

January 25, 2016

Dear GWOPA Secretariat,

We, the undersigned, are writing in response to your request for submissions to the Cross-Cutting Expert Group Meeting (EGM) on Water in the New Urban Agenda, in the hopes that our comments can be included in the recommendations that will be forwarded to the Habitat III Secretariat.

In general, we are encouraged by the broadly inclusive focus of the Habitat III Issue and Thematic Papers. We note, in particular, the repeated commitments to transparency, accountability, affordability, participation and equity. We also support the commitment to the realization of human rights and access to essential services, including water, sanitation, housing, health and education. Finally, we note the emphasis on “strong and capable leadership from the public sector” (Issue Paper 6, p6), as well as calls for more “City-to-city cooperation as a collaborative and peer-to-peer exchange modality between cities, administrative staff and elected leaders for capacity development based on north-south and south-south cooperation” (Issue Paper 6, p9).

But in a world where urban policy continues to “focus on economic growth at the expense of inclusion”, where “competition between cities [is] reducing social protections and provisions for the poor”, and where “extreme power and resource imbalances” continue to exist in terms of “access to governance and decision-making” (Issue Paper 1, p4), we are concerned with the lack of concrete suggestions in the documents for how the public sector will be strengthened and what mechanisms might be used to organize and finance inter-municipal collaboration. We are also concerned that the public-private partnerships and private sector involvement proposed by the Issue and Thematic Papers may undermine the very possibility of enhancing transparency, accountability, affordability, participation and equity.

We would like to highlight, in particular, the following key concerns:

- the focus on “efficiency and competition” (Issue Paper 1, p6) with no clear sense of how efficiency is measured or whether competition is feasible and desirable. In water supply and sanitation, an essential sector with strong characteristics of natural monopoly, competition can be only introduced in the form of franchise bidding, which is no less controversial than other forms of water privatization;¹
- the emphasis on “revenue generation for services such as solid waste management, water and electricity...[to] create more effective incentives for greater efficiencies in supply and consumption, as well as the payment of services” (Issue Paper 18, p4-6). Aggressive cost recovery, however, has repeatedly failed to fund water systems. The approach has “rarely been successful” according to the World Bank,² shifting a disproportionate burden of cost recovery on to the poor and violating human rights to water and sanitation.³
- the emphasis on “new business models and strategic partnerships.... [p]articularly with regard to the private sector” (Issue Paper 18, p6). This is concerning because in water and sanitation, solid waste management, energy, transport and other public services, there is no evidence that the private sector is more efficient than the public sector.⁴ This is due to the fact

that the private sector's priority is profit maximization, so that public-private partnerships (PPPs) result in massive wealth transfers from workers and local communities to private shareholders. Promoting PPPs thus undermines community development;

- the emphasis on PPPs is also concerning because in the water and sanitation sector there is ample evidence of the private sector using secrecy, lack of transparency, asymmetric information, distorted public decision making (including lobbying and corruption), and limiting participatory decision making in order to pursue profit maximization.⁵ Similar concerns apply to other sectors, like energy.⁶ Promoting PPPs thus undermines transparency, accountability, participation and equity;
- PPPs are increasingly controversial due to conflicts between the private sector's commercial objectives and local developmental objectives.⁷ These conflicts have led to widespread social resistance against PPPs and privatization.⁸ They have also fueled a global remunicipalisation trend, with 235 cities across 37 countries in the global North and South deciding to take water services back into public hands over the last 15 years. These include cities that had been initially presented as flagships of PPP and privatization, like Buenos Aires, Jakarta, Dar-es-Salaam and Budapest, and which have subsequently had to terminate unsatisfactory concessions before their contractual expiry.⁹ The inexorable sinking of PPPs suggests that, however strategically innovative they might initially appear, partnerships with the private sector are unsustainable. Promoting PPPs therefore undermines sustainable water development;
- Finally, the emphasis on PPPs is concerning because private partners generally fail to bring any extra money. The international experience over the last 15 years shows that PPPs are an expensive and inefficient way of financing infrastructure and divert government spending away from other public services.¹⁰ Promoting PPPs therefore undermines the sustainable financing of development objectives.

In light of the above concerns, we urge the authors of the Habitat III Thematic Papers to remove the bias towards promoting PPPs and to make clear the problems associated with relying on the private sector to deliver development objectives. Most importantly, we urge the authors to highlight the rapidly growing interest and practice in alternatives to privatization and commercialization, including the trends towards remunicipalization, community cooperatives and public-public partnerships in water services.¹¹

There should be more explicit and concrete commitments in the Habitat III process to facilitating and financing alternative forms of non-profit, non-commercialized forms of service delivery, showcasing 'actually existing' examples of public sector capacity building, and promoting mechanisms for enhancing inter-municipal cooperation. The Global Water Operators' Partnership Alliance (GWOPA) is one such example of the latter possibility. Other examples include the ACP-EU Water Partnerships¹² and many other forms of public-public partnership, both within countries and across different regions.¹³ All such examples have the potential to be expanded on and reproduced in other sectors, leading to a paradigm shift in development from profit to solidarity, from marketing to the sharing of knowledge, and from competition to collaboration. It is incumbent upon Habitat III to provide adequate space and attention to discussion of these increasingly popular and effective service delivery initiatives.

We look forward to receiving your feedback and in taking part in the Habitat III process.

Should you have any questions please do not hesitate to contact us.

Sincerely,

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¹⁰ Hall, D., 2015. Why public-private partnerships don't work. The many advantages of the public alternative. A PSIRU Report commissioned by Public Services International (http://www.world-psi.org/sites/default/files/rapport_eng_56pages_a4_lr.pdf).

¹¹ McDonald DA, and Ruiters GR. (2012). Alternatives to Privatization: Public Options for Essential Services in the Global South, Routledge: New York; McDonald, DA (2016), Making Public in a Privatized World: the Struggle for Essential Services, Zed Books: London; see also <http://www.municipalservicesproject.org/>

¹² Lobina, E., Hall, D. (2012) ACP-EU Water Facility – Partnerships Initiative. Report for the European Commission, Service contract 2010/236-444 (2010-2012), August 2012 (<http://www.psiru.org/sites/default/files/2012-08-W-ACPEUPUPs.docx>).

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