

Delegation of authority and privatization of water not a miracle cure

Pasi Lehmusluoto

In the early 1990s, the World Bank started to promote privatization of water supply. In practice, operational contracts of a few global enterprises were used as models.

The main argument was that this would also tap private funding for the water sector. It was also argued that this would increase competition and improve services. It is true that developing countries cannot serve properly all people. If they could, they were not developing countries.

However, experiences from developing countries and transitional economies have not always been positive. Rational private sector involvement needs rules and regulatory mechanisms. These may constitute a major problem. In addition, the private sector investments have had a declining trend.

The expected competition has been minimal. Global companies as major players through merger govern the markets. When contracts are made for 10-30 years, this means commitment to buy services from the same company or group of companies. With competition this has very little to do.

Instead of delegation of authority and privatization, authority, regulation and management over water resources, irrigation, water supply and sanitation and water export should remain in the government's hands and the public sector should retain key operations. Public sector enterprises need be developed in partnership with and supporting services be made available for the private sector through competitive bidding.

The 2002 Nobel Prize winner Joseph Stiglitz has said that the World Bank approach requesting rapid privatization of water sector represents a narrow idealistic angle. Some of the bank's senior water experts have the opinion that potential of the private sector was largely overestimated as developer

A century ago the major cities in Europe found that water supply is an enormously important public monopoly that the central activities could be handed over to the private sector. The same principle is still valid.

Is transfer of authority and privatization a case of misplaced priorities in Indonesia? Transfer of authority and privatization is not a miracle cure in urban and definitely not in rural areas. Development of district level administration and public water services, which promote local water entrepreneurship by buying services of the private sector, is a question of equity. It will also benefit the generally deprived poor.

Hardly any goals of the 1980-1990 United Nations Water Supply and Sanitation Decade were met and the same fate lurks the Millennium Development Goals (MDG). To meet the MDG in Indonesia by 2015 would mean connecting nearly 10,000 people every day to a supply of clean water and 17,500 to a sanitation system. This is simply not going to happen.

Managing quantity and quality of produced water is clearly not enough. It is well known that most of the population is without proper access to clean water. Consequently, it is necessary to secure safety of natural water by taking full advantage of the nature's purification mechanisms. Before this will happen, the ecological health of polluted lakes, rivers and reservoirs needs to be restored.

By applying the degrader-pays and polluter-pays principles, these restoration measures will address the price of degradation of water resources justly. The cost of drinking water production will also be reduced.

The effective capacity of many lakes and reservoirs has been exceeded and rivers are among the most polluted in the world. The new legal document should consider water as a natural asset and the management concept sustainability and socio-economy of water resources.