

*The Cross  
Taston  
Chipping Norton  
OX7 3JL  
UK  
[Wychwood.consult@virgin.net](mailto:Wychwood.consult@virgin.net)*

To The Independent Expert on the issue of human rights obligations related to access to safe drinking water and sanitation,  
ESCR Section, Special Procedures Division  
UNOG-OHCHR  
Palais des Nations, CH-1211 Geneva 10,

March 24, 2010

Dear Colleague,

I write this as an independent economic consultant specialising in the international water sector for 20 years, with experience in the UK public service, development research and international public finance.

I support the principle of a human right to safe drinking water and sanitation services, since it creates an onus on national governments to take seriously their responsibilities to their citizens for the provision of basic needs of this kind.

However, I do not believe this principle has any implication for the choice of mode of service delivery (e.g. public, private, cooperative, mutual, etc), nor for the principle and method of its cost recovery. Both of these choices should be made on pragmatic grounds, for the sake of the intended beneficiaries.

I also believe that standards and criteria should apply equally to all kinds of service provider, whether private, public or other. Private operators of water services tend to be subjected to greater, and more critical, scrutiny than their public sector or not-for-profit counterparts. This often leads to a biased assessment of their performance, compared to the alternative methods of service provision.

Since the 1980s in the UK the choice between public or private sector agency in the delivery of key public services has been subject to the so-called “Ryrie Rules” after the senior Treasury official that propounded them. These state that the choice of private sector finance, which is normally more expensive than that raised by the state, can only be justified if it can be offset by efficiency savings, which lower the overall cost of the services provided. This pragmatic approach - judging a contractual arrangement by its impact on service costs – is appropriate for water service in developing countries too.

A recent comprehensive and authoritative review by the World Bank<sup>1</sup> finds that public-private partnerships (PPPs) in urban water services in developing countries

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<sup>1</sup> *Public-private partnerships for urban water utilities: a review of experiences in developing countries*. By P.Marin *et.al*. World Bank, 2009

have had a mixed record, but , more often than not, they have improved the efficiency of operation, and increased the coverage of services to those households (usually the poorest) previously without direct access to them. Such access has major benefits for the health, convenience and financial outlays of the poor families concerned. In fact, some recent academic work<sup>2</sup> shows that the expansion of piped water connections in Argentina in the 1990s through private investment reduced child mortality by 8%.

As the World Bank study shows, PPP does not necessarily lead to increased water tariffs – the record is mixed. In Manila tariffs were reduced, which was made possible by a reduction in the high level of water losses in distribution. Where tariffs do rise after PPP this is usually in order to raise the revenues necessary to fund modernisation and expansion of networks, which has frequently been neglected prior to setting up a contract. These tariff rises would also apply to public operations in the same circumstances. In judging the level of tariffs under PPP it should be recalled that private operators are expected to rely wholly or mainly on tariffs for their revenues, whereas public providers often depend heavily on subsidies from the state or external aid. It is also relevant to note that tariffs under PPP are usually subject to public regulation.

Water tariffs set by public service providers in developing countries are almost universally too low to operate services properly, and lead to neglect of maintenance and a shortage of funds for expanding coverage to meet growing urban populations. The result, as we are often told, is that in South Asia there is no major city providing continuous 24/7 water supply to its residents<sup>3</sup>. Any increase in tariffs following PPP should be judged in this light. Sufficient tariff revenue is essential for the sustainable operation of water services, *especially for the poor*.

It is sometimes said that private profit has no place in water supply, ignoring the fact that food, equally a basic right, is universally supplied by private farmers and private shopkeepers. Although water is often described as a Gift of Nature, it does require substantial investment and cost to bring it at the quality and to the location desired. In this respect it is like electricity, and no-one advocates free electricity for all. Profits are not the exclusive province of private companies – the better performing public and mixed enterprises in the water sector are not bashful in declaring them.

The pragmatic approach I have espoused above is, I believe, essential for the achievement of the Millennium Development Goals, and for the provision of sustainable water and sanitation services for all. The criterion of choice between different modalities of service, private and public, “what will it do for the poor?” is the best approach to take.

Yours sincerely,

James Winpenny

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<sup>2</sup> Sebastian Galiani, Paul Gertler & Ernesto Schargrotsky, “Water for life: the impact of the privatisation of water services on child mortality”. *Journal of Political Economy*, 113: 83-120, 2005

<sup>3</sup> Except for one or two lesser cities where services are provided by private companies