

Water Privatization Demands Greater Scrutiny

New Report Sets Forth Principles to Ensure Fairness, Protect Public

OAKLAND, CA - The Pacific Institute released a new report on water privatization on February 5, 2002 that aims to ensure water privatization deals are fair, protect the public health, and don't harm the environment. "The New Economy of Water: The Risks and Benefits of Globalization and Privatization of Fresh Water" is the most comprehensive examination of the issue of water privatization to date. The report looks at the dangers and benefits of water privatization, offers case studies from around the world, and sets forth principles designed to help guide privatization deals.

"Water privatization efforts have been growing rapidly both in the United States and abroad, but public understanding and oversight of these deals lags far behind. Water privatization must be subject to much stronger public scrutiny," emphasized Dr. Peter H. Gleick, lead author of "The New Economy of Water" and Director of the Pacific Institute. "Part of the problem is that there are few formal guidelines and, in most cases, inadequate public oversight."

Though certain types of privatization can help water utilities become more efficient or provide water to those in the developing world who currently lack basic services, there are a host of dangers. Privatization may bypass under-represented communities and worsen inequities in the distribution of water, especially in the poorest nations. Privatization agreements may discourage efficiency and conservation efforts and they may fail to protect important natural resources.

"There is little doubt that the headlong rush to private markets has failed to address some of the most critical issues and concerns about water," stated Dr. Gleick. "How can we protect the world's poorest people, how can we ensure that the environment gets a fair share, how can water quality be protected for future generations? All of these questions must be answered before we move forward with more privatization."

In some cases, governments lean heavily on industry-funded consultants or even the companies doing the deals to seek guidance. The complexity of water privatization deals often means that many governments are not able to fully understand the consequences of turning over control of public water systems until it is too late.

"As the Enron bankruptcy shows, using markets to manage key public resources can sometimes have disastrous consequences," noted Dr. Gary Wolff, the Pacific Institute's Principal Economist and Engineer. "Complex privatization deals are often poorly understood by government officials - even in the United States and Europe - yet water

privatization has enormous implications for the public health and for the health of our natural world."

There are solutions to the problems of privatization: Clear and consistent standards, strong public oversight, and strict scrutiny of any deals by independent organizations.

"Our assessment shows that rigorous, independent review of water privatization efforts are necessary to protect the public," said Dr. Gleick. "Governments must establish clear guidelines that ensure fair access to water regardless of income, protect the environment, ensure transparency, and include affected parties in decision-making efforts. Water is far too important to human health and the health of our natural world to be placed entirely in the private sector."

The full report is available in electronic form at pacinst.org/reports.

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