

## **EMPOWERING PUBLIC WATER – WAYS FORWARD**

Viable alternatives to both privatised water delivery and inadequate, state-run water utilities clearly exist. The question is, therefore, not if public water can work, but how it can work. Due to the ideological obsession with private sector promotion in the last decade, this question has not received a fraction of the attention it deserves in policy debates and decision-making. As described in the introductory chapter, there is now a fundamentally new situation as a result of the many high-profile privatisation failures, the withdrawal from developing countries by private water multinationals and the realisation among even privatisation proponents that private investment will not deliver for the poor. The need to refocus on amplifying the performance and coverage of public utilities is obvious. This book aims to contribute to this long overdue re-orientation.

Many chapters here describe how significant improvements in access to clean water and sanitation have been achieved by diverse forms of public water management. These people-centred public water solutions have occurred under a variety of socio-economic, cultural and political circumstances. Examples include the accomplishments of public utilities and co-operatives in Porto Alegre (Brazil), Santa Cruz (Bolivia) and Penang (Malaysia); the improvements realised by innovative public delivery models in Caracas (Venezuela), Harrismith (South Africa) and the province of Buenos Aires (Argentina); and the achievements of community-managed water in Olavanna (Kerala, India) and Savelugu (Ghana). These diverse public approaches have all proved their potential for improving water delivery, not least to the poorest.

In virtually all cases, however, these achievements have happened against the odds as the obstacles for improving public and community-controlled water delivery are manifold. Among the worst are the systematic bias against public water of international financial institutions (IFI's) and the privatisation conditionalities attached to the decreasing amounts of development aid offered by northern governments. The political, financial and other hurdles that prevent public water management from achieving its full potential are however by no means insurmountable. Essentially what is needed is political will to create more enabling environments. This chapter outlines a wide range of progressive policy options. It also concludes that strengthening the democratic, public character of water services is fundamentally at odds with the currently dominant neoliberal model of globalisation, which subordinates ever more areas of life to the harsh logic of global markets.

Drawing on the experiences from around the world presented in this book, this final chapter explores some of the key issues that need to be debated far more intensively in the coming years.

- What are the options for improving and expanding public water and sanitation services in order to meet the challenges of sustainability, justice and access for all?
- What is the potential of citizens/user participation and other forms of democratisation?
- What are the conditions needed to make people-centred public utility reform work?
- What are the problems posed by the commercialisation of public sector water operations?
- What lessons can be learned on how to overcome the hurdle of raising finance for much needed improvements?
- Which kinds of political processes are involved in developing successful public water?

- What needs to happen, from the local to the global level, to spread, empower and implement public services for urban water and sanitation?

## **PARTICIPATION AND OTHER FORMS OF DEMOCRATISATION**

In many of the cities featured in this book, citizen and user participation in various forms is an essential factor behind the improvements in effectiveness, responsiveness and social achievements of the water utility.

Participation and democratisation can take many shapes. Water co-operatives in Bolivia and Argentina allow the users (all of which are members with voting rights) direct influence in decision-making, for instance via elections for the governing bodies of the utilities. This gives the users the opportunity to hold the utilities accountable to their not-for-profit mission of serving the users.

In Porto Alegre and a growing number of other Brazilian cities, civil society involvement has been combined with innovative democratic reforms like participatory budgeting, a model often described as 'social control'. Like many other areas of public life in Porto Alegre, the people directly decide the budget priorities of their water utility. Through a process of public meetings, every citizen can have a say in which new investments should be made first. In Porto Alegre, participatory budgeting has played a key role in ensuring that 99,5% of the population, including those living in poorer neighbourhoods on the periphery, today have access to clean water. For the utility, getting active input based on the unique knowledge of the citizens is an asset in itself. The increased sense of ownership contributes to the willingness to pay and thus make new investments and improved maintenance possible. Transparency is by definition improved, which is also likely to reduce the risk of corruption.

Porto Alegre is one of the wealthier cities in Brazil, which is an advantage when setting out to improve access to clean water, but this does not reduce the value of the achievements made possible through participatory democracy. Like elsewhere in Brazil, the city has a large gap between rich and poor, and before the start of democratic reforms a major proportion of the population lacked access to clean water. Recife, the north-eastern city with very large numbers of low-income people, has introduced democratic and participatory water management and aims for very substantial improvements in access to water over the coming decades. This was kicked off in 2001 with a seven-month long participatory consultation process starting with a series of neighbourhood meetings. Over 400 representatives elected at these meetings participated in a deliberative conference where no less than 160 decisions were made about the future of water and sanitation in Recife. The conference decided against privatisation and for an institutional set-up to improve and expand public water delivery, prioritising the city's slum areas. Other examples of Porto Alegre-style participatory water management in Brazil can be found in cities like Caxias do Sul in the state of Rio Grande do Sul, and Santo André, Jacareí and Piracicaba, all in the state of Sao Paulo.

The Brazilian experiences show that scale is not necessarily an obstacle to participatory water management. Porto Alegre and Recife both have over one million inhabitants and similar models have proven successful in numerous other large cities.

The model of participatory water management under development in Caracas, Venezuela, engages the population very intensively in areas needing improved water delivery, both in decision-making and in actual construction and maintenance work. Local communities, the water utility and elected officials co-operate in communal water councils to identify needs and priorities for improvements, allocate available funds and devel-

op joint work plans. The users exert democratic control over their utility, for instance by holding it accountable for implementing the work plans. Major improvements in access to piped water have been achieved in the last five years via community involvement and empowerment.

In Olavanna and other communities in Kerala, India, participatory water management has worked wonders as well. As a result of the Kerala state government's People's Plan policy (which decentralises decision-making about major parts of public finances), the local population was able to decide to allocate public funds for improving access to drinking water. These public funds were supplemented with financial contributions by the communities themselves. Local people participate in planning, but also in construction, management and maintenance. Using appropriate technology and avoiding dependency on external contractors and expertise reduces costs. The sense of ownership emerging within the community contributes to monitoring and maintenance, thus ensuring the sustainability of the improvements. It is significant that the decisions about allocation of public funds and management take place within existing community structures.

Similarly in Savelugu, Ghana, the involvement and democratic empowerment of the local community has reduced costs and helped control leakages, thus contributing to making clean water affordable for all. The community-controlled water management system in Savelugu is described as a public-community partnership. This refers to the fact that the national public water utility delivers bulk water to the community, which in turn takes care of all further steps in the water delivery system, including billing the users, maintenance and new connections. An important feature in this highly decentralised system is that each neighbourhood has a water management committee, which is one of the reasons leakages have been reduced to an

absolute minimum. The city's community water board decides on tariffs which are designed to ensure access for all. Contrary to Caracas and Olavanna, the Savelugu model was developed without active government support, but the improvements were only possible due to financial support from UNICEF and several northern NGOs.

In Cochabamba, Bolivia, the term public-collective partnership is used to describe the new model of municipal ownership, participation and democratic control that is emerging after the disastrous privatisation by Bechtel, terminated by the April 2000 water war. The utility SEMAPA is now being restructured to serve the citizens, particularly the poorest. In April 2002 elections, three out of seven board members were elected by the residents of the southern, central and northern areas of the city. At the same time, SEMAPA is entering a co-management model with the pre-existing water committees which supply the unconnected poor communities in the southern zone of the city. In order to expand access to piped water into these peri-urban areas, SEMAPA co-operates with the water committees, using their capacities to administer services in their local communities while SEMAPA supplies bulk water. Although a range of factors still endanger successful outcomes of this co-operation, the public-collective partnership is a novel and innovative format that can help overcome centralistic tendencies in utilities and solve access problems in peri-urban areas.

A different form of participatory management is that of the water utility in the province of Buenos Aires, Argentina, which since 2002 has been run by the water workers and their trade union, providing water for over three million people. The workers took over in the emergency situation that arose when the private concession holder, Azurix (a subsidiary of Enron), withdrew after the provincial government had refused to agree to price increases for the abominable services delivered by the

US corporation. The option of leaving, it should be noted, is a fundamental difference between a private concession-holder and a local public water utility. In co-operation with user representatives who participate in and oversee the management, the workers have achieved in getting the utility (Aguas Bonaerenses S.A.) back on track after the years of gross mismanagement by Azurix. A similar workers' co-operative has successfully managed a water concession in two sections of Dhaka, the capital of Bangladesh.<sup>1</sup>

There are also many cases where effective and equitable public water has been achieved without user participation having played any major role, such as the water utility PBA in Penang, Malaysia, described in this book. A key factor behind PBA's achievements is the strong commitment among the utility's management and workers to public service excellence and serving the population. The utility is operationally autonomous from the state government, which prevents undue interference. Efficiency, transparency and accountability of the utility, on the other hand, are boosted by the vibrancy of politics in the state, including continuous scrutiny from the side of competing political parties. There are numerous other remarkable examples, also in the south, such as Phnom Penh, Cambodia, where the number of households receiving running water has increased from 25% to almost 80% in the last 10 years.<sup>2</sup> Many

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<sup>1</sup> "Experimental Alternate Option to Privatisation of Water Industry in Dhaka, Bangladesh", by M.Z.Hoque, presentation for the seminar on advancing alternatives to privatisation, Kyoto, 22 March 2003.

<sup>2</sup> Today, water in Phnom Penh flows 24 hours per day instead of the 10 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. Chan's goal is that 95% of all households receive clean tap water before 2015. See "Reclaiming Public Water – Participatory Alternatives to Privatisation", TNI/CEO briefing October 2004.

more cases have been documented by the Public Services International Research Unit (PSIRU).<sup>3</sup>

While it should not be considered a panacea to be implemented in every situation, and in some circumstances may not be feasible, participation and democratisation in its multiple forms can be a powerful tool for positive change in most circumstances. There is the general potential to improve the quality of decision-making and management, effectiveness and responsiveness and thus contribute to better services provision. Decision-making on urban water delivery in cities of the South is often an intense political battleground where the interests of political and economic elites clash with those of the poorest. When democratisation means increased political control by the marginalised and the poor, it boosts the likelihood of their needs being met.

Participation, as described in the chapters of this book, is something substantially different from the way the World Bank and most international donors use this term. For these powerful institutions, “participation” is often little more than an instrument for smoothing the way for privatisation and commercialisation, for instance by using consultants to assess the willingness to pay in order to assist a private investor to decide on service levels and tariffs. Also the World Water Council, the much-criticised neoliberal think-tank that controls the World Water Forum process, has recently adopted a new discourse over-flowing with ‘public participation’ and other feel-good terms.<sup>4</sup> There is no indication, however, that the World Water Council has moved away from the corporate agenda it promoted at previous World Water Forum events. The examples of

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<sup>3</sup> See for instance “Public services work!”, Public Services International, September 2003, <http://www.psiru.org/reports/2003-09-U-PSW.pdf> ; and “Water in Public Hands”, July 2001 <http://www.psiru.org/reports/2001-06-W-public.doc>

<sup>4</sup> <http://www.worldwatercouncil.org/>

participatory public water management described in the pages of this book imply far-reaching, genuine democratisation of decision-making, empowering people to change, if they desire, the system of service delivery. Rather than a tool to engineer consent, the aim of participation is emancipation.

## **ENABLING ENVIRONMENTS**

What constitutes enabling environments (local, national and internationally) in which various people-centred public water approaches have a chance to succeed? Among the most important factors are the local availability of water resources, the capacity of public administrations to deliver services, and the crucial factor of political support - or lack thereof - from the state, international institutions, governments and political parties.

Since the 1990s in Argentina, national and regional governments have, for ideological reasons, actively obstructed the further development of co-operatives and public utilities, despite their often excellent performance. While there are good reasons to expect that co-operatives could deliver water in many other and larger cities more effectively and more socially responsibly than private water corporations, the neo-liberal political elite is unwilling to allow this option to be explored. Similarly, public utility reforms were not considered as a possible alternative to the privatisation programme promoted by the World Bank and the International Monetary Fund (IMF). Unfortunately, this is a common pattern in many countries around the world.

In Cochabamba, Bolivia, the local and national governments are hostile towards the attempts to move towards participatory public water management. This means very difficult circumstances and limited political space for those promoting democratic control in Cochabamba. The model of water man-

agement that is now emerging still has less democracy, transparency and accountability than civil society would like, reflecting the continuous power struggle. The reforms and improvements achieved are the result of the power built up by the grassroots water movement. While the vision behind the public-popular partnership in Cochabamba is comparable to the participatory planning systems of Porto Alegre or Kerala, in Cochabamba there is hardly any money for people to make decisions about. Clearly, this lack of resources discourages active participation.

In another Bolivian city, Santa Cruz, an important factor behind the success of the water co-operative is its independence of party politics and the fact that the city and its water utility has been ignored, but not obstructed, by the national government. The utility was transformed into a co-operative in 1979, at a time when neo-liberal ideology had still not emerged as an obstructive factor for people-centred water approaches. The co-operative status (and a less politicised reality than Cochabamba after the water war and de-privatisation) has provided the autonomy needed to steer free from political interference, bureaucracy, cronyism and corruption typical in other Bolivian cities.

Santa Cruz and, far more immediately, Cochabamba are facing water scarcity, a growing problem in many parts of the world. As demand increases due to industrialisation, urbanisation, rapid expansion of intensified agriculture (often for export purposes) and other trends related to economic globalisation, conflicts over water resources intensify. Improved water resource management to secure sustainable availability is a key challenge for urban areas around the world. Any progressive urban water delivery model needs to include a sustainable approach to water resources and balance urban with rural water needs.

The Cochabamba experience shows that it takes a long time

to change a dysfunctional utility, especially when the local political elite is obstructing such change. The more general absence of a tradition of effective public administration means that developing performing public services has to happen if not almost from scratch, then certainly from a very difficult starting point. It is illustrative to compare the difficult conditions for re-municipalisation in Cochabamba with the situation in the French city Grenoble. In Grenoble, the pre-existence of an effective local public administration, the absence of widespread poverty and the availability of abundant freshwater resources from the Alps provide a far more conducive environment for successful public water delivery. The achievements in Cochabamba, in other words, are very much against the odds. Success is by no means guaranteed, especially when the local population may lose patience if concrete improvements in water delivery are not secured. To overcome the many hurdles facing improved water delivery in Cochabamba, international solidarity is desperately needed.

The administrative capacity of the local public sector to deliver public services is, indeed, a crucial factor. For a variety of reasons described in the introductory chapter, public administrations, especially in developing countries, are often not sufficiently resourced or capable of delivering a public service dependent on large network infrastructures and soft skills such as demand responsiveness. This reality has often been abused as an argument for privatisation, which has proven not to be a solution, particularly in cities with large populations of low-income people. It is clear that the capacity to deliver public services is a key component of democratic societies and a necessity for enacting the right to water.

One way to overcome weak local public administration capacity is through public-public partnerships. In South Africa, the public-public partnership between the local government in

the city of Harrismith and a large public water utility from elsewhere in the country achieved good results. The three-year experiment showed that sharing - and hopefully transferring - management and technical skills can contribute to rapid improvements in public water delivery. Participation and extensive consultation at ward level was also a key feature in the relative success, financially and otherwise, of the public-public partnership. Due to the lessons learned from these consultations, a social tariff approach and support from the communities, Harrismith does not suffer from the very high rates of non-payment typical in privatised concessions in South Africa. This experiment was only possible with government sponsored financial subsidies to the poor, which were administratively well managed through the partnership.

The public-public partnership project has led to concrete improvements, but has not managed to overcome the enormous backlog in access to clean water that exists in the impoverished township communities in Harrismith. It is hard to see how water for all can be achieved without far more ambitious policies to fight poverty and redistribute wealth locally and nation-wide. As a result of the disastrous socio-economic circumstances, riots broke out in August 2004 in the Intabazwe township in Harrismith. Locals demanded government housing subsidies, improved water and electricity services, employment opportunities and general social development. On August 17, the police opened fire on demonstrators, killing 17 year-old Tebogo Molois and wounding dozens of others.

In Ghana, the achievements made by the public-community partnership in Savelugu are now endangered by the fact that the Ghana Water Company (GWCL) is unable to deliver sufficient bulk water to the community. The deepening crisis of the GWCL is, to a large extent, caused by under-funding and has everything to do with the joint efforts of the central govern-

ment and the World Bank to prepare the company for privatisation. This underlines the importance of national and international policies that facilitate rather than obstruct participatory and other public water solutions.

In the Brazilian cities like Porto Alegre and Recife, but also Kerala in India and Caracas in Venezuela, improvements were achieved due to the facilitating and empowering role of national and local governments, as well as political parties. In Kerala, decentralised participatory budgeting was initiated and consolidated by the state government, controlled by the Left Democratic Front. In Brazilian cities like Recife and Porto Alegre, improvements were achieved due to the far-reaching commitment of mayors and local city councillors from the Workers Party (PT). Participatory budgeting was introduced and institutionalised after election victories by the Workers Party and resulting political control. Also in Caracas, participatory water management is developed with - if not driven by - strong support from the government. In the deeply polarised reality of Venezuelan politics, this has meant that some neighbourhoods opposing the Chavez government also reject community water management. This obviously raises the question of whether participatory water management would survive if the opposition ever manages to take power. Similarly, will participatory water management (and participatory democracy more generally) survive in Porto Alegre after the Workers Party's loss of the October 2004 municipal elections? Encouragingly, the multi-party coalition taking over after the PT has promised to keep participatory budgeting intact. If the future of participatory democracy is seriously endangered, one may assume that 16 years of radical democracy has equipped people with sufficient confidence to defend its achievements and their rights.

## **NEW PUBLIC SERVICE ETHOS**

While it is a reality that many water utilities in the south suffer from bureaucratisation and often fail to deliver to the poorest, this book describes numerous attempts to boost capacity for public administration, either in state-led, worker-led or civil society-led forms. This often involves a radical redefinition and reinvention of public service and the meaning of publicness (the quality of being public and belonging to the community). Most of the successful utilities described have improved water and sanitation via a vision of public service that serves broader societal objectives, including democracy, environmental sustainability and human security.

Indeed, a shared feature of these reformed public water utilities is the development of a new public service ethos. Publicness is redefined as something that goes far beyond simply public ownership or management by public employees. In many cases, internalising and consolidating the philosophy of serving public needs is facilitated by direct citizen participation and other forms of interaction with users. This progressive publicness is of crucial importance for meeting challenges like providing access to clean water for marginalised groups on urban fringes and, more generally, achieving a sustainable resource management for ever-growing cities.

A new public service ethos has emerged under a range of different forms of non-profit water management, from co-operatives to municipal utilities, but also corporatised utilities under public control. The water utility in Penang, Malaysia, whose shares are, in part, owned by workers and users, has developed a high-level public ethos which enables it to deliver high-quality water for all at affordable prices.

## **CONCERNS ABOUT COMMERCIALISATION**

Several chapters in the book highlight some contradictory trends in the future of public water services. Firstly, the influence of neo-liberal ideology results in a very problematic convergence in the practices of public and privatised utilities. The introduction of neo-liberal business and management models (often referred to as New Public Management - NPM) leads to forms of commercialisation that are often seriously at odds with the type of public service ethos described above. This trend is visible, for instance, in the operations of EAAB in Bogota, Colombia. Outsourcing of key tasks to private contractors and the introduction of “flexible” labour conditions are examples of the adoption of a corporate business model.

A related trend is that public utilities like EAAB, but also Rand Water in South Africa and PBA in Malaysia, are increasingly expanding into operations abroad. While they may uphold a public service ethos in their domestic operations, these companies intend to operate as commercial water providers overseas.

## **FINANCING PUBLIC WATER**

Financing is a key challenge for every community wanting to ensure water for all. The day-to-day running of a water utility comes at a cost and expanding access to water requires significant upfront investments. There are essentially two ways to pay for public water delivery: taxes or user fees.

In some cities with successful public water delivery presented in this book, water is entirely paid for by user fees (full-cost recovery), but with cross-subsidisation through “stepped tariffs”, so that larger consumers pay proportionately more. Taxation is commonly used to finance the extension and devel-

opment of systems, and also to provide subsidies to reduce the burden which has to be borne by users through water charges. When governments or municipalities borrow money or issue bonds to finance investment, the cost of the loans is normally borne by taxes. In some countries - such as Ireland – water services are paid for almost entirely through central government taxation. Some of the public water utilities described in this book have combined expansion of water services with social tariff structures, thus enabling all citizens, including the poorest, access to affordable water. DMAE in Porto Alegre, for instance, channels the surplus resulting from the higher fees paid by well-off users into an investment fund that finances new water and sanitation infrastructure for all those that need it.

In South Africa and many other countries around the world, neoliberal cost-recovery policies (without cross-subsidisation) have caused disastrous affordability problems and millions of poor have been cut off from water supply. The pre-paid meters that have been installed in many poor communities in South Africa are a particularly blatant violation of the human right to water. While the South African constitution guarantees 6,000 litres of free water per household, the right to water is not effectively implemented and the 6,000 litres of free water per household has moreover proven insufficient for the often large families of the poorest. To genuinely guarantee affordable water for all, at least a doubling of the constitutional amount of free water would be needed, combined with cross-subsidised low tariffs for low-income people.

Overcoming financial obstacles to the expansion of water delivery can also be done by reducing operational costs and increasing efficiency. By ambitiously taking on leakages and improving billing, lower shares of non-revenue water (NRW) can be achieved and the financial viability of the utility improved. In Penang, Malaysia, very low rates of NRW enables

the utility to have the lowest water price in the country. In the Brazilian city of Matão, privatisation seemed the only option for a cash-starved local government needing to invest to expand water connections to the fast growing population. After a public consultation process, the utility was reorganised with a different tariff structure and incentives to reduce leakages and waste.<sup>5</sup> This improved the financial health of the utility and solved the water resource problem. Clearly, this is also a matter of sustainability: reducing leakages can also help overcome threatening water shortages and may even make major investments in new dams unnecessary.

Citizen participation can help the financial health of the water utility, as is the case in Porto Alegre. Citizens are not only empowered by the government to prioritise allocation of public funds, they are also involved in monitoring implementation of decisions and projects. Locals from the areas where the water infrastructure construction takes place participate in commissions that supervise the contractors during the works. This means continuous scrutiny of the water utility and of external contractors, which has helped reduce costs of new construction projects.

Access to finance for investments in expansion and improvement of water delivery is an obstacle in most cities in the south. The Savelugu model in northern Ghana was made possible by funding from UNICEF and international NGOs, but other communities wanting to implement similar models cannot rely on philanthropy. For impoverished communities, external funds to pay for large, upfront investments are needed. This points to the crucial role of national governments and for international funding and access to loans.

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<sup>5</sup> Antonio da Costa Miranda, municipal director for water and sanitation in Recife, speaking at the seminar “People-centered Water Management is Possible!”, January 17 2004, World Social Forum, Mumbai.

There is much that can be improved in the approach of southern governments towards water delivery. In many countries, access to water for the poorest remains under-prioritised and often neo-liberal approaches dominate among local elites in the political process. In stark contrast to the democratic empowerment of the decentralisation of decision-making on government funds in Kerala, India, a very different form of decentralisation process has taken place in many southern countries in the last decades. Following IFI advice, governments have transferred responsibilities to local municipalities while at the same time starving them of funds for fulfilling their new obligations. This has had predictably negative consequences for essential services delivery, often leaving little other option than privatisation.

At the same time, the current context of neo-liberal globalisation is very much the opposite of an enabling environment for improving and expanding people-centred public water systems. For large parts of the populations of the south, as well as countries in Central and Eastern Europe, trade liberalization and other neoliberal reforms have resulted in unemployment and economic marginalisation. Governments are facing ever-decreasing budgets due to dwindling tax income, often combined with excessive debt repayments. Added to this is the pressure to liberalise and privatise from IFIs, development aid agencies and trade negotiators. The cumulative impact of these neo-liberal policies is a fundamental obstacle to the development of public provision of essential services. Lasting solutions, it seems, are only feasible if this model of development is replaced by a different model of globalisation, one that facilitates progressive public solutions rather than hindering them.

With southern governments often impoverished by an unfair global economic system and crippling debt, loans from IFIs are currently one of the only ways in which governments

and municipalities can raise external funds for investments to expand water access. The disastrous reality is that most IFIs remain stubbornly addicted to privatisation and use various, more or less subtle pressures to impose this on borrowers. Northern governments and IFI's continue to use finance as a political tool of leverage over southern governments to push them to take on board neo-liberal reforms. The European Union and various European governments pro-actively use aid to encourage privatisation. The willingness to finance non-private sector options remains far too limited.

There are exceptions, such as the IBRD's loans for co-operatives in Argentina and Bolivia. The co-operative in Santa Cruz, Bolivia, is facing restrictions on further lending not due to its own financial situation, which is very healthy, but because of the indebtedness of the national government. Porto Alegre and Recife secured IFI loans after tough negotiations in which the World Bank insisted on moving towards privatisation. The democratic legitimacy of the utilities and firm political support from the mayors helped resist these pressures and obtain loans without conditions that would undermine the essence of the participatory models.

In Cochabamba, the IADB did offer the new SEMAPA a loan, but with conditions that hamper the transformation of the utility and, in fact, endanger popular support by delaying visible improvements in water delivery. In Indonesia, a majority of water utilities are caught up in a debt crisis following IFI loans from the last decade. The debt trap they are in undermines the viability of utilities and *de facto* paves the way for privatisation. IFI loans in foreign currency, due to the risk of devaluation and currency crisis, often have very high interest rates. Concluding that IFI loans do more harm than good, civil society groups united in the Jubilee South network campaign for the World Bank and other IFIs to withdraw altogether from the south.

There is a desperate need for funding mechanisms that are without political conditions and that are oriented to serve societal goals instead of economic and ideological objectives. Except for the crucially important progressive redistribution via taxation and cross-subsidised water tariffs, there are a wide range of local and national finance options, including floating of municipal bonds.<sup>6</sup> To boost international finance flows for expansion of access to water to the poorest increasing the development aid budgets of northern governments is a straightforward option, obviously in combination with ending current privatisation conditionalities and pressures. It is important to remember that just a fraction of current military expenditure would be sufficient to finance clean water for everyone on the planet. In Europe, a small tax on bottles of mineral water has been proposed. Such a tax could bring in billions of euros, but still far less than the enormous amounts that could be raised via a Tobin tax on speculative international financial transactions.

### **MOVEMENTS, STRUGGLES AND PUBLIC WATER SOLUTIONS**

As shown in many chapters in this book, social movements contribute actively to preserving and improving the public character of water and sanitation services around the world. By exerting public pressure on governments and utilities to change and improve access to clean water, such movements have a key role in achieving sustainable water for all. In many countries, social movements are mobilising to defend the interests of marginalised people against the neoliberal policies promoted by political and economic elites. Social justice and democratisa-

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<sup>6</sup> See for instance "Water Finance - a Discussion Note", by David Hall, PSIRU, University of Greenwich, January 2004: <http://www.psiru.org/reports/2004-01-W-finance.doc>

tion of water management decision-making are integrally linked.

The example of Cochabamba and many other cities in this book illustrate how models of public water delivery are, to a large extent, shaped by the political struggles preceding them. The political process of pursuing public utility reforms and alternatives to privatisation defines the character of the public water management approach. These political struggles, therefore, are an essential element in understanding the future of water delivery.

Anti-privatisation campaign coalitions in countries around the world, as the final chapters of this book show, go beyond mere resistance. These movements, uniting a broad range of actors, from environmentalists, women's groups and grassroots community activists to trade unions, political parties and public utility managers, have often very elaborate visions and concrete proposals for public sector alternatives.

That is certainly the case in Uruguay where, in the October 2004 national referendum, a large majority supported constitutional amendments that will define water as a human right and ban privatisation. The constitutional amendment promoted by a coalition of movements defines a central role for the participation of consumers, communities and civil society in all stages of water management and institutions. Effective public participation is envisaged to further improve the management of public water utilities. While these generally operate very effectively, there is scope for improvement, such as stopping the flawed practice of failed politicians abusing the utility as a well-paid retirement option.

Inspired by the victory in Uruguay, civil society groups in Argentina have also launched a campaign for a referendum in order to get access to water recognised as a fundamental human right and to declare water public property exempt from

privatisation. A growing global coalition of NGOs is demanding that governments commit themselves to negotiate an international convention on the right to water, within the framework of the United Nations. Such a convention should provide a strong legal instrument to guarantee the right to clean water for all and ensure that water is not treated as a commodity.<sup>7</sup>

In the Ukraine, NGOs like MAMA-86 are struggling against privatisation but are also working hard to improve public water delivery. This happens within the context of a post-communist state in crisis that is gradually withdrawing from its responsibilities to deliver essential services to its citizens. MAMA-86, for instance, joins hands with schools, hospitals and other public institutions to improve the quality of their water supply. It promotes water meters and prevention of water wastage through public information campaigns, but also works closely with water utilities, for instance in the city of Soledar, to improve public water delivery.

In the Philippines, the record of public sector water delivery was so bad that people were not *a priori* concerned about the 1997 privatisation. After the disastrous failure of privatisation, a return to the pre-1997 reality of public water is not an option. The Water Vigilance Network advocates concrete ways in which public solutions can help overcome risks like bureaucratisation, inefficiency and lack of responsiveness to the needs of the poorest. The civil society coalition has developed a sophisticated set of requirements which a public sector alternative must meet, ranging from financial resources, institutional capacity, an independent regulatory system, transparency, accountability and social tariff systems, to mention a few. A public water utility running water supply in the west zone

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<sup>7</sup> The demand is described for instance in “Why we need an international water convention” (Swiss Coalition of Development Organisations, March 2004): [http://www.swisscoalition.ch/english/files/T\\_WrWn.pdf](http://www.swisscoalition.ch/english/files/T_WrWn.pdf)

would have to fulfil contractual delivery targets, but also face scrutiny in comparison with the private utility operating in the eastern half of the city. These combined pressures would likely improve the performance and accountability of the public utility. Another option to be considered is to split up Metro Manila into smaller concessions involving local governments to reach a manageable scale. This would allow for benchmarking between the utilities. Also, existing co-operatives in the peripheral parts of the city are part of the solution.

The anti-privatisation movement in a range of countries advocates public-public partnerships and other models in which ailing utilities learn from the operational methods and management structures of successful utilities, as highlighted in the chapters from Indonesia, Malaysia, Brazil and South Africa. In Indonesia, for instance, civil society rejects the government’s sweeping ideological prejudices and points to examples of best practice in public water delivery within the country, concretely the water utility of the city of Solo.

Not all anti-privatisation coalitions promote radical forms of participatory democracy as a central part of their vision for public water solutions. User participation, however, is promoted almost everywhere. In Mexico, where the Fifth World Water Forum will be held in March 2006, the government is unwilling to allow for public participation in decision-making on public services. Instead it insists on continuing the privatisation process, despite the poor performance of private water corporations in cities like Cancun, Saltillo and Aguascalientes and the fact that public water utilities have proven able to improve coverage, reduce water losses and improve their financial viability.

The fight for transparency and public access to information is a recurring theme in many campaigns. It is hardly a coincidence that transparency is a fundamental characteristic of almost all the successful people-centred public utilities

described in this book. The potential for transparency is an essential advantage of public utilities over privatised water delivery, where key information is defined as out of reach due to reasons of commercial confidentiality. In a post-communist country like Slovakia, however, transparency and citizen participation is a major battle. Public utility managers and municipal officials often consider citizens engagement as undesirable “interference”. Anti-privatisation campaigners face the challenge of convincing public water operators that citizens’ participation and democratic control can help improve the effectiveness of public services.

Campaign strategies are obviously shaped by the local and national context, including the intensity of the problems and the political opportunities. Campaigns against privatisation and for improved public services in a country like Germany, where water is cheap, safe and plentiful, will necessarily take a different form than in places like Ghana or South Africa where access to water is a daily struggle for large parts of the population. Water struggles, moreover, are always dependent on broader political environments. For example in Uruguay, the water movement is successful as it came at a time of major political changes and a political shift to the left. Still, learning experiences from campaigns for public water can be of great value across borders and continents.

Whereas privatisation waves swept the south in the 1990s, the pressure is now increasingly on the still overwhelmingly public-controlled water sectors of US, Canada, Japan and particularly (western) Europe. This means a major challenge for civil society in the north. Luckily there is a lot which can be learned, not only from the anti-privatisation campaigns that have grown strong in the south, but also from the innovative forms of water management that have reinvented public services in a range of cities in the south during the last decade. Also

in the north, the struggles against privatisation cannot be simply to defend the status quo. The extent to which citizens’ participation will be part of the agenda for improving public water delivery in the north remains to be seen. In the US (where 85% of the population is supplied by public utilities), various democratic and participatory mechanisms have been developed to regulate and improve the performance of utilities, these could be further expanded in the water sector. In Italy, new forms of citizen participation in water management have been introduced in several municipalities in recent years.<sup>8</sup>

The French city of Grenoble is an example of democracy revitalising a water utility. Grenoble shows that it is possible to win a campaign for de-privatisation with the long-term commitment of a broad coalition involving consumers, environmentalists, trade unions and political parties. Since re-municipalisation, the enhanced democratic accountability and public governance has resulted in major improvements in maintenance and infrastructure renewal, water usage reduction and lower tariffs. The actors involved in the struggle for re-municipalisation also took on active roles in the implementation of utility reform.

#### **WATER FOR ALL, PUBLIC SERVICES FOR ALL**

The process of collective learning between public utility managers and water professionals, civil society, trade unions, social movements and governments is an essential tool for overcoming obstacles and needs to be accelerated. In recent years, a global process of exchange of experiences and debate between progressive forces has emerged. Indeed, this book is a result of this process and will hopefully contribute to further

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<sup>8</sup> “Local Democracy”, Hilary Wainwright, Red Pepper, August 2004.

boosting this important development. It presents a broad range of alternatives to privatisation and inadequate public water delivery, highlighting the role of citizens' participation and civil society movements in solving urban water problems. It underlines the need to strengthen the capacity of public administrations and institutions to deliver services and outlines strategies for change towards improving these.

There is no single blueprint for how to make public water utilities deliver affordable, clean water for all, but the different cases in this book of municipal utilities, users co-operatives, workers co-operatives, community-utility partnerships and other forms of public-public partnerships, all offer valuable information, suggestions and lessons to be learned.

In the end, decisions about the exact management model, the degree of user / citizen participation, the social structure of tariffs, etc. are to be made by local people in democratic debates about what is most appropriate to specific, local circumstances. But while local communities should have the right to choose how their water is delivered, the reality is that the range of choices continues to be narrowed down dramatically by factors outside of their control. There is an urgent need for accelerating a change in thinking among governments, in the south and north, and international institutions so public water solutions get the political support they need. Included in the bold approach needed to help overcome obstacles to improving and expanding public water around the world are certainly cancelling of crippling debt, boosting aid flows and a shift away from neoliberal trade policies.

One example is the disastrous proposal to include water delivery in the WTO's services agreement (GATS). In the ongoing round of GATS negotiations, the EU has targeted the water sectors of 72 other WTO member countries for liberalisation, including developing and least developed countries.

Any country making GATS commitments in water would bind in existing levels of privatisation for the future, making it effectively impossible for it to change course and embrace public water strategies. Water must clearly remain outside of the scope of neoliberal trade rules and should also be exempted from bilateral investment treaties (BITs). Several chapters in this book highlight attempts by water multinationals to use BITs to secure excessive and unjustified compensation after failed privatisation. In cases still under consideration by panels at the International Centre for Settlement of Investment Disputes (ICSID), US-based Bechtel and Azurix as well as French water giant Suez demand multi-million dollar 'compensation' from the deeply indebted governments of Bolivia and Argentina.

There are major ideological prejudices that need to be overcome, for instance in international financial institutions. Both IFIs and aid agencies must be forced to stop pushing privatisation and end their obstructive attitude towards public water utilities and communities pursuing democratic utility reform. The continued unwillingness to provide finance and adequate technical support for public sector solutions is a structural obstacle which urgently needs to be tackled. The global water movement needs to stay on the offensive and demand concrete policy changes from IFIs and governments in order to achieve enabling environments for public utilities to flourish. Instead of closing down the space for people-centred delivery models, we must insist that governments do all they can to support these models politically, technically, financially and in other ways.

In a non-binding resolution on the EU's approach to water in the south (September 2003), a majority in the European Parliament insisted on "the need for local public authorities to be given support in their efforts towards establishing an inno-

vative, 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". These are the right noises, but old neoliberal habits seem hard to break for the European Commission and for many European governments. Far more political pressure from the local to the global level is needed to convince governments that support for public utility reform and expansion of people-centred public water supply is, indeed, the best route for development and the best way of spending aid money.

The departure from neo-liberal policies that needs to happen at the level of national governments and international institutions may take a long time to achieve. Meanwhile, far away from the centres of political power and finance, local utility operators, grassroots movements, trade unions and NGOs, will continue to show the way forward and create public water solutions against the odds.

*By the editorial team*

Some key steps towards an enabling international environment for public water:

- Sustaining and expanding innovative and participatory public water delivery models around the world, for instance through international public-public partnerships.
- Canceling the crippling debt of developing countries in order to free public funds for expanding access to water.
- The World Bank and other IFIs must end privatisation conditions for financial support to those requesting it.
- Wealthy northern governments must increase funding flows and end the pro-privatisation bias.
- Enshrining the human right to water in international legal instruments, including a UN convention.
- Exempting water from the GATS negotiations (services liberalisation talks within the World Trade Organisation) and other trade agreements.
- Renegotiating bilateral and regional trade and investment agreements which enable private water corporations to claim undue 'compensation' from public authorities via arbitration cases.