

Public successes and private failures

**DIRTY
AID
DIRTY
WATER**

Around the world communities have taken charge of their own water supplies to ensure that they have access to safe, affordable water. By keeping this essential service in public hands, they have ensured that even the poorest in society are not denied this basic human right.

At present, 95 per cent of people who have access to clean water are supplied by the public sector. However, there are numerous cases where public utilities have failed to deliver water and sanitation to the communities they serve. In response to many such failures, home-grown innovations have radically reformed public water utilities – boosting investment, rooting out corruption and improving urban planning.

Examples of successfully reformed water utilities can be found in every continent – busting the myth that failure is always inevitable. And while there is no set recipe for their success, they share common ingredients including accountability to the public and tariff structures designed to take into account different income levels.

The need to invest financially and politically in these workable public approaches has never been more pressing. At present 1.1 billion people lack access to safe drinking water and the burden of this crisis falls disproportionately on women and children. According to the United Nations, women in developing countries can spend eight hours or more per day collecting water. Whereas, water sources nearer home are linked to increased school attendance by girls and more time for women to undertake activities such as training and income generation.

Despite these clear benefits and proof that the public sector can be transformed, the reform agenda being pushed by the UK Government and World Bank rarely looks at improving the public sector by addressing the reasons for its poor performance. Instead, the private sector has been hailed as ‘the solution’ to water and sanitation problems, regardless of the specific problem.

The myth of successful water privatisation

There is a wealth of research showing that the private sector has failed to deliver water to the world’s poor. It is characterised by: a failure to invest; profits being siphoned off to shareholders thousands of miles away – rather than reinvested in the system; profit led price hikes; and a lack of accountability to local people.

Why then is the UK Government wasting tens of millions of pounds of aid paying private consultancy companies to promote water privatisation, rather than putting this money into workable public approaches?

“[increasing private sector involvement] is not a ‘solution’ that should be promoted internationally in the name of those who currently lack adequate water and sanitation”.

UN-Habitat

Whilst WDM does not claim to know ‘the answer’ to water supply problems in developing countries, we do know that it is possible to transfer and adapt the approaches common to successful public providers to suit local and cultural contexts.

This briefing provides country case study examples of successful public approaches to water and sanitation provision from around the globe, and contrasts them with some of the many failed water privatisations worldwide – thereby challenging the UK Government to start investing in real solutions to the water crisis.

Common threads to successful public approaches to water and sanitation

- **Re-investment of profits to improve the system**
- **Accountability to the public and transparency**
- **Social tariff structures to account for different income levels**
- **A local/national operator not exposed to foreign currency risk**
- **Government political, and in some cases financial, support**

India: Kerala

Olavanna, in the Indian state of Kerala, illustrates how rural communities can come together to form a movement to take on improving water provision.

The Olavanna initiative has resulted in 60 drinking water schemes, over half of which are supported by local government. As a result, over 50 per cent of the local population now has access to safe water, compared to only 30 per cent in the

1990s. Every month each household spends less than a dollar (depending on exchange rates) on water.

Responsibility for the planning and implementation of the Olavanna model lies with the local people and draws on their skills and expertise.

According to their reports, they have not needed to seek help from technical experts and have had no problems with their technology.

The project is also managed locally – with a committee ensuring that the drinking water supply is monitored and maintenance and repairs are carried out.

“Olavanna and similar models do suggest that the failing state-run models and privatised models can be replaced with community-based models. The difference is that here the state is not withdrawing from providing water, but it helps people own and manage water projects and support them through support to village governments.”

... researcher and Coordinator of Capacity
... ment for Decentralisation in Kerala

Malaysia: Penang

Challenging the widely-held notion that all state owned water utilities are inefficient and loss-making is PBA (Perbadanan Bekalan Air Pulau Pinang), the public water utility in Penang, Malaysia. PBA operates autonomously without political interference from the state and has a commercial outlook, including internal and external audits and accurate recording of payments.

In Penang, some 99 per cent of the population has 24-hour access to reliable drinking water, and PBA's water rates are amongst the lowest in the world. Water lost through leakage is about 18 per cent – which is lower than some utilities in the industrialised world. For example, Thames Water loses up to 33 per cent of water, according to the regulator OFWAT in 2005.

PBA has managed to achieve its successes in water and sanitation services without major price increases. A system of cross-subsidisation, with a social tariff, guarantees profits which can then be reinvested in existing and new infrastructure. In contrast, another state in Malaysia, Johor, has seen prices rise by 82 per cent over the last 13 years with a private provider.

PBA's success has been put down to its strong public service ethos combined with commercial practices. Its achievements clearly demonstrate that there is an alternative to the private sector in managing the delivery of water and sanitation services.

Take action!

If you have ... ONE MINUTE

- Send an action card to the Secretary of State for International Development, Hilary Benn, asking him to stop funding water privatisation.

If you have ... MORE TIME

- Write a letter to Hilary Benn, asking him to: stop misusing UK aid to fund consultancy companies to push water privatisation in developing countries; urgently review the UK Government's Water Policy; and start providing political and financial support for workable public solutions to the water and sanitation crisis – citing successes such as Porto Alegre, Olavanna and Penang.
- Sign up as a WDM activist and receive urgent actions and regular updates on WDM's aid, trade and debt campaigns.
- Join WDM and support our campaign to stop the UK Government misusing aid to push water privatisation.
- Order Dirty Aid, Dirty Water action cards and a campaign pack