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WATER & SANITATION IN THE WORLD'S CITIES



Backgrounder

Investment: Public, Private or Community Control

- During the second half of the 19th Century water and sanitation emerged as a major public issue, with piped water to each home and water flushed toilets and sewers the principal urban solutions. Private sector participation was also widely debated in 19th Century Europe and North America and the free market viewpoint was very prevalent. However, failures such as the inability of London water companies to provide uninterrupted water supplies led to a call for more public sector involvement. By contrast modern reformers in developing countries are faced with public sector failures and are calling for more private sector involvement.
- However, the water and sanitation sector, both worldwide and in the South, is dominated by a very small number of multinational utility companies, namely Vivendi, Ondeo, Thames and Saur. Together these companies control over 80 % of the privatized water and sewerage market. Vivendi and Ondeo alone control between 50 % and 70 % of the market.
- Such multinational companies and bankers are looking for large scale investments with values of US\$ 100 million or more servicing more than a million residents. This means they consider smaller projects aimed at servicing the urban poor as unbankable. Moreover, smaller projects in slums are notoriously difficult to implement because it is difficult to lay sewers in informal settlements because the streets are narrow and irregular.
- One reason why provision of water and sanitation is so inadequate for much of the urban population of Africa, Asia and Latin America is that large scale investments in water and sanitation were made in cities with political systems that had no interest in improving conditions for low income groups. Where they turned to privatization, it proved difficult to reconcile large private companies' interests and priorities with the slow, difficult and often expensive investments needed to ensure adequate provision for low income groups.
- The result is increasing interest in public-private partnerships. More recently, the Dublin Principles set out at the International Conference on Water and the Environment held in 1992 set out four development criteria for the water sector:
 - Care for the environment
 - Increase the participation of the non-governmental sector
 - Sensitivity to gender issues
 - Increase the role of markets.
- There is a growing interest in small scale providers as part of a pragmatic response to the inadequacies of public provision. This is combined with community control to ensure equitable access for the poorest of the poor.
- The proportion of the world's population that is currently served by formal private water providers is still less than 10% but there are major regional differences. In many African cities, up to 80% of the population are serviced by small scale informal private sector water providers





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Pro-Poor Strategies:

In Bamako, only 18,000 households are served by the city water agency while 92,000 households are served by independent providers. In Guatemala City over 200 independent operations are responsible for service provision to over half of the cities population.

Bolivia runs some of its water utilities under a co-operative model. The Co-operative is set up as a limited company, and domestic customers are members who elect the administrative board, which in turn appoints the general manager and approves tariffs. Customers also elect a separate supervisory board that monitors the performance of the administrative board. While the co-operative model is uncommon, the Saguapac co-operative in Santa Cruz is said to be one of the best-run water utilities in Latin America

In Gabon, for example, revenue from electricity provision in the capital, Libreville, and principal port, Port-Gentil, enable cross-subsidisation for supplying water to the same areas. Combining utilities can also make it easier to apply sanctions, such as cutting electricity supplies to ensure payment, and saves on billing costs. Similar methods are used in Mali, Chad and Honduras.

In Buenos Aires, Argentina, after a long struggle, several low-income settlements successfully negotiated provision from the private operators, despite their lack of legal land titles. The successful negotiations were assisted by civil society organisations – either NGOs or CBOs, and in some cases, support from the local mayor. Some residents even managed to negotiate individual bills, despite resistance from the operator.

In South Africa, a lifeline tariff of 6,000 litres of free water per household per month was introduced in 2000 by the government. This has been received with hostility by private operators. For example, in Nelspruit, the private Greater Nelspruit Utility Company argued that its contract did not include the provision of free water and continued its policy of disconnection for non-paying households. The company did concede following a local campaign, but put its plans for water expansion to peri-urban areas on hold.

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Table 5.3 Private water and sanitation projects in selected regions, 1990–1997

Region	Projects		Investment	
	Number	%	1997 US\$ millions	%
Latin America and Caribbean	40	42	8225	48
East Asia and Pacific	30	31	11,913	33
Europe and Central Asia	15	15	1499	6
Sub-Saharan Africa	8	8	37	0
Middle East and North Africa	4	4	3275	13

Note: These figures are from the World Bank's Private Participation in Infrastructure (PPI) database. 'Investment' refers to total investment, not private investment alone. Also, many small projects are omitted.

Source: Silva, G, N Tynan and Y Yilmaz (1998), 'Private participation in the water and sanitation sector: recent trends', Private Sector Viewpoint Note 147, Public Policy for the Private Sector Series, the World Bank, Washington, DC.

