

New UNRISD Research on Commercialization, Privatization and Universal Access to Water

It is estimated that over one billion people across the world do not have access to safe, clean drinking water, although this is a basic human need. Reducing the number by half is one of the United Nations Millennium Development Goals.

Lack of access more often results from sociopolitical factors and institutions that constrain delivery, than from scarcity of water resources. Until the late 1980s, the supply of water in the vast majority of developing countries was entrusted to public companies. But the latter failed to make the infrastructural investments required to provide water services to all, and poorer regions, neighbourhoods and people were often neglected. Even areas that were connected to public water supplies suffered from unreliable service, an indication that maintenance was also insufficient.

By the early 1990s, reforms involving commercialization of water services—the application of principles of cost recovery and profit maximization—and private sector participation were being proposed as a way to increase investment in water delivery networks, improve access for all sectors of the population and reduce the burden of public services on government finances. In the water sector, one of the most common ways of bringing in the private sector is through concession agreements, via which the state, while retaining ownership, transfers the right of operating the water utility to a private company.

But the commercialization and privatization of water services are controversial. On one hand, there is strong opposition from large segments of society that question the treatment of water purely as a commodity, rather

than as a human right. On the other hand, water fee increases as a consequence of reforms are predictably unpopular, and users have voiced their concerns, sometimes violently, often bringing reforms to a halt. Moreover, increases in water fees tend to be regressive, hurting the poor more than other segments of society.

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After nearly a decade of experimentation with commercialization and private sector participation in water systems around the world, the results are disappointing. For example, in recent months, Suez Lyonnaise des Eaux declared it was leaving the Aguas Argentinas concession supplying the greater Buenos Aires (Argentina) area, and the Mayniland consortium that supplied half the population of Manila (Philippines) ceased operations. In Pune (India), an urban environmental infrastructure project was cancelled during the tender process because the project lost political support. And there are cases where the process of privatization was stopped because of user dissatisfaction and civil unrest, for example, in Cochabamba (Bolivia) and Tucuman (Argentina). Such examples of popular opposition and the withdrawal of multinational companies from concession agreements in developing countries cast doubt on the sus-

tainability of a model based on the commercialization of services and privatization. In other words, although badly needed, reforms in the water sector are not yet having the desired effect of bringing universal and equitable access to services.

A new UNRISD project is set to explore a range of experiences of water service provision, focusing in particular on those actively involving the private sector. It will shed light on some of the real impediments that have prevented governments and the private sector from bringing clean water to the poor, as well as the role that regulation and regulatory institutions have been playing in the water sector. The project has two major objectives: to clarify the nature of the “efficiency and equity” trade-off that is apparently affecting the provision of water services in developing countries, and to identify the institutional constraints to achieving universal access to water.

Eight case studies—Argentina, Bolivia, Chile, Finland, India, the Philippines, Senegal and South Africa—have been commissioned to illustrate different experiences of reform in the water sector. These studies will combine analysis based on new institutional economics, political economy and political ecology to help understand the broader structural and power relations within which institutions affecting access to water emerge and evolve, as well as the outcomes of reforms in the water sector in the countries studied.

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