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PRINWASS PROJECT: An examination of the politics of privatization of water and sanitation services in Africa, Europe and Latin America (1990-2004) – Cases from Kenya and Tanzania



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(In English)

Newcastle upon Tyne and Buenos Aires, June 2018

Cover picture: Water supply infrastructure in rural and peri-urban areas, Kenya, 2005.

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Research Projects Series
PRINWASS Project

An examination of the politics of privatization of water and
sanitation services in Africa, Europe, and Latin America
(1990-2004) – Cases from Kenya and Tanzania

José Esteban Castro (Ed.)
Newcastle upon Tyne and Buenos Aires, June 2018



WATERLAT-GOBACIT Research Network

5th Floor Claremont Bridge Building, NE1 7RU Newcastle upon Tyne, United Kingdom

E-mail: waterlat@ncl.ac.uk

Web page: www.waterlat.org

WATERLAT-GOBACIT NETWORK Working Papers

General Editor

Jose Esteban Castro

Emeritus Professor,
Newcastle University
Newcastle upon Tyne, United Kingdom
E-mail: esteban.castro@ncl.ac.uk

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Cuadernos de Trabajo de la Red WATERLAT-GOBACIT

Vol. 5, N° 2

Serie Proyectos de Investigación

Proyecto PRINWASS

Un examen de la política de privatización de los servicios de agua y saneamiento en África, Europa y América Latina (1990-2004). Los casos de Kenia y Tanzania

José Esteban Castro (Ed.)
Newcastle upon Tyne y Buenos Aires, junio de 2018



Research Projects Series

PRINWASS Project

Title: An examination of the politics of privatization of water and sanitation services in Africa, Europe, and Latin America (1990-2004) – Cases from Kenya and Tanzania.

Corresponding Organizer:

Jose Esteban Castro
Emeritus Professor,
Newcastle University
Newcastle upon Tyne, United Kingdom
E-mail: esteban.castro@ncl.ac.uk

Corresponding authors:

For comments or queries about the individual articles, contact the relevant authors. Their email addresses are provided in each of the articles.

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Proyecto PRINWASS

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Organizador Correspondiente:

Jose Esteban Castro
Profesor Emérito,
Newcastle University
Newcastle upon Tyne, United Kingdom
E-mail: esteban.castro@ncl.ac.uk

Autores Correspondientes:

Para enviar comentarios o consultas sobre los artículos individuales incluidos, por favor contacte a los autores relevantes, cuyos datos de contacto son provistos en cada uno de los artículos.

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Presentation of the Working Paper

We are glad to present another issue of the PRINWASS Project Series (SPIPRW). The SPIPRW Series has the objective of making available edited materials based on the final reports of the PRINWASS Project (www.prinwass.org). This project was carried out between 2001 and 2004 and was funded by the European Union's Fifth Framework Programme. PRINWASS is a major landmark for our Network, as WATERLAT-GOBACIT was created by a group of PRINWASS partners after the project ended to continue working together on the politics of water and water services.

Although some time has passed since the project ended, the topics addressed, and the project's findings have significant relevance and can contribute towards better understanding some of the challenges currently facing the implementation of progressive, egalitarian water politics. In short, PRINWASS' main objective was to examine critically the policies of privatization of water and sanitation services implemented worldwide during the 1990s, looking at specific cases from Africa, Europe and Latin America. The project carried out case studies in Argentina, Bolivia, Brazil, England and Wales, Finland, Greece, Kenya, Mexico, and Tanzania, and developed comparative analyses of the main findings. Although the original reports were freely available by request, and we produced several specific publications based on the project's findings, much of the material remains largely unknown and, for this reason, we launched the SPIPRW Series to facilitate the dissemination of research results.

This issue of the WATERLAT-GOBACIT Working Papers features two articles presenting edited materials based on the original reports from the case studies carried out in Kenya and Tanzania. These two cases provide examples that have important lessons for current debates on the privatization of essential public services in developing countries, as we currently experience a revival of the water politics implemented worldwide in the 1990s, often with complete disregard for the lessons learned from the recent past. The two Kenyan cases examined in Article 1 provide excellent information about the overall situation of essential water services in the country, and a detailed account of the process of privatization launched by the government in the mid-1990s with the support of international financial institutions and development agencies. In practice, the two cases under consideration in the article, the experiences of Nyeri Town and Tala Town, are mostly cases of commercialization of water supply services. Article 2 discusses the implementation of privatization policies in Tanzania, which took place around the same time than in Kenya, and under relatively similar circumstances, with a strong presence of international financial institutions and development agencies providing support and funding for the required reforms. The article focuses on the privatization of the capital city Dar es Salaam's public utility, DAWASA, which was a very difficult experience and took almost six years to be completed. Differently from the Kenyan cases, where the participating private companies were local, in Dar es Salaam there was a strong presence of multinational water companies.

The original reports were written in 2003 and 2004, and therefore the articles contain references that may be outdated. We have not updated the information, as the purpose of

the publication is to disseminate the original information. We hope that the readers will find this material useful and that it may contribute to the work of researchers, students, activists, and others in their activities to understand better the internal workings and the huge impacts of water privatisation processes. As mentioned earlier, these policies are not only very much alive but are also experiencing a worldwide revival. Therefore, we believe that the findings and lessons that emerged from the PRINWASS Project deserve this publication effort. We wish you all a pleasant and fruitful reading.

Jose Esteban Castro

General Editor and Issue Editor

Newcastle upon Tyne and Buenos Aires, June 2018

Presentación del Cuaderno de Trabajo

Presentamos con gusto otro número de la Serie del Proyecto PRINWASS (SPIPRW). La Serie SPIPRW tiene el objetivo de facilitar el acceso a materiales editados basados en los informes finales del Proyecto PRINWASS (www.prinwass.org). El proyecto fue realizado entre 2001 y 2004 y fue financiado por el Quinto Programa Marco de la Unión Europea. PRINWASS representa un momento fundante de nuestra Red, ya que WATERLAT-GOBACIT fue creada por un grupo de los socios que llevaron adelante el Proyecto PRINWASS, quienes una vez finalizado el proyecto decidieron continuar trabajando juntos sobre la política del agua y de los servicios básicos de agua y saneamiento.

Aunque ha pasado algún tiempo desde el fin del proyecto, los temas y los hallazgos del proyecto tienen mucha relevancia hoy y pueden contribuir a la mejor comprensión de algunos de los desafíos que confronta la implementación de políticas del agua progresistas, igualitarias. En resumen, el principal objetivo de PRINWASS fue el de examinar críticamente las políticas de privatización de los servicios básicos de agua y saneamiento implementadas internacionalmente durante la década de 1990, estudiando casos específicos de África, América Latina y Europa. El proyecto realizó estudios de caso en Argentina, Bolivia, Brasil, Inglaterra y Gales, Finlandia, Grecia, Kenia, México y Tanzania, y desarrolló análisis comparativos de los principales resultados. Aunque los informes siempre estuvieron disponibles al público a pedido, y aunque hemos producido varias publicaciones basadas en los hallazgos del proyecto, buena parte del material sigue siendo desconocido, por lo cual hemos creado la Serie SPIPRW para contribuir a la diseminación de los resultados de investigación.

Este número de los Cuadernos de Trabajo WATERLAT-GOBACIT incluye dos artículos que presentan materiales editados basados en los informes originales de los estudios de caso realizados en Kenia y Tanzania. Los dos casos suministran ejemplos que contienen lecciones importantes acerca de la privatización de servicios públicos esenciales en países en desarrollo, ya que en estos momentos experimentamos una reedición de las políticas del agua que fueron implementadas en la década de 1990, con frecuencia sin prestar atención a las lecciones aprendidas del pasado reciente. Los dos casos de Kenia examinados en el Artículo 1 proveen información excelente sobre la situación general de los servicios de agua y saneamiento en el país, con un informe detallado del proceso de privatización lanzado por el gobierno a mediados de la década de 1990 con el apoyo de las instituciones financieras y agencias de desarrollo internacionales. En la práctica, los dos casos considerados en el artículo, las experiencias de Nyeri Town y Tala Town, son principalmente casos de mercantilización de servicios de provisión de agua. El Artículo 2 discute la implementación de políticas de privatización en Tanzania, que fueron iniciadas aproximadamente al mismo tiempo que en Kenia, y bajo circunstancias relativamente similares, con una fuerte presencia de instituciones financieras y agencias de desarrollo internacionales. El artículo trata el caso de la privatización de la empresa pública de la capital Dar es Salaam, DAWASA, que fue una experiencia muy difícil y tomó casi seis años en ser concluida. A diferencia de los casos de Kenia, en los que las empresas privadas participantes eran locales, en Dar es Salaam se dio una fuerte presencia de empresas de agua multinacionales.

Los informes originales fueron escritos en 2003 y 2004 y, por lo tanto, los artículos contienen referencias que pueden estar desactualizadas. No hemos actualizado la información, ya que el propósito de la publicación es diseminar la información original. Esperamos que los lectores encuentren este material de utilidad y que pueda contribuir al trabajo de investigadores, estudiantes, activistas, y otros actores, en búsqueda de una mejor comprensión de la dinámica interna y de los enormes impactos de los procesos de privatización. Como se mencionó previamente, estas políticas no solamente continúan existiendo, sino que están experimentando un renacimiento a nivel mundial. Por lo tanto, consideramos que los resultados y lecciones que surgieron del Proyecto PRINWASS merecen este esfuerzo de publicación. Les deseamos una placentera y fructífera lectura.

José Esteban Castro

Editor General y del Número

Newcastle upon Tyne y Buenos Aires, junio de 2018

Article 2

The experience of Dar es Salaam, Tanzania¹

*Damas Alfred Mashauri*², Faculty of Engineering, University of Namibia, Ongwediva, Namibia.

Abstract

The article addresses the process of privatization of the Dar es Salaam Water Supply and Sewerage Authority (DAWASA). It provides background information about the situation of water and sanitation services in Dar es Salaam during the 1990s and discusses the decision of the Tanzanian Government to privatize the public utility taken in 1997, as part of far-reaching reforms agreed with international financial institutions and development agencies. The article provides details of the difficult process of privatization, that took around 6 years to complete, and highlights pros and cons associated with the privatization of essential public services in the Tanzanian context.

Keywords: water and sanitation, privatization, essential public services, Dar es Salaam, Tanzania

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¹ The article is based on results from the PRINWASS research project, which was supported by the European Commission under the Fifth Framework Programme 1998-2002, Contract: PL ICA4-2001-10041 (www.prinwass.org).

² E-mail: dmashauri@unam.na.

Resumen

El artículo da cuenta del proceso de privatización de la Autoridad de Suministro de Agua y Cloacas de Dar es Salaam (DAWASA). El mismo provee información contextual sobre la situación de los servicios de agua y saneamiento en Dar es Salaam durante la década de 1990 y discute la decisión del Gobierno de Tanzania de privatizar la empresa pública, tomada en 1997 como parte de reformas de gran alcance acordadas con instituciones financieras y agencias de desarrollo internacionales. El artículo da detalles del difícil proceso de privatización, que tomó cerca de 6 años, y destaca aspectos positivos y negativos asociados con la privatización de servicios públicos esenciales en el contexto de Tanzania.

Palabras clave: agua y saneamiento, privatización, servicios públicos esenciales, Dar es Salaam, Tanzania

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Introduction

In this article we focus on the case of Dar es Salaam, the capital of Tanzania, although we also consider information from other experiences around the country. Dar es Salaam is a typical city in a poor developing country that is grappling with huge infrastructure and efficiency problems. These problems are aggravated by the fact that, according to some studies, the city's population, just over 2.3 million people in 2002, is more than doubled during daytime, when it can reach up to 5 million people owing to the inflow of commuters. The Tanzanian government has been trying to solve the crisis in its capital city through different reforms, but the problems have proved too stubborn. The agency responsible for the provision of water and sanitation services (WSS) in the capital is the Dar es Salaam Water Supply and Sewerage Authority (DAWASA), created in 1997. The water supply system has for a long time been in a poor physical state, inadequate and unable to meet demand, with insufficient infrastructure, and poorly co-ordinated. Likewise, the condition of sewerage systems is poor with problems ranging from broken/collapsed sewers to poor operation of the systems more generally. This has been mainly caused by lack of investment for over a quarter of a century, while operation and maintenance have been neglected for many years. The lack of financial resources and public sector investment has greatly reduced the capacity of local institutions and utility providers to cope with service demand. WSS have been particularly constrained with no new investments in mains sewerage and wastewater treatment, and limited investment in the water system. This has resulted in reduced productivity, weakened competitive advantage in attracting investment, and has created a range of environmental hazards. As a result, individual land developers, businesses, and communities have implemented their own initiatives to service their plots and neighbourhoods, often at a high cost (WaterAid, 2002). The assessment of the Government, under the advice of international financial institutions and aid agencies, is that the investments needed to improve just the situation of the water supply system would require USD 600 million. It has concluded that the funding required cannot be easily obtainable from the public budget nor through donor assistance, and in 1997, the same year it was created, decided to privatize the operations of DAWASA. In fact, the privatization of DAWASA was one of the preconditions requested from Tanzania to qualify for the Highly Indebted Poor Countries (HIPC) initiative of the World Bank and the International Monetary Fund (IMF).

The article addresses the process that led to the granting of a Lease Contract in 2003, as the first step towards granting a full concession for the operation of Dar es Salaam's WSS to private operators. The research is based on the collection and analysis of documentation from DAWASA, mainly annual reports, financial statements, etc., interviews with the Managing Director and other representatives of the utility, as well as other relevant studies carried out by the University of Dar es Salaam, and reports published by the media, a selection of which is presented in the Appendix. The first section presents the general context, including a brief account of the situation facing Dar es Salaam in relation to WSS. The second section addresses the process of privatization of DAWASA. A brief final section discusses preliminary scenarios emerging from the process of privatization, which was concluded around the time of completing the research.

The general context

In 2002 Tanzania had a population of around 33.5 million people, of which about 77.5 percent were in rural areas. The Tanzanian per capita Gross Domestic Product (GDP) in 1998 was USD 210, and the rate of GDP growth is estimated to be between 2.7 and 3.5 percent. Dar es Salaam provides around 19-20 percent of the national GDP, although there has been some decline since the 1980s due to the increased importance of the agricultural sector, currently contributing over 60 percent of GDP, and to a decline in urban industrial development. The total urban population of the country in 2002 was estimated at over 7.5 million people, and about 31 percent was placed in the capital city of Dar es Salaam, which has a total area of 1,350 km². Map No 1 shows the location of Dar es Salaam and other major cities.

Map N° 1: Map of Tanzania showing the location of the case study



Dar es Salaam's experienced rapid population growth over the last few decades, from a population of about 129 thousand people in 1957 to the current population of over 2.3 million people in 2002. The city's average annual growth rate over a 40-year period (1948 to 1988) was 7.7 percent, while during the last decade it has been estimated to be around 9 to 10 percent (Government of Tanzania, 1999; WaterAid, 2002). The outcome of this growth has been the proliferation of unplanned and unserved areas, primarily concentrated along the coastline and four arterial roads that serve as transport and service corridors, Morogoro, Bagamoyo, Nyerere (Pugu), and Kilwa. This has led to a radial land-development pattern in which prime areas for development are those with relatively good infrastructure networks and services, which include the Central Business District (CBD), Kariakoo, Upanga, Oysterbay, Masaki, and Magomeni. Between the arterial roads there are large areas that are not serviced, and these have developed into unplanned settlements. Many of these areas are in hazardous locations such as river valleys, flood-prone areas, and hill slopes. This has led to problems in managing hazardous sites characterised by soil and gully erosion, deforestation, excessive storm-water run-off and landslides, the impacts of sand mining, and solid waste and environmental pollution. In addition, servicing these areas is difficult due to the nature of the terrain and the density and layout of the settlements.

Unplanned and unserved areas accommodate about 80 percent of the population of the city, and 65 percent of new housing is being built in these areas. The growth of informal settlements has risen from 16 in the 1970s to 43 in the 1980s, and up to 55 by the late 1990s. One result of the rapid growth along the main road systems has been the intermixing of high, medium and low-density developments, both planned and unplanned. These developments have a symbiotic relationship with each other, and this has led to low-density housing (2 by 2-hectare plots) mixed with high-density housing with 30 to 40 houses per hectare and populations of 250 to 350 residents. This mixture of high- and low-density developments has resulted in a series of informal micro trade-centres and planned service centres, including the university, the airport, a beach hotel strip, a national housing complex, etc. Key squatter areas of high population density include Manzese on the Morogoro Road, Temeke and Mbagala in the south, and the Buguruni and Vingunguti areas along the Mandela Highway and the Nyerere Road, respectively. Living conditions in squatter areas vary greatly, but access roads, where they exist, are generally inadequate and in very poor condition. The provision of basic services like water and sanitation, drainage, solid waste management, and pedestrian facilities is mostly unavailable (WaterAid, 2002).

The existing health system in Dar es Salaam has shown progressive deterioration in recent years due to a combination of budgetary and resource constraints, and an expanding urban population. Statistics derived from the Dar es Salaam City Council (DCC) and the Japan International Cooperation Agency (JICA) (1997), indicate that several clear and serious public health trends have emerged during the 1990s:

- a rise from 46 to 62 percent of total reported cases of disease between 1991 and 1995;
- an increase in water-borne and faecal-related diseases from 8 to 12 percent out of the total cases of disease recorded between 1991 and 1995. Some estimates suggest that water-borne diseases may now constitute between 15-20 percent of total recorded diagnoses in Dar es Salaam. The worst affected areas of the city are

Kinondoni and Temeke, and the incidence appears to be closely related to areas with poor water supply and sanitation, where flooding is also frequent;

- the types of disease considered here are strongly associated with the conditions arising from poor water quality, inadequate sanitation, and cross contamination of water supply (most commonly in the case of shallow wells) by dispersion from pit latrines and leakage within the sewerage system;
- the low quality of life for the poorest households in the areas of Temeke, Ilala, and Kinondoni is reflected in the infant mortality rate (for children under one year old). This rate is probably in excess of 140 per 1,000 live births, compared to the official national infant mortality rate of 85/1,000.

Significant as water-related diseases are, both in relation to public and occupational health, the health concern of overriding national and regional importance is the prevalence and growth of the HIV/AIDS pandemic. This has critical economic, social, demographic and cultural implications for the future of the nation. At the end of 1997 the estimated number of adult and children infected was 1.4 million (9.42 percent of the population). In practice, the infection rates vary greatly between communities, age groups, and socio-economic conditions and range between 0 and 61 percent of the population. AIDS is now in many communities the principal cause of premature death. Important high-risk groups of relevance include transient and migrant labour, and specifically transport and construction workers. In the latter groups, during the 1991-93 period HIV infection rates were estimated to be between 22 and 31 percent. This high level of infection is associated with sexual behaviour among workers (such as construction workers for development projects) housed in all-male environments, spending extended periods away from their families (WHO-UNAIDS, 1998).

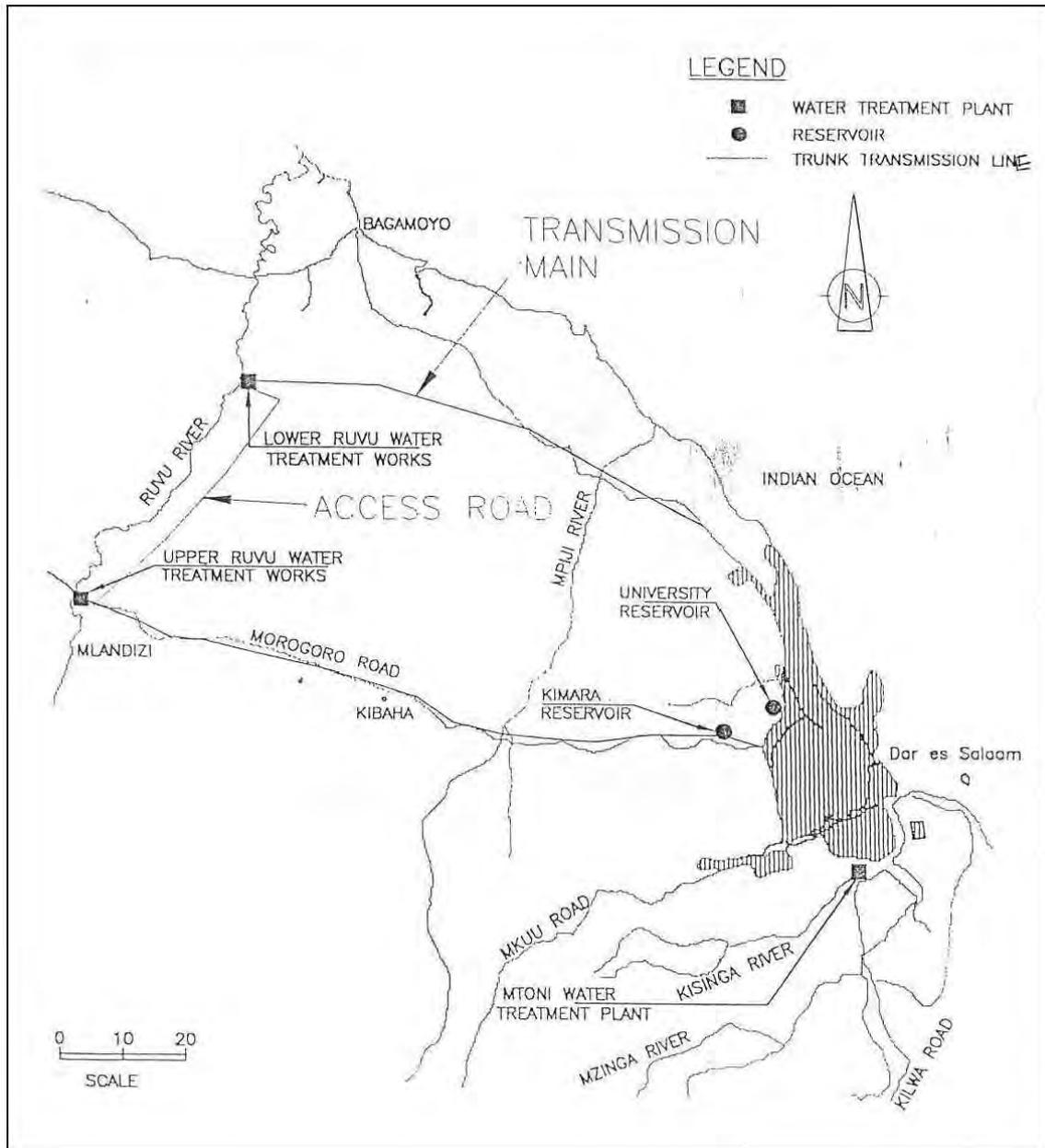
In Tanzania's urban centres, and particularly in Dar es Salaam, there is a common socio-economic category comprising male-only households, either single or joint. This forms a specific group of water users, with associated cultural water-use patterns. The domestic water-supply needs of this group are generally catered for by water vendors, due to the cultural taboo of men being seen collecting water. These groups are obliged to pay the high prices set by water vendors in order to have water delivered to them. Ironically water vending and water resale are almost done exclusively by men. It is strange that women are not expected to take part in water vending but fetch water for the family all the same. In this regard, women in the urban areas are found to form an increasing proportion of the lowest income groups and bear a disproportionate share of the cost and responsibility for household maintenance and child rearing. According to a recent report from the World Bank, female-headed households constitute 13.1 percent of the urban and peri-urban population of Dar es Salaam. In the city, female-headed households represent a particularly vulnerable and disadvantaged group, primarily engaged in the informal sector, in activities that include food vending and brewing, which use large amounts of water and have hygiene implications. When the water supply fails, women are then dependent on water vendors for their needs. Women's expenditure generally goes towards meeting household and family needs, including health centre and medical costs. For low-income female-headed households, this represents a particularly high proportion of their income (World Bank, 1993). In densely

populated, unplanned low-income areas like Temeke, Ilala, and Kinondoni, water collection represents a significant opportunity cost for women in terms of the amount of time required for its collection, and the consequent loss of opportunity for other income earning activities.

The situation of water and sanitation services

The Dar es Salaam Water Supply and Sewerage Authority (DAWASA) is the largest urban water and sewerage utility in Tanzania, with about 1,500 employees distributed in various departments and activities. It is a public utility created in 1997 from the merger of the Parastatal National Urban Water Authority (NUWA) and the former Dar es Salaam Sewerage and Sanitation Division (DSSD). NUWA was created in 1981, during the days of the socialist government of Tanzania when most public services (health, education) were provided for free and water was no exception. Its role was to develop and operate water supply systems in the country's 19 main urban centres. The national government provided the subsidies that paid for construction costs and most of the operation and maintenance costs. DAWASA is a Public Corporation established by statute, the Dar es Salaam Water and Sewerage Authority Act 1981, as amended in 1989, 1999 and 2001. The Government of Tanzania wholly owns it. It is responsible for the provision of water supply and sewerage services in the Greater Dar es Salaam area covering Dar es Salaam and part of the Coastal Region (Kibaha and Bagamoyo). DAWASA currently has about 86,000 customers but, as explained below, there also many unauthorised connections. The remainder of the population obtains its water through informal supplies, often of suspicious quality and always at a price well above the average tariff charged by DAWASA. The sewerage system in Dar es Salaam covers only a small area of the city centre, basically the CBD. Most sanitation facilities in the city, where there are any, are on-site and dependent on trucks that pump out and take the sludge to disposal sites when the systems get filled. However, often these trucks cannot gain access to the areas where most poor people live (WaterAid, 2001). Map No 2 shows DAWASA's service area.

Map N° 2: DAWASA's water sources and service area



Dar es Salaam has used the Ruvu River as its main water source since the 1950s, and has two pumping stations, the Upper Ruvu with a present capacity of about 81 m³/d, and the Lower Ruvu with a higher capacity of 182 m³/d. Other sources which are being used are the Mtoni Water Works to the south of the city with a capacity of about 9 m³/d, and ground water. A supplementary water supply of 6 m³/d is taken from the Kizinga River. The water is treated at the Upper and Lower Ruvu Water Treatment Plants, and the Mtoni Water Treatment Plant south of the city (WaterAid, 2002; PSRC, 2003). In the present context, the area considered in the privatization project discussed in this article extends from the Ruvu Basin, as the primary source of water supply, to the urban and peri-urban areas of Dar es Salaam where the bulk of the proposed rehabilitation works

will be undertaken (Map No 2).

Considering existing abstraction rates and projected urban population growth, it is accepted that the Ruvu water resource alone will not be able to safely meet the increased demand from the city in the next decade, in the absence of river regulation. During the 1990s, the Government, with support from international institutions and cooperation agencies, carried out several initiatives to improve the situation of WSS in the capital. These include:

- 1990 – a study by Lodigiani S.P.A., financed by the Italian Government, on the rehabilitation of the Upper Ruvu Water Works, and part of the distribution system;
- 1991 – a study financed by JICA on the rehabilitation of the entire water distribution system, and refurbishing the Mtoni and Lower Ruvu Waterworks;
- 1994 – a study also financed by JICA on water resources development in the Ruvu River Basin, with special attention to the regulation of the Ruvu River for improving Dar es Salaam's water supply;
- 1994 – a study by Reid Crowther, financed by the Canadian Agency for International Development (CIDA), focusing on the renovation and expansion of the Lower Ruvu Water Treatment Plant;
- 1995 – a study funded by the African Development Bank (AfDB), that DAWASA commissioned to Howard Humphreys Ltd. This was a feasibility study with detailed designs and tender documents for the rehabilitation of the Dar es Salaam Water Supply System, and to prepare a long-term development plan for the water distribution system (this study did not include the Upper Ruvu, which had been rehabilitated in 1990 with Italian funding, and did not include planning for water resource development either);
- 1996 – a study carried out by Messrs SERVICEPLAN of Dar es Salaam, to investigate potential water resources from the Mzinga and Kizinga rivers south of Dar es Salaam, as well as the potential for groundwater development in the southern part of the city. The study proposed building a dam on the Mzinga River, which would yield about 66,000 m³/d.

Currently, options for alternative water resources include the development of a riverside storage or impoundment on the Upper Ruvu aimed at capturing peak wet season run-off and releasing this through the dry season. Based on proposals under discussion to rehabilitate the existing intake and treatment facilities with no additional abstraction from either the Upper or Lower Ruvu, the Lower Ruvu basin would have adequate supplies to sustain current demand. An important consideration though is water quality. The two main surface water sources, the Ruvu and Kizinga, carry a high-suspended sediment load. The low alkalinity of raw water at the treatment plant intakes has implications for the treatment process which further reduces alkalinity. Because of equipment failures within the treatment facilities, the transmission pipes have been corroded and weakened in places by leaching of calcareous material. Low levels of treatment and equipment failure have consequently resulted in treated water quality that does not comply with the drinking water standards. This is compounded by the

lack of physical, chemical and bacteriological monitoring data due to financial and other constraints.

Water from the Ruvu River is pumped through two main transmission lines that extend some 70 km to the city's holding reservoirs. As already mentioned, DAWASA's area of supply covers not only the city but also the villages and townships on the route of the two transmission mains. The approximate length of existing mains in the city is about 824 km, with 237 km of primary distribution and 587 km of secondary distribution mains (PSRC, 2003). Transmission losses en route are high and are estimated to be 114 m³/d, of which 61 m³/d are losses incurred due to infrastructure decay. The Upper Ruvu transmission line has a capacity of 80 m³/d. However, the steel pipes are badly corroded where they have been laid across swampy areas. In addition, the line is heavily tapped to supply villages and settlements en route. The Lower Ruvu transmission line, was laid in 1976 with a life expectancy of 20 years, has a design capacity of 182 m³/d and is made from pre-stressed concrete pipes. In recent years the line has suffered two major bursts at river crossings. El Nino rains caused extensive flooding in 1998 that damaged the pipeline. This line is heavily tapped to supply the town of Bagamoyo, other villages and for irrigation agriculture. It is estimated that 35 m³/d of water is lost along the transmission lines due to unauthorized use, primarily in irrigation agriculture. A further 18 m³/d is drawn off to supply an estimated 150,000 people who reside in villages and settlements along the transmission lines (WaterAid, 2002). DAWASA also provides water from the distribution mains at standpipes located around the city. There is no charge for this water, which is used by individuals, as well as by water vendors who charge their customers for transporting the water (PSRC, 2003).

The sewerage system of Dar es Salaam is really a collection of independent micro-systems, rather than a fully integrated network. The systems are, in theory at least, of the separate type and have been developed since the 1950s. The CBD and immediate surrounding areas are served by a sewer network that empties into the ocean via an outfall. Other sewer sectors of the city are mostly centred on institutional areas such as the Lugalo Barracks, Mgulani, Kurasini, Mabibo, Mikocheni, Vingunguti, and the University of Dar es Salaam. The sewage from these areas is treated in stabilization ponds and then discharged to rivers, natural streams or to open sewers. All systems are a combination of both gravity and pumped flow (PSRC, 2003). The sewerage systems of Dar es Salaam comprise the following major components:

- nine stabilization pond sites
- fifteen sewage pumping stations
- approximately 170 km of gravity sewer and pumping mains
- a 1 km-long, 1,000 mm diameter ocean outfall and screening house
- three depots with office, workshop and storage facilities.

In addition, there are some 19 different organizations, which collect waste from septic tanks, pit latrines, etc. (PSRC, 2003).

The privatization of water and sanitation services in Dar es Salaam

As explained earlier, under the advice of international institutions in 1997 the Government of Tanzania decided to privatize DAWASA, as a solution to the problems facing WSS in the capital. DAWASA's privatization was also a condition that Tanzania had to accept in order to qualify for the World Bank-IMF initiative for Highly Indebted Poor Countries (HIPC). The decision to privatize was taken after several years of institutional reforms and assessments of the situation. In 1991 the government had announced a "new water policy" for Tanzania. This was in line with a national policy started in 1992 focused on restructuring state-owned enterprises, which led to the creation of a specific institution, the Presidential Parastatal Sector Reform Commission (PSRC). The PSRC was charged with leading the promotion of private sector participation to run the country's public utilities, railways and ports. In this context, the urban water supply and sanitation sector (UWSS) has undergone considerable reforms in the last five years. Prior to these reforms, the government was collecting water fees as one of its revenue sources and, in turn, was giving out funds from its budget for running and maintaining WSS. Normally, the amount of money issued by the Government was less than the revenue collected and was by far less than the money required for running and maintenance of these essential services (Swere, 2001). Before 1994, urban water supply activities were run as part of the office of the Regional Water Engineer (RWE), and under this arrangement budgetary allocation for UWSS was given low priority with respect to other activities. In 1994 the Government decided to establish independent Urban Water Supply and Sewerage Departments (UWSSDs), and to allow them to retain the revenue collected through the sale of water and related services to meet their operational and maintenance costs (Swere, 2001). However, in 1997 new legal and institutional reforms were carried out to transform the UWSSDs into autonomous authorities, Urban Water Supply and Sewerage Authorities (UWSAs), under the existing Board of Directors. These reforms made the Boards more independent and autonomous in running the affairs of the authorities. UWSAs were ran on a self-financing basis and were set up in each of Tanzania's 18 urban centres, including Dar es Salaam. The transformation of water utilities into authorities was meant to strengthen financial management, billing and collection capacities. A World Bank-funded Urban Sector Rehabilitation Programme implemented in 1997 by the Ministry of Finance provided capacity building in nine of the UWSAs, Arusha, Moshi, Mwanza, Tanga, Shinyanga, Dodoma, Mbeya, Iringa, and Morogoro. At the end of 1997, all UWSAs recorded substantial losses and were unable to meet their recurrent expenditure costs, but by the year 2000 significant improvements were recorded, particularly in revenue collection, with an overall increase of 74 percent across all UWSAs. By then, four UWSAs, Arusha, Moshi, Tanga, and Mwanza, became able to meet all their Operation and Maintenance (O&M) and staffing costs (MoF, 2001; WaterAid, 2002).

The process of DAWASA's privatization

The Dar es Salaam Water Supply and Sewerage Authority (DAWASA) was created as the capital city's UWSA in 1997, and in the same year the Government took the decision to privatize it. The main reasons given for the decision to privatize DAWASA included addressing the utility's 1) inadequate management capacity, 2) high water losses and old age infrastructure, and 3) inadequate financial resources for investment. The

PSRC issued the terms of reference soliciting bids from private operators, named as International Professional Partners (IPPs), and seven IPPs showed interest, of which four pre-qualified, two were denied a time extension and therefore did not submit a bid, and one was disqualified. Each of the four pre-qualified IPPs offered different arrangements including a management contract, a lease and a concession. It proved impossible to ascertain which was the “best” submission, and it was decided that supplementary information was needed to reach a common ground for comparison. In June 1998, the PSRC created a technical committee called DAWASA Divestiture Technical Committee (DTT), which was charged with preparing a Supplementary Information Paper (SIP) for a new bidding process. The DTT included members from DAWASA, the ministries responsible for water, finance, and planning, the Attorney General’s Chambers, and the PSRC itself. Since a process of privatization of this nature was completely new in Tanzania, an international consultant with experience in privatization of utilities was appointed to assist the PSRC in the exercise. UK-based divestiture advisers Severn Trent Water International (STWI) were recruited under a competitive process and appointed in June 1998 to assist in the preparation of the SIP.

The process of revision of the original privatization project led to a new strategy, which was approved by the Government in November 1998 and enacted by law in 1999 (Swere, 2001). This legislation provided for the creation of a Public Granting Authority (PGA), which would own DAWASA’s assets on behalf of the Government and lease them to a Private Operator (PO), once the privatization procedures are completed. Its main functions are to 1) lease DAWASA’s assets to a PO, 2) implement a capital investment program (the financing for infrastructure rehabilitation and improvement has already been secured, as explained below), 3) develop new water sources and hand over these to the PO, and 4) monitor the performance of the PO. The revised strategy also introduced the requirement that the international investor should create a local company with at least 20 percent of the shares held by local investors (Hall, Bayliss and Lobina, 2002). Later the Government also decided to create a multi-utility regulator for energy and water utilities, the Energy and Water Regulatory Authority (EWURA), whose legislation was eventually enacted in 2001. This was in accordance with preparatory work for the privatization of public utilities. To assist the Government in the implementation of the privatization process, the World Bank provided funding through the Programmatic Structural Adjustment Credit (PSAC) Programme (2000-2004). The stated purpose of this programme is “to assist in the completion of the privatisation of the main strategic public enterprises, particularly in infrastructure services, which have significant bearing on the cost of doing business” (WaterAid, 2002; World Bank, 2000).

In relation to DAWASA, the specific objectives set for the bidding process were: 1) to obtain new technology, 2) to improve efficiency of operations and maintenance, and 3) to obtain and access funding for system rehabilitation and improvement. The new strategy was to implement the privatization of DAWASA in two stages. The first stage involved completing the lease of DAWASA to a PO for at least 10 years. During this stage, DAWASA would have its infrastructure rehabilitated and improved, while the PO was expected to improve operation and management. The second stage envisaged further improvement of infrastructure and management, and after that the privatization status of DAWASA would change from lease to concession (Swere, 2001). I summarize below key points of the new strategy for DAWASA’s bidding process in 1999:

- The International Professional Partner (IPP) or preferred bidder will form a local Private Operator (PO) with the IPP having a minimum shareholding of 51 percent, and local investors a minimum of 20 percent. The onus is on the IPP to identify its local partners. The PO will have a minimum equity of USD 2.5 million.
- DAWASA will be responsible for most of the capital investment programme, and the immediate requirement is estimated at USD 120 million. It will be responsible for securing financing and subsequent debt servicing. It will enter into a lease contract with the Private Operator to run the water supply and sewerage services and monitor the performance of the Private Operator.
- There will be a Development Contract between the Ministry of Finance and DAWASA, which will set out conditions for preparing short- and medium-term investment programmes, consolidated financial forecasts, financing plans, requests for adjusting consumer rates, and procedures for budgeting and paying water bills of public agencies.
- The Government will enter into credit agreements with four co-financiers: the World Bank, the African Development Bank (AfDB), the European Investment Bank (EIB) and the Agence Française de Développement (AFD) to cover the immediate investment programme and lend these funds to DAWASA.

Thus, under the revised strategy, the dilapidated infrastructure was to be rehabilitated by DAWASA with funding from international loans taken by the Government. The winning bidder was expected only to cover the cost of “metres and standpipes”, thereby securing its future invoicing. Therefore, the private operator would not take responsibility for the infrastructure until it had been improved by the Tanzanian government with funding from international loans (Bayliss, 2002).

In February 1999, the PSRC held a Local Investors meeting to explain the process and discuss their potential involvement. Later, in May 1999, it circulated a draft SIP with pre-qualification documentation to the IPPs, which was extended to the two IPPs that had finally declined to participate in 1997, the UK-based United Water and Thames Water. The draft included the text of a development contract, a lease contract, a Memorandum of Understanding (MOU), and a customer contract. After receiving comments from the potential bidders, the final SIP was issued on 20 August 1999, which opened the tender process for a ten-year lease. The PSRC issued an information memorandum for local investors in September 1999, and 11 local firms expressed interest, including CDC, First Capital Partners, and PROPARCO, which were not approved for participation in the tender. Further issues raised by the bidders, and the withdrawal of the UK-based IPPs United Water, Thames Water, Northumbria Water, together with the decline in interest from the other UK-based bidder, Biwater Plc., resulted in the need to amend the SIP once again. Therefore, in October 1999 the PSRC held meetings with the bidders in London, and subsequently issued a major addendum to the final version of the SIP in November 1999. The deadline for bid submission that was originally set for 11 November 1999, was extended to 10 January 2000, and then to 31 January 2000. Finally, only the two French IPPs, Saur International and Vivendi (formerly Générale des Eaux), submitted their bids, but the Government rejected both on grounds that the financial aspects were

non-compliant with the requirements.

In June 2000 it was decided to carry out a full re-bid open to all international water operators, and the pre-qualification process for the re-bid started in September 2000, with a deadline for the submission of expressions of interest and pre-qualification documents set for 3 January 2001. Sixteen IPPs responded to the call, but only 8 completed their submission, and of these only 3 were accepted in September 2001. The three international pre-qualified bidders were UK-based Biwater Plc. jointly with JBG Gauff from Germany, and the two French IPPs, Saur International and Vivendi. The final tender documents were sent to the pre-qualified bidders on 7 February 2002, and the deadline for the submission of the bids was set on 27 May 2002. However, owing to some issues arising, several meetings with the pre-qualified IPPs were held in March and June 2002 to discuss the details of the process. As a result, the deadline for the submission of the bids was first postponed until 15 July 2002, and then to 31 July 2002 (PSRC, 2003). This time the process was completed, and the selected bidder was the joint venture formed by Biwater Plc. and JBG Gauff, with the local partner MS City Water Services Ltd., which has 20 percent of the shares. The contract documents for the lease were signed in March 2003, and the operator took over the operations from DAWASA in July 2003. The functions of the private operator agreed by contract are 1) operating and maintaining the greater Dar es Salaam water supply and sewerage system, 2) collecting first-time connection charges and revenue from billing, and 3) implementing delegated works.

The Customer Tariff to be charged will be the sum of the “PO tariff” plus the “DAWASA Tariff”, and the PO will retain the share corresponding to the PO Tariff. The PO Tariff will be fixed for the first five years of the Lease Contract and will be adjusted according to a cost-indexed formula to reflect inflation; it will be renegotiated before the end of year five. The DAWASA Tariff will cover DAWASA’s operating costs, the service of the debt taken by the Government, and a contribution to the capital expenditure program. These conditions are compatible with the Development Contract, which reflects the results of surveys among the population assessing their willingness to pay for WSS. The Customer Tariff structure will be designed to favour connection to and consumption of piped water by low-income households. To that effect, the PO will operate a “Connection Fund” replenished by a surcharge on the Customer Tariff that will be used to finance the construction of small-diameter connections for low-income households. In order to help these customers, there will be a special rate termed “life line tariff”, specifically for the first five cubic metres (5 m³) of water consumed every month. The PO will create a fund aimed at connecting residential customers to the water supply network free of charge, up to 20 metres (for a 0.5-inch pipe) from the main pipes. Customers will be required to pay the difference when the distance exceeds the 20 metres. The connection charge will be deducted from water bills.

Conclusions: brief discussion of prospects for WSS in Tanzania

The research that provided the basis for this article ended around the time that the DAWASA Lease Contract was finally signed in 2003, after almost six years since the Government launched the project to privatize the water utility. Therefore, the conclusions do not provide an assessment of the performance and results of the initiative, which is in its early days. However, we carried out a SWOT analysis based on the information available about the DAWASA experience, including some updated details like the final amount secured from international funding institutions for the privatization process, and some inputs from other experiences around the country. Table No 1 presents a synthetic account of the analysis.

Table N° 1: SWOT analysis of the prospects for Dar es Salaam’s WSS under the Lease arrangement

Strengths (S)	Weaknesses (W)
<ul style="list-style-type: none"> • Securing international funding for USD 164 million for rehabilitation projects. • Involvement of international parties in the arrangement. • Involvement of International Private Partner (IPP) providing extra management capacity. • Incentivizing responsiveness and accountability from the Private Operator through imposing financial penalties in case of failure to meet key performance targets. • Clarity on the duration of contract and procedures for its termination. • Inclusion of “life line tariffs” of 5 m3 per month for domestic water customers in the contract. • Plans to improve the quality of water supply and effluent discharges. • Potential reduction of customer expenditure for buying water after improvements are completed. • Time spent for domestic water collection to be reduced. • High willingness to pay for water observed from water customers. • Plans to expand WSS coverage. • Plans to improve WSS quality. • Plans to install meters to control consumption and charge accordingly. • Plans to reduce unaccounted for water. • Plans to rehabilitate WSS infrastructure 	<ul style="list-style-type: none"> • Lack of competition in the bidding process. • Conflicts of interest between the Tanzanian Government and donors. • Low water price set in tendering process. • Inexperience of DAWASA to work with a Private Operator. • Delay in the establishment of EWURA. • Inexperience of EWURA to set tariffs and give licenses. • Absence of financial penalties to DAWASA. • Inadequate co-ordination between DAWASA and the Private Operator. • Poor staffing procedures for both DAWASA and the Private Operator. • Over staffing by the Private Operator (14 employees per 1,000 connections instead of 3 employees per 1,000 connections). • Inadequate adjustments of the customer tariffs after it was fixed for the coming 5 years. • Presence of huge debts left by DAWASA. • Presence of huge debts left by former DAWASA customers. • Difficulties to exercise control over multinational water companies. • The Lease Contract has nothing to do with investment. • The new arrangement implies a high-salary scale for foreigners but a low-salary scale for locals. • The Private Operator is not concerned with customers, but with profit making. • Domination of foreign companies in the bidding due to weak local private-sector capacity. • Insufficient evidence and experience to predict the chances of success for the Lease. • Difficulties in the administration of the Lease Contract. • High chance of conflict between DAWASA and the PO due to absence of proper regulation. • Water demand is higher than the available supply. • Lack of funding to expand water networks to un-serviced areas. • The public was not properly informed of the privatization process. • Small private water vendors will lose their jobs and revenue. • Households selling water will lose revenue.

Opportunities (O)	Threats / Limitations (T/L)
<ul style="list-style-type: none"> • Political willingness to involve a Private Operator. • Donor willingness to fund the development project. • Political stability of Tanzania. • Opportunity to encourage new entrepreneurs. • Reduced Government intervention. • Acquisition of new technologies and skills. • The water sector will be run by a private company on a commercial basis. • The Lease Contract is a step towards granting a Concession. 	<ul style="list-style-type: none"> • Political interference on the regulatory authority EWURA. • Withdrawal of the Private Operator because of low profitability. • Low discipline of Government’s agencies in paying their water bills. • Insufficient cash generation for investment after the funds available through loans are used. • Influence of DAWASA’s bad reputation in reducing the credibility to comply with its duties. • Absence of an environmental protection law. • Absence of a new water law that could encourage and protect the rights of the Private Operator. • The essential National Interest on the water sector is no longer protected. • Foreign control of Dar es Salaam’s WSS has been made possible by allowing the international Private Operator to have a higher share holding up to 80%, and limiting the share allowed to the local partner up to 49%. • The process will transform public property into private property that could be concentrated in a few hands. • Difficulties in implementing government water policies. • Under investment in sanitation. • Profit obtained from billing collection will be channelled out of the country. • Difficulties in finding a new source of funds after utilising the available USD 164 million.

Although the Table shows several strengths and opportunities, given that there is a recognition of the need for far-reaching reforms in the country’s WSS sector, it also reflects many weaknesses, threats, and limitations in the ongoing experience. There is no doubt that the Government has showed commitments towards the implementation of serious transformations to improve the situation in the water sector. The introduction of reforms promoting private sector participation has become the main opportunity made available for improvements, but the question is how well the Government plays its cards, so to speak. Private companies in some parts of the country, like Kiliwater Co. Ltd. in Kilimanjaro and others have proved useful in the provision of water supply and water-related services. The recently created autonomous water providers like the Urban Water and Sewerage Authorities have also showed good performance in the provision of water supply and sanitation services. However, privatization without a strong regulatory mechanism may prove futile. Privatization in different ways, including divestiture, must be based on sound legal and institutional arrangements in order to fulfill its mission. Private participation in WSS is not a “panacea” to all problems in the water sector. Each case must be judged on its own merits and demerits and the most suitable solution must be chosen taking into consideration the peculiarities

of each situation. There is evidence that, after winning the contracts, private operators start looking for ways to re-negotiate the agreements. This is done for various reasons but most likely to maximize their profits. This is a standard phenomenon all over the world and Tanzania is no exception.

Acronyms

AfDB	African Development Bank
AHA	Asset Holding Agency
AIDS	Acquired Immune Deficiency Syndrome
CBD	Central Business District
CIDA	Canadian Agency for International Development
DAWASA	Dar es Salaam Water Supply and Sewerage Authority
DCC	Dar es Salaam City Council
DSSD	Dar es Salaam Sewerage and Sanitation Division
DTT	Divestiture Technical Committee
EC	European Commission
EU	European Union
EUR	Euro
EWURA	Energy and Water Regulatory Authority
GDP	Gross Domestic Product
GoT	Government of Tanzania
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IEEB	Institute of Environmental Engineering and Biotechnology
IMF	International Monetary Fund
IPP	International Professional Partner
JICA	Japan International Cooperation Agency
MAJI	Ministry of Water and Livestock Development
MDGs	Millennium Development Goals
MLHHSD	Ministry of Lands, Housing and Human Settlement Development

MOF	Ministry of Finance
MOU	Memorandum of Understanding
NUWA	National Urban Water Authority
PGA	Public Granting Authority
PPC	Public-private cooperation
PPP	Public-private partnership
PRINWASS	Project “Barriers to and conditions for the involvement of private capital and enterprise in water supply and sanitation in Latin America and Africa: Seeking economic, social and environmental sustainability”
PSRC	Presidential Parastatal Sector Reform Commission
PSAC	Programmatic Structural Adjustment Credit Programme
PSP	Private sector participation
RWE	Regional Water Engineer
SIP	Supplementary Information Paper
STWI	Severn Trent Water International
SWOT	Strengths – Weaknesses – Opportunities – Threats
TAUWSA	Tanga Urban Water and Sewerage Authority
TUT	Tampere University of Technology
UDSM	University of Dar es Salaam
URT	United Republic of Tanzania
UWSAs	Urban Water and Sewerage Authorities
UWSS	Urban water supply and sanitation
UWSSDs	Urban Water Supply and Sewerage Departments
WHO	World Health Organization
WRED	Water Resources Engineering Department
WREP	Water Resources Engineering Programme
WSS	Water and sanitation services

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Appendix 1. Extracts from press reports

1) Extracted from: http://jamboclub.com/investor/page_28.htm. Consulted in January 2004.

DAWASA has been performing poorly and inefficiently mainly because of mismanagement and lack of capital and technology. Such inadequacies have not only resulted into poor services but also other social and hygienic problems. It has been learnt that about 32 per cent of infections of communicable diseases are due to contaminated water supplies, while 24.7 per cent of the infections are due to poor sewerage. About 80 per cent of infectious diseases throughout the world are water-borne.

For developing countries like Tanzania, this problem becomes more difficult because treated water may often be contaminated with faecal bacteria during distribution and storage due to poor standards of hygiene and sanitation. Statistics show that 68 per cent of the city's low-income households spend about 5 per cent of their monthly income on water alone. Only about 10 per cent of the high-income earners fall into this category. The World Health Organisation (WHO) recommends that a family must not spend more than 3 per cent of its monthly income on water and sanitation. It is reported that about TSh 14 billion is required for overhauling the Dar es Salaam City's water networks. Analysts say unless the whole main system from the River Ruvu sources is overhauled, Dar es Salaam water and sewerage systems will remain problematic.

In 1999, the Parliament passed a bill to amend the DAWASA Act of 1997. Under the revised law, DAWASA will be split up to form a public granting authority (PGA) and a private operator (OP). As the asset holding authority, PGA will lease the DAWASA assets to the OP, PAG would be given more than Tsh 101.6 billion for its operations, which will mainly be to strengthen the Upper Ruvu water systems. The daily water demand for Dar es Salaam is 90 million gallons but it currently gets only 60 per cent of this. About 40 per cent of the water supposedly supplied to the city is lost through preventable leakages. Lower Ruvu station, established in 1976, has the capacity to supply some 40,000 million gallons a day while that of Upper Ruvu station, built in 1956, has the capacity to pump some 18 million gallons a day. Such a situation, the leasing of DAWASA, expected to be ready by the end of this year, is much awaited. At present, Tanzania is reviewing its water policy so as to provide clean, safe and adequate water to the public. The objective of the new water policy is to improve health and alleviate poverty among the rural communities, to improve access to adequate, safe, affordable, and sustainable water supply and sanitation services.

2) Extracted from: <http://www.randwater.co.za/NewsDetails.asp?NewsID=90>. Consulted in January 2004.

DAR ES SALAAM - A consortium of British and German firms has won a bid for a 10-year lease contract to operate a water supply utility in Tanzania's commercial capital, Tanzania's privatisation agency has announced. Britain's Biwater International and Gauff Ingenieure of Germany will take over the operations of the state-owned Dar es Salaam Water and Sewerage

Authority (DAWASA), Parastatal Sector Reform Commission (PSRC) said in a statement released to AFP. "Biwater/Gauff joint venture is now in the process of forming

a local operating company to be called City Water Services Limited (CWSL), which will involve a local investor taking between 20 and 49 percent shares. "The foreign investors have already identified this local investor and are now finalising the legal agreements," the PSRC statement said. PSRC said that DAWASA and CWSL were expected to sign contracts in January, once relevant approvals are obtained from the government. The move is expected to improve water supply situation to about 3.5 million Dar es Salaam residents who had for decades been experiencing serious water shortages due to aged and worn out plants and pipe network built in the 1950s. The PSRC statement said that Bewater group also runs water companies in South Africa, Indonesia, Mexico, Philippines, Chile, Belize and Britain, while Gauff are consulting engineers with extensive experience in East Africa.

3) Dawasa set for privatisation. Extracted from: <http://www.darhotwire.com/v2/go/habari/business/20030102/20021230/>. Consulted in January 2004.

At least three international institutions, mainly multilateral and bilateral organizations, have expressed their readiness to pump a reasonable amount of funds into revamping the water supply and sewage systems in Dar es Salaam. If successful, the funding, which will go hand-in-hand with the privatisation of the Dar es Salaam Water Supply and Sewage Authority (DAWASA), will enable the water managing authority and the envisaged new investor, to rehabilitate the infrastructure and extend the service to cover new areas in the three Dar Municipalities and some parts of Coast Region.

The government has last week concluded a ten-year contract with two international water firms, Bewater International of Britain and Gauff Ingenieur of Germany under which the two companies will manage the ailing DAWASA. The funding institutions are the World Bank, through its International Development Agency (IDA), African Development Bank (ADB) and the European Investment Bank (EIB). New investors, who are expected to take over the Dar water project as of March next year, and DAWASA, will equally contribute to the revamping programme, which is to be executed over a five-year period.

4) TANZANIA: Water privatisation scheme criticized. Extracted from: <http://www.sadocc.at/news2002/2002-199.shtml>. Consulted in January 2004. A copy of the original can be accessed at: http://www.afrol.com/News2002/tan006_dawasa_private.htm. Consulted in May 2018

June 13, 2002

The government of Tanzania has raised a credit to fund the US\$ 145 million upgrade of the Dar es Salaam Water and Sewerage Authority (DAWASA), needed to sell off the company at a lower price. Civil society organisations fear that the privatisation deal, one of the conditions allowing Tanzania to receive HIPC debt relief will produce higher water bills or even become another corruption trap.

The African Development Bank (ADB) has just signed an agreement with the Tanzanian government for a loan of approximately US\$ 47 million. The missing US\$ 98 million is coming from the World Bank and the European Investment Bank and Agence Française de Développement. ADB claims that the project will make affordable clean and safe water to the Tanzania's poor but critics maintain that the proposed investment is essentially to ensure that DAWASA is attractive to potential buyers.

The International Monetary Fund (IMF) has insisted on privatising DAWASA for about five years but the process of selecting the private operator has been plagued by scandal and controversy. The first bidding process was stopped after two French companies, Saur International and Vivendi were rejected. Now the government says privatisation of DAWASA will be “done in two stages”. Loans totalling US\$ 145m will be committed during the first stage. DAWASA will then be leased to a private operator for 10 years. The winning bidder will contribute only US\$ 6.5 million towards the ‘costs of meters and standpipes’ - prompting the governmental US Commercial Service to describe DAWASA as one of the most “significant investment opportunities” in Tanzania in its latest country report.

8 companies have made their submissions in the re-bid process, including 3 from France, Germany and the UK. This may explain the co-financing from the European Investment Bank and Agence Française de Développement; institutions not normally engaged in Tanzania. After the first stage, “the privatisation status of DAWASA will then change from lease to concession”, says the Tanzanian water ministry. The privatisation of Tanzania’s water company comes hot on the heels of last month’s scandal over the Tanzania Electricity Supply Company (Tanesco). A small South African engineering firm, NET Group Solutions won the contract only to be exposed as lacking the capacity to handle Tanzania’s national electricity grid. Then scandal turned to farce when the East African Newspaper revealed that the firm’s Tanzanian partner was a company owned by President Benjamin Mkapa’s brother-in-law, which included ‘primary school children as directors!’ After the scandal, the government rejected a parliamentary demand to reveal the details of Tanesco’s management contract. The privatisation process now continues in secret with full compliance by the IMF and World Bank, the ADB and the European Investment Bank and Agence Française de Développement.

5) Extracted from: <http://www.ippmedia.com/ft/features.asp>. Consulted in January 2004.

On privatization options, the public has accepted in principle that it would be a good idea to privatize utility companies like TANESCO, DAWASA, TRC, THA by way of lease to more competent operators. They have also welcomed the move to form regulatory bodies for privatized companies to protect the interests of consumers, the government and the operators. The public is expecting cheaper utilities which are delivered more reliably after a private operator starts to manage TANESCO and DAWASA. They do not expect expensive and unreliable supplies of water and electricity to industries and residences.

The issue of privatization option has become controversial after it was announced that NMB would be privatised and strategic investors would take 51 percent of the shares and the government would retain 49 percent while 2 percent would be sold to local investors.

6) DAWASA sabotaged, The Express, by Jacqueline Mujuni and Fred Okumu

Extracted from: <http://www.theexpress.com/express%20267/news/news2.htm#1> and <http://www.theexpress.com/express%20267/>. Consulted in January 2004.

CALL it a camera trick or optic illusion. Just as the privatisation of the Dar es Salaam Water and Sanitation Authority (DAWASA) is in the pipeline, the sabotage machinery is

in full swing. And it isn't verbal as people are used to. This time, the rumour machine has turned to the information superhighway. Two photographs, one displaying a horrific scene of a crocodile, purportedly taken from DAWASA transmission pipes two weeks ago, is horrific. A second photograph shows a pipe full of snakes. An accompanying message with the photo says, "Look what we surveyors have to watch out for", punctuated with exclamation marks. The photos, The Express has learnt, have been distributed over the Internet, and no doubt, by virtue of the scope of the information superhighway, it has reached millions of people in the world.

But yesterday, the DAWASA Director of Water Supply Boniphace Kasiga disowned the photographs saying they were not from the water utility nor taken along its transmission pipes from Ruvu River, from either Lower or Upper Ruvu. DAWASA has used the Ruvu River as its main water source since the 1950s. The Upper Ruvu scheme has a present capacity of about 81 Mld (millions of litres per day), while the Lower Ruvu scheme has a design capacity of 182 Mld. Other sources, which are being used, are at Mtoni to the south of the city with a capacity of about 9 Mld, and ground water. The DAWASA area of supply covers not only the city but also the villages and townships on the route of the two transmission mains. The approximate length of existing mains in the city is about 824 km, with 237 km of primary distribution and 587 km of secondary distribution mains. Speaking at his office in an exclusive interview, Kasiga said that the photographs were not from DAWASA sources. "We do the surveys ourselves and we have never hired any company," he informed. He explained that the photos showed Europeans as surveyors when DAWASA has no Europeans on its staff. "I have got the photo," he said adding: "One of the workers with DAWASA had even pasted the photos on the wall of his office." Investigation by The Express revealed that the circulation of the photographs is a special ploy designed to sabotage DAWASA and therefore reduce its value before privatisation. "It could be one of the potential bidders who is circulating the false photos," a source told this paper on Monday. DAWASA, vested with the task of caring about water and sewerage in December 19, 1999 after the dissolution of the NUWA, was formerly under the Dar es Salaam City Council. An expert analysis of the photographs by water engineers revealed near zero possibility of a live animal entering the water supply system. Speaking at the University of Dar es Salaam on Tuesday, Prof. Felix Mtalo of the Departments of Water Resources Engineering said: "It is impossible for a large animal to get inside the pipes due to the high pressure of the water inside." He however said that foreign matters like fine particles of sand could enter the pipes through leakages. The DAWASA director clarified that the Department of Water in the Ministry of Water and Livestock always monitors the water quality. They always take samples from various sections of the water supply system, he said, adding that even then, consumers are advised to ensure that the water they use is boiled. The water in the supply system is chlorinated, but during the handling process, may be in buckets, the water may be inadvertently polluted, he said. The director also vehemently crashed the statement by Prof. Mtalo that the filtration system on the lower Ruvu Water Supply system at Bagamoyo has been out of order for the past five years. "It is working", said Kasiga confidently. The strategy for the re-bid process is to identify a private operator to enter into a ten-year lease contract for the provision of water supply and sewerage services. The private operator will also be expected to carry out sizeable construction activities during the early years of the lease. Pre-qualified bidders are Biwater of the UK with Gauff of Germany, General des Eaux of France and Saur International of France. According to the timetable by the Presidential Parastatal Sector Reform Commission

(PSRC), the winning bidder is to take over operations of DAWASA by March 2003.

7) INVITATION FOR PREQUALIFICATION DARES SALAAM WATER AND SEWERAGE AUTHORITY (DAWASA)

DIVESTITURE THROUGH A TEN-YEAR LEASE CONTRACT

Extracted from: <http://www.psrtz.com/Advertised%20Opportunities/Invitation%20-%20Preq%20DAWASA.htm>. Consulted in January 2004.

The Government of the United Republic of Tanzania has applied for a credit from the International Development Association (IDA) towards the cost of improving the water supply and sanitation services in the area currently served by DAWASA. It is intended that part of the proceeds of this credit will be used for eligible payments under a ten-year lease contract between DAWASA and the Private Operator for the provision of water supply and sewerage services. It is expected that the Private Operator will be responsible for managing sizeable delegated construction works during the early years of the lease. The Presidential Parastatal Sector Reform Commission intends to pre-qualify International Water Operators (IWOs) and/or consortia of IWOs and contractors to bid for the lease contract to operate and maintain the water supply and sewerage systems in Greater Dar es Salaam.

Prequalification will be conducted through prequalification procedures set out in the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits, January 1995 (revised January and August 1996, September 1997 and January 1999) and is open to all bidders from eligible source countries, as defined in the guidelines.

Interested eligible bidders may obtain further information from and inspect the Prequalification Documents at the Presidential Parastatal Sector Reform Commission at the address below from 15 November 2000 between 8.00 to 17.00 hours Monday to Friday. A complete set of prequalification documents in English may be purchased by interested bidders on the submission of a written application to the address below and upon payment of a non-refundable fee of TSh 80,000 or US\$ 100. The method of payment will be either cash or banker's draft in the name of Presidential Parastatal Sector Reform Commission. The document will be sent by courier.

Applications for prequalification should be submitted in sealed envelopes, delivered to the address below by 3 January 2001 and marked clearly "Application to Prequalify for the Lease Contract for the Water Supply and Sewerage Services in Dar es Salaam".

The Executive Chairman
Presidential Parastatal Sector Reform Commission
2nd Floor, Sukari House
Sokoine Drive/Ohio Street
PO Box 9252
Dar es Salaam



WATERLATGOBACIT