

Muddied waters

Business Standard / New Delhi November 10, 2006

The conclusions of the UNDP's latest Human Development Report are unassailable and so governments would do well to implement the suggestions made on investing more in water and sanitation facilities. These are the primary sources of most diseases in the world, and therefore of poverty. After all, waterborne diseases reduce the capacity to work and this affects the poor the most. The report says 1.8 million children die every year across the globe from diarrhoea, which could be prevented by access to a clean glass of water and a toilet; 443 million school days are lost due to water-related illnesses and almost half the population in developing countries suffer from health problems related to either water or lack of sanitation. And while the HDR estimates that the cost of this exercise will be \$10 billion a year, this is less than five days worth of annual global military spending and, ironically, less than half of what rich countries spend each year on mineral water.

But having got the broad message, it is important to distil the essence of it. As Finance Minister P Chidambaram told Planning Commission Deputy Chairman Montek Singh Ahluwalia when the latter recommended relaxing fiscal prudence to spend more on social sectors like water and sanitation, you don't fix a leaky pipe by pumping more water into it. With large sections of the population not even getting piped water in the country, it is clear the huge subsidies in the sector really accrue to the more well off, while the poor spend more on water, in both absolute and relative terms. Given the huge leakages in the distribution system, it should be equally obvious that the solution lies in better management of existing resources. Yet, as seen in the case of the Delhi Jal Board, politicians spend a huge time trying to get more water from other states, but buckled under pressure from the anti-privatisation lobby when it came to handing out contracts to actually fix the board's chronic mismanagement.

The same applies to other areas of social sector spending as well. As the Pratham report showed some months ago, most government spending on education is wasted since the results are abysmal. There are enough other studies showing how the private sector delivers better results than the government sector at a fraction of the cost. Yet, attempts to move to government-funded coupons and abolition of government schools have floundered since teachers are a strong vote bank.

India has been spending around 3.5 per cent of its GDP on education each year (the target is to raise this to 6 per cent) but in the last ten years, literacy levels have increased just 10 percentage points. As for public health, you don't even need to make international comparisons to see how bad things are. Private spending on health, even by the poor, is three times as large as public spending—a clear indicator of what kind of service the government is delivering.

In other words, the central message of the report is more reforms. The poor have not been served by the kind of social spending in developing countries. What seems like capitalist solutions—like privatisation—have delivered better results. The key challenge then is to sell this concept, not just to the country's people, but to its politicians.