

WATER AND PRIVATISATION THE POLICY ISSUES*

By

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FORUM ON WATER AND PRIVATISATION

1. **Goal:**
Ensure delivery of safe water to the populace.
2. **Target:**
MDG on water.
3. **Issues:**
Problem of funding (not public sector alone)
Potential for private resource flows (PRF)
4. **Condition:**
PRF – Efficiency as the coordinating
consideration
5. **Strategy:**
PSP
Best achieved through privatization

6. Rationale:

Evidence of enhanced efficiency of operations through privatization globally.

7. Concern:

- Is “conventional” privatization applicable to water sector?
- Can water provision enjoy the benefits of competition that is a necessary requirement for efficiency of operation.

8. Policy Question:

“Water: Human Right or Commodity?”

9. Characteristics of Water:

Economic theory as a guide

Water as a very scarce resource: 1% of global water available for use.

a. Water as a Commodity:

- Cost Recovery;
- User charges, etc.

b. Water as a Right:

- Social good;

- Must be available to all.

10. Implication:

Water is both a right and a commodity:

- What are the implications for economic vs. social devices.

11. Right vs Commodity:

- No contradiction.

12. Right vs Free Good:

Water is a right but not necessarily a free good.

13. Efficiency vs Equity/Right:

Components of Efficiency:

- Production. (Water must be processed before availability but quantity not guided by competition);
- Delivery;
- Efficiency in consumption

14. Lessons of Water Privatisation:

- Not too comforting;

- Unrealised benefits of higher efficiency, lower tariff, etc.
- Africa, Berlin, others as examples.

15. Source of Problem:

Current argument based on State vs. Market (IFFs)

16. Required:

- Partnership Framework;
- Delineation of roles for all stakeholders collectively rather than substitutionally).

17. Take-Off Point:

- Countries and their nationals must jointly decide what they want and which is achievable;
 - Supportive but not dictative role by IFI;
- i. MDGs – whose goals?
 - ii. Good idea but must be internalized.

18. Issues for Way Forward:

- Water privatization is a commodity-driven activity;
- Need for government to carry along the people;
- Need for opening up the whole process (Berlin experience)
- Adequate **technical** empowerment of CSO/NGOs – informed advocacy
- Lot of research relating to:
 - i. Characteristics of water resources in each country;
 - ii. Less complex, low-cost technologies;
 - iii. Innovation options (e.g. rain water harvesting);
 - iv. Delineation of roles in a partnership:
 - a. People]
 - b. Government] primary partners
 - c. Private sector
 - d. IFI, etc. – sundry partners