

People-centered Water Management is Possible!

Seminar on Alternatives to Water Privatisation

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Satoko Kishimoto (Transnational Institute): Welcome everybody! A lot of groups have been involved in preparing this seminar. For all of us, we want to make the seminar participatory so learn as much as possible about our struggles for alternatives to water privatisation. We have had discussions on these alternatives at several international events in 2003. Today we hope to take the next steps such as linking up and building solidarity work, and hopefully concrete joint plans.

The seminar is divided in two parts. To begin with, we will have three speakers on alternatives to privatisation and obstacles for introducing participatory models of public water supply. After that it is time for debate involving hopefully many of you. In the second part we hope to focus on concrete proposals for what can be done to promote alternatives. After that we hope there will be a lot of time left for your interventions.

Jude Esguerra (Water Vigilance Network): Good afternoon. I would like to talk about three contexts within which we are thinking about alternatives in the Philippines. The first context is alternatives after the failed privatization, which is Ondeo's concession in western part of Manila. The second context is people-centered alternatives, even within privatisation. Third part will be about people-centered alternatives even when you have a public company running the show.

First, the context of people-centered alternatives after privatisation. We have a situation where more than 600 million people in the west side of Metro Manila have been experiencing very bad services for the past year. We think this situation cannot go on. Bad service has meant that more than 300 people were affected by cholera a few months ago, in October and November. Very bad services means that here have been zero investments in west side of the Metro Manila since a year ago. Bad service also means in the next two or three years, the private company will be spending a lot of money on lawyers but not on pipes. We also have a situation from December until April where we have water scarcity. When you have water scarcity, the water pressure in the pipes goes down and possibility of an intrusion of dirt in the pipes happens again. In the west side of Manila we have this context and we are thinking this is a right moment for thinking about an alternative. It is essential that we do more work together so that the French company and its Philippino private partner will not be given a second chance. One approach that

has to be pushed is to lobby the creditors including the ADB and the export credit agency, tell them how bad the service has been so they become fearful about throwing more money at this bad business prospects. We believe we can mobilize political consensus in metro Manila about pushing a public alternative. We are now highlighting the dangers of zero investment, low water pressure, overdue repairs and the cholera outbreak that happened in October and can happen again. We have to highlight these threats and also bring in elements of an alternative. The alternative means that you don't just replace the bad private company with the bad public company. So the elements of the alternative we want to propose, we have not finalised but these are the elements that have been discussed: they should be zero connection fees for people would like to a supply of water. They maybe ask to pay for the water but we think that the connection fees of 4000 to 7000 pesos per family is a big barrier to access to water. The alternative should promise this kind of reform. The alternative should also promise that credit worthiness should not be a problem. If you have a private company you have to wait two or three years before the banks finally agree to lend it money. So the second promise for a public sector alternative is that the government can borrow anytime to finance these emergency needs and also the long term needs. The third element of such an alternative will be local accountability for promises to expand service to remoter parts of in Manila. Under the private arrangement, the accountability was left to some regulatory body that no one has ever seen and to a President who gets visit from French embassy officials once in while. So we think the structure of municipality level accountability for pipe expansion should be improved. That is the west side. We don't want to give Maynilad and Ondeo a second chance. We think that would be disaster. There are big threats now and we think that will help us call attention for the alterative. We also think there should have a lot of elements of how a public alternative would be an improvement over the private system.

Then the case of east side of Manila which operated by Bechtel and the Ayala family. This company is not about to be shut down, it is very bankable because the family owns a bank. The problem here is that while the east side company is able to deliver some service, there is a problem in the remoter, peri-urban areas where you have people building their water cooperatives to set up local pipes networks and local water sources. The contract is very hostile to these arrangements. That is something we have to change, even within privatisation. The contract says 'OK, your cooperative may operate but if we think it is time for us to come in, then you have 60 days to leave, without any compensation'. This kind of contract is discouraging people's efforts to help themselves. So within privatisation it is important to amend contracts. If these contracts can not be amended then that would be a different scenario. The company is hostile to these cooperatives because they are eating into its markets and its creditor and banks are worried that if you have more cooperatives setting up own water systems, then there will not be enough people to buy the water that the company will be delivering in the future. There are two scenarios: either the company with agree to an ordinary method of compensation or encouraging those community alternatives within its franchise or the people with or without company's permission will set up the systems and it will undermine the private company financial viability. These are two possible scenarios. It's quite early to say what direction things will be taking.

The third context is about the rest of the Philippines, where you have public companies run on commercial basis that bring the pipes and the water only those up to areas that can repay loans within five years. So in most places outside of Metro Manila, the urban areas, you only have 20-30% of people having piped water connections. We think that is very sad, also because private water companies can do better than that. Manila Water for instance is able to bring its services to urban poor communities by tapping into the willingness to pay of these urban poor communities. We think the public sector something has something to learn from good private practices, at least some aspects of the practices of private companies. So that's one question: how to bring water to poor community don't have 10 years for their settlements, people who don't own land. The public sector is not proactive in that regard. That is one thing that must be solved so that privatisation will not seem an attractive solution. The other problem that public companies should solve is something similar to the second case. The public company is also very jealous of its franchise and if people in those areas that it plans to reach by 2010 would like to set up their own water system next year or in 5 year from now, our experience is that the public company managers are also very hostile, because they bought water pipes that are big enough to extend the water to those areas 10 years from. But people want their water now and are willing to put in their own money now, so this kind of generic problem which you find in a private franchise and in a commercial public franchise, we should try to solve this kind of problem which you find in every country, whether it is public or private. If the public sector is able to offer a solution that maintains the viability of the public company and at the same time encourages community to make their own investments, then privatisation will seem much less attractive.

Finally an element of a generating alternatives to possible privatisations is the scaling up of approaches that are community-centered. By community-centered we mean those arrangements in which people put in their own money because they want water in pipes, long term investments. We think that both the ODA community as well as national legislators should put in policies that will support local governments which provide counterpart of finance for communities that help themselves. So it's several layers: the ODA outfit proposes this modality in which local governments are supported if they help communities and national governments support local governments that support communities. We see a lot of cases where communities help themselves but there are still very few of these. These kind of alternatives need help to prosper. It is a matching funds from ODA and national governments that we think can scale up these beautiful initiatives from communities.

Al-hassan Adam (National Coalition against Privatisation of Water): What I want to do is to just give a scenario of the corrupt public water system, almost corrupt, and what the World Bank and the Ghanaian government want to do with it and the consequences of that process. Ghana Water Company was established by the nationalist government, the first national government we had in the country, back in 1967. This company was running in the name of the public but in the interest of private personnel. Why do I say this? Managers and directors of the Ghana Water Company were not accountable to the public, they were accountable to their pockets and to their parties. So this process did not see any transparency in Ghana Water Company. It continued up to the 1990ies when the

WB and the IMF advised the Ghanaian government to reform the Ghana Water Company. This process of reformation was not made public. So we saw gradual metamorphosis of a public company into a private company. This process was started in 1992 by delinking the rural people from the national water system. In 1992 was the establishment of the community water and sanitation agency. Prior to that we had what was known as Ghana water and sewage corporation that dealt with water and sanitation, urban and rural together. When the process of privatisation was set in 1992, this other unit was created. Somewhere in 1995, Azurix – a subsidiary of Enron - came into the country to buy the Ghana Water Company and to that process a government minister was bribed with 5 million dollars. This became a scandal when a newspaper published it. 1996 was an election year for the ruling government so they decided to immediately drop the case for privatization. By then, de facto, students and workers were the opposition to the government. The opposition parties had scattered and some were not existing. Students and workers were the de facto opposition to the government. Getting to 1997 and 1998, the opposition started gathering momentum. They were very very vocal against privatization. In 1999 one of their leading members of one of the biggest opposition parties did a publication in major newspaper calling against privatization of Ghana Water Company, calling the workers of the Ghana Water Company to stand up against the government. In 2000 the leading position party in the country won the election, but after winning this selection, one of the first things they announced was the privatisation of Ghana Water Company. We said ‘hold on, there might be something wrong. Why are you saying you’re going to privatize the Ghana Water Company when you were against this when you were opposition’. They replied that ‘Now we know better what privatization is, now we know what is the problem. So we have to privatise’. In 2001 we also said ‘OK, if it is the situation, let’s ask the public, whether the public wants to privatize the company’. So in 2001 we had a national stakeholders meeting including the World Bank IMF, the government and everybody who were supposed to be there. In this meeting we realised that the issue of privatization was not popular, not only popular but there was something underneath. Quickly a declaration was made against privatization of Ghana Water Company and out of that came what is now called the National Coalition against Water Privatisation in Ghana.

Why do you think some of us are against privatization? Is it an ideological stand or because we don’t just want to see the faces of private business in our water? No, because of this process I mentioned where the community water and sanitation agency was set up, the process of water privatization in Ghana has meant that the government and the World Bank don’t want to put money into the water system until the private investors take over the company. So for the past decade there was no meaningful investment in the company. The company was running down. The rural people were now delinked from the major water supply and there was a re-insurgence of guinea worm in Ghana, which UNICEF and others have managed to roll back a bit, but still. Because of this process, the rural people were left to take care of their water supply system, under the local authorities who have no budget for themselves, who have rely on the central government for their budgets. So in 2003 Ghana was second on scale of guinea worm infections in the world, second to Sudan. We now why Sudan has cases of these infections, because they are in war and their water systems are broken. How about Ghana, are we in war? No, well yes,

we are in war because the World Bank and the IMF has authorized the government not to put money into water supply, even if people are going to die because of that. That is the situation. The privatization proposal was for a 10-20 year lease to two companies, where the country would be divided into two sections: section A and section B. About four companies, the same companies that roam around the globe, came to Ghana to make a bid. And in this bid, they claim that the private companies and the Ghana government would invest a total of 500 million dollars. The contribution from the private companies is 70 million dollars each, so the contributions of the two private companies who would win the bid would be 140 million dollars. But even this 140 million dollars they don't necessarily have to bring in. They can still come empty-handed and use the loans that Ghana government is going to get from the World Bank as their initial investment capital investment. This is a major problem. This kind of give and take is going on.

Finally, we heard somewhere last year that instead of 70 million dollars they going to put in 30 millions dollars, from the private company. We questioned the government and the government said this information was wrong information. We said we don't have any source to provide but this is what we are hear and if this is true this is very very bad. The dust had not settled on the 30 million dollars and overnight we heard that they are changing the plan of the privatization to a management contract. We asked them what does this management contract mean? What is means is that Ghana government takes full responsibility of investments, whereas Suez, Biwater or Vivendi/Veolia come in and take this money and manage the company - we pay management fees. This is the proposal for a management contract which we are against. We are still fighting against this new proposal. Until they really destroy the coalition they will never be able to make this stupid policy.

We did not stop with just opposing the policies of the government and the private agendas. We are working with some communities to develop alternatives to this whole business of either government bureaucrat management or private management. What we want to see work in practice in Ghana is participatory democracy in the provision of water. We are looking at forming community water boards. In terms of urban areas, we have electoral areas that are known as unit committees. Based on these unit committees, we form water management committees who are responsible for leakages and hiring of plumbers and detection of faults and who are part of the process of setting up tariffs. If you have the consumers participating in the management of the water there is likely to be transparency and democracy in the system. We will not see the bureaucracy that exist before. Thank you.

Antonio Miranda (ASSEMAE, Brazil): I would like to thank very much CEO and TNI for the invitation to be here to share our experiences. I would like to introduce ASSEMAE: the Brazilian Association of Municipal Public Utilities on Water and Sanitation. I am a director of this organization and also I am municipal director for water and sanitation in Recife city in Brazil, North Eastern Brazil. My presentation is regarding the role of the public sector and public managers in terms of this challenge to transform water and sanitation reality for the poor and the developing countries. In the Brazilian case we have a lot of problems regarding this. The public sector, who I represent here,

owes very much to the poor. We have water and sanitation services usually for the rich and middle classes and the poor people have lack of water and excess of sewage. We have these problems under public utilities, for the last decades. That is because we have a terrible tradition in terms of the management of water and sanitation public utilities. Usually, utilities are distant from the people. The state-level of public companies were created in the beginning of the dictatorship 30 years ago. They are centralized and authoritarianism is very present until today. The municipal utilities have a different approach, although we have also public services managers that are distanced from the people whom they should serve. We have since 1996 a Brazilian law authorising privatization of the water and sanitation sector, but there is also a new, more far-reaching law authorising privatization on the way. We until today could stop the approval of this law but there is a very strong movement of the top, from some political leaders and from multinational corporations to approve this law. We have the challenge to face and to transform to the situation of the poor people situation. We are defending the deep transformation of the public sector, not changing to private sector. How?

We have two experiences currently that make us very optimistic. The first one is Porto Alegre, where the first three the World Social Forum happened. Porto Alegre has the participatory budgeting as a first experience in the world regarding people deciding where the city should put money for investment and maintenance for main public services. In Porto Alegre, we have municipal utility for water and sanitation. This municipality has two mechanisms to popular participation, I mean: social control. One is the participatory budget itself in which people decide where to put the money. The second mechanism is the deliberative council. The general director, the CEO of the municipal utility on water sanitation runs his day by day work following orders from this deliberative council. How is this deliberative composed? The major part is representatives from civil society, the minor part is representatives of the government and other institutions related to water and sanitation. There are NGOs, professors, associations, lawyers, industrial and commercial associations, all kind of social representation are there in the deliberative council. They analyse and decide what to do day by day in the public utility. The result is that Porto Alegre's public utility is attending for 99.5 percents of the population with water supply 24 hour a day, high quality water tap water. This 0,5 percent is impossible to attend because they are in forbidden areas, they are going to be removed, protection catchments areas for example. They are today attending for 30 percents with sewage collection, which is going to increase to 77 percents in 2007. They are negotiating a loan to be able to reach this percentage. They can reinvest 25 percent of their budget. I mean: 25 percents of the annual revenues are reinvested in the company. This is impossible for private corporations because they have to make profit. In Porto Alegre's case 100% of the profits are reinvested into public water and sanitation. This deliberative council is the mechanism who can guarantee that with the change of the mayor, who is the top leader of the municipality, you can almost have a guarantee that this performance will not be broken because it's not only mayor's will but it depends on the deliberative council's will and decisions regarding the public utility in Porto Alegre.

The other experience is in Recife. In Recife, the city where I work, we have a concession contract with a public company and from the municipal level we have a contract with a state-level company. This contract is over and we have to renegotiate. We were in middle of the hurricane because there was a proposal of privatization of the state-level company. We invited the population to discuss it. We had 4000 people discuss this issue. We had a seven months long process of discussions, 20 meetings with the population, maybe another 30 meetings with specific publics, professionals and some categories like workers. At the end of the seven months process, we had a municipal conference on water and sanitation where we made 163 decisions. One of those was to avoid privatization. The Mayor of Recife is sending the municipal council a proposal forbidding privatization on Recife territory. All these discussions helped us to improve the conditions of our concession contract with state-level company. So this another experience of how when we will open the doors for participation and the public people's participation, we can stop privatisation and improve the quality of the service. Because we cannot only defend to maintain things the way they are, usually they are not very well, worldwide, for the developing countries. We can change very deeply the reality, improving the quality of the public services through the popular participation, through mechanisms of social control, like the two examples I gave you this afternoon.

To finish, I would like to say that these discussions in Recife, my city, could help us in very hard negotiations with the World Bank. The state was negotiating alone about 84 million dollars to urban infrastructure for 150,000 people in Recife and Olinda, a big neighboring city. With financial participation from the municipalities of Recife and Olinda, although the taker of the loan was the state government. The World Bank said 'Yes, we can borrow you 84 million dollars but you have to sign a commitment to privatize the water utilities'. The state governor said to the mayors of Recife and Olinda, that this was the condition. I was the negotiator the municipality of Recife. I was authorized by my mayor to tell the World Bank that we this condition there will be no loan. Then they said 'there will be no loan'. I told my mayor that something was going to happen because it is a 84 million dollars and the taker is the state governor, but fortunately our proposal to improve the public services quality to have a better concession contract with the public state level utility gave us moral authority to face the negotiators of the World Bank. We went to a final meeting in Washington. They once again said that they would, well almost, impose this. We once again said 'no' and finally the loan was signed without any commitment of privatisation. I think it is a good experience to share with you. Thank you very much.

Philipp Terhorst: thank you Antonio and thank you all three speakers for your descriptions of your experiences and your ideas of how to improve the public sector and thereby prevent privatization from happening in our communities and cities. We have heard why we need to think about alternatives and why it is difficult for civil society to do that work. We have just heard from Antonio how strong the outcomes can be if everyone pulls together and works on this very hard. With this accomplished in a very short time, we would like to open this debate to you all, to share your experiences, to raise questions and doubts, to think about how we can improve this work and share your thoughts and ideas with us.

My name is **Sarath Fernando**, I come from Sri Lanka, we are a number of delegates from Sri Lanka here. I am from the movement for natural land and agriculture reform, but like in Ghana we have also formed a large coalition called the Alliance for the Protection of Natural Resources and Human Rights. This coalition is fighting not only against privatisation of water, we have successfully resisted the privatisation of water in Sri Lanka for many years, but this coalition is fighting the privatisation of all other natural resources and public services like education and public health and also the selling away of public assets to big private companies. Sri Lanka is facing a very serious threat: we have been pushed by the World Bank and IMF the last five years to go for more and more privatisation. And they have been pushing the government to privatise water since 1996. Sri Lanka has a very long history of thousands of years of people-managed irrigation, we have had our own development of irrigation systems: reservoirs, canals and so on. 85% of the water in Sri Lanka is used for irrigation and agriculture. Now the government, pushed by the World Bank, is working hard to invite foreign companies.

What I would like to share with you here in the discussion on alternatives: Sri Lanka has not yet faced the impact of privatisation policies, we have resisted it so far. But Sri Lanka also has a very important experience of providing water to people, farmers and others, and also to meet the requirements of nature without giving water a financial value. People over centuries have participated, they have been required to participate in the maintenance of water works and irrigation. They have made their contribution largely in terms of labour, because half the population of the country is very poor economically, the average income of half the population is less than a third of a dollar per day. Therefore any attachment of monetary value to water would deprive a lot of people of their essential requirements of water. It would also deprive the rest of the living beings, the nature, of the required water. Therefore Sri Lanka is a country that had an experience of people contributing towards sustaining of water in their own country in terms of their experience, intelligence and labour contribution but not paying for it. Therefore in a country like Sri Lanka and maybe many other countries we have to think seriously about bringing in this idea of water having an economic value. The moment you introduce that you are moving in another direction. Now we still feel very confident that we could work more on the same lines that we have worked in the past to ensure that people who don't have money to pay for their water will also have their water. And this has to be worked out and we have done this based on long experience. And maybe at a different meeting we would like to get the experiences of all the people. We have learned a lot from all the experiences. To work out an approach that wouldn't give money value to water.

I'm **Ravikant Joshi**, I was with a civil corporation in Gujarat, India. I worked there as a chief finance officer. Nowadays I work as a consultant in urban infrastructure. Really two things are coming out very well. That any sort of imposition of privatization must be resisted by us, because there is a world wide movement to impose the privatization. While at the same time all the alternatives will have to find out the answer to a bottom line: how to mitigate the cost? We can resist the privatization but we can't ignore the cost, because nowadays water is not a free resource. It is not an infinite resource and then there are so many costs involved, right from the financial to the environmental cost, and

the cost-allocation to the different sections and at the same time taking care of the equity. Because when we think of privatization, any alternative which has to be people's participation-based. We have a saying that if you are ready to help yourself, God is ready to help. Unfortunately we don't help ourselves. The entire civil society is just fighting against privatization, but in India water supply service privatization hasn't come. For the last ten years we have not been fighting against the state to improve it. Who fails those public sector companies? The unions or the laborers, do they work properly? Are people ready to share the cost – the entire community at the same time taking care of the have-not people? No! Is there our focus to create a responsible citizenry, so that the entire cost is shared. Because tomorrow we will reject the state, which has to be rejected, and the market also, but then what third alternative? Essentially whenever there will be people's participation, first we will have to find a solution to manage it in an equitable way. Because everything has a cost and somebody will have to meet it. In what equitable way we meet it, in what equitable way we allocate it, with participative budgeting, maybe like those deliberative councils. But this focus should not be missed. I personally feel that the two things came out very well. We have to have an opposition by all civil society. It has to be community participated water management, but there we will have to find out solutions to the costs and not only financial costs, environmental costs. Because when urban people talk of the water supply they don't mitigate the cost to the rural areas. Because we draw water from the rural areas, people get displaced, dams come up, those projects come up - what about their cost? Because urban civil communities will fight for the lower cost for each citizen, but at the same time what about the rural areas from where the natural resources are brought in. These are the certain thoughts I wanted to highlight, these are the issues. Any people's participation movement, in order to be successful, cannot forget the bottom line of cost mitigation and equitable allocation of the cost and efficiency. Thank you.

Question to Antonio Miranda: What was the first step taken in Porto Alegre, was the motivation coming from the municipality or the community?

Antonio Miranda: I must say that this is not a recent idea. This model of the deliberative councils runs for the last 32 years, uninterrupted. This model has been proven year by year and this is the key reason, according to the managers of Porto Alegre, for the permanent and continuous improvement of the public utility. But the participatory budgeting specifically was a creation of the current minister of urban development of Brazil, who was at that time the mayor of Porto Alegre, 20 years ago. Also this model of participatory budgeting has been improved year by year because the same political party (the Workers Party) has been in charge for the last 19 years. This model is continuously improved and they decide 100% of the allocation of the investments on the municipal budget. I have a PowerPoint presentation here which I am leaving for the organizers on how this process works. 32 years ago, the deliberative council was a municipal initiative. And 19 years ago it was a municipal initiative, of course answering to inputs from civil society. But in both cases it depended very much on mayor's will.

Al-hassan Adam: on the issue of cost, when you are going to provide water definitely you are going to have some costs, yes. We all recognize that there is cost involved. But

let me give you an example from a community we are working with and how they have managed to go around the costs. I told you about the guinea worm case. There is a village about 25 km from Tamaleh in the Northern part of Ghana. Savelugu has the highest Guinea worm rate in the country. Sasakawa and UNICEF went into this village to teach people safe practices to control guinea worm, this didn't work. Then UNICEF and Sasakawa offered two alternatives: to hook up to the national or regional water network or to fill a lot of bottles and distribute them in the village. They went for the regional network and the Ghana Water Company donated a water tank for the whole town. Now they buy water in bulk from the water company. The community has connections to every place that they want to extend water to. They have a water board management team, they set the tariffs. And they have to free up people who are old from paying tariffs, people who are pensioned do not pay anything for water. And this system is working. As of now we are still studying the system to see how we can best replicate it into urban areas. We are not saying open the tap, water flows, you drink it without thinking of where it's coming from and what goes into it. But what we are saying is that the inflation that is tied to water prices is what we have to stop. And we can only stop it if we have control over these resources. Thank you.

Next speaker introduces himself and speaks in Hindi, translation only arrives a little late: Whether they cannot afford the basic and fundamental right of the people to have safe drinking water for their requirements, that remains a question. What I want to say is that the state cannot pull out its total responsibility to provide basic fundamental rights to the public as a whole.

Satoko Kishimoto: I'd like to thank all of you for your contributions and active interventions. Now we move on to the second part where we welcome two speakers who will talk about concrete proposals to promote alternatives.

Alberto Villareal (REDES / Friends of the Earth Uruguay): thank you for your invitation. First I want to say that I have two Uruguayan colleagues, two heroes of the struggle that I would like to invite to speak. I will translate for them. The only reason why I am speaking here is that I speak English.

I want to tell you a story of a totally ideologically driven attempt to privatize water services in Uruguay. Uruguay is a very small country, only 3 millions inhabitants the vast majority of which live in urban areas. Since 50 years we have a public utility that provides the water for more than 90% of the population. It is good quality water that is affordable for more than 90% of people. The utility has had a fairly good financial situation, to the extent that it was able, with collected revenue, to extend its services, also for sanitation. It even exports potabilisation units to small and medium sized cities in other Third World countries. But there are also a lot of problems. Basically it has been the dumping ground for failed politicians. Like many other public utilities in Uruguay are staffed with directors who have run as politicians but not been elected. They often have an interest in privatising those utilities because then they can become the CEOs of the newly privatised companies. The other big problem is that Uruguay is a water rich country, but there is no good management of the water resources, especially in

agriculture. So even if it is rich in water, in time of draught, because there is no management of water, there is scarcity of water. Naturally there is no reason for our water system to be privatised other than ideological and the interest of the directors of these companies and politicians to make money from the privatisations.

In 1992, after the dictatorship, there was a historic referendum in Uruguay, whether we wanted to privatise the public sector. The majority of the population said we don't want to privatise public enterprises. Nevertheless, at that time at least, the World Bank had other priorities, they were not promoting community management. And the government went on directly, just a few years afterwards, to read the World Bank manual on how to privatise in every possible scenario, despite the public opposition, despite the regulatory problems, etc. This manual actually exists, you can download it. The government began then to make a couple of concessions as a way to make a piece meal privatisation of water services. Instead of the public opposition they had to make it kind of through the backdoor. So they made two concessions in the richest part of the country where they collected most of the revenues. Now they are also proposing other types of mechanisms such as BOTs (Build Operate Transfer) to privatise further services in Uruguay. And also they are promoting regular tariff reform so as to enable the participation of private corporations in the provision of water. Another threat besides this manual for privatization are the IMF and World Bank conditionalities. Uruguay in the last two years has undergone a severe financial and economical crisis, following the crisis in Brazil and Argentina. Both the World Bank and the IMF came to 'save' our country from crisis, obviously putting a high price on that saving. Among those conditionalities was that we should liberalise our public sector and within that the water provision system. The third threat to our water system comes from the determination of the Uruguayan government to trade off in regional and global trade negotiations our public services against market access for our people, which is the main export product of Uruguay. So they want something that is totally unacceptable for the Uruguayan population. And the fourth and final way in which they are threatening to privatise the water system is by public auction. Given that since 1992 up to the present we had several successful referenda where we have won, where we prevented the privatisation of different public services. Their only recourse now is to public auction, in which they sell the resources to the best bidder. They have done so now with the airports, and the ports system.

In this scenario the civil society, led to a great extent by the trade unions, the water workers unions, who saw their jobs threatened by privatisation, they began a strong campaign to prevent this. Other civil society organisation joined. Also in places where the water services had been privatized or was next in line, local organisations fighting against privatisation, joined together into a national commission for the defense of life and water, mirroring the experience and the strength shown by the population in Cochabamba. In 2002 they launched a proposal to have a constitutional reform to prevent privatisation of water throughout the country. This was after consultation with people who know about laws and that kind of things. This was the only way we could prevent even international agreements to supersede national legislation. Because otherwise, if it was only a law that we had turned down in a referendum, water was still offered by our government under services negotiations in the World Trade Organisation or the Free

Trade Agreement of the Americas, whatever we had won would be beaten by these regional or international trade rules of the free market. We built this commission, and to have a constitutional reform we needed to collect signatures from ten percent of the electorate. So within one year, and this is in October 2003, with the help of the whole trade union of the water workers, we collected and handed over to the parliament nearly 300.000 signatures to enable this constitutional reform. All throughout the year it was a popular education exercise. We were not only highlighting the failure of privatisation of public services and of water services in other parts of the country and in other parts of the world, but also educating people about the water management. The failure of big bureaucratic public entities is that they haven't educated our population of how to protect their water resources. We just open the tap and then the water goes directly into the sea, we don't collect it, we don't protect it, we don't do anything. The constitutional reform that we are aiming to win in this October's election aims to have water recognised as a human right that is essential for life. It aims for the sustainable management of water in watersheds. And it aims for participatory control and management both in planning and management detail and the control of all water resources in Uruguay, not only the water provision services but all water resources. It also says in the letter of the proposed reform that water services for drinking water can only be provided by state entities, on municipal level also by the government. And this is very important because corporations that have a foothold already in Uruguay with this backdoor privatisation, such as Suez, Aquas de Bilbao, they are not only interested in this very small market of 3 millions people. We can easily infer that their real interest is in the underlying water resources. Uruguay, Paraguay, Brazil and Argentina share what is estimated to be the second largest aquifer in the world. The corporations are mainly interested in tapping into that water system.

So this year at the national elections it's going into the ballot whether we want this constitutional reform. We are very confident that we will win this ballot. We have the support not only of the opposition party in Uruguay but also of the important actors more closely aligned with the traditional ruling party. In August we will hold an international seminar to give international relevance to this campaign and as a last effort to convince our population to support this constitutional reform to prevent water privatisation. Thank you.

Satoko Kishimoto: Thank you very much for that. Our last speaker will be Keith Naicker from Rand Water South Africa.

Keith Naicker (Rand Water, South Africa): thank you very much, chair. The purpose of this brief presentation is to share with you some of the experiences that the South African and Brazilian parties have had since putting together a Public-Public Partnership for the provision of water and sanitation services in our respective parts of the world. The partnership is essentially between Rand Water and ASSEMAE in Brazil. About Rand Water I can say that the rating the quality of the water that we provide is among the top three in the world. Because we run our operations very efficiently we have demonstrated consistently throughout time, that the water increases that we have passed on to the consumers have always been at or below the prevailing rate of inflation in South Africa. And what is most important we believe is that we have taken some very bold steps to

entrench a customer service ethic and high standards of customer care. At the end of the day Rand Water maintains one fundamental belief and that is we are accountable to the people we serve. Our board is essentially comprised of the customers whom we serve. From this very brief exposition, and time does not allow me to say much more, I would argue that - if the two fundamental beliefs that one, access to capital is important and two, superior management skills are important, and these are essentially the reasons that governments have been farming out the water provision to the private sector – then I am arguing that these competencies are available among certain public sector water organisations in the world. And as responsible custodians of public goods we must harness and direct these pockets of excellence towards meeting the needs of the diverse communities we serve.

In September 2002 at the World Summit on Sustainable Development, South Africa and Brazil signed a cooperation declaration. This declaration was aimed at establishing a Public-Public-Partnership between Brazil and South Africa. The intended focus of this declaration was on strengthening the public sector providers so that good quality, efficient and accountable public sector water services are developed in order to provide equitable access to water services for all the communities. Three fundamental beliefs underpin the public partnership that we have with Brazil. Firstly, women and the youth must play an essential role in the management, provision and safe-guarding of water. Secondly, that there has to be an equitable access and sustainable supply of water to poor communities. And thirdly, that the public health is dependent on adequate supplies of drinking water and adequate levels of sanitation. The outcome of the cooperation declaration between South Africa and Brazil has been a comprehensive plan of action to improve the technical, professional and governance arrangements between the organisations from both these countries. And we do this by sharing expertise, creating conventions to share and improve the technical operation and management experiences and to develop world class practice amongst the partners that share in this cooperation declaration.

The rationale for the cooperation between South Africa and Brazil must be seen in terms of two parallel streams. The first stream being the need to establish an international network of partnership of public sector water companies. And secondly, to help improve the delivery capacity of the public sector water providers in both South Africa and Brazil. Let me very briefly turn my attention to the first stream. Underlying the cooperation declaration was the need for the establishment of an international partnership or network of public sector water utilities. The partnership is intended to devote itself to ensuring that the public sector water utilities position themselves to achieve two goals. These goals are one, to convey a clear message to the international community that the public sector can be efficient and performance oriented and are essentially adding value to the provision of water. And secondly, to meaningfully participate in the international process of thinking and development of ideas which today has essentially managed to exclude the public sector water providers.

In achieving these two goals, it was also envisaged to forge a South-South partnership of international excellence in water services provision. With respect to the second stream, a

clear program of action has already been established. And this plan of action was essentially based on the belief that both South Africa and Brazil would cooperate and share experiences in order to enhance the delivery capacity of the respective parties or signatories to the cooperation agreement. Once the parties had demonstrated a clear amount of enthusiasm and determination for the public partnership to succeed, the partnership has endured a few setbacks. I think the first challenge that we faced and still remains is a financial one. Without access to secure funding, the partnership is doomed to fail. Fortunately in this particular case there has been keen interest from both countries that has prevented the failure of the partnership. The second challenge is also linked to the availability of finances. And this is associated with the sheer physical distance between Brazil and South Africa. However, we have not allowed this distance to disempower us. And fortunately on both sides of the seas there were determined and enthusiastic protagonists who did not allow the momentum to wane. There have also been exciting advantages that have come up of this partnership. The three important ones are: That South-South pockets of excellence exist. That South-South solutions can be crafted to address the challenges in our respective areas. And finally that the public sector can provide a viable alternative to the privatisation of water and sanitation services. I thank you.

Satoko Kishimoto: Thank you very much Keith. Now we will open the discussion again for clarifications and also to hear your opinions.

Hi, I am **Alex**. It is nice to see you all. It is exciting to be here at the World Social Forum. First of all, I wanted to congratulate the Uruguayans, I think, in their struggles, particularly in Cochabamba which is a positive example to show what can be done when people unify for water rights. I wanted to touch upon possibly another alternative that I think is important to push. Definitely in the case of Uruguay certain legislative campaigning needs to be done and pushing for public water distribution is also important. I just came back from South Africa, I was there for four months working with the Anti Privatisation Forum. I was living in a township and I saw the struggles for water and the installations of pre-paid water meters. I was living in a township where there was 80% unemployment and many of the families who could afford water could only afford drinking water. They didn't have water for bathing or sanitation, for cleaning, these kinds of things. One of the most important things in the South African struggle I experienced was popular education to make the links between the national government and the private companies. I feel like a lot of people who are living in the townships and the rural areas are not aware of the direct links between their governments and these private companies. A lot of them will express their anger towards these private companies and are willing to resist the installation of pre-paid water meters, by Johannesburg Water for example. But they are unwilling to see the relationship between that company and the national government. I think it is important to educate people along those lines.

My name is **Christian**, I am from the French NGO Engineers Without Borders. My main aim would be to say that the main problem is not money but money management. We had an experience in a city in Senegal where we worked on improving the water

infrastructure. It was very hard to get the money for the infrastructure project, but in the end it worked. The water management is not really efficient for various reasons (lack of experience, literacy and so on) and it will be a few years until it will be really efficient. In Senegal we are in the middle of the privatisation process at the moment, so there are high risks. We have one thing in common with the private sector: the management of the money at the core of the problems to solve. Locally, there should be tools to ensure a proper water management, including enough money for future repairs and expansion. Only after this is secured, you can think of putting money into agriculture. On a global scale it is a problem that we cannot control what water companies own at the moment. They go into all kinds of sectors (energy, media and so on), look at Vivendi. We cannot control whether or not they have money to invest in improvements in water in developing countries. We need a democratic international debate on what to do with the money in water. Efficiently managing water is only possible when you have democratic control over it.

Keith Naicker: Let me address myself to your first issue and that is how did the government allow the privatisation of water prior to 1996. At that particular point in time two or three municipalities in South Africa took a decision prior to legislation being put in place allowing the private sector to come in and take over the supply of water and sanitation in their respective areas. However, very soon after that government introduced new laws and legislation which effectively states that the responsibility for the provision of water and sanitation services in any area in South Africa is one of the primary responsibilities of the municipalities. And that the municipalities may choose whatever means they would like to use in the provision of water and sanitation. However, if a municipality now wants to go and engage with a private sector company to help it in the provision of water and sanitation, there is a vigorous process of community participation and debate that must take place that will eventually decide whether or not to go down the route of involving a private company in the water and sanitation services provision.

After the bad examples and experiences we have learned in 1996, the government has put in place very serious legislation which does not prohibit the participation of the private sector but makes it mandatory for communities to be involved, to have a debate, to do an investigation and finally to take a decision what the best form of provision would be. And I can share with you that all the communities subsequent to the introduction of this legislation have taken a very firm line to say that 'we will not allow the involvement of any form of privatisation in the provision of water and sanitation', because the feeling is that water is a basic human right and must stay in the hand of government. The cholera epidemic was in a sense, although it is very bad, it was good because it showed up the inefficiencies of the companies that were involved. And I think it has played a very big role in convincing government of the fact that water and sanitation must remain in its hands.

On the issue of the pre-paid meters: yes, the South-African government is pushing a very hard line that people should pay for the services they use. At the same time it has recognised the fact that all people in South Africa cannot simply afford to pay. In the view of that we have introduced a very bold measure which says that each household in

South Africa, whether you can pay or not is not the issue, will be entitled to 6000 liters of free basic water each month. Once you consume more than that, then you start to pay. The steps in which you pay are very small and at the end actually increase in quantum. The second important point to note is that businesses in South Africa pay a very high standard rate for water and sanitation. And we are using in South Africa the principle of cross-subsidisation where the rich, in a sense are charged a little bit more to pay for the water that the poor actually need. We have also taken a step to extend the provision of free services to a whole range of other municipal services. So in South Africa now, a poor community can get access to free services up to a limited extent on a range of municipal services. The use of the pre-paid meter for water is an important one and I think you mentioned that. The institution of the pre-paid water meter only came into effect after the adoption of the view that people will have access to 6000 free liters per household per month. So in communities where we are using the pre-paid meter, I am not saying that it is working well, there are very bad examples where things have gone very wrong, it is only used in instances where people have access to free basic water and only after that they start to pay for water.

Al-hassan Adam: let me address my friend from South Africa on the pre-paid meter issue. If you take 6000 liters per household per month, that works out as 200 liters per day. Supposing in South Africa you have houses with ten plus people inside, that then works out as 20 liters per person per day. To me it is woefully inadequate. Pre-paid in this sense should be something we have to fight against.

Keith Naicker: yes, I agree with you that the quantum of 6000 liters per household per month is not adequate. Government has recognised that but we have to start somewhere. It was a point of departure and currently investigations are under way to find out what actual requirements are. Rand Water itself does not believe this is adequate and we are part of a discussion to increase that figure.

My name is **Anil Naidoo**, I am with the Council of Canadians. I feel this is a very important workshop. The steps that we are talking about now, developing alternatives, looking at alternatives that are working, are essential to taking the struggle forward. We do know what we are against, we can see the problems with privatisation, with commodifying water, but unless we have solutions we can implement, we are always stuck reacting to the agenda of the multinational corporations and to governments who want to sell of water resources, or the World Bank or the IMF and their structural adjustment. That being said another issue that for me came up here quite often was not only the management structure and the alternatives there, but also the financing. So I want to invite you to a workshop on January 19th on the issue of financing.

I believe we have enough money, it's just the will. The money is being diverted to things that do not feed the human soul and do not address the basic aspirations of people. Bush's recent announcement of 400 billion dollars to put someone on Mars is a very clear indication that the wealth is out there. The trillions wasted on military budgets is another indication. I guess we could talk forever about the misuse of public finance. Ultimately it is public money that we are talking about here when we are talking about World Bank

money, tax money. And even the profits which private corporations make is all public money. In the end it comes out of our pockets and we should recognise that and implement solutions that are in public hands. Thank you.

David Boys: on the question of efficiency: it is not always just a matter of who is providing the lowest cost water, what the lowest price is. But in general for the private sector, their cost of money is often higher than the public utility. The private sector will first make a profit off the manipulation or the management of the money. They have to make a profit at every level. That's what they exist to do. It is no mystery. They have to maximise their profit. Often their credit rating is worse than the municipality in which they go. So just from a pure money point of view, the private sector has not been able to bring in new capital, it doesn't use its own capital. It often borrows directly from the development banks in your country. And the credit rating of the projects is often based not on the value of the corporations but on the credit worthiness of the project itself – in other words on the basis of your community's ability to pay. All these factors mean their cost of capital is rarely better. Just from a straight money point of view.

The thing that I think we have drawn out here is that there are many other issues than just straight either engineering efficiency or financing efficiency. And that we have seen with a lot of social or ecological issues that have to be teased out through a process of public participation. And one thing that corporate structures are unable to absorb is popular participation. They can not through their very structures, their even having trouble dealing with shareholder participation, let alone community participation. So again there is the straight answer of financial, then the broader answer of social and finally the question of stock market pressure. The stock market pressure, their window is 3 months, 6 months, maximum 12 months. And you see them reacting to those making financial decisions, management decisions based on what Wall Street, Tokyo, London or Frankfurt is telling them to do. All these point to the need for efficient, transparent, accountable, participatory public utilities.

[due to recording problems, a number of contributions to the debate could unfortunately not be included in this report]

Closing words

Keith Knaicker: the closing point I would like make is that the best quality water in the world, you can get it for 35 US cent or 70 Indian Rupees for 1000 liters, that is the cost that we talk about.

Alberto Villareal: just in closing remind you to invite you again another workshop on alternative public finance for water. Naturally I share with Anil the conclusion that there are a lot of money out there, the issue of this what are we spending it on. One of the big issues from the perspective of developing countries should be debt issue. We are pouring a lot of amount money into servicing illegitimate debt to the northern corporations and institutions and which could be well used to provide safe drinking water.

Antonio Miranda: just a few words regarding democracy. I would like to remind that if we have good experiences in Brazil, as I told you, like Porto Alegre and Recife and others, we also have to remind that Brazil has the second worst income distribution in the world. The concept of democracy must be carefully observed because we have democracy, yes, we have free elections since 1989, but we still don't have a fair income distribution. We have the largest gap in terms of income in the world, the first one is Sierra Leone in Africa, the second is Brazil with 170 million people. We need to practice democracy in several ways and we must remember as well that 25 years ago our president Lula was an outlaw and the local mayor of my city was also an outlaw. They had to fight for democracy. Many people died fighting for democracy. So this participatory model in Porto Alegre, followed by Recife and other cities in Brazil, they paid high price, the people every where in Brazil. It's not easy. Some people ask whether these experiences are applicable in other places? I say, yes it is possible to apply it other places but maybe it is going to very hard to apply but this is our role and this is what we are fighting for? I would like to announce the website of Recife, Porto Alegre and my personal one. I am available to tell whoever wants. Thank you again for your participation. Thank you CEO and TNI for the organisation.

Jude Esguera: I don't know about the performance of public versus private. Perhaps I don't care what average is. But in Manila Ondeo company had rates increase five times and the expansion that they achieved was less than $\frac{1}{4}$ they promised. In the Bechtel side rates grew seven times and achievement was $\frac{3}{4}$ of what they promised. Even if the rest of the world can show that privatization works, it is not relevant. We have to deal with specific situations and diagnosis of specific problems. Secondly, I think it is also difficult to disentangle ideology from comparisons between private and public. What we hear now in Manila is that 'let's solve the problems with privatization, let's get this and that consultant'. We always hear a lot of optimism about solving problems of privatization. The ideology comes when you observe that these consultants are not being hired to try to improve public systems, there is a lot of pessimism one that side by people who have the money and who are the positions to make things happen in the public sector. It is not easy to simplify in that manner of just looking at the average of public versus private.

Al-hassan Adam: I have just one comment on the issue of the World Bank doing good work with some rural communities in Vietnam. The World Bank started a program in Ghana about community water and sanitation. The World Bank has money in Ghana for community water management, but that money is only accessible by the community when they can pay 10 percent of the project money themselves. These 10 percents most of the villages could not come up with. So where lies the goodness of the Bank?

The dangerous thing sometimes is that when civil society starts to criticize the bank on some issues, it puts up a smokescreen. Take the issue of debt which is directory related to provision of water in developing countries. When the debt issue was raised, that they should drop the debt, they came up what is called the 'highly indebted poor countries initiatives' (HIPC). And HIPC is tied with privatization of urban water as is happening in Ghana. So they confuse you, they tell you on one side 'we are good people' and at the same time they abuse the people. 1 percent benefit and 99 percent are cut off. I don't see

anything good in that. You can't push a knife 6 inches depth up my bag and pull it 1 inch out and expect me to thank you for pulling it out 1 inch. No, I am not going to thank you for that.

Philipp Terhorst: we have come to the end of a delightful workshop. It is clear we won't be able to solve the world's water problems here, this was never the idea I guess. What we hoped to do, and I think achieved to do, is to look at on one hand why we need alternatives, where we need them and how we can go about creating these. I think we heard amazing stories and great experiences and also we have heard words of caution and I think we should all take them back home and ponder about these.

One remark struck me when I was in Delhi a few days ago on the People's World Water Forum. That was: why do we talk about 'alternatives'? We are talking about the mainstream because public water is the vast majority in this world. Water and sanitation services in the world are generally not in hands of the big corporations. They are trying to get into it, but we are blocking it locally and globally. Perhaps our language in this workshop, we called public the alternative, is actually wrong because public is the mainstream. It is just that the media and big corporations and our governments are telling us otherwise. If we start believing this, then we are falling into a trap.

The prevailing problems I have taken out of this workshop is: in the light of this scenario, how do we improve the public sector? We have heard many good ideas about this. The other question is how do we finance this? About the finance issue we had clearly a start of the discussion here and please follow the invitation to the workshop on 19th on alternative finance.