

Financing Public Water

Workshop during World Social Forum
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Welcome by **Anil Naidoo**, Council of Canadians (facilitating together with **Olivier Hoedeman**, Corporate Europe Observatory)

David Boys (first discussion starter): I work with Public Services International, the global federation of public service workers in 150 countries. One of the things PSI does is to study the behavior of international organizations influencing water, for instance the corporations, the international financial institutions and the UN, which is starting to support the privateers. The pro-privatisers say that 180 billion US\$ is needed per year, they put this huge figure out, to make it seem impossible to reach, but these figures are based on flawed analysis, we feel. So we just need to be aware that they are very much exaggerating the levels of investment needed and that is because much of their research will come from organizations like PriceWaterhouseCoopers which is a major consulting arm of the water privateers. What I am asked to speak about is mainly the Camdessus Panel, a panel on water finance that was initiated by the World Water Council and the global Water Partnership. The World Water Council is originally an organization set up by the World Bank and the French water companies, and it is the host of the world Water Forums. And they, together with the Global Water Partnership – which is supposed to be a technical assistance organization but also directed by World Bank and the French multinationals – put up a million dollars (with Dutch government funding) to sponsor a panel led by Michel Camdessus to look at water finance. Michel Camdessus is the former director of the International Monetary Fund, so he is very firmly in the neoliberal camp of development policy. He put together a team that consisted of all the regional development banks (the Asian Development Bank, the African Development Bank, etc.), a number of private bankers and Thames Water and Suez. What I criticize them for is that they didn't have a single municipal water manager on there, they didn't have a single municipal financial expert on there. This is reflected in the main recommendations of the Camdessus panel: to use ODA and development bank funds to support private water management in developing countries, establishing subsidies, soft loans, guarantees, insurances and other support mechanisms. Camdessus for instance proposed a mechanism for sub-sovereign loan guarantees, a revolving fund to help prepare contracts and a currency devaluation mechanism called the devaluation liquidity backstopping facility.

These proposals for subsidising privatization should be turned upside down in order to support public utilities which today deliver water to 90% of the world's

population. The sub-sovereign guarantee mechanism should be created for public utilities. What it means is that a municipal water board, if it meets certain requirements, should be able to enter the capital markets, if it chooses so. It is very, very difficult for a municipal utility, no matter how small or big, to do that and we do have a couple of municipal managers here that can talk about how they have done it, but this is the exception rather than the rule. The question of cross-subsidy, this is a really important question for any financial mechanism we look at. Basically it means that the rich have to pay for the poor. The fundamental thing is that no matter who delivers water, water delivery mechanisms cost money. Even if it is just setting up rainwater harvesting, you still have an investment. Any mechanism other than living next to a river or a lake and you put a bucket in, costs money. And Camdessus did acknowledge that, but there was no attempt in their panel to acknowledge and create mechanisms for cross-subsidies. For the corporations, cross-subsidies basically means a subsidy from the urban rich to the corporation. The corporations take the money out of the country and that is part of the problem we have. Finally I would just like to quote the panel, just one sentence. It is something we are all clear of but we need to be much more clear off: “official development assistance and multilateral finance institution lending should be available to facilitate water projects managed by private operators management under public control, e.g. use of output-based to expand networks or fund revenue shortfalls under a concession. Alternatively, official development assistance could be used to finance investments in assets owned by the public and operated by the private sector”. It’s a long way of saying: we should give official development assistance to fund the private sector. The World Bank is now implementing Camdessus. They are creating the mechanisms for sub-sovereign loan guarantees, for the revolving fund to help prepare contracts and the currency devaluation mechanism.

What we have done at PSI is to ask the research unit to prepare a discussion note that is not so much a detailed criticism of Camdessus, we have done that previously before Kyoto, but it looks at how we actually approach the question of finance. And what we needs to be careful about is that we don’t get caught in the trap of looking at finance first. What is really important is to look at needs, look at the social needs first , to look at the environmental needs first and then assess the finance means that can be brought to bear. Because they are going the other way around, they are saying “finance is the priority and everything else will follow” and that’s the wrong way to approach it. We should start from the local reality, look at what the needs are and how they can be met with different solutions and then look for the finance. A big, big problem in water is that we tend to at finance first and then look at the planning and the management. So what we have in this paper is a number of examples, there are quick and short case studies, such as in Porto Alegre where they did exactly that: look at the local

needs and made the finance a servant to the public needs, instead of the master. We also look at issues like low-cost mechanisms, alternative financing (for instance micro-finance like the WaterAid project in Pakistan), what is the role of local governments, what is the role of taxation. We must include the role of taxation as we look at finance, there is an essential role for local and central government taxation, through property charges, through income tax, that is going to remain a main source of funding for water. And then as we look at public participation and social control, we will find new ones, but we shouldn't ignore the role of taxation.

Lyla Mehta (second discussion starter): as a researcher at the Institute of Development Studies at the University of Sussex, I have been doing a lot of research in the last few years on contestations around the nature of water, looking at the nature of water as a public good. As David suggested, more from the bottom-up, from local experiences, from people's concepts of water. Let me share two or three things with you today. The first is about on-the-ground realities around payment, about costs, about the experiences with privatization. The second thing is about the wider ideological contestations around the nature of water as well as the financing of water. It is very striking that there are about six or seven parallel sessions on water today, so obviously water is out there and the contestations around it are extremely intense. What is not very clear is: how do we view it, what is the nature of water? There is a lot of talk about the publicness of water, the fact that it is a public good, that it is a human right, on the other hand there are attempts to highlight the fact that it is a commodity. I just want to start with looking at some of these different perceptions of the nature of water and then highlight some of the on-the-ground experiences and the global narratives. After that I will throw in some suggestions for financing.

If water was to be a commodity, the laws of supply and demand would govern its use and it could be traded across markets. We have signs of that in North America under NAFTA, we could see that happen under Mode 3 of GATS. As far as local people's lives go, in the villages, people sometimes do pay for water, so there are traits of the commodification of water. However, to treat it as an economic good and pushing for treating it as a commodity would clearly highlight one aspect of water which is quite alien to the way local people see water, because they see it in religious terms, in terms of it being a right, a public good, part of the commons. That is why there is a lot of outrage as soon as people start discussing commodification, because we see it as part of our heritage. Clearly water is a public good, there are benefits people derive from it, such as health, but we also need to be aware of the on-the-ground realities, there is a lot of exclusion. In India, for example, local wells where certain casts are excluded. So there is a lot of exclusion and of course it is not unlimited in its supply. Water as a human right, there is a lot of currency around that, a lot of rhetoric and we

all endorse that, intrinsically, emotionally, we all want to see water as a right, I will come back to that when I mention the situation in South Africa where I have done some research. In everyday life, in the way people experience water, in the villages and in the cities, water is a commodity, a right, a public good, but the problem that we're seeing today is that Camdessus and other global forces want to turn it into only a commodity and a commodity to be sold at the market. And that's why there is such an outcry.

There are a few narratives that these people draw on to justify the commodification of water. The first thing is scarcity the global notion of scarcity. Scarcity is portrayed to be absolute, water scarcity is made up to be this big crisis. However, the fact that scarcity is relative to supply and demand, the fact that there is unequal access around the world is not really considered. So once you have scarcity, you need markets, because markets will basically take care of the allocation, as opposed to having rights or entitlements. The second notion that we have to challenge is that of efficiency. 'The public sector has been inefficient for the last 20 years', those are the kinds of narratives that are being thrown out, whereas the private sector is claimed to be extremely efficient, access is going to improve, revenues are going to improve, these are the kinds of promises made. Now, if efficiency is seen in terms of people's health, people's well-being, maybe the private sector is not going to fare very well, because we have examples from South Africa of cut-offs, a cholera epidemic which some people say could be because people started to pay for water. The private sector may not be as efficient as it's being claimed, there is lots of corruption and lots of rent-seeking, etc. The third notion is "poor people are paying for water anyway, so why can't we institutionalise this". There is a lot of talk about this in the economic literature, about people's willingness to pay, up to 10% of their income. However in many of these local-level studies, it is shown that there may be willingness to pay, but there may not be ability to pay. So what if people are not able to pay? The gender dynamics of paying for water are often very neglected, the fact that if people cannot pay for water they send their women out and make them walk longer. So women are made to walk up to four hours for water, because they cannot pay 10 rands or 10 rupees for water. So when David said that water from a well doesn't have a cost, it does have a cost, which is women's time. The fourth narrative is that of money, that 'because we don't have the funds we need the private sector'. But as David said, often a lot of public funds are channeled into funding these private systems. And if you look at allocation and budgetary spending, if you take low estimates of water financing for all, if you look at the estimates of the Water and Sanitation Collaborative Council (WSSC), their estimates are about 9 billion \$ per year, for low-cost technologies. So this is a far cry from the 180 billion \$ estimate of the Camdessus panel. If you take all the costs, the WSSC estimate is 30 billion \$ to provide water for all, whereas Camdessus says 180 billion. A lot of that includes water-water treatment,

sewage, sophisticated urban systems and a lot of that must be challenged: what kind of finance, what kind of technologies are we going to use? And if you look at the Camdessus report, there are massive inconsistencies in the kind of estimates and how they come about. Now let me move on to the last bit.

If I return to what I said in the beginning: water is very fluid, it doesn't have one characteristic, it is a mixture of things. But if we want to counter act the rapid and brutal commodification that is taking place, one way is to highlight the fact that we have to make it more public, to enhance the universal access to water and the public dimensions around water. So how do we do that? There are lots of experiments around it. One is around the notion of the basic lifeline around water. Let's see if we can institutionalize the right to water. There's different ways of doing it, different council's have different stipulations, for examples 15 liters per day, 20 liters per day. South Africa has 25 liters per day per capita. South Africa is interesting because it has a constitutional right to water, you can take the government to court if your constitutional right to water has been violated. There is a lifeline, a step-tariff system. It has been an interesting, painful experience in implementing this free basic water policy in South Africa and I think that one issue that has come up is that it has been a top-down policy. You had the Department for Water and Forestry in Pretoria come up with this wonderful policy in Pretoria, but the people who had to implement it are at the local level, local municipalities who often don't have the resources and don't have the capacity. So what we really have to do is to look at local capacity, strengthen local public capacity around these questions, as David already referred to. Because otherwise you have hapless bureaucrats who have these directives to create rights-based elements but they don't know how to cope with it.

The other questions around financing, a lot of public money now is potentially going to be moved into the private sector, but if we have stressed that public money should be for the public good, for instance for the right to water, then there are different initiatives such as for instance the 20-20 initiative, which proposes to achieve universal access by taxing rich people and allocating 20% of official ODA and 20% of developing country budgets to basic services, lobbying campaigns along those lines. WaterAid and other NGOs came up with the proposal that if the G8 countries increased their budgets with just at least 1%, that would make a huge difference. Looking at examples such as Rand Water in South Africa, para-statal bodies and water boards, who do make a profit but plough it back into infrastructure and not out of the country, not to TNCs, etc. Military budgets, how do India and Pakistan get away with spending so much money on military instead of basic services. A lot of donors like DFID are now talking about the need to create a good environment for private companies in places like Ghana and Latin America, but why don't they use some of the same

approaches to build public infrastructure, to support public companies. To wrap up, from a researchers point of view, whereas emotionally I would like to see water as a global commons or as a public good, often it isn't. There is a lot of contestation around water, but we can make it more public. What I would like to highlight is that it is a social-political choice on the community level, as to who gets the water, it is a social-political choice on the national level as to what kind of budget allocations take place around basic services such as water, and finally it is a social-political choice for the donors and the international community as to what kind of priorities they want to invest in.

Anil Naidoo: we are now moving into the brainstorming part of the session. We have put up a large sheet of paper on the wall, our goal is to get as many ideas as possible for how to finance public water up on this sheet, ideas which we can follow up beyond this workshop so we can get out of the delusion that we always have to go to private financing to deal with these issues.

Al-Hassan Adam: My question is whether we should look at pension funds and other mutual funds to finance water, is that possible for us? This is something mentioned in the Camdessus report.

David Redhouse: I'm from WaterAid, a British NGO that works on water and sanitation in developing countries. Firstly, on the Camdessus panel, I should say that our director was a member of the panel. Although I absolutely agree with David's critique of that report, I also think it is important to know that there are actually 98 recommendations and I think there are some that are actually very useful for us. To mention one: Lyla talked about the capacity in municipal utilities, there are some good recommendations on how you may increase that capacity and particularly South-South networks, I know that Rand Water is involved in this kind of thing. So it's also possible to criticize Camdessus on the ground that this kind of recommendation is not pursued with the same energy as the devaluation liquidity backstopping facility. We could press for these other things which would have a positive impact. The World Bank's Infrastructure strategy report recently in response to the Camdessus Panel referred to the "over-selling" of the idea that the private sector would be able to do water and sanitation. In some parts of the World Bank at least there is the realization that they perhaps attach themselves to the wrong horse. WaterAid is very pragmatic about this, we don't have any ideological or principled position on the public or the private sector, our only vision is that people should get water and sanitation and their human rights to that and we will support whatever means is effective. If we look at the figures, public finance at the moment supports 70% of investments in the water sector, so the pragmatic approach is to increase that 70% and find ways to make that 70% work more effectively. WaterAid is campaigning to make the UK government (DFID) increase its spending, actually

it is another Camdessus recommendation that all donors should double their spending. The UK is only spending 2% on water, against 5% in average in the G8 and we're campaigning for that figure to go to 10%. I would be delighted if you would sign the petition and support the "Flush out poverty" campaign.

It is interesting to recall that large parts of rural England did not have piped water before the Second World War because the rural people were supposed to pay for the full cost of the infrastructure and the huge capital costs were unaffordable. This caused serious problems during draughts. Things only improved after parliament passed two laws, one in 1929 allowing cross-subsidisation and another in 1934 establishing a government fund to match local funds for water in rural areas. It is an example of how developed countries practice one thing themselves but preach something else. You can see in England that we needed to do central government spending and cross-subsidisation, why should we now be part of institutions should as the World Bank and the EU who say that things should be done differently?

Finally, South Africa and Uganda are recent examples of countries that have significantly increased access to water in recent years and they have both done it by public spending. In South Africa this happened through tax money, just 17% of their spending comes from development aid. In Uganda they did it through debt relief, they used the funds to connect another 2,2 million people between 1997 and 2001.

Thabani Myeza (Rand Water): as Rand Water we actually make revenues of 400 million dollars per year, but half of that goes to a special water resource fund which then pays for all the infrastructure national-wide. Cross-subsidisation is something that we probably will never be able to do without: the rich people in the rich neighbourhoods of northern Johannesburg have to fund the poor neighborhoods in southern Soweto and these areas. I am not going to claim that we have it working perfectly, but I think it is working. Lyla mentioned the 25 liters of water per day, this is also working, it is funded by the central government. On rural areas and peri-urban areas, about 10% of our profits go to fund the rural areas, some of them not falling within the area we are responsible for. We have created a community department, funded by about 5 million US\$ per year from our internal resources, which goes to the rural areas, for instance to train people to run small water schemes which they can maintain themselves without Rand Water actually being there on a daily basis. We do a lot of work on capacity building with local municipalities within South Africa, where we go and work with them in improving their capacity. Some of the municipalities have been restructured to cover different geographical areas so capacity is often a major issue. We are actually taking that capacity drive outside of South Africa as

well, into neighbouring countries where we can assist in building capacity. Obviously then funding and bankable projects become issues.

Maj Fiil-Flynn (Public Citizen): electricity and telecom utilities in the US have a system where customers on their bills have the option of making a donation to a solidarity fund that cross-subsidises and reduces the bills of poor consumers in the US. We could go to municipalities and utilities in the US and other rich countries and propose that they provide 1% of their revenue to a global water fund or that it becomes voluntary to make a contribution. The US government promotes water privatization, but the municipalities and utilities are often progressive and may be willing to support a fund for public water in the South.

Sanjay Sharma (Dehli Water Workers): there is a need for financial reforms within the municipalities, in Delhi for instance the revenue collection is insufficient to cover expenses. This gap needs attention, we need to lower our production costs, which is possible. There is a need to check the bureaucracy to reduce expenses and other financial reforms.

Jacques Perreux (ACME, France): in France, Italy and elsewhere in Europe there is a fight against capitalism and privatization. If we want a united world movement and join forces, we have to consider water as belonging to all of humanity. In 2025 there will be more people without water than there was in 2000. We are told privatization works, but what about the 1,4 billion people without drinking water and the people with cholera? Since privatization doesn't work, we have the right to look for alternatives. I have three proposals for finance. There are discussions about how much money is needed for delivering water to all, the UN says 11 billion dollar per year, which is 1% of expenses on defense around the world. So we could ask governments to reduce military expenses 1% to ensure that everyone gets clean water. This is a demand that could unite us. Secondly, we need debt cancellation, I don't need to elaborate on that. Thirdly, profits that are made on water need to be re-invested in water. The profits of Suez and Veolia are not always re-invested in water but go towards privatising knowledge and creating a uniform culture.

V.S.B. Reddy (REEDS, India): I started my work on water in 1992 in response to women having to carry water 3 – 5 kilometers, so I started showing people how to repair their hand pumps. In Hyderabad, most of the water from the reservoirs is going to the prosperous people who on a daily basis use 500 or 600 liters for a two or three person family, whereas in the southern part of the city of Hyderabad people get only 10 to 15 liters, standing in a queue 5-10 hours daily. When the tanker comes to their locality a thousand people come and fight for the water. The government is spending more and more money on the military budget and the people are suffering from this. There is a lot of water in

Hyderabad, but the distribution system is not proper. And now they are proposing another big project, spending a lot of money on a new dam and a pipeline that will bring water almost 150 kilometers to Hyderabad, uphill, through rural areas that don't have enough water. It is not clear where the electricity to pump the water will come from and the project is a waste of public money which will lead to more corruption. We need to target the corruption in public projects.

Jude Esguerra (Water Vigilance Network, the Philippines): when looking at the means of finance, everybody knows there is a lot of ODA available, but in many countries the obstacle for gaining access to these funds is the local counterpart. In the Philippines, 40% of ODA does not flow because the counterpart money does not flow. We need to address that, because even if we get an increase in the ODA available, it will not necessarily flow to the places where it needs to be invested. It has to be invested in municipalities. Municipalities spend 60% of their funds on paying employees, they have to be paid because they are essential to the election of this mayor. We also need to look at the financing of water within this political dimension. It is a political market, not just a capital market. We need to show that the financing of water can also be politically profitable, to the mayors. Our idea is that we would like local governments to see that local communities are willing to contribute their own equity and then the municipalities just have to match this contribution. It will be very difficult for politicians to turn their back on people who are willing help themselves. Helping communities raise their equity is a way to equalize the political playing field, so that they go to the mayors office not begging for help but as investors helping themselves. But it is a fact that investments in water are very capital intensive, even when technologies are appropriate. It is very important to make our communities bankable and grant money should go towards making communities bankable, so that instead of paying their equity contribution in a month, they can pay it over four years. Making our communities bankable also means attracting rural banks and other financial institutions, to make them lend funds, they have a lot of funds that are not moving. What is needed is something on the demand side, to make the demand side attractive for people who have dead capital, capital that is sleeping. At the core of making the money flow to finance water is to make our communities bankable, so that they are able to contribute some of what is necessary in terms of finance, so that politicians see that it would be disastrous not to respond to these initiatives of the communities and so that ODA money will flow. This is an approach that may also work in other countries who have the same poverty constraints and political constraints at the community level.

Following a question of clarification on what it means to make communities bankable, **Jude Esguerra** explained: in many places you have clusters of houses, that is not yet a community that is bankable. A community that is bankable is

one that can decide on common projects, decide on the technology that they will use, decide on what penalties there will be on people who will not honour the agreements on payments and such, decide on conflicts. Beyond that it may also be important for communities from several districts to pool together cash so commercial banks or rural banks are confident that even if there is a problem with the harvest in one community, there is cash available that the other communities can pool together and momentarily make available. The risk to the financial institutions is less.

Thabani Myeza (Rand Water, South Africa): what we have seen as well is the creation of water fora where communities take the responsibility of managing the water service delivery themselves, where they set up their own policy for handling the situation when some people cannot pay. A second point is to go into the larger utilities and train them to ensure that they are bankable. Trying to link a commercial catalyst to a project is also important, an economic activity such as agriculture makes those projects more sustainable. Another point I wanted to stress is that our public utilities must recognize that efficiency is not an option but a must. You have to do that within the context of the politics and social environment that you operate, but long gone are the days in which the public utilities are just waiting for subsidies and donor money. They have to recognise that it is their efficiency that will sustain them in the future and that this is what makes them bankable.

Antonio Miranda (ASSEMAE, Brazil): in an interview with a Brazilian newspaper, the Brazilian representative of the World Bank, who is also vice-president of the World Bank internationally, commented that 'public services with monopoly features must be in public hands'. I don't know what this means for our relationship with the World Bank, but I think it should be useful to keep these words in mind. Another comment is that when we discuss the water and sanitation situation of the poor, we have to address also the housing problem. In my city, Recife, we are making improvements, for instance in a neighbourhood with 30,000 people, 6,000 of which live in favelas, in slums. We are building 470 new houses in order to improve the water and sanitation facilities. We tore down 470 old houses without water and sewage facilities and less than two rooms. We are building new houses of with two rooms, bathroom with shower and toilet, a small veranda, in order to improve the quality of life, because it is impossible to make water and sanitation improvements in a space of less than 20 square meters where sometimes more than ten people live, with no privacy. So together with the water and sanitation improvements, we have to face the housing problems and we're spending a lot of money on this.

Now some suggestions. The Brazilian experience has shown that when you open the discussion to the public, to the people, to civil society, all the solutions

miraculously start appearing. I have several examples, let me mention just this one. There is a small city with 50,000 people, very far in the interior of Brazil and the mayor decided to privatize the services because they had to make huge investments because of the growing size of the city and there was no money at all. One single municipal councilor made a telephone call to ASSEMAE, which I represent (the Brazilian Association of Municipal Water and Sanitation Public Utilities), asking us if we could help with the discussion on privatization of water and sanitation in his city. We went there and had a meeting involving 150 people. After the discussion, the mayor decided not to privatize the water and to create an utility instead of having the department running the water. Now the city has its own utility with 100% coverage for water and sanitation, with no need at all for external finance. How did it happen? There was a large waste of water because of a terrible tariff structure. It was cheaper to leave the leakage in your house than to call the plumber. Just changing the tariff structure and making it cheaper to fix the leakage solved the problem of water scarcity and made new investments unnecessary. The same water production suddenly became enough for the whole population. This was the product of an open discussion. We strongly believe that these examples from Brazil show that open discussion can solve apparent unsolvable problems. We believe we can solve problems of water scarcity and of inefficiency, because you have to start discussing your leakage levels, the number of employees, the willingness and ability to pay, how much is needed for financing and a lot of other issues when you open up the discussion.

Finally, we have some experiences from Brazil where the utilities have special bank accounts for investment. I work for a utility where 19% of all revenues are reserved on a special bank account that can only be used for new investments, not on maintenance or operations or anything else. You can reserve 15 or 20% or whatever you can. Porto Alegre reserves 25% of all revenues for new investments. Then your need for external financing is not so high. And then there are the special fees for new investments in rich areas. In cities in Brazil the rich not only pay a higher tariff, they have to pay separately for new improvements in these rich areas, we deliver a special bill for the investments in the rich areas and this money goes into a fund for investments in poor areas.

Shamila Ariffin (Friends of the Earth Malaysia): I have a point that is related to what was just said. In a lot of cases, utilities lose money because they lose water, non-revenue water. In Kuala Lumpur the non-revenue water is about 45%, whereas in the state where I come from the non-revenue water is only 20%. The utility in Penang, where I live, makes money, but in Kuala Lumpur they keep on losing money. It is very difficult to convince utilities that conservation strategies and that methods to save water work. But if you lose water, that water is not paid for. In my state, the utility is not content with non-revenue water being 20%

and they experimented with a pilot project that managed to reduce water loss to 9% in less than a year. So, one way to convince your utility to experiment with reducing non-revenue water is to ask them to do a pilot project covering a small area, so that it can be demonstrated that reducing leakages can be cost-effective. In this case the reduction was much cheaper than investing in new water sources.

Contribution from Indian woman (didn't introduce herself): I would like to stress the urgency and the need to hold governments accountable. If we are to reach the UN's Millennium Development Goals, then we need to provide safe water at the rate of 274,000 people per day and basic sanitation to 324,000 per day. The current level of funding needs to be doubled. I attended a conference on water for the poor in Norway in November and the conclusion there was to combine bilateral aid, multilateral financial institutions and private sector participation. The chair of the next session of the Commission on Sustainable Development (CSD) was there and promoted this approach, so watch out for the next CSD.

Thabani Myeza (Rand Water): the South African minister of water affairs has committed himself to eradicating the number of people who don't have access to water by 2009, about 4 million people in the next five year. It's important to realise that we're talking about appropriate solutions for specific environments. When we're talking about access to water, we don't necessarily mean a tap in every house, in some areas it could be a tap within 200 meters of every house. If that is acceptable to the community as part of them moving up the water ladder, then I think that is acceptable. I would also like to comment on the bonds which municipalities or the water boards can issue to raise finance. Within Rand Water, we do raise bonds within the local market. These are not bonds backed by the government, but purely loaned to the utility backed by its balance-sheet. We have been able to do that based on our balance-sheet and expanded our capital infrastructure.

Olivier Hoedeman (taking over facilitation): we have identified a lot of options for financing public water, both options that are directly available to local municipalities and utilities and options with an international component (*a full list is attached at the end of this report*). Local options include progressive tariffs (the rich paying for the poor), reducing leakages, municipal bonds and many more. Options with a strong international dimension are for instance debt cancellation, increased ODA (without privatization conditionalities), and channeling pension funds and ethical investment towards public water infrastructure.

The rest of the workshop focuses on what can be done to make the different financing options more widely available. Among the options discussed were:

- the campaign for a 1% cut in military budgets to fund water supply
- the need to look at the proposed EU Water Facility (which if the pro-privatisation emphasis is removed could become a positive source of funding)
- challenging the World Bank's pro-privatisation stance and demand support for public water
- increase efforts to influence the debate on water and sanitation within the UN Commission on Sustainable Development (CSD)
- include the potential of migrants movements, such as remittances from abroad as a source of finance for water investments.
- 2005-2015 will be the UN decade on water – we should consider a campaign similar to Jubilee 2000: Agua 2015?
- support (also financial) is needed for Public Utility Partnerships like one between Brazil and South Africa. Work is being done on creating a global association of Public Utility Operators, which should have an NGO counter-part to co-operate with.
- using the Rome Declaration on “Making the Right to Water a Reality” which can be signed by civil society, local governments and parliamentarians, see http://www.cipsi.it/contrattoacqua/home/docs/dec_rm10dic_en.pdf
- the next conference of the annual University of Water (May 2004, Vale de Marne) will work on a document to serve as a basis for the next World Water Forum

After the workshop, a working group was formed to develop further plans for joint international action on alternatives to privatisation and how to finance these.

Alternative finance options:

(random order)

- sub-sovereign guarantee mechanism for public water
- micro-finance
- South-South capacity building
- progressive taxation
- segregated investment funds of water utilities (Porto Alegre 25%)
- scaled tariffs
- 20-20 Initiative
- water resources fund (Rand Water 10% to rural communities)
- debt relief/cancellation
- 1% off military budgets (11 billion US\$ per year – sufficient according to UN figures)
- cross-subsidies
- international solidarity fund (1% revenues of water utilities North America/Europe or voluntary contribution consumers over water bill)
- pension funds and ethical investment
- municipal bonds and loans raised in local markets
- some useful proposals in Camdessus report, such as doubling donor spending on water
- central government fund (as introduced in UK in 1929)
- tackle corruption
- re-invest profits in water
- public sector efficiency is a must
- political incentives for mayors
- improved housing and sanitation
- participatory management and decision-making
- make communities bankable (cash-pooling)
- linking projects to community self-financing
- tariff changes to control waste of water
- willingness to pay
- reduce non-revenue water (pilot projects)
- special tariffs for infrastructure in rich areas
- migrant remittances