

The EU and WTO /GATS Negotiations on water services liberalisation

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Overseas Development Institute
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€49,884
- **Countries/ Regions Covered:**
Senegal, South Africa and Mexico

Background and Objectives of the Commissioned Study

This report presents the results of a research study on the key relationships between the European Union's development policies, under the EU's Water Initiative, to provide equitable access of water services for the poor, and the EU's position to promote foreign private sector participation in the provision of water services in developing countries in the context of the GATS. This report then considers whether the 'pro-trade' and 'pro-development' objectives of EU policy in relation to the water sector are consistent and coherent.

Research Methodology

- Analysis of the case study countries: Senegal, Mexico and South Africa to examine the impact of private sector participation and the role of the GATS in the water sector and, in particular, the extent to which poorer groups have secured equitable access to water services as a result.
- Analysis of GATS commitments in the water services sector.
- Implication of developing countries promotion of private sector participation in the provision of water services to examine possible conflicts between equity and public service goals and efficiency and profit objectives.

Research Findings

- The pro-trade "versus" pro-development debate is reflected in relation to the challenge of how to remedy the deficiencies in water services in developing countries. Substantial investment in water services particularly from the private sector is necessary if the service gaps in developing countries are to be filled. However public benefits mean water management should remain under the authority of government utilities.
- Partnership between public, private and civil society actors is one of the most adequate ways to ensure improved efficiency and effectiveness of water management as long as they are equitable, transparent and safeguard consumers and investors interests.
- The debate should not revolve on whether privatisation is, or is not, good in the abstract, but rather on how the transfer of ownership or operation from public to private entities can guarantee the protection of health, welfare and livelihood benefits associated with water services.
- A key element of the EU's negotiating position is reclassification of 'environmental services' under which 'water for human use and waste water management' would become a new GATS sub-sector. There has, however, been little systematic consideration of how the inclusion of water services under the GATS

In cooperation with



might affect the achievement of development goals in the water sector, including the MDGs of extending and improving access to water services of the world's poor people.

- Only 34 out of the 147 WTO members have made commitments in their sewage and sanitation services under GATS. This reflects the wishes of governments to retain policy discretion in areas which are considered to be core public sector responsibilities.

Main Conclusions

- Public authorities need to ensure that adequate regulation is in place before opening up water services to PSP, including to foreign access under GATS.

- Countries that are considering market access and national treatments disciplines of the GATS should carefully assess their regulatory regime and the implications of market access and national treatment on it and should, when scheduling limitations on their commitments, also consider their need for future regulatory flexibility.

- The EU needs to be sensitive to the local context of developing countries including the social and political environment for which they ask to make commitments under GATS

- The liberalisation of water services needs to be approached with more care due to the social and political sensitivities. The characteristics of the water sector makes it significantly different from other sectors such as finance and banking.

- GATS presents a considerable capacity challenge for developing countries where negotiating or regulatory capacity is lacking, it is important that developed countries make available technical assistance to help build that capacity. Technical assistance and advice should when provided should be impartial.

- Countries that make commitments under GATS should provide limitations for market access and National treatment in terms which are clear and effective for that purpose to formulate the formal commitment they require.

- GATS rules are still under discussion - with uncertainties as to how they will be interpreted and applied. Finalising of GATS rules would assist countries in making commitments.

For further information on this research project, please visit:

EC-PREP website: www.ec-prep.org

ODI website: www.odi.org.uk

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EC-PREP is supported by the UK Department for International Development (DFID). In 2001, DFID, in collaboration with the European Commission, launched the European Community's Poverty Reduction Effectiveness Programme (EC-PREP). The main objective of this research initiative is to produce findings and policy recommendations that support and contribute to improving the European Community's effectiveness in attaining poverty reduction targets via its external assistance programmes. The programme has funded 13 Research Projects and 10 Commissioned Studies, which relate to one or more of the six focal areas of EC's development policy. More information about the research funded by EC-PREP can be found on www.ec-prep.org.