Water and Privatisation

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Most people would agree that since water is essential for life we also have a right to it. However, people already living in poverty can pay ten times more for clean water than those in the rich countries. More than a billion people in the poorest countries lack safe water, and over two billion lack adequate sanitation. People connected to a water supply pay about a third of the cost paid by those not connected. And many governments in developing countries lack adequate resources to invest in water systems.

Despite considerable criticism in recent years, international institutions such as the World Bank, the EU and rich countries including the UK are continuing to make privatisation of water supplies a condition for debt relief, loans and aid.[1] Yet research by the International Institute for Environment and Development has shown that privatisation is unlikely to contribute to achieving the Millennium Development Goal target of halving the proportion of people without access to safe water and basic sanitation by 2015.[2]

Wealthier countries and neighbourhoods
Only a very small percentage of the world's population is served by private sector water provision. The multinational companies' primary concern is profit even though they insist they this is essential for the necessary investment to provide the service. This means that they concentrate on wealthier countries and neighbourhoods where users can afford to pay for new or better services. Eighty per cent of the 1.1 billion people who lack access to improved drinking water supplies do not live in such areas and so are still unable to access safe water.

After underestimating risks and overestimating potential profits, companies are becoming more wary of getting involved. The problem is that water cannot be provided without any cost. The money has to come from somewhere – from taxation, from consumers paying for the service or from government or other form of subsidy. Companies have failed to mobilise substantial private finance, and most investment has come from development loans, government funding and user charges.

Contracts terminated
Several large contracts have been terminated prematurely.

In May 2005 the Tanzanian government terminated its contract with City Water, a consortium in which UK multinational Biwater had a major stake, due to the lack of investment and failure to improve services. Biwater has lodged a case with the World Bank's International Centre for the Settlement of Investment Disputes in an attempt to get compensation for termination of the contract.

The Guyanese government cancelled its water management contract with Severn Trent Water International on the grounds that it had failed to meet several of the targets originally set, including those for extending water supply to the poorest communities. Millions of pounds of UK government aid money had already been spent on the project.

Severn Trent now wants to start again in Nepal, against the wishes of local water campaigners who would rather see reform of their publicly owned utilities.

Cross-subsidy and `public-public' partnerships
In South Africa those campaigning against water privatisation propose that since water is every citizen's right, it ought to be provided by the state. They recommend cross-subsidisation from high volume users – mostly companies and industry - to low volume users such as most domestic users

and the poor. For example, the first 200 litres per person per day could be free, after which the user cost could rise, in proportion to the volume of water consumed.

In the UK the World Development Movement has an ongoing campaign to keep the supply of water in public hands.[3] On the eve of World Water Day, 22 March 2007, International Development Secretary Hilary Benn announced that the UK government would be providing additional support to public water providers in the developing world by supporting `public-public' partnerships, in which public utilities work together to share expertise and good practice.

Outcomes for poor people

Overall it seems that public sector water provision is neither intrinsically more nor less efficient and effective than private sector operations. Policy discussions should therefore be based on a strictly neutral assumption about relative efficiency and not regard the introduction of the private sector as an obviously desirable or valuable objective. Policy decisions otherwise risk being distorted, with costly economic and social consequences.

Many of the problems of water and sewerage utilities have nothing to do with whether they are publicly or private operated but hinge on the nature of governance and regulation, and most of all on the quality and equity of outcomes for poor people.

In most low-income urban areas the public sector will remain responsible for financing water and sewerage provision for the foreseeable future. There is no justification for the continued promotion of private sector participation as a means of improving services in low-income areas, since imposing privatisation as a condition of development funding undermines both democracy and local capacity to address needs.

Sr Daphne Norden is an ECCR Board member.

Notes

1. See e.g. the World Bank's Public-Private Infrastructure Advisory Facility (http://www.ppiaf.org) and http://www.worldwaterday.eu.
2. IIED research: http://www.id21.org/society/s2bjb1g1.html.
3. See http://www.wdm.org.uk/campaigns/water/.

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