



PRIVATIZATION OF THE WATER SECTOR – ISRAEL'S EXPERIENCE

A Presentation for the Third Rosenberg
International Forum on Water Policy

Presented by: Sion Cohen
Engineering Vice President



Topics

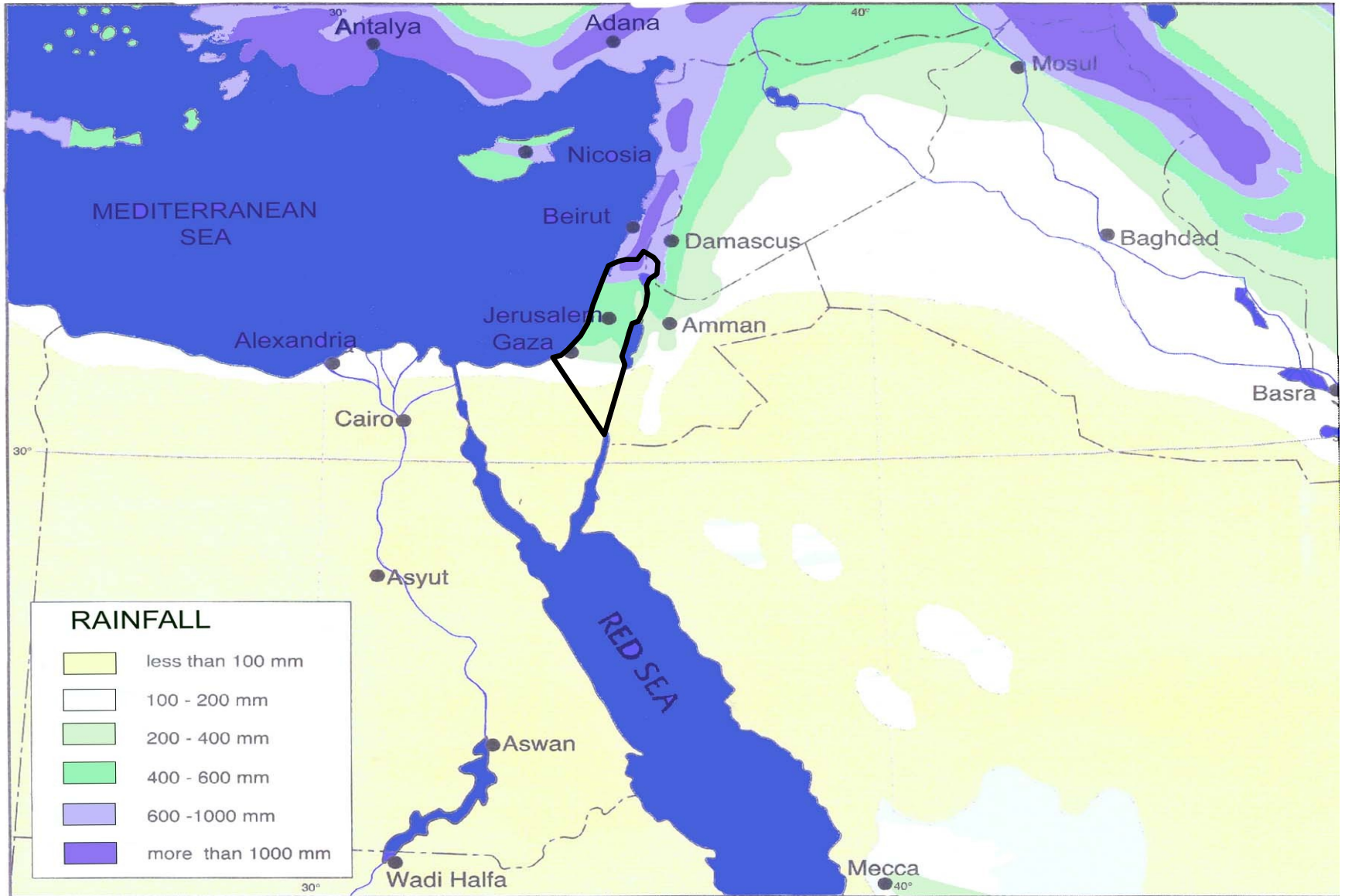
- **Initial conditions**
- **Israel's Water Strategy**
- **Israel's Privatization Policy**
- **Privatizing the National Water Co.**
- **Conclusions**



Initial Conditions

- **Israel – a country in the making.**
- **Israel – an island in the Middle East, surrounded by diverse cultures without common infrastructures.**
- **Ongoing massive immigration.**
- **Limited water resources.**

The Desert Strip in the Middle-East



Israel's Overall Strategy

- **Establishing a developed country that would attract Jews from all over the world.**
- **This goal required:**
land, water and electricity.
- **Water was the “potion of life” and as such, it is public property.**

Israel's Water Strategy

- The amount of water supplied as in developed countries.
- Uniform water price for the various sectors.
- High water supply reliability.
- Water quality to be on par with developed nations.
- Central control of water supply in times of emergency.



Water Demands in Israel Past, Present and Future

| No. | Consumer | Water consumption in 1989 [Mm ³] | Water consumption in 2002 [Mm ³] | Water consumption in 2020 [Mm ³] |
|-----|--------------|--|--|--|
| 1 | Urban | 500 | 707 | 1,120 |
| 2 | Agricultural | 1,236 | 1,021 | 1,150* |
| 3 | Industrial | 114 | 118 | 210 |
| 4 | Total | 1,850 | 1,846 | 2,480 |

| | | | | |
|---|------------|-----------|-----------|-----------|
| 5 | Population | 4,800,000 | 6,400,000 | 8,600,000 |
|---|------------|-----------|-----------|-----------|

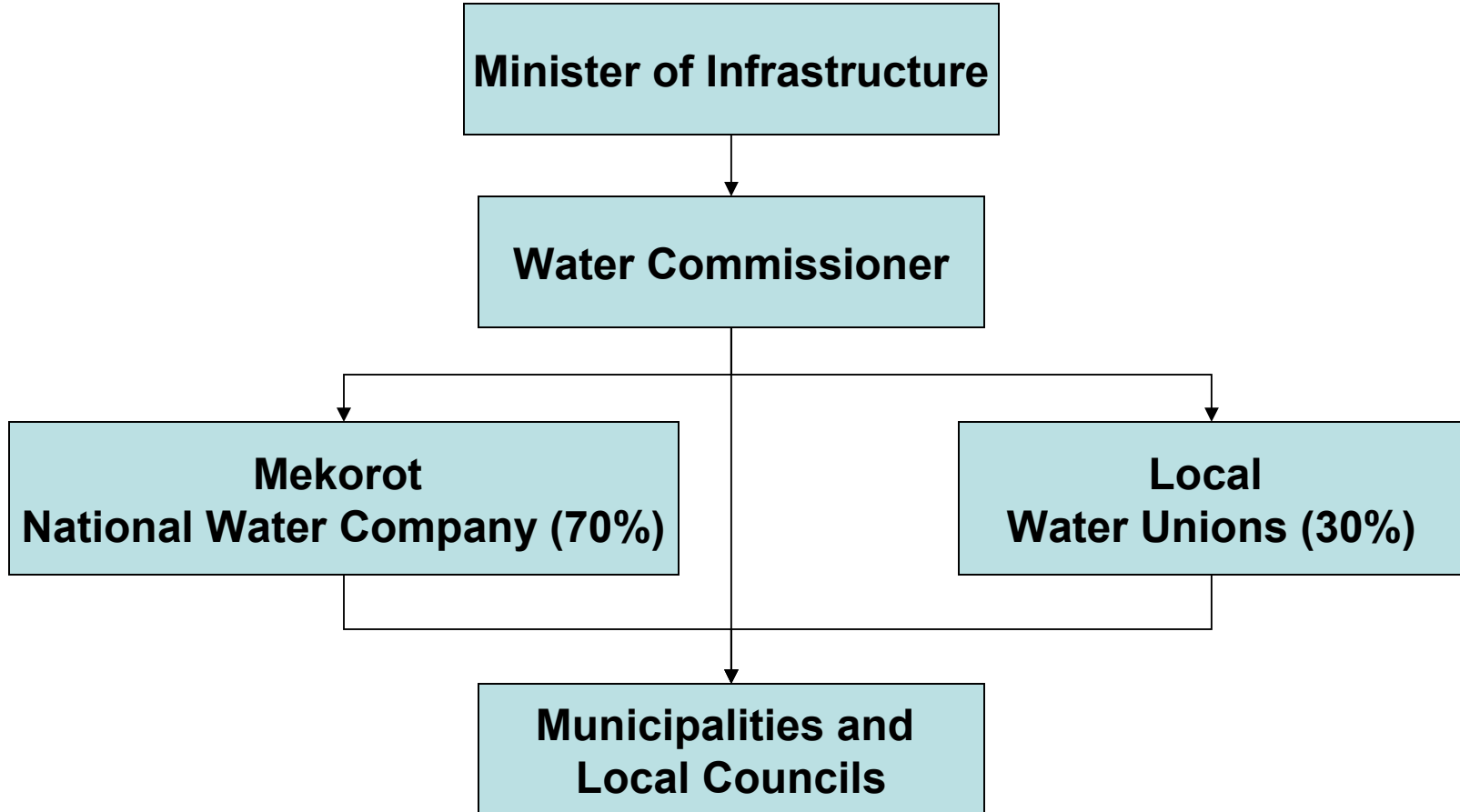
**includes 600 Mm³ reclaimed water*

National Water Network





The Water Sector Organization





Mekorot's Company Mission

- Supplying water to our customers in quality and quantity according to standards accepted in Developed Countries.
- Developing new water sources and systems in accordance with the anticipated water demand predictions.

Facts and Figures on Mekorot for the year 2001

| .No | General Parameters | Value | Unit |
|------------|---------------------------|--------------|--------------|
| 1 | Annual Water Supply | 1,359 | .m.c.m |
| 2 | Annual Energy Consumption | 1800 | million KWh |
| 3 | Number of Customers | 4225 | |
| 4 | Annual Turnover | 600 | \$million US |
| 5 | Development Activities | 115 | \$million US |
| 6 | .R. & D | 3.0 | \$million US |
| 7 | Number of Employees | 2,176 | |
| 8 | Total Length of Pipelines | 11,900 | km |
| 9 | Number of Wells | 1226 | |



Privatization in Israel

- During the early 1990's many waste water treatment plants were privatized through BOT projects.
- During the last few years several municipalities have privatized their water and waste water networks.
- Currently new desalination plants are tendered out – the majority through BOT concessions.



Should the National Water Company in Israel be **privatized?**

Advantages

- 💧 Perceived as efficient.
- 💧 Creates competition.
- 💧 Reduces bureaucracy.



Disadvantages

- No Supreme Water Authority during emergency situations.
- Creates diverse water prices.
- Transfers a strategic infrastructure to a private entity.
- Releases the State of its obligations.
- No central entity to operate the national network

Conclusions

- In general, government policy is to privatize most of the water sector.
- Privatizing Mekorot – this option is not yet ripe because:
 - During emergencies Mekorot acts by law as the Supreme Water Authority.
 - The National Water Network is a Strategic Infrastructure that cannot be split up.



Conclusions – cont...

- Only a government company that sees the wide view is able to operate the various multi quality water sources.
- Only a government company can precisely apply the government's water policy which in Israel is very complex.



Thank you