Private Sector Participation in Water Supply and Sanitation

A Contribution to Attaining the Millennium Development Goals or Merely the Export of Old Solutions?

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Abstract

Billions of people in developing countries do not have access to clean water and sanitation services. Against this background, the MDGs represent very ambitious targets for the coming years. In the light of the economic and financial problems of the developing countries, strengthening the role of the private sector in the provision of infrastructure seems to be an important part of any strategy to fight poverty. In recent times however, the privatization strategy has increasingly come under pressure, resulting e.g. in a declining interest of large international corporations. Apart from regulation problems the question is, whether the existing centralized network based infrastructure models found in industrialized countries can form the basis for a successful international water policy strategy. Alternatives can be found in decentralized systems which are adaptable to local conditions and flexible enough to adjust to new situations, and at the same time being sustainable in an ecological sense. To deal with future challenges not only in developing but also in industrialized countries, German water utilities should concentrate on such infrastructure models with a focus on sustainability instead of exporting traditional solutions to infrastructure problems.

1 Introduction

“Pipe dreams” is the title of a current report dealing with the privatization of water supply and sewage disposal in developing countries which addresses, among other things, the unfulfilled expectations of water companies operating internationally.\(^1\)

The obvious problems that have occurred in many cases of privatization in recent years are also reflected in a marked decline in private investment in the water sector. The growing skepticism towards privatization takes on special significance,

\(^1\) Public Services International (PSI) Pipe Dreams: The Failure of the Private Sector to Invest in Water Services in Developing Countries, London.
especially against the background of the very ambitious Millennium Development Goals (MDGs). Concrete targets for the development of water supply and sanitation were first set at the Johannesburg Summit on Sustainable Development.

The private sector, despite all criticism, can and should retain a prominent role in attaining these goals. However, the results of previous privatization practices in both developing and industrialized countries, which have generally been very ambivalent, necessitate a critical review of past approaches at the very least.

This also appears to be of importance from a (German) national perspective, not only because the Federal Republic of Germany is the third largest donor in the water sector, but also because the demand for stronger international engagement by German supply companies has become more vocal in the course of the current debate about the future development of the German water industry’s organizational framework. This call for a strengthening of German companies in the global water market is, among other things, a central component of the so-called modernization program; the German water sector sees this program as a way to position itself with respect to far reaching privatization and liberalization demands (Bundesregierung 2006).

One can ask with justification whether an organizational model that was rejected in the home market is at all capable of being an export success. However, it appears to be more important in the longer term to clarify the question of what exported solutions might look like if they are to respond to the previous privatization experience while simultaneously making use of the special advantages of the German municipal supply and disposal systems. Decentralized solutions are most likely to play a role here, as are special institutional structures that safeguard the public interest. This article attempts to address this problem by relating the international debate on privatization to the national debate about the future of the German water industry.

The first section will briefly consider the coming challenges presented by the international water crisis and the Millennium Development Goals, which should be the primary determinants of investment requirements. With this as a starting point we will explore the background, motives and models for privatization in order to then address the deficits and problems that have been experienced to date in greater detail. The final section will then consider the potential role of German companies in the global water market. This will serve primarily to throw light on new, alternative systems.

### 2 Water Crisis and the Millennium Development Goals

The lack of or inadequate management of water resources is considered one of the critical factors that will negatively affect the chances of sustainable economic and social development in many parts of the world in coming decades. Many regions are characterized by a shortage of water, with the problems being aggravated by pollution and excessive use of existing water resources. The growing demand for drinking water and the demands on water from industry and agriculture are causing conflicts over water resources to increase. Furthermore, general political stability