviewed only one was female. All operators interviewed may be considered to be poor since their main livelihood is usually subsistence farming;
- Given the circumstances of limited extent of exposure to PSP among communities in the study areas, it was not possible to estimate demand for private sector services and community willingness and ability to pay during this project. Additional time would have been required.

The selection of the three study countries may, with hindsight, also be identified as a limitation. Ghana, Tanzania and Zambia are not so different from each other in terms of level of private sector involvement in the rural water sector. A broader range of guidelines may have emerged had a country with a vibrant private sector, such as South Africa, been included.

The surveys are reported in individual country reports and synthesised in the synthesis report (WMC, 2004c) which are all available on the project website.

1.6.4 Phase 3 – Analysis and dissemination

The Analysis and Dissemination Phase covered the seven-month period from April 2005 to October 2005. During this phase the country teams formed multi-stakeholder working groups by inviting between six and ten committed individuals from a range of backgrounds and disciplines in the public and private sector that are relevant to the development of the rural-based private sector to form a small specialist think-tank.

The role of the MSWGs was to work as a team, firstly to develop a vision for the future role of the small-scale private service provider in providing services to communities and local government in rural water supply, and secondly, to develop a series of guidelines or actions for government and other stakeholders to carry out in order to achieve that vision. Draft terms of reference for the MSWGs, which were subsequently modified by the country teams are presented in Appendix G.

A number of meetings of the country teams and MSWGs, usually one per month, were held during Phase 3. These culminated in the drafting of the visions and country-specific guidelines. The precise process differed slightly in each country and is documented in the final country reports. For example, in Ghana the guidelines were drafted by the country team acting as secretariat to the MSWG, while in Tanzania they were drafted by a committee selected from the Technical Advisory Committee to the Minister of Water and Livestock Development which itself acted as the multi-stakeholder working group.

The first draft of the guidelines was commented on by WMC. The second draft was presented and discussed at multi-stakeholder workshops held in August and September 2005 in each country and attended by a wide range of sector actors. Donor participation in the workshops should have been significant. However, owing to restrictions on the timing of the finalisation of the study by DFID's programme managers, donors were largely absent from the workshops. Nevertheless, on the basis of the comments and suggestions made by other stakeholders at the workshops the guidelines were further refined to produce a third and final version. The final versions of the country-specific visions and guidelines are presented in the final country reports (Appendices B, C and D).

The country-specific visions and guidelines and the synthesis of generic guidelines for enhancing the involvement of the small-scale, rural-based private sector in rural water supply form the focus of the remainder of this report.

1.7 Output to purpose summary

An output to purpose summary is presented in Table 1.2.

The project outputs are as follows:

- In Phase 1, the knowledge review and inception reports. Comments were received by WMC from the DFID reviewer on these reports and these have been taken into account when producing subsequent outputs.
- In Phase 2, a synthesis report, based on three country reports, providing an improved understanding of the small-scale private sector livelihoods, supply chains in the rural water sector and of the capacity of local government to enable and regulate the small private sector. A multi-stakeholder workshop was held in each country at the end of Phase 2 to discuss the country results obtained so far and to plan Phase 3.

- In Phase 3, generic guidelines are presented in this final report in the form of a methodology to assist governments to investigate and enhance the role of the small-scale private sector in rural water supply service provision. Country-specific guidelines have also been produced, by the country teams, which have been presented and discussed at multi-stakeholder workshops that have involved the target audiences, principally government institutions at national level. The Zambia team plans to test the guidelines more thoroughly at district level in the coming months. This process is analogous to peer review and the guidelines may be considered as having been tested, albeit in a workshop environment, on the target audiences. The guidelines have been modified in the light of the comments received.

So, has the effective participation of the rural-based small-scale private sector in rural water supply provision been enhanced through the production and dissemination of the guidelines? It hasn't yet because the guidelines have not yet been implemented, but the process of uptake by all three governments is very much alive. This can be concluded from the involvement of senior line managers in the respective ministries in the latter stages of the project (Section 1.5.1).

In Ghana it has been proposed that the multi-stakeholder working group should draw up an action plan with a view to influencing the CWSA and the Ministry of Works and Housing to incorporate some of the country guidelines into the national water policy which is under development. Also in Ghana, further legislation is planned that could give the CWSA powers, *inter alia*, to facilitate the emergence of the small-scale private sector. WaterAid Ghana plans to discuss modalities for implementing the country guidelines with the Deputy Minister for Works and Housing in the near future (see Appendix F).

In Tanzania the TAC has recommended that the guidelines should be presented to the Director of Rural Water Supply in the Ministry of Water and Livestock Development. If accepted the guidelines may be written up as a directive for their adoption (Section 5, Tanzania Country Report, Appendix C).

In Zambia DISS will ensure that the guidelines developed under this study are built upon by a two-year JICA-funded project which has recently started and which will develop O&M guidelines for rural water supplies (Zambia Country Report, Appendix D).

As a result of these study country activities, there is considered to be a low risk of not achieving the purpose of this study in the medium term (3-10 years).

The next section discusses the process of developing the generic guidelines from the results of the knowledge review, the country surveys and the country guidelines. The guidelines are then presented in Section 3. The lessons learned from the process are discussed in Section 4.

Table 1.2 Output to purpose summary

Project Title: Small-scale private sector participation in the rural water supply sector		DFID Reference: R8335 WMC Reference: 1788		Country: Ghana, Tanzania, Zambia		
Report No. R8335/1788/R4d		Date: October 2005		Project start date: Nov 2003 Project end date: Oct 2005		
Stage of project: End of project						
Project Framework						
Goal: The well-being of the rural and urban poor enhanced through cost-effective improved water supply and sanitation.						
Purpose: The effective participation of the rural-based small-scale private sector in rural water supply service provision enhanced through the production and dissemination of best practice guidelines.						
Outputs	OVI	Progress			Recommendations/actions	Rating:
PHASE 1 – INCEPTION 1 Inception report and knowledge review.	1.1 Inception report including detailed work plan 1.2 Initial knowledge review.	1.1 Inception Report (R8335/1788/R2) submitted to DFID February 2004. No major changes are proposed to either the objectives, methodology, scheduling or financing of the study and it is expected that it can meet its original objective on time. In addition, the project team has been able to identify a number of factors to be considered in order to ensure the methodology is more sensitive to a pro-poor focus as well as recognising a number of unforeseen products that it intends to develop where possible. 1.2 Knowledge review (R8335/1788/R1) submitted to DFID February 2004. Website completed and populated in March 2004.			Not applicable	

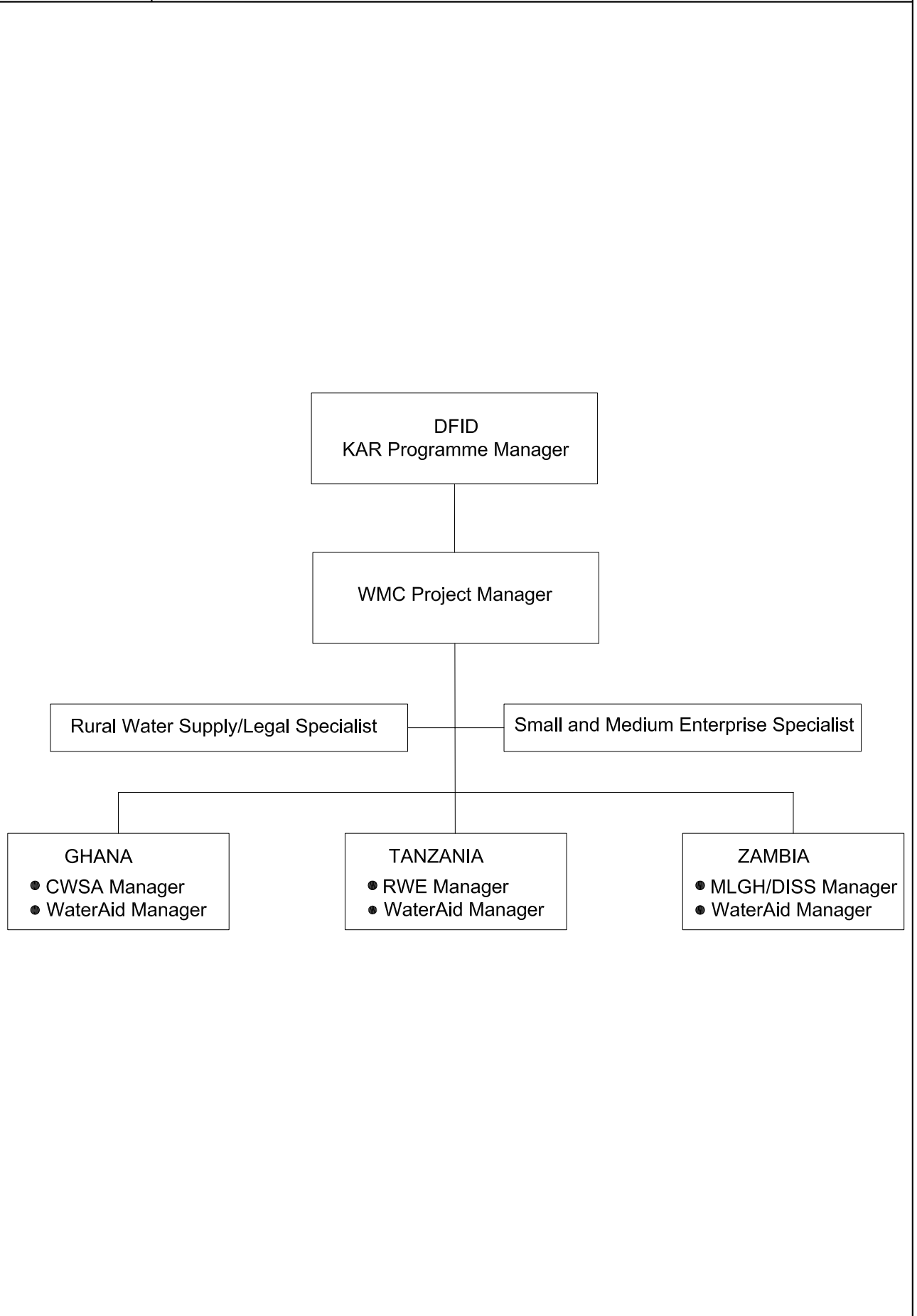
Table 1.2 Output to purpose summary (continued)

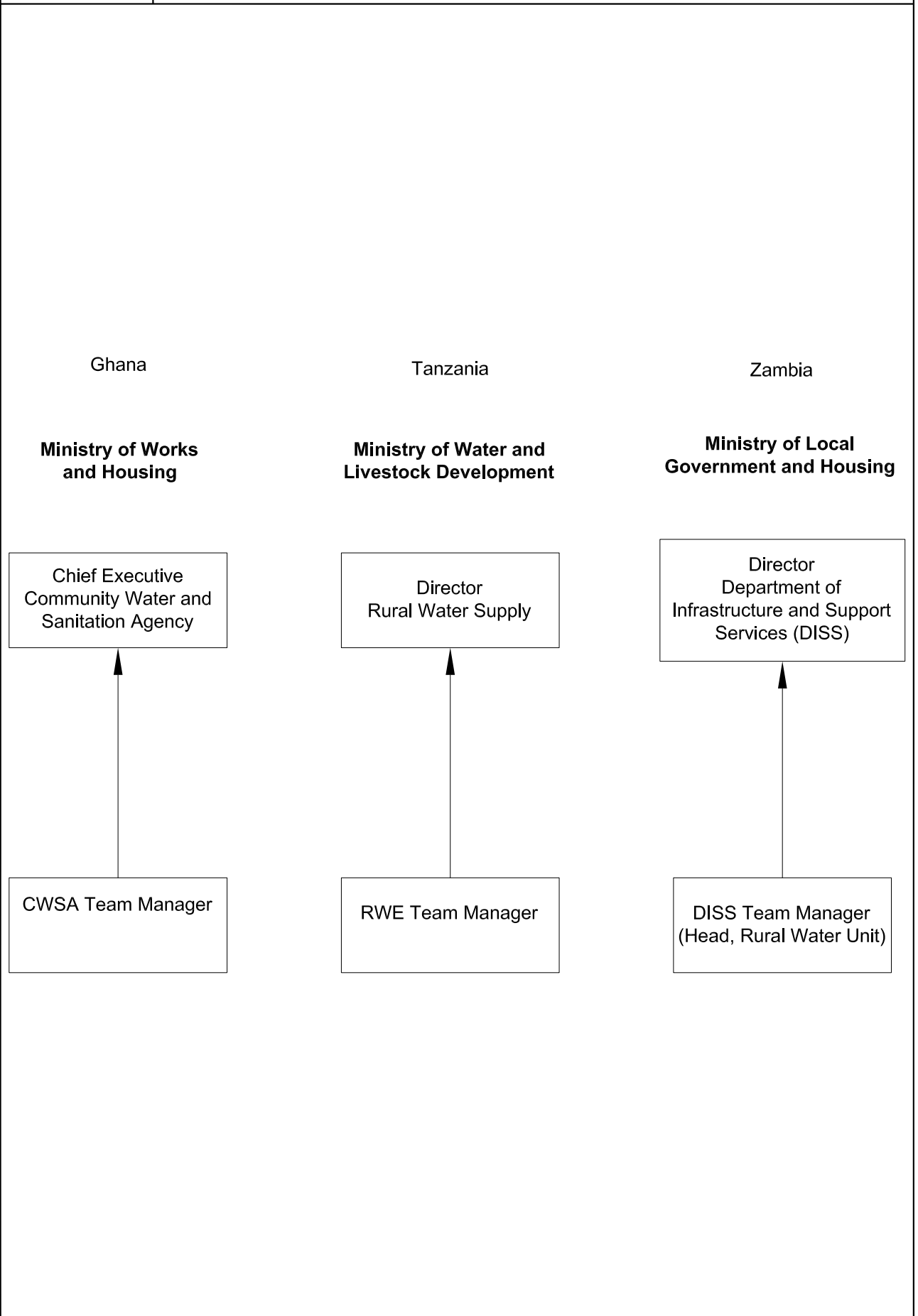
Outputs	OVI	Progress	Recommendations/actions	Rating:
<p>PHASE 2 – SURVEYS</p> <p>2 Report providing improved understanding of rural business livelihoods and supply chains in the rural water sector and of capacity of local government to enable and regulate the sector in the study countries.</p>	<p>2.1 Project report and supply chain map</p> <p>2.2 Multi-stakeholder workshop involving target audiences to discuss results so far, including gender, environmental, sustainability and dissemination aspects and plan Phase 3.</p>	<p>2.1 Surveys completed in all three study countries. Each country team produced a country report (see www.ruralwaterpsp.org). A Synthesis Report (R8335/1788/R3) (ie, the Project Report and supply chain map) was produced and submitted to DFID in December 2004. This report is also available on the website.</p> <p>2.2 Multi-stakeholder workshops involving target audiences held in all three countries Ghana-February 2005, Tanzania and Zambia-March 2005. Workshop reports are available in respective Phase 3 final country reports, which accompany this report (R8335).</p>		
<p>PHASE 3 – ANALYSIS & DISSEMINATION</p> <p>3 Methodology and guidelines developed for the enhanced participation and regulation of the rural-based private sector in rural water supply provision.</p>	<p>3.1 Best practice guidelines available in hardcopy, CD-ROM and on three internationally respected websites by end of project and disseminated by variety of other means according to target audience.</p>	<p>Generic best practice guidelines are contained in this report (R8335/1788/R4d). As at end October 2005 this report has been distributed in hard copy to the governments and WaterAid in the study countries. The report is also available on CD-ROM from WMC and on the project website www.ruralwaterpsp.org</p>		

Table 1.2 Output to purpose summary (continued 1)

Outputs	OVI	Progress	Recommendations/actions	Rating:
4 Peer reviewed guidelines and recommendations by target audiences.	4.1 Guidelines reviewed and approved by key stakeholders among target audiences.	<p>Country-specific guidelines have been developed by the Ghana, Tanzania and Zambia teams. The guidelines have been consulted upon (tested) at multi-stakeholder (target audience) workshops held in August (Ghana) and September 2005 (Tanzania and Zambia). In Tanzania the multi-sectoral TAC-Technical Advisory Committee to the Ministry of Water and Livestock Development has been instrumental in the development and review of the guidelines. In all three countries the guidelines have been reviewed and approved by senior managers in the respective departments. The country guidelines are presented in final country reports (Appendices to this report).</p> <p>All country reports are available on CD-ROM and on the project website and have been submitted with this report to DFID's KAR Programme Managers.</p>		
<p>Purpose</p> <p>The effective participation of the rural- based small scale private sector in rural water supply service provision enhanced through the production and dissemination of best practice guidelines.</p>	<p>1. Guidelines incorporated into RWS training manuals in study countries within one year of end of project.</p> <p>2. Increasing numbers of contracts being entered into between rural communities and small rural private service providers for community water supplies.</p>	<p>1. In all three countries the country-specific guidelines are in the process of being included in official government documentation.</p> <p>In Ghana as of the end of the study (Oct 2005) the guidelines are being used to strengthen national water policy on the use of the small-scale private sector.</p> <p>In Tanzania the guidelines are in the process of being incorporated into official government documentation.</p> <p>In Zambia the opportunity has been identified for incorporating the guidelines into training manuals produced by DISS.</p> <p>2. No information is currently available on numbers of contracts being entered into between communities and small rural private service providers to allow assessment of progress on this OVI.</p>		

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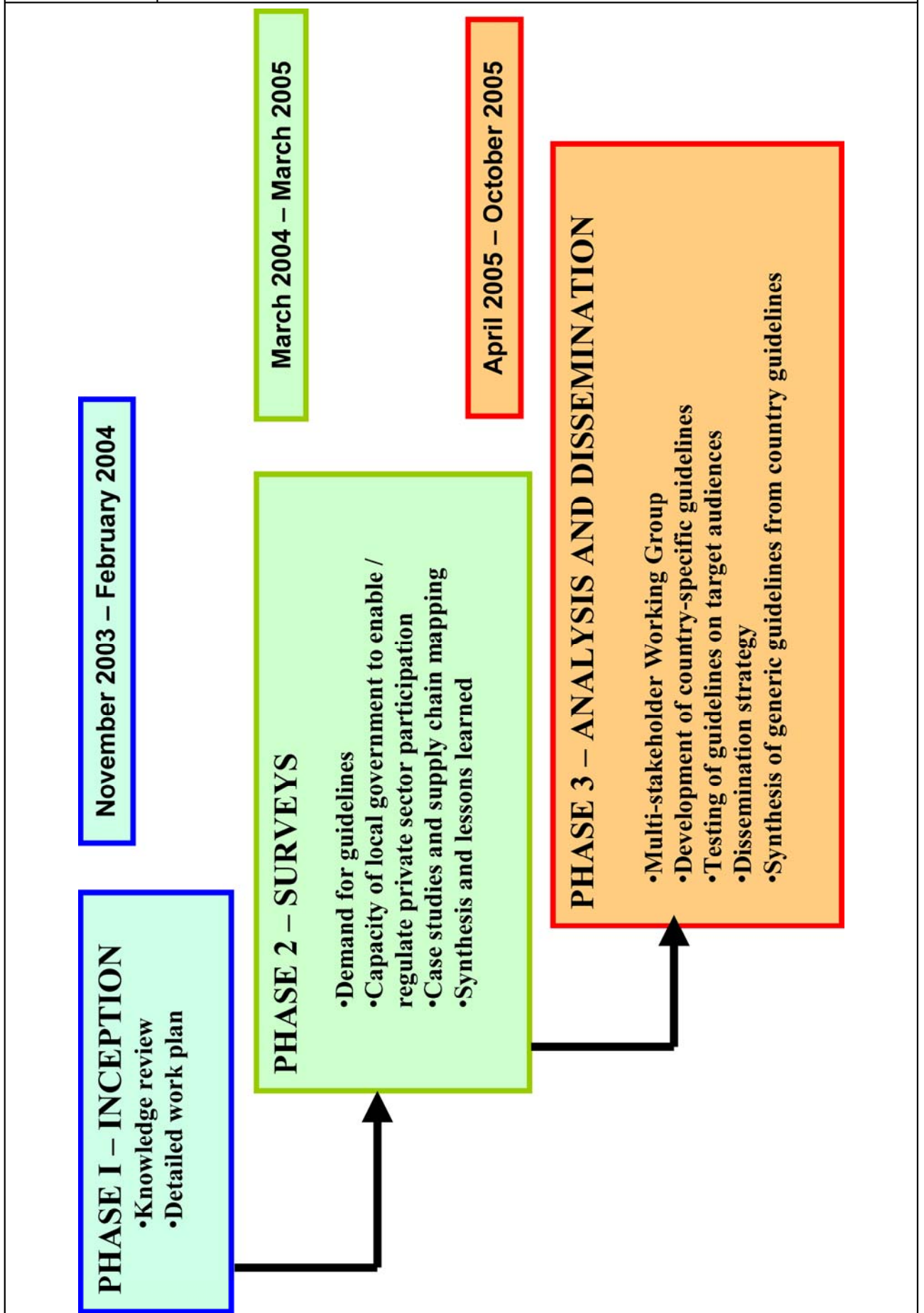


Figure 1.3

2 COUNTRY-SPECIFIC GUIDELINES

2.1 Introduction

The comparative advantage of arriving at guidelines via a research-based methodology is that the end result is put into realistic perspective by the ideals presented in the literature and the actual conditions prevailing on the ground at the time of field work. It is then possible to adjust guidelines to target those critical issues where their impact would in practice be greatest. But the most significant advantage of a research-based approach is that it requires researchers to think through the issues and fully resolve what they mean. Researchers and their audiences then become a thinking in-country resource of greater lasting value than a set of written guidelines.

Four over-riding critical issues can be seen to frame the development of guidelines for the government during this research, as follows.

- 1) There is a very wide gap between what is expected of PSP in theory and what is seen as its role in practice. This suggests that very little progress can be made until key stakeholders share a similar vision of what should be done and how to get there. Participation and effective partnerships seem to be a key foundation for the guidelines.
- 2) This vision of the role of PSP changes significantly if it is opened up. Instead of guidelines being the means to match the private sector to a list of tasks that need doing, the guidelines become a mechanism to identify a range of viable opportunities for PSP and thus have at their core a means to examine sustainability.
- 3) To achieve sustainability some tough questions cannot be avoided, and these stem from the fact that PSP can only succeed where there is enough demand. Where guidelines fail to 'cope' with these questions they are likely to fail at sustainable PSP.
- 4) The State has to strike a compromise between rigid control of the private sector and reaching water supply coverage targets. This is because too much control too soon is a barrier to private sector growth. Guidelines which create an enabling environment for PSP probably have to arrive gradually at full sector control, and this provides an opportunity to learn from and assess the effects of PSP in rural water supply.

2.2 What the literature says

A review of published and unpublished material available internationally and at country levels was the first formal output of this project in February 2004. The full document is available at www.ruralwaterpsp.org. This review identified the generally recognised understanding of the role of the private sector in rural water supply services at that time. Its scope was initially wide in order to capture the reasoning driving country and programme level activities to incorporate the private sector.

There is an obvious difference between the concepts of privatisation, Public Private Partnerships and private sector participation, but these differences were not always clear in the literature. While the fundamental idea behind this research concerns how village level artisans might contribute more fully to local water supply services, the idea that the private sector has the means and incentive to invest at the village level is pervasive. The private sector of primary interest to this research consists of members of the same community which their participation is intended to benefit. The main contributions they could presently make consist of labour and knowledge – not finances.

Decentralisation of government services was seen to be a key factor influencing the shift towards PSP. Since future local government would not be in the business of building and maintaining water supplies – the private sector appears as the *de facto* provider of these services. The focus of this research was seen to concern government responsibilities in enabling a private sector role to grow. But it was noted that there are concerns whether the private sector would be a measurably better alternative to government provision and if it could service the sector on a scale capable of absorbing budget and meeting the Millenium Development Goals (MDGs). Of concern was whether progress towards the MDGs might be improved while changing the service providers and the environment in which they operate. This identifies a significant risk, that the poor may in fact have reduced access to water supply services during a period of transition. It was also noted that the literature may give rise to a belief that decentralisation and PSP might be expected to emerge as a result of some undefined and smooth process, whereas it was clear that opportunities and pressures rather than an explicit plan were driving these changes.

While there is a considerable literature on SMEs and PSP, no guidelines were found regarding how governments should engage with stakeholders to start up PSP and no publications were found concerning best practices applicable to this role. There was however significant published work on the use of supply chains as a means to describe the existing role of SMEs. The supply chain approach proposed that addressing demand, incentive, information flow, supply chain management and an enabling environment would result in effective PSP.

As has been mentioned, the analytical approach identified three elements – financial, institutional and legal – which were consistently suggested as essential components of an enabling environment for PSP.

It is very clear that at present the levels of investment in rural water supply are grossly below that needed to address the scale of the problem. It is self evident that without investment there can be no adequate incentive for the private sector to enter. Gross investment is required primarily for new build schemes, to which the beneficiaries might or might not be required to pay a nominal capital contribution. The argument supporting the need for a community capital contribution appears to weaken in favour of essential maintenance funded entirely by the beneficiaries. The latter, of course, represents the vital revenue stream for a private sector contractor. Where communities fail to pay the full O&M cost of their scheme it is doubtful how a contractor could top up the necessary finances and thus likely that government is still seen as a provider of last resort.

The literature makes it clear that it is a government responsibility to establish formally the permissible boundaries for tariff setting as well as any capital contribution if required. Community payment of full maintenance costs is increasingly seen as essential. Whether communities can and do make this payment has yet to be properly confirmed by the literature. Government must also ensure that budget support funds do emerge at the local level and are directed towards water projects.

The fact that the private sector does not have access to funding appears frequently in the literature. There are no suitable schemes in place, they don't offer an appropriate amount in the order of a few thousand dollars, and SMEs do not have any recognised form of collateral. Where SMEs have raised capital it is usually from their own or their relative's resources. However, the literature is not entirely clear on what this money is needed for. It is suggested that the money is needed by an SME to equip itself to enter the market, or to expand in order to access a more profitable market. In both cases loans are necessary because the envisaged PSP is essentially seen as a competitive rather than a service-oriented environment. A critical constraint was also noted, that it is the norm for the bulk of rural water projects, which rely on handpumps, to falter for want of an effective supply of spare parts. The implication that arises, is that the private sector is better suited than the government or civil society to overcome this major problem.

Whilst no explicit models were found in the literature to analyse the institutional framework for enabling PSP it was evident that a knowledge of the roles and functions of the players was a pre-requisite. It is also important to understand the links between the various stakeholders, what their knowledge requirements are and to clearly understand the purpose and needs for any forms of regulation. In many ways the literature is narrow in its perception of the role the private sector will play. This role is that they will be involved in construction and O&M to the extent defined by their local contracts. Beyond that limited scope there appears to be little more we really see the private sector doing in rural water supply.

The literature on the legal framework to enable PSP when taken as a whole is more confusing than it is enlightening. It seems that all of the past failings of the rural water sector are now to be resolved by law. The literature argues that the purpose of the legal framework extends from human rights, to regulation, to investment, to issues of equity and ethics as well as ownership, impact assessment, legal entitlement, policy and planning. Such a scale of overhaul would no doubt be long and costly in the making. Examples from the literature where local bylaws were used to achieve cost-effective changes of credible benefit to the public were therefore highlighted as an alternative approach particularly where these could address directly to water issues. There was also considerable concern surrounding the nature, content and effectiveness of local contracts, particularly when these are expected to be a means to contain project risk. In particular it was noted that there is recognised need to develop human resources and administer these contracts locally.

2.3 Discussion of country-specific guidelines

2.3.1 Introduction

This section summarises the output and characteristics of the three sets of country level guidelines (Table 2.1). The full set of country guidelines are presented in the country reports in Appendices B, C and D.

Table 2.1 Summary of the national guidelines proposed in the three study countries

Guideline	Ghana	Tanzania	Zambia
Establish regulation of the private sector	✓		✓
Flexibility in procurement	✓		
Restrict / standardise pump types	exists	✓	✓
Require that services are locally sourced			✓
Simplify business registration	✓	✓	✓
Require joint ministry community planning		✓	
Assist formation of professional associations	✓		
Allow operator in one area to supervise several schemes (hence make a reasonable business)		✓	
Funds sourced to enable full rehabilitation before scheme handed over for private sector operation		✓	
Tariff for water to reflect fully O&M cost		✓	
Provide small-scale rural financing	✓		
Allow variable (wet & dry season) tariffs		✓	
Lobby for tax relief on water supply hardware		✓	
Formalise land ownership as a means to recognise collateral		✓	
Simplify tendering / develop templates		✓	✓
Develop standard form operator contracts		✓	
Increase public awareness of need for preventive maintenance	✓		✓
Increase general awareness of role of private sector			✓
Train private sector in business skills	✓		
Ministry to start SME promotion unit		✓	

The country-specific guidelines will now be discussed.

In all three countries the rural water sector remains particularly dynamic. The goal posts are rarely constant for long and the means to get there are continually changing. It was noted that while Tanzania had revised its national water policy in 2002, Ghana is about to launch a new policy and Zambia intends to begin policy revision in the near future, the policy environment as a whole is particularly dynamic. It is probably unrealistic to expect that it is possible to specify provisions for the private sector which would still be valid in five years time. Similarly, national water law appears to become rapidly outdated with all three study countries revising national water law at least once since 1991. Therefore while an appreciation of where national law and policy ought to be leading the private sector is important, any immediate practical progress cannot be dependent upon getting the national policy and law right. In effect, any emerging experiences from PSP will therefore inform law and policy.

2.3.2 Guidelines for a legal framework

Consistent not only across the country guidelines, but also across the literature in general is the idea that at the heart of the legal framework to enable PSP is regulation. There is no question about its importance, since it is the basis on which the interests and roles of the various parties can be safeguarded. What does not emerge however is an indication of when, relative to the state of the private sector, comprehensive regulation should be introduced. Given the limited extent of PSP observed in practice, the need for full blown regulation is still some way off. For now, it seems more important to remove legal barriers to private sector entry and introduce progressive regulation when the benefit justifies the cost.

All governments were aware that a bureaucracy does not attract the private sector. Consequently, there is an expression of the need to make registration of SMEs very simple. The key reason why there was no suggestion to do away with registration altogether is that government needs to know who the SMEs are if it is to enable them to develop. A requirement for registration is also a clear signal permitting PSP. An adequate number of registered SMEs in a given area might, for example, lead to the formation of self-supporting professional associations. It was therefore seen as important that SMEs could register in a simple cheap and straight forward way in their own neighbourhood.

Already in Ghana there is a quasi legal basis to limit the range of handpump types and similar guidance is proposed by Tanzania and Zambia. This approach is based on the logic that more pumps of fewer types will lead to a viable spare parts business. The logic might equally well be applied to other rural water sector technologies requiring spare parts. But it is clear that an unfair degree of influence is still applied by some donors in order that non-specified pumps are introduced.

One area in which there was only partial expression of the need for an enabling legal framework was with respect to the effects of public procurement legislation intended to govern the civil service being made applicable to the private sector. Put simply, it would be impossible for a village well builder to work properly if he was bound by the ceilings and procedures governing the public sector. The idea that a village artisan might have more spending power with public funds than a senior local civil servant would not be well received by the local administration, but the Zambian country team highlighted the fact that spending is also regulated by contract. They pointed out that it was common practice to allow up-front disbursement of 50 per cent of the material value of a contract. This was necessary for the private sector, since the cost of goods in local currency can change rapidly – so early bulk purchase reduces project costs.

The essence of the message regarding an enabling legal framework is therefore to focus on:

- Removing barriers that prevent the effective involvement of the private sector
- Subsidiary and soft law, such as bylaws and codes of practice, rather than national law
- Applying the lessons learned to inform the future legislative process.

Over time, should private sector involvement grow, sector regulation would need to be progressively developed.

2.3.3 Institutional framework

The concept of an institutional framework was understood, by the country-level researchers, to mean the key stakeholder organisations and how they relate to each other. The government's view of its role in developing an institutional framework which enables the participation of the private sector was that, while it may be necessary to develop government capacity to kick start the private sector's role, it is not the government's role to establish structures to direct and monitor the private sector. Such regulation, it appears, would arise via legislation. This suggests that a light and cost effective form of capacity could be used in a pro-active start role, but this role would reduce and end over time.

2.3.4 Financial framework

Although it was clear that the present investment level in the rural sector is unlikely to lead to significant new development, and that the private sector is unable to gain access to finance, neither of these issues figured significantly in the country guidelines. The main thrust of the guidelines appears to be oriented towards micro-economic adjustments which allow the private sector to enter and the public to pay to keep it there. The future for sector financing as expressed in the country guidelines seems largely in the hands of the user or the private sector and thus more oriented towards keeping supplies working than building new ones to realise the MDGs. A notable exception is the need for finance to rehabilitate existing schemes before handing them over to private sector O&M. The majority of finance guidelines arose in Tanzania, and this is likely to be a result of their experience in financing decentralised government services. Developing finance guidelines might therefore only be possible in the light of in-country experience.

What becomes clear is that there is little doubt that communities are in practice expected to pay the full O&M costs for their schemes, whereas a community contribution towards the capital cost of a scheme remains uncertain. In-country discussion makes it clear that while attempts have been made to establish water funds intended to finance new build schemes and community schemes, these have so far failed to materialise. Such funds did not feature in the guidelines. It may be that the nature of such funds are defined by the investors and not by guidelines. The guidelines do however reflect the need to ensure a revenue stream from the user to the private sector can be maintained for O&M.

Government appears to have no responsibility towards leveraging finance for the private sector to develop its capacity, so it is unclear where support in this direction might come from. It is not surprising to see that the guidelines do not suggest any direct investment by the rural private sector. Although this belief is extensive, in practice the private sector do not have such funds.

The guidelines also highlight two State interventions aimed at making O&M more affordable. These are reducing tax on essential hardware and exploring a flexible approach towards a water tariff. It is also noted that in formalising land ownership, the State would provide a further means for community water supply owners to raise collateral.

2.3.5 Guidelines recommendations

The guidelines from all three study countries give significant focus on access to finance for rural private sector suppliers. The guidelines set out to address all of the associated issues to some extent. Two of these are firstly the lack of information available to the financial institutions (national and rural) on the nature of the rural water sector and its potential. Secondly, there is the ability of the private sector operators to get loans. In Tanzania formalisation of land ownership is recommended as the key activity to address this issue, in order to give private sector suppliers collateral with which to secure loans. As mentioned in Section 4.5.1, only in Zambia is the significance of access to finance challenged. While this addresses one particular issue, it does not address the ability of SMEs to afford to bid for work in the first place or achieve the capital financing requirements for tools and spare parts for repair and maintenance services or the speculative stocking of spare parts.

The guidelines all recommend that it is government's role to promote and facilitate the awareness raising among financiers of the water sector. In Ghana it is suggested that government can act as an intermediary to facilitate funding from national and international initiatives, (such as the Heavily Indebted Poor Countries (HIPC) initiative, Ministry of Women's and Children's Affairs/Japanese Gov. funds, Food and Agricultural sector - budgetary support, Community Based Rural Development Project and Social Investment Fund) to rural finance organisations such as ARP APEX Bank. As part of this process it is also recommended that government works with these institutions to simplify the process of acquiring loans, eg, waiving legal documents, thus reducing bureaucracy and costs for both loan providers and loan beneficiaries.

Other areas requiring a government lead to reduce costs and simplify processes for SMEs include registration and regulation. Regulation is recommended as a process necessary for controlling the price of goods and services. It is also recommended to set tariffs for consumers' water supply and maintenance services. These tariffs need to be realistic and transparent and perhaps even seasonally adjusted as recommended in Zambia, to encourage users to pay. It is suggested that this creates consistency which builds market confidence in consumers and suppliers as both can plan outgoings and income. Whilst regulation can bring these benefits, practitioners need to consider that any set range of prices must be relevant to the situation, be realistic, be visible to all stakeholders and ensure that suppliers can make adequate returns.

The process of reviewing and setting the price ranges must be flexible enough to represent market trends, (eg, a significant increase in the cost of materials). This assumes that consumers actually exist. In this regard consumers may be communities, individuals or local government organisations. The guidelines recommend that government has a role in creating the demand. One possible activity to achieve this is to refine public finance mechanisms to ensure the flow of resources to district authorities, thus creating demand at a local level. As part of the process of setting tariffs, governments can facilitate communities in the development of frameworks for maintenance and repair of their water supply facilities. This helps to create a more stable and visible demand and thus income streams for potential private sector suppliers. Government can further support this activity by facilitating the training of simple book keeping for communities, again helping to increase the chance of private sector suppliers being paid, because of good financial management of the community funds. Regulation on standardisation of equipment is a model already tried and advocated in focusing demand into a small group of technologies.

The guidelines recommend government has a role in direct financial action through implementing tax incentives (tax relief) for water supply equipment and more controversially the removal of subsidies where they exist. In Zambia it is suggested that heavy subsidies in the sector, predominantly by donor funded goods and spare parts, is in fact a barrier to entry for the SMEs because they cannot compete. Therefore, it is suggested, that by removing the subsidy and subjecting all players in the market to 'real' prices, including government, the private sector will be in a stronger position to compete. Clearly this initiative has a potentially high political cost and would probably benefit from a phased-in approach which reduces the subsidy gradually, allowing significant monitoring of the process and the introduction of remedial measures if required.

Business training of SMEs is regarded as important. Where decentralisation of government departments occurs, replaced by private sector activity, there is also a training requirement for the public sector workers whose roles now change. This training has a cost attached which governments need to consider when planning such changes. A parallel opportunity to finance the private sector may be through Business Development Service (BDS) suppliers. They could either act on the government's behalf to provide training, or operate a mixture of subsidised training from the government with a contribution from recipients, to be paid back over time as businesses progress.

It is also recommended that government lead on exploring the lease concepts (previously attempted in Ghana) as an alternative financing mechanism.

Government can also better assist water agencies by employing expert support within the water sector project teams, to advise on SME development, and in particular the development of finance models and feasibility assessments for private sector providers.

In summary this project recognises that the financial framework is an essential component of the enabling environment for SMEs to engage in the rural water sector. In the absence of market mechanisms to create this environment for SMEs, government has a role to stimulate and sustain them through various measures, including:

- promoting the sector among financial institutions
- reviewing tariff setting processes and tax relief measures
- ensuring effective direction and management of financial resources to local government level.

2.3.6 Communications and training

The government role was seen in the wider sense through guidelines concerned with developing the human capacity to enable a move into a new role. Ghana identified a need for government to support training for the private sector, and Tanzania saw the need for a specific unit to promote PSP within the government structure. These inputs were however seen as temporary, necessary for the duration of a kick-starting period. There was wide recognition for the need to develop simple systems of tendering and contract so that the private sector can become involved as well as to train the private sector in relevant business skills. These guidelines point to the fact that the future village artisan is seen as having skills in basic business as well as in building. It might be necessary to examine how possible this is, or if in fact the local artisans should farm out their business management and focus on what they presently do best.

The need to promote what is happening among public users of the supplies was not overlooked and in particular endorsing the importance of preventive maintenance was stressed.

Very little discussion emerged on when government should undertake these activities, but it can be argued that it would have to be certain that investment would take place before these State-led activities would be worth while. This would suggest that a knowledge of the existence of demand for private sector services is the key factor enabling a State to decide to act.

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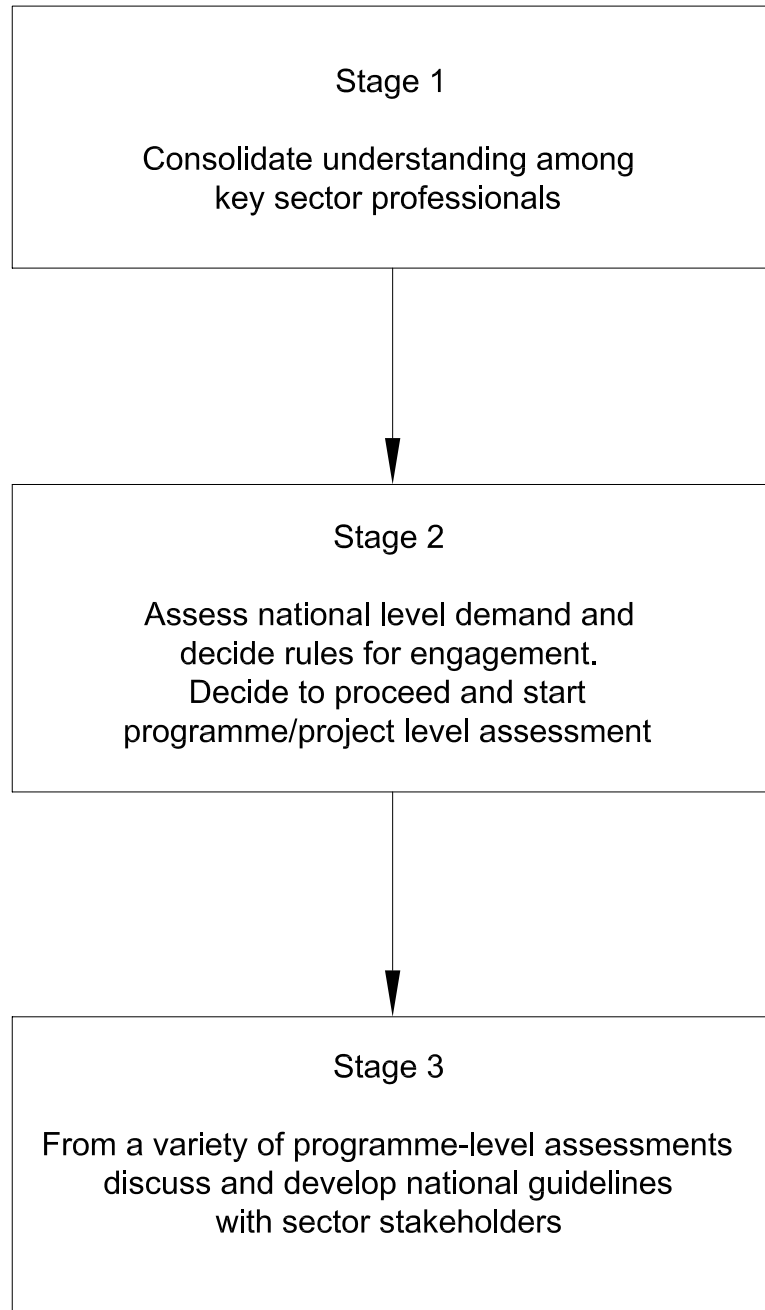
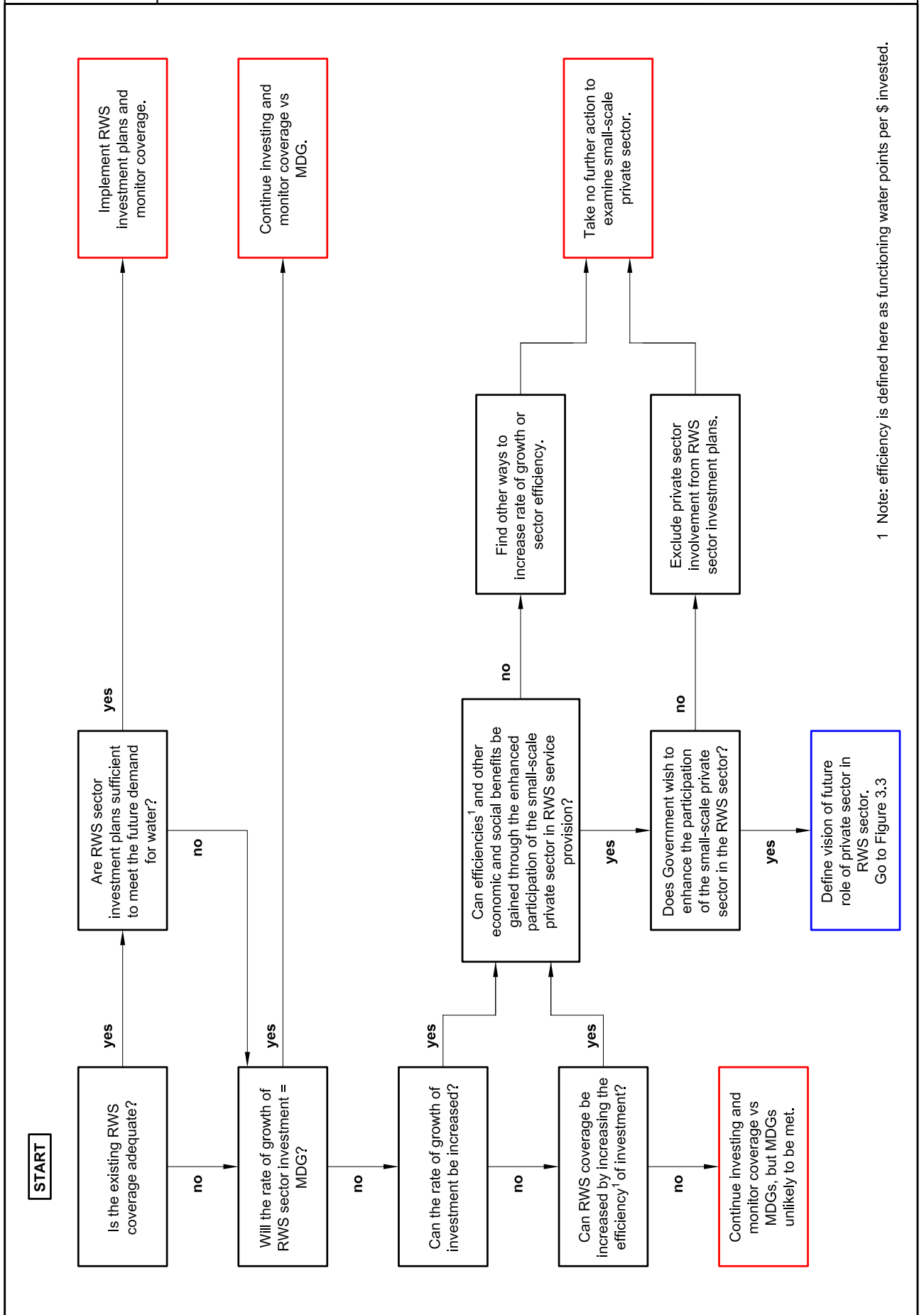
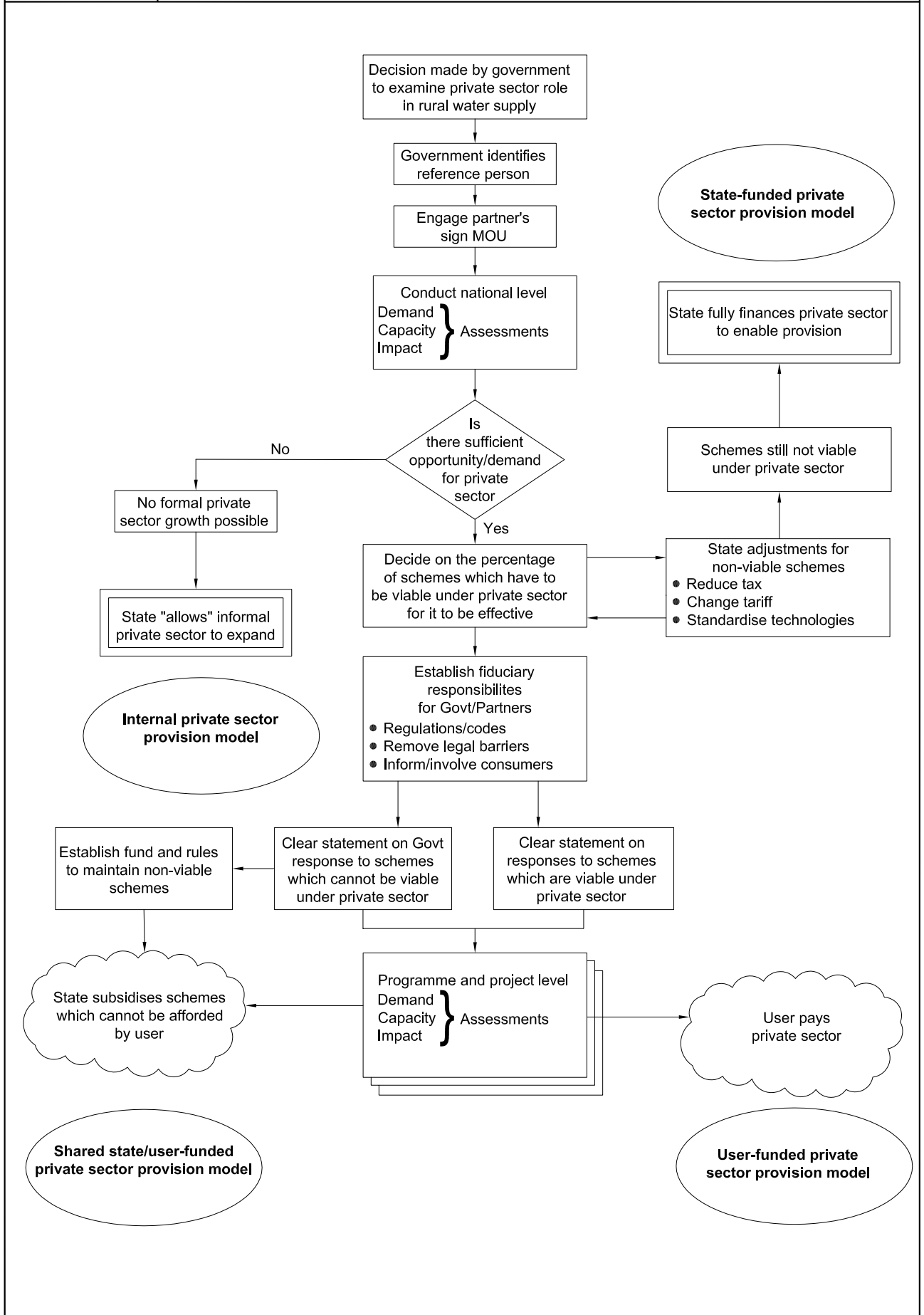


Figure 3.2 Flow chart to clarify reasoning for enhancing a small scale PSP in the rural water sector



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

Figure 3.3 Process for determining model of SME involvement in the rural water sector



3 GENERIC GUIDELINES

3.1 Introduction

While it would be possible to arrive at a set of generic guidelines as a result of consulting a range of experts, the approach in this research is to found the guidance on practical working experience with country level teams. While experts might produce ideal guidelines, the experience of practitioners is likely to result in guidelines which get taken up because they are more appropriate to the users.

The generic guidelines presented here therefore strive to take practitioners through a process of thinking through guidelines, collecting information, designing a response and taking decisions, rather than expecting them to adopt their approximation of someone else's ideal set of end points.

Being able to arrive at acceptable guidelines for rural PSP is the result of good local knowledge rather than general assumptions particularly when there are significant variations in the capacity of the private sector and local project viability.

The success of PSP also appears to depend on the openness of the relationship between the government and the investor. There is much to suggest that investor interests can frustrate a policy promoting PSP. Sound partnerships represent the basis for a culture to adapt and progress as rural PSP is given a fair chance to succeed. This needs to be seen in contrast to the breakdown of relationships that have unfortunately attended a number of unsuccessful urban water supply privatisation ventures in the region, as a result of which progress and development have been retarded as new partnerships have to be built.

It is recognised that without demand there can be no PSP, but that demand can take many forms, from private sector provision through to public sector provision. It is also recognised that PSP has yet to be proven to be a better route to rural water supply than previous approaches, and we must strive to measure, evaluate and compare its performance as and when it emerges.

3.2 Guidelines

3.2.1 Introduction

The research did not result in a prescription for what must be done. Instead it found that guidance for country-level stakeholders to arrive at their own prescription would have greater impact and benefit under the prevailing circumstances. The generic guidelines that emerge from this study suggest that the following three stages of preparation offer government a route to identifying the key factors necessary to enable the participation of the private sector in rural water supply services (Figure 3.1):

- Stage 1: Consolidate understanding among key sector professionals
- Stage 2: Assess national level demand and decide rules of engagement
- Stage 3: Develop national guidelines with sector stakeholders.

The 3-stage process is shown in Figure 3.1 and is discussed below.

3.2.2 Stage 1

This generic approach begins by allowing government to consolidate its own view towards rural PSP. In essence this is to garner the support needed to explore and adopt PSP or to take the decision that it should not be promoted in the near future. This stage is summarised in the decision flow chart shown in Figure 3.2. In practice it was found that the understanding of the role of rural PSP is likely to be varied and sometimes wrong and so it becomes necessary to set out the argument supporting it as clearly as possible. The best way to do this appears to be for key players to share their understanding and to think through the arguments together, so that by the time they arrive at a common opinion they will have little difficulty in spreading this understanding across the sector.

It is therefore recommended that governments have key professionals meet to discuss their responses to the questions asked in Figure 3.2 and draw this stage to a close by agreeing upon the purpose and possible vision for the role of the private sector.

3.2.3 Stage 2

The second stage in the process was identified following the production of final country reports and guidelines and it streamlines the process the country teams followed. This is summarised in Figure 3.3. In response to the stage one decision to promote PSP, it is recommended that government appoints a reference person whose role is to coordinate the process and promote its outputs. At that point it is necessary to obtain the involvement of the various sector stakeholders by explaining the government's vision for the private sector role and getting their agreement to contribute to its exploration and development. This is very necessary since the guidance which emerges is likely to be of significant concern to investors and sector stakeholders alike and their support is essential if the guidelines are to be successful.

A national level assessment of the demand for private sector services, the capacity to provide and administer it and its likely impact should be undertaken. Without sufficient demand there can be no interest among the private sector to become involved. If it is clear that there is no adequate demand there is little point in continuing. A decision to stop, however, should not prevent association with, and growth of, the informal private sector.

If there appears to be sufficient demand for private sector involvement then a key decision must now be taken. Because it is unlikely that an area or programme will consist entirely of viable schemes some degree of subsidy might be necessary to bring all schemes under the private sector's role and thus make it worthwhile to be involved. It is important to have a clear understanding and agreement of what this level is. The private sector might have a viable opportunity where 300 pumps need maintenance, but only 270 communities are able to pay for maintenance.

One approach would be to examine if the State brought about changes in tax, tariff or technology (such as standardisation) whether the number of viable schemes would be lifted to the required 300. If it couldn't then the State is faced with three choices. It might decide to top up what communities are able to pay in order to make a viable business and ensure the public has a water supply maintained by the private sector. Equally, it might decide that there is no alternative technology and that it is in the greater interest that the community continues to use the water source and thus the state accepts to pay the private sector more or less in full to provide the service. Finally, the State could decide that it has no further responsibility because there is no means to make the supply viable for a private sector role and there is no argument to support using public sector funds to keep it working.

The obvious consequence then of government clarifying its responsibilities towards these various schemes would be that it has to spell out clearly what those responsibilities, and the responsibilities of the other stakeholders, are. Again this carries significant responsibilities for a potential investor. This may seem an arduous approach, but without such clarity it is unlikely that any real form of PSP can emerge.

A number of practical measures would also have to be put in place, the end users of the water supplies would need to be fully informed and drawn into the process and any general legal barriers preventing PSP removed.

In effect this second stage tries to create explicit rules for engagement so that realistic private sector opportunity can be created as well as the most obvious financial forms of risk reduced.

3.2.4 Stage 3

The final stage of preparation would then be to conduct programme or project-level assessments of demand, capacity and impact, which would result in more specific levels of guideline to be developed, similar to those emerging at the country level under this project. These would likely address registration, regulation and private sector contracting, as well as making provisions to accommodate regional, technical and seasonal effects on the viability of a private sector role. The country level guidelines presented in Appendices B, C and D give examples of this level of thinking.

There is obviously no right or wrong way to proceed in developing these guidelines, it is more a question of finding what is most appropriate for the local circumstances and then measuring how successful that approach has been. Countries may in fact decide to develop their own approach from among the possibilities suggested here.

Even so it appears inevitable that the only way to achieve sustainable PSP is by establishing an appropriate demand for those services. This demand can have a significant public finance component, but where there is no demand there will be no private sector. Consequently it seems almost impossible to avoid answering those questions about how to manage marginal and non-viable yet necessary rural water schemes. It makes increasing sense that a government cannot be made responsible for the upkeep of schemes that it didn't approve. Public resources would be better spent elsewhere. But it remains an unfortunate fact that the real situation in rural areas is that the water technologies communities have come to find as most acceptable are not entirely affordable from their own pockets and exist in such low densities as to offer very marginal opportunities for the private sector.

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4 LESSONS LEARNED

4.1 The rural private sector

The surveys carried out in Phase 2 provide a 'snapshot' of the small, rural-based, service providers in rural water supplies. The first observation is that there are very few providers in rural areas. The Ghana survey team managed to interview just five in Akatsi District, seven in Ho District and six in Nkwanta District. In Tanzania 28 interviews were held in Dodoma Rural and Mpwapwa Districts. Most providers are artisans (plumbers, electricians, mechanics) or traders. Some have been trained either by government (eg, area mechanics in Ghana) or by donors/NGOs under drought relief projects (eg, pump menders in Zambia). They are also members of the communities that they work within. Overall, small-scale private sector participation in the provision of rural water services is mostly 'informal' and restricted to repair and maintenance services and the supply of spare parts. Most operators do not depend solely on the water sector for their livelihood, but rather water sector operations supplement other forms of income, usually farming, in rural areas. Many operators are involved in water supply out of a sense of duty to the community rather than for profit; communities often do not have the willingness or ability to pay in cash. Small operators characteristically lack training (human capital) and often do not have access to information regarding market opportunities.

The three study countries are seen to have different levels of activity. Tanzania has made most progress in the sense that the government is actively encouraging formal private sector participation in rural water supplies. This process does not yet seem to have started in Ghana or Zambia, where demand for services from small-scale operators is driven by communities and is limited by willingness and ability to pay.

Rural traders are potential important outlets for spare parts for handpumps. However, the demand for spare parts is currently ubiquitously low. This is as a result of subsidised supply by governments and donors, resulting in the non-availability of parts in rural markets. While traders are potential providers, in reality they do not as yet perform this function on any appreciable scale because the demand does not exist.

4.2 Supply chains

In all three countries supply chains were found to exist in some form in the rural water sector but none were purely private sector. The studies conclude that using the supply chain model for analysis has enabled the MWSGs to view the rural water supply and sanitation sector in terms of supply and demand, possibly for the first time. Key to this has been the focus /recognition of the importance of profit, information, cash flow and density of market and thus demand (eg, number of spare parts required per local supplier) as the engine to drive sustainable private sector supply chains. This in itself has brought and can bring great benefit to sector professionals (both national and international), who are unfamiliar with the dynamics of the private sector in developing processes to determine the realistic role that the private sector can play. In all three countries this 'learning journey' has taken place to a certain degree among all participants. It is probably a very important process that all sector professionals need to participate in together, to develop each country's individual private sector characteristics and its equally individual guidelines for private sector involvement.

While the main engine to establish and sustain the supply chain is adequate demand for the goods and services it supplies, equally important is the enabling environment that allows members of the chain to function and make adequate profit, in adequate time, to stay involved in the business. In Ghana, investment in supply chains is considered unjustified until suitable critical mass of goods and services is attained. The responsible water agency is also challenged to find local distributors of spare parts because of the perceived unprofitability of the spare parts distribution system for a limited number of handpumps. This represents some key fundamental issues regarding the whole issue of spare parts supply and the role of the private sector. Undoubtedly if the market size is not big enough and the profit per item is not big enough, private sector suppliers will struggle to get excited about getting involved. However, the reality in a development context is that the majority of the creators of the demand for services, (ie, the people putting water-raising technology into rural locations) are governments, donors and NGOs and other similar agencies. In rural sub-Saharan Africa very limited private investment goes into the capital cost of installing this equipment. Therefore, if this group of people are responsible for siting and installing equipment, they are also responsible for the creation of the demand for the repair, maintenance and parts business that follows. If the end goal is greater private sector involvement to deliver these services, the role of investors must be to achieve targeted investment of appropriate technology. This will create adequate pockets of demand to stimulate and sustain private sector involvement in supplying such technology. This requires a coordinated approach among those who influence technology choice (eg, donors, recipient governments, NGOs), ideally led by the water agency of the recipient government. By working together to assess the appropriate technology for given geographical locations, and their geological condition, this group will be able to determine the likelihood of matching the technology choice with the private sector support structure, (existing or potential) and make an informed choice about what that support structure could be and the steps to achieve it. Undoubtedly, simple technologies require simpler supply chains. The conclusion of this exercise may result in compromise (eg, not the favoured technology of the lead funder) and may also lead to the conclusion that private sector support cannot be achieved because of lack of demand. In such a case the alternative support mechanisms may be a government driven one, (ie, a social service), but at least the decision will have been made based on hard data, rather than perception. This allows government to make long term provision for such situations.

In the situation where equipment already exists, the same principle needs to be applied, but as the research indicates, opportunities to create adequate pockets of demand may be less in the short term. In this case suitable support structures may be purely public sector or hybrids of private sector/public. It is still important to conduct the assessment with all the key players, to understand the nature of the sector and the private sector capacity in it, on a geographical basis. Again this enables the responsible water agency of the recipient government to lead the process in making informed decisions about the future provision of technology and its support structures. One option to consider for example, may be to replace equipment as it fails with alternative technology that fits the private sector model that has been determined from the sector assessment. Over time, the density of demand increases leading to the minimum volume triggers for private sector involvement, as determined by the model.

In summary, this project has recognised the value of using a supply chain approach to analyse the demand and supply dynamics of private sector provision. In particular this has highlighted the essential need for demand as the engine to drive the supply chain, a 'bottom-up' rather than 'top-down' approach. The guidelines make recommendations to create and improve the visibility of demand, but also advise on ways to create the enabling environment that the supply chain members also need to stay in business. This includes better market information, access to finance, a supportive regulatory environment and training for SMEs.

4.3 Legal framework

There is a significant temptation to put unresolved problems and idealistic outcomes into the legal framework pigeon hole. The law is then seen as the mechanism to accomplish what hasn't happened on the ground. We raise expectations and somehow imagine that the law is a means to *force* a desirable outcome in the face of practical difficulty. International literature frequently confounds this problem by parking a very wide array of desirable achievements under the list of jobs to be achieved by a legal framework. The bigger picture is clearly, for the present, unfocussed and over ambitious.

At the national level, this research suggests that private sector regulation by the State is the paramount concern of governments when seeking to address a legal framework to enable private sector participation in rural water supply. In essence, this regulation appears in the shape of registering the players and then preventing unfair practices from emerging at the expense of citizens and public finance.

Examples of specific aspects of a legal framework were highlighted in-country. All three countries point to the need to simplify SME registration in the rural water sector. Requiring a well digger to travel to the national or regional capital to fill out a mountain of paperwork has to be avoided. In its simplest form registration was seen as providing one page of basic facts, either by post or at a local government office. The purpose being to enable government to know who is performing what services where. Government can then understand what role the private sector is playing and encourage the formation of local professional associations to represent and promote the interests of the local artisans and service providers. Calling for registration should be a signal to welcome and attract PSP.

A second example emerged in all three countries of a requirement to standardise on the types of technology used, such that maintenance becomes more viable. Not surprisingly, handpumps were the target for control. However it is no mystery that despite 'soft law' attempts, the range of handpumps proliferates because donor preference still tends to prevail. For this reason, the generic guidelines presented in this research recommend that there should be formal agreement over which technologies and the extent of responsibilities accepted by the State and investor.

It was also clear at the country level that the mechanism of the legal contract was seen as the key tool in regulating the sector, although experience and understanding of such contracts varied tremendously. In general it can be said that local government was expected to have the legal competence to administer contracts at the equivalent of the District level at which qualified engineering professionals would be located. Even so it may be necessary to establish – in law- special powers so that all aspects of those local contracts can be properly managed at the local level. For instance we need to be clear about who can take binding decisions to resolve contract disputes locally, rather than causing the contract to be cancelled or going to court.

The role of the engineering professional could be seen to revolve around being the custodian of good practice and ensuring a good quality of work to an approved design and probably maintaining a list of acceptable SMEs. The extent of their role as a contract administrator was, however, seen to be determined by a combination of factors. It is very likely that a District could not pay the salary that an engineer competent to administer contracts might attract. It might be inevitable that these skills have to come from outside the District. However it is useful to bear in mind that using a simple generic contract, which can be tailored to local conditions, appears to be a more acceptable and immediate mechanism to regulate the sector than using legislation. This has the added advantage of a quicker start-up time for investors and clear and immediate protection for the stakeholders.

Considerable work is clearly required to get this generic form of contract right, particularly because this can have a very direct benefit to both the small-scale artisan and the water users without calling for large scale legal reforms. It is also important because it stands to be a particularly cost-effective intervention. While these forms of contract must be developed under government guidance, much of the groundwork can be done by delegation. The key is to focus on the contract being cheap and easy to administer locally. It may be that codes of practice and local by-laws also become necessary. Again these must be cheap and effective relative to national level revisions.

At the heart of this approach to regulation, by contract, is the idea that we need an environment in which the private sector can enlarge its role in the provision of rural water supplies and services. The contract therefore has to offer means to solve grievances, such that all parties achieve a satisfactory outcome. A contract that only seeks to penalise will not attract the emerging private sector. In terms of the jargon of regulation, this form of contracting would seek to regulate by establishing prior controls. The system would be designed to prevent grievances resulting in penalties and litigation. Where penalties are necessary it may be worth considering what penalties exist locally under customary law and incorporating them. It has been noted however that local customary law itself is unlikely to form a basis to regulate private sector involvement.

It is important to seek good advice when developing these contracts, since they must cover a much wider spectrum than generally imagined. For example, in the area of contract exclusions, it will be important for SMEs to specify what they are not responsible for and what damages are beyond their capability to limit. The parties also have to understand and agree to the range of remedies available if there is a dispute. An important fact is that these contracts will be of little value if they cannot be entirely managed and resolved at the local level.

The reason why registration and contract dominate the discussion about the law and private sector participation is because those actions represent the deliberate steps a government must take to permit and control. They mark the transition from informal to formal private sector participation and are necessary because the State has responsibilities towards public finance and welfare, which it cannot assure through an informal approach.

Three additional considerations arose following this research. Firstly the small-scale private sector is unlikely to be successful if it has to follow the general rules applied to procurement by the public service. The idea that a mason plastering a well has to follow a tendering procedure to get their cement could hardly be called an enabling environment. A local contract that advanced a significant percentage of the material cost of a contract such that materials could be bought in bulk (before prices rose) is a commonly-accepted approach to procurement outside of public sector procurement rules.

Secondly, this research did not encounter any suspicion that the involvement of the private sector in rural water supply was a means to profit unduly from a community or to assert anything other than communal ownership of the water supply. This almost certainly came about because the country teams paid significant attention to giving a clear explanation of what was meant by PSP in the rural water sector. Obviously it is essential to avoid any misunderstanding from the outset.

Thirdly in-country discussions touched upon the nature of Government-donor relationships many times because arriving at a viable design for PSP begins with agreement between government and investor on issues of technology, money and responsibility. All too frequently government policy is seen to press for sustainability, but actual project design prevents this from being achieved. It is not easy to deter the wrong sort of investment in the water sector. So long as unsustainable schemes are approved and built the private sector will fail to operate and maintain them effectively unless they are subsidised. The root of successful PSP in this case is the agreement between the State and investor. This is highlighted in the generic guidelines and is seen as a key element of an enabling legal framework. The State and the investors are both seen to have fiduciary responsibilities in the legal sense. That is they must invariably act in good faith, promote the proper purpose of the undertaking, declare and resolve any conflict of interest and not engage in any form of secret profit making.

In summary, the essence of the lessons learned regarding an enabling legal framework are:

- Government must concern itself with a legal framework for PSP because growth in the sector will demand increasing levels of accountability and protection for public funds. This would not be possible through informal private sector arrangements.
- Basic elements of the legal framework begin with simplified registration of SMEs and the development and use of simple locally-administered contracts. This represents the transition from informal to formal private sector. It may also be necessary to remove any legal barriers which prevent PSP.
- Developing this framework starts at the level at which a contract will be administered. This is likely to be equivalent to a District. To be of any use, these contracts must prevent any grievances from halting the contract. They should offer a remedy which is available locally, through local people, and should fully represent the interests and limits to the responsibilities of all parties.
- Overall it is important that the development of a legal framework is effectively enabling PSP rather than restraining it. As experience grows, sector regulation can be progressively developed to the satisfaction of all parties without compromising progress towards coverage.

4.4 Institutional framework

While it is clear that the rural water sector is aware of and has probably engaged the informal private sector in some way, it is evident that the rural water sector is currently poorly equipped in terms of human resource capacity to lead a major transition towards formal PSP. To date the government has assigned no specific central responsibilities to lead learning or development in this field. Unless such responsibility is assigned, it is difficult to see how a pro-PSP policy will make a difference.

During the course of this project some practical experiences have begun to emerge, but as yet these are not fully documented. Given the general absence of adequate formal private sector capacity in rural areas, it appears that professional level expertise is being hired in the cities and used in the rural areas to administer rural projects. Exactly how this differs from the previous practice of hiring city-based NGOs to perform the task will not be known until reports emerge. There are however some field suggestions that the private sector are doing the same job as the NGOs but at a significantly higher price. A key question concerns how the necessary professional services can be afforded that will enable an institutional framework to manage and administer contracts at the right local level.

The question of when government should make an active response to enable rural PSP is easily answered. The State should act when there is sufficient investment to make it worthwhile. The private sector can only realistically be expected to respond when there is finance to attract its participation.

The extent to which a government should respond also appears to depend largely on the scale of investment. In all three countries the institutional role of government with respect to rural PSP was similarly expressed as beginning with a limited term input to kick-start the role of the private sector. Following this initial input, government would have no responsibility to get the private sector involved. Instead its role would increasingly grow into that of regulator.

The basic form of this kick starting role was seen as that of a dynamic individual, 'a champion for PSP', who would work across the board with the relevant stakeholders to get things going. This individual would also be the focal reference point for any other interested party. Given that everything depends upon the real level of investment, and that is currently uncertain, this approach is essentially cautious, but easily expanded.

Given that there is limited experience of formal rural PSP to build on and the uncertainty surrounding investment, it is hardly surprising that a restricted and cautious approach was proposed by the country teams. Without exception the government departments responsible for rural water supply in the three countries are already working beyond their current capacity and very well aware of how new ideas have impacted on the long term performance of the sector in the past. A gradual approach to change has more than wisdom in its favour.

It is possible that when government withdraws from rural water services and the private sector takes over such services, there may be underlaps in provision, operation and maintenance. These may well impact significantly upon the poor and in general on those people who ought to be the focus of the MDGs. There is therefore a very strong argument to suggest that first priority is given to achieving progress and preventing regression in coverage and service, rather than on establishing strict compliance with an ideal model for institutional responsibilities.

The institutional framework that emerges is likely to be in response to investment opportunities, to achieving the greatest result and MDG impact, while also gathering knowledge about how the sector might be structured in the light of even more extensive investment calling for PSP. It is also important to consider that there is currently nothing to compare the first experiences in formal rural PSP against. A cautious approach would suggest that one model won't fit all situations and that we should design programmes and institutional frameworks in such a way to compare and learn from them, before fully committing to any specific approach.

The generic guidelines resulting from this research do not put emphasis on getting an up-front answer to the nature of an institutional framework. This is because in practice the shape of that framework will be dictated by investment while in theory it ought to rise out of local experience and learning. Consequently there appears to be little value in prescribing what the ideal situation should be, beyond suggesting that a resource person in the relevant rural water ministry is charged with the responsibility to lead the promotion of PSP.

4.5 Financial framework

The financial framework in which rural SMEs must function was characterised in the early stages of fieldwork and knowledge review as having the following key characteristics:

- SMEs are unable to compete in bids for installations against large companies because of the cost involved.
- SMEs are unable to gain access to formal credit, because of a lack of collateral to secure loans and a limited knowledge of the water sector among financial institutions (international, national and rural).
- Cash flow is a major issue, all the more critical in an environment when people won't /can't pay.
- Registration and other regulatory practices have a cost, so most small businesses remain in the informal sector, and are thus excluded from bidding.
- Governments do not actively promote the water sector among the financial sector or potential private sector suppliers.
- Taxes put an increased financial burden into the market.
- There are short falls in full cost recovery for capital investment and operation and maintenance.
- Communities remain responsible for the payment of water tariffs and mobilisation of finance of repairs, but this potential secure private sector income stream is subject to uncertainty because of policy confusion, poor community financial management and fundamental disagreements over the concept of paying for water.
- Some regulation of fees for services and parts is already in place (Ghana).

However, this understanding has changed during the life of the project. In comparing the original project understanding with the findings of the fieldwork, the main change is the issue of access to credit. In Zambia for installation works, it is common policy for suppliers to be paid 50 per cent up-front for their tasks. Access to credit for this particular group of suppliers and this function is not as significant. Other than this, the fieldwork findings did not significantly contradict the knowledge review and the project expectations. Guidelines were then developed from all of the findings.

4.6 Policy implications

While this research was designed with a wide scope, its focus narrowed to guidelines for use by government in enabling private sector participation. This stems directly from the notion that a government policy that favours PSP can only be founded upon a clear relationship with a formal private sector. Anything else would fail to represent transparent and accountable use of public funds. Consequently the first steps belong with government.

It follows that where government policy enables PSP, donor interventions which confound the success of PSP would be acting against the purpose and object of that policy. To prevent such conflicts of interest it is necessary to establish clear memoranda of understanding between government and investors.

In practical terms, key government actions become the formal recognition of the private sector by simple registration and the provision of contract guidance as a form of regulation. The policy principles for such a regulatory role ought to be more in the way of permitting and promoting than in the establishment of rigid controls and directed outcomes. This means a policy of keeping regulation proportional to the state of development of the private sector. Too rigid regulation will suffocate the emerging private sector.

Subsequent government actions would require a clear policy on water tariffs, particularly establishing what is an affordable or lifeline tariff and thus ensuring a revenue stream for the private sector.

A key element of emergent policy will also be to define and delegate responsibility and empower the right levels of public sector expertise at the appropriate level of government. But there is unlikely to be an immediate understanding of what this means.

As a consequence of the work of the country teams and the synthesis of that knowledge to suggest generic guidelines it is possible to identify the origins for a different approach to the maintenance of rural water supply technology. One subject came to dominate the debate on PSP and that was the sustainable maintenance of handpumps. This topic having held centre stage in rural water supply discourse for over 20 years appears to be inexhaustible. There appears to be no example from rural Africa of a truly viable business in handpump maintenance and there were certainly no examples from the countries who undertook this study. It would be wrong then to assume that PSP can suddenly turn around such a business especially after 20 years of opportunity. It would also be wrong to assume that the rural private sector has financial resources to invest in creating a solution.

We have to accept the harsh reality that viable PSP can only result from adequate demand and that this demand doesn't fully exist with respect to rural handpump maintenance in Africa. But the State can adjust taxation, tariff and technology choice to achieve a knock on effect aimed at boosting demand and affordability of these services. However once the State has exhausted such options it would have to draw one of four conclusions, either:

- A) There is sufficient demand and affordability to enable the users to pay the private sector to maintain their water supply.
- B) There is sufficient demand but only partial affordability by the user. Nonetheless the technology choice remains appropriate to the conditions such that the State is prepared to top up community contribution from time to time towards maintenance.
- C) The technology and community-based demand cannot be matched to enable a significant percentage of the O&M costs to be met by the community. But it is in the greater interests of the State to maintain that population in that place and the State accepts to pay for the larger part of these costs.
- D) The choice of technology and community willingness to pay are so poorly matched that it is not in the public interest to invest resources in maintaining the scheme. The community would therefore be left to their own devices to continue maintaining their scheme.

Obviously such an approach will depend upon rules to demarcate and provide the level of State support being agreed between the investor and government. What resources the State has are therefore put to keeping good supplies working among effective self-help communities. This is in contrast to the approach of the past 20 years which has invested resources in investigations to find an engineering or management-based solution. The argument being developed here would consider that the research of the past two decades has already produced the appropriate technology and management systems. For a raft of reasons these have failed to thrive.

The right to free primary education arises from the same source of international law as the right to water, and it is worth noting that the right to education is being realised because States make the necessary funding available. A key policy issue is therefore, at what level does the topping up of community contributions to keep supplies working represent a saving over having to deal with failing schemes?

This approach would sever the link between the investor and a specific technology. It would no longer be appropriate for a donor to require the use of a particular pump. This would not exclude technological development and innovation, but would mean that new technology would be introduced by the private and public sectors rather than by way of a donor. This argument is presented in the form of a flow chart as part of the generic guidelines (Figure 3.3).

Overall, much of what we might want from a policy is as yet far from being settled, it may be enough to expect that formal written policy consists of a basic statement of consent to the idea of promoting PSP and a clear statement on water tariff. A perfect policy response on PSP certainly remains some way off, if indeed such a thing is even possible. It is reasonable to expect that policy for the present is more a set of guiding principles than directed performance outputs. Policy can however play an important role in calling for the assessment of PSP impact as it is to be remembered that there is presently no proven evidence to show that PSP in rural water supply is an improvement over previous approaches. This is something which has to be examined as a consequence of the policy enabling it. One element of such an examination is the effect of PSP and government regulation on community empowerment, since the investments of the past two decades in rural water sought to reduce community reliance upon government support.

4.7 Research process

The following is a presentation of the lessons learned from the management and support of this research project. It covers aspects of management of the project teams in the three countries and the UK, as well as aspects of the interaction with the stakeholder groups in each country.

The following are lessons learned from the research process:

- Training in institutional capacity assessment was not given and would have been useful to the teams;
- Estimating demand is a big undertaking and was beyond the scope of this project. However, the lessons developed as a result of this issue have resulted in a justifiable guideline regarding the importance of assessing demand;
- The fieldwork attempted to describe the capacity of the private sector and the government, but the data were not used in the country report;
- The sample size may be considered relatively low and this issue may be worthy of examination to determine how the results reflect the country situations. Any examination would have to be set in the context of the findings of the knowledge review which indicate similar findings where rural water private sector has been studied in Africa;
- The budget was sufficient for project management but was insufficient to give teams a comprehensive level of support;

- The project would have benefited from some cross-learning among the three country teams through inter-country exchanges, eg, bilateral country meetings and/or one international project meeting of all three country representatives.

The following are lessons learned from the process of developing the guidelines:

- Contrary to many previous works, this project has attempted to develop expertise and knowledge among key stakeholders through an inclusive and developmental process, rather than presenting expert advice, and then attempting to apply it to a local situation. In all three countries government buy-in to the aims of the project and the process has been significant, and the level of guideline ownership by the agencies who developed them can be considered high. It may be that the age of producing expert guidance first and then trying to apply it later is on the wane. As a lesson for the application of technical support and expert input, this experience is important in showing how effective a process that allows the responsible government agency to lead the development of the process and define the TOR for expert inputs can be;
- Timing of the project completion process led to a rush to complete the final workshops, during the holiday periods in 2005, which resulted in less than desirable attendance from many of the donor community in the summer months.

While these issues would have added some value to the project outputs, they would not necessarily have significantly affected the key themes and messages that can be derived from the guidelines.

5 DISSEMINATION AND UPTAKE

5.1 Target audiences

5.1.1 Country-specific guidelines

Each country team has identified its specific target audiences during the course of the study (for details see Section 5 in each country report, Appendices B, C and D). The audiences are those groups who will directly use the guidelines, either for planning and policy-making purposes or in working with the small-scale private sector. These audiences may also be thought of as direct or indirect beneficiaries depending on who the direct guideline users are (such as government), and who might ultimately benefit (such as small service providers and communities). Table 5.1 lists identified country-specific target audiences and whether they are considered direct or indirect beneficiaries by the teams.

Table 5.1 Direct and indirect beneficiaries among target audiences

Stakeholder group	Country guidelines			Generic guidelines
	Ghana	Tanzania	Zambia	
Central government (rural water departments)	Direct	Direct	Direct	Direct
Local government (provincial and/or district council water departments)	Direct	Direct	Direct	Direct
Rural-based small service providers	Indirect	Indirect	Direct	Indirect
Rural communities (the poor)	Indirect	Indirect	Indirect	Indirect
External support agencies (donors and NGOs)	Direct	Indirect	Direct	Direct

Central government departments are considered to be direct beneficiaries as a result of their role in sector reform planning and policy making and perceived responsibility for facilitating a suitable enabling environment for the private sector.

In contrast, local (usually district) authorities are currently seen as rural water service providers and, in future, to be facilitators and regulators of rural community services. The Tanzania team identified specific monitoring and regulatory roles for ward and village governments in addition to district councils. Local government at its various levels is therefore seen as a direct user of the country guidelines.

Small-scale service providers are usually considered by the country teams to be direct beneficiaries of the guidelines as a result of them being the focus of the efforts in this study to improve rural water services.

Rural communities, including the poor, are generally considered to be indirect beneficiaries, since they should ultimately benefit from improved services arising from increased private sector participation.

The Ghana and Zambia teams view donor agencies and NGOs to be direct beneficiaries of the guidelines, although not users. The Ghana and Zambia teams consider the role of donors as understanding government thinking and developing policies on how best assistance can be given. In contrast the Tanzania team considers them as indirect beneficiaries. The Tanzania team considers the role of donors to be to observe, respect and support efforts at local government level to ensure investment plans, made by the Tanzanian government, are designed so that small service providers can manage schemes.

5.1.2 *Generic guidelines*

The target audiences for the generic guidelines are principally ministries and departments, usually at national level, that are responsible for planning and policy-making. It is hoped that the processes advocated in Section 3 will stimulate planners and policy-makers throughout Africa and elsewhere, who are interested in: knowing whether the small-scale private sector can play a useful role in service provision; designing investigations to determine this; and developing appropriate models for rural water service provision to suit local circumstances. Those models will themselves spawn guidelines and approaches that are appropriate for use at local government level. Local government is therefore seen as an indirect beneficiary of the generic guidelines.

Donors and external NGOs are also a key, direct, target audience, although as with the country guidelines not a key user. They are able to support government efforts to investigate the private sector.

A third group is considered to be academic researchers who wish to better understand the private sector and who can contribute knowledge to the public domain through publication of their research.

5.2 **Dissemination strategies**

5.2.1 *Country-specific guidelines*

The country teams recognise in their reports that there are a wide range of possible future dissemination strategies, each suited to the circumstances of each target audience. They also recognise that the guidelines may require disseminating in different forms as well as in different local languages.

To date dissemination in the study countries has taken place in the following ways:

- Discussions with small-scale private service providers at the time the field surveys were carried out;
- Delivery of project reports to directors in the respective government departments involved in the study;
- Involvement of the members of the multi-stakeholder working groups, who it is expected will act as disseminators, through word of mouth, in their own constituencies;
- Holding two multi-stakeholder workshops in each country, at the end of Phase 2 to discuss findings and at the end of Phase 3 to present and discuss the guidelines;
- Press releases (Zambia).

Table 5.2 lists possible future dissemination strategies identified by the country teams for each stakeholder group. Responsibilities for planning and implementation of strategies remain are expected to be as follows: in Ghana the Ministry of Works and Housing (CWSA or Water Directorate) will be the institution responsible for developing and implementing the dissemination strategy. In Zambia the Ministry of Local Government and Housing (DISS) will lead the process and in Tanzania the Ministry of Water and Livestock Development will take the lead.

Table 5.2 Possible country dissemination strategies

Ghana	Tanzania	Zambia
<p>Central government</p> <ul style="list-style-type: none"> • Policy briefs • Articles • Powerpoint presentations <p>To be available on internet and CD-ROM.</p>	<ul style="list-style-type: none"> • Institutionalisation of guidelines by the Rural Water Supply department. • Disseminate guidelines through the President's Office and Ministry of Regional Administration and Local Government to local government authorities. 	<ul style="list-style-type: none"> • Email groups • Websites • Multi-stakeholder working group members to act as multipliers • Orientation visits to district council officers • Stakeholder consultation meetings (RWSS Forum and WASAZA) • Monthly bulletins.
<p>Local government</p> <ul style="list-style-type: none"> • Information sheets, in English • Training materials, in English <p>To be available in hardcopy form.</p>	<ul style="list-style-type: none"> • Make guidelines usable to local government (develop guidance documents for council planners, council water engineers and council directors). • Design of implementation activities by districts. 	<ul style="list-style-type: none"> • Multi-stakeholder working group members to act as multipliers • Government to government exchange of guidance • Field and orientation visits to district council officers • Stakeholder consultation meetings • Community awareness campaigns • Partner NGOs and donors working with district councils.
<p>Rural-based, small-scale providers</p> <ul style="list-style-type: none"> • Summary information sheets in English and local languages 		<ul style="list-style-type: none"> • Multi-stakeholder working group members to act as multipliers • Community radio shows • Field and orientation visits • Brochures, flyers, leaflets • Community awareness campaigns
<p>Communities</p> <ul style="list-style-type: none"> • Mass media (local radio, television, newspapers) 		<ul style="list-style-type: none"> • Community radio shows • Field and orientation visits • Brochures, flyers, leaflets • Monthly bulletins • Community awareness campaigns
<p>Donor agencies and NGOs</p> <ul style="list-style-type: none"> • Policy briefs • Articles and technical papers • Presentations <p>To be available on internet and CD-ROM.</p>		<ul style="list-style-type: none"> • Email groups • Websites • Multi-stakeholder working group members to act as multipliers • Government to government exchange • Government to donor discussions • Stakeholder consultation meetings (RWSS Forum and WASAZA) • Monthly bulletins.
<p>Government to government/donor exchange</p> <ul style="list-style-type: none"> • Exchange of guidance 		

5.2.2 Generic guidelines

During the course of the project dissemination of information on the project has taken place in three ways:

- Via the project website, since March 2004;
- The presentation and publication of a paper (Woodhouse, Baur and Wakelin, 2004) entitled 'The Legal, Institutional and Financial Framework to Enable Small Scale Service Provision of Rural Water Supplies in Africa' at the International Water Law Research Institute - American Water Resources Association conference "Governance for people & nature: what roles for law Institutions, Science & Policy"? in August/September 2004. The paper was disseminated at the conference on CD-ROM and is available on the project website;
- The publication of a short discussion article (Woodhouse and Baur, 2005) on competition, finance and rural water supplies for the poor;
- Presentation of a poster on the project at a meeting entitled "Groundwater & Poverty Reduction in Africa" convened by the Geological Society on 29 June 2005 at Burlington House in London.

This draft final report and the future final report are the main vehicles for disseminating the generic guidelines. This draft final report and the country reports are currently available in the following forms:

- As a pdf file that can be downloaded from the project website;
- On CD-ROM, from WMC on request;
- In hardcopy form, from WMC on request.

The project website will be maintained until at least December 2006.

Discussions are currently underway between WMC and WaterAid London and the Rural Water Supply Network (RWSN) based in Switzerland to advertise the project and make the final report available from their websites (<http://www.wateraid.org.uk/> and <http://depuran.mhs.ch/>), or at least to build a link between these websites and the project website for the remainder of the life of the project website. It is expected that by the time the final version of this report is produced, discussions with WaterAid and RWSN will have been finalised.

Target audiences for the generic guidelines (Section 5.1.2) will also be able to access the report from these sources.

5.3 Future activities

5.3.1 Country-specific guidelines

Detailed activities to disseminate the project findings and guidelines remain to be precisely defined by the Ghana and Zambia teams.

The Tanzania team plans to work towards institutionalisation of the guidelines, packaging the guidelines to suit key stakeholders and then coordinating implementation. The Tanzania team's dissemination strategy will focus on using:

- Established government procedures, including making the guidelines available to the general public via the government website.
- Consensus building by presentations at promotional forums such as the Annual Water Expert's conference and the annual water week.

5.3.2 Generic guidelines

Future activities by WMC will focus on arranging project advertisement and making the final report available via the WaterAid and RWSN websites.

5.4 Evidence of uptake

There is a significant amount of evidence of interest in the uptake and implementation of the country guidelines in the three study countries, particularly within the government departments which developed the guidelines.

The Ghana team reports (Appendix F) that there is an opportunity for the CWSA and the Ministry of Works and Housing to incorporate the guidelines into national water policy which is currently under revision. In addition, as part of the current process of restructuring the CWSA the opportunity exists to empower the CWSA to play a lead role in facilitating the development of private sector operators. WaterAid Ghana has included work with the small-scale private sector in their next five-year strategy.

The Tanzania team reports that their strategy to ensure uptake has been to obtain consensus among the various stakeholders. This has been achieved by ensuring stakeholder participation. Although not yet formally adopted by the Tanzanian government, the Director of Rural Water Supply has suggested that the guidelines will form a deliberate step in terms of the Ministry's endeavour to involve the private sector in the provision of rural water supplies. It is expected that the guidelines will soon be formally presented to the Ministry of Water and Livestock Development through the Director of Rural Water Supply by the country team on behalf of the multi-stakeholder working group (the TAC). It is expected that the Ministry will own and institutionalise the guidelines. The Ministry will then disseminate the guidelines to local authorities through the President's Office, Regional Administration and Local Government.

In Zambia, evidence suggests that there is keen interest on the part of DISS/MLGH to develop the guidelines further. It is currently intended to use the existing high-level guidelines as the starting point for JICA-funded project which has recently started in DISS and which aims to develop comprehensive and detailed guidelines for O&M in rural water supplies. DISS intends to disseminate the project findings, consult more widely among stakeholders, particularly at district level and to conduct work on developing guidelines for sanitation (which was not covered in this study).

6 CONCLUSIONS

The study findings indicate that the small-scale private sector exists and has a role to play in the provision of goods and services for rural water supply. This includes installation, maintenance, repairs and the supply of spare parts. This role is dependent on the type of supplier, location and business environment, but critically on the nature of the market that the supplier is intending to supply to.

Rural small-scale private sector operators are usually 'one person' family-owned businesses involved in such activities as hand dug well contracting, area mechanics (auto mechanics, farmers, bicycle repairers, blacksmiths), pipe fitters, plumbers, masons and, in isolated cases, spare parts distributors. Most operate in the informal sector and seldom register their activities and do not even operate a bank account. The private operators engage in unwritten contracts to provide services to the local government or communities. In some cases they are subcontracted by bigger enterprises to carry out work. Most operators are not aware of where they can go to obtain information about private sector involvement in such works.

The studies show that significant barriers to entry into the water supply sector exist which to date have prevented entry of the small-scale private sector on any significant scale. These barriers to entry include:

- Lack of demand;
- Lack of information on potential market;
- Lack of a viable market;
- Distortion of markets by donor-driven projects and initiatives;
- Lack of access to finance;
- Limited business skills;
- Limited finance and skills for marketing;
- Location (dispersed population, long distances);
- Poor transport infrastructure;
- Unviable return on investment;
- Inability to compete with larger firms (particularly for installation contracts);
- High cost of bidding for contracts;
- Cost of registration (with limited apparent value);

- Tax burden.
- Lack of government understanding and support for SMEs at national and local levels (eg, District Water Engineers).

For the small-scale private sector survival depends heavily on the ability to turn relatively small amounts of capital into income and profit in a very short period of time. This period of time could be as little as one day in order to provide the financial source for food for a family for that day. Given this situation and limited access to formal credit that this sector generally has, decisions to enter and invest in any market, let alone water supply and supporting services, will need to be based on a perception that the market exists to meet return on investment requirements. This KAR shows that in most cases in the three study countries, this information, coupled with government understanding of its importance, is limited.

The potential for the rural private sector is evident in the study areas and through the knowledge review. The rural private sector is active in many sectors, in particular agriculture and food stuffs, for example local district shops. While some of the barriers to entry also exist in these other sectors, the balance of effort and cost required to address these, against the income from businesses (driven by adequate demand) is sufficient to maintain the interest of the private sector suppliers and make a contribution to livelihood needs. The study guidelines aim to address many of the barriers to entry mentioned above.

From the non-water sector situation we can draw the conclusion that if adequate demand for goods and services can be created, investment in the enabling environment, from external agencies and the private sector suppliers can be justified. However this KAR project shows that decisions about adequate demand and markets have to be based on good information, rather than a perception of what makes an adequate demand for private sector interest. Guidance on developing and implementing market assessments is available globally, eg, through the ILO website (<http://www.ilo.org/>). This location is also a good resource for developing Business Development Services (BDS), which are part of the enabling environment, eg, providing access to training and finance.

The guidelines from this research focus on removing the barriers to entry for private sector suppliers, driven by an assessment of viable markets and the development of processes to enhance and/or create them where possible. Through this process the result will either be full private sector involvement, full government support or a mixture of both, as suits the particular situation. It is not possible to generalise about the specifics of an adequate market size. This is dependent on the technology, its geographical density and the dynamics of the operating environment (eg, number of suppliers per equipment, nature of the transport infrastructure). Limited information exists on the actual numbers required to achieve a sustainable demand and supply situation. As these recommendations are taken up it is important that these data are collected and distributed among practitioners globally. This is of particular importance in places like Ghana where the government, having recognised the private sector as the engine of growth in their economy, is now intent, along with financial institutions, on formulating policies aimed at assisting small and medium enterprises (SMEs). Initially this will be in the industrial and agricultural sectors, and then complemented by the rural water sector at a later date. Specifically this work will study the following:

- a) organisational set-up;
- b) equipment and workshop facilities;
- c) activities being undertaken and fees charged;
- d) type and number of clients;
- e) turnover and profit margins.

In Ghana, guideline dissemination, the complementary study and a pilot of the guidelines is expected to draw more attention to the small-scale private sector in the rural water sector.

In summary there is a role for the private sector in rural water supply, but the process to develop that role is an iterative one. The process begins with increasing the knowledge and awareness of what the private sector is and its potential. Part of the 'knowledge journey' for all stakeholders includes the recognition of the need for adequate profit for private sector suppliers, and how intrinsically linked to demand this is.

At a local level, the geographic boundaries of a viable market need to be established through market assessment, and in parallel an assessment of viable appropriate technologies. Through this process stakeholders can make informed decisions about the potential role of the private sector and the support structures that are needed to make the private sector role sustainable. In reality and particularly in locations with existing technology, even with these principles adopted, the future is probably a mixture of government/ private sector support for some schemes and completely sustainable either private sector or government supported schemes elsewhere. In short, the private sector has a role but only where demand for its services is adequate.

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Woodhouse M & Baur P (2005) Pandora's Water Closet: competition, finance and water supplies for the poor (*in press* Waterlines October 2005)

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APPENDIX A
List of project reports

APPENDIX A
LIST OF PROJECT REPORTS

Reference	Authors	Title	Date
PHASE 1 – INCEPTION			
R8335/1788/R1	Water Management Consultants	Knowledge Review	February 2004
R8335/1788/R2	Water Management Consultants	Inception Report	February 2004
PHASE 2 – SURVEYS			
-	CWSA and WaterAid Ghana	Country Report for Ghana	September 2004
-	Regional Water Engineer, Dodoma and WaterAid Tanzania	Country Report for Tanzania	February 2005
-	MLGH/DISS and WaterAid Zambia	Country Report for Zambia	December 2004
R8335/1788/R3	Water Management Consultants	Synthesis Report	December 2004
PHASE 3 – ANALYSIS AND DISSEMINATION			
R8335/1788/R4a	CWSA and WaterAid Ghana	Final Country Report for Ghana	September 2005
R8335/1788/R4b	Regional Water Engineer, Dodoma and WaterAid Tanzania	Final Country Report for Tanzania	October 2005
R8335/1788/R4c	MLGH/DISS and WaterAid Zambia	Final Country Report for Zambia	October 2005
R8335/1788/R4d	Water Management Consultants	Final Report	October 2005

All reports are available at www.ruralwaterpsp.org

APPENDIX B
Final country report for Ghana

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

R8335

PHASE 3 ANALYSIS AND DISSEMINATION

**FINAL COUNTRY REPORT
FOR
GHANA**

September 2005

Prepared by:

**Community Water and Sanitation Agency
and
WaterAid Ghana**

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D	Multi-Stakeholder meeting minutes
E	Phase 3 workshop report

EXECUTIVE SUMMARY

This report is the culmination of activities of the three phase DFID funded KaR study on the role of the small scale private sector in the rural water sector in Ghana. The report presents a summary of activities that were undertaken in Phases 1 and 2 and presents details on Phase 3 activities including the guidelines developed.

A Multi Stakeholder Working Group (MSWG) with facilitation support from a two person country study team developed the guidelines. The MSWG had six meetings during which members discussed issues in groups for presentation at plenary. The country study team, developed draft guidelines based on the ideas generated at the meetings of the MSWG. WaterAid and CWSA organised two national workshops in July and September 2005 to present and discuss the draft guidelines. The country study team held discussions with identified institutions after the first workshop with a view to testing the feasibility or otherwise of certain recommendations in the guidelines.

The key elements of the guidelines include: the need to decentralise the process for the registration of businesses in Ghana so as to make it feasible for all small-scale operators to carry out their activities within the legal framework; training and regulation of sector players; adoption of flexibility in the implementation of the provisions of the Public Procurement Act to make room for the small scale private sector to obtain contracts and the extension of financial support to small-scale private operators by the rural banks under a special package under the aegis of the ARB Apex Bank.

One of the lessons learned from the study are that the findings from a survey in only one region out of 10 regions in the country may not necessarily be representative of the situation countrywide, even though CWSA and WaterAid have validated the findings from their activities in the other nine regions. The other lesson learned is that the study has provided information to the key officials in the water sector on the virtual neglect of the small scale private sector in the formulation of policies and guidelines. Finally, the study has revealed that the formulation of guidelines is the preferred method to create an enabling environment for private sector participation in the rural water sector.

The interest demonstrated in the guidelines by the deputy Minister of Works and Housing and the Director of Water as well as key officials from CWSA and WaterAid give an indication of the successful implementation of the guidelines. To this end, government has recognised its role as facilitator of the growth and development process of the small-scale private sector in the rural water sector.

To ensure that the guidelines are translated into reality, the Ministry of Works and Housing should champion its pilot implementation in the country prior to nationwide implementation.

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1 INTRODUCTION

1.1 General

This report is the final report of the Ghana 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 Ghana.

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 project 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.

1.3 Importance of this study

The study is imperative as it focuses on mechanisms for governments 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 secondly in which governments can develop their capacity to regulate service providers. This has a strong poverty element as the livelihoods of the rural poor stand to be strengthened through the provision of better water supplies through the enhanced role of the private sector in providing water supply services. Employment opportunities in service provision will also be enhanced, further contributing to poverty alleviation.

In the case of rural-based, small scale, private service providers' participation in rural water supply sector, the study dovetails into the government's programme of making the private sector the engine of growth as manifested in the creation of a Ministry for Private Sector Development in Ghana.

1.4 Composition of the Ghana team

	Institution
Francis Mawuena Dotse	Consultant for WaterAid
Frank Anim	(Assistant to Mr Dotse during the surveys)
Edward Aboagye	Consultant for CWSA

The Director of the Water Directorate of the Ministry of Works and Housing, (the sector ministry for water) was the chairman of the multi-stakeholder working group (MSWG) that prepared the guidelines. A deputy Minister for the Ministry of Works and Housing was the chairman for the 1st national workshop that discussed the initial draft guidelines. The multi stakeholder working group held monthly meetings at the offices of CWSA under the chairmanship of the Director of the Water Directorate of the Ministry of Works and Housing or his representative. The chairmanship of the MSWG by the Director of Water was significant because it provided the necessary clout and influence to the preparation of the guidelines. It was also provided assurance for the likely acceptance and implementation of the guidelines by the government.

1.5 Structure of this report

This report has been divided into 7 main sections. Section 1 is the Introduction and it includes information on the objectives, assumptions and importance of the study, the composition of the Ghana study team as well as the structure of the report. In Section 2 we present the methodology for the development of the guidelines including information on the membership, schedule of meetings of the members of the Multi stakeholder Working Group (MSWG) as well as their involvement in the development of the guidelines. The detailed guidelines are presented in Section 3. Section 4 is on the analysis and lessons learnt during the study. The dissemination and uptake on the findings of the study are presented in Section 5, including details on the target audiences and communication strategy, activities already undertaken as well as anticipated upcoming activities. Sections 6 and 7 constitute the next steps and the conclusions of the study, respectively.

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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 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.

2.2 Phase 1: Inception

The inception phase involved the formation of project teams and management systems in Ghana to contribute to the knowledge review, electronic discussions and the development of project management guidelines.

A knowledge review (R8335/1788/R1) was carried out of published and unpublished material and of knowledge covering the small scale rural based private sector, the financial, legal and institutional elements of an enabling environment for the private sector and of the situation in Ghana. The review formed an input to the Phase 1 Inception Report (R8335/1788/R2) of the study. The objective was to present the basis for planning the survey work to be carried out in Phase 2-Surveys. The review and the surveys were intended to provide the supporting information on which these guidelines are based.

Key findings indicated that the emerging financing strategy to build up the rural water sector envisages a larger role for local government in administering local finances and a greater role for local private sector, civil society and communities in developing and managing water supplies. Further, a range of financial bottlenecks are likely to become priorities if funds are to be put to use at the project level. Internationally there remains much to be done to attract financing for rural water. Nationally, governments must have an explicit water pricing policy and must give priority to the allocation of finances for rural water so that funds reach local government. Of particular concern is the need for finance mechanisms to subsidise legitimate short falls in full cost recovery. Communities benefiting from water supplies remain responsible for the payment of water tariffs and the mobilisation of finance for repairs. This income stream must be robust if the private sector is to be attracted.

The knowledge review came out strongly about the need to identify priority legal issues that can be addressed at the local level and are likely to have a large impact and public benefit for a relatively small cost. In addition, it is paramount to identify those aspects in which the engagement of the local private sector is likely to operationalise and achieve the objectives of 'the right to water' and further recognise what is needed to enable local level contracts to be fully identified and supported by the law.

It was apparent from the review that in Ghana, there is a significant demand for service providers to drill boreholes, however the terrain, geology and technical concerns have so far meant that this work has been more successful in the hands of larger rather than smaller scale service providers.

The inception report brought together present knowledge related to rural water policy reform, the character of emerging guidance for reform and knowledge and experience of the local and national reform environment in Ghana.

2.3 Phase 2: Field work

Phase 2 involved a survey of the rural water sub sector in order to understand rural business livelihoods and supply chains and of the capacity of local government to enable and regulate the sub sector in Ghana. The objective of the survey was to provide improved understanding of rural business livelihoods and supply chains in the rural water sector and of capacity of local government to enable and regulate the sector in Ghana.

The study survey took place in the Volta Region of Ghana given its prior selection. Three districts in the region were chosen based on geographical locations. Nkwanta District representing the savanna belt, Ho District representing the middle belt and Akatsi District representing the coastal belt.

A number of survey methods were used to help achieve the objectives of the study. The survey instruments took cognisance of the sub sector analysis, livelihoods analysis and supply chain mapping. The main instrument used was the questionnaire that was administered to the identified target groups. These groups included government at national and local levels, development partners at national level, rural – based private sector and communities in the study areas.

The primary aim of the questionnaire was to assess:

- The demand for guidelines among key stakeholder groups.
- The capacity of local government to enable and regulate small rural-based private sector.
- The capacity of small and medium size enterprises and non-governmental organisations.

The questionnaire was also used to gather information from the identified target groups on the following issues:

- legal and institutional arrangements of private sector actors
- financing arrangements
- knowledge about private sector participation in rural water supply
- technical capability and availability of spare parts
- information dissemination on guidelines and reforms

An important revelation during the survey was a shallow knowledge of the existence of any legal framework on the water sector. This was especially very pronounced among the local private sector operators. With the exception of DIT Services that had registered as a limited liability company, none of the operators had registered their activities at the Registrar-General's Department in accordance with the laws of the country. To most of these operators, registering a company was out of the question.

The survey showed the existence of an adequate institutional framework on which the concept of SSPSP can be effectively anchored. The major statutory bodies identified and responsible for rural water delivery are CWSA and the DAs/DWSTs. These institutions are linked directly to the communities by water and sanitation (WATSAN) committees and indirectly by the Unit committees. While the WATSAN committees are not statutory bodies but a creation of the CWSA as tools of ensuring the sustainability of facilities provided, the Unit committees are statutory institutions created as part of the institutional framework for decentralisation.

Findings from the survey showed the presence of laid down mechanisms for payments to small-scale service providers such as area mechanics (AMs), pump electricians and plumbers. In most cases, WATSAN committee executives, specifically the chairman and treasurer effect these payments. It was indicated that regardless of the existence of the mechanism, all the service providers expressed dissatisfaction with the level of remuneration and felt unfairly treated by CWSA that drew up the guidelines for payment. It was clear that if any challenging job is offered they will be drafted into it. Another issue that was observed is the upward adjustment of the prices of spare parts due to inflation and the depreciation of the cedi against the dollar and other major currencies. The reported incidents of AMs returning to their communities because prices of parts had been adjusted beyond their means is a worrying phenomenon. It was also unambiguous from the survey that the small-scale private sector entrepreneurs lack the capacity to raise funds as most of them do not meet the financial requirements needed by most banks for contracting loans.

Phase 2 culminated in a multi-stakeholder workshop held in Accra on 10 March 2005 to present and discuss the results obtained from the surveys. The report of the workshop is presented in Appendix B.

2.4 Phase 3: Analysis and dissemination

The third phase entailed the analysis and dissemination (development of guidelines for the enhanced participation and regulation of the rural based private sector in service provision for rural water supply). The specific outputs of this phase are:

A multi-stakeholder working group (MSWG) was formed by the study team. The function of the MSWG was to produce a document that provides:

- 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 Ghana.
- 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 would promote the enabling environment and hence the greater participation of the private sector in the role envisioned by the working group.

The MSWG has also made recommendations for the effective dissemination of the guidelines to maximise uptake by key stakeholders. The Terms of Reference for the MSWG are presented in Appendix C.

Membership of multi-stakeholder working group

The membership of the working group is presented as follows:

Representative	Institution
Minta A. Aboagye	Ministry of Works & Housing
Kwame Frempe–Yeboah	
Samuel Victor Dodoo	Ministry of Local Government & Rural Development
Fay Ephraim	Community Water & Sanitation Agency (Head Office)
E. F. Boateng	Community Water & Sanitation Agency (Volta Region)
Amanda Duff (Ms)	DFID
Stephen Sandiford	CIDA
Atta Agyapong	KfW
Kojo Bibah	DANIDA
Stephen Ntow	WaterAid
Paul Kwame Sewor	Ho Municipal Assembly
Bonni Jones P.	WATSAN Committee
Paul Attah	DIT Engineering (Private Sector)
John Asimeku	Area mechanic (Private Sector)
Ate Ofosu-Amaah	Ministry for Private Sector Development & President's Special Initiatives (PSI)

Based on the recommendations of the National Stakeholders Workshop in March, 2005, the membership of the MSWG has been enlarged to include representatives from the Ministry for Private Sector Development and the National Board for Small Scale Industries (NBSSI) even though the representative of the latter institution did not participate in any of the meetings convened

Schedule of meetings of MSWG

The MSWG discussed a working calendar and by consensus agreed on the under-listed dates for meetings/workshops.

	Date
1 st Meeting	4 April 2005
2 nd Meeting	3 May 2005
3 rd Meeting	6 June 2005
4 th Meeting	11 July 2005
1 st National Workshop	22 July 2005
5 th Meeting	5 September 2005
2 nd National Workshop	22 September 2005
6 th Meeting	3 October 2005

The minutes of the final MSWG meeting on 3 October, following production of the guidelines, are presented in Appendix D.

Involvement of the members of MSWG

The MSWG worked primarily as a team to ensure the development of guidelines for the enhanced participation and regulation of the rural based private sector in service provision for rural water supply. Members, individually, initially studied the country and synthesis reports. This allowed members to have an in-depth knowledge about Phases 1 and 2 of the study and the issues thereon. Working groups were formed during each meeting to deliberate on critical issues about the development of the guidelines. Each working group later presented to plenary its findings for further discussions by the entire house. MSWG members also derived significant benefits during peer review processes at plenary sessions at meetings. This methodology as it were enhanced a high level of consensus among members of the MSWG.

During MSWG meetings, members benefited from the leadership of WaterAid and inputs from the Ministry of Works and Housing and CWSA on critical issues including the role of the small scale private sector in the new water policy.

The members of the MSWG had the opportunity to critically examine the contents of the draft guidelines prior to the first and second national workshops. As a sequel to the first workshop, the members of the country team held a session with Messrs Melvin Woodhouse (WMC) and Tony Oyo (ITC) who provided additional ideas on clarifying the guidelines. This was complemented by follow-up visits to the offices of the Registrar-General's Department and the ARB Apex Bank to discuss the feasibility of the proposals made in the first draft of the guidelines.

Dissemination of the findings of the study have been limited to the national workshop in March 2005 (Appendix B) and the two workshops in July and September 2005 (Appendix E) to present the guidelines. The proceedings of these national events have been elaborately captured in the media.

2.5 Vision of the role of the small-scale private sector in rural water supply

In crafting a vision of the role of the small-scale private sector in rural water supply, the MSWG was informed by the key findings of the survey, views and critical issues raised at the first stakeholders workshop. Taking cognisance of the above, the MSWG provided a mental picture of the small scale private sector as;

“A vibrant small scale private sector capable of providing goods and services to communities and District Assemblies on a sustainable and profitable basis. The development of a positive environment to promote the development of a healthy interface among the key stakeholders.”

2.6 Implementation chart

The work schedule as carried out in Phases 2 and 3 is shown in Table 2.1.

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																				
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																				
Task 2.1.2 Interviews with local authorities																				
Task 2.1.3 Data analysis, interpretation and reporting																				
<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																				
Task 2.2.2 Participatory survey of district councils and water departments																				
Task 2.2.3 Participatory survey of regional and national level capacity and policy																				
Task 2.2.4 Data analysis, interpretation and reporting																				
<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																				
Task 2.3.2 Supply chain maps and livelihoods analysis of private service providers																				
Task 2.3.3 Data analysis, interpretation and reporting																				
<i>2.4 Activity: Synthesis of small scale, rural-based private sector participation in RWS</i>																				
Task 2.4.1 Synthesis and reporting																				
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																				
Task 3.1.2 Drafting of terms of reference																				
Task 3.1.3 Meetings of MS Working Groups																				
<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																				
Task 3.2.2 Hold workshop																				
Task 3.2.3 Lessons learned and detailed work plan for Phase 3																				
Task 3.2.4 Report on workshop																				

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>																				
Task 3.3.1 Develop & agree vision for small scale private sector participation in rural water sector													X							
Task 3.3.2 Legal and institutional environment for small private sector providers														X						
Task 3.3.3 MSWG Meetings															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																				
Task 3.4.2 Second draft of Guidelines																		X		
																		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		
<i>3.6 Activity: Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.</i>																				
Task 3.6.1 Synthesis and reporting																		X		

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

	2004										2005									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
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																			X	
Task 4.1.2 Develop communications strategy																			X	
Task 4.1.3 Disseminate Phase 2 findings																			X	
Task 4.1.4 Disseminate Phase 3 findings																			X	
<i>4.2 Activity: Final multi-stakeholder workshop</i>																				
Task 4.2.1 Organise workshop																			X	
Task 4.2.2 Hold workshop																			X	
Task 4.2.3 Report on workshop																			X	
Task 4.2.4 Project Final Report and Guidelines																			X	
<i>Milestones</i>																				
Milestone 2: Phase 2 Synthesis Report incorporating Phase 2 Workshop																				
Milestone 3: Phase 3 Final Report and Guidelines																				

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3 GUIDELINES

3.1 Introduction

Guidelines for enhancing the involvement of the small-scale private sector in the rural water sector in Ghana are presented below under the following headings:

Legal

- Registration of businesses

Institutional

- Demand for services
- Training
- Regulation
- Procurement
- Formation of institutions.

Financial

- Financial support

3.2 Legal

3.2.1 *Registration of businesses*

Characteristics

Decentralisation of the processes for the registration of businesses by the Registrar-General's Department. Forms for registration should be distributed to 95 selected post offices in the country within the framework of an agreement reached with the Ghana Post Company. As part of the decentralisation process, a counter will be opened in selected postal outlets in the country where prospective customers will be required to pick up registration forms for a fee. Officials manning the counters will assist prospective customers to complete the registration forms for submission to the headquarters in Accra. It is expected that the registration process will be completed within thirty (30) days. In addition to facilitating the process of company registration, the post offices will also facilitate the process of replacement of business registration certificates and serve as the avenue for the sale of forms for the submission of business renewal and annual returns.

Direct objectives

This is aimed at creating a friendlier environment for the registration of businesses. Complementary to decentralising the registration process, all small-scale private sector operators should register their organisations.

Water and Sanitation (WATSAN) committees and Water and Sanitation Development Boards (WSDB) should enact appropriate constitutions and have their institutions registered. This would enable them enter into valid contracts with the private sector. As legal entities they can therefore sue and be sued.

Relevance

A decentralised registration process would bring registration closer to the doorsteps of the local small scale operators and enable them register their organisations within the appropriate legal framework existing in the country. This would also encourage Small Scale Private Sector (SSPS) operators to register their businesses without much hindrance and reduce down time for registration transaction. Registration would result in clothing all businesses in the garment of legality and remove some of the impediments for obtaining financial support to expand their activities.

Current situation

At the time of the study, the registration process was centralised at the national office of the RGD, a situation that requires all entrepreneurs irrespective of their location in the country to travel all the way from their abode to Accra (the national capital) to facilitate registration. Given that the registration exercise is not completed in one sweep, applicants have to make more than one trip to Accra for registration. In a particular instance, an applicant had to travel to Accra for about 3 (three) times to have his company registered. This process is costly in terms of time and money to all applicants. To avoid the frustrations associated with pursuing registration, many small scale private sector operators are driven to the point of despair and consequently do not register their businesses.

Even though the RGD has a zonal office in Takoradi to cater for the Central and Western regions, the office is not operational given the absence of a legal officer to process the registration documents.

To address some of the problems associated with the centralised registration process, the RGD has advertised the implementation of a new decentralised system for registration with effect from 1st September 2005 as discussed in the preceding section. We are yet to determine the efficacy of the new system.

Current effectiveness

The current situation is not effective as it denies the small -scale private sector the opportunity to register their businesses expeditiously. This phenomenon has resulted in the lack of accurate data on the number of small- scale private sector operators in the country.

Political and financial cost

The implementation of the guideline seems feasible as the decentralisation of the process could dovetail into the proposed decentralisation programme of the RGD. However, the RGD and Ghana Post need to crystallise all arrangements for the early commencement of the programme to which the Ministry of Finance and Economic Planning has granted its concurrence.

Financially, the administrative cost of implementation is average as the funds from the World Bank/DANIDA will provide implementation financed project to strengthen the RGD.

The information in the Box 1 indicates the current developments at RGD for the decentralisation of businesses.

3.3 Institutional

3.3.1 Demand for services

Characteristics

Awareness of the existence of a capable private sector at the local level coupled with the development of a maintenance culture among communities.

Direct objectives

To ensure an increased and sustained demand for small-scale private sector services to the end users of rural water systems.

Relevance

Creating and sustaining awareness about the existence of a capable private sector at the local level would allow operators at the local level to make informed decisions about the capacity of private sector operators and also remove doubts about the capability of the local private sector.

The development and deepening of the culture of maintenance among communities would create the requisite demand for the services of small-scale operators to undertake periodic preventive maintenance.

Current situation

Generally, there is a low demand for small -scale private sector services due to a low level of awareness of who the service providers are, the types of services provided and the location of these service providers. With respect to maintenance of facilities, many communities do not show interest in its preventive aspects and are only interested in breakdown maintenance. The implication of this phenomenon is the low demand for the services of the small-scale operators.

Current effectiveness

The current low awareness situation is not helpful, as end users of water facilities do not know who the service providers are, the types of services provided and the location of these service providers.

Box 1 Decentralisation in the Registration of Businesses at the Registrar General's Department

The RGD has concluded negotiations with Ghana Post to decentralise the process of business registration in Ghana with effect from 1st September 2005. Under the terms of the agreement, 95 Post Offices in the various regions will serve as the avenue for the procurement, completion and submission of registration forms as well as for business renewal and submission of annual returns. The regional breakdown of the post offices is:

Greater Accra	23
Ashanti	13
Eastern	13
Volta	10
Western	10
Central	10
Brong-Ahafo	5
Northern	5
Upper East	3
Upper West	3

The project which has been approved by the Ministry of Finance and Economic Planning forms part of the restructuring of the RGD and is being jointly financed by the Danish International Development Agency (DANIDA) and the World Bank.

Under the project, a counter will be opened in selected postal outlets in the country. Prospective customers will be required to pick up registration forms at the postal outlets for a fee. Officials manning the counters will assist prospective customers to fill the registration forms. The registration process will be completed in thirty (30) days just as it pertains to the other licensing organisations such as the Vehicle Examination and Licensing Department. Sensitisation workshops have been held in Accra, Kumasi and Tamale on the issue.

The project is modeled based on what pertains in South Africa where the system was discovered. The RGD has reached an advanced stage in setting up offices in Takoradi, Kumasi and Tamale. The offices have not commenced operations because there are no lawyers at post. When operational, the Takoradi office will serve customers in Central and Western Regions. The Kumasi office will also serve the Ashanti and Brong Ahafo regions whiles the Tamale office will serve the three northern regions. These offices are also expected to handle applications through the Ghana Post in their respective areas of operation. The RGD is hopeful of developing this system to the stage where prospective customers will register their businesses on the Internet.

Political and financial cost

The political and financial costs for awareness creation of the existence of the small-scale private sector are low. Politically, it would boost the image of the government since it would be perceived as attempting to facilitate solutions to their problems in relation to the maintenance of their water facilities. The financial cost for awareness creation would be low since the DA and its sub-structures would be used for the process.

The estimated financial cost for the development of a culture of maintenance among communities would be high in the interim but low in the long run

3.3.2 Training

Characteristics

CWSA and DAs to organise relevant training programmes to enhance the knowledge base and skills of the private sector.

Direct objectives

To build up the capacities of the small scale private sector service provider to effectively provide rural water supply services and manage their business entities.

Relevance

The training programmes would be in basic book-keeping, accounting and financial management, marketing, bid preparation/proposal writing, office management and communication as well as improved technologies. Participation in the training programmes would enhance the performance of the operators in the discharge of their technical duties and in the management of their entities through the acquisition of the relevant skills and knowledge.

Current situation

At the moment, many small-scale operators lack the requisite managerial skills to manage their business entities. A manifestation of this is the dearth of records on key transactions of the operators. The lack of skills is also exhibited in the inability of many small-scale operators to market their services with a view to securing contracts from communities. There are very few avenues for updating the knowledge base and skills of operators on improved technologies.

Current effectiveness

The prevailing situation negatively affects the performance of the small-scale private sector operators. The mechanism for the payment for training has also not been structured.

Political and financial cost

The political cost for training is estimated to be low. The financial cost in the interim would be high. However, the financial cost is estimated to be average when cost sharing is introduced when the capacity of the private sector is developed.

3.3.3 Regulation

Characteristics

The operations of the small-scale private sector to be regulated within the prevailing liberal economic framework in the country.

Direct objectives

Regulation is to ensure the adoption of appropriate mechanisms in the interface between the private sector and communities.

Relevance

The implementation of this guideline is to enhance the interaction between the communities and the small-scale private sector. In this connection, floor and ceiling levels would be indicated to regulate the fees charged by the private sector for services rendered. In the same vein, the cost of spare parts from the distribution outlets would be regulated. Even though regulation seems to connote control, regulation of fees and prices is to ensure the payment of a minimum guaranteed price for the services of the operators. Restricting skill utilisation to only trained and certified artisans by CWSA is to prevent the emergence of charlatans who could undermine the integrity of the genuine service providers. Certification should be based on biennial assessment of skills, working tools and facilities. This is to ensure that water is safe and in consonance with national and international principles and standards.

The approval of new pumps is to ensure safety of new products and provide a platform for the viability of enterprises that produce and distribute these new products.

Current situation

CWSA and the Water Resources Commission (WRC) currently regulate the activities of the private sector. Regulation is manifested in the fees paid to service providers, payment for spare parts, training and utilisation of area mechanics and water extraction. All stakeholders are satisfied with the current state of regulation.

Current effectiveness

The existing situation is effective as it ensures the payment of a minimum guaranteed price to the operators for goods and services provided. The philosophy behind financial regulation is that since the area mechanics have been trained and equipped at the expense of government, their fees should be affordable to the poor communities. The training, certification and skill utilisation of private sector operators is acceptable to the key stakeholders. This particular form of regulation is to ensure the safety of the water from the water facilities.

Political and financial cost

The political cost of financial regulation is very low as it would paint the government in a favourable light since the private sector would not be able to fleece the communities. The financial cost for regulation is estimated to be average.

3.3.4 Procurement

Characteristics

There should be flexibility in the implementation of the Public Procurement Act. Given the significance of the rural water sector, the Ministry of Works and Housing should explore the possibility of the Public Procurement Board granting exemption to small-scale entrepreneurs from competitive bidding specified construction activities in the rural water sector at the district level.

Direct objective

The creation of space for the small-scale private sector operators to compete exclusively within its ranks for contracts at the DA level.

Relevance

The guideline would allow the small-scale private sector to obtain contracts from the District Assembly to undertake simple assignments e.g. hand dug well construction, platform/drainage construction, pump test, etc. This would improve the financial fortunes of the service providers.

Current situation

The Government of Ghana in 2003 enacted a Public Procurement Act (Act 663), the hallmark of which is competition for the procurement of goods and services at all levels within the public sector. Strict adherence to the provisions of the Act would jeopardise the fortunes of the small private sector that face stiff competition from medium and large firms who are better placed financially and technically. The small-scale private sector is therefore disadvantaged as its contribution to the provision of goods and services is marginal.

Current effectiveness

The existing situation is ineffective in enhancing the development of the small-scale private sector to bid for and win contracts for small contracts within the framework of the Procurement Act.

Political and financial cost

The political cost of adopting flexibility in the procurement process is estimated as high as it could lead to non-transparency and marginalisation of some small-scale private operators.

The financial cost is also estimated to be high as it could result in inflated contract sums.

3.3.5 Formation of associations

Characteristics

Small-scale private operators to be encouraged to form trade/professional associations at district, regional and national levels.

Direct objective

To provide support and a platform for the discussion of issues relevant to the development of the small-scale private sector.

Relevance

These associations would serve as a self-regulatory body in addition to providing the platform for lobbying and advocacy to champion their interests

Current situation

The private sector in the rural water sector currently operates virtually in a vacuum and independently of each other. This is in contrast to associations and unions formed by similar trade groups and professions in other sectors of the economy. (e.g. national association of tailors and dressmakers, national association of beauticians and hairdressers, national plumbers association etc). Given this, there are very few avenues for the small-scale private sector in particular to discuss issues pertaining to their growth and development.

Current effectiveness

The current situation is not effective, as it has contributed to the virtual paralysis of an organisational framework for the small-scale private sector.

Political and financial cost

The political cost for encouraging the formation of trade/professional associations is low. This is because the process could enhance the image of the District Assemblies as being supportive of small-scale entrepreneurs in the rural water sector.

The financial cost is estimated as average since the DAs could use their existing sub structures (Urban/ Zonal/Area/ Town/Area councils and Unit committees) to mobilise the entrepreneurs.

3.4 Financial*3.4.1 Financial support**Characteristics*

Provision of financial support to the small-scale private sector by rural banks.

Direct objective

The ARP APEX Bank should facilitate the availability of funds from the Ghana government to rural banks for on lending to the small -scale private sector in the rural water sector.

These funds could be obtained from the following sources:

- Government of Ghana.
- Highly Indebted Poor Countries (HIPC) initiative.
- Ministry of Women and Children's Affairs (MOWAC)/Japanese Government funds.
- Food and Agricultural Sector Budgetary Support.
- Community Based Rural Development Project.
- Social Investment Fund.

The loans granted should be within the threshold of ₵200,000 and ₵1 million with a concessionary interest rate (only 5% higher than the prevailing Bank of Ghana prime rate). There may however be the need to increase the loan levels to cater for the specific needs of the rural water sector depending on the loan recovery rate of the proposed scheme.

The banks should, during the initial stages of implementation, waive the availability of legal documents (registration certificates etc) as a pre-requisite for the grant of loans

In lieu of the company registration documents, loan applicants should: (a) attach passport size photographs indicating their identity, (b) provide information on their residential address and (c) have the loans guaranteed by guarantors who should be prominent persons in the community such as pastors, head teachers, family heads and Assembly members.

The amount of the loan, interest rate and the waiver of legal documents are consistent with prevailing practice by rural banks in favour of small-scale entrepreneurs.

In furtherance of meeting the objective of granting loans to the small-scale entrepreneurs in the rural water sector, there should be sensitisation of rural banks about their role in rural water delivery. This will allow the banks to appreciate their contribution to national development. Further to this, CWSA and DAs should provide information to the banks about existing and potential business opportunities in the rural water sector. The provision of this information would generate interest among the small-scale operators as well as provide the basis for credit support from the rural banks.

In addition to the grant of loans, CWSA should explore further the lease concept for equipment that was implemented in the Volta region in the 1990s under a DANIDA financed rural water and sanitation project.

Relevance to enhancing SSPS

Financial support by the rural banks would provide the small-scale private sector with the necessary wherewithal to purchase equipment and to pre-finance operational expenses (if need be) when undertaking assignments that require constant cash flow. It would also enable the operators to construct simple water facilities (hand dug wells, spring protection boxes, etc) independent of government or donor interventions.

Current situation

Even though Ghana anticipates to reach a water supply coverage of 85% by the year 2015, the financing requirement for this is beyond the reach of government and the projected cash flow of donor interventions. This would create a financing gap of about US\$580 million. Meeting this financing gap would require the intervention of the small-scale private sector. However, the small-scale private sector currently lacks the wherewithal to face the challenges. The financial constraint of the small-scale private sector is due to the exclusion of the small-scale private sector operators in the water sector from the existing facilities and avenues for small and medium enterprises (SMEs) in Ghana. These include interventions from the Ministry of Private Sector Development and President's Special Initiative, African Development Foundation, National Board for Small Scale Industries (NBSSI), EMPRETEC, Ghana and Ghana Private Sector Development Fund (GDSDF).

The private sector may be able to access funds from the following sources:

- Highly Indebted Poor Countries (HIPC) initiative.
- Ministry of Women and Children's Affairs (MOWAC)/Japanese Government funds.
- Food and Agricultural Sector Budgetary Support.
- Community Based Rural Development Project.
- Social investment Fund.

The lack of focus on the small scale private sector in the water sector is due to (a) low level of awareness of the water sector by financial institutions and (b) non registration of businesses by entrepreneurs in the sector. This has resulted in inadequate provision of working capital since the grant of credit to the small scale private sector operator in the water sector is sometimes seen as credit risk by financial institutions.

Current effectiveness

The current situation is inimical to the interest of the small-scale private sector as the operators in the water sector are unable to access credit to undertake assignments. This has resulted in the stagnation of businesses in the small-scale private sector.

Political and financial cost

The political cost for the grant of loans to the small -scale private sector in the water sector is low. This is because the amount of the loan and the interest rate are consistent with industry practice.

The estimated financial cost is average since we do not expect any marked difference in the general rate of repayment of loans granted by rural banks to small scale entrepreneurs in the country.

Notwithstanding the estimated average financial cost, implementation of the guideline should be considered as the necessary starting point for strengthening the financial capability of the small-scale private sector.

Box 2 Support for the Small-Scale Private Enterprises Sector by the ARP APEX Bank

The ARB APEX Bank receives money from the Government of Ghana for on lending to rural banks in the country. The rural banks in turn disburse the money to small-scale entrepreneurs in the rural areas. The money it receives from government comes from varied sources. These include the Government of Ghana's own sources, funds from the Highly Indebted Poor Countries (HIPC) Initiative, Ministry of Women and Children's Affairs (MOWAC)/Japanese Government Funds, Food and Agricultural Sector Budgetary Support, Community Based Rural Development Project and the Social investment Fund. Apart from the Food and Agricultural Sector Budgetary Support fund which directly goes to benefit small scale enterprises involved in agro-processing activities, all the other funds go to support small scale economic activities especially those in the agricultural sector.

In providing assistance to small-scale enterprises in rural areas, the ARB APEX Bank deals with about 70 rural banks spread throughout the country. The least number of banks the organisation has had to deal with is about five (5) banks. The credit offered to the small scale rural enterprises often range between 200,000 cedis and one (1) million cedis. The credit offered attracts an interest rate of 20% per annum.

Legal documentation of business venture such as registration of enterprises is not a prerequisite for granting of credit to beneficiaries. However, beneficiaries are required to provide passport pictures, residential address and guarantors who should be prominent persons in the community such as pastors, head teachers, family heads and Assembly members. Collateral security in the form of landed property is also not a prerequisite for a prospective beneficiary to obtain a loan. In lieu of this, applicants could use their machinery for production (e.g. oil or corn mill) as collateral for the loan. Prospective beneficiaries could also form groups to access credit. Default rates on the various funds vary but generally, the recovery rates have been good.

3.5 Conclusions on the guidelines

The guidelines are a sequel to the country report and synthesis reports and the multi stakeholder working group meetings as well as an initial national stakeholders' workshop coupled with supplementary information obtained from RGD and ARB APEX Bank. While the guidelines that relate to the decentralisation of the registration process at RGD and the provision of credit facilities by rural banks to small scale private sector operators are based on empirical evidence and therefore feasible, the others need to be subjected to further scrutiny to determine their practicality or otherwise. The issues that fall into this category are:

- Regulation of the activities of the small-scale private sector operators.
- Demand for services.
- Packaging of contracts exclusively for small scale operators within the framework of the Public Procurement Act (Act 663).

To ensure the availability of funds for continued study on, and implementation of the guidelines, it is recommended that CWSA and WaterAid (Ghana) should continue to seek financial support from the Government of Ghana and other development partners with a view to refining and implementing the recommendations on a pilot basis in three regions including the Volta Region. The rationale is to ensure that the guidelines are operational.

4 ANALYSIS AND LESSONS LEARNED

4.1 The process

To a large extent, the process for the research has worked towards the attainment of the expected outputs in the project's logical framework (see WMC report R8335/1788/R4D), main final report). The success of the process is largely due to the participation and support of CWSA and WaterAid in the research assignment. Notwithstanding the acknowledged success of the process, its notable flaw was the survey being limited to three districts in only one region out of the country's 10 regions. This limitation raised questions whether the choice of this 1 region was representative of the other regions and whether the findings of the survey were applicable to the rest of the country. However, the findings were validated by CWSA and WaterAid based on their experiences in 10 and 6 regions respectively.

The study provided information to key officials in the sector (MWH, CWSA, WaterAid, development partners etc) on the apparent neglect of the small scale private sector operators in the formulation of policies and guidelines in the rural water sub sector. Sector officials are now aware of the special needs of small-scale operators and have indicated their preparedness to support them with a view to enhancing their capacity.

At the moment, the formulation of a set of guidelines is the preferred method to create an enabling environment for PSP in the rural water sub sector. This is due to the current lack of policy direction on PSP in the rural water sector. These guidelines, it is expected, will kick start the process for regulating and supporting the involvement of the PSP in the rural water sub sector.

The guidelines with respect to registration are likely to succeed on account of the firm agreement reached between the Registrar-General's Department and Ghana Post on the decentralisation of the registration process. The guidelines with respect to financial support, award of contracts by District Assemblies and institutional development of the private sector are also likely to be successful provided a "champion" is identified to spearhead consensus building with other stakeholders with a view to facilitating implementation. In this connection, there is the need for further consultations among key stakeholders to ensure the integration of the small-scale private sector operators into mainstream activities in the rural water sub sector. This calls for a possible Phase 4 of the KaR project with financial support from the Ghana Government and development partners including DFID, DANIDA, the World Bank etc.

Prior to the full scale nationwide implementation of the guidelines, it would be preferable to implement them on a pilot basis in six districts in three regions representing the various geographic (northern, forest and coastal) zones of the country. The lessons learned during pilot implementation should be incorporated into the nationwide implementation programme.

As pointed out, the guidelines have to be supported by a “champion institution” that will be at the centre stage of implementation. The guidelines “per se” will not bring about the required transformation of the small scale private sector. What is required is continuous interface among key stakeholders to bring the guidelines to reality. CWSA and WaterAid should monitor the progress on the decentralised registration programme announced by the RGD. There is also the need for further discussions with the officials of the Public Procurement Board and the ARP Apex Bank on

- a) flexibility in the procurement process and
- b) provision of financial assistance by rural banks.

Even though the development partners including DFID have not made any direct commitment to supporting the implementation of the guidelines, there are indirect indications that they will comply when the guidelines are crystallised for implementation under the auspices of the Ministry of Works and Housing. This is borne out of the fact that the Ministry is on the threshold of unveiling a consolidated national water policy to which all the development partners have made commitments to support and comply.

Support to rural PSP is likely to receive more support from donors if it is linked to improving rural livelihoods in addition to accelerating rural water delivery.

The key challenge encountered in the development of the guidelines was the initial reluctance of the members of the MSWG being in the driving seat in the formulation process. During the first meeting, members of the MSWG were of the view that it was the responsibility of the consultants to come up with draft guidelines for discussions at meetings. However when the consultants explained the process to them and asked them to discuss issues in groups, the situation took a positive turn. With this understanding, members defined the vision for the rural private sector and generated the ideas for the guidelines. It is heart-warming that all the members of the MSWG were unanimous on the role of the private sector in the rural water sector. Significantly, there was no dissenting opinion expressed by members on any of the guidelines (see Appendix D).

The members of the MSWG were able to develop guidelines for all issues raised in the format provided. However, some of the guidelines need to be tested in a pilot implementation programme as suggested in an earlier section.

4.2 The private sector and its operating environment

Who are the rural PS ?	<p>The rural small scale private sector operators are usually “one person” family owned entrepreneurs who operate as hand dug well contractors, area mechanics (auto mechanics, bicycle repairers, black smiths etc), pipe fitters, plumbers, masons and in isolated cases, spare parts distributors. Most of these categories of people operate in the informal sector and seldom register their activities and do not operate a bank account.</p> <p>These entrepreneurs live in the rural communities with some of them being resident in the district capitals. Their standard of living is usually below average and their income from rural water activities is inadequate hence the need to have a second income. Given the relatively lower remuneration from rural water activities, these small scale entrepreneurs are motivated to continue working in the sub sector because of the desire to help in the improvement of water delivery in the communities coupled with the expectation that no matter how small the remuneration may be, it would improve their livelihood.</p>
Supply Chains	<p>To a limited extent supply chains are useful because it has facilitated some understanding in the relationship of supply and demand in the sub sector. However, given the limited goods and services in the sector, it is doubtful whether investments in the sector can be based on a supply chain. Supply chains would only become useful for investment when a critical mass of goods and services is attained. At the moment CWSA is finding it very difficult to identify spare parts distributors at the district level on account of the perceived un-profitability of the spare parts distribution system for a limited number of hand pumps.</p>
Legal Framework	<p>The legal framework suggested in the guidelines are feasible since the RGD and Ghana Post have started implementing the decentralisation of the legal registration process. It is expected that the small- scale entrepreneurs in the rural water sub sector will take advantage of this development to register their businesses.</p>
Institutional Framework	<p>The guideline for institutional framework is feasible but will require further exploratory discussions with other stakeholders. The private sector operators need to be sensitised on certain aspects of the institutional framework particularly, on training and the formation of associations.</p>
Financial Framework	<p>There is the need for further discussions with the officials of the ARP Apex Bank and the Ministry for Private Sector Development and President’s Special Initiatives.</p>

4.3 Policy environment

The government is on the threshold of adopting a consolidated national water policy in which the role of the private sector in the growth and development of the water sector has been recognised. Since the adoption of the national Community Water and Sanitation Programme in 1994 and the consequential implementation of community ownership and management of water facilities, communities are expected to pay for services rendered in respect of their water facilities. Even though communities are responsible for the total cost for the operation and maintenance of facilities, their contribution towards the capital cost of facilities is 5% of the cost of the facility with donors paying the rest of the cost. In some cases, the District Assemblies are expected to contribute 5% of the investment cost. It is proposed under the new water policy to harmonise the contributions to investments by limiting the donor contribution to 90% with the community and DA contributing 5% each.

The conditions necessary for the creation of an enabling environment for rural water PSP are the existence of a trained and capable private sector, critical mass of water facilities, a demand for services and an articulate and effective association that will serve as an advocacy group.

None of these conditions are currently in place but could be met if the government in concert with the other stakeholders addresses the challenges identified in the study. If the level of investments in the rural water sector is increased to meet the Millennium Development Goals, the critical mass of facilities would be created resulting in an increased demand for services. The government should facilitate training and the formation of relevant associations.

The non-existence of these conditions should not be construed to mean the irrelevance of these guidelines. The guidelines should be considered as the first steps by the government towards strengthening the small-scale operators.

In effect the government should lead the transformation process for rural water psp by creating an enabling environment for them to thrive. In this connection, government should actively support and strengthen key institutions that are relevant for the growth and development of the rural private sector. The KaR study was timely as it has provided policy makers with the necessary information on the current state of the small scale private sector in the rural water sub sector. The implementation of the guidelines should result in a vibrant small-scale private sector capable of responding to the increased demand for goods and services. The increased demand will result in a higher income and an improvement in the livelihood of the operators thereby helping to meet the poverty reduction objective of the government.

5 DISSEMINATION AND UPTAKE

5.1 Introduction

The dissemination strategy is one of the tasks of the Multi-Stakeholder Working Group. In general, information and knowledge tend to stay where it is generated. A critical challenge is to improve the accessibility of research findings not only in physical terms but also in terms of user comprehension.

The aim of the dissemination strategy is to ensure that those who would benefit from the project's information are conscious of its existence as much as possible. The information will therefore be disseminated to different target groups having different sources of information.

5.2 Target audiences and strategies

Target audiences are the direct and indirect beneficiaries of the interventions in rural water supply. The project has several target audiences for dissemination; including the following:

National government

These are Ministries and other national agencies in the rural water sector; viz Ministry of Works and Housing, Ministry of Local Government & Rural Development, Community Water & Sanitation Agency and Water Resources Commission. They consist of planners and policy makers at national level and are key stakeholders as an outcome of their responsibility in sector improvement planning and developing an enabling environment for small rural private sector service delivery. These national level institutions will be able to access policy briefs, articles and power point presentations, both on the Internet and on CD ROM and paper. The communication medium for this target group is the preferred mode of accessing information at that level

Local government

These are District Assemblies (DA) who are generally responsible for assisting communities to develop and maintain rural water supplies. Responsibilities of the DAs include selection of project beneficiary communities, contracting out of specialist services such as community sensitisation, drilling and pump installation. Another responsibility is the funding and regulation of service provision to communities. District level departments in general will access information about the project through information sheets produced on the guidelines in English. Training materials will also be produced. Summary notes on the involvement of the private sector, the guidelines and how to execute them will be provided in English. These will also include suggestions on how to slot in the communities and the private sector to become concerned about rural water supply. The training materials and guidelines will serve as a useful medium for this target audience since they are familiar with using these communication methods in the course of performing their normal duties and during training sessions.

Rural-based, small scale, private sector service providers

They include partner organisations, pump electricians, hand pump spare parts dealers, masons and area mechanics. Their position in community water supply service provision is very central and therefore the need to develop the environment within which they function. Summary sheets, in English and local languages will be produced on how the private sector can engage with communities and local government to be responsible for rural water delivery services. This will include their roles and responsibilities, provision of quality services and contract management. The communication methods selected for this target audience is due to their educational level to satisfy those who are not very proficient in the use of the English language.

Communities

Communities have need of rural water supply services and for that reason it is imperative that they know how to join together their interest with that of private sector service providers. The guidelines would enhance this development through local government and NGOs. In a situation where better rural water supply results from enhanced service provision from the small-scale rural private sector, the poor will directly benefit in terms of access, quality of service delivery and cost. Communities may be reached by mass media (local radio, television and newspapers) coverage. The DWSTs would also have regular meetings with communities to ensure the information gathering and normal feedback to happen. Leaflets should be produced in local languages to ensure user friendliness, better comprehension and feedback. Communities depend on the electronic mass media for information and the choice of this communication medium is to reach rural dwellers whose main source of information is the radio and television and in isolated on print media.

Donor agencies and NGOs

Donor agencies and NGOs are key stakeholders and significantly deal with the needs and priorities of national and local governments. They also work with communities in poverty reduction interventions. It is therefore vital that they are informed of new dimensions in government views and priorities and to widen policies on effective donor assistance. External agencies and NGOs will be able to access policy briefs, articles, technical papers and presentations on the guidelines. The argument for the choice of the communication medium for this target audience is similar to that of the central government ministries and agencies.

5.3 Government to government/donor exchanges

Another strategy to enhance dissemination of study findings is government to government/donor exchange of guidance on strategies to enable private sector participation as well as government to donor discussions. Where this is likely, the country teams will be encouraged to examine the nature and demand for such exchanges.

5.4 Activities already undertaken

A number of activities have been taken to disseminate project information on the KaR study. The two national stakeholders' workshops organised have been focal points for the discussion and dissemination of findings on the study. The stakeholders include small scale private rural service providers, NGOs, donors, national and local government institutions and communities (the ultimate beneficiaries). The Deputy Minister of Works and Housing who was the chairman for the 1st national stakeholders' workshop expressed interest in the findings of the study and pledged support for the implementation of the guidelines.

In addition, the two national stakeholders' workshops had attracted high media attention with news items on the print and electronic media covering findings of the study as well as a presentation on the guidelines. It is anticipated that with the high national network of these media houses, the information on the findings of the study is gradually seeping.

Members of the Multi-Stakeholder Working Group have acted as key resource persons in the dissemination of research findings to the interest groups they represent.

As a result of the issues raised at the national stakeholder workshops, there have been calls for the inclusion of specific issues on the rural water psp in the National Water Policy.

5.5 Future activities

There is the need for target audiences to be actively involved in activities geared towards dissemination of project information, as activities so far undertaken have been peripheral. There is the need for a possible phase 4 of the study to cater the dissemination and pilot implementation of the guidelines.

5.6 Uptake and implementation

The Ministry of Works and Housing, CWSA, WaterAid, Ministry of Local Government and the District Assemblies are in the best position to implement the guidelines given their involvement in sector activities. The Ministry of Works and Housing has responsibility for the development of the national water policy and would thus be able to monitor its implementation. However, the current lack of coordination between the Ministry of Local Government and Rural Development and the Ministry of Works and Housing in facilitating water delivery in the country could imperil the implementation of the guidelines.

Despite this fear, the guidelines have generated interest among key stakeholders including the deputy Minister of Works and Housing and the Director of the Water Directorate. These officials have indicated their commitment and support in the implementation of the guidelines. WaterAid, which is the biggest NGO in the rural water sector, demonstrated leadership, support and commitment during the preparation of the guidelines will also support its implementation. The presence of an official of the coalition of NGOs in water and sanitation (CONIWAS) is heart-warming and indicates the interest of this umbrella organisation to support the implementation of the guidelines. The officials in these organisations have the right orientation towards sector activities and would pursue the right actions when given the right direction.

The Water Directorate of the Ministry of Works and Housing will be motivated to act as the champion organisation to facilitate the implementation of the guidelines since it would place premium on its activities being undertaken by the nascent department and bolster its image.

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6 NEXT STEPS

The government has recognised the private sector as the engine of growth in the Ghanaian economy. To this end, policy makers and financial institutions have formulated policies aimed at assisting the private sector, particularly small and medium enterprises (SMEs) in the industrial and agricultural sectors to the exclusion of enterprises in the rural water sector. This study has highlighted the special needs of the small-scale operators in the rural water sector and drawn attention to them. To obtain a deeper insight into the operations of the small-scale operators in the rural water sector, it is considered necessary to conduct a complementary study on the following issues that will throw more light on their activities and operational environment. Specifically, the following need to be studied:

- a) organisational set-up
- b) equipment and workshop facilities
- c) activities being undertaken and fees charged
- d) type and number of clients
- e) turn over and profit margins.

Stakeholders are familiar with PSP in the urban water sector but not in the rural water sub sector. The proposed complementary study and the pilot implementation of the guidelines, it is expected will draw more attention to the small-scale private sector in the rural water sector.

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7 CONCLUSIONS

The interest being generated in rural PSP following the conduct of the study coupled with the potential of the private sector to respond to the special needs of the rural water sector give an indication of the likely success of rural PSP in Ghana. The rural private sector could respond favourably to District Assemblies that are currently implementing decentralised water and sanitation projects where the invitation is limited to small-scale operators and excludes the medium and large-scale operators who have the organisational and financial clout to out-manoeuvre small-scale operators. In effect, invitations to participate in rural PSP should be limited to small-scale operators. The KaR study has indicated the weaknesses of the small-scale operators in competing directly with medium and large-scale private sector for assignments in the rural water sub sector and the recommendation for flexibility in the award of contracts under the Public Procurement Act is aimed at addressing the imbalance in the award of contracts at the district level.

The use and impact of the study could be limited by the intransigence or reluctance of district level actors to support the small scale operators.

Private sector participation in the rural water sector could be affected by the lack of understanding of the roles and responsibilities of the small scale operators, lack of sympathy and support for the operators and the lack of responsiveness to the opportunities as a result of the poor organisational set-up of these small-scale enterprises.

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APPENDIX A
Summary of project documentation

APPENDIX A

LIST OF PROJECT DOCUMENTATION

Community Water and Sanitation Agency (2004) Annual Progress Report. Year 2003 Accra.

Dotse, Francis Mawuena (1995) Establishing a decentralised maintenance system . proceedings of the 21st water and Sanitation Development Conference, Kampala Uganda , 1995. Published by University of Loughborough.

Ministry of Works and Housing, (2004). Community Water and Sanitation Programme, Ghana. Strategic Investment Programme.2005-2015. August 2004 Accra.

Ministry of Works and Housing/Community Water and Sanitation Agency (2000). Project Operational Manual (POM) for the second community water and sanitation project (CWSP2). Project financed by: IDA/GOG/DA/Communities. Credit No. 3282 GH. July 2000.

Ministry of Works and Housing/Community Water and Sanitation Agency (2004). Draft Project Operational Manual (POM) for the small towns water supply and sanitation project (CWSP2/2). Project financed by: IDA/GOG/DA/Communities.

APPENDIX B
Phase 2 workshop report

APPENDIX B

**PROCEEDINGS FROM KaR STUDY ON SMALL SCALE PRIVATE SECTOR
PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR****NATIONAL STAKEHOLDERS WORKSHOP ON
10 MARCH 2005 AT KAMA CONFERENCE CENTRE, ACCRA****1. INTRODUCTION****1.1 Background**

It is believed that more than one billion people in developing countries lack access to safe drinking water. Most of these people live in Africa. There is an increasing tendency of governments limiting their role in the provision of water facilities to Non Governmental Organisations (NGOs) and the private sector. However, there is the realisation that there is a lot of potential in rural artisans who could play a meaningful role in enhancing the provision of water within the framework of an enabling environment. Given this realisation, the United Kingdom Department for International Development (DFID) engaged the services of Water Management Consultants (WMC) to undertake a study on the role of the small scale private sector in Ghana, Zambia and Tanzania. WaterAid (Ghana) and the Community Water and Sanitation Agency (CWSA) collaborated with WMC in undertaking the study.

This report highlights the proceedings of the workshop held on 10th March 2005 in Accra to present the Ghana country report (study findings) to a multi stakeholder group.

1.2 Workshop objectives

The objectives of the workshop were bifurcated into a general objective and a set of specific objectives.

The general objective was to ***enhance participation of the small-scale private sector in rural water supply service provision and disseminate best practice guidelines.***

The specific objectives for the stakeholders' workshops were to:

- present the key findings from the survey
- discuss the findings of the survey
- make recommendations for the development of appropriate guidelines for small scale private sector participation in rural water provision.

2. METHODOLOGY

The workshop adopted a mix of methodologies including formal opening and closing sessions, the use of audio visual aids during presentations and participatory approaches during discussions.

2.1 Opening ceremonies**2.2 Opening Prayer and Introduction of Chairman**

The programme started at 10.05 a.m. with an opening prayer by Mr. E.F Boateng, the Volta Regional Director of CWSA. Thereafter, Ms Fay Ephraim, the CWSA Eastern Zonal Planner, introduced Mrs Cecilia Amoa, the chairman of the CWSA Board of Directors as the chairman for the workshop.

2.3. Welcome Address

Mr. Kofi Asamoah, the Chief Executive of CWSA delivered the welcome address. In so doing, he presented a general overview of the project and iterated the rationale for the project, namely the need to unearth the potential of the small scale private sector operators and integrating them into the general framework of rural water delivery. He indicated that even though the survey was conducted in the Volta region, he expected that its findings nevertheless will serve as a model for integrating the SSPS in the rural water delivery and that the guidelines to be developed will constitute a working document for the government of Ghana and other stakeholders in rural water delivery.

2.4 Use of audio visual aids

The facilitators and presenters of the workshop used audio visual aids during the workshop. The main tool utilised was the power point presentation. The use of this tool contributed immensely in highlighting the key presentations.

2.5 Participatory approaches

As a way of giving meaning to enhancing participation, the workshop facilitators encouraged discussions after the presentations. These discussions enlivened the workshop proceedings and o contributed to eliciting the active participation of workshop participants.

The various presentations given are presented with a little text editing.

3.PRESENTATIONS, OVERVIEW OF STAKEHOLDERS' RESPONSES AND WORKSHOP DISCUSSIONS

3.1 Presentations

Messrs Edward Aboagyee and Mawuena Dotse presented the highlights of the study's findings.

3.2 Overview of stakeholders' responses and workshop discussions

After the presentation, participants were allowed to ask questions within the framework of the participatory approach adopted.

Progress in the study countries

In response to a participant's inquiry as to the progress of the study in the other two countries, it was indicated that while Zambia held its stakeholders workshop on 22nd February 2005, Tanzania coincidentally planned to conduct its workshop on the same day as Ghana ie, 10 March 2005.

Male domination of survey respondents

The members of the study team explained that questionnaires were administered to more male respondents than females because of the male dominance of the occupations from which the respondents were selected. It was further explained that cultural factors have precluded females particularly in the rural areas from venturing into occupations that are considered the preserve of males. The study team however pointed out that female members of community water and sanitation (WATSAN) committees were interviewed as part of the focus group discussions at the community level. Participants were urged to commence advocacy in their respective communities to break cultural barriers that hindered females venturing into supposedly male occupations.

Registration of business entities

The inability of SSPS operators to register their business entities was an issue for discussion. Some participants recommended that the District Assemblies should collaborate with the Registrar-General's Department with a view to the creation of business registration centres at the offices of the former. This recommendation, it was expected would minimise some of the problems that affected the registration of local entrepreneurs at the local level. Indeed, its implementation would save local entrepreneurs trips to Accra for registration.

Sanitation

Given the linkage between water and sanitation, some participants questioned why the study report excluded sanitation. In response, the study team indicated their recognition of the linkage but explained that sanitation did not feature in the study because it was excluded from the Terms of Reference (ToR) prepared by DfID excluded sanitation.

Private water providers

It was suggested that in future, such a study should include individual or family house providers who sell water from hand –dug wells during the lean season.

Gender balance of study team

Some participants expressed reservations on the all male composition of the study team and questioned the non-involvement of females on the team. Representatives of both CWSA and WaterAid explained that the all male team was purely accidental and not by design. It was pointed out that Ms Fay Ephrim, a zonal Planner from CWSA participated in the first phase of the study.

Sample size of survey respondents

A participant indicated dissatisfaction with the relatively small size of the survey respondents, particularly the area mechanics and spare parts dealers and recommended that a bigger sample size should have been used. It was however pointed out that the respondents were actually not a sample but constituted the total number of area mechanics and spare parts dealers in the respective districts. It was explained that the small number of respondents was due to the limited number of area mechanics and spare parts dealers. Given this explanation, participants were of the opinion that the survey should have been conducted in all the ten (10) regions.

Establishment of a centralised galvanising plant

In order to facilitate the production of cost effective and affordable locally manufactured pumps to meet ISO specifications, a participant who manufactures local hand pumps suggested establishment of a centralised galvanising plant to aid the process of manufacture.

Community Based Volunteer Mechanics

A participant suggested the identification and training of community based volunteer mechanics who would not have to travel long distances to repair broken down facilities.

Provision of motorbikes to area mechanics

In a reaction to why motorbikes are no longer provided to area mechanics by CWSA as was the practice in the Central region in the 1980s, a participant from CWSA explained that experience has indicated that the practice was not sustainable. The Volta Regional Director of CWSA said they realise that the maintenance and supply was not sustainable since many of the area mechanics were unable to replace the motor bikes provided them. The current practice is to encourage the use of public transport and bicycles.

Preventive maintenance

Participants endorsed the suggestion that preventive maintenance should constitute a central part of the operation and maintenance regime for the water facilities. This is due to the realisation that many communities pay inadequate attention to preventive maintenance and only need the services of area mechanics. The adoption of preventive maintenance by each community would enhance the life span of the hand pumps and increase the demand for the services of area mechanics. An increased demand for the services of the area mechanics would improve their income and livelihoods.

Pricing of water

A participant was of the view that, the pricing of water should have been considered as part of the study.

4.CONCLUSIONS AND OUTCOMES

The workshop was successful. This is evident in the high level participation of senior public officials in the water sector in Ghana coupled with the level of discussions. The closing remarks of Mrs. Cecilia Amoah, the Chairman of the CWSA Board of Directors who was the chairman for the function also gave credence to the success of the workshop in her closing remarks. She commended the consultants for the study and expressed the hope that the findings will be used by policy makers.

Participants made the following recommendations at the end of the workshop:

- There should be a harmonised approach in the implementation of all projects being implemented under the auspices of CWSA.
- Restructuring of the various functions of the stakeholders to remove unnecessary overlapping
- Area Mechanics should register their business activities at the Registrar-General's Department to enable them operate within the legal framework.
- CWSA should expedite action on the modalities for the establishment of spare parts distribution centres at the district level.
- District Assemblies should take the lead role in supporting SSPS operators in the water sector. In this connection, key DA officials are to be sensitised on the role of the SSPS in the water sector.
- Women should be encouraged to participate in SSPS activities. To this end, further studies should be conducted on the role of women in SSPS activities.
- CWSA should subject the "DIT wonder pump" and the "rope pump" to further testing with a view to considering adding them to the list of standardised pumps.
- CWSA need to expand to have pumps which be for shallow wells
- Representatives of the National Board for Small Scale Industries(NBSSI) and the Ministry of Private Sector Development should be members of the multi stakeholder working group.
- The survey should be extended to at least 2 or 3 other regions to give it a national character.

ANNEX 1

Workshop Agenda

PROGRAMME KaR STUDY ON SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR

NATIONAL STAKEHOLDERS WORKSHOP ON 10TH MARCH 2005 @ KAMA CONFERENCE CENTRE, ACCRA

9.30am	Opening Prayer
9.30 am – 9.45am	Introduction of Chairperson <i>Fay Ephraim (Ms)</i>
9.45 am – 10.00 am	Chairperson's Opening Remarks
10.00 am – 10.15am	Welcome Address <i>Chief Executive, CWSA</i>
10.15 am – 10.30 am	Presentation of Objectives of KAR Study & Collaborative Arrangements - <i>WaterAid</i>
10.30 am – 11.00 am	Snack Break
11.00 am – 12 noon	Presentation of Study Findings - <i>Study Team</i>
12 noon – 1.00pm	Discussions of Study Findings
1.00pm – 1.25pm	The Way Forward
1.25pm – 1.30pm	Chairperson's Closing Remarks
1.30pm	Lunch & Departure

ANNEX 2

List of workshop participants

Name	Organisation	Designation
1 Cecilia Amoah (Mrs)	CWSA	Chairman, Board of Directors
2 Kofi Asamoah	CWSA	Chief Executive
3 Mintah Aboagye	MoWH	Director of Water
4 Frempah Yeboah	MoWH	Deputy Director
5 E. F Boateng	CWSA	Regional Director (Volta)
6 Fay Ephrim(Ms)	CWSA	Zonal Planner
7 Paul Attah	DIT Services, Ho	Managing Director
8 Ben Attah Anyomi	Avenui WSDB	Member
9 Paul Kwame Sewor	Municipal WST, Ho	Member
10 John Asimeku		Area Mechanic, Assin Fosu
11 Evans Vakpo Kofi	APDO	Field Officer
12 Kofi Atta Agyepong	KfW	Programme Officer
13 Stephen Ntow	WaterAid	Deputy Country Representative
13 M.A. Nashiru	WaterAid	Advocacy Manager
14 Kojo Bibah	DANIDA	Programme Officer
15 Dr Fink Helge	GTZ/EVORAP	Project Manager
16 James Amissah	GTZ/EVORAP	Project Officer
17 Edward Aboagye	Project Impact Con	Managing Consultant
18 Frank Anim	MAPLE Consult	Associate Consultant
19 Mawuena Dotse	MAPLE Consult	Managing Director

APPENDIX C
Multi-Stakeholder Working Group terms of reference

APPENDIX C

STUDY OF SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR

MULTI-STAKEHOLDER WORKING GROUP

TERMS OF REFERENCE

Introduction

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.

The study comprises three phases, as follows:

- Phase 1 – Inception (review of knowledge of private sector participation in the rural water sector and detailed planning of Phases 2 and 3)
- Phase 2 – Surveys (field surveys by the country teams of (i) the capacity of the private sector to provide services for rural water supply, (ii) the capacity of government to enable and to regulate the private sector, and (iii) the need for guidelines for enhancing the participation of the small scale private sector).
- Phase 3 – Analysis and dissemination (development of guidelines for the enhanced participation and regulation of the rural-based private sector in service provision for rural water supply).

Phase 1 began in November 2003 and ended with the production of the Knowledge Review and the Inception Report. Both reports are available on the project website at www.ruralwaterpsp.org under Internal Reports and Documents. Phase 2 began in April 2004 and will close towards the end of 2004. Phase 3 will begin in December 2004 and the project will end in October 2005.

Outputs of Phase 2 are a country report produced by each country team, and a synthesis report. The country report presents the findings of the three surveys carried out by the country team. The synthesis report brings the results of the three country reports together and highlights commonalities and differences.

Phase 2 will end with the presentation and discussion of the respective country report in a workshop with a wide audience drawn from the water sector.

Multi-stakeholder Working Group

A Multi-stakeholder Working Group will be formed in each study country. The working groups will play a major role in Phase 3 of the study, ie between December 2004 and October 2005.

Membership of the MSWG will be by invitation and those invited will be expected to work as a team. The working group members will be key individuals drawn from different disciplines in government/private sector/NGOs/donors. They will have 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

Role and functions of the Multi-stakeholder Working Group

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 MWSG will be advised by the Government-WaterAid team that carried out the surveys and wrote the country report.

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.

Resources

It is expected that Multi-stakeholder Working Group will meet once a month starting in January 2005. WaterAid has sufficient resources to convene up to seven meetings and the final project workshop.

The country team will act as secretariat to the working group and will advise the working group on particular issues and questions that arise.

APPENDIX D
Multi-Stakeholder Working Group meeting minutes

APPENDIX D

**MINUTES OF THE MULTI STAKEHOLDER WORKING GROUP MEETING HELD ON
3 OCTOBER, 2005 AT THE CWSA CONFERENCE ROOM**

Members present

Name	Designation	Organisation
E.F. Boateng	Regional Director	CWSA-Volta Region
Abdul-Nashiru Mohammed	Advocacy Manager	Water Aid Ghana
John Asimeku	Area Mechanic	Private Sector
Paul Kwame Sewor	DWSTMember	Ho Municipal Assembly
Bonni Jones	WATSAN C'ttee Chairman	Hodzo, Ho

Absent with apology

Kojo Bibah	Programme Officer	DANIDA
Fay Ephrim	Zonal Planner	CWSA
K. Frempah Yeboah	Assistant Director	Water Directorate
Ate Ofosu Amaah	Director	Ministry for Private Sector
Edward Aboagye	Member, country team	Project Impact Consult

In attendance

Aissa Toure Sarr	Country Representative	Water Aid Ghana
Yaw Asante Sarkodie	Zonal Planner	CWSA, Head office
Mawuena Dotse	Member, country team	Maple Consult
Joseph Ampadu-Boakye	Junior Consultant	Maple Consult

1. Opening

The meeting, held under the chairmanship of Mr. E.F Boateng started with a prayer by Mr. Paul Sewor. Mr. Abdul-Nashiru Mohammed welcomed participants to the meeting and highlighted the agenda for the meeting. He indicated that the main objective for the final meeting was to reach consensus on the appropriate steps to be taken to ensure the successful implementation of the guidelines. He told the house that inputs from the second national workshop for the presentation of the guidelines have been incorporated into the final guidelines.

2. Post workshop issues

Mr. Mawuena Dotse presented the outcome of the second national workshop to the meeting and indicated that participants at the workshop were in broad agreement with the guidelines and accordingly there were no substantial changes. He indicated that participants at the workshop rather made contributions as to the way forward in implementing the guidelines.

He also informed the house that that the country team was able to meet the deadline of 30 September 2005 for the presentation the presentation of the country reports to Water Management Consultants with copies forwarded to CWSA and WaterAid.

After the presentations by Mr. Dotse, Mr. Abdul-Nashiru invited the house to make contributions on the way forward for the guidelines. In response to this invitation, Mr. Sarkodie said there was an opportunity to take the guidelines forward and have its relevant sections incorporated into the national water policy that was being formulated. In this connection, it was decided that the MSWG could constitute an “Action Group” to draw an action plan with a view to influencing CWSA and the Ministry of Works and Housing to inculcate some of the guidelines into the national water policy Mr. Sarkodie also informed the meeting that as part of the restructuring of CWSA, legislative instruments will be enacted passed to empower CWSA to perform more effectively some of its current functions. To this end, CWSA could play a lead role in facilitating the registration of private sector operators.

Mr. Abdul-Nashiru informed the house that officials of WaterAid Ghana will take advantage of an upcoming meeting with the Deputy Minister for Works and Housing to discuss modalities for the implementation of the guidelines with the Deputy Minister.

3. Implementation of the Guidelines

A member of the MSWG suggested that the proposed “Action Group” should contact the Decentralisation Secretariat of the Ministry of Local Government and Rural Development (MLGRD) to determine the latter’s support since the guidelines would be implemented at the district level.

Mr. Abdul Nashiru proposed that monitoring of the decentralisation of business registration should be done at two levels,-national and district. He added that the MWH could undertake monitoring at the national level whilst the Action Group selects two post offices in one of the regions for monitoring.

On the formation of associations, a member suggested that in view of the cost implications of forming groups, the Action Group should develop a budget line for the exercise. It was also suggested that the exercise should commence from the district level possibly with the Ho Municipal Assembly.

To ensure availability of funds for the implementation of the guidelines, the members of the MSWG agreed that the proposed “Action Group” should prepare and present a proposal and a budget to DFID for financial support to implement the guidelines.

The MSWG also agreed that in registering the private sector operators, CWSA and District Assemblies could collaborate to register all community Water and Sanitation (WATSAN) committees, Water and Sanitation Development Boards and private sector associations. Mr. Paul Sewor was requested by the house to discuss the feasibility of this proposal with the Municipal Coordinating Director of the Ho Municipal Assembly

The house also asked Mr. E.F Boateng to investigate the lease concept that was previously implemented in the Volta region with financial assistance from DANIDA. To ensure ease of preliminary implementation of the guidelines, it was decided that the country should be divided into three zones for pilot implementation in predominantly rural areas. The zones and the regions selected are:

Zone	Region
▪ Northern	Northern Region
▪ Middle	Brong Ahafo Region
▪ Southern	Volta Region

The following members of the MSWG were nominated to constitute the “Action Group”

Mr. E. F. Boateng	CWSA Volta Region
Miss Fay Ephraim	CWSA Head Office
Mr. Abdul-Nashiru Mohammed	WaterAID
Mr. Kojo Bibah	DANIDA
Mr. John Asimeku	Private Sector

The Director of the Water Directorate is to nominate a representative to serve as a member of the “Action Group” To facilitate the commencement of activities of the “Action Group”, it was decided that CWSA should officially write to the nominees informing them of their appointment and the terms of reference for the assignment. It was also agreed that the minutes of the day’s meeting should be forwarded to CWSA to enable the Chief Executive issue appointment letters to the “Action Group” members.

4. Closing

The WaterAid Country Representative, Mrs. Aissa Toure Sarr thanked the MSWG for the excellent work done and expressed optimism that the members of the Action Group will support the implementation of the guidelines. Mr. Mawuena Dotse also expressed his appreciation and that of Mr. Aboagye, his co-consultant on the study, to the MSWG members for the collaboration extended during the formulation of the guidelines. The meeting came to an end at 12:30pm

APPENDIX E
Phase 3 workshop report

APPENDIX E

WORKSHOP REPORT

**SECOND NATIONAL STAKEHOLDERS WORKSHOP FOR
NATIONAL ADVOCACY FORUM ON DRAFT GUIDELINES
ON SMALL SCALE PRIVATE SECTOR PARTICIPATION IN
THE RURAL WATER SUPPLY SECTOR**

Held on 22nd September, 2005
Hotel Wangara, Labone, Accra

Facilitation and Documentation by:

Ghana Study Team

22nd September 2005

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List of Abbreviations

CWSA	Community Water and Sanitation Agency
DA	District Assembly
JICA	Japan International Cooperation Agency
KaR	Knowledge and Research
MSWGMulti	Multi Stakeholders Working Group
NBSSI	National Board for Small Scale Industries
RGD	Registrar General's Department
SME	Small and Micro Enterprises
SSPS	Small Scale Private Sector
WMC	Water Management Consultants
IRS	Internal Revenue Service

1. Background to the Workshop

As a follow up to the presentation of the findings of the survey conducted as part of the activities of the second phase of the Knowledge and Research (KaR) study on the involvement of the private sector in the rural water sector, a multi stakeholders working group (MSWG) was constituted. The role of the MSGW was to formulate guidelines for the involvement of the small-scale private sector entrepreneurs in the rural water sector. The guidelines to be developed constitute the third and final phase of the KaR study.

2. Objectives of the Workshop

The objective of the stakeholder workshop was to present the findings of the MSWG on the guidelines for the involvement of the private sector in rural water sector in Ghana. The workshop also sought to provide an opportunity for stakeholders in the rural water sector to make inputs into the guidelines prepared by the MSWG and to contribute towards the implementation of the guidelines.

3. Participation

A total of 26 participants attended the one-day workshop. The participants were drawn from all stakeholders in the rural water sector- District Assembly, private sector operators, CWSA officials, donor agencies, water and sanitation development board officials, financial institutions and the study team.

4. Workshop Methodology

The workshop adopted a combination of power point presentations and plenary discussions. This was to allow the consultant for the project an opportunity to brief the gathering on the guidelines and the processes undertaken to arrive at those conclusions. It was also to keep participants informed of the processes and outcomes of the study and to generate discussions among them.

5. Proceedings at the Workshop

The workshop, held under the chairmanship of Mr. Robert Van-Ess, the Director of Technical Services of CWSA, started at 10:15am with an opening prayer by Miss Fay Ephraim of CWSA.

Mr. Abdul Nashiru apologized to the gathering for the delay in the commencement of the programme. He explained that it was due to the change in venue and that the organizers wanted to wait for participants who may have gone to the earlier announced venue.

Welcome and Briefing

The WaterAid Country Representative, Mrs Aisa Toure Sarr welcomed participants to the workshop and provided a brief overview of the project. She noted that the project entailed three main phases. Phase 1 was the inception phase; Phase II was the knowledge and survey phase and Phase III the analysis phase. She added that the MSWG was formed to deliberate on the Phase II and Phase III components of the project and to formulate guidelines for enhancing small -scale private sector participation in rural water supply delivery and to recommend country specific guidelines to achieve this objective. She implored all participants to contribute to the formulation of the guidelines.

Chairman's Opening Remarks

The Chairman apologised to the gathering for the apparent no representation by the sector ministry at the workshop. He attributed this to a duty tour the Minister for Works and Housing had undertaken to the Brong Ahafo Region and the fact that officials of the ministry who could have been invited to the meeting were part of the minister's entourage.

The Chairman underscored the importance CWSA attaches to the role of the private sector in rural water and sanitation delivery. He added that CWSA recognised the role of area mechanics, larine artisans, drilling contractors and partner organisation to mention but a few private who are playing a tremendous role in rural water delivery. He indicated that CWSA was currently implementing projects with financial assistance from the International Development Association (IDA) of the World Bank, the Danish International Development Agency (DANIDA) and the African Development Bank (ADB) and stressed that all the projects were district based. This provision therefore allows the DAs to package the projects in units which the SSPS sector can take advantage of. He also observed that CWSA was moving towards decentralizing its operations to the private sector. He added that the new Public Procurement Act makes provisions for private sector participation in water delivery. This was because the Act makes provisions for contracts within a certain threshold to be awarded to the SSPS sector.

Presentations

Mr. Abdul-Nashiru Mohammed of WaterAid Ghana presented the study background, objectives and collaborative arrangements of the KaR study. Mr. Mawuena Dotse, the consultant presented the draft final guidelines to the gathering. In his presentation, Mr. Dotse highlighted the current state of the private sector, vision of the MSWG for the private sector, the relevance of the proposed intervention and the anticipated financial and political cost of the intervention. The presentation dealt with the following key areas of the SSPS:

legal and regulatory framework;
institutional and financial.

Comments from Participants on the Study Guidelines

SNV Interest in Study Guidelines

Mr. Johan Naude of SNV-Netherlands Development Organisation observed that the SSPS sector is relevant in the delivery of water in Ghana and indicated that as a development organisation that was currently formulating a position document to intervene in the water and sanitation sector in Ghana, SNV found the study a useful tool to guide them in planning their intervention. He added that SNV will dialogue with other actors in the sector in its bid to formulate an intervention in the sector. He however advised that the MSWG should also consider the sanitation sector because water and sanitation go hand in hand.

Registration

The DCE for Kwabre, Alhaji Kwasi Yeboah indicated that the National Board for Small Scale Industries (NBSSI) had branches in all the regions in the country and has a Business Advisory Centre (BAC) in all districts. Given this, District Chief Executives (DCEs) should endeavour to provide office space for the BAC. He stated that the Kwabre district had linked up with the Registrar General's Department (RGD) through the BAC office and urged other DCEs to contact the NBSSI and the RGD to have BAC offices established in their districts. Miss Fay Ephraim proposed that the trade associations to be formed by the private sector operators should also register with the RGD to legitimize their existence and operation.

Availability and Distribution of Spare Parts

A participant wanted to know the extent to which the study addressed the challenges of the private sector in the sanitation sector. He also wanted to know the extent to which the guidelines addressed the issue of availability of spare parts and the supply chains in the rural areas especially with regards to pricing.

The consultant responded that the financiers of the study restricted it to the water sector and for which reason there was no information on private sector involvement in the sanitation sub sector. He indicated that the study considered availability of spare parts and developed the supply chain for its distribution. The reality however is that spare parts distribution in Ghana is handled by a large organisation. The Chairman explained that CWSA had to start spare parts delivery and distribution on a large scale and the first step was to set up a national network in order to minimise the cost of distribution. The next step has been to link the SSPS to the national network. CWSA is currently exploring the possibilities of linking the SSPS sector to the national network and to supply spare parts to rural areas and to keep the SSPS sector vibrant. According to him, there is a plan to hold a forum for all area mechanics, DWSTs and the national network operator to discuss how these linkages could be cemented.

Regulation

A participant also proposed that the guidelines should not place a ceiling on the charges the SSPS sector could charge for service delivery. He indicated that in a bid to register the SSPS sector to legalise their operations, there was the tendency for the sector to be roped into the tax net by the government. This will therefore bring about discrepancies in the cost of service delivery by the SSPS. He therefore called on the consultant to consider the impact of taxation on the cost of service delivery before coming out with a ceiling on service charges. The Chairman added that as much as the guidelines try to regulate the SSPS sector, it must not kill the initiatives and enthusiasm of the private sector.

The consultant asked an area mechanic, Mr. John Asimeku to comment on the issue as to whether registration of their businesses affected the cost of operation. Mr. Asimeku said the service/cost charge depends on the quality of work and the type of spare parts used for the repair work. The Chairman acknowledged the fact that the Internal Revenue Service (IRS) is widening its tax net and so the SSPS should expect to be given Tax Identification numbers (TIN) to enable the IRS trace them for taxes. A participant also advised the SSPS not to downplay the intelligence of the rural communities by thinking that they (rural folks) might not appreciate adjustment in service charges due to increase in taxation. Miss Fay Ephraim advised the SSPS to maintain good records on their activities to enable them enjoy favourable taxes otherwise they risk being charged high taxes.

Financial

The representative of the ARB Apex Bank indicated that funds channelled through the bank have their target beneficiaries and will therefore be very difficult for the ARB Apex Bank to channel funds to the SSPS sector for rural water delivery as the guidelines appeared to be proposing. He added that funds at the disposal of the ARB Apex Bank currently are targeted at the agricultural sector.

The consultant responded that the guidelines did not indicate that the ARB Apex Bank should provide funds for the SSPS sector. Instead, the guideline proposed that the government should acknowledge the role of the SSPS sector and provide funding for the sector through the ARB Apex Bank as it had done for the agricultural sector and for women.

Procurement

The Chairman advised that the issue of flexibility in the application of the Public Procurement Act should be reconsidered so as to ensure transparency that the Act seeks to promote.

In a response, the consultant indicated that so far as the SSPS cannot participate in major contract works such as drilling, minor works such as apron construction and pump fixing could be contracted to the SSPS. In effect, the guideline was proposing that contracts should be broken into smaller lots to allow the SSPS to execute such contracts. The consultant however did not rule out the possibility that the large scale firms could bid for such projects.

The District Chief Executive for Kwabre District, Alhaji Kwasi Yeboah indicated that DCEs had a threshold of ₵100million within which they could award contracts to any registered contractor by following the processes within the framework of the Public Procurement Act. He proposed that some of these contracts should be channelled to the SSPS.

6. The Way Forward

Mr. Abdul-Nashiru Mohammed presented the next steps to be taken on the study guidelines to the gathering. He said a plan was to be developed to deepen the role of the ARB Apex Bank in financing the SSPS and to address the SSPS role in sanitation delivery. He also indicated that proposals will be developed to seek funding to implement the ideas put forward in the guidelines.

He outlined the next steps as follows;

- Final meeting of the MSWG
- Dissemination of the guidelines
- Pilot testing of the guidelines in three (3) districts
- Transitional plans to develop research to deepen some emerging issues
- Proposals for further funding to implement guidelines.
- Any other business

In the closing remarks, the Chairman for the workshop, Mr. Van Ess, expressed his deep appreciation to the country team and other stakeholders for their participation in the workshop. He also gave the assurance that the comments and discussions made at the workshop will be inculcated into the final guidelines.

ANNEXURES**Annexure 1
Workshop Programme**

9:30am- 9:40 am	Welcome and Briefing
9:40am-9:50am	Chairman's Opening Remarks
9:50am-10:00am	Presentation of Study Background
10:00am-10:15am	Snack break
10:15am-11:15am	Presentation of Draft Final Guidelines
11:15am-12noon	Questions and Answers (Adding Value)
12noon-12:15pm	Presentation of Next Steps
12:15pm-1:00pm	Chairman's Closing Remarks
	Lunch and Departure

Annexure 2

List of Participants

<i>Name</i>	<i>Designation</i>	<i>Organization</i>
Aissa Toure Sarr	Country Representative	WaterAid Ghana
R.K.D. Van Ess	Director, Technical Services	CWSA
E.F. Boateng	Regional Director	CWSA – V/R
Alhaji Kwasi Yeboah	District Chief Executive	Kwabre District
Abednego Chigumbu	Sen Programme Officer	UNICEF
Johan Naude	Senior Advisor	SNV
Pauline Tambro	Public Relations Manager	CWSA
Fay Ephraim	Zonal Planner	CWSA
Mr. Mante	Manager	ARB APEX BANK
Angelina Adogla-Bessa	Technical Coordinator	Oyibi Area WSDB
Divine Ofoe Gorleku	Secretary	Oyibi Area WSDB
Boakye Dede Emmanuel	Tech.Coord.	Abokobi-Oyarifa- Teiman WSDB
Paul Kwame Sewor	Member	MWST–Ho Municipal Assembly
Bonni Jones P.Chairman committee		Hodzo WATSAN
John AsimekuArea Mechanic		Private sector
Gordon Komla Atsyor	Programme Officer	CONIWAS
Frank Anim	Member, country team	MAPLE consult

Facilitators

Name	Designation	Organization
Abdul-Nashiru Mohammed	Advocacy Manager	WaterAid Ghana
Akosua Konadu Asamoah	Human Res & Adm. Officer	WaterAid Ghana
Joseph Ampadu-Boakye	Junior Consultant	MAPLE Consult
Mawuena Dotse	Member, country team	MAPLE Consult

APPENDIX C
Final country report for Tanzania

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

R8335

**PHASE 3 ANALYSIS AND
DISSEMINATION**

**FINAL COUNTRY REPORT
FOR
TANZANIA**

September 2005

Prepared by:

**Regional Water Engineer Dodoma
and
WaterAid Tanzania**

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E	Phase 3 workshop report

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			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		
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																			
Task 4.1.3 Disseminate Phase 2 findings			X																	
Task 4.1.4 Disseminate Phase 3 findings			X							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																				
Task 4.2.2 Hold workshop																				
Task 4.2.3 Report on workshop																				
Task 4.2.4 Project Final Report and Guidelines																		X	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.

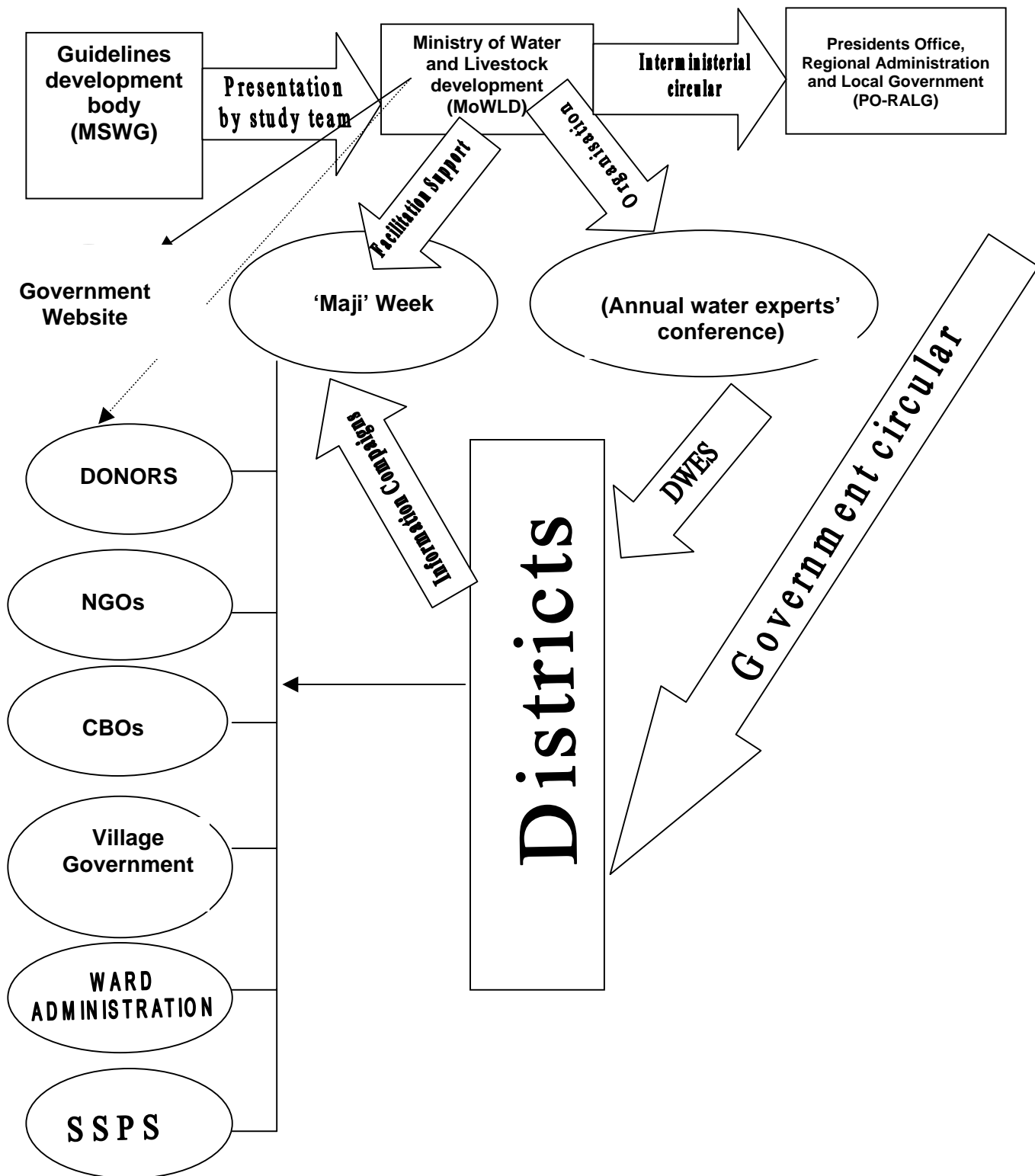
The Annual Water Experts' conference, which is the Ministry's forum for discussing issues requiring wide sector attention and peer reviewing of developments in various activity quarters, will be used to present the guidelines to a wider scope of stakeholders and facilitate implementation peer reviewing.

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 s 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.

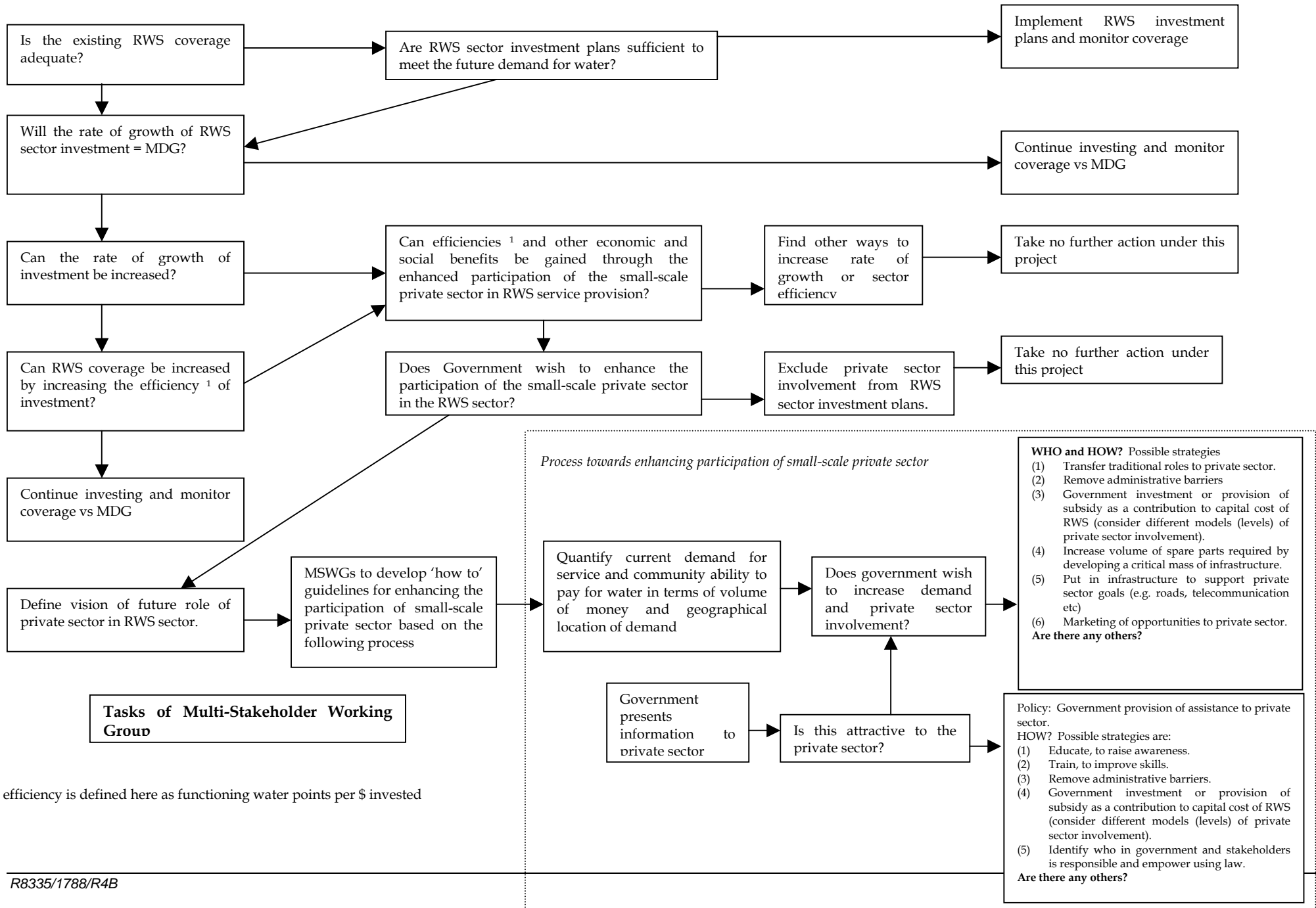
- On the existing evidence, is the small-scale private sector making a useful contribution to rural water supplies within the bigger picture in the country?
- What role could the rural based private sector potentially take and what services should the private sector provide in the rural water sector?
- 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:

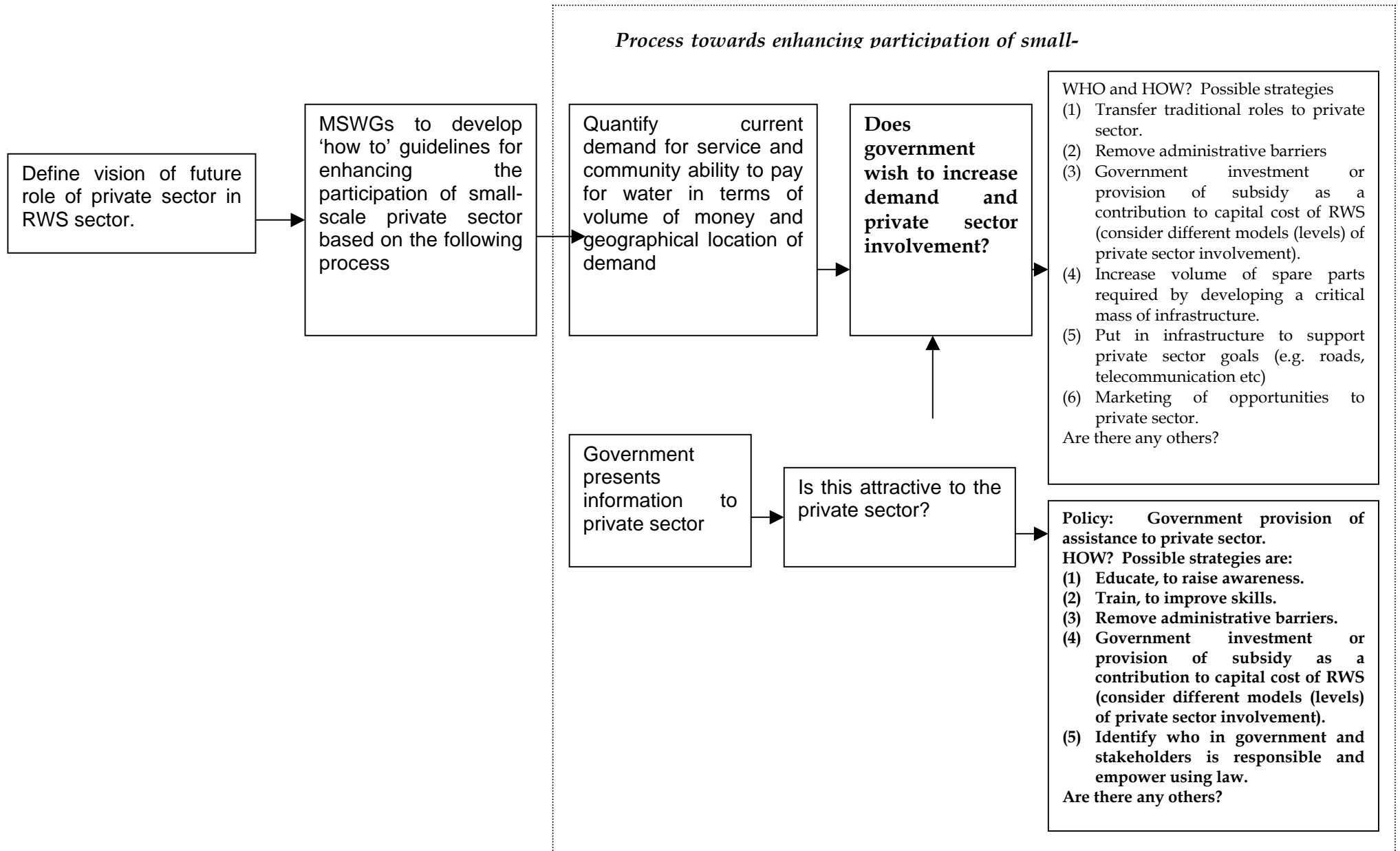
- The groups of stakeholders which need guidance in order that the participation of the private sector is enhanced.
- The form the guidance materials should take.
- The detailed content of the guidelines, i.e. list the actions to be taken by each stakeholder group that will lead to enhanced participation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

APPENDIX D
Final country report for Zambia

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

R8335

PHASE 3 ANALYSIS AND DISSEMINATION

**FINAL COUNTRY REPORT
FOR
ZAMBIA**

September 2005

Prepared by:

**Department for Infrastructure and
Support Services – DISS
(Ministry of Local Government and Housing)
and
WaterAid Zambia**

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EXECUTIVE SUMMARY

This report contains description of phase 3 work done under the project small-scale private sector participation in rural water service provision. The purpose of this report is document the process of formulating best practice guidelines to enhance the involvement of the small-scale private sector in rural water services provision that was carried out in phase 3 and the guidelines themselves. The report is also the final country report to be produced as part of the outputs of the project hence it marks the end of the project process.

The resulting guidelines from this project were developed through a process involving a series of consultative meetings between a multi-stakeholder working group (MSWG) and the research team comprising the Department of Infrastructure and Support Services (DISS), WaterAid Zambia and a consultant hired by DISS to facilitate the process of developing the guidelines.

The work of the MSWG was heavily informed by the survey findings resulting from the phase two work and also the experiences and expertise of the different members of the working group who are all experts in their different fields.

The guidelines produced have presented some key messages and recommendations that would contribute to enhancing the participation of the small-scale private operators in the water sector.

The major messages coming out of the guidelines are;

- Government will need to take leadership in setting the vision for the involvement of the private sector.
- Most of the actions that will need to be undertaken will require collective action by government, NGOs and donors.
- There is need for a change in attitude among the general public towards their roles and responsibility in paying for their operation and maintenance of their water facilities. This can come about through sustained public awareness campaigns carried out by stakeholders.

The guidelines have brought about a realisation that there might be need to review some past and present policy documents and existing initiatives in other government departments that may have a role to play in enhancing private sector involvement in the water sector.

There may be no specific policy or legislation in the main stream water sector on some aspects that affect the private sector, but it is quite obvious from this project that there is potential for more collaboration across government departments in as far as enabling the private sector is concerned.

For example with regards to contracting procedures, more than one government department has in place at least some form of procedure that can affect the private sector contracting process at local government level.

The current levels of interest and commitment expressed by the government increases the chances that the guidelines will be successfully implemented. With further testing and dissemination there is a high likelihood of implementation.

It is planned that the guidelines will be employed by mainly the government and incorporated in ongoing initiatives by other agencies working in the water sector.

It has been acknowledged that this project's objectives are in line with government's intentions and plans for involving the private sector in the overall strategy of improving water service delivery particularly to the rural communities. Government therefore sees this project as contributing to reinvigorating its intended role of facilitating the involvement of the private sector.

1 INTRODUCTION

1.1 General

This report is the final report of the Zambia 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 Zambia.

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 project 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 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.

Some specific assumptions particular to Zambia that were made when commencing the project are;

- There is some form of private sector activity in the five areas that face certain constraints/threats, which needed acting upon.
- The government was willing to utilise the private sector as one avenue for delivery water services to communities
- There is currently lack of information on the capacity and extent of private sector activities in the water sector.

1.3 Importance of this study

The project is in line with ongoing attempts at reforming the policy and institutional setup of rural water service delivery in Zambia. The ministry of local government and housing through DISS has just developed a rural water sector investment plan for the period 2006 to 2015.

As one of its strategies for increasing the proportion of people with access to safe drinking water the government has stated that it seeks to “*strengthen and promote the role of the private sector, especially in establishing spare parts supply chains, operation and maintenance systems at appropriate community, district and provincial levels*”. (MLGH, August 2005)

1.4 Structure of the Zambia team

Table 1.1 lists the Zambia research team.

Table 1.1 Zambia team members

Name	Organisation
Mr Rees Mwasambili	DISS – Ministry of Local Government and Housing
Mrs Hope Nkoloma	DISS – Ministry of Local Government and Housing
Mrs Etambuyu Siwale	DISS – Ministry of Local Government and Housing
Mr Davy Ngoma	DISS – Ministry of Local Government and Housing
Mr Lytone Kanowa	DISS – Ministry of Local Government and Housing
Mr Justine Mwiinga	DISS – Ministry of Local Government and Housing
Mr Savior Mwambwa	WaterAid Zambia
Ms Pamela Chisanga	WaterAid Zambia

The Zambia team was headed by the Head of the rural water supply and sanitation unit in the ministry of local government and housing. This was supported by WaterAid staff who seconded two of its staff to the project.

In addition the project gave periodic updates and presentations to the rural water supply and sanitation multi-stakeholder forum that meets bi monthly. The forum is planned to be a useful channel for disseminating the guidelines.

1.5 Structure of this report

The remaining part of the report is arranged as follows; Section 2 deals with the methodology that was employed in the development of the guidelines. It contains brief descriptions of the project process and activities that were carried out from phase 1 to phase 3 of the project. This section highlights the steps that were taken in each of the three phases of the project leading up to the development of the guidelines in phase three. Section 2 also presents an implementation chart, which shows the different activities and milestone undertaken including the time schedules when these activities were carried out.

Section 3 contains the actual guidelines including a brief introduction containing government policy intention in involving the private sector. In this section each guideline is stated including a brief description of the intended objective, relevance, the prevailing situation and effectiveness of the current situation. Included after each guideline is a statement regarding the political and financial costs associated with the particular guideline.

Section 4 deals with the lessons learnt from the process including lessons drawn regarding the policy environment and the operating environment of the private sector. In this section key experiences drawn from the analysis process in phase 3 are highlighted.

Section 5 of this report presents the dissemination and uptake strategy. This includes what have been done and also future planned activities to disseminate the project outputs and the guidelines. The uptake strategy highlights which institutions have a role or might have a role to play in implementing the guidelines.

Section 6, Next steps, discusses opportunities, prospects and scope for action regarding the involvement of private sector. This section highlights key questions regarding the future of the private sector in rural water service provision in relation to the overall government and development environment in the country.

Section 7 presents conclusions regarding the expected changes that may be brought about by the implementing the guidelines.

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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.

2.2 Phase 1: Inception

This first phase of the project marked the beginning of the project process, an inception workshop was held to raise awareness on the project and get interest from key stakeholders. In addition a review of published and unpublished material and of knowledge covering the small-scale rural based private sector was carried out. The Knowledge Review has been developed into a separate document.

Other tasks carried out in the inception phase are formulating a project work plan and constituting the country project management team. All the activities done in this phase are contained in the inception report.

The full texts for both reports can be accessed at the project website www.ruralwaterpsp.org.

2.3 Phase 2: Field work

Phase two of the project involved carrying out field surveys in five districts to gain an improved understanding of rural business livelihoods and supply chains in the rural water sector and of capacity of local government to enable and regulate the sector in the study countries.

The surveys were divided into three main areas;

- An assessment of the demand among key stakeholder groups for guidelines concerning development of an enabling environment for the small rural private sector.
- An assessment of the capacity of government to enable and regulate involvement of small, rural private operators and NGOs in the rural water sector.

- An understanding of rural business livelihoods of small providers, of supply chains in the rural water sector and of the level of interest and capacity among the private sector to provide services to communities.

The analysis and synthesis of the findings resulting from these field surveys have been compiled into a country report that can be accessed on the project website.

2.4 Phase 3: Analysis and dissemination

The multi-stakeholder-working group was constituted as a way of getting a broad based input to the process of formulating the guidelines. Working together with the research team the MSWG was formed to be the one to lead the process of formulating the guidelines. Initially it was planned that the MSWG would have (seven) monthly meetings between March and October 2005.

WaterAid was tasked with the responsibility of organising and facilitating the monthly meetings. The MSWG held two monthly meetings and a workshop between March and May until a change in the WaterAid staff resulted in the work of the MSWG stalling and a break of the whole project process of about three (3) months.

Table 2.1 lists the members of the multi-stakeholder-working group.

Table 2.1 Composition of the MSWG

Name	Organisation
Gerrit Struyf	SNV
Ian Banda	(WASAZA)
Barbara Senkwe	WSP/World Bank
Cecil Nundwe	Development Cooperation Ireland
Oswald Chanda	NWASCO
Rees Mwasambili	DISS/MLGH
Mr Max Sichula	ZCSMBA
Jane Chinkusu	TDAU/UNZA
Pamela Chisanga	WaterAid Zambia
Mrs Chibwasha	Women Finance Co-operative

At the beginning of the MSWG government informed the MSWG that it was in agreement with the project overall objective of enhancing the participation of the private sector. Hence the vision of "*enhanced and effective participation of the rural-based, small-scale private sector in rural water supply service provision.*" was been adopted.

Figure 2.1 lists the work plan for the multi-stakeholder working group.

Figure 2.1 Schedule of meetings for the MSWG

PLANNED TIME TABLE FOR MULTI-STAKEHOLDER WORK GROUP	Dec.	Jan.	Feb.	Marh.	Aprl.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
	First Multi-stakeholder working group meeting												
First Multi-stakeholder Workshop													
MSWG meetings once a month													
First Draft of guidelines produced													
Second Draft of guidelines Produced													
Testing of guidelines													
Development of Dissemination strategy for guidelines													
Final Multi-stakeholder workshop													

The initial meetings of the MSWG focussed mainly on the working group getting to gain a deeper understanding of the project aims and also an understanding of the private sector environment as presented by the survey findings. Questions around the process were also raised particularly as to how inclusive the process of collecting information had been during the survey phase. Table 2.2 lists the meetings of the MSWG.

Table 2.2 Actual MSWG meetings held

Date	Meeting	Venue
21st January 2005	MSWG meeting	WaterAid, Lusaka
15th February 2005	MSWG meeting	WaterAid, Lusaka
22nd February 2005	Multi-stakeholder workshop	Mulungushi Village, Lusaka
4th May 2005	MSWG meeting	WaterAid, Lusaka
3rd August 2005	MSWG meeting	WaterAid, Lusaka
21st September 2005	MSWG meeting	WaterAid, Lusaka
23rd September 2005	Multi-stakeholder workshop	Mulungushi Village, Lusaka

When the first draft of the guidelines was produced it was subjected to further review and input from the some members of the working group, including additional support and the Project managers WMC, from the UK provided comments.

A much more refined draft was ready and presented to a multi-stakeholder workshop at the end of September. At this workshop members from outside the MSWG had the opportunity to comment and give input to the second draft of the guidelines.

The process has provided more insight with regards to the different roles that government and other agencies can play in, enhancing the participation of the private sector. The project will inform in the ongoing and future government processes including the rural water investment policies under development.

Both the government and the research team have initiated preliminary discussions with other agencies involved or interested in the subject in involving private in rural water service delivery. There are yet no follow-up meetings that have been undertaken, it is planned that government will however link the project process and outcomes to these ongoing initiatives and facilitate the involvement of other interested stakeholders like the World Bank, JICA etc.

Although not much has been done currently, guidelines have suggested a number of public information dissemination campaigns through both formal and informal avenues. It is planned that NGOs and the government will be the main targets of dissemination.

2.5 Implementation chart

The work schedule as carried out in Phases 2 and 3 is shown in Table 2.3.

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

Table 2.3 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>																				
Task 3.3.1 Develop & agree vision for small scale private sector participation in rural water sector																	X			
Task 3.3.2 Legal and institutional environment for small private sector providers																	X	X		
Task 3.3.3 MSWG Meetings										X	X			X			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	
<i>3.6 Activity: Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.</i>																			X	
Task 3.6.1 Synthesis and reporting																				
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											X								X	
Task 4.1.2 Develop communications strategy												X							X	
Task 4.1.3 Disseminate Phase 2 findings											X								X	
Task 4.1.4 Disseminate Phase 3 findings																			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	
Task 4.2.3 Report on workshop																			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																				

3 GUIDELINES

3.1 Introduction

Provision of rural water services in Zambia is carried out within the framework of the Water Supply and Sanitation Act, the Local Government Act and the National Water Policy of 1994. Under the Local Government Act, responsibility for providing water supply services is placed with the local authorities through the district councils. Each local authority is responsible for the delivery of water and sanitation services either by themselves or by contracting other agencies licensed to do so by the National Water and Sanitation Council (NWASCO).

With regard to small-scale private sector participation in service provision, the surveys carried out in Phase 2 of this study have shown that involvement of the private sector is very limited.

3.2 Government policy and vision for the future

As one of its strategies to increase the number of people with access to safe and convenient supply of water, the government of the republic of Zambia seeks to The Multi-Stakeholder Working Group working on this study has developed the following vision for the role of the private sector: 'A private sector providing goods and services to rural communities to develop and maintain rural water supplies throughout Zambia'. Based on this vision, the Multi-Stakeholder Working Group has developed the guidelines set out below.

3.3 Rationale for guidelines

The guidelines are intended to assist Government to implement the strategy to strengthen and promote the role of the private sector. Hence this projects is in line with governments own strategy of promoting and strengthening the role of the private sector.

3.4 Guidelines

The guidelines are presented below according to the source of demand for the services. There are essentially two sources of demand:

- Communities;
- Local authorities.

3.4.1 Related to community demand for services

Guideline 1

Government, donors and NGOs should phase out free provision of operation and maintenance services and spare parts to communities. Government, donors and NGOs should instead publicise such services as being available from private individuals in addition to Government, donors and NGOs. It will be necessary for government and development partners to carry out extensive information campaigns to raise awareness among the communities.

Direct objective

To create demand among the communities for services and spare parts from private providers.

Relevance to enhancing PSP

The private sector would be promoted as a source of O&M services and spare parts.

Current situation

Donors and NGOs are the biggest providers of spare parts to the community water schemes. The small private sector in rural communities is mostly hired on behalf of the communities by NGOs or the D-washe to carry out small fitting and construction works. This is after the spare parts have been procured from big suppliers and manufacturers either in the big cities within the country or from outside the country.

In terms of service provision there is a perception among communities that the trained pump menders are supposed to provide their services free as they are trained free of charge. Where communities pay for such services it is in kind or at less than the cost in most cases they are paid in kind

Current effectiveness

Due to the subsidy schemes in place by most Donors and NGOs ,communities are getting services and spare parts at less than the real cost or in some cases free of charge . This has resulted in the hindrance of the private sector of engage in the provision of these services and spare parts as they cant compete fairly on the market. Communities also tend to develop dependency on free services, hence when there are break downs they tend to wait for the government to repair and do not pay for the O&M leading to unsustainable water schemes.

Political and financial costs

The political cost of removing subsidies is likely to be high.

The financial cost to government of removing subsidies is expected to be low since government will be either providing services at true cost or services will be provided by the private sector.

Guideline 2

Government and NGOs with the private sector should carry out public education campaigns to assist communities to plan and invest in O&M of their water supply.

Direct objective

To develop a culture of preventive maintenance and ownership of community water infrastructure

Relevance to enhancing PSP:

Developing a culture of preventive maintenance is expected to result into an increased demand for private sector, the demand for spare parts may also increase making it more attractive to traders or communities to maintain stocks of spare parts

Current situation

There is no culture of preventive maintenance, instead communities tend to wait until there is a breakdown before contributing for O&M or expect government to provide services free of charge.

Current effectiveness

The lack of saving schemes among communities for O&M has led to high breakdown rates, due to the fact that communities still expect to get free services and repairs. Even if they wanted to hire the private sector to carry out the repairs they find themselves with not enough or no money at all.

Political and financial cost of guideline

The political cost of carrying out these public awareness campaigns is expected to be low.

The public awareness campaign entails changing behaviour patterns and attitudes of communities towards O&M. This process is likely to take time hence the financial cost of carrying out these campaigns is expected to be medium.

Guideline 3

Local government and NGOs should carry out public information campaigns to disseminate information on the cost of spare parts and labour.

Direct objective

To increase public awareness and enable information flow regarding the cost of services.

Relevance to enhancing PSP

Implementing this guideline is likely to increase both demand and levels of business activity among private sector dealing in spare parts. Communities will now be more knowledgeable and well informed on the costs of services.

Current situation

There are information gaps among communities on the costs of different services including labour, hence it is difficult for communities to plan or save for their Operation and maintenance costs.

Current effectiveness

Communities' water supply tend to have high breakdown rates, as they are not regularly maintained.

Political and financial cost

The political costs are expected to be low

The financial costs will be high.

*3.4.2 Related to local authorities' demands for services***Guideline 4**

Government, donors and NGOs should standardise on a limited number (say 4) of types of designs of handpumps.

Direct objective

To increase the numbers of a limited range of hand pumps installed in rural areas. This will automatically result in an increased demand for spare parts for these hand pumps and thus result in faster moving sales and greater attractiveness for traders to stock the spare parts.

Relevance to enhancing PSP

Implementation of this guideline will lead to a bigger market for traders in rural areas. Availability of skills will be enhanced. (Increasing the number of hand pumps in unserved communities would result in increased demand for spare parts)

Current situation:

There presently at least 15 types of hand pumps in use in Zambia, the volumetric demand for spare parts for any one type of hand pump is currently low. To a trader sales of spare parts are slow moving items particularly if numbers of any one type of hand pump are low.

Current effectiveness

The multiplicity of types of hand pumps is not effective in promoting rapid sales of spare and hence spare parts are seldom unavailable from traders in rural areas.

Political and financial costs

The political costs of standardisation to government are expected to be low, even though agreement will be necessary among government and donors on the choice of hand pump designs.

Guideline 5

Local authority should adopt a policy of sourcing RWS services from private sector and at the same time assign powers and responsibility to specific government officers charged with rural water infrastructure development.

Direct objective

To place emphasis on the sourcing of services from private sector in rural areas.

Relevance to enhancing PSP

This guideline if implemented is directly relevant to enhancing PSP.

Current situation

While the policy on involving PS at local government exists, the responsibility for involving the private sector have not been assigned to specific government officials. In addition procedures for contracting of the small private sector are presently undeveloped.(powers and procedure assigned under the procurement need to be checked)

Current effectiveness

Currently small private contractors are rarely contracted for jobs by the district councils.

Political and financial costs

The political cost is expected to be low, if any.

The financial cost of implementing this guideline would be medium on the basis that they may be need for training of existing government officers.

Guideline 6

If not already in existence contracting procedures for small private sector for use at community level should be developed.

Direct objective

To provide a standard mechanism for contracting the private.

Relevance to enhancing PSP

Implementation of this guideline is directly relevant to enhancing PSP.

Current situation

The existence of procedure for contracting the PS needs to be checked.

Current effectiveness

It is understood that the SSPS is not contracted by the local authorities to provide the RWS.

Political and financial cost

The political cost of developing the contracting procedures is low.

The financial cost of developing the contracting procedures is low.

Guideline 7

Procedures for regulating the quality of work done by small-scale private sector service providers should be designed.

Direct objective

To ensure that work is carried to an acceptable standard for the price paid under the contract.

Relevance to enhancing PSP

Regulation is necessary to ensure that fair prices are charged and adequate quality of work is done. To prevent stifling of private sector interest it is recommended that regulation is "light touch" and limited to ensuring quality of work and fair pricing for services performed. This can be achieved by the local authority through procedures in awarding the contract and inspection of works carried (ie, through contract management procedures).

Current situation

There is currently no system for regulating the provision of services by the small-scale private sector.

Current effectiveness

Presently there is no provision for regulating the provision of services by the small-scale private sector.

Political and financial cost

The political cost is expected to be low.

The financial cost is expected to be low. Training of staff in contract management would be necessary.

Guideline 8

A simple, decentralised registration procedure for small-scale private service providers should be designed and implemented at district level.

Direct objective

To enable local authorities to know who the service providers are and what their skills are.

Relevance to enhancing PSP

This guideline is unlikely to enhance the PSP per se but should facilitate tendering procedures and appropriate utilisation of skills.

Current situation

Presently local authorities are unlikely to know who the potential service providers are in the districts.

Current effectiveness

Registration systems exist but are not tailored to enhancing the participation of the SSPS

Political and financial costs

Political costs are expected to be low.

The financial cost is low.

3.4.3 Comments

Access to finance

There are no guidelines pertaining to access to finance because the project does not think this is a critical factor affecting the involvement of the private. It is common practice in Zambia for contracting agents to pay up to 50% upfront upon signing of contracts.

Sanitation

The project did not set out to investigate the area of private sector involvement in sanitation services however; there is overwhelming demand to carry out further work with regards to sanitation. A number of areas around sanitation services have been identified as potential scope for small-scale private sector involvement in sanitation.

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4 ANALYSIS AND LESSONS LEARNED

4.1 The process

The project did make attempts to involve a cross section of people in the development of the guidelines. The multi-stakeholder working group composed of willing individuals from different backgrounds and expertise. The working group was set up to among other things offer input from a broad range of stakeholders. However a number of other relevant stakeholder like district level government officers and private sector operators not participate in the latter phases of the project due to physical (geographical) and time constraints.

In addition even within the working group the low turn out at meetings and the limited time frame affected the extent to which the working group members could effectively participate in the process.

With regards to the methodology, the research team noted some key challenges particularly with phase 2-survey methodology. It was quite challenging to tell to what extent the methodology used in the survey stage achieved the intended objectives, for example of assessing the capacity of local government to enable the private sector. The issue of assessing institutional capacity is a specialised area that needs a bit more orientation for anyone intending to apply skills in that area.

Questions were also raised around the validity of using a few sampled study sites to draw inferences and conclusion about the operating environment for the private sector generally.

The project has received overwhelming feedback from stakeholders on the role that the small-scale private sector can play by way of being involved in providing services in the rural water sector; guidelines of this nature have been cited as one way of fostering and enhancing private sector involvement. It is also noted that the guidelines alone in themselves will not bring about the biggest change in as far as involving the privates sector is concerned, there a number of other changes and actions that need to come about.

For example, implementing the guidelines without an effective decentralised financing arrangement for the district councils is meaning less, district councils need to be empowered financially in order that they demand the services of the private operators. Similarly communities cannot effectively demand private sector services without incomes. Issues of community livelihood have been noted as necessary for communities to be able to have sufficient incomes to demand services from the private sector. Without any of this demand, from district councils or communities there is no incentive for the private sector to provide services.

One effective way of ensuring that the guidelines are effective is to implement and/or apply the relevant changes together. What is being suggested here is to look at the institutional changes as well as the implementation of the guidelines as being complementary to each other.

At the moment the most practical use is to link them with ongoing initiatives in the water sector, eg, the JICA project and also carry out further tests among the wider stakeholders on how they can implement and use the guidelines.

It may be too early at the moment to be able to make conclusions as to whether guidelines are the key step to enabling the private sector. Further consultations and pilots are necessary to get practical feedback on what other changes alongside the guidelines may be needed

The stakeholders involved in the production of the guidelines had a relatively fair understanding and perception of the nature, role and demand and supply issues affecting the small scale private sector. However the project process improved the understanding of the private sector operating environment among the working group.

The key challenges encountered in the process of developing the guidelines have been getting the optimal participation of the working group. A good number have not been able to consistently participate citing time limitations. The low levels of participation from the working group affected the number of working group meetings that could be held, for example instead of holding the planned 7 to 8 meetings the country team only managed to hold only 4 working group meetings and 2 multi-stakeholder workshops.

The limited time duration compounded by the change in the staff structure of WaterAid resulted in the project stalling for close to three months, this affected the time frame in which the research team could have completed the project.

Also the limited time frame resulted in limited of testing the guidelines among a broad range of stakeholders. They will be needed to carry out further testing to capture other groups.

The biggest question that has not been answered is the issue of sanitation. This can be addressed by the future proposed government intentions to utilise existing information and ongoing sanitation studies to formulate sanitation guidelines.

4.2 The private sector and its operating environment

Who are the rural Private Sector? In Zambia SMEs are engaged in different kinds of entrepreneur activities in the water sector and usually do this alongside other activities. Predominantly, private sector operators are farmers who, alongside agriculture activities, operate small-scale businesses.

The rural private operators in rural areas operate mainly as metal fabricators, welders, hardware grocery shops, farmers, well constructors, auto spares stockist and pump menders. These provide the following water services;

- Tap mending
- Well digging and lining
- Borehole part repair
- Latrine building
- Chain repair
- Chain and windlass making
- Provision of spare parts
- Fabrication of buckets and other small parts

The private operators engage in unwritten contracts to provide services to the D-washe or communities. In some cases they are subcontracted by bigger enterprises to carry out work.

Most operators are not aware of where they can go to obtain information about private sector involvement in such works.

Supply Chains

Supply chains for the provision of spare parts and repair services exist in some form. Few of them are fully private sector and none were reported to be successfully providing the needs of the end users, i.e. suitable services at an acceptable price in a timely manner. Most supply chains had significant involvement of a donor/NGO/government agency somewhere in the chain.

Legal Frameworks

While there is a legal framework under which the water sector operates as a whole, there are no specific pieces of legislation to guide the operation and involvement of the small-scale private sector in rural water.

Institutional Framework

There are no specific policy provision for government structures and officers to deal with involvement of the private sector. With out explicit roles and structures, it is not clear among the district council officials who are to be responsible for playing the role.

Financial Framework

Even though small-scale private operators do not have any significant cash flow, the lack of access to the formal finance may not be such a significant factor hindering the private sector's participation contrary to earlier thoughts. They will be need however for refined public financing mechanism to ensure resource flows to the district authorities who may be the major source of demand for PS services.

4.3 Policy environment

Currently delivery of water services is carried out within the framework of the 1994 National Water Policy whose overall objective is *"...Improving the quality of life and productivity of all people by ensuring an equitable provision of an adequate quantity and quality of water to all competing user groups and, improved sanitation services for all at acceptable cost on a sustainable basis*

Through the national water policy of 1994, management of water resources has been delinked from the provision of water and sanitation services. According to the water policy the department of water affairs is responsible for management of water resources. While the provision of water and sanitation services is a responsibility of the Ministry of Local Government and Housing (MLGH) through the Department of Infrastructure and Support Services (DISS).

In 1997 the Water Supply and Sanitation Act facilitated the formation of commercial utilities to provide water services in urban areas and their regulator, the National Water and Sanitation Council (NWASCO).

While the WSS Act principally addresses the provision of services in urban areas, there have been no little policy initiatives regarding. There has been no major institutional reorganisation in this regard.

The government currently through DISS is formulating a rural water sector plan covering the period 2006 to 2015. In this plan the government has stated as one of the strategies for achieving its goal of increasing the number of people with access to safe drinking water the involvement of the private sector in water service provision. Specifically government seeks to; *“Strengthen and promote the role of the private sector, especially in establishing spare parts supply chains, operation and maintenance systems at appropriate community, district and provincial levels.”*(MLGH, August 2005)

This is yet the most explicit policy statement from the government on its intention to involve the private sector and may signify a positive shift in thinking on the part of the government. The guidelines therefore present a good opportunity for government to fulfil its policy intentions of involving the private sector. A key starting point in involving the private sector is creating an enabling environment, which the guidelines seek to achieve if implemented and supported.

In terms of the conditions necessary for creating an enabling environment for small-scale private sector, the most significant is the ongoing national development planning process through which government is producing a National Development Plan (NDP) that will serve as the basis for donors to channel their aid financing to the government’s development programmes which include social services like water and sanitation.

A key aspect underlying the success of the NDP is the effective implementation of the decentralisation policy, which is currently being implemented. Secondly there is a desire on the part of government and the national in general not to lag behind in achieving the MDGs for water, along with this comes the political goodwill from donor agencies to push for more financing to these areas.

Clearly the conditions exist and there is room for further change to occur to strengthen existing conditions necessary for creating an enabling environment. Government can take advantage of the current conditions and mobilise financial as well as political support to put in place the relevant reforms that are necessary to enable the private sector.

The government is and does put in place a vision for the water sector and formulate plans that set goals and direction for all players who seek to contribute to its vision. Therefore the role of creating an enabling environment is one thing that is for the government to do to ensure that it makes it possible for stakeholders who are capable of contributing to improving water services emerge.

As noted earlier, the guidelines may not bring about the desired changes if implemented alone, but rather they are meant to be implemented in conjunction with other changes as stated.

5 DISSEMINATION AND UPTAKE

5.1 Introduction

This section highlights the dissemination and uptake strategy that has been agreed upon by the research team together with the last multi-stakeholder workshop held at the end of phase three. The strategies suggested below are based on the target audiences identified as far back as the inception phase and also during the surveys in phase 2.

5.2 Target audiences and strategies

5.2.1 Local government (provincial/district councils)

In Zambia the local authorities are responsible for providing services to assist communities to develop and maintain rural water supplies. They undertake and are expected to continue carry out responsibilities of regulation of service provision to communities. The local government then is a direct beneficiary of the guidelines.

Proposed strategies for dissemination include:

- Multi-Stakeholder Working Groups members;
- Government to government exchange;
- Field visits;
- Orientation visits;
- Stakeholder consultation meetings;
- Community awareness raising campaigns;
- Partner NGOs and donors working with district councils.

5.2.2 Central government (MLGH-DISS, DWA, ZNTB, NWASCO)

Planners and policy makers at national level are a key stakeholder as a result of their role in sector reform planning and developing an enabling environment for private sector service provision. The above target audiences are direct beneficiaries.

Proposed strategies for dissemination include:

- Email groups;
- Websites;
- Multi-Stakeholder Working Groups members;
- Orientation visits;
- Stakeholder consultation meetings;
- Monthly bulletins;
- RWSS Forum;
- WASAZA meetings.

5.2.3 Rural-based, small scale, private sector service providers

Together with local authorities, they are the focus of this research. The research aims to identify what institutional environment will enable enhancement of the role of the private sector in community water supply service provision and to strengthen local government capacity to regulate their role. Private sector livelihoods should be improved directly by this research hence the above target audiences are direct beneficiaries.

Proposed strategies for dissemination include:

- Multi-Stakeholder Working Groups members ;
- Community radio shows;
- Field visits;
- Orientation visits;
- Brochures, fliers, leaflets;
- Community awareness raising campaigns.

5.2.4 Communities and vulnerable groups (the poor)

Communities need rural water supply services and to know where and how to obtain them. They also need to know how to interface with private sector service providers. This research will assist with this process via local government and NGOs. The poor will directly benefit from the improved rural water supplies (with respect to access, quality of service delivery and cost) which should result from improved service provision from the private sector. (indirect beneficiary).

Proposed strategies for dissemination include:

- Community radio shows;
- Field visits;
- Orientation visits;
- Brochures, fliers, leaflets;
- Monthly bulletins;
- Community awareness raising campaigns.

5.2.5 Donor agencies and NGOs.

Donor agencies and NGOs need to address the needs and priorities of national and local governments and work with communities and the poor to alleviate poverty. They need to be informed of developments in government thinking and priorities and to develop policies on how assistance can best be given.

Proposed strategies for dissemination include:

- Email groups;
- Websites;
- Multi-Stakeholder Working Groups members;
- Government to government exchange;
- Government to donor discussions;
- Stakeholder consultation meetings;
- Monthly bulletins.

5.3 Activities already undertaken

The findings of the project have not yet been disseminated widely except to the second multi-stakeholder workshop and the members of the working group. It planned that wider dissemination will be ongoing through the dissemination strategies stated in the dissemination and uptake plan above. DISS will play a major role in disseminating the project outputs and findings through the rural water supply and sanitation forum meetings held every two months.

5.4 Future activities

The activities to be conducted under the dissemination plan include, designing a public information campaign through the documentation department in DISS, orientation visits for district council officers, community radio shows targeting communities and private sector in rural areas.

It is also planned that the Water and sanitation association of Zambia (WASAZA) and the rural water and sanitation forum will provide effective means to disseminate the project process and findings.

5.5 Uptake and implementation

Currently the department of infrastructure and support services (DISS) through the rural water supply and sanitation (RWSS) unit has the responsibility to ensure provision of water service delivery. Among some of the function of DISS is to provide supervisory oversight to district councils, including monitoring and quality control of some aspects of district council operations.

Already certain level of capacities and structures are in place that may make it easy for DISS to house and lead the process of implementing the guidelines. There also constraints that may affect the implementation of the guidelines. These may include inadequate funding to ensure a realignment of the current structures to accommodate the guidelines.

Other institutions that are relevant in the implementation and uptake of the guidelines include the national water and sanitation council (NWASCO) and the department of water affairs (DWA) in the ministry of Energy and Water affairs (MEWD). NWASCO is a regulatory body formed under the DWA to regulate utility companies providing water and sanitation services. Currently NWASCO operations are restricted to urban areas and major towns were the CUs operate. This may hinder NWASCO's operation to include rural areas and small-scale operators in these areas.

The district councils are expected to play a major role in implementing the guidelines, a good number of the guidelines require specific actions by the district councils themselves. Currently district councils are faced with inadequate financing, inability to retain qualified manpower, which present capacity limitations that may affect their ability to implement the guidelines.

Non-governmental organisations (NGOs) and community based organisation work with district water committees and community water management groups, they will play a major role in disseminating and increasing the effective uptake of the guidelines through putting in place public information campaign programmes for communities and the district councils that they work with. There are guidelines that call for NGOs to carry out particular actions.

Closely tied to this is the role donors agencies and development agencies that fund community water project, during the course of the project process a number of organisation like the world bank, JICA, SNV have expressed interest and willingness to pay particular attention to involving the small scale private operators in their work of providing water services.

The biggest constraint may be the lack of a coordination mechanism addressing the involvement of private sector among the NGOs. Different NGOs have different approaches of involving the private sector. The local authorities may need to lead a process of developing and implementing a coordination mechanism for involving the private sector.

6 NEXT STEPS

During the course of this project a number of questions and opportunities for further research have arisen. In addition the project did not manage to tackle some aspects of the research questions adequately due to time limitations.

These issues have been presented here as subject of further work or research, particularly the government has already indicated its plans to carry forward the process of further testing the project outputs. Specific to this is the issue of sanitation.

In summary the three major activities to be carried out beyond this point are:

- 1) Conduct wide dissemination of the project findings;
- 2) Conduct wider pilot and testing of the guidelines among stakeholders;
- 3) Conduct further work on the topic of sanitation with the aim of producing guidelines.

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7 CONCLUSIONS

During the course of this project existing practice and knowledge have pointed to the different roles that the private sector operators are currently playing. The knowledge review presented the extent of private sector activities presently and potentially. The government itself has recognised and declared its intention and desire too involve the private sector in rural water services delivery.

Throughout the project process there has been varying opinions among the different stakeholders as to what form of private sector involvement can bring about the greatest change in terms of improving the government's ability to deliver water services to communities. The project has however brought out consensus among the different stakeholders on the existence and need for a much more explicit and elaborate role for the private sector.

The private sector need to be able to respond to demand for provision of water services regardless of the source of this demand, be it from Local authorities or indeed local communities themselves.

These guidelines offer tangible ways in which the local authorities and communities can create an environment that enables the private sectors to be responsive to the community needs in providing water services.

To a large extent the government's drive in pushing and selling the outcomes of the research will determine the use and impact of the research findings. The three main issues affecting private sector operation are; Inadequate demand for services, lack of market information regarding sources and pricing of goods and services among both the private sector and the communities and thirdly a lack of clear roles for government officials on engaging the private sector.

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APPENDIX A
Summary of project documentation

APPENDIX A**LIST OF PROJECT DOCUMENTS**

The project has developed the following documentation:

1. Project proposal
2. Phase 1 Inception Report, February 2004 (Water Management Consultants)
3. Phase 1 Knowledge Review, February 2004 (Water Management Consultants)
4. Phase 2 Report on surveys – Country Report for Zambia, December 2004 (DISS/MLGH and WaterAid Zambia)
5. Phase 2 Survey Synthesis Report, December 2004 (Water Management Consultants)
6. Terms of Reference for the MSWG (Appendix B, this report)
7. Minutes of MSWG meetings (Appendix C, this report)
8. Phase 3 Final Country Report for Zambia, September 2005 (this report)
9. Phase 3 Workshop Report (Appendix D, this report)

APPENDIX B
Terms of Reference for the MSWG

APPENDIX B

Terms of Reference for the Zambia MSWG

Introduction and background

Since November 2003, Water Aid Zambia (WAZ) and the Department of Infrastructure and Support Service (DISS) at the Ministry of Local Government and Housing (MLGH), in collaboration with Water Management Consultants (WMC) of UK have been undertaking a DFID funded Study entitled - ‘ *Small Scale Private Sector Participation in Rural Water Provision*’.

The study, which is now in its phase three, seeks to investigate examples of small businesses and the business environment in rural areas for small rural-based entrepreneurs. One of the key outputs of the study will be the **best practice guidelines** that can be used by Government, NGOs, private sector and other stakeholders to put in place an improved business environment that assists small entrepreneurs to set up small businesses to provide services to communities to improve rural water supplies.

As part of the process of producing these Practical Guidelines the Project Management Committee of the study seeks to establish a Multi-stakeholder working group consisting of a small number of dedicated, knowledgeable individuals drawn from the public and private sector. Ideally these individuals will have both the knowledge and power to bring about change in the environment affecting the private sector in the rural water service provision. Membership of the working groups will be by invitation from the government.

Overall the MSWG:

Will develop a vision of what needs to be done to create an enabling environment for the emergence of small scale private service providers and strengthened local government in the regulatory /facilitator role.

Specific terms of reference

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 MWSG will be advised by the Government-WaterAid team that carried out the surveys and wrote the country report.

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.

APPENDIX C
Minutes of the MSWG meetings

APPENDIX C

**MINUTES OF THE MULTI-STAKEHOLDER WORKING GROUP MEETING HELD ON
21ST JANUARY 2005 AT WATERAID , LUSAKA**

Attendance:

Lytone Kanowa- DISS
 Davy Ngoma – DISS
 Jane Chinkusu – TDAU
 Victor Inambwae – ZCSMBA
 Savior Mwambwa – WaterAid

1. Welcome and Introduction

Savior Mwambwa, a member of the research team welcomed every one present to the meeting and a round of introductions was done. The meeting was informed that this was a rescheduled meeting ,initially the first meeting was planned to take place on Wednesday the 19th January at Mulungushi Village but due to a low turn out it was postponed.

It was agreed that in spite of not having most of the members available the meeting should go on and tackle preparatory issues for the working Group (WG) that would set the tone for the future work of the working group.

2. Background to PSP Research Project

For the purposes of the Working Group, the research team (DISS and WaterAid) gave a background to the Research findings including an overview of the contents of the two Reports (the synthesis report and country Report) that would feed into the work of the WG.

3. Terms of Reference (ToRs) of the Working Group

There was a suggestion from the research team that maybe the WG be given time to go through the report and then come and discuss the terms of reference. The meeting however decided that since the ToRs are important in guiding and shaping the work of the WG it was prudent to discuss and reach an understanding of the nature and kind of work that the WG would be expected to undertake before anything else.

The following key issues were noted by the meeting;

- (a) In order for the work of the MSWG and the resulting outputs to be meaningful, the process of formulating the guidelines must be recognised and driven by the government particularly the Ministry of Local Government and Housing (MLGH) who must claim ownership of the resulting guidelines.
- (b) It was acknowledged however that the government remains committed to this Multi stakeholder process of formulating best practice guidelines ,through the signed working agreements with the project managers and also the staff input of DISS staff at the various stages of the project leading up to the MSWG.

- (c) It was also noted that some of the resulting guidelines might need to have legal backing in order for them to be effective, so the WG need to look at how and what changes need to be brought about in the existing legal and policy framework with regards to PSP in WSS.
- (d) On testing of the guidelines, the meeting discussed some of the methods that would be used for the purposes of testing the guidelines among the different intended audience. Some of the ways that were suggested are;
- Using the Later multi-stakeholder workshop
 - Holding consultations with different stakeholders at both national and local levels to provoke feedback from groups local government , NGOs and donors
 - It was also suggested that WG needs to come up with a structure or format that the guidelines would take; this would guide the WG on how to structure the formulation process.

4. Comments and Discussion on the Country Report and Synthesis Report

Most of the members indicated that due to email problems, they did not get the two reports in time for them to read them thoroughly and the hard copies were received late. It was agreed that more time be given to members to go through the two reports, this would also give a chance to those who were not present to read through the reports. The Research team indicated that they would recirculate hard copies of both reports in case others did not receive the email versions. The comments and discussions were then reserved for the next MSWG meeting to be held on 15 February 2005

5. Multi Stakeholder Workshops

The meeting was informed that as part of the project process ,the MSWG is required to plan for the Multi Stakeholder workshops. It was based on the members busy scheduled and after consultation with (DISS) it was proposed that the next RWSS Multi Stakeholder forum to be held on 22 February be dedicated to the PSP Multi Stakeholder Workshop. Invitations to the workshop will be extended to all PSP working group members and other identified stakeholders in addition to the usual forum members. The research team would liase with DISS and would inform the WG on the arrangements for the Workshop.

Lunch was served and the meeting was closed.

Action points and next steps

ITEM	WHEN	RESPONSIBLE
Comments to Synthesis and Country Reports	15th February 2005	Working Group
Structure of Multi Stakeholder workshop	Before 15th February	Working Group
Invitation list for Multi-stakeholder workshop	Before 15th February	Research Team / Working Group
Next MSWG meeting	15th February 2005	Research Team
Next Multi Stakeholder workshop	22nd February 2005	Research Team / Working Group

**MINUTES OF THE MULTI-STAKEHOLDER WORKING GROUP MEETING HELD ON
15TH FEBRUARY 2005 AT WATERAID, LUSAKA**

Attendance:

- 1) Maxwell Sichula – Zambia Chambers of Small and Medium Business Association
- 2) Gerrit Struyf – SNV
- 3) Kim Shelsby – SNV
- 4) Savior Mwambwa - WaterAid
- 5) Jane Chinkusu – TDAU/UNZA
- 6) Victor Muyemba – DTF/NWASCO
- 7) Justine Mwiinga – DISS
- 8) Ian Banda – WASAZA
- 9) Eta Siwale – DISS

Apologies:

Cecil Nundwe – DCI

1. Welcome and Adoption of Agenda

Mrs. Eta Siwale from DISS welcomed everyone present to the meeting and each member present was asked to introduce themselves.

Ms Siwale gave a brief background of the Rural Water Supply Sanitation (RWSS) unit in DISS and their involvement in the PSP project. She stated that for the unit, the PSP project came at an opportune time when the sector was undergoing various institutional reforms and seeking avenues that can improve the government's ability to improve the delivery of Water and sanitation services to the rural parts of the country.

The minutes of the last meeting were read and the agenda adopted.

2. MSWG ToRs

The meeting discussed the Terms of reference for the group. The group discussed and brainstormed on some of the issues that subsequent meetings would focus on. Further the Secretariat was asked to draw out specific issues from the findings of the research, together with the issues that the group discussed a schedule of topics or themes would be formulated that would guide the next meetings. This would be circulated for members' input and comments before adopted the working themes for the group.

3. Comments/discussions on the PSP country and the synthesis reports

Comments and inputs on the findings contained in the Country and synthesis reports were invited. The following comments were and points were raised on and noted;

- There is need for the report to define the different PSP service arrangements that are would be envisaged.
- There is currently some private sector activity already in place in the rural water sector; there are variations in the form and extent that this PSP takes in different parts of the sector. The focus of the Project would then be to look into ways of strengthening and harnessing the existing PSP in the rural water sector.

- In order for the Small scale PS to be competitive and sustainable they need to be organised into groups or association. This would give them more leverage and impact in terms of access to information, financing and technical expertise.
- The WG should seriously address the issue of sustainability with regards to the involvement of the PS in the rural water sector. Specifically issues of what financing systems are in place (and also needs to be in place) including self-financing mechanisms are key to the sustainability involving the private sector.
- There is need to address the question of how to attract the PS in RWSS; what kind of incentives can the government/local authority put in place? Local Authorities need to remove some of the barriers/obstacles that face the small-scale private sector in their operations. Specifically inhibiting registration and tendering procedures need to be addressed in order to incent the private sector.

4. Multi Stakeholder Workshop/Forum

The meeting was informed of the Multi Stakeholder workshop whose main objective is get inputs on the findings and draw lessons from the work that has been done so far and get input on the work to be done during phase three

The meeting was informed that plans for the Multi Stakeholder workshop scheduled for the 22 February were almost complete. A facilitator has been secured (Mr. Windu Matoka). Invitation letters have been sent out to an expected 35 participants. The secretariat together with the facilitator, have come up with a draft agenda for the workshop and this will be circulated to the WG members for input.

5. A.O.B and next Meeting

The meeting agreed that the next WG meeting would be held on Wednesday 16th March 2005. The meeting closed and Lunch was served.

NAME	ORGANIZATION
FLORENCE CHIBWESHA	Women Finance Cooperative (WFC)
VICTOR INAMBWAE	Zambia Chambers of Small and Medium Business Associations (ZCSMBA)
PAMELA CHISANGA	Water Aid Zambia
DAVY NGOMA	DISS- Ministry of Local Government & Housing
JANE CHINKUSU	Technology Development Advisory Unit(TDAU) – University of Zambia(UNZA)
SAVIOR MWAMBWA	FACILITATOR/Consultant
CHITIMBWA CHIFUNDA	Associate Consultant/UNZA

**MINUTES OF THE MULTI-STAKEHOLDER WORKING GROUP MEETING HELD
ON 3RD AUGUST 2005 AT WATERAID, LUSAKA**

Venue: Water Aid Zambia
34 kudu road, Kabulonga
Time: 09:00 hrs

ATTENDANCE

APOLOGIES

Barbara Senkwe – Water and Sanitation Program (WSP/WorldBank)
Ian Banda – Water and Sanitation Association of Zambia (WASAZA)
Oswald Chanda – National Water and Sanitation Council (NWASCO)
Mahesh Mishra – WaterAid Zambia
Rees Mwasambili – Head, RWSSU DISS

AGENDA

- Adoption of Agenda
- Introductory remarks
- PSP Project work plan
- A.O.B

1. Opening

Introductory remarks were given by Davy who reconfirmed government's commitment to the PSP study, saying the unit head was the project manager and was committed to this project. He apologised on behalf of Mr. Mwasambili who had to appear before a parliamentary committee and could therefore not make it. Savior was asked to introduce his role at this stage as it was under a new capacity as well as explain to the meeting where the project was.

The project was said to have three phases.

- Phase one: inception phase, which saw the inception and knowledge review report produced.
- Phase two; surveys: a country report was produced and the MSWG was constituted.
- And presently, Phase three - Analysis and dissemination: at this stage the MSWG is to work on the country report and develop guidelines for the enhanced participation of the private sector in rural water service provision.

Three MSWG meetings had been held in which some comments and gaps from the survey were identified. After a three months absence the project management team comprising of Water Aid and DISS have since contracted a consultant to facilitate the MSWG process of formulating the guidelines. This reaffirms government's earlier commitment to see the project through in spite of the many pressing commitments.

2 Project work plan

The meeting went through the project work plan, which specifies what should be done between now and the estimated end of the project in January 2006. The meeting recognised the fact that the process of formulating the guidelines is to be informed by the survey findings contained in the phase two survey report.

Among the next steps agreed upon as a way of refreshing, the MSWG would refer to some of the key recommendations in the survey report. It was also noted that there were some identified gaps during the phase two that needed to be addressed in order to strengthen the process.

Among the proposed steps was to broaden the circulation of the survey reports to include not only comments from the MSWG, but also other consultative meetings from other key stakeholders who may not have been part of the survey exercise.

In terms of the work plan, the MSWG explored the different ways that could be taken to ensure the quality production of well informed guidelines. It was then agreed that as an action point the facilitator would draft a list of proposed thematic areas in which guidelines might be needed including a proposed format that these guidelines would take. The thematic areas and the format will be circulated to the MSWG members by the 19th August for comments and any further input.

The next MSWG meeting, which will be held on 2 September, would then meet to look at and discuss the proposed guidelines in the different thematic areas. Each member of the MSWG will by then have come up with a list of proposals for guidelines inline with the circulated format. In addition people outside the group could be identified to provide their expertise under the different thematic areas.

It was agreed that the guidelines would cut across the different aspects affecting the private sector such as micro financing, legal and institutional frameworks, etc. These guides would come from the recommendations of the country report.

It was also suggested that the consultant would providing other supporting information like the context and background information for the different sections of the report of the guidelines, this would ensure a logical format when it comes to the overall report containing the guidelines.

It was further suggested that the facilitator circulate a meeting schedule with specific dates and times by Friday the 19th. The second of every month was tentatively set as the meeting date.

DISS/MLGH informed the meeting that the government was open to the possibility of redoing some aspect of phase two after the current project duration if need be in order to strengthen the current findings as a last resort if need be.

It was proposed that going by the proposed actions/steps the first set of draft guidelines would be ready by the October meeting. It was also emphasised that the list of proposed thematic areas to be discussed would provide a fair idea of how much work would need to be done by January 2006.

The MSWG members reiterated the desire for renewed commitment on everybody involved to the process and asked the consultant to exert an amount of pressure on all.

3 A.O.B

- All Members of the MSWG express their commitment to attend meetings as the rural poor stood to benefit from the successes of this program.
- Government reconfirmed their commitment to the program
- Every one was urged to keep attending as this would ensure the group maintained the schedule.

Next Steps/Action Points:

Deadline

1. Circulate Minutes of August MSWG meeting	- 12 th August 2005
2. Recirculate re-worked project workplan	- 12 th August 2005
3. Recirculate the PSP Zambia Survey Report	- 19 th August 2005
4. Circulate list of Draft thematic areas for guidelines	- 19 th August 2005
4. Circulate Proposed format for guidelines	- 19 th August 2005
5. Circulate Schedule of MSWG meetings	- 19 th August 2005

Close of Meeting

**MINUTES OF THE MULTI STAKEHOLDER WORKING GROUP MEETING
HELD ON 20TH SEPTEMBER 2005**

Venue; Water Aid Zambia

Time; 14:00 hrs

ATTENDANCE

VICTOR INAMBWEA	ZCSMBA
JANE CHINKUSU	TDAU/ UNZA
LYTON KANOWA	DISS/MLGH
PAMELA CHISANGA	WAZ
IAN BANDA	WASAZA
SAVIOR MWAMBWA	FACILITATOR
CHITIMBWA CHIFUNDA	ASSISTANT(UNZA)

AGENDA

- Welcome and introductory remarks
- Adoption of agenda
- Last meetings minutes/update
- Discussion and input in draft guidelines
- Multi-stakeholder workshop program
- Next steps/workplan
- WMC visit (Peter Bur)

1 Opening

The welcome remarks were given by Mr Lyton Kanowa from DISS who was present on behalf of Mr Mwasambili who is currently out. He presented the agenda of the meeting, which was then adopted.

2 Last meetings minutes /update

The meeting read through the minutes, identified the mistakes therein most of which were grammatical. These were then corrected and the minutes were adopted.

2.1 Update on the progress of the project process

Following the last Multi Stakeholder Working Group (MSWG) meeting held on 3 August 2005 at WaterAid, there have been developments that have necessitated in changes with regard to the time table and the project schedule.

Water Management Consultants (WMC) the project managers have since communicated to the Project Team that DFID turned down the proposal to extend deadline for the production of set of guidelines by two months. This means that the project will have to come up with some outputs in form of the guidelines, which will then be forwarded to WMC by 30 September 2005.

However WMC and the Government have recognised the importance of having guidelines produced through a broad based and consultative process, hence WMC and DISS/MLGH have agreed to allow the process to continue as planned even after the first draft is sent to DFID.

The draft guidelines have been done and will be presented at this meeting for comments and input by the MSWG.

2.2 Matters arising

- It was said that the compressing of the process of formulation of guidelines would have an impact on the quality of the guidelines produced.
- It was however said that the consequences of the limited time would be explained to WMC but that the MSWG would try as best as possible to consult all major stake holders so as to get consensus and produce a good document that would not be rejected.

3 Discussion and input in draft guidelines

- It was suggested that there be a clear definition of who the small scale private sector is as doing this would disqualify large scale private sector. This should be specified in the service contracts.
- The locality of these small holders should also be specified so as to encourage community participation. If these were not found those in adjacent communities could be eligible. This would enhance sustainability of the project.
- The vision of the project should come from the aim of the project.
- The contractor has a responsibility in terms of regulation of the private sector. This should be stated in the contract in form of punitive actions to be taken in the even of non-compliance. As such NWASCO should input on this.
- There should be adaptation of the guidelines to a rural setting as urban small-scale private sector conditions are different from those of the rural private sector.
- The issue of tendering must be clearly stated so that the small-scale private sector is not marginalised or disadvantaged.
- The guidelines should be very clear especially in terms of phrasing. They should also be very specific
- Another thematic area that should be included was that of standards
- The manner in which these guidelines are to be implemented should be clearly stated. In light of this a decentralised structure would be the best environment. This must be included in the uptake strategy,

Due to inadequate time to go through the whole document the group shared different parts in which they would work on to fill in the various gaps that had been identified. A meeting was scheduled for the next day after which the facilitator would tie up the draft guidelines to be presented at the multi stakeholder workshop.

4 Multi stake holder workshop program

The meeting went through the program for the workshop to be held on 23 September 2005 at Mulungushi village. This was adopted with Mr. Ian Banda being chosen as the workshop moderator.

5 WMC visit

The meeting was informed about the coming visit of Peter Baur from the project managers (WMC) who will be in the country to give support to the research team before and during the multi-stakeholder workshop to be held on 23 September. A meeting was scheduled for 22 September between Peter and members of the working group who would be available to meet with peter.

6 A.O.B.

There was no other business so the meeting was closed

APPENDIX D
Report of the second multi-stakeholder workshop

APPENDIX D

PRIVATE SECTOR PARTICIPATION IN RURAL WATER SERVICE PROVISION

MULTI-STAKEHOLDER WORKSHOP
23RD SEPTEMBER 2005 AT MULUNGUSHI VILLAGE COMPLEX

Attendance:

Name	Organisation
Philip Hankin	GITEC Consultants
Victor Inambwae	Zambia Chambers of Small and Medium Business Associations
Lyton Kanowa	Ministry of Local Government and Housing (MLGH)
Laura Sustersic	GTZ
Peter Baur	Water Management Consultants (WMC)
Obed Kawanga	Central Statistical Office (CSO)
Ian Banda	Water and Sanitation Association of Zambia (WASAZA)
D Chikobeni	Water and Sanitation Association of Zambia (WASAZA)
PM Banda	National Water and Sanitation Council (NWASCO)
S. Kalunga	National Water and Sanitation Council (NWASCO)
Bryman Hamududu	Plan International
Itsuro Takahashi	JICA
Rees Mwasambili	MLGH
Catherine Bwalya	MLGH
I Sichilongo	MLGH
Peter Chola	Ministry of Energy and Water Affairs (MEWD)
Prof. I Nyambe	University of Zambia
Peter Lubambo	MLGH
Godfrey Mwelwa	Christian Childrens Fund (CCF)
Gabriel Mwansa	MLGH
Pamela Chisanga	WaterAid Zambia
Savior Mwambwa	Project Facilitator/Consultant
Chitimbwa Chifunda	UNZA

1 Welcome remarks

The workshop opened at 09:30 hrs. The workshop moderator Mr Ian Banda welcomed everyone and thanked them for being present.

2 Official opening

The meeting was officially opened by Mr Peter Lubambo, the Director of the Department of Infrastructure and Support Services (DISS) in the Ministry of Local Government and Housing (MLGH). Mr Lubambo shared some ideas on the role of the government in rural water supply (RWS), saying that RWS was based on management and contribution by the communities, to allow the users to have the opportunity to manage the water supply so as to ensure sustainability.

Mr Lubambo further pointed out some shortcomings in management as users have different access to spare parts and technical support. He pointed out that in most cases the personnel that do the maintenance do it voluntarily with some moving on to greener pastures. He called upon the workshop to find and suggest solutions around the above problems. He highlighted some key questions facing the government regarding the involvement of the private sector, namely what should the private sector do to improve the situation? What are the growth opportunities for the private sector in rural areas? What are the pitfalls as well as the potential of the private sector to ensure growth and survival?

The government stressed that there is a need to link up and consolidate efforts with other stakeholders as well as civil society. This would help in formulation of sustainable models. Lessons must be put into practice so that stakeholders can participate formally in rural water provision.

Mr Lubambo thanked DFID for their assistance in conducting this particular research. He also thanked WMC for their attention to detail in the project. He thanked all who were involved in the process. He urged all in attendance to be candid and clearly look at and take ownership of the document. The sustainable implementation of these guidelines will help in the provision of sustainable services.

Current effectiveness

Due to the subsidy schemes in place by most Donors and NGOs, communities are getting services and spare parts at less than the real cost or in some cases free of charge. This has resulted in the hindrance of the private sector of engage in the provision of these services and spare parts as they can't compete fairly on the market. Communities also tend to develop dependency on free services, hence when there are break downs they tend to wait for the government to repair and do not pay for the O&M leading to unsustainable water schemes.

Political and Financial Costs:

The political cost of removing subsidies is likely to be high.

The financial cost to government of removing subsidies is expected to be low since government will be either providing services at true cost or services will be provided by the private sector.

Guideline 2

- *Government and NGOs with the private sector should carry out public education campaigns to assist communities to plan and invest in O&M of their water supply.*

Direct Objective

To develop a culture of preventive maintenance and ownership of community water infrastructure

Relevance to enhancing PSP

Developing a culture of preventive maintenance is expected to result into an increased demand for private sector, the demand for spare parts may also increase making it more attractive to traders or communities to maintain stocks of spare parts

Current Situation

There is no culture of preventive maintenance, instead communities tend to wait until there is a breakdown before contributing for O&M or expect government to provide services free of charge.

Current Effectiveness

The lack of saving schemes among communities for O&M has led to high breakdown rates, due to the fact that communities still expect to get free services and repairs. Even if they wanted to hire the private sector to carry out the repairs they find themselves with not enough or no money at all.

Political and Financial cost of guideline

The political cost of carrying out these public awareness campaigns is expected to be low.

The public awareness campaign entails changing behaviour patterns and attitudes of communities towards O&M. This process is likely to take time hence the financial cost of carrying out these campaigns is expected to be medium.

GUIDELINES RELATED TO LOCAL AUTHORITIES DEMAND FOR SERVICES

Guideline 3

- *Government, donors and NGOs should standardise on a limited number (say 4) of type of designs.*

Direct Objective

To increase the numbers of a limited range of hand pumps installed in rural areas. This will automatically result in an increased demand for spare parts for these hand pumps and thus result in faster moving sales and greater attractiveness for traders to stock the spare parts.

Relevance to enhancing PSP

Implementation of this guideline will lead to a bigger market for traders in rural areas. Availability of skills will be enhanced.

(Increasing the number of hand pumps in unserved communities would result in increased demand for spare parts)

Current situation

There presently at least 15 types of hand pumps in use in Zambia, the volumetric demand for spare parts for any one type of hand pump is currently low. To a trader sales of spare parts are slow moving items particularly if numbers of any one type of hand pump are low.

Current Effectiveness

The multiplicity of types of hand pumps is not effective in promoting rapid sales of spare and hence spare parts are seldom unavailable from traders in rural areas.

Political and Financial Costs

The political costs of standardisation to government are expected to be low, even though agreement will be necessary among government and donors on the choice of hand pump designs.

Guideline 4

- *Local authority should adopt a policy of sourcing RWS services from private sector and at the same time assign powers and responsibility to specific government officers charged with rural water infrastructure development.*

Direct Objective

To place emphasis on the sourcing of services from private sector in rural areas

Relevance to enhancing PSP

This guideline if implemented is directly relevant to enhancing PSP

Current Situation

While the policy on involving PS at local government exists, the responsibility for involving the private sector have not been assigned to specific government officials. In addition procedures for contracting of the small private sector are presently undeveloped.(powers and procedure assigned under the procurement need to be checked)

Current effectiveness

The district councils rarely contract currently small private contractors for jobs.

Political and Financial Costs

The political cost is expected to be low, if any

The financial cost of implementing this guideline would be medium on the basis that they may be need for training of existing government officers.

Guideline 5

- *If not already in existence contracting procedures for small private sector for use at community level should be developed.*

Direct Objective

To provide a standard mechanism for contracting the private sector.

Relevance to enhancing PSP

Implementation of this guideline is directly relevant to enhancing PSP

Current situation

The existence of procedure for contracting the PS needs to be checked

Current effectiveness

It is understood that the SSPS is not contracted by the local authorities to provide the RWS.

Political and financial cost

The political cost of developing the contracting procedures is low

The financial cost of developing the contracting procedures is low

Guideline 6

- *Procedures for regulating the quality of work done by small-scale private sector service providers should be designed.*

Direct Objective

To ensure that work is carried to an acceptable standard for the price paid under the contract.

Relevance to enhancing PSP

Regulation is necessary to ensure that fair prices are charged and adequate quality of work is done. To prevent stifling of private sector interest it is recommended that regulation is "light touch" and limited to ensuring quality of work and fair pricing for services performed. This can be achieved by the local authority through procedures in awarding the contract and inspection of works carried (ie, through contract management procedures).

Current Situation

There is currently is no system for regulating the provision of services by the he small-scale private sector.

Current effectiveness

Presently there is no provision for regulating the provision of services by the small scale private sector.

Political and financial Cost

The political cost is expected to be low.

The financial cost is expected to be low. Training of staff in contract management would be necessary.

Guideline 7

- A simple, decentralised registration procedure for small-scale private service providers should be designed and implemented at district level.

Direct Objective

To enable local authorities to know who the service providers are and what their skills are.

Relevance to enhancing PSP

This guideline is unlikely to enhance the PSP per se but should would facilitate tendering procedures and appropriate utilisation of skills.

Current Situation

Presently local authorities are unlikely to know who the potential service providers are in the districts..

Current effectiveness

Registration systems exists but are not tailored to enhancing the participation of the SSPS

Political and financial costs

Political costs are expected to be low

The financial cost is low

Comments

Access to Finance

There are no guidelines pertaining to access to finance because the project does not think this is a critical factor affecting the involvement of the private. It is common practice in Zambia for contracting agents to pay up to 50% upfront upon signing of contracts.

5 Plenary discussions

After the two presentations the workshop participants were invited to give their comments and input to the draft guidelines themselves and also the project process. The following were the major issues that were raised for consideration and discussion by the participants;

- It was noted that the project would not end when the draft guidelines had been presented; it is an ongoing process. However testing of these guides would be done through this workshop after which WMC would synthesise them.
- The subsidies in place in the water sector tend to crowd out the small-scale private sector. Communities also find it hard to continue maintenance of water services because they receive free spare parts pumps initially and find it hard to adjust when they have to purchase these parts at real prices in the event that they fail.
- Rural water provision is challenging in that people do not have the capacity to pay in most cases so in attempting to commercialise, we must think of the capacity of the people to pay. The issue of misplaced priorities when it comes to paying for water must not be forgotten.
- The small-scale private sector was defined as individuals or groups who live in the communities and are earning their livelihood in these communities.
- It was asked whether the guidelines were based on observations, how these communities overcome the logistical problems that they face and if they make profits? It was pointed out that the guidelines are based on the survey findings of the project.
- It was found that some small holders do make profit whereas others don't but there are ways to go round this through creation of an enabling environment
- Due to the unattractive nature of this sector for the small scale in provision of spare parts, which have a slow turnover, a combination of these guidelines could cause an effective supply chain. As long as things were free there is no incentive for small-scale private sector to participate.
- Concerns were raised as to whether these guidelines were a form of privatisation but this was clarified as communities would continue to be in charge. This was just a chance to enhance PSP as a backup to the water problems in rural areas.
- There should be another guideline to help improve awareness levels on pricing of spare parts, labour cost, etc.
- Mr Takashi from JICA asked if there was space for them to input into this process as they were doing a similar project related to improvement of the supply chain? Mr Lubambo answered saying that the JICA project was an overall project under MLGH intended to inform government on ways to build on issues of sustainability and maintenance. PSP was one of the components. All issues of RWS will be put in one document if there was nothing to improve it will be adopted.

- Other issues that would improve the capacity of the small scale such as business management must also be addressed by the guidelines. The local authorities as well as the contractors needed to be trained so that each understood their roles.
- There should be a provision in the guideline to consider other sources of water in rural areas such as shallow wells, etc.
- It was noted that the guidelines did not adequately cover issues of sanitation, which is very important. This was because it was not in the scope of the study. However, this should not be seen to limit the activities of the small-scale private sector.

6 Group work- Discussion

The workshop participants broke into group work sessions to input into the guidelines in relation to 5 key questions that were asked for each guideline as follows;

Guiding questions for group work:

1. If this guideline is implemented will it result in enhancement of the role of the small scale PS in RWS?
2. How should the guideline be implemented?
3. Which stakeholder should be responsible for implementation and who else should be involved?
4. Who needs to know about this guideline and how should they be informed?
5. What else is necessary?

Group 1

Guideline 1

1. The guideline needs rephrasing because if implemented the way it is phrased it may not enhance the role of the small-scale PS in RWS in rural areas due to low demand related with limited cash economy. However, certain things can be put in place to stimulate the demand through the following;
 - Due to limited income communities can engage in income generating activities.
 - Government can come up with activities such as feeder road maintenance, bush clearing, and power line bush clearing to earn income. Part of such payments can go towards paying for OM of RWS and procurements of spare parts.
 - DDC's could be decentralised and linked to rural schools and health authorities. Church leaders, traditional leaders should facilitate leadership and manage RWS points.

D-10

2. Advocate for government to come up with community based activities mentioned above. This will stimulate income-derived demand for RWS and willingness to pay for OM.
3. Coordination, group meetings , multi-stakeholders forum and SAG meetings.
4. Commitment by government, donor agencies and beneficiaries should support these income-generating activities from which contributions would be raised to finance water point operations and maintenance.(OM)
 - Monitoring of implementation of OM activities for water points that should be at regular intervals.
 - Sensitisation of local communities on project ownership of RWS point by way of their labour contributions.
5. Issues raised
 - Guideline needs to be rephrased so that thrust of the guide is known. The idea is not for government to move out but to charge the real price.
 - Is it a moral issue to have the rural people work for RWS and pay for it? The 30% payment and people work for food was it feasible? This would not promote ownership .The principle of cost sharing was important but to what degree .The use of appropriate technology is important as some communities would not need technology but use traditional methods. The guidelines should take care of this. The process of change must be gradual. These guides should cover simple traditional methods that would need frequent maintenance.

Guideline 2

1. Yes the guideline will enhance PSP
2. To engage CBOs, chiefs, school and health authorities. Ensuring that stakeholders in RWS set aside minimum funds for carrying out sensitisation.
3. The stakeholders responsible for implementation are: local authorities, CBOs, FBO's traditional leaders, RDCs, ADCs (Area Development committees), rural school and health authorities.
4. All mentioned above. Through radios, brochures, meetings, DC's offices to inform the communities and traditional leaders at local level. At national level: donor.
5. NWASCO has to come up with ways to accommodate small-scale RWS providers in their licensing for regulation purposes.

Issues arising

- It is not in the mandate of NWASCO to regulate rural water.

SANITATION

1. Appropriate siting of pit latrines.
2. Providing skills in construction of pit latrines.
3. Selling of san plats and other items like pipe spares.
4. Sanitation marketing of latrines so as to create demand for these services.
5. Emptying latrines that are reusable.
6. Marketing/sensitisation of hygiene and sanitation services as to enlighten communities about the benefits of hygiene and sanitation of their health.

Group 2

Guideline 3

1. Implementation will increase the market among traders by increasing the volumetric demand for spare parts.
2. By reviving the work (1984-1999) of the WSS 'standardisation committee' (India MK2)
3. MLGH/DISS, D-Washe, V-Washe, NWASCO, MEWD, UNZA, ZABS, Ministry of Works and Supply, National Council for Scientific Research, Zambian Association of Commerce and Industry.
4. Local authorities-implementers & Supervisors. DISS - dissemination of policy.
5. Contact local traders & artisans in rural areas also CBOs faith based Organisations. Inform communities and traditional leaders to be consulted first.

Guideline 4

1. This policy, community based WSS management systems, already exists but needs revising and elaboration. This will enhance PSP.
2. MLGH/DISS to drive local authorities to implement.
3. DISS, local authorities, CBO's, FBO's.
4. The above and private sector
5. Need to find modalities involving all actors.

Guideline 5

1. ZAMSIF has developed contracting procedures at community levels. Review is required to assess usefulness for contracting small service providers for RWS. Also contracting between D-washe, V-washe and pump menders exist. The weak link is the absence of spare parts .Need to find ways to ensure traders stock spare parts (health sector- monthly health kits).
2. Review existing contracting procedures and modify as appropriate .Then provide to local authorities and train them for implementation purposes.

D-12

3. MLGH/DISS- review design and training program, local councils V-washe, private sector.
4. MLGH/DISS ,local councils ,V-washe, D-washe , private sector.
5. A road map for implementation and mechanisms for monitoring and evaluation. Pilot program implementing the guidelines.

SANITATION

1. Construction of pit latrines
2. Manufacture of parts
3. Provision of materials
4. Community hygiene education
5. Construction of pits for solid waste disposal.

Group 3

Guideline 6

1. Yes ,by creating confidence as a result of quality of service.
2. Publicity of guidelines to all stakeholders to include suppliers.
3. LA, ADC, user community.
4. All stakeholders to include suppliers.
5. Training of regulating body and supplier of service.

Guideline 7

1. Yes, by way of formal marketing service at district and sub district level. Quality assurance used for planning purposes.
2. Publicity at LA & ADC.
 - Minimum registration procedures
 - Include in training modules for D-washe, V-washe, ADC APM, etc.
3. LA, ADC user community.
4. All stakeholders
5. Training of regulating body and supplier. Community sensitisation.

SANITATION

Services that can be provided by small-scale private operators:

- Construction (sanplat moulding)
- Provision of building materials

Issues arising

- Part of the regulation of PSPs must be in the service contracts. If authorities are too heavy handed, we run the risk of the small-scale private sector losing interest. Regulation can be done through guiding rates, standard contracts, and specifications when providing RWS. Local authorities should be there to approve of the work of the small-scale providers.
- Sanitation must not be placed last as it is a very important aspect of RWS. The need has been expressed and sanitation must be given the attention it deserves. Water supply must be wholesome. The views expressed about sanitation must not be left out even in the guidelines that would be submitted to DFID.

7 Discussion on next steps

- Testing of guidelines on other stakeholders through consultations
- Dissemination of guidelines

The meeting was closed by Mr Rees Mwasambili from MLGH who thanked everybody for attending and for their critical input. He reaffirmed the Government's commitment to RWS as well as to sanitation saying that guidelines would be included in the document

APPENDIX E
List of contacts

APPENDIX E
LIST OF CONTACTS

Name	Organisation	Email	Telephone
Ghana			
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Stephen Ntow	WaterAid Ghana	stephenntow@wateraidghana.org	+233 (0)21 760440 / 780581
Mawuena Dotse	Maple Consult	maplecon@ghana.com	+233 (0)21 241415 / 241133
Tanzania			
Engr. Yunusu Rugeiyamu	Office of the Regional Commissioner, Dodoma Region	yrugeiyamu@yahoo.com	
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		pamelachisanga@wateraid.org.zm	+260 (0)1 290698

APPENDIX F
Minutes, Multi-Stakeholder Working Group meeting, 3rd October
2005, CWSA conference room, Accra, Ghana

**MINUTES OF THE MULTI STAKEHOLDER WORKING GROUP MEETING HELD ON
3RD OCTOBER, 2005 AT THE CWSA CONFERENCE ROOM**

Members present

Name	Designation	
Organisation		
E.F. Boateng	Regional Director	CWSA-Volta Region
Abdul-Nashiru Mohammed	Advocacy Manager	Water Aid Ghana
John Asimeku	Area Mechanic	Private Sector
Paul Kwame Sewor	DWSTMember	Ho Municipal Assembly
Bonni Jones	WATSAN C'ttee Chairman	Hodzo, Ho

Absent with apology

Kojo Bibah	Programme Officer	DANIDA
Fay Ephrim	Zonal Planner	CWSA
K. Frempah Yeboah	Assistant Director	Water Directorate
Ate Ofosu Amaah	Director	Ministry for Private Sector
Edward Aboagye	Member, country team	Project Impact Consult

In attendance

Aissa Toure Sarr	Country Representative	Water Aid Ghana
Yaw Asante Sarkodie	Zonal Planner	CWSA, Head office
Mawuena Dotse	Member, country team	Maple Consult
Joseph Ampadu-Boakye	Junior Consultant	Maple Consult

1. Opening

The meeting, held under the chairmanship of Mr. E.F Boateng started with a prayer by Mr. Paul Sewor. Mr. Abdul-Nashiru Mohammed welcomed participants to the meeting and highlighted the agenda for the meeting. He indicated that the main objective for the final meeting was to reach consensus on the appropriate steps to be taken to ensure the successful implementation of the guidelines. He told the house that inputs from the second national workshop for the presentation of the guidelines have been incorporated into the final guidelines.

2. Post workshop issues

Mr. Mawuena Dotse presented the outcome of the second national workshop to the meeting and indicated that participants at the workshop were in broad agreement with the guidelines and accordingly there were no substantial changes. He indicated that participants at the workshop rather made contributions as to the way forward in implementing the guidelines.

He also informed the house that that the country team was able to meet the deadline of 30th September 2005 for the presentation the presentation of the country reports to Water Management Consultants with copies forwarded to CWSA and WaterAid.

After the presentations by Mr. Dotse, Mr. Abdul-Nashiru invited the house to make contributions on the way forward for the guidelines. In response to this invitation, Mr. Sarkodie said there was an opportunity to take the guidelines forward and have its relevant sections incorporated into the national water policy that was being formulated. In this connection, it was decided that the MSWG could constitute an “Action Group” to draw an action plan with a view to influencing CWSA and the Ministry of Works and Housing to inculcate some of the guidelines into the national water policy Mr. Sarkodie also informed the meeting that as part of the restructuring of CWSA, legislative instruments will be enacted passed to empower CWSA to perform more effectively some of its current functions. To this end, CWSA could play a lead role in facilitating the registration of private sector operators.

Mr. Abdul-Nashiru informed the house that officials of WaterAid Ghana will take advantage of an upcoming meeting with the Deputy Minister for Works and Housing to discuss modalities for the implementation of the guidelines with the Deputy Minister.

3 Implementation of the Guidelines

A member of the MSWG suggested that the proposed “Action Group” should contact the Decentralisation Secretariat of the Ministry of Local Government and Rural Development (MLGRD) to determine the latter’s support since the guidelines would be implemented at the district level.

Mr. Abdul Nashiru proposed that monitoring of the decentralisation of business registration should be done at two levels,-national and district. He added that the MWH could undertake monitoring at the national level whilst the Action Group selects two post offices in one of the regions for monitoring.

On the formation of associations, a member suggested that in view of the cost implications of forming groups, the Action Group should develop a budget line for the exercise. It was also suggested that the exercise should commence from the district level possibly with the Ho Municipal Assembly.

To ensure availability of funds for the implementation of the guidelines, the members of the MSWG agreed that the proposed “Action Group” should prepare and present a proposal and a budget to DFID for financial support to implement the guidelines.

The MSWG also agreed that in registering the private sector operators, CWSA and District Assemblies could collaborate to register all community Water and Sanitation (WATSAN) committees, Water and Sanitation Development Boards and private sector associations. Mr. Paul Sewor was requested by the house to discuss the feasibility of this proposal with the Municipal Coordinating Director of the Ho Municipal Assembly

The house also asked Mr. E.F Boateng to investigate the lease concept that was previously implemented in the Volta region with financial assistance from DANIDA. To ensure ease of preliminary implementation of the guidelines, it was decided that the country should be divided into three zones for pilot implementation in predominantly rural areas. The zones and the regions selected are:

Zone	Region
▪ Northern-	Northern Region
▪ Middle-	Brong Ahafo Region
▪ Southern-	Volta Region

The following members of the MSWG were nominated to constitute the “Action Group”

Mr. E. F. Boateng	CWSA Volta Region
Miss Fay Ephraim	CWSA Head Office
Mr. Abdul-Nashiru Mohammed	WaterAID
Mr. Kojo Bibah	DANIDA
Mr. John Asimeku	Private Sector

The Director of the Water Directorate is to nominate a representative to serve as a member of the “Action Group” To facilitate the commencement of activities of the “Action Group”, it was decided that CWSA should officially write to the nominees informing them of their appointment and the terms of reference for the assignment. It was also agreed that the minutes of the day’s meeting should be forwarded to CWSA to enable the Chief Executive issue appointment letters to the “Action Group” members.

4 Closing

The WaterAid Country Representative, Mrs. Aissa Toure Sarr thanked the MSWG for the excellent work done and expressed optimism that the members of the Action Group will support the implementation of the guidelines. Mr. Mawuena Dotse also expressed his appreciation and that of Mr. Aboagye, his co-consultant on the study, to the MSWG members for the collaboration extended during the formulation of the guidelines.

The meeting came to an end at 12:30pm

APPENDIX G
Multi-Stakeholder Working Groups - Draft Terms of Reference

STUDY OF SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR

MULTI-STAKEHOLDER WORKING GROUP

DRAFT TERMS OF REFERENCE

Introduction

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.

The study comprises three phases, as follows:

- Phase 1 – Inception (review of knowledge of private sector participation in the rural water sector and detailed planning of Phases 2 and 3)
- Phase 2 – Surveys (field surveys by the country teams of (i) the capacity of the private sector to provide services for rural water supply, (ii) the capacity of government to enable and to regulate the private sector, and (iii) the need for guidelines for enhancing the participation of the small scale private sector).
- Phase 3 – Analysis and dissemination (development of guidelines for the enhanced participation and regulation of the rural-based private sector in service provision for rural water supply).

Phase 1 began in November 2003 and ended with the production of the Knowledge Review and the Inception Report. Both reports are available on the project website at www.ruralwaterpsp.org under Internal Reports and Documents. Phase 2 began in April 2004 and will close towards the end of 2004. Phase 3 will begin in December 2004 and the project will end in October 2005.

Outputs of Phase 2 are a country report produced by each country team, and a synthesis report. The country report presents the findings of the three surveys carried out by the country team. The synthesis report brings the results of the three country reports together and highlights commonalities and differences.

Phase 2 will end with the presentation and discussion of the respective country report in a workshop with a wide audience drawn from the water sector.

Multi-stakeholder Working Group

A Multi-stakeholder Working Group will be formed in each study country. The working groups will play a major role in Phase 3 of the study, ie between December 2004 and October 2005.

Membership of the MSWG will be by invitation and those invited will be expected to work as a team. The working group members will be key individuals drawn from different disciplines in government/private sector/NGOs/donors. They will have 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.

Role and functions of the Multi-stakeholder Working Group

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 MWSG will be advised by the Government-WaterAid team that carried out the surveys and wrote the country report.

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.

Resources

It is expected that Multi-stakeholder Working Group will meet once a month starting in January 2005. WaterAid has sufficient resources to convene up to seven meetings and the final project workshop.

The country team will act as secretariat to the working group and will advise the working group on particular issues and questions that arise.

These terms of reference may be amended by the country team and the Multi-stakeholder Working Group, if required. Any amendments should be agreed with Water Management Consultants.

Peter Baur
Project Manager
Water Management Consultants Ltd
20 October 2004

