RENMUN XI

REJUVENATION

March 14-15th, 2026

Chair Report 2

ECOSOC

Evaluating the State and Socioeconomic Effects of Water Privatisation in Developing Countries

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Chair Introduction

Dear delegates,

Welcome to ECOSOC at RENMUN XI! We are Todd and Karson, a G11/Y12 student at ISF and a G10/Y11 student at Sha Tin College respectively, and we will be your chairs for this council.

As one of the six principal organs of the United Nations, the Economic and Social Council was established in 1945 by the UN Charter and serves to address international economic, social and environmental issues. ECOSOC aims to advance sustainable development across its three dimensions through policy recommendations to member states and coordinating global efforts.

Please be reminded that this chair report should serve as a starting point for research, and is by no means conclusive. Delegates are encouraged to conduct further research on their country's involvement with the topics.

Finally, please do not hesitate to contact us if you have any questions about the topics or procedure. We hope this conference will be a fruitful experience for you, and best of luck with your preparations. See you all in March!

Warm regards,
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Topic Introduction

SDG target 6.1 seeks to "achieve universal and equitable access to safe and affordable drinking water for all". To expand water-related infrastructure for universal access, privatisation has become a solution to public financing gaps and inefficient management.

While water privatisation often leads to increased metering, efficiency, and water supply, tariffs also rose sharply. Due to rising water costs, many households in developing countries are unable to afford adequate water. Furthermore, private companies tend to prioritise profitable areas, leaving rural areas without a proper water supply and forcing them to resort to unclean water sources. As a whole, in many cases of water privatisation, water becomes a commodity, households are economically exploited, and widespread health issues arise from the lack of water or the consumption of unclean water. To this day, a significant portion of people in low- and middle-income countries are still served by private operators, according to the World Bank PPI Database.

However, in recent years, many developing countries are also shifting away from the general notion of water privatisation. Many countries are opting for a different model of water privatisation, using PPPs. Especially given the UN's declaration that the world is entering an era of 'global water bankruptcy', and UN's own somewhat conflicted stance on this issue, the current state of water privatisation must be reevaluated.

To outline, there are two main areas of discussion: how to combat current negative effects, and how water privatisation should be managed moving forward.

Key Terms

Term	Definition
Water privatisation	Water privatisation refers to the transfer of ownership or management of water and sanitation services from the public sector to private entities. Typically, this is not a single or binary action, but usually a spectrum of agreements between governments and businesses.
Public-private partnerships (PPPs)	PPPs, as the name suggests, are agreements between a government and a private entity. These partnerships include legally binding contracts that typically span a long period. A key distinction that should be made in this context is that a PPP does not mean companies have the ownership of water, whereas they are involved in construction or maintaining the relevant systems.
Metering	Metering is the measurement of how much water is consumed by a user, for example, a household. By measuring water consumption, households or other users are billed based on their usage.
Water rates	Water rates are the fees charged by a water utility provider, the primary source of revenue for the providers.
Tariffs	Water tariffs are a part of water rates and they specifically refer to the structured pricing system put in place. While water rates refer to the actual amount being paid, tariffs refer to how that amount is calculated.
Remunicipilisation	Remunicipalisation is the process of transferring water and sanitation services from private ownership back to public-sector management. Often, it represents a shift in government perspective in viewing water as a public good.

International Financial Institutions (IFIs)	With the most common examples being the World Bank and the International Monetary Fund, IFIs are multinational organisations that aim to provide financial support and policy advice on a global scale.
Total cost recovery policy	In the water sector, the total cost recovery policy is a financial practice that ensures all costs involved in water provision are paid by the consumers, instead of being subsidized. Its main objective is to foster long-term financial sustainability.

Background Information

In the 1990s, many developing nations began to experience failures in their state-owned water infrastructure. Governments not only lacked the funds to cover basic operational costs but also the capital to expand capacity to serve growing urban populations.

At the time, the World Bank and the International Monetary Fund (IMF) also started promoting reforms for these developing countries as part of poverty reduction strategies, a notable reform being the involvement of the private sector in water management systems. In a set of principles created in the 1992 International Conference on Water and the Environment in Dublin, the fourth principle established that “water has an economic value in all its competing uses and should be recognised as an economic good”. Not only was water redefined from a public good to an economic good, this also provided justification for large scale water privatisation projects.

Privatisation, thus, served as the optimal solution for countries to develop a functional water system, generating revenue while creating more efficient utilities. For many nations, especially developing ones, this approach was the only viable solution to combat existing financing gaps.

As a result, the world witnessed a surge in countries opting for water privatisation. Between 1991 and 2000, the number of developing countries with PPPs increased from 4 to 38, and from 6 million to 94 million people. By 2007, 160 million of the population received water from private operators, and even large countries such as China and Russia participated to a certain extent. With participation of so many countries, this created incentive for countries in the Global South (with the majority being developing countries at the time) to adopt similar models.

However, by the early and mid-2000s, these partnerships also brought failures and led to high-profile protests. It became apparent that water privatisation, in many cases, came at the expense of increased tariffs. Even the efficiency problems it claimed to fix were not always resolved; many countries saw the same or decreasing accessibility metrics.

One example of such was in South Africa, representing the wider trend in Southern Africa as a whole. After privatisation, the adaptation of the 'total cost recovery' policy meant water users had to pay the full cost of water themselves, which was unaffordable for many households. The implementation of pre-paid meters, devices that cut off water supply immediately after no payment was made, also made water more inaccessible. As a result, over 10 million people were forcibly cut off between 1994 to 2004. This also indirectly led to South Africa's worst cholera outbreak, continuing for over two years and leading to many deaths.

Another example was in Cochabamba, Bolivia, where the Cochabamba Water War occurred. The World Bank had declared its government 'plagued by local corruption' and, in 2002, made it mandatory that privatisation occur in one of its loans from the Major Cities Water and Sewerage Rehabilitation Project. However, the situation did not improve, and water rates increased by 200%. This case of privatisation was met with immense backlash, leading to tens of thousands protesting and resulting in one civilian death, even causing the Bolivian government to declare a 90-day state of emergency. At the end, the private company was replaced, and water was supplied by the government. Bolivia's example served as a turning point in international perception towards water privatisation, creating a precedent for reining in water ownership. In 2010, the United Nations passed resolution 64/292, explicitly declaring water as a human right. Furthermore, many countries cited Bolivia as an inspiration for their own remunicipilisation, notably France in 2010 and Germany in 2013.

In the modern day, while larger-scale, dominant privatisation models have declined, many developing countries still adopt private-sector participation in their water systems, albeit in fragmented forms. Many nations are now opting or starting to facilitate a shift towards PPPs instead of full scale privatisation, if not complete remunicipalisation. Delegates should note that the line between PPPs and full water privatisation is thin, often distinguished by which party has the control or ownership over specific infrastructure. In PPPs, while governments allow private entities to operate certain functions, there is no transfer of ownership or the complete sale of assets. Governments also retain full ownership over water pricing policies.
This shift towards PPPs is particularly apparent in the Middle East and North Africa (MENA) region, where a significant surge in water-related PPPs is seen. The MENA region has many developing countries, and is already home to 12 of the world's 17 most water-stressed countries. Being the region with the highest severity of water

scarcity, approximately 60% of the population lives in areas with high surface water stress and limited access to safe drinking water. According to the ICD-Refinitiv OIC Infrastructure Outlook Report, $110.8 billion is predicted to be needed for water infrastructure projects in the MENA region. In order to bridge this financing gap, many MENA countries are turning to PPPs. Looking outside of the MENA region, there are also many countries who seek PPPs to address their financing gap, in aims of reaching SDG 6.1 by 2030. With the help of private entities, these countries mostly aim to improve or build technologies such as desalination plants, wastewater treatment infrastructure, and transmission pipelines. However, access to water remains limited, and prices remain high. In the aforementioned MENA region, the World Bank has even advocated for water prices to be raised and possibly reducing subsidies, due to the extreme water scarcity situation they face, forcing the region to adopt such harsh measures.

Furthermore, regarding PPPs, this issue is contentious even amongst UN parties. In the UN, stances are conflicted, with some parties promoting PPPs with robust regulation and strong oversight, while others strongly against it. For example, the UN Special Rapporteur on the human rights of water is extremely vocal on how profit-seeking private entities can never be properly managed.

Ultimately, whether in cases with prior high-scale water privatisation, or those pursuing smaller scale PPPs, there are still repercussions and discussion is increasingly needed. Other than rising tariffs, there are also cases of inconsistent coverage and possible consumer exploitation. So, even if developing countries currently undergoing privatisation believe public governance is a more viable option for water management and distribution, such a shift would be gradual and long-term; hence, finding measures to mitigate current repercussions remains a priority is as important as navigating the path forward for water privatisation.

Potential Clashes

Human Rights v. Economic Good

Whether water is treated as a right or a commodity differs across countries and has been a contentious topic. On one hand, nations argue that water is a fundamental human right, as it is a life-sustaining resource that is essential for health and basic dignity. On the other hand, because water is a scarce and vulnerable resource, it might be treated as an economic good to encourage conservation and overall efficiency.

After the UN recognised water as a human right in resolution 64/292, which superseded the Dublin principles, many nations have shifted their governmental policies to retain ultimate responsibility for ensuring water distribution. Yet, there are still some countries that treat water as private property.

For example, Chile's current social system is conflicted between these two perspectives, whilst still employing large-scale privatisation. In 1981, Chile's Water Code established a new system of tradable water rights, allowing the market to allocate water to manage scarcity. However, recently in 2022, Chile underwent reforms that recognised water as a 'national public good', yet did not eliminate the private property nature of water rights. Furthermore, when a referendum aimed to decide whether water should be declared as an 'inalienable common good', it was rejected. As of early 2026, water and sanitation utilities in Chile remain predominantly privatised, with 90% of water rights held by private entities.

On the other hand, an example of public management might be Paris, France. After a century of private management, Paris remunicipalized its services, saving 35 million euros in the first year while lowering water tariffs by 8%. In total, France saw 94 cases of remunicipalisation, and is a prominent example of successful public water utilities ownership.

Government Regulation v. Corporation Freedom

When considering strict government regulations or allowing private entities to have their own freedom, the primary factor to consider is whether private businesses can leverage their freedom for efficiency or whether it will lead to consumer exploitation in hopes for profits. In agreements between governments and firms, the extent of control governments have over them becomes a contentious issue.

On the one hand, governments have an inherent right to protect public welfare. Since firms are motivated solely by profits, government regulations are needed to deter consumer exploitation and protect the general human right to water. For example, regulations are needed to prevent corporations from only providing services to select areas. Often, they only focus on urban neighbourhoods, while neglecting rural areas, as they are less profitable. In these cases, strong regulations are needed to enforce universal service obligations. At the same time, private investors might underinvest in long-term infrastructure, trying to maximise profits in the time of their contracts instead.

On the other hand, enforcing strict regulations may affect private companies' ability to effectively distribute water. There have even been many recorded cases where investors sue national governments if they think their actions directly damaged their investments, for example, new regulations or price caps. Per the International Investment Agreements (IIAs), foreign investors can sue governments on the grounds that they denied “fair and equitable treatment”.

The Role of International Financial Institutions (IFIs)

In the past decades, IFIs such as the World Bank and the IMF have played a key role in guiding countries’ water-related policies. The World Bank in particular was one of the main driving forces behind the surge of water privatisation in the 1980s-1990s, demonstrating the amount of influence these IFIs have.

Looking ahead, the role IFIs play remains to be seen. A point attracting growing attention is the increasing criticism of IFIs' intent, on the grounds that their advised policies have been unfair. In the past, there have been cases where the World Bank has only loaned or granted debt relief on the strict condition of privatisation. The Cochabamba water crisis was a result of this.

Furthermore, it must be noted that IFIs insist on full-cost recovery, meaning setting tariffs to cover all operational costs. While rational from an economic standpoint, this could be unfeasible from a social standpoint, as it ignores the reality that many people in extreme poverty need water and may not be able to afford it. There has also been a growing narrative that a major factor the UN does not strictly oppose PPPs is due to IFIs’ great agreement.

Today, developing countries continue to argue that IFIs are unbalanced in favour of the Global South, failing to give it an adequate voice. UN Secretary-General António Guterres has consistently advocated transforming the world’s international financial system, calling for more balanced voting powers.

Key Stakeholders

Stakeholder	**Involvement with the Issue**
India	India has had a very long history of collaborating

	with private parties in the water sector. In 2002, their National Water Policy tried to expand their water services to urban areas through PPPs. However, the lack of proper regulations makes these partnerships ineffective. Nagpur, which contains one of the most cited cases of a city-wide water privatisation, was an example that showed privatisation does not guarantee efficiency. Tariffs nearly quadrupled yet the city still lost extra money and leakages remained unaddressed. Whilst India's recent Jal Jeevan Mission is an example of India's will to pursue public programmes, it too faces unresolved functionality issues currently.
Phillipines	In the Philippines, affairs surrounding water privatisation primarily focuses around the area Metro Manila. Back in 1977, after facing a severe water crisis in Metro Manila, the government enacted the 1997 Water Crisis Act, a 25-year concession agreement. However, another recent water shortage there led to public protests in 2019, and new deals extended the concession agreement to 2037. In Metro Manila today, privatisation is deeply ingrained in the current system. In regards to expanding coverage, that has been done successfully while improving water quality at the same time. The only persisting problem is that these improvements came at the cost of higher tariffs, which exceeded 500%, raising concerns about affordability in 2025. Currently, the Philippines has been working to reverse privatisation in other areas, as well as attempting to enforce stricter accountability systems.
South Africa	In South Africa, there is a constitutional commitment to water as a human right. In fact,

	they have done so since 1996, being a pioneer in this aspect. From the 1990s to now, South Africa has maintained a strict anti-privatisation stance, where the word 'privatisation' is even seen as negative and highly politicized. When PPPs on a small level were implemented, the political backlash was immense due to raised tariffs. The fact remains, however, that South Africa still faces a water governance crisis. In the 2018 Cape Town drought crisis, the city explicitly rejected water privatisation and maintained its public management strategy. Still, its infrastructure is not up to date and there are many leakages, leading to non-revenue water.
China	Before China underwent water system reforms, their services were chronically underinvested and overall service was lacking. In the 1990s, to meet rising demand and resolve existing issues, China began allowing an extent of private participation. Although many of these agreements were experimental and sometimes bought back, they served as a precedent for China to allow non-state capital into projects. In 2002, the Chinese government officially opened water utilities to domestic and foreign investors, along with other public utility systems. At that time, China had over 300 water supply and wastewater projects with private involvement. By 2007, over 30% of medium and large water utilities had an extent of private participation. Even though private involvement is significant in China's water sector, the Chinese government has consistently exercised strict oversight and set policies on tariffs and service standards, as well as focussing on mixed involvement rather

	than full privatisation.

Possible Solutions

On this topic, the exact solution will vary from nation to nation. Generally, the whole world is increasingly critical of water privatisation. That being said, there are still countries that are firm believers in letting water be governed by market forces. Nonetheless, any instances of large remunicipilisation or privatisation take a long period of time, hence solutions should still have a focus on mitigating the negative effects of privatisation in developing countries.

Rising Tariffs

The most prominent consequences are rising tariffs, bringing severe economic repercussions and social backlash. One possible solution to rising tariffs could be tariff freezes, usually used in more desperate cases such as when protests are ongoing. By engaging in more forceful negotiations with private companies, they try to enforce a temporary tariff freeze so that water becomes more affordable.

In less severe cases, where nations are only aiming to control water prices over a sustained period of time, having a better tariff design might also help. As an example, this was done in Cape Town, adjusting the cost model to stabilise prices despite rising infrastructure costs.

In implementing new systems, sequenced tariff reforms can control prices. This refers to changing the prices last and implementing changes first. Depending on priority levels from each government, subsidies could also be considered. While subsidies ensure that the final price paid by consumers is lower, the water tariff rate itself might still be high and it must be noted that this money might be relocated from other projects. At the same time, aiming for more transparent governance and increasing capacity to manage PPP contracts also ensures partnerships focus on public gain over private profit. Such public oversight could include having performance targets for investors, having clearer and regulated finances, as well as having a stronger accountability system.

Shifting from Extensive Privatisation

In regards to possible remunicipalisation, it is usually facilitated through contract non-renewable upon its expiry. Early termination, such as early buyouts, are extremely costly and depend on specific laws of the country. However, they might be worth it as long-term costs of privatisation sometimes outweigh this. According to Greenwich's Public Services International Research Unit, contractual termination to end water privatisation occurred more than cases of non-renewal.

To ensure a smooth transition between ownership, countries have to undergo careful planning and avoid financial instability. Possible ways to do this include citizen participation to ensure community needs are met. In Naples, Italy, a national referendum was held to pave the way for remunicipalisation.

Past Actions

Regarding the accessible distribution of clean water as a whole, the UN has appointed a Special Rapporteur on the human rights to water and sanitation. Since

2020, Pedro Arrojo-Aguda has been Special Rapporteur, monitoring and reporting conditions in different countries as well as offering expert advice. Furthermore, to prevent underprivileged communities from being unable to access water, the UN has sometimes mandated community participation.

Intervention from the UN is often limited to analysis and advice, unless there are extreme cases. One such case, however, was Iraq in 2004. Due to the extreme case of severe opposition from Iraqis and UN experts, the UN rejected a forced privatisation model and worked towards rehabilitating water systems to work on a public utility model instead.

Specifically regarding PPPs, the UN has a somewhat conflicted stance. There is a spectrum of PPPs, and also a spectrum of opinions. On one hand, there exist UN entities and voices that promote the use of PPPs as long as consumer rights are protected, viewing them as a tool that can be leveraged. The UN Economic Commission for Europe, for example, runs a project titled 'Policy framework for an international standard on PPPs for water supply and sanitation'. On the other hand, the Special Rapporteur argues that the act of allowing a profit-seeking entity to have control is a violation of human rights. In recent years, related criticism has significantly increased and in 2026 the UN is mainly against PPPs, unless such PPPs are small-scale, heavily regulated, and confined to specific areas.

Guiding Questions

- What is your country's history with water management and distribution? Has it been successful, or have there been significant shortage events?
- What is your country's biggest challenge to proper water management, such as accessibility, leakages, and prices?
- Is part of your country's water currently privatised? Have they been before?
- What is your current progress, and your country's plans to meet SDG 6.1? Do they involve water privatisation/PPPs?
- Does your country believe that collaboration with the private sector can boost efficiency and progress?

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