

Global water discourse 2010:

- actors, factors, threats and opportunities

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Summary

- Actors and factors
- RPW
- Companies
- IFIs
- Crisis
- Climate change

Actors and factors

- Dynamic process
- Civil society, unions
 - RPW network
- Corporations, capital
 - Multinationals and others
- IFIs
 - Agents of multinationals, but note eg EC budget for PUPs
- Governments, public authorities
 - Key area of decisions and power and finance
 - Uruguay, Paris, Tamil Nadu
 - Key for campaigns, finance, PUPs

Impact of RPW

- 10 years since The Hague 2000
 - 15 years since Uruguay 1995
- Successes everywhere eg N. Ireland,
- Reversals of privatisations eg Bolivia, Tanzania,
- Criminalisation of water privatisation eg Uruguay
- Paris remunicipalisation
- New forms eg 5 setiembre, Tamil Nadu
- PUPs becoming a new paradigm
- Strong organisation and discipline eg over WOPs

Over 30 contracts terminated worldwide

Country	City	Date	Company	Status
Argentina	Buenos Aires	2006	Suez	T
Argentina	Buenos Aires Province 1	2002	Enron	T
Argentina	Buenos Aires Province 2	2006	Impregilo	T
Argentina	Cordoba	2007	Suez	RS
Argentina	Mendoza	2009	Enron, SAUR	RT
Argentina	Santa Fe	2006	Suez	T
Argentina	Tucuman	1998	Veolia	T
Belize	National	2005	Biwater	TS
Bolivia	Cochabamba	2000	Bechtel	T
Bolivia	La Paz/El Alto	2007	Suez	T
Brazil	Guariroba	2006	Suez	S
Brazil	Limeira	2006	Suez	S
Central African Republic	Bangui	2001	SAUR	T
Chile	Calama	2006	Biwater	TS
China	Da Chang (Shangai)	2004	Thames	W
China	Shenyang	2002	Suez	T
Colombia	Bogota	2004	Suez	T
France	Grenoble	2000	Suez	T
France	Paris	2009	Suez, Veolia	TE
Gambia		1995	Veolia	T
Germany	Potsdam	2000	Suez	T
Hungary	Pecs	2009	Suez	C
Indonesia	Jakarta	2001	Suez, Thames	RS
Malaysia	states	2009		TR
Mali	Bamako	2005	SAUR	T
Philippines	Manila	2005	Suez, United Utilities	TRS
South Africa	Amahthali (Stutterheim)	2005	Suez	T
South Africa	Johannesburg		Suez	TE
South Africa	Nkonkobe (Fort Beaufort)	2002	Suez	T
Tanzania	Dar-es-Salaam	2005	Biwater	T
Turkey	Antalya	2002	Suez	T
Uruguay	Aguas de la Costa	2006	Suez	T

Core multinational company strategies since 2003

- Withdraw from risky developing countries
- Geographical focus:
 - EU, N. America, China, MENA
 - But some survivals eg Jakarta, Gabon, ?Cordoba
- Contract focus:
 - on private sector business;
 - on management contracts and consultancy eg Algiers
 - On BOT water treatment plants, desalination plants, wastewater treatment plants eg Australia, MENA
- But maintain ideological pressure and close links with IFIs
 - Use new tactics eg WOPs, consultancy as entry points
 - Constant review of opportunities and profitability

Example: Biwater in Fuzhou, China

- water treatment BOT, 30 yr contract
 - Not operating service direct for public
 - Paid by water authority
- special economic development zone (ETDZ) of Fuzhou City
 - industrial + 150,000 homes
 - Similar to Subic Bay (Phil), Batam (Indonesia)
- Joint venture: China Water Co and ETDZ operator
 - China Water Co is itself jv between Biwater +
 - Reduces scale of capital investment risk for company



BOTs - distinctive features

- Real investment, upfront, no money until working
 - Unlike water operating 'concessions' etc
- No direct company-public interface
 - Paid by public operator
 - Also relatively low numbers of jobs affected
- Long-term contracts: 30 yrs
 - based on forecasts (+bribes)
 - great incentive for exaggeration of need and price
 - Eg Turkey BOTs, eg Australian desalination plants
- Problems include
 - Claim on income: sucks money out, increases prices
 - Large environmental impact: dams, desalination=energy

Suez: front organisations?

- Lysa + WDA + Aquaorbi
- LYSA = Lyonnaise des Eaux Services Associés (Lysa)
 - Technical services subsidiary since 1992, held various consultancy and mangt contracts eg Jakarta, Phnom Penh, Kampala, Casablanca,
 - An innovative partnership model to help public water companies improve their profitability (2002)
 - owns stakes in Colombian water companies (Acuaviva, Acuagyr)
- WDA: Water Development Association “association created on the initiative of Suez Environnement to connect some water and sanitation operators” linked through the charter of WDA which “expresses their commitment to contributing to the MDGs with sincerity and transparency’
- Aquaorbi: has mission, moral values, nurtures the values and social commitments which are fundamental to the group’s philosophy’

Crisis, ownership and companies

- French state now main owner of Suez+Veolia
 - Suez merges with Gaz de France, > 36% state owned
 - Veolia plans merger with EDF, >25% state owned
 - Also merges with state owned transport, waste companies
- Crisis > pressure on debts especially Veolia
 - Eg Veolia tries to sell UK water ops (but no buyers)
- But also consolidation in water
 - Eg Suez buys 75% of Aguas de Barcelona
 - Veolia and FCC still have 50/50 jvs in Latin America

Local companies, private equity, public

- World Bank claims ‘local’ companies take over
 - But most examples are special cases
 - Eg mining interest (Chile, Antofagasta), company town (Tata, India)
 - Manila Water, LatinAgua are main credible private cos
 - Highly publicised, actual growth limited
 - Not sources of investment finance
- Some cases of private equity
 - In effect no ‘core’ water company
 - Eg Ontario Teachers (Chile), MPIC in Manila, Acuatico in Jakarta
 - But financing problems since crisis, limited interest
- Public sector commercial international activity limited
 - Accra main example, problematic
 - PUPs become more significant alternative
 - Eg ONEP in Morocco, ‘rediscovery’ of Japanese PUPs

Water resources: corporate initiatives

- MNCs as water consumers dictating water resource policies
- Policy partnerships with e.g. World Economic Forum (WEF) ‘Global Agenda on Water Security’
 - Coca-Cola, PepsiCo, Nestlé, SABMiller, RioTinto, Dow Chemical, Syngenta, Hindustan Construction Company, the International Federation of Agricultural Producers.
 - Big issue for Coca-Cola eg increasing demand for water means that the company “may incur increasing production costs or face capacity constraints which could adversely affect our profitability or net operating revenues in the long run.”
 - Want markets in water, not priority for public service
- Also eg Water and Development Alliance (WADA)
 - joint venture between USAID and Coca-Cola
www.thecoca-colacompany.com/presscenter/viewpoints_isdell_usai

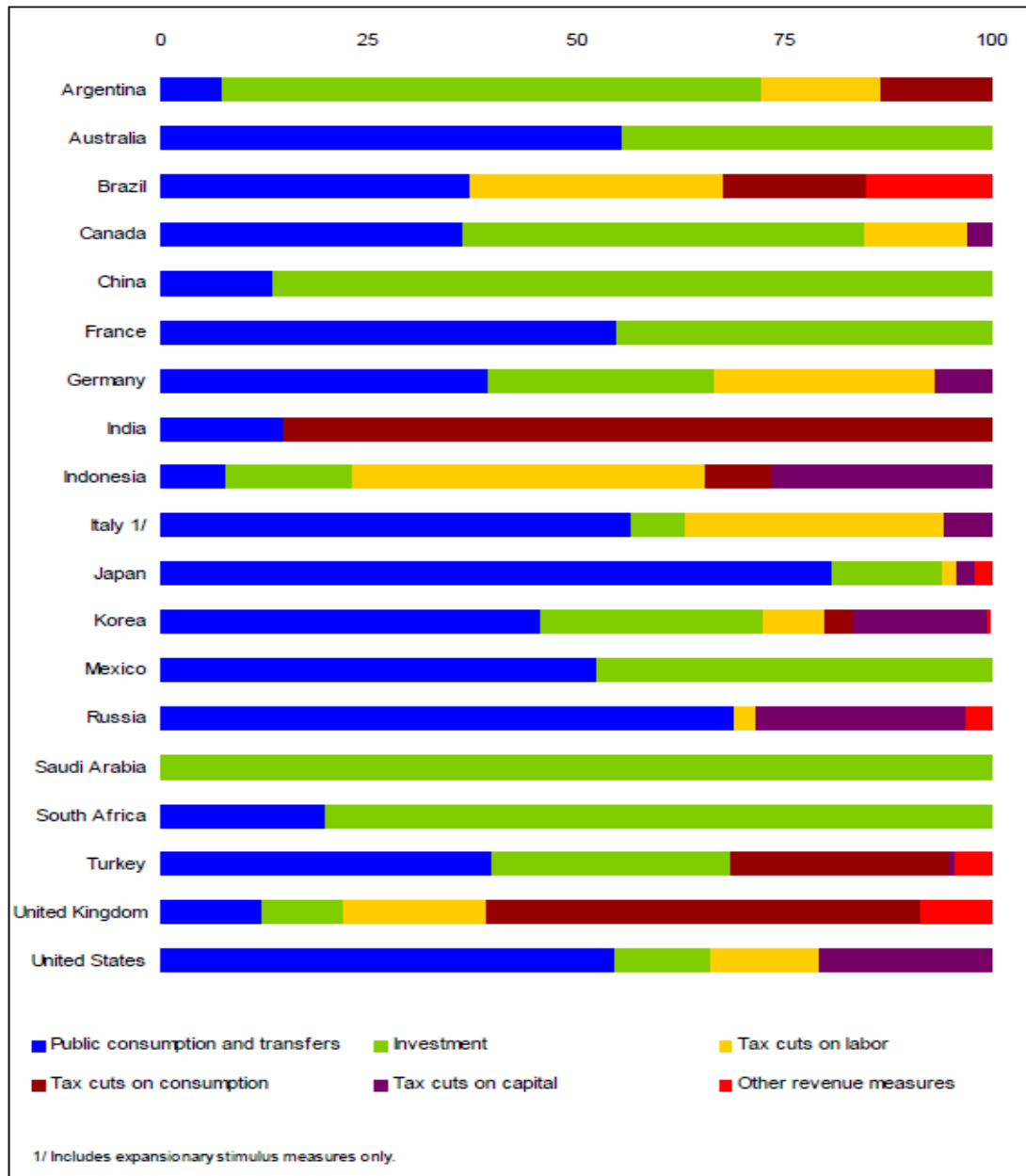
IFIs

- Relatively weaker
 - Very few IMF programmes in Asia, South America
 - World Bank has to acknowledge privatisation failures
- Promote ideology and market structures
 - Pricing policies, contracts eg OECD
 - World Bank propaganda eg PPIAF in India +
- De facto conditionalities
 - Eg IFC invests only in private water eg Gabon
 - Use of WOPs initiatives to strengthen privates
 - Privatisation conditionalities in IDB, ADB projects
- Support for and promotion of PPPs

Crisis

- Restores role of state and public finance
 - Increased government deficit >stimulus >avoid recession
 - Infrastructure investment big part of stimulus
- New practical opportunities
 - Large-scale public finance for investment eg Egypt
- New analysis possible
 - Key role of public finance for investment

Composition of stimulus



Crisis: PPPs become more expensive

- Private companies cannot raise finance from banks
- Much higher cost: +2-6% more than govt
- The response in a number of countries, including the UK, France and India, has been to create special state financial agencies which in effect borrow as the state and then lend it to private companies in PPPs.
- The IFC has created a similar ‘infrastructure crisis fund’, aiming to use \$1.2-10 billion of public finance from the IFC itself and donors [\[i\]](#).

[\[i\]](#)

<http://www.ifc.org/ifcext/about.nsf/AttachmentsByTitle/Is>

IFIs try to save PPPs

- PPPs threatened by crisis
 - No lending to private sector:
 - Greater hostility to PPPs
- “Discontent, even outright hostility, among the general public against the capitalist system has gained ground during the crisis... The ‘system’ is mistrusted, and confidence in capitalism and its future is low... PPPs are equated with the now discredited privatisation and financial liberalisation” G. Hamilton UNECE to KDI/ADB/ADB/ADB/WBI conference ‘Knowledge Sharing on Infrastructure Public-Private Partnerships in Asia’ May 2009 Seoul
- Concluded that there was a need for “tools to bring back the banks and new institutions able to articulate a pro-PPP policy in the crisis (and those in the future)...a Global advocate to spread support and the message around the globe: an alliance of PPP units.”
- December 2009 meeting of UNECE and other IFIs in Geneva to create fund to promote PPPs.

India

- The finance for urban infrastructure is increased by 87% over the previous budget, and a new fund is being created which is intended to make the country slum free in 5 years. This not a short-term policy: the aim is to continually increase investment in infrastructure to reach more than 9 per cent of GDP per year by 2014. [India Budget speech. Transcript as published in Financial Times July 6 2009]
- But:
- India is also using public finance to bailout existing PPPs which are now unable to find private finance. A new public sector institution, the India Infrastructure Finance Company Limited (IIFCL) , will refinance 60 per cent of commercial bank loans to infrastructure PPPs over the next year and a half.

Infrastructure funds targeting India

Fig. 16.11: Ten Largest Funds Focused Primarily on India

Fund Name	Firm Name	Firm Location	Year Raised	Fund Size (Mn)	Status
Macquarie State Bank of India Infrastructure Fund	Macquarie Capital Funds	Australia	2009	USD 2,000	1st Close
3i India Infrastructure Fund	3i	UK	2008	USD 1,200	Closed
India Infrastructure Advantage Fund	ICICI Venture Funds Management	India	2008	USD 1,000	Raising
Principle Europa Indian Infrastructure Fund	Principle Europa Indian Equity Partners	Switzerland	2009	USD 1,000	Raising
IDFC India Infrastructure Fund	IDFC Project Equity Company	India	2008	USD 1,000	2nd Close
JPMorgan Asian Infrastructure & Related Resources Opportunity Fund	JPMorgan - Infrastructure Investments Group	US	2008	USD 1,000	2nd Close
Asian Giants Infrastructure Fund	AMP Capital Investors	Australia	2009	USD 750	1st Close
IDFC Private Equity Fund III	IDFC Private Equity	India	2008	USD 700	Closed
Old Lane India Specific Fund	Old Lane Management	US	2008	USD 500	Closed
Q India PE Fund	QIEF Management	Mauritius	2009	USD 500	Raising

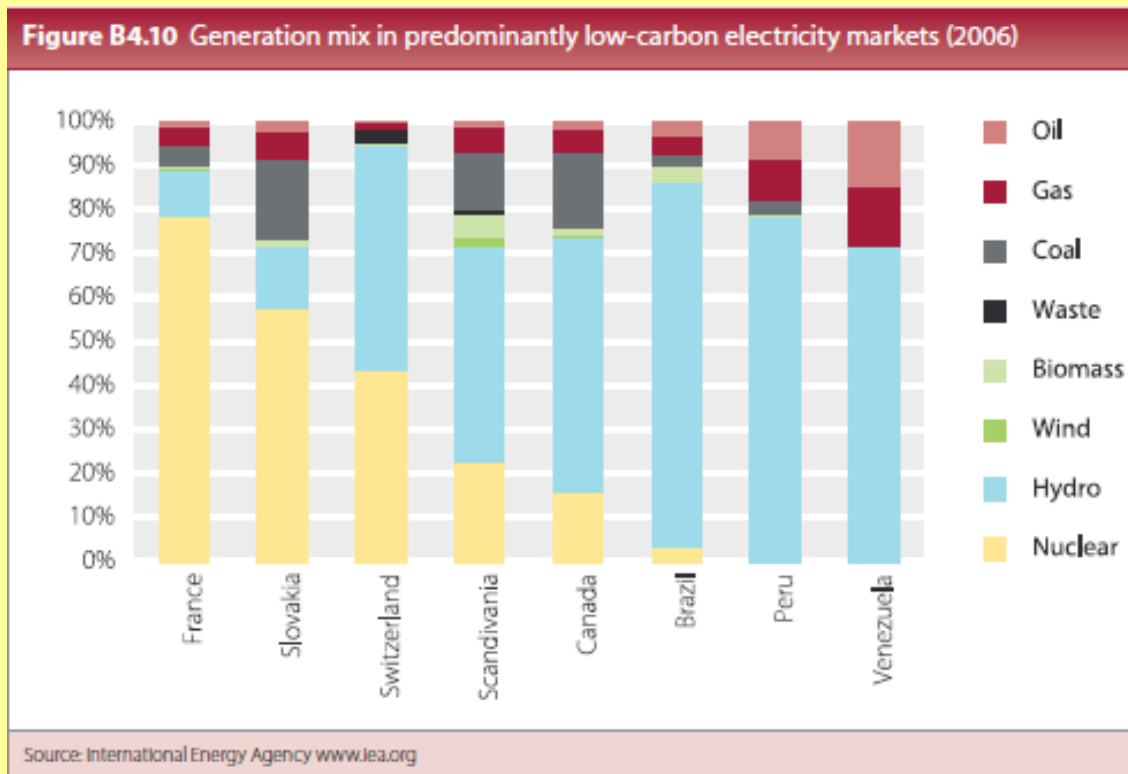
Source: Prequin 2009

“Their entire business models now seem headed for the scrap heap... [Macquarie’s] long-standing practice of paying out more in distributions to shareholders than it received from the underlying investments worked when it was cheap to borrow money. It no longer is.” (The Economist 2008)

Climate change

- Much greater emphasis on sustainable resource use
- Core role for public policy
- Markets do not deliver
- Direct public sector action more acceptable

Climate change and renewables : government not market (UK)



“Several countries already source over 70% of their power generation from low-carbon sources (Figure B4.10)⁹. For these, investment has typically only occurred with substantial government intervention, even where markets have subsequently been liberalised”

““we should not accept the significant risks and costs associated with the current market arrangements... changes to the current arrangements are both required and inevitable.” (UK Committee on Climate Change, 2009 <http://www.theccc.org.uk/reports/progress-reports>)

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- The Public Services International Research Unit (PSIRU- see www.psiru.org) is based in the Business School, University of Greenwich, London (www.gre.ac.uk). PSIRU was set up in 2000 to research the technical and environmental impact of privatisation, and to study public services, public policy and public finance, globally. It is core financed by Public Services International (PSI - www.world-psi.org), the global confederation of trade unions in public services with over 20 million members.
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- The staff of the unit consists of David Hall (director), Jane Lethbridge, Emanuele Lobina, and Professor Steve Thomas.