

Reclaiming Public Water!

Participatory alternatives to privatization



Alternative Regionalisms Programme

Water Justice Project



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Introduction

Indonesian State Minister of Environment, Nabeli Makarim recently stated that “there is not a single state-owned water company in the whole world that has proved itself an efficient manager of water resources.”¹

Whether poorly informed or just overly zealous in defending ideology-driven government plans for water privatisation, Mr. Nakarim’s statement is seriously at odds with reality. There are innumerable examples of well-functioning public water utilities, also in developing countries.² Globally, over 95% of those with access to water are supplied by public utilities.

It is, however, also a desperate reality that hundreds of millions in the South do not have access to clean water and sanitation, a number that has increased in the last decade. In many cities in the South, public utilities fail to deliver clean water for all. It is a fact that public water supply has been undermined by decades of insufficient investment, in many cases as a result of crippling foreign debt and disastrous structural adjustment programmes imposed by the IMF and the World Bank. Beyond the impacts of global injustice, the failure of public water supply is often equally rooted in local injustice. State-run utilities in many cities deliver cheap water to rich neighbourhoods, home to powerful local elites, while failing to provide water to the poorest, especially those living in remote and informal urban areas. In any case, years of low-standard water quality, interrupted delivery and other problems has left many people disillusioned. This is one reason why there is often a fertile ground for proposed water privatisation in cities in the South.

Luckily, there are more viable and attractive alternatives to inadequate state-run utilities

than handing over the keys to profit-seeking private water corporations. Dramatic improvements in public water delivery have been achieved, often within a few years, through various forms of public utility reform. This Briefing will mainly focus on cities around the world where major progress has been made by introducing diverse models of public participation and democratic control. In these cities, large and small, democratic reform has proved to be a potent tool for making water utilities more responsive to the needs of the population, in particular the poorest. To what extent are such reforms replicable in other cities and countries? What are the main hurdles to scaling up these successful models? These are key questions which this briefing seeks to address.



Privatisation – has the tide turned?

Throughout the 1990s, privatisation of water delivery, often in the guise of Public-Private Partnerships (PPPs), was forced on many developing countries through IMF and World Bank structural adjustment programmes and as conditionalities for loans. These International Financial Institutions (IFIs), often with the backing of local elites, promoted privatisation of public water utilities as the only possible answer to the lack of government finance or to deteriorating bureaucratic public utilities. As a result, private water corporations, most of them with headquarters in the EU, took over water supplies in a large number of major cities in the South.

In many of these cities, it soon became clear that privatisation would not deliver the promised efficiency and improvements in access to clean drinking water for the poorest. Escalating prices and non-fulfilment of promised investments were common features of privatisation failures in cities like Cochabamba, Manila, Jakarta etc.³ Despite these realities, analysts just a few years ago expected the privatisation bonanza to continue, creating a global private water market worth hundreds of billions of dollars. 1997 was probably the peak year with billions invested in buying up privatised utilities.⁴

Much to the surprise – and horror – of neo-liberal forces North and South, the expansion trend began to collapse at the start of the new millennium. The ‘big three’ water corporations (Suez, Veolia, and RWE/Thames Water – together controlling up to 85% of the global private water market) got cold feet as they realized that they were unable to fulfil promised improvements of water delivery in cities with many poor people and at the same time satis-

fy shareholder profit expectations. The rise of grassroots anti-privatisation campaigns in countries around the world, increasingly linked into regional and global networks, completed the dramatic turn of events.⁵ In 2002, Suez announced that it would pull out of cities where profits were disappointing and generally cut its operations in developing countries by one-third.⁶ New concessions would only be considered in cities where a profit was feasible within a few years. The other water giants followed soon after and the list of cancelled concessions has been growing ever since. High-profile examples are Manila, Ho Chi Minh City (Vietnam), Jakarta, Maputo (Mozambique), Buenos Aires, and Shanghai. In cities like Cochabamba, Atlanta and Grenoble, concessions were cancelled following citizen protests and city council intervention.

The water TNCs are now licking their wounds and expansion plans focus on the potentially most profitable markets in Europe, the US, Canada and Japan, which threatens the future of public water supply in these regions.

Subsidising Privatisation?

The failure to deliver affordable water to the poor and the large-scale withdrawal from concessions by private water corporations have only made the World Bank adapt its rhetoric. While the Bank claims to be “open to anything that works”, it has in fact failed to seriously reconsider the virtues of privatisation. A study by Public Citizen of loans provided in the period April-June 2004 reveals that “the World Bank continues to promote privatisation and cost recovery policies, as well as supports legal structures that undermine local democracy despite evidence that such policies reduce access, raise the price of water for the poor, exacerbate inequities, and reduce local control”.¹¹ Continued World Bank pressure is



Messing up Manila

The situation in Manila, The Philippines, is illustrative of the failure of Suez and other water multinationals to live up to their promises. Suez-subsiary Maynilad has been responsible for water delivery in the western half of Manila, since 1997, but never delivered on its contractual obligations to invest in improving access and reduced leakages. Instead the company has insisted on continuous price hikes, resulting in a 500% price increase in the first six years. When the government hesitated to approve yet another price hike in 2002, Suez terminated the contract and went to an international arbitration court to demand compensation for investments and expected profits. The company's failure to upgrade services for the poorest was a major reason for a cholera outbreak which killed several people in 2003. Despite this grim record, the government intends to reward Suez with a bailout, essentially a golden handshake paid by the Pilipino tax payers. The civil society coalition Bantay Tubig, in contrast, demands that such funds are used for establishing a viable public utility, that can deliver affordable water effectively to all that need it.⁷

Not surprisingly, Suez has become the prime target of anti-privatisation campaigns around the world. Global campaigns against Suez were launched earlier this year by Jubilee South and other international activist coalitions.⁸

Southern water TNCs?

A new trend in a number of developing countries is the emergence of national private water corporations, which are taking over public utilities at a steady pace. In Malaysia, for instance, the government seems determined to move ahead with privatisation, granting concessions not to the EU-based water giants, but to Malaysia-based operators. Some of these private companies are becoming transnational corporations (TNCs) themselves. With the active support of the Malaysian government, they are taking over water delivery not only in South-East Asia, China and Africa, but even in the UK. Malaysia's water barons include the Ranhill Group, Puncak Niaga, Zencon and NS Water, all of which are privately owned by wealthy Malaysian businessmen.⁹ After a US\$ 600 million water supply contract in Zimbabwe being awarded to a Malaysian firm, Minister Jamaludin Mohd Jarjis celebrated the deal which "enables Malaysia to take part in new and emerging businesses on the African continent".¹⁰ "Malaysian corporate giants which achieved success domestically", Jamaludin added, "must up the challenge of becoming global players".



among the reasons why the governments of Uruguay and Thailand are preparing for privatisation, despite the fact that both countries have efficiently functioning public water utilities. Inspired by the March 2003 report "Financing Water for All", written by a panel chaired by former IMF director Michel Camdessus, the World Bank is developing a whole range of subsidies and guarantee mechanisms in order to make the water TNCs re-commit to expansion in the South.¹² Whereas the World Bank invariably condemns government subsidies for fiscally irresponsible public utilities, spending the same funds on corporate welfare is praised as 'innovative'. The World Bank is not alone in this stubborn ideology-driven response to the apparent collapse of the global privatisation trend. The US government (USAID) is also a major supporter of helping the water TNCs back into expansion, as is the European Union (EU). For an excellent analysis of the serious risks related to these 'innovative finance mechanisms', see the report "Who's Taking Risks?", written by Tim Kessler of the Citizen's Network on Essential Services.¹³

The EU has recently (2004) designated 1 billion euros for the ACP-EU Water Facility – a new budget item for improving access to drinking water and sanitation in the ACP countries (former European colonies in Africa, the Caribbean and the Pacific). Despite strong civil society critique, the European Commission's modalities for spending the Water Facility budget echoes to a large extent the proposals in the 'Camdessus Report' to use public funding and development aid to subsidise private sector investments in water.¹⁴ This is consistent with European policies throughout the 1990's, when the accelerated global expansion of the EU-based water TNCs was given significant impetus by the policy and financial support of European governments, the European Commission and other international institutions.

The EU's development aid spending on water in developing countries goes to a large extent to 'administrative restructuring' and other costs related to the introduction of privatisation programmes.¹⁵ Similarly, this pro-privatisation bias is also shown in the EU Water Initiative, presented during the 2002 UN Summit on Sustainable Development (WSSD) in Johannesburg. This EU Water Initiative, which has a budget of 2.4 billion euros committed by EU member states, aims to boost private sector involvement through subsidised Public-Private Partnerships (PPPs).¹⁶

The French and British governments played – and continue to play – a particularly active role in supporting French and British TNCs to open up new markets. Despite promises to end 'tied aid', a substantial share of the UK government's development aid spending on water goes to UK companies like PriceWaterhouseCoopers, KPMG and the Adam Smith Institute. These consultants advise national or regional governments in India, Ghana, Tanzania and elsewhere on how to privatise water services.¹⁷

Moreover, the EU is also working to ensure expansion for the European water giants through international trade negotiations such as the WTO's services talks (GATS). The EU's list of market access demands for the GATS negotiations was designed in close consultation with water giants Suez, Veolia and Thames Water. The leaked list of requests revealed that the EU has asked 72 WTO member states (including 14 Least-Developed Countries) to open up water delivery and waste water management to European water corporations.¹⁸ The EU's aggressive role is replicated in its inter-regional and bilateral trade negotiations with countries of the South. In the context of the ongoing EU negotiations with Mercosur, for instance, the EU is continuously increasing the pressure on Latin American

governments to liberalise their services, including public services, in return for improved access to EU markets for agricultural products.¹⁹ The influential Asia Europe Business Forum (AEBF) uses the Asia-Europe Meeting (ASEM) process to “speed up wide acceptance of PPP in public utility development”, by convincing government officials of the concept.²⁰

The many failed privatisation experiments have shown that profit-driven transnational water operators are ill-equipped for – if not incapable of – securing water for the poorest. Support for public utility reform and expansion of not-for-profit water supply is a far more obvious way forward. The European Parliament has already expressed its support for such a change in course. In a September 2003 resolution on the EU’s approach to water in the South, a majority in the European Parliament insisted “on the need for local public authorities to be given support in their efforts towards establishing an innovative, participatory, democratic system of public water management that is efficient, transparent and regulated and that respects the objectives of sustainable development in order to meet the population’s needs.”

Reclaiming Public Water

This briefing will present a range of cities around the world where public water supply has been improved through increased popular control, participation and other democratic reforms. What lessons can be learned from these success stories and to what extent are they replicable elsewhere as alternatives to failing state-run utilities and for-profit water corporations?

‘Social Control’ in Brazil

The most well-known example of participatory water management is probably the Departamento Municipal do Agua e Esgoto (DMAE), the water company of Porto Alegre, capital of the Rio Grande do Sul province of Southern Brazil. Water management in Porto Alegre was transformed when the Workers Party gained power in the city 15 years ago (Partido dos Trabalhadores, PT).²⁴

DMAE features a far-reaching degree of public participation and democratic control over its



“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. There is a lot of water in Hyderabad, but the distribution system is not proper. We need to target the corruption in public projects.”²¹

V.S.B. Reddy from Research in Environment, Education and Development Society (REEDS), Hyderabad, India speaking at the World Social Forum, January 2004

operations and investments. A council of local civil society representatives control the daily work of the utility, a form of democratic checks and balances. Even more importantly, DMAE's operations and investment decisions are subject to a participatory budgeting process. Like many other areas of public life in Porto Alegre, the population directly decides the budget priorities of their water company. Through a process of public meetings, every citizen can have a say in which new invest-

ments should be made first. This participatory model is one of the reasons that poor communities in Porto Alegre have gained dramatically improved access to clean water: their needs are prioritised because they participate directly in deciding new projects. Some 99.5% of the residents of Porto Alegre today have access to clean water, far more than anywhere else in Brazil.

There are many other advantages to this par-

Utility reform: where there's a will...

In some situations, drastic improvements in public water delivery seem to be 'simply' a matter of political will and vision. In the 1990's, progressive mayors in Bogotá, the capital of Colombia, refused to privatise water, despite continued pressure from the World Bank. Instead, they successfully reformed the Water and Sewerage Company of Bogotá (EAAB), transforming it into one of the most efficient and equitable utilities in Colombia, if not Latin America.²² Expanding water delivery to the poorer neighbourhoods received the highest priority. By 2001, 95% of the population had clean tap water, while 87% were connected to the sewage system, an impressive achievement considering the rapidly growing population of the city. The expansion was financed by introducing a progressive tariff system, so the city's wealthy pay up to 200% of the real cost of their water. The poorest pay affordable, subsidised rates. At the same time, educational campaigns have reduced water consumption per person by around 30% in ten years.

Highly motivated utility managers can also make a major difference. In Phnom Penh, capital of Cambodia with over a million inhabitants, the number of households receiving running water has increased from 25% to almost 80% in the last ten years.²³ The water flows 24 hours per day instead of the ten hours that was common before. The inhabitants of the city's large slums are no longer dependent on unreliable private vendors and the health situation has improved. Many observers point to the inspiring role played by Ek Sonn Chan, who in 1993 became director of Phnom Penh Water Supply Authority (PPWSA), the city's public water utility. Chan emphasises that PPWSA's autonomy from the city government's bureaucracy has contributed to the efficiency and achievements of the utility. "Our salaries are not very high but there is a high level of motivation," Chan explained in a newspaper interview. Chan's goal is that 95% of all households receive clean tap water before 2015. The Phnom Penh case is being promoted by the Asian Development Bank as proof of the merits of full cost-recovery. It is unclear whether PPWSA uses progressive tariff structures to ensure that water is affordable for the poorest in the city.



ticipatory system, such as awareness-raising through being involved in decision-making, and a collective sense of ownership which allows the possibility for occasional price increases which may be necessary for financing new projects. The tariff system is highly progressive: low-income groups pay a low, cross-subsidised price, water use above a basic level is relatively expensive. DMAE's water price is one of the lowest in Brazil, but at the same time environmental information campaigns and the progressive price structure have made overall consumption go down. DMAE is publicly owned, but financially independent of the state, being fully self-financed through the water bills paid by the 1.4 million inhabitants. It is a not-for-profit company that re-invests any surplus into improving the water supply.

A comparable participatory model functioned in the rest of Rio Grande do Sul between 1998 and 2002. Local participatory budget assemblies and 'committees of user citizens' played a decisive role in the decision-making of the state utility Companhia Riograndese do Saneamento (CORSAN), which supplies around 6.5 million people in Rio Grande do Sul (but not the state capital Porto Alegre).²⁵ This contributed to CORSAN becoming one of the most effective water companies in Brazil, with an excellent record in expanding access to water. The participatory experiment was scaled down, however, after the state election of October 2002, when the Workers' Party (PT) was defeated by the centrist PMDB. These events highlight the importance of a supportive local government, both in establishing and in ensuring the continuity of this type of participatory water management. The successes booked in Porto Alegre and

Rio Grande do Sul have inspired many other cities in Brazil to introduce forms of participatory budgeting and other radical democratic reforms. Examples of Porto Alegre-style participatory water management can be found in cities like Caxias do Sul in the state of Rio Grande do Sul, Recife in the north eastern state of Pernambuco, and Santo André, Jacareí and Piracicaba, all in the

state of São Paulo.²⁶ In Recife, a fast-growing city with over 1.5 million inhabitants, the failing state-owned water company was very unpopular. Following an extensive process of popular consultations, the Recife Municipal Council of Water and Sanitation was set up to improve water delivery.²⁷ The results of the restructured company have improved dramatically over the course of only a few years, due to the active involvement of community representatives and NGOs. The extensive public consultations and the resulting plans for improving the quality of public services helped the utility managers in the negotiations with the World Bank in 2003 about a US\$ 84 million loan. The World Bank initially insisted on privatisation, but after intense negotiations accepted to give up any such conditionalities for the loan.²⁸



"Through social control, democracy and transparency, people push us to be more efficient"

Carlos Todeschini of the Porto Alegre Water and Sanitation Department (DMAE)

"We cannot only defend the maintenance of the status quo, which is not very good in developing countries. We can change reality, improving the quality of public services through popular participation, through mechanisms of social control".

Antonio da Costa Miranda, municipal director for water and sanitation in Recife

In the city of Matão, state of São Paulo, privatisation was narrowly avoided after advice from ASSEMAE, the federation of public water utilities.²⁹ This city of 50,000 people in the interior of Brazil lacked funds for the major new investments needed to supply water to the growing population of the city. ASSEMAE proposed holding a public meeting on how to overcome these challenges. 150 people attended and decided not to privatise the water. The independent public utility that was created instead has, within five years achieved 100% coverage for water and sanitation, without any external finance. One of the ways this was done was by changing the tariff structure to reduce waste and encouraging the fixing of leakages. This solved the problem of water scarcity and made new investments unnecessary.

The achievements in Porto Alegre and elsewhere in Brazil have also inspired communities in other parts of Latin America to introduce forms of democratic control in order to build more effective and equitable water management systems. An example is Cochabamba, Bolivia, where an innovative model of public-popular management is under development.

Cochabamba: Public-Popular Partnership

In the spring of 2000, the population of Cochabamba mobilised against the disastrous record of Bechtel, the US corporation controlling the Agues del Tunari conglomerate that took over after privatisation in 1999. When Bechtel expropriated community water systems and resources and raised water prices

dramatically, community groups, trade unions and irrigation farmers organised themselves in La Coordinadora del Agua. Despite heavy government repression, a public referendum and several major mobilisations were organised, which eventually forced out Agues del Tunari. The Coordinadora gained control over SEMAPA's governing body and embarked on building a fairer and more democratic system of water supply.

For decades, unchecked public bodies and manipulative party politics have prevented SEMAPA from developing into a progressive, effective utility serving the poor. The company is now being restructured and developed into a transparent public utility with a high degree of participation and sense of ownership by citizen-users. While the local government was largely hostile and disruptive towards the Coordinadora, co-operation with the workers and trade unions proved to be crucial. The statutes of the municipal, corporatised public water company SEMAPA were rewritten through a participatory process, which established popular participation on the Board of Directors by elected citizen representatives. In May 2002, three out seven members of the board were elected by the inhabitants of the southern, central and northern areas of the city.³⁰ For the first time, SEMAPA's trade union was given a permanent seat on the Board.

The model under development in Cochabamba, which can be described as an emerging public-popular partnership/management, has been successful in (re)-claiming SEMAPA as a public, democratic entity with a pro-poor mission.³¹ Major challenges remain,

"We strongly believe that these examples from Brazil show that open discussion can solve apparently irresolvable problems."

Antonio da Costa Miranda, municipal director for water and sanitation in Recife, Brazil

however, in the pursuit of clean water for all the inhabitants of Cochabamba. SEMAPA has inherited decades of mismanagement: deteriorated pipe systems, huge debt, insufficient treatment of sewerage, discontinuous water flow, and a large part of the urban poor being unconnected. In the fast-growing neighbourhoods in the southern part of the city, over 130,000 inhabitants need to be connected to SEMAPA's water and sewerage services. Most water supply in this poorest and most marginalised part of Cochabamba is organised by water committees, in which neighbours work together to run wells and other facilities and supply the communities. Now that SEMAPA is being transformed into a public-popular utility, with the clear objective of serving the urban poor and allowing citizens major influence, these water committees have created an association in order to be collectively connected to the services of SEMAPA.

The quality of the groundwater in the valley in which Cochabamba is situated is low. As the groundwater is too saline to drink, most households still depend on private vendors for their drinking water. The vendors sell overly expensive and often unclean water. Unconnected to SEMAPA's sewerage system, the neighbourhoods currently depend on pit latrines and septic tanks. The water committees are therefore working with SEMAPA to develop a model of shared management, building on the organisational capacity and expertise of the committees in their local area and SEMAPA's ability to deliver bulk water and sewerage services. In the words of Luis Sanchez and Raul Salvatierra, the Southern zone's representatives on the Board, the water committees have entered "a dialogue and consensus-building process with the authorities to define a model of co-management of basic services, where each assumes their own roles and functions."³² During its brief time in charge of water supply, Bechtel simply expro-

riated the wells and pipes that had been constructed by the water committees. The company only expanded the pipe system into the Southern area in return for excessive tariff increases. The constructive co-operation between the city's utility and the informal water committees is therefore an impressive improvement.

Besides ensuring the expansion of water delivery to unconnected neighbourhoods, the new public-popular management also faces challenges concerning the access to water resources. Reducing leakages will help to increase the water supply available to the users and reduce the need for constructing expensive, environmentally destructive dams. But beyond technical improvements, new approaches based on sustainability and justice will need to be developed to reconcile the competing needs for water, particularly the looming conflict between the ever-growing urban demand and the needs of rural agriculture in the regions around the city.

The major debt inherited from the previous owners make the expansion of services to the urban poor and the reduction of leakage in the existing pipe systems dependent on loans from international financial institutions, such as the Inter-American Development Bank (IADB). Even though the IADB tends to be pro-privatisation and generally hostile to the kind of changes envisaged by La Coordinadora, the Bank agreed to a loan for SEMAPA under public-popular management. This was a major achievement by the new board and managers who plan to use the loan to make a great leap forward in terms of delivering clean water to the urban poor. The most serious opposition to the transformation towards public-popular management has not come from the IADB, but from local and national economic elites, who are throwing spanners in the wheels whenever possible.



Water delivery in Cochabamba is a high-profile political issue. The success of the water war against Bechtel and the public-popular management have massively boosted the Bolivia-wide social movements fighting the neoliberal policies of the national government in La Paz.

The current support of a large majority of the citizens of Cochabamba for SEMAPA's public-popular management model may dwindle if people do not see improvements in access to drinking water and sewerage actually reach their homes. Building a progressive public utility that is financially sustainable and effectively serves the urban poor is a greater, longer-term challenge than kicking out Bechtel. This will require dedication of the new management, the social movement organisations, the local government and citizens.



Ghana: Public-Community Partnerships

In Ghana, the National Coalition against Privatization of Water (NCAP) has effectively de-legitimised the government's plans for selling off the public water utilities. The government, however, stubbornly proceeds with preparing for privatisation, backed by a US\$103 loan approved by the World Bank in August 2004. In a protest letter to World Bank President James Wolfensohn and the CEOs of possible bidders Veolia, Suez, Biwater and Saur, NCAP insists that "a thorough examination of public sector options" should take place. "Reform and restructuring of the public sector water utility is a viable option, requiring investments in capacity-building, infrastructure, greater local management autonomy and local community accountability," writes NCAP and the hundreds of NGOs from around the world who co-signed the letter.³³ The vision of the Ghanaese coalition for solving the country's

water crisis goes beyond both "government bureaucrat management" and "private management".³⁴ "What we want to see work in practice in Ghana is participatory democracy in the provision of water," says NCAP-activist Adam Al-hassan.

NCAP's thinking about how to deliver water for all in Ghana is inspired by the achievements of local communities in Savelugu, a town in the north of Ghana with a population of around 25,000 people.³⁵ Ghana Water Company Ltd. (GWCL), the national water utility supplies water in bulk to the community, which is in turn responsible for pricing, distribution, and pipe maintenance. The township is divided into six areas, each with a water management committee, comprising equal numbers of men and women. The committees collect the tariffs and report faults and malfunctions of the water system to the district assembly. The partnership was supported by NGOs like World Vision International, Global 2000, the Carter Center as well as UNICEF, all of which hoped that community-management would bring clean water and reduce the high numbers of guinea worm infection in Savelugu.³⁶ Between 1998 and 2002, the percentage of households with access to safe water increased from 9% to 74%. Guinea worm disease in the community has been reduced by over 98% since the project started.

If you have the consumers participating in the management of the water there is likely to be transparency and democracy in the system. We will not see the bureaucracy that existed before."

Al-hassan Adam, National Coalition against Privatization of Water, Ghana.

The Savelugu model – which can be described as a Public-Community Partnership (PCP) - is facing a number of challenges which also indicate the hurdles that will need to be addressed in order to replicate the model elsewhere in the country. One problem is that GWCL, on which the community depends for its bulk water, has trouble delivering sufficient amounts of water. Similar to the situation in Cochabamba, water resource problems

beyond the control of the local community poses a serious challenge for the Savelugu model. Furthermore, GWCL has introduced rather steep tariff increases in recent years due to the national government's full cost recovery policies, promoted by IMF and World Bank. The result is that more and more Savelugu households cannot afford the cost of water. The insufficient water delivery and the tariff increases highlight the need for improved

Community-managed, NGO-supported water projects

An impressive example of improvements achieved through community-managed water delivery can be found in Port-au-Prince, Haiti, where the French NGO GRET initiated a partnership involving the public utility (CAMEP), local water committees in 37 shantytowns, and the communities themselves.³⁷ The project, supported by European development aid, provides water through stand pipes, constructed by the public utility CAMEP and the local community. The management is done by community water committees, which hire a standpipe manager to run the system. The water committees buy the water in bulk from CAMEP and collect the payment from the users. Around 600,000 people in 37 communities have benefited from the project, which provides far cheaper and safer water than the private water vendors who otherwise are the only option in the shantytowns of Port-au-Prince.

Another successful example is the Orangi Pilot Project (OPP) in Karachi (Pakistan), supported by the UK NGO WaterAid.³⁸ This project in the Orangi township, an area without proper sanitation, enabled low-income households to finance, construct and maintain sanitation systems themselves. The initiative came from a Pakistani NGO which promotes community organisation and self-management to solve poverty-related problems. The NGO first developed a simplified sanitation solution that is affordable and technically feasible to be implemented and maintained by the low-income local population. They also contributed with know-how and other advice, training for local, small-scale building contractors, and most of all, empowering the population to take responsibility for providing sanitation. Groups of 20-40 households co-operate to implement and maintain a common sewerage system. As everyone has invested in establishing the system, there is a strong incentive to undertake the necessary maintenance. The use of low-cost technologies and local skills instead of expensive contractors means external credit is not necessary. The Orangi model has already been transferred to 42 settlements in Karachi and work is being done to replicate the programme in other Pakistani cities. The biggest problem has probably been the failure of the Karachi municipal government to construct the necessary main drains and treatment plants, despite continued pressure from OPP. The municipal government does not live up to its responsibilities, so the sewage runs into the river during heavy rain.



government water policies if local progressive models are to survive, not to mention the chances for replicating such models across the country.

There are numerous examples from around the world of highly successful community-managed water delivery made possible through financial and other support of international NGOs (see box). Without casting doubt on the effectiveness of the projects and the improvements achieved, there are a number of reasons for caution before these models are promoted as the way forward. The projects are generally established in communities where the government has fundamentally failed to secure water and sanitation for the poorest. In terms of fairness, it is far from ideal that the poor have to do their own construction work while richer neighbourhoods do not. It must be emphasised that redistribution of wealth and resources is a key government function and that democratic decision-making about public investments is crucial to achieving essential services for all. Finally, international NGOs are not always accountable to local communities.

Dhaka: Public-Workers Partnership

A unique model has proven successful in the Bangladeshi capital Dhaka, where the water supply in parts of the city is co-managed by a workers' co-operative. In 1997, the proposed privatisation of the water supply in a part of Dhaka (imposed by the World Bank) was met with strong trade union opposition.³⁹ In response, the Dhaka Water Supply and Sewerage Authority (DWASA) decided to contract out one zone to the DWASA Employees' Union, while another zone was given to a local private company (EPC Ltd.), also on a trial basis. After this first year's experiment, the

Employees Co-operative's results were so much better that DWASA handed over the private sector's contract to the union. The Employees Co-operative achieved substantial improvements not only in customer services, billing and collection of fees, but also in reducing water losses. They out-performed the private company but DWASA too, a public utility suffering from over-bureaucratisation and inertia.

According to Zahirul Hoque, the Employee Co-operative succeeded "by cashing in on experience, participative decision-making and buying integrity with higher salaries". Corruption, a widespread problem in Bangladesh, was targeted by doubling the salaries of the employees, who "can now afford to be more honest and more actively committed to achieving the organisational goals". Another innovation by the Employee Co-operative was to work with NGOs to improve water delivery to slum dwellers. As is the case in many cities in the South, the slums in Dhaka were traditionally not supplied by the public water utility as they lacked legal status. Slum dwellers were left to buy water at exorbitant prices from private vendors. The situation has improved in those areas where DWASA and the Employee Co-operative have now introduced street taps.

Co-operatives in Bolivia

User co-operatives have proved an excellent way to deliver clean water in many smaller communities around the world, both in rural communities and in urban slum areas where the state fails to supply basic services. The experience in the Bolivian city of Santa Cruz proves that co-operative models can also be very successful in major urban centers. Santa Cruz has 1.2 million inhabitants. The city's water utility has been run by a consumer co-



operative since 1979 and is regarded as one of the best-managed water utilities in Latin America. All customers are members of the Cooperativa de Servicios Publicos Santa Cruz Ltda (SAGUAPAC) and have the right to vote in the co-operative's General Delegate Assembly. The assembly elects part of the utility's administrative board and the supervisory board. SAGUAPAC is financially independent and ensures that all costs are recovered from the water users, in other words full-cost recovery. As part of its socially responsible approach, the co-operative charges a lower price for the first 15 cubic meters of water consumed per household each month and customers failing to pay are not disconnected.

"The co-operative structure of SAGUAPAC is a major reason for its high performance", concludes Andrew Nickson of the University of Birmingham in a study.⁴¹ In other large cities in Bolivia, political intervention by municipal mayors (in their capacity as presidents of the boards of directors of the utilities) caused problems ranging from corruption and cronyism to bureaucratic delays. The co-operative structure, Nickson points out "shields management from undue political interference, especially with regard to personnel matters, tariff setting, and the awarding of contracts". In sharp contrast to other water utilities in Bolivia, SAGUAPAC has "an unblemished record with regard to corruption."

Inspired by the achievements in Santa Cruz, consumer-owned water co-operatives were set up in several other Bolivian cities in the 1980's and 1990's, for instance, as Tarija (145,300 inhabitants) and Trinidad (80,700 inhabitants). In Argentina, co-operatives have traditionally played a key role in water delivery to small and medium-sized cities, covering up to 10% of the population.

Water Solidarity: Public-Public Partnerships

Major improvements in water delivery can be achieved through transfer of management and other skills between public operators. An example of a successful Public-Public Partnership (PUP) can be found in South Africa, where the local authorities in Harrismith teamed up with Rand Water. Harrismith has a very high poverty rate and under-developed water delivery services, while Rand Water is among the largest and most effective public water utilities in the world. The 3-year management contract ran between 2000 and 2003. During the partnership, the water and sanitation sector was ring-fenced financially and run as an autonomous business unit under the name of Amanziwethu our water Water Services (AWS). Rand Water staff were responsible for management, Harrismith city council workers ensured the day-to-day operations. Labour and service users were closely involved in a consultative process.

Laila Smith and Ebrahim Fakir of the Centre for Policy Studies in Johannesburg emphasise that "the challenge of service delivery alternatives is to ensure that the local authority capacity to govern is built up in the process of partnering".⁴² They conclude that the Harrismith partnership has "made significant achievements that will hopefully help to set precedence in the development of future service delivery alternatives". At the same time, Smith and Fakir observe that "the household quality of life has only marginally improved" for low-income groups. Harrismith has a 38% unemployment rate and many people are simply not able to pay for water. The 6,000 litres free water per household per month - guaranteed by the South African constitution - is insufficient for the often large families in Harrismith. "Such minimal levels of



universal provision does not resolve the legacies left by apartheid's spatial dislocation where entire communities are deprived of economic opportunities necessary to afford the cost of essential services", Smith and Fakir conclude. They recommend double the guaranteed amount of free water per household to 12,000 litres.

Association of Public Water Operators, planned for the end of 2004, will be a very significant development which can give a real boost to the growth of Public-Public Partnerships.

Partnerships between public utilities hold great potential for experience-sharing in order to make water management more effective and responsive to people's needs. Sharing best practice in management and technology through PUPs is obviously not only an option within a country, such as the South African example. No less relevant are cross-border partnerships between utilities in the North and the South, as well as South-South.⁴³ These partnerships can be anything from an experienced water manager being seconded to work with a utility in need of support to far more extensive support programmes. Development aid can play a very positive role in lowering the hurdle for this form of domestic and international water solidarity. The establishment of the International



Public Utility Partnerships in Malaysia

In response to the Malaysian government's plans to privatise water, civil society groups point to the highly effective water utility Perbadanan Bekalan Air Pulau Pinang (PBA) as an alternative model.⁴⁴ Via Public Utility Partnerships (PUPs), public water providers in the rest of Malaysia could improve their performance. Due to effective monitoring, PBA has the lowest non-revenue water (water lost, wasted or not paid for) in the country, just 18 percent.⁴⁵ This is one of the reasons that it can generate the highest surplus, although its water tariffs are the lowest in the country. According to Charles Santiago (Monitoring Sustainability of Globalisation) "the appropriate lesson for Malaysia would be to learn from PBA in terms of operation, management, distribution, billing, reduction of non-revenue water and still keep the management and control of water resources in the hands of the state and public control."

Upscaling Water Democracy?

Many examples of major improvements in public water delivery in the South have been described in this paper. Increased citizen's participation and democratic control has proved to be effective in a range of diverse circumstances. The emergence of new participatory politics has breathed new vitality and effectiveness into publicly-owned but often dysfunctional and bureaucratised water utilities. In all their diversity, the success of these models is based on the active involvement of the local population, whether in prioritising investment decisions, democratic control enabling people to hold the water utility accountable to their needs or through citizens' engagement in reducing water losses and other technical challenges. As 'participation' is a much-abused concept,⁴⁶ it should be stressed that the success of the models described in this briefing is based on far-reaching, genuine democratisation of decision-making. This clearly can boost the accountability and responsiveness of the water utility towards the poorest and achieve remarkable results in terms of efficiency, sustainability and social justice.

The question remains as to what the potential is for replicating such success stories elsewhere, whether within the same country, in other comparable countries in a region, or in very different countries in other parts of the world. We would generally argue that boosting transparency, accountability and responsiveness through democratic control could probably improve the performance of most utilities, regardless of socio-economic circumstances and political realities. Far more research and discussion is clearly needed to assess the exact potential for replicating key features of a successful model elsewhere.

"Creating participatory institutions for public service provision is inherently political. The process will take time and cause conflict, and it will not result in perfectly representative governance".⁴⁷

Tim Kessler, Citizen's Network on Essential Services

For instance, is Porto Alegre's participatory management model feasible in cities without a PT-style progressive party holding power? The experience in Cochabamba suggests that it is. A similar model of people-centred water management based on democratic control is being developed despite the absence of support – if not outright obstruction – from the mayor and the city council. The reforms are driven by community activists who have built up a lot of countervailing power through their struggles, particularly the water war against Bechtel in 2000.

Is participatory water management achievable in a mega-city like Manila, with 10 million inhabitants, many of whom live in slums with no access to piped water? Can decentralisation – such as dividing the city into 5 or ten more zones – overcome this challenge?

Decision-making on urban water delivery in cities of the South is often an intense political battleground where the vested interests of political and economic elites clash with those of the poorest. As many examples in this paper have shown, the most direct path to water justice is when marginalised people mobilise and their power is boosted through democratic water management reforms. Active involvement of the population is clearly a condition for participatory water management to suc-



ceed. Successes are most likely to occur in cities where unequal access to clean water create an immediate need for redistribution.

How relevant is participatory water management in Europe, where public utilities generally manage to supply clean and affordable water to all? In Italy, citizens' participation in water management is already being introduced in Grottamare and several other municipalities.⁴⁸ Also elsewhere in Europe, such experiments with 'water democracy' may provide opportunities for revitalising public utilities and boosting their performance against the background of looming privatisation promoted by national and local governments. Giovanni Allegretti of the University of Florence, in his overview of experiments with participatory budgeting in Europe, highlights the fact that citizens/users are not only "potential modernisers of public services" but also have unique knowledge that can elevate the quality of decision-making.⁴⁹

We will not attempt to fully answer these

questions in this briefing, but underline the need for in-depth information sharing and cross-fertilisation of ideas and lessons, particularly between those directly involved in running or developing participatory models. The forthcoming book on participatory urban water management could provide a major leap forward. The waterjustice.org website provides a virtual resource centre and meeting place for exchanging experiences, debate and strategies on these key issues.

For the international community, the priority should be to help overcome obstacles to the upscaling of successful people-centred models, for instance, financing challenges. After a decade of failed experiments with water privatisation, the time has come to embrace the many available options for improved public and community-controlled water delivery.

Financing Public Water for All

Raising funds for expanding access to clean water is a tremendous hurdle for public utilities across the South. Estimates for the total amount needed globally to secure clean water for the world's urban populations vary from an additional US\$9 billion per year (based on low-cost technology) to US\$49 billion (including full sewerage and wastewater treatment).⁵⁰ The US military budget for 2004, by the way, is US\$399 billion.

What needs to happen at the international level to facilitate increased financial flows towards public water? A few straightforward options are:



- Debt cancellation: the poor world every year transfers \$382 billion to the banks and financial institutions of the rich countries in the form of debt repayments.⁵¹ Due to high interest rates, the total of debt of Southern nations has now reached a catastrophic US\$2.5 trillion, many times more than the original amount borrowed.
- Ending the continuous decline in Northern development aid flows and ensuring that grants for water supply and sanitation are provided without privatisation conditionalities.
- **Sub-sovereign guarantee mechanisms** for public water are needed to enable municipalities to lend on the international financial markets (currently very difficult as municipalities in developing countries are not considered credit-worthy).

In addition to international money flows, there are a wide range of local finance options available, including:

- More effective and progressive taxation by national and local governments (focusing on increased tax on corporations and wealthy individuals) to mobilise funds for new investments in clean water.
- In many of the successful participatory models described on the previous pages, money for investment can be raised through progressive user charges.⁵² Ability to pay is a key concern, but well-designed tariff systems can secure equitable access and affordability. The degree to which costs are recovered via user charges is a matter of political choice. Full cost recovery may work well in some cities, but can have disastrous social consequences in others, particularly in the absence of socially just tariff systems.
- **Cross-subsidisation** ensures that the more affluent consumers subsidise the bills of the poorer ones. A variation is scaled or block tariffs where prices rise with the amount of water consumed. Charging higher fees for infrastructure development in richer neighbourhoods is another option. The public utility of Porto Alegre uses the higher fees paid by wealthy citizens to build a surplus that goes into an investment fund for financing new projects. This reduces dependency on external loans.
- For cash-strapped communities, **local borrowing** is more realistic and less risky than borrowing in foreign currency from international financial institutions. Cash-pooling across several communities is one way to make them bankable, lowering the risk for local lenders thus making the loans more affordable.⁵³
- Raising finance by issuing municipal bonds is another possibility. Issuing bonds on the international market requires a credit rating that only few cities have, although Ahmedabad, India, managed to do just that in 1998.⁵⁴ A preferable option may be to sell municipal bonds on local markets, as is done by South African Rand Water. Dependency on outside financiers is thus minimised and local investors are less likely to withdraw their capital in a crisis.⁵⁵



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Book on alternatives to water privatisation

TNI is currently co-ordinating a book project providing diverse positive examples of how the performance of public water utilities has been improved by increasing citizens participation and control. The book (to be published in January 2005) will provide an inventory of public water solutions and key lessons-to-be-learned, as well as identify obstacles to consolidating and replicating these models. Case studies will include cities like Porto Alegre and Recife (Brazil), Santa Cruz and Cochabamba (Bolivia), Bogota (Colombia), Buenos Aires (Argentina), Caracas (Venezuela), Manila (The Philippines), Dhaka (Bangladesh), Jakarta (Indonesia), Penang (Malaysia), Kerala (India), Harrismith (South Africa), Savelugu (Ghana), Grenoble (France), Odessa (Ukraine), Thailand, Slovakia, Germany, Mexico and the US.

Get involved in waterjustice.org!

The website waterjustice.org came out of the fourth World Social Forum (Mumbai, January 2004). Inspired by seminars on alternatives to water privatisation and how to finance public water, groups from around the world committed to intensified co-operation. One of the decisions was to develop waterjustice.org into a virtual resource centre and meeting place for exchanging experiences, debate and strategise.

[Waterjustice.org](http://waterjustice.org) is an open space to connect people from around the world dedicated to effective, democratic and equitable water solutions, including community activists, NGO campaigners, academic researchers, trade unionists and water utility managers. The success of the website will depend primarily on the active participation of these diverse groups. The site has a content management system which allows you to upload contributions (from articles, report and case studies to calls for action and campaign news) and a discussion forum for sharing opinions on water justice issues. We warmly invite you to get involved!

Subscribe to email listserves

TNI manages two email listserves on water justice issues. The [waterjustice] listserve facilitates information exchange and strategy debate among activists from around the world campaigning for people-centred alternatives to water privatisation. The [waterstrategyamsterdam] listserve is dedicated to follow-up from the water strategy meeting in Amsterdam (October 2003), such as further development of strategies and activities on areas like solidarity campaigning, GATS and water, EU water policies, International Financial Institutions and alternatives to privatisation. For more information, contact <satoko@tni.org>

Further resources

■ GATSwatch

GATSwatch brings together the growing body of NGO and academic critique of the WTO services agreement and ongoing liberalization talks.

www.gatswatch.org

■ ASSEMAE (Associação Nacional dos Serviços Municipais de Saneamento)
Progressive federation of public water utilities in Brazil.

www.assemae.org.br

■ REDES

Friends of the Earth Uruguay

www.redes.org.uy/

■ Public Services International (PSI)

The international trade union federation of public sector workers, involving more than 600 trade unions in over 140 countries.

www.world-psi.org

■ Public Services International Research Unit:

For a wealth of research on water privatisation and public water, go to:

<http://www.psiru.org/reportsindex.asp>

■ European Federation of Public Service Unions

<http://www.epsu.org/>

■ Public Citizen

Campaigning to keep water as a public trust.

www.citizen.org/cmep/water

■ Polaris Institute

Canadian institute campaigning against GATS and for public services.

<http://www.polarisinstitute.org/>

■ Friends of the Earth International (FOEI)

Federation of autonomous environmental organizations from 68 countries.

www.foei.org/water/index.html

■ Council of Canadians

Campaigns to ban the bulk export of water and head off commodification and privatization.

www.canadians.org/

■ World Development Movement

The UK-based WDM campaigns tackle the root causes of poverty.

www.wdm.org.uk/

■ Institute for Popular Democracy (IPD)

is a political research and advocacy institute serving social movement groups, non-government organizations (NGOs) in development work, and progressive local government officials.

<http://www.ipd.ph/about/about.html>

■ Freedom Debt Coalition

<http://www.freedomfromdebtcoalition.org/>

■ Jubilee South

is a network of jubilee and debt campaigns, social movements, people's organizations, communities, NGOs and political formations.

<http://www.jubileesouth.org/>

Due to the ideology-driven privatisation wave, the 1990's was essentially a lost decade for the struggle for clean water for all. High-profile privatisation failures in major cities of the South provide ample evidence that the water needs of the poor should not be left in the hands of profit-driven transnational water corporations. The time has now come to refocus the global water debate to the key question: how to improve and expand public water delivery around the world?

Important lessons can be learned from people-centred, participatory public models that are in place or under development in cities like Dhaka (Bangladesh), Cochabamba (Bolivia), Savelugu (Ghana) and Recife (Brazil), to mention a few. In these cities, public water supply has been improved through increased popular control and other democratic reforms. In all their diversity, these models provide inspiring and viable alternatives both to failing state-run utilities and profit-driven private water management.

This TNI Briefing Reclaiming Public Water! is produced by the Water Justice project as part of TNI's Alternative Regionalisms programme. The Water Justice project is developed jointly with CEO and focuses on strengthening international solidarity in campaigning against water privatisation as well as on promoting people-centered alternatives.

TNI, founded in 1974 is an international network of committed activist-scholars, committed to critical analysis of the global problems of today and tomorrow. It aims to provide intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.

The TNI Alternative Regionalisms programme aims to address the question of alternative development from the perspectives of social movements and regional coalitions of civil society organisations in Africa, Asia and Latin-America and seeks to effectively influence the shape and substance of regional governance in the South. It facilitates cross-regional exchanges on a South-South basis, as well as with counterparts in the North, particularly those working on EU & US strategies vis a vis the regions of the South. It links campaigners and researchers in the development of policy alternatives in the areas of trade, investment and socio-economic development, water and energy privatisation, sustainable environment and security and peace. The programme is jointly initiated by the TNI, AIDC (South Africa),

Focus on the Global South (Thailand), IBASE (Brazil), and RMALC (Mexico).

Corporate Europe Observatory (CEO) is an Amsterdam based research and campaign group targeting the threats to democracy, equity, social justice and the environment posed by the economic and political power of corporations and their lobby groups.