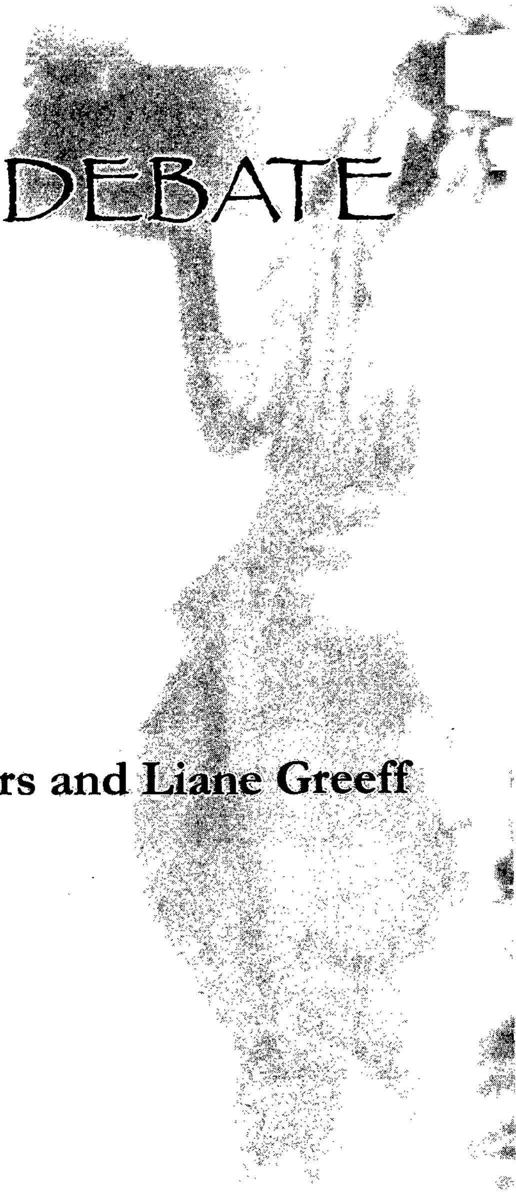
Water Privatisation in Southern Africa

THE STATE OF THE DEBATE



Patrick Bond, David McDonald, Greg Ruiters and Liane Greeff

December 2001

EMG
Environmental Monitoring Group
SOUTH AFRICA

Water Privatisation in Southern Africa

THE STATE OF THE DEBATE

Patrick Bond, David McDonald, Greg Ruiters and Liane Greeff

December 2001

Published by

EMG Environmental Monitoring Group SOUTH AFRICA

P.O. Box 13378
MOWBRAY
7705
CAPE TOWN
SOUTH AFRICA

Tel: +27 +21 448 2881
Fax: +27 +21 448 2922
URL: www.emg.org.za
E-mail: liane@kingsley.co.za

Editorial Team
Liane Greeff and Jessica Wilson

ACKNOWLEDGEMENTS

We would like to thank David Boyes of Public Services International, Lance Veotte of South African Municipal Workers Union, Uwe Hoering of World Economy, Ecology and Development and the Alternative Information Development Centre for information and graphics used in this publication.

This publication was researched and produced with funding from the Heinrich Böll Foundation, Germany and the Swedish Society for Nature Conservation.

Municipal Services Project

Municipal Services Project

The following authors of this publication - Patrick Bond, David McDonald and Greg Ruiters - are from the Municipal Services Project (MSP), which is a multi-partner research, policy and educational initiative examining the restructuring of municipal services in South(ern) Africa. The project's central research interests are the impacts of decentralization, privatization, cost recovery and community participation on the delivery of basic services to the rural and urban poor. The research has a participatory and capacity building focus in that it involves graduate students, labour groups, NGOs and community organizations in data gathering and analysis. The research also introduces critical methodologies such as 'public goods' assessments into more conventional cost-benefit analyses.

Published by Environmental Monitoring Group

ISBN 0-620-28802-7

Designed and Printed by DRP Studios

Printed on Recycled Paper

TABLE OF CONTENTS

Tables

Boxes

1. WHAT IS WATER PRIVATISATION?

Privatisation usually refers to the full divestiture of state assets but now includes various kinds of delegation of public duties to private organizations. Privatisation as defined by the World Bank includes private sector involvement in financing, operating and in some cases ownership. Aspects of private sector involvement range from contracting out, reducing or discontinuing the provision of some goods and service by government and introducing commercial principles or market criteria. It is most often seen as part necessity, part political choice because of fiscal constraints (reducing public borrowing, taxes and outlays). It seeks to depoliticise services, via improvement of services and increasing the productivity of assets. Its often unstated aims include reducing trade union power.

Private sector participation in the delivery of water services can take a variety of different forms - from one person fixing water pipes in a small section of a township to a large multinational corporation providing bulk water supply and bulk sewerage treatment. The size and types of contracts can vary as well, from a one-year, fee-for-service, renewable contract to a thirty-year license. Ownership of assets also varies, with the state retaining ownership in some cases and the private company in others. Table 1 provides a typology of these different options.

The problem with such strict typologies is that most actual agreements are hybrids, tailored to suit the specific situation of individual municipalities. It should also be evident from Table One that most 'privatisation' schemes do not actually involve the sale of municipal assets. This is a point that organisations like the World Bank are at pains to emphasise in their own push for private sector involvement, arguing that 'public-private partnerships' (PPPs) do not mean an abdication of public control or ownership. Just how equal and accurate this notion of a 'partnership' is in the real world of PPPs is something that will be discussed below. For the moment it is sufficient to point out that much of the private sector deals in the water sector in Southern Africa (and indeed in other parts of the world) are in fact public-private partnerships, with continued government involvement and oversight in service delivery.

The term 'privatisation' is therefore something of a misnomer, but will be used in this report as a generic expression for private sector involvement in service delivery for purposes of convenience and because the term is widely accepted in popular discourse. The term is also used here because PPPs operate within broad private sector principles - principles which are very different from those that have traditionally driven public sector service delivery. Running a service 'like a business' requires the introduction of a new set of management philosophies and economic guidelines and it is the relationship between these private sector principles and environmental sustainability/livelihoods/poverty alleviation that this report attempts to shed light on in the Southern African context.

Different Forms of Privatisation

(Table 1)

Service Contract

This is the least risky of all partnership types. The public authority retains responsibility for operation and maintenance of the service, but specific components of the service (for example operating treatment works or billing) are contracted out to the private sector. Service contracts usually have a duration of one to two years, the problems they address may be unique and short-lived. The local authority does not relinquish any managerial functions.

Management Contract

The management contractor operates and maintains the service or parts of the service and may also undertake to improve and reshape the system. The public authority monitors the private agent, but remains responsible for new investment. Management contracts tend to cover a time-span of two to ten years.

Lease or Affermage

The lessor rents the facility from the public authority which transfers complete managerial responsibility for operating, maintaining the system to a private company. Such contracts generally have a duration in excess of ten years. The contract specifies reporting requirements, service standards. Payments are split into a fixed and volume related amounts. Affermage is the French term for "farming out".

Full Divestiture

Full divestiture pertains to a situation where the utility has been fully privatised. Ownership of the utility rests with the private operator. The private operator is responsible for operation and maintenance, investments and tariff collection. The private utilities operate under supervision of an independent public regulatory authority.

Concession

In this investment-linked contract the concessionaire has overall responsibility for the services, including operation, maintenance, and management as well as capital investments during the concession period. The concessionaire is also responsible for tariff collection and "customer management". The ownership of fixed assets is assigned to the local authority at the end of the contract. The contract, usually signed after competitive bidding covers a period of 25 to 30 years. Regulation is by contract.

BOT, BOOT

Build (Own) Operate Transfer contracts are generally used to construct new parts of a service system (hence the term greenfield) such as water treatment plants, dams and wastewater treatment plants, but can also be used for small water developments as well. The private operator builds the plant and assumes responsibility for operation and maintenance. After a predetermined time the facility is transferred to the public authority. The length of a B(O)OT contract is usually 25 years.

Community Provision

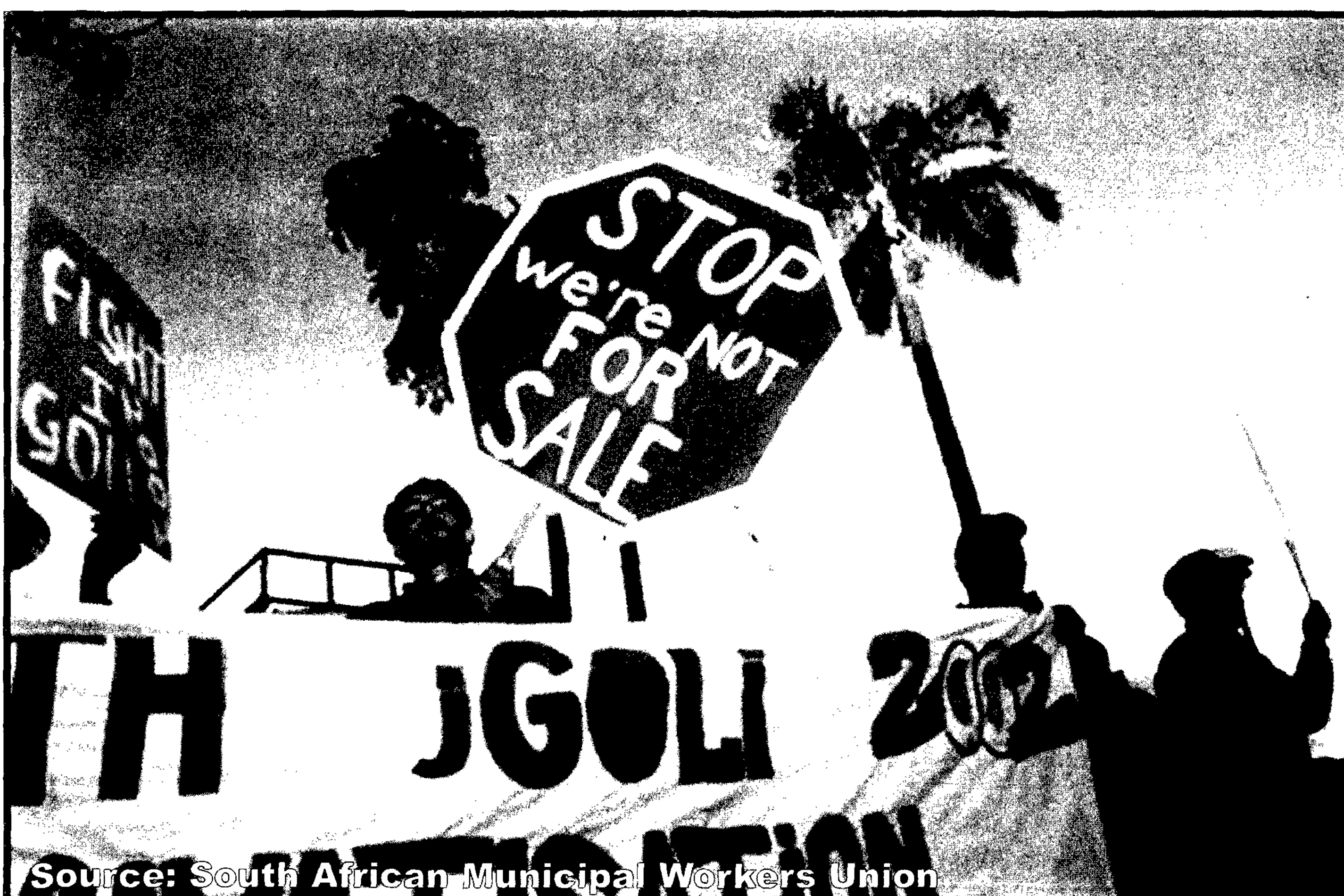
Community provision - an often neglected aspect of privatisation - involves the cessation of state provided services rather than its transfer to the private sector. This is particularly the case with social services sector, where care for the aged, day care for children and so on are devolved onto the family. NGO's may help fill the gap. Women often carry the main burden of this form of privatisation and there seem to be important reservations here regarding the feminization of poverty. The World Bank extends community provision to physical infrastructures such as rural roads and community water supply, stressing the key role of community participation.

2. CORPORATISATION

It is also useful here to highlight the trend towards the 'corporatisation' of water services. Although distinct from privatisation in that water utilities remain fully owned and operated by the state, with local authorities setting key financial targets as well as service level agreements, corporatisation does incorporate many private sector principles such as performance-based management and full cost-recovery. As with PPPs, the purpose of corporatisation is effectively to run the service like a business. Corporatised utilities can also outsource part of their functions as an operating strategy (and generally do).

One of the key features defining corporatisation is that of 'ringfencing', whereby all incomes and expenditures associated with running the service are separated from other municipal functions (e.g. refuse collection, road maintenance, etc.). Where services are shared by other departments - e.g. information technologies or scientific services - the ring-fenced entity pays a fee (full-cost) for these services. The intent of this ringfencing is to reveal the "real" costs/surpluses of running a service and to identify areas of financial loss/gain that may have otherwise been "hidden" in intricate accounting systems. In particular, cross-subsidisation mechanisms within a complex, integrated service delivery system based on centralised management are targetted as inefficient and expendable. Financial ringfencing also creates an opportunity to introduce financially driven performance targets for managers (i.e. managers are rewarded for meeting loss/profit targets for the service entity). Corporatisation also generally means the introduction of "market-based" salaries for managers with the aim of attracting personnel who will pay their way by ensuring that the bottom-line is positive. Models of corporatisation in Southern Africa include a Section 21 company, a public utility, or a water board.

For the purposes of this report, corporatisation will not be discussed in detail but it is important to keep in mind its basic institutional and philosophical linkages with privatisation.



Source: South African Municipal Workers Union

3. KEY DIFFERENCES BETWEEN THE PRO- AND ANTI-PRIVATISATION LOBBIES

Debates over the pros and cons of water privatisation are relatively new. The first major water privatisations did not take place until the 1980s (in Britain) and many countries have only recently begun to privatise. In fact, only 5% of the world's water service facilities are currently run by private entities (although the outsourcing of small components of water delivery would expand that figure considerably). Nevertheless, there is a continuing and dramatic trend towards private sector involvement in water services. The sheer size of the global water market - in the order of US$4 trillion per year - will no doubt ensure much continued interest and aggressive maneuvering on the part of large multinational water providers in the near future.

The novelty of the debate, however, belies its intensity and global scope. As the discussion in the conclusion on pros and cons of water privatisation makes clear, water is, quite literally, the source of all life. Debates over its treatment and delivery merit the intensity and scope of discussions that are now taking place.

A fundamental conceptual difference between the pro- and anti-privatisation lobbies is that those in favour of privatisation tend to see water as an economic good that must be priced (i.e. commodified) if it is to be managed properly. The 'tragedy of the commons' analogy is often invoked to argue that open access to a scarce resource like water will inevitable result in over-exploitation (i.e. rapid depletion). Giving water an economic value, it is argued, allows for rational behaviour by self-maximising individuals in a regulated environment.

The anti-privatisation position - although not opposed entirely to the commodification of water if it is to be used for reducing waste and taxing hedonistic consumption so as to generate cross-subsidies for poorer households - is that there is also a need to see water consumption *mainly* as a basic human right, with important biological, cultural and symbolic values beyond the market. This is not only a different way of understanding the economics of water, it is symptomatic of an entirely different value system which challenges fundamental neo-classical assumptions about human behaviour.

An example of this anti-privatisation ideology can be seen in the Cochabamba Declaration (see Box 1) where a range of civil society organisations combined forces in defence of the vital right to water.

Differences of opinion and values aside, there are also notable institutional and resource differences between the two lobbies. The pro-privatisation lobby has a vast array of financial and human resources and is able to conduct research, publish materials and lobby governments in a relatively coordinated fashion around the world. Perhaps the most important manifestation of this lobby is the World Bank (and allied organisations, including the Urban Management Programme and the United Nations Development Programme). There are also corporate lobby groups, multilateral and bilateral donor agencies, governments and nongovernmental organisations (NGOs) that are driving the privatisation agenda (see below on "Who is Driving Privatisation" for more discussion).

The anti-privatisation lobby, on the other hand, tends to be less well-endowed, and includes academic research groups, public sector unions, NGOs and civic bodies. Such networks are increasingly coordinated and global in scope. Protests against corporate globalisation of the sort that took place in Seattle in November 1999 are one example. Another is the centralised database of the 20-million member strong Public Services International. The anti-privatisation lobby nevertheless tends to be less coordinated and less consistent in its lines of argument.

The reason for the former is largely the lack of resources, although large international workshops and conferences focusing on alternatives to privatisation certainly do take place. The reason for the latter is the complexity of the debate and differences of opinion on questions of concrete alternatives to PPPs. Many opponents of privatisation are equally loathe to return to the bloated and unaccountable bureaucracies of the past. Instead, they seek a radically different form of public-public partnerships and public-people partnerships where other governmental agencies, communities, labour and other citizens groups play a more active and informed role in service delivery decisions.

In the end, the debate is at something of an impasse, with largely irreconcilable differences of opinion on the role of the market, the potential for effective state participation and the value to be attached to water itself.

Ultimately, however, it is government officials that make the final decision to use a private company for service delivery, and there is growing evidence of a pro-privatisation bias amongst senior civil servants and politicians at the national, regional and local government level in South and Southern Africa. To use but one quote to illustrate the degree of pro-privatisation bias, Nelson Mandela, former South African president, has stated that "privatisation is the fundamental policy of our government".

The Cochabamba Declaration

(Box 1)

On December 8, 2000 several hundred people gathered in Cochabamba, Bolivia for a seminar on the global pressure to turn water over to private water corporations. For many of those who attended it was the first time they had come together since the mass uprising at the beginning of the year when the people of Cochabamba took back their water from the private water [illegible]ny. Also in attendance was an international delegation of water activists [illegible]sult of that meeting was the following declaration that captures the essence of the [illegible] the struggle of more and more communities around the world. This declaration is a ra[illegible] the struggle to protect the planet and human rights.

Declaration

We, citizens of Bolivia, Canada, United States, India, Brazil:

Farmers, workers, indigenous people, students, professionals, environmentalists, educators, non-governmental organizations, retired people, gather together today in solidarity to combine forces in the defense of the vital right to water.

Here, in this city which has been an inspiration to the world for its retaking of that right through civil action, courage and sacrifice standing as heroes and heroines against corporate, institutional and governmental abuse, and trade agreements which destroy that right, in use of our freedom and dignity, we declare the following:

For the right to life, for the respect of nature and the uses and traditions of our ancestors and our peoples, for all time the following shall be declared as inviolable rights with regard to the uses of water given us by the earth:

1. Water belongs to the earth and all species and is sacred to life, therefore, the world's water must be conserved, reclaimed and protected for all future generations and its natural patterns respected.

2. Water is a fundamental human right and a public trust to be guarded by all levels of government, therefore, it should not be commodified, privatized or traded for commercial purposes. These rights must be enshrined at all levels of government. In particular, an international treaty must ensure these principles are non-controvertable.

3. Water is best protected by local communities and citizens who must be respected as equal partners with governments in the protection and regulation of water. People's of the earth are the only vehicle to promote democracy and save water.

Source: The Blue Planet Project - www.canadians.org/blueplanet

4. WHO IS DRIVING PRIVATISATION?

There are a number of related drivers of privatisation. These are first water corporations - especially based in France, Britain, Germany and the United States - whose national markets are in some cases already saturated. Pressure to globalise and open up economies to international companies may come from the World Trade Organisation, World Bank and the International Monetary Fund (IMF).

Privatisation may also be forced on countries as a condition attached to international finance institution loans, international standing or bailout packages. At the International Conference on Freshwater in Bonn, Germany, in December 2001, delegates debated this issue of conditionality with some countries (e.g. Yemen) arguing that these conditions were being imposed by foreign donors. After much debate the Bonn Declaration for Action states that "Privatisation should not be imposed on countries and therefore should not be a conditionality of international funding". This means that the World Bank, the regional development banks, and even national governments that extend loans to developing countries should not force them to privatise their water systems in order to get these loans.

"In the past it has been the IMF and the World Bank pushing for the privatisation of services such as water, through conditions attached to structural adjustment loans driven by he Washington Consensus - a global economic model based on the principles of privatisation, free trade and deregulation.

In a recent review of IMF loans issued last year to 40 countries, the non-governmental Globalisation Challenge Initiative (GCI) found that in 12 countries - most of them African, very poor and debt-ridden - loan conditions required the privatisation of water, or policies insuring full cost-recovery.

The countries were Angola, Benin, Guinea-Bissau, Honduros, Nicaragua, Niger, Panama, Rwanda, Sao Tome and Principe, Senegal, Tanzania and Yemen. In the study, Sarah Grusky of GCI noted that the significance of water privatisation conditions in IMF loans means it is those countries that are most dependant on the IMF, whose markets are at the mercy of the private corporations."

extract by Gumisai Mutume, March 2001

Chronic state budget deficits and fiscal problems exacerbate the problem of funding, as states cut investment in urban infrastructure and at the same time decentralise state responsibilities to the local level while cutting inter-governmental transfers.

Enhanced environmental standards may also require huge amounts of capital investment in new sewage treatment plants, which impoverished municipalities do not have access to. Ideological predisposition or the desire to curb trade union power may also drive privatisation. Finally, the threat of urban infrastructure collapse in the face of government incapacity may make privatisation an emergency response rather than an ideological commitment.

Multinational corporations and international financial institutions are amongst the most active agents in promoting water privatisation around the world, and Southern Africa is no different. The French company, Suez Lyonnaise Des Eaux, is the second biggest water company in the world and began a major international expansion in the 1980s. In 1997 Lyonnaise (an industrial company) merged with Compaigne de Suez (an ailing financial services company) to become Suez Lyonnaise des Eaux. Between 1999 and 2000, the company spent close to US$30 billion on further acquisitions. (The Suez group turnover at approximately US$30 billion a year is greater than Anglo American Corporation's US$21 billion.)

It is also worth noting that companies that drive water privatisation in particular tend to be highly vertically integrated - with direct involvement in water distribution, treatment, maintenance and pipe manufacturing activities - and also horizontally integrated since there is already a very high level of industry concentration in the water sector. Compaigne Generale des Eaux (Vivendi), for example, has subsidiaries involved in construction, engineering, media and telecommunications, and even office cleaning and funeral services.

Despite concentrated market power, competition for new contracts amongst multinationals remains fierce. The fact that the two largest water corporations in the world - Suez Lyonnaise des Eaux and Vivendi (ranked 69th and 70th among Fortune's 1999 Global 500 List) - comprise almost 70% of the existing world water market does not mean the absence of competition but in fact intensifies it, and may help to explain the notorious use of bribery of politicians. With high stakes, and a tremendous concentration of corporate power, municipalities often become small pawns in a large game of chess. In many cases, corporate promises appear larger than life for ailing municipalities.

Nevertheless, these large companies have a mutual interest in expanding their reach into the estimated US$4 trillion a year global water business and have established their own industry-based World Water Council to promote the privatisation agenda.

Source: AIDC Alternatives Newsletter

It is not just the multinationals that are pushing the privatisation. There is also a big push within the World Trade Organisation to ratify the General Agreement on Trades and Services (GATS) which would open the doors to water privatisation around the world. And, as noted above, large international finance and development institutions like the World Bank and the UNDP are heavily involved in promoting private sector involvement in water. At an international level there is the Global Water Partnership (initiated by senior World Bank staff) and Business Partners for Development (an industry/World Bank promoter of privatisation). This is dressed up in "how to solve the world water crisis" rhetoric. At a regional level the World Bank has been particularly active in promoting PPPs in water in municipalities while the UNDP has recently helped to establish the "Public-Private Partnerships for the Urban Environment" initiative based in Pretoria.

Source: AIDC Alternatives newsletter

Large bilateral donor agencies are promoting privatisation in the region as well, most notably the US Agency for International Development (USAID) which, along with the Development Bank of Southern Africa, sponsors the Midrand-based Municipal Investment Infrastructure Unit (MIIU), which is a national government agency which provides financial and managerial assistance to South African municipalities who are exploring private partnership options. Britain's DFID, Germany's GTZ and the EU as a donor agency are also providing considerable funding for privatisation initiatives in the region, as are a number of merchant banks and other commercial interests.

The following sections describe, in broad conceptual terms, the main arguments for and against the privatisation of water services, with a focus on environmental and social implications. The key issues are private sector efficiency, accountability, innovation and capital expenditures. In addition to putting the point of view of pro-privatisation advocates, we evaluate these claims by highlighting the socio-environmental tensions and contradictions in the pro-privatisation arguments. Evidence from South Africa is used to support these positions, as is material from a wider range of privatisation experiences elsewhere in the world.

The environmental arguments made in favour of privatising water can be summarised into four categories:

- the need for capital and expertise to alleviate environmental degradation;
- the need for efficiency gains to provide better and more affordable services to the poor;
- better accountability for environmental monitoring; and
- the introduction of better environmental technologies through innovative management and research.

A summary of each of these arguments is provided below (drawn primarily from the work of the World Bank and its affiliates as per the comments above), followed by a rebuttal.

5.1. Capital and expertise

Argument: Perhaps the most fundamental argument made in favour of privatisation is that the public sector does not have the necessary resources or expertise to provide services on the scale that is required in cities like Johannesburg and Cape Town. Limited state budgets combined with the sheer enormity of the task makes the likelihood of rapid public sector service expansion unlikely, if not impossible. Moreover, the public sector is argued to be lacking the necessary engineering, accounting and other trades and professional skills to provide the required services in a timely and quality manner.

The private sector, on the other hand, is argued to have the capital and expertise required for service delivery and expansion and, most importantly, is able to invest and operate on very short notice. In Britain, for example, the privatisation of the water industry is said to have provided over £30 billion for new infrastructure investment in the 1980s alone. Rather than waiting for scarce public resources to materialise the private sector can provide quality services quickly, and begin to address the environmental degradation caused by inadequate service delivery much faster than the public sector could hope to do.

Rebuttal: The problem with this line of argument is that it takes as a given that public resources are not available for large infrastructure and service expansions. In reality, of course, the amount of public funding available for infrastructure development is a political choice. In what has become something of a self-fulfilling prophesy, local and national governments around the world have introduced conservative macro-economic policies and severe fiscal restraints and then turned to their constituents and announced that "the state does not have sufficient funds for infrastructure investments". The growing influence of this dogmatic market discourse in the 1980s and 1990s has stifled debate on public investment and led to a form of institutional amnesia. The image of the state as insolvent becomes 'common sense' and the Thatcherite adage of 'there is no alternative' (TINA) becomes a popular maxim for privatisation advocates. In other words, the privatisation of water services in Southern Africa is not inevitable and often not necessary. A reliance on private capital to upgrade and expand services is largely a political decision often driven by an ideological commitment to fiscal restraint. There is much opposition to privatisation from within the public sector in Southern Africa. See the photograph below of the South African Municipal Workers Union protest march and their logo: "Services must be needs driven not profit driven."

Source: SAMWU website

5.2. Efficiency

Argument: The second environmental argument made by the World Bank and others in favour of privatising water services is that private firms are more efficient than the public sector. Competition for contracts and the need to make a profit motivates managers to cut costs and constantly find more efficient ways of providing services. This entrepreneurial spirit, it is argued, is missing from public sector workers and managers, who are portrayed as lazy and unmotivated.

These efficiency gains, it is claimed, are translated into lower service costs for the end user, making potable water more affordable and accessible to the rural and urban poor (thereby reducing the risk of water-borne disease as well as pressures on fragile water sources in terms of extraction and sewerage). In addition, money saved by the state can then be directed back into further service extensions/upgrades, targeted subsidies for the poor, and/or a range of other environmentally-enhancing investments (e.g. parks).

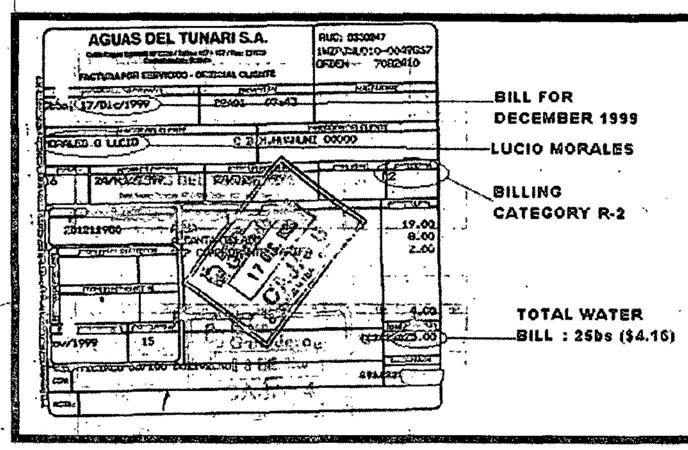
Rebuttal: International experience with private water providers, however, has demonstrated that anticipated cost savings for end users, and for the state, often do not materialise. One reason for this lack of savings is that private companies regularly win contracts with what is called a 'low ball' bid and then ratchet-up prices once they have established themselves in a monopoly or near-monopoly position. These price increases are often justified in terms of 'unanticipated' or 'extra-contractual' costs. The end result is that consumer prices that are significantly higher than those under public sector delivery, resulting in problems of inaccessibility for the poor, service cut-offs for people unable to pay the price increases, and price gouging (i.e. taking advantage of monopoly status to charge higher-than-justifiable prices). See illustrations of the increased water bills as a result of the privatisation of water in Cochabamba, Bolivia.

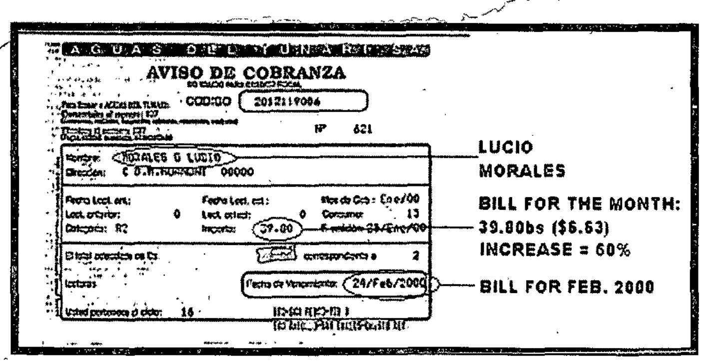
Nor is it necessarily the case that private firms are more efficient than the public sector. One of the biggest myths in the pro-privatisation literature is that of the super-efficient private-sector worker while the public service is deemed to be uncaring, unbending, bureaucratic and expensive. The empirical evidence, however, suggests that there is in fact very little difference between the two. If anything, public sector employees are more productive than their private sector counterparts due to the fact that most public sector work is labour intensive and the public sector usually has state-of-the-art techniques when it comes to labour utilisation.

Cochabamba's Rising Water Tariff - Water Bills for Lucia Morales as a Result of Privatisation

(Box 2)

Before: *In December 1999, before Bechtel's rate hikes took effect, Morales had a monthly water bill of 25 Bolivianos (about $4.16). Classified "R-2" Morales' household is among the very poorest of the poor.*





After: *In February, after Bechtel's price hikes took effect, Morales' water bill jumped to 39.80 Bolivianos ($6.63), a jump of 60% not 10% as Bechtel claims. As the bill indicates, there is no meter reading, no increase in water use. This is one of the many houses that have no water meter and billed based on basic rate. This bill would amount to more than 10% of the monthly minimum wage at the time.*

Source: The Democracy Centre www.democracyctr.org

Efficiency often leads to capital intensive rather than labour intensive production which is in direct opposition to our development objectives and often more environmentally problematic. On the other hand where capital intensive strategies may be appropriate, private firms may prefer low-waged, cheap labor and needed technological improvements may be delayed.

There is also evidence of government officials in various countries artificially raising the price of publicly-provided services just prior to privatisation in an attempt to make private sector bids appear lower than prices charged by the public sector and to convince the general public that the private sector is more efficient. In Buenos Aires, for example, there were five price increases just prior to the privatisation of the water and sanitation system in 1993 - none of which were economically justifiablewhich had the effect of allowing the private firm that was awarded the contract to introduce a 27% price decrease immediately after taking over the water system.

Most importantly, there are the 'hidden costs' of water service privatisation to consider, particularly as they apply to the environment. Violations of environmental regulations by private firms are widespread, with toxic spills, illegal dumping of sewerage, and other bylaw infringements costing governments significant amounts of money to rectify while at the same time placing the health and safety of the public at risk. One example of this in the British context occurred in 1998 when Thames Water was taken to court over the release of five million gallons of a cocktail of raw sewage and industrial chemicals into the River Thames. Residents were required to move out of their homes and were unable to return for up to one year after the incident. The accident is thought to have occurred due to negligence on the part of the company but Thames Water was reportedly uncooperative throughout the investigation and the cause of the leaks remain unknown. This was the twenty-fourth time the UK Environment Agency had prosecuted Thames Water since 1995.

There are a myriad of other instances where private water companies have been caught violating regulations (for a lengthy international list of these visit the Public Services International Research Unit at www.psiru.org). There are also many instances where private firms have not been caught, with the total number of unreported environmental infractions, and the associated costs to the public fiscus and public health, remaining unknown.

This is not to suggest that private firms are the only organisations to violate environmental and other legislation. Public service providers in Southern Africa have also been a problem in this regard. Institutional racism is still very much alive in the South African public service for example and there are lazy and corrupt officials in all levels of government. Nevertheless, there are fundamental differences in the way that public sector institutions approach questions of efficiency and these differences can have a significant influence on environmental management. For one, the public sector is not driven by the need to make a profit or undercut its competitors at all costs. The public sector can accept certain 'inefficiencies' in the name of public safety, job creation and environmental protection, and thereby provide a deeper level of insurance that the public good - rather than private gain - will be the primary motivation for service delivery. Private sector firms, on the other hand, operate in their own closed environment and are concerned solely with efficiency gains and losses within the firm. They have little interest in the financial health of other firms or other sectors, let alone the less tangible gains and losses associated with service delivery like gender equity, aesthetics, and spatial desegregation. Private firms are unable to think in terms of the broader public good because they are bound by the immediacy of shareholder demands and profitability.

And what of those communities that are avoided by private sector service providers because it is feared that residents cannot pay, or that the effort to get collect revenue is too costly despite possible government subsidies? The phenomenon of cherry-picking exists, in situations where low-income areas are excluded from contracts (e.g. in Stutterheim, South Africa).

Three efficiency issues must also be considered here:

- The first relates to the social, environmental and health implications of exclusion from water services (especially for women and children) and the societal costs this implies, once again eating into any monetary efficiency gains made through privatisation;

- The second relates to the costs of having the public sector pick up the pieces left behind. Any effort to service the patchwork of areas deemed undesirable by the private sector is bound to be 'inefficient' due to spatial irregularities, lack of economies of scale, and inevitable morale problems with employees working in 'problem areas'. These public providers are then held up, in turn, as an illustration of the 'inherent inefficiencies' of the public sector, while private service providers enjoy the benefits of 'cherry picking' the easiest and most profitable areas to service. For those areas deemed problematic, a vicious cycle of decay ensues as the public sector finds it increasingly difficult to find the resources to provide good services;

- The third, the health and safety for workers can also be compromised by privatisation due to the fact that private service delivery firms are seldom unionised. Municipal work can be dangerous and unpleasant (e.g. cleaning broken sewerage lines, handling dangerous chemicals defoliants) and front-line workers are often the first to pay the price of privatisation.

Source: SAMWU website

5.3. Accountability

Argument: A third environmental argument made in favour of privatisation is that the public sector is inherently corrupt and unaccountable to the public, and cannot, therefore, be relied upon to monitor their own environmental activities when it comes to waste management, water treatment, etc. Nepotism and incompetency, combined with what is deemed to be an unwillingness on the part of public sector employees to accuse their colleagues of wrongdoing, is seen to be the main source of weakness when it comes to environmental monitoring on the part of governments. In other words, governments cannot be trusted to monitor themselves.

The solution, it is argued, is to have the private sector provide services and an independent regulator (run by a wide range of stakeholders, including government) monitor what they do. In this way, there is no conflict of interest between employees of the state, and the independent regulator has the right to fine, and even fire, the private company that has violated an environmental regulation. Private firms are deemed to be more accountable in this arrangement because they must abide by a transparent set of rules outlined in their contract, monitored by an independent regulator.

Rebuttal. Once again, however, international experience suggests this is not necessarily the case, with private firms tending to be less accountable than their public sector counterparts. The contracting out and privatisation of public services can in fact lead to a considerable diminution of public accountability because the degree of political responsibility generally declines and various information-seeking tools like 'freedom of information' legislation, which apply to the public sector, are either significantly weaker or entirely absent in the private sector. One reason for this is active avoidance on the part of private firms to independent scrutiny because they do not want to expose themselves to public embarrassment. In particular, private sector directors or managers do not want to open themselves to the same degree of media interrogation that politicians must accept, even on matters of clear public interest.

Another reason that privatisation reduces accountability is that it is expensive. It takes time and money to be accountable to the public, and these costs have the potential to undermine the efficiency gains from contracting out. It has even been argued that it is precisely because of the reduction of public accountability that private sector firms are able to secure some efficiency gains over the public sector.

There is also growing evidence of corruption on the part of private service providers, particularly large multinationals, with independent regulators being bribed, or threatened, to 'turn a blind eye' to environmental and other contract violations. The solid waste industry is particularly notorious for this kind of activity, with allegations of significant organised crime links, but there is evidence of corruption across a wide range of service sectors, including water. Most importantly, it is multinational firms, not local bureaucrats and politicians, which would appear to be largely responsible for driving this culture of bribery and corruption.

Under the circumstances, **is effective regulation possible in South and Southern Africa?** Arguments for privatisation often rest on the assurance, that regulation will ensure the public interest. If we assume that most local contracts take the form of regulating by contract, then each municipality is responsible for establishing a capacity to monitor the price, quality, and performance of the concessionaire. Enforcement and monitoring costs fall to the municipality which has to decide on the basis of its own capacities and financial means how far to go with monitoring (whether global or detailed monitoring). Partnership means a high level of trust and mutual give and take since an additional problem arises: the contract is by its nature incomplete, and may be amended if for example the town expands or new areas are incorporated. At such stages, the municipality is at the weaker end of the bargaining relationship since it cannot easily re-gain its lost capacity and labour force to service adjacent new areas itself. Neither can it easily sign a different contract with a different company for newly incorporated areas. Hence the "lock-in" factor after the contract has been signed. Twenty-five years is a long time in political terms. Things can change, but the fact of the contract cannot.

South Africa's track record of regulation and government-business dealings has not been exemplary. The R60+ billion arms deal dealt a blow to the credibility of the state and its capacity to engage in complex deals. In any event, major institutions like the Development Bank of Southern Africa want public-private-partnership regulation to be as light as possible with a quick, flexible and non-bureaucratic national technical team of experts that can assist local authorities. Any approval or monitoring by provincial or national governments should be minimal.

Even if private service providers were always trustworthy and state regulators always honest and vigilant, local and provincial governments in Southern Africa (and indeed around the world) are finding themselves stretched and incapable of effectively monitoring contracts. Moreover, cash-strapped municipalities are now expected to manage new workloads and extend services to millions of urban and rural poor with enormous reductions in inter-governmental financial transfers (what are often referred to as "unfunded mandates"). Some South African municipalities have been able to cope better than others, but the capacity of most local governments in the country to effectively monitor the activities of private sector service providers is extremely limited.

This lack of capacity is all the more problematic when one considers the incredible fragmentation of municipal services that exists in South African municipalities as a result of apartheid planning. There has been some rationalisation of these services through amalgamation but for the most part there is still enormous fragmentation. To add a collection of private sector players to this mix will make regulation an even more chaotic (and inefficient) exercise. The situation of governance is all the worse in small towns, rural areas across South Africa.

This latter point is all the more pertinent when one considers the large number of micro-enterprise activities being promoted for service delivery in the region. It may be feasible to regulate the delivery of bulk water by a multinational company for an entire municipality although the British have failed to do even this effectively. It is much less feasible to expect a municipality to effectively regulate countless numbers of small private service providers in poor urban and rural areas. Corruption and bribery, in turn, find fertile ground in this under-funded and scattered regulatory environment.

Matters are made worse by the fact that South Africa has weak and fragmented pollution and waste legislation. A *White Paper on Integrated Pollution and Waste Management* for South Africa was produced in 1998 in an attempt to deal with this problem. However, the planned legislation is too general and lacks rigorous analysis of the legal system regulating and administering pollution control, and is likely to fail to be of use. The potential for the private sector to take advantage of loopholes in this legislation is therefore significant, and this must be taken into account in the decision making process.

Finally, there are asymmetries of power between private sector providers and public service regulators that can distort the 'independent' monitoring relationship of a private sector service provider. In Buenos Aires, Argentina, for example, the independent regulator assigned to monitor a 30-year contract to supply water and sanitation to the city has been largely marginalised. According to sources within the regulatory agency, the private firm that won the contract (Aguas Argentinas - a consortium of firms led by multinational giant Suez Lyonnaise des Eaux) repeatedly ignored the regulators' requests for information, allegedly bribed senior government officials to obtain extra-contractual price increases, and continually postponed contractually-committed investments in a new sewerage plant, leading to serious environmental problems with ground and surface water contamination.

The Buenos Aires example is important because it is the largest water concession in the world, servicing more than nine million people, with considerable national and international attention being paid to it. There is also strong representation on the regulatory body by all three levels of government. If a regulatory agency fails to make a private company accountable under these circumstances, what can be expected to happen to the independence of regulatory agencies outside of the international spotlight with much weaker government representation?

5.4. Innovation

Argument: A final environmental argument made in favour of privatisation is that private firms are more innovative when it comes to the introduction and development of new, environmentally-friendly technologies and systems. The reason firms are seen to be more innovative is that competition forces companies to continuously search for new technologies and new methods of service delivery that give firms a competitive advantage. The public sector, on the other hand, is deemed to be missing this innovative drive due to the lack of competition and incentive in the public system. Public service delivery, it is argued, will always lag several steps behind the private sector in terms of introducing new environmental technologies and systems (e.g. robotic pipeline testing and repair).

Rebuttal. While there are no empirical studies to back up or refute this claim of private sector superiority in innovation, the track record in South Africa has not been encouraging. The provision of services like water and waste management by private contractors has been anything but creative, following well-trodden patterns of investment in energy-dependent and resource-inefficient systems of service delivery. Despite significant advances in such areas as natural sewage treatment, low-flow toilets and showers, waste diversion systems, and so on, private contractors in South Africa have largely entrenched, rather than challenged, energy-intensive and environmentally-damaging service delivery systems. There has been some success in other countries with private firms developing environmentally-friendly technologies and systems, but there is no reason to believe that profit is the only incentive for innovation. To the contrary, history and contemporary experience have shown that public institutions have been at the cutting edge of innovation in a wide range of fields, from the arts to the sciences, with no direct monetary rewards for their inventors. One needs only think of the enormous creativity stemming from public universities and hospitals to acknowledge the potential for innovation in the public sector.

But it is the less celebrated, day-to-day public sector inventiveness that is equally important to our discussion here: the sewerage manager who develops a method of using less chemicals in the treatment process; the community relations official who develops effective public education campaigns for water conservation, etc. For every example of a lazy, unimaginative public employee, one can think of a counter-example of a public servant who has gone out of his or her way to provide a better service.

The issue of 'institutional memory' is also a factor here. With private firms regularly leaving service delivery networks as a result of competitive bidding, there is a potential loss of long-term institutional memory of service systems - knowledge that can be critical in terms of developing new and innovative ways of dealing with environmental 'hot spots', environmental expectations of the communities serviced, and a longer-term understanding of environmental trends and irregularities. This kind of information can be particularly useful in environmental emergencies, where it is critical to have workers and managers who have intimate knowledge of the areas they service. Private firms are unlikely to invest in this kind of institutional knowledge and innovation on a long-term basis given the relatively short duration of many service contracts. And if the contract is long (30 years or more) what happens to all that private institutional memory if the private company leaves?

The bottom line: pro-privatisation arguments are trumped by rebuttals. Public-good concerns in developing economies characterised by massive inequality and lack of service provision require the state to resolve problems. Privatisation of municipal water, in a context of pressure to commodify all water systems, should be avoided at all costs. These arguments and others are included in the WEED "10 Myths of Privatisation" (see table overleaf).

Privatisation in the Water Sector - Ten Myths
(Table 2)

weed

"Public utilities are inefficient, corrupt and cannot be reformed"

There is no empirical evidence of private water supply companies being better, more cost-effective or efficient per se than public utilities. In the developing countries too, there are many examples of successful utilities or public utility enterprises being restructured without the involvement of private companies.

"The aim is not to privatise but to involve private companies"

This is correct in most cases. And "involvement" sounds better. But private is not always the same as private. In many cases, the companies involved are powerful multi-utility corporations in good financial standing that operate on an international scale. Local private companies usually only play a subordinate role.

"Privatisation will result in additional investment"

The financial transactions of the trans-national corporations (TNCs) are so obscure that this claim is difficult to substantiate. But what is clear is that the lion's share of investments in many projects in which TNCs are involved comes from public sources (the World Bank, KfW -Kreditanstalt für Wiederaufbau, governments).

"The poor will benefit from the involvement of private companies"

Only a small contribution is made to a better supply for poor sections of the population since it is not profitable. As far as their needs are concerned, the poor continue to depend on self-help groups, local communities and development organisations.

"Privatisation will introduce technology and know-how"

Most TNCs tend to be interested in high-tech concepts, construction orders and standardised solutions, since these areas offer the best prospects of raking in profits. But what is required is simple, cost-effective solutions that are adapted to local conditions. In many cases, grassroots groups, non-governmental organisations, user groups and public utility enterprises are more suited to implement and maintain them than profit-oriented companies.

"The market and competition can help the developing countries and provide more efficient solutions"

Competition is only very limited in the water sector. As a rule, the utility company holds a monopoly. And in the world market, there is an oligopoly of a small number of TNCs that can, to a large degree, dictate the terms of contracts to governments and municipal administrations.

"At least 60 billion US dollars annually is required additionally to secure supply"

These capital expenditure requirements are based on the solution concepts, cost calculations and expected profits of the corporations. But simple, appropriate and hence far more cost-effective solutions are needed to supply "problematic areas" and sections of the population that are insufficiently provided for. And often enough, they are there.

"Cost-covering prices are possible"

Yes, but only if they are either subsidised - which is what the World Bank rejects - or if they are so high that the poor cannot pay them.

"The companies involved are controlled and regulated by the government, government authorities and local governments"

In most cases, the differences in power and information between the players are so great that regulation and control is hardly feasible. Moreover, establishing effective regulatory authorities in the water sector of the developing countries is especially difficult and requires a particularly big effort.

"There is no alternative"

This could become a self-fulfilling prophecy. For since a large share of the public funds from development organisations, governments and multilateral financing institutions is being used to promote privatisation, resources to support and boost the existing alternatives, such as public utility enterprises or local, appropriate solutions, are becoming scarce.

Author: Uwe Hoering
World Economy, Ecology & Development

6. WATER COMPANIES OPERATING IN SADC

The privatisation and commercialisation of water and sanitation in Southern Africa is becoming widespread with especially powerful French Companies leading the way and with the regions largest cities (Johannesburg, Cape Town and Maputo) already firmly committed to privatisation and enhanced private sector participation in municipal services. Many small towns and large urban centers have one or other form of private sector involvement. The big French company, Suez for example started out with service contracts with towns in the former apartheid 'homelands', before it undertook a long-term 25-year contract in Queenstown, and ten-year contracts in Stutterheim and Fort Beaufort (now called Nkonkobi) in the mid 1990s. Nkonkobi's contract came under attack in October 2001, when the mayor of the municipality sued for cancellation due to overcharging, lack of transparency and unaffordability. In December 2001 the Grahamstown High Court nullified the contract, which will result in the debt-ridden Nkonkobe Municipality saving R19.8 million. Despite this bad experience, in 2000, Suez won the Johannesburg contract which is Africa's largest contract - serving over 600 000 households.

The French did not have a history of colonial ties with South Africa, but in 1984, when the township uprisings were at its height and international sanctions were beginning to bite, Lyonnaise representatives and French government officials visited South Africa for talks. The visitors included two advisors to the Chairman of Lyonnaise des Eaux (Jerome Monod), and Henry Castelnau, the foreign trade advisor to the French government. The company gradually built up a record by having a large number of service contracts with homeland governments (Bophuthatswana and KaNgwane), and with various mining companies.

By the early 1990s Lyonnaise merged with South Africa's largest construction firm, Group Five. In South Africa Group Five bought Everite Holdings (a pipe manufacturer). In 1995 Lyonnaise Water Southern Africa (Pty) Ltd (LWSA), formed through a partnership between Group Five and the parent company Lyonnaise des Eaux - each of whom owns 50% of the company - began its own African Renaissance. In 1996 the company was restructured to become Water and Sanitation Services of South Africa (WSSA).

Nkonkobe Water Contract Nullified by High Court

By Mthobeli Mxotwa

EAST LONDON: The Mayor of Nkonkobe, Mandisile Mdleleni, yesterday expressed joy and relief after the Grahamstown High Court nullified a water and sanitation contract that had been entered into by the former Fort Beaufort transitional local council (TLC) in 1996.

The former TLC entered into a 10-year contract with Water and Sanitation Services South Africa (WSSA), the local subsidiary of French multinational Suez-Lyonnaise, to provide water and sanitation to the Fort Beaufort TLC.

The scrapping of the contract meant that the Nkonkobe municipality would save R19 million, Mdleleni said. He said the Nkonkobe municipality was paying R400 000 a month to WSSA.

Mdleleni said his council had inherited the TLC's debts but was not prepared to honour invalid contracts.

The Nkonkobe municipality compromised poverty-stricken rural areas where people were unable to pay for services, he said. Nkonkobe includes Alice, Fort Beaufort, Middledrift and Seymour. Mdleleni said the municipality had found it difficult to pay the R400000 contract fee each month. It was also expensive to cancel the contract. The council decided to investigate the validity of the contract and applied to the High Court to have it nullified.

The lawyer for Nkonkobe council, Dumisani Tabata, said the Court found the contract was invalid as it had not been published first for comment by members of the public. Secondly, approval from the local government MEC was never obtained. WSSA has been given until December 21 to vacate the municipal offices it is occupying, Mdleleni said.

Article in Dispatch Online, December 15, 2001

Between 1992-95, in the dying days of apartheid, a single transnational firm, Suez Lyonnaise Des Eaux took over three Eastern Cape towns' water and sanitation systems in what they termed "delegated management contracts." Against popular sentiment in the townships, in early 1990 the Queenstown municipality decided that in order to 'test the market' they would call for open tenders to privatise any municipal service. They considered only two water proposals (from AquaGold and a much smaller local company called Aquafund) for the operation, management and maintenance of the water and sewerage system. By 2001, WSSA could boast that it operates water and sewerage systems for a population in excess of 2 million people, with a staff compliment of over 500. WSSA is also a shareholder in Amanz'Abantu, the programme implementing agent for rural BOTT schemes in the Eastern Cape. Table Three provides a breakdown of private sector water schemes in SADC countries.

But to understand the full logic of water privatisation requires consideration of the way costs are calculated in water supply, the costs associated with ignoring the "public good" characteristics of water, and the way in which cost-recovery occurs under privatisation.

Study for Expanding Private Sector Participation in Water and Sanitation Services in SADC

(Box 2)

The *Study for Expanding Private Sector Participation in Water and Sanitation Services* is Project 13 of the Regional Strategic Action Plan under the auspices of the Southern African Development Community Water Sector Coordinating Unit.

This box with its excerpts from the project 13 concept notes, illustrates the SADC Region's commitment to fast tracking private sector involvement in water supply and sanitation. It refers to "*prejudices and misconceptions*" that exist regarding PPPs without actually questioning the validity of these perceptions, or collating the information necessary to check whether the Southern African experiences with PPPs to date warrant their enthusiasm. It is clear that the driving force for this policy originates with the World Bank and its "toolkit" and the "*international water sector fraternity [which] has in recent years come to advocate the use of PPPs*"

"*Governments hope to take advantage of private sector skills and know-how, improve efficiency of service delivery, and gain access to finance for new investments. Experience in countries that have entered into arrangements for private sector participation shows that, if well designed, these arrangements can bring improvements in the quality, availability and cost effectiveness of services. ...*

Project Objective

- *The main objective is to contribute to the integrated economic growth of SADC through the promotion of good health and improved efficiency in service delivery. Other objectives are:*
- *To determine the extent to which national policies are an impediment to public-private partnerships, To raise awareness of the opportunities and overcome concerns and misconceptions at the political level,*
- *To identify potential partnerships and different types of contracts suitable for different settings in member states*

The World Bank has published toolkits that are intended to assist a state with preparation for PPPs."

Private Sector Water Schemes in SADC Countries as at November 2001

(Table 3)

SADC Country	Project	Type	Status of Project	Operating Water Company
ANGOLA	Urban water supply & sanitation project	Includes management contract of Luanda Water System	Planned	Not yet determined
	Luanda Water Supply project	Unspecified	Planned	Not yet determined
MALAWI	National Water Development		Approved/6/28/95	Not yet determined
MAURITIUS	Environmental Sewerage and Sanitation		Approved 2/12/98	
MOZAMBIQUE	National Water I	15 yr Lease Contract for Maputo and four identical 5yr management contracts for 4 other cities	Active	Saur International (France); IPE-Aguas de Portugal (Portugal); Mazi-Mozambique Mozambican)
	National Water II		Active	
	Aguas de Mozambique (Waters of Mozambique) consortium	5-15 years concession	Started 30 September 1999	
NAMIBIA	Bulk water commercialisation		Started 1 April 1998	Namibia water corporation (Nam-Water)
SOUTH AFRICA	Johannesburg, Igoli 2002	5 year management contract	Started November 2000	Northumbrian, Suez
	Queenstown, Fort Beaufort	30 year and 10 year concession respectively	Started 1995	Suez-Lyonnaise (WSSA)
	Dolphin Coast	30 year concession	Started 1999	SAUR
	Nelspruit	BOT Contract, 20 years concession	Started 1999	Bitwater/Nuon
	Durban		Started 1999	OTV (Vivendi's water engineering division)
TANZANIA	Dar es Salaam Water Supply and Sanitation Project	5 year management contract	Planned	Not yet determined
	Rural Water Supply and Sanitation Project		Planned	Not yet determined
	Dar es Salaam Water Supply and Sewerage Authority (DAWASA) privatisation project	Lease - minimum 10 years	Bidding ongoing	
ZAMBIA	Urban Restructuring & Water	Approved 5/16/1995	Lusaka Water and Company (Zambia)	Sewerage
	Mine Township Services Project	Approved 5/16/1995	Approved 6/20/2000	

7. FINANCIAL COSTS OF WATER SUPPLY

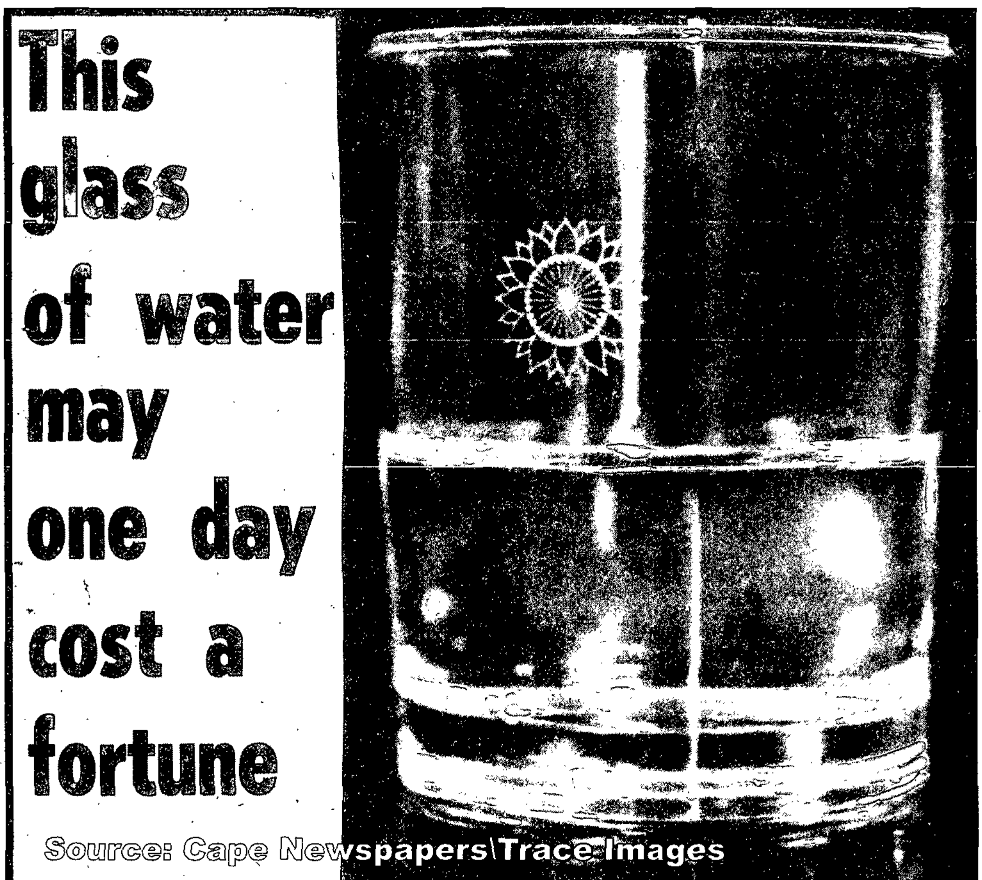
The financial costs of supplying water include the following components:

- abstraction (gathering water from its natural state, whether below-ground, in the water table, or in groundwater supplies);
- storage (whether in dams or in piping closer to the end-user);
- transport (often requiring pumping stations and long pipe systems which both require extensive ongoing maintenance);
- cleansing and purification;
- distribution (mainly the administrative costs associated with billing); and
- waste-water treatment.

Capital and operating/maintenance costs are included to some extent in each category. Typically, the capital costs of an addition to the water system are paid for in an urban context by all existing users, through tariff increases. As an illustration, the bulk cost of water to users in the Rand Water catchment (Johannesburg) was projected to rise from R0,20 per kilolitre during the early 1990s to R1,50/kl two decades later (even after discounting for inflation) due to the construction of the two main dams - Phases 1A (Katse) and 1B (Mohale) - in the Lesotho Highlands Water Project (LHWP). The costs are being passed on quite unequitably to all the current users of the LHWP, with lower-volume users having paid far higher tariff increases than large-volume users.

In contrast, in many smaller rural projects, capital costs are included in the price of water only for those additional users, so that it becomes far more expensive for consumers to pay for water schemes, especially if they have practically no income. This is one justification for the subsidy of capital costs, which wealthier SADC governments and donor agencies often agree is their responsibility. However, until the cholera outbreak of 2000-2001, even the wealthy South African government refused to subsidise the operating and maintenance costs of many of the rural water schemes that had been established since 1994.

Sometimes national governments charge individual users for capital costs, so that, for example, the operating costs of Vaal River water typically account for just R0,10/kl, while the levies associated with the LHWP drive the final price up to over R0,30/kl.



Source: Cape Newspapers\Trace Images

DOLPHIN HONEYMOON OVER

(Box 3)

The sharp tariff increase projected in the Dolphin Coast concession north of Durban raises questions about the trend to private operation of municipal services throughout SA.

Since its launch early in 1999, the concession has operated as a model for privatisation.
Municipal officials have been inundated with visitors, reports have been written and it has served as a case study for public-private partnerships.

Now it has been reported that Siza Water, a subsidiary of Saur International of France, has run into problems because of an oversupply of infrastructure and a shortfall in revenue.

The KwaDukuza municipality is reported to have renegotiated the contract on a basis favourable to the company, rather than using the letter of the law and recalling the performance bond; yet the original contract anticipated sustained losses for the company. The concession is for a period of 30 years, which was considered long enough for the company to make a profitable return on its investment.

Just two years on, however, the contract has been returned for renegotiation and tariffs have been raised by a final figure that could amount to 37%.

The Dolphin Coast concession was launched amid great fanfare and with the best possible conditions for success. The coastal strip, with holiday areas like Ballito, is booming. There were no party differences over the concession document. Now, though, it seems the honeymoon is over. Before the renegotiation of the concession was announced it was clear there were problems on the horizon. Questions have been raised about the amount of foreign capital committed to the project: it seems the overwhelming sum invested was raised in SA. Much of the capital, it seems, has been raised from public funds that the municipality itself could have accessed.

In the townships separated from the coastal strip by the N2 freeway and railways there is deep poverty. Two-thirds of the population earn less than R800 a month and there is opposition to the high level of monthly fixed charges imposed by Siza Water.

Residents pay R36 and R24 respectively for sewerage and water connections, a cause of discontent. The charges make the 1 O-kilolitre free water quota an academic benefit, as a monthly bill at 10kl consumption now costs R79.
Half the residents with household connections have been unable to keep up these charges; their services have been ended. The others queue with buckets for electronic water dispensers. They complain that these are often broken down.
Ratepayers' opposition is also growing. Their associations query high fees for connection and complain of lack of access to reports about Siza's financial and technical operations.

Revenue follows consumption: 80% of income is from the 20% of households on the wealthier east side, and these people are becoming increasingly discontent.

Despite objections from the SA Municipal Workers' Union, the concession went ahead with the full support of government and the local African National Congress. In August 1999 President Thabo Mbeki was granted the freedom of the borough and gave a speech rejecting critics and praising the concession.
Now residents are weighing up the abrupt increase in tariffs. Township residents expecting an indication of free water tariffs from July 1 are facing considerable increases.

There are also important regional factors at play. Umgeni water, the bulk supplier for water distribution in the region, is now operating as a private company and tendering for business in SA and abroad. It is reported to be making good the losses it has sustained playing the market with its revenues from municipalities. Umgeni has raised tariffs by 22,3%.
The question is whether the higher tariffs will lead to declining consumption by *better-off* residents. If it does, there will be further financial problems.

This crisis indicates deeper problems with the policy trend towards private-sector participation. Concessions and outsourcing, which promised to lower costs and charges, are doing just the opposite, exacerbating the problems of the poor; an ominous trend.

Dr. David Hemson is acting director of the University of Durban-Westville's social policy programme. This research forms part of a wider study of Public Private Partnerships supported by WEDC, Loughborough University.
Business Day, 14 June 2001

What, though, are the true costs of water, and how do they correlate to the prices paid? Access to water in Southern Africa is increasingly determined by the extent to which consumers can pay a "price" - often called the "tariff" - that covers the full cost of the service. If consumers cannot pay this price, then subsidies are required or the consumer faces a cut-off of supply. The idea of "full-cost recovery" is important because of the difference between the initial cost of installing water infrastructure - the "capital cost" - and the expenses associated with operating and maintaining the infrastructure. The latter costs - "operating and maintenance" - are also called "marginal costs" by economists, because they represent the additional cost of consuming each additional unit of water.

For large consumers, the additional cost of each unit in the short run tends to decline, due to economies of scale, ease of billing, ease of maintenance of associated infrastructure, and the ability of large consumers (such as mining operations or farmers) to draw water from the system at non-peak times (e.g. late at night) and store their water. In contrast, low-income consumers who use small volumes impose higher marginal costs on a typical water system, because of more complex billing requirements (including lack of addresses), difficulties in making payments, more leaks in the infrastructure, and the tendency to consume at peak periods (morning and early evening).

It should be noted, however, that the "long-run marginal cost" of water may be driven higher by big consumers who waste water, which drives the costs of the system up for everyone. Hence the need for "demand-side management" - as explained below - rests upon conservation incentives. But, as we shall see, such incentives are often run against the supplier's main objective: to make a profit, most likely at the high end of the consumption scale. Because water companies are integrated into construction, pipe-manufacture and engineering interests, boosting demand for water and hence the demand for more dams, pipes, etc., may also be part of the water companies larger agenda, thereby bringing it into conflict with the conservation philosophy.

For pricing purposes, the marginal cost of a good - water as a commodity, or any other commodity - is typically the basis on which any company sells a good: it must at the very least sell at a price high enough to cover the cost of producing each new unit. (Adding the capital costs and the operating/maintenance costs together results in what economists term "average costs," but these have less relevance to the debate over privatisation.)

Typically, the perceived need for "full-cost recovery" applies to operating and maintenance costs. If a water supplier - whether public or private - is unable to price water so as to cover the full operating and maintenance costs, then either subsidies are required or the danger arises of the water scheme going bankrupt. Relevant here is the experience that poor quality infrastructure is put in place which requires expensive maintenance and produces large losses of water.

One of the implications of full cost-recovery is the extent to which the water supplier will go to ensure payment of services, irrespective of the impact this will have. In the Western Cape, unprecedented water cut-offs and evictions from homes have resulted in community uprisings. See photographs of the Tafelsig community clashing with the police in September 2001.

Taflesig Uprising, September 2001
Source: Cape Newspapers\Trace Images

8. THE COSTS, BENEFITS AND PRICES OF PUBLIC AND PRIVATISED WATER

Full-cost recovery is central to the privatisation debate. Critics argue that a privatised water supplier has absolutely no incentive to incorporate the broader social costs of not having water. These costs (sometimes called "negative externalities") include:

- public health problems, including epidemics of communicable diseases such as cholera and diarrhoea, as well as mental health associated with the stress of not having access to this essential service and the associated lack of dignity and stigmitisation;
- gender inequity (since women are the ones who bear the main burden of water procurement);
- lack of economic opportunities, such as microenterprises, that are associated with access to water;
- lower productivity of workers, students and others who require water in their home to function effectively elsewhere in society;
- geographical segregation along class lines (since very low-income households are often the ones forced to live in communities that are not supplied by water, whereas wealthier households can migrate to a site where water is available);
- environmental degradation, since human beings who are without water for personal hygiene are often forced to resort to the bush or pit latrines - even in dense areas - for sanitation purposes, which in many ecologically fragile situations pollutes groundwater and the water table; and
- increasing stress on destitute and child-headed households impacted by HIV/AIDS.

Unfortunately, society has not progressed to the point at which the definition of "costs" also includes the variety of problems that occur if people or ecosystems do not have access to sufficient water.

Critics of privatisation contend that only the public sector has an incentive to supply a very poor household with water, using a subsidy, since the costs of treating diseases like cholera or diarrhoea can be so high and pose a danger to the economy and society at large. Assuming a coherently co-ordinated government, only a state water supplier with close ties to other state health, environmental, economic and planning agencies can realise the benefits of holistic service delivery, of economies of scale and scope, and of the benefits of integrated development planning. Thus it is important to avoid state-fragmentation, which occurs, for instance, when water is still state-run but on a commercialised or corporatised "arms-length" basis. If contracted out to the many independent suppliers with localised contracts with their own narrowly-defined profit strategies, these benefits will typically not be realised.


Taflesig Uprising, September 2001
Source: Cape Newspapers\Trace Images

9. DOES PRIVATISATION CHANGE THE WAY THAT COST-RECOVERY OCCURS?

A privatised water supplier will, under most operating concessions, have an incentive to "get the prices right" by pricing water according to its marginal cost plus a mark-up. The problem arises immediately, because if water conservation is a goal, then the price of water should be put at very high levels for individual households or companies, when they reach high levels of consumption. This technique - a "progressive block tariff" - is used across the world. But it is under attack because it includes a subsidy from the large user to the small user. Any privatised water supplier will attempt to identify "inefficiencies" in its pricing system, and cross-subsidies are amongst the most obvious "distortions" of price, from cost.

Specifically, the tendency of any private water supplier is to align the water tariff with the marginal cost (downward sloping), and add a mark-up to that marginal cost when arriving at a price. For each additional unit, the price would ideally be lower, reflecting lower marginal cost. Indeed, the World Bank advised the South African government in 1995 to avoid progressive block tariffs because they "may limit options with respect to tertiary providers - in particular making private concessions much harder to establish."

Hence, a privatised water supplier will avoid pricing water in a way that maximises social justice - by giving a free lifeline to all consumers for their first block of consumption (e.g. 50 litres per person each day) - and that also maximises environmental justice by forcing larger users to conserve. Such a strategy would provide a disincentive to the profitability of a private sector supplier. Instead, the desire to price according to a narrowly-defined notion of cost is one of the main reasons why conservation - "demand-side management" - is such a challenge under conditions of privatisation.

Source: Municipal Services Project

10. IS DEMAND-SIDE MANAGEMENT EASIER OR HARDER UNDER PRIVATISATION?

Demand-side management of water refers to a variety of actions, ranging from pricing changes to technical repair to behavioural changes, aimed at conserving water. The point is to reduce wastage in the existing system rather than to raise costs to users by augmenting supply. The demand-side management techniques include:

- changing water usage patterns through progressive block tariffs;
- fixing leaky connector pipes;
- modernising and fixing meters;
- fixing leaky water taps within each household;
- promoting water-sensitive gardening and food production;
- intensifying water conservation education;
- regulating or prohibiting excessive watering of suburban gardens;
- implementing other water use regulation;
- clearing invasive alien trees;
- promoting school water audits;
- billing consumers with more informative material; and
- installing low-flow showerheads, dual-flush toilets and similar mechanical interventions.

The incentives for demand-side management within a privatised water system vary. If, for example, a catchment agency that delivers water from an expensive dam to a municipality was to be privatised its incentive is *not* to encourage demand-side management because that would limit the consumption of the end-user and hence limit revenue and profits needed to pay for expensive dams. These problems, however, depend on the nature of the company and its capacity to make profits from other aspects of water industry. For example, if the same company supplying water also manufactures, supplies and fits new meters, new water saving devices etc, then it may not hesitate to "go beyond the meter" and encourage water conservation. In any event, reduced water demand may not mean declining profits, if water price increases compensate for lost revenue from declining demand.

On the other hand, if a privatised municipal (or district) supplier has as its incentive to sell the maximum amount of water possible to consumers (because its profits are related to its revenues), its incentive is to only engage in certain kinds of demand-side management - where consumers cannot be charged. Where consumers can be charged for water, there exists a disincentive for the privatised supplier to encourage demand-side management. The kinds of demand-side management techniques favoured by privatised water suppliers - fixing leaky connector pipes and modernising and fixing meters - are very important, to be sure. They are crucial to reducing the "unaccounted for water" from rates that in Southern Africa often exceed 50% of the water in the system, to international averages closer to 20%.

However, they include just two of the many types of demand-side management techniques. If they are pursued in an "unholistic" way - because the incentive for conservation favours the privatised water supplier, but at the same time water is being wasted in many other ways and hedonistic users are not charged comparably more - then the mixed signals can become debilitating.

Are there cases where demand-side management can be applied holistically by a privatised supplier under conditions of regulation? Perhaps, but if a water concession is granted to a private company with built-in demand-side management incentives - e.g. reduce overall consumption by x% and the municipality will grant you an additional y% profit rate on each litre sold (so as to avoid the additional cost of a new supply enhancement) - then it is most likely that this will happen where it is most profitable to the company, which will be poor people's access.

This is where regulation becomes important.

Water services, especially at municipal-wide level, tend to be natural monopolies. As a result, suppliers are often tempted to underinvest, overcharge consumers, cut off supplies to those who cannot pay, and underperform; hence the imperative of regulation. Today, as powerful private companies increasingly take over utilities across the world, the interactions between different levels and types of governments, different publics, cultures and societies are growing increasing complex. Anxieties about the abuse of monopoly power and the integrity of regulation - and the possibility for 'captive regulation' - increase. Concerns about social needs, balanced urban development and private company goals intensify questions about the economic and social regulation of private providers of public goods.

A good assumption to start with is that neither markets nor states are ideal and the problems of both need to be considered in the privatisation/corporatisation debate. Market failure, fragility and imperfections are readily evident. The market may fail to invest in socially necessary infrastructure. Similarly, it may fail to invest because of high risk and uncertain returns associated with long-lasting but immobile fixed investments; the actual collapse of companies; and state bailouts suggests that states have a crucial role to play even as the provider of public services in the last resort.

Regulation has a crucial role in adjudicating quality, quantity of goods and services and price. It may extend to regulate profits, consumer charters, codes of conduct and rules of transparency. But regulation, however has also recently applied to private monopoly firms to cushion them against 'unacceptable' risks to their capital. From the point of view of private investors who have long-term sunk costs (since infrastructure is long-lasting, capital intensive, immobile and investment is lumpy) the needs for regulation is tied to predictability and risk minimisation.

Regulation by contract

Given that service utilities - especially water and energy - are highly political, investors generally want to avoid situations where regulators come under government or public pressure. As a result, the private sector favours light or low cost regulation with the discretionary power of the regulator limited, and, where possible, informal accountability. In the water industry there are two basic models of regulation: the French and the British models. The British have specialised national regulatory agencies. The French model, however, with long-term contracts (concessions or delegated management) is more relevant to South and Southern Africa where this format is currently most prevalent. The model of wholesale sell-off of water is deemed too radical a move, likely to inflame political debates. And it is unlikely that such wholesale privatisation would attract sufficient commercial interests.

The long-term concession contracts allow capital to be recouped over a long time period, allowing for more durable infrastructure investments. It requires competitive bidding 'for the field' in which regulation is largely local and framed by individually tailored contracts (which conform to national legislation and standards). It has major advantages in that the bidding process minimises the need to regulate as prices are fixed in the contract. There is no abuse of monopoly since competition would have ensured the best outcome.

The World Bank argues that bidding avoids the costly and dubious need for regulation; that bidding requires firms to sell water at a price that just covers their costs; and the government does not have to estimate the lowest profitable water price and then regulate to prevent the monopoly supplier from charging a higher price. The firms reveal the price themselves in the bidding and since firms generally have better information than regulators the price that arises in bidding is probably the best available estimate of the appropriate price. Nevertheless, rate of return regulation is fraught with problems such as being captured to serve the interest of the winning firm as well as information problems associated with determining legitimate claims by the company.

12. CONCLUSION: THE WAY FORWARD?

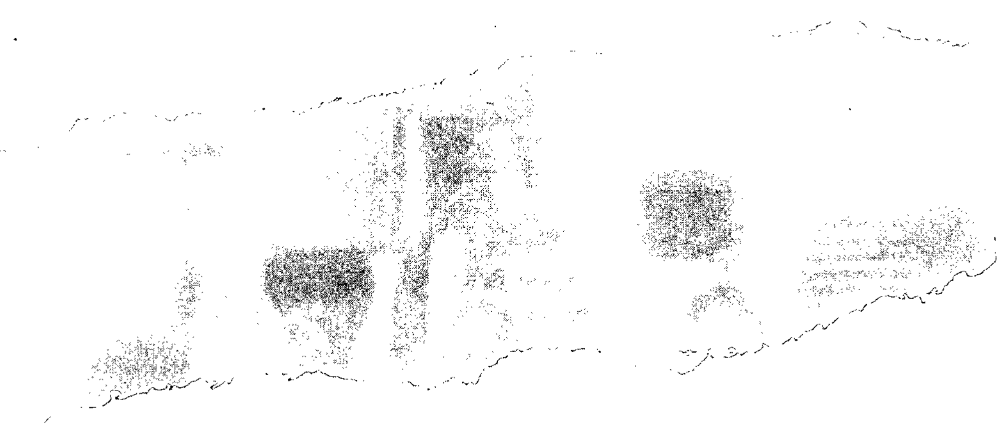
Clearly on arguments of capital and expertise, efficiency, accountability and innovation, privatisation of water supply and services is not the answer to improving these services. Nor is regulation, especially in developing world contexts, a simple solution to managing the private sector. Much information is available on the problems experienced with privatisation to date. Notwithstanding this information, the drive to privatise continues unabated. The emphasis of this drive revolves around the supposed benefits of private sector involvement, especially in financial terms, and problems with the public sector. Conversely, it ignores the realities of many developing world contexts, the negative consequences of privatising water and existing alternative solutions to strengthening the public sector.

This experience mirrors that of the large dams debate where for decades, large dams have been held as the panacea of water delivery for irrigation, hydropower, flood control and water supply. Like the privatisation debate, social movements have been fighting large dams for decades. Like the privatisation debate, this has been based on much information illustrating the negative consequences of large dams and the exaggerated rhetoric regarding their benefits. This information was also ignored.

It was only when all parties came together to develop the World Commission on Dams process and methodology, that a holistic view of large dams could be ascertained, together with a realistic understanding of actual benefits and costs. Many believe that if the World Commission on Dams methodology as outlined in their final report: "Dams and Development: A New Framework for Decision Making" had been adopted decades ago, most of today's dams would not have been built. We do not want to be in the same situation in decades to come where people say that if only we had known the impact of privatisation we would have taken a different route.

To this end, the logical way forward to overcoming the global impasse in the water privatisation debate is to come together as different stakeholder groups to review our common experiences to date, and to use these experiences to chart a new way forward. At the Bonn International Conference on Freshwater, December 2001, NGOs, trade unions and even industry repeatedly called for this kind of independent multi-stakeholder review of water privatisation. In the concluding statements for the conference, the German government agreed to initiate such an undertaking. Time will tell whether this process can provide the kind of overview that is required of water or whether the privatisation debate will continue to polarise those in the water sector, and thereby divert energy away from helping the billions of people without access to water and sanitation.

The World Summit on Sustainable Development, Johannesburg 2002, will also provide a platform for issues around the privatisation of water. What is unclear at this stage, is whether this platform will focus on fast tracking water privatisation through private sector partnerships, or whether this platform will look to build true partnerships between all sectors. The impasse in Southern Africa mirrors the global debate. We would be wiser as a region to hold back on privatisation, and to learn from our own experiences such as Nkonkobe, as well as the plethora of global experiences, before we embark on any more expensive learning curves.



Asymmetries of power - The imbalance in information between principals and agents; usually the agent (company) has more detailed knowledge and the costs of acquiring such knowledge may be prohibitive for the municipality (the principal).

Cross-subsidies - Politically informed redistribution decision to subsidize a loss making but socially necessary service or population sector from profit-making services or wealthier sectors.

Customer-management - Politicised functions outsourced to private companies include customer education, billing, revenue collection and disconnections

Demand management - Policies to reduce the quantity of water that users choose to consume.

Economies of scale - Lower average costs at higher output levels.

Externalities - The environmental and social effects of a project on individuals that are not accounted for by internal project costs.

Low-ball bid - Companies deliberately under-bid for a contract and then claw back profits later.

Privatization - The transfer of assets and or functions performed by the state to private hands.

Red-lining - The practice of excluding certain financially risky communities from services or access to finance.

Ring-fencing - Strict separation of financial and resource flows of various municipal departments.

Unaccounted for water - difference between water flows from the treatment works and the total amount of water consumed by final users; includes metering errors and illegal connections.

Water losses - Leakages and bursts in the network.

Albo, G and L. Panitch, eds., 1993. *A Different Kind of State*. Oxford University Press.

Barsoux, J and P. Lawrence. 1997. *Elites in Action: French Management*. London: Cassel.

Bauman, D., J, Boland and M, Hanemann. 1998. *Urban Water Demand Management.* New York: McGraw Hill.

Boland, J. 1993, "Pricing Principles and Compromises." *Water Resources Update* No 92 Summer, pp. 7-10.

Boyes, D. 2002. "*Water Privatisation being challenged." Focus.*

Brand, J.G. 1984. "Privatization in municipal government: a practical viewpoint." In *South African Municipal Yearbook,* 1984/5, pp. 47-51.

Buttle, N. 1996. "Privatization and Ethics." In D. Braddon and D. Foster. eds. *Privatization and Social Science Themes,* Dartmouth: Aldershot.

Clarke, J. 1996. "Public nightmares and communitarian dreams." In Edgell, S, Hetherington, K and A. Warde, eds. *Consumption Matters*. Oxford: Blackwell.

Clarke, J. and J. Newman. 1997. *The Managerial State*. London: Sage.

Cock, J and E. Koch. 1991. Going Green, South Africa People Politics and Environment in South Africa, Cape Town: Oxford University Press.

Cook, P. and C. Kirkpatrick. eds. 1988. *Privatization in Less Developed Countries.* New York: St Martins Press.

Donahue, J, 1989. *The Privatization Decision*. New York: Basic Books.

Ernst, J. 1994. Whose Utility. The Social Impact of Public Utility Privatization and Regulation in Britain. Buckingham: Open University Press.
Goubert, J.P. 1986. *The Conquest of Water.* Princeton: Princeton University Press.

Green, N. 1994. "Water Industry Best Practices." *Journal of American Water Works Association*. March 1994.

Hall, D and Goudrian, J. 1999. "Contradictions in Municipal Transformation." *Working Papers in Local Governance and Democracy*. 99/1, pp. 60-68.

Hanke, S and Walters, S. 1987. "Privatization and Natural Monopoly: The Case of Waterworks" *Privatization Review* (Spring).

Hanke, S., ed. 1987. *Prospects for Privatisation*. New York, Academy of Political Science.

Hoering, U. 2001. *"Privatisation in the Water Sector: Ten Myths" World Economy Ecology and Development. Bonn.*

Hoogland De Hoog, R. 1984. *Contracting Out For Human Services*. Albany: New York University Press.

Hubey, M and Anthony, K. 1997. "Regional Inequalities in Paying for Water." *Policy Studies* Vol. 18. No 3.

Jarman, Julie. 1997. "Water Supply and Sanitation." *A City For All: Valuing Difference and Working With Diversity*. Jo Beall, ed. London: Zed Press. pp. 182-193.

Kaye, T. 1996. "Do Consumers Make Contracts with Water Companies?" *Water Law* Vol. 7 No 1.

Kerf, M and Smith, W. 1996. *Privatising Africa's Infrastructure: Promise and Challenge.* World Bank Technical Paper No 337. Washington DC.

Kerf, M. ed. 1998. *Concessions for Infrastructure : A Guide To Their Design and Award* (World Bank Technical Papers 399), Washington DC.

Laburn, R.J. 1995. "Water Supply in South Africa" *Aqua*. Vol. 44, 4, pp.161-165

Lee, T. R. and A. Jouravlev. 1997. "Private participation in the provision of water services" Series on Environment and Development, Economic Commission for Latin America and the Caribbean (ECLAC)1995. The private sector and water services. *Water sewage and effluent*, Vol. 15, no 3, p 58-59,61.

Legge, D. 1997. "Transfer Pricing in the Water Industry A Review of the Activities of Water Companies". *Utilities Law Review*. Vol. 8. No 3.

Lorrain, D and G. Stoker., eds. 1997. *The Privatisation of Urban Services in Europe.* London: Pinter.

Lorrain, D. 1991. "Public Goods and Private Operators in France" In Richard Batley and Gerry Stoker, eds. *Local Government in Europe: Trends and Developments*. London: Macmillan.

Martin, B. 1993. *In the Public Interest? Privatisation and Public Sector Reform.* London: Zed.

Martin, S and D. Parker. 1997. *The Impact of Privatisation.* London: Routledge.

McDonald, D.A. ed. 2002. *Environmental Justice in South Africa. Ohio University Press: Columbus and* UCT *Press: Cape Town.*

Mirza, H. 1998. "Transnational Corporations as Agents For The Transmission Of Business Culture To Host Countries." In Cook, P, Kirkpatrick, C and Nixson, F. *Privatization, Enterprise Development and Economic Reform.* Cheltonham: Edward Elgar.

Moore, S. 1987. "Contracting Out: A painless alternative to the Budget Cutters Knife" In Hanke, S. 1987. *Prospects for Privatization.* ed., New York, Academy of Political Science.

Morris, H .1993. "The Price of Disconnection" *Survey,* May 10.

Mutume, G. 2001. "South Africa: Financial Institutions Eye Public Services" Inter Press Service.

Mxotwa, M. 2001. "Nkonkobe Water Contract Nullified by High Court" *Dispatch Online. South Africa.*

Pirie, M. 1988. *Privatization, theory, practice and choice*, Aldershot: Wildwood House.

Porter, R. 1996. *The economics of water and waste.* Aldershot: Avebury

Roberts, L. 2001. "Diminishing Standards; how much water do people need?" *Forum: Water and War.*

Ronnie, R. 1996. "Local Government: Can It Deliver?" *South Africa Labour Bulletin,* Vol. 20 Number 6.

Ruiters, G and P. Bond. 1999. "Contradictions in Municipal Transformation." *Working Papers in Local Governance and Democracy*. 99/1, pp. 69-79.

Saunders, P. 1995. "Consumers and Privatization: The Case of the Water Industry. In P Morgan ed., *Privatization and the Welfare State*. Aldershot: Dartmouth Publishing.

Schofield, R and J. Shaoul. 1997. "Regulating the Water Industry, Swimming against the Tide or Going Through the Motions." *The Ecologist*. Vol. 27 No. 1 January February.

South Africa Council for Scientific and Industrial Research (CSIR) 1988. *Towards Guidelines For Services and Amenities In Developing Communities*. Pretoria.

Starr, P. 1988. "The meaning of privatisation." *Yale Law and Policy Review*, 6, pp. 6-41.

Stiglitz, J. (1998), "More Instruments and Broader Goals: Moving Toward The Post-Washington Consensus," WIDER Annual Lecture, Helsinki, Finland, 7 January.

Tabb, K. 2001. "Privatization, globalisation and the fate of cities." *Monthly Review*. February.

Thomas, C and P. Clegg. 1998. "Water and The Current Development Orthodoxy: World Bank Policy Under The Spotlight." D. Vajpeyi ed. *Water Resources Management: A Comparative Perspective*. Westport: Praeger.

Tully, S. 2000. "Water Water Everywhere,." *Fortune*, Asia, 15 May, Vol. 141 Issue 10, pp. 54-62.
UNCTAD, 1995. *Comparative Experiences with Privatization*. New York. United Nations.

Van den Berg, C. 1997. "Water Privatisation and Regulation in England and Wales" World Bank, *Public Policy for the Private Sector*. Note No. 115, May. Private Sector Development Department. Washington DC.

World Bank. 1994. *World Development Report: Infrastructure for Development*. Oxford University Press.

World Bank. 1997. *World Development Report: The State In A Changing World*. Oxford University Press.

World Commission on Dams. 2000. *Dams and Development A New Framework for Decision-Making*. Earthscan: London.

Yaron, G and Rycroft, N. 1999. *Suez Lyonnaise Des Eaux*, Polaris Institute and Council for Candadians.

Alternative Information Development Centre (AIDC)
http://www.aidc.org.za

Anti-privatisation Forum
http://www.cosatu.org.za/samwu/igolimain.htm

Blue Planet Project
http://www.canadians.org/blueplanet

Campaign Against Cape Town Unicity
http://www.cosatu.org.za/samwu/capetown.htm

Council of Canadians
http://www.canadians.org

International Labour Research and Information Group (ILRIG)
http://www.aidc.org.za/ilrig

Municipal Services Project (MSP)
http://www.queensu.ca/msp

Pacific Institute for Studies in Development, Environment and Security
http://www.pacinst.org
See their 2002 publication: *The New Economy of Water - The Risks and Benefits of Globalisation and Privatisation of Fresh Water.*

Public Service International (PSI)
http://www.psiru.org

South African Municipal Workers Union (SAMWU)
http://cosatu.org.za/samwu

World Economy Ecology and Development (WEED)
http://www.weedbonn.org
See their 2001 publication: *Privatising the water sector Development aid for transnational water corporations -solutions to the global water crisis?*

Our mission is to empower people to take charge of their own environment, so that the right to a healthy environment can be enjoyed by all, now and in the future.

The Environmental Monitoring Group was established in June 1991 to pursue its mission, in the belief that sustainable development in South Africa would not be possible without environmental justice and the empowered representation of communities and interest groups in policy and decision-making.

In implementing our mission, we see our role as building bridges between decision-makers and citizens most affected by such decisions. As an independent NGO, we are able to retain credibility with both decision-makers and civil society. The building and strengthening of bridges in different situations require different strategies. These include brokering, research, capacity-building, networking, information dissemination, advocacy and lobbying.

In all our interventions, we strive to develop capacity with both civil society groups and complementary agents in government and industry, so that a continuing dynamic of adaptation to change can be sustained without our ongoing involvement. We also strive actively and regularly to reflect on our own actions, on the problem dynamics, and on what we are learning, as we help find solutions.

Programmes

The Environmental Monitoring Group carries out its work under several themes or programmes covering a wide field of action.

Trade and Environmental Governance

The economies of the world depend directly on the trade of goods and services in which the environment is the source of raw materials and the sink for waste products. The increasing globalisation of economies means that environmental impacts have also become 'globalised'.

EMG's Trade and Environment Programme aims to build civil society awareness and capacity to understand the links between trade relationships and the global and local environment and their effects on sustainability.

Water Justice

Fresh water in southern Africa is scarce and unevenly distributed. The sustainable management of such a vital resource requires good interaction between users and water resource managers on local, national and regional levels.

This programme aims to help strengthen the ability of EMG and other NGOs in the southern African region to understand and engage with national and regional processes relating to the management of freshwater resources and the achievement of water security and justice on a regional basis.

Rural Resource Management

While the link between poverty and environmental degradation in poorer rural areas can easily be seen, the causes are always complex and call for innovative, integrative approaches.

This programme aims to illustrate the value of participatory approaches to working with rural communities that have immediate impacts on the lives of people and improve levels of service. At the same time the programme aims to develop arguments for better policy and practice that address land degradation while maintaining bio-diversity, agricultural productivity and local livelihoods.

Local Issues Local Action

EMG's own relevance is highly dependent on strong partnerships with civil society organisations. These partnerships enable local community groups to be active, resilient and ultimately independent of larger NGOs like ourselves.

The aim of this programme is to help nurture and build a strong environmental movement by assisting community-based groups to understand, strategize and deal with marginalisation and environmental injustice.

The Environmental Monitoring Group was established in Cape Town in 1991 as an independent environmental non-governmental agency. We aim to encourage the development of environmental policies and practices that address environmental injustice and promote sustainable development, and to strengthen the participation of civil society organisations and community groups in decision-making processes that affect them. EMG has a staff of ten people, and is registered as a non-profit trust. EMG receives funding from a range of international donors.

EMG Environmental Monitoring Group

P.O. Box 13378
MOWBRAY
7705
CAPE TOWN
SOUTH AFRICA

Tel: +27 +21 448 2881
Fax: +27 +21 448 2922
URL: www.emg.org.za

ISBN 0-620-28802-7