

Privatisation of Water and Governance Failure

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Water being the basic necessity of human beings, its supply to the urban poor assumes significance in any national economy. Most developing economies have failed to provide potable drinking water to their citizens, thereby adversely affecting their health and incomes despite the fact that there are huge allocations made to these items in their budgets.¹ In fact, 20% of the world's urban poor live in India in 3%-5% of spatial area without adequate drinking water, which is the most important reason for low human development.² As a matter of fact, the Government of India has failed miserably in ensuring the supply of drinking water to the poor, let alone basic civic amenities

Privatizing Water: Governance Failure and the World's Urban Water Crisis by Karen Bakker (*Orient Black Swan: New Delhi*), 2011; pp 297, Rs 695.

for all.³ Given the multidimensionality of poverty and three basic vulnerabilities, viz, residential, occupational and social, which the poor face, it is essential for the government to ensure the supply of drinking water as it alone can ensure equity in the distribution of resources to all, including for the marginalised sections of society. Therefore, one can argue that the failure of governance is the subject matter of discussion today and needs to be rectified immediately.

The book under review has two parts and seven chapters. The first part deals

with the privatisation debate in the context of the urban water crisis, whereas the second part discusses issues beyond privatisation and debates alternatives. The number of urban people without access to safe drinking water continues to grow as rapid urbanisation continues in many parts of the world. The world's water crisis is thus an urban issue.

Privatisation Debate

Actually, the debate between opponents and proponents of water supply privatisation hinges on differing views about the role and extent involvement of the state and the market. But the debates over water privatisation also have an equally important environmental dimension. The proponents of water privatisation argue that "free-market environmentalism" is a mode of resource regulation that offers hope of a virtuous fusion of economic growth, efficiency and environmental conservation. Further, supporters of water privatisation argue that environmental goods will be more

efficiently allocated and environmental degradation reduced or eliminated through establishing private property rights, employing market allocation mechanisms and incorporating environmental externalities through pricing. Besides, markets are also depicted as the solution to environmental problems. Further, while providing commercial water supply services the calculus of profit maximisation becomes central to water governance.

The opponents of water supply privatisation often frame free market environmentalism as a form of "green imperialism" or "green neo-liberalism". They argued that while environmental degradation may be mobilised as an opportunity for continued profit, the involvement of private companies will not necessarily ensure an overall improvement in environmental quality; on the contrary companies are likely to engage in cost-cutting measures detrimental to environmental health, dignity and well-being.

It is in this context, important to mention, that the author has reframed the concept of privatisation in two ways; examining privatisation as an environmental as well as a socio-economic phenomenon and to integrate an analysis of privatisation with an understanding of the simultaneous and often overlapping roles played by governments, private companies and community actors.

Governance

The debate over privatisation revolves around market failure and state failure. While the proponents of market failure argue that private companies' drive for profit necessarily compromises their management capacities. Proponents of state failure tend to argue that governments are inevitably unaccountable and unresponsive to the demands of citizens for public services. The author is of the view that governance is a practice of co-ordination and decision-making along with different actors, which is invariably inflected with political culture and power. Governance as an expression of social power, the author argues, can help us understand some of the persistent failures of government and private models and the emergence and

persistence of fragmented patterns of urban water supply.

Three Key Questions

Further, the author raised three questions pertaining to the analysis of privatisation which are relevant for any developing country that has a large number of poor citizens. First, why has privatisation emerged as a widespread mode of water supply management, and what are the arguments made by its proponents and opponents? Second, can privatisation fulfil the proponents' expectations – particularly with respect to water supply at an affordable price to the urban poor in developing countries? Third, given the limits to privatisation, what are the alternatives? The first two questions are discussed in Part-1 while the third question is dealt with in Part-2 of the book.

Chapter 1 discusses three urban water supply models – government, private and community. Each model is associated with a range of different technologies and delivery methods from on-foot water vendors to bottled water, private wells to public standpipes. The three models are distinguished based on some indicators like primary goals, property rights, organisational structure, regulatory framework, accountability mechanism, key incentives and sanctions, consumer role, governance, primary decision-makers, and world view of nature. When indicators are looked at, it appears that the community-driven water supply is the appropriate one, especially for the urban poor, as the capacity to access adequate water supply is highly variable and often predicated on income. And the absence of an integrated network eliminates the possibility of cross-subsidisation through water bills, which underpinned the universalisation of water supply networks in most wealthy countries.

While proponents of privatisation generally articulate "state failure" arguments and proponents of public water usually espouse "market failure" arguments. However, the author introduced a third concept called "governance failure", which denotes a process of decision-making that is structured by institutions such as laws, rules, norms, customs, and

one that is also shaped by ideological preferences. On the other hand, policy-makers opined that governance represents the range of political, organisational and administrative processes through which stakeholders articulate their interests, exercise their legal rights, take decisions, meet their obligations and negotiate their differences. The term "governance" has risen in prominence in recent decades as formal government authority has increasingly been supplemented or supplanted by a reliance on informal authority; roles previously allocated to governments are now categorised as more generic social activities carried out either by political institutions or by other actors. This is often characterised as a move from government towards governance or retreat of the government. Besides, governance failure has been shown with examples like political disenfranchisement, e.g. lack of voice on the part of poor households, culture of decision-making that is elite-focused and top-down, and absence of consumer entitlements to basic services.

Chapter 2 provides historical context to the analytical arguments discussed in the previous chapter. It mentions that the supply of water to urban areas has been given preference by the United Nations (UN) Water and Sanitation Decade (1981-90), during which unprecedented amounts were given as bilateral aid and multilateral finance to developing nations. However, water supply improvements failed to keep pace with population growth and urbanisation in the latter half of the 20th century. As a result, the problem remained, despite the best efforts and the ambitious millennium development goals (MDGs) of reducing the number of those without sustainable access to safe drinking water by 50%.

The author explored the evolution of water-related development policies in the post-world-war-II period and argued that development agencies advanced a model of "modern integrated ideal" predicated on large-scale hydraulic works, particularly large dams. When water supply became important, development finance tended to focus on urban areas and a municipal "hydraulic model" emerged. The author is of the opinion that the

urban water supply crisis is due to the municipal hydraulic paradigm that has been applied and mishandled with the involvement of the World Bank in lending to government-run water projects. Finally, it was argued that many bilateral-aid donors and international financial agencies were engaged in a range of activities designed to facilitate – or even impose via conditionalities – private sector management of urban water supply systems.

Chapter 3 traced private sector activity in the water sector and explained that though the government was predominant, the private sector has been active in water supply despite their legitimacy and impacts have been hotly debated. It was discussed that some private companies and multinationals from developed countries, notably France and the United Kingdom, have sought to sign long-term contracts with governments to maintain and extend urban water supply networks. However, some large multinationals in the recent past have retreated and reoriented their investment and growth strategies. There is an increasing consensus that private sector participation in water supply will not be able to succeed where governments had failed in providing water for all. It was argued that private companies encountered many of the same barriers and displayed many of the same management patterns as their public counterparts.

Chapter 4 portrays the situation of citizens without a city, referring to the case study of Jakarta, Indonesia, wherein the poor are excluded from accessing water. Access to services such as water is the subject of political negotiation, mediated through identity, urban infrastructure, and the differentiation of urban space. The involvement of the public water supply company in creating a highly fragmented water supply system and the troubled track record of the private companies illustrate the point that both public and private companies encountered significant governance failures in attempting to extend urban water supply to low-income households and neighbourhoods.

Chapter 5 documents the emergence of a global campaign for a human right to drinking water; however, the author

is of the opinion that the concept has some practical limitations. It was mentioned that there exists a potentially irreconcilable tension between the human right to water and traditional water rights, which are particularly important in places with indigenous populations. Another limitation is that it excludes ecological rights, the rights of non-humans. Providing a human right to water may enable justifications for the further degradation of hydrological systems on which ecosystems depend. The framework of human rights is individualistic and legalistic and hence cannot address the collective governance issues that constrain access to water. The equitable provision of water supply necessarily implies a degree of solidarity both physical and material. Yet the author argued for precisely the notion of solidarity that human rights, in isolation, cannot provide.

Commons and Elite Capture

Nevertheless, the chapter recognises that the human right to water is a necessary and useful strategy for solving the world's urban water crisis. It raises expectations and places responsibility for those expectations on both public and private actors. As an example it is mentioned that the burden of government regulatory oversight of private actors would be higher in a context where the human right to water was legally recognised. While assigning more responsibilities and accountability to the public and private providers, the human right to water demands certain minimum levels of service and thresholds for availability, quality, accessibility and affordability. As a result, a human rights approach implies a focus on the most vulnerable groups and thereby provides a potentially powerful means of combating “elite capture” of water supply systems. However, the author concluded that the rights-based approach to water has both potential strengths and pitfalls by showcasing a study of South Africa.

Chapter 6 discusses the “commons” and “water democracy” in the context of urban water supply, where the commons refer to community ownership, while water democracy means community-led

governance. The idea of the community has taken various forms from public-private-community partnerships to community-based private-sector water providers to community-business partnerships. The case study of Bolivia tries to answer the question of the implications of formalising the recognition of these commons management arrangements for water property rights and the author raises some important concerns about the use of legal norms of collective water rights as institutional mechanisms for formalising “commons” management approaches.

Chapter 7 deals with debates about privatisation that need to systematically integrate environmental as well as socio-economic concerns. In fact, issues of livelihoods and environmental quality are intertwined for the urban poor. However, focus of much of the privatisation debate obscures the larger environmental picture in which improvements in the quality of human life are predicated on the restoration and preservation of water ecosystems. From this perspective, ecological efficiency, the conservation of natural resources such as water, and the eradication of poverty are necessarily interlocked goals. These observations are inspired by debates over what academics term “political ecology”, a mode of analysis that focuses on the relationships between livelihoods, justice (both environmental and socio-economic), political economy and sustainability concerns.

In simple terms, just as we admit that forests are more than wood warehouses, we must recognise that waterways are more than natural reservoirs. The implication is that innovations in our management of resources such as privatisation have simultaneously socio-economic, cultural and ecological impacts that must be weighed together. The author used the term ecological governance to capture these ideas and expand on their consequences for debates over water privatisation that are properly framed as an issue of socio-ecological justice.

This book is very useful for students of social sciences, researchers and policymakers in so far as understanding the implications of water privatisation, and finding the ways and means for provisioning urban water supply to the

poor in developing economies are concerned. However, a mention about Indian cities as a case study would have made it more interesting as a substantial number of urban poor, devoid of access to drinking water, reside in India.

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NOTES

- 1 It has been argued by a noted economist, Isher Judge Ahluwalia ("Urbanization and India's Economic Development", An Agenda for India's Growth; Essays in Honour of P Chidambaram, Sameer Kochhar editor, 2013) that without ensuring the potable drinking water to the poor, implementing the food security would not give positive results as both are interrelated in maintaining the health of population.
- 2 Devoid of adequate drinking water not only results in low human development but also creates problems like deaths due to contaminated water through public provisioning which happened in Hyderabad in May 2009. Around

1,200 people, many of them children, from different slums in Bholakpur ward which falls under the Musheerabad Constituency were hospitalised because of gastro enteritis after they had water from public taps. The reason is that the supply and sewerage lines are in bad shape which needed to be replaced long ago.

- 3 Greater Hyderabad Municipal Corporation (GHMC) which was acclaimed as the happening place for urban governance in some circles has failed to provide drinking water through public taps to the residents of Bholakpur which is in the heart of the city with a majority of slum population raises the question of validity of privatisation of water to the poor.

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