

# Water Sector Policy

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# Evolution of water policy

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## Origins:

- A youthful sector
- Initial focus on supply and waste removal - for those who could afford it
- Initially, privately provided
- Soon, a municipal function (universally)
  - In-hand operation
  - Universal, subsidised service
- Domain of experts
- Network paradigm, using water transport

# Widening scope in C20

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- Widening context of supply and sanitation:
  - River and ground water quality
  - Control of abstraction
  - protection of inland seas and the oceans
- Principles:
  - holistic river basin management
  - transboundary, where necessary
  - policy integration
    - eg, with irrigation and agricultural policy

NB, International water policy has had the same evolution

# Disaggregation without distress!

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Managerial disaggregation without  
destroying policy integration

# The private role

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“Private sector involvement”, rather than  
“privatisation”

- public/private frontier not fixed
- reasons for private sector involvement:
  - private sector disciplines in the long-run interest of consumers
  - private capital in substitution for public capital. But
    - the market has its price, varying with risk and the other terms of the deal
    - Will/can consumers pay, if taxpayers will not?

# The private role - II

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- Ways of introducing private sector involvement - a complicated, interactive matrix:
  - short-term contracting out
  - longer-term management contracts, with or without asset provision and holding
  - disposal of assets in perpetuity (the English method), ie, privatisation

Imply different distributions of risk, incentives and opportunities for competition

- Private role can be enhanced by disaggregation; but there is a risk of disintegration

NB, do not expect too much of the private sector, or what the institutional framework will not facilitate

# Division of responsibility

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## ■ Public functions:

### – Policy:

- institutional framework
- environmental quality goals
- standards:
  - public health (eg, drinking water quality)
  - to deliver environmental quality goals, eg, discharge limits

### – Regulation:

- application of quality standards
- enforcement of standards
- economic regulation: prices and quality of service

# Division of responsibility - II

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- Functions for private involvement:

- Service provision:

- management
    - provision of assets
    - operation of assets
    - customer service, billing etc

# Division of responsibility - III

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## ■ Principles:

- conflict resolution and protection of public goods are public (ie, political) functions
- policy and regulation inappropriate to be done by private interests
- regulation calls for impartial, non-political application of rules
- price fixing a political or an independent function?
- Separate environmental and economic regulation because consumers are polluters!
- Enforcement of drinking water standards?
- Economic regulation demanded by monopoly

## ■ “Privatisation” or “Re-regulation”?

# Some grand questions

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- Is international water policy a Western cultural paradigm?
- Will it be politically explosive if it is not applied with care and finesse?