
Reasons for Water Privatisation: Pros and Cons

Deepti Acharya
Assistant professor
Department of Political Science
Faculty of Arts
The Maharaja Sayajirao University of Baroda

Abstract:

While making authoritative resource allocations, modern democratic state systems have come to the realisation that the demands for equal opportunity frequently lead to confrontations. This is more problematic when resources, such in the instance of "Water," are both life-sustaining and scarce. Since water is recognised as a natural source of life and growth, its shortage and unpredictability lead to uncontrollable problems. Adopting reasonable solutions is necessary to solve this in the interest of justice. Trust is now put in management systems that allow for the commercialization of water resources and the creation of related water markets as a result of the well-known Dublin conference (2001). This article seeks to investigate the fruits of the trust and determine if the trust can be sustained over time because privatisation principles diverge significantly from democratic promises.

Key wards; Human Rights, Public, Private, Water justice, Market, Democracy

Theoretical backdrop:

One of nature's priceless gifts for the survival of people, with dignity, is the availability of natural resources. Natural resources must be treated with special consideration and care because of their undeniable and indispensable value to human growth and life. While using and preserving them, human beings as rational beings are expected to act with reasonable justifications because they cannot and do not produce them. Here, reasonability is insisted because the issue is not that the importance is not understood; rather, it is that the scarcity of natural resources and the uncertainty surrounding their use are causing disagreements among those in charge of using them, which is igniting an irrational social conflict over who should possess what.

These vast misconceptions cause societal unrest, which fosters political problems, particularly when there is no "commonly" acknowledged authority responsible for the distribution. This has led to a widespread understanding throughout civilization that is a serious issue that calls for a coordinated effort from a recognised authority. In the hopes that the distribution of natural resources would be logically organised and adhere to the ideal of "justice," humans first developed governmental organisations. The initiatives have created a political society, called 'State' that ostensibly gives a regular reasonable opportunity to decide on ownership concerns. As the state's actions are separating public and private ownership of rare natural resources, it is obvious that in a particular political system, the state's obligation to make ownership decisions is important. The division of ownership into public and private sectors reflects the diverse operating styles of different political regimes. It implies that the definition of ownership depends on the character of the state.

Natural resources are indeed recognised as essential components in contemporary state systems that can only be used to meet bare necessities. However, different political systems do not reach the same conclusions about ownership. For instance, under the classical liberal philosophy, the state's powers are restricted in favour of business when selecting who owns natural resources.

This was further developed in the positive liberal theory, which supports the state's welfare functions. Welfarism has advocated expanding the reach of the state because it gives the government a legal basis for forming agreements with the public. As a result, the notion of welfarism gave the state the authority to decide who should own the resources in their favour. The liberal ownership scheme stands in stark contrast to Marx's notion of the state; it promotes a social structure in which the community owns and controls natural resources.

The state is expanding against all theoretical oppositions, including the Marxist notion of the stateⁱ. This shows that the state's existence is permitted and upheld because of its inherent utilities and benefitsⁱⁱ. In order to resolve disputes over who owns natural resources, the expansion of governmental power is encouraged in all political systemsⁱⁱⁱ.

Indeed, the issue of ownership must be handled by a legitimate authority as it is important for the successful resolution of unmanaged confusions. At least in a democratic system of government, the temperament of the state is in line with the desires of the citizens. In this system, state is continually identified as the station of power that is driving legitimacy from the people in the process of growth and development. Accordingly, in philosophical and institutional debates, democracy is seen as the only system, in contrast to all others, that can provide welfare while also pushing for the establishment of the right to life in the minds of the populace. Today, the concept of the right to life is broad and encompasses all requirements for a dignified existence. It is crucial to determine those components that fall into the category of necessities since demand is ubiquitous and understood to be the most prevalent factor. The three most fundamental demands for survival are for food, clothing, and shelter. The nature of each of these three necessities—food (which includes water), clothing, and shelter—requires reasonable arrangements in the interest of justice, for which a democratic state is held accountable. To fulfil the expectations, a democratic system attempts to satisfy the need for an equitable and reasonable allocation of the natural resources. However, it is a fact that often democratic understandings of food, clothing, and shelter make state functioning complicated since these concepts go beyond simple literary terms to encompass a wide range of ideas that might guarantee a life lived in dignity. A democratic and resource poor state finds it challenging to make these resources open and accessible while maintaining their purity since they are simultaneously scarce resources.

The world's terrible water conditions must be quickly addressed in the face of these challenges, especially in light of the United Nations' declaration that access to clean water is a human right. According to the United Nations Development Programme (UNDP), as water is necessary for survival, it should be viewed as a fundamental human right. The declaration requires all states, democratic or not, to guarantee the preservation of water that can be used in accordance with human rights. Commercial water management stakeholders agreed on a unique water management plan in response to the realised urgency of the requirement, which has extensively justified water privatisation. Here, the idea of privatization with a particular emphasis on the privatisation of water resources is defended and emphasised for management reasons, i.e., to assist the more prudent use of water. Water scholars, governments, and bureaucrats who advocate giving private companies control over water resources in order to deliver public services are said to have initially drawn inspiration from European privatisation models.

This paper explores the effects of these motivations, illustrates the potential outcomes of privatising water, and maintains that while privatisation can ensure efficiency, it cannot assure water as a right of all.

Models of Privatization

The process of privatisation refers to those water management practises in which the private sector is eager and able to participate. Participation in this sense is regarded as appropriate since, according to neoliberal theory, to ensure water to all, nothing is supposed to be left untouched by the private sector. Although neoliberalism is widely accepted around the globe, its implementation pattern is noticeably varied, leading to a variety of water privatization models, some of which include the following: -

- Asset Sale* : The state sells or cashes out public assets to private providers to expand the tax support.
- Contracting out* : Under the agreement state pays contractors to provide the services.
- Deregulation* : The state take away its regulations authority from the service previously monopolized by government in support of private provision of the service and remove competition against government agencies.
- Franchise* : The state gives monopoly privileges to a specific private vendor to provide a service, in a specific geographical area
- Grants and public Subsidies* : The state makes monetary contributions to help private vendors deliver a services. This is especially when the product is of the public good.
- Private and Donation* : To give assistance to state, private vendors provide personal loan facilities equipments in public services.
- Public-Private private partnership* : The state conducts projects in cooperation with private vendors, relying on resources instead of tax revenue.
- Service Shedding* : The state drastically reduces the level of a service or even stops providing public service so that the private sector can assume the function with their private sources.

- Volunteers remain in* : The state uses volunteers to provide public services. However, thing may the hands of state
- Vouchers* : The state allows eligible clients to purchase services available in the open market from private providers. As with contracting, the government pays for the services.

Source: Practices: A Review of Privatization in State Government, CSG

The aforementioned models demonstrate that to institutionalize water as a private resource and to create a market for the same, countries have multiple options. The country's social, political, and economic climate should, however, be taken into consideration while making the choices. Britain, France, and Germany are among the nations that have pioneered and experimented with the privatisation of water; the experiences of the three, however, varied, as is described in the parts that follow.

Water privatization: The leading examples

History of the concept of water privatisation suggests that the wave of privatisation of water in developing countries started in Latin America in the early 1990s with the liberalization's attempt to find a market alternative for optimal management. Later, the idea makes its way to Asia and Africa. Water privatisation has undoubtedly been made more popular by the notion of globalisation and the Washington Consensus. International entities like the World Bank and International Monetary Funds backed the idea since developed countries were more interested in the deregulation and privatisation of natural resources. The developed nations recognised as the

forerunners of water privatisation include Germany, France, and Britain. The three have followed varied routes towards water privatisation, each with a unique starting point. Looking back and examining the origins is intriguing since each of these countries' origins have led to such distinct consequences.

British start: In Britain, water privatization began gradually when the water services were reorganised in 1974 by creating 10 Unitary Regional Water Authorities (RWAs). Each of these authorities was given the right to control a portion of a river basin, and each was now in charge of the region's water supply, sanitation, and quality. Without the involvement of the municipality, the government nominated the water authorities (private sector) directly. Because of this, the new authorities, who were holding private interests were no longer held to the same standards of local administration as previously. The board meetings, held by these authorities were nevertheless accessible to the public until 1983, when the Thatcher administration decided to make them secret in the hope that the private sector would be more effective since it can foster competition. With this, particularly in the late 1980s, water became an industry whose organisational structure and financial activities were controlled and monitored by the private sector.

French start: In France, water was provided on a contract basis until the middle of the 19th century, when privatisation of water practises began. The Loi Sapin had increased the length of contracts to 20 years in 1993 to encourage competition. As a result, as of 2010, the Ministry of the Environment reports that Veolia and Suez, along with other private companies, offer 75% of France's water services and 50% of its sanitation services. However, in 2010 Suez and Veolia's leasing agreements for Paris ended, and the water system was once again under public administration.

German start: With Annette Fugmann-Heesing, Germany has witnessed and embraced water privatisation. Berliner Morgenpost, which with the heading "she came, saw, and sold" on August 16, 1997, provided evidence of her dominant involvement in the privatisation of water. The House of Representatives approved the idea of privatisation on April 29, 1999, thereby formally opening the way to it. Finding trustworthy information regarding the various organisational structures is difficult because of Germany's federal system. However, the corporatization of the German water sector took place between 1986 and 2005, according to a report by the German Association of Energy and Water Industries (BGW, 2005, pp14ff).

The Group of Water Ministers met in Kyoto, Japan, in 2003 to discuss how to address the world's water issue via commercialization, with the help of these three nations that were recognised as the water world's think tanks. It was stated that privatising water will be beneficial in several ways. The arguments put forward during the conference were used to make the case for the process of water privatisation and eventually spread like wildfire.

Arguments in favor of water privatization:

1. Privatisation of water resources, helps governments and save money in management and delivery of public services.
2. Water is limited and needs special care that is more possible with the private ownership than to the public one.
3. Allows for speedy implementation of certain programs.

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4. Provides high-quality services in water sector.
 5. Becomes necessary when government lacks the expertise or personnel to carry out certain programs that can assure equal water supply.
 6. Uses more innovative approaches and technology in water supply.
 7. It will help dissolve unnecessary government service monopolies in water sector.
 8. Water services provided by private sector would become more effectively due to flexibility and reduced red tape.
 9. Introduces competition between public and private water providers. This bound government to work more efficiently in water management.
 10. Provides an alternative to traditional ways of improving government efforts in water supply.
 11. Private care of water resources will reduce water pollution.

Globally, Water sensitive scholars have argued against these many arguments and criticized water privatization as “*liberal environmentalism*” (Bernstein 2001), “*green neoliberalism*” (Goldman 2005), market *environmentalism* (Bakker 2004) and as “*neoliberalization of nature*” (Bridge 2004; Mansfield 2004; McAfee 2003; McCarthy 2004; McCarthy and Prudham 2004; Perrault 2006). Arguments are challenged globally, mainly by neo Marxism and feminism, One can observed these challenges as disadvantages of the idea and practice of water privatization, some of them are-

Arguments against water privatization

1. water as a subject of morality that cannot be understood as a purely economic phenomenon (Shiva 2001). Since water is life, given freely by nature and addition of labor into it cannot justify the ownership over it.
2. Justice cannot be subverted in the name of creating a conveniently defined efficiency. Expecting water justice from the practise of privatising water is utopian since it is based on cost-benefit analysis.
3. Water privatization adopts cost-based approach, which says, who pays can use. Since it defines justice in the terms of benefits, instead of assuring justice in delivery, it increases gap between water have and havenots.
4. For water poor states, water privatization practices can be bring disasters, as examples from African counties confirms^{iv}.

Conclusion

Indeed, idea and practice of privatisation has proposed some advantages, however, the underlying issue is determining which areas may be handed to private businesses. The principle of the idea state dictates that the state must maintain control over the finite resources that require responsive care. The concept, however, loses appeal when government is viewed, argued and presented as a failing institution that cannot fairly distribute scarce resources. Water is regarded as one of these resources. Globally, it is insisted—following the Dublin Conference—that private sectors should manage and distribute water, a naturally scarce resource. Due to the fact that several nations represented and supported the conference's ideas and results, the globe has seen numerous models from various nations. This paper urges that ownership authority on water use and supply is supposed to be considered as a state subject, mainly because it is a perceptibly understood that the state as a collective representative of the individual can take care of water resources with all diverse interests. With the diverse understandings on the requirement and idea of growth and development the question of water management is becoming a flaming issue that needs to be debated rationally and should be argued in the line of justice.

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ⁱ Here USSR is taken as a Marxism state. However, it was far from the original theory.

ⁱⁱ Idea is driven from utilitarianism advanced by Bentham. Bentham advocates for the state existence with the argument that it is a instrument to create maximum happiness for maximum people.

ⁱⁱⁱ As per the social contract theory, advanced by Hobbes, Locke and Rousseau.

^{iv} For the details see: Perreault, T. (2006). From the Guerra Del Gas: Resource governance, neoliberalism and popular protest in Bolivia. *Antipode* , 150-172.