

## Water & Economics

Access to water is essential to the **economic development** of countries. Where water is scarce, life and industry cannot flourish. People are less productive when they do not have access to clean water and sanitation. They are also more likely to become malnourished or contract diseases without access to water, which can lead to inflated healthcare costs. In developing countries, women spend a disproportionate amount of time fetching clean water for use in cooking, cleaning and sanitation. The time women and girls spend fetching water could be used in other activities which could help to improve their livelihood, particularly going to school. Indeed, studies shows that countries with the lowest gender equality have the highest poverty rates.



As **globalization** makes the world more interconnected, resources like water that were traditionally managed at the local level have become subject to competing demands from transnational corporations, international financial institutions and local farmers, among others. The increase in international trade has also meant that landlocked countries are at an economic disadvantage because they are less able to access ports and international waterways.

Many economists feel that governments allocate water resources inefficiently; they argue that **privatizing** the water industry would reduce unnecessary costs and lead to more effective distribution of this crucial resource. Others feel that privatizing the water industry would only add to current problems of water scarcity because corporations would create artificially high prices to maximize profits, leaving the poorest people unable to afford water.

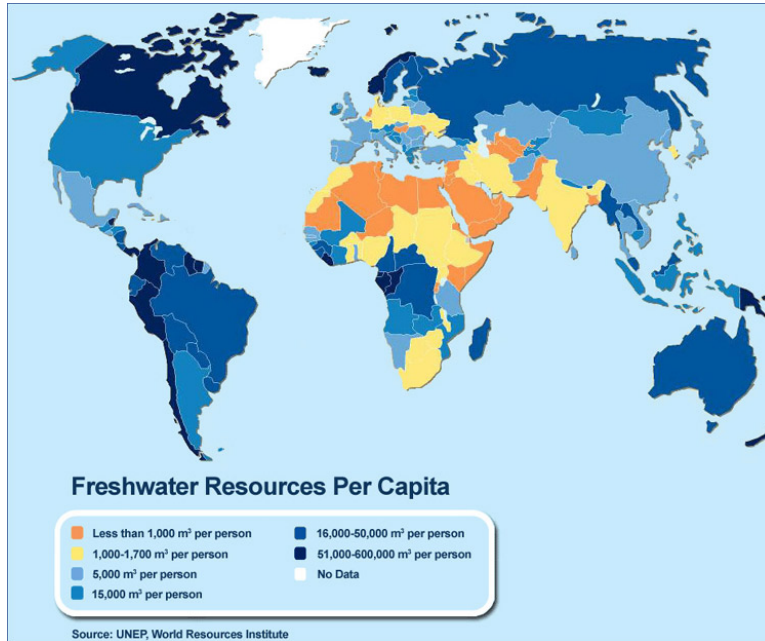


### Questions to consider:

- What is water scarcity and why does it exist? How is water scarcity similar to or different from other types of economic scarcity?
- How has globalization affected competition for the world's water resources?
- In what ways does access to water clean water impact a country's economic development?
- What do you think can be done to increase and improve the access of water to rural communities in developing countries?
- How do gender roles related to water impact economic development?
- How can a small investment in water sanitation produce large savings elsewhere?
- What are the pros and cons to privatization of water?
- What are international institutions doing to address access to water resources?
- How does access to waterways affect a country's ability to trade?

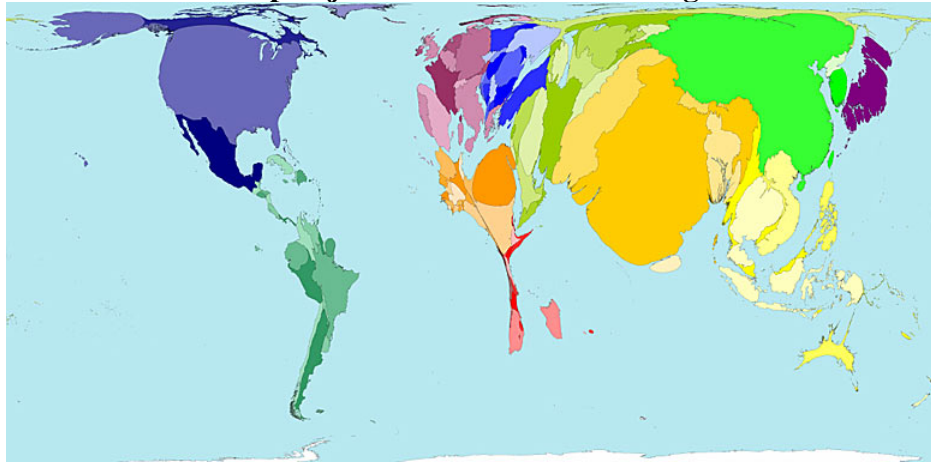
### Key Terms:

- |                                    |                                    |
|------------------------------------|------------------------------------|
| -Commodity                         | -Privatization                     |
| -Economic Development              | -Scarcity                          |
| -Externalities                     | -Transnational Corporations (TNCs) |
| -Globalization                     | -UN Development Programme (UNDP)   |
| -Human Development Index (HDI)     | -UN Millennium Development Goals   |
| -Industrialization                 | -Water Security                    |
| -Lesser Developed Countries (LDCs) | -World Bank                        |
| -Poverty Cycle                     |                                    |

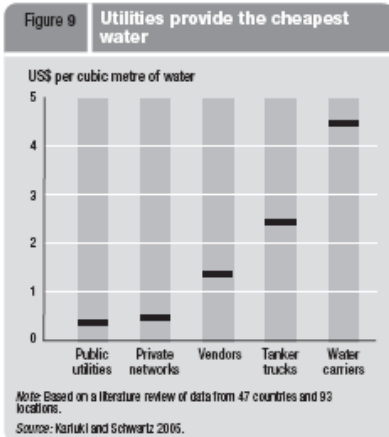


From: <http://www.expozaragoza2008.es/theblog/wp-content/uploads/2008/03/worldfreshwaterresources.jpg>

### Map adjusted to reflect water usage:



From: [http://images.forbes.com/media/2008/06/19/water\\_map.jpg](http://images.forbes.com/media/2008/06/19/water_map.jpg)



**Table 1 Thirty-nine countries receive most of their water from outside their borders**

Region	Countries receiving between 50% and 75% of their water from external sources	Countries receiving more than 75% of their water from external sources
Arab States	Iraq, Somalia, Sudan, Syrian Arab Republic	Bahrain, Egypt, Kuwait
East Asia and the Pacific	Cambodia, Viet Nam	
Latin America and the Caribbean	Argentina, Bolivia, Paraguay, Uruguay	
South Asia		Bangladesh, Pakistan
Sub-Saharan Africa	Benin, Chad, Congo, Eritrea, Gambia, Mozambique, Namibia	Botswana, Mauritania, Niger
Central and Eastern Europe and CIS	Azerbaijan, Croatia, Latvia, Slovakia, Ukraine, Uzbekistan	Hungary, Moldova, Romania, Serbia and Montenegro <sup>a</sup> , Turkmenistan
High-income OECD	Luxembourg	Netherlands
Others	Israel	

a. While Serbia and Montenegro separated into independent states in June 2006, disaggregated data on external water resources were not available for the two countries at the time of printing.  
Source: FAO 2006.