

**ADDRESS BY MINISTER RONNIE KASRILS, SOUTH AFRICA'S
MINISTER OF WATER AFFAIRS AND FORESTRY
AT THE 5TH EURO- AFRICAINE CONVENTION IN BORDEAUX,
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**“URBAN UTILITIES IN AFRICA: A PRIVATE AND PUBLIC
ISSUE”**

Your Excellencies,

Distinguished Guests

Ladies and Gentlemen

I would like to thank our hosts for arranging this timely convention.

I also bring you greetings from President Thabo Mbeki who will be on a State Visit to France next month, and from my Cabinet colleagues who continue to monitor the important outcomes of the Euro Africaine Conventions.

Ladies and gentlemen our task this morning is to discuss the topic: “The importance of public-private partnership in the financing of urban utilities in Africa”.

Perhaps we need to begin by talking of a triple partnership of public-private-people (community) partnership. A people centred approach must be the point of departure in order to arrive at our destination, which for South Africa, remains the alleviation of poverty. The poor must emerge as the primary beneficiaries of urban utilities.

I am specifically making this point because in the past it has not always been so obvious. The public-private partnership that we all refer to has not always taken the poor into consideration.

For this reason I encourage the Convention to be informed by the concerns of the WSSD or Millennium Development Goals, at least in respect to services such as water supply, sanitation, waste disposal etc. (The situation in relation to more commercial sectors such as telecommunications, energy and transport is slightly different).

It is important that the approaches taken in finance for development be guided and underpinned by the common commitment to achieve the goals agreed at the Johannesburg WSSD in September 2002. Related to this is the need for progress to be made at the WTO and the Finance for Development negotiations) as well as the NEPAD approaches.

This is not simply a self-interested plea on behalf of developing countries. It is recognition that if we (globally) do not take common action to tackle poverty and under-development, the commercial opportunities will be limited and global security will be undermined.

We need therefore to heed South African President Mbeki's call to make this the African century. There is a win-win opportunity to promote growth and development in Africa and, by so doing, to create economic opportunities for our development partners.

In this regard, I am positive about the "Report of the World Panel on Financing Water Infrastructure" as Chaired by Michel Camdessus. What is now needed is implementation.

South Africa is also encouraged by the outcomes of the G8 Summit in Evian in June this year. I am particularly pleased by the recognition of "improving water resource management" as part of the Action Plan for NEPAD.

We are also looking forward to the implementation of the EU water initiative launched at the WSSD in 2002.

South Africa's position and experience

So is the glass half full or half empty. Since 1994, South Africa with a population of about 45 million has witnessed:

- 9 million South Africans, predominantly, the rural poor, receiving access to potable safe water, with 5 million left to reach (given present rates of achievement) every South African will have access by year 2008.
- 1.5 million new houses were built housing 7.5 million people.
- An additional 3.5 million homes were electrified providing 17.5 million people with access to electricity.

These are just some of the successes achieved over a short period of time.

To ensure that more is achieved in order to meet the UN Millennium goals as well as the WSSD targets, South Africa is very clear, there is a role for the private sector in the provision of urban services. At the same time we cannot afford to neglect the rural communities (in South Africa we have placed great stress on that). To do so is in our opinion unjust and leads to increased migration to urban centres.

Given South Africa's history, we must pay particular attention to ensuring that the engagement of the private sector meets our goals which must focus on bridging the gap between the haves and the have-nots to achieve equitable as well as sustainable development.

Our political stability, without which economic development cannot occur, depends on achieving that equitable and sustainable development and being seen to strive to do so. The key to creating an environment in which the resources of the private sector can best be used is to achieve social stability (by addressing the basic needs of the poor) from which political stability can be derived.

Once there is political stability, the right policies can be introduced.

To use the example of the water sector, it could be argued that in respect of the public-private partnership we have not gone very far. Only two private partnership concessions have been announced in water since 1994.

The reason for what could be seen as slow progress was that we have had to put in place the structures to bridge the gap between rich and poor, black and white. To engage the private sector at local level before that

was in place would have been problematic because it would have appeared that we were allowing profits to be made from services before the needs of the poor had been addressed.

We have however started to engage the private sector. In Johannesburg Municipality, Suez has provided important bridging assistance. They have a five-year contract to help amalgamate a large number (approx 15) municipal administrations into one public water supply utility.

The delivery of basic rural water supplies used a Build Operate Train and Transfer approach, contracting a private sector team to run the programme in some of the provinces (Suez has featured in this). This has proved to be a very helpful contribution to delivery during our transition, indicating a willingness of the private sector to get involved, certainly in South Africa, in rural water schemes.

Progress has also been made in areas that are more obviously commercial:

- The bulk water supply to the industrial hub of Gauteng, using user revenues to underpin the off-budget funding of the Trans Caledon Tunnel Authority to finance the US\$2 billion project

- The industrial wastewater-recycling project in Durban in which Vivendi played a leading role.

In the meantime, we have been very active in promoting better-managed approaches to water and sanitation in the public sphere by the establishing of local government in areas where it had not existed before. That will create the future opportunities for the private sector.

We cannot over emphasise the importance of dealing with a competent and effective government structure whether at national, regional or local level. You cannot have effective partnerships with a partner who is too weak.

Part of our democratic transition has been the establishment of some 284 municipalities. Now that we have the municipalities in place, a more structured review process is underway as they decide how they will provide their services in the future. They will be able to do this because we have put in place a clear policy framework.

This policy framework makes the objectives of achieving universal service coverage very clear. It also provides a predictable flow of central government subsidies for investment and operations which enable

municipalities to plan. It welcomes private sector participation but stresses that the interests of the consumers must be protected.

The relevance of South Africa's experience

South Africa's example is a useful, although it is not typical of the majority of sub-Saharan Africa.

If I may say so, one way in which PPPs may relieve the burden on public finances is by allowing financially viable activities to be funded off budget, releasing budget funds for programmes to address poverty.

PPPs can help to meet the needs of more commercially focused sectors – telcoms being the best example where the mobile phone industry has achieved great improvements for those who are able to afford their services, notably in business and commerce.

With respect to financing, there is an important point which should be made. It is inappropriate for domestic services to be funded using foreign currency loans and expecting the consumers or their utilities to carry that risk.

The challenges for sub-Saharan countries is NOT then the existence of PPPs but rather the existence of sufficient income in the society to afford the services and a financial system which can efficiently mobilise their savings. The levels of income are obviously the critical factor; in the absence of a sound financial system, there will be barriers to raising internal finance and, in those cases, the risks associated with external financing will have to be carefully managed.

Conclusion

I am sure that there is no doubt that by helping African countries to grow and develop through funding concrete service delivery activities, one can build appropriate institutions, “learning by doing”, from which great opportunities may arise, offering win-win partnerships in the future.

Finally, as I have already stated, public and private sector partnerships need to be people centred and then when this results in prosperity for the poor, only then can one say that the partnership approach has been successful.

I thank you!