

PRIVATISATION OF SERVICE DELIVERY AND ITS IMPACT ON UGANDA'S ATTAINMENT OF THE 7TH MDG

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Abstract

This paper examines Uganda's performance on the 7th Millennium Development Goal (MDG), one of the goals set by world leaders in 2000 with the aim of reducing world poverty. The 7th MDG aims at ensuring that there is environmental sustainability and has set as one of its targets halving the proportion of people who lack access to safe water and sanitation by 2015. The Ugandan government has committed to increasing the number of people with access to safe water and sanitation. However, the percentage of people in Ugandan rural and poor urban areas who have access to safe water and sanitation has not increased considerably since the MDGs were set and the quality of safe water has been reducing over the years. This paper argues that despite the Ugandan government's commitment to increase safe water access and sanitation coverage, this target is not attainable. This is because of the increased withdrawal of government from service delivery and preference of private provision of services over public provision because of the neo-liberalist approach to development.

Introduction

In 2000, leaders of 189 countries signed a Millennium Declaration which set in place goals and targets to be attained by 2015 with the aim of reducing world poverty. The underlying assumption was that governments would be major players in ensuring that these goals were attained in their countries. However, this is incongruent with the international economic context which has seen a paradigm shift in the way nations and the world approach development. The economic debate, driven largely by the "Washington Consensus", has argued against state intervention in the economy. Uganda has been swept along the new development paradigm and with the help of the International Monetary Fund (IMF) and the World Bank (WB)'s Structural Adjustment Programme has embarked on economic reforms such as price liberalisation, foreign exchange liberalisation, public sector reform and privatisation. This has meant that service delivery is no longer the preserve of government and this has affected the target of providing clean water and sanitation to all. This paper examines the economic reforms in Uganda and their impact on the target of halving the proportion of Ugandans who lack access to safe water and sanitation by 2015.

Public Sector Reforms and Privatisation

Privatisation is a construct with many dimensions and it can be defined narrowly or broadly. Broadly, "...privatisation is any action that increases the role of the private sector in the economy" (Zahra, Ireland, Gutierrez & Hitt, 2000 p. 511). In this sense, it would include activities such as liberalisation or deregulation of entry into activities previously restricted to public sector enterprises. It would also include the transfer of provision of a good or service from the public to the private sector while the government retains the responsibility for its

provision, (e.g., prisons being managed by private companies). It also includes the introduction of user fees in those sectors which cannot be privatised such as education and health, as well as deregulating the markets to open these sectors to competition, use of civil society organisations such as NGOs and churches to handle the issues of poverty and cuts in taxes on the basis of the negative impact high taxes have on the economy. Cuts in taxes are also accompanied by cuts in public expenditure. It also includes removal or reduction of subsidies and setting up of joint ventures between private and public owners (Cornia, 1998; Zahra et. al., 2000).

Structural Adjustment Programmes in Uganda

When the current government took over power in January 1986, there was a need for major economic policy reforms to reposition the country's economy and get it out of the dire situation into which it had slid. The new governments' strategy for economic development was not different from that of its predecessors. The ten-point programme, which articulated its future intentions, viewed extensive government intervention in a mixed economy as acceptable and necessary. Its aim was to achieve an integrated, self-sustaining economy (Museveni, 1985).

It implemented a macroeconomic management model that laid emphasis on government control and regulation of the markets and revalued the currency. These reforms, however, were short term and did not yield the hoped for results, but led to a worsening balance of payment position. By June 1987, inflation stood at 240 percent per annum (Ngororamo, 1997, p. 45). An over-valued currency reduced the country's competitiveness on international markets and there was a gap between official and parallel market rates of foreign exchange, leading to foreign exchange shortages and increased arrears. The collapse of the International Coffee Agreement served to worsen the already deteriorated terms of trade. The government felt it imperative to launch a long-term economic policy, the Economic Recovery Programme (ERP) in 1987 whose aims were "to rehabilitate the economy and enhance economic growth, to stabilize the economy and reduce inflation and to minimize the potential for a balance of payment crisis" (Ministry of Finance, Planning and Economic Development (MoFPED), 1998, p. 6).

By late 1988, the economy was performing better and increases in the economic activities were apparent. However, reconstruction did not move at the pace that had been envisaged because the country's foreign exchange needs were not being adequately met by the existing funding sources. As a condition for securing increased funding from the IMF and the World Bank, Uganda was required to initiate a Structural Adjustment Programme and at their urging, the government gradually was compelled to change its strategy and to implement major economic reforms (Sepehri, 1993). The economic recovery programme (ERP) got a three-year extension and instead of a one-year structural adjustment programme, a three year Extended Adjustment Facility (ESAF) was initiated. In order to attain its goals, the programme adopted the strategy of devaluation, budget cuts and increased tax, reform of public sector, foreign exchange liberalisation, price liberalisation, reforms in the financial sector and deregulation, constitutional reform, decentralisation and army demobilisation (Langseth, 1996: Sepehri, 1993). Most of the above mentioned programmes have been implemented to varying degrees since the beginning of 1990. The outcome of these programmes has been reduced customs tariffs, removal of price controls, deregulation of the foreign exchange markets, financial sector reforms, privatisation of parastatals and civil service reforms.

Private Sector Delivery of Services

The role of the private sector in delivery of services has increased in the last two decades. Services that were one time considered the reserve of public sector delivery are increasingly being provided by the private sector. On the international scene, privatisation of utilities has been undertaken and in most cases, public enterprises are sold off to the private sector and the state plays the role of regulating prices and the way the enterprises operate. Over time however, private involvement has been changing and becoming more complex and comes in different types. For instance, one typology is where the government sells off the assets needed for providing services or leases them out to a private entrepreneur, but it still purchases the services and provides it.

The other type of privatisation is where the government retains ownership of the assets of production but sells off the final product to a private entrepreneur who in turn delivers the service to the public. An example of such an arrangement in Uganda is Umeme, which buys power from Uganda Electricity Generation Company Limited and sells power to the public. This kind of arrangement is what is commonly called public-private partnerships (PPP). Typically, the government and the private provider sign a long term contract whereby the private provider is expected to supply a service to the public. The private enterprise owns and runs the physical assets needed to provide the service unlike the past when the government would own the assets and employ workers to produce the product.

Although this is the most basic model of PPPs, there are other characterisations of PPPs, including for instance where the private sector sets up the enterprise and provides the services on behalf of the government. For example, there are 151 privately built and operated prisons in the United States and in many countries, including Canada and the UK, the control of air traffic is under private ownership (Grout, 2003). This is the type of PPPs that seems to be close to what is happening in Uganda as far as water and sanitation is concerned. Although the planning for water supply systems is centralised at the national level, operation and maintenance has been decentralised and privatised. This is particularly true for rural and small town water supply. For example, out of the 143 small towns that had 61 operational piped water supplies and schemes in 2006, 57 were managed and operated by the private sector (Kugonza, 2006, p. 3). Although the National Water and Sewerage Corporation is still publicly owned, the percentage of Ugandans served by this public enterprise is minimal as to make water and sanitation provision a private affair. This is because it operates largely in large urban centres, whereas the majority of Ugandans, over 80%, live in rural areas (United Nations Development Programme (UNDP) 2005, p. 3). The Directorate of Water Development, which is responsible for rural water supply and sanitation, only provides technical support.

Public Sector Reforms and Service Delivery

The implementation of the ERP under the structural adjustment programme has led to changes in Uganda's economic planning. Unlike the period before 1990, when the country's development plans stressed the importance of public investment as the foundation for economic development, the current plans promote a reduced role of the state and expect private sector development to spearhead economic development. Institutional reforms have been implemented with the purpose of increasing the effectiveness of the private sector and these consist of civil service reforms, public

sector reforms and deregulation of prices of productive resources. Institutional frameworks that encourage private domestic and foreign investors to invest in the economy have been set up. There has been sustained effort to reform the financial sector and the public enterprises and one of the expected outcomes of these reforms is private sector development. It is believed that the development of the private sector is a necessary pre-requisite to economic growth and development. Hence, the government hopes to encourage the growth of private investment through privatisation of state and semi-public companies as well as creating a conducive environment to attract foreign investors through legislation that is favourable for private entrepreneurs (Bacwayo, 2002).

In some sectors, for example, in the parastatal sector, the government sold off public enterprises, and where it has not done this, it has contracted out services, such that the government retains ownership, but the management is contracted out to private entities that run the service delivery on behalf of the government. However, there are some sectors where the privatisation has been less obvious, but has the same impact. This appears to be what is happening in the education and the water and sanitation sectors. There is no official position stating that the government has privatised the education sector. However, the percentage of secondary schools and tertiary institutions which are fully government run and funded is very low and has been reducing over time. The government has gradually withdrawn from the sector and left it in the hands of private owners and individuals. This is also true in the water and sanitation sector, although it manifests differently. The following section examines the implications of reforms on the 7th Millennium Development goal.

Uganda's Progress on the 7th MDG

The provision of access to safe drinking water and basic sanitation, one of the targets of the 7th Millennium Development goal, is an important goal for development. This is because improved access to water and sanitation has potential benefits on the health of the population. Healthy people are likely to reduce the burden on the health infrastructure of a nation. The health status also has the potential to increase the productivity of individuals and this is likely to not only have a positive impact on the household incomes but also an impact on the national productivity and income. It is also true that improved access to water supply is likely to save on the time that is spent collecting water.

Safe Water

According to the UN's Uganda Human Development Report 2005, Uganda's access to safe water is lower than that of the world and the rest of Sub-Saharan Africa. Although Uganda, in an effort to attain MDGs has set the target of rural access to safe water to 100% by 2017, this appears to be an ambitious target. A large portion of Ugandan land is covered with water, yet this does not mean that Ugandans have access to safe water. By 1999, only 47% of rural Ugandans had access to safe water and slightly over 60% of urban households had safe water access (UNDP, 2005, p. 60). Even in the urban areas where the water coverage is higher, the water quality leaves a lot to be desired since it is neither safe nor clean. This is because in the last two decades, water quality has deteriorated because of water pollution both from domestic and industrial waste. Poor sanitation practices especially in urban slums and rural areas has resulted in most water sources becoming contaminated with faecal material. Most slum dwellers for example use shallow pits or plastic bags and throw the waste in drainage channels. Most of this flows into the main water bodies untreated. It also contaminates wells and spring water (UNDP, 2005, p. 60).

In Ugandan rural areas, most of the drinking water comes from protected springs, shallow wells, boreholes (either fitted with hand or motorised pumps), and piped water through gravity flow schemes. These water sources consist of those that are delivered by government agencies and those provided by private individuals or communities. The highest incidence of PPPs in water and sanitation delivery in Uganda seems to be in the rural areas. Whereas the main sources of water in the urban areas are provided by the government, this is not the case for rural areas. According to UNDP (2005, p. 60), 51.2% of the people in urban areas have access to public taps, which in most cases are provided by government. Comparatively, only 1.5% of people in rural areas have access to public taps. On the other hand, open public wells constitute the commonest sources of drinking water for people in rural areas taking 28.3% share of rural sources compared to 6.8% of urban sources. Public wells are usually provided by either individuals or communities in these places. The combined sources of water not provided by government and hence under PPP constitute 49.7% of sources of rural water; these include protected and open public wells, spring, rivers, streams, ponds, lakes, and rain water. The government is therefore involved in some way with only 50.3% of water sources. In most cases, the government is only involved at the design and installation and the community is expected to monitor and maintain the facilities such as protected springs and boreholes.

The situation has meant that the majority of Ugandans do not have access to safe water, particularly those in rural areas. According to the ministry of Finance, Planning and Economic Development, many people in Uganda still use unprotected and unsafe water. Not only is the water unsafe, it is also located far from their dwellings. It was reported for example that people travel between 1.5- 16 kilometres to collect safe water and in most cases, it is women and children who are responsible for this task. This means that failure to attain the 7th MDG also impacts on the success of other MDGs like the one on promoting gender equality and empowering of women. If they have to spend time fetching water, girls and women will not be able to get involved in activities that are necessary for their empowerment (MoFPED, 2004).

Sanitation

There is little written about sanitation in Uganda. However, the literature available shows that only 8% of people in urban areas have access to piped sewerage and the rest of the urban population (92%) use on site systems, which in most cases are pit latrines, (MoFPED, 2004, p. 172). The people in areas near urban centres “use pit latrines, VIPs, septic tanks or dispose of their faeces in polythene bags or ‘flying toilets’ which are discarded in banana plantations, rubbish bins or drainage channels” (MoFPED, 2004, p. 172). There is no system for management of solid waste; for example in Kampala, only 20% of the population has access to refuse collection services and little of this is properly disposed of (MoFPED, 2004, p. 172). This situation gets even worse when it comes to rural areas. Whereas there is a semblance of provision of sanitation services in urban areas, albeit on a very limited scale, there is nothing like this in rural areas. This implies that sanitation services for the majority of Ugandans in the rural area are provided by the private sector, either by individuals or the community.

Because provision of sanitation services has been left in private hands, there is poor sanitation and hygiene in the country, contributing to prevalence of diseases like Cholera. Lack of government commitment for service delivery in the area of sanitation is compounded by the fact that no single institution is responsible for sanitation. This is because it is viewed

as an inter-sectoral issue, with the result that three sectors; health, education and water are responsible for sanitation, yet none of them considers this as a high priority issue. Because of this, few resources are allocated to sanitation, thus leaving this important issue in the hands of private individuals, with the resultant effect of poor sanitation. The MDG target of halving the number of people without sustainable access to basic sanitation becomes an uphill task given the circumstances.

Conclusion

The Ugandan Government has been withdrawing from delivery of services because of Structural Adjustment Policies. Even in areas where it has not completely privatised or where they are calling for public-private partnership, the resources invested in those areas are so negligible thus hardly making an impact. One can therefore argue that they are as good as privatised. The quality of services provided by the government in those areas where it has not completely withdrawn is poor and affects the development goals. This is what is happening in the area of water and sanitation. Much as the government has not completely withdrawn from provision and delivery of water and sanitation services, the resources invested in this sector are so minimal as to make it a private venture. In many towns, and rural areas, water and sanitation services are provided by the National Water and Sewerage Corporation. However, even in those areas where it exists; sanitation is practically a private matter. In rural areas, there are no sanitation services to speak of. Because government is constrained by the neo-liberal environment in which it operates, an important MDG strategy, the provision of safe water and sanitation does not look like it is going to be achieved. If Uganda is to attain this target of the 7th MDG, there is need to put the water and sanitation issue high on the national agenda and support this with increased resources.

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