Can Water Marketing Prevent a Crisis?

(An Analysis of the Proposed National Water Resources Policy
In Sri Lanka)

Movement for National Land and Agricultural Reform (MONLAR)

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A response to Mr. V.K. Nanayakkara.
Secretary to the Prime Minister

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Cabinet approval has been given to a new "National Water Resources Policy and Institutional Arrangements" on March 28, 2000. Public has not yet been officially informed of this policy, its content and the intentions.

Mr. V.K. Nanayakkara, Secretary to the Prime Minister, in his article "Water Entitlements: The looming crisis and learning the lessons "published in the Daily News (Dec8), The Island (Dec 12) and The Sunday Observer during this month has mentioned the existence of this policy and has stressed on the need for an enlightened debate and constructive criticism.

The issue of water conservation and the crisis that is emerging as a result of insufficient attention given to proper management, conservation, prevention of depletion and massive pollution are of crucial importance to lives and livelihoods of millions of people of present and future and the very survival of nature.

The policy document says that those who were responsible for formulating this policy had worked on it for over four years, since the last quarter of 1996. But with no effort to inform the people and get their views.

The Objectives of the proposed Policy

The "National Water Resources Policy and the Institutional Arrangements" to which Cabinet approval has been given states the need to have such a policy.

"A number of warning signs point to increasing water resources problems in Sri Lanka. Competition and water shortages will increase as a result of highly variable rainfall and growing demand for water, watersheds are being degraded, resulting in sedimentation of reservoirs and more serious floods and droughts. Water pollution from domestic, agricultural and industrial sources is contaminating surface and groundwater and effecting public health. Groundwater is being over extracted in some areas, effecting the availability of water for others and for environmental values."

Therefore the policy objectives have been formulated as follows,

"The objectives of water resources management are to ensure the use of water resources in an effective, efficient and equitable manner, consistent with the social, economic and environmental needs of present and future generations."
There are further objectives listed, as follows:

- Facilitate national development.
- Conserve, and recognize the value of scarce water resources.
- Ensure equitable sharing of water resources for meeting current and future demands of the population through an efficient allocation system.

- Recognize the national importance of water allocation to the irrigation sector in terms of such things as the amount of water allocated, number of users and potential for improved water conservation.
- Ensure flexibility of water allocation in a way, which promotes social harmony and individual decision-making.
- Safeguard investments in water resources development and other sectors of the economy by providing water rights and entitlements.
- Improve standards in the maintenance of safe quality of water sources required for various water uses.
- Ensure a healthy environment and sustainable use of surface and groundwater resources using a comprehensive, river basin approach.

The approach suggested by the "Policy and Institutional Arrangements"

What is proposed is for the State to become the "owner" of all water including ground water and brackish water, except seawater. A National Water Resources Authority (NWRA), a Water Resources Council (WRC) and a Water Resource Tribunal (WRT) would be set up, having a strong and authoritative position in Government, reporting directly to the Chief Executive (President of Sri Lanka).

The NWRA will prepare policy and will have the power of water allocation through issuing of water entitlements. The NWRA will also be responsible for long term national and river basin planning. These bodies will be responsible for coordination, planning, regulation and monitoring national water resources. They will have higher level of authority than other national water agencies.

The system of granting "water entitlements" clearly aims at "pricing" of all water. It is said that right to use water will be granted through water entitlements. Although it is stated that small scale users and individual water users supplied through group schemes will be exempt from the requirement to hold an entitlement, there are other ways included in the policy and strategy of implementation that will compel these small scale users to pay for their water and these costs are bound to be very high. For instance the small farmers who are now using irrigation would be formed into Farmer Companies and it is said that these in the long term (once they are formed) would be the entitlement holders on behalf of the individual small farmers. Thus the farmer companies will come under scheme of water resource management cost sharing.

The farmer companies in turn will have to develop ways of water allocation among individual farmers who will have to share costs

The entire process envisaged is to encourage individual farmers to adopt "high value" crops and also encourage small-scale individual farmers to sell their water rights or "individual entitlements". The net result expected becomes clear when one looks at the World Bank's policy recommendations made in the "Non Plantation Sector Policy Alternatives" Report presented to the Government of Sri Lanka in March 1996. In this policy recommendation it is said that non plantation sector agriculture will not grow unless agriculture is shifted from the present type of low value crops, such as paddy and other domestic food crops to high value crops, meaning mainly export crops.

It also says that the present types of small farmers are unwilling to give up paddy and other food crops. Therefore, they must be encouraged to sell their land and move out of agricultural livelihoods. According to this report one of the main reasons for these farmers' unwillingness to give up paddy and to remain in agriculture is the fact that water /irrigation is given to them free.

Then, this report clearly says that "water is a commodity" and therefore it should be "marketed". "Marketing of water should be done by the private sector and not by the Government". For this purpose it is recommended that water property rights should be established. The intention becomes even clearer when the World Bank says that one of the main problems of lack of growth in this sector is due to the absence of a "free land market in the rural agricultural sector". Therefore the Government is advised to take immediate measures to create a "Free Land Market".

It was in obedience to this recommendation that the government carried out a very rapid process of granting the settler farmers land titles under the "Swarna Bhoomi" scheme in 1996 enabling 1.2 million small farmers land titles enabling them to legally transfer their land ownership.

Formation of "Farmer Companies" was another move recommended by the National Development Council in 1997, proposing to link small farmers with big companies at national and international level as a means of getting small farmers to become "contract farmers under big companies, producing the type of crops that these companies wanted for export markets. These were the high value crops that the World Bank wanted to promote.
It is useful to mention at this point that the National Development Council (NDC) was a body set up to workout economic policies that the WB wanted and it was led by strong proponents of WB policies, such as Dr. Lal Jayawardane, A.S.Jayawardane and some leaders of the private sector.

The Report of the World Commission on Water for the 21st Century, recommends, "Marketing of water with full cost pricing" as their "single most important recommendation". This is said to be the only effective way of attracting the private sector to invest in water.
The World Commission feels that the huge investment needed for the water conservation and management that the world needs, to avoid future water crisis must almost entirely come from the private sector.

Big Transnational Companies like "Monsanto" has already decided that there is going to be a "world water crisis in the future. Since water is essential for human life they have already begun to initiate a "water business throughout the world".

The other facts needed to understand the complete picture of the envisaged process are the following:

The World Trade Organization (WTO) is in the process of including other important areas into their Trade Agreements. There is a massive effort throughout the world to get "water declared a commodity". At the meeting in November 1999 of the WTO Ministers in Seattle (which was successfully prevented by people through out the world opposing it) there was an attempt to introduce the GATS (General Agreement on Trade in Services) that would have included "water services" too.

Already big foreign private companies are being invited to undertake water services such as "urban water supplies" in Sri Lanka and many other countries.

At the previous WTO Ministerial Meeting there was an attempt to introduce a "Multi-lateral Agreement on Investment (MAI)" which aimed at getting the possibility for any foreign investor to go into any country and undertake any kind of business venture and have the right to be treated equally as any local citizen of that country. If this Agreement could have been pushed through no national Government, that is a member of WTO, would have any authority to decide whether any foreign company should or should not be allowed to start "Water Businesses" and have access to the water resources in that country to make profits. This move again was prevented by many of the weaker governments opposing it and due to strong opposition by the people of the world who understood the tremendous destruction that would have caused to the poor of the world.

If one puts these facts and calculations together, it becomes very easy to see that the entire process that is proposed for "Water Pricing" and "Water Marketing" is for a very different purpose than the valid objectives that are given in the proposed National Water Policy in Sri Lanka and in the "World Water Vision" that the World Water Commission has formulated.

Pricing of water in all other sectors too

The necessity to pay very high prices for water will also apply to other individual small-scale water users, such as the domestic consumers in urban areas, since the activity of urban water supplies will be transferred to private companies. Such companies would be invited to obtain "bulk entitlements". The process of inviting private companies for urban water supplies has already started in Sri Lanka.
This concept is clearly and strongly emphasized in the Sri Lanka policy since the entire approach to conservation is based on "pricing of water" It is said that pricing would lead to prevention of waste and diverting the allocation from "low value uses" to "high value uses". This in the hands of the private sector would mean the use of pricing mechanisms to divert water away from those who can pay less (the poor) to those who can pay more (the rich)., This includes the wasteful consumers who can pay higher prices. They can also be the worst polluters of water in a poor country such as Sri Lanka since we are so dependent on the high prices they appear to pay.

Any honest look at the wasteful consumption patterns, and the massive processes of pollution in the world today, would show that it is the rich, who can pay higher prices, who are doing this and depriving the poorer people of their most essential needs, since they can not afford to pay the prices fixed by the profit makers. It is a known fact that 80 percent of the world's natural resources are being consumed and controlled by the rich 20 percent of the world's population, in a very wasteful and unsustainable manner, as the allocations are based on this principle of market deciding on the prices.

The so-called "World Water Vision for the 21st Century" formulated by the World Commission is to absorb water into this "profit makers' and 'wasteful consumers' domain". We have already done this in some very important, key areas such as "food" "health" and "education" and many other essential services and resources that should not have been given entirely in to the hands of the private profit makers. The tremendous injustice, the threat to survival of many who are poor and the un-sustainability is very visible.

Cost of Infrastructure in water measuring

Let us now look at two other very important issues that would arise. It is stated under "Water Saving Technology" in the policy document that water-measuring devices will be required as a condition for water entitlements. It is obvious that water-measuring arrangements will have to be made at all levels. A private company obtaining a bulk entitlement either for supply of water to individual household or any other small scale consumers or to any individual small scale farmer will have to have arrangements to measure water delivered up to the very last point of consumption. This can only be done using one of two ways. One is to have cemented channels with sluices for measuring water up to each of the farm plots. The other is to have piped water with meters fixed at various points up to the last point of delivery.

We wonder if the planners of this policy and institutional arrangements made any attempt to make an assessment of the infrastructure costs that this would demand. We find it almost impossible to imagine the huge infrastructure cost.

It is already admitted, in this document that the private sector bulk water users or private sector investors in water would not be willing to bear this kind of infrastructure costs, unless they could recover their investments with considerable profit margins. (The example given in the document is the case of the attempt made to provide additional water requirements to the Katunayake Export Processing Zone from Maha Oya in Chilaw by the Negambo Municipal Council)

This has also been proved in all other infrastructure development projects of massive scale undertaken by the Government during the last two decades, precisely to attract foreign investors, such as the Mahaweli Diversion, the proposed super Highways, the Air Port, Harbor and electricity, roads and other infrastructure expansion projects of the recent times.

The four super highways and the proposed "Ruhunupura Mega city proposed, a few years ago, to be built in Hambantota to compete with Singapore were initially planned to be built with private sector investments. Now the Government has realized that no private investments would come for these and therefore the Highways to be completed within the next 3 to 5 years will be done by the Government taking loans from the ADB and other sources and the mega city project is now not much spoken about. The infrastructure costs for this proposed water measuring and pricing of water is likely to cost even more.

The water policy makers in Sri Lanka and the World Commission "water visionaries" are not totally unaware of the reality that the poor millions of people will not be able to pay such high costs. Therefore it is proposed in the World Commission that while "full cost pricing" is done to assure the profits of the private investors, the governments must undertake the role of subsidizing the poor to be able to pay for the water. They also say that the level of subsidies will depend on the abilities of each government. This mechanism for transferring public funds to the private sector may be workable in richer countries.

We know very well how insufficient and inefficient these "safety nets" have been in meeting the minimum requirements of the poor in Sri Lanka and most other poor countries.

Therefore, it is very clear that this entire venture that claims to achieve efficiency (including economic efficiency), sustainable management and equitable distribution would be prohibitively costly and totally uneconomical for a country such as Sri Lanka. In Sri Lanka there are such large numbers of poor for whom water is essential for survival will simply not have water, since they cannot pay these massive costs and the government obviously will not be able to sufficiently subsidize their essential water needs. The above infrastructure, therefore, will be more for preventing such people having access to water rather than for conservation and equitable distribution.

Ecological Implications of profit motivated water management

The second, more serious issue is its ecological implications. . The policy claims to be for conservation, efficient and environmentally friendly management and use of water. The approach proposed would isolate water almost entirely from the eco- system, cementing of channels and or channeling of water in pipes almost through out the country, would mean that they would use the most effective ways of preventing or minimizing water from linking up with the rest of environment. This is unlikely to lead to a process of managing water in harmony with nature.

It is a real tragedy and an unimaginable disaster that such an approach has been proposed in a country that can claim to have made one of the most valuable contributions in the history of human civilization in its many centuries of development of eco-irrigation.

Isn't it really surprising that the process of formulation of this policy that seems to have been done over several years, does not make any reference to the wisdom that was available in the ancient history of irrigation in Sri Lanka, so strongly rooted in the ecological considerations of water conservation and water management. It is obvious that this expertise and knowledge that is available and so well documented by our own engineers such as D.L.O. Mendis and eminent authorities like Brohier have not been consulted. The policy proposals lack the very simple understanding that the most efficient and the only sustainable way of conserving water is by allowing it to function in its relationship with the rest of nature. This in the market would be considered wastage.

Can "Pricing of Water" and "Water Marketing" be an efficient way of Water Conservation and Water Marketing?

With the history of experience and knowledge mentioned above, let us look at the non-market approaches available for water conservation and management.

There are two forms in which water is retained in nature. These forms are sometimes named as "Blue Water" and "Green Water". Blue water is the water that is available in the rains, lakes, rivers, reservoirs, seas and water storage underground. Green water is the water stored in trees, forests, in soils by the roots etc.

The entire approach based on "pricing of water" or "water marketing" leads to a process of taking water out of its natural links with the eco system to be sold to water users. It does not give value to the water that is retained in the soil, the trees, the forests etc. It will encourage the small farmer to allow less water to the surroundings, reduce seepage into the soil.

The channels would be cemented to prevent water from being absorbed by the surrounding soils, trees and animals, legal measures would be adopted to prevent village farmers from taking out a little of this water from the flowing channels or lakes to their farm plots.

Whether this would lead to a net saving of water or a reduction in the water saving capacity needs to be studied seriously.

If we look at the net result of this on the capacity of the environment to retain water, the ability of an eco-system rich in trees, vegetation and forest cover to conserve and purify water and to reduce erosion and rapid drainage, the extraction of water for marketing may not be an efficient way of water management. In fact it can even be disastrous. When there is a plenty of forest cover, an abundance of trees, when the topsoil is not washed away and depleted by erosion much water is retained.

This is to say that ordinary people, the small farmers and peasants who are compelled by the present market conditions to live on what is given to them by nature are far more capable of undertaking much better forms of water conservation, of preventing water pollution, by undertaking low cost, more efficient and productive forms of natural, non chemical farming. Such processes of ecological agriculture, agro forestry, soil conservation adopted in the organic farming approaches from the very small scale up to bigger scale systemic approaches to conservation farming could finally become a very effective approach in flood and drought prevention too.

Diversion of water into other uses and the objective of National Development

The Policy document gives much emphasis to the need to look at the multiple uses of water. While saying that irrigation as a particular sector needs emphasis and it should be given due importance the document also says that at present irrigation takes away 90 to 95 percent of the water resources. It also says that much of the irrigated agriculture today is in producing low value crops. The areas where new and increased water allocation is required mentioned are in industrial uses, urban water supplies, and hydropower generation and in recreational uses such as in tourism. These allocations and diversions will be done according to the objectives of "national development", as seen by the government. When the Government becomes the "owner" of all water, it will have the full powers of doing so.

These multiplicities of uses have to be taken into consideration. However, serious questions have arisen today about the strategies that the governments are adopting towards "national development" and about the manner in which natural resources are being allocated for these purposes.

In industry the needs identified in the policy document are the requirements of the Export Processing Zones that the government intends to set up in all parts of the country in addition to what we already have. These zones are to attract foreign investments for industries such as export oriented garments. In order to promote this type of industrialization during the last 23 years (from 1977) we have allocated tremendous resources in the form of infrastructure development, building of the Air Port, Greater Colombo Development, the harbor, telecommunications, roads etc.

Now we are in the process of building 4 super highways and other infrastructure in various areas, we have also had to keep "labor cheap" to be competitive with other countries, which could only be done by suppressing labor rights. Even with these tremendous concessions and sacrifices we have not been able to attract sufficient foreign investors to help us in the much dreamt of "take off" to become a newly industrialized country. Instead we have kept on increasing the tax holiday periods from the 5 years in 1977 in the FTZs up to 20 years now in any part of the country. This means that we are not getting any returns so far to compensate for the huge costs that we have incurred.

Now the proposal is to make an allocation of a big share of the "scarce natural resource" water, taking it away from the life requirements of the poorer users. Will this dream of making Sri Lanka the "biggest financial and trade center in South Asia" as stated by President Chandrika or "the Golden Gate to Asia" as stated by the leader of opposition Ranil Wickramasinghe ever succeed. The Dream of J.R.Jayawardane since 1977 of making Sri Lanka "another Singapore" was the same and we know that people have made tremendous sacrifices for these dreams that failed.

The point that we are making is that there should be careful thinking before we agree that the government should be the sole owner and the only decision maker on water allocation, considering the fact that the Governments now are no longer the right guardians of the national and the natural resources that all living creatures need.

Better alternatives to meet the real needs

We do not intend to limit this debate to a mere criticism of the proposed policy or to a voicing of protest, fears and suspicions. Our objections to the present proposals are much more based on the fact that there are much more practical, economically efficient, and viable, socially just and equitable and also environmentally sound alternative approaches to deal with the very real needs mentioned in the policy objectives.

The government's effort to build thermal power stations, promote export oriented crop productions such as gherkin, tobacco etc. which are highly dependent on chemical inputs, the complete free hand given to agro chemical companies to promote poisonous pesticides and unrestricted promotion of chemical fertilizers shows that the government is totally incapable of or unwilling to be the true guardian of water resources from agricultural and industrial pollution.

The experiences in the recent accelerated building of Mahaweli reservoirs resulting in rapid sedimentation, the sale of plantations and parts of the hill country to companies not willing to undertake any approaches in preventing soil erosion, the attraction of agribusiness companies for environmentally damaging crops such as sugar cane, cutting away the forests and removing the more sustainable types of traditional agriculture, the unrestricted promotion of chemical agriculture neglecting the very easy, cheap and profitable ways of adopting and promoting less chemically dependent methods, are sufficient examples to show that the governments today cannot be trusted to have a real concern for protection and conservation of water for present and future generations.

This was proved when the people of Eppawela went to courts to protect their natural resources and environment from the Government's attempt to sell it for rapid, destructive exploitation The major issue that arose was about the right of the government to sell this against the long-term interest of the people. The Court gave a decision that the people and not the Government was the owner of this natural resource.

The right of the farmers to own the irrigation tanks and reservoirs is based on the fact that they built them and protected and maintained them for centuries and handed their ownership rights to their next generations. They also have the right of ownership to the water resources since even today they are far more capable of conserving water in harmony with nature if they are properly guided in sustainable approaches. Water conservation in harmony with nature is quite a different activity from water conservation, using market mechanisms.

A large scale mobilization of people in conservation farming, ecological farming starting at the level of small scale organic home gardens to bigger scale conservation approaches, methods of re-foresting watersheds and catchments etc. may be more effective and far less costly.

There are also methods of paddy farming that are now being tried out by several innovative farmers where the use of water could be reduced by about 50% or more, still getting a harvest of more than twice the present average yields. This method discovered and applied successfully in Madagascar is called System of Rice Intensification (SRI).

The World Commission for Water in the 21st Century Report begins with the following words.

"Water is life, every human being, now and in the future, should have access to save water for drinking, appropriate sanitations, and enough food and energy at reasonable cost providing adequate water to meet these basic needs must be done in an equitable manner that works in harmony with nature. For water in the basic of all living ecosystems and habitats and part of an immutable hydrological circle that must be respected if the development of humans activity and well being is to be sustainable."

However the processes suggested both in the World Water Commission report as well as in the "National Water Policy and Institutional arrangements" in Sri Lanka are in fundamental violation of the above vision when they both propose that water should be converted in a "commodity" with "full cost pricing" in order to allow the private sector to utilize and manage (control) water for their profits.

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