

PERSPECTIVE

WATER, WATER EVERYWHERE

*For the private sector to have a role in solving the water crisis,
it must play a stronger role in agricultural water management.*

By Jane Jamieson



Water, water everywhere/Nor any drop to drink,” wrote Samuel Taylor Coleridge in “The Rime of the Ancient Mariner.” In this 1798 poem, sailors blame the Mariner for the torment of their thirst. Today millions of people around the world face the prospect of “nor any drop to drink”—or to irrigate their land or feed their animals—and it’s our lifestyle that is to blame.

The facts are stark: Water scarcity affects one in three people in the world, forcing people to rely on unsafe sources of drinking water and limiting agricultural production. And yet there is the absurd paradox that millions who lack access to water live in areas where there is plenty of rainfall or freshwater. In other cases, much of this precious commodity—for example, an estimated 50 percent of water used for agriculture—is wasted. Improving the way we conserve, manage, and deliver water is fundamental to solving the water crisis. The private sector has a critical leadership role in this.

WATER & THE PRIVATE SECTOR

The private sector has made significant and lasting contributions to the delivery of reliable, safe water worldwide. By 2007, private water operators were delivering services to around 160 million people in emerging markets. These PPPs have delivered water access to an estimated 24 million people since 1990. Although price increases are often used as an argument against PPPs in the water sector, this is not necessar-

ily borne out by the facts. In a sample of 1,200 water and energy utilities in 71 developing and transition countries, no systematic change in residential prices occurred as a result of PPPs.

Both PPPs and the companies that operate them have evolved to meet the needs of people in the most affected areas. The nature of these partnerships varies widely and builds on the private sector's ability to improve quality and efficiency and to extend access—as well as the government's capacity to raise finance and subsidize expansion to the poor. In 2010, IFC supported the government of Uganda in successfully bidding out the expansion and management of water services for the town of Busembatia to the domestic private sector. The traditional transaction advice provided by IFC was complemented by a range of activities that addressed some of the key challenges faced by the domestic private sector, such as access to credit. This project will help the government facilitate the management of water PPP contracts by developing a generic management contract for use on privately-managed piped water systems that will ensure consistency in contract administration and management.

Part of the solution is also to strengthen the existing operator's ability to expand the availability of safe, clean water at affordable prices. In Kenya, 30 community water providers are accessing finance and improving services through an innovative partnership with K-Rep Bank. Today K-Rep Bank has disbursed over \$1 million to community groups, benefitting nearly 40,000 people. This project brought together a partnership of development organizations committed to expanding services to the poor, including WSP,

PPIAF, and GPOBA. Each organization relied on the other to provide technical assistance and finance.

NEW APPROACHES FOR AGRICULTURE

For the private sector to have a role in solving the water crisis, it must play a stronger role in agricultural water management. Here at IFC, we saw firsthand the success of this approach. Throughout the 1990s, citrus farming in the Guerdane district of Morocco was becoming increasingly unsustainable. The area's 600 citrus farmers were dependent on rapidly falling groundwater and facing increasing pumping costs as the water table fell by two to three meters per year. To address this chronic overexploitation, in 2004 the government of Morocco, supported by IFC, implemented the world's first public-private partnership in the irrigation sector to attract private investment to construct a new irrigation network that would deliver water from an existing dam.

Such a non-traditional PPP model for domestic and agricultural water use is crucial to supporting the development of the water sector in many other developing countries. If well-designed, and implemented by strong and committed public and private partners, these partnerships can have a significant and lasting impact—so that “Nor any drop to drink” may one day echo only in the realm of poetry. 💧



▲ APA Nova provides water to the Municipality of Bucharest in Romania under a PPP.
Photo courtesy of APA Nova.

“The polarization of debate between public and private is unhelpful and lumps together two very diverse sets of actors and agencies on both sides. Each circumstance should be looked at individually and a suitable pro-poor, affordable, and sustainable solution found to fit each context. The decision-making process should be transparent and consultative, involving all relevant parties, to determine how these services will be provided and managed to commonly agreed standards.”

WaterAid International Policy Statement on Private Sector Participation in Water