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# Water Privatization Tactics: Cochabamba, Manila, New Delhi

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## **Abstract**

The tactics of water privatization are examined through three case study cities in the global south, Cochabamba, Manila, and New Delhi. Each city's publicly-managed water system was targeted by predatory international financial institutions and their multi-national corporate supporters. Profit taking from provision of water services, using existing publicly built infrastructure, in countries struggling with neoliberal ideological interpretations of development and economic growth was justified by the claim that there was no alternative. This study of tactics shows how attempts were made to normalize the privatization of water. The publics' responses to privatization tactics are examined for different aspects of the process undertaken in each case study city.

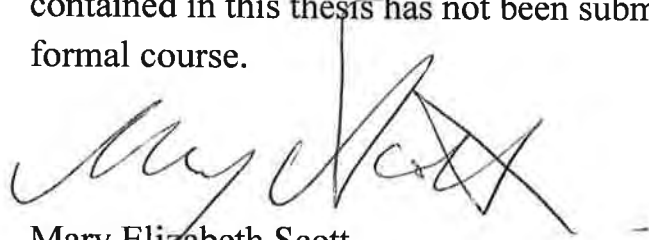
Water privatization in the global south is a process that engages a range of key players in the promotion and defence of their beliefs about the value of freshwater as a resource. These beliefs span identifying water as a commodity with an economic value and as a cultural asset with a spiritual value. The control of this resource, through either private or public management, has become a site of contention often informed by these beliefs. The privatization of infrastructure and former publicly-run essential services has sometimes met with resistance.

Outrage management tactics examined within each city include covering up information, the use of official channels, devaluation of advocates supporting public provision of essential services, reinterpretation of potential outcomes from privatization and intimidation. Those struggling to embed water privatization as the only way are shown to use most of these tactics as well as strategic timing and collusion. In Manila where there was no obvious resistance to privatization, an illusion of government transparency was used along with some of the outrage management tactics. Whilst there were differences in responses in each city, scarcity of water underpinned justification for privatization of water utilities.

Awareness of the tactics used or not used by those claiming there is no alternative to privatization may assist groups promoting alternatives in the future.

## **Statement of Candidate**

I certify that this thesis entitled 'Water Privatization Tactics: Cochabamba, Manila, New Delhi', is entirely my own work except where I have given full documented reference to the work of others, and that the material contained in this thesis has not been submitted for formal assessment in any formal course.



Mary Elizabeth Scott  
12 March 2015

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## **Note on Referencing**

In place of a bibliography at the end of this thesis, full citations are given in the footnotes in each chapter. Shortened titles are used when citing a previous reference.

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## List of Abbreviations

ADB	Asian Development Bank
BOLT	Build-Own-Lease-Transfer
BOOT	Build-Own-Operate-Transfer
BOTT	Build-Own-Train-Transfer
BOT	Build-Operate-Transfer
CCEP	Commission to the Council and the European Parliament
CDG	Centre for Global Development
CEO	Corporate Europe Observatory
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GWF	Global Water Forum
IADB	Inter-American Development Bank
ICESCR	International Covenant on Economic, Social and Cultural Rights
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
IPT	Independent People's Tribunal
IPS	International Press Service
IWMI	International Water Management Institute
JAL	New Delhi Water Board
JMP	Joint Monitoring Programme
LSMS	Living Standards Measurement Study
MDB	Multi-lateral Development Bank
MDG	Millennium Development Goal

NGO	Non-government Organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the High Commissioner for Human Rights
OWFAT	Water Services Regulation Authority (UK)
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public Private Partnership
PSI	Public Services International
PSP	Private-sector Participation
PWC	PriceWaterhouse Coopers
ROT	Rehabilitate-Operate-Transfer
SAPs	Structural Adjustment Programmes
SSIP	Small-scale Independent Provider
SOPAC	Pacific Islands Applied Geoscience Commission
TINA	There Is No Alternative
TNI	Transnational Institute
UNDESA	United Nations Dept. of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFAO	United Nations Food and Agriculture Organization
UNICEF	United Nations International Children's Emergency Fund
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
WCED	World Commission on Environment and Development
WHO	World Health Organization

WOP	Water Operator Partnership
WWC	World Water Council
WWF	World Water Forum
WTO	World Trade Organization

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## INTRODUCTION

Privatization and commodification of water in some less developed countries have been tactically manipulated by powerful institutions, often using the rhetoric of ‘there is no alternative’ (TINA) as promoted by British Prime Minister Margaret Thatcher and US President Ronald Regan in the 1980s.<sup>1</sup> The tactics used by privatizers are examined in three case studies: Cochabamba, Manila and New Delhi. The common links between the case studies are that they are located in the global south and, at the time of the actual or attempted privatization they were all targets for international financial institution loans claimed to aid with national economic growth and development for trade and construction purposes. Also, each had a former history of public struggle against injustice.

Having spent some months in New Delhi in 1999 I had personal experience of some water-related issues local residents faced on a daily basis. My interest in corporate and government tactics was aroused by a government decision to reject attempts to privatize New Delhi’s potable water provision services following a public campaign of resistance to privatization.<sup>2</sup> At the time this was only one of many global-south campaigns resisting neoliberal policies of globalization. Preliminary reading about privatization<sup>3</sup> suggested that India’s adoption of economic liberalization policies for publicly-delivered essential services would include water utilities that were badly in need of repair and expansion.<sup>4</sup>

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<sup>1</sup> M. Thatcher, 1993, *The Downing Street Years*, HarperCollins, London.

<sup>2</sup> V. Shiva, 2006, *Resisting Water Privatization, Building Water Democracy*, A paper on the occasion of the World Water Forum in Mexico City, March accessed on 10 October 2014 at <http://www.globalalternative.org/downloads/shiva-water.pdf>; also Manthan Adhyayan Kendra (MAK), 2005, *Privatisation and Commercialisation of Water Resources and Services in India*, MAK official website accessed 17 March 2007 at [www.manthan-india.org/article2.html](http://www.manthan-india.org/article2.html).

<sup>3</sup> See Chapter 3.

<sup>4</sup> G. Dwivedi, Rehmat, and S. Dharmadhikary, 2007 (2<sup>nd</sup> edn.), *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*, Manthan Adhyayan Kendra (MAK), Badwani, MP; A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, Zed Books, London; K. Urs and R. Whittell, 2009, *Resisting Reform? Water Profits and Democracy*, SAGE Publications, New Delhi.

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Central government preparation for privatization, including introduction of new laws enabling international private sector engagement in water service delivery, along with decentralisation of water services' responsibilities to the states, at municipal and *panchayat* or local government levels, reinforced the likelihood that New Delhi would follow the way of other less-developed countries with burgeoning populations and limited access to an available potable water supply.<sup>5</sup> The question of why this corporate attempt had failed when so many others had gone ahead in other less-developed countries, despite evidence of strong public and union resistance, led to my investigations about the processes used by corporations elsewhere that had resulted in public utilities becoming privatized. I was interested to find out whether any differences existed between processes used mainly in Latin America and those attempted in South Asia.

Struggles, activism and desire for change are generally attributed to minority groups working against those wielding power to control people's lives. In the case of water privatization the desire to change control of the water sector has been a movement usually undertaken by some southern government ministers, their aides, and the largest northern hemisphere financial institutions and their corporate agents. It is these agents who have helped promote the ideological stance that there is no alternative to the private sector for controlling water supply, delivery, pricing and collection of water tariffs. Using the rhetoric of there is no alternative (TINA) to privatization as a framework I examine the tactics used by corporations in attempts to capture the water market in three countries in the global south.

The 1992 endorsement of water as an economic good<sup>6</sup> appears to have coincided with an increasing interest in the provision of water infrastructure and services in the developing nations of the global south by the northern based private sector, especially multinational corporations. At the turn of the 21<sup>st</sup> Century access to clean water was eventually

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<sup>5</sup> For examples see A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*.

<sup>6</sup> See 1992, *Dublin Statement on Water and Sustainable Development*, International Conference on Water and the Environment: Development Issues for the 21st Century, Dublin accessed 7 May 2007 at University of Minnesota's Human Rights Library official website <http://www1.umn.edu/humanrts/instree/dublinwater1992.html>

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included in the United Nations Millennium Development Goals,<sup>7</sup> and recognized as a human right in 2007.<sup>8</sup> Such a Goal and later recognition of the right for all people to have access to clean water increased demands on governments to meet the requirements and supply this essential service. Instead of water provision continuing to be identified as a necessity and an accepted liability for government essential service providers it has undergone a transformation from being a frequently subsidized social good into a recognized necessity for economic growth and development with the potential for profit making.

I have drawn extensively on literature on the subjects of water and privatization and development in the global south. These topics are examined in chapters 2 and 3 providing a background to Water and Privatization respectively. A range of texts and contacts with activists have provided empirical evidence in support or rejection of the benefits for water privatization in different cities and countries. The literature includes numerous papers on the role of the private sector, especially transnational corporations, often promoted as the only solution for extending services to the poor in developing countries. The frequent use of the concept that the private sector remains the only solution to fresh water problems has reinforced my understanding that this concept has actively been promoted, hence my reference to the use of TINA — there is no alternative — rhetoric, when privatization becomes an issue.

For the purpose of this thesis struggles refer not only to actions undertaken by people resisting water's commodification and water services' commercialization; they also include efforts by corporate and government entities that want services privatized, and to remain that way. Struggles are often seen as representing the actions of the oppressed against the power of the decision makers, however, when examining tactics it can be seen that the decision makers frequently struggle to impose their ideals upon a resistant public and resort to a range of tactics to facilitate this.

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<sup>7</sup> MDGMonitor, n.d., *Tracking the Millennium Development Goals*, UN MDG Monitor website accessed 2 November 2008 at <http://www.mdgmonitor.org/index.cfm>.

<sup>8</sup> See Human Rights Council Resolution A/HRC/RES/15/9 available at [http://www.un.org/waterforlifedecade/pdf/human\\_right\\_to\\_water\\_and\\_sanitation\\_milestones.pdf](http://www.un.org/waterforlifedecade/pdf/human_right_to_water_and_sanitation_milestones.pdf)

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The primary way I obtained information about the actions of corporations was generally through examination of the accounts provided by their opposition: activists and their organizations. These accounts included the methods used for mobilizing support for their anti-privatization actions. In other words often the most useful lens to examine corporate tactics in the capturing of potable water markets was that provided by social movement activists and their *reactive responses* to corporate actions that had already occurred.

Tactics are discussed in chapter 4 where their presence or absence has been analyzed in the context of public response to corporate and government changes to management of a most significant natural resource, fresh water. The categories used, and analysis of tactical activities within those categories, contribute to the better understanding of how the public can respond when they believe their capacity to be effectively engaged in political decision making is removed. The public may be denied the opportunity to use the ballot box to remove politicians not working in their best interests because the private sector has been given contracts of 20 plus years to manage their water supply.

Choosing a case study to showcase privatization tactics was simplified when I discovered a city in Bolivia called Cochabamba. The events occurring in this place between the late 1990s leading into the beginning of the 21<sup>st</sup> century reflect the major tenets of my thesis, and, the key players represented those identified as participants in struggles over the commodification of water and its service provision. The tactics used by water privatization protagonists gave definition to the model of outrage-management that has been used for each case study.

The scenarios identified in Cochabamba were played out with a backdrop of economic development supported by the United States, World Bank, and International Monetary Fund within a framework of structural adjustment programs that included loans tied to privatization of essential services. This backdrop was very well documented in a book that provided in-depth descriptions of, and reflections upon, the main events as they developed in Cochabamba and that led to the reclamation of publicly run water services.

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This text<sup>9</sup> has provided a valuable resource for examination of the tactics used by all key players for that case study. Their documented experiences revealed the allegiances and partnerships that can be developed during attempts to influence change within and between usually disparate social and political groups. Such allegiances crossed social and cultural barriers whilst partnerships between different countries were forged to benefit their own corporate sectors.

Events in Cochabamba also highlighted the need to include the role of timing when analyzing outcomes from a range of actions and different key players. Timing can relate to political events occurring globally as well as those eventuating locally and regionally. When major power brokers from the minority world attempt to undermine local customs and belief systems of those residing in the global south then challenges to those beliefs can manifest in a combined force against the outsiders and their local supporters. The majority of Cochabambinos demonstrated that if a shared resource that is imbued with cultural connections becomes threatened then their attachment to that resource can be stronger than economic, social and political divisions frequently used for segregation. Cochabamba's residents defeated the political and corporate players' attempts to privatize their 'essential for life' resource. These events are examined in detail in chapter 5 on Cochabamba including categorization and analysis of those tactics used in the process of attempting to manage outrage.

In Manila it was the lack of any protest that inspired the use of this city as a case study. What was so interesting with the Manila example was that there seemed to be little cultural attachment to the resource itself. Also, unlike Cochabamba and New Delhi, in Manila there was no evidence of working and middle class concern for the less privileged. Along with a lack of similar tactics there appeared no such emotional attachment to the resource or concern about the negative effects of commodifying water and commercialization of services on the poor people, thus in the case of Manila there was no resistance and the privatization proceeded. There have been subsequent difficulties with the so called competitive tendering and management contracts issued at

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<sup>9</sup> O.Olivera and T. Lewis, 2004, Cochabamba! Water War in Bolivia, South End Press, Cambridge, Mass.

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the time in Manila but these have not been seen as connected in any way to the tactics used at the time of the privatization process.

The public's privatization experience in Manila was different from those of Cochabamba and New Delhi. Tactics likely to lead to backfire of the proposed changes, privatization of the public water service, were not used and the privatization proceeded with minimal reaction from the public. This was in a capital city that, like New Delhi and Cochabamba, had similar histories of colonization and struggles against dominant groups in league with the colonizers.

Attachment to water helped rally opposition in India to the World Bank's preferred consultants, Pricewaterhouse Coopers, for designing a "suitable" tender process for selecting management for New Delhi's JAL Water Board. Again it was the TINA rhetoric that prevailed with no alternatives to the private sector being considered in the process. The tactics called in to play to undermine the civil service staff working on the management tendering documents were not made public until several years later. Despite several other cities in India having gone through the water services privatization process New Delhi's JAL Board has continued to resist attempts by privatization advocates to include Delhi's water services among their members.

One feature that did unite the selected case study cities was the use of fear of water shortages by governments and international financial institutions to promote the privatization TINA rhetoric. In all case study cities there was evidence that government-led propaganda to induce fear of water shortages was used prior to the proposed privatization, often resulting in changes being made to laws concerning the nation's fresh water that enabled the private sector increased engagement in its storage, delivery and pricing. The consequences of economic growth at all costs that included the desire to build huge dams for water storage whilst neglecting ongoing pollution of the available water sources, also made the commodification of water and commercialization of water services appear as the only way forward. It was in Dublin in 1992 when fresh water was officially endorsed as a commodity:

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Principle 4: Water has an economic value in all its competing uses and should be recognized as an economic good. [...] it is vital to recognize first the basic right of all human beings to have access to clean water and sanitation at an *affordable price*.<sup>10</sup>

The question of who manages the resource and how they obtain the right to do so has inspired my thesis. It is an ongoing struggle and one which confronts the public sphere. If left in the public sector water management can be used to lobby future governments to improve the service or face being replaced. If water management is handed over to the private sector it can give even greater control over a country's most important resource to a multinational corporation whose profits do not remain in the country from which they are made. Bringing awareness of the tactics used or not used by those claiming there is no alternative to privatization may assist groups promoting alternatives in the future.

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<sup>10</sup> International Conference on Water and the Environment (ICWE), 1992, The Dublin Statement on Water and Sustainable Development', accessed 27 December 2014 at <https://www.wmo.int/pages/prog/hwarp/documents/english/icwedece.html> (italics added).

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### WATER

**Water, thou hast no taste, no color, no odor; canst not be defined,  
art relished while ever mysterious. Not necessary to life, but rather  
life itself, thou fillest us with a gratification that exceeds the  
delight of the senses.**

(Antoine de Saint-Exupéry, *Wind, Sand and Stars*, 1939)<sup>1</sup>

Water has been called the ‘defining line between poverty and prosperity’.<sup>2</sup> The potential negative impacts on future economic development in developing countries arising from water scarcity and inadequate access have been raising concerns amongst proponents of free markets, trade liberalization and economic growth. As Shri P. Chidambaram, of the Indian Finance Ministry, stated at the India Europe Investment Forum held in London on 26 June 2007, there are ‘strong, well-recognized linkages between infrastructure on the one hand and economic growth and poverty alleviation o[n] the other’.<sup>3</sup> This chapter examines water and its linkages to politics, women, poverty, the environment and global influences on its management.

#### **Competing interests and contested outcomes**

Contradictions have been emerging between the international endorsement of water privatization as ‘best practice’ for expanding coverage and increasing access to some of the world’s poorest people, and claims of increasing scarcity of potable freshwater. On the one hand it is claimed that the scarcity of clean, freshwater, or an impending diminishing supply, requires vastly improved management of existing surface and

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<sup>1</sup> Cited in Alex Prud’homme, 2011, *The Ripple Effect: the fate of freshwater in the twenty-first century*, Scribner, New York, p. 361.

<sup>2</sup> For an examination of institutional changes in the water sector see R.M. Saleth, & A. Dinar, 2004, *The Institutional Economics of Water: A Cross-Country Analysis*, Edward Elgar and The World Bank, Cheltenham, UK, p. 4.

<sup>3</sup> Government of India, 2007, ‘Press Release: Finance Ministry’s Keynote Address at India-Europe Investment Forum’, *Press Information Bureau*, Government of India, 24 July.

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groundwater resources. Included in this management strategy is the introduction of demand management.<sup>4</sup> This includes implementation of full cost-recovery tariffs and charges for water supply connection services in the belief that higher charges will reduce usage or consumption.<sup>5</sup>

On the other hand, the United Nations, through implementation of the Millennium Development Goals (MDGs) in 2000,<sup>6</sup> has obtained an international commitment to improve access to clean water for the very poor in developing countries. In most cases these would include those people who currently use the least water per person per day and people with the least available funds for initial connections to networked services and hence least able to afford ongoing 'user-pay' or 'pay as you use' water supply services.

Yet, the responsibility for achieving expanded coverage, full cost-recovery, and demand-management or reduced consumption is, with endorsement of the Human Rights Commission,<sup>7</sup> being transferred from the public sector of developing countries to multinational water corporations whose legal requirements include obtaining profits for their shareholders, profits that are generally taken out of the country from which they are produced. Meanwhile, when 'full cost recovery' tariffs are discussed in the pro-privatization literature the pressure for private companies to make profits for their investors is generally omitted.

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<sup>4</sup> World Bank, 2007, *Infrastructure Meeting an increased demand from developing countries*, World Bank official website accessed 25 May 2007 at

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20127296~menuPK:34480~pagePK:34370~theSitePK:4607,00.html>; <http://www.worldbank.org/sustainabledevelopment>

<sup>5</sup> P. Gleick, with W.C.G. Burns, E.L. Chalecki, M. Cohen, K.K. Cushing, A.S. Mann, R. Reyes, R.G.H. Wolff, & A.K. Wong, (Eds.), 2002, *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*, Pacific Institute for Studies in Development, Environment, and Security, Island Press, Washington, DC; R. Glennon, 2005, 'Water Scarcity, Marketing, and Privatization', *Texas Law Review*, vol. 83, issue 7, pp. 1873- 1902; I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, World Bank, Washington, DC.

<sup>6</sup> The World Health Organization claims MDGs were 'based on the belief that a country will be able to sustain social and economic development only if resources are invested in the development of its citizens' accessed 29 June 2007 at [http://www.wssinfo.org/en/40\\_mdg2006.html](http://www.wssinfo.org/en/40_mdg2006.html).

<sup>7</sup> UN Global Compact & Ministry of Foreign Affairs, Sweden, 2007, *The CEO Water Mandate: A Call to Action and Strategic Framework*, United Nations Global Compact website, accessed 14 July 2007 at [http://www.unglobalcompact.org/Issues/Environment/Water\\_sustainability/The\\_CEO\\_Water\\_Mandate.pdf](http://www.unglobalcompact.org/Issues/Environment/Water_sustainability/The_CEO_Water_Mandate.pdf)

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In 2008 irrespective of implementation of economic and regulatory reforms for water sector policies, and implementation of Target 10 of the United Nations Millennium Development Goals (MDGs), more than 1 billion people globally, of whom the vast majority resided in developing countries, remained without access to clean drinking water. This mid-point MDG figure<sup>8</sup> hides the inequity of distribution of this access, within and between countries.<sup>9</sup> Meanwhile the lack of safe drinking water continues to be a major cause of serious illnesses such as diarrhoeal diseases, leading to over 2 million unnecessary deaths annually, with children forming the vast majority of victims.<sup>10</sup>

It is noteworthy that the language of reporting the statistics appears to be changing, potentially altering perceptions about what is really being measured and reported. A 2000 World Health Organisation (WHO) publication combined annual global figures for *deaths from diarrhoea associated with contaminated water* to claim there were ‘2.2 million [deaths] *most of whom were under 5 years of age.*’<sup>11</sup> However, the claim made in 2012 WHO Fact Sheet no longer combined annual global figures instead stating that *760,000 children under the age of five years die each year from diarrhoea with contaminated water as a major contributor.*<sup>12</sup> At the same time, in 2012, the United Nations Millennium Development Goals report claimed that:

The target of halving the proportion of people without access to an improved drinking water source was achieved in 2010, five years ahead of schedule. In 2012, 89 per cent of the world’s

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<sup>8</sup> A 15 year timeframe was implemented for attainment of the Millennium Development Goals. 2008 was seen as the mid-point for halfway accomplishment of the Targets identified within each Goal. Benchmark figures for Target improvements came from statistics compiled in the 1990s.

<sup>9</sup> United Nations, 2008, *The Millennium Development Goals Report 2008*, accessed at United Nations official website [http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG\\_Report\\_2008\\_En.pdf](http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf).

<sup>10</sup> Commission to the Council and the European Parliament, 2003, *The Reform of State-Owned Enterprises in Developing Countries with Focus on Public Utilities: the Need to Assess All the Options The Right to Water (articles 11 and 12 of the International Covenant on Economic, Social and Cultural Rights)*. Item 46, European Union. European Law website, accessed 2007 April 4 at <http://eur-lex.europa.eu>.

<sup>11</sup> WHO & UNICEF, 2000, *Global Water Supply and Sanitation Assessment 2000*, WHO official website accessed at [http://www.who.int/docstore/water\\_sanitation\\_health/Globassessment/Global1.htm#1.1](http://www.who.int/docstore/water_sanitation_health/Globassessment/Global1.htm#1.1) Italics added.

<sup>12</sup> World Health Organization (WHO), 2013, *Diarrhoeal disease — Fact Sheet No. 330*, WHO Media Centre, accessed 22/2/2014 at <http://www.who.int/mediacentre/factsheets/fs330/en/>; see also [http://www.who.int/water\\_sanitation\\_health/diseases/diarrhoea/en/](http://www.who.int/water_sanitation_health/diseases/diarrhoea/en/). Italics added.

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population had access to an improved source, up from 76 per cent in 1990. Over 2.3 billion people gained access to an improved source of drinking water between 1990 and 2012.<sup>13</sup>

However, many challenges still exist within the water provision industry as the targeted year of 2015 for implementation of the Millennium Development Goals set by the United Nations is now here. As the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation, known as the JMP, claimed in *their* 2012 Report there remain:

Over 780 million people [who] are still without access to improved sources of drinking water and 2.5 billion lack improved sanitation. If current trends continue, these numbers will remain unacceptably high in 2015: 605 million people will be without an improved drinking water source and 2.4 billion people will lack access to improved sanitation facilities.<sup>14</sup>

Whilst the United Nations MDGs report for 2014 claims that:

Over 2.3 billion more people have gained access to an improved source of drinking water since 1990, but 748 million people still draw their water from an unimproved source.<sup>15</sup>

With access the targeted priority for the MDGs it would appear that the deaths of children under 5 years of age from contaminated water no longer warranted inclusion in the rhetoric.

Whilst the Millennium Development Goals (MDGs) Target 7c of halving those without access to “improved water” has been achieved statistically there are UNICEF & WHO

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<sup>13</sup> United Nations, 2008, The Millennium Development Goals Report 2008, accessed at [http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG\\_Report\\_2008\\_En.pdf](http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf)

<sup>14</sup> UNICEF/WHO Joint Monitoring Programme (JMP), 2012, *Progress on Drinking Water and Sanitation: 2012 Update*, UNICEF/World Health Organization (WHO), New York & Geneva, p. 5.

<sup>15</sup> United Nations, 2014, The Millennium Development Goals Report 2014, p. 40, accessed at <http://www.un.org/millenniumgoals/2014%20MDG%20report/MDG%202014%20English%20web.pdf>

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concerns about sustaining these whilst addressing the needs of those remaining 11% of the global population still without access to “improved water”.<sup>16</sup> In the JMP Report Foreword United Nations Secretary General Ban Ki-Moon attributed success in achieving the Target 7c to ‘Government leaders, public and private sector entities, communities and individuals’.<sup>17</sup>

### Definitions of Water

In many societies water has been viewed as a common or public good, and as a human right. Vandana Shiva in her book *Water Wars* identifies water as a common good, with water rights defined as ‘natural’, riparian or usufructory.<sup>18</sup> Shiva’s sweeping statement that ‘[t]hroughout history and across the world water rights have been shaped both by the limits of ecosystems and by the needs of people’, provides an oppositional perspective<sup>19</sup> to those who claim the right to supply freshwater is best shaped by the free market and competition-driven private sector.<sup>20</sup>

Schlutter claims that the ‘question of a human right to water is increasingly being addressed by international organizations, human rights bodies and scholars of international law’<sup>21</sup> with ratification of United Nations recognition of the human right to water occurring in September, 2010.<sup>22</sup> Yet, despite this increasing international awareness of the human right to water, its scarcity continues to gain recognition as a pending ‘water crisis’ that has been shown to be an unexpected outcome of economic growth and

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<sup>16</sup> UNICEF/WHO Joint Monitoring Programme (JMP), 2012, *Progress on Drinking Water and Sanitation: 2012 Update Report*, p. 2-7.

<sup>17</sup> UNICEF/WHO Joint Monitoring Programme (JMP), 2012, *Progress on Drinking Water and Sanitation: 2012 Update Report*, Foreword, n.p.

<sup>18</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, South End Press, Cambridge, MA., pp.20-1.

<sup>19</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, p.20.

<sup>20</sup> See for example: I.N. Kessides., 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, World Bank, Washington, D.C.; R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water: A Cross-Country Analysis*; N. Winpenny, 2003, *Financing Water For All*, Report of the World Panel on Financing Water Infrastructure, Kyoto, available at <http://www.financingwaterforall.org/>

<sup>21</sup> B. Schlutter, 2005, ‘Water Rights in the West Bank and in Gaza’, *Leiden Journal of International Law*, vol. 18, pp. 621-644, p.628.

<sup>22</sup> For a timeline of events, issues and acceptances see ‘International Timeline’, *The Rights To Water And Sanitation* official website, accessed 12 June 2014 at <http://www.righttowater.info/progress-so-far/international-timeline/>.

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development.<sup>23</sup> This water crisis is associated with predicted water shortages for many of the “South’s” developing countries that are in varying stages of economic growth and development, with a range of geographical configurations and climatic conditions and their associated vulnerabilities.<sup>24</sup>

The crisis includes both the lack of access by many of the most disadvantaged people to clean freshwater as well as the decreasing availability of this natural resource within many countries in the southern hemisphere.<sup>25</sup> These facts are generally acknowledged, however, what is often currently contested, in the first two decades of the 21<sup>st</sup> century, is whom should have control of this natural resource: individuals, or nation-states and their governments, or other nations’ corporations.<sup>26</sup>

After half a century with billions of dollars of development aid being provided to developing nation-states by the industrialised “North” in pursuit of economic growth and development, the globe’s available freshwater reserves are still being polluted. Many people in developing countries continue to get seriously ill, or die, due to lack of access to clean water.<sup>27</sup> Whilst debates continue over the issue of privatization, the issue of liability for the current state of the globe’s freshwater reserves and ongoing water-related life and death circumstances for citizens of developing countries has been effectively sidelined.

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<sup>23</sup> E.V. Brown, 2006, ‘Water: A Human Right For All’, *Global Watch*, vol.1, issue 2, Fall, pp. 91-97; R. Dilworth, 2007, ‘Privatization, the World Water Crisis, and the Social Contract’, *Political Science & Politics*, vol. 40, issue 1, pp. 49-54; D. Godrej, 2003, ‘Precious fluid: the challenge posed by the world's freshwater crisis’, *New Internationalist*, March, issue 354, p. 12; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*.

<sup>24</sup> D. Michel, and A. Pandya, (eds.), *Troubled waters: Climate Change, Hydropolitics, and Transboundary Resources*, Henry L. Stimson Center and The Energy and Resources Institute (TERI), Washington DC.

<sup>25</sup> World Health Organization and Pacific Islands Applied Geoscience Commission (SOPAC), 2008, *Sanitation, hygiene and drinking-water in the Pacific island countries: converting commitment into action*, WHO & SOPAC, Geneva and Philippines, pp.1-72.

<sup>26</sup> P. Gleick, *et al.*, (eds.), 2002. *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*.

<sup>27</sup> WHO, 2013, ‘Diarrhoeal disease — Fact Sheet No. 330’, *WHO Media Fact Sheets*, accessed on 22 February 2014 at [http://www.who.int/water\\_sanitation\\_health/diseases/diarrhoea/en/](http://www.who.int/water_sanitation_health/diseases/diarrhoea/en/).

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### The Poor

According to the joint World Health Organization (WHO) and UNICEF assessment report on global water supply at the beginning of 2000, there was an increase in under-serviced urban populations occurring in the 1990s; whilst in 2000, the ‘worst levels of coverage’ were found in rural areas — amounting to one-sixth of the world’s population that remained without access to an improved water supply or to subsidized water tariffs. The report further claims that in order to meet the Millennium Development Goal for water accessibility to halve the under-serviced population by the year 2015, it would require providing water supply services to an additional 280,000 people every day for the full fifteen years.<sup>28</sup> It can be assumed that there are many poor people excluded from their own nation’s policies for subsidizing water supplies and services.

Many governments in developing countries have come under intense criticism by development organizations and supporters of liberalised free-market ideology for their inability to provide regular and adequate clean water to their citizens, especially the poorest and most marginalised. Government failures in running their water sector have been attributed to a range of dysfunctional activities. These have included: over-staffing, under-maintaining existing infrastructure, insufficient investment in new infrastructure, cronyism, inadequate pricing, and subsidisation of fees for some water users for political purposes. Also encapsulated within this criticism are claims of either too much central or state control, or insufficient autonomous regulation.<sup>29</sup>

Komives, Whittington and Wu examined the poor’s access to utilities in several countries. They used the World Bank’s Living Standards Measurement Study (LSMS) survey data sources to ‘construct infrastructure coverage statistics for a pooled sample of households in 15 countries’ and found that citizens who are poor within their own

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<sup>28</sup> WHO and UNICEF, 2000, *Global Water Supply and Sanitation Assessment 2000 Report*, World Health Organization (WHO) /United Nations Children's Fund (UNICEF) Joint Monitoring Programme for Water Supply and Sanitation (JMP) available at [http://www.who.int/water\\_sanitation\\_health/monitoring/jmp2000.pdf](http://www.who.int/water_sanitation_health/monitoring/jmp2000.pdf).

<sup>29</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*.

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country have less chance of being connected to water utility services.<sup>30</sup> This appears to be the case even when the poor in one country have a higher income than the poor in other countries. They identify cases where access is available to water supply services and network connections yet some poor households remain unable to afford the costs associated with connecting to the service.

Antonio Estache in his work on policy gaps in Latin America's infrastructure considers that there has been insufficient distinction made between access and affordability.<sup>31</sup> Hence, although privatization of the water sector is promoted as improving network coverage and access, such improvement may be restricted to the least poor income-earning households who can afford the costs associated with connecting to the service.

Hence, although privatization discourse implies that all citizens will benefit from the gains to be made by privatizing water utilities — such as increased coverage and improved services — it neglects the inclusion of the poorest in its self-promotion. It fails to address how privatization will assist the poorest — who cannot afford the associated costs and ongoing fees — to become connected to the network in order to reap the benefits of privatization. Without state assistance privatization of water services benefits only those citizens whose income levels and “standard of living” expectations and circumstances most closely replicate those of the most industrialized and economically developed countries, generally located in Europe and North America.

A further deprivation for the poor associated with privatization is their political disempowerment. A citizen's belief in their capacity to affect election outcomes when governments failed to act on water sector issues provided the poorest people with a mechanism for exercising their displeasure, even when it failed to improve their immediate circumstances. Private operators, however, are not directly accountable to the

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<sup>30</sup> K. Komives, D. Whittington, X. Wu, 2001, ‘Access to Utilities by the Poor: A Global Perspective’, *World Institute for Development Economics Research Discussion paper 2001/15*, Helsinki United Nations University/WIDER, pp. 10, 15.

<sup>31</sup> A. Estache, 2005, ‘Latin America's Infrastructure Experience: Policy Gaps and the Poor’, in J. Nellis, & N. Birdsall, *Reality Check: The Distributional Impact of Privatization in Developing Countries*, Center for Global Development, Washington, DC, pp. 281-294.

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electorate and are usually contractually-protected from being ‘voted’ out of business. In other words, whilst governments were responsible for water supply and services the poorest members of civil society had some opportunity, through their voting capacity and democratic rights, to engage with their local politicians in attempts to redress their lack of access to clean water. The capacity to lobby the service provider for an improved water service is effectively removed with water privatization.<sup>32</sup>

In very poor households in developing countries, women, and sometimes children, have traditionally been responsible for the collection, transportation, supply and distribution of freshwater for household use. The water consumed within the household can be used for thirst quenching, food production — for growing additional vegetables and a few animals to help meet food needs —and for hygiene purposes.<sup>33</sup> For women as water suppliers it is their responsibility to ensure there is sufficient water to meet the competing needs of the household. Yet, the quality of the water they provide can only be equivalent to as good as its originating source. Water sources can be polluted streams, rivers, ponds, muddy hand-built dams, or communal tube-wells that use over-exploited groundwater, often resulting in saline- or arsenic-infected water depending upon the depth of the tube-well and the propensity for arsenic in the soil.

When water scarcity increases poor women often have to travel long distances, usually by foot, to obtain the water, or stand for many hours at the public stand-pipe queuing for their turn to fill up their own containers. Along with their water collecting activities they also have immediate responsibility for their children’s health and well-being. The *State of the World’s Children 2007* report focussed on the role of women in children’s well-being. The report claimed that the ‘amount of influence women have over the decisions in the household has been shown to positively impact the nutrition, health care and education of their children’,<sup>34</sup> thereby formally linking the likely impacts from empowerment of

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<sup>32</sup> D. Hall, E. Lobina, & R. de la Motte, 2005, ‘Public resistance to privatisation in water and energy’, *Development in Practice*, vol.15, issue 3 & 4, pp. 286-301.

<sup>33</sup> A. Coles, and T. Wallace, (eds.), 2005, *Gender, Water and Development*, Berg, Oxford.

<sup>34</sup> UNICEF, 2007, ‘Women and Children The Double Dividend of Gender Equality Executive Summary’, *The State of the World’s Children 2007*, UNICEF, New York, p. 5.

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women and gender equality with children's well-being.<sup>35</sup> Whilst such claims suggest improvements in child health are possible through the empowerment of women, it is their role in meeting the household's basic needs that often gets lost within a report's recommendations. Often going unacknowledged is that so much of their daily activities' time is used in sourcing, containing, transporting and distributing water thereby reducing that available for their own ongoing empowerment and economic improvement.

Citing data from the USAID's *Demographic and Health Surveys*, the UNICEF report's Executive Summary claims that 'in only 10 out of 30 developing countries surveyed did half or more women participate in all household decisions, including those regarding household spending, [and], major household purchases'.<sup>36</sup> These findings illuminate the future problems that many poor women might experience when water supply services are privatized and water must be purchased.

Komives' study of water privatization in the La Paz — El Alto municipal region of Bolivia identified some of the problems that can eventuate when the private water supplier has contractual authority and responsibility, supported by government regulations, to replace existing standposts with in-house water connections. The Bolivian 1992 National Regulations for Water and Sanitation Service in Urban Areas defined standposts as provisional solutions only until extension of water mains are completed and 'prohibit[ed] the distribution of water by standposts in streets where private connections are available'.<sup>37</sup> As such reduced access to free water became a condition of extended household commodified water while setting up a system of excludability. Connection fees, as well as ongoing water use costs, must be met from the household budget. This raises the question as to whether women, who often have little, if any, authority in determining the purchase of the water connection, and the sink, as well as the on-going

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<sup>35</sup> United Nations Non-Governmental Liaison Service (UNGLS), 2007, 'Focus — State of the World's Children 2007 Women and Children: The Double Dividend of Gender Equality', *Go Between Magazine*, Number 112, Dec-Feb. p. 20 available at <http://www.un-ngls.org/article918.html>.

<sup>36</sup> UNICEF, 2007, 'Women and Children The Double Dividend of Gender Equality Executive Summary', p. 8.

<sup>37</sup> K. Komives, 2001, 'Designing pro-poor water and sewer concessions: early lessons from Bolivia', *Water Policy*, vol 3, pp. 61–79, p. 66.

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payment of the in-house user-fee, will be forced into sourcing their daily water, perhaps illegally, from elsewhere?

For those people — mostly in developing countries, and usually women or children who must spend many hours trying to locate, obtain, transport and supply their households with potable water, or who, on a daily basis must try to find sufficient funds to purchase water that will not harm the health of their families — the water problem can literally be a life or death situation. It is in the very nature of handing over control of this life or death resource to the private sector that makes water privatization such a morally contentious issue.

It would seem that the poor, especially women and children, will bear the brunt of the costs but reap very few of the benefits that privatization purportedly contributes to developing countries.<sup>38</sup> This raises the question as to whether privatization's full cost-recovery and profit-making goals can ever be reconciled with the concepts of water as being a public good and a human right since excludability is a requirement for profit making?

### Poverty Reduction

In the year 2000 poverty reduction was declared the number one Millennium Development Goal for the next two decades of the 21<sup>st</sup> century by the United Nations and its partners.<sup>39</sup> The World Bank identifies infrastructure development as a key contributor towards poverty reduction.<sup>40</sup> Infrastructure sectors, such as transportation services, power, water supply, sanitation, and solid waste management, are defined by Aparna Navnit and R. Srinivasan as 'comprising those basic services without which primary,

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<sup>38</sup> See C. Adams, 2001, *Privatising Infrastructure in the South*, Focus on the Global South official website available at

<http://focusweb.org/publications/2001/privatising%20Infrastructure%20in%20the%20South.html>; and, C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries', *The World Economy*, vol. 28, issue 10, pp. 1491-1508, p. 1505.

<sup>38</sup> United Nations, 2006, *UN Millennium Project*, United Nations official website, and, C. Kirkpatrick *et al.*, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries', p. 1505.

<sup>39</sup> United Nations, 2006, *UN Millennium Project*, United Nations official website, accessed 5 May 2007 at <http://www.unmillenniumproject.org/goals/index.htm>.

<sup>40</sup> I.N. Kessides, 2004, 'Reforming Infrastructure: Privatization, Regulation, and Competition'.

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secondary and tertiary productive activities cannot function'; they also describe them as 'non-tradeables' and a potential constraint on economic growth.<sup>41</sup> However, it is the water sector, with responsibility for water supply and services, and identified as having 'a close link to social equity' that has been elevated to the forefront of poverty reduction opportunities.<sup>42</sup>

Widespread negative consequences are likely when populations do not have supplied access to potable drinking water and water that meets their other basic health and hygiene requirements. These consequences can include poor health, reduced capacity to work, or inability to attend educational facilities. In turn further consequences may include reduction in capacity to participate in, contribute to and/or benefit from a country's frequently enforced adoption of the developed world's 'spurious ideas' regarding wealth creation, modernization and development.<sup>43</sup> Consequently lack of access to potable water is seen as impacting upon individual, community and national economic wellbeing and development capacity. Thus, in order to reduce poverty, organizations that fund development projects are now focussing on the water supply services of developing countries. However, despite the rhetoric, this focus is not only about water supply and increased coverage to the poor. It also provides the opportunity, or excuse, to remove these services from state control in order to enable the international private sector to gain virtually unlimited access to a nation's resource that is essential to life itself.

By using a harsh economic lens to examine the consequences of lack of access to potable water many citizens of developing countries appear to be seen as an economic burden in the capitalistic pursuit of globalized free markets and liberalised trading. Their physical and social needs, along with their human right to life-sustaining water,<sup>44</sup> become

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<sup>41</sup> A. Navnit and R. Srinivasan, 2005, 'Power of public-private partnerships', *The Hindu Business Line*, official Hindu Business Line web site, accessed 18 June 2007 at <http://www.blonnet.com/2005/04/28/stories/2005042801880800.htm>. n.p.

<sup>42</sup> I.N. Kessides, 2004, 'Reforming Infrastructure: Privatization, Regulation, and Competition', p. 219; also, World Bank, 2007, *Infrastructure Meeting an increased demand from developing countries*, official World Bank website, accessed 25 May 2007 at <http://www.worldbank.org/sustainabledevelopment>

<sup>43</sup> D. Godrej, 2007, 'Daring to Dream', *New Internationalist*, no. 400, p.5.

<sup>44</sup> In November 2002 the U.N. Committee on Economic, Social and Cultural Rights acknowledged the human right to potable water when it adopted *General No. 15*; however, it was not until *Resolution 64/292* was approved by the U.N. General Assembly on 28 July 2010 that access to potable water was officially recognized as 'essential to the realisation of all human rights'. See U.N. Department of Economic and

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secondary to international demands for economic growth, demands that are presented in a package presented by the World Bank and other powerful international financial and development institutions as ‘poverty reduction’ goals.<sup>45</sup>

The recent catch-cry of these international power-brokers is that in order for the impoverished, under-resourced citizens of developing countries to become active in their country’s inevitable involvement in the international demand for economic growth and ‘modernisation’ they must be provided with the substance that meets their most basic of human needs — clean water. Whilst this poverty reduction perception of water becomes indoctrinated amongst those with responsibility for funds and resource and project dissemination to developing nations, the governments of those nations are, at the same time, being held responsible for existing conditions that continue the cycle of impoverishment and under-serviced citizens.

### **Access to potable water**

Multinational corporations are promoted as the preferred suppliers of water supply services due to their investment capabilities, technological and expertise strengths gained in developed countries with already high levels of network coverage, and their capacity to maximise economies of scale,<sup>46</sup> all of which are considered necessary to maintain and upgrade existing infrastructure, and extend network coverage when necessary. However, the everyday experiences of poor women and children in developing countries are frequently overlooked in the pro-privatization literature extolling their corporate contribution to improved access to water supplies. These everyday experiences can involve seeking out adequate potable water to supply their households, often at a considerable physical expense.<sup>47</sup>

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Social Affairs (UNDESA) website for full back ground and documentation access at [http://www.un.org/waterforlifedecade/human\\_right\\_to\\_water.shtml](http://www.un.org/waterforlifedecade/human_right_to_water.shtml). Site accessed 11 March. 2014.

<sup>45</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’, *Geoforum*, vol. 38, issue 5, pp. 786-800.

<sup>46</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*.

<sup>47</sup> A. Coles and T. Wallace, (eds.), 2005, *Gender, Water and Development*, Berg, Oxford, New York; L. Edwards and M. Roces, (eds.), 2003, *Women in Asia*, Allen & Unwin, St. Leonards, NSW.

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Peter Gleick *et al.* partially clarify the “improved access” scenario when they state that ‘the definition of safe, or improved, water supply and sanitation facilities differs from one country to another and for a given country over time.’<sup>48</sup> They do not, however, include those differences that can emerge when gender, class, caste, religion and ethnicity contribute to variations in understandings of improvement and accessibility. These differences can significantly impact upon the everyday activity required to obtain adequate potable water.

Access to an improved water supply can involve vastly different activities necessary to obtain water supplied through a range of technologies and methods that include:

- Household connection
- Yard tap
- Public standpipe; public tap
- Borehole
- Protected dug well
- Protected spring
- Rainwater collection
- Water vendor <sup>49</sup>

Many rural communities must still rely on ‘unimproved’ water sources such as rivers, lakes and streams. In La Paz-El Alto, Bolivia, according to Komives, Whittington, and Wu, very few urban households, at any income level, obtained drinking water from a river or stream.<sup>50</sup> This trend is likely to be replicated in other major cities in developing countries, where river sources are severely polluted.<sup>51</sup> Often for the poor living in the

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<sup>48</sup> P. Gleick *et al.*, (eds.), 2002, *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 252.

<sup>49</sup> P. Gleick, *et al.*, (eds.), 2002, *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, p.252; K. Komives *et al.*, 2001, ‘Access to Utilities by the Poor: A Global Perspective’, p. 13.

<sup>50</sup> K. Komives *et al.*, 2001, ‘Access to Utilities by the Poor: A Global Perspective’, p. 13.

<sup>51</sup> D. Pepper, 2007, ‘The High Cost of Growth: Requiem for the mighty Yamuna’, *The Globe and Mail* (Canada), 27 June, New Delhi available at <http://www.theglobeandmail.com/news/world/requiem-for-the-mighty-yamuna/article20405004/>.

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slums of the large cities their only option is to purchase water from small-scale independent water carriers.

Most of the above listed methods, technologies and requisite activities used to obtain water would not be deemed as either improved or acceptable modes of access by the majority of citizens in developed countries. This was seen in 2007 when the privatized water supply in Oxford, England became contaminated during freakish torrential rains and floods.

Television footage, online video news coverage and its accompanying dialogue, revealed the citizens of Oxford being ‘forced to queue’ for bottled water distributed by the British Army at public emergency delivery stations. It was estimated that the water situation ‘might last for up to two weeks’, creating circumstances alien to the citizens’ everyday lives. The views of the interviewed public shared a common aversion to ‘having to queue for water’ and concerns about cleanliness.<sup>52</sup>

Queuing for access to drinking water from a public tap or private water carrier is, however, an everyday experience for many poor women in developing countries. Depending upon climatic conditions, torrential rain and flood are experienced annually during the monsoon season, often accompanied by similar contamination or inaccessibility to usual water supplies. The plight of these women, their families, and local communities rarely receives similar news media coverage outside of their own region, unless associated with development initiatives such as water sector privatization. Then it is the “voice” of development and growth that is recorded, whilst the people’s experience remains unheard and unnoticed.

It should be noted, however, that contained within the figures for ‘improved water supply’ are many daily scenarios whereby poor people, usually women and children, still have to travel up to 100 metres from the home to access a public tap and then share it

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<sup>52</sup> SkyNews, 2007, ‘Massive Effort to Supply Clean Water’, *Breaking News BSkyB*, England.

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with many other residents.<sup>53</sup> Physical and sexual abuse is an ongoing risk for many girls and women whose vulnerability is increased when having to go further afield from the immediate vicinity of their home to access water.<sup>54</sup> For example:

India has a long history of tolerance for sexual violence and of women and girls from Indai's [sic.] lowest castes being raped by higher castes. Many live in fear of being attacked as they go about their daily business — to school, or to the toilet or to fetch water.<sup>55</sup>

Despite such claims as recently published about the deaths of two young women in a village, Katra, in India and other allegations of attempted rape this continues to be an often neglected or under-discussed water 'access' issue in the literature.

### Supply of potable water

Intermittent water supply, according to Richard Franceys and Almud Weitz, is another difficulty faced by the poor. It can mean only two hours supply each day, or sometimes, every other day. They further claim that one-fifth of urban water supplies in Asia and forty per cent of supplies in Oceania are not disinfected, meaning that the water is frequently contaminated; whilst the lowest tariffs in the world are found in Asia, supplying water for prices 'almost always below cost' to those able to be connected to the network.<sup>56</sup> They, and others with concerns about appropriate water utility management,

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<sup>53</sup> I.N. Kessides, 2004, *Reforming Infrastructure*. p. 220.

<sup>54</sup> R.B. Asaba, G. Honor Fagan, C. Kabonesa, and F. Mugumya, 2013, 'Beyond Distance and Time: Gender and the Burden of Water Collection in Rural Uganda', *WHD The Journal of Gender and Water*, University of Pennsylvania, vol. 2, issue 1, March, p. 37.

<sup>55</sup> For news reports associated with rape of young girls see 'Three brothers confess to gang-rape, murder of two teenage girls in India', *AP and Network Writers* website 2 June 2014, accessed on 14 June 2014 at <http://www.news.com.au/world/three-brothers-confess-to-gangrape-murder-of-two-teenage-girls-in-india/story-fndir2ev-1226939422052>; and a news report on an attempted rape in New Delhi, India on 13 May 2014, accessed 14 June 2013 at <http://www.firstpost.com/delhi/delhi-two-men-attempt-to-rape-visually-hearing-impaired-woman-1521447.html>.

<sup>56</sup> R. Franceys, and A. Weitz, 2003, 'Public-Private Community Partnerships in Infrastructure for the Poor', *Journal of International Development*, vol.15, issue 8, pp. 1083-1098, p.1084.

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argue that the poor, unlike the more affluent members of a society, often do not benefit from such publicly-subsidised water tariffs.<sup>57</sup>

The poor often remain unconnected to the water supply network and, as a consequence receive no financial benefit from water being subsidised by the government. The reason most often tendered for this inequitable use of public money is that there are insufficient funds to expand coverage. Franceys and Weitz claim that actual coverage in some cities is 'significantly below the internationally reported figures of 90 per cent service' since official recording practice fails to include those living in illegal housing areas.<sup>58</sup>

### **Inequality**

The International Press Service reported that during the 2007 Civil Society Development Forum held in Geneva, the director of the United Nations Millennium Campaign, Salil Shetty, stated that there is growing 'inequality both within and between countries'.<sup>59</sup> When water utility operations are transferred from the public to the private sector, government-subsidized water tariffs are replaced with full-cost recovery mechanisms. After privatization these changes in tariffs increase the differences in affordability.<sup>60</sup> When such differences generate inequalities in obtaining access to and affording use of a public good, they are likely to create conflict both within and between communities. In some respects it is plausible to hypothesise that the global water privatization project will significantly contribute to the already recognized increasing inequality in availability and

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<sup>57</sup> See R. Franceys and A. Weitz, 2003, 'Public-Private Community Partnerships in Infrastructure for the Poor'; also P. Gleick *et al.*, 2002, *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*; also D. Hall *et al.*, 2005, 'Public resistance to privatisation in water and energy'; and I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*.

<sup>58</sup> R. Franceys, and A. Weitz, 2003, 'Public-Private Community Partnerships in Infrastructure for the Poor', p. 1084.

<sup>59</sup> C. van der Westhuizen, 2007, 'Development: Chances of Achieving MDGs "Slim" Without Civil Society', *Civil Society Development Forum*, IPS Report on the Civil Society Development Forum Conference Proceedings, 28 June, Geneva available at <http://www.ipsnews.net/news.asp?idnews=38354>.

<sup>60</sup> A. Estache, 2005, 'Latin America's Infrastructure Experience: Policy Gaps and the Poor'.

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access to water within and between nations and potential for conflict over scarcity of water resources.<sup>61</sup>

Debates continue as to whether privatization of the water sector, especially by water corporations from developed countries, will negatively impact upon the poor in developing nation-states.<sup>62</sup> However, the debate also includes a more general but ethical concern as to whether management of freshwater supplies should be permitted to be transferred from the public sector to corporate control.<sup>63</sup>

### Water as a Human Right

The human right to fresh water was not explicitly defined within the 1948 Universal Declaration of Human Rights,<sup>64</sup> nor in the early determinations of the International

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<sup>61</sup> A. Jaitly, 'South Asian Perspectives on Climate Change and Water Policy', in David Michel and Amit Pandya (eds.), *Troubled waters: Climate Change, Hydropolitics, and Transboundary Resources*,; also, C. Revenga, 2000, 'Will There Be Enough Water?' in Greg Mock (ed.), *Earth Trends — Pilot Analysis of Global Ecosystems: Freshwater Systems*, World Resources Institute, Washington DC.

<sup>62</sup> For further discussion on likely impacts see: C. Adams, 2001, *Privatising Infrastructure in the South*; N. Birdsall, and J. Nellis, 2001, 'Privatization Reality Check: Distributional Effects in Developing Countries', in J. Nellis and N. Birdsall, (eds.), *Reality Check: The Distributional Impact of Privatization in Developing Countries*, Center for Global Development, Washington, DC, pp. 1-30; A. Estache, 2005, 'Latin America's Infrastructure Experience: Policy Gaps and the Poor'; R. Franceys, and A. Weitz, 2003, 'Public-Private Community Partnerships in Infrastructure for the Poor'; D. Hall *et al.*, 2005, 'Public resistance to privatisation in water and energy'; C. Kirkpatrick & D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries'; D. Parker, and C. Kirkpatrick, 2005, 'Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons', *The Journal of Development Studies*, vol. 41, issue 4, pp. 513-541; Public Citizen, 2002, *World Bank Water Privatization Policies Benefit Corporations, Not Developing Countries*, 25 September, Public Citizen official website at <http://www.citizen.org/pressroom/pressroomredirect.cfm?ID=1223>.

<sup>63</sup> For further discussion from an ethics-based perspective see M.M. Al 'Afghani, 2007, 'The ultimate risks of water privatization', *The Jakarta Post*, accessed 17 May 2007 at <http://www.thejakartapost.com:80/detaileditorial.asp?fileid=20070516.F04&irec=3>; B. Balanyá, B. Brennan, O. Hoedeman, S. Kishimoto, and P. Terhorst, (eds.), 2005, *Reclaiming Public Water Achievements, Struggles and Visions from Around the World*, Trans National Institute (TNI) and Corporate Europe Observatory, Amsterdam; see also 2007 TNI edn. available at <https://www.tni.org/en/tnibook/reclaiming-public-water-book>; M. Barlow, and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World's Water*; M. Goldman, 2007, 'How "Water for All!" policy became hegemonic'; S. Grusky, 2001, 'Privatization tidal wave', *Multinational Monitor*, vol. 22, issue 9, pp. 14-19; M. Moench, 1998, 'Allocating the Common Heritage: Debates over Water Rights and Governance Structures in India', *Economic and Political Weekly*, pp. A46-A53; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; E. Swyngedouw, 2005, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization', *Capitalism, Nature, Socialism*, vol.16, issue 1, pp. 81-98.

<sup>64</sup> United Nations, 1948, *Universal Declaration of Human Rights*, UN official website, accessed 12 May 2007 at <http://www.un.org/Overview/rights.html>.

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Covenants on Economic, Social and Cultural Rights.<sup>65</sup> Its inclusion, however, is implicit, since to prevent an individual from accessing potable water is to deny their right to life itself. Also, access to the explicitly-defined rights to life, health, adequate living conditions, and food are all conditional upon availability of and access to clean water.<sup>66</sup> However, whilst previously not formally or explicitly protected as a human right objective, there has been general consensus, or taken-for-granted acceptance, that access to drinking water is the right of all humans. International conventions were introduced that made water explicit as a human right.<sup>67</sup>

During the 29<sup>th</sup> Session of the 2002 United Nations Committee of Economic, Social and Cultural Rights, ‘a wide range of international documents, including treaties, declarations and other standards’ were applied to water and articulated as General Comment 15, (1). Here it is clearly stated that the human right to water ‘is a prerequisite for the realization of other human rights’<sup>68</sup> and responsibility for meeting the obligations of respect, protection, and fulfilment of human rights lies with States.<sup>69</sup>

Furthermore, General Comment No. 15 (10) states that the right to water contains ‘freedoms and entitlements’ whereby there is

the right to be free from interference, such as the right to be free  
from arbitrary disconnections or contamination of water supplies...

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<sup>65</sup> Office of the High Commissioner for Human Rights (OHCHR), 1976, *International Covenant on Economic, Social and Cultural Rights*, OHCHR official website, accessed 12 May 2007 at [http://www.unhchr.ch/html/menu3/b/a\\_ceschr.htm](http://www.unhchr.ch/html/menu3/b/a_ceschr.htm).

<sup>66</sup> B. Schlutter, 2005, ‘Water Rights in the West Bank and in Gaza’, p. 629; World Health Organization, 2003, *Right to Water*, Health and human rights publication series; no. 3, WHO, Geneva available at [http://www.who.int/water\\_sanitation\\_health/rightowater/en/](http://www.who.int/water_sanitation_health/rightowater/en/).

<sup>67</sup> These include ‘the Convention on the Elimination of all forms of Discrimination against Women (CEDAW), the Convention on the Rights of the Child, the Additional Protocols I and II to the Geneva Conventions, and the African Charter on the Rights and the Welfare of the Child’ see B. Schlutter, 2005, ‘Water Rights in the West Bank and in Gaza’, p. 630.

<sup>68</sup> Committee on Economic Social and Cultural Rights, 2002, ‘General Comment No. 15 The right to water (articles 11 and 12 of the International Covenant on Economic, Social and Cultural Rights), Agenda Item 3’, 29<sup>th</sup> Session — Committee on Economic, Social and Cultural Rights, *Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights*, United Nations Economic and Social Council, Geneva, p.1.

<sup>69</sup> B. Schlutter, 2005, ‘Water Rights in the West Bank and in Gaza’; World Health Organization, 2003, ‘Right to Water’.

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[and an entitlement] ...to a system of water supply and management that provides equality of opportunity for people to enjoy the right to water.<sup>70</sup>

With regards to this ‘normative content of the right to water’ stated in Section II, General Comment 15,<sup>71 72</sup> it is the claim for both freedom and entitlement that becomes problematic when privatization of water is advocated globally as the most appropriate method for improving access to, and increasing efficiency in water supply and delivery. This is especially relevant for developing countries since privatization not only demands full cost-recovery and profit-making but is being mobilized by those with the power to enforce economic, institutional and social change.

### Water as an “economic good”

There are a number of contributing factors that have made the supply of clean water a sector of interest for privatization. These include:

- predicted supply shortages, i.e. the diminishing availability of freshwater supplies that have been described by authors Maude Barlow and Tony Clarke as “Blue Gold”,<sup>73</sup>

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<sup>70</sup> Committee on Economic Social and Cultural Rights, 2002, ‘General Comment No. 15 The right to water’, p.6.

<sup>71</sup> Committee on Economic Social and Cultural Rights, 2002, ‘General Comment No. 15 The right to water’, p.6.

<sup>72</sup> According to the Covenant/International Covenant on Economic, Social and Cultural Rights (ICESCR) 160 countries ratified a treaty in April 2011 that made it “legally binding upon them in international law. The Covenant is the primary basis for the human right to water and sanitation and other economic, social and cultural rights”, available at [http://www.un.org/waterforlifedecade/pdf/hrw\\_glossary\\_eng.pdf](http://www.un.org/waterforlifedecade/pdf/hrw_glossary_eng.pdf). Also, for the earlier, July 2010, General Assembly declaration of access to clean water and sanitation as a human right see <http://www.un.org/apps/news/story.asp?NewsID=35456#.U1CNglWSwl8>.

<sup>73</sup> M. Barlow and T. Clarke, 2002, *Blue Gold: The Fight to Stop the Corporate Theft of The World’s Water*; also, for an overview of one geographical region see United Nations Environment Programme (UNEP), 2005, *Water Shortages and Global Warming Risks for Indian Ocean Islands*. UNEP official website, accessed May 21 2007 at <http://www.unep.org/Documents/Multilingual/Default.asp?DocumentID=421&ArticleID=4697&l=en>; also of interest from a climate change perspective is S. Varghese, 2009, ‘Eye of the Storm’, *Integrated solutions to the water, agriculture and climate crisis*, Institute for Agriculture and Trade Policy (IATP) official website accessed 5 December 2009 at <http://www.iatp.org/climate/index.php?q=document/eye-of-the-storm-integrated-solutions-to-the-climate>.

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- evidence of existing high numbers of people without access to a clean water supply who need to be connected to a regular source or supplier;<sup>74</sup>
- a significant likelihood of developing countries expanding their demand for this human right and basic need due to population increases;<sup>75</sup>
- the setting of Target 10 of the United Nations Millennium Development Goal (MDG) No. 7, that aims to reduce by half the numbers of people in developing countries without access to clean drinking water by 2015;<sup>76</sup>
- the prioritization of ‘poverty reduction’ and ‘eradication of extreme hunger’ as the primary goals of the United Nations Millennium Project.<sup>77</sup>

When these factors are combined it is little surprise that within the dominant neo-liberal agenda for globalising free market growth through economic and institutional reforms, that water — and its provision as an essential service — would not be allowed to retain its meaning as a common or social good, or remain under public management.

The 1992 International Conference on Water and Environment — a preparatory session to the Earth Summit in Dublin — led to the formation of the ‘Dublin Principles’. Included within these Principles was the transformation and re-classification of freshwater as an “economic” good. This was promoted by a water-sector reform movement, the World Water Council, comprising powerful development, finance and water industry players whose intention was to serve their own business interests. Although the re-classification retained the concept of freshwater as being essential to ‘sustain life, development and the environment’ this was followed by the claim that

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<sup>74</sup> World Health Organization, 2003, ‘Right to Water’.

<sup>75</sup> P. Gleick *et al.*, (eds.), 2002, *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*.

<sup>76</sup> The WHO/UNICEF report states the target is based on the estimated water and sanitation coverage in 1990 see World Health Organization and UNICEF, 2005, *Water for Life: Making it Happen*, WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation available at [http://www.wssinfo.org/pdf/JMP\\_05\\_text.pdf](http://www.wssinfo.org/pdf/JMP_05_text.pdf).

<sup>77</sup> United Nations, 2006, *UN Millennium Project*, United Nations official website accessed 5 May 2007 at <http://www.unmillenniumproject.org/goals/index.htm>.

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freshwater has ‘an economic value in all its competing uses and should be recognize[d] as an *economic good*.’<sup>78</sup>

It was during the 2000 ‘Ministerial Declaration of the Hague on Water Security in the 21<sup>st</sup> Century’ at the World Water Council’s 2<sup>nd</sup> World Water Forum that the issue of valuing water economically — as distinct from its previously perceived status as a human right, a common and social good, and as a basic need — was made public. In the declaration, under the heading of ‘Main Challenges’ it states that ‘valuing water’ is ‘to manage water in a way that reflects its economic, social, environmental and cultural values for all its uses, and to move towards pricing water services to reflect the cost of their provision’.<sup>79</sup>

Peter Gleick of the Pacific Institute for Studies in Development, Environment, and Security, claims that water can be managed as both an economic and social good. As such he suggests that with good governance and management of water resources, the differentiated values are achievable through ‘pricing water services to reflect the cost of their provision’, whilst accommodating the ‘need for equity and the basic needs of the poor and vulnerable’ at the same time.<sup>80</sup> Whilst this view may be adopted to improve the financial and social performance of public sector water supply services it does not address the inclusion of required profit-making in the pricing structure when water services are privatized. It also fails to address the ongoing need for public financial support through the taxation system to enable governments to provide subsidies to the poorest citizens, whilst the water corporations make and keep their desired profits.

### **Bottled Water**

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<sup>78</sup> World Water Council, 2005, *Water on the International Agenda — Timeline*, World Water Council official website accessed 28 April 2007 at <http://www.worldwatercouncil.org/index.php?id=708&L=1%2F> (Emphasis in original).

<sup>79</sup> World Water Council, 2000, ‘Ministerial Declaration of The Hague on Water Security in the 21<sup>st</sup> Century’, *2nd World Water Forum*, World Water Council, The Hague, The Netherlands, pp. 1-3.

<sup>80</sup> P. Gleick, 2002, ‘Water Briefs: Ministerial Declaration of the Hague on Water Security in the 21<sup>st</sup> Century’, in Gleick *et al.*, (eds.), *The World's Water The Biennial Report on Freshwater Resources 2002-2003*, p. 175.

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The bottled water industry provides an example of the negative outcomes emerging from the commodification of water when impacts on surface and groundwater are disregarded. According to the Bottled Water Association, the global consumption of bottled water continues to grow substantially. A 2012 industry report claims that the 2006 global total was 47,002.4 million gallons increasing to 61,370.0 million gallons by 2011, stating that ‘Asia itself became the largest regional market in 2011, edging out North America and easily besting Europe, and China claimed the number two position, ahead of Mexico, which long held the spot.’<sup>81</sup> Even before this, in India alone, consumption had increased from 2,157 million litres in 2000, to 6,177 million litres by 2005.<sup>82</sup>

In India’s rapidly growing soft-drink and bottled water industry it has been shown that multinational corporations such as Pepsi and Coca Cola, that manufacture bottled water alongside their more renowned fizzy drinks, continued to breach the often inadequate existing environmental and ‘safe content’ state rules and regulations. This situation continued despite claims of violations.<sup>83</sup> These included allegations of groundwater depletion and contamination by a Coca Cola plant in the southern India state of Kerala resulting in ‘thousands of activists’ gathering outside Coca Cola factories around India in 2005 and the plant’s temporary closure<sup>84</sup> and allegations by India’s Centre for Science and Environment of toxic contents in Pepsi’s products.<sup>85</sup>

In countries such as India, where regulatory bodies are state-controlled and central government policies compel the states to vie for capital investment for economic growth, each state’s citizens are exposed to the outcomes of corporate demands for increased deregulation and free market trading of natural resources including water. Bottled water

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<sup>81</sup> J.G. Rodwan Jr., 2012, *Bottled Water 2011 The Recovery Continues*, International Bottled Water Association official website accessed 19 April 2014 at <http://www.bottledwater.org/files/2011BWstats.pdf> on 19 April 2014, p.16.

<sup>82</sup> Worldwatch, 2007, *Bottled Water Pricey in More Ways than One*.

<sup>83</sup> IndiaResource.org., n.d., *Challenging corporate globalization*. IndiaResource.org. website, accessed on 15 March 2007 at [www.IndiaResource.org](http://www.IndiaResource.org).

<sup>84</sup> The Economic Times, ‘Adding Fizz to the Fire’, *The Economic Times/India Times On-line*, accessed on 27 June 2007 at <http://economictimes.indiatimes.com/articleshow/msid-2152124,prtpage-1.cms>.

<sup>85</sup> D. Brady, 2007, ‘Pepsi: Repairing A Poisoned Reputation in India: A Special Report’, 11 June, *BusinessWeek* official website, accessed 26 June 2007 at [http://www.businessweek.com/magazine/content/07\\_24/b4038064.htm?camp](http://www.businessweek.com/magazine/content/07_24/b4038064.htm?camp).

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remains a globally recognised symbol of economic growth and development whilst its depletion of surface and groundwater and its packaging's contribution to ever-increasing waste and contamination continues unabated. In many respects bottled water can be seen as an analogy for the impacts human extraction and intervention has had on natural resources: all in the name of economic growth, development and privatization.

### Reformed Water and its Key Players

Privatization of the water sector has effectively transformed fresh water from a common good into a commodity from which profits can be made through servicing its supply and distribution. Over the past decade at various international conferences and forums, and generally conducted by supporters of water privatization, the future of freshwater has been described and defined in the following ways:

- as a marketable and potentially expensive good, that could become the 'object of a war, like petrol', that would require ecosystem conservation, and systems of 'shared water management' — stated at the 1<sup>st</sup> World Water Forum in Marrakesh;<sup>86</sup>
- as 'everybody's business' in meeting basic water needs and securing food supply — stated in the World Water Council's *World Water Vision*;<sup>87</sup>
- as Target 10 of United Nations Millennium Development Goal 7, included in the United Nations Millennium Declaration in 2000;<sup>88</sup>
- as a 'key to sustainable development' through good governance and the mobilisation of financial resources, along with capacity building and sharing

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<sup>86</sup> World Water Council, 1997, 'First World Water Forum The Declaration of Marrakesh', *First World Water Forum*, World Water Council official website available at [http://www.worldwatercouncil.org/fileadmin/wwc/Library/Official\\_Declarations/Marrakech\\_Declaration.pdf](http://www.worldwatercouncil.org/fileadmin/wwc/Library/Official_Declarations/Marrakech_Declaration.pdf).

<sup>87</sup> World Water Council, 2000, 'Ministerial Declaration of The Hague on Water Security in the 21st Century'.

<sup>88</sup> United Nations Development Programme (UNDP), 2000, *The Millennium Development Goals: Progress, Reversals and Challenges*, United Nations Development Programme, New York.

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knowledge — declared at the International Conference on Freshwater in Bonn in 2001.<sup>89</sup>

- as a vital partner for the enabling of sanitation provision (a later addition to Target 10 of Millennium Development Goal 7). This included agreement to the development of ‘innovative financing and partnership mechanisms’ for the integration of sanitation into ‘water resources management strategies’ during the World Summit on Sustainable Development, held in Johannesburg in 2002;<sup>90</sup>
- as a challenge, requiring good governance, gender and pro-poor policies, financing, cooperation and disaster mitigation — declared during the 3<sup>rd</sup> World Water Forum, Kyoto in 2003;<sup>91</sup>
- as a global issue when World Water Day was formally acknowledged by the United Nations on 22 March 2003 with that year’s theme of ‘Water for the Future’. It was also named by the UN as International Year of Freshwater and became recognised as a very important singular issue with the establishment of UN-Water.<sup>92</sup>
- as a global challenge now requiring participation at the local level, including local experiences and knowledge, as well as integrated water resources management — declared during the 4<sup>th</sup> World Water Forum held in Mexico in 2006.<sup>93</sup>

The brief summary above, adapted from the World Water Council’s *Water on the International Agenda*,<sup>94</sup> suggests that water security, governance, financing and integrated management strategies for water resources are the defining issues for development purposes as opposed to reducing the numbers of people without access to

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<sup>89</sup> See P. Gleick *et al.*, 2002, ‘Water Briefs: Ministerial Declaration of the Hague on Water Security in the 21st Century’, in Gleick *et al.*, (eds.), *The World's Water The Biennial Report on Freshwater Resources 2002-2003*.

<sup>90</sup> The World Summit on Sustainable Development was held in Johannesburg, South Africa, from 26 August to 4 September 2002. For analysis of impacts from the proceedings see United Nations, 2005, ‘Report of the Governing Council of the United Nations Human Settlements Programme’, *UN Habitat Report No. A/60/8*, United Nations, New York.

<sup>91</sup> 3rd World Water Forum, 2003, ‘Summary Forum Statement’, *Proceedings of the 3rd World Water Forum*, WWF Official website accessed on 1 May 2007 at <http://210.169.251.146/html/en/statement.html>.

<sup>92</sup> See UN Water’s official website [www.unwater.org](http://www.unwater.org) for a range of information and reports.

<sup>93</sup> 4th World Water Forum Mexico, 2006, *Local Actions for a Global Challenge*, World Water Council official website accessed 12 May 2007 at <http://www.iisd.ca/ymb/worldwater4/>.

<sup>94</sup> World Water Council, 2005, *Water on the International Agenda — Timeline*.

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affordable, potable water or for enabling poverty reduction through expanded provision.<sup>95</sup> In other words it is the transformation of water into an economic good that has provided the means for supporters of trade liberalization, including free markets and privatization, to project their ideology into developing countries' future water sector policies.

It remains to be seen whether the 2006 global challenge tendered at the Fourth World Water Forum in Mexico, for participation at the local level, including local experiences and knowledge,<sup>96</sup> will be actively encouraged by development organizations, or whether it will become another 'responsibility of everyone, but sometimes, in practice, of no one', as Coles and Wallace claim was the case for gender inclusion in development policies.<sup>97</sup>

According to the World Bank and its partners, water sector reforms are necessary for the management of water as an economic good. In a World Bank report, Kessides claims that since the early 1990s there has been growing 'recognition that water should be managed as an economic good'.<sup>98</sup> This claim fails to divulge the basis for such recognition. It fails to divulge either the organizations and institutions or the methodology used to generate such proactive support from international development and donor agencies for the privatization of a developing nation's essential 'goods' and services. Michael Goldman argues it has been a process put in place by the World Bank and International Monetary Fund — assisted by their corporate partners, industry associations, financial institutions, and development aid agencies — to activate the 'sale or lease of a public good', thereby enabling 'a whole set of neoliberal capitalist forces that intervenes in state-citizen relations and North-South dynamics'.<sup>99</sup> Governments, on the other hand, have been

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<sup>95</sup> According to the Australian Government's AusAID's Australian Development Gateway website <http://www.developmentgateway.com.au/jahia/Jahia/pid/830>, the World Water Council is the International Water Policy Think Tank dedicated to strengthening the world water movement for an improved management of the world's water resources and water services.

<sup>96</sup> See the World Water Council's official website for the 4<sup>th</sup> World Water Forum held in Mexico in 2006 available at <http://www.worldwatercouncil.org/forum/mexico-2006/>

<sup>97</sup> A. Coles & T. Wallace, (eds.), 2005, *Gender, Water and Development*, p. 7.

<sup>98</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 219.

<sup>99</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic', p. 12.

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accused of managing water as a social good for their own political purposes, rather than to benefit their citizens or the environment.<sup>100</sup>

The World Bank, in its argument for private sector involvement in water supply services, claims that public service provision is ‘extremely inefficient in developing and transient economies’ with water losses amounting to one-third of production, overstaffing and/or artificially high wages, tariffs set at levels that do not cover operating costs, inequitable and inappropriate subsidies and cross-subsidies, inconsistent and insufficient water flow and pressure resulting in intermittent supply, and water that is ‘often unsafe to drink’.<sup>101</sup>

On the other hand, the private sector has been identified as ‘an engine for growth and source of employment and revenue’.<sup>102</sup> As such, water privatization, or the private sector provision of management or control of water services, through a variety of means such as ‘concessions, leases, management contracts and public-private partnerships’,<sup>103</sup> has been regarded by the World Bank, the International Monetary Fund, and other Multilateral Lending Institutions as an important instrument towards achieving the poverty reduction necessary for satisfying Millennium Development Goal No. 1.<sup>104</sup>

Meanwhile, the World Bank has chosen to ignore the possibility that reductions in international development loans and aid for water infrastructure purposes — as occurred during the World Bank’s rush towards privatization<sup>105</sup> — may have contributed to the current negative state of the developing world’s infrastructure.

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<sup>100</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*; and M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, World Bank, Washington, DC.

<sup>101</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 220.

<sup>102</sup> Commission to the Council and the European Parliament, 2003, ‘The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities’ Item 10.

<sup>103</sup> World Development Movement (WDM), 2007, *Down the Drain: How aid for water privatisation could be better spent PPIAF*, World Development Movement (WDM) and Corporate Europe Observatory (CEO), WDM official website, accessed on 26 May 2007 at

<http://www.wdm.org.uk/resources/briefings/water/ppiafmediabriefing15052007.pdf>

<sup>104</sup> Commission to the Council and the European Parliament, 2003, ‘The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities’, Item 10; and, B. Schlutter, 2005, ‘Water Rights in the West Bank and in Gaza’.

<sup>105</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’.

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### Programme Costs

Since the 1950s huge amounts of international donor resources and time have gone into providing some level of education, employment and health services to developing countries.<sup>106</sup> Yet, these services often preceded any improvement in access to clean water supplies and sanitation that were considered the responsibility of the public sector. In other words amongst the development mechanisms deployed in the ‘modernization’ of developing countries, the provision of education, employment and health services were given higher international priority than the most essential services of clean water supply and sanitation. Availability of donor-funded programmes and projects supporting education, work, and health services are of limited use or benefit when the lack of sufficient, affordable clean water prevents people from actively participating in the supposedly well-intentioned ‘development’ initiatives of the aid industry. This has been referred to as ‘development policy blind spots’ where single issues are pursued without recognition given to the need for clean water and sanitation in realisation of their goals.<sup>107</sup>

If this was a deliberate policy to increase developing countries’ dependency on industrialised nations, by keeping their governments under the control of developed countries — manipulated through their capacity to provide or withhold loans for infrastructure improvements — it has been successful.

Improvement in the provision of access to clean drinking water in developing countries through expansion of coverage is now deemed a measurable activity for those international organizations and institutions needing evidence of meeting their poverty reduction Millennium Development Goal commitments.<sup>108</sup> It is in this context that the

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<sup>106</sup> A. Coles & T. Wallace, (eds.), 2005, *Gender, Water and Development*; also E. Crewe & E. Harrison, 1998, *Whose Development? An Ethnography of Aid*, Zed Books, London and New York.

<sup>107</sup> WaterAid, 2007, “*Global cause” and effect: How the aid system is undermining the Millennium Development Goals*”, Water Aid Report, London, at WaterAid official website [www.wateraid.org](http://www.wateraid.org).

<sup>108</sup> Commission to the Council and the European Parliament, 2003, ‘The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities’, Item 10; also World Bank, 2005, ‘World Bank Focus on Sustainability 2004’, SDN Information Services official website available at <http://siteresources.worldbank.org/ESSDNETWORK/Resources/481106-1129303936381/1777397-1129303967165/chapter4.html>.

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internationally-determined goals of poverty reduction and environmental sustainability have become seen as integral to the transfer of publicly-owned and managed water utilities into the hands of transnational water corporations.

According to some of the development literature,<sup>109</sup> it would appear that many designers of development and aid projects and programmes assumed that there would always be an available supply of freshwater. Until the advent of including or incorporating women into development projects there was limited interest shown concerning the effects that daily collection and supply methods had on women and children. Even then there appears to have been insignificant attention given to the fact that these methods did not replicate the services provided to citizens in the industrialised North. As such the prevailing conditions under which citizens of developing countries met their daily water and sanitation needs appear to have been given less funding and attention than education, employment and health programmes that were adapted from standards used in developed countries. However, without access to clean, freshwater such programmes become obsolete. The more recent global concerns about diminishing supplies of clean, freshwater now appear to have generated greater development and aid interest in the prevailing conditions under which 1.1 billion humans strive to obtain water supplies, and 2.4 billion fulfil their basic sanitation needs.<sup>110</sup>

It is in this context of diminishing availability, and an apparent late realisation about the significance of access to clean drinking water and sanitation as a means to improve economic growth through human development, that international interest in the water sector of developing countries seems to have been stimulated. From this perspective it

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<sup>109</sup> A. Coles & T. Wallace, (eds.), 2005, *Gender, Water and Development*; also E. Crewe & E. Harrison, 1998, *Whose Development? An Ethnography of Aid*; also Wendy Harcourt, (ed.), 1994, *Feminist perspectives on Sustainable Development*, Zed Books in association with the Society for International Development, London; J. Pieterse, 2001, *Development Theory: Deconstructions/Reconstructions*, SAGE Publications, London; T. Wallace & A. Coles, 2005, 'Water, Gender and Development: An Introduction', in A. Coles and T. Wallace, (eds.), *Gender, Water and Development*; T. Wallace and P. Wilson, 2005, 'The Challenge to International NGOs of Incorporating Gender', in A. Coles and T. Wallace, (eds.), *Gender, Water and Development*; also see M. Williams, 1998, 'Aid, Sustainable Development and the Environmental Crisis', *International Journal of Peace Studies*, vol. 3, issue 2, pp. 19-33; and P. Worsley, 1987, 'Development', *The New Introducing Sociology*, Penguin, Harmondsworth, pp. 48-70.

<sup>110</sup> World Health Organization and UNICEF, 2005, 'Water for Life: Making it Happen'.

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could be argued that the water sectors of those countries with transitional and developing economies are now regarded by international financial institutions and donor agencies as prime instruments for maximizing economic development.

In his article ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’, it is Erik Swyngedouw’s view that water, over the preceding twenty years, ‘has become one of the central testing grounds for the implementation of global and national neoliberal policies’. As such, it would appear likely that many developing countries, indebted to international financial institutions and reliant on donor aid to assist in provision of essential services, will be pressured to commodify their water and privatize their water sectors.<sup>111</sup>

Whilst proponents of privatization identify institutional and economic factors associated with regulatory weakness and contract failure as being significant in the reduction of private investment in the water sector, it appears that the role of civil society receives less attention and significance. This is despite demonstrated resistance against the take-over of water supply services by (usually) foreign-owned water corporations or consortiums. There are a number of examples where the actions of local people have demonstrated non-acceptance of the privatization of their water.<sup>112</sup> Dwivedi *et al.* include public protests as amongst the reasons why contracts were terminated.

### Civil Society’s Response to Water Privatization

The most cited examples of civil society’s reaction to water privatization occurred in Cochabamba, Bolivia<sup>113</sup> and Tucuman, Argentina.<sup>114</sup> These resulted in early termination of the respective contracts. Both contracts involved foreign-owned water corporations:

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<sup>111</sup> E. Swyngedouw, 2005, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’, p. 83.

<sup>112</sup> G. Dwivedi *et al.*, 2007, (2<sup>nd</sup> edn.), *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*, Manthan Adhyayan Kendra (MAK), Badwani (Madhya Pradesh), Annexure A1-A9; also, D. Hall *et al.*, 2005, ‘Public resistance to privatisation in water and energy’, pp. 289-90.

<sup>113</sup> Refer to this thesis Chapter 5: Cochabamba.

<sup>114</sup> Gleick provides a brief overview of both cases entitled ‘Failed Privatizations: Tucuman, Argentina and Cochabamba, Bolivia’ see P. Gleick *et al.*, (eds.), 2002, *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*.

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French-based Vivendi (now Veolia), with a 30-year contract in Argentina and US-based Bechtel, with a forty-year contract in Bolivia. Both concessions introduced rate increases shortly after taking control of the respective water services. Citizen protests, refusal to pay bills, and increasing violence resulted in government intervention leading to the cancellation of the contracts.<sup>115</sup> My thesis identifies and examines the tactics used by the privatizers in attempts to deter or counter citizen opposition.

Public protests have occurred in Bolivia, Argentina, Puerto Rico, Honduras, Canada, the United States, South Africa, Indonesia, Malaysia, the Philippines and the United Kingdom to either proposed or actual water-rate increases associated with privatization.<sup>116</sup> Increases in water tariffs are identified as the major trigger for political resistance, civil unrest and protest.<sup>117</sup> David Hall, Emanuele Lobina and Robin de la Motte list seventeen nations from around the globe where water privatization has been either terminated, or proposals to introduce privatization have been rejected following opposition from a range of citizens' groups.<sup>118</sup> In New Delhi, India, the strength of civil protest has resulted in the government deferring implementation of intended privatization of its water supply service.<sup>119</sup>

### Private versus Public

Assisted by inclusion in the 2000 United Nations Millennium Development Goals the lack of access to freshwater and sanitation has now been officially assigned the status of a major contributor to many developing countries' internal and external economic, political and social inequities. Whilst there is evidence that lack of access to clean water and

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<sup>115</sup> P. Gleick *et al.*, 2002, 'The Privatization of Water and Water Systems', pp. 57-85.

<sup>116</sup> See A-C Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, Zed Books Ltd., London.; also, K. Urs and R. Whittell, 2009, *Resisting Reform? Water Profits and Democracy*, SAGE Publications, Thousand Oaks.

<sup>117</sup> See G. Dwivedi, *et al.*, 2007, (2<sup>nd</sup> edn.), *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*; also P. Gleick *et al.*, 2002, 'The Privatization of Water and Water Systems'; and D. Hall *et al.*, 2005, 'Public resistance to privatisation in water and energy'.

<sup>118</sup> D. Hall *et al.*, 2005, 'Public resistance to privatisation in water and energy', p. 288; see also A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*.

<sup>119</sup> See G. Dwivedi, *et al.*, 2007, (2<sup>nd</sup> edn.), *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*; see this thesis Chapter 7: New Delhi.

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sanitation are direct contributors to health-related illnesses and avoidable premature deaths,<sup>120</sup> there appears to be an assumption amongst development organizations that privately-supplied access to clean freshwater and sanitation will somehow reduce poverty. This is even when inequities continue to exist for access to health-care, education and fairly-compensated employment, as well as all other available infrastructure.

Improvement in equity of access to clean freshwater has become implicated as an achievable and measurable target for evidence of poverty reduction in developing countries. An artificial expectation has been created about the capabilities of neoliberalism's free market mechanisms in the provision of clean drinking water. These expectations incorporate assumptions about transnational water corporations and their ability to also supply the conduit for poor people's increased participation in international economic relations and the globalized world market.

Supporters of private sector involvement in the water industry:

have argued that PSP [private sector participation] would improve efficiency, enable the extension of water services, raise the necessary investment finance, and relieve governments from budget deficits.<sup>121</sup>

In other words private enterprise would meet the necessary requirements that public services had supposedly failed to provide. However, this view was not held by eighty-six NGOs from around the globe who were actively seeking United Nations endorsement and funding for the inclusion of public, not-for-profit Water Operator Partnerships (WOPs) to aid in achieving the Millennium Development Goals for water and sanitation.<sup>122</sup> A temporary relationship was formed between UN-Habitat and this not-for-profit initiative for collaboration between NGOs and public water operators, in the interests of social and

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<sup>120</sup> A. Estache, 2005, 'Latin America's Infrastructure Experience: Policy Gaps and the Poor'; and, World Health Organization, 2003, 'Right to Water'.

<sup>121</sup> E. Lobina, 2005, 'Problems with Private Water Concessions: A Review of Experiences and Analysis of Dynamics', *Water Resources Development*, vol. 21, issue 1, pp. 55-87, p. 55.

<sup>122</sup> M. Manahan, N. Yamamoto and O. Hoedeman, (eds.), 2007, 'Water Democracy: Reclaiming Public Water in Asia', *Reclaiming Public Water*, Reclaiming Public Water Network, Focus on the Global South & Transnational Institute official website available at <http://www.tni.org/books/publicwater.htm>

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environmental justice. Resistance to its operations was met by private sector associations however its umbrella organization the Global Water Operator Partnerships Alliance continues to promote alternatives to water privatization and has a 5 years strategy (2013-2017) towards achieving this. Whilst the alliance continues to operate it still seeks expanded UN endorsement and funding.<sup>123</sup>

Meanwhile, water corporations, which have been privileged with UN endorsements to supply water-for-profit, find themselves in a unique position for private enterprise. They are required to increase their customer base through expansion of network coverage, yet, at the same time practice resource management to conserve the product from which they make profits. Since profit-making is their motive for conducting business, it would seem that their choices are an either/or situation: either sell a little water at a high rate per cubic litre or sell increasing amounts with a smaller profit margin. Neither would contemporaneously satisfy the needs of the poor and the environment.

In order for water corporations to recover their investments and make profits for their shareholders, the most logical means to achieve this would be to encourage increased use by those able to afford higher price rates, especially if pricing reforms introduce 'increasing block rates'. Peter Gleick describes this form of pricing as where: 'Blocks of water use are charged fees that increase with the volume of water used'.<sup>124</sup> In other words the actual price of each cubic meter of water increases when a pre-determined use-level is reached. Whilst this method of pricing appears to favour the poor, their consumption levels remain curtailed by their capacity to pay, however, no such water-use restrictions are placed on the wealthy.

In their everyday, household use, the poor will be bearing the burden for water scarcity and not the many wealthy who have contributed to its perilous state but can afford to pay. As such, it is those who have traditionally used the least amount of freshwater for their everyday living that will be financially constrained to continue to use the least abusive

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<sup>123</sup> For an overview of events and activities see the official GWOPA website at <http://www.gwopa.org/index.php/about-us-gwopa>.

<sup>124</sup> P. Gleick *et al.*, (eds.), 2002, *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 303.

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behaviour towards the scarce resource. Demand management, when tied to pricing, will not restrict the water use of the wealthy or by those who profit from its use.

From this perspective it could be argued that an off-shoot of the combined UN MDG for poverty reduction, and the World Development Bank's commitment to water privatization, is that the poor will continue to suffer on a daily basis for the excesses of the wealthy and the need for the private sector to make profits from the provision of water. The purchase price of water will likely increase when demand exceeds the capacity to supply thereby making the provision of clean water an even more limited and costly service. Even if the poor are required to limit their use to the bare minimum they will have to pay increasing amounts to meet their basic needs. Meanwhile the needs of industry and irrigators and those with the capacity to pay for excess water will be unlikely to reduce their requirements and use. This outcome of their combined efforts goes unrecognized by the United Nations Global Compact 'CEO Water Mandate' that claims to promote corporate responsibility by its members, including 'some of the world's private water suppliers'.<sup>125</sup> Even if everyone was given a quota of cheap water that is sufficient for health with higher prices being charged for additional use it is unlikely that those with the capacity to pay more would automatically reduce their use. In many respects easy access to readily available quantities of water is a taken-for-granted aspect of economic growth and development and deemed a necessity for using modern technology in the home and business.

### **Balancing Priorities**

Under water sector privatization agreements it is now generally recognized that difficulties exist in balancing priorities. These include meeting the access and water-

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<sup>125</sup> T. Deen, 2004, 'Sustainability: Privatisation No Answer to Water Scarcity — UN', *Global Information Network*, 19 March, UN Global Information Network, New York, ProQuest document ID 457565075, p. 1, available through <http://proquest.umi.com/pqdweb?did=582530371&Fmt=7&clientId=20901&RQT=309&VName=PQD>; C. Gopinath, 2005, 'Globalisation requires local citizenship behaviour too', *Businessline*, 2<sup>nd</sup>. May, ProQuest document ID 830987751 accessed from <http://proquest.umi.com.ezproxy.uow.edu.au:2048/pqdweb?index+7&sid+1&srchmo...>; UN Global Compact & Ministry of Foreign Affairs, 2007, *The CEO Water Mandate: A Call to Action and Strategic Framework*, UN Global Compact official website accessed 13 July 2007 at <http://www.unglobalcompact.org/index.html>.

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delivery needs of populations, ensuring necessary sustainability measures for the environment, whilst guaranteeing both economic growth for the private sector and the country's overall development. Yet, at the same time privatization requires reduced government control over the water sector that in turn limits state protection for the public and water sources. This lack of balance and loss of public control and protection is especially relevant to situations where, according to Sharon Beder, 'the terms of the contract are kept secret from the public by commercial-in-confidence clauses'.<sup>126</sup>

Yet, despite such entrenched problems and issues associated with PSPs and PPPs, major organizations such as the World Bank, the World Water Council, and UNESCO continue to promote the importance of the private sector in 'delivering cost-efficient water services'.<sup>127</sup> This stance was enforced by the World Bank in 2004 during its Water Week, when it stated that 'the ideological debate about PSP is over' since the Millennium Development Goal targets can only be achieved by the 'private sector augmenting limited government resources'.<sup>128</sup> Naren Prasad, however, claims that the 'privatization debate is very much alive and now turns around public-private partnerships (PPP) and community or locally based solutions'.<sup>129</sup>

### **Reduced supply and increasing demand: A dwindling natural resource**

In the opening paragraph of their chapter in *The World's Water*, Gary Wolff and Peter Gleick claim that the 'world is in the midst of a major transition in the way we think about — and manage — our vital and limited freshwater resources'.<sup>130</sup> Freshwater is a basic requirement for life. This is an accepted fact.

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<sup>126</sup> S. Beder, 2006, *Suining Themselves: how corporations drive the global agenda*, Earthscan, London, p. 92.

<sup>127</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', *Development Policy Review*, vol. 24, pp. 669-692, p.686.

<sup>128</sup> Asian Development Bank, 2007, *Millenium Development Goals (MDGs) Working for results in Income, Social and Environmental Poverty as well as Global Partnerships*, official ADB website, p. 2, accessed 5 May 2007 at <http://www.adb.org/poverty/mdgs.asp>.

<sup>129</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', pp. 686-7.

<sup>130</sup> G. Wolff & P. Gleick, 2002, 'The Soft Path for Water', in P. Gleick, *et al.* (eds.), *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*.  
*The World's Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 1.

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The literature, emanating from diverse theoretical perspectives, suggests that availability of freshwater is becoming problematic in some parts of the world. For example Phoebe Koundouri, in *The Economics of Water Management in Developing Countries*, claims that the ‘most pervasive natural resource allocation problems’ currently faced by global development planners is the scarcity of water resources;<sup>131</sup> the World Resources Institute data-base portal *Earth Trends* describes this increasing water scarcity in terms of the ‘alarming declines in the health of aquatic systems worldwide’, making it ‘the world’s most pressing resource issue’.<sup>132</sup> In the 2007 *Comprehensive Assessment of Water Management in Agriculture* it was estimated that ‘1.2 billion people live in areas affected by water scarcity, where water resources are not enough to meet growing needs’.<sup>133</sup> Wolff and Gleick, however, include the unintended effects of previous water policies as contributing to today’s limited water supply.<sup>134</sup>

Meanwhile environmental activists, such as Vandana Shiva, Maude Barlow and Tony Clarke, identify the freshwater situation as already in crisis.<sup>135</sup> Shiva refers to this water shortage as a water crisis that is the ‘most pervasive, most severe, and most invisible dimension of the ecological devastation of the earth’.<sup>136</sup> Yet, a World Bank report claims that what is being experienced is ‘economic water scarcity’ whereby provision of supply has become unaffordable. The report’s author, I.N. Kessides, continues, stating that for the majority of developing countries it is not necessarily an issue of ‘absolute scarcity’, but more to do with ‘deteriorating resource quality, insufficient connections for a growing population — especially poor households — and unreliable services’, implicitly portraying public management as responsible for the problems.<sup>137</sup>

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<sup>131</sup> P. Koundouri, P. Pashardes, T.M. Swanson, & A. Xepapadeas, (eds.), 2003, *The Economics of Water Management in Developing Countries*, Edward Elgar, Cheltenham, UK, p. 1.

<sup>132</sup> C. Revenga, 2000, ‘Will There Be Enough Water?’.

<sup>133</sup> International Water Management Institute (IWMI), 2007, *The Comprehensive Assessment of Water Management in Agriculture*, IWMI official website accessed 22 May 2007 at <http://www.iwmi.cgiar.org/assessment/>.

<sup>134</sup> G. Wolff, and P. Gleick, 2002, ‘The Soft Path for Water’, p. 2.

<sup>135</sup> See M. Barlow, 2008, *Blue Covenant The Global Water Crisis and the Coming Battle for the Right to Water*, The New Press, New York, pp. 1-33; also, M. Barlow & T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of the World's Water*, The New Press, New York; and, V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*.

<sup>136</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, p. 1.

<sup>137</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 221.

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In many countries water demand for drinking, domestic, health, hygiene, irrigation and industrial purposes is growing faster than it can be sourced. Expert opinion describes a country as experiencing chronic renewable freshwater stress, or a water crisis, when its volume falls below the level of 1000 cubic metres per person per year;<sup>138</sup> however, the United Nations Environment Programme (UNEP) sets the 'water scarce threshold' at 1,700 cubic metres per person per year.<sup>139</sup> Many developing countries are coming close to reaching the limit of their available supply from groundwater and natural surface sources such as lakes, rivers and streams, whilst water-levels in dams are falling to unprecedented low levels. According to Barlow and Clarke it is the exploitation of groundwater aquifers, especially in countries such as India, China and the United States, that results in them 'being pumped down faster than they are naturally replenished'.<sup>140</sup> They claim that 'India has the highest volume of groundwater overdraft of any nation in the world', with the state of Tamil Nadu already experiencing the effects of aquifers that have run dry and groundwater tables that have dropped by 30 metres in 30 years.<sup>141</sup>

In an article written to highlight the water scarcity theme of World Water Day 2007, and published in the 22 March 2007 edition of *GRANMA*,<sup>142</sup> Jaques Diouf, Director-general of the United Nations Food and Agriculture Organisation (FAO), claims that water scarcity is 'the challenge of the century'. He implicates both population increases and many current farming sector practices as major contributors to the world's water scarcity.<sup>143</sup> He further estimates that by 2030 demand will increase freshwater withdrawals by 14% for agricultural purposes alone in order to achieve the necessary 55% increase in food production predicted as needed to feed the burgeoning populations in developing countries. Yet, it has been implementation of privatization policies and the

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<sup>138</sup> R. Lahmandi-Ayed and M-S. Matoussi, 2003, 'Selection through water markets', in P. Koundouri *et al.* (eds.), *The Economics of Water Management in Developing Countries*, p. 62.; and, V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, p. 1.

<sup>139</sup> United Nations Environment Programme (UNEP), 2005, *Water Shortages and Global Warming Risks for Indian Ocean Islands*. UNEP website, accessed 21 May 2007 at <http://www.unep.org/Documents/Multilingual/Default.asp?DocumentID=421&ArticleID=4697&l=en>.

<sup>140</sup> M. Barlow, and T. Clarke, 2002, *Blue Gold*, p. 24.

<sup>141</sup> M. Barlow, and T. Clarke, 2002. *Blue Gold*, p. 24.

<sup>142</sup> *GRANMA* is the English language edition of the newspaper of Cuba's Communist Party.

<sup>143</sup> In the same article in *GRANMA* Jacques Diouff claims it takes 1,000 to 2,000 litres of water to produce one kilo of wheat and 13,000-15,000 litres to produce the same quantity of grain-fed beef, and stresses that farmers must develop the means to 'produce more food with proportionally less water.'

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actions of international multinational corporations that have brought about dissolution of traditional farming practices and industrialisation of the agricultural sector with their high irrigation demands.<sup>144</sup>

Pollution of water sources, such as rivers, streams and lakes, is not only attributable to human waste. Economic expansion and development policies have contributed to chemical, pesticide and fertilizer contamination of many water sources that supply the basic water requirements for approximately 50 per cent of the population in developing countries.<sup>145</sup> According to a report produced on behalf of UNESCO it is estimated that approximately one litre of wastewater production pollutes eight litres of freshwater; meanwhile up to ninety per cent of untreated wastewater was being discharged directly into the rivers and streams of developing countries.<sup>146</sup>

Although the introduction and mass-production of crops requiring intense levels of irrigation, as well as the use of chemicals-based pesticides and fertilizers, has in many instances failed to protect the essential freshwater resource, it is alleged that human intervention of water flows has contributed to reductions in some places.<sup>147</sup> Interference with natural water flows through World Bank-funded dam and canal construction, and the transfer and diversion of water from watersheds to other regions, 'have led to ecological and health disasters' especially in developing countries.<sup>148</sup>

The above examples demonstrate that privatization has not contributed to preserving the supply and health of freshwater, even though their future profits are dependent upon this resource. Thus, to suggest that management of the world's most vital resource is best left

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<sup>144</sup> For earlier discussions about the impacts upon resources of industrialisation of agriculture including water see V. Shiva, 1993, *Monocultures of the Mind*, Zed Books, London; and, S. Rees & S. Wright, (eds.), 2000, *Human Rights, Corporate Responsibility: A Dialogue*, Pluto Press, Annandale.

<sup>145</sup> UNESCO, 2003, 'Water for People, Water for Life — UN World Water Development Report', *United Nations World Development Report*, United Nations World Water Assessment Programme, Paris.

<sup>146</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 30.

<sup>147</sup> For discussion about the harmful effects of dams on some developing countries see J. Leslie, 2006, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*, Picador, New York.

<sup>148</sup> P. Gleick, G. Wolff, E. Chalecki, & R. Reyes, 2002, 'Globalization and International Trade of Water', in P. Gleick *et al.*, (eds.), *The World's Water: The Biennial Report on Freshwater Resources 2002-2003* p. 39; also, J. Leslie, 2006, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*.

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to the private sector ignores the damage already created by privatization and development policies that encourage economic growth above social and environmental needs.

### Competing Needs

India, with a population of over one billion people, has the ‘most polluted water in Asia, outside of China’;<sup>149</sup> however, unlike China, in India, ‘every river is sacred’ through its connection to the divine gods of Hindu mythology.<sup>150</sup> Sadly, the Indian example makes evident that even though rivers in India share cultural, spiritual and physical importance, the ‘free-market’ and economically-motivated demand for development has been relentlessly pursued without concern for the long-term, future costs to the environment or the current and short-term social and cultural costs to the people. Recompense is still outstanding in 2015 for the hundreds of residents ousted to make way for the massive Sardar Sarovar-Narmada Dam project that featured in activist and author Arundhati Roy’s 1999 book *The Greater Common Good*,<sup>151</sup> and provided the basis of a 1988 case study, *Damming the Narmada: India’s Greatest Planned Environmental Disaster*.<sup>152</sup>

According to Naren Prasad, ‘investment in public utilities infrastructure (water, roads, electricity, telecommunications, ports, airports)’ has been deemed ‘a necessary condition for enhanced economic performance and poverty reduction’ in developing countries.<sup>153</sup> Business opportunities for improvement in supply and management of their freshwater have gained increasing international investment interest with full support provided by the World Bank and regional Development Banks.<sup>154</sup> Whilst water projects are considered by some as ‘among the most critical infrastructure projects for emerging economies’, it is the

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<sup>149</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 30.

<sup>150</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, p. 131; also J. Leslie, 2006, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*; and for an Indian case study see C. Alvares and R. Billorey, 1988, *Damming the Narmada: India’s Greatest Planned Environmental Disaster*, Third World Network/Asia-Pacific People’s Environment Network (APPEN), Penang, Malaysia.

<sup>151</sup> A. Roy, 1999, *The Cost of Living: The Greater Common Good and The End of Imagination*, Flamingo, Hammersmith, London; also available as a single text: A. Roy, 1999, *The Greater Common Good*, India Book Distributors, Bombay.

<sup>152</sup> C. Alvares and R. Billorey, 1988, *Damming the Narmada: India’s Greatest Planned Environmental Disaster*.

<sup>153</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 669.

<sup>154</sup> N. Prasad, 2007, ‘Social Policies and Water Sector Reform’.

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very nature of water as ‘an indispensable element of life for human, animal and the ecosystem as a whole’ that makes future control of freshwater a highly sensitive issue.<sup>155</sup> As Prasad so aptly states when explaining the difference between water supply and other public infrastructure, ‘water is seen as unavoidably social in nature and evokes political emotions like no other issue’.<sup>156</sup>

Any potential political ramifications likely to emerge through the proposed privatization of supply and management of this ‘indispensable element of life’<sup>157</sup> have been superseded by its transformation into an economic good deemed as vital for current and future economic development.

The predicted future costs of water scarcity from a diverse range of environmental and humanist perspectives have been well documented;<sup>158</sup> however, the impacts of water scarcity upon future economic development have also been causing concern amongst proponents of free market ideology.<sup>159</sup> Based upon predictions of population growth and

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<sup>155</sup> M.M. Al 'Afghani, 2007, ‘The ultimate risks of water privatization’, *The Jakarta Post*, 16 May online edition available at <http://www.thejakartapost.com:80/detaileditorial.asp?fileid=20070516.F04&iREC=3>

<sup>156</sup> N. Prasad, N. 2006. ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p.669.

<sup>157</sup> M.M. Al 'Afghani, 2007, ‘The ultimate risks of water privatization’.

<sup>158</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*; S. Beder, 2006, *Suiting Themselves*; E.V. Brown, 2006, ‘Water: A Human Right For All’, pp. 91-97; T. Deen, 2004, ‘Sustainability: Privatisation No Answer to Water Scarcity — UN’; P. Gleick *et al.*, (eds.), 2002, *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*; R. Glennon, 2005, ‘Water Scarcity, Marketing, and Privatization’; D. Godrej, 2003, ‘Precious fluid: the challenge posed by the world's freshwater crisis’; S. Jain, 2003, *A River Gone Private is Drying Up*, India Resource Center official website, <http://www.indiaresource.org/news/2003/3583.html>; D. Pepper, 2007, ‘Requiem for the mighty Yamuna’; A. Roddick, 2004, *Troubled Water: Saints, Sinners, Truths and Lies about the Global Water Crisis* available at <http://www.anitaroddick.com/readmore.php?sid=288>; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; UNESCO, 2003, ‘Water for People, Water for Life...’; WaterAid, 2007, ‘Global cause and effect: How the aid system is undermining the Millennium Development Goals’, WaterAid, London; World Health Organization and UNICEF, 2005, ‘Water for Life: Making it Happen’ in *Joint Monitoring Programme for Water Supply and Sanitation*, official website available at [http://www.wssinfo.org/pdf/JMP\\_05\\_text.pdf](http://www.wssinfo.org/pdf/JMP_05_text.pdf).

<sup>159</sup> Asian Development Bank, 2007, *Millennium Development Goals (MDGs) Working for results in Income, Social and Environmental Poverty as well as Global Partnerships*, official website available at <http://www.adb.org/poverty/mdgs.asp>; Commission to the Council and the European Parliament, 2003, *The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities (arts. 11 and 12 of the International Covenant on Economic, Social and Cultural Rights)*, European Union official website accessed on 4 April 2007 at <http://eur-lex.europa.eu>; O. de Schutter, 2005, ‘Transnational Corporations as Instruments of Human Development’, in Philip Alston and Mary Robinson (eds.), *Human Rights and Development: Towards Mutual Reinforcement*, Oxford University Press, Oxford; I.N. Kessides, 2004, *Reforming Infrastructure*; M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*; Koundouri, P. *et al.* (eds.), 2003, *The Economics of Water Management in Developing*

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related domestic, irrigation and industrial demands that could raise the rate of water withdrawal to 70 per cent, there are concerns that even the current rate of withdrawal, 'which represents 50 per cent of the accessible blue water', will place availability of supply at risk by the end of the 21<sup>st</sup> century.<sup>160</sup> According to Marcus Moench, writing for the *Economic and Political Weekly* (India), in 1998 there were already parts of India where groundwater was 'showing increasing signs of overdevelopment. Water tables in many arid and hard rock zones show[ed] long-term declining trends'.<sup>161</sup> A 2005 'consultations' report' on the joint World Bank and Government of India draft report *India's Water Economy: Bracing for a Turbulent Future*<sup>162</sup> reveals that during the last two decades 84% of the increased net irrigated areas in India had come from groundwater sources.

The UN World Water Development Report *Water for People, Water for Life* states that there are estimates of a 20 per cent global rise in water scarcity due to climate change. The Report predicts that by the middle of the 21<sup>st</sup> century, in a worst case scenario, there will be 7 billion people in sixty countries suffering from water scarcity; whilst a best case

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*Countries: Problems, Principles and Policies.*; R. Moore, 2004, 'It's crystal clear: water is emerging as the commodity of the future', *University of Minnesota News*, UMN official website accessed 28 April 2007 at [http://www1.umn.edu/umnnews/Feature\\_Stories/Crystal\\_clear\\_Water\\_is\\_emerging\\_a...](http://www1.umn.edu/umnnews/Feature_Stories/Crystal_clear_Water_is_emerging_a...); UN Global Compact & Ministry of Foreign Affairs, Sweden, 2007, *The CEO Water Mandate: A Call to Action and Strategic Framework*; United Nations, 2006, *UN Millennium Project*; WaterAid. n.d. *Environmental Sustainability*; World Bank, 2004, *Credible regulation vital for infrastructure reform to reduce poverty*, World Bank press release accessed 1 July 2007 at <http://www.cefe.net/forum/CredibleRegulation.pdf>; World Bank, 2005, *World Bank Focus on Sustainability*, World Bank available at <http://siteresources.worldbank.org/ESSDNETWORK/Resources/481106-1129303936381/1777397-1129303967165/chapter4.html>; World Bank, 2007, *Infrastructure: Meeting an increased demand from developing countries*, World Bank Sustainable Development official website available at <http://www.worldbank.org/sustainabledevelopment>; World Water Council, 2005, *Why a right to water is necessary?* World Water Council, Marseilles, France official website available at <http://www.worldwatercouncil.org/>; World Water Council, 2005, *Water on the International Agenda — Timeline*, WWC official website available at <http://www.worldwatercouncil.org/index.php?id=708&L=1%2F>.

<sup>160</sup> R.M. Saleth & A. Dinar, 2004, *The Institutional Economics of Water: A Cross-Country Analysis*, p. 4.

<sup>161</sup> M. Moench, 1998, 'Allocating the Common Heritage: Debates over Water Rights and Governance Structures in India', p. A-46.

<sup>162</sup> The original report was compiled by J. Briscoe, 2005, *India's Water Economy: Bracing for a Turbulent Future*, World Bank Report. Washington D.C. accessed on 20 May 2007 at <http://go.worldbank.org/QPUTPV5530>, and a response, emerging from the contents of the Draft Report, was compiled by Various Authors, 2005, *Consultation on a Report — India's Water Economy: Bracing for a Turbulent Future — Draft Report*, New Delhi, as well as commentary by S. Acharya, 2005, 'How to solve India's water troubles', *Rediff* official website, accessed 21 October 2007 at <http://www.rediff.com/money/2005/oct/25water.htm>.

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scenario predicts that in forty-eight countries a minimum of 2 billion people will face severe water shortages.<sup>163</sup> India and its recent rapid economic expansion — that has led to a GDP growth rate of 8.5% in 2006, and movement of people to peri-urban areas of major cities — along with possible future negative effects of climate change on water supply, is experiencing increasing concerns about water shortages.

Based on these estimates Diouf has called for the development of ‘sound, ongoing management of our water resources’ that will require ‘sustained political will, cooperation and funding’.<sup>164</sup> The World Bank Group and its members have, however, actively promoted the private sector as most able to offer superior services to those already existing, publicly-controlled and managed water services. Yet, there have been few, if any, alternatives put forward to reduce water shortage stresses.<sup>165</sup>

Recommendations by the World Bank that governments should privatize industrial supply before domestic supply appear to be generating concern amongst some governments and activists.<sup>166</sup> Governments sometimes provide subsidies to poor people through the process of charging industrial customers a higher tariff. This is to off-set the losses liable from poor people unable to pay for their water. Privatization of industrial water removes this source of revenue and subsidy. Thus, those governments, adopting principles of social responsibility by supplying water to the poor, at a loss, but subsidized through greater tariffs charged to industrial customers, lose their capacity for subsidising the poor when industrial supply becomes privatized. Governments are then placed in a position of agreeing to increased domestic water use charges for the poor and providing subsidies from general revenue.

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<sup>163</sup> UNESCO, 2003, ‘Water for People, Water for Life — UN World Water Development Report’, *United Nations World Development Report*, United Nations World Water Assessment Programme, Paris. It should be noted that water scarcity and impacts on food production remain issues of concern globally. Many websites provide current predictions of shortages with little variations from the figures provided by UNESCO in 2003.

<sup>164</sup> J. Diouf, 2007, ‘Cuba News — Turning the Tide against Water Scarcity’, *Granma International* accessed 11 May 2007 at <http://archives.econ.utah.edu/archives/cubanews/2007w12/msg00226.htm>

<sup>165</sup> World Development Movement (WDM), 2007, *Down the Drain: How aid for water privatisation could be better spent: PPIAF*, World Development Movement (WDM) and Corporate Europe Observatory (CEO), WDM website accessed 26 May 2007 at <http://www.wdm.org.uk/resources/briefings/water/ppiafmediabriefing15052007.pdf>.

<sup>166</sup> G. Dwivedi et al., (2<sup>nd</sup> edn.), 2007, *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*.

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At the 4<sup>th</sup> World Water Forum, held in Mexico during March, 2006, one of the five thematic sessions was “Water supply and sanitation for all”. A major focus was increasing local peoples’ capacities and strengthening institutions at all levels in attempts to manage the increasing water sector challenges claimed to have been brought on by water scarcity, climate change, urbanization and decentralization.<sup>167</sup> It would appear, however, that a likely trigger for the World Water Forum’s focus on ‘strengthening local water sector capacity and participation’ is the significant likelihood that the World Water Council’s ‘water for all’ inspiration — produced alongside the UN Millennium Development Goals — will be unachievable within existing privatization frameworks. Or, perhaps it is yet another attempt, as Ha-Joon Chang suggests, ‘to cope with the continued failures of orthodox [economic] policies in the real world’, rather than to ‘draw the most obvious conclusion, namely, that the orthodox policies, and the theories underlying them, are flawed’.<sup>168</sup>

During the Forum, under the ‘Local actions for a global challenge’ sub-section, a number of recommendations for action on behalf of women were made in the Women’s Caucus Declaration. Amongst them was the inclusion of women as ‘key actors’ and ‘full partners, not a recipient target group’ in decision making and development processes, and for stakeholders to recognize that women’s empowerment is essential to poverty eradication and environmental regeneration.<sup>169</sup> However, within these recommendations governments are given responsibility for ensuring women’s participation and inclusion in decision-making. Any role for the private sector in addressing gender imbalances and women’s water needs and problems is noticeably absent.

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<sup>167</sup> P.M. Austria and P. van Hofwegen, (eds.), 2006, ‘4th World Water Forum — Water Supply and Sanitation for All’, *Summary of the Fourth World Water Forum*, World Water Council and the Secretariat of the 4th World Water Forum, Mexico City available at [http://www.worldwatercouncil.org/fileadmin/world\\_water\\_council/documents\\_old/World\\_Water\\_Forum/WWF4/synthesis\\_sept06.pdf](http://www.worldwatercouncil.org/fileadmin/world_water_council/documents_old/World_Water_Forum/WWF4/synthesis_sept06.pdf).

<sup>168</sup> H.J. Chang, 2006, ‘Understanding the Relationship between Institutions and Economic Development: Some Key Theoretical Issues’ *United Nations University Discussion Paper No. 2006/05*, United Nations University — World Institute for Development Economics Research (UNU-WIDER), Helsinki, p. 1.

<sup>169</sup> World Water Council, 2006, ‘Women’s Caucus Declaration’, *4th World Water Forum*, World Water Council, 18 March, Mexico City, pp. 2-3 available at <http://www.worldwaterforum4.org.mx/home/..%5Cfiles%5CDeclaraciones%5CWomen.pdf>.

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Both female empowerment and water are now being classified as essential to poverty eradication. However, as Deepa Joshi in her chapter ‘Misunderstanding Gender in Water’ so eloquently states:

While women’s participation in water projects holds the promise of being meaningful it can only be so if it involves awareness about, and commitment to, reducing the inequality of socially allocated roles and responsibilities for water, and inequity in water access. Further, women, especially those disadvantaged by caste and class, must be enabled to really influence the planning, design and management of water delivery systems in ways that are appropriate, adequate and reliable for them.<sup>170</sup>

As such, without combined efforts of governments and water corporations to actively address the issues raised by Joshi it is likely that there will be minimal change in the existing inequities in access to water. This raises the question as to whether the inclusion of women is a last resort by Forum stakeholders in genuine attempts to meet the Millennium Development Goals by 2015 or whether it is a tactic taken to divert attention away from the stakeholders’ failure to meet their targets so far.

It could be argued that should privatization of the water sector fail to meet the UN Millennium Development Goals for poverty reduction and increasing access to potable water and sanitation then women may be used as scapegoats for the failures of governments, international development organizations, financial institutions, and water corporations to achieve the promised increase in access to potable water in developing countries. It could also be argued that the inclusion of women by the Forum stakeholders has merely been a tokenistic public relations exercise designed to blur the less than satisfactory outcomes of water privatization.

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<sup>170</sup> D. Joshi, 2005, ‘Misunderstanding Gender in Water: Addressing or Reproducing Exclusion’, in A. Coles and T. Wallace, (eds), *Gender, Water and Development*, p. 151.

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### Conclusion

Improvement in equity of access to clean freshwater has become an achievable and measurable target for evidence of poverty reduction in developing countries. An unrealistic expectation has been created that the transnational water corporations, entrusted with supplying the privatized service, will somehow, simultaneously, provide the conduit for poor people's increased participation in international economic relations and the globalized world market. All of this is supposedly achievable by using neoliberalism's free market mechanisms, supported by regulatory and institutional reforms in the provision of clean drinking water. Meanwhile, changes to water quality, quantity, and availability place the privatized suppliers of an essential service in an unusual private enterprise position: they must expand coverage of their product to increase the numbers of customers using and paying "cost-recovery" tariffs, whilst encouraging existing consumers to reduce consumption in order to preserve the precious resource.

For citizens who believe that access to water is a human right and a common and public good, the interference by multinational corporations, the World Bank, the World Water Council and international development and aid organizations in a nation's control of its freshwater has been seen as a social injustice, an infringement on a nation's sovereignty and as abrogating 'the ethics and spirit of life preservation' whilst replacing them 'with the values of corporate consumerism'.<sup>171</sup> The ongoing depletion through increased irrigation and pollution makes the future management of this essential but dwindling resource of global concern.

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<sup>171</sup> S. Bryce, 2008, 'The Privatisation of Water', *Nexus Magazine*, vol. 8, no. 3, 28 March available at <https://www.nexusmagazine.com/products/downloads/individual-articles-downloads/volume-8-article-downloads/vol-8-no-3-downloads/hydrodollars>.

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### PRIVATIZATION

**“In the longer term, investments lead to a growth in earnings and a fall in expenditure. Private enterprise reaches more users with fewer employees and at a lower cost ... Privatization can very often serve to revitalize ossified systems.”<sup>1</sup>**

In his Foreword to the *Financing Water For All Panel Report*<sup>2</sup>, Panel Chairman and former Managing Director of the International Monetary Fund, Michael Camdessus, defined the future agenda for water sector privatization in developing countries. At that time he identified the funding sources of future “financial flows” as emanating from: financial markets, water authorities through tariffs, and from multilateral financial institutions; claiming these financial sources to be necessary to achieve the UN Millennium Development Goals associated with freshwater.<sup>3</sup>

Economic growth and development, often fostered by international financial institutions (IFIs), have contributed to some detrimental impacts on the environment, including increased scarcity of *unpolluted* freshwater in many developing countries, frequently leading to negative impacts on the health of many citizens living in poverty.<sup>4</sup> Such impacts are being recognized as potentially damaging to a nation’s economy.<sup>5</sup> Professor Shreekanth Gupta from the Delhi School of Economics claims

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<sup>1</sup> F. Segerfeldt, 2005, *Water For Sale: How Business and the Market Can Resolve the World's Water Crisis*, Cato Institute, Washington, D.C., pp. 57, 62.

<sup>2</sup> The World Panel on Financing Water Infrastructure is a joint initiative of the World Water Council, the Kyoto 3<sup>rd</sup> World Water Forum, and the Global Water Partnership. Members of the Panel include senior representatives from multilateral financial institutions, current and former government ministers, finance and guarantee experts, water corporations including Thames Water and Suez, the former Chair of the World Water Committee of the 2nd World Water Forum, and the water charity, WaterAid.

<sup>3</sup> J. Winpenny, 2003, *Financing Water For All: Report of the World Panel on Financing Water Infrastructure*, World Water Council & Global Water Partnership, Kyoto.

<sup>4</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, South End Press, Cambridge, MA.

<sup>5</sup> For an example of economic, social and environmental impacts from increased transportation see J.P. Rodrigue, *et al*, 2013, *The Geography of Transport Systems*, Hofstra University, Dept. of Global Studies & Geography, New York, accessed 4 February 2014 at <http://people.hofstra.edu/geotrans>.

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that in India the cost of environmental damage 'is equivalent to 4 per cent of national income, when lost productivity from death and disease is factored in'.<sup>6</sup>

Access to clean or "improved" water is now considered a major factor for future economic growth and development of developing countries. This factor, when supported by the prevailing neo-liberal ideology of reduced government and free market trading, as espoused by international development organizations and financial institutions that control loans, grants and other forms of aid to developing nation-states, has made publicly-operated water utilities targets for privatization.<sup>7</sup>

Along with the privatization of other infrastructure sectors (roads, electricity, telecommunications, ports, airports), the supply and distribution of potable water has become instrumental in furthering modern capitalism's drive for commercialisation and investment opportunities into the control and provision of essential services. As such these guarantee an ever expanding supply of demanding customers and an ongoing market, irrespective of differing social, cultural and environmental conditions that prevail within and between individual nation-states, whilst neglecting the additional hardships that privatization forces onto some citizens.

Meanwhile the water privatization decisions that have been and continue to be made and enforced by the world's largest lending organization, the World Bank, ensure that publicly-supplied water has been transformed into a commodity. It is then sold at prices supposedly designed to reflect "full cost recovery" to benefit the transnational water corporations contracted to supply the service. At the same time privatization efforts are backed by claims that there is no alternative since the private sector is more efficient and comprises the only organisations capable of increasing access for the poor to potable water.<sup>8</sup>

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<sup>6</sup> D. Pepper, 2007, 'Requiem for the Mighty Yamuna', *The Globe and Mail*, Toronto, Canada, 27 June available at <http://www.theglobeandmail.com/news/world/requiem-for-the-mighty-yamuna/article20405004/>

<sup>7</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, World Bank Policy Research Report No. 28985, World Bank, Washington, D.C.

<sup>8</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic: The power of the World Bank and its transnational policy networks', *Geoforum*, Vol. 38, Issue 5, September, pp. 786-800; E. Swyngedouw, 2005, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization', *Capitalism, Nature, Socialism*, Vol. 16, Issue 1, March, pp.81-98; M. Finger and J. Allouche, 2002, *Water*

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### Background

During the 20<sup>th</sup> century responsibility for the provision of water supply services had mainly been managed through public utilities.<sup>9</sup> Governments of developing economies, previously referred to as “the East” and more recently designated as the “majority world” or “global south”, generally controlled construction, operation, maintenance and management of the distribution systems that enabled their own nation’s freshwater supplies to reach their citizens through a range of operational mechanisms. These systems and mechanisms were often in place prior to obtaining independence from colonial rule. Hence, many nations inherited the water utilities that had been put in place when industrialised countries controlled the human, mineral and environmental resources of their colonies.

Each developing nation’s system of water management, supply and distribution is contextually related not only to its geographic location and climatic conditions, but to an inherited water sector infrastructure and its own political and economic capacity for independent governance following emergence from the control of other nations.<sup>10</sup> Industrialised countries with developed economies, such as England and France, had previously moved from small, profit-seeking, private supply systems, usually located in the wealthiest areas of a nineteenth century city, to networked systems that supplied and distributed potable water to all citizens as a publicly-financed government priority.<sup>11</sup>

Such network activity, following the years of economic depression and both World Wars, is described by Michael Klein and Neil Roger as an increasing State involvement that culminated in the provision of ‘regulated and nationalized’ water supply systems.<sup>12</sup> Eric Swyngedouw refers to nationalisation of the water infrastructure as ‘part of a Fordist-Keynesian State-led social and economic policy’ whereby economic growth stemmed from capital investment in dams, canals and

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*Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, SPON Press, London.

<sup>9</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, World Bank Finance and Private Sector Development, FPD Note No. 30, Report No. 16975, World Bank, Washington, D.C., November; E. Swyngedouw, E., ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’.

<sup>10</sup> E. Swyngedouw, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’.

<sup>11</sup> E. Swyngedouw, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’, pp. 84-86.

<sup>12</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, p. 1.

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network supply systems, whilst the social aspects included increased employment, expanded network coverage and access to domestic water and sanitation, all provided at a subsidized price for both domestic and commercial use.<sup>13</sup> According to Swyngedouw it was this nationalization model of providing water as a not-for-profit, subsidized, basic essential service that was emulated by most countries in the developing world.<sup>14</sup>

Along with complaints that earlier coverage by private water providers included only the wealthy, that water quality was variable, and that service was unreliable, it was continuation of unmet public water coverage needs that were instrumental in increasing state intervention in the provision of water supplies.<sup>15</sup> In Great Britain in the mid- to late nineteenth century, following increasing deaths from cholera and dysentery in urban environments, it was political campaigning for state management of water and sewerage that made it become, ‘the natural responsibility of government to operate water services.’<sup>16</sup> Finger and Allouche refer to this era in which the state commenced looking beyond defence and security functions to concerns about health and social areas, as engaging with “‘repair’ activities”, and becoming ‘particularly active in infrastructure development.’<sup>17</sup>

Klein and Roger claim that it was an overall disenchantment with the performance by ‘nationalized firms’ that led the movement towards ‘deregulation and privatization in many countries from the 1970s onward’.<sup>18</sup> However, Swyngedouw suggests that it was a combination of factors that started the ‘sell off’ of the nationally-owned, publicly-run water sector by governments in developed countries.<sup>19</sup> Factors included the rise of environmental concerns by civil society with an acknowledged need to exert control over water demand and the unending search by investors for ‘new

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<sup>13</sup> E. Swyngedouw, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’, p. 85.

<sup>14</sup> E. Swyngedouw, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’, p. 84.

<sup>15</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, p.1.

<sup>16</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, Zed Books, London, p. 8.

<sup>17</sup> M. Finger, & J. Allouche, 2002, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, p. 12.

<sup>18</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, p.1.

<sup>19</sup> E. Swyngedouw, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’.

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frontiers for capital investment'.<sup>20</sup> Swyngedouw also claims that the water sector was seen as a way of turning water 'into capital and profit'.<sup>21</sup>

The gathering momentum of neo-liberal ideology during the latter part of the 20<sup>th</sup> century placed all public enterprises and utilities under scrutiny from a trade liberalisation perspective that embraced free markets, competition, private enterprise and smaller government.<sup>22</sup> However, when a neo-liberal economics tradition is applied to water service provision as 'determined by supply and demand, the high fixed costs of delivery systems, [and] the sector's natural monopoly characteristics', then public health, social welfare, and the environment are categorised and treated as 'externalities',<sup>23</sup> rather than as integral components for shaping a nation's supply and provision of water services to its citizens.

In developed countries where connections to water supply were available and accepted as the normative standard and public expectations demanded drinking water to be clean and safe for urban centres and rural communities, the needs of most people were already being met when privatization was introduced. Thus, under the user-pay and full cost recovery principles of the neo-liberalism agenda of smaller government and increased private ownership, transfer from the public sector to private operators was limited to: responsibility for ongoing infrastructure maintenance and water quality control; updating already existing services; limited investment for providing a small number of new connections; and fees collection — all at full cost-recovery tariffs.<sup>24</sup>

Privatization has often been included as a condition in order to obtain loans from international financial institutions for infrastructure improvements, or to renegotiate

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<sup>20</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*.

<sup>21</sup> E. Swyngedouw, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization', p. 87.

<sup>22</sup> See M. Thatcher, 1993, *The Downing Street Years*, HarperCollins, London; see also A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*.

<sup>23</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 220.

<sup>24</sup> See P. Gleick, G. Wolff, E. Chalecki, and R. Reyes, 2002, 'The Privatization of Water and Water Systems' in P. Gleick, W.C.G. Burns, E.L. Chalecki, M. Cohen, K.K. Cushing, A.S. Mann, R. Reyes, G.H. Wolff and A.K. Wong (eds.), *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*, Island Press, Washington, DC, pp. 57-85; also, M. Klein, *et al.*, 1994, *Back to the Future: The potential in infrastructure privatization*; also, E. Swyngedouw, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization'; and, M. Thatcher, M., 1993, *The Downing Street Years*.

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their existing repayments.<sup>25</sup> Many governments in countries with developing economies and large numbers of people without access to existing water supply networks have been left with few options other than following the North's agenda for privatization of the water sector; this is despite recognized negative impacts upon the poor associated with pricing for full cost recovery and profit making.

Complaints that previously triggered government intervention in infrastructure development and water services provision are now used against the state-provision of water supply services.<sup>26</sup> Complaints by powerful water corporations, their industry associates and development organizations are frequently levelled against public essential services providers in developing countries.<sup>27</sup> This again makes the water sector a target for structural, institutional and regulatory change.<sup>28</sup> Unlike earlier eras of government involvement in the provision of “repair” activities this time the changes benefit the international water industry; often to the detriment of some members of the public, especially the poor, and their sometime lifeline, the local small-scale independent water suppliers.

Although Klein and Roger are uncertain whether or not the current trend in infrastructure privatization might only be ‘part of a historical cycle of privatization and nationalization’, they claim that the private sector ‘can be more efficient than public entities to the extent that they are better able to resist nefarious political interference’.<sup>29</sup> This view regarding political pressure is somewhat supported by Ariel

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<sup>25</sup> For several discussions on this issue see A. Dinar, 2003, ‘The political economy context of water-pricing reforms’ in P. Koundouri, P. Pashardes, T.M. Swanson and A. Xepapadeas, (eds.) *The Economics of Water Management in Developing Countries Problems, Principles and Policies*, Edward Elgar, Cheltenham, UK, this publication contains papers presented at the Symposium on Water Resource Management—Efficiency, Equity, and Policy held in Nicosia, September 22-24, 2000; also A. Estache, 2005, ‘Latin America's Infrastructure Experience: Policy Gaps and the Poor’ in J. Birdsall and N. Nellis, (eds.), *Reality Check: The Distributional Impact of Privatization in Developing Countries*, Center for Global Development, Washington, DC, pp. 281-294; also Food & Water Watch, 2007, ‘Going Thirsty The Inter-American Development Bank and the Politics of Water’ in *Reports on Water Privatization*, Food and Water Watch official website <http://www.foodandwaterwatch.com>; also, P. Gleick, G. Wolff, *et.al.*, 2002, ‘The Privatization of Water and Water Systems’; also, M. Goldman, ‘How “Water for All!” policy became hegemonic’; and, P. Koundouri, P. Pashardes, *et al.*, (eds.), 2003, *The Economics of Water Management in Developing Countries: Problems, Principles and Policies*, Edward Elgar, Cheltenham, UK.

<sup>26</sup> For examples see case studies in this thesis, Chapters 5, 6 & 7.

<sup>27</sup> M. Goldman, ‘How “Water for All!” policy became hegemonic’.

<sup>28</sup> M. Finger, & J. Allouche, 2002, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*.

<sup>29</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, p.4.

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Dinar who claims that other sector reform experiences have concluded that ‘political pressure may affect the successful implementation’ of reforms, including pricing reforms.<sup>30</sup>

Although the private sector has been heralded by some institutions and agencies as a contributor to reducing the numbers of those without access to “improved” water others have identified negative outcomes associated with privatization. The promotion of transferring publicly-run national water sector services to water corporations based mainly in Europe and the United States has been seen by some members of civil society and the government sector as a threat to public water sector jobs, leading to a loss of local water sector knowledge and expertise, and future employment opportunities. Further impacts resulting in the loss of state control over a nation’s natural resource, inequitable distribution of networked services, and likelihood of increased civil unrest and public protest are also attributed to corporate water privatization.<sup>31</sup>

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<sup>30</sup> A. Dinar, A. 2003, ‘The political economy context of water-pricing reforms’, p. 26.

<sup>31</sup> See K. Bakker, 2007, ‘The “Commons” Versus the “Commodity”’: Alter-globalization, Anti-privatization and the Human Right to Water in the Global South’, *Antipode*, vol. 39, issue 3, pp. 430-455; B. Balanyá, B. Brennan, O. Hoedeman, S. Kishimoto, and P. Terhorst, 2005, *Reclaiming Public Water Achievements, Struggles and Visions from Around the World*, Transnational Institute and Corporate Europe Observatory, available at [http://www.tni.org/detail\\_pub.phtml?&&know\\_id=83&menu=05k](http://www.tni.org/detail_pub.phtml?&&know_id=83&menu=05k); N. Birdsall, and J. Nellis, 2005, *Reality Check: The Distributional Impact of Privatization in Developing Countries*, Center for Global Development, Washington DC; Corporate Europe Observatory (CEO), 2007, *Murky water — PPIAF, PSEEF and other examples of EU aid promoting water privatization*, CEO, London available at <http://www.corporateeurope.org/murkywater.html>; J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’, *Annual Review of Environment and Resources*, vol. 30, pp. 145-183; G. Dwivedi, Rehmat and S. Dharmadhikary, 2007, *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*, Manthan Adhyayan Kendra (MAK), Badwani, Madhya Pradesh (MP); A. Estache, 2005, ‘Latin America’s Infrastructure Experience: Policy Gaps and the Poor’ pp. 281-294; P. Gleick, G. Wolff, E. Chalecki. and R. Reyes, 2002, ‘The New Economy of Water: The Risks and Benefits of Globalization and Privatization of Fresh Water’ in P. Gleick, W. Burns, *et al*, (eds.), *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, pp. 1- 48; D. Hall, E. Lobina, and R. de la Motte, 2005, ‘Public resistance to privatisation in water and energy’, *Development in Practice*, vol. 15, issue 3/4, pp. 286-301; International Water Management Institute (IWMI), 2007, *The Comprehensive Assessment of Water Management in Agriculture*, IWMI online accessed 22 May 2007 at <http://www.iwmi.cgiar.org/assessment/>; E. Lobina, 2005, ‘Problems with Private Water Concessions: A Review of Experiences and Analysis of Dynamics’, *Water Resources Development*, vol. 2, issue 1, pp. 55-87; T. Lohan, 2007, *Fighting the Corporate Theft of Our Water*, AlterNet official website accessed 7 May 2007 at <http://www.alternet.org/story/50994/>; M. Moench, 1998, ‘Allocating the Common Heritage: Debates over Water Rights and Governance Structures in India’, *Economic and Political Weekly*, pp. A-46 — A-53; J. Nellis, 2006, ‘Privatization in Developing Countries: A Summary Assessment’, *Working Paper No. 87*, Center for Global Development official website <http://www.cgdev.org/content/publications/detail/6928/>; J. Nellis and N. Birdsall (eds.), 2005, *Reality Check: The Distributional Impact of Privatization in Developing Countries*; Public Citizen, 2003, ‘Water Privatization Fiascos: Broken Promises and Social Turmoil’, Special Report on Water for All

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It remains to be seen whether water corporations' privatization — as recommended by development aid organizations supposedly operating in the “best” interests of citizens of developing countries — will be detrimental to local, small-scale, independent water providers, which typify water provision in many community settings, and their dependent customers who are generally amongst a community's poorest members. It is likely that they will also become casualties of neo-liberalism's relentless push for new investment opportunities in the global South. This aspect of water sector privatization remains an under-researched issue, particularly in South Asia.<sup>32</sup>

### Privatization and ownership

A workable definition of privatization comes from Naren Prasad who states that it ‘is a political strategy which creates new rules and allocates new roles among the state, the market and civil society’. Prasad further claims that ‘the theory of privatisation is an offshoot of the broader theory of ownership and the role of government and regulation’.<sup>33</sup>

John Nellis from the Center for Global Development describes the process of privatization as ‘the divestiture, or transfer of ownership and/or operational control, of productive economic entities to private owners, operators and investors’.<sup>34</sup> Over the past thirty years more than 100,000 government-owned and operated enterprises, spanning industry, commerce and service sectors around the globe, have been exposed to some form of privatization.<sup>35</sup> Yet, privatization of infrastructure, especially the water sector, is considered particularly problematic.<sup>36</sup>

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program, see official website <http://www.citizen.org/documents/privatizationfiascos.pdf> pp. 1-13; E. Swyngedouw, 2005, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’.

<sup>32</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’ p. 151.

<sup>33</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services’, p. 672.

<sup>34</sup> J. Nellis, 2006, *Privatization in Developing Countries: A Summary Assessment*, Working Paper No. 87, p.3, available at Global Development (CGD) official website <http://www.cgdev.org/content/publications/detail/6928/>

<sup>35</sup> M.M. Al’Afghani, 2007, ‘The ultimate risks of water privatization’, *The Jakarta Post*, online, accessed 17 May 2007 at <http://www.thejakartapost.com:80/detaileditorial.asp?fileid=20070516.F04&irec=3>; P. Gleick *et al.*, 2002, ‘The Privatization of Water and Water Systems’; D. Hall, *et al.*, 2005, ‘Public resistance to privatisation in water and energy’; I.N. Kessides, 2004, ‘Reforming infrastructure: Privatization, Regulation, and Competition’; K. Komives, *et. al.*, ‘Access to Utilities by the Poor: A Global

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The neo-liberal agenda for economic reform, expanded through minimizing government and regulation and inculcated by the promotion of private sector ownership, competition and international development, neglects several basic premises when privatizing the water sector. The first and most fundamental is that water is vital to life itself. This is closely followed by water being deemed by many as a “public”, “social”, or “common” good as discussed in Chapter 2, ‘Water’.<sup>37</sup>

Corporate privatization requires that control over access to the resource be removed from the public sector. In other words, for financial purposes, water corporations based in developed nations obtain the “corporate” right to withhold or withdraw access to the natural resource upon which the lives of other nations’ citizens are dependent. For example, when a corporation has a concession or contractual “rights” to another nation’s water source in order to meet their supply responsibilities, these contractual “rights” empower them to cut off the supply through installation of pay-as-you-use meters, as happened in South Africa<sup>38</sup> or refuse to connect people to the supply network when they are unable to provide evidence of registered legal titles to their land and home or when the cost of installing taps and sinks is unaffordable, as occurred in El Alto and La Paz in Bolivia.<sup>39</sup>

This raises the ethical question as to whether or not natural resources, such as freshwater and groundwater, that are vital to life and for which there is currently no substitute, can be taken and used by corporations for the purpose of selling it as a commodity, when the supplier does not “own” the basic ingredient? It is within this

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Perspective’; E. Lobina, 2005, ‘Problems with Private Water Concessions: A Review of Experiences and Analysis of Dynamics’, *Water Resources Development*, vol. 21, issue 1, pp. 55-87; J. Nellis, 2006, ‘Privatization in Developing Countries: A Summary Assessment’; D. Parker and C. Kirkpatrick, ‘Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons’, *The Journal of Development Studies*, vol. 41, issue 4, pp. 513-541; World Health Organization (WHO), 2003, *Right to Water*, Health and human rights publication series, no. 3. available at official WHO website [http://www.who.int/water\\_sanitation\\_health/righttowater/en/](http://www.who.int/water_sanitation_health/righttowater/en/)

<sup>36</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’; see also S. Beder, 2014, *Business — Managed Government*, official website available at <http://www.herinst.org/BusinessManagedDemocracy/government/index.html>

<sup>37</sup> P. Gleick, G. Wolff, E. Chalecki, and R. Reyes, 2002, ‘Globalization and International Trade of Water’, in P. Gleick *et al.* (eds.), *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, pp. 34-7; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, p. 20.

<sup>38</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’.

<sup>39</sup> K. Komives, 2001, ‘Designing pro-poor water and sewer concessions: early lessons from Bolivia’, *Water Policy*, vol. 3, pp. 61-79.

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context that Barlow and Clarke identified water privatization as the ‘corporate theft of the world’s water’.<sup>40</sup>

Claims that traditionally-run public water-supply systems were unable to maintain existing services, or expand coverage, or obtain full-cost recovery or manage dwindling supplies have been used as justification by the World Bank,<sup>41</sup> for the purpose of promoting the alleged benefits of increased efficiency and private sector investment associated with privatization.<sup>42</sup> Yet, it has not been locally or nationally-based privatization that has been projected as the appropriate mechanism for supporting and financing their “water for all” vision.<sup>43</sup> Instead it is transnational water corporations that have been extolled as the most suitable vehicles for the control, management and expansion of water utilities previously operated as public-sector systems.<sup>44</sup>

### Full cost recovery mechanisms

Water sector privatization requires full cost recovery mechanisms to be in place to guarantee no losses are experienced by the private operator during provision of the service. Thus, privatization requires changes be made to water pricing. Ioannis Kessides, in a World Bank report *Reforming Infrastructure: Privatization, Regulation and Competition*, examines the ‘two basic structures for water tariffs: a single-part tariff and a two-part tariff’. Under the single-part tariff the consumer pays either a fixed charge or a water consumption charge. The two-part tariff, recommended in the report, requires the consumer to pay ‘both a fixed charge and a consumption charge’. This is considered to be the most ‘economically efficient pricing structure for water’ since when ‘properly designed, two-part tariffs can achieve the goals of economic

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<sup>40</sup> M. Barlow, and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World’s Water*, The New Press, New York.

<sup>41</sup> I.N. Kessides, 2004, ‘Reforming Infrastructure: Privatization, Regulation, and Competition’.

<sup>42</sup> A. Estache, 2005, ‘Latin America’s Infrastructure Experience: Policy Gaps and the Poor’; also M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic; also D. Hall, *et al.*, 2005, ‘Public resistance to privatisation in water and energy’.

<sup>43</sup> N. Winpenny, 2003, ‘Financing Water For All’, *Report of the World Panel on Financing Water Infrastructure*, The Camdessus Panel, World Water Council & Global Water Partnership, Kyoto; M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’.

<sup>44</sup> Public Citizen. n.d. *Water For All Reports*, Public Citizen official website, accessed 3 July 2007 at <http://www.citizen.org/cmep/Water/reports/index.cfm>.

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efficiency and cost recovery'.<sup>45</sup> These are the pre-determined goals of water corporations that must be achieved for supply and delivery of water services to be deemed as successful.

This full cost-recovery formula introduced by water corporations upon privatization ignores the everyday hardship this policy places on those least able to afford increased tariffs. As such water pricing policies seeking full cost recovery through increased tariffs remains one of the most contentious issues associated with water privatization.<sup>46</sup>

### Competition in the Water Sector

Publicly-controlled infrastructure is a target for structural, institutional and regulatory change. However, water and its supply and delivery are different to other infrastructure products that can function within a competitive framework and are able to offer the consumer a choice of service provider. According to neoliberal ideology it is deregulation within a free market that supposedly serves to benefit consumers by enabling competition.<sup>47</sup> Opportunities for competition in supply of water are limited.

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<sup>45</sup> I.N. Kessides, 2004, 'Reforming Infrastructure: Privatization, Regulation, and Competition', pp. 236-240; also see P. Koundouri, *et al.* (Ed.), 2003, *The Economics of Water Management in Developing Countries*; and, R.M. Saleth, and A. Dinar, 2004, *The Institutional Economics of Water: A Cross-Country Analysis of Institutions and Performance*, Edward Elgar and World Bank, Cheltenham, UK.

<sup>46</sup> For discussions and commentary on this issue refer to K. Bakker, 2007, 'The "Commons" Versus the "Commodity": Alter-globalization, Anti-privatization and the Human Right to Water in the Global South' and K. Bakker, 2010, *Privatizing Water Governance Failure and the World's Urban Water Crisis*, Cornell University Press, London; G. Dwivedi *et al.*, 2007, *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*; A. Estache, 2005, 'Latin America's Infrastructure Gaps and the Poor', pp. 281 – 294; P. Gleick, *et al.*, 2002, 'The Privatization of Water and Water Systems', pp. 57-85; M. Goldman, 'How "Water for All!" policy became hegemonic'; S. Grusky, 2001, 'Privatization tidal wave: IMF/World Bank water policies and the price paid by the poor', *Multinational Monitor*, vol. 22, issue 9, pp. 14 – 19; C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries', pp. 1491 – 1508; K. Komives, D. Whittington, and X. Wu, 2001, 'Access to Utilities by the Poor: A Global Perspective', *WIDER Discussion Paper 2001/15*, Helsinki United Nations University/ World Institute for Development Economics Research; E. Lobina, 2005, 'Problems with Private Water Concessions: A Review of Experiences and Analysis of Dynamics'; T. Lohan, 2007, 'Fighting the Corporate Theft of Our Water'; J. Luoma, 2004, 'The Water Thieves', *The Ecologist*, vol. 34, issue 2, pp. 52-57 (March); N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', *Development Policy Review*, vol. 24, pp. 669-92; Public Citizen, 2002, 'World Bank Water Privatization Policies Benefit Corporations, Not Developing Countries' Public Citizen website accessed 15 May 2007 at <http://www.citizen.org/pressroom/release.cfm?ID=1223>; Public Citizen, 2003, 'Water Privatization Fiascos: Broken Promises and Social Turmoil', *Water for All*; A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*; K. Urs & R. Whittell, 2009, *Resisting Reform? Water Profits and Democracy*, SAGE Publications, New Delhi.

<sup>47</sup> Sharon Beder, 2007 – personal communication.

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This has been acknowledged in a World Bank report on reforming infrastructure and claims there have been only a few instances of water utilities' networks operating in the same market let alone competing for the same customer's business.<sup>48</sup> Even when water utilities service the same metropolitan area, as in Paris (France) and Manila (Philippines), each company has specific contract areas to service and is not in competition for the same business.

Whilst the World Bank and others promote the benefits of privatization of the water sector when accompanied by an appropriate regulatory framework that includes pricing structures,<sup>49</sup> Colin Kirkpatrick and David Parker, following their examination of domestic regulation and water services in developing countries, claim that the results from comparative performance of public and private water companies 'have failed to provide strong evidence of improved performance following the introduction of private sector participation'.<sup>50</sup> Yet Klein and Rogers claim that although private responses to infrastructure issues are usually 'no worse than public ones' the private sector will increase benefits through use of competition;<sup>51</sup> whilst Kessides insists that to ensure sustainability of supply to meet demand it is necessary to 'introduce competition wherever possible'.<sup>52</sup>

Free market competition supposedly benefits the consumer by offering product choices and competitive pricing, however, due to the "natural monopoly" of the water sector there is, according to Erik Swyngedouw, less scope for competition, requiring 'a state controlled regulatory institutional framework [...] to be implemented just to make sure that companies enjoying a "natural" monopoly condition "behave in competitive ways."' <sup>53</sup> As such, Klein and Rogers' argument for infrastructure

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<sup>48</sup> S. Kikeri, and J. Nellis, 2004, 'An Assessment of Privatization', *The World Bank Research Observer*, vol. 19, issue 1, pp. 87-118, p. 107.

<sup>49</sup> World Bank, 2004, *Credible regulation vital for infrastructure reform to reduce poverty*, World Bank official website accessed 1 July 2007 at <http://www.cefe.net/forum/CredibleRegulation.pdf>; also, I.N. Kessides, 2004, 'Reforming Infrastructure: Privatization, Regulation, and Competition', pp. 219-258; P. Gleick, 2002, 'Water Briefs: Ministerial Declaration of the Hague on Water Security in the 21st Century', in P. Gleick *et al.* (eds.), *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*.

<sup>50</sup> C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries', p. 1500.

<sup>51</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*, p. 4.

<sup>52</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 227.

<sup>53</sup> E. Swyngedouw, E. 2005, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization,' p. 89.

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privatization based on the capability of competition is exposed as flawed when applied to the water sector.<sup>54</sup>

Meanwhile some proponents of water sector privatization view this lack of competition as an opportunity to implement ‘effective regulatory frameworks’, that safeguard both efficiency and equity,<sup>55</sup> as well as implement water sector institutional reforms that ‘reflect the realities of changing supply-demand and quantity-quality balance’.<sup>56</sup> Yet, such realities of water provision are not reflected among the general expectations of competition and choice of service provider associated with privatization of a previously publicly-supplied service.

Competition for consumers’ business in the water sector is only likely to arise when consumers have to purchase water from street vendors or small-scale independent providers. This situation can be brought about when the high, up-front cost of getting connected to the water corporation’s network is unaffordable, when a person is deemed ineligible for legal connection due to residing in illegal housing or when supply is frequently intermittent or unreliable, or unavailable.

### **Water privatization is a lucrative venture.**

The most important factor for investment by the international private sector, according to E. Nayan Chanda, director of publications and editor of YaleGlobal Online, is ‘the size of the local market’.<sup>57</sup> Meanwhile in countries with developing economies there is an already large, and continually expanding local market awaiting access or improved access to clean water. This ongoing demand for business use and a life-dependent resource makes international investment in the water sector of developing countries a potentially lucrative venture.

Dinar Godrej, writing in 2003 for the *New Internationalist* magazine, stated that since ‘only 5 per cent of water services [are] in private hands, expansion opportunities are

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<sup>54</sup> M. Klein and N. Roger, 1994, *Back to the Future: The potential in infrastructure privatization*.

<sup>55</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 11.

<sup>56</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 672.

<sup>57</sup> E.N. Chanda, 2007, *The Double Edge of Globalization*, Yale Center for the Study of Globalization, Yale University website, accessed 13 July 2007 at <http://yaleglobal.yale.edu/display.article?id=9366>.

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estimated at a trillion dollars'.<sup>58</sup> Such expansion can be seen in the increase of private water companies commencing operations in developing countries during the last decade of the 20<sup>th</sup> century. In an article in *The Ecologist* Jon Luoma claimed that in the years between 1990 and the early 2000s the presence of private water companies in developing nations grew from 12 to 100. Calling it a 'corporate takeover', he further claimed that whilst '7 per cent of the world's population' received their water supply through multinational companies in the year 2004, it is predicted that this figure will rise to '17 per cent by the year 2015'.<sup>59</sup> Luoma suggested that the promotion of water privatization as a poverty-reduction tool by international development aid institutions and organizations has been orchestrated by international water corporations to further their financial interests.

Yet, corporations do not act alone. Returning to Naren Prasad's definition of privatization, whereby it is a political strategy involving new rules and roles for the state, the market, and civil society, it becomes important to identify the key players that have enabled water corporations to gain access to and control of the freshwater supplies of developing nation-states.<sup>60</sup>

### Key Players and their Rhetoric

The transfer of essential services from public control to private control has been manipulated by powerful external organizations, institutions and agencies.<sup>61</sup> The manipulation has occurred by attaching conditions of structural adjustment and economic reform to the availability of loans for infrastructure development, and the renegotiation of repayment instalments for existing loans, purportedly for stabilizing a nation's economy. Haggard, Lafay and Morrison describe the structural adjustment measures as 'cross-conditionality between the IMF and the World Bank', since the

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<sup>58</sup> D. Godrej, 2003, 'Precious fluid: the challenge posed by the world's freshwater crisis', *New Internationalist*, March, issue 354, p. 12.

<sup>59</sup> J. Luoma, 2004, 'The Water Thieves', pp. 53-4; for more recent World Bank global statistics on water services and providers see A. Danilenko, C. van den Berg, B. Macheve, and L.J. Moffitt, *The IBNET water supply and sanitation blue book 2014: the international benchmarking network for water and sanitation utilities data book*, World Bank Group, Washington, DC.

<sup>60</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', also see N. Prasad, 2007, 'Social Policies and Water Sector Reform', *UNRISD Markets, Business and Regulation Programme*, Paper Number 3 (PP MBR 3), September; and J. Salzman, 2006, 'Thirst: A short history of drinking water', *Yale Journal of Law and Humanities*, vol.17, pp. 94 -121.

<sup>61</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic'; E. Swyngedouw, 2005, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization'.

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IMF's interest is in stabilization whilst the World Bank is concerned with structural adjustment measures.<sup>62</sup> These measures, implemented as Structural Adjustment Programmes (SAPs), were central to the process of privatization of publicly owned and managed water utilities in some developing countries, including Latin America. Any provision of ongoing funding was 'based on the principle of conditionality' that was determined by each nation's implementation and adoption of the reforms required by the international lending institutions.<sup>63</sup> In other words, despite the potential negative outcomes for many of its citizens, many governments of developing sovereign nation-states were compelled to adopt the neo-liberal agenda of fiscal reform and reduced government set by international financial institutions and development organizations of industrialised nation-states.

Barlow and Clarke identify these multilateral commercial banks, otherwise known as international lending institutions, as the main sources of funding for water services in developing countries.<sup>64</sup> The main institutions operating as 'multilateral development banks (MDBs)' are the World Bank, operating as a 'lending vehicle' for private banks, and the International Monetary Fund (IMF) which services 'central banks of governments'.<sup>65</sup> Their policies and programs are described by Barlow as 'closely intertwined' and supported by region-specific development banks including the Asia Development Bank (ADB), the Inter-American Development Bank (IADB) and the African Development Bank.<sup>66</sup> It is the interconnections between these international financial institutions, the US Government, private 'think tanks'<sup>67</sup> and the international water corporations that underpin the water privatization agenda for developing countries around the globe.<sup>68</sup>

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<sup>62</sup> S. Haggard, J. Lafay, and C. Morrison, 1995, *The Political Feasibility of Adjustment in Developing Countries*, OECD's Development Centre's Research Programme on "Governance and Entrepreneurship", Organisation for Economic Co-operation and Development (OECD), Paris, p. 61.

<sup>63</sup> S. Haggard, *et al.*, 1995, *The Political Feasibility of Adjustment in Developing Countries*, p. 69.

<sup>64</sup> M. Barlow, and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World's Water*.

<sup>65</sup> M. Barlow and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World's Water*, The New Press, New York, p. 160; S. Beder, 2006, *Suiting Themselves: how corporations drive the global agenda*, Earthscan, London, p. 41; S. Haggard *et al.*, 1995, *The Political Feasibility of Adjustment in Developing Countries*, p. 69.

<sup>66</sup> M. Barlow and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World's Water*, p. 160.

<sup>67</sup> S. Beder, 2006, *Suiting Themselves: how corporations drive the global agenda*, pp. 21-29.

<sup>68</sup> See C. Adams, 2001, *Privatising Infrastructure in the South*, Focus on the Global South website accessed on 22 October 2006 at <http://www.focusweb.org/books-and-publications/2001/privatising%20Infrastructure%20in%20t...>; M. Barlow and T. Clarke, 2002, *Blue*

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Sharon Beder, using an adapted version of a flowchart by G.W. Domhof, exposes how corporate funding, political donations and the interchange of personnel between the political, financial and corporate institutions are able to influence US policy processes, and also reveals how these interconnections influence World Bank and IMF policy.<sup>69</sup> She points out that whilst economic criteria are the supposed benchmarks for lending purposes for MDBs, often it is desire for a specific US-inspired political outcome that informs those decisions.<sup>70</sup> In some respects this could be seen to resemble attempts at re-colonising some developing countries in order to gain access to their natural resources for the benefit of the corporation's homeland.

It is of interest that the claimed motivation for all privatization, as influenced by the United States and espoused by the international lending institutions and donor countries, concerns the alleged incompetence of public agencies to efficiently manage their essential services. Whilst the United States has experienced 'a mix of privately owned and publicly regulated water and wastewater utilities', there has been some state and municipal resistance to privatization, meaning that the vast majority of residences, approximately 85%, still receive water from public agencies.<sup>71</sup> Whilst there have been some small increases in private concessions in individual states, figures remain relatively small when placed in a global context.<sup>72</sup> On the other hand in the United Kingdom, water utilities are privately operated by a number of different water companies. The UK's privatization, pushed through by the Thatcher government, supposedly for the purpose of 'revers[ing] the onward march of

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*Gold The Fight to Stop the Corporate Theft of The World's Water*; Beder, 2006, *Suited Themselves: how corporations drive the global agenda*; O. de Schutter, 2005, 'Transnational Corporations as Instruments of Human Development', in Philip Alston and Mary Robinson (eds.), *Human Rights and Development: Towards Mutual Reinforcement*, Oxford University Press, Oxford; Dwivedi *et al.*, 2007, *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*; P. Gleick, *et al.*, 2002, 'The Privatization of Water and Water Systems'; M. Goldman, 2007, 'How "Water for All!" policy became hegemonic'; Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; E. Swyngedouw, 2005, 'Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization'; and, D. Tannenbaum, 2002, 'Obsessed The latest Chapter in the World Bank's Privatization Plans', *The Multinational Monitor*, vol. 23, issue 9, accessed 14 May 2007 at <http://www.multinationalmonitor.org/mm2002/092002/>.

<sup>69</sup> S. Beder, 2006, *Suited Themselves*, p. 43.

<sup>70</sup> S. Beder, 2006, *Suited Themselves*, p. 42.

<sup>71</sup> P. Gleick *et al.*, 2002, 'The Privatization of Water and Water Systems', p. 61.

<sup>72</sup> Food & Water Watch, 2012, *Private Equity, Public Inequity: The Public Cost of Private Equity Takeovers of U.S. Water infrastructure*, Food & Water Watch official website available at [http://documents.foodandwaterwatch.org/doc/PrivateEquityReport2.pdf#\\_ga=1.236158917.513142028.1424136536](http://documents.foodandwaterwatch.org/doc/PrivateEquityReport2.pdf#_ga=1.236158917.513142028.1424136536)

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socialism',<sup>73</sup> has been accompanied with installation of OWFAT, the Water Services Regulation Authority. Set up as an independent economic regulator OFWAT oversees pricing and compliance with environmental and water quality standards; it has also been provided with the capacity to impose fines for non-compliance.

Governments, especially in developing countries, have been identified as inappropriate for managing a dwindling resource accompanied by an increased demand. The World Water Council uses what it terms as government's 'disparate, fragmented, and ineffectual efforts in global water management', and control of the world's fresh water resources, to justify its role in initiating 'a common strategic vision on water resources and water services management amongst all stakeholders in the water community'.<sup>74</sup> Meanwhile development and privatization discourse includes terms such as inefficient, politicized, incapacitated, monopolistic, corrupt, and over-staffed to describe many public sector water utilities in developing countries.<sup>75</sup>

According to Michael Goldman such terms are used by members of transnational networks comprising the World Bank, World Water Council, multilateral lending institutions, development aid agencies including 'NGOs, transnational corporations, eminent experts, [and] policy analysts from different regions of the world' to form a "global consensus" on water that attributes 'the degradation of water service systems and depletion of the global water commons' to governments that 'treat water *as if* it were a free natural resource'.<sup>76</sup> Such negative assumptions about the capacity of developing nations' governments to manage their own water resources, along with spiralling debts to international financial institutions (IFIs), contributed to the imposition of a series of economic reforms by the World Bank and other development organizations onto developing countries.

### Reforms

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<sup>73</sup> M. Thatcher, 1993, *The Downing Street Years*, p. 687.

<sup>74</sup> World Water Council, 2006, *About us: profile and mission*, WWC official website, accessed 28 April 2007 at <http://www.worldwatercouncil.org>, n.p.

<sup>75</sup> See M. Goldman, 2007, 'How "Water for All!" policy became hegemonic'; J. Pieterse, 2001, *Development Theory: Deconstructions/ Reconstructions*, Sage, London; M. Williams, 1998, 'Aid, Sustainable Development and the Environmental Crisis', *The International Journal of Peace Studies*, vol. 3, issue 2, pp. 19-33.

<sup>76</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic', p.8, italics in original.

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Economic and institutional reforms are seen as a necessary component for trade liberalisation. They also provide international power-brokers, such as the World Bank, with greater control of developing nations' governments. A major part of the water sector economic reform initiative was based upon institutional change. This included change to water institutions. Saleth and Dinar describe a water institution as an 'entity defined interactively by water law, water policy, and water administration at the formal and informal as well as macro and micro levels'.<sup>77</sup> Thus for water privatization to become a reality changes had to be made to water law, water policy and water administration.

Saleth and Dinar, however, do acknowledge that their research into the 'institutional economics of water' focussed on the macro level, and ignored 'micro details'. Excluded was the important role played by 'informal institutions', such as activist non-government organizations (NGOs) in 'grass-roots' decisions on water use and management' claiming that such institutions 'lack international comparability and remain largely outside the ambit of purposive policy changes'.<sup>78</sup> However, without informal institutions providing grass roots inputs into decision-making, it is likely that the poor would become further marginalised in the decision-making process. Too often it is the poor of nation-states that are the first to experience any negative effects emerging from water institutional reform.<sup>79</sup>

Reforms, according to Antonio Estache, 'can result in losses for the poor, as opposed to the non-poor',<sup>80</sup> especially when 'safety nets' for their protection have not been incorporated into the reform process, or implemented prior to privatization.<sup>81</sup> The lack of individual power of the poor to influence reform so that it is in their favour or

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<sup>77</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water: A Cross-Country Analysis*, p. 329.

<sup>78</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 327. It should be noted that Saleth and Dinar's research was partly funded by the World Bank, the Bank-Netherlands Water Partnership Program, the Norwegian Trust Fund, the Swiss Trust Fund at the World Bank, and the International Water Management Institute, Colombo, Sri Lanka.

<sup>79</sup> D. Hall, *et. al.*, 2005, 'Public resistance to privatisation in water and energy'.

<sup>80</sup> A. Estache, 2005, 'Latin America's Infrastructure Experience: Policy Gaps and the Poor', p. 281.

<sup>81</sup> See K. Komives, 2001, 'Designing pro-poor water and sewer concessions: early lessons from Bolivia'.

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reflects their needs has resulted in many poor citizens of developing countries being, on occasion, denied access to drinking water.<sup>82</sup>

The consequences of having profit-driven systems introduced through privatization include having a previously accessible public water flow reduced to a trickle by the water corporation responsible for supply. This technique requires people to queue for hours to access a minimal amount of water. Another method uses ‘pay-as-you-use’ pre-payment cards for access to the water supply. These require individuals to find adequate funds to purchase such cards prior to obtaining water. Such systems have excluded many impoverished citizens from accessing that which is necessary to fulfil their human right to life.<sup>83</sup> However, as Gleick *et al.* state in their chapter ‘The Privatization of Water and Water Systems’, the pricing of water is ‘a complicated issue’, including such factors as affordability as well as willingness and/or ability to pay.<sup>84</sup>

It could be argued that small-scale providers are also in the position of being able to deny water to consumers that are unable to pay; however, it is in their best interests to make alternative payment options available whenever possible.<sup>85</sup> Also, any profits made tend to be kept within the community, whilst providing locally-based employment.

Many governments have provided free or subsidised “cheap” water for the most impoverished of their citizens as part of their social responsibility and obligations; however, the private sector remains responsible only to its shareholders. Thus, changes to water law, water policy and water administration, collectively known as essential services institutional change, and often demanded by international financial institutions as a precursor for future loan approvals, have frequently failed to identify or accommodate the drinking water needs of the poorest sectors in a developing country.

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<sup>82</sup> WaterAid, 2007, “Global cause” and effect: How the aid system is undermining the Millennium Development Goals, WaterAid, London, pp. 1-10.

<sup>83</sup> G. Dwivedi *et al.*, 2007. *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*.

<sup>84</sup> Gleick, P. *et.al.*, 2002, ‘The Privatization of Water and Water Systems’, p. 69.

<sup>85</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’.

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### Water Scarcity and the Development Challenges

The quantitative and qualitative aspects presented by freshwater scarcity are, according to R. Maria Saleth and Ariel Dinar, ‘emerging as a major development challenge for many countries’.<sup>86</sup> Rim Lahmandi-Ayed and Mohamed-Saleh Matoussi support this view when they claim that where a country’s volume of renewable fresh water falls below the 1000 cubic metre benchmark per inhabitant per year, the country ‘will experience chronic stress that will hinder its economic development and entail serious environmental degradation’.<sup>87</sup> Saleth and Dinar, using institutional economics and political economy perspectives to frame future water shortages in terms of a ‘water crisis’, explain this advent by increasing population growth and economic development demands, that were unable to be supplied within the capacities of existing ‘economic policies, managerial framework, and technical conditions’.<sup>88</sup> Yet, any potential water scarcity implications associated with climate change received one mention only as a ‘major long-term issue for the Canadian water sector’.<sup>89</sup> Their proposed solution is world-wide ‘institutional reform within the water sector’. Their main reform goals include:

- treating water ‘as an economic good’;
- increasing reliance on ‘market forces’;
- encouraging ‘the use of modern technology’; and
- revival of the ‘payment culture’.<sup>90</sup>

The proposed reforms coincide with the requirements for the privatization of water. They claim that when water scarcity is viewed ‘purely from an economic rather than from an ideological perspective’ then best practice requires privatization.<sup>91</sup>

### Privatization discourse and governments

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<sup>86</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 1.

<sup>87</sup> R. Lahmandi-Ayed and M.S. Matoussi, 2003, ‘Selection through water markets’, in P. Koundouri *et al.*, (eds.), *The Economics of Water Management in Developing Countries*, pp. 62-3.

<sup>88</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 9.

<sup>89</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 157.

<sup>90</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, pp. 302-304.

<sup>91</sup> R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*, p. 177.

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The introduction and implementation of free market policies requires governments to relinquish their control over, and management of, publicly-owned enterprises and infrastructure through imposition of a series of economic reforms and institutional changes. Governments in developing countries have been good targets for World Bank implementation of infrastructure privatization. This has been due to their large debts and financial repayment commitments to international financial institutions that could be used against them to obtain their consent to change.<sup>92</sup> Despite hardships generated by the withholding of financial assistance to many citizens, access to necessary loan instalments was denied until such time as consent was given for restructuring and privatizing public utilities.

In a *Multinational Monitor* article on IMF/World Bank water policies Sara Grusky claims it is the World Bank which has decided that in many developing countries ‘public sector ownership of the water utilities is too costly and inefficient’; [...that] ‘developing country governments are too poor and too indebted to further subsidize water and sanitation services’; and, that privatization provides solutions to these problems by providing ‘quick resources to service developing country debt’.<sup>93</sup> Michael Goldman argues that it is ‘green neoliberalism’ that has underpinned the intent of the World Bank and its partners to generate a ‘global consensus’ about the unsuitability of governments of developing countries to control their water sectors. They are now deemed as unfit to retain responsibility for water utilities, due to their alleged previous ‘monopolistic and corrupt’ actions regarding water supply and management.<sup>94</sup> As such governments are identified and castigated as being responsible for the current situation of water scarcity and unfulfilled need.

The most commonly-used complaint against government-supplied water services concerns their decision not to seek full cost-recovery from their citizens for the provision and protection of freshwater. Full-cost recovery, according to the proponents of privatization, should include domestic, industrial, mining, manufacturing and agricultural enterprises. Critics claim that governments’ decisions

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<sup>92</sup> S. Haggard et al., 1995, *The Political Feasibility of Adjustment in Developing Countries*.

<sup>93</sup> S. Grusky, 2001, ‘Privatization tidal wave: IMF/World Bank water policies and the price paid by the poor’, *Multinational Monitor*, vol. 22, issue 9, pp.14-19.

<sup>94</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’, p. 790.

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to keep water pricing below sustainable levels is politically-based and motivated. This, it is argued, has disabled their financial capacity to maintain existing water supply network services, or expand coverage to citizens residing in under-served areas, or effectively manage the quality and quantity of a potentially scarce resource.<sup>95</sup> Yet, the private sector's demand for profit goes unchallenged when issues of water-pricing are used to exhort the benefits of privatization.

Governments are accused of political bias and serving their own political interests during water sector decision making and management; meanwhile, the expansion and protection of shareholders' investments — as the motivating force behind international water corporations' decision-making and pricing policies — are intentionally obscured in the World Bank's privatization discourse.<sup>96</sup> Meanwhile, handing responsibility for provision of water services to the international private sector ensures that freshwater becomes increasingly perceived and managed as an 'economic good'.

Kristin Komives, in the 1999 World Bank-initiated review of water privatization by the French-based Lyonnaise des Eaux consortium (known as Aguas del Illimani) in the La Paz-El Alto metropolitan area of Bolivia, claims that it is 'government officials and donor agencies' who identify the private sector as a likely source 'to improve and expand water and sanitation services for the poor in developing countries'.<sup>97</sup> This view, however, is challenged by the Washington, D.C.-based activist group Food & Water Watch in their on-line report, "Going Thirsty — The Inter-American Development Bank and the Politics of Water". The report identifies the activities of the Inter-American Bank as having close similarities with the World Bank and IMF. They claim that the financial institutions' support for projects and policies that appear

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<sup>95</sup> For discussion see A. Dinar, 2003, 'The political economy context of water-pricing reforms'; Gleick, P. et.al., (Eds.), 2002, *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*; I.N. Kessides, 2004, 'Reforming Infrastructure: Privatization, Regulation, and Competition'; R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*.

<sup>96</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic'.

<sup>97</sup> K. Komives, 2001, 'Designing pro-poor water and sewer concessions: early lessons from Bolivia', p.61.

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to assist the poor and disadvantaged are ‘actually conceived by multinational corporations and driven by profit’.<sup>98</sup>

An example of the profit-driven motive can be seen with events that happened in Nepal where a dispute over supply of drinking water had arisen. The dispute was between donor agencies and the Maoist government regarding concerns about handing the ‘multi-million dollar Melamchi Drinking Water Project contract’ — for supply and distribution of an additional 150 million litres of drinking water to three cities in the Kathmandu Valley — to a ‘private foreign firm’.<sup>99</sup> The Nepalese government decided to refrain from signing the contract previously awarded to the British water corporation Severn Trents PLC on the date prescribed by the project’s co-partner, the Asian Development Bank (ADB). In response the ADB formally advised the Nepalese government of its decision to withdraw its 140 million dollars funding towards the project that would have increased the currently available 90 million litres of drinking water to meet the daily demand for approximately 240 million litres. As reported on the United Nations Office for the Coordination of Humanitarian Affairs, (OCHA) website, Reliefweb, ‘completion of the project would have provided much needed drinking water to the water-starved Kathmandu Valley’. The consequences for the Nepalese people from the ADB and Nepalese government decisions, based on conflicting ideologies, are not pursued nor examined.

Concerns have been raised about the inclusion of privatized freshwater supply and delivery services within the General Agreement on Trade in Services (GATS) for governments of those developing countries seeking inclusion in trade liberalisation agreements. According to Rebecca Bates, GATS sets out the ‘binding rules’ on the ‘international trade of services.’<sup>100</sup> Colin Kirkpatrick and David Parker claim that although policies enabled individual country members of GATS to ‘impose limitations on national treatment and market access’, there is likelihood that

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<sup>98</sup> Food & Water Watch, 2007, ‘Going Thirsty — The Inter-American Development Bank and the Politics of Water’, *Reports on Water Privatization*, Food and Water Watch official website, accessed 30 November 2007 at <http://www.foodandwaterwatch.com>.

<sup>99</sup> Deutsche Presse-Agentur, 2007, *Asian Development Bank pulls out of Nepal water project*, UN Office for the Coordination of Humanitarian Affairs (OCHA) official Reliefweb website, accessed 18 May 2007 at <http://www.reliefweb.int/rw/RWB.NSF/db900SID/DHRV-73AB8S?>.

<sup>100</sup> R. Bates, R., 2009, ‘The Trade in Water Services: How Does GATS Apply to the Water and Sanitation Services Sector?’, *Sydney Law Review*, vol.31, issue, 121, March, pp.121-142, p.122.

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international rules will eventually over-ride a country's national autonomy in regulating their water sector. By following international trade liberalisation policies governments must agree to reducing their commitments to 'universal service obligations, equity, poverty reduction and consumer protection' that will likely ultimately 'disadvantage the poor' of their nation.<sup>101</sup> This is a primary area for criticism of GATS, especially in the context of water sector privatization.

### State obligations and regulations

It is the developed nations of the global North that are predominantly host to the organisations, institutions and large corporations promoting the privatization agenda in the global South. Institutional change is sought to encourage economic and institutional reforms that are conducive to the liberalisation of markets, or free market trading. Included within these changes or reforms is removal of barriers that have previously prevented private ownership, especially of publicly-owned infrastructure, and foreign investment. Essential services' infrastructure, such as the water and sanitation sectors, has been specifically targeted for transfer to the private sector.<sup>102</sup> Thus, a developing nation's freshwater – over which individual governments have human rights obligations on behalf of its citizens – has become a central target for neoliberal economic reform policies. Yet, the General Comment 15. 23 of the Committee on Economic Social and Cultural Rights (2002) declares that States are:

to prevent third parties from interfering in any way with the enjoyment of the right to water. Third parties include individuals, groups, corporations and other entities as well as agents acting under their authority. The obligation includes, inter alia, adopting the necessary and effective legislative and other measures to restrain, for example, third parties from denying equal access to adequate water; and polluting and inequitably

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<sup>101</sup> C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries', p.1492.

<sup>102</sup> Commission to the Council and the European Parliament, 2003, *The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities: the Need to Assess All the Options The right to water (arts. 11 and 12 of the International Covenant on Economic, Social and Cultural Rights)*, European Union and European Law website, accessed April 4 2007 at <http://eur-lex.europa.eu>.

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extracting from water resources, including natural sources, wells and other water distribution systems.<sup>103</sup>

Rather than challenging the right of third parties to control a nation-state's freshwater, the Committee relegates the role of the State to regulator of other 'third party activity'. This active promotion of the necessity for a strong regulatory framework forms part of the support for institutional and economic reform of the water sector.<sup>104</sup> This in turn sanctions internationally-based water corporations to act as 'third parties' when regulated by the State. This effectively affords opportunity to transfer publicly-owned and managed resources and infrastructure, including freshwater and groundwater, to the private sector. However, according to Tina Wallace and Anne Coles in their chapter 'Water, Gender and Development' the 'critical' issue of conserving these natural resources is generally neglected within the water sector. They further claim that a 'vacuum is appearing over whose responsibility it is to map and monitor the geology and rates of replenishment of water globally'.<sup>105</sup>

A study by Franceys and Weitz suggests that for private operators to improve water sector performance they need the freedom 'to manage their operations without undue political, individual and labour interference', which implies a reduction in State regulation.<sup>106</sup> This view is reinforced by Kikeri and Nellis in their article 'An Assessment of Privatization' for *The World Bank Research Observer*. They claim that 'privatization works better when combined with liberalization measures that remove barriers to entry and exit' thereby assisting with improved 'enterprise performance'.<sup>107</sup>

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<sup>103</sup> Committee on Economic, Social and Cultural Rights, 2002, *General Comment No. 15 The right to water (arts. 11 and 12 of the International Covenant on Economic, Social and Cultural Rights: E/C.12/2002/11)*, Agenda Item 3, at 29th Session — Committee on Economic, Social and Cultural Rights, Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights, November 11-29, Geneva.

<sup>104</sup> For discussions see I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*; C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in Developing Countries'; P. Koundouri *et al.* (eds.), 2003, *The Economics of Water Management in Developing Countries*; D. Parker *et al.*, 2005, 'Privatisation in Developing Countries'; and R.M. Saleth and A. Dinar, 2004, *The Institutional Economics of Water*.

<sup>105</sup> A. Coles and T. Wallace, (eds.), 2005, *Gender, Water and Development*, p.4.

<sup>106</sup> R. Franceys and A. Weitz, 2003, 'Public-Private Community Partnerships in Infrastructure for the Poor', *Journal of international Development*, vol. 15, issue 8, pp. 1083-1098, p.1086.

<sup>107</sup> S. Kikeri, and J. Nellis, 2004, 'An Assessment of Privatization', *The World Bank Research Observer*, vol. 19, issue 1, pp. 87-118, p. 95.

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According to Kessides there are three goals that need to be achieved within any water sector regulatory framework. These are efficiency, equity, and environmental sustainability.<sup>108</sup> These supposedly balance:

- the economic needs of corporations by enabling them to recover costs and make profits for their shareholders;
- the current physical needs of citizens by providing access to safe drinking water;
- future environmental needs by executing pollution and damage control.

Colin Kirkpatrick and David Parker refer to this ‘efficiency, equity and environmental sustainability’ model as a regulatory system designed to achieve ‘welfare goals at minimum economic cost’.<sup>109</sup>

Following their review of the regulation literature, Kirkpatrick and Parker suggest that in the ‘search for practical solutions’ to developing countries’ water sector problems, there may have to be adoption of regulatory policies ‘that do not necessarily accord with the theory’.<sup>110</sup> In other words, the usual promotion of de-regulation as a necessary component for economic growth, as usually associated with free markets and privatization, is not suitable for the water sector being due to health, social and environmental implications. This theme is expanded by Prasad who claims that the regulatory policies and ‘best practice’ procedures used in developed countries ‘cannot be easily replicated or transferred to developing economies, since regulation is deeply embedded in the local cultural and institutional setting’.<sup>111</sup> Prasad also highlights the lack of studies into the ‘nature, role and performance of the new forms of regulatory state’ with their ‘very different social, cultural, and economic settings’ and range of

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<sup>108</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 235.

<sup>109</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1500.

<sup>110</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1500.

<sup>111</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 684.

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relevant existing regulations and government involvement and their capacity for regulatory enforcement.<sup>112</sup>

Whilst Prasad does not mention a region's specific environmental and climatic differences, these "settings" should also be included in any study of regulation pertaining to water supply services. The deteriorating condition of surface and groundwater supplies will likely have an impact on supply availability and level of cleansing or conditioning required to provide potable drinking water to the poor. These factors increase the costs of production and supply.<sup>113</sup>

Without enforceable regulatory measures in place water corporations, in the interest of profit-making, have on occasion reduced quality control measures and restricted coverage expansion to those areas most able to afford full-cost recovery tariffs.<sup>114</sup> However, if the best interests of all future generations and their environment are to be recognized in accordance with internationally-recognized sustainable development provisions,<sup>115</sup> then differing groundwater and surface water conditions, and their availability and security, would be automatically acknowledged and addressed in water sector regulatory designs.

Regulations, however, do not necessarily ensure that governments of nation-states will fulfil their human rights' obligations regarding the protection of citizens and the environment against third parties. The bottled water industry, as a fore-runner and leader in the international privatization race to commodify freshwater supplies, provides such an example. It has been permitted to extract groundwater and surface water for the purpose of producing and distributing potable water to amass profits for

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<sup>112</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', p. 684.

<sup>113</sup> For a discussion on deteriorating groundwater conditions in India see P. Wyrwoll, 2012, 'India's groundwater crisis', *GWF Discussion Paper 1228*, Global Water Forum (GWF), Canberra, Australia.

<sup>114</sup> Public Citizen, 2003, *Water Privatization Fiascos: Broken Promises and Social Turmoil*, Water for All Special Report, Public Citizen official website available at <http://www.citizen.org/documents/privatizationfiascos.pdf>

<sup>115</sup> 'The Brundtland Commission's definition of sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987:3)' cited in Marc Williams, 1998, 'Aid, Sustainable Development and the Environmental Crisis', *International Journal of Peace Studies*, vol. 3, issue 2, pp. 19-33, available at [http://www.gmu.edu/programs/icar/ijps/vol3\\_2/Williams.htm](http://www.gmu.edu/programs/icar/ijps/vol3_2/Williams.htm).

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shareholders.<sup>116</sup> In some developing countries this has been without the requisite regulatory framework in place to protect the resource, control quality of the product or provide an accountable, independent authority to enforce ‘third parties’ to abide by existing regulations.

### Sequencing

The correct sequencing of privatization, regulation and competition is considered to be an important factor for improved enterprise performance in developing countries.<sup>117</sup> Naren Prasad, whilst citing Zhang *et al.* (2005) who used ‘panel data and an econometric model’ for their research, agrees that the establishment of a regulatory authority and introduction of competition prior to privatization ‘results in better performance for the operator as well as the consumers’.<sup>118</sup> During a Center for Global Development interview John Nellis, co-editor of *Reality Check: The Distributional Impact of Privatization* claims the ‘stronger and more competent the regulatory system’ is prior to sale of an infrastructure enterprise, ‘the higher the likelihood that social impact of an infrastructure privatization will be positive’.<sup>119</sup> However, Prasad claims that in the rush to privatize the water services of developing countries there has been neglect of both the need for, and the implementation of, ‘competition and effective regulation’.<sup>120</sup>

Water sector regulators have a challenging role. They must balance the interests of investors, consumers, taxpayers, and the environment whilst operating with ‘insufficient information’, especially pertaining to costs. This asymmetry of information, according to Kessides, is partly due to the ‘limits on competition as a

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<sup>116</sup> M. Barlow and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World’s Water*; S. Beder, 2006, *Suining Themselves: how corporations drive the global agenda*; and, Worldwatch, 2007, *Bottled Water Pricey in More Ways than One*, The Worldwatch Institute official website, accessed 20 May 2007 at <http://www.worldwatch.org/files/images/20070508-bottled-water-larg.jpg>.

<sup>117</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*; and, N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’.

<sup>118</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 684.

<sup>119</sup> Center for Global Development, 2005, *Q & A with John Nellis on Reality Check: The Distributional Impact of Privatization*. Center for Global Development official website accessed 2 July 2007 at <http://www.cgdev.org/content/opinion/detail/4540/>. n.p.

<sup>120</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 684.

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discovery mechanism' within the water sector, and partly because water infrastructure tends to be located underground and is 'not readily observable'.<sup>121</sup>

Responsibility for water utility operations, including contracts and regulations, is frequently devolved to the local or municipal government level. Yet, Kessides claims that most municipal governments do not have the capacity 'to design competitive contracting or carry out regulation' or for undertaking fair negotiations when private partners are more knowledgeable. Thus, he recommends that it is essential for them to obtain expert advice.<sup>122</sup> Yet, expert legal advice and technical knowledge is generally held, updated and maintained by those institutions and organizations recommending privatization.<sup>123</sup>

When a privatization attempt is unsuccessful it is often attributed to inappropriate regulatory standards or lack of an independent regulator, or political interference, or a combination of all these factors. In this respect Naren Prasad claims that 'regulation has become the scapegoat' enabling the privatization agenda to prevail.<sup>124</sup> In other words privatization tends to remain unchallenged as the 'best' or 'only' solution for meeting the supply and demand of freshwater. This raises the question as to whether a publicly-run water sector, remaining answerable to its citizens, could improve and expand services if it was subjected to the same proposed regulatory frameworks and autonomous agencies that are being recommended for private corporations.

During the past decade recognition of governments as owners and managers of their nation's infrastructure has been increasingly eroded by the 'prevailing emphasis on privatization in development discourse'.<sup>125</sup> Meanwhile, implementation of development and aid organizations' privatization policies are encouraging governments to relinquish their responsibilities for the supply of essential services to private enterprises. This has certainly been the case for the water sector. In 2002 Dr.

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<sup>121</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 236.

<sup>122</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 250.

<sup>123</sup> Corporate Europe Observatory (CEO), 2007, *Murky water – PPIAF, PSEEF and other examples of EU aid promoting water privatization*, CEO official website accessed 4 April 2007 at <http://www.corporateeurope.org/murkywater.html>.

<sup>124</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', p. 684.

<sup>125</sup> C. Adams, 2001, *Privatising Infrastructure in the South*, p.2; also, M. Williams, 1998, 'Aid, Sustainable Development and the Environmental Crisis'.

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Peter Gleick, co-founder of the Pacific Institute and water expert, referred to the globalization and privatization of freshwater as the ‘new economy of water’.<sup>126</sup>

Meanwhile Kirkpatrick and Parker claim that amongst the issues needed to be managed for water-sector regulation to become an effective tool are:

- asymmetries of information — whereby the regulator and the regulated have access to ‘different levels of information about such matters as costs, revenues and demand’; and,
- the potential for ‘regulatory capture’ whereby the regulatory process develops bias towards ‘particular interest groups’.<sup>127</sup>

Each developing country will have different capacities for managing information flows as well as regulatory capture by particular interest groups. This is due to governance differences in managing political influence, bureaucracy, and civil society activism within their existing institutional frameworks. Yet, these differences often become neglected in the privatisation discourse whereby a ‘one size fits all’ model is applied irrespective of contradictory scenarios.

In the interim focus is diverted from what is essentially the corporate capture of the previously-held concepts of freshwater as a “common” or “social” good and human right. Gleick *et al.* claim that there is no universally accepted definition of social goods and services. The following, however, is a definition that is frequently used: ‘social goods are those that have significant “spillover” benefits or costs’.<sup>128</sup> To encourage the global acceptance and adoption of water infrastructure privatization the concept of water has been manipulated and reformed into an “economic good”. Any negative impacts on the welfare of the poor in developing countries, stemming from this corporate capture and transformation of the concept of water, have been

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<sup>126</sup> P. Gleick, *et al.*, (eds.), 2002, *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 43.

<sup>127</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1498.

<sup>128</sup> P. Gleick, G. Wolff, E. Chalecki, and R. Reyes, 2002, ‘Globalization and International Trade of Water’, in P. Gleick *et al.*, (eds.), *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, Island Press, Washington, DC, p. 38.

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minimised by many development organizations during their pursuit of expansionary economic goals.

### Number of privatizations

A 2004 World Bank report on reforming infrastructure describes private participation in the water sector as ‘modest’,<sup>129</sup> with claims made that the private sector manages less than 10 percent of all water globally.<sup>130</sup>

By 1997 private investments in the water sector reached a total of US\$25 billion.<sup>131</sup> Towards the end of 2000 at least 93 countries had introduced some form of privatization policy for their piped water services,<sup>132</sup> involving over ‘2,000 water and sewerage projects with private participation’ in developing countries during the period 1990 to 2001.<sup>133</sup> Wolffe claimed in 2004 that the ‘number of people served by private companies has grown from 51 million to nearly 300 million in 2002’.<sup>134</sup>

Michael Goldman, writing in *Geoforum* in 2007, framed the water sector privatization figures another way. He claimed that between 1990 and 2000 an additional 409 million people, or an increase of 800 per cent in the number of ‘African, Asian and Latin American water users’ have been made ‘dependent upon a few global water firms for their water supplies’; and, who must now purchase their water from ‘European-owned private firms’. Citing industry analysts’ predictions, he stated, that by 2015, there would be 1.16 billion people ‘buying their water from Northern-based water firms’. He further claimed that water dealing ‘has become one of the most lucrative markets for transnational capital investors’.<sup>135</sup> For example according to the

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<sup>129</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, p.234.

<sup>130</sup> P. Gleick *et al.*, 2002, ‘The Privatization of Water and Water Systems’ in *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 60; also see J. Medalye, 2007, *Drivers of public-private partnerships in the water sector*, The Encyclopedia of Earth official website accessed on 22 April 2014 at <http://www.eoearth.org/view/article/151801>.

<sup>131</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries,’ p. 1495.

<sup>132</sup> P. Gleick *et al.*, 2002, ‘The Privatization of Water and Water Systems’ in *The World’s Water: The Biennial Report on Freshwater Resources 2002-2003*, p. 60.

<sup>133</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries,’ p. 1495.

<sup>134</sup> G.H. Wolffe & M. Palaniappan, 2004, ‘Public or Private Water Management? Cutting the Gordian Knot’, *Journal of Water Resources Planning & Management*, January-February, pp. 1-3.

<sup>135</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’, pp. 3, 5.

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activist group Food & Water Watch by 2013 one northern-based firm Veolia Environnement provided drinking water to approximately 101 million people with estimated total revenue of US\$38.8 billion and total profit of US\$520 million. Their subsidiary Veolia Water North America received an estimated US\$595million in revenue.<sup>136</sup> The group claims that the second largest water corporation in 2013 was Suez Environnement that provided “drinking water to 97 million people ... worldwide.”<sup>137</sup> According to Suez Environnement’s official website their 2015 water management subsidiaries include Lyonnaise des Eaux, Degremont, United Water, and Ondeo Industrial Solutions encompassing the global north and south.<sup>138</sup>

### Corporate Water

The move to formally privatize water services was initiated in a few developed countries. Britain and France were forerunners in this movement.<sup>139</sup> It has been claimed that the early establishment of water supply privatization in these countries has significantly contributed to the transnational growth of some of the original suppliers.<sup>140</sup>

The Northern-based water firms that Maude Barlow refers to are variously described as ‘the lords of the water’,<sup>141</sup> ‘a corporate class’,<sup>142</sup> ‘water thieves’ who are ‘multi-billion-dollar’ conglomerates,<sup>143</sup> ‘water barons’,<sup>144</sup> and a ‘water cartel’.<sup>145</sup> In *The Ecologist*, Jon Luoma identifies the three largest firms as:

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<sup>136</sup> Food & Water Watch, 2013, *Veolia Water North America: A Corporate Profile Fact Sheet*, Food & Water Watch official website available at <http://www.foodandwaterwatch.org/factsheet/veolia-water-corporate-profile/>

<sup>137</sup> Food & Water Watch, 2013, *United Water: A Corporate Profile Fact Sheet*, Food & Water Watch official website available at <http://www.foodandwaterwatch.org/factsheet/united-water-a-corporate-profile/>. United Water is a fully owned subsidiary of Suez Environnement servicing the North American market.

<sup>138</sup> Suez Environnement official website visited 16 February 2015 at <http://www.suez-environnement.com/water/water-activities/>

<sup>139</sup> See M. Finger and J. Allouche, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, pp. 105 – 149.

<sup>140</sup> M. Barlow and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World’s Water*.

<sup>141</sup> M. Barlow and T. Clarke, 2002, *Blue Gold The Fight to Stop the Corporate Theft of The World’s Water*, p. 106.

<sup>142</sup> S. Beder, 2006, *Suiting Themselves: how corporations drive the global agenda*, pp.1-7.

<sup>143</sup> J. Luoma, 2004, ‘The Water Thieves’, p. 54.

<sup>144</sup> B. Marsden, 2003, *Cholera and the Age of the Water Barons*, The Center for Public Integrity official website, accessed 4 April 2007 at <http://www.publicintegrity.org/water/report.aspx?aid=44>.

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- France's Veolia Environnement – formerly Vivendi Environnement, which purchased the American-based water operator US Filter in 1999 for \$6.2 billion. Veolia was described in a 2005 report by *Public Citizen* as the 'world's largest water company';<sup>146</sup>
- French-based Suez, which bought American company United Water Resources in 1999 for \$1 billion; and
- British-based Thames Water, owned by Germany's RWE AG.<sup>147</sup>

The global financial crisis had an impact on the nature of deals and partnerships being formed that helped the two largest corporations increase their water management holdings.<sup>148</sup>

According to Bill Marsden, writing for the Center for Public Integrity, these three firms have 'expanded into every region of the world'. Following behind, also with international contracts, but on a much smaller scale are Saur of France, and the English-based United Utilities that works in conjunction with Bechtel of the United States.<sup>149</sup> The United States-based Enron Corporation was also a key player in the water industry until its financial collapse from 'future value trading'.<sup>150</sup>

Since the Asian economic crisis of 1997-98 private sector investments in infrastructure, and particularly the water sector, have been falling.<sup>151</sup> The World Bank

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<sup>145</sup> S. Beder, 2014, 'Water and Waste Conglomerates', *Business Managed Democracy*, Official website available at

<http://www.herinst.org/BusinessManagedDemocracy/government/privatisation/watercartels.html>

<sup>146</sup> Public Citizen, 2005, *Veolia Environnement: A Corporate Profile*, A Special Report by Public Citizen's Water For All program. Document available at [www.wateractivist.org](http://www.wateractivist.org), p. 18.

<sup>147</sup> J. Luoma, 2004, 'The Water Thieves', p. 54; for examination of the operations of these and other smaller corporations see Finger and Allouche, 2002, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, pp. 114 – 140.

<sup>148</sup> For recent updates on the deals, partnerships and purchase of subsidiaries undertaken by the leading water management corporations since the global financial crisis see S. Beder's official website <http://www.herinst.org/BusinessManagedDemocracy/government/privatisation/watercartels.html>

<sup>149</sup> B. Marsden, 2003, *Cholera and the Age of the Water Barons*; see also Public Citizen, 2005, *Veolia Environnement: A Corporate Profile*, available at Public Citizen official website <http://www.citizen.org/cmep/Water/general/majorwater/index.cfm> p. 3.

<sup>150</sup> Transnational Institute (TNI), 2007, *Carbon offset companies using Enron style accounting*. Transnational Institute official website accessed 3 July 2007 at [http://www.tni.org/detail\\_page.phtml?&act\\_id=16292&menu=11c](http://www.tni.org/detail_page.phtml?&act_id=16292&menu=11c).

<sup>151</sup> See D. Hall, *et al.*, 2005, 'Public resistance to privatisation in water and energy'; also, C. Kirkpatrick and D. Parker, 2005, 'Domestic Regulation and the WTO: The Case of Water Services in

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reports that private investments for ‘water supply and sanitation averaged \$4.6 billion a year in 1999-2001, down from a decade high of \$9.3 billion in 1997 (all measured in 2001 dollars)’.<sup>152</sup> During this time of rapid privatization loans and aid to developing countries for water infrastructure purposes were dramatically reduced.<sup>153</sup> Colin Kirkpatrick and David Parker cite claims by Alexander (2003) and Talbot (2002) that the privatization slowdown has been due to existing ‘regulatory weaknesses and associated contract failures’.<sup>154</sup>

Indian NGO activists Dwivedi, Rehmat and Dharmadhikary provide a list of 37 failed privatization projects in water supply and sanitation from around the world that identifies the water corporations and the reasons their contractual arrangements were terminated. These range from:

- Thames Water having their contract terminated for Kelantan Water, Malaysia due to poor services, low number of connections and a high amount of non-revenue water;
- the cancellation of Vivendi’s contract in Nairobi, Kenya due to extreme price hikes, massive job cuts, the corporation’s requirement for guaranteed profits, and the lack of an original competitive bidding process;
- a court ruling against Suez terminating its contract in Nkonkobe, South Africa following price hikes and disconnections of supply;
- termination after four years of the United Water-Suez subsidiary contract by the municipal government in Atlanta, U.S.A. due to high water rates, deteriorating water quality, and the subsidiary’s failure to make investments;

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Developing Countries’; also D. Parker and C. Kirkpatrick, 2005, ‘Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons’; also, see S. Beder, 2014, *Business Managed Democracy*, available at official website <http://www.herinst.org/BusinessManagedDemocracy/government/privatisation/watercartels.html>.

<sup>152</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 235, Box 5.3.

<sup>153</sup> M. Goldman, 2007, ‘How “Water for All!” policy became hegemonic’.

<sup>154</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1496.

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- and, termination of the contract with a Vivendi subsidiary by the government of Puerto Rico due to service delivery problems, non-fulfilment of contractual obligations and violations of environmental laws.<sup>155</sup>

Whilst concerns and protests about rate increases are nationally-based they are experienced by many citizens of multiple nations around the globe, including some in developed countries, and nations who have already been exposed to the privatization process for several years.<sup>156</sup> Hall *et al.* identify these concerned groups, which can vary within and between nations, as comprising ‘trade unions, consumers, water professionals, environmentalists, political groupings, and community organisations.’<sup>157</sup> In this context challenges to water privatization, for countries that were amongst the first “victims” of World Bank water sector policies, are now being used as the vehicle to assist governments of some developing countries to reclaim and restore diminished control and power over their nation-states.<sup>158</sup>

### Privatization Modes

Generally water sector private-sector participation (PSP), and more specifically public-private partnerships (PPPs), are justified as ‘reform of the water sector’.<sup>159</sup> PSP and PPP involve some level of privatization of publicly-supplied and -regulated essential water services and can follow several forms. Naren Prasad advises that the ‘variants include complete privatisation, ..., BOT models, private management

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<sup>155</sup> G. Dwivedi *et al.*, 2007, (2<sup>nd</sup> edn.), *Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*, Annexure A1 – A9.

<sup>156</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp. 136-142.

<sup>157</sup> D. Hall *et al.*, 2005, ‘Public resistance to privatisation in water and energy’, p. 288.

<sup>158</sup> J. Dugard, & K. Drage, 2012, *Shields and Swords: Legal Tools for Public Water*, Municipal Services Project Occasional Paper No. 17, June available at [http://www.municipalservicesproject.org/sites/municipalservicesproject.org/files/publications/OccasionalPaper17\\_Dugard-Drage\\_Shields\\_and\\_Swords\\_Legal\\_Tools\\_Public\\_Water\\_June2012.pdf](http://www.municipalservicesproject.org/sites/municipalservicesproject.org/files/publications/OccasionalPaper17_Dugard-Drage_Shields_and_Swords_Legal_Tools_Public_Water_June2012.pdf).

<sup>159</sup> N. Prasad, 2007, *Social Policies and Water Sector Reform*, United Nations Research Institute for Social Development (UNRISD) Markets, Business and Regulation Programme, Paper Number 3 (PP MBR 3), September, p.681. According to the Asian Development Bank (ADB), in response to a question posed about the difference between PSP and PPP during a meeting between ADB representatives and NGOs to summarise the ADB’s stance on water privatization, the ADB stated that PSP and PPP ‘mean the same in that they are intended to provide balance between public and private investment so that efficiency is maximized’ in Asian Development Bank (ADB), 2004, ‘Summary of Major Points: Meeting on Water’, *Water Resources Management*, ADB official website accessed 19 July 2007 at <http://www.adb.org/NGOs/water-meeting.pdf>.

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contracts, and concessions’ with responsibilities being shifted ‘from the state to the market’ leading to altered institutional frameworks.<sup>160</sup>

The complete privatization model involves the sale or transfer of assets comprising the complete public water delivery and treatment systems to consortium-forming, multinational corporations as occurred in the United Kingdom<sup>161</sup> or, as referred to by Maude Barlow and Tony Clarke, ‘the complete sell-off by governments of public water delivery and treatment systems’.<sup>162</sup> Other models involve service, management and leasing contracts between governments and corporations.

Expanding upon Kessides’<sup>163</sup> original breakdown of different forms of PSP in water supply, Prasad<sup>164</sup> identifies these under the following categories of:

- **Service contract** — with public ownership, public financing, and ‘public then some private’ operations, as occurred in Mexico City, Santiago – Chile, and Madras. According to Gleick<sup>165</sup> these contracts also include one-off projects such as ‘meter installation or pipeline construction’;
- **Management contract** — with public ownership and financing, and the private sector supplying ‘managerial and operational expertise’<sup>166</sup> for ‘an administrative fee’<sup>167</sup> as introduced in Cartagena-Colombia, Gdansk-Poland, Johannesburg, South Africa and the Republic of Mali in West Africa;
- **Lease contract or *affermage***,<sup>168</sup> where the private firm assumes full responsibility for all operations including tariff collections and maintenance

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<sup>160</sup> N. Prasad, 2006, *Privatisation Results: Private Sector Participation in Water Services After 15 Years*, p. 681; see also M. Finger and J. Allouche, 2002, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, pp.80-82, 85. 193-197.

<sup>161</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*; N. Prasad, 2007, ‘Social Policies and Water Sector Reform’.

<sup>162</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 89.

<sup>163</sup> I.N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*.

<sup>164</sup> N. Prasad, 2007, ‘Social Policies and Water Sector Reform’, p. 682.

<sup>165</sup> P. Gleick, *et al.*, (eds.), 2002, ‘The Privatization of Water and Water Systems’, p. 66.

<sup>166</sup> P. Gleick, *et al.*, (eds.), 2002, ‘The Privatization of Water and Water Systems’, p. 66.

<sup>167</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 89.

<sup>168</sup> An *affermage* contract, as developed in France, is where the fee paid to the public utility is ‘proportional to the volume’ of water sold see I. N. Kessides, 2004, ‘Reforming Infrastructure: Privatization, Regulation, and Competition’, pp. 232-234, also M. Finger and J. Allouche, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, for description and discussion of the different types of “French” private sector participation models including *affermage* see pp. 192-197.

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of a distribution network, whilst government retains responsibility for ‘major capital investments such as system rehabilitation’. Responsibility for a portion of the ‘revenue-risk associated with day-to-day operations of the system’ lies with the private firm.<sup>169</sup> Such lease arrangements have been implemented in Côte d’Ivoire, Guinea, the Czech Republic and Ghana.<sup>170</sup>

Service and management contracts have been described as ‘relatively “light” forms of PSP’ since they tend to be used as either ‘cost-cutting measures by local or state governments’, or as a method for testing the viability of other forms of privatization, such as full or partial concessions, that often involve large capital investments and the recovery of all costs through revenue collection from customers.<sup>171</sup>

A good example of a 10-year lease contract is provided by Robert Weissman, a member of an International Fact-Finding Mission sent to assess the PSP/PPP model proposed for Ghana.<sup>172</sup> Despite World Bank promotion of water privatization as being the most appropriate means to increase access to improved water, the Ghanaian example exposed the flaws in this premise since the government, without adequate resources or revenue, was still required to provide for the poor.<sup>173</sup>

In the above mentioned forms of PSP the ownership of water infrastructure continues to ‘reside in public hands’ with lease agreements usually covering a period of between 10 to 15 years.<sup>174</sup> It is this ownership feature that, according to Janet Davis of the Massachusetts Institute of Technology, ‘distinguishes service, management and lease agreements from concessions’ whereby ‘both commercial risk, [and], most or all capital investment’ becomes the responsibility of the private operator over the

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<sup>169</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’, p.148.

<sup>170</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 682.

<sup>171</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’.

<sup>172</sup> See R. Weissman, 2002, ‘The Anatomy of a Deal: A Close Look at the World Bank’s Plans to Privatize Ghana’s Water System’, *Multinational Monitor*, vol. 23, issue 9 available at <http://www.multinationalmonitor.org/mm2002/092002/weissman.html>

<sup>173</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp. 95-101.

<sup>174</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’; P. Gleick, *et al.*, ‘The Privatization of Water and Water Systems’, p.66.

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concession's prescribed contract period.<sup>175</sup> Concession periods can extend to between 20 and 30 years,<sup>176</sup> or between 25 to 50 years.<sup>177</sup>

Amongst the types of private-sector-participation and public-private-partnership contracts available for developing countries, the concession model has tended to dominate privatization discourse and implementation in Latin America and Asia.<sup>178</sup> By 2005, the concession model formed 42 per cent of privatizations, or 111 projects, in developing countries.<sup>179</sup> Peter Gleick identifies these as ranging from:

- a full-concession model — where responsibility for the operation and management of the 'entire water-supply system along with most of the risk and financing' is transferred to the private sector. Concessions are granted for between 30 to 40 years, as occurred in Tucuman-Argentina, and Cochabamba-Bolivia, respectively;
- "partial concessions", that are 'variations on full concessions'. Within these variations are Build-Operate-Transfer (BOT), Build-Own-Operate-Transfer (BOOT), Rehabilitate-Operate-Transfer (ROT), Build-Own-Lease-Transfer (BOLT) and Build-Own-Train-Transfer (BOTT) arrangements with only 'a portion of the water-supply system' coming under private control.<sup>180</sup>

Partial concessions are referred to as 'partial divestiture' by Davis whereby a 'controlling stake' in a water agency 'is sold to private interests'.<sup>181</sup> According to

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<sup>175</sup> J. Davis, 2005, 'Private-Sector Participation in the Water and Sanitation Sector', p. 148.

<sup>176</sup> For examples of concessions between 20 -30 years see M. Barlow and T. Clarke, 2002, *Blue Gold*; S. Beder, 2006. *Suining Themselves: how corporations drive the global agenda*, p. 93; J. Davis, 2005, 'Private-Sector Participation in the Water and Sanitation Sector', p. 148; N. Prasad, 2006,

'Privatisation Results: Private Sector Participation in Water Services After 15 Years'. For examples of concessions between 25-50 years see P. Gleick, *et al.*, 2002, 'The Privatization of Water and Water Systems'; for examples and discussion of all variations see M. Finger and J. Allouche, 2002, *Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry*, pp. 181 – 209.

<sup>177</sup> For examples of the different PSP-PPP contract forms in use globally see N. Prasad, 2006, 'Table 1: Different forms of PSP in water supply', p. 682; and J. Davis, 2005, 'Table 1: Forms of private-sector participation (PSP) in the water and sanitation sector', p. 149.

<sup>178</sup> P. Gleick, G. Wolff, E. Chalecki and R. Reyes, 2002, 'Globalization and International Trade of Water', in P. Gleick *et al.*, (eds.), *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*.

<sup>179</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', p. 680.

<sup>180</sup> P. Gleick, *et al.*, 2002, 'The Privatization of Water and Water Systems', pp. 66, 70.

<sup>181</sup> J. Davis, 2005, 'Private-Sector Participation in the Water and Sanitation Sector', p. 150.

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Prasad it is the BOT model that is favoured in East Asia and the Pacific, rather than the ‘very large concessions’.<sup>182</sup>

Bottled water corporations — as the largest independent corporate suppliers of water — have, according to Janet Davis, ‘received comparatively little attention in the literature on PSP’, even though in many parts of the world they play a major role in supplying drinking water on a commercial basis, ‘whilst assuming full revenue risk and almost all responsibility for capital investment’.<sup>183</sup>

### Small-scale Independent Providers

Whilst all of the above do involve international water corporations, in many developing countries there are also small-scale independent providers (SSIPs) engaged in supplying water on a commercial basis to those households without a network connection or an inadequate supply from an existing connection. These include vendors who use a range of water container delivery methods to supply customers, such as carts, bicycles, or poles; kiosk and standpipe operators; as well as ‘households that sell water from their private connections to neighbours’.<sup>184</sup> The important role of SSIPs in providing a valuable service<sup>185</sup> to households otherwise unable to access drinking water is often neglected in the privatization discourse, except when used to justify the willingness of the very poor to pay for water when privatization and full cost-recovery of water supply are proposed.<sup>186</sup>

According to the UNDP’s International Poverty Centre some SSIPs have been labelled as exploitative due to the apparent high fees they charge their customers;<sup>187</sup>

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<sup>182</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 680.

<sup>183</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’, p. 150.

<sup>184</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’, p. 150. Also, personal communication from Cambodia where my contact’s family member provided a “fill and supply service” from the family home’s connection to a well.

<sup>185</sup> J. Davis, 2005, ‘Private-Sector Participation in the Water and Sanitation Sector’, p. 150 informs that research into water supply SSIPs operating in Africa suggests that they provide services including ‘flexible financial arrangements’ that especially benefit poor households since similar services are not available from ‘larger utilities’.

<sup>186</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*. Washington, D.C.: World Bank.

<sup>187</sup> K. Bayliss, and T. McKinley, 2007, ‘Privatising Basic Utilities in Sub-Saharan Africa: The MDG Impact’, *Policy Research Brief No. 3*, UNDP International Poverty Centre, Brazil; UN Human

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however, research undertaken in Africa suggests this is incorrect. When the physical costs involved in supplying water are accounted for, any profits made by SSIPs are comparable to an unskilled labourer's wage.<sup>188</sup>

The SSIP system provides an important source of employment for one sector within a community. However, the fate of the SSIPs and their customers following privatization of an area for which the water corporation is given exclusive rights to supply water is unknown. Janet Davis suggests that further research is required into the potential for formal inclusion of SSIPs into providing water to areas, rural and urban, that are currently un-serviced by large utilities. This is especially relevant for countries such as India, with large rural populations and ever-increasing urban slum areas that are, historically, the last social groups to be connected to networked services, and who are dependent upon traditional suppliers for their drinking water.

### Public-Private Roles and Relationships

Following a peak in 1997 there has been a substantial decline in private sector water service investments, giving credence to the claim by NGO 'Public Citizen' in their online articles that the rhetoric of private sector financing is a myth.<sup>189</sup> This has been attributed to financial crises, weak regulatory instruments and market failures in a number of developing countries.<sup>190</sup> The decline has been accompanied by a limited increase in coverage and access,<sup>191</sup> and concern that the poor were becoming increasingly disadvantaged by PSP/PPP water sector reform models.<sup>192</sup>

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Development Report, 2006, 'Index to Millennium Development Goal indicators in the indicator tables', *Human Development Report*, United Nations Development Programme, New York.

<sup>188</sup> J. Davis, 2005, 'Private-Sector Participation in the Water and Sanitation Sector', p. 150.

<sup>189</sup> Public Citizen, 2003, 'Water Privatization Fiascos: Broken Promises and Social Turmoil', *Water for All*, Public Citizen, Washington, DC; Oakland, Ca, p.1.

<sup>190</sup> For two examples of market failure in a developing country see Chapters 4 & 5 in Koundouri, *et al.*, (eds), 2003, *The Economics of Water Management in Developing Countries: Problems, Principles and Policies*.

<sup>191</sup> N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years', p. 682 and Maude Barlow, 2008, *Blue Covenant*, pp. 58-60 cite the World Development Movement and Public Services International authors David Hall and Emanuele Lobina, 2006, *Pipe Dreams: The Failure of the Private Sector to Invest in Water Services in Developing Countries*, WDM and PSI as claiming there had been only 600,000 additional connections made under PSP during the previous 15 years. Prasad goes on to claim that when public sector finance is excluded from this figure the number of connections totals only 250,000. Barlow discusses other reports confirming these findings.

<sup>192</sup> For discussion of the likely impacts from privatisation on the already impoverished see A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*; K. Urs and R. Whittell,

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This increasing disadvantage has been attributed to the full concession, 'one-size-fits-all' model used in Latin America by the World Bank and IMF during the era of Structural Adjustment Programmes. Implementation of this model resulted in civil unrest leading to government cancellation of the contracts as occurred in Tucuman and Cochabamba.<sup>193</sup> Rather than seek out alternatives to privatization for the water sector, such as the recommended public-public partnerships, or Water Operator Partnerships (WOPs), there has been greater interest shown towards joint-ownership, or public-private partnership (PPP) models for water sector reform by such diverse organizations as the United Nations Development Programme (UNDP), World Bank, IMF, World Water Council and a number of Non-Government Organizations (NGOs).<sup>194</sup> Such joint-ownership models could be seen as an attempt to shift risk from the private sector.

Writing in support of PPPs in 2005 for *Hindu Business Line*, authors Aparna Navnit and R. Srinivasan, claim that:

The fundamental principle of PPP is that while the private sector is responsible for the design, financing, building and operation of the services, the government puts in place the legislative framework and provides institutional and political support.<sup>195</sup>

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2009, *Resisting Reform? Water Profits and Democracy*; M. Barlow and T. Clarke, 2002, *Blue Gold*; M. Barlow, 2008, *Blue Covenant*; S. Beder, 2006, *Suiting Themselves*, N. Birdsall, 2005, *Privatization Reality Check*; A. Estache, 2005, *Latin America's Infrastructure Experience*; P. Gleick, et al., (eds.), 2002, *The World's Water 2002-2003*; M. Goldman, 2007, *How "Water for All!" policy became hegemonic*; J. Nellis, 2005, *Reality Check: The Distributional Impact of Privatization in Developing Countries*; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; E. Swyngedouw, 2005, *Dispossessing H<sub>2</sub>O*.

<sup>193</sup> See M. Barlow, 2008, *Blue Covenant*, pp. 103-110; P. Gleick, et al. (eds.), 2002, *The World's Water 2002-2003*; N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years'; N. Prasad, 2007, 'Social Policies and Water Sector Reform', and Chapter 5 of this thesis.

<sup>194</sup> See the following for discussion of these options: M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 89; M. Barlow, 2008, *Blue Covenant*, pp. 47-49; S. Beder, 2006, *Suiting Themselves*, p. 90; M. Goldman, 2007, *How "Water for All!" policy became hegemonic*; A. Navnit & R. Srinivasan, 2005, 'Power of public-private partnerships'; Organisation for Economic Co-operation and Development (OECD), 2003, 'Public-Private Partnerships in the Urban Water Sector', *OECD Policy Brief*, accessed 17 March 2007 at [www.SourceOECD.org](http://www.SourceOECD.org); N. Prasad, 2006, 'Privatisation Results: Private Sector Participation in Water Services After 15 Years'; Public Citizen, 2002, *World Bank Water Privatization Policies Benefit Corporations, Not Developing Countries*, Public Citizen official website accessed 15 May 2007 at <http://www.citizen.org/pressroom/release.cfm?ID=1223>.

<sup>195</sup> A. Navnit and R. Srinivasan, 2005, 'Power of public-private partnerships'.

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Ioannis Kessides claims that ‘a supportive institutional and political environment’ is required for all forms of private participation; this includes having a single water regulator; and, the legal framework for managing delinquent or non-paying customers, and for increasing tariffs.<sup>196</sup>

Whilst relevant legislation and regulatory institutions may exist in developing countries, their implementation is not always followed through.<sup>197</sup> Thus, there has tended to be an increasing reliance on internationally-based experts for the design of institutions, regulations and water service delivery contracts that are constructed with the supposed aim of protecting the interests of both consumers and contractors.<sup>198</sup> These tend to be experts who may be ill-equipped to adequately address the socially and culturally diverse needs of the people they are representing.<sup>199</sup> At the same time they are also expected to cater to the economic interests of the private sector, as well as location specific environmental issues. However, the primary goal of transnational water corporations and their subsidiaries is maximising profits to protect their long-term investment, and not ‘ensuring sustainability or equal access to water’.<sup>200</sup>

Prasad suggests that, despite failures to achieve improved water service delivery in developing countries for those most in need of the service, the main proponents of privatization have now ‘repackage[d] the concept’ as public-private partnerships.<sup>201</sup> Dr Sudhirendar Sharma, a water expert formerly with the World Bank and now working with the Delhi-based Ecological Foundation, describes PPPs as the means by which the World Bank continues to reform the water sector, except claiming now it is ‘sugar coating its past follies in a fresh new package’.<sup>202</sup>

### Public-Private Partnerships (PPPs)

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<sup>196</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*, p. 232.

<sup>197</sup> I.N. Kessides, 2004. *Reforming Infrastructure: Privatization, Regulation, and Competition*; N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’.

<sup>198</sup> D. Parker and C. Kirkpatrick, 2005, ‘Privatisation in Developing Countries: A Review of the Evidence and the Policy Lessons’.

<sup>199</sup> For discussion on this aspect see A. Coles and T. Wallace, 2005, *Gender, Water and Development*.

<sup>200</sup> M. Barlow and T. Clarke, 2002, *Blue Gold*, p. 89.

<sup>201</sup> N. Prasad, 2006, ‘Privatisation Results: Private Sector Participation in Water Services After 15 Years’, p. 688.

<sup>202</sup> S. Sharma, 2005, *No stopping the World Bank*, FreeIndiamedia.com official website accessed 18 March 2007 at [http://www.freeindiamedia.com/Sudhirendar/14march\\_2005.htm](http://www.freeindiamedia.com/Sudhirendar/14march_2005.htm).

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The following description of Public-Private Partnerships pertaining to infrastructure was provided by David Boeuf of the European Investment Bank during a transport privatization seminar:

Development of PPPs is part of the general trend towards increased private sector participation and market discipline, including privatisation and deregulation, which developed over the last two decades in the production of goods and services that have historically been the preserve of the public sector.

He later notes that use of the PPP concept when applied to 'infrastructure concessions or BOT type contracts' is regarded by some as not 'being real partnerships', since they frequently do not reflect an equal relationship between partners.<sup>203</sup>

PPPs have been described as 'development tools' by Tommy White, Chief Executive Officer of the Institute for Private Public Partnerships (IP3), the USAid-approved PPP training organization operational in many developing countries, including India.<sup>204</sup>

Sharon Beder claims PPPs ensure that any risk associated with the venture remains with the government thus enabling the 'socialization of loss and the privatization of profit'.<sup>205</sup> The Organisation for Economic Co-operation and Development defines public-private partnerships (PPPs) as 'any form of agreement (partnership) between public and private parties'.<sup>206</sup> Beder, however, claims that the OECD rejects the notion that PPPs are a form of privatization since the organization's definition of privatization is restricted to the very few cases 'where the management and ownership of the water infrastructure are transferred to the private sector'.<sup>207</sup> Others, also

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<sup>203</sup> P. Boeuf, 2003, 'Public-Private Partnerships for Transport Infrastructure Projects', *Transport Infrastructure Development for a Wider Europe: Seminar 27-28 NOVEMBER 2003*, European Investment Bank (EIB), Paris, p.2.

<sup>204</sup> IP3 official website accessed 15 March 2007 at [http://www.ip3.org/about/a\\_news.htm](http://www.ip3.org/about/a_news.htm).

<sup>205</sup> S. Beder, 2006, *Suining Themselves*, p. 93.

<sup>206</sup> Organisation for Economic Co-operation and Development (OECD). 2003. "Public-Private Partnerships in the Urban Water Sector." in *OECD Policy Brief*, edited by OECD Public Affairs Division: OECD, p. 2.

<sup>207</sup> S. Beder, 2006, *Suining Themselves*, p. 93.

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opposed to privatization of the water sector, including the Indian NGO Manthan Adhyayan Kendra (MAK), do include PPPs within their meaning of privatization.<sup>208</sup>

The formation of public-private partnerships as a mechanism for water sector privatization is a calculated attempt by the main development organizations to de-link current funding conditionality for water sector reforms from the previous ‘direct privatization’ attempts on water and power sectors in other developing countries. These were initiated under World Bank-led structural adjustment measures. Many of these privatization measures resulted in mass protests, social violence, and some government changes, with little acknowledgement of the misery experienced by many poor people as a result of rapid implementation of privatization and introduction of user-pay and full cost-recovery policies.<sup>209</sup> Yet, user-pay, full cost recovery policies remain central to the concept of public-private partnerships.

### **Public-Private Infrastructure Advisory Facility (PPIAF)**

In efforts to increase infrastructure privatization and make water sector PPPs more appealing to governments a World Bank advisory facility has been introduced that is designed specifically to aid in reducing government officials’ and bureaucrats’ concerns about various aspects of private provision of infrastructure services. Such sensitization activities are being undertaken by the Public-Private Infrastructure Advisory Facility (PPIAF) that was developed by the governments of the UK and Japan and coordinated by the World Bank.<sup>210</sup> Commenting on the World

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<sup>208</sup> See the following authors for discussion on their definitions and meanings of privatization: C. Adams, 2001, *Privatising Infrastructure in the South*; M. Barlow and T. Clarke, 2002, *Blue Gold*; S. Beder, 2006, *Suited Themselves*; G. Dwivedi, *et al.*, 2007, Water: Private, Limited Issues in Privatisation, Corporatisation and Commercialisation; M. Finger and J. Allouche, 2002, Water Privatisation: Trans-National Corporations and the Re-Regulation of the Water Industry, p. 215; M. Goldman, 2007, How “Water for All!” policy became hegemonic; S. Grusky, 2001, Privatization tidal wave: IMF/World Bank water policies and the price paid by the poor; N. Prasad, 2007, ‘Social Policies and Water Sector Reform’.

<sup>209</sup> See M. Barlow and T. Clarke, 2002, *Blue Gold*; S. Beder, 2006, *Suited Themselves*; M. Goldman, 2007, How “Water for All!” policy became hegemonic; S. Haggard *et al.*, 1995, *The Political Feasibility of Adjustment in Developing Countries*; Manthan Adhyayan Kendra (MAK), 2005, *Privatisation and Commercialisation of Water Resources and Services in India*; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; E. Swyngedouw, 2005, ‘Dispossessing H<sub>2</sub>O: The Contested Terrain of Water Privatization’.

<sup>210</sup> Corporate Europe Observatory, 2007, ‘Public-Private Infrastructure Advisory Facility – PPIAF’, *Murky water – PPIAF, PSEEF and other examples of EU aid promoting water privatization*, CEO, Amsterdam, official website accessed 4 April 2007 at <http://www.corporateeurope.org/murkywater.html>; also, M. Barlow, 2008, *Blue Covenant*, pp. 47-49.

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Development Movement's 2006 report *Down the Drain: How Aid for Water Sector Reform Could be Better Spent*, the non-profit, Amsterdam-based Corporate Europe Observatory (CEO) agrees that vital multi-donor aid money has been spent on funding PPIAF consultants to promote privatization. These consultants provide 'technical advice in poor countries on how to carry out privatisations' as well as advising on regulatory and legal changes.<sup>211</sup> Barlow claims 'Often they [PPIAF consultants] are brought in to build consensus on the need to privatize water services'<sup>212</sup>, and as such they are an important component for promoting the rhetoric of there is no alternative to privatization; however, the PPIAF agents claim their role is to help 'eliminate poverty through private involvement in infrastructure'.<sup>213</sup>

PPIAF programmes operate to identify state and national governments' barriers to privatisation implementation. This strategy helps to minimise resistance and reduce any perceived threats concerning the required reduction and modification of the government's role in the privatization contract, as well as 'formulating suitable policy' to achieve these goals.<sup>214</sup> CEO (2007) states that the PPIAF 'does not support initiatives that aim to keep water in the public sector'. They highlight the fact that there is no internationally-funded centre available providing similar assistance to retain water utilities in the public sector.

This is of concern to a number of NGOs who are attempting to regain UN Habitat recognition and support for not-for-profit Water Operator Partnerships.<sup>215</sup> Whether additional support will be received remains to be seen; however, UN Habitat has signed a memorandum of understanding with the Asian Development Bank regarding the estimated 830 million people who are without access to clean water in the Asian-south Pacific region. Shared concerns were identified as the lack of management in reducing high proportions of non-revenue water, limited metering, non-viable pricing,

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<sup>211</sup> Corporate Europe Observatory. 2007. *Murky water – PPIAF, PSEEF and other examples of EU aid promoting water privatization*, n.p.

<sup>212</sup> M. Barlow, 2008, *Blue Covenant*, p. 48.

<sup>213</sup> PPIAF, 2003, *Options for Private Sector Participation in Infrastructure — India, West Bengal*, Public-Private Infrastructure Advisory Facility official website, accessed 14 March 2007 at [www.ppiaf.org](http://www.ppiaf.org).

<sup>214</sup> PPIAF, 2003, *Options for Private Sector Participation in Infrastructure*.

<sup>215</sup> M. Manahan, N. Yamamoto, and O. Hoedeman, (eds.), 2007, 'Water Democracy: Reclaiming Public Water in Asia', *Reclaiming Public Water*, Focus on the Global South & Transnational Institute Reclaiming Public Water Network available at <http://www.tni.org/books/publicwater.htm>.

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and poor revenue recovery rates.<sup>216</sup> These concerns do not look optimistic for the not-for-profit supply of water.<sup>217</sup>

### **The Economic Imperative versus the Grass-roots Activism**

What is clear with privatization is that the economic imperative takes precedence over any possible social consequences eventuating from implementation of reform goals. In contrast grassroots activist institutions represent the interests of the least politically and/or economically empowered of a nation-state's citizens, especially those marginalised or at risk of marginalisation within existing systems of economic growth and development distribution.

Grassroots activism has been successful in retarding or preventing large dam projects in India. Such projects saw people's homes, livelihoods, human rights and the environment being neglected and put at risk by national and international economic and political interests, often funded and promoted as worthwhile development projects by the World Bank and international development and aid organizations.<sup>218</sup>

As discussed in Chapter 5, in Cochabamba, Bolivia, it was the coming together of diverse citizens, in what has been described as 'an incredible feat of cross-class organizing', which created an 'informal activist institution' to fight against privatization of the public water system.<sup>219</sup> The Coalition in Defense of Water and Life, known as La Coordinadora, was formed in 1999 following the Bolivian government's privatization of Cochabamba's water system. La Coordinadora's function was to unite diverse citizens' groups for the common purpose of reinstating

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<sup>216</sup> Water for Asian Cities-WAC, 2007, 'One dollar investment in WATSAN', *WAN Regional Newslette*; for earlier UN Habitat engagement with water issues see A. Tibaijuka, 2003, 'Parallel Event on Water and Sanitation for Cities The 19th Session of the Governing Council', Executive Director, Dr. Anna Kajumulo Tibaijuka's speech at the 19th Session of the Governing Council, 5 to 9 May 2003, Nairobi, Kenya accessed 17 July 2008 at UN-Habitat Governing Council website <http://www.unhabitat.org/content.asp?cid=1348&catid=14&typeid=8&subMenuId=0>

<sup>217</sup> For discussion on the umbrella organization for Water Operator Partnerships see S. Kishimoto, 2014, 'Global Water Operators Partnerships Alliance (GWOPA) — a vehicle for promoting alternatives water privatisation? Evaluation from five years of Reclaiming Public Water Network engagement in GWOPA', a draft discussion paper by a Transnational Institute researcher available at Municipal Services Project official website [http://www.municipalservicesproject.org/userfiles/Kishimoto\\_GWOPA\\_evaluation\\_April2014.pdf](http://www.municipalservicesproject.org/userfiles/Kishimoto_GWOPA_evaluation_April2014.pdf)

<sup>218</sup> For examination and discussion of such projects see: J. Leslie, 2006, *Deep Water: The Epic Struggle over Dams*; also, A. Roy, 1999, *The Greater Common Good*; and, V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*.

<sup>219</sup> Lohan, T. 2007. *Fighting the Corporate Theft of Our Water*.

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public control of the city's water supply services. Aguas del Tunari, a consortium jointly owned by multinational water corporations Bechtel and United Utilities had, without being subjected to any competitive contract bidding process and without any public consultation been granted a 40-year concession by the Bolivian government.

According to Peter Gleick *et al.* this concession had been partly in response to pressures from the World Bank 'to make structural changes to its economy'.<sup>220</sup> The Center for Public Integrity report, *The Water Barons*, claims the 'contract gave the company control over ground water and allowed it to close down people's private wells unless they paid'; water rates were increased by up to 150 percent in some cases, whilst non-payment resulted in threats of disconnection.<sup>221</sup> The outcomes of privatization led to city-wide protests and the alleged death of two protestors. Eventually in 2000, following protests and marches led by La Coordinadora, the attempts by Aguas del Tunari to own and control the people's water supply were thwarted.<sup>222</sup> The government withdrew the concession and resumed supply through the public utility.

The Cochabamba struggle is often cited as an example of an activist response to privatization of the public water utility; the tactics used in the struggle are examined in Chapter 5. The Cochabamba case is an example of the involvement of the World Bank and other international development agencies in forcing a government to privatize water supply as a condition of loan approvals under what was known as Structural Adjustment Programmes (SAPs). The grassroots action at Cochabamba contributed to a review of SAPs and the introduction of competitive bidding for water supply contracts and commissions, and to the promotion of public-private partnerships.

The failure to implement a competitive contract bidding process was not a one-off Latin-American opportunity presented to the water corporations by a careless or corrupt government. In 1997 the Indonesian government awarded control of Jakarta's water supply in the eastern part of the city to UK-based Thames Water, with control

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<sup>220</sup> P. Gleick, *et al.*, 2002, 'The Privatization of Water and Water Systems', *The World's Water: The Biennial Report on Freshwater Resources 2002-2003*, p.70

<sup>221</sup> B. Marsden, 2003, *Cholera and the Age of the Water Barons*.

<sup>222</sup> S. Grusky, 2001, 'Privatization tidal wave: IMF/World Bank water policies and the price paid by the poor', p.14.

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of the western part of the city going to the French Suez-Ondeo consortium. Neither water corporation was exposed to competitive contract bidding processes.<sup>223</sup> The World Bank considers competitive contract bidding as a necessary component in water sector reform. Yet, the Bank did not prevent the privatizations from taking effect.

According to Kirkpatrick and Parker, ‘competition in the market for water services is normally ruled out by the scale of the investment in network assets that are needed to deliver the product’.<sup>224</sup> However, it is the high financial costs required during the competitive bidding process for the contract or concession that restricts competition to a ‘small number of international players’ and provides ‘the scope for actual or tacit collusion when bidding’.<sup>225</sup> In other words the free market framework being imposed on the water sector in developing countries really operates as a closed system that is out of financial reach for all water service providers other than a few multinational water corporations. Meanwhile, the competitive bidding process has been identified by Komives as providing a vehicle for addressing some of the water needs of the poor within the awarded concession contract.<sup>226</sup>

### Conclusion

The developed nations are host to the organisations, institutions and large water corporations that are ‘driving’ the water privatization agenda. They do this by seeking economic and institutional reforms that are conducive to ‘market liberalisation and ownership changes’ of state-owned enterprises. Included amongst state-owned enterprises are public utilities that provide such essential services as water supply and distribution, and sanitation.<sup>227</sup>

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<sup>223</sup> N. Ardhanie, 2005, ‘Water Privatisation In Indonesia’ in B. Balanyá, Brennan, B. *et al.* (eds), *Reclaiming Public Water Achievements, Struggles and Visions from Around the World*, Transnational Institute and Corporate Europe Observatory, pp. 227-237.

<sup>224</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1501.

<sup>225</sup> C. Kirkpatrick and D. Parker, 2005, ‘Domestic Regulation and the WTO: The Case of Water Services in Developing Countries’, p. 1502.

<sup>226</sup> K. Komives, 2001, ‘Designing pro-poor water and sewer concessions: early lessons from Bolivia’.

<sup>227</sup> Commission to the Council and the European Parliament, 2003, *The Reform of State-Owned Enterprises in Developing Countries*.

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World Bank and International Monetary Fund (IMF) lending policies have enabled the privatization of state-owned enterprises in developing countries. These policies have necessitated structural adjustment measures including economic and institutional reforms as a condition for debt-relief or further loans.<sup>228</sup> Through privatization discourse claiming there is no alternative whilst promoting the importance of international investment, increased efficiency, expanded coverage, technical superiority, and improved resource management, those industrialised nations with the power to enforce economic reform and social change have been able to exert sufficient pressure on individual developing countries to transfer from public to privatized water service delivery.<sup>229</sup>

It is little wonder that there is growing international concern from donor agencies and lending institutions about state or public control and management of the water sector in developing countries. Their intrinsic support for the commercialisation of water through privatization of the infrastructure places responsibility for management of a depleting but essential resource into corporate hands that have declared their intention to commodify water and privatize the infrastructure and utilities supplying the vital substance.

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<sup>228</sup> S. Haggard et al., 1995, *The Political Feasibility of Adjustment in Developing Countries*.

<sup>229</sup> M. Goldman, 2007, 'How "Water for All!" policy became hegemonic; also, D. Hall, *et al.*, 2005, 'Public resistance to privatisation in water and energy'.

## Chapter 4

# TACTICS

### Introduction

Tactics are used by a wide range of people seeking to effect change. Use can include repeating a process of simple everyday actions in order to achieve a changed behaviour in an individual or for altering the viewpoint of a majority. My thesis case-study chapters explore and examine the tactics used by corporations and government agencies during the process of water commodification in several case study cities. In some cases, as in New Delhi and Cochabamba, it was popular outrage and resistance to privatization that brought about keeping water publicly managed or returning it to public management. In my case study city of Manila, however, there was a lack of early public resistance or noticeable outrage when the private sector was awarded two concessions to replace the publicly-managed water service.

The means by which potential public outrage is reduced, suspended, captured or increased through a range of strategic activities and tactics is the focus of each case study. The emergence of some resistance to water privatization is clearly identified within case studies regarding the importance of the role of cultural and traditional connections to the issue; however, if only cultural and historical framing had driven this research other important aspects, including a sense of betrayal, and timing of changes from public to private, as observed during examination of the literature, would have escaped inclusion. It is important to note that within those cases where resistance to privatization prevailed there was what Martin refers to as a ‘backfire effect’.<sup>1</sup> At the same time the lack of early public resistance that was evident in my case study city of Manila was also apparent within other nations such as Nepal,

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<sup>1</sup> B. Martin, 2005, ‘The Beating of Rodney King: the Dynamics of Backfire’, *Critical Criminology*, vol 13, pp. 307-326, p. 308. Brian Martin is an academic and author of many publications including the 2007 book *Justice Ignited The Dynamics of Backfire*, Rowman & Littlefield Publishers, Lanham, Md. that connects tactics, injustice and outrage. Following Martin’s methodology this thesis uses case studies and grounded theory to identify, closely examine, and categorize the tactics used by empowered key players in attempts to repress or inhibit outrage over gross injustices at different times and in different locations.

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Indonesia, and Fiji with evidence of limited demonstrated outrage to private sector involvement in the delivery and/or bottling of water in some developing nations.<sup>2</sup>

A wide range of literature has been examined during my investigations into the tactics used by water privatization protagonists and has been discussed in relation to each case study. Of special interest has been the lack of public protest against the privatization in Manila and the tactics used by protagonists there to manage any potential outrage against replacing the publicly-owned and managed utility with two international concessionaires. Lack of a recognized and recorded public response at that time, however, does not mean resistance to the change was not occurring elsewhere outside the focus of this thesis. Existence of public outrage was made evident after the government – controlled privatization was officially in place but is not examined in this thesis. To assist in informing my understanding of tactics used in the development and repression of outrage<sup>3</sup> I needed an overview of different understandings about struggles, protests, and how they congregate as social movements.

To remain focused on tactics and avoid being side-tracked and swamped by the huge amount of social movement literature available I selected several general texts to provide the required overview. Included were discussions on relationships between human agency and institutions to explain some social movement actions,<sup>4</sup> and the role of religious belief and micro level influences on responses by protestors.<sup>5</sup> In contrast to the extensive literature on social movements, other than limited detailed event

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<sup>2</sup> Personal communication with Prabin Singh in 2008 regarding correspondence from employers to water services workers in Nepal pre-empting concerns regarding seeking tenders for provision of water utility services; N. Hadad, 2003, 'Water Resource Policy in Indonesia: Open Doors for Privatization', *Jubilee South*, 12 December, official website accessed 4 November 2008 at [www.jubileesouth.org](http://www.jubileesouth.org); Anon, 2008, 'We say: Private sector holds promise', *Islands Business*, October.

<sup>3</sup> According to B. Riddick, 2012, 'The Bombing of Afghanistan: The Convergence of Media and Political Power to Reduce Outrage', *Revista de Paz y Conflictos*, vol. 5, pp. 6-19, 'Outrage is a term that is interchangeable with indignation, anger or any other emotion that may cause a person or organisation to react against the injustice', p. 19.

<sup>4</sup> T J. Goodwin and J.M. Jasper, 1999, 'Caught in a Winding, Snarling Vine: The Structural Bias of Political Process Theory', *Sociological Forum*, vol. 14, no.1, March 1999. Discussion includes concepts of political opportunities, political process, and cultural framing within a structural theoretical model with reference to McAdam, McCarthy, and Zald (1996) and by Tarrow (1994), examining the macro influence of resources availability for protest organisation.

<sup>5</sup> Rory McVeigh and David Sikkink, 2001, 'God, Politics, and Protest: Religious Beliefs and the Legitimation of Contentious Tactics', *Social Forces*, vol. 79, no. 4, June, pp. 1425-1458.

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specific research and texts,<sup>6</sup> there is only limited academic treatment of the role of government and corporate tactics within, and external to, social movement struggles and protest.<sup>7</sup> My focus is on tactics because they help make sense of the dynamics of water privatization endeavors.

The ‘shock’ tactics employed in some less-developed countries bombarded the citizens with concurrent significant economic and social changes. These actions tended to keep potential resisters off-guard, and drowning in ‘seas of discontent’ over the many issues happening together, thereby reducing potential for public outcry or protest. The politics of timing as it relates to ‘shock’ and resistance includes the notion of concurrently lighting many ‘small fires’ in different locations, so that the public are kept busy with managing their own responses rather than coming together to work as a team to extinguish or contain one ‘larger fire’ at a time. Either analogy — drowning in ‘seas of discontent’ or fighting many ‘small fires’ at the same time — captures the neoliberal intent to keep civil society busy protecting their own individual interests and leaving little if any time for group or team efforts to resist the changes being introduced. In her book *The Shock Doctrine* activist author Naomi Klein discusses how shock is being used as a tactic to insert United States-led free market policies into a still-reeling developing country following a natural or human-induced crisis.<sup>8</sup> Thus, suitable timing for introducing new policies plays a crucial role in keeping protestors off balance and unfocused.

Public resistance to commodifying a city’s water has been varied. Outrage by citizens against the commodification of their most precious resource, water, has not always been evident at the time of the privatization process. Such varied responses suggest that it is worthwhile investigating the processes used by those turning water into a resource for making profit for the private sector. When a basic resource is essential to

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<sup>6</sup> For case study examples see B. Martin with contributions from Truda Gray, Hannah Lendon, and Steve Wright, 2007, *Justice Ignited: The Dynamics of Backfire*, Rowman and Littlefield, Lanham, MD; B. Martin, 2005, ‘The Beating of Rodney King: the Dynamics of Backfire’; B. Martin, 2009, ‘Managing outrage over genocide: case study Rwanda’, *Global Change, Peace & Security*, vol. 21, no. 3, pp. 275-290; S. Engel and B. Martin, 2006, ‘Union Carbide and James Hardie: Lessons in Politics and Power’, *Global Society*, vol. 20, no. 4, pp. 475-490; A. Herd, 2006, ‘Amplifying Outrage Over Children Overboard’, *Social Alternative*, vol. 25, no. 2, pp. 59-63; B. Riddick, 2012, ‘The Bombing of Afghanistan’.

<sup>7</sup> For an important attempt to promote a focus on tactics see James M. Jasper, 2006, *Getting Your Way: Strategic Dilemmas in the Real World*, University Chicago Press, Chicago.

<sup>8</sup> N. Klein, 2007. *The Shock Doctrine: The Rise of Disaster Capitalism*, Allen Lane, Camberwell, Vic.

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life then its provision must be safe-guarded and not held ransom by those espousing profit-making ideology. Identification of the tactics used in the process of water privatization may assist future populations become aware of earlier mistakes made in attempts to ensure affordable access to available clean water.

### Case studies

The case studies selected for this thesis enable a close examination of the tactics undertaken during the water privatization processes in three cities. These cities are in different countries located in the global south and previously known as “Third World” or more recently as having “developing economies”. Minimal basic infrastructure, expanding urban populations, and an increasing level of poverty are issues common to these cities with increased dependency on obtaining water and food from providers other than the natural environment and their own labour.<sup>9</sup>

The case studies show that some people become inclined to protest publicly over water while the activism of others is not always evident, sometimes as passive or not engaged, and sometimes because they are prevented from recognizing that a serious issue exists, and from acting on it. The case studies also help in the examination of why some states do not use their repressive capacities, especially when such action is expected by protestors, and when the issue — privatising public water supplies and services — is the same, just occurring in different locations. In both instances the how and why are often linked. In generalised terms one could ask how, or what processes are used, to get individual people sufficiently motivated to join others in protest against powerful groups and institutions; whilst also asking what happens elsewhere and why others respond differently.

There exists much debate about the validity of using case studies as research tools. Whole books are devoted to examining case study use as an appropriate academic

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<sup>9</sup> In many developing countries, especially in rural areas, traditionally it has been the labour of women and girl children providing households with all water and some food. See A. Coles, and T. Wallace, 2005, *Gender, Water and Development*. Berg: Oxford, New York; K. Lahiri-Dutt, 2006, *Fluid Bonds: Views on Gender and Water*, STREE/ National Institute for Environment (NIE)/Australian National University, Kolkata and Canberra.

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research model.<sup>10</sup> This is especially so in relation to social sciences and human behaviour research where exact replication of processes and subjects by subsequent researchers, to satisfy the model of natural science, is virtually impossible. Here, the approach is to use a variety of case studies, focusing on one particular feature: tactics used in struggles. Examining tactics used by governments and corporations in the struggles over commodification of water and privatizing its delivery offers new insights into the processes being undertaken.

### **Tactics – What Are They?**

What are tactics? This question is necessary in order to insert clarity into what is meant when tactics are being freely discussed throughout this thesis. It is not a simple concept with one generally accepted meaning. A large body of writing exists concerning what is a tactic or what should or should not be considered a tactic. Thomas Ricks, military journalist, claims in his book *Fiasco* that there are differences between strategies and tactics that should not be blurred.<sup>11</sup> For the purposes of this thesis the concepts of goals, strategies and tactics have been reduced to their most simple meanings to minimize the likelihood of misunderstanding or blurring. Put in these simple terms tactics are the mechanisms used to animate the defined strategies required to achieve an identified goal. A table is presented below to help illuminate the differences and connections between goals, strategies and tactics as used for studying water privatization struggles.

**Table 4:1 – A simplified version of connections to and differences between goals, strategies and tactics for Key Players and for Social Movements concerned with water privatization.**

<b>Key Player(s)</b>	<b>Goal</b>	<b>Strategy</b>	<b>Tactics</b>
Privatizers: International	Make a profit from the supply	To minimize expected public	Lobbying, bribes and public relations used to activate

<sup>10</sup> See John Gerring, 2007, *Case Study Research: Principles and Practices*, Cambridge University Press, Cambridge; also, Robert K. Yin, 2003 (3<sup>rd</sup> edn.), *Case Study Research: Design and Methods*, Sage Publications, Thousand Oaks, California.

<sup>11</sup> T.E. Ricks, 2006, *Fiasco*, Penguin, New York.

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corporations; governments; IFIs	and distribution of water globally through its commodification.	opposition to commodifying water.	reduction or removal of opposition through betrayal of public interest using cover up; official channels; devaluation; intimidation; re- interpretation. Timing chosen to maximize effectiveness of these tactics.
Social movements	Keep water supply and distribution as a public and social good	Maximize concern about corporate activities and government betrayal/ collusion. Mobilize public support.	Using exposure of corporate bullying; citizen networks; rights' recognition; public endorsement; transparency; loyalty; commitment to non- violence

When the privatizers' defined goal is to obtain profit from supplying water which was often recognized as a social and public good, then a strategy may include minimizing all opposition to achieving this goal. The tactics in this instance will be actions that aid in reducing and removing opposition as outlined in Table 4:1.

### **Categorizing Tactics**

The tactics being examined are broken down under two groups.

#### *Group 1 -Tactics to privatise*

Some of the tactics identified as used by corporations to aid in achieving their goal of promoting public acceptance of water privatization include:

- Lobbying;
- Bribes;

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- Public rhetoric;
- Concession payments.

Each case study used is seen as highlighting human injustice since it places the loss of a people's water and profit-making by some multinational corporations within the same frame of reference. In effect, managing water as a profit-making commodity has been conceptualised by corporations, governments and their financial and development agents as the only possible option. Throughout my thesis I refer to this strategy as the TINA<sup>12</sup> claim or rhetoric when no alternative to private sector concessions is suggested, offered or examined. Thus, with no alternatives made available, when water is converted from a public good into a profit-making vehicle, being poor becomes more than a hardship; it can become a death sentence. For the purposes of this thesis the concept of human injustice goes beyond physical violence to include compromising poor people's right to life by approving a corporation's right to profit from water. This is achieved through actions that include:

- threats and the actual withholding of loans and trade deals by international financial and aid institutions and multinational corporations to governments of countries with developing economies whose capacity to assist the poor is substantially reduced;
- amendments to state water laws by national governments to comply with loan requirements, often reducing local human and environmental protection ;
- introduction of policy and regulatory actions by governments on behalf of multi-national and local corporations.<sup>13</sup>

These tactics are found globally although their existence tends to be made more evident and accepted as the "norm" in developing countries, rather than in developed nations of the global north, or from their agents working for their national interests.

### Group 2 — Tactics to reduce outrage

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<sup>12</sup> There Is No Alternative – this claim was frequently used by former Conservative British Prime Minister Margaret Thatcher during severe reductions in government services paving the way for private sector provision and user-pay availability. See M. Thatcher, 1993, *The Downing Street Years*, Harper Collins, London.

<sup>13</sup> Discussed in Chapter 3 and where applicable in the case studies in this thesis.

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Outrage management actions are categorised as tactics taken to reduce outrage arising from the first set of privatization tactics, and include those undertaken by corporations and governments. A model of outrage management tactics, called the backfire model, identifies the five main categories of tactics used to reduce or prevent public outrage and protest against perceived human injustice when undertaken by those officials empowered to exercise influence over policies and police and military actions.

- cover up information about what is happening,
- devalue opponents,
- use official channels that tend to exclude people and organizations challenging government proposals,
- intimidate opponents with threats of removal,
- re-interpret likely outcomes as being for the general good.<sup>14</sup>

The backfire model, with the inclusion of additional categories of timing, betrayal, and collusion, offers a way to examine processes used during successful and unsuccessful attempts to privatize publicly-run water services.

This thesis extends the backfire model since the case studies look beyond police and military action as being representative of acts of social injustice experienced globally; the assumption is that government policies also condone and contribute substantially to acts of social injustice taking place. As such it examines policies that enable the private sector to take over government responsibility for service delivery, especially delivery of a life-dependent service.

### Outrage

Outrage, despite having temporal and location variations, tends to be a group response to particular programmes and policies implemented by national and international

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<sup>14</sup> For examples of some case studies using the backfire model see B. Martin, 2007, *Justice Ignited: The Dynamics of Backfire*; S. Engel and B. Martin, 2006, 'Union Carbide and James Hardie: Lessons in Politics and Power'; A. Herd, 2006, 'Amplifying Outrage Over Children Overboard'; B. Martin, 2009, 'Managing outrage over genocide: case study Rwanda'; B. Riddick, 2012, 'The Bombing of Afghanistan'.

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governments. These policies and programmes are often supported by development agencies and financial institutions, on behalf of transnational corporations, aiding contemporary capitalism's quest for global economic expansion and development.<sup>15</sup> Perhaps the most notorious policies in recent years have been those designed by the World Bank and International Monetary Fund (IMF) to benefit private enterprise and reduce national debt through structural adjustment policies (SAPs) including privatization of publicly funded essential services.

### **Minimizing outrage**

The different means used to minimize outrage against social and human injustice are subsumed into the five categories of tactics or tactical devices identified above. Martin theorizes that when these tactics fail there may come a flash point when outrage is inflamed and where the action 'recoils against its originators'.<sup>16</sup> This recoil against social injustices, but with different outcomes for the victims subjected to collusion between governments and corporations, has been documented elsewhere using case studies to expose the five categories of tactics.<sup>17</sup>

These case studies examined the Union Carbide chemical release disaster in Bhopal, India and the criminal negligence of formerly-based Australian corporation Hardies, the major producer of goods using asbestos that had previously been identified as causing mesothelioma cancer.<sup>18</sup> As Engel and Martin demonstrate, 'Corporations have various methods of containing the reaction to damaging activities',<sup>19</sup> in other words, reducing any impacts from the reactions that occurred in response to existing harmful activities and events.

My thesis investigating water privatization also examines proactive tactics used by corporations intended to prevent any such reactions in the first place. Mobilizing

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<sup>15</sup> V.S Peterson, 2009, 'How is the world organized economically?', in Jenny Edkins and Maja Zehfuss (eds.), *Global Politics: A New Introduction*, Routledge, Oxon, N.Y., p. 291.

<sup>16</sup> B. Martin, 2007, *Justice Ignited*, p. 2.

<sup>17</sup> S. Engel and B. Martin, 2006, 'Union Carbide and James Hardie: Lessons in Politics and Power', p. 476.

<sup>18</sup> S. Engel and B. Martin, 2006, 'Union Carbide and James Hardie: Lessons in Politics and Power'.

<sup>19</sup> S. Engel and B. Martin, 2006, 'Union Carbide and James Hardie: Lessons in Politics and Power', p. 488.

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preventative tactics is generally dependent upon the relationships that are formed between corporations, their agents, and other nations' governments, and that help influence decision makers. With the advent of multinational corporations branching into water and sanitation services globally — described by Beder as 'water cartels' — individual national governments of the global south can become vulnerable to the demands of the corporations, the international financial institutions and their host nations of the global north.<sup>20</sup> These demands can be accompanied with intimidation and bribery. As Engel and Martin conclude from their research, '... as corporations become larger and have more influence with governments, their capacity for intimidation and bribery becomes larger.'<sup>21</sup> Such external influences on local water scenarios have been discussed throughout my case studies.

### The backfire model

The backfire model has been selected for researching the case studies since it provides a convenient tool for examining and analyzing the actions undertaken by both parties, instigators and resisters, across the water privatization life-cycle. For case study life-cycles I mean the period being examined as this differs on a case-by-case basis. Each life-cycle period captures a full range of activities from all key players in the case study privatization project and ranges from localized inception and pre- and post-operation of privatized water supply and services. The external or international commodification and commercialization of water, necessary for foregrounding service privatization, had previously received corporate and government endorsement at the high-level conferences grounded in a sustainable economic development agenda commencing with the Dublin Principles.<sup>22</sup> The water-related principles were adopted and informed the commissioning of the World Water Forum and the first conference held in Marrakesh in 1997.<sup>23</sup> Key players and their *modi operandi* are discussed in Chapter 2.

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<sup>20</sup> For examples and discussion see S. Beder, 2014, 'Water and Waste Conglomerates', *Business Managed Democracy*, available at <http://www.herinst.org/BusinessManagedDemocracy/government/privatisation/watercartels.html>

<sup>21</sup> S. Engel and B. Martin, 2006, 'Union Carbide and James Hardie: Lessons in Politics and Power', p. 490.

<sup>22</sup> *Dublin Statement on Water and Sustainable Development*, 1992, International Conference on Water and the Environment: Development Issues for the 21st Century, Dublin, Ireland.

<sup>23</sup> A. Roul, 2009, 'World Water Forum: Looking Forward to a Real Breakthrough', *Bankwatch: Critical Perspectives from the NGO Forum on ADB*, vol. 7, no. 1, pp. 1-5 claims that 'One of the

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Upon examination the private sector that I refer to as the “privatizers” appear to have the economic power and political support needed to thrust their vision for water commodification and commercialization into mainstream operations; yet, in some cases resistance has been mobilized to keep water services public; in other cases the “privatizers” have experienced limited resistance. The backfire model provides a consistent resource for examining the methods used in such struggles whilst filling a gap in understanding why water commodification and commercialization can trigger different responses.

The use of the backfire model and distinct case studies to examine responses to water commodification help provide in-depth examination of the processes undertaken by different key players from different social and cultural backgrounds. This thesis focuses on water privatization and the rhetoric of TINA as an underpinning justification for its implementation along with tactics for management of outrage. In order to explore the techniques used in outrage management other researchers have previously investigated a range of themes and scenarios. Included amongst these are sexual harassment,<sup>24</sup> protest,<sup>25</sup> war,<sup>26</sup> and genocide.<sup>27</sup> The combination of tactics used by powerful institutions and identified in the backfire model is shown to have the dual effects of constraint and amplification of the public’s desire to mobilize for protest purposes. This is especially relevant for water where there is also a cultural and emotional attachment beyond its daily need and use. Analysis of the case studies

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forums, which in recent times has attracted the largest number of gathering of water professionals, is the World Water Forum (WWF).’ For an overview of the formation of the World Water Council and World Water Forums held between 2000 and 2006 see M. Barlow, 2008, *Blue Covenant: The Global Water Crisis and the Coming Battle for the Right to Water*, The New Press, New York, pp. 50-58.

<sup>24</sup> P. McDonald and S. Backstrom, 2008, ‘Fighting back: workplace sexual harassment and the case of North Country’, *Australian Bulletin of Labour*, vol. 39, no. 1, pp. 47-63; and G. Scott and B. Martin, ‘Tactics against sexual harassment: the role of backfire’, *Journal of International Women’s Studies*, vol. 7, no. 4, pp. 111-125.

<sup>25</sup> J. Johansen and B. Martin, ‘Sending the protest message’, *Gandhi Marg*, vol. 29, no. 4, January – March, pp. 503-519.

<sup>26</sup> B. Riddick, 2013, ‘Outrage in Fallujah: strategies in the communication of political violence’, in Anabèl Ternes (ed.), *Communication: Breakdowns and Breakthroughs*, Inter-disciplinary Press, Oxford; and, B. Riddick, 2012, ‘The Bombing of Afghanistan: The Convergence of Media and Political Power to Reduce Outrage’, *Revista de Paz y Conflictos*, vol. 5, pp. 6-19; T. Gray and B. Martin, 2008, ‘The American war in Indochina: injustice and outrage’, *Revista de Paz y Conflictos*, no. 1; and, T. Gray and B. Martin, 2008, ‘My Lai: the struggle over outrage’, *Peace and Change*, vol. 33, no. 1, pp. 90-113.

<sup>27</sup> B. Martin, 2009, ‘Managing outrage over genocide: case study Rwanda’, *Global Change, Peace and Security*, vol. 21, no. 3, pp. 275-290.

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suggests that the replication of resistance across nations is not to be accepted as a *fait accompli*; an additional element, besides opportunity, that must be considered, is tactical *timing*. Goodwin and Jasper claim that ‘timing and style ... have been almost completely ignored’ when examining the selected tactics for actions taken.<sup>28</sup>

### Cover up

Covering up information about what is happening attempts to limit the impacts of actions that would likely inspire a collective response. An example of this took place in Australia in 2014 with regards to the Federal government’s management of refugees.<sup>29</sup> A weekly briefing for journalists by the Immigration Minister Scott Morrison upon taking government had been withdrawn citing protection of the “Operation Sovereign Borders” policy. Instead information would now be provided on a “needs basis” with no qualification or definition provided for the term “needs”.<sup>30</sup> Morrison claimed, “We don’t comment on protest activity” by asylum seekers suggesting that it inflames further action. As such his assertions illustrate that ‘cover up’ is a tactic used primarily to discourage opposition. Yet, social media, perhaps unintentionally, is providing a platform for participation and momentum-building in what may become increased response by those members of public who are opposed to the current government’s management of people arriving by boat and seeking refuge.

One example of social media’s role was an online feedback statement following the afore-mentioned article where ‘*carolinem*’ states, “We should all be concerned about the lack of transparency that characterises this government.” Whilst from ‘*milkus*’ comes this, “Silence is just to cover sheer incompetence and lets them tell the masses nothing or anything, with no retribution.”

A journalist, Mungo MacCallum, suggests the language being used by the government concerning “Operation Sovereign Borders” is “the language of war”; in other words,

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<sup>28</sup> T.J. Goodwin and J.M. Jasper, 1999, ‘Caught in a Winding, Snarling Vine’, p. 41. For further support of this claim they refer the reader to J.M. Jasper, 1997: chapters 10, 13.

<sup>29</sup> See A. Herd, 2006, ‘Amplifying Outrage Over Children Overboard’, p. 59 using the backfire model to examine an event that occurred as a response to Australian immigration laws that continue to resist humane solutions for some refugees.

<sup>30</sup> ABC TV News accessed 15/1/2014 at <http://www.abc.net.au/news/2014-01-14/scott-morrison-says-he-will-stop-holding-weekly-asylum-seeker-b/5200158>.

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seeking to reframe the issue at hand. This sort of reinterpretation of an issue or event is another tactic observed in water privatization struggles. MacCallum cites the Prime Minister Tony Abbott's own words, "If we were at war, we would not be giving out information that is of use to the enemy", thereby suggesting that it is a war being waged against "boat people" and their supporters.<sup>31</sup>

A similar lack of transparency about an event to do with refugees known as 'the Children Overboard incident' has been examined in detail by Andrew Herd. He has provided an example of the Australian Federal government's attempts to manage outrage prior to a Federal election. For the unpopular Howard government the incident initially turned public opinion into supporting the government's actions leading to an unexpected re-election victory. Revelations of concealed documents, misuse of photographs from an unrelated event, and a veil of 'privileged' secrecy are included in Herd's examination of the tactics used by the government.<sup>32</sup> The attempts to regain local voter support with an "us and them" dichotomy of Australians and unwelcome refugees were supporting a promotion of emotional nationalism and "in the nation's best interests" rhetoric that was high on the Howard government's agenda.<sup>33</sup> It was a case of either being with "them" (the pro-Australian anti-refugee supporters) or against them.

I propose that had the information been made readily available regarding the issue of replacing publicly-provided essential water services with private sector business operators then ownership conflicts between local people and the international interests being represented by the corporations awarded management contracts may, under some conditions, have triggered immediate reactions. Instead it was when cover up of

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<sup>31</sup> Mungo MacCallum, 2014, 'Asylum seekers and the language of war', *The Drum, ABC News*, accessed 15/1/2014, <http://www.abc.net.au/news/2014-01-13/maccallum-operation-sovereign-borders/5196708>

<sup>32</sup> A. Herd, 2006, 'Amplifying Outrage Over Children Overboard' p. 59; and A. Herd, 2006, 'Official Channels or public action: Refugees in Australia', *Flinders Journal of History and Politics*, vol. 23, pp. 117- 134; see also S. Callaghan and B Martin, 2004, 'Igniting concern about refugee injustice' in [Igniting concern about refugee injustice](#); Rick Flowers (ed.), *Education and Social Action Conference*, 6-8 December 2004, Centre for Popular Education, University of Technology, Sydney, pp. 299-303.

<sup>33</sup> J. Hirst, 2008, 'Australia: The Official History', *The Monthly: Australian Politics, Society and Culture*, February, pp. 28-35; see also D. Marr and M. Wilkinson, *Dark Victory*, Allen and Unwin, Crows Nest.

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the collusion between government and corporate interests was revealed that outrage was mobilised.

### **Beliefs and values**

People may mobilise when their beliefs are challenged as long as they are made aware of the circumstances that threaten their values. For some cultural groups water is a central and significant religious component.<sup>34</sup> When water has a religious component and the people share the same meanings about water these beliefs can, according to McVeigh and Sikkink, be used to rally support and ‘legitimate the use of contentious tactics’ that might be outside the believers’ everyday life experiences. They further suggest that these shared beliefs can be used to overcome other social and cultural obstacles ‘[freeing] them to participate in protest events if they are presented with an opportunity to do so.’<sup>35</sup> For those resisting water privatization the religious or spiritual connection to water was demonstrated in Cochabamba and New Delhi.

By reassigning the roles of key players, however, we can create a different scenario for viewing ‘contentious tactics’. If we consider neo-liberalism to be a belief system, often followed with religious fervour, then the tactics, adopted by their governmental and private enterprise followers in order to reduce opposition to their beliefs and actions, become acceptable practices in spite of the public’s values. It is water as a symbol of deep-seated connection to their land and beliefs that has inspired its protection from changes espoused by neoliberalist-informed politicians and transnational corporations. Whilst it appears somewhat confusing to assign the role of protestor to those seeking privatisation of water they are indeed protesting against the desire to keep water as a non-profit producing resource. This is done in a manipulative way available to those with political and economic power, and usually through legislatively-endorsed enabling procedures and objectives of commodifying water and services.

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<sup>34</sup> T. Oestigaard, 2006, ‘Heavens, Havens, and Hells of Water: Life and Death in Society and Religion’, in M. Leybourne and A. Gaynor (eds.), *Water: Histories, Cultures, Ecologies*, University of Western Australia Press, Crawley, W.A.; D. Joshi and B. Fawcett, 2005, ‘The Role of Water in an Unequal Social Order in India’, in A. Coles and T. Wallace (eds.), *Gender, Water and Development*, Berg, Oxford.

<sup>35</sup> <sup>35</sup> R. McVeigh and D. Sikkink, 2001, ‘God, Politics, and Protest: Religious Beliefs and the Legitimation of Contentious Tactics’, p. 1427.

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### **Devaluation**

Also within this block of tactics is the devaluation of opponents. It can be seen with the people arriving unofficially by boat being named “illegals”, “boat people” or “queue jumpers”,<sup>36</sup> as such they become devalued as humans seeking refuge. Also, those citizens who are interested in protecting the people’s rights as refugees and in ensuring provision of their basic human rights and welfare are classified as activists which, with the reinterpretation of the issue, has connotations of them being the enemy in what is now declared as a war. As demonstrated these tactics remain current tools in promoting an agenda that neglects basic human needs and rights and attempts to devalue all opponents of government decisions.

Some questions are raised when attempting to understand those engaged in resistance to privatization of water services. These include: how well defined are group interests when examining protests over privatizing water across case studies; and, what assumptions are being made about the members represented in the group? According to Goodwin and Jasper most process theorists would deny using rational choice approaches in their examinations yet make assumptions about pre-existing shared group interests prior to mobilization.<sup>37</sup> This kind of thinking was used by the State in Cochabamba to devalue the group’s shared interests: since the protest was led by an indigenous unionist with alleged drug connections it was assumed that the members shared similar economic and political interests. Yet, the diversity of protestors in both case study sites of Cochabamba and New Delhi suggests this assumption to be invalid.

### **Resistance to privatization**

At the time of the attempted privatisations an underlying cultural attachment to water existed and was maintained symbolically in ceremonies honouring the “earth mother”. Where privatization has been successfully rejected there is evidence to show that an existing spiritual connection between life and water can become a cultural link that

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<sup>36</sup> See S. Callaghan and B Martin, 2004, ‘Igniting concern about refugee injustice’.

<sup>37</sup> T.J. Goodwin and J.M. Jasper, 1999, ‘Caught in a Winding, Snarling Vine’, p. 35.

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overcomes other constructed divisions in a community. Yet, until water privatisation was imposed for international economic purposes the cultural and spiritual connection often remained socially fractured, thus supporting Goodwin and Jasper's suggestion that group interests are not always well defined in advance of mobilization.<sup>38</sup>

In challenging the concepts of political opportunity frequently used in the study of social movements Goodwin and Jasper further claim that, 'an extraordinarily large number of processes and events, political and otherwise, potentially influence movement mobilization, and they do so in historically complex combinations and sequences.'<sup>39</sup> Close examination of tactics used in my case studies supports this claim. At the same time it is important to note that there needs to be full justification for including a tactic in one or more of the previously assigned categories theorised as reducing or increasing outrage.

When there is non-mobilization of the public it is likely that outrage management tactics have been used. Where water privatization has not generated some form of noticeable outrage, such as in my Manila case study, it is the tactics used to prevent outrage that are examined. Examining how the population's potential negative response has been manipulated to apparently accept the government's decision to privatize the public utility provides a more informed understanding of the processes and timing used to manage potential outrage.

Reflecting upon the findings of the case studies, the timing, as a tactical tool, has had a large influence on the desire to mobilise against water privatisation. This can be seen in the example used where the Bechtel Corporation's 25 year Cochabamba water management contract was cancelled in 2000 following unified outrage. The timing of protest to match upcoming elections and canvassing by candidates helped to connect voters to protestors. The officials' actions in ignoring the citizens' relationships with water and their neglect of inclusion in decision-making processes and the social injustices prevailing following privatization were used in these pre-election meetings to amplify the people's outrage.

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<sup>38</sup> T.J. Goodwin and J.M. Jasper, 1999, 'Caught in a Winding, Snarling Vine', p.35.

<sup>39</sup> T.J. Goodwin and J.M. Jasper, 1999, 'Caught in a Winding, Snarling Vine', p.36.

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### Injustice

Tactics can not amplify outrage if there was no existing sense of injustice. This has been demonstrated in examination of Manila's water privatization where the TINA rhetoric effectively promoted only the merits of water privatization. At no time during the privatization process was it publicly decried as an injustice; however, this does not mean that there was no opposition. It may well have been a lack of opportunity within the tightly controlled timing of the privatization process that restricted actions by otherwise active social justice groups. Following a detailed examination of instances where backfire has or has not eventuated during or after the privatization process, the additional tactical categories of betrayal/ collusion and timing have been added to the original model.

Use of the backfire model, which identifies five categories of tactics instigated by officials to suppress public outrage, has explained understanding of the events leading to the contract cancellation in Cochabamba in 2000. Cochabamba's protestors are shown to have become re-motivated and united in their shared cultural affiliation with water to further pursue their actions against injustice.<sup>40</sup> This finding supports evidence and claims from case studies used in *Justice Ignited* and the other case studies cited throughout this chapter, that actions by the powerful to impose their will upon the public sometimes can inflame and strengthen the protestors' resolve to continue struggles for justice. Research, for this thesis, further suggests that timing and betrayal/collusion were also important factors for rallying together Cochabambinos, enabling the blurring of usually divisive social, racial, ethnic, religious and economic differences that ultimately contributed to the successful cancellation of the water contract.

### Social change

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<sup>40</sup> Previous protest in twentieth century Bolivia had tended to be undertaken according to special interest groups, often unions, such as tin mine workers, coca growers, shoe makers, victims of gas and oil exploitation and urban development see B. Dangel, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, AK Press, Oakland, C.A; also see A. G. Linera, 2004, 'The "Multitude"', in O. Olivera and T. Lewis (eds.), *¡Cochabamba! Water War in Bolivia*, South End Press, Cambridge, MA, pp. 65-86.

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It should be noted that one of the goals often attributed to many social movements is intent to seek social change in order to improve a current situation for citizens;<sup>41</sup> whereby it is the social movements and protestors actively seeking to protect some elements of the existing *status quo* and the people's sense of connection to the values being undermined; whilst it is the privatizers who are those seeking to radically effect social change through commodifying and commercializing water. Commodification is a pre-condition for enabling water, previously identified as a social good, to become accepted as an "economic good" whilst also claiming there is no alternative available for managing water other than as a private sector profit-making, user-pay resource. Maude Barlow claims that

Since 2000, the World Water Council, the United Nations and the World Bank have hosted a series of high-profile international summits on water, which purport to be neutral in their ideological perspective and open to all "stakeholders," but which are really designed to ensure consensus on the benefits of privatization.<sup>42</sup>

Such private sector-led social change, using "front organizations"<sup>43</sup> incorporates amendments to local laws and regulations that enable a water service's profits to be removed from the place of origin, generally to overseas corporate headquarters, thereby depriving local citizens of benefits gained when re-investing payments directly back into the local service.

As mentioned the flip side of private sector-led social change is when the *protestors* actively seek to maintain elements of the *status quo* and keep water management in the public sector and identified as a public or social good. A major challenge for protest leaders opposing neoliberal-influenced social change is to concurrently increase or maintain support for often poorly-managed public water services and retain water's identity as a social or public good. This action and support has to take place within a framework of public water service deprivation, often occurring on a

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<sup>41</sup> The "Arab Spring" demonstrations for social, political and economic change beginning in 2010 provide examples of this.

<sup>42</sup> M. Barlow, 2008, *Blue Covenant*, The New Press, New York, p. 52.

<sup>43</sup> S. Beder, 2000, *Global Spin: The Corporate Assault on Environmentalism*, Scribe Publications, Carlton North identifies a number of "front groups" and describes their activities and connections.

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daily basis due to ongoing lack of funding allocation and availability, and, deteriorating and under-developed infrastructure that fails to meet demands. Thus, unlike many social movement activities the water protest is not about seeking social change; rather it is about being active in improving the current state of water distribution and resisting the imposition of private sector changes. There are similarities with movements against nuclear weapons, nuclear power, Genetically Modified Organisms (GMOs), and other technologies promoted by corporations and/or governments as being in the best interest of 'the people' and often supported by claims that they represent 'progress' and development and opportunities for economic growth.

### **Relationships with water**

Despite the case study similarities of water deprivation experienced by the poor in large cities of the developing south, the cultural connections to local water supply have emerged as having a strong influence on how the citizens responded to the concept of privately managed water supplies. This also included management of their water services and the promises made by government and the private sector concerning expanded access and increased availability. In the Manila case-study, where similar government promises were made, there was little evidence of cultural connections to water amongst all economic groups of urban residents.

Generally in the case of water privatization the struggle is about keeping public control of water supply even when it is managed as a user-pay service. A protestor strategy might be to make uninterested members of the public aware that the change being proposed by the privatizers is for the purpose of benefiting the corporation's external economic interests and not the local population's water requirements. Protesters seek to make people aware of changes that on the surface appear to be an improvement on existing methods which can in fact be damaging to local citizens' long-held cultural relationships with water, and that international water corporations and their agents have little or no regard for local customs since their clients are the investors living elsewhere. The mechanisms to bring about this awareness are a range of tactical devices or tactics that operate oppositionally to those undertaken through

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the collusion of governments and corporations and international financial institutions (see Table 4:1 above).

### **Conclusion**

A novel approach has been taken to study struggles over water privatization in the cities of Cochabamba, New Delhi and Manila. This approach involves examining the tactics and counter-tactics used in the privatization process. The categories of tactics included in the backfire model were the starting points from which the water privatization struggles have been examined. The use of the backfire model has assisted in identifying a space to include other categories that include timing and betrayal when applied to empowered government and corporate key players. At the same time the backfire model also brought forward an increased recognition of the important role of cultural attachments to water during water privatization struggles. Cultural attachments, timing and betrayal need to be added to the backfire model to better understand water privatization struggles in the case study cities of the global south.

Dissimilar outcomes in responses to the privatizations, including apparent acceptance and lack of visible public protest in Manila and strong opposition and protest in Cochabamba, suggest that similar, identified tactics, as used by corporations and their government supporters to reduce public protest, are not guaranteed to be effective. The case studies reveal that tactics used for managing outrage can be countered.

It should be noted that aspects of the pre-emptive commodification of water during the 1992 Dublin forum on sustainable economic development and subsequent global implementation of the neoliberalist privatizing TINA rhetoric likely assisted in some of the identified reduction in cultural attachment to water.

# COCHABAMBA

## Introduction

The events occurring in Cochabamba, Bolivia between the late 1990s leading into the beginning of the 21<sup>st</sup> century reflect the major tenets of my thesis and the key players are representative of participants in struggles over the commodification of water and its service provision.

For the purpose of this thesis struggles refer not only to actions undertaken by those people resisting water's commodification; they also include those corporate and government entities who wanted services privatized, and to remain that way. Struggles are often seen as representing the actions of the oppressed against the power of the oppressors, however, when examining tactics it can be seen that the oppressors frequently struggle to impose their ideals upon a resistant public and resort to a range of tactics to facilitate this.

As identified in Chapter 1 the major financial institutions and the United States struggled to impose a capitalist economic framework that included structural adjustment programs and privatization of essential services in Cochabamba, Bolivia. They were successful until the people, Cochabambinos, decided to reclaim their public water utility. The people's efforts were very well documented in a book *¡Cochabamba! Water War in Bolivia* that provided in-depth descriptions of and reflections upon, the main events as they developed that led to the reclamation of publicly run water services.<sup>1</sup> It is this text

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<sup>1</sup> Oscar Olivera in collaboration with Tom Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, South End Press, Cambridge, MA. In one of his two independent sections, 'About This Book', pp. xiii-xv, Lewis states that 'Texts authored by Oscar for *¡Cochabamba!* derive from taped interviews, speeches, and published articles, which have been revised for the present volume. Luis A. Gómez López, a well-known Mexican journalist living in Bolivia and I are responsible for Oscar's taped interviews... My role as collaborator has included both ghost writing and translation. I am also responsible for the selection and initial editing of the materials in our volume. The selections and final versions of the materials published here have been reviewed by Oscar, his sister Marcela Olivera, and Luis Gómez.' (pp.xiv-xv). For the purposes of this thesis all references to the publication will include both names, Olivera and Lewis as co-authors; however, two chapters have been authored by Raquel Gutiérrez Aguilar (pp. 53-64) and Álvaro

that has provided a valuable and major resource for examination of the tactics used by all key players. Their documented experiences revealed the allegiances and partnerships that can be developed during attempts to influence change within and between usually disparate social and political groups. Such allegiances crossed social and cultural barriers whilst partnerships between different countries were forged to benefit their own corporate sectors.

Events in Cochabamba also highlight the need to include the role of timing when analyzing outcomes from a range of actions and different key players. Timing can relate to political events occurring globally as well as those eventuating locally and regionally. The timing of the entry of some multinational powerbrokers into a particular nation can be sufficient to trigger a group response against them. This is particularly relevant when the multinational power brokers attempt to undermine local customs and belief systems of those residing in nations of the global south. Any challenges made against such customs and beliefs can manifest in a combination of forces against the outsiders and their local agents. The majority of Cochabambinos demonstrated that if a shared resource that is imbued with cultural connections and spiritual beliefs becomes threatened, at a time when there is increasing unrest over foreign capitalists benefiting from other national resources through earlier ‘intensive privatisation of publicly owned companies’,<sup>2</sup> then their attachment to the shared resource can be stronger than economic, social and political divisions used for separation purposes.

Cochabamba’s residents defeated the political and corporate players’ attempts to privatize their essential to life resource. This chapter will now examine how this was achieved by examining the tactics used in the process.

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García Linera (pp. 65-86). Their chapters are cited as though appearing in an edited book by Olivera and Lewis.

<sup>2</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, Zed Books Ltd., London, p. 26.

## Background

Cochabamba is described as the site of a ‘water rebellion’ by Tom Lewis,<sup>3</sup> claiming that the people’s struggle ‘represented the first major victory against neoliberalism’.<sup>4</sup> The significance of Cochabamba’s victory for my research lies with the people’s non-violent actions used to regain public control over their water supplies and services. Their actions, as one side of the struggles played out at the time, were against decisions made and implemented by powerful institutions seeking to privatize their water and water accessing services. These decisions contained elements necessary for igniting sufficient outrage to backfire against some perpetrators of this perceived injustice of privatizing an essential resource.

The actions examined in this Cochabamba case study draw on the five main categories of tactics Brian Martin<sup>5</sup> theorizes are needed to strengthen and trigger public protest against perceived human injustice undertaken by those officials empowered to exercise influence over police and military actions. They are fully discussed in Chapter 4.

In this case study it is important to note two additional factors are identified as contributing to the overpowering outrage released in Cochabamba in 2000 that were not present or appeared as weaker in other cities experiencing privatization of water services including Manila:<sup>6</sup>

- The tactics of timing by both officials and protestors; and, some collusion between international and national key players have also been examined separately and identified as relevant to the final outcome;

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<sup>3</sup> Tom Lewis is an academic, Latin American editor for the *International Socialist Review* and collaborator with Oscar Olivera on the 2004 book *¡Cochabamba! Water War in Bolivia*.

<sup>4</sup> T. Lewis, 2004, ‘The Legacy of the Coordinadora’ in O. Olivera and T. Lewis, *¡Cochabamba! Water war in Bolivia*, pp. 161-173, p. 161.

<sup>5</sup> B. Martin, 2007, *Justice Ignited The Dynamics of Backfire*, Rowman & Littlefield Publishers, Lanham, Md.

<sup>6</sup> The case study for New Delhi looks at tactics used by key players to enable private takeover of the public water service. Also evident in the research was the capacity to overcome some social and cultural differences to unify a wide range of people in the struggle to maintain public provision of water.

- Identification of water as a human need to overcome long-standing social, racial and economic differences igniting a shared sense of injustice.

### **Tactical Key Players**

Events occurring between 1999–2000 in Cochabamba provide many elements of a water related example for Martin’s model of backfire. It was during this time that publicly demonstrated outrage resulted in reclamation of their publicly-run water services. The key players included the US-based Bechtel’s subsidiary company International Water Limited that formed a consortium, Aguas del Tunari, with Spanish and Bolivian corporate investors. It was collusion between Aguas del Tunari’s founders and supporters, and the Bolivian national and municipal governments that deprived the Cochabamba citizens of their publicly-run water service. In opposition different interest group protestors combined as an activist force, “Le Coordinadora”, prepared to reclaim their water services and restore public management. This was in response to the especially generated *Water Law 2029*, that had enabled the Aguas del Tunari consortium to take control of former community-managed wells. For the people of Cochabamba action was required to have the water privatization contract cancelled and water laws, repealed.

According to IMF documents, in accordance with Structural Adjustment Program (SAP) requirements and agreements, the Bolivian government planned to sell its public water company (SEMAPA), located in Cochabamba, by December 1998 whilst a draft water law was proposed to be submitted to Bolivia’s Congress by September 1999 to establish user rights and water quality standards. These were to be transformative events for Cochabamba residents.

Generally SAPs have weakened often neglected concepts of social justice and equitable distribution of the benefits. The imposed generic neoliberal austerity measures, supposedly designed to reduce poverty have often had the reverse effect with the already poor unable to access any benefits from economic growth, especially with regards to

improved living conditions including water and sanitation access.<sup>7</sup> The SAPs provided the space for the private sector to move in and take over essential services since they reduced government involvement in their provision. With this came government acceptance of the need for private enterprise to make profits through enforced user pay requirements. Frequently it was only after their implementation that these austerity measures became openly available for public discussion and action. This was the case in Cochabamba.

### **Cochabamba's Water Situation**

When Bolivia went into Phase II of its New Economic Plan it was still in the process of developing a national water law from which water use and management policies would be generated. The development of such a national water law had been the site of debate for a period of time due to a series of droughts and water shortages and ongoing negotiations for a new dam, the Masicuni project.<sup>8</sup> Changes in government administration and increasing involvement of non-government organisations in the debate had seen an increasing division occurring between rural and urban water users.<sup>9</sup> This was especially the case in Cochabamba where each group's demands for access to a rapidly dwindling supply became a political issue and the site of protests even before privatisation became an agenda-item. As such the public were being divided rather than united over water issues.

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<sup>7</sup> J.V. Millen, E. Lyon, and A. Irwin, 2000, 'The Political Influence of National and Transnational Corporations', in J.Y. Kim, J.V. Millen, A. Irwin, & J. Gershman (eds.) in *Dying for Growth: Global Inequality and the Health of the Poor*, Institute for Health and Social Justice, Common Courage Press, Monroe, Maine, pp. 225-243.

<sup>8</sup> The Masicuni Project designed to store, transport and provide 'inexpensive' water to the Cochabamba valley was wanted by the people but not by the World Bank — see O. Olivera, and T. Lewis, 2004. *¡Cochabamba! Water war in Bolivia*, pp. 12, 22 (note 2).

<sup>9</sup> S. Marvin, and N. Laurie, 1999, 'An Emerging Logic of Urban Water Management, Cochabamba, Bolivia', *Urban Studies*, vol. 36, issue 2, pp. 341-357; W. Assies, 2003, 'David versus Goliath in Cochabamba: Water Rights, Neoliberalism, and the Revival of Social Protest in Bolivia', *Latin American Perspectives*, vol. 30, issue 130, pp. 14-36; S. Spronk, 2006, 'Roots of Resistance to Urban Water Privatization in Bolivia: The "New Working Class," the Crisis of Neoliberalism, and Public Services'. Paper presented at Annual Meeting of the Canadian Political Science Association (joint session with Society for Socialist Studies, 3 June), York University, Toronto, Canada, accessed at <http://www.cpsa-acsp.ca/papers-2006/Spronk.pdf>.

Generally access to the water network was limited to higher-income groups since services had not been extended to the illegal settlements, often known as slums, or to the peripheral settlements that emerged from urbanization. Many semi-urban or peripheral communities accessed water through digging and maintaining their own wells. The Cochabamba public utility SEMAPA provided services to the city and fringe rural areas whilst rural agricultural community groups, often funded by local government, NGOs and churches, dug their own wells to service their domestic, hygiene and irrigation needs. These community groups had developed their own systems of organisation and membership and fell within five municipalities outside of the Cochabamba municipality. It was within the framework of this working system that the likelihood of future water shortages was made evident when SEMAPA tried to obtain water supplies from outside Cochabamba's municipal limits.

The shortages were generally blamed on several years of drought and mismanagement following a dramatic population increase in the city following tin mine closures and the lure of paid employment in the city. Several stop-gap measures were employed that involved widening SEMAPA's territorial access to include the five other municipalities. Cochabamba city administrators enabled SEMAPA to dig wells on army land located in the neighbouring province that formed part of the Cochabamba *departemento* or administrative department.<sup>10</sup> SEMAPA officials had given guarantees that the well-digging and water transfer to Cochabamba city would have no negative effects on the local residents who were also dependent upon the ground water that was being extracted. This proved to be a false claim generating anger amongst local farmers.

When this supply proved inadequate to meet the city's residents' demands, other sources were sought. SEMAPA officials again tried to source water from wells in surrounding rural areas. This time the rural residents reacted with strong protests. SEMAPA required police and military protection for its workers. SEMAPA was forced to abandon sourcing

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<sup>10</sup> Bolivia is divided into nine departments; Cochabamba is one. For an overview see S. Von der Porten, 2007, 'Aguas del Tunari in Bolivia: The Water War', accessed 14 March, 2008 at [www.caseplace.org/pdfs/Aguas\\_del\\_Tunari\\_in\\_Bolivia.pdf](http://www.caseplace.org/pdfs/Aguas_del_Tunari_in_Bolivia.pdf)

water this way.<sup>11</sup> The Cochabamba public water service had become the enemy of the rural water users.

The above scenario highlights only the rural/city and domestic/irrigation divide generated through water shortages and the need to share limited resources prior to privatizing the water service. Within these struggles over water were also conflicting claims being made by commercial and industrial interests as well as different urban and rural requirements in an industrial and ecological context.

## The Prelude

Decisions to privatize Cochabamba's water utility were being made by those least likely to be affected by the changes and were generally excluded from public debate and protected from media exposure. As a result there was little, if any, public protest generated by the "agreement" that enabled a water management contract to be issued to a foreign corporation. According to Tom Kruse, writing for *Public Citizen* in 2002, the "agreement" that installed Aguas del Tunari was made between several powerful figures. These included: former President, Hugo Banzer; the Minister of Foreign Trade, Carlos Saavedra; the Mayor of Cochabamba, Manfred Reyes Villa; the Superintendent of Water, later known as Superintendant of Basic Sanitation, Luis Uzin; and, manager of Aguas del Tunari, Geoffrey Thorpe.<sup>12</sup> Following from the "agreement" was implementation of four executive Supreme Decrees that bypassed Congress and enabled the right wing-led *Water Law 2029* to be introduced.<sup>13</sup> Initially limited outrage emerged following the introduction of *Water Law 2029* as it was perceived to have a direct impact only on the traditional ways in which rural communities managed their scarce water supplies. Whilst rural

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<sup>11</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', pp. 14-36.

<sup>12</sup> Bechtel, 2005, 'Cochabamba and the Aguas del Tunari Consortium' Bechtel official website <http://www.bechtel.com/assets/files/PDF/Cochabambafact0305.pdf> accessed 3 January 2009 also includes the Prefect of the Province, as well as 'the president of SEMAPA, and the president of Empresas Misticuni', the consortium driving the Misticuni Dam project, amongst the "agreement" 'Negotiating Committee' members.

<sup>13</sup> See T. Kruse, 2002, 'Bechtel versus Bolivia: the next battle in the "Water War"', *Public Citizen*, accessed 28 December, 2008 at official Public Citizen website [http://www.citizen.org/print\\_article.cfm?ID=8114](http://www.citizen.org/print_article.cfm?ID=8114). Reviewed 6 March 2015 now available at [http://www.citizen.org/cmep/article\\_redirect.cfm?ID=8114](http://www.citizen.org/cmep/article_redirect.cfm?ID=8114)

public outrage was mobilized within days of the 1 November 1999 implementation of *Water Law 2029*, and included road blocks into and out of the city, it took several weeks for urban residents to recognize that the same *Law* would also impact upon their daily lives.

### **The management contract and *Water Law 2029***

Although Aguas del Tunari had signed their management contract with Bolivia's Superintendent of Sanitation in September 1999, the consortium did not formally commence operations in Cochabamba until *Water Law 2029* was in place. The *Law* not only gave the consortium rights to community-generated and operated wells but legalized its take over of Cochabamba's public utility network and all ground water. It also afforded the corporation with the right to charge for water from pre-existing wells and surface irrigation systems. Citing Assies<sup>14</sup> and Olivera<sup>15</sup>, authors Kohl and Farthing also include 'private, rain water catchments' as being amongst water sources that would attract fees.<sup>16</sup> The possible public ramifications from *Water Law 2029* appear to have escaped the notice of local politicians who were campaigning for the forthcoming municipal elections. This, however, appears to be a deliberate tactic of re-interpretation of what is in the public's best interests since they did manage to draw attention to their support for, or rejection of, the Misicuni Dam project as the means to reduce Cochabamba's chronic water scarcity.

### **Timing**

Although not stated as being determined by the timing of the 'Water Wars' Oscar Olivera, spokesperson of the *La Coordinadora*, has carefully recounted the actions and counter-actions encountered over the 6 month period. His detailed accounts suggest that anti-privatization activists themselves could not have organized the timing and

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<sup>14</sup> W. Assies,, 2003. 'David versus Goliath in Cochabamba', p. 18.

<sup>15</sup> O. Olivera, and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*.

<sup>16</sup> B.H. Kohl, and L.C. Farthing, 2006. *Impasse in Bolivia: Neoliberal hegemony and popular resistance*, London, New York, Zed Books, p. 164.

subsequent unfolding of events any better. This raises a question as to whether the privatization timing was designed to follow the ‘shock’ processes used in previous structural adjustment programs that, unexpectedly, on this occasion worked *against* the pro-privatization elites and *for* the anti-privatization public.<sup>17</sup>

The inclusion of timing as a tactic seems plausible when previous actions are examined. For example the potential for any unification of rural and public sectors’ water interests had previously been disabled a few years earlier by the Cochabamba government when SEMAPA’s water supply boundaries were extended.<sup>18</sup> These extensions included local irrigators’ rural ground water sources that were then appropriated to supply and service urban residents’ water needs at the expense of rural farmers’ needs. The manufactured division of rural and urban interests had already been put in place. Thus, the timing decisions taken and tactics used to implement *Water Law 2029* and install Aguas del Tunari as the utility operator suggest they were informed by assumptions that existing antagonisms between urban- and rural-based communities would continue following privatization, thereby maintaining an existing division between Cochabamba citizens.

### **La Coordinadora**

It would seem that not only did the authorities and the corporation underestimate the attachment of the people to their water sources and suppliers, but also their capacity to become sufficiently motivated to look beyond their own ‘small fires’ and unify and mobilize as an unusual alliance of different interest groups. This was achieved under the umbrella organization called the *Coalition for the Defense of Water and Life*, known as *La Coordinadora*.<sup>19</sup> Shultz and Draper claim that its formation on 12 November 1999 ‘was a response to what they [Cochabambinos] believed was the total failure of the local

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<sup>17</sup> O. Olivera, 2004, ‘War’, in O. Olivera and T. Lewis, *¡Cochabamba! Water War in Bolivia*, pp. 34-49.

<sup>18</sup> For an overview of the water scenario within and around Cochabamba between 1967 and 1999 see J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, in J. Schultz and M.C. Draper (eds.), 2008. *Dignity and Defiance: Stories from Bolivia's Challenge to Globalization*, University of California Press, Berkeley; Los Angeles, pp. 9-42, pp. 11-14.

<sup>19</sup> For an on overview of the water, economic, social, cultural and citizenship issues prevalent at the time see Willem Assies, 2003, ‘David versus Goliath in Cochabamba’

institutions that were supposed to look out for the public's interest.<sup>20</sup> The contract not only gave Aguas del Tunari control of Cochabamba's urban water system and all ground water but also afforded the right to charge for water from pre-existing wells and surface irrigation systems.<sup>21</sup> In other words official channels were used to deprive citizens and community groups of free access to the water supply resource they had captured in self-constructed wells and dams. The right to charge for water use, as contained in the contract, had been covered up during secret negotiations and hidden away from public scrutiny.

Raquel Gutiérrez Aguilar has contributed a chapter on *La Coordinadora* in the Olivera and Lewis publication.<sup>22</sup> She claims that 'two fundamentally political questions' galvanized the establishment of *La Coordinadora*. These were:

- Who owns basic resources?
- In what form should such resources be managed?

These questions were answered in *La Coordinadora's* slogan:

“The Water is Ours, Damn It!” (*El Agua es Nuestra Carajo!*).

This slogan was displayed throughout the campaign; including on a huge red banner with white hand-written letters that was strung from third floor offices of *Les Fabriles*, the Factory Workers building, which housed *La Coordinadora's* headquarters. These were located within the central Plaza, directly across from buildings housing the offices of government officials, including the regional governor and city mayor. The message could not be missed and for four months was a constant reminder of *La Coordinadora's* ideals. This ever-present visual and bold reminder of *La Coordinadora's* purpose was in direct

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<sup>20</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', p.17.

<sup>21</sup> B.H. Kohl, and L.C. Farthing, 2006. *Impasse in Bolivia*, p. 164.

<sup>22</sup> R.G.Aguilar, 2004, 'The Coordinadora: One Year After the Water War', in O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, South End Press, Cambridge, MA, pp. 53-64.

opposition to the secrecy and supposed confidentiality used by local government and Aguas del Tunari officials.<sup>23</sup>

There appears to be little commentary on government and corporation responses to the formation of *La Coordinadora*. This was despite its membership, described by Dangl as, ‘an incredibly broad coalition of groups ...[that] ... worked as a tool for action, bridged gaps between rural and urban citizens, and brought together diverse economic and political sectors.’<sup>24</sup>

Devaluation of *La Coordinadora*’s importance for representing civil society’s interests was made explicit in the use of official channels for favouring and selecting the Civic Committee as the public’s representative organization.<sup>25</sup> In his chapter about Bolivian-style citizenship in June Nash’s edited book, *Social Movements: An Anthropological Reader*, Robert Albro uses the *La Coordinadora* slogan as his title, “The Water is Ours, Carajo!” He spells out *La Coordinadora*’s role in bringing together and making visible:

Rural farmers, industrial proletariats, disillusioned in-migrants, largely invisible members of a growing informal economy, environmentalists, retirees, left-leaning economists and technocrats, as well as sympathetic foreigners in provincial towns, peripheral shantytowns, and the urban streets, ..., [in] a spectacular street-level demonstration of popular consensus.<sup>26 27</sup>

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<sup>23</sup> For a sense of the importance of the banner see J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 17; also, O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*; also, B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, AK Press, Oakland, CA; also, R. Albro, 2005, “‘The Water is Ours, Carajo!’ Deep Citizenship in Bolivia’s Water War”, in June Nash (ed.), *Social Movements An Anthropological Reader*, Blackwell Publishing, Malden, MA; R. G. Aguilar, 2004, ‘The Coordinadora: One Year After the Water War’; and W. Finnegan, 2002, ‘Leasing the Rain: Letter from Bolivia’, *The New Yorker*, 8 April, accessed 16 March 2008 at [http://www.newyorker.com/archive/2002/04/08/020408fa\\_FACT1](http://www.newyorker.com/archive/2002/04/08/020408fa_FACT1)

<sup>24</sup> B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 62.

<sup>25</sup> For discussion on promoting the Civic Committee see W. Assies, 2003, ‘David versus Goliath in Cochabamba’; also J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, pp. 17, 20; also, O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*; B.H. Kohl and L.C. Farthing, 2006, *Impasse in Bolivia*; T. Kruse, 2002, ‘Bechtel versus Bolivia’.

<sup>26</sup> R. Albro, 2005, “‘The Water is Ours, Carajo!’ Deep Citizenship in Bolivia’s Water War”, p. 251.

Aguilar claims *La Coordinadora* was ‘an example of horizontal political participation’ based upon the importance placed on the use of assemblies, and city-wide “town-meetings” for information-sharing and decision-making purposes.<sup>28</sup> In Olivera’s and Lewis’s book, Alvaro Garcia Linera’s chapter entitled ‘The “Multitude” analyses *La Coordinadora* from his perception of its operations as a ‘network of practical action with a capacity to mobilize large sectors of society independently of the state, the church, the political parties, and the NGOs.’<sup>29</sup> Yet, an immediate response by authorities to the first mobilization on 1 December, 1999 (see below) was to reinterpret *La Coordinadora*’s motive as an attempt to ‘discredit candidates in city-wide elections’ to be held in December 1999.<sup>30</sup>

In their article on the “water conflict”, two privatization supporters, Nickson and Vargas, make some mention of *La Coordinadora*.<sup>31</sup> They describe *La Coordinadora* as a ‘broad alliance of professional associations and civil society organisations’<sup>32</sup> that ‘led the protest, which involved a series of road blocks, strikes and public demonstrations’.<sup>33</sup> Yet, these activities have formed the site of close examination and discussion in journal articles, chapters in books, a documentary film, and used as an example of empowering

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<sup>27</sup> See W. Assies, 2003, ‘David versus Goliath in Cochabamba, pp.20-23 for an overview of the existing groups — Cochabamba Department Federation of Irrigators’ Organizations — FEDECOR; the Cochabamba chapter of the Society of Bolivian Engineers — SIB; the the Federation of Neighborhood [sic.] Associations — FEJUVE; Departmental Federation of Factory Workers of Cochabamba — FDTFC; Committee for the Defense of Water and the Popular Economy — that came together under the umbrella of *La Coordinadora* and their preliminary concerns about the likely effects that privatization would have on urban and rural populations in Cochabamba.

<sup>28</sup> R.G. Aguilar, 2004, ‘The Coordinadora: One Year After the Water War’, p. 56.

<sup>29</sup> Linera, A. G., 2004. ‘The “Multitude” in O. Olivera and T. Lewis, *¡Cochabamba! Water War in Bolivia*, p. 72.

<sup>30</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 30.

<sup>31</sup> A. Nickson, and C. Vargas, 2002, ‘The Limitations of Water Regulation: The Failure of the Cochabamba Concession in Bolivia’, *Bulletin of Latin American Research*, Vol. 21, Issue 1, pp. 99-120. They attribute the use of the term ‘water conflict’ to the ‘Bolivian media to describe the six month long conflict that erupted virtually as soon as AdT [Aguas del Tunari] began to operate water services’, p. 108.

<sup>32</sup> R. Bustamante, 2004, ‘The water war: resistance against privatisation of water in Cochabamba, Bolivia’, *REGA*, vol.1, issue 1, Jan-Jun, pp. 37-46 includes the following groups and organizations under the *La Coordinadora* umbrella: Committee for the Defence of Water, the Federation of Irrigation Water Users of Cochabamba, the Federation of Factory Workers, the Federation of Teachers, the Federation of Commerce, the Peasants Federation as well as ‘professional bodies such as the associations of civil engineers, lawyers and economists’, p. 41, footnote 7.

<sup>33</sup> A. Nickson and C. Vargas, 2002, ‘The Limitations of Water Regulation’, p.108.

the public from the bottom-up.<sup>34</sup> Based upon their argument for regulated, privately-operated water services as the way forward in developing countries, they suggested that the lack of both a suitable, autonomous regulator and ‘no recognised association of water consumers in Cochabamba’ led to the success experienced by *La Coordinadora*. This success was attributed to *La Coordinadora*’s experience in attracting ‘vested interests who were long versed in whipping up populist discontent for their own ends’, that eventually led to cancellation of Aguas del Tunari’s contract.<sup>35 36</sup> They do, however, claim that the Bechtel-led consortium, ‘failed to develop a pro-active stance to the growing conflict and displayed a striking lack of understanding of the local political and social scene.’<sup>37</sup>

Whether or not the consortium’s stance was a deliberate attempt to minimise public outrage remains an open question; however, in retrospect it would seem to be a combination of arrogance and ignorance.

This lack of understanding suggests that the interests of the public and their cultural connection to water were devalued from the beginning. Their opinions about changes being made were not sought. Generally the lack of consultation concerning proposed wide-reaching changes indicated an absence of any value being attributed to the welfare of average citizens. Such devaluation also disempowered many citizens as individuals, especially in the neoliberal context where a lack of individual financial and political influence often restricts inclusion in the decision-making processes that are occurring elsewhere.

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<sup>34</sup> See, for example, A.G. Linera, 2004, ‘The “Multitude”, in O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, for a structural analysis of La Coordinadora as an example of ‘territorially-constituted organizations’ emerging as part of a social movement transformation moving away from Cochabamba’s predominantly union-based membership, instead appealing to the masses by finding a common denominator, pp. 73, 76.

<sup>35</sup> A. Nickson and C. Vargas, 2002, ‘The Limitations of Water Regulation: The Failure of the Cochabamba Concession in Bolivia’, p. 117.

<sup>36</sup> According to W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 24, Oscar Olivera of FDTC became the leader/spokesperson of *La Coordinadora*, while FEDECOR’s president fulfilled the vice-presidency role, and president of the Defense Committee became the General Secretary.

<sup>37</sup> A. Nickson, and C. Vargas, 2002, ‘The Limitations of Water Regulation’, p. 114.

The Cochabamba experience suggests that individual voices are far harder to devalue when brought together under an umbrella of shared or similar values as occurred with *La Coordinadora*. Ignoring *La Coordinadora*'s influence on public action, especially when reviewed retrospectively, shows it was not only an insulting and devaluing account by Nickson and Vargas but an attempt to reinterpret and reconstruct the events as they occurred, and the key players who inspired the action.<sup>38</sup> Yet, it is such a reflection by Nickson and Vargas that helps us better understand the frustration that would have been building amongst *La Coordinadora*'s leaders and members regarding their devaluation as chosen public representatives and reinterpretation of their status as being of little or no consequence for future water plans. The neglect and rejection of public choice leaders and reliance on secrecy through use of official channels to nominate civil society's spokespeople and representatives was a further insult to the people of Cochabamba.

This lack of concern for the local population was apparently dismissed as inconsequential during a post-contract cancellation interview in October 2000 between Nickson and Vargas and Patrick Jeantet, Chief Operating Officer of International Water Limited. The interviewee identifies the Aguas del Tunari consortium as the victim, 'trapped between the government and the *Coordinadora*', claiming their lack of involvement, described by Jeantet as a 'passive attitude', was planned 'in order to avoid more conflicts'.<sup>39</sup> Yet, claiming a 'passive attitude' as a conflict-avoidance tactic is to deny their contribution by using the tactics of cover up, official channels, devaluation and reinterpretation in the generation of outrage and subsequent protests.

Such a denial does, however, provide a better understanding of the paradox that is water privatization. For example on the one hand many development agencies, under the guise of poverty-reduction measures and using financial support, promote the appropriateness of — even necessity for — a foreign-based corporation to:

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<sup>38</sup> More recently, and on a global scale, there has been a revaluation of individual voices collectively gathered under the Occupy social movement. Each Occupy group is known by its geographical location and activity, for example "Occupy Wall Street", where it commenced as a peaceful protest in 2011 following the global financial crisis and as protest against corporate greed and inequitable distribution of wealth.

<sup>39</sup> A. Nickson and C. Vargas, 2002, 'The Limitations of Water Regulation: The Failure of the Cochabamba Concession in Bolivia', p. 114.

- enter a country for business/trade purposes, and
- exclude the majority of citizens from contract negotiations, and
- deal only with government members and their advisors, and;
- obtain a concession to control a nation's most precious resource at minimal cost of the value of the publicly-owned utility and infrastructure being traded.

The foreign corporation is then entitled to manage and profit from another country's essential natural resource, freshwater, through implementation of tariff increases for up to a period of forty years. This is regardless of hardships experienced by the citizens in making payments to the corporation. At the same time, and based on a tacit understanding and acceptance of neo-liberal ideology concerning how markets should operate, there is also the expectation, once contracts are signed or agreements reached, that profits made from one country's water will be returned to shareholders residing in other countries. Furthermore, by focusing on water as a marketable resource and citizens as individual consumers, any water-related conflict resulting in protests by the masses becomes re-configured, or reinterpreted as an internal matter between the government and people rather than between a business and consumers, or as an international trade issue. As such, the nature of water-related conflict accompanying privatization is assumed to be between the government and its citizens — as demonstrated by the Cochabamba experience. Thus, when citizens object and resist the terms that benefit the corporation at their expense, the conflict is deemed an 'internal' matter, between government and citizens. Yet, this is a reinterpretation of the issue since at the same time it contradicts corporate claims that government responsibility lies in protecting the corporation's business and shareholders' interests over their citizens' rights. At no time does the private water sector, or its supporters, take responsibility for the civil unrest generated by imposition of its tariff increases.

Nickson and Vargas's account of *La Coordinadora* reflects that of Bolivian government officials during most of the six months struggle to regain public control of water from the

Aguas del Tunari consortium. According to Olivera and Lewis *La Coordinadora* was not afforded any official status as representing the wishes of the public. Instead the government maintained its stance that the Civic Committee provided the only official channel through which the public's views would be heard. Assies, however, claims that following the three days of protests that started with a general strike on January 10, 2000, the 'Civic Committee sought to save face by relinquishing its claim to a representative monopoly' that led to *La Coordinadora* obtaining 'a place at the negotiating table'.<sup>40</sup> Thus, it was the actions of the Civic Committee and not those of the government and the consortium that finally enabled the public's concerns about their water services to be represented within official processes.

Despite the Civic Committee's withdrawal as representatives of the people, the government continued its tactical stance of blocking *La Coordinadora* representatives, including their participation in the negotiation and decision-making that began immediately after the first water-related general strike and continued through until the last months of the struggle in April 2000. In other words official channels were used by government officials to restrict *La Coordinadora's* influence about Cochabamba's future water services. This was despite the fact that members of the public, many who were without connections to networked and supplied water services, aligned themselves and their own struggles with those of *La Coordinadora*. Whilst there was growing support for *La Coordinadora*, at the same time, according to Olivera and Lewis, the public perception of the Civic Committee was waning.<sup>41</sup> It was perceived that some of the Civic Committee's members, mainly recruited from Cochabamba's elites, and especially Manfred Reyes Villa — former Mayor of Cochabamba and head of SEMAPA — had been actively engaged in the agreement negotiations with Aguas del Tunari.

Roberto Albro, citing Gutierrez Aguilar (2001: 196), identifies *La Coordinadora's* strength as being in its "capacity for bringing together popular discontent"; this was whilst 'straddling what have historically been often fractious divides' between 'rural and

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<sup>40</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', p. 25.

<sup>41</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, pp. 29-30.

urban, multiclass and multiethnic' interests.<sup>42</sup> The Civic Committee was ill-equipped to provide such activity and unity, especially with regards to the public's relationship with water. In his chapter Albro takes time to establish the relationship many locals experienced with water. Using Spanish-language publications by Chanez Mendia n.d., and Crespo 1999, Albro informs the reader that underlying Bolivian traditions is a

conviction that "water" is first a sacred and inalienable social and public resource, vital to "life", and managed through reciprocal — usually ritualized — obligations between local communities and the cultural and cosmological sources of such vitality.<sup>43</sup>

Thus Civic Committee's attempts to negotiate a better deal with those wishing to commodify water assisted in further alienating the majority of the public, whilst the outright rejection by *La Coordinadora* of the water privatization agreement and water rate increases were seen to be in accord with traditionally-held views about water.

Several authors commenting on the mobilization and organizational processes undertaken by *La Coordinadora* during the 'water war' have tended to overlook the first attempt at mobilizing 'both urban and rural workers' during municipal election campaigning. This took place a few weeks after Aguas del Tunari took over SEMAPA and Water Law 2029 was introduced. Yet, Olivera and Lewis state that 'ten thousand people showed up!' These included 'Neighbourhood committees, irrigators, people from the suburbs and the city', and people who would generally avoid such a gathering. The gathering evolved into an 'open town meeting', with consensus being reached whereby the government would be given time, until 12 January 2000, to repeal both the Water Law and tariff increases. Olivera and Lewis suggest that the people were ready to 'believe in *something* — in an ideal' and in those who were committed to its realisation. This was in contrast to the fatigue and distrust generated by what were seen as the empty promises being played out

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<sup>42</sup> R. Albro, 2005, "'The Water is Ours, Carajo!'" Deep Citizenship in Bolivia's Water War', p. 251.

<sup>43</sup> R. Albro, 2005, "'The Water is Ours, Carajo!'" Deep Citizenship in Bolivia's Water War', p. 250.

by politicians competing in the elections.<sup>44</sup> It was at this time that *La Coordinadora*'s purpose was reinterpreted by the government as politically motivated and not representative of the public's wishes.

When Aguas del Tunari's first water bills were received in early 2000, after being awarded the contract concession in September 1999, following their commencement of operations in November 1999 upon implementation of the *Water Service Law 1999*, fears about escalating water prices were confirmed.<sup>45</sup> Suddenly people realised that 'many were forced to pay for a resource that had previously come from *Pachamama* (Mother Earth) for free'.<sup>46</sup> It should be noted, however, that in 1998, during another year of water shortages and fears that Cochabamba would run out of water<sup>47</sup> SEMAPA declared a price hike of approximately 20 per cent.<sup>48</sup> Superficially this appears to be the beginning of what can be best described as a 'bad-cop/good-cop' tactic used in many recent water privatization scenarios. In other words the public utility introduces water rate hikes preceding the privatization. This enables the private operator to temporarily reduce water rates at commencement of their contract. The public are inclined to regard the privatization as being in their best interests, thereby reducing likelihood of protest over the privatization. This in turn allows the corporation time to establish its authority over water supply and distribution before introducing price hikes.

Aguas del Tunari did not use this delayed price hike tactic, instead choosing to increase water rates almost immediately after taking up the 40 year concession. Sjölander Holland who conducted interviews with Oscar Olivera, *La Coordinadora*'s spokesperson and

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<sup>44</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 30.

<sup>45</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 10.; also see J. Shultz, 2003, *Bolivia's War Over Water*, The Democracy Center official website accessed 5 March 2007 at [http://www.democracycctr.org/bolivia/investigations/water/the\\_water\\_war.htm](http://www.democracycctr.org/bolivia/investigations/water/the_water_war.htm); also see A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp. 23-4.

<sup>46</sup> B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 62.

<sup>47</sup> The announcement by SEMAPA that Cochabamba would run out of potable water by August 1998 led to drilling of wells on 'army land'. The local Ironcollo community vigorously protested the taking of their irrigation water to service urban residents. Military police protection was used to defend the drilling. In his 2003 *Latin American Perspectives* article 'David versus Goliath in Cochabamba', Willem Assies, claims that the Civic Committee was instrumental by recommending 'the drilling of wells "by force if need be"', p. 20.

<sup>48</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', p. 20.

others involved in the protests, suggests some differences existed between contract signatories, the regulatory body La Superintendencia and Aguas del Tunari, over ongoing discussions about the plausibility of the Misicuni Dam project. The only competing consortium, Aguas del Tunari, comprised 'International Water (which at the time was jointly owned by Bechtel and Edison), Abengoa, a Spanish Engineering group, and several Bolivian construction companies'.<sup>49</sup> According to Sjölander Holland, '[t]he concession contract had granted exclusive rights to the private consortium for the provision of water services and control over water resources.'<sup>50</sup> The immediate regulator-approved rate hike in January 2000 of an average 35 per cent, to be followed by a 'further 20 per cent in 2002', was seen by many members of the public as evidence of the regulator breaking the contract.<sup>51</sup>

According to Bechtel's official website,<sup>52</sup> Aguas del Tunari, as a consortium in which Bechtel's subsidiary International Water Limited was a major investor, had failed in its attempts to persuade the 'Negotiating Committee' to accept 'a lower increase in tariffs than what was eventually decided'. As such the responsibility for the price hike was transferred away from the private sector and placed onto Bolivian government decision-makers. Bechtel outlines what it refers to as a 'number of elements that could only be addressed by raising tariffs'.<sup>53</sup> These included:

- insistence that the Misicuni dam be built during the first two years of the 40-year contract;
- that Aguas del Tunari roll the cost of repaying SEMAPA's accumulated debt into the rate structure;
- sign a separate agreement to construct an unnecessary and expensive treatment plant;

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<sup>49</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp. 23-4

<sup>50</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp. 24.

<sup>51</sup> A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, p.29.

<sup>52</sup> Bechtel, 2005, 'Cochabamba and the Aguas del Tunari Consortium', accessed 3 January 2009 at Bechtel official website <http://www.bechtel.com/assets/files/PDF/Cochabambafact0305.pdf>

<sup>53</sup> See Bechtel, 2005, 'Cochabamba and the Aguas del Tunari Consortium'.

- agree to pay for use of the to-be-constructed tunnel

It does suggest, however, that under different negotiating conditions, the use of lower tariff increases as a tactic to suppress opposition may have been introduced. It is worth keeping in mind that the Misicuni Dam project was central to Aguas del Tunari's contract. As such it is unlikely that work on the project was delayed until the official take-over of SEMAPA operations in November 1999. It is also worth noting that it was around this time, but following signing off on the contract, that composition of the consortium's joint-venture ownership changed. This corporate tactic in itself can lead to reduced accountability for any problems that occur later in the contract.

The tactics of changing ownership and forming subsidiary companies during negotiations and immediately following contractual conditions being implemented help to shift responsibility and accountability thereby making targeted struggles more complicated. By targeted struggles I am referring to activists using the corporation's buildings, name and stock holders meetings to undertake protest action.<sup>54</sup>

### **Protestor actions and Non-violence**

In response to the tariff increases the Civic Committee called for a 24-hour citizen's strike and road blockades to commence on 11 January 2000. At the same time *La Coordinadora* organized a protest that took the form of a 3-day general strike, ongoing road blockades, and a 500 person bike ride from the Quillacolla area from which the city obtained the bulk of its water supplies, causing traffic snarls along the 13 kilometre journey. The action coincided with the firing of sixty MANACO shoe-factory workers from the Quillacolla area where Oscar Olivera had worked for 25 years. Olivera describes the MANACO workers as 'among the few organized unions that mobilized [later] in February and April [2000].'<sup>55</sup> It was also the 56<sup>th</sup> anniversary celebrating the founding of the shoe-factory workers' union *Fabriles* of which Oscar Olivera was their elected leader.

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<sup>54</sup> For examples of actions undertaken by protestors in Bechtel's 'hometown', San Francisco see T. Kruse, 2002, 'Bechtel versus Bolivia: the next battle in the "Water War".'

<sup>55</sup> O. Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 47.

He describes them as setting such an example as to be a ‘moral reference point’ for protests and other actions.<sup>56</sup> The sacking of the workers enabled them to participate in the protest.<sup>57</sup>

*La Coordinadora* managed to encapsulate several themes and different personnel within the protest by:

- utilizing the timing of the strike,
- using road blocks which had been a favoured form of protest for many years, and
- bringing those people whose water supplied 40 per cent of the city into the Plaza to physically demonstrate their shared connection to the water alongside city residents.

Extending the road blocks beyond the 24 hour timeframe laid down by the Civic Committee the government was forced to at least acknowledge *La Coordinadora*’s influence over some citizens.

During the town meeting it was decided that a government commission should come and discuss the water issues with *La Coordinadora*. The meeting was arranged for 13 January and attracted thousands of *La Coordinadora* supporters who again gathered in the town Plaza. Olivera and Lewis claim it was at this point that the government declared ‘its disrespect for us’ by keeping the public waiting for several hours for the appointed commission to appear.<sup>58</sup> The tactic appears to have been used to devalue and undermine the authority of *La Coordinadora* before its supporters. In many respects it could be argued that the disdainful attitude displayed by the government’s commission, comprising ‘the Ministers of Economy and Commerce from the Banzer administration’,<sup>59</sup> engendered the opposite effect: the captive audience’s outrage was instead directed towards the government and away from *La Coordinadora*. At the same time it served to

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<sup>56</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, pp. 47-8.

<sup>57</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 31.

<sup>58</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 31.

<sup>59</sup> B. Dangel, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 63.

demonstrate that the government was not prepared to intervene on the public's behalf despite being given a reasonable amount of time to try to find a solution to their water-related concerns. In other words *La Coordinadora* could be seen as acting responsibly on behalf of the public whilst the government was not prepared to attend a meeting to negotiate a solution. It seems that the intended devaluing of *La Coordinadora* backfired in the sense it was interpreted by the public as a devaluation of themselves as citizens and their choice of representation for their water-related interests and protection.

When the government's delegates eventually showed up negotiations commenced.<sup>60</sup> During the negotiations, however, police started using tear gas on the crowd assembled below in the Plaza. Such repressive tactics against public protest had not been witnessed in Cochabamba since 1982 'when a massacre of factory workers had occurred in the Plaza'.<sup>61</sup> *La Coordinadora* negotiators left the meeting having refused to continue participating whilst the public were being repressed by tactics intended to threaten and intimidate. By removing themselves from the negotiations until the intimidation was stopped *La Coordinadora* demonstrated their alliance with the people, and concern for their welfare, thereby, likely, reinforcing the public's trust in the organization that, in turn, would inform their decision to support any future calls for action.

Tear gas cessation led to re-commencement of negotiations, resulting in an agreement whereby the government would review both the privatization contract and the water law within a three months deadline. The government, however, ignored the highly sensitive issue of tariff increases, rejecting any review or amendment proposals. Olivera and Lewis describe this disregard for the citizens' concerns as a 'grave omission' of the government.<sup>62</sup> It is important to keep in mind that the government ministers participating in the negotiations would have been fully aware of the correlation between tariff hikes, that were generally higher than the 35 per cent approved in the privatization agreement,

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<sup>60</sup> See R. Bustamante, 2004, 'The water war: resistance against privatisation of water in Cochabamba, Bolivia', that includes his 'Chronology of the "Guerra del Agua" in Cochabamba' and the topics on which agreements were sought during the 13 January 2000 meeting, including 'Creation of a commission to study the charges/tariffs', p. 41.

<sup>61</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 31.

<sup>62</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 32.

and, the many benefits that would likely flow from resurrecting the Misicuni Dam project. This project's resurrection was of course dependent upon revenue raised from water rates. Schultz and Draper examine and discuss the water rate hikes. They include the denials by the Bechtel Corporation regarding levels of increase, and provide evidence of hikes of up to 43% for some of the poorest water users and an average of 51% for all other users. Their data was obtained by the Democracy Center using SEMAPA records following its resumption of duty as Cochabamba's public utility.<sup>63</sup>

It is plausible that the decision taken by the government delegates to ignore the public's anger over the tariff hikes contained in bills bearing the Aguas del Tunari logo — and sent out to all water users — was the final spark that ignited already simmering outrage at the injustice of Cochabamba's water privatization. This outrage had been steadily building since introduction of *Water Law 2029* and the imposition of a foreign corporation to control a public resource. It was the elected government representatives' rejection of the public's request for a reconsideration of tariff increase levels that eventually brought the injustice into focus.

Towards the end of January 2000, during a public gathering or assembly, the public demonstrated their dislike of Aguas del Tunari and the government's non-intervention over water rate hikes. A consensus was reached that 'no one should pay' their water bills. This led to supporters bringing their water bills to *La Coordinadora* to be ignited and burnt in public view in the Plaza.<sup>64</sup> According to Dangl and others, Aguas del Tunari responded to the symbolic burning and non-payment of bills with use of intimidation tactics, 'threatening to shut off water connections'.<sup>65</sup>

On 4 February, 2000 'massive street protests' and violence erupted. Olivera and Lewis describe the day as a pre-planned, celebratory, peaceful, and symbolic re-taking of the

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<sup>63</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', pp. 18-19, Box 1.1.

<sup>64</sup> O. Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 32; also, W. Assies, 2003, 'David versus Goliath in Cochabamba', p. 26.

<sup>65</sup> See B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 64; also, W. Assies, 2003. 'David versus Goliath in Cochabamba'; also, W. Finnegan, 2002. 'Leasing the Rain — Letter from Bolivia', *The New Yorker*; and, T. Kruse, 2002, 'Bechtel versus Bolivia: the next battle in the "Water War".'

Plaza, designed to keep the water issues alive during the three month period given to the government to address the citizens' demands.<sup>66</sup> Shultz cites Olivera's description of the event at a September 29, 2006 taped interview<sup>67</sup> as 'a takeover with white flags, with flowers and bands, like a party.'<sup>68</sup> Willem Assies alludes to it as a gathering in opposition to the government's "final proposal" of a 20 per cent rate increase'.<sup>69</sup> Olivera and Lewis claim that the authorities had been notified of the intended peaceful nature of the gathering; however, the authorities insisted it be cancelled. This was despite *La Coordinadora*'s assertions that it was merely a symbolic *la toma* (takeover) of the Plaza for a few hours only.

In retrospect it appears that the authorities reinterpreted the meaning behind the gathering to take advantage of a long-held fear by the non-Indian residents, that one day they would be over-run by the indigenous population. This altered interpretation included the tactic of spreading propaganda about the gathering that included such statements as, "the Indians are coming to seize the city".<sup>70</sup> Such propaganda tried to take advantage of long-existing class and ethnic differences, perhaps hoping to create a wedge between indigenous and non-indigenous *La Coordinadora* supporters. It was also used to portray *La Coordinadora* organizers as untrustworthy and responsible for the violence when it erupted. And, violence was scheduled to erupt.

### **Officially-approved Violence**

Vice Minister of Internal and Police Affairs, José Orías, had organised pre-emptive security arrangements. These included deploying Special Security Group anti-riot forces at strategic points throughout the city as well as organising the earlier arrival, by motor cycles from La Paz and Oruro, of the military detachment known by the public as "the dalmations" due to their camouflage-style battledress. According to Olivera and Lewis

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<sup>66</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 33; also, B.H. Kohl and L.C. Farthing, 2006, *Impasse in Bolivia: Neoliberal hegemony and popular resistance*, pp. 165-166; and, W. Assies, 2003, 'David versus Goliath in Cochabamba', pp. 14-36.

<sup>67</sup> J. Shultz and M. Crane Draper (eds.), 2008, 'Notes', *Dignity and Defiance*, Note 19, p. 302.

<sup>68</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt', p.20.

<sup>69</sup> W. Assies, 2003. 'David versus Goliath in Cochabamba', p. 26.

<sup>70</sup> O. Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 33.

their presence in Cochabamba ‘got on people’s nerves’.<sup>71</sup> What started as a ‘peaceful’ gathering at 9 a.m. turned into two days of street fighting when tear gas was fired at the beginning of the people’s march to the Plaza.<sup>72</sup> Olivera and Lewis claim that those trying to get to the Plaza were initially unable to move beyond two hundred metres before being confronted by armed police resistance, using tear gas and clubs to prevent them reaching their destination.<sup>73</sup> They also claim that it was the presence of the disliked La Paz ‘dalmations’ that contributed to further igniting the public’s outrage of being denied their rights to gather in their public Plaza and share in voicing concerns over their water. It was the injustice of such a collusion between the corporate water sector and the local and national governments and use of specially trained members of the state’s policing machinery against its own citizens that contributed to the public’s sense of outrage. Olivera and Lewis cite the people’s response as saying, ‘Go back to La Paz, you *cholos*! Let our own police beat us, not you!’<sup>74</sup>

Olivera and Lewis suggest that bringing in the ‘dalmations’ was the ‘government’s first big mistake’,<sup>75</sup> thereby turning the people away from possible government solutions and instead demanding that their requests be met. Assies has described the government’s behaviour as ‘heavy handed oppression’.<sup>76</sup> Later, the behaviour was defended by Vice Minister of Internal and Police Affairs, José Orías, who claimed the government’s early interventionist action of dispatching national military police to Cochabamba and their subsequent use of excessive force was necessary. Using reinterpretation and cover up tactics he declared that the ‘police and military violence had been unavoidable to protect the doors and windows of the Cochabamba Prefecture’.<sup>77</sup> The government’s preference for defending property and corporate interests was a betrayal of the people’s right to protest.

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<sup>71</sup> O.Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 33.

<sup>72</sup> B.H. Kohl, and L.C. Farthing, 2006. *Impasse in Bolivia*, p. 166.

<sup>73</sup> For a full description of the events see Olivera’s account of the public’s activities and police responses based on his own observations and participation, O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, pp. 34-36.

<sup>74</sup> O.Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 35.

<sup>75</sup> O.Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*, p. 35.

<sup>76</sup> W. Assies, 2003. ‘David versus Goliath in Cochabamba’, p. 26.

<sup>77</sup> W. Assies, 2003. ‘David versus Goliath in Cochabamba’, p. 26.

## **Inclusion by February 2000**

By February 6, 2000, with *La Coordinadora* finally included in the negotiations following mediation between Cochabamba's Archbishop Tito Solari and the national ombudsman, José Luis Baptista, a water agreement had been reached. Assies names the signatories as representatives of the Civic Committee, the Cochabamba Parliamentary Brigade, and *La Coordinadora*.<sup>78</sup> He identifies the main points as being:

- implementation of the Miscuni Project,
- freezing of water rates back to the October 1999 level to enable a review of water rates;
- accepting proposals from 'various parties' for modification of *Law 2029* within the original 45-day period agreed to in January 2000; and,
- creation of a commission involving the individual groups represented to revise the 'technical, financial, and legal aspects of the Aguas del Tunari contract'

Assies further claims that 'peace lasted until April 4', 2000.<sup>79</sup>

## **Momentum-gathering in March**

In order to maintain the momentum gained by *La Coordinadora* a novel action was planned for 26 March, 2000. This action Kohl & Farthing describe as the holding of a 'voluntary popular referendum' on the existing water issues, and was a tactic used to keep supporters motivated and the government reminded about their looming deadline.<sup>80</sup> In Cochabamba it also served to reveal the public's solidarity and *La Coordinadora's* mobilization and organizational capacities. It should be noted that such a referendum has since been used in a number of different cities globally. Anti-water privatization

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<sup>78</sup> W. Assies, 2003. 'David versus Goliath in Cochabamba', p. 27.

<sup>79</sup> W. Assies, 2003. 'David versus Goliath in Cochabamba', p. 27.

<sup>80</sup> B.H. Kohl and L.C. Farthing, 2006, *Impasse in Bolivia*, p. 166.

protestors in Rome and Paris have successfully managed to return their water networks to public management, and most recently in Berlin.<sup>81</sup>

According to Assies, *La Coordinadora* mobilized its extensive networks in the Cochabamba region to install and supervise 150 ballot boxes. Assies further notes that despite the short timeframe for organizing and advertising the referendum, voter turn out and ‘participation was equivalent to 31 percent of the vote in the December 1999 municipal elections’.<sup>82</sup> He provides the three questions asked and the responses given:

**Table 5:1 Referendum questions and responses**

<i>Question</i>	<i>Agree %</i>	<i>Disagree %</i>
Do you accept the rate increase?	1	99
Should the contract with Aguas del Tunari be annulled?	96	4
Do you agree with the privatization of water in Law 2029?	3	97

Number of votes: 48,276 (approximately 10 percent of the Cochabamba population)

Table 5:1 above compiled from data provided by W. Assies.<sup>83</sup>

<sup>81</sup> See the Transnational Institute (TNI) official website for articles on the referendum process used by activists, <http://www.tni.org/>, and specifically for Berlin see P. Terhorst, 2014, ‘From de-privatisation to demands for democratisation’, Transnational Institute (TNI) official website accessed 8 July 2014 at <http://www.tni.org/article/remunicipalisation-berlin-after-buy-back>

<sup>82</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 27.

<sup>83</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 27

Whilst Kohl & Farthing describe the referendum as lacking ‘legal authority’ and the questions as ‘clearly biased’, they acknowledge that ‘the vote heightened awareness and instilled even greater outrage in Cochabamba residents’.<sup>84</sup>

The government and Civic Committee decided to pre-empt any outcomes and benefits *La Coordinadora* would gain from the referendum by holding a general assembly two days earlier. According to Assies, only those “institutions duly accredited by the Civic Committee” were included, and the general assembly culminated in the ratification of a ‘preliminary agreement with the government’.<sup>85</sup> Without seeking public input the agreement modified the public’s demands previously voiced through *La Coordinadora*. It included

- renegotiation instead of annulment of the Aguas del Tunari contract, and
- accepting a temporary freeze until December 2000, and,
- a gradual increase in water rates rather than rejection of any tariff increases.

The Civic Committee and government also used the assembly as an opportunity to denounce ‘the “anarchist and irresponsible attitudes of the Coordinadora leadership,”’ as well as reject the proposed referendum as ‘illegal and unverifiable’, stating that those leaders who attempted to subvert “the prestige and the institutional and democratic integrity” of the Civic Committee were to be banned from further participation’.<sup>86</sup> In other words by using official channels to exclude *La Coordinadora* from future negotiations the government sought to reduce the public’s outrage and thwart demands. At the same time this meeting attempted to discredit the public’s choice of representation (*La Coordinadora*), reinterpret the public’s demands regarding the water contract and water rates, and basically intimidate the public into accepting the Civic Committee as their negotiating mechanism.

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<sup>84</sup> B.H. Kohl and L.C. Farthing, 2006, *Impasse in Bolivia*, p. 166.

<sup>85</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 27

<sup>86</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 28.

In many respects the public were being forced into a no-win position. If they chose to continue support for *La Coordinadora* as their representative ‘voice’ then their demands would not reach the ‘official’ negotiating table; yet, past experience indicated that the Civic Committee followed its own agenda, often favouring commerce and the elite interests, with limited, if any, public participation, or recognition of their demands.

The public was only informed of the assembly decisions when the Vice Minister of Investment and Privatization officially invalidated the public’s vote, declaring that the referendum was illegal. He also declared that the Civic Committee was the only public representative with whom the government would negotiate.<sup>87</sup> In attempts to further discredit *La Coordinadora* the government misrepresented participation of *cocaleros*, traditional coca-leaf growers, in the organization’s struggle to reclaim their water as evidence that the movement was being ‘financed by drug trafficking’.<sup>88</sup> This misrepresentation was to be used later by Bechtel in its self-portrayal as a victim during the ‘Water War’.<sup>89</sup>

In effect the government’s support of the Civic Committee and denunciation of the public’s identified wishes demonstrated four of the five tactics identified as being contributors towards igniting outrage amongst the least powerful individuals in society. The infusion of outrage against the government for invalidating their combined wishes, as voiced through the referendum, galvanised action against both the government and Aguas del Tunari, the corporate off-shoot of the US-based Bechtel corporation.

### **Playing a different game in April**

By 31 March 2000 the government failed to respond to the three month deadline promised during the January protests. Separately, the Civic Committee and *La Coordinadora* mobilized their supporters to participate in a general strike called for

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<sup>87</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 28; also, W. Finnegan, 2002, ‘Leasing the Rain — Letter from Bolivia’; and B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*.

<sup>88</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 45.

<sup>89</sup> Bechtel, 2005, ‘Cochabamba and the Aguas del Tunari Consortium’.

Tuesday, 4 April 2000. For *La Coordinadora* the strike was to be an ongoing affair until their two key demands were met: ‘cancellation of the Bechtel contract and repeal of the national water law that threatened to seize control of rural well and irrigation systems’.<sup>90</sup>

This time the government did not call in the soldiers or the police. Dangl claims it to have been a tactic specifically selected in order to ‘diffuse the pressure’.<sup>91</sup> It could also be viewed as a tactic to further devalue *La Coordinadora* in the eyes of its followers. In other words, it physically demonstrated the government’s disdain for the organization’s capacity to mobilize support following its public denunciation and accusations of drug involvement. Such disdain might also have been an attempt to reduce outrage that was made evident before. Olivera and Lewis note *La Coordinadora*’s increasing concern about the absence of visible soldiers and police during the first two days of the strike and protest.

Early on Day 1, Tuesday, 4 April, 2000, protestor numbers in the central plaza were approximately 20,000. According to Assies, amongst these thousands who filled the Plaza 14 de Septiembre for the rally, there were ‘a variety of water committees as well as the heavy transport workers’ union and delegations from the rural areas’;<sup>92</sup> they later dwindled to 5,000 people. Olivera, as one of their leaders at the time, reflected that *La Coordinadora* recognized their one hope of maintaining unity in resistance, ‘was to provoke the government’ into taking action.<sup>93</sup> The government refused to react and maintained its position of no soldiers and no police.

The lack of an aggressive or intimidating response from government officials and corporate supporters towards the strikers was a strategy designed to undermine *La Coordinadora*’s leadership. This non-activation of a potentially violent military response generated uncertainty amongst the protestors about how to respond or behave. The protestors were well prepared with peaceful responses to anticipated approved military

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<sup>90</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 22.

<sup>91</sup> B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 65.

<sup>92</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p. 28.

<sup>93</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 37.

violence yet had limited preparation for an ensuing “cat-and mouse game” of waiting for an official response to their strike action. The strikers’ re-deployment from the city centre back to their homes after two days of waiting for a government response supports this.<sup>94</sup>

It also brings into focus that at times there can be a sometimes unrecognised co-dependency generated between protestors and the issue-makers. It highlights the dynamics of social movement mobilization and activism that has been discussed elsewhere concerning being reactive and pro-active.<sup>95</sup> Goodwin and Jasper, who challenge the analytical tools used by some political opportunity and process theorists as being constrained by structuralist determinism, emphasise the importance of culture and strategy. They claim that

Strategic decisions depend heavily on interaction between movements and other players (especially, but not exclusively, their opponents and the state), and this interaction is strongly shaped by the expectations that each side has of the other. Each side tries to surprise, undermine, and discredit the other.<sup>96</sup>

Activists as recipients of intimidation have to some extent relied on the image of official brutality against a peaceful public protest to gain a wider audience and support. This was the case in Cochabamba where activists from the Democracy Centre in Bechtel’s home base of San Francisco saw images of the violence against peaceful protestors. These images<sup>97</sup> revealed how violence can trigger outrage whilst drawing attention to the actions being perpetrated by Bolivian government officials on behalf of Bechtel’s

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<sup>94</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 37.

<sup>95</sup> For discussion see T.J. Goodwin and J.M. Jasper, 1999, 'Caught in a Winding, Snarling Vine: The Structural Bias of Political Process Theory', *Sociological Forum*, vol. 14, issue 1, March; also, R. Kumar, 2008, 'Globalization and Changing Patterns of Social Mobilization in Urban India', *Social Movement Studies*, vol.7, issue 1, pp. 77-9; also D. della Porta and M. Diani, 1999, 2006 (2nd edn), *Social Movements: an Introduction*, Blackwell Publishing, Malden, M.A.

<sup>96</sup> T.J. Goodwin and J.M. Jasper, 1999, 'Caught in a Winding, Snarling Vine', p. 53.

<sup>97</sup> 'Images of the Cochabamba War' taken by photographer Tom Kruse during February to April 2000 are available through the Democracy Centre’s official website at <http://arenaria.home.xs4all.nl/water/Cochabamba%20pictures.html>.

corporate interests.<sup>98</sup> These corporate interests were represented by International Water, that formed the majority of the Aguas del Tunari consortium against local non-indigenous and indigenous protestors.<sup>99</sup> Prior to seeing the imagery little if any information was known outside of Cochabamba about the water privatization struggle occurring in Bolivia.<sup>100</sup>

### **When violence does not occur and undermining protestors**

It is useful to examine tactics used in some past protest actions that have occurred globally and have captured international media attention.<sup>101</sup> The use of violence against peaceful protestors<sup>102</sup> can trigger outrage and draw attention to the original source of injustice.<sup>103</sup> As demonstrated in Cochabamba past experiences can influence the public expectation that violence is a given and that it will occur; when it fails to eventuate, however, due to the agency of government in controlling actions of military personnel, this raises some questions:

- can the *perceived* threat of violence be categorised as intimidation?
- does the lack of a violent response to protestors' actions create a void or space that requires different skills from the activists' leaders in the struggle for public support?

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<sup>98</sup> J. Shultz, 2000, 'Bolivia Water War #5: Bloodshed Under Bolivian Martial Law — Protest Leaders Say U.S. Bechtel Corporation Shares Responsibility', *Bolivia Water War*, The Democracy Center's official website accessed 8 April 2008 at <http://democracyctr.org/bolivia/investigations/water/waterwar.htm#war>; reviewed 6 March 2015 now available as 'Dispatches From the Scene: February-April 2000 at <http://democracyctr.org/bolivia/investigations/bolivia-investigations-the-water-revolt/bolivias-war-over-water/>

<sup>99</sup> O. Olivera and T. Lewis, 2004. *¡Cochabamba! Water War in Bolivia*.

<sup>100</sup> J. Shultz, 2003. 'Bechtel Corp. vs. Bolivia's Poor', *Bolivia's War Over Water*, The Democracy Center's official website accessed 5 March 2007 at [http://www.democracyctr.org/bolivia/investigations/water/the\\_water\\_war.htm](http://www.democracyctr.org/bolivia/investigations/water/the_water_war.htm); for discussion about the use of more recent technology to inform the global public and supporters see S. Hill, 2013, *Digital Revolutions: Activism in the Internet Age*, New Internationalist Publications Ltd., Oxford.

<sup>101</sup> B. Martin, 2007, *Justice ignited: the dynamics of backfire*.

<sup>102</sup> Such as the previously mentioned military violence associated with transporting the *dálmatas* - "dalmations" — to trouble spots to subdue the protestors, see O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, pp. 33, 35.

<sup>103</sup> See Chapter 4 on Tactics.

- how creative can protest leadership be when government officials have the resources available to control the agenda of the mobilisation?
- does activist leadership need to become a shared role with multi-skilled people being available to manage the voids or spaces used by governments to unbalance their activist opponents?

When the World Water Forum holds the triennial conferences to reinforce water as an economic good the attendance and location costs are often prohibitive for those not subsidised by governments, financial institutions, development agencies and water-related industry. Protestors are required to hold their own meetings nearby. In effect this means that resistance to corporate takeovers of the natural resource, water, can rarely come from within the decision-making Forum itself. Protestors have to be prepared to be both pro-active and reactive using military-style timing for best effect to counteract the government-backed economic and political power available to corporate interests. Yet, activists choosing non-violence as a tool for protest need to prepare strategies for when officials refuse to activate violence against protestors. The “moral jiu-jitsu” of Richard Gregg,<sup>104</sup> encompassed in opponents’ surprise at a lack of violent response, and the “political jiu-jitsu” of Gene Sharp<sup>105</sup> where power is gained through actively being non-violent, is discussed by Brian Martin;<sup>106</sup> these have strongly influenced the ideas surrounding the concept of “igniting justice”, especially in regard to the use of intimidation through official channels. Martin has explored the more Westernised approach manifested in Sharp’s ideas and fed them into the construction of the backfire model. Yet, when authorities do not use violence protestors need options for moving forward.

The above example of the lack of expected behaviour by the authorities also sheds some light on the difficulties experienced in trying to encapsulate or categorise how outrage is

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<sup>104</sup> For examination and discussion of Richard Gregg’s texts on non-violence see J.K. Kosek, 2005, ‘Richard Gregg, Mohandas Gandhi, and the Strategy of Nonviolence’, *The Journal of American History*, vol. 91, issue 4, pp. 1318-1348.

<sup>105</sup> For an interview with Gene Sharp regarding his concepts on how to activate nonviolence within ongoing conflict using Palestine as a case study, see G. Sharp, and A. Safieh, 1987, ‘Nonviolent Struggle’, *Journal of Palestine Studies*, vol. 17, issue 1, pp. 37-55.

<sup>106</sup> B. Martin, 2007, *Justice ignited: the dynamics of backfire*, pp. 172-176.

ignited and then managed. In some ways this opens up discussion about the semantics of the terms “undermine” and “devalue” since undermining the proactive capacities of the leadership may also devalue their authority to decide on behalf of the protestors. Whether or not the decision to take no action was a deliberate official government strategy with the aim of undermining *La Coordinadora*’s influence over the public, or a tactical device used to devalue *La Coordinadora* in the eyes of their supporters, or a clever tactic used to reduce publicity and avoid outrage remains a topic for discussion. The attempted role reversal between protestors’ peaceful actions and government’s anticipated aggression has tended to be overlooked as a contributor to the final successful outcome for the protestors. As such it suggests that attempts to undermine the activities of those demonstrating and voicing legitimate concerns about government decisions may also warrant inclusion amongst the tactics used for managing outrage.

In order to overcome the Cochabamba government’s change in managing protest *La Coordinadora* reviewed its main strategy of a non-violent response to official behaviours including violence. Instead the leaders decided to embrace this turn of events and turned to the still large number of remaining protestors, and mobilised support for issuance of a proposal — that the government be given ‘twenty four hours to tear up the contract with Aguas del Tunari’.<sup>107</sup> It was the stimulus needed to galvanize the protestors into action that became known as the “Final Battle”<sup>108</sup> or the “Last Battle”<sup>109</sup> that lasted for eight days.

## **Injustice Ignited**

Tactically, it was brilliant. Despite government attempts to suppress the people’s sense of injustice, *La Coordinadora* was able to ignite this in the protestors. It had been building since the tariff increases and changes to the water law and was being further fuelled by the government’s refusal to acknowledge their demands and exclusion of their chosen representatives from negotiations. *La Coordinadora*, by appearing to empathise with the

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<sup>107</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 38.

<sup>108</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 22.

<sup>109</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 37.

government — by giving them an additional 24 hours to act on the protestors' demands — captured not only the core issue, the privatization of a public good by foreign interests, but also the government's dismissal of the people's right to participate in decisions affecting their daily lives, via their chosen representatives. Instead of more waiting for a government response, the protestors demanded immediate government action to remove Aguas del Tunari. The protestors rejected *La Coordinadora's* suggested 24 hour extension and 'marched to the company headquarters, attacking the Civic Committee offices on the way'.<sup>110</sup>

Again *La Coordinadora* got the timing right — after observing the removal of the Aguas del Tunari signage and then spray painting "Aguas del Pueblo" (The People's Water) on a water treatment plant, the people were persuaded not to damage the people's property, and 'not a single store was looted'.<sup>111</sup>

The government, according to Olivera, still failed to react. As Olivera says 'It was pretty strange, and we had no idea about what to do.'<sup>112</sup>

### **Exclusion, inclusion and betrayal in April**

The following day state government ministers came to Cochabamba and, according to Olivera, again excluded *La Coordinadora* from the negotiations. Those permitted to attend the meeting being held in the offices of the regional governor Hugo Galindo, an appointee of President Banzer, included the Civic Committee, the mayor, members of the elite, and the 'unionized truck drivers'.<sup>113</sup> *La Coordinadora's* initial response was to protest outside the building until the delegates left. The delegates, however, remained inside.

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<sup>110</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', p. 28.

<sup>111</sup> B.H. Kohl, and L.C. Farthing, 2006, *Impasse in Bolivia*, p. 167.

<sup>112</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 39.

<sup>113</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 39.

The next action involved gaining access in order to confront the delegates personally. Entering by a back entrance in the adjacent police headquarters, *La Coordinadora* representatives' access was blocked by a government minister with a declaration that the delegates 'had no intention of dealing' with *La Coordinadora*.<sup>114</sup> At the same time the protestors would not let the representatives leave the building until agreement was reached to remove Aguas del Tunari. Later that evening, following intervention by Cochabamba's Catholic archbishop, Tito Solari, *La Coordinadora* representatives were finally invited to join 'the governor, the city mayor, the archbishop, and other officials' in the negotiations.<sup>115</sup> The protestors remained outside the building.

Following national government orders issued from the Bolivian capital, La Paz, thereby invoking official channels, the Cochabamba police were used to intimidate the protestors. They did this by arresting the protestors' chosen representatives just after 10 p.m. and taking them to the police cells. According to Olivera this act of intimidation was reinforced by commencing the use of tear gas to disperse the crowd waiting outside. Olivera notes that the television cameras recorded not only their transfer into custody at the police station, but attempts to force them into signing warrants accusing them of '*sedition and the destruction of private property*'.<sup>116</sup>

With crowd tension increasing over the arrests, the archbishop and the regional governor arranged for their release, on a bond, at around 3 a.m. Olivera claims they did not want to leave with accusations of treason still standing. He further claims the police reacted to their resistance by physically ejecting them from the police station. The local media were there capturing the actions and Olivera used the opportunity 'to issue a statement' exposing information about the charges to the public, thus reducing the government's capacity to reinterpret events or cover-up their actions in the future. Olivera states that it was the application of the charge of sedition to the public's chosen representatives that

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<sup>114</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 39.

<sup>115</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', p.13.

<sup>116</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 40 (italics in original).

‘galvanized the population against them’.<sup>117</sup> In other words, outrage was ignited when the public witnessed the injustice that was used to support the charge of sedition, including:

- injustice against those defending the local citizenry’s demands for the removal of a foreign water sector multi-national; and,
- injustice by an elected government seen to be acquiescent to the demands of the perceived invading enemy: Aguas del Tunari and the Bechtel corporation.

By the following morning, with expectations of a ‘military takeover’, crowd numbers in the Plaza ‘grew to more than 10,000 people’ and included many country-dwellers who had already been protesting for several days.<sup>118</sup>

Later, using interviews with direct participants including off-the-record interviews with some negotiators, Jim Shultz managed to capture the lived experience of Cochabambinos at that time. He cites a rural town official who, having marched for forty miles to participate in the rally, captures the mood by saying, ‘This is a struggle for justice, and for the removal of an international business that, even before offering us more water, has begun to charge people prices that are outrageously high.’<sup>119</sup>

Some government officials finally recognized the people were serious about defending their chosen representatives’ rights to negotiate on their behalf. An announcement was made that an afternoon meeting, scheduled for 4 p.m., was to be held at the office of the Catholic archdiocese between Governor Galindo and *La Coordinadora* leaders with Archbishop Solari acting as mediator.

Years of experiencing broken government promises were brought to a head when the Governor of Cochabamba failed to turn up at the appointed time. According to Schultz,

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<sup>117</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 40.

<sup>118</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 23.

<sup>119</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 23.

there were mitigating circumstances preventing his attendance.<sup>120</sup> Instead he sought to intervene with ‘his superiors’ in La Paz from within his own office, recommending that in order to avoid an ‘all-out war’ the contract with Aguas del Tunari be cancelled. Shultz’s sources claim, ‘[H]is superiors in La Paz were noncommittal’.<sup>121</sup> The Governor conveyed his action — urging President Banzer to cancel the contract — to the Archbishop who was waiting with *La Coordinadora*’s representatives. Somehow, perhaps due to the tension surrounding the circumstances at the time, the telephone conversation became misinterpreted as ‘the company was leaving’ and was subsequently relayed by Olivera, in this form, to the crowd waiting below. The protest became a site of celebration that continued on to a special mass, presided over by Archbishop Solari and held in the cathedral. It should be noted that not all protestors assumed the struggle was over. Olivera claims that despite *La Coordinadora*’s recommendation that the city be restored to normal, the ‘peasants’ advised the assembly that since decisions regarding the water law were still pending they would continue with their road blockades.<sup>122</sup> In retrospect, for those that were convinced, such a misinterpretation of the non-committal response coming from the nation’s centre could be seen as a deliberate attempt by the Archbishop to either calm down the proceedings and replace protesting behaviour with more familiar religious thoughts and actions or, as a ruse to weaken the people’s future trust in Olivera when the corporation did not leave.

It was during the mass that the facts emerged about the nature of the telephone conversation between the Governor and the Archbishop. Olivera claims a priest told him, “‘Oscar, everything is a lie. The government has refused to approve any of it.’”<sup>123</sup>

During questions posed by journalists regarding the Aguas del Tunari’s possible imminent departure the national government continued to cover up their real intentions for managing the conflict. Their refusal to confirm that the water contract would be

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<sup>120</sup> Jim Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, claims that an angry crowd assembled outside the Governor of Cochabamba’s offices had already broken windows and set a fire against the main wooden door to the building, raising concerns about the safety of workers in the building, see pp. 23-4.

<sup>121</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 24.

<sup>122</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 42.

<sup>123</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 42.

cancelled sought to undermine the capacities and integrity of *La Coordinadora*. At the same time, the previously silent local representatives of Bechtel, ‘faxed notices to the local press declaring that they weren’t leaving’,<sup>124</sup> thereby providing support to the government in their attempts to discredit *La Coordinadora* and suppress further expressions of outrage. There is no evidence that the credibility of *La Coordinadora*’s leadership was deliberately being devalued by the pincer effect applied through the differing statements provided by the national government and the corporation; however, based on other attempts to undermine *La Coordinadora*’s leadership it is plausible. Whilst the national government’s statement remained non-committal it did not support the local people against the refusal of the corporation to leave Cochabamba.

### **A predicted bloodbath in April**

At midnight, approaching the sixth day of protests, Regional Governor Galindo announced his resignation on live television, claiming he did not wish to be responsible for the looming “blood bath” he was predicting. According to Shultz, such a term in Bolivia was ‘code for something frightening’.<sup>125</sup> The intimidation was now overt and violence was an expected government response. In effect the Governor’s resignation had changed the dynamics of the use and control of violence: from being an official tool supposedly used for the safety of the people to a tool to be used to protect the corporate minority from the majority. It was no longer a series of threats of possible outcomes but a declaration of war against the protestors.

### **A state of siege declared in April**

Some of *La Coordinadora* leaders, taking advantage of the coded warning of a pending “blood bath”, immediately went into hiding. Although some members of the media were aware of what was going on, the Banzer government chose to cover up their intentions to declare martial law. It was not until later in the morning that the “state of siege” was

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<sup>124</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 24.

<sup>125</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 24.

formally announced by Information Minister Ronald MacLean,<sup>126</sup> with the added claim that protests were being financed by drug traffickers.<sup>127</sup> Cochabamba's "state of siege" conditions have been well described by Shultz.<sup>128</sup> Included in these were:

- the suspension of constitutional rights
- imposition of a curfew
- a ban on meetings
- enforced cessation of radio broadcasts
- use of the military to cut off power to one whole hillside section of the city that had managed to keep broadcasting radio and television coverage of the events due to its proximity to radio antennas.<sup>129</sup>

Some government actions included imposition of martial law, denial of freedom of information, and authorisation of military and police personnel to use weapons and tear gas against the public — all heavy-handed methods of intimidation.

In other words citizens' legitimate rights to challenge government decisions and seek better conditions for themselves were reinterpreted as trouble-making activities incited by drug-traffickers to protect their own interests. This is another example of an attempt by the government and its representatives to discredit the protest leaders. Prior to the formal announcement a number of *La Coordinadora* leaders' homes were invaded by police, arrests were made, and they were taken into custody. According to Shultz, 'Seventeen people were put on a plane in Cochabamba and flown off to a mosquito-infested jail in Bolivia's remote eastern jungle.'<sup>130</sup>

The government's tactical intention to suppress outrage through use of official channels, cover up and intimidation had begun in earnest. *La Coordinadora* leaders who managed

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<sup>126</sup> Ronald MacLean later went on to become an employee of the World Bank.

<sup>127</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', p. 29.

<sup>128</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', pp. 24-25.

<sup>129</sup> W. Assies, 2003, 'David versus Goliath in Cochabamba', p.29; and, J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', p. 25.

<sup>130</sup> J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', p. 24.

to avoid arrest quickly mobilized supporters to start blockading the roads again; meanwhile Olivera obtained access to a media outlet to reinforce solidarity for the struggle and encourage ongoing action.<sup>131</sup> Shultz claims the response was ‘quick and furious’ with diverse groups participating in whatever capacity was available to them. These included young people, ‘dubbed “the water warriors”’, taunting the police and soldiers in the city-centre, women collecting and distributing food for the protestors camped in the Plaza, and the aged adding whatever they could manage to build the blockades.<sup>132</sup>

### **Real ammunition, death, and troop withdrawal**

Tear gas was the initial deterrent used on the protestors. As the protestors’ actions escalated to damaging municipal offices, cars and attacking the local prisons they were also able to overcome the effects of the tear gas and re-claim the Plaza area. According to Assies it was street kids, the ‘most marginal of the marginal’ who were visibly active in reclaiming and retaining the Plaza for the people.<sup>133</sup> Schultz claims that by the afternoon, when the ‘conflict exploded’, the soldiers replaced tear gas with live ammunition.<sup>134</sup> Although allegedly not connected with the protests it was an ‘unarmed’ young person, Victor Hugo Daza, aged 17 years, and a victim of an army sniper bullet who became the first fatality of the government-induced “state of siege”.<sup>135</sup> This death triggered the withdrawal of the seventh division’s military troops as ordered by their commander.<sup>136</sup>

### **Aftermath**

Although a water war massacre was anticipated by *La Coordinadora*’s leaders it was the death of a simple teenager that seems to have led to termination of Aguas del Tunari’s contract and to negotiations taking place over future management of the water company.

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<sup>131</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 42.

<sup>132</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 25.

<sup>133</sup> W. Assies, 2003, ‘David versus Goliath in Cochabamba’, p.29.

<sup>134</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 25.

<sup>135</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 43; and, J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p. 25.

<sup>136</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 47.

Olivera claims that at no time did *La Coordinadora* attempt to take over management of the water company, however, many protestors wanted the organisation's involvement in its future management.<sup>137</sup> This arrangement was achieved with a transitional board of directors comprising two representatives each from:

- the mayor's office,
- amongst union members working at the company,
- *La Coordinadora*.

This suggests that even after days of hardship during the protests, the government's tactics to discredit and marginalise the people's chosen representative, *La Coordinadora*, backfired and continued to have the opposite effect.

Instead of Cochabamba's citizens turning against *La Coordinadora* there was an opposite effect; public outrage over a shared cause was ignited against the government and its private sector supporters. Olivera makes the point that in the final eight days of the struggle, 'People from all walks of life participated ... united ... they marched behind the slogans of the poor, instead of the other way around — the way it usually happens — with the poor marching behind the slogans of the rich.'<sup>138</sup>

In *Impasse in Bolivia*, Kohl and Farthing's study of Bolivia's popular resistance to 'neoliberal hegemony', they identify *La Coordinadora's* 'successful strategy' as a combination of having an, 'excellent sense of timing' and the 'ability to articulate and productively direct anger'.<sup>139</sup> The literature examined during this research leads to the understanding that *La Coordinadora's* successful campaign was also due to other factors. These include their capacity to:

- look beyond the socially constructed divisions that separated diverse citizens;

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<sup>137</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 45.

<sup>138</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, pp. 46-7.

<sup>139</sup> B.H. Kohl, and L.C. Farthing, 2006, *Impasse in Bolivia*, p. 166.

- ignite each separate group's sense of injustice;
- promote the action as a shared struggle over the privatization of public water;
- encourage participatory resistance to new laws regulating water's supply, distribution and use.

Unlike the exclusionary tactics of cover up and official channels used by the government, *La Coordinadora* operated from a grassroots base that not only included diverse groups but valued the contributions made by young and old according to their capacities in maintaining the struggle. Olivera provides many examples of the contributions made by people who enabled protestors to keep marching and blockading. The youth of Cochabamba, from poor and wealthy backgrounds, worked together, as well as with older generations to blockade the roads in and out of the city, often acting as lookouts for the arrival of soldiers and police. They became identified as the 'Water Warriors' — a term that has been adopted in other nation's struggles and today operates as a shared online communication tool for water issue activists.

### **Examination of the tactics used**

In order to better understand how “outrage can be amplified” it is necessary to identify tactics employed by corporate and government officials and their agents, that is those tactics used to specifically minimise public outrage. Becoming pro-active rather than reactive requires an informed public willing to challenge government decisions that have not included their input. In the chart below are a few examples of the categories of identified tactics used to minimise outrage in Cochabamba along with some public representative responses. As will be seen, certain actions can come under more than one category. Each example was fully described earlier.

**Table 5:2 Examples of Cover Up and Official Channels**

<b>Event/facet</b>	<b>Pro-privatisation</b>	<b>Anti-privatisation (activist)</b>
	<i>Cover Up</i>	<i>Exposure</i>
<b>Intended</b>	Meetings between Bolivian	Advise the public through

<b>privatization of water services</b>	Government, IMF, WB, IFI agents, BECHTEL, international and national private water enterprises held outside of Bolivia away from the Bolivian public and media.	public meetings and displays about privatization information by water services workers and activist groups in Cochabamba.
<b>Changes to relevant laws and policies to enable privatization</b>	Amendments to user rights inserted into <i>Water Law 2029</i> without public consultation.	Informing rural users about amended laws and potential charges for water used from groundwater and pre-existing wells.
<b>Use of loans by overseas interests, World Bank &amp; IMF, to impose strict economic conditions</b>	Secrecy about transfer of power from Bolivian government to WB and IMF and US water interests. Note: also incorporates use of <b>official channels</b> with WB and IMF; and, use of <b>intimidation</b> .	Exposing the co-option of government by external interests through imposition of loan conditionalities and threats. Explaining how the country had become indebted to external institutions.
<b>Ignoring popularity of non-government representatives</b>	Favouring the unpopular Civic Committee with links to the government and Aguas del Tunari to represent civil society's interests claiming it was public choice.	Staging visible open-air meetings to demonstrate popularity of La Coordinadora (LC); identifying the links and shared interests of Civic Committee members with government and Aguas del Tunari
	<b>Pro-privatisation</b> <i>Official Channels</i>	<b>Anti-privatisation (activist)</b> <i>Alternative Channels</i>

<b>Exclusion of non-authorised members</b>	<p>The government and Civic Committee pre-empted La Coordinadora's referendum with a General Assembly meeting with attendance restricted to only approved institutions. Decisions made for public not negotiated.</p> <p>Timing used to exclude action by the public's preferred representative</p>	<p>Held unofficial, inclusive, survey-based referendum. Many responses, confirming people did not want water services privatized.</p> <p><b>Timing</b> raised awareness of government attempts to support private sector interests over public's wishes</p>
<b>Arrest of senior activist officials</b>	<p>Cochabamba police instructed through national government in la Paz to arrest <i>La Coordinadora</i> officials in final rally held in Civic Committee offices, April 2000.</p> <p>Intimidation of the protestors following removal of their leaders.</p>	<p>At final rally public informed their chosen representatives (LC) were denied access to the meeting. Religious leader brought in to intervene. Representatives permitted to participate but arrested and taken to police cells. Public witnessed arrests.</p>
<b>Transporting arrested <i>La Coordinadora</i> representatives out of Cochabamba</b>	<p>Disappearance of <i>La Coordinadora</i> members following raids on homes after 6 days of main square occupation and protest.</p> <p>Families excluded from information on whereabouts.</p> <p>Also intimidation, devaluation and reinterpretation attempts used by government in claims</p>	<p>Public gathered together in main square were kept informed there were no court hearings or appearances, and that people were being "disappeared". Assistance provided in hiding non-captured leaders.</p>

	that drug trafficking money used to fund protests.	
<b>Government suspension of constitutional rights</b>	Imposition of curfew; ban on meetings', cancellation of radio broadcasts (withdrawal of information) and cutting power to prevent broadcasts from getting to the people. Denial of access to information i.e. no freedom of information so is also cover up.	Informal channels, such as waiting press and Archbishop, made available to keep protestors and families informed.

As can be seen in Table 5:2, there is an overlap whereby certain actions can be identified as able to be represented within several different categories of tactics. This complicates the design of the table since its purpose is to refresh and simplify the examples for the reader whilst encapsulating the activities used by both groups within a tactical framework.

There were further difficulties with tabulating activities in tactical categories when trying to find an appropriate allocation for examples of betrayal. Betrayal refers to the government's sell off of the public's water service to the international private sector thus betraying the public's dependence upon government to protect their best interests. Betrayal has been identified as a key component during my analysis of the actions undertaken by protestors and non-protestors to amplify or inhibit outrage. In trying to better understand these outrage standpoints, through a lens focusing on betrayal as a key tactic, several questions have been raised:

- Can promoting the concept of shared betrayal by all "powerful others" become a cohesion-building tactic used to create united feelings of outrage amongst protestors from different social, ethnic, economic, and religious backgrounds?

- Can an emphasis on betrayal be used tactically by protest leaders to amplify outrage amongst large numbers of people, many of whom have already been betrayed and unjustly disadvantaged by government programmes that benefit international and corporate interests?
- Can protestors highlighting a government's betrayal of its people in order to increase outrage inadvertently provide a space for super power and corporate agents to use this sense of betrayal as a useful tactic to divert outrage away from themselves and redirect it to the government?

In much the same way that the concept of corruption is often used to minimize trust in government officials, especially in reference to developing countries, and described by Shultz as 'Side deals [and] payoffs padded with friends and relatives',<sup>140</sup> so betrayal can be used as another tool to weaken public support for government services.<sup>141</sup> Betrayal as a tactic can be applied for different purposes. For example by secretly negotiating the sell off of national resources and infrastructure with agents of international financial institutions and multinational corporations the government is hiding its betrayal of the people — this is a deliberate tactic to manage potential outrage. The tactic used by the protestors to amplify outrage is to emphasize the government's previously hidden support of privatization as betrayal of the people. In the case of privatizing water supplies and services, the opposition's use of the government hiding their betrayal of the people may have negative outcomes for those wishing to keep water services in the public domain.

My decision has been to locate betrayal in the cover up and official channels categories of tactics since the rationale for betrayal, based upon official determinants, remains hidden, or covered up, until after the effect is felt. Examining official channels, the initial

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<sup>140</sup> For an example of how corruption operated for decades in Cochabamba and described as 'Side deals, [and] payrolls padded with friends and relatives' see J. Shultz, 2008, 'The Cochabamba Water Revolt and Its Aftermath', p. 12.

<sup>141</sup> See G. Gordon and A. Luoma, 2008, 'Oil and Gas: The Elusive Wealth beneath Their Feet', in Jim Shultz and Melissa Crane-Draper (eds.), *Dignity and Defiance: Stories from Bolivia's Challenge to Globalization*, pp. 77-114; and, N. Buxton, 2008, 'Economic Strings', in Jim Shultz and Melissa Crane-Draper (eds.), *Dignity and Defiance: Stories from Bolivia's Challenge to Globalization*, pp. 145-179; and, L.M. Bouguerra, 2006, *Water Under Threat*, Zed Books Ltd., London.

betrayal in this case occurred during the preliminary discussions taking place outside of Bolivia itself — when recommended privatization of the public utility, SEMAPA, went unchallenged — thereby hiding official activities from local media exposure. The objective was to prevent local citizens' outrage from local citizens about the future plans for the public water utility and the tactic used to achieve this was to cover up meetings and activities taking place between the key players. In this case the cover up was not just inspired by Bechtel but involved the World Bank, the IMF, the Bolivian government and local Cochabamba government representatives. As such this should also be discussed in terms of Official Channels since it appears that non-officials were excluded from opportunities to contribute their views. In this way by using approved status and official membership as a pre-requisite for entering negotiations on privatization of the utility nearly all opportunities for public awareness, debate, and challenge were denied. As such the public were betrayed by its own government.

Based upon the above discussion, a term that appears workable as a category of tactic is collusion, namely working together secretly for underhand or illegal purposes; this is based on the premise that there is strength in numbers. Throughout the struggle for regaining public control of the water, local and national government officials, working to protect the corporate interests of Aguas del Tunari, colluded to exclude La Coordinadora members from representing the public. There was earlier collusion between international financial institutions (IFIs), the corporate water sector, and Bolivian government officials during the out of Bolivia meetings when the fate of the state's water and sanitation services was discussed without any public input. Banning the public's choice of representation from participating in decision making meetings can be seen as underhanded. Collusion, when used as a tactic to minimize outrage, depends on exclusionary and restrictive devices. On the other hand, to amplify outrage, protestors must become aware of the collusion that was taking place.

A question is raised: does exposure by public water sector workers and unionists of the collusion undertaken between government and international water sector corporations become the 'other-side-of-the-same-coin' tactic that is labeled above as "cover up"? In

other words can exposure only be of value if the opposition's original intent was covered up? In many ways this will depend upon who the information is being kept from and reasons for it being withheld. Certainly claims about information overload would have some merit if every future direction the government may or may not pursue were put before the people; however, this excuse may lead to the opportunity to prevent the public from participating in such decision making.

The next category of tactic being examined is devaluation.

**Table 5:3 Examples of Devaluation and Validation**

	Pro-privatization <i>Devaluation</i>	Anti-privatization <i>Validation</i>
<b>Private sector, international financial institutions (IFIs), and some development agencies valuation of water as an economic good</b>	Cochabamba government officials, appearing non-committal over value of water, support private sector's economic valuation.	Water valued as a public and social good by both urban and rural communities. Some remaining spiritual connotation amongst indigenous population.
<b><i>La Coordinadora</i> ignored and Civic Committee installed as civil society representative</b>	Exclusion and neglect of <i>La Coordinadora</i> 's wide membership base devalued public's choice.	Inclusive membership enabled for all rural, peri-urban and urban citizens with shared belief in water as a public good.
<b>General Assembly denounced <i>La Coordinadora</i> referendum</b>	Intentions by <i>La Coordinadora</i> called anarchistic and irresponsible thus justifying future banning. Public support for <i>La Coordinadora</i> treated as	Validation of <i>La Coordinadora</i> 's role through public participation in the referendum.

	rationale for exclusion from future decision making.	
<b>General strike 4 April — government did not call in additional police.</b>	Implication that more police unnecessary as La Coordinadora not worthy or able to mobilize adequate resistance	The citizens validated La Coordinadora as their chosen representatives by participating in referendum.
<b>Government's and Bechtel's refusal to confirm cancellation of water contract</b>	Attempts to discredit La Coordinadora's integrity after Olivera, on the advice of the Archbishop, told the masses the water company was leaving.	Belief in leader Olivera's integrity remained steadfast.
<b>Following the Governor's resignation, government officials claimed the protests were funded by drug money.</b>	La Coordinadora's members linked to drug dealers.	Protestors known to have varied backgrounds and associations external to their shared value of water.

As has been seen by the few examples given in the devaluation table above (Table 5:3) many attempts were made to undermine the anti-privatization supporters and their leaders. The devaluations ranged from attacking the ideology or beliefs about the value of water itself — economic good versus public good — to challenging the integrity of those representing protestors and the protestors themselves. Some discreditation tactics are seen as being pro-active undertakings by the pro-privatization movement and their supporters whilst others are responses to actions undertaken by the anti-privatization protestors and were often dependent upon dismissing the fundamental personal qualities of the protest movement's leaders and members. It is noted that again other categories of tactics can also be identified within the devaluation category.

The following table looks at a frequently used tactic, reinterpretation, which often enables use of cover up, official channels and devaluation of the targeted issue or person(s).

**Table 5:4 Examples of Reinterpretation**

	Pro-privatization <i>Interpretation</i>	Anti-privatization <i>(activist) Interpretation</i>
<b>Fictionalized interpretation of the fight over water in the James Bond movie <i>Quantum of Solace</i>.</b>	Western government rescues Bolivian water supplies and services from the ‘baddies’ symbolized as representing drug cartels moving into take over water industry.	Activists’ ‘baddies’ interpreted as the multi national corporations (MNCs) and private water sector. Trivialises and fictionalises real life events.
<b>World Bank &amp; IMF Structural Adjustment Programs (SAPs).</b>	SAPs and private sector are tools for poverty reduction and economic growth.	SAPs and private sector cause hardship for the people, especially the poor.
<b>Local Cochabamba politicians during pre-election campaigns</b>	For campaigning local Cochabamba politicians the most important municipal election issue was the Miscuni dam project and not amendments to <i>Water Law 2029</i> .	The public’s best interests were the prevention of take over of water services and supply by an international corporation.
<b>Public’s relationship to water</b>	Contributors to profits from water provision	Recipients of a shared resource and a necessity for life
<b><i>La Coordinadora’s</i> refusal to leave the Civic</b>	Claiming sedition and destruction of public	Staying focused on the people’s call for removal

<b>Committee building.</b>	property; enabled <i>La Coordinadora</i> leaders to be arrested and removed from their role	of the water corporation.
<b>“Cocaleros” — coca growers</b>	Drug money used to fund <i>La Coordinadora</i> .	One of many different groups protesting against privatization.
<b>Long held racial and ethnic fears and tensions exacerbated to divide protestors.</b>	Resurrecting long-standing status and cultural differences.	Unifying differences through a shared cause.

Reinterpretation is also misrepresentation — a tactic used to justify decisions made by authorities. By blocking *La Coordinadora*’s access to the decision-making forum and then often misrepresenting the opposition as drug cartel members, implying they are criminals, all aspects of the organisation were devalued as well.

Utilising pre-existing fears amongst the ethnically diverse population was a way of reinterpreting the goals of *La Coordinadora*. For example, a peaceful city centre demonstration designed to keep water issues alive in the public’s collective mind whilst government had three months to renegotiate water changes and to cement a 20 per cent tariff increase was labelled as an attempt by indigenous people to take back lands from non-indigenous people. This claim played on long held fears amongst some members of the community. It was no doubt used to divide the protestors. It appears that the authorities manipulated the meaning behind the anti-privatization gathering to take advantage of a long held fear of the non-Indian population that one day they would be over run by the indigenous population. This included the tactic of spreading propaganda about the gathering with statements such as ‘the Indians are coming to take the city’.<sup>142</sup> Perhaps hoping to create a wedge between indigenous and non-indigenous *La Coordinadora* supporters such propaganda not only tried to take advantage of long-

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<sup>142</sup> O. Olivera and T. Lewis, 2004, *¡Cochabamba! Water War in Bolivia*, p. 33.

existing class and ethnic differences, but also to set the organisers up as untrustworthy and responsible for the violence when it erupted.

What was intended to be a peaceful gathering in Cochabamba's city Centre on 4 February 2000 became a site of excessive use of military force. This was the scenario that Vice Minister of Internal and Police Affairs José Orías later defended as necessary to protect property. However, this claim by José Orías was, according to Assies, exposed as being somewhat exaggerated when seen in the context of information supplied by the national newspaper *Presencia* on 2 February 2000 noting that 'Doors and windows remained unbroken' ... but it [resulted in] 70 civilians and 51 policemen being injured and the arrest of 172 people.'<sup>143</sup> Members of the public were able to witness for themselves the government's response to the actions of a non-violent *La Coordinadora* gathering. They saw the government's preference for protecting property and corporate interests over their right to peaceful protest.

The following table provides an overview of some uses of intimidation as a tactic against supporters of *La Coordinadora*.

**Table 5:5 Examples of Intimidation and Resistance**

	Pro-privatization <i>Intimidation</i>	Anti-Privatization <i>Resistance</i>
13 January 2000 the government's delegates kept protestors' leaders waiting many hours.	Tear gas used against protestors whilst their leaders were in negotiations with the government-appointed commission to discuss the protestors' concerns.	Masses wait for leaders' reappearance. Calls for information. <i>La Coordinadora</i> left meeting without resolution as they refused to collude with government whilst protestors were getting attacked

<sup>143</sup> Cited in W. Assies, 2003. 'David versus Goliath in Cochabamba', p. 26.

Threats and collusion involving water connections.	Aguas del Tunari supported by government officials, responded to protest actions by ‘threatening to shut off water connections.’ <sup>144</sup>	Symbolic burning and non-payment of water bills.
Use of military known as ‘dalmations’ for the 4 February 2000 gathering at the city centre.	Scaring public into submission and withdrawal from public protest.	Reinforcing people’s support for <i>La Coordinadora</i> ’s leaders against more outsiders being brought in by government.
Resignation of Regional Governor after 6 days of protest.	A looming bloodbath predicted.	Maintain support for non-violent protest and include many citizens not just members.
‘Seventeen people were put on a plane in Cochabamba and flown off to a mosquito-infested jail in Bolivia’s remote eastern jungle.’ <sup>145</sup>	No court hearings or public appearances allowed — only disappearances of protest leaders.	Others stepped into the ‘disappeared leaders’ positions to maintain the rage.

As the Table 5:5 above demonstrates intimidation as a tactical category has many forms. The key players and activities can change, however, the intent remains the same: to bully the protestors into submission. Intimidation, as shown above, often works on tapping into existing fears about the power of governments to cause its citizens harm and/or deprivation of freedom. Intimidation generally needs visible victims to demonstrate the

<sup>144</sup> B. Dangl, 2007, *The Price of Fire: Resource Wars and Social Movements in Bolivia*, p. 64; see also W. Assies, 2003, ‘David versus Goliath in Cochabamba’; and W. Finnegan, 2002, ‘Leasing the Rain — Letter from Bolivia’, *The New Yorker*, April 8, accessed 16/3/2008 at <http://www.newyorker.com/archive/2002/04/08/020408fa> FACT1.

<sup>145</sup> J. Shultz, 2008, ‘The Cochabamba Water Revolt and Its Aftermath’, p.24.

capacity to carry out the act(s). Yet it often works alongside either the cover up, official channels, devaluation or reinterpretation tactics in attempts to make the protestors appear to be deserving of the government's attempts to intervene and control activist behaviour. It is when they are seen to be used together to intimidate all citizens into accepting unwanted laws and policies that outrage becomes tangible and can be channeled into united resistance.

The following table provides an overview of the role of timing as a tactic used in Cochabamba.

**Table 5:6 Examples of Pro-privatization timing**

	Pro-privatization <i>Timing</i>
Drought and water shortages.	Indecisive action and funds redistribution for dam building and water storage.
Successive governments delay infrastructure improvements.	Infrastructure allowed to run down despite election promises it will be fixed.
Only private sector can afford investments plus improve services.	Private sector can improve services immediately.
Government plans to sell SEMAPA by December 1998	Lull in other issues whilst talks with US officials occurring elsewhere.
Draft water laws re user rights not available for Congress until September 1999.	User rights unprotected allowing space for private sector to move in.
<i>Water Law 2029</i> implemented 1 November 1999	PROSABAR a national Bolivian water programme introduced for assisting private sector increase in water services.
Contract signed September 1999 but handover/operations did not commence until <i>Water Law 2029</i> implemented.	Consequences of water law first seen by rural citizens — create division between rural and urban opposition.

The opposite of delay is to fast track. National and local governments in many less-developed countries were often delaying committing funds to improve water and sanitation services despite the 2000 United Nations Millennium Development Goals giving dates for services to be made available for prescribed numbers of people; meanwhile, the IMF and the WB were fast-tracking structural adjustment programs (SAPs) and government austerity measures for developing countries around the world. The triple combination provided fertile grounds for the private sector to move in and take over water services provided by government agencies. The fear factor of looming water shortages and strong messages of governmental incompetency had helped pave the way for the TINA claim, “there is no alternative” for privatization of water to be implemented quickly with limited consultation.<sup>146</sup> Once governments of countries with developing economies capitulated to the demands of the World Bank, the IMF and the regional development banks, the international corporate sector moved swiftly to provide, at a price, some of the infrastructure which would be later claimed as necessary for meeting the United Nations Millennium Goals for growth and development.

In the case of Cochabamba the timing of the water privatization reflected a combination of internal events and some collusion between the government and those supporting privatizing SEMAPA, the public water services provider. These included:

- ‘A political vacuum’<sup>147</sup>
- Increasing foreign debt and cuts in social services,
- expanding wealth and power amongst a minority group,
- increasing collaboration between international economic institutions, national and local governments and transnational corporations,
- drought and water shortages and delays in the Miscuni dam building project,

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<sup>146</sup> K. Urs. and R. Whittell, 2009, *Resisting Reform? Water Profits and Democracy*, SAGE Publications, Thousand Oaks, CA.

<sup>147</sup> O. Olivera and T. Lewis, 2004, ‘Organization’ in O. Olivera and T. Lewis, *¡Cochabamba! Water War in Bolivia*, pp. 25-32, p.28.

- increasing water insecurity despite allocation of funds,
- ongoing tensions between different ethnic groups, especially indigenous Cochabambinos and government officials,
- the development of a charismatic, indigenous union leader representing all workers, and,
- local municipal elections,
- reductions in SEMAPA employees, and
- some provisions included in *Law 2029*.<sup>148</sup>

All of the above came together within a tight timeframe that enabled *La Coordinadora*'s leaders to use the local elections and public spaces to demonstrate delaying tactics by government officials. The public spaces usually used for government electioneering purposes were also used to provide awareness of the sometimes collusive relationships between local, national, international government officials and international finance institutions and multinational corporations, especially in relation to Cochabamba's future water supply and distribution. The protestors' use of non-violence in response to the government's timed and deliberate use of heavily armed external military personnel extended their campaign until such time as they could finally oust the corporation contracted to manage Cochabamba's water services.

## Conclusion

In April 2000 the Cochabamba government's intention was to dampen the public's sense of social injustice. For the ensuing 'Water Wars' this sense of injustice was initially aroused in early November 1999. This was when the neoliberal reinterpretation of water's former value — as a public and social good — was officially accepted and managed as a commodity by being approved as an economic good through *Water Law 2029*. The government response was inadequate for the sense of injustice the water

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<sup>148</sup> See O. Olivera and T. Lewis, 2004, 'Privatization' in O. Olivera and T. Lewis, *¡Cochabamba! Water War in Bolivia*, pp. 7-21; also R. Gutiérrez Aguilar, 2004, 'The Coordinadora One Year After the Water War', in O. Olivera and T. Lewis, *¡Cochabamba! Water War in Bolivia*, p.53; also A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, pp.22-26.

privatization had initially provoked for many Cochabambinos who turned to an alternative source, *La Coordinadora*, for action.

The examples provided of actions undertaken by the government show the five main tactics covering reinterpretation, intimidation, cover up, devaluation and use of official channels as being present throughout the struggle over water privatization. Following close examination of the actions taken by pro- and anti-privatization supporters in Cochabamba a further two categories, timing and collusion, have also been added to the tactical mix. An identified outcome is that further examination is needed into the role of anticipated violence as an amplifier of outrage.

Discussion has included whether or not a difference exists between devaluing and undermining an opponent. Other case studies may clarify whether or not an essential difference in protestor responses and actions exists between the two tactics. This chapter using Cochabamba as a case study has argued that the use of these five tactics by the national and municipal governments in Cochabamba during the unsolicited privatization of water contributed to a backfire response against the corporation, its motivators — the World Bank and the IMF — and the Bolivian national and Cochabamba municipal governments. What this chapter on Cochabamba has also shown is that the conditions that ignite outrage must not only be present, they must also be exposed as a shared violation of rights.

## Chapter 6

### MANILA

#### Introduction

In 1997 Manila's publicly-run 119-year old Metropolitan Waterworks and Sanitation Services (MWSS) was privatized.<sup>1</sup> Claimed to be the oldest water utility in Asia,<sup>2</sup> and covering the 6 cities and 11 municipalities within metro Manila,<sup>3</sup> it was also claimed to be one of the largest urban water privatizations undertaken at the time.<sup>4</sup> Manila's population was between 11 and 12 million, with approximately 25% of these, or over 2.5 million people, having no direct access to a household water connection.<sup>5</sup> At the time water theft and waste were alleged to be costing MWSS up to '\$10 million in lost revenues' a month.<sup>6</sup> The issue of 'defective meters' was also used to justify privatizing MWSS.<sup>7</sup> Surface and groundwater were alleged to be in scarce supply 'because of droughts, sedimentation of reservoirs and watershed destruction' and water use was officially restricted.<sup>8</sup> Within these conditions the water and sanitation service was claimed as being in disarray and becoming deeply unpopular with Manila's citizens.<sup>9</sup> The Philippines' government deemed international funding was necessary to fund any infrastructure development so a 'policy of privatization was aggressively pushed and instituted' using various tactics to assist the process.<sup>10</sup>

Examining the tactics used to implement private sector concessionaires to operate a megacity's water services has not been previously undertaken. The premise of this

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<sup>1</sup> K. Seneviratne, 2007, *Philippines: Water Privatisation — Boon or MNC Conspiracy?* IPS Website accessed on 26 November 2007 at <http://ipsnews.net/news.asp?idnews=40013>.

<sup>2</sup> MWSS Official website, 2004, accessed 10 November, 2007 at <http://web.archive.org/web/20040611053258/www.mwss.gov.ph/news/default.asp?action=article&ID=68>.

<sup>3</sup> L. Joseph, 1996, *IFC to Assist Privatization in Philippines — The First large-Scale Water Privatization in Asia*, IFC official website, accessed 9 June 2009, reviewed 28 February 2015 available at <http://ifcextapps.ifc.org/ifcext/pressroom/ifcpressroom.nsf/1f70cd9a07d692d685256ee1001cdd37/3ba292b8ca6329a18525696d00500de1?OpenDocument>.

<sup>4</sup> J. Forbes, 1996, 'Solution to a Water Crisis', *Infrastructure Finance*, vol. 5, no. 8, pp. 57-8.

<sup>5</sup> Public Citizen, 2005, 'Philippines', *Public Citizen Water for All Reports* official website accessed 16 June 2008 at [http://www.citizen.org/cmep/Water/cmep\\_Water/reports/philippines/index.cfm](http://www.citizen.org/cmep/Water/cmep_Water/reports/philippines/index.cfm)

<sup>6</sup> J. Forbes, 1996, 'Solution to a Water Crisis', p. 57.

<sup>7</sup> Myra V. Lopez, 1996, 'Pilipinas Water Corp. to Join MWSS Bidding', *Business World*, Manila, 4 December.

<sup>8</sup> J. Forbes, 1996, 'Solution to a Water Crisis', p. 57.

<sup>9</sup> Public Citizen, 2005, *Public Citizen Water For All Reports*.

<sup>10</sup> Public Citizen, 2005, *Public Citizen Water For All Reports*.

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thesis is that, despite use of a sequence of government and corporate tactics designed to reduce or prevent outrage against an injustice, a sense of injustice can sometimes be significantly aroused or ignited. My research revealed that for Manila the sense of injustice was ignited early in the process *but* was used against the existing publicly-run water service and not against privatization of the resource.

By encouraging the public's outrage against the publicly-run utility, privatization was achieved without evidence of any resistance. The processes or tactics employed to reduce public dissent against the foreign-led take-over of the control of their water resources and supply and distribution network provide the framework for this chapter.

### **Divide and conquer**

A global precedent was set by splitting the Manila metropolis into two zones, west and east. This was supposedly for the purpose of instituting competition into the privatization and concession bidding process to diffuse opponents' claims of it being a monopoly. As a monopoly it would have none of the purported benefits attributed to competition by economic rationalists.<sup>11</sup> A degree of competition was introduced whereby it was the conglomerates tendering the two lowest proposed operating tariffs that would become the "winners". Once in control, however, since there would be no competition from within or between the two sectors, there was no vehicle available to prevent the conglomerates from managing each concession as their own monopoly. Meanwhile lack of competition in the water and sanitation service-provision business remains a counter-argument to privatization for supporters of publicly-run utilities.<sup>12</sup> Yet, as discussed later, by making the bidding process competitive and transparent the public became the spectators of the battle of the "water giants".

The concession winners would manage all water services within a pre-determined fixed area of the metropolis. These 25 year concessions were to be awarded to two

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<sup>11</sup> I.N.Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, World Bank: Washington D.C.

<sup>12</sup> S. Kellman, 2010, 'Liquid Assets: Tide Turns Against Privatization of City Water Systems', *Circle of Blue*, on-line journal, 9 February, accessed 16 February 2010 at <http://www.circleofblue.org/waternews/2010/world/liquid-assets-tide-turns-against-privatization-of-city-water-systems/>; K. Liotard and S.P. McGiffen, 2009, *Poisoned Spring The EU and Water Privatisation*, Pluto Press: London, New York.

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conglomerates comprising independent international corporations and their Filipino partners. Following several bidding stages the concessions were awarded to:

- Maynilad (West Zone) — a joint venture by the French Suez-Lyonnaise Des Eaux (operating as a subsidiary called Ondo) and Filipino BENPRES Holding, owned by the oligarchic Filipino Lopez family;<sup>13 14</sup>
- Manila Water (East Zone) — ‘A Filipino firm owned by AYALAS in joint venture with International Water Ltd (IWL) formed by the US-based Bechtel Overseas Corp and UK firm Northeast Water’<sup>15</sup>; later to become known as the Ayalas Corporation with US Bechtel<sup>16</sup> and British United Utilities.

As a case study the privatization of Manila’s MWSS provides the opportunity to analyse how the government’s use of competing corporations enabled it to diffuse public and employee protest. Any potential struggle that was likely to have emerged from within the MWSS employee sector and from the wider users of the services was divided by the split into two corporate concessions. Each concession was to be responsible for its own employment and tariff policies.

Any issues emerging from the act of privatizing a public utility became submerged under the hyperbole specifically generated to fuel media interest in supposed clashes occurring between corporations competing for the concessions, rather than focus on large fees being paid to international consultants. One can only assume, at that time — the mid- to late 1990s, when globalisation and international trade deals were closely aligned with development indicators — many locals felt a sense of pride, rather than concern, about a number of globally-famous corporations being interested

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<sup>13</sup> C. Montemayor, 2003, *Water Privatisation in Manila and International Solidarity: The Campaign of Manila’s Water Vigilance Network against Suez and What You Can Do*, Transnational Institute official website accessed 10 November 2008 at [http://www.tni.org/detail\\_page.phtml?page=acts\\_esf2manila](http://www.tni.org/detail_page.phtml?page=acts_esf2manila).

<sup>14</sup> The joint venture was later bailed out for \$503.9M and was being serviced by an ‘all-Filipino partnership of construction giant DM Consunji Holdings, Inc (DMCI) and telecommunications/real estate heavyweight Metro Pacific Investments Corporation (MPIC)’ see C. Duenos, 2008, *A Second Chance for an Ailing Utility — The Maynilad Experience* at Asian Development Bank official website accessed 11 July 2008 at <http://www.adb.org/water/Actions/PHI/Maynilad-Experience.asp>.

<sup>15</sup> MWSS Official website, 2004.

<sup>16</sup> For a critique of US Bechtel see J. St. Clair, 2005, ‘Straight to Bechtel’, *CounterPunch*, on-line magazine, accessed 27 December 2008 at <http://www.counterpunch.org/stclair05092005.html>.

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in competing for their ageing utility.<sup>17</sup> By dividing the publicly-run utility into two discrete concessions, each to be operated as separate businesses, attention was effectively drawn away from any public resistance to the MWSS privatization, or any mobilization against general privatization of government-supplied services.

Unlike the Cochabamba or New Delhi case studies, and despite a similar history of activism,<sup>18</sup> the public response was not forthcoming until several years into the concessions. This followed on from massive increases in charges for water and sanitation use, failure to prevent excessive use and waste by some, and little change in product availability for many residing in temporary dwellings, all contrary to the privatization promises that wooed Manila's citizens between 1995 and awarding of the two concessions in 1997.<sup>19</sup> The longer term outcomes from Manila's privatisation are mentioned but not examined in detail since, unlike the events in Cochabamba, they did not eventuate in the public's removal of the corporation and reinstitution of a publicly managed utility.

### Background

Comprising over 7,000 islands in the Pacific Ocean, the Republic of the Philippines has been described as a traditionally patriarchal society.<sup>20</sup> In 1997 when the Philippines capital city, Manila, became the site for privatizing the publicly-run Metro Waterworks and Sanitation Services (MWSS) only 67 per cent of the 11 million residents had household water connections.<sup>21</sup> The shortages in surface and groundwater sources contributed to supply being restricted to between 16 and 17 hours per day for those already connected to the limited network.<sup>22</sup> This lack of

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<sup>17</sup> World Bank, 2012, 'Philippines', *World Development Indicators and Global Development Finance*, accessed 7 September 2012 at <http://databank.worldbank.org/ddp/home.do>

<sup>18</sup> S. Zunes, 1999, 'The Origins of People Power in the Philippines', in S. Zunes, L.R. Kurtz and S.B. Asher (eds.), *Nonviolent social movements: a geographical perspective*, Blackwell, Malden, MA, pp. 129-157.

<sup>19</sup> G. Bridges, 2007, *Asian Water Development Outlook 2007 Country Paper: Philippines*, Asia Development Bank and Asia-Pacific Water Forum: Manila.

<sup>20</sup> See UK's International Development Services on-line magazine *BRIDGE* for September 2012, Issue 94, *BRIDGE Update: The Philippines*, accessed 6 September 2012 at <http://www.bridge.ids.ac.uk/>.

<sup>21</sup> A.C. Macintosh and C.E. Yniguez, 1997, *Second Water Utilities Data Book — Asian and Pacific Region*, Asia Development Bank, Manila, Table 1, p.6.

<sup>22</sup> M. Dumol, 2000, *The Manila Water Concession: A Key Government Official's Diary of the World's Largest Water Privatization*, The International Bank for Reconstruction and Development / The World Bank, Washington, D.C.; X. Wu & N.A. Malaluan, 2008, 'A Tale of Two Concessionaires: A Natural

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service was further exacerbated when, following a year of ‘unprecedented drought’, the volume of water in the Angat Reservoir, providing 98 percent of Manila’s water supply, was depleted by 30 per cent.<sup>23</sup>

The scarcity of supply added to the problems stemming from the existing poor level of service and inadequate funding for a burgeoning urban population. According to an Asian Development Bank report on the performance of fifty utilities operating in major Asian cities during 1995, the data revealed MWSS was amongst the worst performers.<sup>24</sup> Identified issues for MWSS included a dismal record of poor service, inefficiency, a high number of staff (9.8) per every 1000 connections, and potentially large revenue losses stemming from non-revenue water (NRW), which is water that is unaccounted for due to leaks, theft, and non-payment of accounts. According to activist group Public Citizen, ‘Filipinos were eager for improvement of water service by any means’<sup>25</sup>, even at the risk of a new wave of foreigners exploiting their resources.<sup>26</sup>

Yet, to put the loss of water and subsequent loss of revenue into context, the MWSS was considered to be the ‘oldest water system in Asia’ having been established to supply Manila’s water in 1878. The Philippines was a former colony of Spain (1521–1898) and later became a war trophy for the United States (1898–1941). The Filipino people were subjected to Japanese invasion from 1941 until liberation by the United States in 1945. Independence was granted in 1946 with a constitution that followed the American system giving ‘strong powers to a popularly elected President’.<sup>27</sup> Each wave of governance brought diverse views about responsibility for managing water supply and distribution services.<sup>28</sup> Thus, it is hardly surprising that the system had deteriorated towards the end of the twentieth century.<sup>29</sup>

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Experiment of Water Privatisation in Metro Manila’, *Urban Studies*, vol. 45, issue 1, pp. 207-229, p. 212.

<sup>23</sup> X. Wu & N.A. Malaluan, 2008, ‘A Tale of Two Concessionaires’, p. 215.

<sup>24</sup> A.C. Macintosh & C.E. Yniguez, 1997, *Second Water Utilities Data Book*.

<sup>25</sup> Private Citizen, 2005, *Public Citizen Water For All Reports*.

<sup>26</sup> S. Zunes, 1999, ‘The Origins of People Power in the Philippines’, pp. 129-157.

<sup>27</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 3.

<sup>28</sup> For an in-depth discussion on water and governance see K. Bakker, 2010, *Privatizing Water Governance Failure and the World's Urban Water Crisis*, Cornell University Press, Ithaca, NY.

<sup>29</sup> K. Bakker, 2010, *Privatizing Water Governance Failure and the World's Urban Water Crisis*,

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### No struggle this time

Had there had been a history of minimal Filipino civil mobilization against injustices then the apparent lack of action over Manila's water privatization would have seemed a likely, even predictable, response. Such a response becomes more acceptable when coupled with the assumption that government tactics were used to quell civic agitation. When that history is examined, however, the lack of visible civil society action in this case becomes somewhat surprising. Civil society groups had previously demonstrated their capacity to mobilize a wide range of people to form the non-violent People's Movement.<sup>30</sup> The combined responses and non-violent actions of people encompassing business, middle class and slum dwellers' interests' groups against the former president's 'oppressive authoritarian regime' forced dictator President Ferdinand Marcos from power in 1986.<sup>31</sup> These combined actions led to amendment of the Constitution in 1987 giving recognition to civil society groups as having a role in development, and the right to mobilize. This mobilizing capacity was demonstrated later in 2001 in order to remove 'another corrupt President'.<sup>32</sup> However, the capture of the public water service by the private sector, forty per cent of whom represented foreign interests, went unchallenged by all groups during the privatization process.

Trying to find information about how the traditional initiators of struggles have been co-opted to work with and not against privatization has been a challenging process, especially in light of the apparent lack of resistance to the claims that there is no alternative to water privatization. In World Bank Note Number 252, authors Harris, Hodges, Schur and Shukla in their 'Review of Canceled Private Projects' claim that amongst all private infrastructure projects worldwide it was the 'water sector that had the second highest rate of cancellation' between the period 1990–2001 amounting to 3.5 per cent of projects cancelled.<sup>33</sup> They suggest that the majority of these emerged after privatization had occurred; generally through controversies over increased tariffs

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<sup>30</sup> S. Zunes, 1999, 'The Origins of People Power in the Philippines', pp. 129-157.

<sup>31</sup> S. Zunes, L.R. Kurtz and S.B. Asher (eds.), 1999, *Nonviolent social movements: a geographical perspective*, Blackwell, Malden, MA, p.130.

<sup>32</sup> F.T. Aldaba, 'Philippine NGOs and Multistakeholder Partnerships: Three Case Studies', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, vol.13, issue 2, p.180.

<sup>33</sup> J. Harris, J. Hodges, M. Schur, and P. Shukla, 2003, *Infrastructure Projects — A Review of Cancelled Projects*, World Bank Group: Washington D.C.

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and collection difficulties due to consumers being unwilling or unable to pay and some politicians unprepared to support such rises. The report also suggested that local governments had been subsidizing the real costs of providing water and sanitation services so, when the private sector took over, these had to be included in their tariffs. Also included were flawed project designs where construction costs for new access, storage and supply infrastructure were included in the tariff to be paid by consumers and not required as capital investment by the new concessionaires.

Harris, Hodges, Schur and Shukla also draw attention to the unrealistically high bids often used during the tendering process that led to the ‘winners’ being unable to raise sufficient revenue to pay concession fees as well as being able to meet their investment obligations. Attention is also drawn to a lack of transparency and/or competitiveness in the bidding process that apparently acted as a trigger for political and social opposition that led to a project being cancelled. Yet, none of these issues seem to apply to the Philippines where there was a lack of existing opposition to privatization prior to its implementation.

### **The two concessions**

The two concessions were granted on 1 August 1997. In accordance with government policies, each concession required a 60 per cent Filipino business and 40 per cent foreign business membership. Consultancy services for the design of the concessions and bidding processes were led by the US-based World Bank’s investment and development arm, the International Finance Corporation (IFC). The IFC, working between 1996 and 1997, was able to negotiate and include within their terms a large bonus, described as a ‘whopping fee of US\$6.2 million’.<sup>34</sup> John Forbes states it as, ‘The government subsequently retained the International Finance Corporation (IFC), a World Bank subsidiary, for technical advice on the structure and implementation of privatization, for a fee of \$6.2 million.’<sup>35</sup> This was payable upon the successful transfer of the government-owned and operated MWSS to the private sector. Approximately USD\$1 million worth of technical expertise and consultancy services

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<sup>34</sup> Luis Corral, 2003, *IFIs & Privatization in the Philippine Power & Water Sectors*, Asian Labor Network on IFIs (ALNI)-Philippines, November, p. 11, accessed on October 2008, reviewed May 2012 at <http://www.citizen.org/documents/ifiphilippines.pdf>.

<sup>35</sup> John Forbes, 1996, *Solution to a Water Crisis*, p. 57.

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were supplied by French-based firm SOGREAH<sup>36</sup> and awarded as a grant to the Philippines government by the French Government.<sup>37</sup>

The IFC was appointed as lead advisor. It was in the best interests of the consultants to ensure nothing would prevent the concessions from going ahead. It is perhaps worth noting that the two international competitors eventually awarded the Maynilad and Manila Water concessions were respectively French- and United States-based multi-national corporations.

### Sources, Methods and Tactics

A wide range of sources were examined for evidence of activism against water privatization in Manila at the time of the bidding process. These include:

- ❖ the MWSS official website,
- ❖ newspaper reports and editorials of the time,<sup>38</sup>
- ❖ some later commentaries in citizenship groups' reports,
- ❖ personal communication with some activists,
- ❖ development bank and aid agency reports,
- ❖ government reports

Most useful of all was a World Bank publication, a book by a former senior Filipino bureaucrat Mark Dumol.

The key sources for this chapter come from reports, chapters in edited books, or articles by academics and/or activist organizations that have included the privatization of Manila's water as one of many examples of water privatizations generally. For example a report by Hall, Corral, Lobina and de la Motte entitled *Water privatization and restructuring in Asia-Pacific* was undertaken by the Public Services International Research Unit (PSIRU) of the University of Greenwich, London, UK. It was

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<sup>36</sup> SOGREAH is described by former MWSS senior officer Mark Dumol as 'a large engineering firm that specialized in water and that was not connected with any French water company.' Mark Dumol, 2000, *The Manila Water Concession*, p. 22.

<sup>37</sup> L. Joseph, 1996, *IFC to Assist Privatization in Philippines*.

<sup>38</sup> These include; *Agence France-Presse, Asia Pulse, Business World, Financial Times, Philippine Daily Inquirer, Reuters News, Straits Times, The Asian Wall Street Journal*.

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commissioned by Public Services International (PSI — the confederation of public service trade unions), for an Asia-Pacific meeting held in Thailand in 2004. In this case the report divides privatizations up according to the water sector multinationals that have won or lost contracts rather than targeting the specific cities captured in the process.

Some sources focus solely on privatizations that have occurred in the Philippines. One of the most informative is that produced by Asian Labor Network (ALNI- Philippines or ALNI-P) on International Financial Institutions (IFIs). This was a 38-page report published online by US-based activist group Private Citizen in November 2003.<sup>39</sup> The author, Luis Corral, a co-author of the previously mentioned PSIRU report, documents impacts on workers through increasing private sector participation in the Philippine power and water sectors. Corral seeks to identify and recommend strategies that will be useful for trade unions and civil society groups during their dealings with IFIs in order for them to ‘*remain relevant in the development debate*’ (emphasis added).<sup>40</sup> The report recognizes that the one-size-fits-all model of privatization that is the trademark of IFIs in less-developed countries attempts to freeze out trade union and civil society involvement in the processes. ALNI-P researchers attempted to find any cracks or fissures that would allow representatives of the public sector to remain engaged with the privatization process.

The report’s stance was that privatization of power and water sectors was a *fait accompli*, with no alternatives available other than for workers and the public to work with, rather than against, the processes driving privatization. Instead of looking for ways of resisting or rejecting privatization completely, alternative means were primarily sought to protect the rights of workers and the public. Rather than accepting the use of official channels as being a means for excluding opposition to the privatization process, the ALNI-P recommended that workers, through their elected representatives, needed to become part of the officialdom.

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<sup>39</sup> L. Corral, 2003, *IFIs & Privatization in the Philippine Power & Water Sectors*. Of particular interest were Sections IV ‘Role of IFIs in Restructuring the Water Supply Sector’, Section V ‘Learning from the MWSS privatization’, Section VI Focus: Labor impacts of MWS [sic.] privatization: pp. 9-26.

<sup>40</sup> L. Corral, 2003, *IFIs & Privatization in the Philippine Power & Water Sectors*, p. 1.

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Funded by the World Bank in April 1996 some MWSS workers, supervisors and managers, primarily union leaders,<sup>41</sup> were selected and taken on a study tour of Argentina's privatized water services in Buenos Aires.<sup>42</sup> It was this study group that later represented the MWSS workers in privatization discussions with Manila's decision-makers. Corral advises that the timing of the 'study tour coincided with the labor union elections [there], and the Argentinean labor leaders who were active during the privatization period were running unopposed for re-election'.<sup>43</sup> This suggests that the privatization process was seen as a positive career opportunity for KKKM members who worked within the system. They were included in decision making processes and were able to influence their KKKM members by emphasising the gains to be made from working with, rather than against, the private sector. Their co-option was invaluable to the privatizers.<sup>44</sup>

The co-option of those with positional power to influence and mobilise fellow workers, and to a lesser degree the public, is a tactic designed specifically by unified governments and corporations to buy off potential opponents and prevent backfire. The government officials become co-opted by corporations through their investment potential, followed by the workers' representatives seeking jobs and positional protection, leaving a public with limited resources and representatives to challenge the proposed changes to infrastructure and associated charges. It seems that co-option has been used as a "jamming device" to prevent challenges with rewards offered to those who co-operate and reduce resistance amongst their members.

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<sup>41</sup>Known as 'association KKKM (Kaisahan at Kapatiran ng mga Manggagawa at Kawani ng MWSS, or Unity and Brotherhood of Workers and Employees of MWSS)' in L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, p.19.

<sup>42</sup> The country's increasing economic difficulties were not common knowledge at that time. The privatized Argentine Provincial Buenos Aires Water and Sewerage Project, with a US\$1009million investment commitment, was cancelled in 2001 see J. Harris, J. Hodges, M. Schur, and P. Shukla, 2003, *Infrastructure Projects — A Review of Canceled Projects*, Public Policy for the Private Sector Note 252, World Bank, Washington D.C., January. Previous 2012 link was unavailable and was accessed again 4 January 2015 at <http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1303327122200/252Harri-010303.pdf>.

<sup>43</sup> L. Corral, 2003, *IFIs & Privatization in the Philippine Power & Water Sectors*, p.19.

<sup>44</sup> For examination and discussion of corporate use of co-option on governments see S. Beder, 2006, *Suiting Themselves: how corporations drive the global agenda*, Earthscan, London; and, S. Beder, 2006, *Free Market Missionaries: The Corporate Manipulation of Community Values*, Earthscan, London.

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Some particularly useful details included in Corral's report are repositioned in a timeframe (see Table 6:1 below).<sup>45</sup>

**Table 6:1. Timeframe Table: Preparing for MWSS Privatization**

<i>Date</i>	<i>Policy Name</i>	<i>Action</i>
1994	NEDA Board Resolution Nos. 4 and 5	Set out national policies for extending sustainable service provisions in the country
1994	Establishment of Water Management Cluster or Cabinet Cluster G	Given the mandate of implementing the policy recommendations.
1995 June	National Water Crisis Act (RA 8041); Joint Executive-Legislative Water Crisis Commission (JELWCC)	Enacted. Vested Executive with 'special powers' for national improved water resources management; and, for crisis management targeting Metro Manila specifically.
1996 April	JELWCC Recommendations to President World Bank sponsored study-tour to Argentina for senior MWSS personnel and KKAK union leaders	Included strategies for rationalizing and streamlining the Philippine's water sector. Coincided with unopposed Argentinean labour union elections; demonstrating ongoing power and popularity of officials who supported water privatization.
1996 May	NEDA Board Resolution No 6	Responsibility for planning and implementing water & sanitation services devolved to Local Government Units (LGUs). Department of Interior and Local Government (DILG) made national agency for capacity building of LGUs.

Adapted from Luis Corral.<sup>46</sup>

Included in Corral's report is a brief history of the laws Philippines presidents had used as pathways enabling the IFI-driven privatization of public services in the power

<sup>45</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, 2003, Section IV, p. 11.

<sup>46</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, 2003, Section IV, p. 11.

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and water sectors. The report also follows the pathways used by the IFIs, mainly the World Bank and the Asian Development Bank, showing how they diverge on certain understandings about the nature of basic services that include electricity and water. Corral suggests that it was the successful reformation of the electricity sector that partly informed the means by which the MWSS was privatized. In Corral's words, 'Privatization was hailed as a panacea to corrupt practices supposedly endemic in the bureaucracy'.<sup>47</sup> Devaluation of the existing publicly-supplied service through propaganda and promotion of the benefits of privately-managed services helped reduce opposition during the privatization process.

Whilst Corral confirms the view of many civil society groups that water is a 'social good and should remain in public hands', and that several groups had been 'critical of the privatization',<sup>48</sup> the report remains focused on impacts felt by MWSS employees and not on civil society responses. Corral claims 'there were instances of protest and an illegal strike organized' immediately before the public utility was turned over to the successful concession bidders.<sup>49</sup> These actions were not used to mobilize support against the injustice of international corporations profiteering from Manila's water but over changed employment conditions under the private sector.

The changes included removal of a newly introduced, mandatory 6 month probationary period for all workers irrespective of their employment history with MWSS. Redundancies had been re-configured through some one-off substantial payouts to become an acceptable consequence of privatization. Study tour participants were made aware of the job losses associated with privatization but saw increased engagement for existing union members.

Concerning the period between concept and execution of privatization of Manila's water service, 1995-1997, Corral has minimal discussion of civil society mobilization against the process. He does mention, however, reactions to the Maynilad-Benpres partnership's desertion from the eastern-zone concession in December 2002. This was due to financial difficulties and the enterprise's subsequent threat to sue the Philippine

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<sup>47</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, p.15.

<sup>48</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, p. 14.

<sup>49</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors*, p.17.

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government for US\$303 million, an amount claimed to be owed from water-sector investments in the eastern zone. In this case action taken was through the legal system and not through protest. As such, for the purposes here, it is not regarded as a civil society matter or mobilization against privatization of water services.

Following Manila's privatization of the water services sector, by 2003 there were:

- ❖ large increases in water tariffs,
- ❖ shortfalls in promised service expansion,
- ❖ ongoing staffing cuts, and,
- ❖ limited success in reducing losses from non-revenue water (NRW).

At that time the Asian Labor Network on IFIs (ALNI)–Philippines report concluded that until re-nationalization was back on the political and economic agenda for distribution of “social goods”, trade unions must:

... learn from previous privatizations and ensure that unions are present at the very start of any economic restructuring initiative. Trade unions must be present to renegotiate jobs. Trade unions must engage in “cooperation partnership” (sometimes seen as betrayal or collaboration by co-workers).<sup>50</sup>

There was no suggestion of mobilizing others, non-MWSS workers, to resist the initial take-over of Manila's water services.

Water services privatization failed to become an inclusive focal point for rallying support from those with limited capacity to be heard but with greatest need — such as the very poor, often living in unapproved/slum dwellings without easy access to tapped water. The workers, through their union leaders, lost an opportunity to challenge the legitimacy of the privatization and challenge their government's right to commodify a “social good” as occurred in New Delhi. Instead their leaders were co-opted into viewing the privatization from a work-related perspective only and not

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<sup>50</sup> L. Corral, *IFIs & Privatization in the Philippine Power & Water Sectors* p. 30.

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through an expanded communal lens able to configure diverse interests into a common struggle to protect lives, livelihoods, resources and justice as occurred a few years later in Cochabamba, Bolivia.

### The Media

Media coverage influenced acceptance of privatization of Manila's public water service as a TINA, "no-alternative", outcome. Some English-language media available in Manila during the mid-1990s provided source material for examining the context in which privatisation of MWSS became an accepted if not the only possible outcome for future water supply and availability at that time. H. Serrano writing for magazine *FutureArc* claims that,

The official language is Filipino. But English is commonplace and is the official language of instruction in Philippine schools. Seventy eight point five percent of the population speaks English (National Statistics Office, 2000). Perhaps it's one of the reasons call centres and English language learning centres abound in Manila.<sup>51</sup>

As such the examination of only English language newspaper reports for the period early January 1995 to mid-August 1997 seemed appropriate for the purposes of this thesis. Those examined revealed propaganda and promotion was appearing in such publications as *Business World* (BW), *The Asian Wall Street Journal* (AWSJ), *The Wall Street Journal* (WSJ), *The Financial Times*, and *Asian Infrastructure Monthly* (AIM).

It is acknowledged that national language newspapers and other media outlets may have alerted non-English speaking Filipinos to the loss of subsidies and the likelihood of increasing water tariffs following privatization, however, these have not been studied. There were a number of water activist publications that were written about Manila's water utilities following the privatization, however, these were focused on

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<sup>51</sup> H. Serrano, 2013, 'City profile — Emerging Manila: A City on the Rise', *FutureArc*, online Mar-Apr. edition accessed 28 February 2015 at <http://www.futurarc.com/index.cfm/projects-2013/2013-manila-city-profile/>.

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post-privatization outcomes and reclaiming publicly-supplied water rather than preventing privatisation in the first place.<sup>52</sup> I communicated with a Filipina activist and author Mary Ann Manahan, from Focus on Global South social movement, on events at the time.<sup>53</sup>

Correspondence with Mary Ann Manahan was about a lack of general resistance to the water privatization; especially an apparent lack of connection to any problems facing those residing in illegal settlements or slums in Manila. In response to my questions about concerns of the impact water privatization and user-pay policies might have on the very poor and people living in slums Manahan confirmed it was her understanding that there was little, if any interest portrayed within the national language media at that time of the proposed privatization. It is plausible that due to a lack of information and discussion in local language media the many non-English speaking Manila residents were relegated to become recipients of decisions made by those promoting the claim that for there to be an improvement in gaining access to clean and reliable water supplies there was no alternative to privatization of MWSS.

English language articles were written by a number of journalists including regular contributors Jon Liden (WSJ; AWSJ) and Marifi S. Jara (BW). The examined publications covered the period up until the two successful tenderers took over management of the MWSS. Generally the articles tended towards being descriptive rather than analytical or critical of the privatization. In this two and a half year period the most relevant commentaries included:

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<sup>52</sup> C. Montemayor, 2003, *Water Privatisation in Manila and International Solidarity: The Campaign of Manila's Water Vigilance Network against Suez and What You Can Do*, TransNational Institute (TNI), Presentation at the ESF-Seminar Commercialisation vs Public Services, accessed 10 November 2008 at [http://www.tni.org/detail\\_page.phtml?page=acts\\_esf2manila](http://www.tni.org/detail_page.phtml?page=acts_esf2manila), L. Corral, 2003, *IFIs & Privatization in the Philippine Power & Water Sectors*; S. Hale, 2007, 'The Significance of Justiciability: Legal Rights, Development, and the Human Right to Water in the Philippines', *SAIS Review*, vol. XXVII, issue 2, pp. 139-150; D. Hall, V. Corral, E. Lobina, and R. de la Motte, 2004, *Water privatisation and restructuring in Asia-Pacific*, a report commissioned by Public Services International Research Unit (PSIRU), University of Greenwich, London for its Asia-Pacific meeting in Changmai, Thailand, December, 2004;

<sup>53</sup> M. Manahan, 2009, 'Water Politics: Access to water and the role of IFIs, TNCs, and States', *Bankwatch: Critical Perspectives from the NGO Forum on ADB*, Vol. VII, Issue 1, 1<sup>st</sup> Quarter, pp. 23-28; also, M. Manahan, N. Yamamoto, N. and O. Hoedeman (eds.), 2007, *Water Democracy: Re-Claiming Public Water in Asia*, Focus on Global South and Transnational Institute: Manila, London. Available online at <http://www.tni.org/sites/www.tni.org/archives/water-docs/waterdemocracyasia.pdf>.

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- ❖ acute water shortages experienced in the Manila Municipality leading to
- ❖ President Ramos seeking emergency powers; and
- ❖ obtaining a mandate to privatize the MWSS;
- ❖ the creation of an illusion of a pending battle between international corporate giants to gain the legal right to manage Manila's water;
- ❖ a cholera outbreak occurring closer to commencement of the contracts.

The public's interest was maintained through fairly regular updates about particular Filipino firms and international water corporations that were emerging as contenders for the 'auction' of the East and West 'franchise' zones. Each zone contained its own treatment plant: the Balara in the East and La Mesa Dam in the West. Both zones were being supplied with water from the government-built Angat Dam; the construction had been funded through previous development loans. In the 7 June 1996 edition of *Business World*, Richard Dow, the Philippines manager of US-based corporate giant Bechtel Overseas Inc., is cited by journalists Serapio and Jara as claiming that 'water is free from Angat Dam'. The same article on page 1 goes on to claim that the privatization of MWSS 'is also an admission of a hopeless, incompetent bureaucracy'.

The public utility's employees and operations were being devalued in supposedly unbiased articles appearing in the local media. This was occurring through various forms of media coverage often using alleged comments from anonymous spokespersons claiming to be 'an official' of the Department of Public Utilities and Highways or its agency, MWSS. For example, in a newspaper article entitled 'IFC Cites Benefits Arising from MWSS Privatization'<sup>54</sup>, an overview was provided of the huge financial costs required to modernise the 118-year-old water system. This was considered vital in order to meet the required level of supply; a supply that was able to meet the ever-increasing demands of a burgeoning population, often harbouring expectations of Western-style 24 hour access and availability. In the article, an anonymous 'official' is cited as 'admitting the current condition of MWSS treatment

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<sup>54</sup> *Business World*, 2 April 1996, p.11.

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plants is “in dire need” of upgrading’. Whilst the article does not specifically state the health-related dangers associated with improperly treated water, it certainly places this in the public forum as a future concern that can not be addressed by the publicly-run system.

In the 16 July 1996 edition of the *Business World* an article appeared under the heading ‘Ramos seeks extension of water powers’, claiming President Ramos was seeking an extension of the authority given to him previously under the National *Water Crisis Act* 1995, (RA 8041). At this point the 18 month old authorization was due to run out in 9 days time. On page 16 the anonymous author claims the president:

... said an extension is necessary given the continuing water crises in several cities, including Metro Manila; the inherent problem in water distribution due to very old pipes; the lack of a common grid; the varied costs of water; problem in investments; and sensitive environmental standards and concerns.

One day before the President’s extended powers were due to be revoked the 24 July 1996 edition of *Business World* announced on page 16 that:

President Ramos yesterday approved the reorganization of Metropolitan Waterworks and Sewerage System (**MWSS**) and Local Water Utilities Administration (LWUA)... This is expected to result in the abolition of 646 positions. **MWSS** is to reduce its work force by 283 workers while LWUA is to lay off 363 employees. Under a downsizing program, **MWSS** employment positions are to be limited to 5,999 from 6,282. The LWUA, meanwhile, is to cut the employment plantilla to 1,147 positions from 1,510. Of the 1,147 positions, 64 more will be abolished once vacated by incumbents.

By 30 July 1996 the anonymous author’s headline on page 12 of *Business World* declared ‘Senate Blocks Extension of Water Powers’; however, the drastic changes to **MWSS**, necessary for making Manila’s water services more appealing to potential private investors, had been successfully put in place. Any potential concern about

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privatization of Manila's water services had been harnessed by shifting focus to job losses under the existing services provider, MWSS.

The government tactic of reinterpreting preparations for the foreign take-over of Manila's water services management as a public sector employment issue, when approximately 90 percent of jobs would remain, was successfully assisted by the English language media and use of agency press releases. At the same time the focus on downsizing staff numbers encouraged speculation and protection of self-interest rather than unity against the external threat of privatization.

Two articles of interest appeared in 6 September 1996 editions of English language broadsheets. One in the *Asia Pulse* repeats a media release, copyright of International Bank for Reconstruction and Development (IBRD), announcing a US\$7 million loan to MWSS for Manila's second sewerage Project claiming:

... [MWSS] intends to apply the proceeds of this loan to payments for goods, works and services to be procured under this project.

In retrospect the announcement raises some questions about who would be benefitting from this loan; also, who would be held responsible for repayments following privatisation of MWSS; and, the appropriateness of the loan at this time considering the looming privatization. There do not appear to have been any such questions asked, or made public, at the time.

Yet, on the same day, 6 September 1996, 3 months prior to the commencement of the bidding phase of the privatisation process, public focus was diverted elsewhere.

*Business World* headlines declared 'MWSS Blamed For Cholera Outbreak in Metro Manila'. Accusations were made that the outbreak was due to MWSS's inability to 'plug leakages' or to prevent 'contaminated water seep[ing] into water pipes'; thereby clearly devaluing the current operators and their reduced staff numbers. The article claimed politician Senator Ernesto Maceda stated:

If the MWSS cannot provide clean and safe drinking water to the people, it has no reason to continue doing business... The government should instead turn over to the private sector the operation of water utilities.

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The cholera outbreak, re-interpreted as acute gastro-enteritis by the Health Minister on page 16 of the same edition of *Business World*, had already resulted in 98 hospitalisations since September 1, 1996. Yet, mention was not made of this until 6 September when the official IBRD media release was published locally.

By 10 September, with 6 deaths recorded, the outbreak was formally acknowledged by the Health Minister as cholera.<sup>55</sup> Blame for the outbreak was apportioned to MWSS for not fixing holes in water pipes and the victims for using an abandoned water reservoir as a toilet. Agence-France Press chose to publish a quote by an anonymous Manila citizen in ‘a Philippines newspaper’ suggesting shoot-to-kill orders be invoked against those who contaminated their own and others’ water supplies.<sup>56</sup>

France’s own water corporate entities, Lyonnaise Des Eaux (later known as Veolia) and Suez, were competing for the Manila concessions. The assumptions within the article, about inhabitants of informal settlements, derogatorily called slums, seem somewhat reminiscent of European-inspired narratives where poverty was portrayed as choice and not an economic outcome and social construct.

By late September 1996, under the heading ‘Manila water body approves privatisation bid rules’, *Reuters News* declared that the final four international and seven national competitors had ‘already been prequalified to join the bidding’ for the next round of the MWSS privatization process. The requisite outcome of the process was having ‘two concessions to run Manila’s water system, considered the largest water privatisation in a developing country.’<sup>57</sup> On the same day the local *Business World* newspaper justified the forthcoming privatization to support non-extension of the *Water Crisis Act* and deferment of water safety upgrades.

Under the heading, ‘IFC short-lists MWSS bidders, from seven firms, it’s down to four’, journalist Maricris C. Carlos’s article typifies the English-language newspaper information given out to its readers at that time.<sup>58</sup> Responsibility for the privatization

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<sup>55</sup> *Business World*, 10 September 1996, p. 10.

<sup>56</sup> Anon, ‘Shoot water thieves, Philippines paper tells police’, *Agence France-Presse*, 16 September 1996, n.p.

<sup>57</sup> Anon, ‘Manila water body approves privatisation bid rules’, *Reuters News*, September 27, 1996, n.p.

<sup>58</sup> M.C. Carlos, *Business World*, 24 October, 1996, p.7.

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is shown to be internationally-driven by the IFC, thereby reducing any potential claims of local corruption, whilst interest in the competition for MWSS is kept alive.

It is of interest that language used by some journalists to describe the activities to be undertaken by the successful bidders focused on competition issues and not economic motives associated with supplying water for profit. An example of this appears below.<sup>59</sup> This article names the competitors and the future concessionaires' roles as:

... the corporate groups involved in the bidding process include Ayala Land with International Water, Aboitiz Equity Ventures Inc with Compagnie Generale des Eaux, Benpres Holdings with Lyonnaise des Eaux and Metro Pacific Corp with Anglian Water plc. ...

The **MWSS** currently has a distribution monopoly in Manila but loses about 50 per cent of its water to leaks and pilferage...

The successful companies will be responsible for metering, billing, revenue collection and the financing of new investments.

In effect, their profit-making from water supply activities is made invisible, becoming a taken-for-granted expectation of the purpose for supplying water. The focus remains on how the concessionaires will improve services, but fails to motivate the public to ask who benefits financially from privatization of an essential service and how this is achieved. As such, the English-language media was complicit in the cover up of potential negative financial aspects and loss of government subsidies. Also, the reinterpretation and devaluation of the public supply of water, even if in need of increased funding for upgrades, expansion and improved management, showed it as being potentially corruptible, whilst the privatization was deemed an inviolate, competitively-driven corporate activity.

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<sup>59</sup> It was taken from *Asia Pulse*, 24 October 1996, reporting on an article supplied by 'The Daily Advisor [sic.], a publication released by Anscor Hagedorn Securities Inc. in Manila'.

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### A View From Inside the MWSS

For my purposes a short book, authored by Mark Dumol, Chief of Staff of the Secretary of Public Works and Highways of the Philippines from 1993, has provided an important insider's view of the processes and tactics used by key government players in the privatization of Manila's water and sanitation services (MWSS).<sup>60</sup> The book has confirmed my original thoughts about how the process of implementing water privatization was managed with so little resistance from MWSS employees and the public generally.

Basically, this was achieved through convincing the public that without engaging private sector intervention an impending water crisis would become reality. Yet, as Dumol claims, despite his key position within MWSS, no one in the organization was aware of, or concerned about, an impending 'water crisis'. It was not until President Fidel Ramos declared it to be so to his newly-appointed Secretary of the Department of Public Works and Highways, Gregorio R. Vigilar, in June 1993 that it was made a public issue. Dumol claims that, 'The President pushed Vigilar to create awareness [about the problems in the water sector] among the public.'<sup>61</sup> Vigilar, like the President, was educated at West Point Military College in the United States, suggesting opportunity for shared exposure to similar world views of many World Bank and IMF officers who were instigating privatization programmes globally.

According to Dumol the President made it clear that a main objective for MWSS officers was to be 'making people aware of the water crisis and developing a consensus on the need to address it.'<sup>62</sup> Thus, the public's attention was to be captured so that a potential water scarcity would be included amongst their existing complaints about the availability and level of service provided by the government-run public utility. A number of "Water Summits" were convened to bring Filipino decision-makers together to discuss the water situation. Dumol claims that although these "Summits" produced little direct action they in fact 'played a crucial role of making people understand that there were serious problems in the water sector' that required

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<sup>60</sup> M. Dumol, 2000, *The Manila Water Concession*.

<sup>61</sup> M. Dumol, 2000, *The Manila Water Concession*, p.10.

<sup>62</sup> M. Dumol, 2000, *The Manila Water Concession*, p.10.

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alternative strategies to be developed.<sup>63</sup> Thus, it was exposure of the flaws within the publicly-run system that helped the private sector gain control.

Upon reflection the Manila privatization process, as pursued by the President, can be divided into three stages:

- ❖ First was encouraging the public, government officials and politicians to recognize that there was a general problem with water supply, including loss/theft during delivery;
- ❖ Second was gaining acknowledgement that it needed to be fixed including approval for proceeding;
- ❖ Finally to offer only two solutions:
  - a) more of the same, that is ongoing management as a government corporation with all existing cumbersome funding, claims of corruption and cronyism, retaining outdated employment regulations and bureaucratic procurement procedures; or
  - b) introduce international finance, expertise and technology to help rectify both supply and delivery of potable water to Metro Manila.

With regards to the two solutions offered, Dumol makes a good case against the first option by providing anecdotes about the bureaucratic procurement processes used in the Philippines in attempts to overcome a legacy of corruption and political favours. Appearing to be fighting against such corrupt practices supports his major claim for demonstrating transparency in the complete bidding process for the concessions. His ongoing flagging of the need for, and adherence to, transparency throughout the procedures appears to apply only to those engaged in the processes of making privatization of MWSS a reality. He does not identify how, or even if, members of the public were brought into the consultation or decision-making process.

From his insider's viewpoint Dumol identifies that any alternative solution to Manila's water problems was never up for negotiation. This is supported by his claims

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<sup>63</sup> M. Dumol, 2000, *The Manila Water Concession*, p.10

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that local bank loans were obtained for the purpose of purchasing the high level of technical and financial consultancy services needed to help formulate and design the range of processes necessary to attract suitably qualified bidders for the 25 year concession contracts. Local bank loans circumvented the need to undergo the lengthy procurement process that was then necessary to obtain government funding for the consultants' fees.

All loan repayments were never deemed to be government responsibility since they were to be fully reimbursed by the successful bidding corporations; this was through the requirement that each would pay US\$10 million to the government upon taking up the concession contract. Also, built into the consultants' fees was a 'bonus' of approximately US\$6.2 million, payable to IFC upon the contracts being awarded; in other words, payable upon getting MWSS privatized — and payable by the winning bidders.

According to Dumol, in order to ensure that foreign investors would be confident in the legitimacy of the bidding process, any hints of corruption and/or political favours for any foreign government water corporation were effectively suspended. Such suspension was achieved through ongoing transparency of processes being used and government consensus for the privatization. At the same time Dumol implies that obtaining political consensus for the privatization was achieved by ensuring ongoing transparency of all associated activities. Thus, such concepts as cover up and official channels, so widely used in the Cochabamba privatization and New Delhi attempted privatization,<sup>64</sup> were seemingly absent in the Manila privatization process.<sup>65</sup>

Whether Manila's limited "cover up" and use of "official channels" contributed to the absence of resistance to the privatization process is open to conjecture. Certainly the narrative being driven through the local English language media would suggest that privatization was promoted as the only way to rectify the injustices experienced, on a daily basis, by recipients of neglected water services. At no time was the possibility of profiteering from an essential service through increasing user-pay tariffs portrayed as

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<sup>64</sup> See Chapter 5 and Chapter 7 respectively.

<sup>65</sup> This is not including the use of official channels for trade union representatives as discussed previously.

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a potential injustice to those unable to pay. Upon reflection there seemed to be little awareness of the plight of those belonging to marginalized sections of Manila's society. In New Delhi and Cochabamba, in contrast, there was clear evidence of educated, middle-income citizens rallying to support often silenced and marginalized citizens.

The appropriateness of the privatization process was actively inserted into the public consciousness. This was done through an ongoing devaluation of MWSS' daily operations and future directions by the English media. As such, the TINA claim of "there is no alternative" became so deeply embedded that non-privatization became virtually unthinkable

### **A possible "big picture" explanation**

It is at this point that questions arise about any "big picture" explanations, including whether colonizers embedded certain values into the colonized people. Was the acceptance of privatization of an essential service, without demonstration of concern for less-fortunate others, a reflection of the attitudes embedded by the latest colonizers — the United States? After all many senior officials and the President were educated in the United States and familiar with neoliberal concepts about competition, smaller government, and user-pay principles for previously subsidized essential services. Perhaps the prevailing attitudes of competition and individuality were more acceptable to Manila citizens than their Bolivian and Indian counter-parts, due to elite connections to the United States at that time. These are questions and thoughts better reserved for separate investigation; however, they may contribute to further understanding and explanation as to why Manila's citizens did not resist privatization of their water service.

Dumol makes the point that at all times the Manila privatization process resembled a game of chess. This was particularly noticeable with the eligibility criteria used to prevent 100 per cent international ownership.

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Unlike other laws and policies that were amended to enable the privatization to go ahead there were no changes made to national membership requirements for local and foreign partnerships. As Dumol states:

An international water operator entering our bid needed a local partner. In fact, given the laws of the country, the local partner was actually going to be the majority owner of the utility (60 per cent minimum) and principal manager of the water system. In other words, the local partner was supposed to run the show.<sup>66</sup>

Taking such a stance may well have been a tactic used to allay public concerns about an international takeover of their water utility.

Any potential challenges, including those of a legal nature, during the privatization process and involvement of foreign interests, were identified and safeguards put in place. These actions helped to shield the government, the IFC consultants, and the bidders from potential political and social outcry whilst preventing delays or derailment of the privatization process.<sup>67</sup>

### **Water shortages — privatization's asset**

Dumol's starkest revelation of presidential influence over Manila's water services was the removal of the MWSS Administrator and demands for the resignation of MWSS board members in 1995 due to 'certain controversies'.<sup>68</sup> Although Dumol does not discuss the nature of the controversies, examination of the media coverage from January 1995 suggests the President's focus on predicted water shortages, claimed to be from drought at the supply level and from theft/loss at the distribution level, was used to gain public approval for his control of MWSS's future direction.

Newspaper headlines exemplify the sort of information that was being made available to the public in the first few months of 1995. Articles included *Reuters News* on 3 January 1995 declaring 'Manila water supply falls 20 pct short of demand' with the

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<sup>66</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 82.

<sup>67</sup> See M. Dumol, 2000, *The Manila Water Concession*, Note 7, p. 129 regarding a failed 1995 attempt at privatizing the Philippine medium-sized Zamboanga District Water District (ZCWD) water utility operating with one of the lowest water tariffs in the country that had allegedly sensitized some officials to potential conflicts of interest.

<sup>68</sup> M. Dumol, 2000, *The Manila Water Concession*, p.31.

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concluding statement: ‘President Fidel Ramos has urged a nationwide campaign to conserve water to avert a severe shortage during the summer months of March to May’. A month later, on 13 February 1995, Edward Luce of the *Financial Times* claimed ‘[President] Ramos seeks power to turn taps back on in Manila’. Luce compares the water shortages to former electricity ‘brown-outs’ and the success privatization achieved in the power sector.

This success in the power sector was credited to Delfin Lazaro, the former Secretary of Energy who, using emergency powers granted to the President, implemented international Build-Operate-Transfer (BOT) private investment and management methods, a form of temporary private ownership, for privatizing electricity supply and distribution. Evidence of the subsequent reduction in power failures was used to argue for the extending of similar presidential emergency powers to help cope with the water problems. By 24 March 1995 *The Asian Wall Street Journal* included a fairly lengthy article by journalist Reginald Chua under the heading ‘Flood of Offers: Investors Smell Opportunity In Manila's Water Shortage’.

The replacement of the former MWSS Administrator with Angelo Lazaro, brother of Delfin Lazaro, was a powerful tactic used by the President to get MWSS privatized. Angelo Lazaro owned his own private engineering consultancy firm but initially refused the offer of the role; however, according to Dumol, it became insider knowledge that his acceptance of the position was influenced by the understanding that he was there only to prepare MWSS for privatization. Once the concession contracts were filled his role would be over. He would be emulating his brother’s prestigious role in solving the power crisis, only this time it would be his ‘reputation for honesty’, coupled with strong ‘academic and professional qualifications’, and business skills developed in the private sector that would be used to solve Manila’s water crisis.<sup>69</sup>

Dumol implies that whilst this understanding of Angelo Lazaro’s capabilities was perceived as being the reason for an outsider being given the role of MWSS Administrator, it was never officially confirmed as the motive behind Lazaro’s appointment. Later, when reflecting upon the technical difficulties experienced during

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<sup>69</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 32.

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the separation of MWSS into two concession areas, Dumol offers the following insight, ‘Water is different. It is a monopoly. It is essential to life. It is highly political’.<sup>70</sup>

### *The Water Crisis Act 1995*

When using Dumol’s reflections to identify tactics used to ensure the smooth passage of privatizing MWSS, it would appear that the use of official or government channels was crucial during various stages of the process. These stages include:

- ❖ the President’s desire to privatize the service;
- ❖ the engagement of the IFC to design appropriate models for future operations; and
- ❖ the engagement of the IFC for managing the tender and bidding process.

Dumol claims that it was the IFC that actively encouraged government lawyers to use the *Water Crisis Act* as the legal basis for MWSS privatization and to generate appropriate Executive Orders that clearly stated MWSS privatization was approved by the President. This was not easily achieved since the *Act* only included one sentence on the future privatization of MWSS, which, according to Dumol, became the cause for some debate, whilst deflecting concerns away from the issue of privatization.<sup>71</sup>

When the *Water Crisis Act* (1995) came into effect it contained only a one sentence mention, described by Dumol as almost ‘an after thought’, giving the President authority to privatize MWSS.<sup>72</sup> The *Act*’s main thrust was:

- in providing the President with the authority to negotiate build-operate-transfer (BOT) contracts, rather than subject them to bidding conditions;<sup>73</sup>

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<sup>70</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 52.

<sup>71</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 33.

<sup>72</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 25.

<sup>73</sup> The inclusion of the BOT authority, whilst successfully used to support power plants for the electricity sector, was considered unnecessary and not utilised since the majority of water infrastructure projects were funded through Overseas Development Assistance by loans from such IFIs as the World Bank and the Asian Development Bank and the Overseas Cooperation Fund of Japan with requirements

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- to reorganize MWSS; and,
- to criminalize theft of water.

According to Dumol the re-organization was generally interpreted as providing the appropriate legislative means to reduce MWSS employee numbers through an early retirement program and reduce some water losses.

Invoking the *Act* itself meant that action had to be taken by the President within six months; however, contestation centred on whether this meant that an action was to be completed or commenced within this six month period. Since privatization of MWSS could not take place within a six month time frame it was vital that the 6 month period was legally accepted as being the time when the President had initiated the action to privatize MWSS. Executive Order 286 of the *Water Crisis Act* was the legislative tool used to reorganise MWSS prior to privatization in order to make it more appealing to potential concession bidders. It was, however, Executive Order 311 that confirmed the President had initiated MWSS privatization directions within the six month period as demonstrated by the hiring of IFC consultants to design the privatization model to be used.

The Chief Presidential Legal Counsel's office was resistant to invoking EO 311. This was based on the grounds that an adequate paper trail was needed that could, if required, be used to substantiate the President's initiation of privatization actions within the six month deadline. When it was finally initiated in March 1996, the process had resulted in the removal and replacement of the former Chief Presidential Legal Counsel and staff during the previous month as well as transfer of the process to the staff of the Executive Secretary. According to Dumol the 'IFC was overjoyed with the issuance of EO311' since it confirmed that the MWSS privatization was at the explicit demand of the government, and not unduly influenced by foreign interests. Hence, there *appeared* to be no apparent or hidden intimidation by multilateral lending agencies. This contrasted with events elsewhere which received intense criticism from many aid agencies as a justice issue due to IFIs' insistence on implementing structural adjustment programs that generally included privatization as

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that projects be awarded following a bidding process and not through negotiations: see M. Dumol, 2000, *The Manila Water Concession*, p. 26.

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part of conditional loan negotiations and deals.<sup>74</sup> EO311 basically absolved multilateral financial institutions from any form of obvious coercion in the privatizing of the Philippines' largest water supply and distribution utility. EO311 signalled to the public that the President had decreed that privatization would happen and since the President had been democratically elected it became translated as the public's wish that the MWSS privatization take place.

Although Manila's water utility privatization took place just prior to what is known as the Asian financial crisis, capital investment in developing countries was still considered to carry greater risks than investing in developed nations with stable governments and institutions.<sup>75</sup> Dumol stipulates throughout his book that a major part in brokering a successful privatization deal was in the ongoing display and transparency of government support; he also supplied evidence that demonstrated the privatization project would not be compromised by corruption or unnecessary governmental interference. Yet, at the same time there was recognition that claims of such behaviour could be used as challenges to the legitimacy of the privatization by those transnational corporations that failed to gain access to the final bidding process. Such a challenge had the potential to generate delays in the privatization project.

In order to reduce or remove such an opportunity the use of an official channel was introduced to prevent protest from unsuccessful corporations. Each bidder, prior to tendering their bid, was asked to 'formally confirm that they believed in the legal basis of the privatization' with the threat of having their bid disqualified if they failed to sign. The intimidation was successful as all bidders finally agreed and signed along with an agreement not to legally challenge the winning bids.<sup>76</sup> This of course had no impact on the public's perception of the privatization other than to confirm that now no one was considered able to manipulate the bidding process.

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<sup>74</sup> For a development perspective on the impacts of imposed structural adjustments see J. Gershman and A. Irwin, 2000, 'Getting a Grip on the Global Economy' in Jim Yong Kim, J.V. Millen, Alec Irwin and John Gershman (eds.), *Dying for Growth Global Inequality and the Health of the Poor*, Common Courage Press, Monroe, Maine, pp. 11-43. For a political activist perspective on structural adjustment programmes see Naomi Klein, 2007, *The Shock Doctrine: the Rise of Disaster Capitalism*, Allen Lane: Camberwell, Vic.

<sup>75</sup> J. Gershman and A. Irwin, 2000, 'Getting a Grip on the Global Economy'.

<sup>76</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 36-7.

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### Buenos Aires

So far the major tactics used to suppress public animosity to the privatization of MWSS appear to have come from within government itself using official channels and supported by such multilateral institutions as the World Bank and its offshoot the IFC. World Bank officials and the provision of a document about the Buenos Aires process of privatization encouraged a group of MWSS senior and middle-management to visit Buenos Aires.

The visit was designed to observe first-hand how a ‘successful’ private take over of a developing country’s water utility was managed and operated.<sup>77</sup> Yet, it was the initiative of senior MWSS managers to include ‘members of Congress and the labour union’ in the visit.<sup>78</sup> As such they were given the opportunity to meet with their counterparts in Buenos Aires who had survived the fifty per cent employee reduction that accompanied the Argentinean privatization. Dumol suggests that the union representatives were encouraged to believe that no capable and deserving employees suffered because of the removal of the utility to the private sector. Employees were advised that even though jobs were terminated prior to the change, the private sector would need those same employees and would have to hire them again. No such observations of less successful privatizations were either offered or provided to enable comparisons that may have encouraged seeking out alternative solutions for Manila’s water problems.<sup>79</sup>

On their return in early July 1996 the head of MWSS, Angelo Lazaro, was cited in the local media, saying:

We talked to the consumers, the government, labor union, concessionaire, and the regulating body and the feedback from all of them was very positive.

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<sup>77</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 14, 66.

<sup>78</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 66.

<sup>79</sup> For an example of a “negative water privatisation” experience see Dale T. McKinley, 2005, ‘The Struggle Against Water Privatisation in South Africa’, in Belén Balanyá, Brid Brennan, Olivier Hoedeman, Philipp Terhorst, Satoko Kishimoto (eds.), *Reclaiming Public Water: Achievements, struggles from around the world*, Transnational Institute & Corporate Europe Observatory: Amsterdam, pp. 181-189.

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They are now in their third year of privatization and the water rates have gone down by 17%. ... I'm not saying it's going to be the same here but we have a very similar situation, so it is likely that we will enjoy similar benefits.<sup>80</sup>

Despite the financial difficulties supposedly being experienced by MWSS there was no apparent concern raised in the media over the costs involved in taking union leaders on a conciliatory jaunt such as this.

### Downsizing

In order to make the service more appealing to potential investors, within a month of the visit to Buenos Aires staff, downsizing announcements were published in *Business World*, 24 July 1996. Cited as taken from the *MWSS Workers News* the article claims that it was President Ramos who approved the reorganisation resulting in 646 MWSS and the Local Water Utilities Administration (LWUA) unit employees being laid off.<sup>81</sup> The private sector's introduction of modern technology and demand for more efficient operations would translate into fewer employees required to undertake the same jobs. Whilst expansion of the service was always considered to be and promoted as part of the concessionaire's role it would not always be accompanied with the requirement for additional employees or improved service.

Often overlooked during the media's promotion of privatization as the only alternative to MWSS was the role of community-based and small-scale water providers in getting water to those with limited access. Expanded public services often targeted new residential developments for middle-income workers rather than illegal settlements of the very poor. These points became clear a few years into Manila's East side concession when selected members of the community were made responsible for connections and collecting revenue in high density, generally unapproved, dwelling areas during attempts to achieve improved equity of access. As reported by Arthur C. McIntosh, in mega cities such as Manila, small scale water providers (SSWPs) were responsible for varying modes of water delivery and more revenue turnover than

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<sup>80</sup> M.S. Jara, *Business World*, 4 July 1996, p. 2.

<sup>81</sup> 'MWSS, LWUA Plan to Lay Off 646 Workers', *Business World*, 24 July 1996, p.16.

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formal utilities.<sup>82</sup> Whilst user-pay principles were already in operation for the unconnected poor in Manila, who were often paying more than those already connected to the MWSS network, the media's focus remained only on the latter as beneficiaries of privatization. Improving water supply services for the very poor was not included as part of the promotional material used or in the attacks against the MWSS. Other than mention during an outbreak of cholera prior to privatization any likelihood of potential impacts on the very poor following transfer of control of the water supply from the public to the private sector remained invisible.

### Press releases

Mark Dumol himself identifies the national and provincial press as “key actors” in the MWSS privatization, describing the media as ‘an extremely important player because they were the main link to the public.’<sup>83</sup> The media tended to rely on press releases issued from the government, especially about the bidding process. Around November 1995, when the IFC was hired to act as chief consultant during the design of the concession and the bidding contract, it was understood that the IFC would also engage a public relations firm to manage public opinion. The IFC appointment of a multinational PR firm was not well received by government officials working on the privatization. According to Dumol this PR firm was neither able to re-interpret the high cost of IFC's consultancy fees as a positive move for improving water distribution services, nor, were they able to prevent negative press coming out about the \$6.2 million fee being paid for IFC's services.

The idea that foreigners would be used to aid in improving Manila's water services was made public when the newly-appointed head of MWSS, Angelo Lazaro, was interviewed by journalist Marifi S. Jara for the *Business World* newspaper. The interviews were published in the 31 October and 7 November 1995 editions. At this time a range of options, including privatization in various forms, were put forward by Lazaro as possible ways to improve Manila's alleged increasingly unreliable water service. However, such alternative future management options had also been the source of some earlier media discussion during the month of October 1995, especially

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<sup>82</sup> A. C. McIntosh, 2003, *Asian Water Supplies Reaching the Urban Poor*, Asian Development Bank and International Water Association, p. 50.

<sup>83</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 69.

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in relation to a visit by a British mission with representatives of Anglia water investigating their possible involvement in privatizing MWSS.<sup>84</sup> Also being discussed by the media during this time was notification of additional overseas aid funding to be used in infrastructure development for reducing the impacts of water shortages. Future measures under discussion included some suggestions that MWSS be split up into a number of small corporate entities, some of which would be managed by the private sector.<sup>85</sup> As such, even before the IFC was officially hired, the public were being exposed to the concept of privatizing MWSS.

As previously discussed the issue of a yet unknown water crisis was raised by the President with his newly appointed head of MWSS Secretary Vigilar as early as June 1993.<sup>86</sup> At this point the President's interest in privatization was not made apparent to the public, however, according to Dumol, his position made him 'indispensable in terms of making people aware of the water crisis and developing a consensus on the need to address it.'<sup>87</sup> It was the President who compelled Vigilar to hold "Water Summits" so the public could be informed by senior bureaucrats nationally about the water problems. It is of interest that a suggestion to privatize MWSS was made as early as June 1994 during a presentation by a Malaysian-British Biwater joint venture. According to Dumol, himself a MWSS senior employee, the President set up a committee to examine the proposal which promised opportunities for expansion of services, improved supply, and reduced leakage. The proposal, however, was duly rejected since at the time 'it was illegal to sell MWSS shares' and because it 'involved a commodity as political as potable water'.<sup>88</sup> In this case it is an example of the role of timing in the water privatization process.

Manufacturing public and political consent for the privatization of Manila's water and sanitation services through the Philippines national and provincial media was a

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<sup>84</sup> This followed a visit in May 1995 by Secretary Vigilar to France and the UK to observe their privatized water systems and by Mark Dumol to the UK in June 1995 where he toured 'water facilities in addition to [visiting] the U.K. water regulator, the Office of Water Services (OFWAT).' M. Dumol, 2000, *The Manila Water Concession*, p. 14.

<sup>85</sup> Media outlets included *Agence France-Presse*, *Reuters News*, Singapore's *Straits Times*, and *Business World* during October 1995.

<sup>86</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 10.

<sup>87</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 10.

<sup>88</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 9.

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valuable tactic used by the government.<sup>89</sup> As Dumol claims, by taking over early control of the water privatization public relations exercise from the original IFC-appointed international PR firm, the new small local PR appointee was used to ‘explain the [privatization] transaction and its benefits’ to the public. Part of this process was the inclusion of ‘positive reports’ of similar transactions emanating from other countries.<sup>90</sup> Basically it helped reduce opportunities for building any solidarity amongst those concerned with the possible flow-on effects of turning a publicly-run enterprise managing a social good into a profit-driven, privately-run organization. Or, in Manila’s case, into two independently-managed private operations, each seeking to maximise its profits over the twenty-five year concession agreements.

### **Inhibited resistance**

Dumol claims that by the time the successful bidders for the two concessions were announced any attempts to mobilize resistance had already been inhibited. This was achieved over the two year preparation period through the issuance of ‘numerous press releases and build up of [their] own constituency’ in the press and local radio to portray the deal as being of benefit to the people of Manila.<sup>91</sup> He discusses the publicity project in terms of a game where an opponent’s likely moves were pre-empted and blocked before gaining currency amongst the public.

Dumol suggests that Manila’s local newspapers contributed to making the MWSS privatization story front page news following official announcement of the bids tendered by the successful concessionaires. He cites a number of headlines and some content that shows strong public and political support for the privatization.<sup>92</sup> Yet, an examination of subsequent media articles reporting privatization stories shows the journalists would continue to return to the original sources of information gained during their earlier research efforts. They did not appear to challenge the accuracy of these sources. These were usually sources that had been previously informed from government press releases. Reiteration of the same, generally unsubstantiated negative

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<sup>89</sup> The concept of “manufacturing consent” is informed by E.S. Herman and N. Chomsky, 2002, 1988, *Manufacturing Consent: The Political Economy of the Mass Media*, Pantheon Books, Random House, New York, Toronto.

<sup>90</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 67-68.

<sup>91</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 68.

<sup>92</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 102-104.

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claims about MWSS gave the appearance that improved water services were available only from the private sector, again reinforcing the TINA claim of there being no alternative to privatization.

As discussed above, the capacity to manufacture consent to privatization through the media was manipulated by the main agencies, committees and advisory boards especially created to manage the privatization and bidding processes.<sup>93</sup> The public's knowledge-base was shaped through regular issuance of press releases containing only the information these agencies wanted dispersed. What appears to be a genuine perception, certainly by Dumol himself, is that knowledge about activities undertaken outside of the public gaze and information flows to the public were generally conducted transparently and were generally above reproach; however, at all times the level of transparency and amount and type of information released to the public was controlled by those bureaucrats and the IFC whose goal was to privatize MWSS.

Perhaps the best example of how the media was used to capture public interest whilst keeping them informed was the continual reinforcement of the notion that privatization was a done deal with no turning back on the President's decision. To assist with this process was the release of information concerning two of the Philippines' major corporations vying to attract a joint partnership with one of the few qualified international water corporations. In essence it was often portrayed as teams competing between themselves for the best new players. All interested international contenders were required to meet the pre-qualification technical and financial conditions placed on the bidding process by the IFC and the approval committees.

### **The Corporate Players**

According to the national laws any foreign firm wishing to be based in and operate out of the Philippines required a 40/60 partnership or joint venture with the greater share and operational control being held by the local business. Initially there appeared to be some reluctance from eligible businesses to participate, perhaps, due to misinformation that at least 1 billion dollars in equity would be required for acquiring the water system. These fears, however, were quelled when they were informed that

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<sup>93</sup> See M. Dumol, 2000, *The Manila Water Concession*, pp. 72-79.

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such investments, although approximately 7 billion dollars, were to be shared between the two concession zones and actually would span the 25 year concession period.<sup>94</sup>

Local business fears were further reduced when representatives of international water corporations, hunting out suitable Filipino business partners, explained that the majority of much-needed investments would be funded out of the monies raised through consumer tariff collections. In other words it was the water users/consumers that would be paying for investments that would provide the service expansions and improvements promised through privatizing MWSS. Dumol describes how the international water operators persuaded local firms to join them in the joint venture:

Each of them [international water operators] gave extensive briefings to the management of local firms and convinced them that the water business was good business. In good times and bad times, people needed to drink water. It was absolutely guaranteed that you would always have customers. The customers paid in cash and this would provide a generous cashflow over 25 years, the life of the concession.<sup>95</sup>

Important financial information was passed onto potential eligible local corporations in order to garner their business interest. This included information that their original investment could be as little as \$10 million in what was to be a multi-billion dollar ongoing, cash-paying deal, for a product that was a necessity for all Metro Manila residents, irrigators, and businesses. Such official information, however, was not made public. As Dumol writes, 'Can you imagine having a significant share in a company that provided water to Metro Manila for only \$10 million? This was not only good business, it was power....Water is power.'<sup>96</sup>

The exposure of such information may well have made the idea of transferring operations from a government-owned and controlled corporation to the private sector less publicly acceptable. However, rather than increasing public awareness of such benefits to the business sector, or drawing attention to the powerlessness of those without the financial capacity to manage their own water needs, people were instead

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<sup>94</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 82.

<sup>95</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 82.

<sup>96</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 82-83.

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subjected to an uncritical presentation of business attitudes towards the encroaching privatization of Manila's water supply and distribution services.

Two already well-known and powerful local corporations, whose wealth had been gained in a range of ventures, including real estate deals, were used as foils to divert public interest away from ethical questions. Such questions may have included concerns about foreign business interests, shared ownership of infrastructure and the commodification and commercialisation of water since the Philippine Constitution 'specifically mandates that all public utilities must be owned and controlled by Filipinos';<sup>97</sup> hence enforcement of the 60 per cent Filipino ownership requirement. Instead Government-issued press releases were used to focus attention on a supposed ongoing battle between the main local contenders, Ayala — owned by one of the wealthiest families in the Philippines — and Metro-Pacific, in the bidding process for the concession. According to Dumol this served the purpose of revealing the transparency of the bidding process and the concession deals to a public more used to cover-ups of insider deals, cronyism, and corruption.

Once politicians were quoted as referring to the upcoming bidding process for the concessions as a "bidding war" and the media reinterpreted it as a 'battle between corporate giants', any issues concerning the private sector, including involvement of foreign corporations, and any potential impacts privatization would have on the poor were neglected.<sup>98</sup> Whilst Dumol claims that issuance of press releases regarding an impending battle between two of the Philippines' biggest corporations was manufactured specifically to demonstrate the transparency of government in the bidding process it was also a tactic used to cover up the fact that it was water users themselves who would be funding the profits gained by the winning bidder. This only became apparent a number of years later when:

- an upward tariff revision was required,
- tariffs started escalating, and
- benchmarks were not always achieved

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<sup>97</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 38.

<sup>98</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 68.

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All being promises made when the privatization process commenced.<sup>99</sup>

### ***Water Crisis Act revisited***

By mid-1996, when the media was occupied with profiling potential bidders and future operators for the MWSS concessions, the role of the *Water Crisis Act* in the privatization process had been re-interpreted. This re-interpretation directly specified the privatization of MWSS as a *requirement* of the *Act*.<sup>100</sup> As such implementation of the National *Water Crisis Act* in 1995 became a primary justification for privatizing MWSS. Thus, the *Act* came to be seen as the catalyst for the privatization process rather than necessary for fulfilling the President's demands.

The process pathway to privatization had been fuelled by different key elements. It had commenced with early enquiries made in June 1994 by a joint-venture conglomerate comprising a Malaysian firm and British water corporation Biwater to conduct government-to-government negotiations on a purchase price for MWSS. This was then fuelled by a serious drought that substantially reduced water levels in metro Manila's main supplier, the Angat Dam. In addition there were ongoing huge loan and interest repayments to foreign lenders that reduced available funds for necessary upgrades of the existing, ageing utility. Each element contributed to furthering the supposed need for privatization and became merged within the framework of the *Act* making them beyond public intervention or prevention. The public's knowledge about the privatization was informed through a perception that they had no choice other than to accept the private sector's take-over of the public utility in order to obtain an improved utility and expanded water distribution. As such rather than the *Act* giving the President the mandate to privatize MWSS with public approval it was re-interpreted as a no-alternative requirement of the *Act*.

### **The Bidding Process**

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<sup>99</sup> For discussion see Asian Development Bank (ADB), 2008, *Evaluation Study on ADB Assistance to Water Supply Services in Metro Manila*, ADB official website. Accessed at <http://www.adb.org/Documents/SES/PHI/SST-PHI-2008-31/SST-PHI-2008-31.asp> on 9 March 2010; also see R.T. Olchondra, 2010, "Manila Water's systems loss down to 15%", *Philippine Daily Inquirer*, 9 March. Accessed 16 March 2010 at [http://services.inquirer.net/print/print.php?article\\_id=20100309-257674](http://services.inquirer.net/print/print.php?article_id=20100309-257674)

<sup>100</sup> See M.S. Jara, *Business World*, 5 June 1996, p. 1.

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The bidding process was divided into three main components. The first was letting all possibly interested parties know that MWSS was being put up for concession.

According to Dumol the IFC took care of contacting the international water operators and the international financial institutions whilst Dumol's department sought out suitable local businesses; suitable in the sense that they had adequate financial resources since there were no private Philippines businesses engaged in large scale water operations at that time.

In March 1996 the IFC signalled the forthcoming privatization of MWSS when it issued and distributed approximately 72 letters containing "Preliminary Information for Interested Bidders".<sup>101</sup> By May 1996, a "data room" was set up in the main MWSS offices for interested parties to avail themselves of all information pertaining to MWSS, including accompanied field trips to view infrastructure. According to Dumol, the fee for this service was US\$25,000.00 and '[c]ompanies that felt extremely confident about prequalifying paid the fee'.<sup>102</sup> John Forbes suggests that payment of the fee to 'gain access to the MWSS data room' rapidly reduced the number of interested parties since an examination of the MWSS data was vital for providing adequate evidence to meet the prequalifying requirements and commence preparing a bid.<sup>103</sup> As an example of some misinformation getting out to the public during this time journalist Marifi S. Jara, in his contribution to a 5-part daily *Business World* feature 'Focus — Privatizing Public Utilities' that ran between 3–7 June 1996, suggested that the initial information was priced at P25,000.00 per enquiry. Based on Forbes' comments the previous amount quoted in US dollars seems far more feasible since the approximate exchange rate at that time was approximately P26 pesos to the US dollar.<sup>104</sup>

In order to participate in the bidding process for one of the two MWSS concessions interested international water corporations and local firms were required to meet a set of pre-qualification requirements. These had been designed by the IFC and the

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<sup>101</sup> J. Forbes, 1996, 'Solution to a Water Crisis', p. 57; M. Dumol, 2000, *The Manila Water Concession*, p. 83.

<sup>102</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 84

<sup>103</sup> J. Forbes, 1996, 'Solution to a Water Crisis', p. 57.

<sup>104</sup> K.F. Wong, 2000, *Historical Exchange Rate Regime of Asian Countries*, Chinese University of Hong Kong website, accessed 23 July 2012 at [http://intl.econ.cuhk.edu.hk/exchange\\_rate\\_regime/index.php?cid=1](http://intl.econ.cuhk.edu.hk/exchange_rate_regime/index.php?cid=1).

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committees set up to provide specialised services to the MWSS Board on Privatization Strategy, Concession Agreement and Bid Award. These committees included:

- a Special Advisory Committee and their Technical Working Group,
- the Bidding Committee and their Technical Working Group, and,
- the Committee on Privatization.

Another key player in the process was the Chief Presidential Legal Counsel. Ultimately, however, President Ramos had the final authority in approving their recommendations for privatizing MWSS.<sup>105</sup> According to Forbes the media was claiming there were as many as seventy-two interested potential bidders.<sup>106</sup> Dumol, however, suggests that initially there were few international water operators and no local firms with water and/or sanitation expertise capable of taking on such large concessions.

There were a number of wealthy Filipino businesses potentially able to meet the pre-qualifying financial demands, however there were so few international water corporations available that the government refused acceptance of applications from already formed joint ventures. As Dumol states

Very early in the process, there were attempts to combine some of the international water operators. People rationalized that the transaction was too large and the risk had to be spread ... we set a requirement that no firm that was prequalified by itself could enter into a bidding consortium with another firm that had also been prequalified by itself.<sup>107</sup>

This was done to minimise the likelihood that 'people would think that the bidders would connive with each other, and the credibility of the bidding would be damaged.'<sup>108</sup> This pre-emptive tactic also prevented the automatic exclusion of an

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<sup>105</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 79.

<sup>106</sup> J. Forbes, 1996, 'Solution to a Water Crisis', p. 57.

<sup>107</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 82.

<sup>108</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 80.

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international firm should their joint venture Filipino partner fail to qualify.<sup>109</sup> Thus, according to Dumol it was the lack of international water corporate competition that directed the terms of the Filipino bidding process.<sup>110</sup>

### **Australian Water exclusion**

A very large Australian Government-owned water operator, Australian Water, also had its application to pre-qualify rejected. The main arguments used to prevent pre-qualification were that:

- ❖ it would compromise the Philippine government's desire to hand MWSS over to the private sector; and,
- ❖ if permitted, and eventually winning one of the concessions, it would have meant 'that a foreign government actually controlled the drinking water of [the Philippines'] capital city'.<sup>111</sup>

Yet, the international water corporations that did pass pre-qualification all had close links to their own national governments of France, United Kingdom and the United States and to the financial institutions and development aid agencies of their home bases. It is somewhat difficult to reconcile the logic used for inclusion or exclusion during the qualifying process. For example, when a bid came from:

- ❖ foreign-based business interests governed by corporate law and confidentiality of investors' interests, it was deemed as acceptable, whilst
- ❖ Australia Water, a government-owned corporation, controlled by national *and* corporate laws, was deemed as unacceptable.

Further justification for disqualifying Australia Water from tendering was the excuse that 'any adverse action against the government-owned firm in the future might have

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<sup>109</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 83.

<sup>110</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 83.

<sup>111</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 81.

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unwanted diplomatic repercussions’;<sup>112</sup> yet, according to a media report the main reasons for privatizing MWSS were to:

- attract huge capital investments,
- improve operational efficiencies,
- expand service coverage,
- relieve the government of the financial burden needed to improve MWSS facilities,
- ensure 24-hour water supply,
- improve sewerage treatment; and
- reduce nonrevenue water (NRW),
- at ‘reasonable rates’.<sup>113</sup>

None of the above signals the likelihood that the Philippines government would use sovereign power to undertake ‘adverse action’ against the concessionaires since they were there to reduce the government’s responsibility to its population in meeting its basic drinking water needs. It does suggest that non-inclusion of Australia Water was to silence any voices that had qualms about foreign interests taking control of Manila’s water. By their very nature, as multinational investors, the bidding water corporations were considered to be transnational and generally independent of their own nations and governments.

### **Insider action**

Within Manila’s bureaucracy actions were taken to reduce potential disruptions to the MWSS privatization process. These included short-circuiting the complicated procedures for obtaining Presidential approval. Such approval was necessary for the three main policy categories:

- ❖ privatization strategy,
- ❖ concession agreement, and
- ❖ bid award.

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<sup>112</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 81.

<sup>113</sup> Anon, ‘IFC cites benefits arising from MWSS privatization’, *Business World*, 2 April 1996, p. 11.

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For initial encouragement it was also necessary to short circuit some processes for those firms that would be eligible to tender bids.

Short-circuiting involved setting up a Technical Working Group. The Group was chaired by Angel Lazaro, MWSS Administrator.<sup>114</sup> The majority of the Group's members comprised International Finance Corporation's engineering and finance staff with representatives from the United States, United Kingdom and France. Dumol claims their participation was deliberately arranged to coincide with the nationalities of the main bidders.<sup>115</sup> He articulates his surprise at their ongoing arguments over supposedly objective engineering decisions stating:

One would never think that engineers, who are supposed to be objective, could act exactly like economists, never agreeing on any of the points — or at least always initially arguing over every single one of them.<sup>116</sup>

Dumol's insight into membership of an essential component of the privatization process, the Technical Working Group, reveals a potential fallibility surrounding privatization. This is the reliance on "experts" which effectively excluded the general public from participating in decision making or resisting outcomes.

Setting up such committees can be construed as a tactical device that relies upon official channels for determining membership and terms of reference. The decision-approval process had been designed so that decisions made by the MWSS Board would go through the Special Advisory Committee, comprising Cabinet secretaries, before their endorsement would go to the President. The Technical Working Group (TWG), however, acted independently of the Board, making their own recommendations and decisions concurrently with the Board; thus the IFC was empowered to control the outcomes from these TWG meetings. On the other hand the

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<sup>114</sup> Angel Lazaro was the President's own appointee as MWSS Administrator following the decision to privatise MWSS.

<sup>115</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 77-78.

<sup>116</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 78.

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Special Advisory Committee actually met once only, during its inaugural meeting, thereby reducing any opportunities for political hold-ups in the decision-making.<sup>117</sup>

Despite Dumol's claims that the Philippines government was in control of the privatization process, some of his book's commentary suggests otherwise. This is supported by various media reports emanating for the twelve months period prior to opening of the concession bids on January 7, 1997 that suggest it was in fact the IFC running the operations. Whilst the IFC had been commissioned as consultants to design the Privatization Strategy, its role did not end there. Basically its influence reached into all aspects of Manila's future access to adequate potable water and sanitation.<sup>118</sup>

It is important not to lose sight of the fact that the IFC is not an unbiased source of expertise but is an agency of the US-based World Bank. As such speculation could be supported that the IFC was also there to protect foreign investments and obtain repayment of previous World Bank loans to the Philippines through the privatization of its essential services and infrastructure, including its largest water and sanitation utility, MWSS. Yet, there appears to be little, if any, reference to the MWSS privatization as being part of a southern hemisphere-based, World Bank-driven project of structural adjustment programs (SAPs).

SAPs were often used to enforce or actively encourage and reward those governments, frequently of compliant Latin American countries, that privatized their national, publicly-owned and managed firms, infrastructure and utilities.<sup>119</sup>

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<sup>117</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 72-79.

<sup>118</sup> For commentary about the role of IFC in Manila and globally see S. Thill, 2010, *Watch Out: The World Bank is Quietly Funding a Massive Corporate Water Grab*, accessed on 27 January 2011 at alter.net official website <http://www.alternet.org/world/148700?page=entire>; see also S. Grusky, 2001, 'Privatization tidal wave: IMF/World Bank water policies and the price paid by the poor', *Multinational Monitor*, vol. 22, issue 9, pp. 14-19.

<sup>119</sup> For definitions, information and discussion on the debt crisis, economic reform, and SAPs see the following chapters in Jim Yong Kim et al (eds.), *Dying for Growth: global inequality and the health of the poor*: J. Gershman & A. Irwin, 2000 'Getting a Grip on the Global Economy', pp. 20-34; J. Millen & T. Holtz, 'Transnational Corporations and the Health of the Poor', pp. 177-223; J. Millen, E. Lyon & A. Irwin, 'The Political Influence of National and Transnational Corporations', pp. 225-243. See also M. Dennis, 1997, 'Bolivia: The social consequences of debt', *NACLA Report on the Americas*, vol. 31, 3, pp. 37-41; and, International Monetary Fund (IMF), 1998, *Bolivia: Enhanced Structural Adjustment Facility Policy Framework Paper, 1998-2001*, IMF, Washington D.C.; and, S. Haggard, J. Lafay, and C. Morrison, 1995, *The Political Feasibility of Adjustment in Developing Countries*, Organisation for Economic Co-operation and Development (OECD), Paris; and, B. Milward, 2000,

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Differences between nations, their people and cultures and politics were ignored by those intent on privatizing essential services during the World Bank's globalising economic rationalist mission. The World Bank's organised visit for MWSS administration and union officials to directly observe the Buenos Aires privatized water and sanitation utility and employees was merely part of this globalising mission. It is plausible that the visit helped persuade MWSS administration personnel and union officials that privatization was a significant option for improving the public's water and sanitation services. Thus, in the case of Manila, one of the most influential tactics used was the minimization of any possible alternatives to the privatization process.

### **A World Bank Loan and Cholera**

In early September 1996 the names of the successful seven local firms and four international water corporations were made public. Each had pre-qualified independently to tender technical and financial bids for the two MWSS concession zones. At the same time the World Bank announced a \$57 million International Bank for Reconstruction and Development (IBRD) loan to MWSS. This loan was to be used towards the cost of Manila's second major sewerage project. At the time only 7 per cent of Metro Manila's population of 11 million was connected to the sewerage service.<sup>120</sup> Lack of funds was frequently cited as the main justification for this serious situation. A cynical interpretation of the large injection of IBRD funds suggests that the loan could be conceived as being a reward for complying with the privatization of MWSS.

The World Bank's announcement in *Asia Pulse* of its \$57 million loan occurred on the same day, 6 September 1996 that *Business World* focused on a cholera outbreak in Metro Manila. MWSS was named as the culprit.<sup>121</sup> As discussed previously (see pages 196-7) the cholera outbreak announcements occurred approximately 6 months prior to the expected handover of MWSS to the private sector and were used by

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'What is Structural Adjustment?' in Giles Mohan, Ed Brown, Bob Milward & Alfred B. Zack-Williams (eds.), *Structural Adjustment Theory, Practice and Impacts*, Routledge, London, New York.

<sup>120</sup> Anon, 'World Bank Procurement — Philippines Sewerage Project', *Asia Pulse*, 6 September 1996.

<sup>121</sup> See comments by C. Montemayor, 2003, *Water Privatisation in Manila and International Solidarity: The Campaign of Manila's Water Vigilance Network against Suez and What You Can Do*, a at [http://www.tni.org/detail\\_page.phtml?page=acts\\_esf2manila](http://www.tni.org/detail_page.phtml?page=acts_esf2manila)

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Senators Ernesto Maceda and Juan Flavio to further promote the private sector by claiming that since, ‘...the outbreak of the virus is attributable only to a contaminated water supply [and] since cholera is a water-borne disease. ...’ then those supplying the water, MWSS, should not be permitted to remain in the business of supplying water.<sup>122</sup>

The cholera outbreak could not have come at better time for those supporting the privatization model for MWSS.

In the previously mentioned article attention is also drawn to the ‘wide use of artesian wells water pumps’, and as potential contributors to the spread of cholera. These were water sources from which tariffs were not collected. Even though MWSS was not involved in the direct delivery of services to those suffering, the Philippines Department of Health, following ‘an ocular inspection at the Ospital ng Maynila’ of those hospitalised from 1 September 1996, initially attempted to describe the cholera outbreak as 98 incidences of gastroenteritis. This explanation, however, was eventually refuted by the media when six people died and 33 cases were diagnosed as having the ‘vibrio cholerae ogawa virus’. These cases required the Department of Health to intervene and eventually distribute ‘oral hydration solutions and water purification tablets to Manila residents’.<sup>123</sup> By 11 September 1996, 303 people had been treated in hospitals.

Blame for the outbreak was eventually shifted to residents who, according to one newspaper report, had used an ‘abandoned illegal water reservoir somewhere in Singalong, Manila’ [as a] ‘public toilet’.<sup>124</sup> The same article also directed blame to some consumers using high pressure ‘water booster pumps’ that ‘sucks in dirty water into broken water pipes’ leading to the ‘contamination of clean water’ with cholera-inducing bacteria. It would seem that, although MWSS was initially condemned as the perpetrator, such accusations would not bode well with future bidders, hence the need to reassign responsibility. At the same time the government had to be cautious and not

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<sup>122</sup> Anon, ‘MWSS Blamed for Cholera Outbreak in Metro-Manila’, *Business World*, 6 September 1996, p. 16.

<sup>123</sup> Anon, ‘Cholera Outbreak Death Toll Reaches Six’, *Business World*, 10 September 1996, p. 10.

<sup>124</sup> Anon, ‘Cholera Traced to Singalong Reservoir’, *Business World*, 11 September 1996, p. 14.

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be seen to be neglectful of its responsibility to all of Manila's residents. In the end blame was shifted from MWSS and the government to the victims themselves.

### **A 'blame the victim' mindset is supported**

There appears to have been little, if any, civic or government reaction to the fact that due to the lack of any facilities some poor people were being forced to use an abandoned water reservoir as a public toilet, or that wealthier people were known to be using booster pumps to *increase* their water access. There also appears to have been no media speculation as to why such an important loan for essential sewerage works had only become available after processes were put in place to privatize the utility. Rather than challenge or place blame on the earlier neglect of water and sanitation services by the government and international financial institutions and development agencies it was Manila's many residents of illegal settlements who were held accountable for spread of diseases. Thus, whilst a sense of inevitability existed over there being no alternatives to international corporate privatization of MWSS, there was a concurrent general disengagement from, and apathy towards, the plight of citizens in most need of affordable water and sanitation services.

It was these people with the greatest needs who were identified as the criminals by some members of the media. An *Agence France-Presse* article sums up the mood of some Manila residents towards the illegal tapping of nearby MWSS water pipes by 'slum dwellers'. It provides a quote from a Philippine's paper:

The only alternative is to issue shoot-to-kill orders against any slum community with punctured water pipes nearby.

Because what these people are doing is not just poisoning themselves with their own dirt but the rest of us who would rather pay for water than gin.<sup>125</sup>

The unknown author, cited above, further suggests that 'slum dwellers' choose to contaminate the water because they are 'pigs' and are not willing to pay for the

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<sup>125</sup> Anon, 'Shoot water thieves, Philippines paper tells police', *Agence France-Presse*, 16 September 1996, n.p.

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service. Yet, as has been discussed previously, it is frequently overlooked that slum-dwellers already pay higher rates for water supplied by small-scale providers than those connected to the network.

At no point is the question raised about how people came to be living in such squalid conditions in the first place. Instead they are labelled as being responsible for the water leakages and water contamination and shown as unwilling rather than incapable of getting connected to the networked water and sanitation. Thus, on the one hand MWSS gets accused of inefficiency in the pursuit of privatization; on the other, the survival behaviour of the most poor and marginalised gets blamed for spreading a potentially fatal disease. One can only speculate that if blame had been attributed to the public utility's lack of infrastructure and maintenance of existing reservoirs then its value may have decreased for potential concessionaires. This is a real case of blame the victim(s) and not the perpetrator(s). Using the above case as an example of the public's perception of the poor it seems hardly surprising that the voices of the marginalised remained unheard, or not considered worthy of mention, during the MWSS privatization process.

### **A water crisis and non-approval for extension of *Water Crisis Act***

The first half of July 1996 was used by the IFC, as the lead advisor for both technical and financial components of the process, to design the forthcoming privatization strategy. The French-based group SOGREAH were brought on board to assist in head-hunting the experts needed for the privatization process. Their presence was seen as beneficial for obtaining the extension sought in July 1996 by Malacanang, the lower house of government, to extend President Ramos's authority under the *Water Crisis Act*. This time, however, the extension was rejected by the Senate on the grounds that the MWSS privatization was going well and therefore not justified.

An earlier 18 month extension had been approved to ensure adequate time was available to sign off on pending Philippines Build-Operate-Transfer (BOT) water projects. These projects were deemed necessary for managing the 'continuing water

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crises in several cities and the inherent problem in water distribution'.<sup>126</sup> Built into the later refusal of an extension was an overwhelming belief in the power of the private sector to improve, if not fix, Metro Manila's water supply and distribution problems.

These problems, according to *Business World* journalist Maricris C. Carlos, had led to an investigative study in 1993 by a government agency, the Local Water Utilities Administration (LWUA), that associated water shortages with legal and illegal logging, traditional slash and burn farming practices and modern polluting agribusiness activities. Any contribution from ageing infrastructure and leaky pipes was minimised.<sup>127</sup>

During the same timeframe as the trip to Buenos Aires (1996) several BOT projects that could have helped alleviate some water shortage problems were put on hold. The excuse given for the delays was that the winning concessionaires would have to be included in the project decisions. Thus, although there were still 12 months to go until MWSS would be handed over to the private sector the public's dire need for an accessible and available water supply remained secondary for policy makers. The panacea that privatization had become helped to effectively mitigate the daily reality of those suffering without access to a dependable water supply. It devalued and covered up the immediacy of their need and transformed the alleged water shortages into a suitable space and opportunity for private investments.

Although the privatization had not yet formally received approval for its go-ahead from the President or the MWSS Board the processes were commenced. This was under the assumption it would go ahead since no alternatives were made available. Approvals for the IFC's privatization strategy and concession agreement were in fact not forthcoming until July and December 1996 respectively. Yet, during this time frame, the prequalification assessment of suitable bidders was well underway.

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<sup>126</sup> Anon, 'Senate Blocks Extension of Water Powers', *Business World*, 30 July 1996, p. 12.

<sup>127</sup> Maricris C. Carlos, *Business World*, 8 January 1996, p.12.

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### Prequalification

According to Dumol it was considered vital to have the privatization fully operational well before the next general elections were due; thus, only an eighteen month window of opportunity was available to cement the private sector as controllers of Manila's water and sanitation sector. Those leading the privatization were determined to avoid any potential or real interference with their goal. Part of the prequalification process included negotiating contents of the contract and obtaining a signed agreement from interested parties that would prevent them from challenging the eventual outcomes of the bidding. This does suggest that any challenges to the government over the privatization were assumed to be emerging between competitive corporations rather than from Manila's citizens attempting to protect their publicly-owned asset. At no time were the citizenry seen as a potential threat to the privatization. However, the acknowledged need to get the privatization operational before the next general elections also signals that there were fears the process could be used politically to challenge the government at the polls.

Between May and October 1996 the individual prequalification process eventually whittled potential bidders down to four international companies and seven local firms. As reported in *Business World* on 21 October:

The Filipino firms are Aboitiz Group; Ayala Land, Inc.; Benpres Holdings Corp.; Filinvest Development Corp.; House of Investments, Inc.; JG Summit Holdings, Inc.; and Metro Pacific Corp.

The foreign lineup includes French firms Lyonnaise de Eaux and Compagnie Generale Eaux and British firms Anglian Water International and International Water, Ltd.<sup>128</sup>

Partnerships between foreign and local bidders were formed. Three of the interested local companies that, for whatever reasons, were unable to connect with or strike the best deal with a foreign corporation dropped out.

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<sup>128</sup> Maricris C. Carlos, 'All Systems Go As COP Gives Nod on MWSS Privatization Scheme', *Business World*, 21 October 1996, p. 12.

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As previously mentioned, the MWSS-hired PR team was heavily engaged in emphasising the rivalry taking place amongst the local firms during this process. It is important to note that the press releases concerning the prequalification outcomes are identified as emanating from the IFC. At no time were government officials shown as being directly connected to the qualifying processes. The earlier assurances of having government overseeing international corporations' activities were sidelined once an international financial institution, the IFC, was charged with responsibility for the bidding process. This sidelining served to deflect attention away from the government's central role in privatizing Manila's water utility. At the same time it was a subtle way of suggesting that with the IFC in control of the prequalification processes and future bids there would be no opportunity for bribery and corruption, given that such accusations were frequently levelled at government officials previously.

### **Special interest international partnerships**

In the meantime the four prequalified foreign companies were also busy developing their own strategies for maximising their opportunities for acquiring Metro Manila's water supply and distribution services. Special interest international partnerships were formed to give the foreign companies an edge with regards to expertise, technology, financial clout and ability to diversify beyond supply and delivery.

Of special interest for this thesis is the role of the United States-based construction giant Bechtel due to its later foray into Bolivia's water privatization.<sup>129</sup> The formation of a partnership enabled Bechtel to get into the water supply and distribution business. Generally this business had been dominated internationally by two French-based corporations: Lyonnaise des Eaux, also known as Suez, and Compagnie Generale des Eaux, later becoming known first as Vivendi, and then as Veolia; both able to claim expertise in water and sanitation.<sup>130</sup>

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<sup>129</sup> See Chapter 5 of this thesis.

<sup>130</sup> For a US-based activist view on these corporations see 'Who are these water companies?' *Public Citizen* website accessed 18 November 2008 at <http://www.citizen.org/cmep/Water/general/majorwater/index.cfm>; for a business view of water

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In research undertaken by Graham Aylott from the University of Wales, outcomes from diversification of Britain's 10 water authorities following their privatization were examined. He claims that North West Water's global business partnership with Bechtel, which led to the formation of United Utilities, was generated to unite, 'North West Water's operating skills with [Bechtel's] expertise in engineering and construction, relieving North West of construction risk while standing alongside as an equity investor.'<sup>131</sup>

North West Water also took over Norweb, an electricity company, during the formation of United Utilities. Aylott further suggests that North West Water's global partnership with Bechtel was stimulated by the need to form a strategic alliance that would enable retention of water service core competencies and provide expansion of their abilities to 'provide comprehensive solutions that encompass design, construction and operation of the new water systems', otherwise known as "turnkey solutions", in order to meet the expanded requirements of international financial institutions such as the World Bank. An investigation into these corporations and their abuse of power has been well covered by the Trans National Institute.<sup>132</sup>

In the context of increasing global water privatizations it made a lot of business sense for a construction giant such as Bechtel to unite forces with one of the United Kingdom's largest water corporations, United Utilities, whose expertise lay in water supply, distribution, use of meters and tariff collection. United Utilities, a multi-utility company, emerged out of North West Water that was formerly set up under Britain's Prime Minister Thatcher's neoliberal regime of privatization, free market competition, user pay principles, and reduced government.<sup>133</sup>

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corporations see S. Tully, 2000, 'Water, water everywhere, *Fortune Magazine*, vol. 141, issue 10, May 15, pp. 342-349.

<sup>131</sup> G. Aylott, n.d., 'The Diversification Strategies of the Privatised Water Companies in England and Wales: A Resource Based View', University of Wales online research paper, p. 5, accessed 23 August 2009 at <http://all.repec.org/RePEc/wuk/waecwp/waecwp96-18.pdf>.

<sup>132</sup> TNI is active in supporting publicly-run utilities. This includes investigating and promoting alternatives to multi-national corporate control of water utilities in nations with developing economies. They are strong advocates for the public-public partnership model for service provision. The official website containing many online reports is <http://www.tni.org/>.

<sup>133</sup> United Utilities was created when one of the UK's largest water companies, North West Water took over Norweb, an electricity company. See G. Aylott, n.d. 'The Diversification Strategies of the Privatised Water Companies in England and Wales.'

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United Utilities was heralded in *Asia Pulse* (10 October, 1996) as achieving the British government regulator's nomination as the 'UK's most efficient water utilities operator'. The marriage between Bechtel and United Utilities produced International Water Limited, later to become a key partner and player in the take over of Cochabamba's water utility. Basically, this international partnering of diverse expertise, technology and assets equipped International Water with all of the business requirements and connections needed. This partnership was not only to manage the utility but ensure ongoing Philippines infrastructure projects remained within the corporation's reach in order to maintain an adequate supply of the basic resource — water, on which their businesses depended. Although the corporation could not legally own the nation's water they were able to control its availability.

The two French-based water corporations sought out their Filipino counterparts without creating new international partnerships; however, British-based Anglian Water took on the Australian government's Australian Water Authority as a partner. Taking on additional international partners who had failed to meet the first prequalification round was made possible by the Philippines government's bidding policies. It was, however, only those firms who were rejected from prequalifying independently that were able to partner with a firm already meeting the prequalification criteria. This, according to Dumol, was a precautionary measure taken to prevent the largest international water corporations from joining forces. It was designed to prevent them from uniting to enforce negotiation of terms, conditions and contract in an attempt to make the bidding process obsolete. This use of the prequalifying rules enabled the government, and not the corporations, to control the privatization process. For a country that was infamous for its reliance on cronyism in business dealings it was vital that there were more than two conglomerates in the running for the two concessions enabling the process to be perceived as transparent and competitive.

At the time of bidding the IFC and Philippines government had, at the last moment before closing the call for tenders, managed to increase the original three consolidated international corporations to four.

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### Oil to water

As *Fortune* magazine claimed in 2000, only a ‘handful of giant, specialized players dominate the global water industry’, naming Paris-based Suez and Vivendi (CFG) as the ‘real wizards of water’.<sup>134</sup> It was in this publication that the subsequently much quoted statement, ‘H<sub>2</sub>O will be to the 21<sup>st</sup> century what oil was to the 20<sup>th</sup>’, first appeared. The publication also identified the business acumen of both Jerome Monod, chairman of Suez, described as a ‘whirlwind, worldwide ambassador for water privatization’, and CEO Mestrallet. It was the latter, whose earlier vision for the two poorly-performing companies, Suez and Lyonnaise des Eaux, resulted in their successful merger.<sup>135</sup> This merger was specifically orchestrated to gain entry to the emerging, potentially-lucrative arena of infrastructure development and management in Asia, with Lyonnaise expanding Suez’s foreign contacts.<sup>136</sup> It is worth noting that Suez, in a joint venture known as Aguas Argentinas, obtained the contract to manage the Buenos Aires concession. According to Tully by 1999 this joint venture was making \$62 million in annual net profits.<sup>137</sup> The model for privatizing MWSS was based on this Buenos Aires joint venture.

Within their joint ventures Suez relied heavily on using its own French-based business affiliates’ expertise and products: Degremont for construction and infrastructure; Nalco and Calgon as producers and suppliers of water cleansing chemicals and technology. In 2008 researchers Wu and Malaluan undertook a comparative investigation into the performance of the two winning concessionaires in Manila and into the eventual withdrawal of Maynilad, the Suez-Benpres joint venture that had been awarded control of Manila’s West zone.<sup>138</sup> The researchers identified the reliance on French-based and French-produced goods and services as contributing to financial difficulties that led to Suez’s eventual withdrawal from the joint venture and

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<sup>134</sup> S. Tully, 2000, ‘Water, water everywhere’, p. 342.

<sup>135</sup> Following the 1956 Egyptian nationalisation of the Suez Canal project, formerly constructed and managed by Suez, the company focused on banking (Banque Indosuez) and real estate; however, heavy real estate losses were being experienced at the time of the merger with Lyonnaise. Lyonnaise des Eaux, was described as a ‘troubled water company’ within its own French domain where it was always vying against the other major water corporation Compagnie des Eaux, later to become Vivendi, then Veolia.

<sup>136</sup> S. Tully, 2000, ‘Water, water everywhere’, pp. 342-9.

<sup>137</sup> S. Tully, 2000, ‘Water, water everywhere’, pp. 342-9.

<sup>138</sup> X. Wu & N.A. Malaluan, 2008, ‘A Tale of Two Concessionaires: A Natural Experiment of Water Privatisation in Metro Manila’.

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the concession. A future reliance on goods and services from the international partner's home base was not considered during the bidding process. Although extraneous to the pre-operational focus of this chapter it does resonate with accusations of self-interest and greed often levelled against MWSS at the time of privatization. It is worth noting that the devaluation tactic implemented to support privatization of MWSS, including claims of cronyism, waste of limited resources, and mismanaged water and sanitation services,<sup>139</sup> was later resurrected and used to explain why the winning concessionaire, Maynilad, failed to achieve similar targets and goals in their concession sector.<sup>140</sup>

### Inside The Bidding Process

Dumol has carefully documented the bidding process from his insider's perspective.<sup>141</sup> He suggests that any united corporate attempts to reduce competition between themselves or to take control of the terms of the concession to best suit their own interests were reduced in several ways by the Philippines government and the IFC consultants. These included:

- ❖ a compulsory bidding cap for tariffs;
- ❖ the requirement that bidders must submit two separate bids — one for each concession zone;
- ❖ no bidder, even if supplying the lowest bid for both zones, would be permitted to manage both zones; and,
- ❖ different tariffs could exist between the zones.

The bid that came in with the lowest tariff would win either the east or west concession and this would be the prevailing tariff for that zone. This was irrespective of whether or not the public would be paying different amounts for their water. The existing location of their residence and business would determine the future tariff

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<sup>139</sup> The poor performance of MWSS is mentioned in M. Dumol and P. Seidenstat, 2002, 'The Largest Water System Privatization: The Manila Concession' in P. Seidenstat, D. Haarmeyer and S. Hakim (eds.), *Reinventing Water and Wastewater Systems: Global Lessons for Improving Water Management*, John Wiley & Sons, New York.

<sup>140</sup> C. Montemayor, 2003, *Water Privatisation in Manila and International Solidarity*; S. Thill, 2010, *Watch Out: The World Bank Is Quietly Funding a Massive Corporate Water Grab*; X. Wu and N.A. Malaluan, 2008, 'A Tale of Two Concessionaires: A Natural Experiment of Water Privatisation in Metro Manila'.

<sup>141</sup> M. Dumol, 2000, *The Manila Water Concession*.

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payable. As such, by dividing the MWSS into two distinct zones, and managing each zone as a single privatization bidding, another wedge was instituted between any potential unified resistance to the public utilities take-over.

When the concession zones were put out to tender the government deliberately placed a cap on the level of tariff to be used in the bidding process. The winner in each zone would be the lowest bidder or the next lowest if the same bidder was lowest for both zones. Bids were not to go above the current rate charged by MWSS for its supply and distribution of water of P8.78 per cubic meter.

Earlier in mid-1996 MWSS had implemented an unpopular tariff increase from P6.43 per cubic meter to the rate current at the time of the bidding.<sup>142</sup> This was supposedly in preparation for the service's privatization and in order to attract international water players to compete for the concessions by making it appear to be a more profitable venture.

Setting a bidding cap on the tariff that was the same as the recently-increased current rate was a powerful tactical move. It provided some measure of stability despite the changes being implemented. It also gave credence to MWSS's earlier tariff increase — despite no noticeable improvements in service delivery — by suggesting that the previous too-low tariff had reduced MWSS opportunities to improve services. At the same time it increased the financial attractiveness of the venture to international players. The tactic also served to let the public know that, despite the need to privatize due to alleged MWSS failings, the government would still be protecting their interests. Explanations of the tariff increase and capping of bids hid from the public view that the earlier price increase had been a ploy used to make MWSS appear more attractive to the private sector. It had not been designed to help MWSS improve its service delivery. At the same time capping the bids signalled that the government was still in control of the tariffs and would continue to be so, post-privatization, through the role of the Regulatory Office, a role specifically created for Manila's privatization process.<sup>143</sup>

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<sup>142</sup> M. S. Jara, 'Gov't Prohibits Private Firms From Raising Water Rates in First Five Years', *Business World*, 4 July 1996, p. 2.

<sup>143</sup> M. Dumol, 2000, *The Manila Water Concession*, pp. 56-57.

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### Regulation

The means for controlling or regulating the tariffs was built into the concession contract and were supposedly designed to protect consumers against any price increases over the following five years. The public was treated with sweeping claims about protection of their interests. The following quote by Angel Lazaro III, MWSS Administrator appointed directly by President Ramos in 1995, provides an example of information being provided to the public through the media in early July 1996, twelve months before the concessions would be awarded:

The private sector will not be allowed to increase water tariff. Whatever the rates are when they come in, that's going to be it. In fact, we will not allow an increase at least in the next five years... Provided we don't change the program, meaning, if we don't ask them to do more later on, then we will prevent them from increasing the prices.<sup>144</sup>

There remained, however, a range of externally-influenced opportunities for the concessionaire to have tariffs officially increased. Throughout his book Dumol discusses in some detail and provides examples, justifications and mechanisms for tariff regulation and the means available to the concessionaires to side-step them. Although limited, these opportunities were based on a number of external factors or 'circumstances beyond their control' such as local currency devaluation against the US dollar.

This external factor was of special importance to foreign firms where loans and purchases were tied to the US dollar whilst tariffs were paid in local currency. Thus, the public were encouraged to believe that their best interests were being protected by creation of a regulator and tariff caps; however, the concessionaires' economic interests were concurrently being protected by loop-holes, tied to external financial activities, which permitted tariff increases. Thus, whilst the local Regulator appeared to be in control of capping water tariff increases, this was a misrepresentation of the situation. The appearance of local tariff capping disguised the real possibility of future price increases arising from external pressures. Thus, the Regulatory Office became

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<sup>144</sup> M. S. Jara, 'Gov't Prohibits Private Firms From Raising Water Rates in First Five Years', p. 2.

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the official channel used to reduce any public concerns about, or resistance to, contracting MWSS out to the private sector.

The use of official channels for controlling the bidding figure and opportunities for future tariff increases served several purposes for the government. They were seen to technically mediate between the public and the concessionaires about any politically unpopular future tariff hikes, whilst also depriving the public of their right to contest the actions of the private sector. The government, however, was seen to still have some control over the actions of the private sector; yet, as would be seen shortly after the contracts were awarded, the private sector was able to utilize external economic crises to manipulate the weak local regulatory system and introduce tariff increases. It would appear that sometimes the use of official channels was used more as a deterrent against public dissent rather than to prevent external actions such as tariff hikes.

The whole privatization process had been generated and implemented within a time-frame that would have least possible impact on the outcomes of the next general elections. As mentioned previously, Mark Dumol, refers to the need to get the privatized zones fully operational with at least 18 months to spare before the next general election. At the same time privatization effectively denied the public the mechanism of voicing their displeasure about an essential service at the ballot boxes during general elections.

### **The last days**

On January 23, 1997 the bids were finally opened in front of an international and local audience of approximately 400 important guests and 70 journalists.<sup>145</sup> The image of seven panel members announcing the winning two bids provides the front cover of Mark Dumol's book. They are seated in front of a huge banner proclaiming:

#### **MWSS PRIVATIZATION BIDDING**

“THE WORLD’S LARGEST  
WATER PRIVATIZATION”

January 23, 1997

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<sup>145</sup> M. Dumol, 2000, *The Manila Water Concession*, pp.95-6.

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Dumol provides a daily account of the build up before announcement of the two concession winners. During this period he acknowledges increasing wariness about any last minute challenges to the privatization. One such challenge, begun in early January, 1997, had been gaining support, especially amongst the media. This challenge, a temporary restraining order using courts to stall the process on legal technicalities, came from a group with self-interest in the outcome. Their investment interest in a water supply construction project for MWSS was dependent upon the successful bidders continuing with the project and retaining their services or paying for their losses. Legally such assurances could not be given by MWSS over future concessionaires' decisions and operations whose responsibilities were to protect their shareholders and not the interests of former MWSS contractors.

In effect this was one business challenging another business on commercial grounds whilst using the legal system as the site of protest. It was not an example of the public resisting privatization of their water supply services. Although the legal action generated great concern for the government and development agencies' officials at the time it eventually fizzled out when the Restraining Order expired on January 6 without acceding to the developer's demands. This enabled the four main bidders to proceed as planned. It is of interest that Dumol draws attention to his surprise upon seeing how many journalists appeared at the announcement of the expiry of the Restraining Order and resumption of the bidding process. He claims, 'I was surprised to see a lot of press around. We had not invited anyone from the press, but they came anyhow; apparently we had hyped this up pretty well.'<sup>146</sup>

The whole privatization had been "hyped" up as a positive experience for the citizens of Manila; thus, anything that would be seen to prevent this from happening was identified as a negative event. The infighting between the key competitors for the two concessions took on the proportions of a gladiatorial performance for the benefit of the public gaze; however, what they were fighting over — the right to profit from an essential service of water supply and delivery — was lost amongst the propaganda.

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<sup>146</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 92.

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When the bids were finally opened they were considered to be unexpectedly low as the MWSS tariff at the time was over 8 Pesos per cubic meter. The organisers thought a mistake had been made with the Ayala-International Water conglomerate's bid of P2.3169 per cubic meter for the East zone. The next lowest was by the Benpres-Lyonnaise des Eaux group at P4.9688 for the West zone. This was very closely followed by the Aboitz- Compagnie Generale des Eaux conglomerate with a bid of P.4.9941.<sup>147</sup>

**Table 6:2 Details of each bid as presented by Mark Dumol<sup>148</sup>**

<i>West</i>	<i>Percent bids [of existing tariff]</i>	<i>Peso bids</i>
Ayala-International Water	28.6333	P2.5140
<b>Benpres-Lyonnaise des Eaux</b>	<b>56.5922</b>	<b>P4.9688</b>
Aboitz-Compagnie Generale des Eaux	56.8800	P4.9941
Metro Pacific-Anglian Water International	66.8998	P5.8738
<i>East</i>		
<b>Ayala-International Water</b>	<b>26.3886</b>	<b>P2.3169</b>
Aboitz-Compagnie Generale des Eaux	62.8800	P5.5209
Metro Pacific-Anglian Water International	64.5080	P5.6638
Benpres-Lyonnaise des Eaux	69.7888	P6.1275

Table 6:2 provides the details of each bid as a percentage of the existing tariff and as the proposed future peso rate for the East and West Concessions, Manila.

Confirmation was sought and obtained that Ayala's low bid was written down correctly. In fact Ayala had submitted the lowest bids for both zones but according to the rules could only be awarded one zone. Its lowest bid, as stated above, was for the East zone which, according to Dumol, 'they desperately wanted to win because of

<sup>147</sup> According to Mark Dumol in the "Notes" section of his book, *The Manila Water Concession*, Note 5 states 'The Philippine[s] currency is the "peso" and its symbol is "P". As of end -1999, 1 U.S. dollar was approximately equal to 40 Philippine pesos.' p. 129.

<sup>148</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 131, Note 13.

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their numerous real estate projects in that area.<sup>149</sup> Following take up of the concessions on 1 August, 2007, Manila's East zone residents would be paying P2.3169 per cubic meter whilst those residing in the West zone would be paying P4.9688, or more than double for their water.

The media tended to report the outcome in a positive light. Dumol's assessment of press reports following the announcement of the concession winners and their bids claimed, 'Largely, the news was positive. Everyone was happy at the prospect of paying lower tariffs and receiving better service.'<sup>150</sup> Thus, the desired outcomes, over three years, for a range of key players including government agencies, unions, development organisations, corporations and financial institutions finally came to fruition.

The official ceremony that was developed to showcase the opening of the financial bids finalised a level of transparency used throughout the privatization process that left little room for allegations of corruption. This tended towards being all encompassing since it not only signalled such transparency to the invited World Bank, IFC and development agency officials present but also to the international financial institution and overseas investment experts representing multinational corporate interests.

The transfer of MWSS into corporate hands was more than the privatization of Manila's water utility however, it was showcasing the Philippines nation as a reputable investment and trading partner in the southern hemisphere.

### Conclusion

The culmination of the privatization process eventuated on 1 August 1997 when two separately merged enterprises, both comprising national and international corporations, acquired concessions to control water supply and delivery to the separated zones of East and West Manila. Previously these had been combined as one service area using water supplied by the multipurpose Angat dam.

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<sup>149</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 97

<sup>150</sup> M. Dumol, 2000, *The Manila Water Concession*, p. 98

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The privatization process for Manila's Metropolitan Waterworks and Sanitation Services (MWSS) began as early as July 1994 following creation of the MWSS Privatization Committee by democratically-elected Philippines President Ferdinand V. Ramos.<sup>151</sup> Over the following three years, several different pieces of legislation were introduced to cement the take-over of MWSS by two joint ventures formed by local and international private firms. Of most relevance for this thesis is the *Water Crisis Act* 1995 (R.A.8041) passed by Congress in June 1995. This legislation provided the pathway for privatizing the publicly-run water and sanitation utilities. Not only did the title of the *Act* signal existence of a water crisis to critics it also gave the President some extraordinary powers. These included providing him with a one year period of emergency powers to:

- address the issues related to water supply and distribution,
- finance privatization,
- lay the groundwork for the reorganization of MWSS; and
- strengthen the government's anti-water pilferage efforts

My investigation into tactics used to prevent public outrage during the privatization of Manila's water utility MWSS focused on the three year timeframe used for the privatization process. The hypothesis driving this research was that certain tactics were used to prevent public outrage during the privatization of Manila's water utility MWSS. This supposition was based upon several different factors. These included resistance shown by other southern hemisphere nations to privatizing their public water and sanitation utility; a history of resistance and protest against perceived injustice; and a background of colonial rule that included remnants of implementation of a Northern/Western system of water and sanitation service delivery. However, the privatization trajectory in Manila was quite different from those discovered in the other two major sites of investigation, Cochabamba and New Delhi.

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<sup>151</sup> MWSS Official website, 2004, web archive, 'Privatisation Important Dates', accessed 27 November 2007 at <http://web.archive.org/web/20040611053258/www.mwss.gov.ph/news/default.asp?action=article&ID=68>.

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A number of tactics that have previously been identified as used against civil society in struggles against injustices were present in Manila's water privatization. However, they were used on behalf of government in the transformation of the publicly-run utility into a desirable corporate investment, and not directly against civil society resisting proposed changes. A recap of the tactics employed during the privatization process is provided in the table below.

**Table 6:3 Examples of Tactics Used to Discourage Public Opposition to the Privatization of MWSS, Manila, Philippines**

<i>Tactic</i>	<i>Example of Action Discussed in this Chapter</i>
There Is No Alternative TINA	The TINA rhetoric underpinned most of the tactics identified in Manila's privatization of its water services. The main point being there was an ongoing assumption over the three year period that privatization would go ahead.
Exclusion	The most influential tactic used was the early exclusion of any possible alternatives to the privatization process.
Division	The division of MWSS into two discrete 25 year concessions contributed to preventing any real chance of unified resistance.
Devaluation	Denigration of the existing publicly-supplied service through propaganda and promotion of the benefits of privately-managed services helped reduce opposition during the privatization process.
Devaluation	Accusations were made that the cholera outbreak was due to the MWSS staff's inability to prevent leakages that allowed contaminated water to get into the water pipes.'
Devaluation	Ongoing criticism about MWSS management and staff's past and current daily operations and implying similar negative outcomes for the future.
Official channels	The union KKK study group tour to Argentina included members later representing the MWSS workers in privatization discussions with Manila's decision-makers.
Official channels	The use of government procedures was crucial during various stages of the privatization.

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Official channels	The use of specific eligibility and participation criteria were introduced to prevent protest from unsuccessful corporations at each stage of the privatization.
Official channels	Setting up committees can be construed as a tactical device for controlling participation.
Official channels	The Regulatory Office became the means used to reduce any public concerns about, or resistance to, contracting out MWSS to the private sector.
Cover-up	The English-language media was complicit in concealing potential negative financial aspects and loss of government subsidies.
Cover-up	Hiding the small financial investment needed for eligibility to bid may well have made the idea of transferring operations from a government-owned and controlled corporation to the private sector more publicly acceptable.
Cover-up	The fact that it was water users themselves who would be funding the profits gained by the winning bidder was not publicised. This only became apparent a number of years later when tariffs started escalating.
Reinterpretation	Making the foreign take-over of Manila's water services management appear to be a local public utility employment issue.
Reinterpretation	Ongoing suggestion that the public supply of water was potentially corruptible and the privatization was an inviolate, technically-driven corporate activity.
Reinterpretation	Since privatization of MWSS could not take place within a six month time frame it was vital that the 6 month period was redefined and legally accepted as being the time when the President had initiated the action to privatize MWSS.
Reinterpretation	The public were subjected to different media accounts of business attitudes towards the privatization of Manila's water supply and distribution services with focus placed on competition between them.

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Reinterpretation	By mid-1996 the role of the <i>Water Crisis Act</i> in the privatization process had been changed in such a way that it directly linked the privatization of MWSS as a <i>requirement</i> of the <i>Act</i> .
Reinterpretation	The Philippines Department of Health initially attempted to describe the cholera outbreak as 98 cases of gastroenteritis.
Reinterpretation	Although MWSS was initially condemned as the perpetrator, such accusations would not bode well with future bidders, hence the need to re-frame culpability.
Reinterpretation	Deflecting attention away from government intervention in privatizing Manila's water utility.
Reinterpretation	Explanations of the tariff increase and capping of bids hid from the public view that the earlier price increase had been a ploy used to make MWSS appear more attractive to the private sector.
Reinterpretation; Cover up	Whilst the local Regulator appeared to be in control of capping water tariff increases, this was contrary to the reality of the situation. Establishment of the Regulatory Office concealed the influence that foreign interests had over Manila's citizens' access to affordable water.
Intimidation	Threat of job losses and staff replacements may have been used to try to get the existing Legal Counsel and staff to approve EO311 since this had been done previously.
Intimidation	Threat of having bid disqualified for non-agreement to conditions.
Precaution	Bidding policies designed to prevent amalgamation of the largest international water corporations.
Illusion	Setting a bidding cap on the tariff that was the same as the recently-increased current rate was a powerful tactical move. It provided some sense of stability despite the changes being implemented whilst supporting the TINA claim.

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To summarise Table 6:3, the TINA claim underpinned the tactics used. No alternatives to privatization of MWSS were put forward for consideration. By dividing the public utility, MWSS, into two separately functioning 25 year concessions the role of the single public utility was made redundant. The remainder of the tactics resemble those identified for Cochabamba and for New Delhi, however *their targets are different*. Devaluation of the existing service provider, MWSS, was assisted by the media and through government Ministers. Official channels were used to safeguard the government's interests at all times. Reinterpretation of different events and proposed outcomes assisted in the privatization process and remained unchallenged. Limited intimidation was reserved for staff and recalcitrant bidders; unlike Cochabamba and New Delhi the general public perceived privatization as an improvement and not a violation of the water supply. Precautionary measures pre-empted potential derailment of the process by corporate rivalries, whilst the illusion that privatization was the only alternative was initiated and maintained throughout the process.

In the cities of Cochabamba and New Delhi privatization by foreign corporate interests was generally identified as being potentially harmful to the majority of citizens.<sup>152</sup> Varying levels of outrage were generated at different stages against the concept of privatizing a publicly-run utility that would enable foreign-interests to manage local citizens' water supplies and distribution. In Manila, however, the concept of privatization was promoted as offering a vast improvement on existing services which had not changed for years. This promotion played on the public's past negative experiences with MWSS whilst resonating with their hopes for future services.<sup>153</sup> My personal correspondence with several Philippines citizens currently active in struggles over injustices in the Philippines, and working on behalf of those targeted by development organisations, confirmed that access to affordable water was more important than who was in control.<sup>154</sup>

There appears to have been much faith placed in markets and private enterprise amongst World Bank and foreign government-supported consultants and specialists

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<sup>152</sup> See Chapter 5 and 7.

<sup>153</sup> M. Manahan, 'Water politics: access to water, and the role of IFIs, TNCs, and the States', pp. 23-28.

<sup>154</sup> Several personal email communications with MaryAnn Manahan in July, 2009.

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regarding the commodification of water and commercialization of water services. Whilst some people can survive without electricity by using alternative sources for light and cooking no substitute exists for water. The “experts” failed to anticipate the likely effects of transferring a human necessity such as water from being publicly subsidized to an unsubsidized user-pay system. This dehumanized aspect of economic development supports critics of the blinkered neoliberalist ideology that was being thrust upon developing nations by IFIs and foreign governments at that time. Yet, the IFC’s own propaganda claims that its role was crucial in ‘helping provide needed comfort to prospective private investors while ensuring the protection of the country’s interests as well’.<sup>155</sup> Initially providing comfort for investors and addressing their economic needs was of greater importance than guaranteeing provision of basic water services to meet the human needs for the most poor. The future capacities of consumers to pay for the services are not mentioned.

Tactics used by national and international government officials, international financial institutions, and development agencies, and local and foreign-run media services in Manila primarily served to sully the reputation of MWSS by identifying water and sanitation issues publicly. In effect the tactics were used to discredit the existing public utility. Thus, many tactics previously used to prevent public outrage against privatization were now used counter-intuitively, to generate and promote public outrage over alleged mismanagement of water supply and distribution by MWSS.

As in the other chapters the tactics have been grouped as using official channels, reinterpretation, intimidation, cover-up, and devaluation. The examination of each tactic has revealed that intimidation, beyond that applied to some employees, and cover up were little used. In many respects there was an abundance of transparency during the whole three year process. Certainly media reports referred to throughout this chapter suggest that the government and their agents supplied the local English language media with adequate information to keep the educated public up to date with the events as they occurred. For most of the three years the public were included as being an important component in the privatization process. This was particularly noticeable in the focus placed on competing concessionaires who could only win by

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<sup>155</sup> L. Joseph, *IFC to Assist Privatization in Philippines — The First large-Scale Water Privatization in Asia*, World Bank official website.

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improving existing conditions for consumers. The consumers, as they were deemed, were left with no reason to resist something that was promoted as being in their best interests.

## Chapter 7

### NEW DELHI

#### Introduction

The River Ganges basin supports 400 million of India's population of 1.1 billion people. The discharge of waste water directly into rivers, lakes, ponds and the sea has resulted in massive degradation of fresh water stocks in India. As an article in *The Wall Street Journal/India* states, due to shortages of funds "water treatment facilities have been unable to keep up with rapid growth".<sup>1</sup> At the time of the article, 2010, on a daily basis, approximately only 45 percent of the 11 billion litres of sewage that was generated by 181 cities and towns located along the Ganges was being treated. Some was being dispersed into the sea but it was the rest that was being directly fed into the fresh water sources where it was contaminating underground and surface water that supplied thousands of very poor people with their only fresh water access. The Yamuna River that supported development of the nation's capital city, New Delhi, is a major tributary of the 2510 kilometre long River Ganges.<sup>2</sup>

This contaminated water scenario had been unfolding and progressively worsening with India's move from an economy based on nationalist self-sufficiency to one embracing international trade and relationships during the decades preceding the new millennium. With this move came a migration from rural living to urban settlement.<sup>3</sup> The *Wall Street Journal* article did not discuss claims that mass migration to the cities or a lack of expertise or technology was responsible for the current state of the most revered of waterways — the River Ganges. Instead it clearly identifies a lack of committed funding as the main contributor to this long term and ongoing situation; yet, according to the 2001 Census, the Indian urban population rose from 25.6 million

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<sup>1</sup> K. Pokharel, 2010, 'India's Holy Ganges to Get a Cleanup: Government Embarks on \$4 Billion Campaign to Treat Heavily Polluted Waters; Devout Hindus Revere River as 'Goddess'', *The Wall Street Journal/India*, 13 February, online edition accessed on June 21, 2010 at <http://online.wsj.com/article/SB10001424052748704878904575031333129327818.html>.

<sup>2</sup> Prokerala.com, n.d., 'Ganga River Map The River Ganga with its tributaries & distributaries', *Prokerala.com* accessed 14 November 2014 at <http://www.prokerala.com/maps/india/ganges-river-map.html>.

<sup>3</sup> For a discussion on India's growing urban development see M. Mahadevia, 2006, 'NURM and the Poor in Globalising Mega Cities', *Economic and Political Weekly*, 5 August, pp. 3399-3403, accessed at <http://www.epw.org.in/epw/uploads/articles/2296.pdf>

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in 1901 to 212.8 million in 1991.<sup>4</sup> Such an increase in population and changes to the types of effluent being discharged into the waterways in the name of progress and development were ignored as contributors to the state of New Delhi's water system. Improving and expanding the existing New Delhi water and sanitation infrastructure was seen as an expensive necessity by the government and the public. Much funding was required. A loan, proposed by the World Bank for this purpose, was accepted by the New Delhi government in the 1990s. A loan, later judged by the Independent People's Tribunal against the World Bank as being unnecessary due to an already healthy New Delhi government budget, enabled the World Bank to try to place its privatization agenda-setter, Pricewaterhouse Coopers,<sup>5</sup> into a key decision-making position regarding management of the city's water services.<sup>6</sup> It is the processes that involved cover up, intimidation, the use of official channels, reinterpretation, and devaluation of local expertise that were used to influence the mission of privatizing another developing country's water utilities that are examined in this chapter.

### The Case Study

During 8 months that I spent in New Delhi in 1999 concerns about water provision were frequently the main topics of social conversation. Despite living in a fairly new middle class suburb the lack of reliability and potability of in-house tap water were daily issues faced by other residents and businesses in the Laj Pat Nagar district. Evidence of difficulties in accessing any water was seen on a daily basis when passing an illegal settlement developed around a filthy canal. These personal experiences and later examination of issues arising from the increasing global use of the private sector

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<sup>4</sup> For discussion on the rural-urban migration in India see S.S. Nanavati, 2004, 'Impact of Rural-Urban Migration on the Sustainability of Cities', *"Vision", E-Journal of the World Student Community for Sustainable Development (WSCSD)*, 9 November accessed on 20 October 2007 at <http://www.wscsd.org/ejournal/spip.php?article109>; and for discussion on Delhi's slums see A. Bhardwaj, 'Delhi Slums', *Housing & Slums Forum*, accessed at Indian NGOs website accessed 11 November 2007 at <http://www.indianngos.com/issue/housing&slums/overview-delhi.htm>.

<sup>5</sup> In 2010 Pricewaterhouse Coopers formally shortened its brand name from PWC to PwC. According to their official website, <http://www.PWC.com/us/en/about-us/PWC-corporate-history.jhtml> "PricewaterhouseCoopers' remains the full name of the global organisation for legal purposes, and will be the name used by PWC firms to sign company audits." For the purposes of consistency in this thesis I have used the initials PwC to represent Pricewaterhouse Coopers.

<sup>6</sup> Independent People's Tribunal (IPT), 2007, *IPT on the World Bank Group in India*, New Delhi, Youtube recording of IPT conference, part I, New Delhi, accessed 14 June 2008 at <https://www.youtube.com/watch?v=8XwiYWgZHMA>.

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for managing formerly publicly-run essential services<sup>7</sup> informed my decision to examine water issues in India, especially those pertaining to women, which initially led me to the work of activists, MAK, who were concerned about the emergence of privatizing water services in India.<sup>8</sup>

My earlier research suggested that whilst women in rural communities were most frequently the collectors, carriers, and distributors of water it seemed that urbanization and increasing economic status altered who had responsibility for collection, storage, supply and distribution. It shifted the responsibility to governments — whose infrastructure employees were predominantly male — to store, supply and distribute water. Domestically women tended to remain the primary users of water resources. Gender of user, however, seemed to become even less relevant when a nation's water was being contracted out to be controlled by agents of multi-national corporations. These corporations, whose home base was located in another part of the world, often had cultural interpretations of water that differed significantly from those receiving the proposed privatization. For example in India, fresh water, such as the River Ganges and a major tributary, the River Yamuna, was often referred to in female terms of a mother, a goddess, and sometimes as sacred and belonging to the Indian public without gender, class or caste distinction being made.<sup>9</sup> Yet, India's expanding urbanisation and a burgeoning middle class made the existing infrastructure increasingly vulnerable to the predatory movement by the World Bank and its agencies towards privatization under the "There Is No Alternative" rhetoric applied at the time.

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<sup>7</sup> Especially relevant to this were several influential texts by S. Beder, 2000 (1997), *Global Spin: The Corporate Assault on Environmentalism*, Scribe Publications, Carlton North and S. Beder, 2006, *Suited Themselves: how corporations drive the global agenda*, Earthscan, London.

<sup>8</sup> Manthan Adhyayan Kendra (MAK), 2005, *Privatisation and Commercialisation of Water Resources and Services in India*, MAK official website accessed on 17 March 2007 at [www.manthan-india.org/article2.html](http://www.manthan-india.org/article2.html).

<sup>9</sup> For discussions on relationships between humans and their water sources see D.L. Haberman, 2006, *River of Love in an Age of Pollution: The Yamuna River of Northern India*, University of California Press, Berkeley; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*, South End Press, Cambridge, MA; and M. Barlow and T. Clarke, 2002, *Blue Gold: The Fight to Stop the Corporate Theft of the World's Water*, The New Press, New York.

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Some Indian supporters for maintaining public control of water services continue to operate out of the Manthan Adhyayan Kendra (MAK) Centre.<sup>10</sup> It was from a section, “Databases of Privatisation and Reforms Projects”, of their frequently updated website that I was originally alerted to New Delhi’s public water services (Delhi JAL Board) being identified as a likely candidate for privatisation.<sup>11</sup> The main use of Pricewaterhouse Coopers by the World Bank for providing a platform for launching privatisation suggested this was an under-investigated aspect of the water privatisation process: how the World Bank and its privatisation agents would shape the propaganda and key players being used to defend its claims of there being no alternative to privatisation.

Whilst the MAK centre members who supported maintaining public control of water services were already alert to the proposals to privatize Mumbai and other major cities’ water and sanitation services they had tended to pre-empt the situation in New Delhi as the privatization process did not proceed in 2005 as previously warned.<sup>12</sup> Strong resistance to the concept of privatization emerged amongst a wide range of different groups and was further supported by the bureaucrats who were maligned as incompetent by the World Bank during the tendering process (see below).

On 12 February 2005 the New Delhi public water and sanitation utility, the Delhi JAL Board, put forward an invitation for submission of “pre-qualification bids for management contract for water supply and sanitation” for South II and III zones

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<sup>10</sup> According to their official website “Manthan Adhyayan Kendra is a centre to monitor, analyse and research water and energy related issues, with a special focus on the latest developments resulting from the liberalisation, globalisation and privatisation of the economy” and providing updated lists of changes to the water sector throughout India. Their publication “WATER: PRIVATE, LIMITED” — *Issues in Privatisation, Corporatisation and Commercialisation of Water Sector in India*, Manthan Adhyayan Kendra MAK official website at <http://www.manthan-india.org/spip.php?article21> was originally published in 2002 and is now in its second edition. This early issue was an original source in informing me about water privatization issues in New Delhi.

<sup>11</sup> MAK, 2013, “Water Supply Projects — Delhi”, *Database PSP in Water, Sanitation, Solid Waste Management and Sewerage Projects*, Manthan Adhyayan Kendra (MAK). MAK official website accessed 26 November 2014 at [http://www.manthan-india.org/IMG/pdf/PSP\\_Database\\_-\\_March\\_2013.pdf](http://www.manthan-india.org/IMG/pdf/PSP_Database_-_March_2013.pdf). Note this information was previously accessed 17 March 2007 through [www.manthan-india.org/article2.html](http://www.manthan-india.org/article2.html).

<sup>12</sup> S. Dharmadhikary, 2007, *Privatisation of Water in Mumbai's K East Ward: Many Questions, Few Answers*, Manthan Adhyayan Kendra MAK official website accessed on 18 March 2007 at <http://www.manthan-india.org/article22.html>

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comprising populations of “8, 00, 000 and 6, 00,000” respectively,<sup>13</sup> and, according to claims made by the MAK centre

Management consultants PWC (Pricewaterhouse Coopers) conducted the study for these zones and suggested to privatise the water supply. DJB on the basis of PWC report and in consultation with the World Bank had short listed 4 multi-national water companies for management contracts, these included Suez, SAUR, Bechtel and Veolia.<sup>14</sup>

All of the listed enterprises were multi-national corporations with reputations for obtaining long term management contracts and substantially increasing water tariffs.<sup>15</sup>

Only when relevant documents were released in time for the Independent People’s Tribunal against the World Bank regarding the tendering process for specialists to design the proposed “improved” water management contracts did the background narrative of inappropriate influence over privatization emerge. Within this narrative was evidence of earlier cover up, misrepresentation, devaluation and use of official channels to promote the World Bank’s stance, over that of the Indian people, concerning private sector management of water. The World Bank ensured that the TINA claim was implemented in order to deflect all unapproved contenders from participating.

In other words no alternative management models to those of privatization were put forward. Such alternatives could have included the use of public-private partnerships (PPPs) which became popular with the World Bank and regional Development Banks and had been gaining popularity in Europe, parts of Africa and the United States at the

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<sup>13</sup> Cited in MAK, 2005, *Privatisation and Commercialisation of Water Resources and Services in India*.

<sup>14</sup> MAK, 2013, “Water Supply Projects — Delhi”, *Database PSP in Water, Sanitation, Solid Waste Management and Sewerage Projects*.

<sup>15</sup> For views not supporting privatization and the problems associated with it in developing countries see M. Manahan, N. Yamamoto, and O. Hoedeman, (eds.), 2007, *Water Democracy: Reclaiming Public Water in Asia*, Focus on the Global South and Transnational Institute — available online at <http://www.tni.org/books/publicwater.htm>; for a view supporting privatization in developing countries despite acknowledged consequences for the very poor see J. Nellis, 2006, *Privatization in Developing Countries: A Summary Assessment — Working Paper No 87*, Center for Global Development & International Analytics, available online at <http://www.cgdev.org/content/publications/detail/6928/>

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time;<sup>16</sup> or public-public partnerships (PUPs) where successful publicly-run “first-world” water enterprises were partnered with those in developing countries so that technology and expertise resources could be shared.<sup>17</sup> The decision had been made that Delhi’s water services were to be handed to the private sector with no engagement with the public about the decision. It was due to the demands by the World Bank that their favoured consultation firm, Pricewaterhouse Coopers, be awarded the contract for managing the tendering process that alarms were triggered about the future of Delhi’s water. Identifying and examining the cultural, social and economic influences over water and the tactics used to enable this process of privatization became the core of my India case study.

### Background

Despite the majority of the Indian population revering the river Ganges as a goddess it has not prevented development from being allowed. In fact development is almost encouraged to crush anything and everything in its pursuit of economic growth. The fight for independence from the British colonisers was only allowed to be successful in the short term. Tolerance of a nationalist fervour and protection of national industry and agriculture remained intact as long as it suited the power brokers in the First or Minority World; however, when capitalism’s need for expansion, new markets and consumers were required then the developing south’s pursuit of a national identity was moulded into a Western image of what that national identity might look like. Of

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<sup>16</sup> World Bank, 2014, *PPP Reference Guide (Version 2.0)*, World Bank Group Public-Private Partnerships, Washington, D.C. available online at <http://www.scribd.com/doc/236899332/PPP-Reference-Guide>. For an overview of the global major water companies at the time of the proposed privatization of Delhi’s JAL Board see Public Citizen, n.d., ‘Who are the major water companies?’, *Public Citizen*, available online at Public Citizen official web site accessed on 18 November 2008 at <http://www.citizen.org/cmep/Water/general/majorwater/index.cfm>; also see P. Ravindran, 2003, ‘Water privatisation — Reaching epidemic proportions’, *Financial Daily*, New Delhi, 25 March. Online version available at <http://www.thehindubusinessline.com/2003/03/25/stories/200303250003080>

<sup>17</sup> O. Hoedeman, 2006, *Public Water for All: the Role of Public-Public Partnerships*, *A ‘Reclaiming Public Water Discussion Paper’*, Transnational Institute & Corporate Europe Observatory, available at <http://www.tni.org/sites/www.tni.org/archives/water-docs/pubwaterforall.pdf>; also, for case studies of operating public-public partnerships see a Public Services International (PSI), Transnational Institute (TNI) and Public Service International Research Unit (PSIRU) joint publication by D. Hall, E. Lobina, V. Corral, O. Hoedeman, P. Terhorst, M. Pigeon, & S. Kishimoto, 2009, *Public-public partnerships (PUPs) in water*, PSI, TNI, PSIRU, March accessed on 28 November 2014 at [www.psiru.org](http://www.psiru.org) or [www.tni.org](http://www.tni.org) or [www.world-psi.org](http://www.world-psi.org); and for more examples of challenges and successful public-public partnerships see A-C. Sjölander Holland, 2005, *The Water Business: Corporations Versus People*, Zed Books Ltd, London, pp.177-194.

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course this identity was most likely created to benefit the West's corporations. In other words the '...global economic decision-making ha[d] become increasingly concentrated in a few countries',<sup>18</sup> with the development agenda at the time often being informed by multinational corporations. It is likely such concentrated corporate input was used to ensure there were ongoing markets from which profits could be derived, and that could only be supplied by those with the knowledge, expertise, finance and technology to deliver what was most desired. Water of course was fundamental for the manufacture of goods and for the provision of services. Whilst governments controlled water they also controlled who had access to the services providing the water.

In the late 1990s the Delhi Government decided to approach the World Bank about obtaining a loan to assist with improving and expanding the ageing water and sanitation infrastructure of India's national capital. The infrastructure, originally designed and constructed according to British modeling, had not kept pace with the burgeoning population and the expansion of a middle income group. This group's increasing expectations of and demands for water and sanitation security has ensured that the water and sanitation sector remains a sensitive issue for politicians in India's national capital.

Secrecy, the use of official channels, intimidation, devaluation and reinterpretation of criteria were some of the tactics used by World Bank officials to mould and/or pressure Indian bureaucrats into accepting the Bank's prescribed terms and conditions for local infrastructure. These World Bank tactics were used for influencing the Indian government to contract the consultancy firm of Pricewaterhouse Coopers for the purpose of informing the Delhi government about the best management practice for improving Delhi's water supply services. As expected from an agent of an institution normalizing and driving global privatization as the best, if not the only, available solution for water supply services, the focus and recommendations for New Delhi were restricted to the private sector. These recommendations were eventually

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<sup>18</sup> United Nations, 2007, *The United Nations Development Agenda: Development for All - Goals, commitments and strategies agreed at the United Nations world conferences and summits since 1990*, available at [http://www.un.org/esa/devagenda/UNDA\\_BW5\\_Final.pdf](http://www.un.org/esa/devagenda/UNDA_BW5_Final.pdf), p. 75

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uncovered by activists wishing to keep water as a social good and within public control.

The extent of the World Bank's involvement and manipulation of Indian bureaucrats was revealed during the Independent People's Tribunal against the World Bank that took place in Delhi towards the end of September 2007. During this tribunal an enormous number of papers, obtained under the Freedom of Information legislation, clearly demonstrated the intimidation practices that were encouraged and permitted by the World Bank. Although privatization was successfully resisted and contained by activists in New Delhi at the time other states in India have succumbed to the pressures exerted by external institutions in the name of development and growth. Water privatization is not a battle that once fought will go away. Development's predatory nature ensures continued erosion of traditional relationships with water whilst weakening resistance to control by the private sector.

It would be inaccurate to portray the World Bank as the sole agent responsible for trying to profit economically from New Delhi's water supply and services. As with all infrastructure privatization attempts it was vital for governments to push the 'doctrine of neoliberalism' through unfettered access for the private sector by international financial institutions and their allies.<sup>19</sup> The Delhi government, in seeking a loan through the World Bank, was complicit in projecting the idea amongst the public that the private sector was the only option for ensuring security of the water supply.

The pathway for privatization of public infrastructure had already been prepared. The earlier neoliberalist-inspired decentralization of infrastructure responsibility, taken away from central control to lower or state level government (*panchyats*), had effectively fractured and weakened worker capacity for resistance in the sectors. The decentralization process limited financial resources and required that existing technology and expertise be spread across newly competing *panchyats*. This divisive scenario in a nation with a developing economy has had some negative effects. It was such effects that had contributed to the untenable situation of limited availability and

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<sup>19</sup> P. Routledge, 2003, 'Convergence space: process geographies of grassroots globalization networks', *Transactions of the Institute of British Geographers*, vol. 28, pp. 333-349.

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unreliability of water supplies for the many millions of households comprising the urban sprawl of India's major cities.<sup>20</sup>

The earlier attempts to privatize India's water services have continued. An article in India's *Economic Times* concerning ongoing attempts to privatize India's urban water supplies was brought to the attention of members of the activist Water Justice group via email sent through the Transnational Institute (TNI), in September 2009. The Transnational Institute's email advised recipients of the re-emergence of attempts to privatize India's urban water supply through what are entitled new model concessions (MCAs). These MCAs emerged out of the Central Government's intent to expand Public Private Partnerships (PPPs) beyond infrastructure concessions, involving school education, electricity transmission and urban water supply.<sup>21</sup> The unrelenting and predatory nature of institutions intent upon privatizing water services can be seen in a June 2014 claim made by Water Justice's members:

Despite explicit opposition from hundreds of thousands of European citizens, the sovereign debt crisis has given new momentum to the privatisation of water services in many European countries. In Spain, Portugal, Greece and Italy, the countries hardest hit by the crisis, water privatisation has come back onto the agenda.<sup>22</sup>

Although the above statement refers to European nations, privatization remains a threat for countries such as India experiencing economic growth and development challenges.

### **The social and the cultural aspects: Everyday Life**

Many rural Indians had already been exposed to negative aspects associated with foreign interests' interference with their traditional methods of living, including water

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<sup>20</sup> For background to water policy changes in Delhi and nationally See V. Asthana, 2008, 'Discourses of power and resistance in the water policy process of Delhi, India', Doctoral Dissertation, University of Illinois, Urbana-Champaign, UMI Dissertations Publishing.

<sup>21</sup> Personal email communication on 15 September 2009 with a TNI member.

<sup>22</sup> S. Kishimoto, & O. Petitjean, 2014, 'Resisting privatisation under austerity', *Water Justice*, June, TransNational Institute (TNI) official website accessed on 30 November 2014 at <http://www.tni.org/article/resisting-water-privatisation-under-austerity>

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storage and supply. The rapid growth in unofficial or slum dwellings to house these former rural masses seeking work following displacement during economic growth and development surges comprised a large part of India's urban sprawl and increased demand upon water services. At the same time these surges were integral to the neoliberalist-inspired development policies adopted by the Indian government. These policies turned thousands of subsistence farms and farmers into an agricultural industry of artificially irrigated and chemically fertilized mono-crop farming practices requiring far fewer workers, polluting ground water supplies, whilst making huge profits for some international corporations such as Syngenta and Monsanto that produced the chemicals used for insecticides and pesticides and one-life-only seeds.<sup>23</sup> Dams had been constructed primarily to irrigate the introduced crops planted by the profit-seeking agri-industry. Many thousands of people had been displaced during dam constructions often requiring them to relocate to major cities with limited community and family support; promised compensation and improved future opportunities have not been forthcoming. The India-based activist group Narmada Andolan, led by internationally known dam activist leader Medha Patkar, continues to struggle against the construction of more big dams and for the previously promised compensation regarding the Sardar Sarovar dam and Narmada valley projects.<sup>24</sup> In the meantime traditional work and social activities associated with village life, usually dictated by religion, caste and gender differentiation, have been fragmented, displaced, and relocated without funded services being made available to assist with integration into city living. As Professor Mohamed Larbi Bouguerra claims:

... it is well known that indigenous peoples are especially vulnerable to the effects of these hydraulic projects [dams]. Having different values and cultures, they yearn for control over their own environment in the hope of resisting the threats to their way of life; ... Loss of water robs them of their

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<sup>23</sup> V. Shiva, 2002, *Water Wars, Privatization, Pollution and Profit*; also, Someshwar Singh, 2000, 'The Covert Ground-Water Crisis', Third World Network official website, <http://www.twinside.org.sg/title/covert.htm>, accessed 12 July 2008. Article first appeared in the *South-North Development Monitor* (SUNS).

<sup>24</sup> C. Ward, 1997, *Reflected in Water A Crisis of Social Responsibility*, Cassell, London; A. Roy, 1999, *The Cost of Living*, Flamingo, Hammersmith, London; J. Leslie, 2005, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*, Picador, New York.

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historic identity and well-being, for in their eyes water is either a common good, or an ancestral legacy, or private property.<sup>25</sup>

Activist groups emerged to challenge the legality of the World Bank's financial support for the Sardar Sarovar dam construction on traditional lands and rivers of the Narmada valley.<sup>26</sup> A range of non-violent actions were used, including sit-ins and refusal to move on from their land. They followed Mahatma Gandhi's tradition of non-violent action in defence of their land, rivers and livelihoods. Some unsuccessful law suits were filed in attempts to prevent these dams from going ahead.<sup>27</sup> When their lands were eventually flooded by government-supported developers during the ongoing dam construction many rural people were left with no alternative than to leave for the cities in search of work.<sup>28</sup> The dam constructions also contributed to the rural-urban drift that had been occurring since the days of India's "Green Revolution" and adoption of agri-business as a development pathway.<sup>29</sup>

Skills acquired for rural survival were often obsolete in the cities. This fact is often unrecognized or unacknowledged: city living requires different water gathering skills and protocols, often with limited opportunity for newcomers to acquire these.<sup>30</sup> Rural-based females, whose job was to secure the family's daily water supply by collecting water from a local well or river, were generally socialized from childhood into knowing the rules of engagement in that water gathering process.<sup>31</sup> Frequently in the city this no longer held relevance as other rules applied, including having adequate funds to purchase water and knowing when the water could be collected since there

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<sup>25</sup> M. Larbi Bouguerra, 2006, *Water Under Threat*, (translation from French by Patrick Camiller) Zed Books Ltd., London, pp. 161-2.

<sup>26</sup> C. Ward, 1997, *Reflected in Water A Crisis of Social Responsibility*, Cassell, London.

<sup>27</sup> J. Leslie, 2005, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*; also, A. Roy, 1999, *The Cost of Living*.

<sup>28</sup> J. Leslie, 2005, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*; also, A. Roy, 1999, *The Cost of Living*.

<sup>29</sup> V. Shiva, 1991, *The Violence of the Green Revolution: Third World agriculture, ecology, and politics*, Zed Books Ltd., London.

<sup>30</sup> For hardships experienced by economic migrants to New Delhi and their physical, social and cultural marginalisation and limited access to basic infrastructure and resources see K.K. Singh, and S. Shukla, 2005, *Profiling "Informal City" of Delhi: Policies, Norms, Institutions & Scope of Intervention*. Water Aid official website, accessed on 23 January 2008 at [http://www.wateraid.org/documents/plugin\\_documents/profiling\\_of\\_delhi\\_1.pdf](http://www.wateraid.org/documents/plugin_documents/profiling_of_delhi_1.pdf).

<sup>31</sup> A. Coles, & T. Wallace (eds.), 2005, *Gender, Water and Development*, Berg, Oxford; New York.

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was limited daily availability and access.<sup>32</sup> This additional burden placed on poor women has tended to go unrecognized or unacknowledged in the literature on the outcomes of the lives of people following development of industrialized farming practices, construction of dams and enforced migration to urban sites.<sup>33</sup> Further research is needed into the impacts dams have on women that are specific to their enforced transition from rural dwellers to informal settlement residents. Also, it remains unconfirmed whether their previous activist experiences against dam placement and construction contributed to any participation in the resistance against New Delhi's proposed water privatization.

The World Bank was initially behind many of these dams, providing the necessary loans with little care or concern for the lives of those affected by their construction. Any constructions usually required the services of engineers and specialists and consultants, employed by transnational corporations with their home base in the global North and their equipment and supplies often being purchased from associated companies 'back home'. In other words all profits were returned to the transnational corporation's home base and did not benefit the local population. This also applied to technology and expertise that remained in the domain of the corporations with little being shared within the local populations. Although some local companies and government ministers and officials did benefit, either through legitimate business means or by alleged acts of corruption, the people generally experienced few positive outcomes from the huge amounts of money supposedly spent on securing the water supply.<sup>34</sup> Yet, whilst water management remained in the public domain, the electorate retained the opportunity to use political leverage to improve services. By removing water management from public control the population was basically being dispossessed of their right to vote for those controlling their water services. Hence, the

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<sup>32</sup> This information was gained during visits to the New Delhi suburb of Laj Pat Nagar between May and November 1999 and to the rural Rajasthan-based settlements of the Banjara people in September 1999.

<sup>33</sup> J. Leslie, 2005, *Deep Water: The Epic Struggle over Dams, Displaced People, and the Environment*; also, A. Roy, 1999, *The Cost of Living*.

<sup>34</sup> For a discussion on corruption in "state-owned enterprises" especially those managing water see F. Segerfeldt, 2005, *Water For Sale: How Business and the Market Can Resolve the World's Water Crisis*, Cato Institute, Washington, D.C. p. 25; for an alternative discussion about corruption and the 'corporate culture of influence peddling and speculative excess' see A. Snitow, D. Kaufman, & M. Fox, 2007, *Thirst: Fighting the Corporate Theft of Our Water*, Jossey-Bass, San Francisco, CA, pp. 114-5.

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state of water services, including supply, access and availability, was politically sensitive for the many politicians competing at the elections.

Dependence upon international expertise in dam construction and water storage and other infrastructure construction appeared to be a generally accepted state of affairs for a developing country such as India. Such dependence, however, did not apply to ensuring all residences were supplied with water, especially in New Delhi. The Delhi public water service supplier, the Delhi JAL Board, was often considered to be ineffectual, corrupt and lazy for failing to supply a 24/7 water supply to all households;<sup>35</sup> it was, however, a nationally owned and locally managed organization that was important to the local population.

Despite India's rapid scramble to match or improve upon China's huge economic growth and development,<sup>36</sup> water continues to have social and cultural meaning amongst many Indian citizens.<sup>37</sup> During attempts to privatize Delhi's water services, the multinational water sector corporations, which were well-placed to offer an escape for governments in a seemingly no-win political situation, failed to recognize or acknowledge the depth of social and cultural value placed on water in people's everyday lives. Unlike the corporate world's lack of capacity to see beyond economic aspects of water, Larbi Bouguerra from the Alliance for a Responsible, Plural and United World in his book's introduction, "Unparalleled Symbolism", effectively describes the relationship between people and their water as:

Faced with those who know the price of everything and the value of nothing, it seems useful to show at the outset that water is not an ordinary element, still less a commodity. It enters into the constitution of our beliefs and ideologies, impregnating our reasoning, vocabulary and imagination as much as it does our body cells — not to speak of its huge role in the history of human societies both past and present.<sup>38</sup>

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<sup>35</sup> K.K. Singh & S. Shukla, 2005, *Profiling "Informal City" of Delhi Policies, Norms, Institutions & Scope of Intervention*.

<sup>36</sup> 'India to become the second largest economy', *Economic Times*, 10 July 2007 online edition available at <http://economictimes.indiatimes.com/articleshow/2191344.cms>.

<sup>37</sup> D.L. Haberman, 2006, *River of Love in an Age of Pollution: The Yamuna River of Northern India*; also, V. Shiva, 2002, *Water Wars, Privatization, Pollution and Profit*.

<sup>38</sup> M. Larbi Bouguerra, 2006, *Water Under Threat*, p. 10.

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### Obtaining water

In the “majority world”, as the global South is often referred to in the first decades of the second millennium, the domestic supply and distribution of water is often still regarded as women’s business. By domestic I mean water that is collected and stored and distributed for a household’s personal use — be it to quench thirst and for health, hygiene or food purposes. This remains the case for many poor women in India. There tends to be an assumption that this onerous task remains that of rural women. Images are used by aid agencies of traditionally clad women, walking through rural, often barren landscapes, elegantly transporting water carriers on their heads. We, in the developed or “minority world”, have to use our imaginations to even attempt to understand or have empathy for this daily but vital ritual of a poor woman’s existence which involves having to walk many kilometers to access the most potable water available and then carry it back to the household. They then have to decide whose need is greatest for distribution of the life-sustaining resource.<sup>39</sup> Yet, despite the imagery often used to display rural poverty and hardship in accessing water and its distribution as “women’s business”, such division of labour is not restricted to rural areas lacking in infrastructure.

Women in rapidly expanding “majority world” mega-cities are most often without access to a readily available, clean water source. These poor urban women, often residing by necessity in what are termed illegal or unofficial slum areas, are dependent upon water trucks to transport water to distribution points with truck access. There they must wait in long queues to purchase water to fill whatever containers they have been able to obtain. Containers can not just be taken from any source and cleaned of former contents: there is no spare water to do this. Even purchasing new containers can cause hardship taking precious money away from other basic necessities that need to be purchased. For the many millions of poor women residing in cities in India this collecting water is their daily, sometimes twice daily chore. Sometimes aided by development and charitable agencies, India’s state government water authorities have accepted and carried out responsibility for water

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<sup>39</sup> See A. Coles and T. Wallace (eds.), 2005, *Gender, Water and Development*.

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supply whilst acknowledging water provision is a responsibility and not a profit-making requirement. At the same time, however, such responsibility could have been configured as an argument for private finance.

In India water has many connotations, especially its cultural and spiritual relationship to everyday life. Water is life in its many manifestations often used as a gift, in blessings, and in physical and spiritual cleansing.<sup>40</sup> Its economic value has not determined its availability and access.

### Key Players

When an international audience is informed of an impending “crisis” due to water shortages and scarcity then external key players are likely to become involved. Such involvement is frequently mediated through non-government organizations (NGOs) acting as ‘troubleshooters and innovators’,<sup>41</sup> and then the World Bank through its agencies or a continental financial institution, such as the increasingly influential Asian Development Bank (ADB), respond. Generally they do this by offering a loan to help the suffering nation’s government deal with this impending “crisis”. Part of the loan will be to fund consultants with readily available expertise and technology, whose current knowledge-base comes from the private sector rather than successful public sector water operators. These experts are generally part of an overseas/international corporation with subsidiary companies able to supply or at least procure all resources needed at prices that reflect their home base’s cost of living.

The installation of overseas experts and their biased world views of service provision ensure activities take place through official channels with limited public opportunity made available to challenge their operational decisions. Their hiring is often won through a tendering and bidding process; however, this process tends to be designed

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<sup>40</sup> For an example of, and insight into the connections and relationship many Indians have with their sources of fresh water see D.L. Haberman, 2006, *River of Love in an Age of Pollution: The Yamuna River of Northern India*; also see M. Larbi Bouguerra, 2006, *Water Under Threat*, p. 18.

<sup>41</sup> S. Lindberg, & A. Sverrisson, 1997, *Social Movements in Development The Challenge of Globalization and Democratization*, Macmillan Press Limited, Basingstoke; also, D. Moore, 1992, *Introduction and Summary, Reforming The World Bank's Lending for Water: An NGO Critique of the World Bank's Draft Water Policy Paper*, Environmental Defense Fund, Washington, D.C. available at [www.environmentaldefense.org/documents/1339\\_WorldBankWater.htm](http://www.environmentaldefense.org/documents/1339_WorldBankWater.htm).

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by “overseas experts” approved by the Bank in such a way that only competitors who are similarly technologically-informed, educated, financially secure and representing the private sector are able to compete for the contract to control a population’s water and sanitation services. This use of official channels to control the tendering process immediately strengthens the likelihood of the private sector being recommended for control of water services.

In the case of New Delhi the process for privatization was made easier by the introduction of India’s National Water Policy in 2002. Within this policy document emphasis had been placed upon the role of the private sector in reducing numbers of people without access to potable water. India’s states adopted many aspects of the National Water Policy and incorporated support for the private sector into their water policy documents.<sup>42</sup> Support for the private sector became evident in the two largest and wealthiest cities, Mumbai in the state of Maharashtra and New Delhi, when consultants were engaged to attract consultants to design the tender and bidding process for the concessions. The end result was a concession-style contract designed to attract only the private water sector, however, it was the tactics used to achieve this that became buried amongst all the rhetoric surrounding allegations of public sector inefficiency and corruption within the existing Mumbai and New Delhi utilities.

The early attempts in 2000 at privatizing Delhi’s public water utility, JAL, made the government of the day realize that the public were not going to be complicit in this project. The earliest development stage of the privatization project involved a supposedly competitive selection process to award the contract for supplying technical expertise to assess the viability of, and to design appropriate concessions for, the private sector to manage Delhi’s water. Even before the project could build momentum during the development stages a vocal and active resistance group, Citizens Front for Water Democracy, mainly comprised of educated women, came out in defence of water as a social good. This group included S.A. Naqvi of the Water Workers Alliance, Amarjeet Kaur of National Federation of Indian Women, and Vandana Shiva, Director, Research Foundation of Science, Technology and Ecology. As a local and internationally well known activist writer Vandana Shiva became the

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<sup>42</sup> V.A. Kendra, 2006, *Privatising water supply in Mumbai*, One World official website accessed on 21 October 2007 at <http://southasia.oneworld.net/article/view/134256/1/1819>

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spokesperson for this locally-based, middle income response to international ideology promoting the role of the private sector for replacing government responsibility in meeting the most basic needs of their populations.<sup>43</sup>

The activist group Citizens Front for Water Democracy emerged during the development stages that brought World Bank recommended experts Pricewaterhouse Coopers in to design and manage the bidding process of auctioning off Delhi's public utility, the JAL Water Board, to an international conglomerate. According to Shiva's excellent timeline showing 'Water privatization in Delhi and People's Movements that Stalled it' the privatization process began in 1998 with the 'World Bank's entry in Delhi and restructuring of the public utility [and] creation of Delhi JAL Board'. In 2000 there was an advancement of '\$2.5 million by the World Bank' for 'Project preparation facility'. It was in 2001 that World Bank consultants Pricewaterhouse Coopers were engaged to proceed with drawing up the necessary privatization contracts.<sup>44</sup> According to Shiva these included contracts for management of 'Water Tariffs, 24 x 7 scheme and water legislation'; later the Sonia Vihar water treatment plant was included.<sup>45</sup> The Delhi JAL Board accepted the recommendations of the international development institutions engaged in privatizing developing countries' infrastructure. These recommendations not only promoted the TINA claim for improvement in service delivery but also tended towards applying a one-size-fits-all design to the changes. This blinkered approach failed to recognize the different values placed on water by different cultures in different nations, especially those of India where water was traditionally viewed as sacred.<sup>46</sup>

### Overview of water and regulatory framework

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<sup>43</sup> For example see V. Shiva, 1993, *Monocultures of the Mind*, Zed Books, London; V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; V. Shiva, 2002, 'Water privatization in India', *Public Citizen* accessed on 20 November 2007 at [http://www.citizen.org/cmep/Water/cmep\\_Water/reports/india/articles.cfm?ID=8109](http://www.citizen.org/cmep/Water/cmep_Water/reports/india/articles.cfm?ID=8109); V. Shiva, 2006, *Resisting Water Privatization, Building Water Democracy*, A paper on the occasion of the World Water Forum in Mexico City, March 2006 accessed on 10 October 2014 at <http://www.globalalternative.org/downloads/shiva-water.pdf>

<sup>44</sup> See "Annex 3: Water privatization in Delhi and People's Movements that Stalled it" in V. Shiva, 2006, *Resisting Water Privatization, Building Water Democracy*, pp. 21-22.

<sup>45</sup> See "Annex 3: Water privatization in Delhi and People's Movements that Stalled it" pp. 10, 21.

<sup>46</sup> For a case study of some Indians' depth of connection to a water source see D.L. Haberman, 2006, *River of Love in an Age of Pollution: The Yamuna River of Northern India*; also, see V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*; and for a discussion on the symbolic meaning of water across many cultural groups see M. Larbi Bouguerra, 2006, *Water Under Threat*, pp. 1-36.

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In India the water law comprises formal international, federal and state acts and informal arrangements. These include 'water and water-related policies as well as customary rules and regulations'.<sup>47</sup> According to Phillipe Cullet's investigation into the past development of local and international water law in India there are a number of gaps including some confusion over accountability due to decentralisation. Such decentralisation of power over water and water-related issues has led to some contestation over federal and state decision-making as states tend to have regulatory responsibility but lack funds to enforce these.

In his working paper on India's water laws, Cullet claims they were complex and complicated with the separation of groundwater and surface water managed through different common law interpretations. The states each had responsibility for controlling supply of drinking water along with recognizing common law riparian claims on surface water and land ownership rights to mine groundwater. Cullet asserts that it was the 1873 *Northern India Canal and Drainage Act* introduced during British colonial power that 'asserted the right of the Government to control water use for the benefit of the broader public'. This *Act* was developed with the states adopting their own versions to suit their particular surface and groundwater resources. Later in the 1970s the Indian government took control of centralizing regulation of water pollution, requiring the states to implement the regulations and impose punishments.

The statement emerging out of the Dublin Principles (1992) clearly identified the economic good aspect of water as being part of a basic tripartite of goods that encompassed environmental sustainability and social and cultural benefits. It was the World Bank and its association with the few powerful water multinational corporations based in the global North<sup>48</sup> that were pushing the TINA claim regarding the economic aspect of water, including surface water, whilst minimizing

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<sup>47</sup> P. Cullet, 2007, *Water Law in India Overview of Existing Framework and Proposed Reforms*, International Environmental Law Research Centre (IELRC) Working Paper, Swiss National Science Foundation, Geneva, p. 1.

<sup>48</sup> In 2008 the Public Citizen website identified global north-based American International Group, Bechtel, Biwater, RWE-Thames Water/American Water Works, SAUR, Suez-Ondeo/United Water, and Veolia Environnement (formerly Vivendi) amongst the major corporations. Suez and Vivendi were both French-based corporations operating in 130 and 100 countries respectively. Public Citizen, n.d., *Who are the major water companies?*, accessed on 18 November 2008 at <http://www.citizen.org/cmep/Water/general/majorwater/index.cfm>.

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environmental sustainability and cultural and social benefits. Generally it was the basic premise of legally separating surface water from groundwater that enabled the tendering and subsequent winning bids for water services' management contracts; this separation also partly enabled the World Bank project to have water accepted and managed as an economic good.

Over the years several justifications for ongoing service problems were used to respond to public demands for the provision of a reliable supply of potable water to all members of a city's population. Lack of water, water shortages, and water scarcity became the prime thrust of the justification for lack of reliable services. Coupled with this was the often used excuse that there were insufficient funds and the cost of infrastructure construction was very high. Sometimes a lack of expertise and/or technology was also used to justify lagging service delivery. Generally, however, especially when stemming from World Bank sponsored reports into the water sector in developing countries, it was the inadequate fees charged for the provision of the water supply service that became the main site of contention.<sup>49</sup>

Basically, the World Bank and its multinational water sector clients promoted the idea that all people would be willing and able to pay for their drinking and hygiene-use water. In other words what had been a government supplied service was to be replaced by a user pay, demand-led service that was not only capable of raising adequate funding for maintenance and expansion of services but was able to generate a suitable profit for the corporations' shareholders. It was a captured market since there was no other source of competition for supply of similar services, and no potable water substitute for thirst and health management. It was in this scenario that the North-based water sector multinationals and their support network of financial institutions, expert economic advisors and specialist accountants and lawyers, were hired.

As previously discussed (see p.254) one of these multinational corporations was Pricewaterhouse Coopers, hired to improve water services 'confined to [Delhi's] state

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<sup>49</sup> See N. Kessides, 2004, *Reforming Infrastructure: Privatization, Regulation, and Competition*, World Bank, Washington, D.C.

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boundaries’.<sup>50</sup> Its role was to ensure that the groundwork for privatizing publicly-run water utilities was put in place well before the management contract was put out to tender, thereby enabling a seamless transition from public service to private control whilst endeavoring to reduce negative civil society reaction.

Pricewaterhouse Coopers’ operational strategy would likely have been to strengthen their privatization dealings whilst appearing to remain separate from the earlier negotiations and introduction of laws and policies that effectively enabled them to do what they do best — that is tender in an apparently competitive market for a product that will not provide any competition once the contract is awarded. Also, in countries with developing economies, such as India, with minimal independent regulatory bodies or authorities, there was far less likelihood that contract winning corporations would have to pay out hefty fees for breaching regulations or the terms of their contracts. Consultancy firms like PwC, who assisted in awarding contracts, could also remain immune to future complaints since the terms used for engaging their specialized services would likely have contained protection against violation of their competitive edge.

### Justification

Delhi’s water scarcity was the main justification or excuse used by the proponents of private sector management for water supply and distribution. Water scarcity had been used to describe the lack of a regular supply of potable water available on tap for residences, businesses and industries within the Delhi metropolitan area. As with many other capital cities of developing countries, especially in Asia, unable to cope with a burgeoning population escaping poverty in the rural areas following the ‘green revolution’ whereby small farmers were taken over by internationally-led massive industrial-agricultural ventures, the city’s available water sources were severely polluted.<sup>51</sup> According to Shiva in 2006, ‘two decades of industrialization have turned the [river] Yamuna into a toxic sewer.’<sup>52</sup>

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<sup>50</sup> K. Urs and R. Whittell, 2009, *Resisting Reform? water profits and democracy*, Sage Publications, New Delhi, p. 24.

<sup>51</sup> For an examination of the water ‘situation’ of another major Indian city, Bangalore, see K. Urs and R. Whittell, 2009, *Resisting Reform? Water profits and democracy*, pp. 74 -114.

<sup>52</sup> V. Shiva, 2006, *Resisting Water Privatization, Building Water Democracy*, p.10.

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It is of interest that up until the beginning of this millennium water and sanitation services had tended to be seen as two distinct areas of operation and management. The earliest indicators of the United Nations Millennium Development Goals originally targeted increasing access to potable water only. Following pressure from experts in the water and sanitation sector, sanitation was included in the same Goal 8 (environmental goal) as water,<sup>53</sup> since management of waste water and effluent from huge populations and increasing toxicity from an expanded manufacturing sector contribute to the reduction in availability of potable water. This has been evident in the three cities examined in this thesis.

According to Arvind Kejriwal, of anti-corruption group Parvitan and spokesperson for the Independent People's Tribunal, India's national economy was improving, and the Delhi government had adequate financial reserves that did not necessitate seeking out international financial institution loans for infrastructure developments.<sup>54</sup> Despite this the Delhi government approached the World Bank about obtaining a loan to expand and upgrade existing water and sanitation services run by the Delhi JAL Board to help address the needs of the rapidly increasing population comprising an expanding middle-income population with disposable income capacity beyond servicing basic needs. This latter group had come to expect a certain level of utility servicing including in-house connections to the water and sewerage systems' network.

These expectations by the new middle-income earners were replicated throughout the globe as many developing nations followed the development pathway usually implemented by the developed nations through their broker — the International Financial Corporation, a subsidiary of the World Bank. The process of normalizing the Western model of sanitation and water provision, with some variations in service and delivery tools, generally went unchallenged. Expectations had been manufactured

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<sup>53</sup> United Nations, 2001, 'Road map towards the implementation of the United Nations Millennium Declaration', *Report of the Secretary-General*, pp. 57-8 available at [http://mdgs.un.org/unsd/mdg/Resources/Static/Products/SGReports/56\\_326/a\\_56\\_326e.pdf](http://mdgs.un.org/unsd/mdg/Resources/Static/Products/SGReports/56_326/a_56_326e.pdf)

<sup>54</sup> Kejriwal's claim was made on the basis that Delhi was not bankrupt and had a 'healthy foreign exchange reserve' see Independent People's Tribunal (IPT), 2007, IPT on the World Bank Group in India, Youtube recording of conference accessed 14 June 2008, Part I <https://www.youtube.com/watch?v=8XwiyWgZHMA>, Part II <https://www.youtube.com/watch?v=4ZbCmLi2Q80>

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in such a way that the general view was that there were no suitable alternatives or models available.<sup>55</sup>

Although the majority of developed nations of the global north had been able to expand or “grow” their utility services to match or keep abreast of their population growth and demands, this had been occurring over a period of at least fifty years or more and could be described as a proactive management style. The developing nations, however, were continually reacting to outcomes of decisions that in many cases were imposed on them from the developed nations’ development agencies. The most infamous of these decisions was the Green Revolution that resulted in many thousands of poor farmers being evicted from ancestral lands and forced to seek employment in the nearest large city.<sup>56</sup> The lands were used for industrial-type agriculture and mono-cropping to meet international market demands and not to feed the local population. International seed, fertilizer, pesticide and herbicide manufacturers profited enormously at the expense of the displaced small scale farmers and their families with little, if no compensation paid to them.<sup>57</sup> Such agriculture also required increased levels of water for irrigation and this was prioritized over expanding availability to local people.<sup>58</sup>

The demand for increased irrigation saw water storage methods used to collect or harvest rain water transferred away from traditional community built “tanks” located near or within each village to dams requiring specialist engineering skills and

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<sup>55</sup> These claims are supported through personal English language communications I had with a range of householders in Laj Pat Nagar, New Delhi and Srinagar, Kashmir between May-November, 1999 and through personal observations when working in Vietnam, Cambodia and Thailand between 2001-2003. The Western model of in-house water supply and sanitation was not only emulated but seen as an indicator of successful social status.

<sup>56</sup> For a discussion on the movement from rural to urban centres see S.S. Nanavati, 2004, ‘Impact of Rural-Urban Migration on the Sustainability of Cities’.

<sup>57</sup> For discussion on the harms eventuating from the Green Revolution and bio-technology used in India see V. Shiva, 1993, *Monocultures of the Mind*.

<sup>58</sup> For a discussion on general influence for privatization by international groups such as the World Business Council on Sustainable Development, and for water specifically AquaFed and World Water Council see M. Barlow, 2008, *Our Water Commons Toward a New Freshwater Narrative*, accessed at the Official Council of Canadians website on 8 November 2008 at <http://www.canadians.org/water/publications/water%20commons/water%20commons%20-%20web.pdf>; and, for a report on private sector influence within the United Nations General Assembly see J. Larsen, 2008, *Review of Private Sector Influence on Water Policies and Programmes at the United Nations*, Council of Canadians, Ottawa.

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equipment.<sup>59</sup> As previously discussed concerning India's Sardar Sarovar and Narmada valley projects enormous dams were constructed by international engineering and construction firms that took huge profits out of the developing country back to their European or United States home base generating mass evictions of peoples who had been surviving off these lands for centuries.<sup>60</sup>

There has also been activist action against international corporations that have polluted the water source used in the manufacture of their goods. In the case of Coca Cola, for example, the water source at Plachimada was not only polluted but the ground water was being pumped to such an extent that local dwellers found it harder and harder to access water for their basic living needs. There have been many displays of activist action against this huge transnational corporation.<sup>61</sup>

### Activism

According to author and activist Arundhati Roy, a guest speaker at the Independent People's Tribunal in September 2007, the World Bank claimed that it never tried to privatize Delhi water, but that it was the Delhi government that approached the World Bank for an infrastructure loan for the Delhi JAL Board.<sup>62</sup> From information contained in the documents obtained under Freedom of Information legislation Kejriwal claims that this loan was to be provided at a commercial interest rate of 12%,

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<sup>59</sup> For excellent background on the history and types of "tanks" used across India see the Center for Science and Environment (CSE) webnet's information on traditional rainwater harvesting at <http://www.rainwaterharvesting.org/Rural/Traditional.htm>

<sup>60</sup> For India specifically see Claude Alvares and Ramesh Billorey, 1988, *Damming the Narmada: India's Greatest Planned Environmental Disaster*, Third World Network/Asia-Pacific People's Environment Network (APPEN), Penang, Malaysia; also, Arundhati Roy, 1999, *The Cost of Living*. For commentary on the harmful effects of other developing world dam projects see Barbara J. Cummings, 1990, *Dam the Rivers, Damn the People: development and resistance in Amazonian Brazil*, Earthscan Publications, London. For an alternative view of a dam and the chronological examination of the development of Sarawak's Bakun dam and hydro-electric project see James Ritchie, 2005, *Who Gives a Dam: The Bakun Odyssey*, Wisma Printing, Sarawak, Malaysia.

<sup>61</sup> For an activist overview of events between Coca Cola and residents of Plachimada see J. Newton, 2003, 'Let them drink Coke', *New Internationalist*, April accessed 10 November 2006 at <http://newint.org/features/2003/04/05/currents2/>; also, A. Aiyer, 2007, 'The Allure of the Transnational: Notes on Some Aspects of the Political Economy of Water in India', *Cultural Anthropology*, vol. 22, issue 4, pp. 640-658, p.652.

<sup>62</sup> See Arundhati Roy's presentation at the IPT held in Delhi, September 2007 available on youtube at <https://www.youtube.com/watch?v=yaj--Rkim2c>

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a far higher rate than would have been applied to interest on a government loan.<sup>63</sup> The justification for such a high rate of interest was that the IFC, one of the World Bank's international financial institutions, operates as a commercial bank and not a development bank. However, once the World Bank, through its financial institution, was "invited" to become involved with funding Delhi's water infrastructure and utility then local knowledge and expertise were ignored. The World Bank wanted its own choice of consultancy firm to manage the future directions of Delhi's water utility. K. Adair commenting on Kejriwal's action states:

On July 28, [2005] Indian anti-corruption group Parivartan, citing internal documents it obtained through a freedom of information request, charged that World Bank officials had repeatedly overruled Indian civil servants in the selection of a contractor to plan a reform of Delhi's water system.<sup>64</sup>

Challenging the figures used by PwC<sup>65</sup> in their application for technical eligibility in the tendering process regarding the availability of water, the IPT attempted to get statistics on the amount of water entering Delhi's input points and treatment centres for the 21 water zones. According to Kejriwal the figures used by PwC to support the proposed tariff were totally unrealistic claiming Delhi used 680 million litres per day. When challenged PwC claimed 50% was lost on underground pipelines leakage. As Kerjiwal suggested, such a high rate of leakage would result in continual flooding. The Secretariat of IPT found that there had been no records kept since there were no bulk water meters for Delhi. Also it had been 5 years since any networking and monitoring of water to and from the water treatment plant had taken place.

The figures put forward by PwC and fully supported and endorsed by the World Bank, in its role of advocate for PwC, would eventually have led to very high tariff increases for all Delhi water users to obtain the predicted profits from managing the

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<sup>63</sup> For history and background information on India's Freedom of Information and Right to Information laws and regulations visit <http://www.freedominfo.org/regions/east-asia/india/>.

<sup>64</sup> K. Adair, 2005, 'Documents Spur Public Debate about World Bank Involvement in Awarding Contract for Delhi Water Deal' *Freedominfo.org* 14 September available at <http://www.freedominfo.org/2005/09/world-bank-delhi-water-deal-contract/>

<sup>65</sup> For the Pricewaterhouse Coopers technical report on Delhi's water needs that was challenged by the IPT see [http://delhijalboard.nic.in/djbdocs/whats\\_new/news/pdf/DFR3-Water%20Supply-Vol%20I-17%20Nov%202004.pdf](http://delhijalboard.nic.in/djbdocs/whats_new/news/pdf/DFR3-Water%20Supply-Vol%20I-17%20Nov%202004.pdf) accessed 3 March 2015.

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water service.<sup>66</sup> In 2007 engineers from Jamal Millia Islamia University and the Indian Institute of Technology assessed available water resources and claimed that these had been over estimated in several studies and that water scarcity was a significant factor for future decision making. They also suggest that groundwater resources had been over exploited from 1997.<sup>67</sup> As such, the claims made by PwC covered up their lack of understanding about the real state of Delhi's water availability, its population's demands, and the capacity of the private management sector to supply the required amount of water whilst reducing tariffs and making a profit for investors.

Had the employees of the JAL Board succumbed to the World Bank's insistence that Pricewaterhouse Coopers be the preferred specialist firm for the tendering process for 21 different water zones then Delhi residents would likely have been subjected to huge tariff increases for their water use. The alleged bullying/intimidation by World Bank officials, and attempts to devalue and misrepresent the JAL Board's assessor's findings against the PwC group's suitability, generated what was becoming the growing antagonism by the people against the government and its allied financial institutions, the World Bank and Pricewaterhouse Coopers.

According to Randeep Rameesh, South Asia correspondent for *The Guardian*

The correspondence between the Delhi Jal Board, which oversees water supply in the Indian capital, and World Bank officials shows that PwC lost three times to rivals during the bidding process. It did not even make a shortlist until bank officials insisted that "at least one consultant should be shortlisted from a developing country". PwC is a multinational firm but has an Indian subsidiary registered in Calcutta.<sup>68</sup>

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<sup>66</sup> See Part 2 of the IPT held in September 2007, Delhi and recorded on youtube at <https://www.youtube.com/watch?v=4ZbCmL12Q80> for full discussion of the claims made by PwC regarding amount of water used in Delhi each day.

<sup>67</sup> N.K. Garg, and Q. Hassan, 2007, 'Alarming scarcity of water in India', *Current Science*, vol. 93, issue 7, pp. 932-941.

<sup>68</sup> R. Ramesh, 2005, 'World Bank rebuked over water deal', *The Guardian* online, Friday, 29 July available at <http://www.theguardian.com/world/2005/jul/29/india.randeepramesh2>.

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This statement reinforces the information provided at the Independent People's Tribunal that in order to have their preferred consultants, PwC, included for the technical bid stage, the World Bank intervened to amend their own selection criteria. It appears that PwC, a firm that originated out of a merger in 1998 from several large firms based in the UK, Canada and the USA and recognized by its more recent (2010) acronym PwC,<sup>69</sup> with a recent base established in Calcutta, was then reinterpreted as being a company from a developing country; as such PwC was 'declared as an Indian company and brought up from tenth position to sixth position'.<sup>70</sup>

Thus, a multinational company based in the global north was able to be identified as Indian for the purposes of the consultancy assessment. Rameesh goes on to describe how PwC ended up obtaining the valuable consultancy contract:

Civil servants wrote that the "project could be in jeopardy if the suggestion of the World Bank were not agreed to". PwC was reinstated with higher marks. In the next round, PwC again failed but was allowed to make the cut after the World Bank chose to ignore an expert who had had serious reservations about the firm's expertise. The company [PwC] clinched the \$2m contract in 2001.<sup>71</sup>

The Delhi government was placed in a position whereby no alternative to PwC as future directions consultants was made available. In this instance there is no evidence that supports suggestions that the World Bank's desired outcome was privatization of Delhi's water utility. However, it is likely that the Bank's insistence on installing PwC as the future directions consultancy firm reduced the likelihood of the Delhi JAL Board remaining as a public utility.

### **The privatization process**

The privatization process was started in 1998 when the local Delhi government approached the World Bank for a loan to improve its water sector. The Delhi

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<sup>69</sup> See Pricewaterhouse Coopers (PwC) website, *History and Milestones* accessed 30 October 2014 at <http://www.PWC.com/us/en/about-us/PWC-corporate-history.jhtml>.

<sup>70</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA> accessed 14 June 2008.

<sup>71</sup> R. Ramesh, 2005, 'World Bank rebuked over water deal'.

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government and its agency the JAL Water Board were told that in order to obtain the loan they would have to hire a consultant to assist them in improving their current water management practices. As such this suggests that there was a degree of inevitability whereby it became commonplace for the World Bank to place conditions on a country's elected representatives regarding the state's own resources, decision-making and promises. This demonstrates that the World Bank, at that time, was confident in the acceptability of its practice of being able to place conditions on an elected government to do what the international financial institution wanted and not necessarily what the voters want. This interference included the World Bank's role in intervening in the issuance of contracts.

To assist in hiring a consultant that would advise Delhi Government on how water sector could be improved the Delhi Government was given a loan of US\$2.5 million. According to the commentary at the IPT the Delhi Government did not need this money as it had a budget surplus and was the only 'cash-rich government' in India.<sup>72</sup> The government took this money and invited bids for providing consultancy services.

Initially there were 'thirty five companies [that] applied for the consultancy'.<sup>73</sup> Supposedly there were meant to be at least six companies that were short-listed; however documentation that was obtained using Freedom of Information legislation suggested that the World Bank was interested in the corporation Pricewaterhouse Coopers (PwC) receiving the project from the beginning. This raises the question as to why this would be the case. No definitive answers have been provided as information has not been forthcoming about why the World Bank was interested but the Independent People's Tribunal was able to show *how* the World Bank demonstrated interest. The proceedings were recorded and are available on Youtube. These will be described and examined here.

### **The Independent People's Tribunal**

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<sup>72</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA> accessed 14 June 2008.

<sup>73</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA> accessed 14 June 2008.

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During the introductory speech at the IPT's conference a speaker held up wads of pages claiming they were documents about the consultancy services project. Claims were made that they contained important information about the consultancy selection criteria. These included the underpinning selection rule regarding short-listing the top 6 companies and Pricewaterhouse Coopers' incapacity to achieve this. Amongst the papers was a file note from a Delhi JAL Board employee claiming that due to World Bank late amendments to the selection process the inclusion of one company from a developing country was now required. As described by Randeep Ramesh previously (p. 272) Pricewaterhouse Coopers then surprisingly met the amended criterion as it had registered as an Indian subsidiary in Calcutta.

Each of those six successful companies were required to put in technical and financial bids. Only those getting more than the 75% margin on their technical bids would supposedly progress to having their financial bids opened. The IPT Secretariat's spokesperson and anti-corruption Parvitan member, Arvind Kejriwal, claimed they had a copy of the score sheet for the technical bids showing that PwC obtained only 68% thereby requiring the company's elimination from progression to the next stage of having their financial bid opened. A faxed response from the World Bank about PwC claimed the selection criteria used for the technical bids had been wrong and an amended selection criteria was provided. It also demanded an explanation as to why PwC had been awarded such low marks.

The next piece of correspondence tendered for the audience at the IPT was a letter from Delhi JAL Board claiming it was the World Bank that had designed and provided the selection criteria. According to the IPT's claims the documents revealed that the World Bank insisted that the process be recommenced and that new applications be called for.<sup>74</sup> IPT's spokesperson Kejriwal told the audience that a meeting was then called by the Delhi JAL Board and chaired by Delhi's Chief Minister. He then tendered what was claimed to be a copy of the Minutes from that

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<sup>74</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA>, 7minutes 15 seconds.

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meeting. The following is a transcript taken from the recording of the part of the Minutes Kejriwal read out to the audience:<sup>75</sup>

That the World Bank is violating its own guidelines, changing the [sub?sel?] criteria at this stage would not only, would be terribly embarrassing for Delhi JAL Board and would even be questioned by the affected ones.

The spokesperson continued to advise the audience about the following events claiming, ‘So at this meeting it was decided that Delhi, Delhi government should send senior officers to the World Bank to persuade them not to bully them like this.’<sup>76</sup>

In the end the request by the ‘Principal Secretary Finance, the Member Finance and the CEO of Delhi JAL Board’ was responded to with a letter from the World Bank insisting ‘all the bids be cancelled and call for fresh bids’.<sup>77</sup> According to the documentation obtained by the IPT under India’s Right to Information legislation the Delhi government had little choice other than to comply with World Bank demands and cancelled all existing bids and assessments. Fresh bids were called for with a changed selection criteria. This was all done in order to enable PwC to remain eligible as a potential consultant. At the time the public was generally unaware of these activities.

During the next round of technical bid assessments, with amended criteria PwC got 73%, again not meeting the technical selection criteria. Kejriwal claims that the World Bank sent a fax demanding that a list be provided detailing names of each assessor and the individual marks they awarded. One person was named from Delhi JAL Board, R.K. Jain, as not giving adequate marks to PwC. According to Kejriwal, the World Bank sent a ‘faxed message’ stating ‘R.K. Jain has not done a good job remove

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<sup>75</sup> Independent People’s Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA> commencing at 7 minutes 25 seconds through to 8 minutes 15 seconds

<sup>76</sup> Independent People’s Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA>, at 7 minutes 47 seconds.

<sup>77</sup> Independent People’s Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA>, at 7 minutes 57 seconds to 8 minutes 05 seconds.

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his marks'.<sup>78</sup> Kerjiwal then referred to a letter sent from Delhi JAL Board in response to the World Bank saying, 'As per your instructions we have removed R.K.Jain's marks and this is how Pricewaterhouse Coopers technically qualified.'<sup>79</sup> The removal of the assessor's marks enabled a "preferred" competitor, PwC, to remain in the bidding process. At the same time, the devaluation of R.K.Jain's skills demonstrated how vulnerable a worker is when the employer is challenged by an international institution such as the World Bank.

The events discussed above provide an example of the use of official channels to override an otherwise responsible decision by an employee. This was a decision that would have impeded the desired outcome of the World Bank. As such the challenge to the assessor's expertise and removal of his mark was also an example of discrediting an Indian public official for the benefit of the World Bank during its global commercialization of water project.<sup>80</sup> The Delhi Government and JAL Board complied with the World Bank's demands thereby enabling PwC to pass onto the next stage which was assessment of the financial bids. When the faxes and letters exchanged between JAL Board, Delhi government and World Bank were exposed they did raise questions about India's independence as a democratic nation.<sup>81</sup>

The Delhi population's early encounters with potential privatization are described by Karin Uba in *Asian Survey* as 'reforming by stealth', and as being a government 'strategy' that 'left the public uninformed on important changes in economic policies.'<sup>82</sup> In the case of the World Bank and privatizing Delhi's water services the exchanges between the Delhi JAL Board and the World Bank, especially over PwC, were mainly undertaken in secrecy using senior officers during the process. This suggests that at the time there were attempts at covering up the actual interference and influence being used by the World Bank in the Republic of India's local affairs.

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<sup>78</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA>, at 8 minutes 54 seconds.

<sup>79</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part I*, New Delhi available at <https://www.youtube.com/watch?v=8XwiyWgZHMA>, at 9 minutes and 4 seconds.

<sup>80</sup> V. Shiva, 2006, *Resisting Water Privatization, Building Water Democracy*.

<sup>81</sup> Complete 9 minutes 22 seconds of Part I of the Independent people's Tribunal on the World Bank 2007 available at <https://www.youtube.com/watch?v=8XwiyWgZHMA> and Part II with 9 minutes 31 seconds is available at <https://www.youtube.com/watch?v=4ZbCmLl2Q80>.

<sup>82</sup> K. Uba, 2008, Labor Union Resistance to Economic Liberalisation in India, *Asian Survey*, vol. 48, issue 5, pp. 860-884, p. 864.

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Eventually some union members of Delhi JAL Board came to know about the World Bank's interference in the appointment of experts to manage the tendering process for the 21 different districts comprising Delhi's water system.<sup>83</sup> It was union representatives who initially spread the information amongst their members.<sup>84</sup> Uba claims that in the past

Indian labor was not as quiescent against liberal economic reforms as is often assumed. While unions organized few protests during the early 1990s, their mobilization intensified as successive central governments and their state-level counterparts accelerated the pace and scope of privatization.<sup>85</sup>

The interactions between the Delhi government, the Delhi JAL Board, the World Bank and PwC were taking place during the time of increasing union involvement. According to Kejriwal, union members of Delhi JAL Board started contacting academics from several universities and residents' associations to let them know about the Delhi government accepting orders from the World Bank. Protests were staged and eventually the Delhi government's Chief Minister withdrew from its World Bank loan commitment.<sup>86</sup>

It was not until 2004, several years after the privatization attempts were made, that the wider populations of Mumbai and Delhi were eventually made aware of actions and events that were unfolding in the respective municipal water agencies at the time. Information that alerted the public included the previously discussed:

- correspondence including Minutes, faxes, letters and emails between the World Bank and senior Delhi JAL Board and Delhi Government officials obtained using Freedom of Information legislation that exposed the official

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<sup>83</sup> V. Shiva, 2002, *Water Wars: Privatization, Pollution and Profit*.

<sup>84</sup> Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part II*

<sup>85</sup> K. Uba, 2008, *Labor Union Resistance to Economic Liberalisation in India*, p. 883.

<sup>86</sup> According to Kejriwal in Part II of the Independent People's Tribunal's recording, their communication with the World Bank Head Office confirmed that the Delhi government did not need the World Bank loan due to their positive economic status of having a healthy foreign exchange reserve and not being bankrupt, and that the loan was provided at a commercial rate of 12 per cent interest and not at a lower rate available for government loans. He concludes his speech by saying that the people's argument should be with the Delhi government and not the World Bank.

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channels used to cover up the World Bank's inappropriate intervention in the "tendering for consultants" process.

- evidence of the devaluation of the abilities and honesty of the Indian public officials working on awarding the tenders and marking their bids according to previously prescribed World Bank criteria.
- manner in which the World Bank insisted on having the selection criteria and bids dismissed and new criteria and bidding process implemented.
- insistence by World bank officials on having the local employee's results recounted and amended to include their preferred group of consultants, PwC, despite evidence showing their own guidelines had been followed.
- actions of the World Bank following PwC's first failed assessment. In order to meet added eligibility requirements for the tendering process the World Bank claimed that the global North-based and -managed firm was a Calcutta-based subsidiary. This was a serious case of reinterpretation of the facts.
- whole process of World Bank intervention on behalf of PwC and the cover up of the underlying quest for installing private sector management of Delhi's 21 water zones.

The process of trying to install agents for privatization into local municipal councils and commissions, as seen through using the Delhi experience, eventually backfired. There was no obvious or stated use of outrage management tactics by the Delhi government, the World Bank or the Delhi JAL Board to prevent public resistance to the potential privatization of Delhi's public utility since the public was unaware the process had already commenced; however, each of the five tactics used in reducing outrage were employed by different key players for other purposes. Foremost was involving the World Bank in water management issues whilst keeping the information out of the public domain.

It was exposure by the Independent People's Tribunal several years later that revealed the World Bank had relied on official channels, and used some degree of devaluation, intimidation, reinterpretation and cover up in attempts to install their preferred firm, PwC to ensure some level of privatization and commercialisation of water were the

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recommended outcomes for Delhi's water utility, the Delhi JAL Board.<sup>87</sup> Although the World Bank's intention was not claimed as seeking change from public to private control of Delhi's water supply system, the interference in the tendering process for selection of experts to advise the Delhi Government on future directions strongly suggests water privatization and commercialisation were the motives behind the World Bank's protests.

It should be acknowledged that the IPT also identified many shortcomings in Delhi's water usage record keeping. When attempting to challenge figures provided by PwC during their consultancy it became apparent that Delhi JAL Board had failed to provide appropriate equipment at all of Delhi's water input and output sites. No records were available to confirm water use and waste as stated by PwC. According to Kejriwal of the IPT the claims put forward about water use per capita and 50 per cent loss from underground pipes could not be confirmed or denied with any degree of accuracy since there were no official figures available. What was apparent though was the likelihood that water tariffs would have to be raised substantially if PwC's recommendations were adopted by the Delhi government.<sup>88</sup>

A look at more recent information the World Bank has put online in a Question and Answer format about its services in India reveals that the institution is still sensitive to the claims made about the attempted privatization of Delhi's water supply and services by activists supporting water remaining as a public service.<sup>89</sup> The webpage is dated as 2009 therefore making the information used in the Q and A format closer to current times than those in which the proposed privatization took place. The contents within the web page continue to deny that there were any attempts made to privatize India's potable water services. The World Bank claims:

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<sup>87</sup> For a discussion about the commercialization of Delhi's water including defining residents as consumers see S. Koonan and P. Sampat, 2012, 'Delhi Water Supply Reforms Public-Private Partnerships or Privatisation?', *Economic and Political Weekly*, vol. 47, issue 17, pp. 32-39, p. 38, available at the official International Environmental Law Research Centre (IELRC) website <http://www.ielrc.org/content/a1203.pdf>.

<sup>88</sup> For figures under discussion see all of Independent People's Tribunal Secretariat, 2007, *Delhi Water Privatisation Plan Part II*, 9 minutes 31 seconds available at <https://www.youtube.com/watch?v=4ZbCmLl2Q80>.

<sup>89</sup> The World Bank Group, 2009, *Q & A: The World Bank's Work in India*, The World Bank official website accessed 20 June 2013 at [http://web.worldbank.org/archive/website01291/WEB/0\\_CO-29.HTM](http://web.worldbank.org/archive/website01291/WEB/0_CO-29.HTM).

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**Note on Delhi JAL Board:** Municipal services, the world over, aim to provide affordable services that are sustainable over the long term. In the Delhi JAL Board case, what is often misunderstood is that the World Bank did *not* promote the privatization of the water utility. Instead, the Government's proposal was to offer a fixed term management contract to a private operator with all the utility's assets remaining firmly in the public domain.<sup>90</sup>

This information was not made available to the public at the time. This statement also fails to address the influence that World Bank-preferred consultants had during the process of advising governments about available suitable management systems and commercialization of water. There is acknowledgement during the combined attempts by the Delhi government and the World Bank however, to support having Pricewaterhouse Coopers provide “expert” advice on commercialization of water and the future direction of Delhi’s water and sanitation public utility provider, the Delhi JAL Board. At no time was there mention of a future goal of having 21 privately managed zones returned to public management.

It was during the visit to India by World Bank President Robert Zoellick in early November 2007 that the World Bank’s increasing interest in public-private partnerships for essential services’ infrastructure was made public. This included advising of a “deepening connection”, also described as a “creative partnership”, with the Bank’s private sector “arm”, the International Finance Corporation and the “concessional lending arm” the International Development Association.

The World Bank’s engagement with the public in 2007 was a change from their earlier water-related enterprise in Delhi. This earlier attempt was described by Sujith Koonan and Preeti Sampat as

the strong-arm tactics of the World Bank in ensuring the award of the consultancy contract to PWC; serious flaws in the design and cost of the project proposed by PWC; and the proposal to hire private management

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<sup>90</sup> The World Bank Group, 2009, “Q. Does the Bank promote the privatization of basic services like water supply, electricity, healthcare and schooling?”, *Q & A: The World Bank's Work in India*, The World Bank official website revisited 8 December 2014 at: <http://go.worldbank.org/HY1AW94AB0>.

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consultants for ostensibly improving service delivery efficiency, thereby raising water tariffs across the city.<sup>91</sup>

As discussed above exposure of their past endeavors included cover up of its involvement in, and interference with the Delhi JAL Board during the consultancy bidding process, as well as the devaluation and bullying of assessors over selection criteria, and the misrepresentation of PwC as being an Indian company.

Continuing support for PwC, despite failing to meet the original criteria set by the World Bank itself, was another previous error, along with using official channels to exclude those engaged in assessing and evaluating the bidding process, and going by directly to the Delhi government rather than to the Delhi JAL Board. All of these suggest that the World Bank's use of consultants supporting water privatization and commercialization backfired when the Delhi government realized the public would no longer tolerate such tactics and relationships between their government and a foreign financial institution; and so they refused the World Bank loan. The visit to India by the World Bank President Robert Zoellick suggests that some lessons had been learned and that the World Bank was repackaging itself as a “‘smarter, faster and cheaper Bank’ to support India's growth” through open promotion of public-private avenues rather than obscuring the desire for some level of privatization of the public utility.<sup>92</sup>

It was not until January 2011 that ‘media reports regarding the privatization of water supply in Delhi began to appear’; however, following a Right To Information (RTI) application submitted by academics Koonan and Sampat about ‘any privatization projects undertaken by the DJB’, the Delhi JAL Board responded denying any such ‘proposal for water privatization of water supply in Delhi.’ The Board, however, did provide advice about three potential Public-Private Partnership projects and their proposed location details.<sup>93</sup>

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<sup>91</sup> S. Koonan and P. Sampat, 2012, ‘Delhi Water Supply Reforms Public-Private Partnerships or Privatisation?’, p. 32.

<sup>92</sup> World Bank, 2007, *The World Bank in India newsletter vol. 6 (no. 3)*, World Bank, Washington, DC accessed 6 November 2014 at <http://documents.worldbank.org/curated/en/2007/11/12113824/world-bank-india-newsletter-vol-6-no-3>

<sup>93</sup> S. Koonan and P. Sampat, 2012, ‘Delhi Water Supply Reforms Public-Private Partnerships or Privatisation?’, p. 33.

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### Public-Private Partnerships

A January 2010 publication by an Indian activist group Manthan Adhyayan Kendra (MAK), *Public-Private Partnerships in Water Sector: Partnerships or Privatisation?*,<sup>94</sup> reports on investigations into the trend for public-private-partnerships (PPPs) that had been building since the citizens of Delhi rejected attempts to privatize Delhi's public water services. With a PPP model, according to MAK, the assets remain with the government whilst the collected tariffs are divided amongst shareholders of the private company. Generally the private company is part of a transnational corporation with its headquarters and majority of shareholders based outside of the nation in which water services are being managed. In other words those receiving water services are generally not those who benefit from the company's pricing targets.

The public receiving water delivery services have no choice in their supplier or input into maintaining acceptable standards and quality of product and delivery. These ethical issues are generally overlooked by the World Bank and its collaborators and agents such as the International Finance Corporation, International Monetary Fund and Asian Development Bank when it comes to approving loans for expanding public water and sanitation utilities. With other infrastructure, such as transport, the public may have other services to choose from including: use of a plane, bus, train or privately owned vehicle. In other words there is opportunity for alternatives among transport services. Even having toll roads usually means that there may be a longer or slower route available without having to pay a toll fee. With water however, unless groundwater is available for a home owner to dig a well and pump it up then the household has to rely on the utility to supply the water service. There are few opportunities to complain about the service let alone change the way in which it is

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<sup>94</sup> Manthan Adhyayan Kendra (MAK), 2010, *Public-Private Partnerships in Water Sector: Partnerships or Privatisation?*, Badwani, M.P., India, accessed 21 June 2011 at MAK official website <http://www.manthan-india.org/spip.php?article59>.

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provided, especially when management contracts can be awarded to private enterprises and multi-national corporations for periods in excess of twenty years.<sup>95</sup>

### Conclusion

The first attempts to change the type of management of the publicly-run water utility, the Delhi JAL Board, were halted in 2000 following success of the struggles to prevent what was seen by activists as its privatization. See Table 7:1 below for tactics used in attempts to change public management of Delhi's water utility.

**Table 7:1 Tactics used in the World Bank, Delhi government and Delhi JAL Board example**

Event/facet	Pro-privatization	Pro-public
World Bank attempts to embed its own pro-privatization agents into the consultancy role.	Cover-up: what appeared to be a fair and official government assessment and evaluation process covered up the World Bank's close involvement in controlling another nation's water services.	Exposure: an Indian civil servant appointed to assess and evaluate each consultancy firm's application according to criteria imposed by the World Bank exposed the Bank's attempts at influencing the decision.
Promotion of World Bank's preferred "consultants" Pricewaterhouse Coopers (PwC)	Official channels were used to demand criteria and rules be changed to challenge the civil servant's decision.	The civil servant's open refusal to pass PwC or change criteria when the first assessment failed.
Amend the "nationality" of PwC to Indian	Reinterpretation of the meaning of Indian nationality for applicants.	Challenging the "amended" applicant's nationality and not changing the original

<sup>95</sup> For further discussion of issues and concerns about the use of PPPs for Delhi's water supply see S. Koonan and P. Sampat, 2012, 'Delhi Water Supply Reforms Public-Private Partnerships or Privatisation?', pp. 36-37.

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		criterion for an Indian national company
Making the civil servant appear to be incompetent	Devaluation of the civil servant's assessment and evaluation skills when he refused to alter the original criteria.	Continuing to assess and evaluate suitability of consultants using the World Bank's original criteria that PwC did not pass.
World Bank wants civil servant's marks excluded from the evaluation process and the selection criteria changed and all existing bids cancelled	Insists the marks be removed, that the selection criteria be changed, that technical bids be reopened. Using bullying while threatening exclusion from evaluation process and loss of job	Exposing the threats by keeping detailed records, later used by the IPT.

The deceit employed by the World Bank helped trigger a response from those working in the public sector. The response involved drawing attention to the promotion of the World Bank's preferred "consultants" for the process of advising the Delhi government about future directions for the Delhi JAL Board. The promotion included using official channels to challenge an assessor's decisions by demanding the rules be changed; the use of reinterpretation to amend the "nationality" of PwC from multi-national to Indian to meet one criterion; the use of devaluation of the assessor's skills when the incapacity of PwC to meet the strict evaluation and assessment guidelines originally put in place by the World Bank was identified; and the use of intimidation by the World Bank by seeking the assessor's exclusion from the evaluation process. The Delhi government was concerned at the middle class response to the privatization plans at the time and decided it was not a good political decision to proceed at that time.

It was not until several years later when the Independent People's Tribunal was held in New Delhi and the new World Bank head attended the event that the full extent of

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the deceit became known. The vast number of documents obtained under Freedom of Information, later known as Right to Information (RTI), legislation revealed that all of the tactics previously identified in other chapters in this thesis as assisting in reducing public outrage were also used at the time of what was considered by some activists to be an attempted privatization. Agents supporting the World Bank's TINA claim for promoting international private involvement with domestic public water utilities engaged in tactics of cover up, misrepresentation, devaluation, intimidation and the use of official channels. These were used in attempts to install the World Bank's own choice of consultant to advise the New Delhi government and the Delhi JAL Water Board on future directions for water supply and management so that no alternatives to using the private sector would even be considered.

The people's historical, social and cultural relationships with water were ignored. The economic lens used by the World Bank and its agents at the time blinkered their understanding of the value of water to those asked to select their replacements for the provision of water and its management. The Independent People's Tribunal exposed the dirty tactics used by the World Bank and confirmed the people's solidarity in protecting the public nature of their water.

The IPT spokesperson, Arvind Kejriwal, is now leader of the Aam Aadami Party (AAP) which contested the Delhi Assembly elections in early February 2015.<sup>96</sup> His position is now that of Chief Minister of Delhi with a platform of removing corruption from government and its agencies. The Delhi JAL Board remains a publicly managed water utility. According to a report in the NDTV media the new 'Kejriwal-led government has ... directed the Delhi Jal Board to prepare a proposal on providing free water up to 20,000 litres to every household per month.'<sup>97</sup> This is something that would have been unforeseeable had the World Bank's tactics used for promoting PwC as the consultants charged with changing management of Delhi's water services been successful for the private sector.

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<sup>96</sup> See 'As it happened: Arvind Kejriwal takes oath as Delhi CM', *The Times of India* official website accessed 4 March 2015 at <http://timesofindia.indiatimes.com/Kejriwal-takes-oath-as-Delhi-CM/liveblog/46240399.cms> updated 4 March 2015.

<sup>97</sup> See 'Arvind Kejriwal Asks Departments to Act on AAP's Poll Promises to Slash Power Bills, Supply Free Water', *NDTV*, 16 February 2015 at <http://www.ndtv.com/india-news/arvind-kejriwal-asks-departments-to-act-on-aaps-poll-promises-to-slash-power-bills-supply-free-water-740086>.

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### CONCLUSION

The normalization of a process commodifying and commercializing a natural resource that is essential to life is examined throughout this thesis. Casting the corporations and government agencies intent on privatizing water services as a water privatization movement and their actions as tactics helps create a novel approach to better understanding the TINA (there is no alternative) claims supporting private sector involvement. TINA rhetoric has often appeared as a seemingly unconscious instrument for desirable economic growth in some cities in the global south. However, the case studies suggest otherwise.

Claiming that there is no alternative to private sector involvement has not been an unconscious activity; rather, through the use of specific tactics by corporations and governments, it has been a deliberate strategy to promote privatization for public water services. For the purpose of this thesis the specific tactics have been identified and categorized using an outrage-management model and include: cover-up, devaluation, interpretation, official channels and intimidation.<sup>1</sup> Examining the tactics of key players involved in privatizing publicly-run water utilities, when set within a framework of Western-driven international relations and development, whilst using several cities as case studies, it is shown that, in the case of water privatization, the tactics used can impact differently upon receiving populations. In other words there are no guarantees that a pre-determined outcome — the privatization of a city's water service — will be accepted or challenged by those most likely to be affected.

The mobilization of resources and key players has been examined from the perspective that it was for the purpose of privatizing publicly-run water and sanitation sectors and generally *not* used for preventing the commodification and commercialization of water services. In other words the role of “activism” for a specific purpose has been attributed

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<sup>1</sup> B. Martin, 2007, *Justice Ignited: The Dynamics of Backfire*, Rowman & Littlefield, Lanham, MD.

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to those seeking privatization rather than those resisting such change. Commodification of fresh water had been endorsed during the 1992 Dublin Conference on Sustainable Development when a declaration was made stating that when valuing water it must contain an economic component.<sup>2</sup> Prior to the addition of the economic aspect water was most frequently valued as a social and/or public good and often regarded as a human right; this assumption, however, was not formalized until later.<sup>3</sup> Generally it was such a taken-for-granted concept, whereby access to clean water was an assumed human right, that it had not been officially included in any United Nations human rights declarations.<sup>4</sup> Finally in July 2010, after years of many different groups lobbying the United Nations, water was officially included with sanitation as being ‘essential to the realisation of all human rights’.<sup>5</sup>

The concepts of commodification of water and commercialization and privatization of the services supplying water to the population preceded the United Nations declaration that water is a human right. The TINA claims that only the private sector can meet increasing demands for water have been used to justify the use of foreign corporations to control the water services of a nation. Such foreign corporations, whilst being multinational or transnational still shared a certain allegiance to their originating, “home base”, government and financial institutions. As such, specialists, loans and technology used during the privatization process were brought in from the “home base”, often at excessive costs to the receiving nation. Whilst the propaganda surrounding privatization not only sold it as the only option, often due to impending water shortages generated by a range of

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<sup>2</sup> 1992, ‘Dublin Statement on Water and Sustainable Development’, *International Conference on Water and the Environment: Development Issues for the 21st Century*, Dublin. Accessed from University of Minnesota Human Rights Library at <http://www1.umn.edu/humanrts/instree/dublinwater1992.html> on 7 May 2007.

<sup>3</sup> It, ‘the right to have access to drinking water’, was referred to in Chapter 18 of Agenda 21 from the Rio Summit as being ‘the commonly agreed premise’.

<sup>4</sup> UN-Water Decade Programme on Advocacy and Communication (UNW-DPAC), June 1992, ‘United Nations Conference on Environment and Development. Rio Summit’, *The Human Right to Water Milestones*. Accessed at [http://www.un.org/waterforlifedecade/pdf/human\\_right\\_to\\_water\\_and\\_sanitation\\_milestones.pdf](http://www.un.org/waterforlifedecade/pdf/human_right_to_water_and_sanitation_milestones.pdf) on 8 September 2014.

<sup>5</sup> July 2010 UN General Assembly Resolution A/RES/64/292, July 2010, *The Human Right to Water Milestones*. Accessed at [http://www.un.org/waterforlifedecade/pdf/human\\_right\\_to\\_water\\_and\\_sanitation\\_milestones.pdf](http://www.un.org/waterforlifedecade/pdf/human_right_to_water_and_sanitation_milestones.pdf) on 8 September 2014.

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factors, it also used the opportunity to devalue any resistance as evidence of corruption amongst politicians, bureaucrats and workers.

Globally issues of water scarcity are periodically resurrected and used to claim that more reservoirs and/or dams are needed to cope with the increased demands for water. The United Nations media website dealing with humanitarian issues, *Irin*, in early 2015, showed a picture of women in the Philippines capital queuing up with their containers to get a rationed allocation of water; the image depicts the reality of the situation for many women in Manila and the crowded slum areas following years of private sector control of the resource and infrastructure.<sup>6</sup> The financial and political support for privatization of Manila's water services did not address any potential for alternative ways of helping all citizens have access to clean water. Instead this reiteration of water scarcity is being sold to the media as being a consequence of El Nino. Most citizens and journalists are unfamiliar with the tactics used to initiate and maintain private sector involvement with the provision of water.

The privatization processes used within an era of limited, even reduced, protection of the increasing numbers of urban-based poor in their ability to access clean drinking water have been examined in the cities Cochabamba, Manila and New Delhi. All are located in the global south and were previously colonized and exploited by northern European nations. It was these colonizers who introduced water services infrastructure to mimic those of their homelands irrespective of existing environmental conditions. These post-colonial cities have been examined in conjunction with an increasing recognition of shrinking natural resources that are available to supply an increasing demand. Reduced availability of potable water has been used by powerful key players to gain support for their privatizing missions. The tactics used to either reduce resistance to or encourage support for private sector management of water resources are identified for each case study. Each case study provides a snap shot of a particular time when events surrounding privatization of water services were unfolding.

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<sup>6</sup> <http://www.irinnews.org>

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Water, without any substitute available, remains crucial to life in all its forms, yet it is financial and political factors and undiminished demand that drive the privatization process. With that process loss of skills and lack of transfer of expertise amongst the public sector is a frequent outcome. As such this weakens the public sector's capacity to compete with the private sector should governments change or the private sector withdraws due to financial losses elsewhere.

The events in Cochabamba demonstrated that reclaiming public management of water is possible, however it was not easy. In the end political support was vital. Political enthusiasm for promotion of the international private sector as managers of a nation's water has waxed and waned over the past 15 years. When the government of Manila undertook the privatization process and introduced two separate corporate entities to manage Manila's water services, few anticipated that one of the successful bidders, a French corporation, would end up leaving due to severe financial difficulties. The "There Is No Alternative" to privatization rhetoric was embedded in the political mind set.

In New Delhi, where there was less dependency on obtaining World Bank infrastructure and other development loans, the influence of the people overcame political desires to follow a privatization of water pathway. Meanwhile in India some states have adopted private management of their water services whilst others continue to resist.<sup>7</sup>

In the developed world there continues to be resistance to privatizing publicly-run water services. Several organizations are actively engaged in setting up partnerships between northern public service operators and their counterparts in a southern city.<sup>8</sup> Another option that is gaining traction is combining the private and the public sectors, known as public-private partnerships (PPPs) which was, according to the World Bank, the system that was being proposed for Delhi by Pricewaterhouse Coopers. Ultimately the selected

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<sup>7</sup> K. Urs, and R. Whittell, 2009, *Resisting Reform? Water Profits and Democracy*, SAGE Publications, New Delhi.

<sup>8</sup> D. Hall, E. Lobina, V. Corral, O. Hoedeman, P. Terhorst, M. Pigeon, and S. Kishimoto, 2009, *Public-public partnerships (PUPs) in water*, The Public Services International Research Unit (PSIRU), Public Services International (PSI), and Transnational Institute (TNI) accessed on 29 November 2014 at <http://www.psiru.org/>.

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model will be influenced by a range of tactics that are designed to benefit one group's interests over another; the belief that water should be a public resource that is essential to all forms of life is challenged by TINA rhetoric supporting privatization as beneficial to all.

Each case study examines a different stage of the privatization process. The presence or absence of the designated tactics for management of outrage helps to provide an insight into this process. Some other factors, such as timing of actions and responses by both water privatization advocates and their opponents also emerged as contributing to outrage-management efforts and to some extents were specific to each case study. From an overall perspective it was the investigation of different stages of the privatization process that contributed to the research. For Cochabamba this involved investigating post-concession tactics to manage outrage. In Manila it was the tactics used during the selection of private sector concession holders for the two newly created water utilities that were investigated. In New Delhi, the early process of selecting a consultancy firm for designing selection criteria for water utility contracts was the focus for investigation of tactics used in outrage management. Examination of each of these stages undertaken during the process of privatizing water utilities provides an insight into how advocates for water privatization attempt to manage their opponents' real and potential outrage.

In Cochabamba the US-based multi-national corporation Bechtel was a major partner in the firm Agua del Tunari that, without any public consultation, was awarded a 40 year water services concession. In Cochabamba, where there was a full-scale struggle between pro and anti-privatization forces, the full range of tactics can be observed, with each outrage-reduction tactic met with an outrage-increasing counter tactic. For example attempts to use exclusionary tactics of cover up and official channels for water privatization decisions between an alliance of local government and the Agua del Tunari officials were countered with visible pro-public/anti-privatization demonstrations. Banners and meetings in public places openly displayed the protestors' support for reclamation of their water utility.

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An important strength for countering the official alliance's outrage-management was that the leaders of the people's protest movement, *La Coordinadora*, operated from a grassroots base. This base included diverse social and cultural groups whose contributions were valued irrespective of their age, gender or economic status and were based on their capacities to assist in maintaining the publicly visible struggle. When the official alliance wanted to intimidate the protestors through attempting to arrest and 'disappear' their leaders who were trapped in a room whilst waiting for a meeting that was deliberately delayed, those who escaped were given refuge by the public despite threats of retribution.

The use of timing as a tactic for outrage-management was important in Cochabamba's fight against water privatization. Re-scheduling a 'closed' General Assembly meeting was supposed to undermine a widely advertised 'referendum' to be held by *La Coordinadora* supporters in the town's main plaza concerning public antagonism to water privatization. The timing worked in *La Coordinadora*'s favour since the referendum was then used for alerting the public's attention to the secrecy of the ongoing alliance that existed between the government and the private water company. Ultimately the counter-tactics assisted in ousting Aguas del Tunari and reinstating the publicly operated utility.

In Manila, opposition never reached a critical mass. In fact there was no apparent opposition to privatizing Manila's public utility. The decision to privatize was just one of a series of no alternative outcomes dictated by the President at the time. It was the lack of outrage and the tactics that had been used in the privatization process that became the focus of my investigation. An examination of the outrage-management tactics suggested that outrage had been preempted and actively discouraged; however, unlike events in Cochabamba, not all outrage-management tactics were used. Engagement of the public in the process started with the division of the public utility into two separate concessions. This set the ground work for what was to become a public spectacle with private competitors vying for the prize of winning operator's rights for one or other of the concessions. Most significant of the tactics was the 'smokescreen' of irrelevant transparency that was created by the government via the bidding process, serving as a

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distraction from the main issues. This is a tactic that has not been systematically examined in other studies of outrage management.

In New Delhi the investigation into tactics used for privatizing the public water utility began in the earliest stage of the process. Opposition to privatization was strong from the outset. Many of the same tactics for outrage-management as found in Cochabamba were found on both sides of the New Delhi struggle, especially those of cover up/exposure, reinterpretation/clarification and devaluation/validation. To add a different angle, the focus for this case study was on the role of key player, the World Bank, and promotion of its preferred consultants Pricewaterhouse Coopers. The role of the Bank, its interference in the work of government officials and promotion of its preferred specialists were revealed several years later following receipt of documents through India's Freedom of Information legislation at the Independent People's Tribunal.<sup>9</sup>

This examination of outrage-management tactics using three case studies at different stages of the water privatization process has revealed that variations can occur depending on the form the struggle takes. In dramatic confrontations, as in Cochabamba, the full range of tactics is most likely displayed on both sides. When opposition fails to materialize, as in Manila, a somewhat different set of tactics — referred to as the tactics of discouragement — are found. When privatizers are on the defensive from the beginning, as in New Delhi, then privatization advocates are more likely to use cover up, reinterpretation and devaluation as well as the additional tactic of deception, as they have limited access to all resources to use official channels or intimidation to the full extent.

Upon reflection the examination of processes and events before, during and after privatization in vastly different countries and geographical locations was ambitious; yet for comparative purposes the connections, management of water and its essential nature for all aspects of life, are global issues encompassing all researched countries despite some differences in location, culture, social structure and economic development.

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<sup>9</sup> Independent People's Tribunal (IPT), 2007, *IPT on the World Bank Group in India*, IPT Conference, New Delhi; 3 parts available on Youtube accessed 28 June 2008 at <https://www.youtube.com/watch?v=8XwiyWgZHMA>.

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Furthermore the case study cities selected for my thesis were examined within: their individual timeframes during which the processes occurred and; the political contexts in which the privatization attempts took place and; the apparent cultural and social nature of the people's relationship with their essential resource. While the timeframes varied for each case they were representative of the different stages experienced during the water privatization process. Other connections among the case study cities included concerns about water shortages and means of storage, competition among water users and misuse of existing water sources. Perhaps increased acknowledgement of resistance to past colonial interventions and previous political decisions would have provided a wider context for examining each case study city. These in turn may have shown other connections not examined here.

Making tactics central to the examinations of water privatization processes used by corporations and governments brought a level of pragmatism to both the research and the methodology used. This approach revealed many of the outcomes and consequences the tactics can have in different locations when examined against the public's responses to control over their water sources and services.

The three case studies examining outrage-management tactics used in different stages of the water privatization process demonstrate the need for acknowledgement that each analysis needs flexibility in its application. In turn this flexibility needs to accommodate the different strengths and negotiating positions of the parties involved and the local context in which it occurs.

Advocates for public control over water services need to be wary of any statements made claiming there is no alternative to privatization. They should look for evidence of the presence of outrage-management tactics: cover up, devaluation, interpretation, intimidation, use of official channels. And they should be prepared to counter each of these tactics.

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