

Opinion

Manila, Philippines: Alternatives to water privatization

Sunday 16 June 2019, by [TADEM Eduardo C.](#), [TADEM Teresa S. Encarnacion](#) (Date first published: 23 April 2019).

In 1997, the Philippine government privatized the operations of its publicly-owned water service provider for Metro Manila. The aim was to reduce government's role in the provision of public services. Two decades later, however, the goals of Philippine water privatization continue to fall short of its promises, to the detriment of consumers (See article below).

The Philippine experience is mirrored in the experiences of other countries. This has led to initiatives for alternatives to water privatization by citizens' movements and local governments, to bring back ownership and control of water services to the public sector and guided by the principle that access to water is a human right, rather than a market transaction driven by the corporate profit motive.

The Philippine situation reflects the state of water privatization around the world. In fact, however, public delivery of water services remains a viable and sustainable form of public service. Balanya et al. (2005) document successful cases of people-centered participatory public models of water services in Latin America, Europe, Asia, Africa, and the United States. Dargantes, Batistel and Manahan (2012) surveyed public sector water service delivery in Southeast Asia, South Asia, East Asia and Central Asia covering 646 listed water utilities servicing 10 million people. Kishimoto, Petitjean and Steinfort (2017) reported initiatives to reverse the privatization process in 45 countries.

The following alternatives to water privatization thus arise:

Public/nonprofit partnerships (PuNPP). In PuNPPs, "one or more public sector agency works with one or more civil society or community-based organization to deliver water services." The joint management between local communities and the water utility is "based on equity, resource management, reduction of water consumption, improvement of reliability, and reduction in operating and maintenance costs."

Public-Public partnerships (PuP). This involves collaboration among public sector agencies in collectively developing performance benchmarks, implementing tertiary-level treatment of wastewater and reducing demand for piped water, use of excess water, and access to other water sources such as natural springs.

Single nonprofit agencies (SiNPs). Some NGOs, acting as SiNPs, "have the capacity to develop noncommercialized water systems" by establishing water harvesting structures and check dams using an integrated water resources management approach, water system improvement, and securing dependable water supply from third-party bulk providers.

Deprivatization and/or remunicipalization. A popular alternative is deprivatization and/or remunicipalization—that is, returning public services back to government. This involves public

ownership, public management and democratic control that is transparent and accountable. There have been 835 successful remunicipalization cases in 45 countries, of which 267 were in the water sector in 37 countries, benefiting more than 100 million people.

The above experiences show existing and viable public ownership of water services and success in preventing privatization. The key is cooperation between citizens' movements, public officials, water service workers and communities, and guided by the values of participation, empowerment, equity, accountability, quality or safety, efficiency, transparency, solidarity and replicability.

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Water privatization hasn't delivered

The global economic crisis of the 1980s resulted in governments relying on privatization for economic development and the delivery of public services. This was in accordance with World Bank and International Monetary Fund conditionalities and prescriptions for loan packages that also insisted on austerity measures.

Privatization was meant to (1) reduce the extent of the government's involvement in business; (2) promote competition, efficiency and productivity; (3) stimulate private entrepreneurship; and (4) avoid the monopolies and bureaucracies of government-run agencies.

Economist Jomo Kwame Sundaram, however, maintains that the promise of privatization remains unfulfilled. Privatization has failed to stimulate private entrepreneurship and investment, as economic assets are diminished and diverted to take over state-owned enterprises. Not only do "private funds (become) less available for investing in the real economy," he says; opportunities for small- and medium-sized enterprises are also crowded out.

Sundaram notes that "since a significant portion of state-run activities are public monopolies," privatization will simply create new private-run monopolies. And since "private interests are only interested in profitable or potentially profitable enterprises... the government will be saddled with unprofitable and less profitable activities." Long-term investments are thus sacrificed in favor of short-term profits.

Privatization also results in inequalities in the delivery of services — "one for those who can afford more costly, private — including privatized — services, and the other for those who cannot, and hence have to continue to rely on subsidized public services." Lastly, Sundaram argues that "privatization in many developing and transition economies" frequently breed "patronage and corruption... enriching a few with strong political connections, while the public interest (is) increasingly sacrificed to such powerful private business interests."

In August 1997, the Philippine government privatized its publicly owned water provider, the Metropolitan Waterworks and Sewerage System (MWSS). It was the first large-scale water privatization in Asia. Two decades later, however, the goals of Philippine water privatization

continue to fall short of its promises. The problems under water privatization include:

1. The rising price of water, leading to inequality and a class bias
2. Excessive profit-taking beyond allowable limits
3. Inadequate and unreliable coverage, particularly for the urban poor
4. Poor water sanitation and wastewater treatment services
5. The increase of nonrevenue water
6. Inefficient management—underspending and irregular practices
7. The noninvolvement and/or diminished role of local government units and the local community
8. Workers' welfare and unemployment issues
9. Use of public funds for water privatization
10. General weakness of the regulatory process

Given the above, it is time to rethink the privatization policy and give back to the public sector the ownership and control of public services, particularly the provision of water services. This is premised on public management and democratic control that is transparent, accountable and participatory. The key drivers are vibrant citizens' movements that have to work hand-in-hand with water service workers and local governments to reclaim ownership of essential public services.

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• *Philippine Daily Inquirer* / 05:18 AM March 14, 2019:
<https://opinion.inquirer.net/120111/water-privatization-hasnt-delivered>

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