Wealth from Water

warning !!

The Commercial allure of Water
and
the Midas touch of Global Capital

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"***Wars of the 21st century will be about Water***"

- Ismail Serageldin, then Vice President, World Bank

These words of Serageldin ring true today when we look at the emerging water scenario in the world. In fact a civil war around the issue of water has already taken place in Bolivia's city of Cochabamba that witnessed the forced privatisation of water resources resulting in the steep hike in water prices, making the lives of millions of people miserable. Ultimately, the Bolivian people had to wage a war against the government for usurping their right to these resources. They won the war and the Bolivian government had to kick Water Corporation Bechtel out of the country and revoke its water-privatisation legislation.

Unruffled by this defeat, the World Bank seems to be hell bent upon creating conditions to attract 'private investment' in water services. The singsong of the UNDP-World Bank, for a long time, has been that "the people are willing to pay for regular and quality water service but the governments are not willing to charge." And they are willing not only to charge but want to charge in such a way that ensures "full cost recovery" for MNCs operating in water services. In fact the ground for private takeover of national water resources has been meticulously laid down by the World Bank itself over a decade and half ago. Where persuasion fails, recourse is taken to arm-twisting. For instance, it refused to guarantee a 25 million US dollar loan to refinance water services in Bolivia's third-largest city Cochabamba unless the government sold the public water system to the private sector and passed the costs to the consumers. Not only has the World Bank played a major role in the creation of water scarcity and pollution, it is now transforming the water scarcity into a market opportunity for water corporations. The World Bank currently has outstanding commitments of about US $20 billion in water projects, of which US $ 4.8 billion are for urban water and sanitation, US $1.7 billion for rural water schemes, US $

5.4 billion for irrigation, US $ 1.7 billion for hydropower, and US $ 3 billion for water related environmental projects. 20 per cent of World Bank's water loans are for South Asia. According to the World Bank Commission on Water (WCW), the current level of investment in the water sector in developing countries is about US $ 70 billion per year (Out of this US $ 17 billion is for Hydro, US $ 28 billion is for water and sanitation and US $ 25 billion is for irrigation). According to the WCW, this needs to be increased to US $ 180 billion to ensure water security by 2025. This means that the annual investments today are about Rs. 1,34,400 crore rupees, and need to be increased by two and half times. This also indicates the kind of profits involved in the business. The World Bank estimates the worldwide water services business to be worth about US $ 1 trillion annually. Some even suggest that this figure may be as high as 7 trillion dollars. Whatever may be the exact figure, the market undoubtedly is huge.

That's why the World Bank's Water Resources Sector Strategy clearly puts privatisation of water resources as a central core of the strategy. The March 2002 draft of WRSS clearly states:

"53. An overriding thrust of the World Bank groups' work on water and sanitation is to ensure that the poor gain access to safe, affordable water supply and sanitation services by reducing costs and facilitating the entry of alternative service providers".

"54. A central part of this thrust is to stimulate the development of financially sound, operationally efficient, consumer oriented water and sanitation utilities. This includes ---- building commercially oriented and customer focused utilities to ensure sustainability of service; strengthening government capacity to contract service provision to private parties, balancing remuneration with allocation of risks; increase credit worthiness of water providers to enhance capacity to mobilise financing for long-delayed investments in rehabilitation, upgradation and expansion; gradually raising average tariffs to cost reflective levels ...."

The draft document also says that : "an important emphasis, in recent years, has been on growing World Bank and IFC support for private sector involvement in the provision of water and sanitation services, with about 40 per cent of current World Bank funded urban water and sanitation projects involving some form of private sector participation".

The World Bank has also brought out a series of five publications on different areas of the water sector in India. Ostensibly, these are the joint efforts of the World Bank, Government of India and some bi-lateral donors, but they are nothing but a blueprint for a complete overhaul of the sectors to commercialise and privatise them.

If the World Bank is leading the chorus for privatisation of water sector in South Asia, the Asian Development Bank (ADB) is not far behind.

In January 2001, ADB approved its Water Policy which described water as a "socially vital economic good". As per the policy, water services delivery will be expanded through autonomous and accountable service providers, private sector participation, and public-private partnerships. The ADB policy further emphasises that:

a) Water will be re-allocated through "markets of transferable water rights", and to "high-value uses of water".

b) For irrigation and urban water supply "governments need to modify their role from one of service provider to regulator" and that "private sector initiatives and market-oriented behaviour are expected to improve performance and efficiency". In fact, a number of international financial institutions and bi-lateral donors and agencies like the Department for International Development (DFID) of UK have been aggressively pushing the privatisation not of Indian water sector alone but of the entire economy of India.

Public-Private Partnerships

Privatisation projects funded by the World Bank, Asian Development Bank and other aid agencies are usually labelled public-private partnerships. Even while aggressively pushing for privatisation, the World Bank and the ADB try to project that they are working within the boundaries of the concept of sovereign nation states. They maintain that their policies evolve from the Governments themselves and are not thrust upon anyone. Moreover, they claim that what they are doing is for poverty alleviation, and for promoting development. Thus the label of Public-Private Partnership seems to imply public participation, democracy and accountability. But the fact is that public-private partnership arrangements usually entail public funds being made available for privatisation of public goods. This can be understood by the Power Sector Privatisation in India. From 1991 onwards the so called privatisation of power sector was actually funded with the public money either through Indian or International Public Financial Institutions, or through publicly funded financing and guarantee mechanism like Export Credit Agencies. The logic was simple - let the projects be funded by public money, let the risks be public, but the profits should go to the private operations.

But sooner or later the myth of privatisation is shattered. Instances abound where the privatisation of water sector has brought immense misery to the people whose water resources have been overtaken by Multinational Corporations, forcing them to raise the banner of revolt against the private companies and their own governments who facilitated the entry of these companies into the water sector.

This booklet is a small endeavour on our part to put things in the right perspective.

OUR NEED IS THEIR GREED

In a country where offering water to the thirsty is still considered a sacred deed, petty shops on the roadside stocked with packaged water sold like edible oil at Rs 10-20 for a bottle indeed present a strange spectacle. Yet this sight has become commonplace over the last few years, encountered often and almost everywhere.

No climatic upheaval overwhelmed us in the recent years; nor did the great rivers like Ganga, Yamuna and Cauvery suddenly dry up. How did the strange, then, become commonplace in our midst?

Bringing water to the shopping mall took a highly-focused, calculated and manipulated drive, triggered by the nexus of spineless politicians, corrupt bureaucrats, a section of the media and international water corporates. This unholy alliance is protected and patronised by the international financial and commercial organisations like the World Bank, the International Monetary Fund, the World Trade Organisation, the Global Water Council, the World Commission on Water, the European Investment Bank for Reconstruction And Development, the International Private Water Association, Water Aid, Business Partners For Development, and the Water Supply Sanitation Collaborative Council.

World-wide recession and the dwindling market for luxury goods forced the beneficiaries of imperialist-capitalism to look for alternatives that would guarantee maximum profits for minimum investment. And what could be more profitable than the business of water?

But the multinational tycoons knew only too well that it would not be easy to sell the concept of water as a commodity to the people. Water, after all, had always been a *free* resource and had remained outside the snare of the market principle. Something had to be done about it.

THE REINCARNATION OF GOEBBLES

"A lie repeated a hundred times becomes more powerful than the truth."

The captains of global capital responded with a strategy woven with deceit, coercion, and misinformation. This is how it worked:

Firstly, international financial institutions impose the privatisation of water as a precondition to finance any water supply or water sanitation project. A campaign is then launched to confuse and confound the minds of the people. A terrifying picture of the *water crisis* is painted into the public mind. The inevitability of marketisation is preached simultaneously, while advertising the so-called virtues of the products available in the marketplace. And meanwhile, a eulogic chorus in the praise of privatisation runs incessantly in the background.

And then, systematically attuned and perfectly synchronised to this campaign of the global rich, the World Bank comes out with documents that raise a hue and cry over the *water crisis*. They claim that at least one-and-a-half billion people are yearning for water, and that 39 countries are facing acute water shortage. Although only the Middle East and parts of Africa are engulfed by the crisis today, by 2025, they assert, India, Kenya and Nigeria too would come in its grip. By then, the water crisis would have pushed at least 48 countries into a state of socio-political chaos. Unprecedented riots and bloodshed would haunt the entire world. Documents of the World Bank also state that only 3 percent of the available water on earth is pure, and that, out of it, only one percent can be consumed. This implies that, for large swathes of humanity, the 'water crisis' is *fait accompli*. Then they suggest the way to come out of this crisis. And, of course, the only *feasible* way begins with the privatisation of the water-sector!

In the words of Margaret Thatcher, a celebrated champion of privatisation who presided over the demise of the post-war welfare state as the prime minister of UK in the 1980s, "There

is no alternative." Is it really so? Are our democratic systems incapable of shaping democratic solutions to emerging crises through the collective wisdom of the people that evolves in vigorous and informed public debate?

Another weapon in the arsenal of the prospective water-magnates to justify their logic is the singular philosophy of *full-cost recovery*. They plead that, unless the full- cost of water is recovered from those who consume it, people will not realise the importance of water; "if you don't pay for something, you do not value it," goes the argument. According to this thesis, not only the operational and maintenance charges, but also the total investment in the water supply system must be recovered from the consumers.

At the second International Water Forum, held in Hague in March 2000, a proposal of this kind was unanimously rejected. The delegates had opined that water charges must be affordable to the weaker and poorer sections of the society. But this could not deter the enthusiasm of the proponents of the privatisation of water; not only do they continue to chant the mantra of *full- cost recovery* as usual, but have even commissioned fabricated surveys in their effort to prove the viability of their thesis. Some of these surveys have fraudulently tried to prove that people are willing to squander their hard-earned money for a privately managed water supply system, and that out-dated and irrelevant Government policies are coming in the way.

In order to gauge the pulse of the Indian people, the World Bank and its associate organisation U.M.D.P, with the help of the International Development Agency, organised a survey in many Indian cities. According to the survey, citizens of Dehradun are ready to pay as much as Rs. 10 per cubic c.m. of water, and a rate of Rs. 4.5 per cubic c.m. is acceptable even to the poorest sections of the city. Today the residents of Dehradun pay two rupees per cubic c.m. as water tax.

The survey also insinuates that in Baroda, residents earning less than Rs. 1500 per month could pay Rs. 275 per annum, and that middle-income group families would readily pay Rs. 440 annually. It is an astounding conclusion, considering that the above rate is almost ten times higher than the current water tax in Baroda levied by the Baroda Water Authority. The survey also claims that villagers of Kerala will promptly pay four to five times more than the current water levy, and in Delhi, the national capital, people will not hesitate to shell out a thousand rupees every year for their water supply.

In a country where two square meals a day remains a dream for at least one-third of the population, and two-thirds of whose citizens barely make their ends meet, nothing can be more ridiculous than this claim that people are ready to burn both ends of their candle for *privatised* water.

In the campaign to conquer the public mind, the reincarnations of Goebbles (the chief of propaganda in Hitler's regime) fully believe in his maxim, that if a lie is repeated a hundred times, it becomes more powerful than the truth. And they seem to be coming close to realising their dubious mission.

THE SPREADING WEB OF THE WATER COMPANIES

MNCs are on the prowl, and countries are falling prey one by one. Water is already a saleable commodity in UK and Australia. France and Germany are on the same path. Most of the developing countries, including India, are also accelerating their progress in the same direction. According to one projection, if the water market controlled by the multinationals continues to grow at the same rate, it will be worth 100,000 million rupees in the next ten years.

How swiftly the MNCs are making inroads into the water-sector of the developing countries can easily be gauged by the fact, that while between 1984 and 1995, they were awarded only eight projects with a combined worth of 290.70 million rupees, from 1990 to 1997, nearly a hundred water projects were sanctioned. And after 1997, in the developing world, in-

cluding India, four dozen projects have either already been approved, or are about to be. In the seven years after 1990, at least 10,000 million rupees were invested by the private sector in various water projects in the developing countries.

As the grip of the multinationals on the developing world tightens, apprehension is gaining ground that the throats of the poor and the fields of small-scale farmers of these countries may be left parched by denial of access to water as a gift of nature to humanity without any social and monetary barriers.

AT INDIA'S DOORSTEP

The MNCs seem to have successfully ensnared the present government of India. Recent documents brought out by the government speak the language and parrot the rhetoric of the Bretton Woods institutions and the MNCs. For instance, the Ministry for Water Resources is known to fully support a certain six-volume detailed World Bank Report published in 1999 by Allied Publishers of Delhi. The most dangerous aspect of this report is regarding management of underground water. According to this report, the main reason for power shortage in India is the mismanagement of underground water. This, the report claims, is adversely affects the agricultural sector as well. The report suggests the enactment of a law to improve underground water management. If such a law gets passed, no one can dig a well or a pond, even near one's own house or on his own land. MNCs will monopolise underground water. The natural right of the common man to water will be snatched away.

Besides the Water Resources Ministry, the Prime Minister's Council on Trade and Industry also prescribes the same course. In fact, it advocates total privatisation of water resources. Ratan Tata is the President of the Council. Is it mere coincidence that Monsanto,a multinational company eyeing the water-sector in India, among other global competitors like Thames Water, Mitshubishi, Vivendi, Hyundai, Aqua de Barcelona and Anglian Water, plans to collaborate with the Tatas in its Indian venture? If this happens, Monsanto will grab a major chunk of the water distribution systems of this country. It will then force the farmers to buy water from it. Drinking water is already sold by the MNCs at the same rate as milk. If they had their way, soon the skyrocketing prices of water for irrigation would throttle the agriculture and food system of our country.

Let us look into the mirror of reality and assess the actual accomplishments of the MNCs in the countries where they have already taken over the water distribution systems.

MULTINATIONALS IN THE WATER SECTOR: Heavy taxes and weak management

The apologists for the entry of MNCs into the water sector lament the inefficiency of the public sector and vociferously eulogise the organisational efficiency 'inherent' in the private sector. The facts, however, narrate an entirely different tale.

Wherever MNCs have gone, the situation has worsened. Taxes soar and the distribution system crumbles. So much so, that the authorities at several places have found themselves compelled to hand the water supply systems back to the public sector. In fact, two of the biggest water companies of the world, Suez-Lyonnaise and Vivendi, had to be turned back from many places even in France, the country of their origin.

Some Instances

PUERTO RICO: State funds give MNC a breath of life

In 1995, Vivendi, the largest multinational in the business of water, won the contract for running PRASA, Puerto Rico's water authority, through a subsidiary now called Compania de Agnas. Four years later, an official report condemned the contract as a total failure. In the report, brought out in August 1995, the Puerto Rican Office of the Controller had been extremely critical of the contract. He had pointed out numerous lacunae in the operation of the contract, including deficiencies in the maintenance, repair and administration of aqueducts and sewers. Moreover, the company was required, under the contract, to submit reports for the purpose of financial audit. These were either filed late, or not at all. No one cared to reply to the petitions from aggrieved citizens. And some customers even complained that even when they did not receive any water, their bills would always arrived promptly, charging them for water they never got. A local newspaper published reports of PRASA workers who did not know where to look for the aqueducts and valves they were supposed to work on. The financial situation went rapidly downhill, and the state had to subsidise the venture to keep it afloat! So much for *private enterprise.*

According to the controller's report, "under private management and control, PRASA's operational deficit has been rising, having now reached a whopping. $241.1million. This has required the Government Development Bank, on numerous occasions, to step in and provide the agency with contingency funding."

TRINIDAD: Severn Trent fails, public sector comes back

In 1994, the government of Trinidad contracted out the management of the island's water authority, WASA, to Severn Trent. In the original business plan submitted by Severn Trent, the company had assured it would make WASA financially viable by the end ofthe three-year contract period. On the contrary, the deficit in 1998 at $378.5 million turned out to be far more than that in 1997. The Severn Trent contract expired in April 1999 was not renewed. WASA was taken back as a public sector responsibility and has been looked after by local managers ever since. And they have managed to source significant investment into improving the water supply and distribution systems.

BUDAPEST (HUNGARY): an absurd proposal

The water supply of Budapest was partly privatized in 1997 and handed over to Suez–Lyonnaise. The company submitted its water distribution plan in July 1999. It projected a net loss of 2.7 billion

UHF and a five percent decrease in income generated in 1999. At the same time, the company also proposed to pay a premium of 25 million UHF to its managers. This would have enriched the foreign company at the cost of the host city. The Budapest Municipal Council, however, rejected this absurd plan outright.

GRENOBLE (FRANCE): a failed experiment with the joint sector

Grenoble is a city in southeast France. The take-over by multinationals of its water supply and sanitation systems caused a tornado in the political atmosphere of France.

In 1984, Alain Caringnon, who was then the mayor of Grenoble, had initiated a policy in favor of the privatisation of gas, electricity and water services. Caringnon was a prominent member of RPR party. Jerome Monod, who was then the chairman of the water company Lyonnaise des Eaux (now called Suez- Lyonnaise) was the general secretary of this party from 1976 to 1978. Carignon proposed handing over the city's water services to COGESE, a subsidiary of Suez-Lyonnoise in 1989.

The deal went ahead despite opposition from ADES, an ecologist party, and the trade unions. Strikes and demonstrations were held. Trade unions and consumer groups even filed a petition challenging the privatisation plan. All these efforts failed to halt the plan and, on 3rd November 1999, Grenoble city council finally put its seal on a contract handing over the water supply and sanitation contract to COGESE for 25 years.

The Municipal Water supply system was very efficient before getting privatised. The quality of water supply was quite good despite low water taxes. The scenario changed drastically after privatisation. COGESE raised the price of water.

In the contract, the company had agreed to pay the municipality 226 million francs as *entry fees*, besides the annual payments. COGESE recovered these *costs* from the users, passing them the burden of the *entry fees*. This was, indeed, an indirect form of taxation. Though the Grenoble Tribunal Administration declared this surcharge illegal, COGESE had other tricks up its sleeve. It had an exclusive right to nearly all work contracts, giving it an extra source of profits. However, COGESE annual reports did not account for these profits.

In order to keep the prices high, base prices were fixed at their value on 1st January 1989 rather than 1st July 1989. Moreover, users were charged prices set at the time of invoicing, instead of those at the time of actual consumption. The Grenoble tribunal Administration later declared this illegal. Through all these means, COGESE could impose an illegal and additional burden of 21 million francs on the consumers between 1989 and 1995.

COGESE also submitted fabricated accounts. It reported losses every year, and then added the amount it would have paid every year if it had taken a loan to balance its accounts. It claimed that this way it was remunerating the shareholders without borrowing from outside. It also recorded the exaggerated amounts of interest in its accounts.

The Chambre Regional des Comples bitterly criticised the company for fictitious accounting. It estimated that the total cost of these practices to the citizens of Grenoble over the 25-year life of the COGESE contract would exceed 1 billion francs.

***The Public-Private Partnership*:** The control of the Grenoble Municipal Council came into the hands of a new majority led by the Socialist party and the ecologist ADES party after the elections in 1995. They decided to terminate the contract and remunicipalise the water and sanitation systems of the city. But these ideas could not materialise, since the contract stipulated a payment of 150-400 million francs as compensation, besides reimbursement of the entry fee, in case of an early termination of the contract. Therefore they opted for the middle path. A new company, Societe des Eaux des Grenoble (SEG), was created to operate the water supply system of the city. The city council had a 51% stake in this partnership with Suez-Lyonnoise. Even after the creation of this company, the situation did not change. Suez-Lyonnaise could veto all major decisions-specifically, any decisions on investment, policy, conclusion of contracts with other municipalities, modification in the terms of the contract with the Grenoble municipality, and changes in personnel.

Taking full advantage of this situation, Suez immediately sub-contracted the water supply and sanitation system for a period of 15 years to another company, Societe Grenobolise de eau et de Assainssement (SGEA). SGEA was fully owned by Suez-Lyonnaise.

The creation of the joint venture thus did not help clip the wings of Suez. On the contrary, it proved rather advantageous for Suez. Grenoble city council was now liable for any damage caused by COGESE to the consumer or anyone else. Moreover, the municipality would be held responsible for 30 million francs owed by COGESE.

The contract also provided that if the water consumption fell below 12.8 million cubic metres a year, SEG could raise the price of water. In a city where water taxes and gross mismanagement after privatization had already brought water consumption to a minimum level, this formula only meant a further hike in the levies.

The sub-contract with SGEA included an ironical clause. It guaranteed SGEA an increase in its payments in the sixth and the eleventh year of the sub-contract, without it adopting any new operational task.

In turn, SGEA sub-contracted diverse services to its parent company, Suez, at extremely high prices - including legal services, accounting, insurance and property management, human resources, customer services, technical assistance, vehicles, equipment procurement and information technology. As a result SGEA registered losses that, in reality, translated into profits for Suez and its other subsidiaries. There was another astounding provision in the sub-contract - the SGEA was protected against losses incurred either by it (or SEG). The municipality was also obliged to compensate the losses upon termination of the contract.

***Contract terminated*:** The ecologist party, ADES, fought a relentless legal battle against this open plundering of the masses. Their efforts bore fruit in October 1997. The Administrative Tribunal of Grenoble annulled the original contract with COGESE for being illegal. ADES also challenged the validity of the renegotiated contract with SEG.

The Tribunal annulled this contract in August 1998 on the ground that competitive bidding had not been done before negotiating it. In May 1999, the Tribunal held the charges for water supply and sanitation imposed by COGESE as illegal. The entire revenue levied by COGESE and SEG between 1990 and 1998 was also declared illegal.

Remunicipalisation**:** The municipality of Grenoble learned a lesson from its bitter experience with COGESE and SEG. It dilated at length on the various possible options and, finally, on 20th March 2000, resolved to remunicipalise the water supply system of the city. A separate company was created for this purpose, and all the employees of COGESE, SEG and SGEA were transferred to its ranks.

Privatising the sanitation system**:** In 1983, the syndicate of municipalities of the metropolitan region of Grenoble awarded a 15-year long contract for sanitation services to Societe Douphinoise Assainissement (SDA), without inviting any other tenders. SDA was a joint venture formed by Degremont (owned by Suez-Lyonnaise) and OTV (owned by Vivendi). According to the estimates released by the regional audit office later, the user would have to pay only 2.05 francs per cubic metre if the municipalities were to run the sanitation systems. They were instead required to pay 2.71 francs per cubic metre to the private enterprise. The contract was renegotiated nine times between 1985 and 1993, but the process only benefited the SDA - the investment required from SDA reduced, while its profits increased.

It had been argued that privatisation would route private finance into infrastructural development. In reality, most of the investment for the wastewater treatment plant was procured from the municipalities and other public sector bodies.

Remunicipalisation of the sanitation system: In 1997, the Chambre Regional des Comptes came out with a detailed exposure of how the waste water treatment project was besieged by problems. The report inspired the municipalities to take the project back into their own hands. The municipalities decided to create a new municipal *regie* (a municipal organisation, which has separate accounts from the council, but is fully controlled and owned by it) to operate the sanitation services of the region. Only the Aquapole treatment plant itself was left under the control of SDA.

TALLIUM: levies hiked in the very first year

The water supply system of Tallium, the capital of Estonia, was privatised in 2001. International Water, a company registered in UK, today controls it. The American construction company, Bechtel, owns a fifty percent stake in the company. Edison SPA, part of the Montedison group of Italy, owns the rest of the shares.

The water supply system had been running efficiently under the Tallium municipality, and earned a profit of 24 million Estonian krones (approx. 1 million euros) in 2001. But, immediately after taking charge of the operation, the new owners decided to pay themselves a dividend of 7.5 million euros. Then they demanded an extra payment of 2.5 million euros for drainage of surface water, a service that the municipality used to render as a free adjunct of its water supply work. People were enraged by such greedy demands of the company.

GREED DRIVES THE WATER BUSINESS EVERYWHERE

The business of water makes sense to the MNCs only as a money-minting enterprise. Companies hold their markets in a tight grip, once their conquest is sealed. But, if the market does not rain gold, they do not hesitate to wash their hands off it.

In 1999, a British water company, Biwater, pulled out of a major water supply project in Zimbabwe for the sole reason that it could not deliver the rate of return demanded by its investors. The manager said, “Although these projects are viable from a social point of view, unfortunately, from a private sector point of view, they are not.”

In Buenos Aires, when the water supply contract was awarded to a private company, it extended certain concessions to poor consumers. It imposed heavy taxes on consumers from the higher income groups in order to finance this. A crisis followed. The agreement had to be completely re-written. Even then, the problem could not be solved, with many consumers filing cases claiming that the imposed subsidy was absolutely illegal.

THE PUBLIC SECTOR SHIELDS PRIVATE VENTURES

Private water companies manipulate their contract in order to use public sector finance as a shield against any crisis.

Governments often guarantee them loans from development banks. Moreover, many such contracts include clauses wherein the public agency signing it also guarantees the profitability of the operation. In effect, all losses are borne by the public (who are also the consumers), while all the profit goes to the company.

Governments of many countries have extended additional support to the multinationals in the form of non-refundable grants and a favourable tax regime - including tax holidays, and refunding of construction tax and operating costs. Profit-squeezing techniques of the MNCs were vividly exposed in Melsprint, capital of Mpumalanga province of South Africa, where the water supply was contracted to Biwater, the British multinational.

The main argument for privatisation was the need to attract private finance. But the events ran contrary to this. To arrange for the necessary finance, Biwater has brought in Nuon, a Dutch municipally owned public sector company, as a partner. Meanwhile, an astounding decision was taken by the

South African Government. A new water plant at Matusulu was gifted to the Biwater operated water project. Notwithstanding that all the funds had been sourced from the Portugal and South African governments, the income generated by the plant was drained into the accounts of Biwater. In July 2000, nearly two-thirds of the total finance for the project was finally acquired by Biwater, in the form of a 125-million rands loan from the state-owned Development Bank of South Africa.

The following table reveals how private water companies exploit the consumers **(see Table 1)**. It compares the water charges in France, from 1994 to 1999, under various arrangements.

TABLE 1

Water prices in France under municipal provision, delegated management and public-private ventures, 1994-1999:
(average prices for yearly consumption of 120 cubic metres in French Francs for water supply and sanitation)

Management type>>	**Public**	**Private**	**Public-Private**
1994	1,489	1,784	1,734
1995	1,621	1,908	1,812
1996	1,716	1,993	1,963
1997	1,803	2,050	2,014
1998	1,848	2,100	2,076
1999	1,841	2,100	2,101

[Source: DGCCRF]

The table indicates that the cost of water supplied through the private sector was almost 15% higher that the price of water supplied by the public sector bodies.

To facilitate privatisation today, illusory terminologies like public-private partnership are coined. It creates a false impression that both partners have the same objective. In reality, the public sector aims at the well being of the people, while the private sector is only concerned with the interests of its shareholders and managers. Although public interest may be neglected only minimally in the initial phase of privatisation, private operators would not only neglect but also ruthlessly trample upon it as the process moves ahead.

PRIVATISATION CORRUPTS...

Multinational water companies do not stop only with the extraction of unfair water prices and misappropriation of public finances for increasing their own profits. They also transgress all social and legal barriers, generating a fountain of corruption that only placates the greed of shareholders and managers of private enterprises, and of corrupt bureaucrats and politicians.

A paper published by the World Bank itself summarises the reasons for this: "The privatisation process itself can create corrupt incentives. A firm may pay to be included in the list of qualified bidders or to restrict their number. It may pay to obtain a low assessment of the public property to be leased or sold off, to be favoured in the selection process. Firms that make the pay-off may expect not only to win the contract or the auction, but also to obtain inefficient subsidies, monopoly benefits, and regulatory laxity in the future."

The experience of Europe fully concurs with the observations made in the World Bank report. According to a report of the UK police, an overwhelming majority of the corruption cases in Britain are connected to the award of contracts. Compulsory contracting out in local government, and the new initiative to attract private finance, has caused an explosion of such cases. Courts have sentenced politicians and executives linked to them in many such cases.

Ex-Minister of UK sent to jail

Aitken, former minister of UK, was jailed for lying to cover up his meeting with GEC, a British multinational, to broker such bribes. The MNC had agreed in that meeting to pay a ten percent commission on sale projections to be deposited in an account controlled by Aitken's lawyer.

French minister and Suez-Lyonnaise executives convicted

Executives of two multinational water companies of France were convicted for bribing the authorities to obtain a water contract. In 1996, Caringnon, a former mayor of Grenoble and then the minister of communications in the French government, and Jean-Jacques Promperly, a senior official of Suez-Lyonnaise, were sentenced to imprisonment for four years and one year respectively.

The two had been accused of accepting and paying bribes to help a subsidiary of Suez bag the contract for Grenoble's water supply system. The evidence before the court revealed that 19 million francs had been given as bribe. The court held that this had harmed the interest of the consumers. It fixed an amount of 300,000 francs as compensation to be paid to them. A former mayor of Angoulane was sentenced in 1997 to two years in prison for taking bribes from companies bidding for water contracts. General des Eaux, an MNC, was among the companies that paid bribes. Executives of the same company were also convicted for bribing the mayor of St. Denis.

In Lesotho, subsidiaries of more than a dozen multinationals from UK, France, Italy, Germany, Canada, Sweden and Switzerland were convicted for paying bribes to win Lesotho Highland Project contract. Subsidiaries of Suez-Lyonnaise, Bouyges and RWE (the German parent company of Thames Water) were among the companies involved in the fight to bag the mega-water project.

NEITHER ACCOUNTABLE, NOR COMPETITIVE

Private companies usually insist on the secrecy of their terms of contract. The contract itself is treated like a confidential document, to be kept from the view of even the elected councillors of the authority that awarded the contract.

In Fort Beaufort (South Africa), no citizen can see the city water-supply contract without the express permission of WASA, a company owned by Suez-Lyonnaise. In Budapest, when the sewerage system was handed over to Vivendi, the contract was kept secret even from the municipality officials. The city council was not allowed to debate any issue related to the contract, except in closed-door sessions. This attitude of secrecy is, in fact, a premeditated strategy of multinationals to trespass both law and the public interest; it is a veil for their dubious conquest of the public domain.

Assuming that privatisation encourages competition, it is often pushed in the name of enhancing efficiency, productivity and the quality of public services. But, as the World Bank itself acknowledges, there is little competition in the water sector. Only two companies - Vivendi and Suez-Lyonnaise - dominate the *global* water market.

A third multinational, SAUR, is mainly restricted to South Africa. Some British MNCs- Thames Water, Anglian Water and International Water- have also grabbed a few big contracts. Azurix, an American company owned by Enron, could not break into the water market and realised it was banging its head against an impenetrable wall.

Once their exclusive rights (*monopoly*) over the water market are established, these companies begin to control the political and administrative systems of the host countries. As a result, for instance, in 1997, water-supply contracts in the Czech Republic, Hungary and Poland were awarded to big MNCs without inviting competitive bids. Often contracts for building and construction work of the water-supply projects are also awarded to other companies of the same group that won the main contract.

Companies related to Vivendi and Suez-Lyonnaise include huge water engineering subsidiaries, as well as companies engaged in supplying chemicals, machines and instruments used in water-supply systems. A glaring example of the same multinational profiteering both from the water-supply service and related construction work is the contract awarded in 1995 to Szegedi Viznu, a subsidiary of Vivendi, for the water-supply system of Szeged in Hungary. Vivendi established a works company, with a seventy percent stake in it, immediately after obtaining the contract. An annual contract was signed awarding it exclusive rights over all the construction and maintenance work for Szegedi Viznu.

Multinational water companies have designed and honed another conspiratorial technique to drain their consumers' wealth. They simply invest the revenue generated from the water sector into their other commercial ventures. This, in effect, cushions any business risk associated with these investments: losses, if any, can be passed on fraudulently to those who use the water they sell.

A study of water sector in UK after five years of privatisation concludes: "The parent company drains the entire surplus cash and doles it out as generous dividends to shareholders, making up for the losses incurred by unsuccessful acquisitions. Finally, the remaining surplus cash is recycled in the form of loans back to the core water business, with the parent company earning the interest." Vivendi transferred all the debts of the entire group to its water, energy, waste-management and transport concerns. For instance, a 1.65 billion euros debt incurred by the Communications division, which had received the maximum funds of the company, was off-loaded to the Environment division. Consequently, the users of water, transport and waste services of Vivendi, spread across the world, had to pay a surcharge of 4% in 1999.

The most dangerous aspect of the situation is that once the contract is awarded, it becomes almost irrevocable. Even a deluge of complaints fails to help the public get rid of MNC, however desperate the situation might get. Usually contracts are awarded for a period of 25-30 years. If the contract is revoked, the company presses its claim to a hefty compensation. Such problems have cropped up in Tucuman (Argentina), Szeged (Hungary) and Cochabamba (Bolivia).

Not only in developing countries, but also in the developed world, terminating such contracts have proven forbiddingly expensive. In Valencia (Spain), the local council tried to invite new tenders to replace a contract that had been awarded to a SAUR subsidiary and was expiring after a period of 99 years.

The company responded with a threat to sue the council for damages if tenders were invited from any of its competitors. In Gnenoble, even after the conviction of one of the executives of Suez-Lyonnaise, the contract could be terminated only after an intense five-year campaign.

If this is the record of MNCs in their dealings with communities and governments even in the rich countries, need we guess what the poor masses of this country can look forward to? The facts unambiguously paint the drab, dreary and hopeless colours of our privatised water future. If our policy-makers continue to believe the lie that the proponents of privatisation spout, in the face of this mounting body of evidence, would it not be a tragic reflection on the nature of the political system that governs us? Or have all of us lapped up Goebble's truth and made it into our own?

POPULAR MYTHS OF PRIVATISATION

It is commonly believed that only non-performing public sector undertakings and enterprises are handed over to the private sector. But the actual experience of privatisation has been quite the contrary. For example, most of the water undertakings in Chile were partly privatised in the last two years by selling shares to many multinational companies. But even the World Bank had praised the same companies, especially EMOS, as model examples of efficiency.

In reality, governments and public bodies often adopt a trader-like approach. They privatise public sector enterprises mainly to raise funds for financing their budget deficits. And profit-making undertakings are more likely to be bought out at high prices. It does not matter to governments that such deals have always proved expensive for the poor consumers.

Private water companies increase levies in proportion to the amount paid for obtaining the contract. For example, in Budapest (Hungary), the water supply contract was awarded in 1997, not to the consortium that offered the cheapest price, but to Suez-Lyonnaise and RWE, in return for their promise of an extra 3 billion forints to the council. For the council's act of reciprocal kindness, the consumers were made to pay 3 forints per cubic meter more than the lowest bid.

The apologists for privatisation of water also argue that monitoring or regulatory agencies are adequate to protect the public interest. But, in almost every case, such agencies have not been able to independently and effectively control the multinationals in many countries. In other countries, they themselves lack transparency and are very complex in their organisational structure, and are thus extremely vulnerable to political pressure. The tangle is denser under undemocratic regimes. For example, secret contracts were arbitrarily made during the reign of the late king Hassan in Morocco and in Suharto's Indonesia, with no regulatory agency in a position to monitor their operation.

INEFFICIENCY, THY NAME IS NOT 'THE PUBLIC SECTOR' !!

The public sector ownership *per se* of any water supply or sanitation system is never the root cause of inefficiency or inferior quality of operation. Even today, public sector undertakings run water-supply systems for the majority of the populations in most developed countries, including Europe, America and Japan. They have consistently performed better than the private sector. In fact, water and sanitation systems were brought into the public sector over the last century because the private sector had proved inefficient to handle these services. For instance, Finland showed the door to private water companies in 1912.

There are more recent examples of water supply brought into the public sector after the failure of private enterprise. In these cases, the public sector reorganised itself and was able to completely reform the dismal scenario it inherited. There are a number of such instances. A few are given below.

SAO PAULO (BRAZIL)

SABESP is a large state owned water company offering its services to a majority of the 22 million inhabitants of Sao Paulo state. It has undergone extensive restructuring since 1995 to modernise organisationally and enhance operational efficiency. The exercise involved both revenue-expansion and cutting costs. In the first year alone, there was a seven-percent increase in the number of connections for treated water. The population receiving sewerage services increased from 64% to 73%. SABESP also carried out a major project, considered one of the largest environmental scheme in Latin America, to clean up the river Triett.

SRILANKA

The water supply and sanitation services in Srilanka are managed by the National Water Supply and Drainage Board (NWSDB), owned and controlled by the central government. The NWSDB carried out a series of reforms in the nineties that transformed its financial structure. According to a report, " Organizational restructuring and improved tariff management, underpinned by government insistence on financial viability, have led significantly improved performance."

HYDERABAD (INDIA)

The Hyderabad Metropolitan Water Supply and Sewerage Board gradually changed its entire organisational approach. A human and commercial resources development plan was drawn up. The billing system was decentralised. An extensive network of customer service offices was set up. A training program was initiated at a local university, and responsibilities among the staff were reallocated. These reforms greatly improved the efficiency of the water-supply system.

DEBRECEN (HUNGARY)

Debrecen Metropolitan Council turned down the privatization proposals of two major multinational companies in 1995 and decided to establish its own municipal water undertaking. The company was created as a separate corporate entity with the support of the trade unions. The company managers drew up a business plan and successfully implemented it. Consequently, a 23-kilometer long pipeline was laid at the low cost of 320 million forinths only. A consortium led by Suez-Lyonnaise, one of the private bid-ders, had demanded almost three times that amount for the same work.

WHY THE PUBLIC SECTOR MAKES SENSE

A clear advantage of public sector undertakings is that, unlike the private sector, they do not have pay dividends. They can, therefore, invest their profits on modernising the water supply system.

The community also extends greater support to the public sector than to the private sector. During the 1976 drought in UK, the authorities appealed to the masses to reduce the consumption of water, and, in response, consumption fell by a quarter. This was possible because water was then under public ownership. In a similar situation in 1995, after the system had passed into private hands, the appeal of the authorities went unheeded. In the eyes of the public, the private operator was exploiting the water sector like a greedy merchant to improve its own balance sheets. It had no moral right, therefore, to ask for people's support.

Local populations have, in most cases, resisted the arrival of the multinational water companies. A certain Hungarian minister has aptly commented about these companies: "The municipalities do not trust them, and a majority of the masses remain unconvinced of the legitimacy of their participation in running a public utility." Sometimes even election results articulate the will of the people.

For example, one reason for the defeat of the incumbent president of Panama in 1999 was his proposal to privatise water. In Ladz (Poland), the ruling party that proposed the privatisation of water lost the municipal elections of 1994. And, in Chile, the antiprivatisation feeling was so intense in 1999 that the presidential candidates of all four major parties had to issue a joint press statement dissociating themselves from the process of privatisation across the country.

WILL THE POLICY MAKERS LISTEN!

If a public utility is not made accountable to the masses in any country claiming to be democratic, and especially if it is owned by greedy multinationals, it is only a matter of time before the resentment of the people flares up. After all, it is not only a violation of their democratic rights, but is also like throwing them before a hungry lion after they have been made to surrender every means of self-defense. But our leaders, dancing to the debilitating tune of the rapacious multinationals, are unlikely to pay heed today to the voices of reason. They would only too willingly gloss over the unblemished record of the failure of private capital everywhere to run public services efficiently and in the public interest. They would naively believe in the miracle promised by the rich and powerful multinational corporations. They would insist that there are no alternatives.

In these circumstances, how do we save ourselves from the emerging danger, before it grows into an unmitigated disaster?

“There’s no business like Water business.”

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