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Commons or Commodity?

The Future of Water

This article by Marcia Brewster is taken from the proceedings of the EPIIC Symposium at Tufts University in February 2005.

As we move into the International “Water for Life” Decade the debate over whether water is an economic commodity or a social good is at the top of the international agenda.

The privatization of water services is one of the most controversial issues in freshwater management at the international level. At the Third World Water Forum in March 2003, Kyoto, angry protesters stopped major sessions on financing, led by Michel Camdessus, former head of the International Monetary Fund (IMF), and that of the all male CEO Panel, which included the CEOs of sixteen large multinational corporations, including the three major private water suppliers, Vivendi, Suez, and RWE Thames. The protesters made the case that water is a fundamental human right and thus should not be treated as a commodity that can be bought and sold for profit. Speakers from the audience brought up horror stories about private sector interventions in Cochamba, Bolivia; Buenos Aires; Atlanta; Manila; and elsewhere. The perception of this group is that the only privatization option is for a private company to take over the whole water system and raise prices to consumers. In fact, the word privatization is a misnomer. The involvement of the private sector in water resource management can range from total divestiture of the resources (as in the UK under Prime Minister Thatcher) to outsourcing billing and administrative tasks to private contractors. In developing countries, it is often small-scale private providers who operate and maintain facilities at the local level.

Water is essential for all aspects of human life, and is fundamental to the existence and health of our planet’s ecosystems. For the world’s poorest, access to clean and affordable water is a prerequisite to basic health and to daily productivity. Yet over one billion people lack access to clean water and over two million people die each year in developing countries from

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preventable diseases linked to the lack of clean drinking water and sanitation. Furthermore, across civilizations and cultures, water has held, and continues to hold, a profound symbolic and spiritual significance, ranging from the role of Balinese water temples in the complex rice irrigation systems, to the holy significance of water in the Ganges River in Indian cosmology. Yet, whether water is acknowledged as a basic human right remains the subject of impassioned international debate.

The 1948 Declaration of Human Rights does not specifically include water as a human right. Like air, water was considered so fundamental that its explicit inclusion was not deemed necessary. In November 2002, The United Nations Committee on Economic, Social and Cultural Rights in its General Comment No. 15 stated that access to adequate amounts of clean water for personal and domestic use is a fundamental human right. The Committee also stressed the role of states in providing sufficient, affordable, physically accessible, and safe water. While this decision was not legally binding, it does carry the weight and influence of a “soft law.” Furthermore, it represented a shift in the international arena, from the 1990s view of water as an economic commodity, to a new understanding that water should also be treated as a social and cultural good.

It is striking that except for the United Kingdom and France, most of Europe and the United States still have mainly public provision of water services, and that only 7 percent of the global water market is serviced by private companies. In many cases, however, governments and public utilities in developing countries are unable to provide adequate water and sanitation services for all and thus fail to meet the basic needs of society. State failure occurs for a number of reasons, from mismanagement, corruption, and a lack of institutional capacity, to inadequate financial resources needed for the water sector investments. Where failure of publicly owned water services has occurred, privatization is often promoted as the appropriate solution based on the assumption that “competition promotes efficiency, provides choice, and increases accountability.” Efficient resource management becomes equated with water having a price. The problem is that where public utilities have failed, it is unlikely that the private sector will succeed.

Providing safe drinking water and sanitation to those who lack them requires an additional investment estimated at \$14–30 billion per year above what is now spent in those countries. This is a small fraction of what is being spent on the war in Iraq. In the late 1980s, urged by international lenders, countries around the world began turning to the private sector, both to oversee the operation of existing infrastructure assets and to finance new enterprises. Two birds would be killed with one stone: private financial resources would be tapped, thus reducing the burden on public resources; and the services would be improved and expanded.

Private water management is estimated to be a \$200 billion per year business at present. World Bank projections show that this figure could

reach \$1 trillion a year by 2021. Maude Barlow, who chairs the Council of Canadians, an Ottawa-based citizens' watchdog, believes that the future will witness a move by corporations to "surround and commodify the world's fresh water . . . just as they've divvied up the world's oil." This may be an exaggerated view, but corporate interest is growing rapidly.

Privatization of some water services has taken place on a much larger scale in developing states than in their richer counterparts. In many cases this has led to a reduction in public spending on water and to the state transitioning its role from a service provider to a service regulator. Many acknowledge that much of this shift has occurred because of pressure from the World Bank and the IMF and their loan conditionalities. Landmark struggles against the privatization of water services have been fought, and in a number of cases won, around the world since the step-up of privately led water initiatives in the developing world in the mid-1990s. A case in point is last month's judicial postponement of the bidding for the transfer of Nicaragua's water and sewage delivery company to a private firm for "modernization." The postponement resulted from antiprivatization protests in Nicaragua and an international campaign of letters and calls. Similar struggles exist and continue worldwide.

The growing involvement of the private sector has been accompanied by growing criticism. In Cochamba, Bolivia, water prices hiked up 35 percent after a private consortium took over the city's water system in 1999, resulting in protracted street protests. The contract with the private water supplier was withdrawn less than a year later. The same thing just happened in El Alto, Bolivia. In Colombia and the Philippines, poor people were forced to use contaminated water when services were suspended due to nonpayment. When South Africa tried to adopt private sector approaches, by ending water subsidies in 2000, millions of poor people were forced to use contaminated river and lake water, causing one of the country's biggest cholera outbreaks ever.

Such examples reinforce two common perceptions — that private sector participation benefits a few at the expense of many, and that water flows to those who can afford it. But the specific experience of water privatization varies dramatically across different regions and countries. Often the relative success or failure of the schemes depends on both governance and the regulatory bodies in place prior to privatization. Regulatory frameworks must not solely focus on growth and efficiency, but must also ensure that access to basic services is available to all, and that access that existed prior to privatization is protected. Privatization does not mean that a government could or should simply hand over the management of its water resources to the private sector. Good governance is essential. State involvement in implementing tariff regulations, quality standards, incentives, and the provision of safety nets is fundamental to realizing the right to water for all.

To summarize, the debate at the United Nations is leading to a compromise. Essentially, two key requirements should be ensured by governments:

first, access to adequate amounts of clean water and sanitation as a basic human right; and second, sufficient water to maintain ecosystem integrity. Whether through pricing policies, general taxation, borrowing from banks or international assistance, these minimum requirements must be met. Beyond these needs, it is accepted that the cost recovery principle can be applied to water use, and that users should pay a price for their water. Supply systems will not be sustainable unless there is investment to maintain and expand water services to meet the needs of a growing population. Sustainable cost recovery could include targeted subsidies for the poor and demand management to discourage waste. Increasing block rates, which charge consumers more per unit as their consumption increases, would encourage conservation of the resource. Different rates can be applied for urban and rural consumers, agriculture and industry, all in consultation with major users. Large profits for private companies and denying access to poor people who cannot afford to pay are inappropriate. There has been a general call that water should not be included under the WTO rules and General Agreement on Trade in Services.

Relief agencies, governments, and NGOs worked tirelessly to supply potable water to the millions put at risk after the Asian tsunami swept away wells, contaminated filtration plants, and destroyed miles of pipes. While there has been unprecedented cooperation to provide immediate relief, there is no such agreement on long-term recovery efforts. Largely, this is because the water shortage problem in Asia existed long before the tsunami hit. More than 650 million people in Asia still lack access to safe drinking water.

With governments providing a solid regulatory framework and legal structure, it is still possible to involve the private sector in managing various water and sanitation services in public-private partnerships, drawing on the strengths and addressing the weaknesses of each partner. This means working together with the business community, governments, civil society, and other interested parties. The United Nations is in a position to facilitate that dialogue with all stakeholders on the international level.

It is the generation now in college who will be called upon to make the changes required to avert a world water crisis. To those of you who read these words, following in the spirit of Mahatma Gandhi's wisdom: "Be the change you want to see in the world!"