

Water privatization: is privatization of water utilities the right approach to achieve efficient water resources management?

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Abstract

The paper shows and displays an overview about water sector privatization idea, problem, factors, effects and case studies over actual experiences, and literatures were discussed and displayed with some personal different ways. Focusing on solving this issue between the stakeholders around this problem as Government, Public/Private sectors and consumers.

Keywords: Water right. Clean water. Privatization. Public and private sectors.

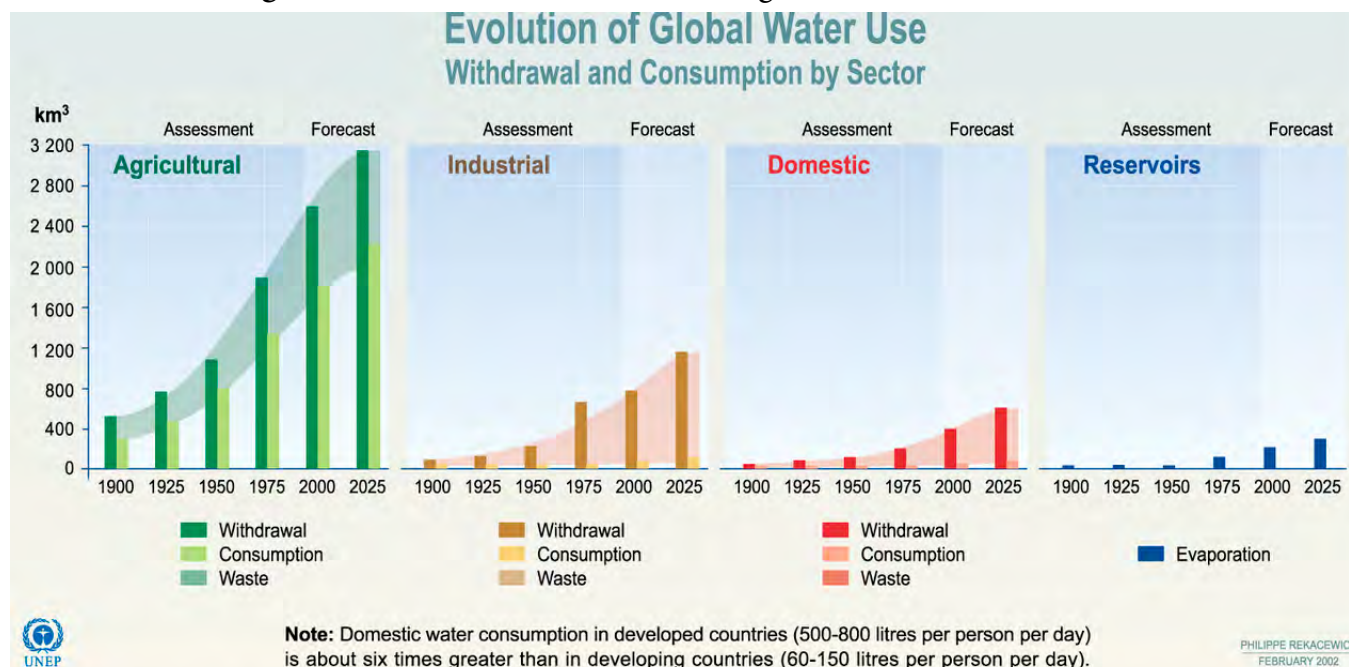
1 Introduction

Is water right for all or right for who pay? Also is water enough for all humans living on earth or no? Whose responsibility to feed and supply people with water? Is water scarcity become more or less last decade? In the end, it doesn't matter to a resident any where how or who has to supply them with clean and affordable water to their taps, it is much important to supply at least the minimum amount of clean water for basic needed for human being.

Numbers worldwide are talking clearly how water lack problem is growing more and more and people are suffering much more those days even with our new technology and resources management projects, as we see in the last studies for the United Nations that 1.3 billion people without clean water and other 2.5 billion have no sewage systems or network.

High population and increasing in the rate of population make the problem much complicated when we talk about billion of people dying because of water problems and on the other hand of the world the people are using water in the rate of 5 or 6 or more times than the basic needed for the human, as shown in the Figure 1 below we can figure out the demand and distributing of water in the world and how people in developed country consuming about 700 Liters per day per capita and other side in some African countries without water at all (HAGOPIAN, 2014).

Figure 1. The demand and distributing of water in the world



Source: Igor A. Shiklomanov, State Hydrological Institute (SHI, St. Petersburg) and United Nations Educational, Scientific and Cultural Organisation (UNESCO, Paris), 1999.

Font: UNESCO, 1999.

Some Governances / governments failed in the mission to feed or supply their people with clean drinking water or at least with water (WEISS, 2006). This problem

started up decades ago and became worst with the high population and decreasing of available water amount in some dry regions. Later those government tried to keep away from this responsibility and introduce the privatization idea not only for water services, but also for other important services as energy sectors, one other reason that would let this idea came up with high support and popularity that the people at that time were searching for any other solution or choice to get water to their places. So it succeeded in a lot of sectors with some critical factor will talk about it in this report, but also there is the failure in managing some projects via private company/sector.

1.1 Water Facilities Privatization Evolution

Since the 1980s, there has been increasing pressure from donors and International Finance Institutions (IFIs) - chiefly the International Monetary Fund (IMF) and World Bank - for governments to privatize and decentralize state-run functions. In 2002, the World Bank introduced the Private Sector Development (PSD) Strategy, aiming to advance privatization in health care, education and water. The World Bank encouraged developing countries to incorporate privatization and trade reforms into their Poverty Reduction Strategy Papers (PRSPs). These IFI demands were compounded by pressure to liberalize services under the auspices of the General Agreement in Services (GATS).

Water services are owned and run by the public sector in over 90% of the largest 400 cities in the world (those with populations over 1million). In small towns and rural areas the proportion is even lower.

A major cause of poor access to water services in developing country is the inefficiencies of water utilities. Although privatization appears to have the potential to improve water services and meet the needs of the poor, these goals may be difficult to achieve (ADANK, 2013). Opening up the water services sector to private participation offers significant potential benefits in terms of investment, technology and management expertise. But to realize these potential benefits requires an effective regulatory framework. Water privatization and regulation can improve the access to safe, reliable and reasonably priced water services (MARIN, 2009). Also, regulation can be based on environmental considerations, If we take a look into the developed country in general we found that most of the water sectors services are private operators on the other hand we see in Germany that this sector still under the public umbrella; in both cases we find that the service and supply of water are in a good and healthy situation comparing with the developing country where we find the services problem even in both private and public operators.

During the nineteenth century, water and sanitation services emerged as a public issue in Industrializing in North America. The first water and sanitation services were provided by the private sector; however, in the latter part of the nineteenth century, municipalities started to confront problems with access and service and began a transition toward public control and management. In particular, private companies

were failing to provide access to all citizens in an equitable manner. In the United States, for example, private water companies provided 94 percent of the U.S. market in the 19th century, dropping to only 15 percent by 2000.

2 Challenges and revolution of water sector

Transformation of pricing policy between private and public sectors, Control and accountability of legislation required to monitor funded institutions to the private sector need high effort from high qualified staff and owner.

The slogan of the private sector is to achieve the highest profit at the lowest cost this slogan leads to undo the social objectives that were achieved by government projects, also Privatization affects in reducing the national workforce absorbed and thus unemployment rate has increased (MARIN, 2009).

The transformation of public institutions, good conditions and that the private sector wants to invest in them and thus leaving the troubled projects, which outlines additional burdens in the restructuring and reform of imbalances in these projects on the government which adds additional burdens on the government budget (ADANK, 2013).

Lack of clarity in the legal environment governing the economic and commercial activity is important obstacles to the application and implementation of the privatization policy, Lower national savings adversely affect privatization, particularly when economic recessions prevail in the private capital exporting countries (MARIN, 2009).

Why Privatization appeared in last decades?

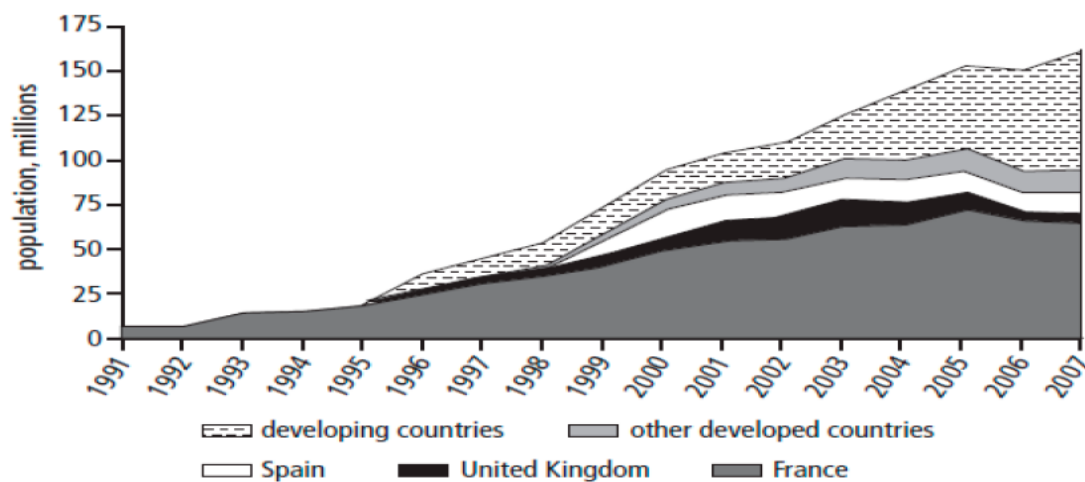
Water scarcity and climate change raise the worries of the communities everywhere and made up with the idea of owning the water rights and consistencies more important for the people on both sides as consumer as investor; for sure investing in water as supplying the services is profitable and worth to take the risk; as soon as the people drinking water as soon as the investment is making profit even its less profitable than other 50% of other investments.

Focus on core businesses part of the say said “specialization create creativity” evolving both parties in this sector took time as soon as the idea was not accepted at all for the communities and governments, but with the High management skills and the trend of management field the cooperation and relation become much better and adapted, and each sector start feeding the other with technology ideas and teaching on both way until the basic requirement appears to be that the desired service be provided in the most cost-effective manner while ensuring that the service is environmentally sound and inclusive of the entire community.

3 Public and Private Partnership

In 1990's the public-private partnerships (PPPs) population starting up in the developing country and we concentrate on developing country because the water problem is clearer in those countries, the population served by private operators in this 10 years increase to 94 million from 6 million, as shown in Figure 2.

Figure 2. Population served by private operators



Although the general perception is that water PPPs in developing countries are on the decline, the situation is more nuanced. The population served by private water operators in developing and emerging countries has continued to increase steadily, from 94 million in 2000 to more than 160 million by the end of 2007. Large countries such as Algeria, China, Malaysia, and the Russian Federation have started to rely on private water operators on a large scale. Out of the more than 260 contracts awarded since 1990, 84 percent were still active at the end of 2007, and only 9 percent had been terminated early. Most cancellations were in Sub-Saharan Africa, a challenging region for reform, and in Latin America, among concession schemes.

Performance dimensions (ADANK, 2009):

1. Coverage expansion and water loss: one of the most important issues is to cover any area has a community or population on the minimum limit of population number; means a sufficient network with accepted water loss in piping system;
2. Quality of services;
3. Operational and overall Efficiency (concession, lease, afterimages or management contract), if we go throw some practical experiences we find that a positive contribution from the private sector was more than the public regarding the overall efficiency;

4. Bill collection and Tariff level: it is obvious from the recent experiences with public sector that there is a poor performance in collecting because of lax enforcement. Pricing and tariff is also the most challenging of our four performance dimensions, local factors such as raw water availability or topography greatly affect costs, and government policies heavily condition tariff levels.

All dimensions are affected in a direct way from the local policy and the available infrastructure; means that the stakeholders are including Government, Private and public sectors, residence and all consumers.

In practice, the performance of a PPP project depends on the actions of both the private operator and the contracting government, with the government playing a more or less important role depending on the PPP scheme adopted. Different contractual schemes cannot be expected to achieve the same things. This is especially the case with management contracts, which are typically of short duration and entail only a limited transfer of control to the private operator.

4 Advantages and Disadvantages of water sector privatization

Practical experiences in different work field can give us a clear comparison for how the privatization policy going on for the last few years.

Talking about advantages in the beginning to be fair and optimistic in viewing the case, let's say big part of the private company supply better services and quality comparing with public sectors and thus can be in two cases. First one with normal prices because of subsidies from the government and the other case is higher prices without limits in case of lack of subsidies.

Also high quality in timing and project commitment, bearing in mind that the people working in private are the same or similar with the people working in the public sectors.

Rate hikes have been used in our private water companies to maximize profits. The bottom line for these companies is profit, which translates into higher prices and inferior service for consumers. Knowing that this services is one of the governance responsibility and they must to provide such services as soon as they supplied water 100 years ago to the inhabitants without privatization idea, the companies are under no obligation to provide water or service when water is defined as a marketable commodity rather than a human right. Thus, when consumers can no longer afford the price increases, water delivery is simply shut off (ORIEQAT; SAYMEH, 2013).

These privatization-induced rate increases have been most devastating in the developing world, often forcing people to choose between food and water, and unleashing epidemics of water-borne diseases. As example In Nelspruit, South Africa,

water rates increased by more than 400 percent between 1995 and 2000, resulting in a cholera epidemic when people were forced to drink from the river. The people demanded cancellation of the contract with The British Company, the case remains unresolved and Biwater (private British company) is still in operation.

Going back to the concrete idea that the people are the same the knowledge also the same between public and private sectors, so why we going to privatize this sector and put this asset in between a hands of some few people and decision makers far away from the government's policy and ignoring the inhabitants needs and law, quality of privates sectors are clearly better because of the clearly better conditions that the employees have it (OCKELFORD, 2006).

And this is due some miss management and corruption from the government side not because the private is better or coming from Mars.

5 Case studies

Some case studies in one country will show it in this part:

Wells and piping system in Jordan for drinking water facility project with the same age, as we can see from pictures below how it's clear how the Operation and maintenance takes a place in both.

Water loss due to pipe leakage leaking water for long time in Figure 3 without any quick response to fix such water wasting problem, Figure 4 showing control panel is for a well located in the Azraq Basin area and under operation on a critical point of lack of water supplied to consumers, following some discussion with the operator there and engineers it shows how they are upset because of the lack of tools maintenance budget and staff also the working condition including salaries and subsidies problem.

On the other hand in Figure 5 we can see a state of art for 15 years old well control panel in Disi-Aqaba area under an operation of a private company.

In this case study we found out that both public and private provider are selling the water on a same Tariff and for sure the private company making some profit.

Clearly it's possible to reach the quality of private sector in the governmental sector in water providing and efficiency, as soon as we have typical application with different operator.

Figure 3. Water loss due to pipe leakage leaking water for long time in Pic



Figure 4. control panel is for a well located in the Azraq Basin area and under operation on a critical point of lack of water supplied to consumers



Figure 5. 15 years old well control panel in Disi-Aqaba area under an operation of a private company



6 Conclusion

Water is one of the most basic human needs. Many nations and traditions in fact consider water a human right. If water rights are handed over to entities whose declared purpose is to maximize profits rather than to serve the public good, hundreds of millions - perhaps billions - of people will be elbowed out of their access to water. Multinational corporations are quick to argue that market forces would bring more efficiency to water systems. But the bottom line is that water resources - by their very public nature - require public oversight to ensure that people getting their rights very well with best prices.

Concluding the finding, the best way of operating water sector is not easy, but depending on the practical experience and studies, it's clearly and obvious that the solution for any water problem was privatize the sector or the department and almost it worked and get much better service than before, with higher prices. Why? It's all about specializing and focusing on the field that can be managed by high skilled people and trust sides. And those private companies are almost concentrating on their job on the water supply field not as same ministries or the governments.

The non answered question is why water responsibility becomes a big problem? Is it politics? Environmental? Or human behaviors? And why it's not solved yet in many countries and communities. One answer can be general but it's the answer of miss in water management.

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