

Equitable Access to Basic Services: Who will Guarantee it?

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Current practice in utility provision involves the following. Governments retain ownership and pay for capital investments, while privatising the operations and management of the companies. Does this modality guarantee equitable access to water and electricity services?

Ensuring equitable access requires financing the initial outlays in infrastructure. Private companies seldom make these investments. More to the point, immediate profits are not assured. For instance, a British company walked out of a water-supply contract in Zimbabwe, claiming its customers were too poor to pay for its services. Water and electricity contracts are disputed, in some cases terminated, in many countries including Gambia, Kenya, Guinea, Mozambique, Nigeria and South Africa.

Public protests are common in response to exorbitant tariffs. A private electricity provider in Zambia submitted more than 10 applications for tariff revision. Consumers are expressing their discontent at three public hearings held by the Energy Regulation Board. Following the liberalisation of the sector in Nigeria, electricity prices increased by over 800 per cent. Recently, the country experienced widespread blackouts. In Guinea, water tariffs almost doubled after liberalising the sector. In Latin America, the cost of electricity connection reached 20 per cent of household income.

The expected efficiency gains are not always evident. Despite tariff increases only about a quarter of the total water connections were working in some countries. In other cases, wastage of water has remained at 40 per cent. In Cameroon and Burkina Faso, the electricity grid systems covered mainly the urban centres. Private management of utilities are linked to maintenance failures, cuts in water supply and electricity blackouts. The South African bill of rights guarantees water supply to poor households, but not all countries have such constitutional provision.

The deals offered to private contractors include purchase guarantees and tax holidays up to 30 years. Others obtained 100 per cent guarantee for the purchase of their output at fixed foreign exchange price. Indeed, there may be low investor interest and some enticement is necessary. However, the concessions result in heavy fiscal burdens, often diverting resources away from social spending.

Access to basic services in Sub-Saharan Africa (SSA) is extremely low. It is revealing to compare privatisation in the region with the

Access to Essential Services

	Sub-Saharan Africa (2004)	UK (1980)	USA (1980)
Access to water (% of population)	56	100	100
Electric consumption (kWh per capita)	594	4,683	9,862

Source: World Development Indicators (April 2008).

United Kingdom and United States, where it had a better success. In the UK, water privatisation was proposed in 1984. The actual asset transfers took place over the period 1989-1990. Electricity privatisation started in 1989 with the split of the industry into many companies. Water privatisation intensified in the US beginning 1988.

When these countries privatised water provision, they had attained 100 per cent access. Electricity consumption of 4,683 kWh per capita in the UK and 9,862 kWh in the US was achieved. In contrast, by 2004, only 56 per cent of the population accessed clean water in SSA. About 83 per cent of the access was by urban dwellers. The 2004 electricity consumption in SSA was 6 per cent of the electricity consumption in the US in 1980 (see Table).

Clearly, discussions on privatisation in SSA must take its low access levels into account. Can the public sector do a better job? The record is not very telling. Publicly managed utilities are sometimes associated with poor maintenance, wastage, uncollected bills and uniform tariffs (irrespective of household income levels). There are success stories, however. Botswana's Water Utilities Corporation (WUC) increased the proportion of the population served by piped water. The restructured Namibian Water Corporation Ltd (NamWater) provides services adequately. Brazilian municipalities have been successful in supplying sanitation and water services equitably.

The lesson is this: the higher the level of access at the start of privatisation, the higher its success. Before embarking on full-scale privatisation, minimum targets on access must be achieved through restructured public provision. And when private provision is considered, it must be supported by adequate regulatory environments. These include the legal frameworks to enforce contracts and capacity to negotiate them in the interest of poor consumers.

Further Reading:

Bayliss, K. and Fine, B. (2007). *Privatization and Alternative Public Sector Reforms in Sub-Saharan Africa: Delivering on Electricity and Water* (eds.). London: Palgrave Macmillan.