



By Bruce Rich

Rights to Water and Privatization

Last year marked the 10th anniversary of the so-called Bolivia Cochabamba Water Wars. For some, this event became emblematic of the failure of water privatization projects, and of privatization in general as a solution for management of environmental resources in developing countries to benefit the poor.

In the late 1990s Bolivia had been pressured by the World Bank to privatize water supply services in major cities as a condition of debt relief and further lending in the water sector. In early 2000 massive popular protests broke out in Cochabamba over tariff increases associated with the privatization of the city's water supply. There followed a general strike, occupation of the city by the army, declaration of a state of siege by the country's president, uprisings and solidarity protests in other cities, and seven deaths and hundreds of injuries.

In April 2000 the government rescinded the private water concession, and Cochabamba's supply was renationalized under the management of the resuscitated state water agency. The World Bank strongly protested it had nothing to do with the deal, emphasizing that it had warned against the uneconomic terms of the concession.

Cochabamba is only one of a number of cases that the United Nations Development Program, in its 2006 "Human Development Report" on poverty

and the water crisis, characterized as "spectacular failures" of water privatization in developing nations. There have been well publicized collapses of private water supply concessions in Buenos Aires, West Manila, and Jakarta, involving tariff increase controversies and failure to comply with concession terms. But there are also examples of where private concessions have been economically sustainable and have increased water coverage for the poor, including in Morocco, East Manila, and South Africa.

The debate over privatization of water services is highly politicized. Access to water is recognized by the United Nations as a basic human right. Civil society groups have argued that privatization of such a basic human right, and subjecting access to water for the poor to market forces, is ethically objectionable.

For some economists and policymakers, privatization and market solutions are the only hope, given the mismanagement of many public water utilities in developing nations. But the implication that such public utilities are inherently inefficient is false; while the World Bank promoted privatization in Bolivia, right next door in Brazil 27 out of 29 state capitals were served by public utilities, some better managed than some counterparts in the industrialized world. Ironically, at the extreme the pro-market and pro-government fundamentalists are mirror images of one another: the anti-privatizers point to market failure in providing affordable water for the poor, and the pro-privatizers point to government failure.

In practice international privatization of water supply systems has had little to do with market forces or competitive efficiency. Municipal water supply is a natural monopoly, and the need for strong, independent regulation is essential to prevent abuses — precisely what is lacking in many poor countries. Moreover, international private sector water services are dominated by an oli-

gopoly of European water companies. In fact, the two largest, the French Veolia Environment and Suez/Ondeo, control 70 percent of the privatized global water supply and sewerage business.

Poorer countries need large upfront investments to extend water coverage; if the full burden of both investment and cost recovery is put on private companies, tariff increases may be like trying to squeeze blood from a stone. Cost recovery can be subsidized by international financial institutions, but weak governance and regulatory capacity remain. Protesters have been right to question policies which subsidize and expand the rich country private sector water oligopoly rather than build up the capacity of their own national water institutions.

The UNDP concludes that "both the private and the public sector have roles to play in delivering on the right to water, though ultimate responsibility rests with government." Strong governance and independent regulation are critical for any private sector involvement. Finally, UNDP emphasizes the "central role for public spending in financing the extension of water systems to poor households." Meanwhile, in France, homeland of

the private water giants, some 40 cities have de-privatized their water systems in recent years, including Paris. Havana, of all places, partially privatized its water supply back in 2000.

Ten years on many of the poor of Cochabamba, Bolivia, still lack access to water, and the revived state water agency is notorious for mismanagement and inefficiency. In July, the U.N. General Assembly approved without a single vote of opposition a resolution that recognized access to clean, potable water as a fundamental human right. It was introduced by — Bolivia.

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