



Privatisation in the water sector – ten myths

“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).

“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.

“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.

“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.

Further Reading:

Privatising the water sector

Development aid for transnational water corporations - solutions to the global water crisis?

Author: Uwe Hoering

In German only.

Editor:

World Economy, Ecology & Development
Bertha-von-Suttner-Platz 13, D-53111 Bonn
Tel.: +49 - (0)228 - 766130
Fax: +49 - (0)228 - 696470
E-Mail: weed@weedbonn.org
Internet: <http://www.weedbonn.org>