

# Solving the global water crisis:

## A new vision for public water companies

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### Take Action

As many as 3,900 children die each day from diseases such as cholera, dysentery, and typhoid which are associated with lack of access to clean drinking water. If we are to have any chance of meeting the Millennium Development Goal (MDG) of halving the proportion of people without access to adequate water and sanitation by 2015, the Department for International Development (DFID) must take immediate action. We ask you to:

- Please **sign EDM 2073** *Promoting public solutions to the global water crisis*
- Please **write to Rt Hon Hilary Benn MP**, Department for International Development, 1 Palace Street, London SW1E 5HE and ask him to take action, as outlined below.

### The World Development Movement is calling on DFID to:

- **Commit real resources to studying and understanding public water utility reform.**
- **Shift aid away from supporting public-private partnerships and towards public-public partnerships in the water sector.**
- **Play an active role on the international stage in promoting public reform solutions to the global water crisis.**
- **Rule out funding for developing country water privatisations which have been imposed in return for multilateral aid, loans or debt relief.**

### Summary

With over a billion people around the world lacking access to clean water and sanitation, the need to tackle the global water crisis has never been more pressing. At one time, privatisation of poorly performing utilities was regarded by many as the right way forward; and over the years, the UK government has played a significant role in promoting water privatisation in the developing world. However, high-profile privatisation failures have demonstrated that privately controlled water services do not benefit the poorest communities, especially those lacking access to water supplies.

Instead development efforts need to be focussed on building capacity and strength within public utilities to make them fit for tackling the global water crisis. Within the public sector, a range of positive reforms are already taking place; a new vision for public water utilities which are efficient, accountable, transparent and participative is being developed. DFID now needs to re-align its aid budget to support such initiatives, in order to radically transform access to water in the developing world.

# Parliamentary briefing May 2006

## Water privatisation: hopes raised ... and dashed

One of the biggest development challenges for the global community is getting clean water and adequate sanitation facilities to the billion plus people in the developing world who need it.

Over the past fifteen years, the dominant view at the international level was that water privatisation - getting private water companies to control and manage parts of, or the whole, water distribution system - would address the problems of failing state-run utilities. It was hoped that private companies would bring investment and expertise to run these utilities more efficiently.

Over the years, the Department for International Development (DFID) has been a major player in this water privatisation push, spending millions of pounds of UK aid money. Amongst other things, DFID has funded consultants producing pro-privatisation pop songs in Tanzania, as well as the fees for Severn Trent to manage the private water company in Guyana. DFID also led in setting up several international funding programmes to promote private sector involvement in water projects. Currently, DFID is preparing to use aid money to fund consultancy work with the National Commission for Privatisation in Sierra Leone, on their privatisation programme which includes the water company in Freetown.

However, countless examples of failed water privatisations have destroyed the credibility of this approach. Faith in the benefits of water privatisation is being quickly eroded.

The 2006 United Nations World Water Development Report said, *"It now seems like this trend of privatization is reversing. Interestingly, many of the big multinational water companies are questioning their own role in increasing their investments in developing countries and playing an active role in resolving the water supply and sanitation crisis of many developing countries. Due to the political and economic high-risk operations ... many of the multinational private water companies have started to retreat from water service contracts and investments in developing countries ..."*<sup>i</sup>

There is also growing international criticism, even from within the private sector, of the role of international donors, like the World Bank and the International Monetary Fund, in forcing developing countries to adopt water privatisation and other similar economic policies, in return for much-needed debt relief and aid. Instead the right of developing countries to determine their own development path needs to be recognised.

So the international debate is shifting. Where does that leave the global water crisis?

## A new public approach

With 95 per cent of water in the hands of public authorities around the world, it is clear that any effort to tackle the global water crisis and extend access is going to mean that public water companies and governments should play the central role in delivering water to the worlds poor.

The traditional image of public utilities in both rich and poor countries may not always be a positive one. They are sometimes characterised as being inefficient, slow to respond to new issues and developments, over-staffed and bureaucratic.

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But for a growing number of public water companies around the world, this image is wholly out-of-date. There is a growing body of evidence from a range of public utilities demonstrating the capacity of the sector to both reform itself and significantly boost the number of people connected to the system. These public utilities are working to ensure that water becomes not just a human right but a reality too.

Successfully reformed public utilities appear to share some common principles, notably: **efficiency, accountability, transparency, and the participation of communities in decision-making.** These principles are at the heart of the new vision of what it is to be 'public'. A good example of this is the public water company in Tamil Nadu, south India, which has undergone major reforms in recent years.

**Efficient:** the utility aims to get the annual budget to stretch 10 per cent further each year.

**Accountable:** the utility workers have shifted from thinking of themselves as purely engineers concerned with infrastructure, pipes and taps, to thinking about the people using the system - their needs and demands. In this way, the utility has become accountable to users and far more 'demand-led'.

**Transparent:** the utility is committed to sharing all necessary information about new water schemes as well as about how departments are run, how much they cost, and who is in charge.

**Participative:** by using the traditional Tamil concept of a 'koodam', the utility has succeeded in involving a far wider range of people than before. The koodam is a decision-making space, which treats everyone as equal. As a result, the participation of women and dalits (or 'untouchables') has greatly increased within the utility.

*Information taken from Democratisation of Water Management, Change Management Group, Tamil Nadu Water Supply and Drainage Board*

The success of the Tamil Nadu utility, detailed above, is exciting and it is far from being a one-off. There are many other examples of utilities that are also working to transform the definition of what it is to be public.

The public utility in Phnom Penh, Cambodia was rated as "an efficiently managed water utility that has shown dramatic improvements in performance in the last 5 years", in a 2004 survey by the Asian Development Bank.<sup>ii</sup>

In Uganda, the public sector out-performed the international private sector and after several failed water privatisation experiences, the national water utility is now focussed on internal reform processes to boost performance and increase access.

In Java, Indonesia, a public utility is striving to extend water coverage to 80 per cent of the population in the next few years, from the current 56 per cent. There is an emphasis on using technology that can be part-produced locally, at a low cost.

There are many other examples of these new, visionary public utilities in both urban and rural areas, in richer countries and the very poorest countries e.g. Bangladesh, Brazil, Ghana, Malaysia, South Africa. (For more information, contact WDM on 020 7274 7630 for a copy of *Reclaiming Public Water* which features more examples of successful public water company reform.)

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In each country or city or region, the specific model varies, reflecting local circumstances and cultures. There is no one-size-fits-all solution. However, the common principles of **efficiency, accountability, transparency** and the **participation of communities in decision-making**, are common to many.

## Donor help or hindrance?

With 95 per cent of water currently in public hands, there is simply no way the private sector has the capacity to make a major contribution to tackling the global water crisis. An absolute priority for political and financial support is to improve existing public water providers.

DFID is well placed to champion the emerging public sector reform approach. In order to do so it must:

- **Commit real resources to studying and understanding public water utility reform.** For example: commissioning research; undergoing study tours; disseminating information within DFID and beyond; and setting up a team within DFID to specifically focus on policies and approaches for boosting and improving public sector water and sanitation provision. This would look at, for example, improving governance through accountability and transparency; improving the participation of communities; and improving the efficiency and effectiveness of the utility by looking at social tariff structures and the re-investment of surpluses.
- **Shift aid away from supporting public-private partnerships and towards public-public partnerships for the water sector.** Such a shift would place a particular emphasis on funding south-south cooperation to enable southern public utilities to learn from the existing good practice of others. Some northern public water companies e.g. from the Netherlands and Sweden are already collaborating in public-public partnerships to share expertise, on a not-for-profit basis.
- **Play an active role on the international stage in promoting public reform solutions to the global water crisis.** A debate needs to take place about how best donors can support the reform of southern public water utilities. A far greater level of funding for public utilities is required to meet the water MDG, and now that it is clear the private sector is unable to contribute, DFID can kick-start this debate. DFID can also give strong political and financial support to governments like that in Bolivia which recently took a decision to reject the private sector and is now asking donors for help in developing strong public utilities.
- **Rule out funding for developing country water privatisations which have been imposed in return for multilateral aid, loans or debt relief.** It is a contradiction that, while DFID is committed to no longer attaching economic policy conditions such as water privatisation to its bilateral aid, it is willing to support water privatisations (for example, in Sierra Leone) that are clearly the result of World Bank and IMF conditions.



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<sup>i</sup> UN. (2006). *Second UN World Water Development Report: Water, a shared responsibility*. UNESCO. Paris. March 2006.

<sup>ii</sup> Asian Development Bank (2004). *Water in Asian Cities - Utilities Performance and Civil Society*. ADB. January 2004.