



NATIONAL ECONOMIC CONSULTATIVE FORUM

**AN ANALYSIS OF PRIVATISATION OF NATIONAL
UTILITIES IN ZIMBABWE**

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1.0 Introduction

Privatization refers to the transfer of a business, industry, or service from public to private ownership and control, or the reduction of public ownership. It takes various forms. According to Dutta (2024), privatization is typically driven by economic, social, and political factors to improve efficiency, promote competitiveness, enhance service quality, ensure accountability and transparency, increase customer satisfaction, and boost overall economic performance.

According to The Herald (13 January 2024), the government announced that it is in the process of privatizing the provision of national utilities, including clean potable water and other services such as solid and liquid waste management. To address inefficiencies, it has received five expressions of interest from local and international players. The proposed model covers the entire value chain, including purification, distribution, billing, and metering. It also encompasses engineering, procurement, construction, management, and financing, with a focus on all urban cities, prioritizing Harare, Bulawayo, and Victoria Falls.

According to The Sunday Mail (26 January 2025), the Ministry of Local Government and Public Works signed agreements with the City of Harare, Hangzhou Liaison Technology Company, and Helcraw Electrical to privatize water provision in Harare under a Build-Operate-Transfer (BOT) contract, using either a Public-Private Partnership (PPP) or a hybrid model.

This paper examines the privatization of national utilities in Zimbabwe, with a focus on water provision. It provides an overview of the country's utility performance, presents stylized facts about privatization, and draws insights from international experiences, culminating in conclusions and policy recommendations.

2.0 Evolution of Water Provision in Zimbabwe

In 1980, the government of Zimbabwe declared the provision of clean water and sanitation to rural communities as one of its principal priorities under the Transitional National Development Plan. The need for water sector reforms in Zimbabwe was later incorporated into the broader objectives of the Economic Structural Adjustment Programme (ESAP) (1990–2000). These reforms led to the promulgation of the 1998 Water Act, which replaced the 1976 Water Act, and the introduction of the Zimbabwe National Water Authority Act of 1998, which established the Zimbabwe National Water Authority (ZINWA) in 1999.

ZINWA was mandated to oversee the development and management of national water resources. It was required to operate on a commercially viable basis by selling raw and treated water and providing engineering services, ultimately becoming self-financing. A major development during this period was the Cabinet's 2005 directive requiring the City of Harare to transfer its water and sewer infrastructure to ZINWA. However, ZINWA's performance was widely criticized, even in Bulawayo, where it became operational. Within two years of assuming its new functions, ZINWA faced significant backlash as it failed to prevent water shortages due to frequent breakdowns

of water infrastructure. In an effort to cover its operational costs, ZINWA increased rates tenfold, yet residents still experienced dry taps and outbreaks of waterborne diseases. Following public outcry over its failure to improve service delivery, responsibility for water provision was returned to local authorities.

A study by ZIMCOD revealed a history of inefficiencies within the Harare City Council, including an unjustified water billing system, reliance on estimated bills, forced payments for services not provided, slow updating of paid bills, inherited debts from the local currency regime, a composite bill for water and housing rates, high water charges, threats of water disconnections, the provision of contaminated water, and attempts to commercialize water access amid the crisis.

According to ZELA (2020), Section 77(a) of the Constitution of Zimbabwe (Amendment No. 20) guarantees every person the right to safe, clean, and potable water. It also mandates the state to take reasonable legislative and other measures, within available resources, to progressively realize this right. Additionally, the Zimbabwe Water Act (Chapter 20:24) vests ownership of water resources in the President and prohibits private ownership of water. The central government and local authorities are thus responsible for ensuring the provision of clean and potable water.

The United Nations Sustainable Development Goal (SDG) 6 aims to ensure universal access to water and sanitation. It calls for a substantial increase in water-use efficiency across all sectors, sustainable freshwater withdrawals, and a reduction in water scarcity. It also emphasizes the protection and restoration of water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes. To promote global awareness of water issues, the UN declared March 22 as World Water Day, an annual observance since 1993 highlighting the importance of freshwater.

3.0 Stylized Facts about the Privatization of National Utilities

The privatization of national utilities, particularly essential services such as water, electricity, and waste management, has been a significant aspect of economic reforms in many countries. While the broad theoretical benefits of privatization, such as improved efficiency, cost reduction, and better service delivery, are often highlighted, the practical outcomes can vary. The specific context of the country implementing privatization, as well as the regulatory frameworks in place, plays a crucial role in determining whether these benefits are realized. In this section, we examine the stylized facts about privatization, focusing on the potential advantages and drawbacks, and how these apply to Zimbabwe's water provision sector.

1. Improvement in Efficiency

It is argued that privatization improves the efficiency of an enterprise, primarily driven by competition, flexibility, innovation, and investment (Sheshinski and Lopez-Calva, 1998). Private entities, motivated by profit, invest in research and development to create new technologies and improve processes, which leads to enhanced service quality and customer satisfaction. Kirkpatrick et al. (2006) argue that privatization has

the potential to improve water services in developing countries, reversing decades of underinvestment under state-run systems.

In Zimbabwe, privatization could theoretically improve water services, especially given the longstanding underinvestment in infrastructure and the inefficiencies that have plagued state-run utilities like ZINWA and City of Harare. However, given the country's current economic challenges, including inflation and foreign currency shortages, the practicalities of privatization could be complicated. Without a robust regulatory framework, private players may focus on high-profit urban areas while neglecting rural and low-income communities, which would exacerbate inequality in access to water services.

2. Government Financial Burden

The Reserve Bank of Zimbabwe (2009) highlights that parastatals in Zimbabwe have long been a financial burden on the government, which has hampered the economy's recovery. Privatization could alleviate this burden by transferring financial responsibilities to the private sector. The government can also generate revenue by selling public entities.

In Zimbabwe, the government is often overstretched with the financial support of failing parastatals, such as ZINWA. Privatization could provide immediate fiscal relief by removing these entities from the government's balance sheet. However, the long-term benefits could be undermined if privatized entities focus on profit maximization rather than reinvesting in infrastructure. Zimbabwe would also need to ensure that privatization does not lead to the outflow of capital from the country, which could further weaken the economy.

3. Facilitating Economic Growth

Privatization can stimulate economic growth by improving efficiency in public enterprises, which are often operating below 10% capacity, thus hampering private sector growth (RBZ, 2009). Inefficiencies in municipal water provision affect industries like manufacturing, agriculture, mining, and tourism.

For Zimbabwe, privatizing utilities could reduce inefficiencies in critical sectors such as power and water provision, which would, in turn, boost industrial growth and attract foreign investment. However, the potential benefits of privatization must be carefully weighed against the risks of cost increases and reduced access to services for marginalized groups. Moreover, a monopolistic market structure could arise, where private players prioritize profit over the broader economic and social interests, further stalling economic progress.

4. Monopoly and Market Dominance

In industries like national utilities, where competition is often limited, privatization can lead to the emergence of a monopoly. A single private company dominating the market could result in lower quality standards, higher tariffs, and a focus on profits over public interest.

Zimbabwe has a history of monopolistic utility service providers (e.g., ZINWA) and privatization could exacerbate this issue if no competitive safeguards are put in place. In a monopolistic scenario, the private entities would have the power to increase tariffs, which could burden consumers, particularly in economically vulnerable regions. The government must ensure that regulations prevent private companies from exploiting this power, which is critical in protecting the public from price hikes and substandard service delivery.

5. Profit Prioritization Over Public Welfare

Private companies in sectors essential for public welfare, such as water, electricity, and waste management, often prioritize profit over societal benefits, resulting in higher costs, lower-quality services, public health issues, environmental damage, and increased financial burdens. Hall et al. (2011) point to the ecological disaster caused by privatization in Brussels.

In Zimbabwe, the privatization of critical services such as water provision risks prioritizing profit over people's needs, particularly in low-income communities. Privatization could lead to an increase in tariffs for water services, which would place an additional financial burden on the poor and vulnerable. The lack of investment in infrastructure could also exacerbate existing problems, such as waterborne diseases, further undermining public health. Regulatory oversight and accountability measures are crucial in mitigating these risks.

6. Loss of Government Control

Privatization shifts control of financial and managerial decisions from the government to the private sector. This limits the government's ability to influence company policies, potentially leading to shortcomings in regulation and oversight.

In Zimbabwe, this loss of control could weaken the government's ability to ensure equitable distribution of resources. For example, the privatization of water provision could result in private companies focusing on urban areas with higher profit potential, while rural communities continue to lack access to clean water. Given the economic climate and political landscape in Zimbabwe, the government's role as a regulator must remain strong to ensure the equitable provision of services.

7. Decreased Accountability and Transparency

Privatized companies may operate with less transparency and accountability than government-run entities, making it more challenging to monitor their actions and ensure public interests are protected. CAAPA (2021) notes that privatization resulted in reduced quality of chemicals in Pittsburgh and increased profit-oriented approaches in Paris.

Transparency is already a significant issue in Zimbabwe's public sector, and privatization could worsen this, as private companies may be less inclined to disclose operations to the public. Given the country's recent history of corruption scandals, privatized utilities could operate with limited scrutiny, making it difficult for citizens to

hold them accountable. Effective and transparent regulation must therefore be enforced, with mechanisms for public oversight, to ensure that privatized entities do not prioritize profits over public service.

8. Threat to Democratic Principles

Privatization can concentrate economic power in the hands of a few private entities, potentially influencing government policies and decision-making processes. Hall et al. (2011) cite an example from Brussels, where a private company released sewage into the Zenne River as a bargaining tactic.

In Zimbabwe, privatization could further concentrate economic power in the hands of a few elites, who may have significant political influence. This could erode the democratic process, especially in sectors like water, where private monopolies could shape policies to serve their interests rather than the needs of the population. It is essential for Zimbabwe to design a privatization framework that ensures public interest is at the heart of service provision and that private companies do not exert undue influence over national policies.

9. Increased Financial Burdens

Privatization often leads to increased tariffs and financial burdens on citizens, particularly the poor, who may be deprived of their right to safe water. Nes-Silva et al. (2024) argue that privatized providers often fail to reinvest in infrastructure and seek a quick return on investment through increased tariffs, leading to higher costs and disconnections for vulnerable groups.

For Zimbabwe, where poverty rates are high and inflation is rampant, increased tariffs could be catastrophic for the poor. The right to clean water and sanitation is enshrined in the constitution, and privatization could violate this if services become unaffordable for the most vulnerable. Additionally, the privatized model could result in a focus on high-income areas while neglecting poorer regions. Public health risks and social unrest could arise as a result.

10. Job Loss and Restricted Access

Chirwa (2004) argues that privatization often leads to massive job losses and restricts access to water. Water provision is also linked to fundamental human rights, such as the rights to water, housing, life, and health.

In Zimbabwe, job losses due to privatization could exacerbate the country's unemployment crisis, especially in the public sector. Furthermore, privatized utilities may prioritize profit, which could result in the denial of basic water services to disadvantaged communities, particularly in rural and peri-urban areas. Privatization without a robust regulatory framework risk undermining citizens' fundamental human rights and access to essential services.

4.0 International Experience in the Privatization of National Utilities

This section highlights the experiences of various nations with the privatization of national utilities, shedding light on the lessons learned, challenges faced, and best practices. These case studies offer valuable insights that can inform Zimbabwe's ongoing discussions on the privatization of national utilities, particularly water services.

The water industry in England underwent significant transformation after privatization. Prior to privatization, there was decades of government underinvestment, leading to poor water quality, polluted rivers, and sewage-contaminated beaches. According to Roberts (2024), privatization resulted in nearly £160 billion in investment, steady improvements in water services, and world-class drinking water. Leakage has decreased by a third since the mid-1990s, and today, two-thirds of beaches are classified as excellent compared to less than a third 25 years ago. The restoration of wildlife has been another positive outcome. Customer satisfaction for water and sewerage services in England stands at around 90%, with high trust in the water companies. This example demonstrates that, when well-managed, privatization can lead to significant improvements in service delivery.

In contrast, Belgium's experience with the privatization of its water services through a Public-Private Partnership (PPP) model has been far more problematic. The city of Brussels privatized its wastewater plant to Aquiris, owned by Veolia, under a Build-Operate-Transfer (BOT) concession. However, in December 2009, Aquiris released sewage into the river Zenne as a bargaining tactic, resulting in an environmental disaster. This underscores a major risk associated with privatization in sectors where competition is limited: the potential for monopolistic behavior and environmental degradation if private firms prioritize profits over public welfare.

Similarly, Indonesia's privatization of water in Jakarta in 1998 led to excessive pricing and public health risks. The case of Paris, France, provides another cautionary tale. Water was privatized through a hybrid PPP model to Veolia and Suez in 2009, but this led to a lack of transparency and a profit-driven approach that ignored public interests. Following a return to public control, Paris realized £35 million in efficiency savings and reduced tariffs by 8%, demonstrating that public control can sometimes lead to better outcomes in terms of both financial savings and social benefits.

In the United States, Camden, New Jersey, privatized its water services in 2000 under a 20-year contract with United Water, a subsidiary of Suez Environment. However, an audit in 2009 revealed severe issues: 45% of water was lost due to leaks, overflow, meter inaccuracies, and billing errors, while 15 out of 17 city assets were stolen. The contract was breached, and water quality declined. This example illustrates that privatization without proper oversight and accountability can lead to significant failures in service provision.

Bolivia's privatization of water services also highlights the negative impacts of privatization on vulnerable populations. The privatization led to a 45% increase in tariffs, denying access to water for the poor, and the country was penalized by the

World Bank and IMF. These outcomes are crucial to consider in Zimbabwe, where many communities, especially in rural areas, already struggle with access to safe, affordable water. Privatization in such settings could exacerbate existing inequalities.

Chile's experience with water privatization offers a unique insight. The country privatized water under the Pinochet dictatorship in 1980, and today, large corporations like Suez, Aguas de Barcelona, and Marubeni control 90% of the drinking water supply. While privatization has led to universal access in urban areas like Santiago, the model has resulted in high water rates, making Chile the country with the highest water prices in Latin America. The concentration of water rights in the hands of a few corporations has limited access to water for others, especially in rural areas. In Osorno, mismanagement by ESSAL, a subsidiary of Suez, led to water contamination, resulting in a 10-day disruption of water services and a public outcry that led to a rejection of privatization. This is a critical lesson for Zimbabwe, where ensuring equitable access to water, particularly in underserved communities, must be a priority if privatization is pursued.

In Malaysia's Selangor Province, water privatization to Syabas was marred by irregularities involving accounting practices, non-tendered contracts, and high inefficiencies, which ultimately led to tariffs doubling and public dissatisfaction (Hall et al., 2011). This highlights the risks of privatization in environments where there is inadequate regulatory oversight, a concern that Zimbabwe must carefully consider as it navigates its own privatization process.

Tanzania's privatization of water in Dar es Salaam, backed by the World Bank, IMF, and the UK government, also failed when water prices sharply increased, and the privatization scheme collapsed within two years. Similar failures have occurred in countries such as Cameroon, Ghana, Mozambique, and Gabon, where privatization of water services led to supply cuts, bill irregularities, and environmental hazards. In Gabon, for instance, the contract with Veolia was terminated in 2018, but not before Veolia had earned more revenue than Gabon's entire GDP.

On the other hand, South Africa's Siza Water Company in the Dolphin Coast region has been a success story. It is often cited as a positive example of privatization, thanks to a clear regulatory framework and effective community engagement. This demonstrates that privatization can work when coupled with strong governance and public participation.

Cesar (2018) tested the relationship between private ownership of water utilities and access to improved water sources across 62 countries. The study found a positive but statistically insignificant relationship between privatization and water access. Similarly, Pettinger (2022) found no conclusive evidence that privatization results in improved efficiency, suggesting that ownership may not be as critical to utility performance as often claimed. In Zimbabwe, where public utilities have often struggled with inefficiency, these findings suggest that privatization alone may not guarantee better outcomes without substantial reforms to the regulatory and operational frameworks.

5.0 Conclusions

The privatization of water utilities in Zimbabwe is a complex and multifaceted issue with both potential benefits and risks. The historical context of water provision in Zimbabwe highlights the inefficiencies of public sector management, including ZINWA and municipal authorities, which have led to water shortages, financial mismanagement, and poor service delivery. The government's decision to engage private entities in water provision aims to address these inefficiencies through investment, innovation, and competition. However, international experiences reveal that privatization in the water sector has often led to increased costs, lack of transparency, and environmental risks.

From a global perspective, some privatization efforts have resulted in improved service quality, infrastructure investment, and efficiency gains, as seen in England and parts of Chile. However, other cases, such as those in Jakarta, Paris, and Pittsburgh, have demonstrated the potential downsides, including excessive tariffs, lack of regulatory oversight, and a decline in service quality. The Zimbabwean government must carefully consider these international lessons to ensure that privatization does not compromise access to clean and affordable water, particularly for vulnerable populations.

Furthermore, the legal framework in Zimbabwe, including the Constitution and the Water Act, mandates that water remains a public resource, placing an obligation on the state to ensure equitable access. While privatization could offer financial relief to the government and improve service efficiency, the risks of monopolization, affordability challenges, and loss of government control over a critical resource cannot be ignored.

6.0 Recommendations

Given the complexities of privatizing water utilities, a hybrid approach that blends public and private sector involvement is recommended. This strategy seeks to harness the efficiency and investment potential of the private sector while maintaining strong government oversight to ensure affordability, accessibility, and sustainability. The following policy recommendations outline key measures to achieve a balanced approach:

1. **Robust Regulatory Framework:** A strong and independent regulatory body must be established to oversee private sector involvement in water provision. This body should enforce quality standards, prevent monopolistic practices, and regulate tariffs to protect consumers from exploitative pricing.
2. **Public-Private Partnerships (PPPs) with Clear Accountability Mechanisms:** PPP agreements should have clear terms that balance the profit motives of private firms with public service obligations. Contracts must include performance-based incentives and penalties for non-compliance.
3. **Affordability and Subsidy Mechanisms:** The government should implement targeted subsidies or cross-subsidization strategies to ensure that

low-income households can afford water services. Lessons from countries where privatization led to price hikes should be considered to prevent social unrest and economic exclusion.

4. **Community Involvement and Transparency:** Local communities should be actively involved in decision-making processes related to water provision. Transparent contract agreements, public audits, and citizen feedback mechanisms should be institutionalized to promote accountability.
5. **Investment in Infrastructure:** Whether through private or public investment, addressing aging water infrastructure should be prioritized. Leakage reduction, improved metering systems, and modernized distribution networks will be crucial in achieving water security.
6. **International Best Practices:** Zimbabwe should draw lessons from successful water privatization models such as England's investment-driven approach while avoiding the pitfalls experienced in Bolivia, Gabon, and Jakarta. Benchmarking with successful African models, such as South Africa's Dolphin Coast initiative, could provide guidance on regulatory frameworks and stakeholder engagement.
7. **Legal Safeguards:** Revisions to existing legislation may be required to ensure that privatization does not undermine constitutional rights to water access. The government must retain ultimate authority over resource allocation and crisis management in case of private sector failure.

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