

Privatization of Water Sector

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I. DEFINITION AND BACKGROUND

Water Privatization in short means the privatization of water services, although more rarely it refers to privatization of water resources themselves. Because water services are seen as such a key public service, proposals for privatization of them often evoke stronger opposition than for other sectors. Globally, over two-thirds of modern water and sanitation systems are publicly owned and operated.

There are two main types of water privatization, sometimes known as the "British Model" and the "French Model". The British model consists of privatising both the assets (water and sanitation network, treatment plants and so on) and the operation of the assets, whilst in the French model, the assets remain publicly owned. The British model is largely limited to England and Wales (the system is still public in Scotland and Northern Ireland), with only isolated examples elsewhere.

For the usual privatization structure of keeping assets public and privatising service operations, there are three major types, in order of increasing risk transfer to the private operator:

- Management Contract, under which the private operator is responsible only for running the system, in exchange for a fee (usually performance-related). Investment is typically financed and carried out by the public sector, but implementation may be delegated.
- Lease Contract, under which assets are leased to the private operator, who recoups the cost from end users. Investment is typically financed and carried out by the public sector, but implementation may be delegated.
- Concession, under which the private operator is responsible for running the entire system, including planning and financing investment. Concession contracts usually run for 20-30 years.

An additional structure, a BOT (Build-Operate-Transfer) or a variation of it, exists for the carrying out of investment, usually the construction of specific new water or wastewater treatment plants. The BOT contract involves the private partner constructing the plant and then running it for a number of years (during which payment is received for the treatment capacity provided) before handing it over to the public water company. The risk for the private company for these is often relatively low, especially when contracts relate to capacity provided (rather than services provided) and the water company takes the demand risk. All these structures may involve public-private partnerships, where the operating company is a joint venture between the public owner of the assets and the private company, which usually has at least day-to-day management control, where it does not have a majority of shares.

II. GLOBAL TRENDS IN WATER SECTOR PRIVATIZATION

Up until the 1990s, water and sewerage services in most countries were a state/ public responsibility. It was only in the 1990s that multi national led water privatization increased along with infrastructure privatization in general in the developing world. Since mid 1990's developing countries are being encouraged/ pressurized to privatize water and water services through some form of public-private partnership (PPP) or private sector participation (PSP). In the developing world, Latin America and East Asia lead the way in water sector liberalization. Sub-Saharan Africa comes last. Water sector liberalization is the slowest, and most controversial. In comparison, telecommunication and energy are the most liberalized utilities.

Opening up the sector to multinational water companies or their subsidiaries, are enforced thru various measures. So far these pressures came from international Financial Institutions, where AID and Loan availability is (directly/ indirectly) tied to liberalization. Now these institutions are trying to shape the UN agenda, and take over the process. Between 1995-98, about 40 percent of total infrastructure investment in developing countries involved private sector participation. Note though, that these projects are **rarely** financed **exclusively** by private funds. They more typically attract some public financing to complement private funds. This form of private participation is called public-private initiatives (PPIs) or public-private partnerships (PPPs).

There are many types of PPPs including service contracts, leases, concessions, management contracts and Greenfield projects. Full privatization or divestitures are very rare in this sector. Of these, concessions are the most popular. A handful of companies, mostly based in France and England, dominate the water multinationals. Based on the number of projects, the top five are Suez-Lyonnaise des Eaux (France), Vivendi (France), Aguas de Barcelona (Spain), Thames Water (Britain), SAUR International (France). They undertake a wide variety of operations such as telecommunication, energy and waste in addition to their water-related specialties. The top two, Vivendi and Suez capture about 70 percent of the existing water market share. They also work together through joint ventures thereby creating oligopolies. They do not only do lobby with their own governments, but also have close links with global water NGOs such as Global Water Partnership and World Water Council.

Global Water Partnership and World Water Council were both formed in 1996. Both are European NGOs, with a global reach and access to resources. They have been particularly active in an initiative called World Water Forum, organized with an aim to influence world water agenda. These organizations are dominated by the international water establishment and, at present are not accountable to the world water communities—i.e., to those affected by the decisions promoted by these groups.

International Financial Institutions like World Bank and regional development banks have traditionally focused on infrastructure development projects such as dams and irrigation schemes. While in many cases this has brought benefits to communities through provision of water, food and electricity, this strategy is no longer appropriate. In most cases dam development has achieved only a fraction of predicted economic, power, water or social benefits. Besides, the social and environmental costs of these projects have been great. Their new ‘mantra’ for water management is privatization. The latest World Bank Water Sector Strategy Draft is strongly arguing for the liberalization of national water sector in both urban and rural areas.

World Trade Organization is committed to promoting free trade in the interest of all members. However some members are perhaps more equal than others. The developed country wants the developing countries to open up the service sector in particular, where they have a competitive advantage, and water sector happens to be one of them. An excellent example on this is EU initiatives in WTO on water services.

III. PRIVATIZING WATER IN ASIA REGION

In many developing countries, majority of the poor villages and urban slum area are not served by the piped water system yet. Often, the alternative water source of the poor is polluted river, lakes and shallow hand-dug wells. Some of the poor are dependent on street vendors, which is costs more than paying fees for piped water. The middle-class consumers in many countries pay subsidized rates and become the burden of government and prevent opportunity to expand water infrastructure for the poor.

Almost people in the world realize that water scarcity is the serious problem today and in the future. So does the International finance institution. The World Bank and ADB also have recognized that the poor will be suffer more for water shortage. The Bank also recognizes the need to take an urgent action to conserve the water and to meet the need of water uses by various users. Extending access of clean water for the poor and improving water management become the main campaign of World Bank and ADB’s water policy. Unfortunately, there is an increasing feeling that the water policy of World Bank and ADB could harm the poor more and worsening the condition of water resource.

The World Bank has initiated water sector reforms, aimed primarily at privatization of water utilities and commercialization of water resource. The water privatization policy of the World Bank was articulated in a 1992 paper entitled "Improving Water Resources Management." The Bank believes that water availability at low or no cost is uneconomic and inefficient. Even the poor should pay. As the World Bank states, the poor are willing to pay for the water even in high price. As pointed out in the "World Development Report 1992," the poor need to be provided with a wider range of options so they can choose the level of water services for which they are willing to pay, thereby giving suppliers a financial stake in meeting the needs of the poor. (Sara Grusky, *Bearing the Burden of IMF and World Bank Policies*. The World Bank argue that “Public sector providers waste water, too, typically losing 40 to 50 percent of their volumes through leaks and theft. It makes governments unable to expand services to urban slums, small towns, and villages. The corruption issue, inefficient water service, and the poor with no piped water access in developing countries always the reason of Governments to invite World Bank assistance. Because of public delivery fails, the main reason of World Bank to supports private participation. The World Bank also argues that increased cost recovery and privatization will actually expand access to clean water and sanitation, including for the poor. The Bank stated “Effective water resource management requires that water be treated as an economic good,” and “private participation in water and wastewater utilities has generally resulted in sharp efficiency gains, improved service, and faster investment in expanding service.” Looking into the background above, The World Bank argues that increasing water rates will make private companies have an incentive and sustainable profit, in order to extend water pipes to the poor. The World Bank always claims the poor need on water as it’s main concern, as stated in the World Bank urban

water and sanitation policy “.. to advise and assist countries in developing regulatory frameworks and in designing viable, clean transactions that reconcile the interests of investors and consumers, and recognize the needs of the poor.”The privatization policy recommends commercializing operations at all levels, private investment, substantial increase in water prices, increase in agricultural power tariffs, and creation of water markets. So that, its cover water utilities and water resource and environment issues. The World Bank economic measure’s perspective strongly stated that the current water tariff rates in several developing countries are ‘below the market rate’. The standard policy advice of the IMF and the World Bank is to pay back the debt by cutting the government budget, increasing revenues, and shrinking the public sector through "privatization" – selling public enterprises such as water, electricity and telecommunications to private corporations. In relation to the goal, the Bank and the Fund force the borrowing countries to adopt free market policies. These policies slash government spending by privatizing government services, removing "barriers to trade," and forcing nations to reorient towards export. Then, the borrowing countries will quickly repay their debts. Privatization or selling government assets providing service, such as health care, water utilities, and education made services affordable to the poor are eliminated.

Around the world, governments are pushed to transform their roles from the exclusive financiers and providers of infrastructure services to the facilitators and regulators of services provided by private firms. The Bank argue that private sector participation in infrastructure can improve the quality and quantity of infrastructure services while reducing the burden on constrained public budgets.

The World Bank argues that developing country governments are too poor and too indebted to subsidize water and sanitation services. World Bank structural adjustment loans and water and sanitation loans routinely include conditions requiring increased cost recovery, full cost recovery or “economic pricing” for water services. These requirements mean that user fees paid by water consumers must cover all water system costs, which usually include the costs of operation, maintenance and capital expenditure, and sometimes the cost of servicing past utility company debt. (Sara Grusky, in *Bearing the Burden of IMF and World Bank Policies*). The World Bank included water privatization as one of many conditions that determined the extent of several developing countries access to the portfolio of loans in the World Bank’s Country Assistance Strategy (CAS). World Bank structural adjustment loans and water and sanitation loans routinely include conditions requiring increased cost recovery, full cost recovery or “economic pricing” for water services. As the answer for bad service of water utilities in Indonesia, Philippine, Bolivia, Ghana, Argentina, The World Bank came with the “private participation’s” which mean is privatization as solely solution.

Eight years after World Bank policy, on 16 January 2001, ADB’s Board Directors approved a comprehensive water policy that recognizes the Asia and Pacific region’s need to formulate and implement integrated, cross-sectoral approaches to water management and development. In general, ADB state that the policy seeks to promote water as a socially vital economic good that needs increasingly careful management to sustain equitable economic growth and reduce poverty. Then, ADB will advocate a participatory approach in meeting the challenges of water conservation and protection in the region (ADB, 2002). One of the principal elements is promoting a national focus on water sector reform. All borrowing countries must are required to formulate and implement integrated cross-sectoral approaches to water management and development.

Water use efficiency, cost recovery, institutional strengthening and private sector participation are the key instrument of the policy. According to the ADB’s perspective, water is considered as an economic good. It states “Water must be utilized by those who render the most economic advantage” (ADB, 2001 cited in Chantawong, 2002, p.3). As consequence, the ones who can afford the cost will be given the priority, and the poor who cannot afford the cost will be on the last priority. (Shiva, 2000, p.6) cited Kijtiwatchakul, 2002). The ADB claims that “global experience indicates that public responsibility and ownership are often best blended with private management” (ADB, 2000). Then “governments need to modify their role from one of service provider to regulator” (ADB, 2000b, p.13). (Kijtiwatchakul, 2002). Surprisingly, ADB Water Policy is designed under Poverty Reduction’s Strategy. Poverty cannot be reduced unless people understand the of water in development, ADB statement following to the World Bank Institute. What ADB stated by improving water management are water comodification and privatization. **“Full cost recovery”** has been proposed to conserve water and increase system efficiencies. The ADB claims that “the poor are increasingly willing to pay for water service that are predictable and effective” and “governments have been consistently mistaken in their assertion that charging farmers for irrigation service is not possible because of their inability to pay” (ADB, 2000b, p.14). “Markets of transferable water rights” have been proposed to allocate and reallocate water to “high-value uses” including licenses, charges and tradable permits” (ADB, 1999, p.22). The ADB strongly believes that low-value users should trade their rights to high-value users.“The Agricultural sector, whose contribution to national income is declining, is

coming under increasing pressure to release water to meet other more productive needs” (ADB, 1999, p.20).Furthermore, under ADB’s loan, “governments and regulatory agencies will be persuaded to eliminate direct subsidies to the poor for the access of basic water service in line with an increasing affordable level”.

Does the New Water Policy contribute to poverty reduction?

Despite the recognition of the poor, A market-oriented paradigm has been utilized for improving performance and efficiency. State-owned has been replaced by “privatized”. Water allocation is determined by the higher prices. Both, World Bank and ADB advocate market-oriented mechanisms such as privatization, cost recovery, and the promotion of pricing guided by commercial principles. The market-oriented paradigm of water management will lead to increased inequality between rich and poor, between industrial sector and agricultural sector, and between urban areas and rural areas

There are slight differences between the ADB and the World Bank policy. The ADB take a step further by emphasizing “Tradable Water Rights” (Kijtiwatchakul, 2002). Even though “Tradable Water Rights” is not emphasize by World Bank, but the key policies of World Bank- -especially Cost Recovery and Water Pricing-- create a condition for “Tradable Water Rights”.

The market paradigm of water management will not lead to decrease water exploitation. The economical power will result in unlimited exploitation and aggravating poverty and injustice. The live of poor people might be worsened by the policy because of environmental degradation. (Shiva, 2000, p.8). Tradable water rights will allow the transfer of water from the poor to the rich, although water is essential for life. Privatization of water utilities and followed by increasing water tariff will keep the poor far from the access. In many case of water privatization, the increasing water tariff has taken significant part of the poor’s income. In fact, privatization pushes the poor away from piped water system and look for alternative water source, which is potentially polluted.

Implementation of cost recovery, and market system for water allocation will endanger the food sovereignty. The water consumption for paddy cultivation is higher than other cash crops and industrial use. Paddy cultivation also gives smallest revenue among other cash crops and industrial uses. If the water allocation follows ADB’s principle “ Water must be utilized by those who render the most economic advantage” than paddy cultivation – a main Asian’s domestic food and the symbol of food sovereignty – will be threatened.

In conclusion, the World Bank and the new ADB’s water policy are far from a pro-poor policy. Rather, it is extremely likely that it will lead to an even heavier burden on poor people. Several countries experience shows how the World Bank and ADB loan influenced the water management strategy, formally through water loan and also indirectly through providing technical assistant and consultants advice. Some such cases are discussed below.

Sri Lanka

Government of Sri Lanka receiving a \$10.7 million loan of ADB to improve water resources management. This is a part of a progressive trend promoted by the World Bank and the ADB since 1996 to wean farmers away from growing non-export food crops and charging farming families for irrigation water, consequently. Farmers and the poor who have their own water rights will be forced to sell their rights to high value sectors such as export food crops, industrial sectors or modern economic sectors in urban areas. (Perez-Corral, 2001b, p.4). Already in the 1980s, the previous government attempted to introduce a Water Tax to the farmers, but was withdrawn due to the public pressure. Pressure is mounting again against the proposed policy.

The cabinet of Ministers on the 28th April 2000 approved 'National Water Resources Policy' proposed by the Water Resources Secretariat. The particular policy document is supposed to be an outcome of work done by a team of government and NGO of Sri Lanka and the World Bank.

The major recommendation is that '**all the water resources shall vest with the government**'. Once implemented every user of water has to obtain water entitlement on a price. It is only a step in transferring the ownership of the water resources to the international companies for making profits through distribution. In the history of Sri Lanka, water was always regarded as a common property of people. The State is only the guardian of those and has no authority to intervene or change the course of nature.

The agriculture more particularly, the paddy cultivation will be serious affected, if water is issued as a commodity on market. The World Bank in a document '**Non-plantation Sector Alternatives**' in 1996 has advised the government that paddy cultivation in Sri Lanka is a non-profitable venture and recommended the diversification of agriculture into cash crops instead of paddy. Making water a commodity and fixing a market price as proposed in the recommendations amounts to deprivation of the gift of water or taking away of life of the urban and rural poor, farmers and the animals and plants as well.

Thailand

In Thailand, although some conditions and processes might violate Thai Constitution, ADB demands for a fundamental reform of national policy on water resource through Agricultural Sector Program Loan (ASPL) (Chantawong, 2002, p.1). In the Development Policy Letter and Policy Matrix, ADB required Thai government to reform water management structures of the country as a condition for the loan. ADB called for a formulation of National Water Resources Policy, an issue of Water Law and an application of policy on cost

recovery in irrigation, an increase in National Water Resource Committee's authority in managing water resources nationwide, and an appointment of river basin organizations in three pilot river basins. It also required privatization of an irrigation system by having a private company take care of the irrigation operation system and having farmers in the irrigated share the cost occurring from water management (Chantawong, 2002, pp.3-4 cited in Kannikar Kijtiwatchakul. "ADB's the New Water Policy",2002).

According to a \$ 600 millions Agriculture Sector Program Loan (ASPL) of ADB, Thai government has been required to utilize the free market paradigm. Sectors or water user groups, who can make a high profit from water, are given priority in access to water resources. Farmers, who do not produce much value added products from water, are probably given the lowest priority in terms of water allocation. Along this principle, "the Thai Royal Irrigation Department would allocate water to urban and industrialized sectors at highest priority but to agricultural sector as the least" (Chantawong, 2002, p.1).

In drafting National Water Resources policy, the National Water Resources Committee obtained technical assistance from consultant companies hired by ADB and some committee members had close relationships with the ADB-hired consultant companies in The decision-making was processed behind closed doors. Put simply, the direction of National Policy on Water Resource was determined by ADB (Chantawong, 2002, pp.3-4).

Nepal

The Asian Development Bank (ADB) has approved a US\$ 1.4 million technical assistance (TA) grant to support water and sanitation sector reform in Kathmandu Valley. It includes the establishment of the National Water Supply Regulatory Board (NWSRB) and the Kathmandu Valley Water Authority (KVWA), and a private sector participation (PSP) scheme. It is linked to the enhanced bulk water supply under the Melamchi Water Supply Project.

According to the responsible ADB Project Officer, Keiichi Tamaki, studies show "there is a clear consensus that private sector participation for managing and improving water distribution and sanitation services are essential to the sector's development". The water supply utility, the Nepal Water Supply Corporation (NWSC), says the ADB, "has failed to supply efficient and affordable services or significantly to expand its service coverage for residents of the Kathmandu Valley". An earlier water privatization scheme, supported by "another development bank" was deemed "unsuccessful because of difficulties in recruiting a private operator under the management lease contract model with a large capital investment funding requirement". ADB project in Nepal is pushing for implementation of cost recovery, water costs and charges, and privatization (ADB."Nepal: push for sector reform with private sector involvement".2003).

In the water and sanitation plenary session of World Summit on Sustainable Development (WSSD) Johannesburg 2002, The reference came as the session recognized water as an increasingly scarce commodity, and yet as a basic human rights. The discussion, widely participated by top officials including ministers of many UN member countries, also closely examined the tide of water privatization in many nations across the globe. Those leading consumers and farmers' groups came heavily on the privatization as being ineffective and sending the price tag for water rocketing at many places.

The Nepal Water Supply Corporation's management too is in the run-up to privatization - a basic condition of ADB loan around US\$ 500 million to Melamchi Water Supply Project. The private management at the corporation would gradually escalate the price that would reach at least five times up from now by the time Melamchi water starts flowing in the pipe-networks in Kathmandu.(UNDP Nepal in the News, 2002).

Bangladesh

According to ADB's Country Strategy and Program in Bangladesh under the Poverty Reduction Partnership Agreement, a broad private participant in many sector strongly advised. As it said " Achieving the poverty reduction targets requires strong and broad participation from the private sector in the development process. The environment is still somewhat restrictive and poses constraints to private sector development, although the private sector drives economic growth in the country.". ADB insisted "Further policy reforms are needed to deepen the financial system so as to promote faster private sector-led economic growth" (ADB, Modeling the Macroeconomy of Bangladesh",2002).

Water management is one of the sectoral priorities under Agriculture and Natural Resources sector which need a strong private participation under ADB poverty strategy. As a follow-up activity of the National Water Policy adopted in 1999 and the Guidelines for Participatory Water Management prepared in 2000, the Development Strategy for the Water Sector was prepared in June 2001. **It also stated "ADB's assistance program contains an advisory technical assistance (ADTA), which aims at improving the climate for private sector development and mobilizing private sector resources for faster economic growth. The Privatization Commission will be assisted to help implement and expedite the SOE privatization program".**

The Indian Experience

Since 1991, large-scale changes have been initiated in India's economy with the liberalization, privatization and globalization of almost every aspect of the economy. While this process began in 1991 itself in sectors like power, in the water sector it is just beginning. In India, privatization in water sector is taking place through two modes. The first mode is outright privatization of water resources through either BOT projects or management contracts. This mode is being used for industrial water supply and urban water supply projects. The second mode, which is more insidious and will have a far-reaching impact, is through the water sector reforms. The water sector reforms are following the same line as the power sector reforms in the country, and indeed, are similar to the water sector reforms all over the world. These policies, pushed by the World Bank and ADB, have the underlying thrust of converting the whole sector into a market. The usual menu of full cost recovery, elimination of subsidies, public-private partnerships, allocation of water to highest value use through market mechanism - are all present. The companies involved in these projects are a mixture of Indian and multi-national companies. Suez, Vivendi, Bechtel, Thames Water are all active in the country

Role of Multilateral and Bilateral Agencies

Both the ADB and the World Bank are actively pushing the privatization and commercialization of water in the country. We have already given above how the WB is pushing these through its sector restructuring loans. The ADB and the WB are also discussing loans of another kind – the Urban Water Supply loans or Urban Infrastructure loans. For example, the ADB has a 214 m\$ loan in pipeline (likely to be approved in Dec. 2003) for Urban Water Supply to the state of Madhya Pradesh. The WB is considering a similar loan for state of Gujarat for 100 m \$. These loans are clearly going to push for privatization and commercialization of the urban water supply. There is already a BOOT project on offer for the privatization of the water supply to Indore, the biggest city and commercial capital of state of Madhya Pradesh. The estimated cost of the project is around 100 m \$. It may be added that all these loans are being pushed forward without consultations with the major stakeholders. Another important aspect of the urban water supply projects funded by World Bank / ADB is that the projects fund the water supply but do not take any responsibility to address the impacts of the source of water for this supply – namely large dams. Bilateral like USAID are also active in providing funding support to water privatization projects. It is interesting that the World Bank, along with some of the other bi-lateral donors is also playing another very significant role in the sector privatization and commercialization. That role is in the creation of the “intellectual” and other support to build up the rationale and justification of privatization through “research” and “studies”. The bilateral have come together to launch a program called Water and Sanitation Program, which is hosted by the World Bank, and the WB along with the WSP is coming out with a large number of studies. These agencies have massive resources at their command and have commissioned highly paid consultants to carry out surveys and studies. DFID is also playing a significant role in this. Even the ADB has commissioned such studies. This is a very important part of pushing the privatization and needs to be countered effectively through civil society research.

WTO and GATS

There a strong push, especially from the EU to include water services in the General Agreement on Trade in Services (GATS) of the WTO. The “Requests” made by the EU in early 2003 to India included request for the opening up of the water supply. It should be mentioned that the implications of opening up the sector under GATS (as against an “autonomous” opening as is happening now) are far more serious. The inclusion of water services in GATS will mean that the opening up of the sector will be virtually irreversible, and will severely constrain the Government's ability to regulate the sector in terms of public interest policies.

Role of Other Agencies

Several other agencies are also playing a part in pushing the privatization agenda. The Corporate sector is of course one of the important ones. Most of the major players are present in India – Suez, Vivendi, Thames Water, Bechtel. They are also participating in several projects and are also involved in “promotional” activities like sponsoring seminars and training sessions. Industry associations like Confederation of Indian Industries (CII) are also pushing for privatization. CII has held a series of seminars and conferences in various parts of the country on “Public Private Partnerships” co-sponsored by the central Water Resource Ministry. Speaker after speaker at these conferences heaped eulogies on the PPP and pushed for private sector involvement in water. We also have the new trend of international consulting agencies preparing water sector plans or strategies for the states. For example, the water resource plan for state of Chattisgadh has been prepared by Price Water House Coopers. Not surprisingly, this has a great thrust on privatization and commercialization. For Madhya Pradesh, ADB commissioned international consultants HALCROW to prepare the integrated water resource strategy. Stance of the Government In its National Water Policy, adopted on 1 April 2002, the Government of India has already stated that private sector participation should be encouraged

“wherever feasible”. The various state governments are following this line in their policies also.

Challenges

What is important is that in spite of this heavy push for privatization and commercialization, there is a surge of opposition and challenges to the process. Mass protests, campaigns, opposition are building up all over the country. It necessary to maintain this momentum of growing resistance, forge linkages both within the country and outside, and bring out concrete alternative options to provide genuine people-oriented ways of providing water and irrigation

Public resistance to Privatization

There are a number of National, regional, international and local networks and organizations who have been systematically questioning these trends in various fora: They include international networks like “World Coalition against Water Privatization and “Our World is Not for Sale” network or national networks like Water for ALL, USA, and Council of Canadians, Canada, or Jal Biradari, India, National alliance of peoples Movement, India, WALHI, Indonesia, Ghana Coalition against Water Privatization, and Coalition against Water Privatization, Australia. They are most vocal in their opposition to privatization of public resources, and argue for local governance of local resources as the answer to the problems faced by the world today. There are also a number of policy research and advocacy organizations like PSI, IRN, EMG, DV, PSS, PACINIST, NWF, IATP etc. involved in opposing the current trends in water resources development and Management.

There has been strong public resistance to the privatization worldwide. The extent of this opposition is much greater and more widespread than is usually acknowledged, involving a general rejection of privatisation across the economy that is not limited to utilities or traditional public services: a 2002 survey concluded that ‘privatization remains widely and increasingly unpopular, largely because of the perception that it is fundamentally unfair, both in conception and execution’ (Birdsall and Nellis 2002:1). The collective political impact of the campaigns against privatization is remarkable. Buresch (2003:11) suggests that, globally, ‘[I]t is getting harder to find political leaders that are willing to truly champion privatization for reasons other than to generate cash proceeds’. The World Bank, in revising its infrastructure policy in mid-2003, stated that it was ‘[r]esponding to country demand by offering a broad menu of options for public and private sector infrastructure provision’ (World Bank 2003a). In every instance, the campaigns were taking place against policies which were advocated by the government of the day, sometimes with the support of traditional leftist parties, and invariably—in developing countries—with the support of development banks. In many countries, the policies were reversed or significantly delayed. Data from opinion polls in Latin America carried out in 1998 and 2000 reveal that support for privatization, which was not very strong to begin with, has decreased over time (Nellis 2003). In Sri Lanka, opinion polls show that privatization has been associated with deteriorating socioeconomic conditions (greater poverty, increased cost of living, etc.) (Nellis 2003); while in Russia two thirds of the respondents in a 2001 survey said that they had lost more than they gained from privatization, with only 5 per cent saying they had gained more. Privatization has become so unpopular that governments everywhere have developed increasingly tortuous euphemisms, including ‘capitalization’ (Bolivia), ‘ownership reform’ (China), ‘disinvestments’ (India), ‘disincorporation’ (Mexico), ‘peopleisation’ (Sri Lanka), and ‘equitisation’ (Vietnam). At the World Bank’s energy week in February 2003, a speaker from the global consulting firm Deloitte noted a ‘growing political opposition to privatization in emerging markets due to widespread perception that it does not serve the interests of the population at large’, which it attributed to a number of features of privatization: ‘Pressures to increase tariffs and cut off non-payers; loss of jobs of vocal union members that will be hard to retrain for the Development in Practice, Volume 15, Numbers 3 & 4, June 2005 287 Public resistance to privatization in water and energy new economy; [and] the perception that only special interests are served—privatization is seen as serving oligarchic domestic and foreign interests that profit at the expense of the country . . .’. These are not offset by any benefits from privatisation because gains such as expanded coverage, improved quality, and competitive tariffs are small, dispersed, and slow, whereas the impact of price hikes and job losses ‘is concentrated, immediate, and falls on visible and vocal groups (e.g., labor unions)’ (Buresch 2003:9, 11, 12).

During the 1990s, with the encouragement of the World Bank (WB) and others, water privatization was proposed or implemented in many countries. Political resistance has been widespread, as have been economic, social, and even technical problems associated with the implementation process (Lobina and Hall 2003). The opposition to water privatisation is by no means confined to developing countries. Even where privatisation has gone ahead, this has often been after significant political resistance: in the UK, for example, a vigorous campaign against Margaret Thatcher’s 1985 proposals for water privatisation led to her abandoning the plans before the 1987 election in order to avoid electoral damage; the policy was only revived and implemented once the election had been safely won. Three examples serve to illustrate the range of opposition to privatisation schemes. In December 2001 the water contract for Nkonkobe (Fort Beaufort) in South Africa was nullified as

public or municipal consent was never obtained (Mxotwa 2001). In May 2002 the city council of Poznan in Poland (with a population of 650,000) unanimously rejected a water privatisation proposal: the city had already improved the efficiency of its water services and had obtained investment finance from various sources including the European Investment Bank (EIB). And in June 2002 the Paraguayan parliament voted by 32 to 7 to suspend indefinitely the privatisation plans for the state-owned water company Corposana (now known as Essap) (Business News Americas 2002). The privatisation proposal had been driven by fiscal motives, in order to comply with IMF targets. Its rejection was hailed by the trade unions as 'a great victory against the IMF, the World Bank, globalisation, and neo-liberalism'. The decision was upheld in August 2004 when a renewed privatisation attempt was shelved as a result of pressure from protesters.

Water Privatization, Corruption and Exploitation

Privatization policies are frequently introduced on the basis of consultant reports that were intended to remain secret. This practice hinders democratic debate, leads to bad quality reports and bad advice. Flawed assumptions remain unchallenged, inadequate evidence is not critically evaluated, incompetent work is not exposed, alternative policy options are submerged. Yet secrecy is the normal environment for consultants reports on water privatization. When they do emerge into the light of day, the contents may look less impressive. For example, Price water house Coopers (PwC) produced a report on water privatization for the Austrian government in 2001. It was initially secret, then leaked, and finally officially released. The problems with the report included: inaccurate and incomplete data, unsustainable assumptions, and failure to recognize the importance of local factors. Ernst & Young, commissioned to carry out an environmental impact assessment (EIA) in India, was caught simply copying another organizations EIA from another project. This was identified by an NGO, the Environmental Support Group of Bangalore, which published the evidence on its website. Studies reveal that there is, in fact, organized resistance to privatization of water by movements in Brazil, Ghana, Indonesia, South Africa, Paraguay, Poland, Argentina, France, Bolivia, Germany, Mauritius, USA, Canada, Panama, Trinidad, Honduras, Hungary, Sweden. This includes environmentalists, consumer groups, citizens organisations, and even elected politicians frustrated by conditionalities. Brazils Frente Nacional pelo Saneamento Ambiental [National Front for Environmental Sanitation] brings together 17 entities of civil society against privatisation. Once again, a case of false information. The research found that the economic function of a bribe is to provide a financial inducement for an official/politician/public authority to act in the interests of the company rather than the public interest which he/she/it is supposed to represent. The research concludes that:

- The multinational corporations' interest in water and sanitation services is defined purely by their shareholders interest, their return on capital and the risks involved.
- With less than a decade of experience with water privatisation in developing countries, the corporations are now experiencing financial problems which must lead them to question their financial interest in continuing.
- Governments of developing countries need to examine the true long-term costs of giving the corporations protection from currency risks, political risks and demand risks. There needs to be a public process of comparing any private proposals with public alternatives, as part of an open public debate.
- There remains a constant danger that extending privatisation will extend the opportunities for corruption.

IV. CONCLUSION

The World Water Council, 3rd World Water Forum, Global Water Partnership, the Dublin Statement on Water and Sustainable Development, and the United Nations have endorsed the view that the "human right to water is indispensable for leading a life in human dignity," and access to water and sanitation is a "prerequisite for the realization of other human rights" (Camdessus and Winpenny 2003: vii). However, there is undoubtedly a growing global crisis over access, availability, and distribution of water both within and among nation-states (de Villiers 2001). The looming water crisis is not entirely a function of scarcity; water shortages are also produced by poor management,

technological deficiencies, aging infrastructure, perverse incentives for overuse and overexploitation, and complex local cultural factors. External factors such as drought and climate change in combination with poor management and weak infrastructure have produced a massive water crisis in Atlanta (Goodman 2007). Both public utilities and private water multinationals operating independently have proven to be equally ineffective in meeting the expanding need for water and sanitation services. Water indeed might be a *sui generis* public good with special physical, social, and economic characteristics that would inevitably require a very high degree of government involvement (FAO 1995). The relative value of water depends on the variety of user needs, location, availability, quality, and demand. Aside from its relative value, water also holds innumerable religious, moral, and aesthetic significance in different cultures as indicated by the various chapters in the Coles and Wallace edited volume. Additionally, because of water's rather unique physical characteristics such as,

extensive regional variation in quality, saline content, and usability, geographical interdependence—where underground aquifers are dependent on river basins for replenishment— bulkiness and mobility problems present transportation challenges, and its evaporability and vulnerability to weather and seasonal fluctuations make water particularly difficult to regulate, store and manage, or price consistently. Agriculture and industrial activity are deeply reliant on their ability to access freshwater resources. More than ninety percent of freshwater utilization is targeted for agricultural and industrial purposes (UNDP 2006: 172-177). For humans, animals, and flora and fauna water is a life-sustainer and enabler; such special characteristics make water assets and water management unsuitable to exclusive private ownership and control. Nonetheless, public utilities have not necessarily proven to be efficient managers of water resources or demonstrated the capacity to increase water access for the poor and marginalized. Failures of the public sector are well

documented and governments around the world cannot easily choose to exclude the private sector given the urgency and complexity of water and sanitation needs. Effective methods of harnessing private sector capacity have to be identified through public private partnership (PPP) ventures. Government-run public utilities cannot continue to under price water and introduce perverse subsidies that encourage overuse and overexploitation of a highly scarce resource (UNDP 2006: 145). Pricing structures should reflect the scarcity value of water and generate incentives for conservation and sustainable use. One of the guiding principles issued by the Dublin Group on Water and Sustainable Development is that freshwater is a finite and vulnerable resource, which “has an economic value in all its competing uses and should be recognized as an economic good” (International Conference on Water and the Environment 1992). Concurrently, state and local governments cannot simply transfer ownership and operation of water networks entirely to the private sector and assume that it will increase access, and ensure efficiency in conservation and sustainable use by effectively manipulating water tariffs. According to the World Panel on Water Infrastructure, effective water resource development would require simultaneous and sustained involvement of all stakeholders—international lending agencies, private sector, nonprofits, local communities, and governments—through multi-level public-private partnerships

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