Top 10: Why Water Privatisation Fails

One billion people lack access to clean drinking water around the world, and 2.6 billion people lack access to sanitation. Each day 5,000 children die from the effects of drinking dirty water. The need to tackle the global water crisis is clear. For the past fifteen years, international aid donors – including the World Bank, the International Monetary Fund and rich governments – have argued that privatisation is a solution to the global water crisis. Poor countries have been told that private companies, including some of the world's largest corporations – Suez, Veolia, Saur, Thames – would bring finance and efficiency gains, to improve public water systems. But time and time again, these water privatisation schemes have failed. Here are 10 reasons why:

1. Higher water bills

In Côte d'Ivoire, Guinea, Senegal, Bolivia, the Philippines and many other countries, corporations have consistently increased water bills after taking control of public systems – often making water unaffordable to the poor.

2. Disconnections

If poor families cannot afford to pay their water bills, they may run the risk of being disconnected from the system. In Côte d'Ivoire, Guinea, Senegal this has been the case. In South Africa, disconnections for non-payment continued even during the cholera epidemic of 2000.

3. Profits leave communities

Corporations are free to transfer their profits out of communities and into the pockets of distant shareholders and corporate executives, instead of reinvesting money into the water system.

4. Corruption breeds, accountability diminishes

Privatisation contracts can be linked to poor transparency and weak accountability. In Morocco, the water contract in Casablanca was personally awarded, without any competitive tendering, by the late King Hassan II. In Ghana, the World Bank and the Water Ministry are battling over the cancellation of a $30 million contract, sitting breach of procurement law.

5. Cherry picking

Private companies prefer to serve middle-class populations where pipes already exist and where they can guarantee their profits. In Dar es Salaam, the water privatisation contract 'cherry-picked' the profitable areas which already received dependable water supplies, while poor areas were excluded.

6. Africa ignored

Sub-Saharan Africa contains 25 per cent of the people globally needing a connection to water, yet has received less than one per cent of private companies' promises of investment. 80 per cent of the major water privatisation contracts in sub-Saharan Africa have been terminated or are being disputed, over investment issues.

7. Financing costs more

Unlike public financing, loans to companies have higher interest rates. These higher rates are passed on to users who then have to pay more for repairs, upgrades and other maintenance.

8. Jobs are lost

Water privatisation is associated with job cuts and/ or cuts in employee benefits. Understaffing jeopardises customer service and water quality. In Ghana, hundreds of workers have been laid-off in the run-up to a private management water contract.

9. Imposed from outside

Water privatisation is often made a condition if poor countries want to receive debt relief or aid from the World Bank and International Monetary Fund. In Tanzania, water privatisation in Dar es Salaam was made a condition of debt relief and cheap loans by international donors. In Ghana, water privatisation has also been a condition imposed for debt relief.

10. Reversal is difficult

Once a government agency privatises its water system, withdrawing from the deal can be very difficult. In Tanzania, water multinationals are now suing the government for millions of dollars, after the contract was cancelled.

For more information on global water issues, see **www.waterjustice.org**

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Top 10: Why Public Water Succeeds

One billion people lack access to clean drinking water around the world, and 2.6 billion people lack access to sanitation. Each day 5,000 children die from the effects of drinking dirty water. The need to tackle the global water crisis is clear. While some public water companies are inefficient and give a poor service, a growing number are providing a good service to their users. Public water can and does work. With over 90 per cent of the world's piped water in public hands, we need to learn the lessons from successful public and community providers in order make the human right to water a practical reality for everyone. Donors and governments need to support public water. Here are 10 reasons why:

1. Fair water bills

Successful public water providers, such as Porto Alegre in Brazil, set fair water bills, which mean that richer users pay more for the water they consume, allowing them to subsidise poorer users. In Botswana, the national water utility maintains a policy of cross-subsidy to ensure that domestic consumers at the lowest band have access to water supplies.

2. No disconnections

In Phnom Penh, Cambodia, there is a policy not to disconnect any user, especially those from the poorest communities.

3. New connections

In Botswana, the national utility has substantially increased the proportion of the population with access to safe water over the period from 1970 and 1998. The population served increased from 30,000 to 330,000.

4. Recycling profits back into utility

In Uganda, the reformed public utility has boosted service coverage from 48 per cent in 1998 to 70 per cent in 2006. In these eight years, the utility has gone from producing a loss to tripling its turnover and producing a profit which is used to finance network expansion and maintenance programmes.

5. Transparency grows, accountability strengthens

The utility workers in the reformed public utility in Tamil Nadu, India 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'.

6. Very poorest helped

The national water utility in Uganda aims to subsidise access and charge for consumption at affordable rates. Each household in poor community areas is encouraged to connect a yard tap and pay at reduced rates.

7. Cheaper financing

Even low income developing country governments can access finance at favourable terms from development banks (eg, by borrowing money from the World Bank), meaning better value-for-money for tax-payers and water bill-payers.

8. Better job satisfaction

The very successful, reformed public water provider in Phnom Penh, Cambodia ensures that all staff receive the training they require. Overall, salaries are ten-times higher than before the reform process started, and bonuses for good performance have been introduced.

9. Homegrown solutions

In Savelugu, Ghana a system has been established where water is bought in bulk from the state utility (GWCL) and then the community manages the distribution, maintenance, tariff-setting and collection. Access to potable water has been increased to 74 per cent (the national average for rural areas is 36 per cent).

10. Scaling-up successes

Many successful public-providers are now working in not-for-profit partnerships with other public providers to share expertise and improve services on the ground. The national Ugandan public water company is working with utilities in Tanzania and Zambia. The successful Indian provider from Tamil Nadu state is working in partnership with utilities in other Indian states.

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