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**Financing water for all: behind the border policy
convergence in water management**

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Summary

This paper tracks shifts in paradigms and practices around water financing historically to demonstrate how behind the border policy convergences have gradually emerged around key issues such as the diminishing role of the state in the provision of water services, shifts in public and private spending on water and an enhanced role for the private sector. It draws on examples from around the world to examine how policy and institutional changes have been systematically created through the influence of multilateral and bilateral donor initiatives and discusses their implications for poor people's access to water. It argues that there is often a gap between idealised notions of regulation and market "efficiency" and the existing legal, administrative, socio-economic and political realities in the "Third World" which can lead to the poor bearing the costs of changes in water financing. A review of specific initiatives around water financing (e.g. the Camdessus Panel) reveals that recent calls for additional financing in the water sector in order to achieve the Millennium Development Goals vary considerably from agency to agency and are deeply political in nature. Moreover, global debates around water financing have been top-down in nature and lack participation from southern governments, civil society and poor people. The paper concludes by making a case for invigorating systems for public financing in order to provide water and sanitation for all.

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1 Introduction

A veritable flurry of global reports and initiatives on water financing came out in 2003. Key examples include the Camdessus Report and the European Union Water Facility (part of the EU Water for Life Initiative).¹ On one level, this should not be surprising given that 2003 was declared the International Year for Freshwater by the United Nations. However, it is striking that an issue which was once the domain of engineers, donor agencies, the UN and community development organisations is now receiving the attention of high-level individuals such as the French president Jacques Chirac, who was the champion of the EU Water Facility at the G8 Summit in Evian in June 2003, and Michel Camdessus, former Managing Director of the International Monetary Fund (IMF). Clearly water has become an arena for international cooperation. But interestingly, much of this cooperation is happening both behind national borders (in the form of policy harmonisation with a view to making a contribution to global challenges) as well as at the international level (in the form of pooled, joint efforts among a range of largely non-state actors). Many of these initiatives are concerned with “financing”² and despite obvious differences (which I turn to shortly), they all highlight the need for additional finance in the water sector, not least in order to achieve universal targets and attain the Millennium Development Goals.³ Furthermore, the case for including non-state actors, largely the private sector, in order to meet some of these targets is also being made. Other similarities include a shift in the role of the state towards an increasing reliance on regulation, and away from direct provision of water-related goods and services.

Parallel to these high-powered initiatives is global action by campaigners who argue that these initiatives represent the efforts of “water barons” or the global “water mafia” who are seeking to carve up the market to profit from water, the new “liquid gold” for investors. They argue that the integrated global water market is not of net benefit to the world’s poorest people.⁴ Rather, that water is a public or quasi public good that needs to remain in public hands.

This paper seeks to analyse some of these debates and track the shifts in paradigms and practices around water financing which have resulted in behind the border policy convergence in water management. It argues that recent discussions around the enhanced role of the private sector in water management should be viewed in the historical context, beginning with the still controversial declaration of water as an economic good in 1992 and the Washington Consensus of the 1990s. The influence of the

¹ The Camdessus Report (referenced here as Winpenny 2003) can be accessed online at: www.worldwatercouncil.org/download/CamdessusReport.pdf. For information on the EU Water Fund see European Commission (2003b) (available at: <http://europa-eu-un.org/article.asp?id=2262>). On the EU Water for Life Initiative, see European Commission (2003a) (available at: http://europa.eu.int/comm/research/water-initiative/index_en.html).

² Financing is here defined as the set of measures that are being taken to channel resources, public and private, to a particular issue. This channeling of resources can be achieved through non-financial measures (e.g. regulation) or financial measures (e.g. taxes, subsidies or various private spending decisions).

³ The Millennium Development Goals (MDGs) are a set of wide-ranging global development goals to be achieved by 2015 which were adopted by the Millennium Assembly of the United Nations in 2000 (see www.un.org/millennium/ and www.developmentgoals.org/).

⁴ See for example, the work of the Corporate Europe Observatory (www.corporateeurope.org/water/infobriefs.htm) or of the Council of Canadians (http://www.canadians.org/browse_categories.htm?COC_token=23@@27b1398dc18f6db2d129c69e9d7&step=2&catid=40&iscat=1).

World Bank and the IMF, and the impacts of their loan conditionalities and structural adjustment programmes, has led to the systematic opening up of policy and institutional spaces in the water sector in many countries across the world. Through an analysis of the actual social and economic impacts of behind the border policy convergences in a range of contexts, the paper charts the shift towards a diminished role for public spending on water. It shows how revenue is raised either through user fees, through partnerships with the private sector or through decentralisation processes, without the necessary financial and institutional capacity to fulfil these new responsibilities. The involvement of the private sector has meant that provision of water to poor social groups has been compromised in many places due to price increases, disconnection and poor regulatory frameworks. The paper demonstrates that there is often a gap between idealised notions of regulation and market “efficiency” and the existing legal, administrative, socio-economic and political realities in the South which can work to the disadvantage of the poor. The paper also argues that recent calls for additional financing in the water sector in order to achieve the MDGs are deeply political in nature and vary considerably depending on the agency making them. In part this has to do with the fact that the “problem” and necessary “solutions” are presented very differently in the several global assessments with different assumptions about costs, technology inputs and even the goals themselves. Largely, the behind the border policy convergence in water management presented in the paper has been top-down in nature and lacks participation from Southern governments, civil society and poor people.

The first section of this paper traces behind the border policy convergences in water management and places it in a historical context. It examines the consensus put forward by the major actors, beginning with the view of water as an economic good which emerged in the early 1990s to more recent calls for an enhanced role of the private sector in water management. It also discusses key actors and processes that have indirectly influenced changes in water financing (such as World Bank and IMF-related conditionalities) and other specific initiatives around water (e.g. the Camdessus Panel).

The paper then goes on to describe how these policy and paradigm shifts have led to changes in public and private spending on water provision and discusses the continuing role of the state in water provision. After presenting case studies of privatisation debates and experiences from around the world, the paper asks whether these policy responses have been effective in encouraging more private investment and tracks what this means for poor people in terms of how much they actually have to pay for water and the provision of water to various population groups. The paper concludes with policy recommendations regarding promoting access to “clean drinking water and sanitation for all”.

2 Behind the border convergences in water management: policy drivers

It is widely agreed that water, a key element for human life, well-being, productivity, human health and poverty reduction, cannot be seen as being infinitely available, but needs to be managed judiciously. Growing concerns about water scarcity and water management problems in some parts of the world have led to water issues assuming centre stage in development and sustainability debates and becoming the

focus of much international donor and NGO action. Recent attention has concentrated largely on the calls to enhance private sector involvement in water management, which reached a peak at the Second World Water Forum in The Hague in 2000. However, this is only the tip of the iceberg for processes that began in the late 1980s and early 1990s. Thus the paper distinguishes between three phases: the first phase (between 1977 and 1992) saw the consolidation of the water decade and the declaration of water as an economic good at the International Conference on Water and the Environment held in Dublin in 1992. The second phase (between the Dublin Declaration and The Hague conference in 2000) witnessed the rise of the neo-liberal agenda both globally and in water management and the rolling back of the state largely through IMF and World Bank-induced conditionalities. The third phase refers to efforts in the new century on the part of supra-national bodies such as the World Water Council (WWC) and the Global Water Partnership (GWP) that are viewed by many as giving a new impetus to private sector involvement.

a) The emergence of the idea of water as an economic good

The UN World Water Conference which took place in Mar del Plata (Argentina) in 1977 began a new era in international cooperation. A declaration adopted at the conference launched the 'International Drinking Water Supply and Sanitation Decade' (IDWSSD) with the slogan 'Water and Sanitation for All'. The first half of the decade highlighted the need to identify low-cost "hardware" solutions rather than high-tech installations and sophisticated engineering feats and an impressive number of hand pumps, low-cost latrines and wells were installed across the developing world. The underlying rationale behind this was the public benefit (largely to public health) that would ensure from improved water supply. However towards the end of the decade, there was a growing acknowledgement of the need also to focus on the so-called "software" issues (e.g. service delivery, institutions, community ownership, etc.) in order to avoid landscapes dotted with broken pipes and defunct hand pumps. Towards the end of the Water Decade, the participating agencies (namely the World Bank, UNDP, UNICEF and the WHO and bilateral funding agencies) convened in New Delhi for the Global Consultation on Safe Water and Sanitation for the 1990s. The New Delhi Consultation led to a new consensus in the water domain (Black 1998: 46): no longer could the basic human need for safe water to drink be regarded as a sufficient criterion for providing an engineered supply (ibid.: 55) and the basic right to water did not justify unlimited public expenditure. The Consultation endorsed that governments 'should do less to provide services, and instead enable other institutions – public and private – to deliver and run them' (ibid.: 46). At this time, water had also moved from being viewed mere as a public health issue. It was linked with wider questions of environmental sustainability and environmental protection. These changes were reflected in the International Conference on Water and the Environment, held in Dublin in the run-up to the Rio Earth Summit in 1992. The Dublin Declaration highlighted four key principles – namely care for the environment, increased participation of non-governmental stakeholders, sensitivity to gender issues, and the increased role of markets.

The Dublin Declaration's Fourth Principle is the most controversial and still constitutes one of the most contentious arguments in the water domain:

Water has an economic value in all its competing uses and should be recognised as an economic good. Within this principle, it is vital to recognise first the basic right of all human beings to have access to clean water and sanitation at an affordable price. Past failure to recognise the economic value of water has led to wasteful and environmentally damaging uses of the resource. Managing water as an economic good is an important way of achieving efficient and equitable use, and of encouraging conservation and protection of water resources.

(International Conference on Water and the Environment 1992)

This new consensus needs to be viewed in the light of several parallel discourses and paradigms of the early 1990s. One, the "sustainable development" agenda, launched after the Brundtland Commission report of 1987,⁵ sought to maximise human benefits from resource use without undue environmental costs and without compromising the needs of future generations and economic growth. The concept of sustainability also legitimised assigning "use" values to resources such as water and air which otherwise were considered to be free. After all, for resources to be "sustainable" it is necessary that their management is cost-effective, bearing in mind both resource constraints and the availability of financial resources.

b) From Dublin to The Hague: neo-liberalism and the role of the international financial institutions

These shifts in paradigms around water provision and management should be viewed in conjunction with the rise of the neo-liberal agenda in the early 1990s, which entailed a shift away from viewing governments as responsible for poor people's needs and problems. Instead, the role of the state was to facilitate and regulate the provision of goods and services without being directly involved. The Washington Consensus of the 1990s thus saw changes in how basic services such as water, health, and education were governed, which included budget cuts, privatisation and deregulation often legitimised through processes of economic liberation and structural adjustment. The World Bank's 1994 *World Development Report* offered justification of these processes and highlighted the need to change incentives through the application of commercial management, competition, and stakeholder involvement.

After the Dublin Conference the World Bank began to play a central role in water and sanitation, and water moved away from being viewed as a common good (however impure) and a public service to a commodity that should be managed according to economic principles (see Mehta 2003 and Finger and Allouche 2002: xiii). A prime reason offered for the increasing privatisation of the water sector is that the

⁵ The Global Commission on Environment and Development, chaired by former Norway Prime Minister Gro Harlem Brundtland (and therefore known as the Brundtland Commission) was appointed by the UN in 1983 and produced the report *Our Common Future* (1987) (also known as the Brundtland Report), in which the broad political concept of "sustainable development" was introduced.

public sector lacks sufficient funds for the massive investments entailed (World Bank 1994). Moreover, the public sector is perceived as too bureaucratic, inefficient and corrupt, and as having failed, despite decades of interventions, to universalise access to water and sanitation. By contrast, the private sector is invoked as efficient, flexible and necessary. According to Ismail Serageldin, Chair of the World Commission on Water for the Twenty-first Century, the handing over of water to a private corporation is one of the best ways to provide good services to the poor at a suitable price (Petrella 2001: 72). With respect to the World Bank, its support for private sector participation in developing countries has been manifest since its publication of the 1994 *World Development Report* and has recently been restated in its controversial 'Water Resources Sector Strategy', which makes a strong case for privatisation:

An important change in World Bank practice in recent years has been supplementing the traditional support for accountable, public sector utilities with support for private sector involvement in the provision of water and sanitation services. Over the past decade the World Bank has increased its funding to a point where about 40 per cent of projects it finances involve some form of private sector participation.

(World Bank 2003b: 19)

There are several behind the border policy measures led by the Bank and the IMF (Grusky 2001; Development Committee 2003) which have also encouraged private sector participation in developing countries. These have been less a reflection of these countries' domestic policy priorities, and more due to World Bank and IMF loan conditionalities and adjustment programmes. While the Bank currently oversees only 86 water and sanitation projects with loans and credits running up to US\$5.3 billion (Grusky 2001: 2), its actual impact is more far-reaching in terms of policy directives, advice for reform of the public sector as well as regulatory and legal frameworks. And the IMF's "seal of approval" enables cash-strapped low-income countries to gain access to external capital once they have complied with the conditions of public sector reform and privatisation. For example, a random survey of 40 IMF loans approved in 2000 included 12 agreements which entailed water privatisation. The large majority of these countries were African, although a few Latin American countries, such as Honduras and Nicaragua, were also represented (ibid.: 2).

Furthermore, since the water sector is highly monopolistic, demands high capital investment and has high risks owing to currency fluctuation, the Bank has played a key role in tackling some of these risk factors. A World Bank agency, the Multilateral Investment Guarantee Agency (MIGA), provides political risk insurance to private investors (ibid.: 3). A key element of this behind the border consensus is premised on the idea that it is difficult to justify increasing overseas development assistance (ODA) and bilateral aid for water supply and sanitation (WSS) in poor countries at the expense of health, primary education, etc. (Development Committee 2003). This is because 'shallow domestic capital markets preclude accessing long-term financing required for the long asset lives that characterise WSS infrastructure' (ibid.: 19). Thus it is argued that accessing long-term finance from international sources for

the water industry requires appropriate instruments to mitigate currency risk (devaluation), policy and regulatory risks (breach of contract, government non-payment). Private sources of funding are deemed to be the only option given the financial institutions such as the World Bank and MIGA provide partial risk and credit cover and their utilisation for investments in water supply and sanitation so far have been very limited. Thus attention is increasingly being paid to managing and mitigating sub-national risks, whether policy, payment or credit risks (ibid.: 19–20).

The Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the transfer of real resources to developing countries) argues that public-private partnerships are key since they succeed in appropriately allocating and managing risks and responsibilities between government and the private sector. Public partners, namely governments, are supposed to insure against political risk and to set clear rules for adjusting tariffs. By contrast the private partner must fully bear performance risks (e.g. construction, operational, commercial) if taxpayers and consumers are to benefit from the partnership (Development Committee 2003: 10). The Development Committee also underscores the fact that aid agencies and donors have an important role to play ‘not on only in financing government programs (...) but also in mitigating some of the political risks that hinder private capital flows. This includes export credit agencies, bilaterals and multilateral agencies.’ (ibid.: 15)

A recent War on Want study reports that aid from the UK Department for International Development (DFID) is sometimes conditional on governments privatising services such as water and electricity and introducing multinationals into the sector (Hall and de la Motte 2004). While since 2001 DFID has played a key role in untying donor aid efforts, some indirect forms of policy conditionality still exist. The growing influence of “budget support” programmes, can on the one hand lead to better coordinated efforts in aid. On the other hand, they can increase conditionalities and the broad power of donors to influence recipient country policies. For example, DFID is one of the biggest donors to Mozambique and a member of the G-11 group of donors. In part it shares the same conditionalities as other members of the G-11 group, including the promotion of water privatisation (ibid.). DFID has also been criticised by civil society activists in Madhya Pradesh, India, for funding consultants from the right-wing think tank, the Adam Smith Institute, to conduct technical seminars on privatisation in India (e.g. Palit 2004).

A final turn-of-the-century behind the border issue is the potential liberalisation of water services under the World Trade Organisation’s General Agreement of Trade in Services (GATS), established on 1 January 1995. Under the auspices of the GATS, member countries are currently negotiating the liberalisation of a wide range of services from education or tourism to rubbish collection and environmental services, which hitherto fell largely under the jurisdiction of the state. Domestic water service delivery is not officially one of the GATS sectors and no country so far has liberalised its domestic water services under the auspices of the GATS (although 42 countries have made commitments to wastewater services as part of their ascension agreements). It is now widely acknowledged that the European Commission (EC) is interested in including water service delivery in the definition of environmental services under GATS and there is a growing coming together of the WTO, IMF and the

World Bank in mainstreaming the role of trade liberalisation in international development, enforced through conditionalities in return for multilateral lending. For example, between 1997 and 2001 at least 36 countries agreed to comply with WTO accession requirements or have committed to accelerate the implementation of WTO rules either as stated commitments in their formal IMF Poverty Reduction Strategy Papers (PRSPs) or as an actual condition of IMF lending (Kwa 2002). While extending the coverage of GATS to water-related services may not necessarily undermine, *de jure*, the ability of member-states to introduce the kind of legislative measures that are necessary to safeguard the interests of the poor, there are a number of reasons to think that, *de facto*, the exercise of policy autonomy might be substantially curtailed. These constraints on the capacity of member-states to protect the poor stem from (a) inherent ambiguities in treaty interpretation; (b) power asymmetries and a lack of transparency in multilateral processes of negotiation, policy review and dispute settlement; and (c) institutional and other deficiencies in the domestic politics of WTO member-states (see Mehta and La Cour Madsen 2003).

c) The imperative for water financing in the new century: liquid gold for investors or enhanced access for the poor?

The processes that began at Mar del Plata in 1977 accelerated in the late 1990s and saw the creation of several supra-national bodies such as the Global Water Partnership and the World Water Council (both founded in 1996) and the World Supply and Sanitation Collaborative Council (founded in 1991).⁶ In the past two years, there have been several calls from these agencies for additional financing for the water sector. The backdrop is the consensus that despite all past efforts, about 1.1 billion people lack access to safe water and almost 2.5 billion people – 40 per cent of the world's population – lack access to adequate sanitation (Neto and Tropp 2000: 227). There is also general agreement on the goals for the water sector, initially set in the UN's Millennium Development Goals (2000) and completed in the World Summit on Sustainable Development (2002): to halve the proportion of people living without sustainable access to safe drinking water and sanitation by 2015. Moreover, it is agreed that total financing commitments from the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) for water supply and sanitation have declined in recent years – from a peak of US\$1.6 billion in 1995–97 to US\$1.0 billion in the 2000–2002 period. IDA allocations have fallen by 50 per cent and from 3 per cent to 2 per cent of IDA commitment (Development Committee 2003: 16). It must be borne in mind, however, that the quality of new projects and performance has increased significantly (Development Committee 2003: 16).

⁶ The Global Water Partnership (GWP), which was established by UNDP, the Swedish International Development Agency (SIDA) and the World Bank works through a network of partnerships (<http://www.gwpforum.org>). The World Water Council (WWC) is a policy think-tank which organises the triannual world water forum and has NGOs, public and private institutions as members (<http://www.worldwatercouncil.org>). There seems to be much fluidity among the key actors in the sector – e.g. René Coulomb, the Vice-President of the French water, energy and waste multinational company Suez, a member of the GWP, is the Vice-President of the WWC; and Jérôme Monod, Director of Suez was a member of the World Commission on Water (International Rivers Network 2003).

However, the ways in which the problems and goals are presented and interpreted and the solutions and the financing required to achieve them vary from agency to agency. For example, the World Water Council sees these goals, which are restricted to the drinking water and sanitation sub-sectors, as milestones toward the goal of full global service coverage and other aspects of global water security and also includes irrigation, industrial effluent, wastewater treatment, water resource and environmental management. By contrast, the Water Supply and Sanitation Collaborative Council (WSSCC) aims at universal coverage for 2025, but focuses on safe drinking water and sanitation.

Further variation occurs because the calculations of the costs to realise these goals are complex and include many variables for which there is no reliable or comparable information among countries. This implies that even the current levels of spending on which future projections are based are uncertain and varying (Miroso 2004). Moreover, the results of the projections themselves depend on the assumptions on factors such as levels of current access, choice of technology and cost per unit (Terry and Calaguas 2003: 10).

As argued by Miroso (2004) there is also confusion regarding what some of the estimates refer to and what they include. This leads sometimes to the use of the same figure by different institutions to refer to different goals (i.e. there are two stated sets of international water goals: (1) halving the proportion of people without access to sanitation and safe drinking water by 2015 (part of the Millennium Development Goals); and (2) achieving full global service coverage, which includes all aspects of water security, by 2025 (see Table 2.1).

Table 2.1. Summary of differing estimates of costs and goals for water provision

Organisation/researcher	Estimates
World Water Council and Global Water Partnership	Additional US\$100–110 billion a year to reach the 2025 goal (US\$16 billion of these additional resources for drinking water and sanitation)
WSSCC	Additional US\$9 billion a year for the 2025 goal for drinking water and sanitation
World Bank	Additional US\$15 billion a year for drinking water and sanitation for the 2015 goal
Averous (cited in Winpenny 2003 and in Guerquin <i>et al.</i> 2003)	US\$49 billion a year for the 2015 goal (incorporates full water and sewerage connections and primary wastewater treatment to the urban populations)

With respect to the 2025 goal, the World Water Council and the Global Water Partnership agree that current annual spending is around US\$70–80 billion, and that the achievement of the 2025 vision will require a figure closer to US\$180 billion. See Tables 2.2 and 2.3 which reproduce the different aggregations of data presented by the World Water Council and the Global Water Partnership respectively (World Commission for Water in the Twenty-first Century 2000: 51; Global Water Partnership 2000: 78).

Table 2.2. Annual investment requirements (US\$ billions)

Water use	2000	2025 Vision
Agriculture	30–35	30
Environment, energy and industry	10–15	75
Water supply and sanitation	30	75
<i>Total</i>	<i>70–80</i>	<i>180</i>

Source: World Commission for Water in the Twenty-first Century (2000).

Table 2.3 Annual investment in water services for developing countries (US\$ billions)

Water use	Today	2002–2025
Drinking water	13	13
Sanitation and hygiene	1	17
Municipal wastewater treatment	14	70
Industrial effluent	7	30
Agriculture	32.5	40
Environmental protection	7.5	10
<i>Total</i>	<i>75</i>	<i>180</i>

Source: Global Water Partnership (2000) and Winpenny (2003).

The figure of US\$180 billion is controversial and has raised much criticism among NGOs and activists (International Rivers Network 2003). It has been interpreted by many to mean that the World Water Council, the Camdessus Report and other big initiatives are focusing on top-down high-tech initiatives and are also seeking to legitimise the role of the private sector and big global water utilities in achieving the UN targets. This is certainly true for the Camdessus Report (Winpenny 2003: 6) which argues that public funding is ‘hostage to the fiscal position of developing countries’ and is ‘at best stationary’. It goes to on say that ‘international aid for water and sanitation has fallen in the last few years – (at US\$3.1 billion a year in 1999–2001, compared with US\$3.5 billion in 1996–98).’ Finally, ‘international private investment and commercial bank lending, never large, have suffered from the general decline in private flows since their peak in 1996–97.’ (Winpenny 2003: 7) It also disagrees with the GWP figure on future needs of funding for drinking water (US\$13 billion a year) which it claims is significantly underestimated (Winpenny 2003: 2). By contrast, DFID and the GWP seem to agree that even current levels of investment would be sufficient to reduce the percentage of people without access to water despite population growth. The Camdessus Report on the other hand highlights that the total world population is expected to double by 2015. In sum, without proper projections of population growth it is difficult to agree how targets will be reached.

An alternative calculation is presented by the Water Supply and Sanitation Collaborative Council (WSSCC) for its slightly different 2025 goal (Doyen no date), which ‘calls for US\$9 billion per year over the period 2000–2025 for incremental external capital costs of basic services (i.e. including neither

investments in trunk urban systems nor users/communities own contributions).’ This estimate can be compared with the previous one if we take into account that it refers only to safe drinking water and sanitation. Therefore, these US\$9 billion per year should be added to the current US\$14 or 15 billion, giving a total approximate figure of US\$24 or 25 billion a year. This is somewhat lower than the US\$30 billion a year that result from adding the US\$13 billion and the US\$17 billion for drinking water and sanitation and hygiene respectively in the World Water Council figures (which is how the numbers are compared in Zedillo *et al.* (2001: 30).

Finally, the UN’s World Water Development Report, without specifying the sources of its data, states that the estimated total funding requirements for the water sector range from US\$111 billion per year to US\$180 billion (UNESCO 2003) and an NGO report (UK Water Network 2003: 7) cites the Global Water Partnership data to argue for the need to double the current US\$14 billion a year invested in safe drinking water and sanitation to US\$30 billion.

Clearly a key issue is the standard and level of service and technology. The Camdessus Report, while agreeing with the WSSCC data in principle in order to achieve the 2015 goal, affirms that ‘providing full water and sewerage connections and primary wastewater treatment to the urban populations would raise the annual cost of the 2015 goal to US\$17 billion for water and US\$32 billion for sanitation and sewerage’ (Winpenny 2003: 3). This total of US\$49 billion a year of additional investment is based on the specific estimates made by Averous which are cited by the World Water Council (Guerquin *et al.* 2003: 83) in a report that affirms that the requirements to reach the 2015 goal would be of €50 billion a year. In sum, each of these estimations defines the goals in different terms. Whereas the WSSCC is concerned with basic standards of water supply and sanitation, Averous incorporates full water and sewerage connections and primary wastewater treatment for urban populations. However, what most of the opinions represented so far do agree on is that there is the need to double current investments and introduce new measures regarding water financing.

Still many open-ended issues emerge as problems or questions. Clearly, the high-cost, capital intensive solutions as promulgated by Camdessus and Averous may not be appropriate and they should be compared with a range of low-cost technologies that may be more suited to the demands that will be placed on them (Terry and Calaguas 2003: 14). The Camdessus Report is silent on issues concerning low-cost technology even though it agrees that decentralisation is desirable because local communities are more likely to make choices which result in the use of appropriate technology. However as we will see in the next section, decentralisation has often gone hand in hand with privatisation initiatives (e.g. in South Africa).

These differences in approach have led to a high-profile attack on the WWC, GWP and Averous. Civil society groups (meeting at the World Social Forum in January 2004 for example) argue that the emerging imperative for additional water financing is the result of collusion between the IFIs and the big water corporations. By describing these processes as the ‘politburo of privatisation’ (Public Services International 2000: 1) or even the ‘world water mafia’ (Institute for Agriculture and Trade Policy 2002: 1), they highlight the key roles played by current and former executives of the most important private water

companies in many of the global organisations (the World Water Council and Global Water Partnership for example), and the support that these receive from international institutions (the World Bank and WTO etc.) and national governments to pursue an agenda of privatisation that benefits these companies.

Furthermore, it is difficult to see how the international private sector can play a key role in the attainment of the MDGs since there are often too many risks in poor countries to attract long-term investments and there are difficulties in recovering costs, let alone making a profit. As the World Bank acknowledges, ‘Overall, we find the [Camdessus] Report to be overly optimistic on the prospects of attracting quantum increases in private sector financing. Domestic capital markets in many of our member countries are limited, and developing them requires reform that goes well beyond the scope of water supply and sanitation’ (Acting Corporate Secretary of the UN 2003: 3).

Finally, there is no doubt that consultation and participation have been totally absent from the high-powered initiatives such as the EU Water Facility and the Camdessus Report. They have taken place without little or no participation of Southern governments or NGOs, let alone the “end users” namely the world’s poorest people. The extent to which they represent the needs and perspectives of poor people, thus, is very questionable.

The discussion so far has traced behind the border convergences in water resource management. Key features include the consensus that water is an economic good, the need for cost recovery, recent calls for additional financing, the need to draw in non-state actors and the changing role of the state towards being more responsible for regulation rather than the provider of goods and services. The next section investigates the actual impacts of this policy convergence by looking at some country-specific impacts of these assumptions and traces their uptake in local contexts.

3 Impacts and practice of policy converge behind the borders: experiences from around the world

What have the policy drivers outlined in the previous section meant in practice? First, seeing water as an economic good and the shift to demand management have generally been interpreted to mean that water must have a price (see Mehta 2003 for a detailed discussion). Free water is considered “wasted water”.⁷ The lack of pricing, or inadequate pricing, are seen as key factors in water-use efficiency. The market is thus evoked as a way to solve water scarcity problems, and there have been efforts to move away from viewing water supply as a social welfare measure which should be free of cost. Instead, there has been a push for cost recovery that is legitimised by citing the high costs that poor people pay for water. It is estimated that in some parts of the world, poor households can pay up to a staggering 25 per cent of their household income on water (Barlow 1999). A survey by WaterAid highlights glaring discrepancies in the amount households pay for water in poor and rich countries. In London, a family of four with two income earners pays about 0.22 per cent of its income to Thames Water. By contrast in Accra, Ghana, a

⁷ Mohamed El-Ashry, Chairman of the Global Environment Facility, see UNEP (2000).

family of six with one income earner pays nearly 22.40 per cent of its income to a neighbour with a water connection (Gutierrez *et al.* 2003: 20). Proponents for water payments use these discrepancies to indicate households' willingness to pay (WTP) for water (see Altaf, Jamal and Whittington 1992; Whittington and Choe 1992). It is estimated that the WTP is between one and ten per cent of total household expenditure, usually about five per cent of total consumption, although this has been challenged by recent studies that speak of linking willingness to pay to ability to pay (Reddy and Vandemoortele 1996; Ghosh and Nigam 1995). For example, in arid, water-limited Rajasthan, Reddy (1999) has shown that WTP is much less than 5 per cent. Usually, WTP proponents treat households as black boxes, ignoring the power dynamics within them, the naturalisation of women's water-related tasks and the low opportunity costs attached to women's time.⁸

A second implication is that the impacts of these behind the border convergences need to be understood within the context of the specific characteristics of the water sector which have clear implications for the way water is managed (Mehta and La Cour Madsen 2003). Firstly, very few elements of the water sector are natural competitive – in other words, the sector is characterised by a high level of natural monopoly (Rees 1998). This obviously limits the efficiency of water markets and typically requires interventions, in the form of a price ceiling, in order to protect consumers from monopoly power abuses (Barr 1998). Secondly, the water sector is characterised by high capital intensity and the presence of sunk costs, which implies that the investments undertaken in the infrastructure needed to provide a service are neither transferable nor redeployed for other purposes (Rees 1998; Ugaz 2001a). This invariably increases the risk attached to investment in the sector.

The above characteristics have often provided a strong justification for the public provision of water services. In most parts of Europe, public provision has traditionally been considered to be the best way of guaranteeing the principle of universalism, based on its ability to pool risk and make use of cross subsidies to provide low-income households, or those who live in high provision cost areas, with affordable services (Finger and Allouche 2002). It is striking that except for France and the UK, water is still under public control in most of Europe and the USA, and even today private utilities only service five per cent of the water market. However, the poor often rely on informal service providers to whom they pay exorbitant fees for their supply. It is difficult to gauge what percentage of the poor are serviced by these informal arrangements, although it is certainly not insignificant. Despite being in public control, developing countries have often failed to universalise access to water services. This is due to various reasons which include inadequate financial resources to undertake the investments needed for adequate provision of these services (World Bank 1994; Ugaz 2001b), mismanagement and poor institutional arrangements.

Access to basic services can be gained either through private contractual arrangements or as entitlements by virtue of citizenship. If 'access to public services is understood as a private contractual right, it is determined by the terms and conditions of the contract between service supplier and consumer' (Krajewski 2002). The defining characteristic of such a contract is the consumer's ability to pay for the

⁸ There are several similar and perhaps more sophisticated debates concerning user fees in primary health and primary education and many lessons can be learned from these two sectors.

service provided by the supplier. In other words, if access to public services such as water is perceived as a contractual right rather than an entitlement or human right, water services are subject to the laws of demand and supply which invariably, due to the nature of markets, would be unable to guarantee equality and affordability of access. By contrast when viewed through a human rights lens, water is a public entitlement, access to which does not depend on one's ability to pay. In 2002 a comment by the United Nations Committee on Social and Economic Rights explicitly recognised the right to water as a human right and stressed its importance in realising other human rights (United Nations Economic and Social Council 2003), echoing earlier calls to view water as a fundamental and basic human right (see Mehta 2003 for a discussion on the right to water). It is important to emphasise that viewing water through a human rights lens does not necessarily mean that water services should be free of charge or state-run. Instead, it implies that states that involve private actors in the provision of basic services are legally obliged to establish effective and flexible regulatory mechanisms that can secure the progressive realisation of the right to water for all people, which in other words means universal access. Clearly then we need to ask the questions: is it possible to achieve universal access through private sector participation? What has been the record of private utilities in meeting social and pro-poor goals? Before I turn to this, it is worth examining what we mean by privatisation and its implications for the water sector.

Privatisation refers to 'the transfer of majority ownership of state-owned companies (SOEs) to the private sector by the sale of ongoing concerns or of assets following liquidation' (Kikeri, Nellis and Shirley 1994: 242). In the water sector this transfer of ownership can take place in a variety of different ways. As Table 3.1 shows, private involvement in the water sector can be organised as: a service contract, a management contract, a lease contract, a build-operate-transfer contract (BOT), a build-operate-own contract (BOO), a concession contract, or a divestiture – with each having different characteristics.

Experience over the last two decades suggests that concession contracts are the most widely adopted privatisation arrangements in the water sector (Nickson 2001b). While open competition among competitors *in* the market is not possible, because of the water sector's status as a natural monopoly, the use of such contracts allow states to create competition *for* the market (contestability). Thus private utilities are seen to allow market-based mechanisms to discipline the companies and assure higher efficiency levels and investments. Of course, such a situation also creates a parallel opportunity for rent-seeking behavior on the part of both local politicians and companies (cf. Petrella 2001; Cecilia Ugaz, personal communication).

Popular notions of privatisation tend to focus on the big global utilities and attention is drawn to their growing importance and expansion. For example, in 1990 there were private operations in drinking water supply in only 12 countries. Today they operate in 56 countries (Carty 2003) and with wastewater services and sanitation, this rises to 100 countries. At present 300 million people get their water from private utilities with foreign involvement (Carty 2003). Interestingly enough, in Canada and the USA only five per cent of the water market is privately owned, and only five per cent of the world market. Until recently water was seen to be an attractive investment. Also known as "blue gold", "liquid gold" or the petroleum of the new century, the global water market was estimated to be worth about US\$500 billion a

year. The water giants are the French utilities Vivendi Environment and Ondeo (owned by Suez), and UK's Thames Water (owned by the German conglomerate RWE). The annual expenditure of these companies is massive. For example, in 2002 the water-related revenue of Vivendi Environment exceeded the Gross Domestic Product of countries such as Côte d'Ivoire or Kenya for the same year.

Table 3.1 Forms of private sector participation in the water sector

Contract type	Service contract	Management contract	Lease	BOT/BOO	Concession contract	Divestiture	Cooperative/ community⁹
Asset ownership	Public	Public	Public	Public and private	Public	Private or public and private	Shared or private or public
Capital investment	Public	Public	Public	Private	Private	Private	Private
Commercial risk	Public	Public	Shared	Private	Private	Private	Private
Operations and maintenance	Public and private	Private	Private	Private	Private	Private	Private
Tariff collection	Public	Public/private	Private	Public	Private	Private	Private
Duration	1–2 years	3–5 years	8–15 years	20–30 years	25–30 years	Indefinite (may be limited by licence)	1 year–indefinite

Source: Adapted from Bakker (2002).

It should be borne in mind, however, that “privatisation” is not merely restricted to huge global water utilities. Private sector operators range from a man with a donkey cart selling water bought from a neighbour's well to the giants such as Vivendi and Suez. Furthermore, should we also include NGO action, community-based initiatives and informal arrangements? There are countless cases of the state handing over responsibility for community water supply to communities and NGOs. A recent DFID report draws on an expanded vision of private sector participation to include NGOs, community-based organisation, private vendors, “artisans” and so on (Franceys 1997). For this reason, I added a column in Table 3.1 to encompass community and cooperative arrangements, although the primary focus of this paper remains formal privatisation initiatives linked to the behind the border convergences discussed in the previous section. Often the polarised state-market debates seem to miss a crucial point: if it is agreed that enhancing poor people's water security is the goal of water technology interventions, then increasing

⁹ I have included community providers/cooperatives as these are often service providers for the poor, for example the famous Orangi project in Karachi, Pakistan (Hasan 2002).

access and addressing equity concerns naturally emerge as high priorities. Thus the critical question is: does privatisation promote a more equitable access to water? The rest of this section reviews the literature and several case studies.

Bayliss (2001) reviews the outcome of water privatisation schemes in three African countries: Cote d'Ivoire, Guinea and Senegal. While the contractual arrangements that govern the involvement of private actors in the three countries' water sectors vary from medium-term lease contracts to long-term concession contracts, the outcome of the privatisation process is similar across all three. Connection rates have increased, sometimes significantly, and clear improvements are documented in core aspects of revenue collection, as a consequence of better tariffs, billing and collection. High prices have, however, made public water supplies unaffordable for many of the poorest sectors of society, which have been hit by widespread disconnections because of inability to pay. Moreover, it is highly unlikely that the poorest of the poor have benefited from the expansion of network connections, which has taken place in all three countries. As Rivera (1996) argues, experience shows that the poorest sections of a concession area tend to remain outside the extension perimeter of the privatised services because they are generally perceived by private operators to be a high-risk, low-return area. As such, it remains unclear whether and how available privatisation models can be applied in rural areas where people make and sustain livelihoods in a diverse and holistic manner and where reliance on the state, donor agencies and NGOs is also greater (Mehta 2003).

The outcome of the 1993 privatisation of water and sanitation services in greater Buenos Aires in Argentina is similar to that of Guinea, Senegal and Cote d'Ivoire. While marked improvements in access to water services took place in the period 1993–1999, where the number of households connected to the water distribution network improved by 30 per cent, the price of water increased by 11 per cent in that same period. While it is difficult to determine to what extent this price increase is a reflection of the real costs involved in service provision, Ugaz (2001b) argues, on the basis of calculations of consumer surplus changes, that welfare losses have been incurred by the privatisation of water services and that these are affecting rich and poor households alike.¹⁰

Price increases that place formal water supplies outside the reach of poor people appear to be a frequent outcome of water privatisation. Within a few years of privatization, prices are often raised beyond agreed levels and people who cannot pay are cut off (Bayliss 2001; Petrella 2001). In the highly controversial and now well-known plan to privatise water services in Cochabamba, Bolivia, prices would have been increased by 35 per cent. So, while it is true, as Nickson (2001a) argues, that “efficiency” in terms of reduced leakages and improved billing and collection is enhanced in many cases by the involvement of private sector actors, experience shows that water privatisation is not always poor-friendly. It is also common for government officials to increase the prices before privatisation so that the public can be led to believe that the private sector is more “efficient”. There were five price increases just before

¹⁰ See Ugaz (2001b: 20) for an explanation of the methodology applied.

privatisation of water in Buenos Aires in 1993. That this is often dictated by the World Bank is clearly evident from the following quote taken from a document written just before privatisation of water services in Niger:

The Government has accordingly accepted the principle of gradually adjusting water tariffs over the next few years so that the sub-sector can achieve financial balance by the year 2006. The first tariff increase occurred in February 2000, far before the private operator is appointed so as to avoid the population perceiving the reform as the cause of the tariff increase. The Government has also committed to revising the urban water tariff structure taking account of demand, new social and economic realities and the population's willingness and capacity to pay.

(World Bank 2000: 6)

And what about the effect on welfare when one considers questions related to access and affordability of water services? The literature reviewed suggests that the involvement of the private sector (especially large utility companies) can compromise the welfare of the poor. Changes introduced by the private sector are more likely to be in the interest of profit rather than social development since there is an inherent conflict between many actors in capital markets (who are looking for quick returns) and the need for long-term investment to improve water services in developing countries. As Donnelly (1999: 628) says: 'markets are social institutions designed to produce efficiency'. At times, though, markets can mean that social and economic rights are compromised since markets 'can systematically deprive some individuals in order to achieve the collective benefits of efficiency' (ibid.: 628). The consequences of structural adjustment programmes are a good example of how the social and economic rights of poor people have suffered as a result of market-led growth strategies. While structural adjustment may have led to increased efficiency, it has also had high social costs (Social Watch 2003). Similarly, regulation that merely focuses on efficiency and growth may not necessarily be committed to ensuring access to basic services or protecting access to services that prior to privatisation had reached out to the poorest (Minogue 2003; Cook and Minogue 2003).

The behind the border convergences outlined above have also led to the opening up and reform of legal, regulatory and institutional structures of water rights and licences. An obvious example is Chile whose water markets have been praised by the World Bank as a success story for free markets in water use and management (Hearne and Easter 1995). However, researchers feel there is no reason to be overly confident. Bauer (1997) argues that establishing markets in water is harder than it may seem, given that markets are not simple, automatic or self-maintaining mechanisms. Instead they are dependent on wider legal and institutional frameworks and political, economic and geographic conditions. In Chile the water code separated water rights from land ownership, reflecting an ignorance of prevailing tenure systems by which land and water rights are inextricably linked. However, overlapping tenure and legal arrangements coupled with the country's geography and cultural and psychosocial factors led to limited success in water trading systems. Moreover, price regulation did not take place and poor peasant farmers have been made

much worse off since the introduction of the water code. The Chilean model also led to the privatisation of water resources across the country. The water law reformed in 1980 resulted in 70 per cent of Chile's water resources being owned by companies, big land owners and speculators (Transnational Institute 2003).

Domestically, as well as internationally, the liberalisation of public services makes the use of cross-subsidies, as a means to secure universal access to affordable services, difficult since firms may not want to compromise on the goal of profit maximisation. As the World Bank admits '... it is no longer possible for firms to make extra-normal profits in certain market segments' (World Bank 2001: 80). Moreover, privatisation by concession typically results in the creation of a private monopoly and opens up possibilities for abuse of monopoly power, to the detriment of all consumers.¹¹ Therefore it is essential that prior to privatization countries have strong regulatory bodies in place that can subject commercial providers to tariff regulations, quality standards, and other performance requirements that are renegotiable in order to allow for adjustment to changing economic circumstances (Ugaz 2001b; Rees 1998). Still, in practice apparently neat public administration accountability checks in the form of regulators rarely function in a satisfactory manner. For example, in Buenos Aires, an independent regulatory agency was established to monitor the quality of service, represent consumers and ensure the fair implementation of the contract. However, critics have claimed that it was co-opted or even bribed by the private sector and overlooked crucial elements of the contractual obligations of Aguas Argentinas, the private consortium led by Suez Lyonnaise des Eaux (now Ondeo) (Loftus and McDonald 2001: 16). By contrast, representatives from Aguas Argentinas felt that the regulator was an obstacle to service delivery and it is also claimed that the government did not respect decisions made by the regulator, especially if they threatened corporate interests. This resulted in a weak regulator that was not consulted when the contract was rewritten (Loftus and McDonald 2001: 16).

Even an apparently pro-poor concession agreement and the establishment of a legislative and regulatory framework was not sufficient to guarantee universal and affordable water and sanitation services for all sections of the population when water services were privatised in the Bolivian cities of La Paz and El Alto in 1997. As Carrasco (2002) argues, Bolivia's Law on Water Supply and Sanitation and the establishing of the Superintendencia de Saneamiento Básico (Superintendent for Basic Sanitation) as an independent regulatory body constitute key steps in the right direction but so far they have been unsuccessful in terms of extending improvements in access to water and sewerage services to the poorest sectors of the population. While Suez honoured its commitment to extend coverage to the poorest neighborhoods, the largely migrant populations of El Alto did not consume vast amounts of water since they were accustomed to Andean peasant lifestyle. While this was good for conservation, it was bad for the return on Suez's investments. After it appeared to raise its rates (which were pegged to the dollar) following devaluation, problems arose with the contract and residents began to complain (Finnegan 2002).

¹¹ Competitive bidding for the contract is, however, believed to secure efficiency gains.

Thus even seemingly positive institutions and regulatory frameworks may not necessarily work in the interests of the poor, but may be captured by powerful interests or end up being too weak to resist them.

This section has looked at the specific impacts of the behind the border convergence, for example, the principles of cost recovery, changes in tenure and legal frameworks, and the state rolling back to playing the role of regulator of rather than provider of water-related goods and service. These impacts were analysed against the background of the specific characteristics of the water sector. I now go onto to review specific country examples, namely Brazil, Ghana, India, Niger, South Africa and the USA, to examine whether there is a similar pattern in how behind the border convergence in water management takes root in different countries. Wherever possible, given the available data, the case studies examine (a) the type of reform that accompanied the implementation of the policy convergence (e.g. decentralisation/ legal reform); (b) the drivers of the policy convergence (e.g. multilateral institutions); (c) whether the country had the scope to exercise autonomy; (d) the socio-economic impacts (e.g. tariff increase); and (e) whether pro-poor provisions were also introduced.

Ghana

With the backing of the World Bank, Ghana began to explore the privatisation of water resources in 1998 (Amenga-Etego 2003). This process was carried out with no broad-based public discussion of alternatives to privatisation and with a marked lack of transparency in decision-making processes (Integrated Social Development Centre and Globalisation Challenge Initiative 2001). The key driver of the privatisation process was the World Bank whose 2000 Country Assistance Strategy (CAS) for Ghana proposed loan commitments ranging between US\$285 million and US\$640 million, with the explicit directive to expand private sector participation in infrastructure (e.g. power, water etc.) if Ghana were to be eligible for the larger loans (*ibid.*: 5). Ghana's interim PRSP in 2000 also included a policy commitment to transfer the urban water system to private sector operators.

Following these processes, the Government of Ghana made plans to lease the operation, maintenance and management of several urban water systems to foreign multinational companies. In the bidding processes, it emerged that two of the five companies interested had annual sales turnovers that were significantly larger than the 1999 GDP of Ghana. In the 2001 privatisation plans it was revealed that privatisation was not going to significantly expand services to areas currently unserved or underserved (*ibid.*: 4). In fact, the proposed tariff increases promised to add up to 8–12 per cent of the monthly incomes of the poor, whereas the better off would spend up to 4.6 per cent of their incomes on water (*ibid.*: 4). This is a significant price increase in a country where 50 per cent of the population earns less than US\$1 a day and about 40 per cent falls below the national poverty line (Amenga-Etego 2004).

Two other processes were also key in introducing privatisation reforms in Ghana. The first is “unbundling” which refers to the ways in which water services in Ghana have been separated into two main bodies. This means that water rates for the poor cannot be reduced by increasing the amount paid by those who are wealthier. Thus the separation of services allows corporations to choose the regions they would service, with the remainder managed by the government (Arhin-Tenkorang *et al.* 2002: 59). The

second was the decentralisation process, also backed by the World Bank, which devolved responsibility for the water and sanitation to the district assemblies. However, as in several South African municipalities (see next case study), local governments were both cash strapped and lacked the capacity to cope with these new functions. This has led some commentators to argue that the move 'shifted some of the government's international debt burden to the impoverished countryside' (Integrated Social Development Centre and Globalisation Challenge Initiative 2001: 7). The example of Ghana thus highlights how key border convergences are implemented in countries due to (a) World Bank conditionalities outlined in the country assistance strategy papers and (b) through processes of unbundling and decentralisation.

South Africa

South Africa is one of the few countries that explicitly recognises the right to water, and its Free Basic Water (FBW) policy goes against the grain of conventional wisdom in the water sector which stresses cost recovery mechanisms. In February 2001 the South African government announced that it was going to provide a basic supply of 6000 litres of safe water per month to all households free of charge (based on an average household size of eight people). This is in line with the Department of Water Affairs and Forestry's (DWAF) overall mission to redress the inequalities of the past and overcome the backlog it inherited in 1994 (of between 12 and 14 million people without access to water) and to create universal access to water across the country (Section 27 of post-apartheid South Africa's 1994 Constitution guarantees citizens access to sufficient food and water). The main source of funding for this initiative is the Equitable Share, a grant from central government to local authorities which amounts to about 3 billion Rand a year, taken from national taxes for the provision of basic services.

While the government of South Africa stands alone internationally in endorsing a constitutional right to water, its policies have also been informed by the behind the border convergences in the water sector as discussed above. For example, several authors have demonstrated the extent to which the World Bank and the International Finance Corporation (IFC) have influenced South African government thinking – away from its Reconstruction and Development Programme (RDP) commitments to infrastructure and service for all based on entitlement and welfare towards a cost-recovery approach which can deprive poor communities of their basic rights to an adequate provision of water (Pauw 2003; Bond 2001). It is now acknowledged that the more welfare-oriented approach of the RDP gradually gave way to both pragmatism and neoliberalism. In 1996, total cost recovery became an official policy of the government when it adopted its fiscally conservative Growth, Employment and Redistribution macro-economic policy (known as GEAR). The central features of the policy are a reduced role for the state, fiscal restraint and the promotion of privatisation. While some proponents of GEAR feel that the two approaches are not mutually exclusive, others argue that several contradictions play themselves out in South Africa's water sector (see Mehta and Ntshona 2004). Alongside the remarkable commitments to providing free water, several World Bank influenced policy changes were introduced (Pauw 2003; Bond 2001). These include the 'credible threat of cutting service' to non-paying consumers which has been linked by some to outbreaks of cholera and other gastrointestinal infections (Pauw 2003; McDonald 2002). From 1997

municipalities began to witness widespread disconnections of basic services to non-payers (Pauw 2003; McDonald 2002). While disconnections took place even during apartheid times (Barry Jackson, personal communication, 23 December 2003), the indignation felt is undoubtedly higher today, not least because of the importance social and economic rights are awarded in South Africa's constitution. Controversies rage around the number of people who have experienced cut-offs: according to the Municipal Services Project, using representative national survey data from the Human Sciences Research Council (HSRC), 10 million people have experienced cut-offs in recent years (McDonald 2002). This figure however is contested and has been refuted by DWAF (Kasrils 2003) and further revised by the HSRC to approximately two per cent of all connected households (equating to over 250,000 people). Despite DWAF admitting such numbers to be a matter of serious concern, McDonald stands by the figure of 10 million and has challenged DWAF and other agencies to research a more accurate figure (*Sunday Independent* 2003). While in urban areas cut-offs have been very controversial, similar mechanisms to monitor water use in rural areas are absent.

As part of GEAR, the South African government also decreased grants and subsidies to local municipalities and city councils. This has forced cash-strapped local authorities to turn towards privatisation or enter into partnerships in order to generate the revenue no longer provided by the national state (McKinley 2003). For example, the Consolidated Municipal Infrastructure Programme received 49 per cent of its budgeted R1.2 billion for capital subsidies in 1998/9. Recurrent subsidies were planned to drop by around ten per cent in real terms from 1.9 per cent to 1.7 per cent of national revenue after interest (Cashdan 2000). Increasingly budgets for the water sector are also being cut off from outside cash injections such as cross subsidies (Pape 2001). While total transfers to local government increased by approximately 295 per cent between 1998/99 and 2003/04 (from R4,188 billion to R12,390 billion) allocations to the water and sanitation operating budget dropped from 14.3 per cent to 8 per cent of transfers (National Treasury 2004: 164). Moreover at the municipal level, income collected for the water sector during the same period more than doubled. The most significant shift in collections occurred post 2001, concurrent with the institution of the FBW policy, with an increase from R5.1 billion to R9.6 billion (National Treasury 2004: 169).¹²

Since local government structures were incapable of dealing with backlogs on their own, they began to privatise public water utilities by entering into service and management "partnerships" with external agencies (which ranged from multinational water corporations to South African firms) or through deploying the services of para-statal water boards that make profits but usually plough them back into infrastructure development (e.g. Rand water). The role of consortia was also key. For example, Suez,

¹² Data from the 2004 Budget Overview (Table 7.7) indicates an increase in government transfers to local government from R4,188 billion (1998/99) to R12,390 billion (2003/04) – $12390/4188 = 295.8$ per cent increase. Similarly from Table 7.7, Water and Sanitation Operating dropped from R599 billion out of R4,188 billion ($599/4188 = 14.3$ per cent of total transfers) for 1998/99, to R1,001 billion out of R12,390 billion ($1001/12390 = 8.1$ per cent of total transfers) for 2003/04. Table 7.10 of the Budget Overview indicates that income collected from the water sector for municipal operating budgets in 1998/99 was R4.2 billion compared with R9.6 billion in 2003/04 ($9.6/4.2 = 229$ per cent increase). The majority of this increase was from 2000/01 where income increased from R5.1 billion to R9.6 billion ($9.6/5.1 = 188$ per cent).

which collaborated with the apartheid government largely in providing water to the white minority, formed Water and Sanitation Services Africa (WSSA). It subsequently won “delegated management” contracts in Queenstown, Fort Beaufort and Stutterheim (all in the Eastern Cape) (Bond, McDonald and Ruiters 2001). A University of Witwatersrand researcher, Greg Ruiters, who researched water privatisation in these three towns, shows that water tariffs increased by up to 300 per cent between 1994 and 1999 (quoted in Pauw 2003). Pauw argues that by 1996, a typical township household was paying up to 30 per cent of its income for water, sewerage and electricity. Average income in the area at the time was less than US\$60 per month, with more than 50 per cent of the population unemployed. Those who could not pay their bills (the majority) were cut off and in Queenstown special debt collectors were appointed and a re-instatement fee introduced that was almost twice the average township income.

Not all partnerships with the private sector were problematic. In Cato-Crest in Durban a successful public-private partnership took place without the intervention of big water utilities. Instead, the public sector introduced a ground tank system and appointed a series of water bailiffs to be in charge of the operation of water tanks (with 200 customers per bailiff). The bailiffs also installed a standpipe in their property from which they could sell water to poor people who were unable to afford the tank system. Water from the standpipe was sold at a price that encouraged the bailiff to promote the use of the tank system rather than the buying of water from him at the standpipe. This system significantly improved the supply of water to the town’s residents (Palmer Development Group 2000).

The South African case is so interesting precisely because it is the only country that explicitly recognises the right to water and its Free Basic Water policy goes against the grain of conventional wisdom in the sector which does not explicitly recognise the right to water. As I have argued elsewhere (Mehta 2004) massive policy and institutional changes, combined with parallel trends towards cost recovery, make this policy difficult to realise, thus emphasising the need to look at how rights go hand in hand with political choices concerning responsibilities and resources. There are also financial constraints and somebody has to pay for the water, even though the first 25 litres are free. Cross-subsidisation, although ideal, rarely works since water usage is not as differentiated as in urban areas. A recent study of two district municipalities in the Eastern Cape (formerly part of the homelands) reveals that monitoring and rationing the quota of free water is very difficult. It can often cost more to install a meter than to provide the water free of charge. The two district municipalities were not able to recover costs from local villages and there was a tough policy trade-off between providing free water for some and basic water for all (Mehta and Ntshona 2004). Therefore, for cash-strapped district municipalities, raising the money to provide water is becoming increasingly difficult (see also Kihato and Schmitz 2002). By contrast, in urban areas cost recovery is more possible though it is often accompanied by controversial cut-offs. The South African case thus demonstrates that despite exercising autonomy with respect to the free basic water policy, South Africa too has been influenced by behind the border policy convergence with mixed and often contradictory outcomes in both rural and urban areas.

India

The experience of India also highlights critical questions around allocation between the centre and states or provinces. As a union of states, constitutional provisions give directives with respect to dividing responsibilities between the centre and individual states. Constitutional provisions fall into three categories: the Union List (List 1), the State List (List II) and the Concurrent List (List III). Water (which includes water supplies, irrigation and canals, drainage and water power) falls under the jurisdiction of Entry 17 under List II (the state list). However this entry is subject to the provision of Entry 56 of List 1 (the union list) which stipulates that the extent to which the regulation and development of water supplies 'falls under the control of the Union is declared by Parliament by law to be expedient in the public interest' (Ministry of Water Resources no date). Similarly, the National Water Policy of 2002 states that, as a precious natural resource, water should be governed by national perspectives. Of course what constitutes national perspective and public interest is always open to interpretation given the coexistence of conflicting perspectives stemming from different actors.

According to Raghav Narsalay (2003) behind the border convergences have taken root in India gradually since 1991. The 'first generation reforms' (Narsalay 2003: 3) began during the initial period of structural adjustment which created spaces for private actors to experiment with ideas around pricing and transferring services from the public to semi-private and private domain. This first generation of reforms was largely restricted to the Union List. By 1993, the 73rd and 74th Amendments of the Indian Constitution allowed for decentralisation reforms, permitting World Bank and other international players to negotiate directly with individual states rather than with the centre. The Bank is now focusing on sector loans in the area of water and the centre has begun to cut its revenue and capital allocations to the social sectors and subsidies and welfare programmes without a reduction in revenue deficits (ibid.: 7). Consequently, centrally sponsored schemes such as water supply, irrigation, etc. have lacked adequate funds. At the same time, multilaterals such as the Asian Development Bank and the World Bank together with the Ministry of Finance, have devised administrative mechanisms which could facilitate state governments directly approaching the IFIs without totally bypassing the centre or having to deal with any objections from it (ibid.: 8). Responses have varied from state to state. For example, Andhra Pradesh implemented a comprehensive structural adjustment programme (SAP) which included reform of the water and irrigation sector. Together with the World Bank, other state governments such as Tamil Nadu (1994), Orissa (1995) and Rajasthan (1999) formulated state water and irrigation policies. These reforms allowed the World Bank to focus large investment packages on a few states that 'were willing to undertake public sector reform' (cited in Narsalay 2003: 9). According to the Bank's CAS, this gave the Bank greater leverage than it had before. Bilaterals such as DFID, the German technical cooperation agency GTZ, USAID and OECF (Japan) have also used these policy spaces to promote public-private partnerships (PPPs) in India (ibid.: 9). For example, DFID has been supporting technical assessments of the "cost effectiveness" of various water schemes on "efficiency" grounds (ibid.: 9). State governments have tended to respond positively to these initiatives on the part of both bilateral and multilateral donors. In part, this has to do with the lack of financial resources, in part with wanting to appear progressive and reform-

friendly and finally as a means for rent-seeking activities which bypass the centre. Thus privatisation initiatives around India at the state level include the privatisation of a stretch of the Sheonath River in what used to be Madhya Pradesh (now Chattisgarh) directly influenced by the advice of Price Waterhouse, and the building of a Coca Cola plant in Kerela which led to severe water shortages in neighbouring villages.

From 2001 India began to allow 100 per cent foreign direct investment (FDI) in urban infrastructure projects including water supply schemes, distribution, billing, sewerage reclamation and reuse and so on (Narsalay 2003: 16). Special incentives such as exemption from customs and excise duties are also provided. The Second National Water Policy of 2002 argues that '[p]rivate sector participation should be encouraged in planning, development and management of water resources projects for diverse uses, wherever feasible ... Depending upon the specific situations, various combinations of private sector participation, in building, owning, operating, leasing and transferring of water resources facilities, may be considered' (Ministry of Water Resources 2002: 6).

Thus the case of India shows how the World Bank and other bilaterals have succeeded in getting a few states and the centre to open up a sensitive sector such as water to privatisation. Today while India cannot speak of privatisation to the same extent as Niger or South Africa, a few large cities such as Bangalore, Delhi and Chennai have already contracted out some services and there are lively debates regarding the future of private sector participation in India.¹³

Niger

The case of Niger demonstrates the problems encountered by the state and public sector to meet basic water needs of the population which facilitate the imposition of behind the border convergences in the water domain. It also demonstrates the extreme impact of water privatisation on a country where about 60 per cent of people live below the poverty line. Niger has a population of 11.5 million, 78 per cent of whom live in rural areas and 22 per cent in urban areas (World Bank 2003a). In 1990 water provision coverage was 54 per cent. This has since dropped to 48 per cent in 1996 and to 43.2 per cent in 1999 (FIDH 2002: 7).

The Société Nationale des Eaux (SNE) was created in 1987 to oversee the management and distribution of water of water in urban and semi-urban areas while the Ministère de l'Hydraulique (MdH) was in charge of rural areas. In 2001 the SNE had a deficit of 5 billion francs and even those who opposed the principle of sale of public services and the marketisation of water agreed that some changes were required. Following recommendations of the World Bank, and in exchange of a loan, the government decided to undertake privatisation of the water sector (FIDH 2002).

¹³ Delhi has contracted the multinational Degremont to run its water treatment plant. The municipality recovers less than four per cent of the cost of the water it supplies, but it has to pay Degremont full costs. Raising water tariffs is politically unfeasible and large users escape without having to pay real costs for water (e.g. rich urban dwellers and industrial users, see comment posted on right-to-water@iatp.org, the right to water list service, 25 April 2003).

New private management of water was to take place through the Programme Hydraulique National (PHN), which consists of two parts, one dealing with urban areas under the charge of the Programme Sectoriel Eau (PSE), and the other dealing with water in the countryside managed by the Ministry. PSE's budget until December 2006 is US\$73 million, basically provided through different means by the World Bank. In January 2001, Vivendi (after paying €5 million) was awarded a renewable lease contract worth €150 million to provide water services for the whole country. This was a ten-year renewable contract and the World Bank provided most of a €35 million investment finance package devoted to network rehabilitation and extension (FIDH 2002: 29).

In the urban sector the distribution and management was largely overseen by Société d'Exploitation des Eaux du Niger (SEEN), with capital of 1 billion francs CFA. This was shared by Vivendi Waters (51 per cent), private investors (34 per cent), its workers (10 per cent) and the state (5 per cent). By contrast water infrastructure remained public in the hands of the Société du Patrimoine des Eaux du Niger (SPEN) with a capital of 400 millions francs CFA.¹⁴ SPEN and SEEN are linked by a ten-year contract by which SEEN will exploit the resource provided by the state through SPEN. SPEN rents its installations to SEEN for a fixed (but reviewable) price. Vivendi estimated the cost of distribution of clean water in 190 francs CFA per m³. SPEN receives the difference between these 190 francs and the price paid by the consumer. The quality of water is now the responsibility of SEEN. However, the regulatory authority responsible for the protection of users had still not been created by August 2002, although all the documents were ready. Water quality analyses are not made public and it is too early to evaluate the impact of privatisation on quality (FIDH 2002).

Individual clients have to pay 15,000 francs in advance of future consumption (this amount is returned at the end of the contract). This amount increased by 250 per cent after privatisation (FIDH 2002: 31). Thus privatisation made water less accessible and less affordable to the population. During the first year the increase was 13 per cent for the middle-class households, 5 per cent for the poor households (and on consumption below 15m³ per month), and 11 per cent for the administration and the private sector. At the same time connection fees also doubled, and prices are expected to increase every year (ibid.: 32–3).

The impact of these price increases is hard to predict as there are different estimates. However, the average price increase is said to be between 10 and 19.7 per cent depending on consumption. Trade unions dispute the fact that the poor groups have only encountered a 5.2 per cent increase since they argue that it is impossible for a family to consume less than 15m³ per month (500 litres per day) (ibid.: 37). With privatisation, poor communities cannot afford official sources of safe water and resort to using water from polluted streams and rivers.

¹⁴ The aim is for SPEN to be self-sufficient in its operation, without intervention of the state. The administrators of SPEN are personally responsible (with their assets) for their management. But there is wide criticism of their large salaries (in 2002, the 20 administrators received €184,463, while SPEN's administration costs were €457,347) (FIDH 2002: 30).

According to the Fédération Internationale des Ligues des Droits de l'Homme (FIDH 2002), civil society has mobilised against the price increase. Their perception is that the price increase will serve to pay Niger's debt and that the increase in the price of water is aimed at reimbursing the debt acquired by the state to build water infrastructures. These infrastructures will be put at the disposal of Vivendi, according to the agreement with the state and SPEN. The interest of Vivendi is two-fold: it not only participates in the construction of infrastructure for which it gets paid, but these works are then put at its disposal so it can enlarge its pool of clients and increase its profits (FIDH 2002).

Brazil

Porto Alegre in Brazil is often used as a model to show that public services can work to benefit the poor and that people's mobilisation can result in models that have a positive impact on poor people's lives and livelihoods. The city (population 1.4 million) is one of the best regional capitals in Brazil in terms of its human development index. It has only 13 deaths per thousand births from 0–1 years as opposed to the national average of 65 (Transnational Institute 2003). The city's water and sanitation department (DMAE in Portuguese) runs a financially and administrative autonomous facility without any subsidies from the city or state. In the past decade, US\$140 million have been invested in the water and sanitation system, of which 80 per cent was generated from the tariff. The tariff structure emphasises cross-subsidies and low-income groups have the right to ten cubic meters of water per month (333.3 litres per day) and pay only for four. There are three different rates for different income groups and large consumers such as factories, shopping centres, airports etc. pay a significantly higher rate. As a representative from Porto Alegre at an international seminar recently argued, all the profits (about 20–25 per cent of the annual budget) are ploughed back into new investments, unlike the multi-national water companies who send the profits abroad.

Now 99.5 per cent of the city is supplied with good quality water and 84 per cent of the city receives sewage treatment (the Brazilian average is 9 to 10 per cent) (Transnational Institute 2003). Water-borne diseases are greatly reduced compared with the rest of Brazil. Key factors are the participatory budgeting that over the past 14 years has enabled citizens to prioritise spending on water, and the high representation of civil society members in a deliberative council. Still, it is important to bear in mind that the South-East of Brazil is historically known for its strong associational culture and is also far wealthier than other parts of the country with higher social inequalities (such as the North-East or the *favelas* of the big cities). This might explain why such participatory processes in decision-making around water work and have such good results in Porto Alegre.

However, even in Recife in Brazil's far poorer North-East, the mayor resisted privatisation, created a new utility devoted to water and sanitation and reformed its tariff structure after which external funding was not required. In the past it was cheaper to leave leaks than to call the plumber. Once the tariff structure was changed and leaks minimised, the problem of water scarcity was addressed making new investments unnecessary, and there was enough water for the whole population. The same amount of water production suddenly became enough for the whole population. This was the result of deliberative

processes involving a wide range of stakeholders. Here, too, open discussion helped address several hitherto unsolvable problems. Thus these two Brazilian examples show how opening up decision-making processes can lead to water governance structures that are pro-poor.

USA

In Washington DC intense discussions, options assessments and feasibility studies took place in the mid-1990s and instead of privatising the old and problematic infrastructure, sweeping institutional reforms were implemented and bonds were sold to raise additional funds for the water utility. Washington's water and sewerage remained public as a result and is today cited as a success story of public utilities that can work. Key to this was deploying human, financial and institutional resources and implementing reform (Gutierrez, *et al.* 2003).

4 Analysis

These brief case studies highlight that behind the border convergences around a few recurring themes (namely cost recovery, the state taking on regulatory functions instead of being the direct provider of water-related services and goods, and the new role for the private sector) have gained currency both in middle-income countries with dynamic and progressive water policies (South Africa) and in some of the world's poorest economies (for example Niger). Despite the differences between South Africa, Niger, Ghana and India, policy and institutional spaces were created to facilitate the liberalisation and opening up of a sensitive sector such as water. This went hand in hand with decentralisation (in Ghana, India, South Africa) where financial responsibility was transferred to local government or states and provinces that may lack the capacity and financial resources to deal with these additional responsibilities. Furthermore, as the case of India shows, decentralisation can enable state governments to negotiate directly with donors and the IFIs, instead of mediating through the centre. Regulatory frameworks are key for successful changes in financial arrangements. However the studies also reveal cases where regulator is either totally absent (Niger) or weak (Argentina). The UK took several decades to develop its complex regulatory framework.¹⁵ It has three sets of regulators: economic (the Office of Water Service, OFWAT), environmental (the Environment Agency), and a water quality regulator. They play a key role in balancing questions concerning duties, rights and responsibilities in the social, economic, legal and environmental arenas (Gutierrez *et al.* 2003: 15). Such regulatory frameworks are usually lacking in most developing countries. The case of South Africa shows that having non-state actors such as the private sector or community-based organisations on board does not necessarily reduce the role of the state. Instead, the proliferation of new actors leads to reconfigurations in roles and responsibilities and there is still the need for some manifestation of the state (e.g. local municipalities) to regulate or manage these new institutional

¹⁵ The first major piece of legislation can be traced back to 1945 when the adoption of the Water Act in England and Wales brought together previous water legislation and introduced a waterworks code. Other milestones are the Water Act of 1973 which created ten water authorities, and the Water Act of 1989 through which those authorities were privatised (OFWAT 2002).

configurations. It is not enough merely to devolve power and new challenging mandates such as the free basic water policy to newly created administrative units. Instead, they need to be equipped with the institutional capacity to deal with these new responsibilities. Similarly, the cases demonstrate that behind the border policy convergence is often premised on flawed premises concerning regulatory agencies. While over time Europe and North America have been able to develop independent regulatory agencies, in other developing countries the administrative, political, economic and social realities may not be conducive for agencies to put the interests of the poor ahead of the requirements of economic efficiency and cost recovery (Minogue 2002).

Clearly, a few players emerged as central and behind the border policy convergences have largely taken place in a top-down manner with little or no participation of local communities and civil society. For example, in Ghana, India and Niger, the influence of the World Bank, IMF and other bilateral funders has been key in driving the policy and reform process and public consultation has been rare. South Africa, in part, stands alone in exercising autonomy with respect to endorsing the free basic water policy and the constitutional right to water, but parallel trends to cost recovery have led to contradictory outcomes (e.g. cut-offs and the alleged cholera outbreaks). Where public consultation took place (in Brazil and the USA), privatisation tended to be resisted and public utilities were reformed significantly.

What do the case studies tell us about the socio-economic impact of this policy convergence? Largely, proposed tariff hikes can have high social costs, with the poor bearing the brunt of rising costs (10–20 per cent in Niger, and 8–12 per cent in Ghana). Others include disconnections – be they voluntary or forced – with all their implications for poor people’s health and well-being, in particular for women and children who are largely responsible for water collection. Few examples stand out as positive test cases of privatisation. Even the successes in Chile and Argentina (as portrayed by the World Bank) have been questioned by researchers on social and welfare grounds. The cases of Ghana, India, Niger and South Africa also reveal a gradual shift towards a diminished role for public spending on water. Instead, costs are covered either through user fees or through partnerships with the private sector. Decentralisation processes (as in South Africa) illustrate an enhanced role for local authorities in water provision, although many lack both the financial and the institutional capacity to fulfil these new responsibilities. The introduction of the private sector has meant that provision to social groups can be compromised. For example, “unbundling” processes in Ghana meant that private operators could cherry-pick neighbourhoods where they could be assured of recovering costs, and poor areas and rural localities with backlogs were left to the jurisdiction of cash-strapped municipalities.

Have policy responses been effective in encouraging more investment in the water sector? The EU Water Facility could, in principle, be a good initiative if it supported pro-poor water initiatives and helped

finance public systems and did not merely provide risk insurance for major global utilities.¹⁶ Interestingly enough, the behind the border consensus that additional financing for water supplies must come from the private sector is being challenged today not so much by civil society and by protest movements, but by the private sector itself. In the past year, private companies have begun to retreat from developing countries. For example, Saur has withdrawn from Mozambique and Zimbabwe (Pauw 2003). In January 2003 Suez began to retreat from water operations in developing countries, including a one third reduction in its current investments in developing countries. Instead, Suez along with other companies are concentrating on the sound markets of North America and Europe since investment in developing countries is considered to be too risky and comes with high political costs. The devaluation of the dollar has made profits difficult to come by in Argentina, the Philippines and elsewhere. Clearly, the poor do not constitute a profitable market and money cannot be made from them. This is both because the poor cannot afford to cover the real costs entailed in water provision and because they don't consume enough either to cover costs or make a profit. The retreat of the private sector raises several questions regarding the assumptions, solutions and prognoses of the high-powered panels and initiatives outlined in Section 2. As discussed, the EU water initiative, the World Bank and the Camdessus Panel have made the case for increased financing in the water sector through involvement of the international private sector (see Hall 2003: 2–3) and have also advocated using public money (including aid money) in order to protect big water companies against risk. What the retreat of the private sector means for dominant behind the border convergences and financial estimates needs to be watched carefully over the coming months.

Clearly then, the private sector cannot be relied on to achieve the MDGs, help universalise access to water and bring additional financing. But it would be foolish to call for a simplistic return to public systems as we knew them. This paper has highlighted that public water provisioning often suffers from inadequate financing, poor operation and maintenance and high levels of unaccounted water (as high as 35 to 40 per cent in some parts of India). Moreover, they exclude large numbers of poor people who consequently rely largely on informal service providers who can charge exorbitant rates. What is urgently required is a revitalised and invigorated commitment to re-enhance financing and reform public systems which do not emphasise profits and can instead focus on enhancing poor people's entitlements to water.

A few existing cases of successful public systems and public private partnerships provide useful lessons (for example Cato Crest in South Africa and Porte Alegre and Recife in Brazil). In Cato Crest, the private and public sector cooperated to improve water service delivery. And it appears that when there is genuine public debate about all the options, the choice often tends to be public. In Brazil and Washington, decision-making processes were deliberative instead of top-down and public money was utilised to extend the service and to reform the system and its institutional arrangements, which seem to be key ingredients for successful service delivery systems.

¹⁶ Uschi Eid, Parliamentary State Secretary to the Federal Ministry for Economic Cooperation and Development, from Germany's Green Party suggested at a recent conference that the EU Water Facility should provide insurance against risk to major European water utilities, a statement received with some amazement from the international audience. This was at the conference 'Water: Human Right or Commodity?' organised by Bread for the World and the Heinrich Böll Foundation in March 2004.

What does this tell us about ideal ways to provide water and sanitation “for all”? The activist call for water as a public good to always remain in public hands is perhaps rather simplistic. For one, water is not always a public good. As I have demonstrated elsewhere, water is a very contested resource and consumption, access and control over water is rooted in local power and social relations (Mehta 2003). In everyday contexts water can simultaneously be a free good, an economic good and a social good. Public and private systems often coexist side by side, and rural and urban people make opportunistic choices between different types of water provisioning, dependant on a variety of choices that may not seem entirely rational to outsiders. Similarly, there is no reason in principle why successful water provision cannot take place through private operators. However, while water can be both a commodity and a right in everyday contexts, the behind the border convergences presented in this paper tend to highlight only one conceptualisation of water – namely as an economic good and a commodity. This perspective, however, ignores local dynamics and ambiguities and there is the danger that the price hikes associated with an enhanced role for the private sector can unduly tax the poor instead of the rich. Unfortunately, most of the world’s poor are found in peri-urban areas, slums and rural areas where cross-subsidisation and step tariff systems are difficult to implement, creating the need for either strong state interventions or regulatory frameworks which are often absent. Thus in practice, implementing the dominant behind the border policy convergence could end up having contradictory outcomes for the poor.

5 Conclusion

Publicness is not always perfect and it is not an innate characteristic of water. Instead, publicness is something that needs to be created as a result of socio-political choices around the allocation of financial resources in a society. Even though water is not a perfect public good, I would argue that public systems are desirable since many privatised delivery systems, or even many so-called partnerships, often fail on social and equity grounds as outlined in this paper. As the UN General Comment on the right to water so clearly states, there is a clear human right to sufficient, safe and affordable water and governments are responsible for ensuring the provision of this water, either as a direct provider of water-related services or by regulating non-state service providers. Thus it is desirable that a minimum amount of water to meet basic human needs should be guaranteed by the state, if possible for free as the South African FBW policy illustrates. However as this paper has demonstrated, often the necessary financing and governance structures to guarantee access to safe, sufficient, free or affordable water are lacking.

During the World Social Forum in Mumbai in January 2004, there were at any given time about ten parallel meetings on water issues and several were devoted to financing. Government officials, donors, practitioners, activists, academics and students from across the globe sat around in simple tents amid the sound of protest marches, music and processions and discussed the imperative of water financing and governance and whether alternatives to the private sector exist. These meetings and others taking place around the globe are perhaps signalling the emergence of new behind the border convergences in the water sector, this time emanating from civil society and social movements. Several possibilities exist to

enhance public financing for water supply and sanitation. For example, there is the need to create and provide financial support for public utility partnerships which should work with an NGO counterpart. Brazil and South Africa already have sown the path for South-South cooperation in mutual capacity building of public operators although it is unclear how sustainable it will be. Microfinance facilities and remittances could also be drawn on as a source for public financing. There is an urgent need to learn from the positive example of Porto Alegre, which created the possibility of segregating investment funds of water utilities (there it is 25 per cent) and developing sophisticated and poor-friendly tariff systems. Rand Water in South Africa (a para-statal water board) for example has a water resources fund that invests 10 per cent in rural communities.¹⁷ Pension funds, ethical investments, municipal bonds and loans raised in local markets could also be used to support local water systems that provide effective lifeline support to the poor. High tariffs for infrastructure in rich areas (for example the factories of multinational drinks companies or for swimming pools) could also be introduced.

Water governance is key. Creating institutional mechanisms to reduce non-revenue water and wastage, facilitating conservation and tackling corruption would go a long way towards using existing water supplies more judiciously. Similarly, building the capacity of local government and local municipalities (both in terms of knowledge and finance) to tackle new challenges in water service delivery is vital.

While foreign aid cannot be seen as the panacea, there is a strong case to increase resource transfers from the North to the South to strengthen public systems. The 20/20 Initiative put forward at the 1995 World Summit for Social Development and which aims to achieve universal access to basic social services, proposes taxing the rich and allocating 20 per cent of official development assistance and 20 per cent of developing country budgets to essential services (UNICEF 1994). The Camdessus Report suggests doubling donor spending on water – currently it is about 5 per cent, although the UK at 2 per cent lags behind most G8 countries.

Clearly these measures cannot be effective in the current financial system unless there are some radical changes. The IFIs and bilateral donors must cease to require private investment in public services as a condition of aid. The various organs of the World Bank and IMF that provide guarantees to the private sector could begin to engage in a similar way to overhaul currently problematic public systems.

Another problem is that Poverty Reduction Strategy Papers, the main vehicle through which donor spending is directed currently, rarely focuses on or prioritises water and sanitation issues. National governments could be encouraged to prioritise spending in this area. In cases where they have been prioritised, such as Uganda through efforts of both government and civil society, investments in water and sanitation increased three-fold from 1997/98 to 2000/01 (UK Water Network 2003: 6). Water investment increased from 0.5 per cent of the Government's budget in 1997/98 to 2.4 per cent in 2000/01 and was

¹⁷ Rand Water is an interesting case. While it meters water use and also in some cases cuts people off when payments are not made, its profits are largely reinvested to enhance the infrastructure and service delivery. At the time of publishing this report, I was informed that Rand Water and Recife had dissolved their public utility partnership (Bernhard Hack, personal communication, 8 July 2004).

matched by donor commitments, and as a consequence coverage increased to 52.4 per cent in rural areas in 2000/01. Still Uganda is confronted by a gap, with US\$126 million needed in the next five years in order to achieve Uganda's goal of universal access to water and sanitation by 2015. A submission by UK NGOs to the G8 countries argues that the problem lies in debt relief arrangements (UK Water Network 2003). Despite Uganda complying in an exemplary manner with the HIPC initiative, its debts totalling GB£322 million (about US\$500 million) have not been written off. Falling coffee prices further disadvantage the country and its debt is 219 per cent of its annual export earning – far in excess of the 150 per cent limit set by HIPC (UK Water Network 2003: 6; IMF and International Development Association 2002; Jubilee Research 2002). Thus debt cancellation in return for enhancing public services could go a long way in both reducing poverty and creating the much needed finances required for public systems.

Finally, a mere 1 per cent cut to military budgets would easily match the additional US\$9–15 billion which is estimated by the WSSCC to be needed in order to achieve the MDG on water and sanitation through low-cost technology and locally appropriate solutions. That may seem a lot of money, but one cruise missile deployed in Iraq costs US\$2.5 million, which is what the US government spends on defence every 10–15 days.

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