

NO.5 | SEPT 2003 | ENGLISH VERSION

# *Grab for Water ? Different Strategies to solve the global water crisis*

Published on occasion of the WTO-Conference in Cancún 2003

1
4
9
8
7



Global Issue Papers, No. 5: Grab for Water ? Different Strategies to solve the global water crisis Published by the Heinrich Böll Foundation © Heinrich Böll Foundation 2003 All rights reserved

The following paper does not necessarily represent the views of the Heinrich Böll Foundation.

Heinrich-Böll-Stiftung, Hackesche Höfe, Rosenthaler Str. 40/41, D-10178 Berlin Tel: ++49/30/285340; fax: ++49/30/28534109 info@boell.de www.boell.de

#### Water for everyone?!

#### By Ingrid Spiller

Water is one of the most basic human needs. However, due to environmental destruction, pollution and excessive consumption, this resource is becoming increasingly scarce. Statistics are alarming: presently more than one billion people (18% of the world's population) do not have access to clean drinking water and approximately 2.4 billion people do not have access to sanitary installations. Every year, approximately 2.2 million people die of diseases that occur as a consequence of contaminated drinking water, lack of sanitary installations and poor hygienic conditions. The majority of them are children. A large part of the people who live in developing countries suffer from secondary diseases resulting from contaminated water.

Access to water is distributed very unevenly both regionally and socially. While most of the countries in the north have an adequate supply of this resource, it is mainly countries in the south who suffer from scarcity of water. Wealthy people who live in countries with scarce amounts of water resources have such an over-abundance of water they literally ",swim" in it, while poor segments of society can hardly fill their needs.

The solution to the global water crisis has moved far to the top on the international agenda. The U.N. declared 2003 to be the Year of Water. The Millennium Goals define, among others, that by the end of 2015 the percentage of those people who do not have access to clean drinking water is to be cut in half. The U.N. Summit for Sustainable Development 2002 in Johannesburg reiterated this objective and supplemented it by adding the objective of cutting in half the number of people who do not have access to sufficient sanitary conditions by the year 2015, since clean water and adequate sanitary installations go hand in hand. Water policies are an essential component of policies aimed at poverty reduction.

The causes for the water crisis are multifaceted and differ from one region to the next: in the last few years, the world's water consumption has risen six-fold. This has to do with the absolute increase of the number of consumers (the world population has tripled) and the doubling of the per capita consumption. Approximately 70% of the world-wide water consumption falls to agriculture, approximately 20% to industrial production and only 10% to private consumption. In the US, the daily per capita consumption is approximately 700 liters, in Germany it is approximately 130 liters and in the Sahel Zone 30 liters.

The largest savings can be achieved in the agricultural sector, both in absolute and percentage terms. The causes for the high water consumption are due to antiquated technology, use of water that has the quality of drinking water and also the cultivation of inappropriate agricultural products. The liberalization of the agricultural markets promotes the cultivation of export products – farmers decide

what to produce based on not only on the suitability of the location (water consumption) but on the expected export price. Potential export products that need to be watered intensively are frequently preferred over products for local markets which can be cultivated in rain fields.

However, the two other areas also considerably aggravate the already critical water situation. While urbanization is on the rise, which increases water scarcity, pollution caused by home and industrial sewage contributes to the water scarcity. Only approximately 5% of sewage world-wide is treated. The rest is dumped back into nature without having been cleaned or treated. In addition, there is polluted seepage caused by illegal garbage sites and the inappropriate use of pesticides and fertilizers which contaminate the surface and the ground water.

One of the causes for the water crisis is also the ecological degradation of water basement resulting from global pollution and inappropriate agricultural use. Deforestation, desertification, soil erosion and the desiccation of large rivers such as the Yellow River in China or lakes such as the Aral Lake, aggravate the foundation for fauna and flora on a long-term basis and destroy important water catchment areas. While 71% of the earth's surface consists of water, only 2.5% of the earth's water supply is sweet water, of which only a fraction can be used as drinking water.

The crisis in the water sector is now widely being seen as a result of society's concept of water as a "public good", the provision of which is the state's duty. It has been argued that consequently the true economic value of water is not acknowledged and is replaced by government subsidies, which led to waste and environmentally damaging use (see inter alia the Dublin Agreement 1992). Therefore, water should be defined as a public good – making it accessible costs money and covering theses costs is not necessarily a government obligation, but rather the responsibility of the consumer.

This view has far-reaching implications. A public good thus becomes private possession, the water price becomes a market price which fluctuates according to supply and demand and the state's obligation to ensure the welfare of its citizens turns into a "water market". Instead of federal bureaucracy now the "invisible hand" of the market, which is led not only by supply and demand but also by profit interests, is to ensure a comprehensive supply and careful handling of this scarce resource.

Non-government and civil organizations from developing and from industrial countries oppose this kind of politics and demand the recognition of access to water as a basic human right. Even if there is presently no systematic evaluation of world-wide experiences with the privatization in the water sector, individual examples illustrate which problems can arise. The example of the Bolivian city of Cochacabamba shows that privatization can drive up the price of water to such an extent that it becomes unaffordable for many consumers. Then there is the worry that private industry could aim for the "cream of the crop" in the water sector and low-

profit areas such as the water supply for thinly populated regions could remain the duty of the state. There are also doubts as to what extent private companies prioritize sustainability and the careful handling of resources. Long-term experience in England, for example, shows that in the interest of short-term profits water losses of up to 60% in the network are accepted by private suppliers, as they are still more profitable than the necessary repair and modernization costs.

Today, world-wide water supply and sewage disposal is generally still in the hand of public utilities. Privatization and Public Private Partnerships tend to be the exception. Currently, less than 10% of the urban water supply is privately owned (well-known examples are Buenos Aires, Manila, Mexico City, Hanoi, Jakarta, Abidjan). The World Bank, the International Monetary Fund (IMF) and bilateral development organizations make new loans for the water sector dependent on states and cities reducing the subsidies for the water sector, introducing tariffs that cover the costs and the participation being opened to private (foreign) companies. In Europe the water supply is either completely or partially privately owned, particularly in England and France.

Because of the enormous capital requirements that are necessary to renovate and modernize the water sector, only large corporations can be considered as investors, if one adheres this type of logic. For a long time, the water market was thought to be one of the most profitable markets of the future and promised enormous profit ranges. It is controlled by 10 multinational companies, of which nine are based in Europe. The two French corporations, Vivendi Universal and Suez, lead the private suppliers providing for more than 100 million consumers, followed by RWE/Thames Water providing for 35 million consumers. It is thus not surprising that the EU is one of the strongest supporters of further privatization. The recently founded European Water Fund is to assist companies in making a decision to invest in the water sector. In the framework of GATS Negotiations (General Agreement on Trade in Services) the EU has demanded that several developing countries liberalize their water sector. On the other hand, because of public resistance, no offers were made to open the European market.

In the meantime, it seems that the privatization strategy that is intended to solve the global water crisis is not working. After initial experiences in developing countries, the big corporations have announced that they intend to reduce their engagement, since high investments do not yield sufficient returns. New concepts for solutions must therefore be discovered. This could present an opportunity for alternative forms of water supply which guarantee economical, ecological and social sustainability.

## A Shared Vision: The EU water policy and European Water Corporate Interests.

#### By Charles Santiago

A shared vision exists between the EU and water corporations. The vision was put together in a series of private meetings and consultations between water corporations and the EC. The shared vision involves the EU developing the ideological, legal and financial infrastructure in realizing – market access in the water sectors of countries, subsidy for water corporations, political pressure on developing nations to liberalize water services as part of GATS undertaking, reclassification of environmental services in the GATS discipline and adopting a pro-privatization or private –public partnership as the efficient form of organizing water resources – in the interests of European water corporations.

The vision is to be packaged and promoted as a sustainable development effort, one that promises a development agenda for the poor. In fact, it is suggested that the GATS regime which ensures predictability for multinationals can play a critical role in realizing the Millennium Development Goal aims in providing the poor access to clean water by 2015.

The EU and European governments organizes support for its water corporations in a variety of ways. The French government was crucial in lobbying for Suez and Vivendi bid for Buenos Aires privatization project. In fact the "The Embassy of France was hyperactive throughout the concession process… Every week it invited [Argentinean] political leaders to lunch attended by French ministers"<sup>1</sup> In addition, The EU development aid is used to subsidies its water corporations. The EU is using the current round of the GATS negotiations to force liberalization of the water sectors of other countries for the purposes of market expansion of its corporations.

The EU and water corporations work together with the WTO to force countries to open their water services to free-market dictates. The International Consortium of Investigative Journalists (ICIJ) reveal that the EC trade officials work with European water companies RWE/Thames, Suez and Vivendi to demand for removing trade barriers with the WTO. In fact, the ICIJ reveals the contents of a 2002 letter from an EU trade official thanking EU water corporations for "their contributions towards negotiations to reduce trade barriers in water and waste water services with a view to opening these markets to European companies"<sup>2</sup>

<sup>&</sup>lt;sup>1</sup> 'Cashing in on Buenos Aires' Privatization', *The Water Barons: how a few powerful companies are privatizing your water* The Center for Public Integrity. Washington DC 2003. p 46.

<sup>&</sup>lt;sup>2</sup> 'Cholera and the Age of the Water Barons' *The Water Barons: How a few powerful companies are privatizing your water.* The International Consortium of Investigative Journalists. The Center for Public Integrity. Public Integrity Books Washington DC. p 9

The European Commission consults water corporations on its problems and concerns in framing its GATS negotiating efforts and strategies. Specifically, the EC attempts to resolve obstacles and problems faced by its water corporations through its GATS efforts, for example in the area of market access<sup>3</sup>. In this way, the EC ensures that barriers to entry in other countries are removed and thus paves the way for European water corporations to expand its market share and profitability in the water sector. Central to the EC's strategy is an effort to ensure that its water corporations concerns and investments rights are permanently protected under GATS discipline, given that its water corporations need to maintain its market leadership in the water sector and GATS undertakings are irreversible. Thus, the EC uses the GATS discipline as the basis of organizing its commercial relationship with other countries in pursuing its water corporation's interests and investment rights.

At present there is no agreed upon definition of what constitutes Environmental Services<sup>4</sup> at the WTO. It is suggested that the existing definition is rather narrow and does not reflect market reality. In the present round, the EC proposed a new classification which includes, *inter-alia*, water for human use and wastewater management, solid waste, and protection of bio-diversity. The proposal marks a significant posturing on the part of the EC in representing the interests of its water corporations. It would bring water distribution services within the GATS rubric. The new classification would open up the drinking water sector to competition, an area that offers enormous business opportunities to European corporations.

The EU as part of the GATS Requests – Offer process has requested opening up of various sectors in 109 countries. The EU is seeking to liberalize water distribution services in 72 countries. It is scandalous, that the EC is targeting the water distribution sector of some of the world's poorest nations, including 14 out of the 41 Least Developed Countries (LDC's)<sup>5</sup>. Essentially, the EU is paving the way for its water corporations to acquire greater market access to countries in the South, further deregulation of services already in private hands but publicly-regulated and lucrative markets in the developed countries. This would involve countries adopting full market access, national treatment and 'more burdensome than necessary' requirements and other GATS rules.

Embracing GATS discipline would mean that countries would come under WTO legal and judicial supervision, an issue that has ramification for autonomous policy

<sup>&</sup>lt;sup>3</sup> "One of the main objectives of the EU in the new round of negotiations is to achieve real and meaningful market access for European services providers ... Therefore we very much appreciate your input in order to sufficiently focus our negotiating efforts in the area of environmental services. Quoted in 'WTO and Water: the EU's Crusade for Corporate Expansion' Corporate Europe Observatory – Water Justice Info Brief 3 March 2003.

<sup>&</sup>lt;sup>4</sup> At present, Environmental Services involves sewage services; refuse disposable services, sanitation and similar services, cleaning of exhaust gases, noise abatement services, nature and landscape protection services. These services draws on the a 1991 document called the W 120 which refers to a UN Central Product Classification..

<sup>&</sup>lt;sup>5</sup> WTO and Water: the EU's Crusade for Corporate Expansion' Corporate Europe Observatory – Water Justice Info Brief 3 March 2003. Corporate Europe Observatory

making and democratic governance in these nations. The universal access to water could be challenged under the GATS regulations. Also regulations on 'restrictions on fee-setting' would violate GATS disciplines. Here, the state will no longer be in a position to determine prices or demand socially responsible pricing systems to cater for the needs of the poor<sup>6</sup>.

The EU requests targets countries in which water distribution is organized on an alternative and participatory model of water management. The Municipal Department of Water and Sanitation Services, (DMAE) in Porto Alegre, Brazil practices participatory management systems where the local community is central to the decision making in areas of pricing, planning and management and local governance participatory budgeting processes. In fact Porto Alegre participatory budgeting processes is a UN cited model in local governance. DMAE is a not for profit company and is financially independent of the municipal government.

The city of Porto Alegre has successfully improved water coverage to 99.5 percent of its citizens and reduced infant mortality to 13.8 deaths per thousand births compared to a national average of 65. The price of water in the city is one of the lowest in Brazil. Furthermore, the cities non revenue water has decreased from 50 percent in 1991 to about 34 percent in 2001. The DMAE is a good example of a municipality undertaking that is organized around transparency, accountability and public participation, a combination that has achieved efficiency and outstanding performance<sup>7</sup>. The achievements of DMAE are far more impressive compared to the accomplishments of privatized water corporations.

Embracing GATS commitments such as market access rules would effectively prohibit stipulating the legal form of operators. The non-profit nature of cooperatives is a specified legal form and would violate GATS Article XVI.2 (e)<sup>8</sup>. GATS disciplines might find the participatory character of the DMAE or the not for profit water supply system in violation of its rules on the basis of a barrier to market access and discrimination against the foreign for- water corporation<sup>9</sup>. For the EU and water corporations GATS serves as an international legal instrument of neo-colonial control, one that is organized to serve the interests of the dominant water corporations.

Imposing GATS discipline in the Brazilian water sector would make no 'development' sense. The DMAE model has been successful in meeting the needs of the people, especially the poor. It is economically viable and in fact, a profitable model worth emulating. The EU's efforts will undermine successful and alternative

<sup>&</sup>lt;sup>6</sup> Ibid

<sup>&</sup>lt;sup>7</sup> 'Water in Porto Alegre, Brazil: accountable, effective, sustainable and democratic' This is joint report of PSIRU, University of Greenwich and by staff of DMAE, and jointly published by DMAE and Public Services International (PSI). 2003.

<sup>&</sup>lt;sup>8</sup> Joy Clare, Hardstaff Peter, (2003) Whose Development Agenda: An analysis of the European Union's GATS requests of developing countries. World Development Report UK. p 24

<sup>&</sup>lt;sup>9</sup> WTO and Water: the EU's Crusade for Corporate Expansion' Corporate Europe Observatory – Water Justice Info Brief 3 March 2003. Corporate Europe Observatory

arrangements in water management. But more importantly, embracing GATS will eliminate non-market based solutions in the area of water distribution<sup>10</sup>. Put differently, once a country accepts GATS disciplines, water resources will have to be organized to make profits and it is irreversible, thus privatization efforts cannot be reversed. Undermining alternative model of water management will contradict the European Parliament's Committee for Development draft resolution on water management in developing countries. The draft resolution stressed the need for the EU to support "innovative, participatory and democratic systems of public water"<sup>11</sup>

By undermining a highly efficient and effective model of water management and wanting to bring the Brazilian water sector under the GATS discipline exposes EU's own agenda. It aims to ensure as much market access and serves the interests of its water corporations. The EU is invariably doing the bidding for Vivendi, Suez and RWE in the global conquest of water resources and water trade<sup>12</sup>. The EU priority was never poverty reduction or development agenda for the poor.

In 2003 the European Union launched a French government sponsored EU Water Fund. The Fund worth 1 billion Euros aimed at providing financing for safe drinking water and adequate sanitation in 77 African, Caribbean and Pacific (ACP) countries. Most of these countries are poor and are former colonies of the European Union member states. Many of the ACP countries are in various stages of planning and implementation of private-public partnerships and the EU Water Fund will provide the necessary financial support. The Fund is to be administered by the IMF and World Bank. The ACP countries will be subjected to Bretton Woods's institutions conditionality and lending policies including de-regulating their water sector and pushed to accept GATS disciplines.

The EU Water Fund appears to be echoing 'the Camdessus Report' which called for public funding and development aid to subsidize private sector investments in water. At the heart of the Report is an initiative to use public money to protect water corporations against risk. The notion of risk is defined as the inability of the poor to pay for increased water rates. Essentially, the Camdessus report proposes a franchising model for global water corporations in order to bolster private enterprise<sup>13</sup>. The Report should be appropriately re-titled as 'Financing for Water Corporations'.

The Group of 8 wealthy nations, the G8 in its annual meeting in Evian, France put forward the Global Water Plan. The Plan stipulates either an independent private

<sup>&</sup>lt;sup>10</sup> Joy Clare, Hardstaff Peter, (2003) p 25

<sup>&</sup>lt;sup>11</sup> 'Update on European Parliament resolution' <u>waterjustice@tni.org</u>. July 15, 2003.

<sup>&</sup>lt;sup>12</sup> Lawrence Summers, a former World Bank economist, Deputy Secretary of Treasury under Clinton indicated "that global trade policy should be to 'lock – in' gains and ensure viable investment opportunities for OECD countries'. Dunkley, Graham in *The Free Trade Adventure: The WTO, the Uruguay Round and Globalism.* Zed Books. London 2000

<sup>&</sup>lt;sup>13</sup> 'Groups will use the Japan Conference to Advocate an Alternate Vision for Resolving Global Water Crisis' The International Network of Citizens Groups oppose Global Water Privatization Plans at upcoming World Water Forum. Press Statement on the 10<sup>th</sup> March 2003.

sector involvement or in partnership with the state in the water sector. The commitment of these two most important grouping to public – private partnership is significant. Collectively, they are the largest development aid donors to the underdeveloped and developing world. Furthermore, they provide the ideological and policy 'signal' for multilateral trade and business institutions to follow its respective economic policies and lending arrangements.

In the view of the neo-liberal multilateral institutions, the EU and the G8 pro – free market polices are efficient methods to resolve poverty and realize the United Nations Millennium Development Goals (MDG). Central to this proposition is to reduce government regulation and intervention in the market place Thus, privatizing water services, health care, education, electricity, and other essential services is perceived as one among the many strategies to reduce the number of people living in poverty by half by the year 2015. But one can't help but wonder, weather despite - the billions spent on poverty reduction and beneath the compassionate sounding promarket policies - lies an agenda for corporate control and profits. In fact, free market centered globalization has brought about a race to the bottom and have caused more uncertainty and poverty in the developing world.

It is time to move away from poverty eradication approaches which have proven to exacerbate poverty and embrace strategies where growth and wealth of nations are equitably shared, as an effective and sustainable solution to resolving poverty. This would require that economic development is organized democratically or democratic economic development be embraced as the cornerstone in which to restructure the economy. Central to the realization of such a process is the political participation of people in ensuring political control over their economic affairs.

#### What now, World Bank? Or: Lessons learned?

More privatization and large-scale projects or the promotion of public companies and decentralized solutions

By Uwe Hoering

The announcement made by the global water corporations Suez/Ondeo, Veolia/Vivendi and Thames Water/RWE concerning their intention to reduce their engagement in Southern countries forces the World Bank to re-evaluate its privatization strategy for the water sector. In its new strategy for the water sector (WRSS) the World Bank concedes: <sup>14</sup>. Other multilateral development banks like the Asian Development Bank (ADB)as well as the EU-Water Initiative<sup>15</sup> and the bilateral development cooperation<sup>16</sup> will be equally challenged. Will this make room for opportunities for non-governmental and civil organizations to influence politics in the water sector?

#### **Private Sector Participation (PSP)**

The investment requirement in the water sector is the central argument with which the World Bank and bilateral development financing institutions such as the German Kreditanstalt für Wiederaufbau (KfW) have promoted private sector participation since the early nineties. The expectation was that transnational public utilities would supply capital and modern management. More market, more competition and the entrepreneurial striving for profit would help remove the chronic problems many public utilities are faced with, such as high water loss and insufficient supply. This was the only way – so the mantra went – to achieve the millennium goals, repeated in Johannesburg, i.e. to cut in half by 2015 the number of people who do not have access to safe drinking water and appropriate sanitary installations.

As a preliminary step, profound institutional and political adjustment processes were implemented to create positive investment conditions for public utilities in developing countries. The wide-spread habit of subsidizing was replaced by the concept of "cost recovery". Private investors are promoted with the help of various risk coverage instruments and by offering low-interests loans for Public-Private Partnerships (PPP).

<sup>&</sup>lt;sup>14</sup> Water Resources Sector Strategy: Strategic Directions for World Bank Engagement, Draft for Discussion of March 25, 2002, p38

<sup>&</sup>lt;sup>15</sup> Long-term development, presented at the WSSD in Johannesburg "Type II-Initiative" intends to make available one billion euros for investments in the water sector.

<sup>&</sup>lt;sup>16</sup> It generally holds true for the entire area of infrastructure: Commercial loans for energy projects are on the decline, the number of privately financed transport projects remains far fewer than expected.

As a result of this, a rapidly growing number of PPP and PSP projects were entered into. They primarily focused on large cities such as Manila, Buenos Aires and Jakarta and on the supply of drinking water, because there the prospect of making a profit seemed best. About half of the large PSP projects in developing countries that came about between 1990 and 1997 were long-term concession contracts.

#### **Expectations not fulfilled**

Since then, experience has shown that these projects contribute much less than expected to the improvement of the drinking water supply for the low-income population and to the increase of the number of sanitary installations. This was recently confirmed by a World Bank Report<sup>17</sup>. According to the report, privatization results in an improvement in some cases, but the problems of public utilities remain: corruption merely acquires a new shape, and accountability towards the public continues to be weakened. Frequently, privatization has a negative effect on the poor, as in many cases prices have increased dramatically.

Despite these increases, corporations had to concede that the expected easy profits in the water sector are not to be made, the main reason being that costs and returns in these areas tend to be diametrically opposed. And so J.F. Talbot, CEO of SAUR International expressly emphasizes that the notion of cost coverage, particularly with regard to low-income groups, is untenable: "<sup>18</sup>

Private investments in many projects remain much smaller than hoped for or even agreed on during negotiations. A current example is Manila, where Suez/Ondeo has invested only 82 million US dollars into more efficient public utilities, in other words only a quarter of the means that were originally promised.

Instead of being supplemented by additional private capital, the investments continue to be financed by public means: by low-interest multi- and bilateral development loans to governments that are then passed on to private implementing agencies.

Thus the politics of privatization create a dichotomy in the water sector: lucrative areas such as the municipal supply of drinking water for high-income groups are transferred to private enterprises, less attractive areas such as squatter settlements, suburbs and rural regions remain in the public sector. This dichotomy corresponds with the dichotomy of public funds for the development of the water sector: on the one hand there is the promotion of the private sector and the minimization of risk for global corporations, and on the other hand there are the alternatives that cannot be privatized, and where increasingly the poor help must become self-reliant to balance the lack of funds of the public sector.

<sup>&</sup>lt;sup>17</sup> Clive Harris, Private Participation in Infrastructure in Developing Countries, World Bank Working Paper No.5, Washington D.C. April 2003

<sup>&</sup>lt;sup>18</sup> Speech at the World Bank in January 2002, www.worldbank.org/wbi/B-SPAN/docs/SAUR.pdf

#### The corporations retreat

The multifaceted political, economic and financial problems, however, with which the involved companies are confronted turned out to be the basic problem for the privatization strategy:

- In many countries (Bolivia, South Africa, Indonesia, the Philippines) there is strong resistance against the water corporations, which, as in Cochabamba, led to the cancellation of contracts.
- The financial crisis in Asia and the economic crisis in Argentina have resulted in grave financial losses, especially for the second ranked of the global players, Suez/Ondeo. Thus the devaluation of the Philippine peso and serious management errors resulted in the cancellation of the contract for what was once one of Manila's most prestigious projects.
- All three market leaders (Suez, Vivendi and RWE) have accumulated large debts as a result of rapid expansions in the past years, which are a burden on the shareholder value; Veolia/Vivendi are up for sale after the collapse of the group.
- But smaller companies have problems, too: AquaMundo, a German company has given up its plans to establish itself in Latin America, SAUR International retreated from Mozambique.

Furthermore, corporate representatives concede that "low hanging fruit", low-risk projects that require little investment, have almost all been "picked".

Some corporations have thus initiated a "consolidation phase". By restructuring, selling sectors which do not belong to the core business, and by concentrating on companies whose profits suffice to make them self-supporting, corporations are trying to reduce their debts and increase their profit.

A central component of this consolidation is the retreat to – supposedly – secure markets such as the U.S., European countries with a low degree of privatization like Germany, the Eastern European accession countries, or China.

#### Box: Fluctuations in currencies – Who carries the risk?

The currency risk was made clear to corporations instantaneously when the boom in speculations came to a sudden halt in 1997 during the Asia Crisis and currencies such as the Philippine peso lost half of their value within no time at all. Thus calculations based on cost and profit became null and void, as stated in Ondeo's subsidiary Maynilad's court case in Manila. Against the fierce resistance of government offices, Maynilad and Bechtel's subsidiary, Manila Water, not only succeeded in being compensated for value losses incurred by higher tariffs, but in ensuring that tariffs would be adjusted regularly after devaluations. This shifts the risk to consumers – who are thus automatically forced to feel the consequences of globalization in the form of higher prices for water.

The corporations see too many risks in developing countries, due also to devaluations (see box) and the inability of consumers to pay. Without considerable state subsidies and low-interest loans, they cannot raise the investments necessary to achieve their millennium goals. Thus they are demanding a stronger engagement by the development banks. They expect that the "key role" (J.F. Talbot) will be played by the World Bank Group, i.e.

- as financer and coordinator of the international financial institutions
- as "policy consultant" for the water sector in developing countries and highindebted countries, and finally
- as partner to the interests of the private sector, not as "counter balance".

#### New doubts

The World Bank has also become more reserved in its prognoses concerning the participation of the private sector in the countries of the South: "We were too optimistic concerning the willingness to invest in these countries", Nemat Safik, Vice President for Infrastructure, concedes, "despite far-reaching reforms, many countries do not find investors".

The experiences with privatization and the decreased interest of water corporations has also left its mark with a number of governments: "Privatization has not resolved the water problems for most of the population", is how Olivio Dutra, responsible for urban planning in ,Lula' da Silva's new Brazilian government, sums it up.

During the Third World Water Forum in Kyoto the proponents of privatization were conspicuously more subdued than they had been at the Second WWF in Den Haag. "as a way to reduce poverty said Richard Aylard, the Director of Thames Water.

#### **Opportunities for the public sector...?**

The most obvious conclusion would be to relinquish the current emphasis on private sector participation and the necessary attractive investment conditions. The funds for development cooperation could be concentrated on public corporations, among other things for the expansion of sewage systems and decentralized low-cost, low-technology alternatives for drinking water supply and sewage disposal in low-income districts or rural regions.

Both options have been neglected by the World Bank and Co. in the last few years. Public utilities were systematically placed at a disadvantage as opposed to PSP options. Whenever reforms of public utilities were promoted in the scope of development cooperation, they usually served as a preparation for privatization, such as in La Paz and El Alto in Peru. An employee of the German Kreditanstalt für Wiederaufbau once referred to this kind of cooperation as the "dressing up of the bride". Attempts to solve supply problems in rural areas only play a marginal role at the World Bank, even though the large majority of people who do not have access to drinking water and sanitary installations lives there. Thus only about five percent of the means of the water portfolio of the World Bank (1903-2003) flowed into rural programs for water supply and the improvement of sanitary installations.

"Pro-Poor Initiatives" and an investigation of successful public companies such as in Sao Paulo, Lilongwe (Malawi), Tegucigalpa (Honduras) or Porto Alegre are signs that the World Bank has concluded that global public utilities will hardly contribute to the achievement of the millennium goals. The draft of the World Development Report 2004, which focuses on public services, emphasizes the importance of participation to solve problems: "People's Participation" instead of "Private Sector Participation"?

#### ... or more of the same medicine?

There have been a number of signs that the World Bank is not relinquishing its privatization strategy and is looking for ways to adapt it to changed conditions and its previous experiences.

Several new strategy papers and action plans which relate either directly or indirectly to the water sector are evidence of this:

- the afore-mentioned *Water Resources Sector Strategy* (WRSS) which was adodpted in February 2003,
- the *Private Sector Development Strategy* (PSDS) from early 2002, which focuses on infrastructure and services,
- the *Action Plan Infrastructure*, which was adopted in July 2003 and explicitly places water as the driving force at the centre of economic growth,
- the *Irrigation and Drainage Business Plan* (IDBP), the strategy for agriculture and food safety.

All papers have two main ideas in common: 1) a broader participation of the private sector in the complete water sector. Thus the Infrastructure action plan is to use "2) a domination of large infrastructure projects<sup>19</sup>. Similar strategy papers and political ideas can be found at the Asian Development Bank, such as their Agricultural Sector Programmes. The German development cooperation regards its PPP-Programs as "ground breaking models" on an international level – despite vast problems and disappointing results<sup>20</sup>.

<sup>&</sup>lt;sup>19</sup> For more details see also: Growing Dangers of Service Apartheid: How the World Bank Group's Private Sector (PSD) Strategy Threatens Infrastructure and Basic Service Provision, www.challengeglobalization.org/html/news\_notices/fall2001/fall01PSIRU.pdf; Patrick McCully, Avoiding Solutions, Worsening Problems, A Critique of "World Bank Water Resources Sector Strategy", 27 May 2002; Kate Bayliss, David Hall, A PSIRU response to the World Bank's "Private Sector Development Strategy: Issues and Options", PSIRU Reports, October 2001

<sup>&</sup>lt;sup>20</sup> see Uwe Hoering, "Entwicklungspartnerschaften - Eine wunderbare Freundschaft?" Weed-Arbeitspapier, Bonn 2003

#### The opening of agriculture

On the one hand the World Bank, by emphasizing the importance of water supply, water management and irrigation, concedes that the root of the problems in the water sector is not primarily scarce resources, but mismanagement of limited resources, capacities and funds. It is equally valid to shift the focus to agriculture as the greatest consumer and waster.

Yet the core here is again a solution strategy which primarily depends on the participation of private companies and prices for water and services that cover the costs. Distribution and use are to be regulated via the introduction of "water markets". As a result, grave consequences can already be seen, including:

- agriculture's further orientation towards export production and cash crops ("high value uses"),
- a "displacement of irrigation into the cities" due to higher buying power in the cities with their increasing demand.

Alternatives such as rainwater harvesting on the other hand, which have been successfully implemented in many countries for a long time, or measures that reduce the consumption of water (demand side management) play a minimal role. Generally, they are not very attractive for the participation of private companies.

#### New dams

In view of the resistance and the negative effects, the World Bank had retreated from participating in financing new dams. Yet in its argumentation it is preparing a turnaround. The World Bank quotes the World Commission on Dams, WCD, and last year's Johannesburg Summit, whose results, recommendations and decisions were partly falsified, in order to support its own position<sup>21</sup>:

- dams bear not only a "high risk" factor but also a "high benefit" factor;
- the need for investments "will presumably force Public Private Partnerships in most developing countries <sup>22</sup>";
- water power is under-used in many countries: in Africa only three percent of the potential is used, as opposed to 70 percent in industrial countries;
- water as an option must be strengthened as a renewable and climate-friendly source of energy and must also be included in the Clean Development Mechanism of the Kyoto Protocol.

The ADB has already gone one step further: A report presented in July recommended the construction of twelve new dams in Burma, Laos and China.

<sup>&</sup>lt;sup>21</sup> Comp. Patrick McCully, Avoiding Solutions, Worsening Problems, A Critique of "World Bank Water Resources Sector Strategy", 27 May, 2002

<sup>&</sup>lt;sup>22</sup> Action Plan Infrastructure, p16

#### New incentives

By broadening existing instruments (guarantees, loans, etc) and by developing new support measures, the World Bank and other developing banks are continuing to lower hurdles for participation by corporations in developing countries and to make the investment conditions more attractive:

- *Facilitating the approach*: Instead of long-term licenses, the objective is to obtain management contracts that are easier to negotiate, don't require capital and don't pose a long-term risk. Developing banks are hoping for a less complicated approach with private providers and later a conversion into participation forms such as leases or licenses.
- Securing the risks: Both the Camdessus Report<sup>23</sup> and the International Finance Corporation (IFC) responsible for financing private enterprises in the World Bank Group, contemplate means by which the World Bank or its subsidiaries could take over currency exchange risks and secure them via the capital market. Moreover, mechanisms such as MIGA, the Multilateral Investment Guarantee Agency in the World Bank Group, continue to be expanded in order to secure political risks or the consequences of wrongful call. Increasingly, take-or-pay contracts are being applied, representing guaranteed sales and profit.
- *Subsidies*: The myth that costs in the water sector can be covered without subsidies has been burst. Presently, the World Bank and Co. are looking for new possibilities for subsidies, which include output-based aid (OBA) through which low-income customers of private licensees are subsidized to counterbalance exaggerated tariff increases. In plain text this means that public funding is rerouted and implemented via the consumer to make private enterprises profitable.
- *The weakening of safeguard policies*: A number of governments and companies - think that the safeguard policies for World Bank projects to prevent harm to people and environment are exaggerated. Thus it does not come as a surprise that the World Bank refuses to include the recommendations of the World Commission on Dams (WCD) which go even further. Instead there is a tendency towards a downward "harmonization" of the regulations on distributing the funds as institutions such as IFC, MIGA, ADB or OECD place lower demands on social or ecological standards (refer also to the box: Weak regulation).

<sup>&</sup>lt;sup>23</sup> Financing Water For All, Report of the World Panel on Financing Water Infrastructure, chaired by Michel Camdessus, March 2003

#### Weak regulation

John Briscoe, the World Bank's expert on water, refers to regulatory agencies as the second component next to the participation of private corporations. They are necessary to define reliable orientation data, such as tariffs, for participating companies. Furthermore they are to prevent corporations from misusing their monopoly and to make sure that contracts and ecological and social standards are adhered to.

Establishment of such agencies, for which the countries in the South depend on international development institutions, often lags behind the increased participation of private companies. Thus the latest UNDP Human Development Report finds:

"(UNDP 2003, 119).

On the other hand J.F.Talbot, CEO of SAUR International, warns of strengthening regulatory bodies too much: " would greatly decrease location attractiveness for many companies. "

• *Fresh money*: Furthermore, the World Bank wants to increase its loans for the water sector in order to balance the decrease in private investments. At the end of January John Briscoe, the World Bank's water expert, announced that the World Bank portfolio's share of water projects will be increased from presently 16 percent (3.2 billion US dollars) to 24 percent within three or four years: "". The loans given to governments often serve to finance PSP projection and relieve the participating water corporations of the necessity to contribute larger investment sums themselves or to borrow in the capital market. Thus a large number of PSP projects are in the pipeline, for example in countries such as Guinea-Bissau, Angola, Nigeria and Mexico.

#### More market, more large-scale projects, more opportunities for profit

After a decade of privatization in the water sector of the countries of the South, international development organizations such as the World Bank are obviously in a double-bind: The criticism voiced by privatization opponents is increasingly being confirmed by the experience gained in Buenos Aires, Manila, Jakarta or Nelspruit, South Africa. In parallel, resistance is growing world-wide, also in the seemingly "safe" markets such as Europe and North America. Secondly, an essential component of the concept is breaking away, because the desired partners, the global public utilities corporations, have not fulfilled the expectations that have been placed in them. This could open new possibilities to demand a stronger consideration of alternatives to privatization that are better suited to solve the problems in the water sector.

Yet instead of rethinking the experiences gathered so far and developing a new orientation, the World Bank and Co. seem to be adapting their strategy to changed conditions and expanding it to additional areas of the water sector such as irrigation agriculture and dams. This is not only beneficial for the multi-utility corporations with their large range of activities in various service areas, but also for the construction sector. Furthermore it gives additional private players access to the infrastructure and supply area.

This would expand the existing division of the water sector into profitable, risk minimized, privately run segments and the much larger area which continues to be operated on a public or self-help basis. The system of public responsibility and obligation to guarantee water for all and to implement comprehensive sustainable management of this crucial resource would be gradually undermined by privatization, which in fact expropriates the possibilities of public institutions to fulfil these obligations.

## Towards Free Basic Water – Experiences from South African Community Struggles

By Liane Greeff

#### 1. Introduction

At the outset I am emphasising that "Free Basic Water is a powerful policy "principle" that can be used to realise the global right to water. We believe this right is fundamental. South Africa as its straddles the north – south divide (both within its borders and globally) has played an extremely important role in piloting this policy. The lessons can be learnt and can be applied throughout the world. It has transformed "free basic water" from being something imaginative to being something that can be implemented.

However, it is not the words of the policy but the impact on the ground that determines whether or not the policy is a success. In South Africa, Free Basic Water is not a yet a success. We hope that it will be and that is what we are working towards. In this paper today I will outline the following:

- Introduction
- Legislative and Policy Framework
- Civil society campaign for Free Basic Water
- Community Experiences
- Summary of Problems experienced to date
- Conclusion

#### 2. Legislative and Policy Framework

The two key documents for the progressive stance of the South African Government towards the right to water and free basic water are the national Constitution and the Reconstruction and Development Programme. Much of the criticisms levied against the government come as a result of their endorsement for neo-liberalism reflected in the Growth, Employment and Redistribution Macro-economic Policy which emphasises cost recovery and the role of the private sector in service delivery.

#### **South African Constitution**

The South Africa Constitution has been lauded as been one of the most progressive in the World. The Constitution explicitly states the following:

"27. (1) Everyone has the right to have access to health care services, including reproductive health care; sufficient food and water; and social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.
(2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights."

The word "access" is problematic as it is interpreted as providing the tap, access itself can be a function of ability to pay. In large areas of the country – predominantly rural – if one cannot pay, then one has no access, which renders the constitutional right meaningless.

#### **Reconstruction and Development Programme (RDP)**

In section 2.6.3, the RDP recognised the Right to water. It stated: "The fundamental principle of our water resources policy is the right to access clean water - water security for all'. The RDP recognised the economic value of water and the environment, and advocates an economically, environmentally and politically sustainable approach to the management of our water resources and the collection, treatment and disposal of waste." It further stipulated a short-term aim to provide every person with adequate facilities for health by providing all households with a clean, safe water supply of 20 - 30 litres per capita per day (lcd) within 200 metres, an adequate/safe sanitation facility per site. In the medium term, the RDP aimed to provide an on-site supply of 50 - 60 lcd of clean water, improved on-site sanitation, and an appropriate household refuse collection system.

#### 3. Civil Society Campaign for Free Basic Water

In 2000 civil society speared headed by SAMWU and RDSN launched a campaign for "Free water for All" calling on the SA Government to honour its RDP promise of 50 litres free basic water per person per day. Minister Kasrils, the Minister of Water Affairs and Forestry responded with the announcement that coincided with the December 2000 elections that as from 1 July 2001 Free Basic Water of 6000 litres per household per month would be introduced and phased in over a period of 2-3 years. For a six-person household, this equals 25 litres per person per day.

This was a major success for Civil Society with perhaps not enough recognition to the Minister for taking such a major step. Criticisms were immediately levied at the amount being insufficient.

#### 4. Community Experiences

This section is really the heart of the talk. Are communities in both rural and urban areas receiving free basic water that is sufficient to live on and how does the free basic water fit into the overall pricing structure of water services for South Africans. These community experiences have been ascertained directly through water bills, from newspaper articles, from members of the SA Water Caucus working on these issues and from visits to rural and urban communities.

The tragedy is the number of old age pensioners living with the true belief that "we will pay until we die" as the amounts of arrears for water bills can never be paid, and these old women will forever live in the shadow of debt and high interest rates. In the context of poverty, unemployment and a high number of Aids orphans, the most reliable source of income in vast rural areas is the old age pensions. Thus old women are carrying the burden of South Africa's dysfunctional system.

#### **Cape Town**

Although the Cape Town Unicity does provide free basic water, there has been a war between the communities of the western cape and the Council over the past three years as the council has implemented an unjust evictions and disconnections strategy for non-payment of water bills. Raining winter months saw whole families being forcibly moved out of their homes and onto the streets. Community protests were abruptly ended with police firing rubber bullets at demonstrators. According to the City Council in just one year from June 2001 to July 2002, there were 12 223 disconnections. Once people are disconnected they have no access to free basic water and have to pay reconnection fees and make arrangements on paying off the arrears.

The response was the formation of the Anti-Eviction Campaign in November 2000, which fights against evictions, water cut-offs, poor health services, and against police brutality, and calls for the scrapping of arrears, free electricity and the development of an indigent policy. It is an umbrella body for 15 community organisations from the poorest parts of Cape Town. For a photographic tour of the people's struggles and police brutality, refer to the web page of the AEC www.antieviction.org.za/

There is currently a moratorium on water cut-offs and evictions in the Western Cape whilst the Council develops their Indigent and Credit Control Policy. They are also busy piloting the "Flow Enabler" which is their way of renaming "flow restrictors" to try and make them sound moral.

Below are included two examples, not reflecting worst cases, but just an average person who lives on the Cape Flats, what their incomes and expenditure are, and where water fits into the equation. Of particular relevance in these examples is the problem of water arrears.

Mr X – 58 years old, unemployed. Forcibly removed from District 6. Eight people live in the house and depend on one person's salary of R1900 per month and one pension of R700 per month.

Water per month R100 – 150 Water arrears R1200 – R350 per month Has been disconnected and had to pay reconnection fee He states that: "People are still suffering – no amnesty for the poor" Including arrears, water costs between 17 and 19% of monthly income. Excluding arrears, water constitutes 4-6%.

**Mrs Y**. Forcibly removed from District 6. 65 years old, her husband has passed on and three people live in the household with no-one working. They live on her pension of R700 per month, and have to pay school fees of R450 per year and transport costs of R43 per week for the school child. Other costs include gas for cooking, which amounts to R70 per month. Water bills average around R51 per month, but she also has to pay R100 for arrears, which is currently R1400. She once received a water bill of R15000 for a water leak and had to pay a plumber R500 to fix it. The council reduced the cost of the leak to R2555, which is equal to 3.5 months pension).

In terms of amount of her pension that goes on these items - water (including arrears) constitutes 21 % (excluding arrears 7%), School and transport to school 29% and gas 10%. This leaves a remainder of R280 (\$38) for all other expenses such as food, health costs etc, which is obviously not remotely sufficient so she will have problems maintaining payments

The Cape Unicity has also recently increased water tariffs as a result of a decision to build a new dam and has introduced tariffs for sewage based on the assumption that 80% of water used goes into the sewage system. It is another cost that was previously borne by the Unicity that is being transferred to the people.

#### **Dolphin Coast**

This is one of the South African examples of water privatisation where a subsidiary of SAUR, one the French Multinationals companies is delivering water to the coast holiday resort of Dolphin Coast. In a bizarre contradiction of the policy of free basic water, the poorest of residents do not receive any water free whatsoever, as even the standing pipe water has to be paid for at a rate of R5.50 per kilolitre. The rich on the hand receive 6 kilolitres of water free per month, and thereafter pay only R4.17 per kilolitre for the next 23 kilolitres. Thus the poor are subsidising the rich.

#### Stutterheim

This is another example of water privatisation, this time run by a subsidiary of Suez. Whilst the policy of free basic water is being implemented, the local authority have structured the pricing strategy so that the costs are recuperated from the next block of 7-20kl which are charged at over R5 per kilolitres. The Council have then implemented a pro-rich water tariff structure so that those who use over 20 kl per

month get charged at only R2.6 per kilolitres. Here again, the poor are subsidising the rich.

#### Pietermaritzburg / Msunduzi Municipality

Here the policy of free basic water only applies to those who use 6 kilolitres of water per month or less. The moment you use more than 6 kilolitres, you become liable to pay for all water. As the amount of 6 kilolitres is insufficient, this renders free basic water completely ineffective.

#### eThekweni Muncipality

Here the houses do receive free basic water and there is a rising block tariff structure, which penalises heavy water users. But when one reads the water bills, there are a number of other charges – particularly arrears that places a heavy burden on households.

The following example of a house in Umlazi where they receive free basic water and "only have to pay for" 4 kilolitres at R4.57 (\$0.6) per kilolitre shows the complexity of water bills and the inability to escape out of debt traps associated with municipal services.

Water charge for 11 kilolitres (including 6 free): R18 (\$2.4) Water fixed charge: R29 Water loss insurance: R1.62 Water arrears R11 025 (\$1470) Interest on arrears: R112 (\$15) Hence the water costs may only amount to R18, the other monthly costs amount to R142 and the arrears remain at R11 025.

#### **Orange Farm – Johannesburg**

Orange Farm is a township of 1.5 million people just South of Johannesburg where a community led Orange Farm Water Crisis Committee has been mobilising against the installation of pre-paid water meters in their Community. The installation of prepaid meters was undertaken by Johannesburg Water, which is a managed in terms of a five-year management contract with Water and Sanitation Services South Africa, a subsidiary of Suez-Lyonnaise des Eaux. People thought that pre-paid meant that the government had already paid for the water and did not understand that it is a way of self-disconnection. If you have no money you have no access to water.

The graffiti on the walls of Orange Farm vocalise the wishes of the people not to have pre-paid water meters and instead calls for "Free Water for All!" and "Break The Meter - Enjoy the Water!"

#### **Free Water in Rural Areas**

Most of the areas discussed above are in the urban areas. However, most of the poorest of South Africa are located in the rural areas where there are vast areas where water infrastructure does not exist and water delivery of any kind is not possible. Additionally, the costs of providing water services is much higher than in urban areas without the high volume of users to cross-subsidise the provision of free basic water.

#### **Sekhukhune District Council**

This is an area that has a population of about 1.5million people. It has been identified as one of the poorest regions of the country with high levels of unemployment – over 65%. The highest proportion of the population is women and children, with few men. Many of the children are orphans. The question is who will pay for their water. The biggest source of income is the old age pension. Here the policy of free basic water is essential but it has not yet been applied. They are busy drafting the indigent policy to indicate who should get the free basic water as they will not be giving it to everybody.

#### Nelspruit

This is the first of South Africa's six privatised water contracts. Although free basic water is implemented and the price per kilolitre is comparable to other towns, Nelspruit Residents are facing exceptionally high tariffs such as R600 and R750 per month. Some of these tariffs can be attributed to water leakages and the lack of effective communication between the Private Company and Residents. People are refusing to pay these bills and the Company Bi-water is seeking to renegotiate the Concession contract, as it is not financially viable.

#### 5. Summary of problems experienced to date

#### Overall water prices for the poor have increased since implementation of FBW

Whilst the amount of 6 kl may have become free, the overall water bill has in many instances increased due to the addition of other service charges such as sewage charges. Alternatively, whilst the first block in the block tariff system may be free the next block/s in the tariff structure are sometimes priced too high so the benefit of FBW is negated and the cost of water is higher than before the implementation of the policy.

People do not understand the complex water bills they receive - especially since many people are illiterate or the water bills are not in the language of the people exacerbate this.

#### The amount is insufficient

The Table below is from the Executive Summary of the World Health Organisation's paper on Domestic Water Quantity, Service Level and Health. To summarise, the WHO states that levels of health concern are very high for amounts of water less than 50litres per person per day. Health risks associated with 20 litres per person per day described as high as basic hygiene difficult to assure.

## Table 1 - Summary of requirement for water service level to promote health(WHO)

Service level	Access measure	Needs met	Level of health concern
No access (quantity collected often below 5 l/c/d)	More than 1000m or 30 minutes total collection time	Consumption cannot be assured Hygiene - not possible (unless practised at source)	Very high
Basic access (average quantity unlikely to exceed 20 l/c/d)	Between 100 and 1000m or 5 to 20 minutes total collection time	Consumption - should be assured Hygiene – handwashing and basic food hygiene possible, laundry/bathing difficult to assure unless carried out at source	High
Intermediate access (average quantity about 50 l/c/d)	Water delivered through 1 tap on- plot or within 100m or 5 minutes total collection time	Consumption assured Hygiene - all basic personal and food hygiene assured; laundry and bathing should also be assured	Low
Optimal access (average quantity 100 l/c/d and above)	Water supplied through multiple taps continuously	Consumption - all needs met Hygiene - all needs should be met	Very low

#### The way it is structured is unjust

Richer people in small households derive greater benefit whilst the poorer segments of the population often have the largest number of people in the households and pay more

#### Ignores the complexities of households and lifestyles

Many of the poor rent backyard rooms to families and the FBW gets split between a number of families.

### Bias towards URBAN areas and neglects RURAL areas where many of the poorest are located

Arrears for water services ensure that "People will pay until they die"

#### No standardised way of implementing FBW – each local authority has translated it in different ways which gives rise to confusion Municipalities are either not providing EBW or

Municipalities are either not providing FBW, or

- Providing a lesser amount than 6000 litres per month
- Providing 6000 litres FBW, but only if the household uses 6000 litres or less. If the household uses more than 6000 litres they become liable to pay for the whole amount
- Providing 6000 litres free, but making the next steps in the tariff very high and thereby recuperating the cost of the FBW

#### Range of punitive measures implemented which are very unpopular

Evictions Cut-offs Flow restrictors Pre-paid water Meters Payment cards for Standpipes

#### Few indigent policies to safeguard the destitute

#### Problem of water leaks

It is the common for the poorest to have the lowest quality infrastructure and therefore the highest incidences of water leaks. The water bill for one month's water leakage could be in the region of \$2000.

#### Lack of meaningful engagement with communities to seek solutions

Instead of seeking solutions in partnership with communities, many of the local authorities and government structures are imposing cost recovery approaches onto communities with little meaningful dialogue. Likewise, communities are protesting these unpopular policies without engaging in dialogue. Thus the debate is becoming increasingly polarised.

### Lack of capacity of local authorities in terms of both financial resources and skilled personnel

Local authorities squeezed between service delivery for the poor and cost recovery. Issues of corruption at the local level are also part of the problem. Whilst National Government has made some funds available for services through the Equitable Share, local government, there are no mechanisms to ensure that the Equitable Share covers he costs of free basic water.

#### Lack of a pro-poor perspective or links with household security

There is an urgent need for decision makers to take their attention away from economic growth and look at how to improve the lives of the poor. Water for productive use for household food and economic security should be a priority for South Africa.

#### 6. Conclusion

Community struggles do tend to occur where there are problems, so these are the experiences that have been highlighted today. Free Basic Water is not the panacea for cost recovery. In developing countries, national subsidies and cross subsidisation from industry and wasteful users do need to cross subsidise water for all, and especially water for the rural poor. Greater participation of civil society in the decision-making processes that affect daily lives to the extent that water does is essential to realise the needs of the poor and to enable Free Basic Water to live up to its promise. This is even more urgent in light of the threats of the WTO that brings us all here to Cancun.

Further Information International Organizations: World Trade Organization (WTO) - GATS pages http://www.wto.org/english/tratop\_e/serv\_e/serv\_e.htm

## **EU Commission, DG Trade** - GATS information and consultation process <a href="http://www.europa.eu.int/comm/trade/services/index\_en.htm">http://www.europa.eu.int/comm/trade/services/index\_en.htm</a>

#### World Bank Group: Water Supply and Sanitation

http://www.worldbank.org/watsan/ World Commission on Dams (archive) http://www.dams.org/ UNDP Dams and Development Project http://www.unep-dams.org/

#### **Civil society information:**

WWF Living Waters Programme	http://www.panda.org/about_wwf/what_we_do/fr eshwater/
World Rivers Review	http://www.irn.org/pubs/wrr/
Citizens' Network on Essential Services (CNES)	http://www.ServicesForAll.org
World Development Movement:	www.wdm.org.uk/campaign/GATS.htm
"Stop the GATS-Attack"-Call:	www.polarisinstitute.org/polaris_project/public_s ervice/gats/english_sign_on.htm
European Rivers Network	http://www.rivernet.org/
International Gender & Trade Network On-line Learning Project: GATS	www.genderandtrade.net/EconoLit/Literacy.html

#### International civil society organizations with a focus on water:

#### **International Rivers Network**

1847 Berkeley Way Berkeley, CA 94703 USA Tel: +1.510.848.1155 Fax: +1.510.848.1008 info@irn.org http://www.irn.org/

#### Focus on the Global South

c/o CUSRI, Chulalongkorn University Bangkok 10330 Thailand Tel.: +66-2-218 7363 Fax: +66-2-255 9976 admin@focusweb.org www.focusweb.org

#### Friends of the Earth Intl. (FoEI)

PO Box 19199, 1000 GD Amsterdam The Netherlands Tel.: +31 20 622 1369. Fax: +31 20 639 2181 www.foei.org/trade/index.html

#### **European Rivers Network**

c/o SOS Loire Vivante, 8 Rue crozatier, 43000 Le Puy France Phone +33 471 02 08 14 www.ern.org

#### **International Gender and Trade Network**

1225 Otis Street, NE Washington, DC 20017 USA Tel: +1-202. 635. 2757 ext. 115 Fax: +1-202. 832. 9494 secretariat@coc.org

www.genderandtrade.net

#### **Polaris Institute**

312 Cooper Street Ottawa ON Canada K2P 0G7 Tel.: +1-613.237.1717 Fax: +1-613.237.3359 polarisinstitute@on.aibn.com www.polarisinstitute.org

#### **Public Services International**

BP 9 F-01211 Ferney-Voltaire Cedex, France Tel: +33 (0)4 50 40 64 64 Fax: +33 (0)4 50 40 73 20 psi@world-psi.org www.world-psi.org

#### **World Development Movement**

25 Beehive Place London SW9 7QR UK Tel.: + 44 (0)207 274 7630 Fax: + 44 (0)207 274 8232 www.wdm.org.uk

#### <u>ww.wum.org.uk</u>

World Conservation Union Rue Mauverney 28 Gland 1196 Switzerland Phone: +41 (22) 999-0000 Fax: +41 (22) 999-0002 mail@iucn.org www.iucn.org

#### **Third World Network**

228 Macalister Road 10400 Penang Malaysia Tel.: +60-4- 2266728 / 2266159 Fax: +60-4-2264505 twn@igc.apc.org

twnet@po.jaring.my