



Introduction

One of the most controversial issues in the area of water resources management in recent years has been the role of private sector involvement in water resources management. Not surprisingly, it was one of two issues which generated maximum 'heat' during the Second World Water Forum in The Hague in 2000, and also in the Third World Water Forum at Kyoto-Osaka in March 2003. The discussions on private and public sector involvements are often shrouded by dogmas, vested interests, and limited understandings of the needs of the people of the developing world. The views of the people and the institutions promoting or opposing private sector participation in water management are often deeply held, and neither side has bothered much to listen to the views and the concerns of the other side. Thus, the discussions of this issue, encompassing both proponents and opponents at various international fora, have mostly ended up as a dialogue between the deaf.

The World Commission on Water made several comments on the possible roles of the private sector in managing water resources in the future. The report pointed out that:

- adequate incentives should be provided to the private sector to contribute where it is well equipped to do so;
- the private sector will bring neither its money nor its management skills and know-how, unless it can operate in a predictable, transparent regulatory environment, and unless it can get a reasonable return on its investments, without undue political interference;
- private sector can bring in additional financing to the water sector, which public sector alone cannot provide; and
- private sector can considerably improve the current poor technical and financial performances of most water utilities in the developing world.

Since the Commission issued its report some three years ago, our knowledge-base in this area has improved significantly. Based on the latest analyses, we can say the following:

- The private sector currently serves about 5–6% of urban water consumers in the developing world. This percentage is likely to increase in the coming years, but most probably at a much slower rate than was anticipated only three years ago.
- Under all foreseeable conditions, the vast majority of domestic consumers will continue to receive their water and wastewater services from the publicly run water companies, at least for the next 15 years.

Because of controversies that are common in this area, the Third World Centre for Water Management decided to carry out a series of in-depth analyses on the performances of the private sector in various developing countries. Based on these analyses, the following conclusions can be drawn:

- (1) There are many forms of private-sector involvement. These could range from outright sales of assets to the private sector, as was the case for England and Wales, to provision of management concessions to run water supply and wastewater collection and treatment facilities over a fixed number of years (current concessions range from 3 to 60 years), to outsourcing of specific activities. Since England and Wales sold all their assets outright to the private sector in 1989, no other country has followed this model. More than a decade after this privatization in England and Wales, there is currently no agreement as to its actual impact on consumers and quality of services provided. The assessments available at present range from highly favourable to equally highly deplorable.

In contrast to outright sale of assets, the use of management contracts with the private sector for a specific period of years has proliferated during the past 5–7 years. Here again, no universal judgement can be made. Some concessions have been very successful, but equally others have been dismal failures. Results have sometimes varied even within a single country (for example, in Morocco, Casablanca could be considered to be a success but not Rabat), and in one instance at least within the same metropolitan area (half of Manila works but the other half does not).

There could also be a time dimension to the effectiveness of the private-sector involvement. Thus, Buenos Aires was a good example of private-sector involvement, until the economic meltdown in Argentina changed all boundary conditions. Recently, the concessionaire had to write off nearly US\$500 million of investments.

Thus, there is no single model of private-sector participation that would be appropriate to all cases within a single country, let alone for the entire world.

- (2) After rapid expansion in the award of concessions to the private sector in recent years to manage water supply and wastewater systems, the rate of award of new similar arrangements has slowed down perceptibly from the year 2002. Near-term prospects for new concessions do not look encouraging, since on 9 January 2003, a major multinational group announced a 5-point action plan for 2003–2004, which included:
- reduction of debt mainly by selling assets;
 - cost reduction;
 - new investments to be financed by cash flow, which means that new annual investments will fall from €8 billion to €4 billion;
 - reorganization; and
 - reducing exposure in developing countries by one-third.
- (3) Competitive pressure from multinational water companies has improved the performances of public-sector companies in many developed as well as developing countries. This is an advantage that the water professionals have mostly missed. It is likely that the performances of the public sector companies are likely to improve significantly in the future, certainly at a much higher rate than has been the norm for the past 20 years. Without the threat of private-sector competition, it is highly unlikely that the performances of public-sector companies would have improved in such a remarkable fashion in recent years, and over such a short period of time.
- (4) Performances of public- and private-sector companies should not be general-

ized. By most criteria, the best water utility in the world continues to be Singapore, a public sector endeavour. Even within private-sector companies, performances have varied significantly, ranging from excellent to dismal. Equally, the performances of individual multinational water companies have varied from one city to another, and also could vary over time even in the same city. Thus, any objective analysis of the current state of affairs will have to conclude that the performance of the public sector is not necessarily uniformly bad, and equally the achievements of all private-sector companies are not necessarily uniformly good. Each case should be judged on its merits and demerits, and over a specific period of time. Thus, the high priests of the private sector who claim that the private sector will solve all problems, and the diehard social activists who claim that private sector has no role to play in water supply and wastewater management, are both wrong. We must judge each project by its performance, which must be based on objective analyses of facts, and not make generalized statements based on dogmas and/or hidden agendas.

There are now many myths associated with both public-sector and private-sector performances. Because of this unsatisfactory state of affairs, InWEnt (Capacity Building International) and the Third World Centre for Water Management organized a workshop in Cairo, Egypt, 1–3 November 2002, to assess and review the current status of public–private partnership in the Middle East and North African countries objectively and comprehensively. The Ministry of Water Resources and Irrigation of the Government of Egypt provided considerable support to this workshop, both intellectually and logistically.

Special papers were specifically commissioned from various countries of the region for this workshop. Participation in the workshop was restricted to some 25 participants, and by invitation only, in order to ensure free and frank discussions. All the participants were invited in their personal capacities. Thus, their views are not necessarily those of the institutions with which they are associated. Selected papers from this workshop are published in this thematic issue.

On behalf of the Third World Centre for Water Management, I would like to express our appreciation and gratitude to Dr Ismail Al Baz of InWEnt, and Dr Mahmoud Abu-Zeid, Minister of Water Resources and Irrigation of Egypt, for all their assistance to convene the workshop. Without the support of Dr Al Baz and Minister Abu-Zeid, this Workshop simply would not have been possible.

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