

IATP Water Note # 3

A FACT SHEET ON WATER SECTOR PRIVATIZATION¹

TRENDS:

- 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 liberalisation 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.

SCOPE:

- 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.

WHO DO WE HAVE? A WORLD WATER MAFIA?

- **Multinationals, Suez & Vivendi:** 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-Lyonnais 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 they lobby 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 a tri annual initiative called World Water Forum, (the next is scheduled for March 2003 in Kyoto) 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:** 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

¹ In this Fact sheet we are concerned mostly with multi national led water privatization.

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. The Bank and its associates have not been able to brush aside these criticisms. However their new '*mantra*' for water management is privatization. The latest World Bank Water Sector Strategy Draft is unapologetically arguing for the liberalization of national water sector in both urban and rural areas. They are consulting NGOs selectively to get comments and ratification.

- **World Trade Organization:** Comprised of representatives of 144 governments, this world body is committed to promoting free trade in the interest of all members. However some members are 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. See our call to keep water out of WTO, and visit our Tradeobservatory.org to learn about the behind the scene machinations at WTO.

WHO OPPOSES THESE TRENDS:

- 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.

Most importantly, ordinary people affected by these developments—such as the outstees of Narmada Dam, India, the residents of Cochabamba, Bolivia, of Alexandria township, South Africa, & the subsistence farmers of Andhra Pradesh, India—are opposed to this!! Some points on multinational led water privatization:

- Their geographical target is urban consumers; but 90 % of water poor live in rural areas
- When Multinationals come in, Rate Increases = more expensive services (Ask Bolivians)
- There is NO accountability to consumers, ONLY to shareholders
- Reduces Local Control and Public Rights
- Fosters Corruption
- Difficult to reverse;
- Can Leave not only the rural Poor but also the urban poor with No Access to Clean Water
- Undermines water quality; Can compromise the ecosystem needs of water

Do you THINK “multinationals want to get involved to help solve the water and sanitation needs of the poor?” (quote from Suez representative at the MSD, Freshwater Conference, Bonn, 2001)! Would you trust a multinational on this? YET, World Bank and IMF still insist on prescribing liberalization of the sector for most developing nations!

The ‘Call to Keep Water and Water Services Out of WTO’ is available at <http://www.waterobservatory.org>

Shiney Varghese,
Senior Program Associate
Institute for Agriculture and Trade Policy (IATP)
2105 First Avenue South, Minneapolis MN 55404
svarghese@iatp.org – 612-870-3471
www.waterobservatory.org – www.iatp.org

