

Abstract:

The abstract is very general and does not summarize the problem need to be discussed and the key argumentations the authors wish to present. The language of the abstract is weak and need to be rephrased. The authors use many (i.g.)s in the short abstract, such use must be reduced to the minimum. The authors also argue that “education and health care” are on the way to be privatized! Where exactly this is happening? the authors should focus on the water issue and its privatization. And if Croatia possesses great potential of water resources, why is it very crucial now to discuss water privatization or valorization? Please re-write the abstract with more focus on the problem and your main findings or arguments.

The goal of this work is to provide a new outlook on the possibilities of water-resource management in the Republic of Croatia. Water resources and water supply systems are of vital and strategic significance for Croatia. Therefore, it is essential to develop a sustainable model for managing them. This will in turn ensure the access to drinkable water for the maximum number of people, the maintenance of high water quality levels, high quality water supply systems and the sufficient water reserves for the future generations.

The model proposing process is neither easy nor unambiguous, especially in light of the negative economic trends present in Croatia over the last couple of decades. This created an unfavorable climate for the independent decision making concerning the management of the country's strategic water resources. The current public opinion nurtures a belief that Croatia is being forced to privatize the governmental institutions which manage the water resources and that this will lead to an array of negative trends resulting in the water price increase, overexploitation and even restrictions of use for the most vulnerable sections of the society.

Privatization is the often used model of dealing with the state property, especially after the change of the socio-economic system. It has often been put to use in Croatia, but unfortunately, in a great number of cases it has not created the desired results. In this work, there will be analyzed the cases of Argentina, United Kingdom, India and Bolivia, which will in turn provide a new outlook on this problem. The findings may also serve as assistance to the decision makers when making policy decisions regarding the management of water resources. In the work, both arguments in favor and against the privatization of water have been analyzed and backed by the examples. In the conclusion, the authors propose a franchise model as the solution that may satisfy the interests of the private investors, the state and the ordinary citizens.

1. Introduction: (line 27-58)

Please describe what you mean by “water democracy”. Please check the language. This part is too broad for a “short research paper”. What is the justification behind describing the hydrological cycle, diversity in fauna and flora while the very focus is the issue of water scarcity in developing world and whether privatization is socially and economically desirable measure? I would start with water scarcity in the world, and provide a brief on the water privatization by giving some examples (France for example).

Water means life. The importance and significance of water in any context is unquestionable. Even six thousand years ago, since the foundation of the first known civilizations on the banks of the great rivers Nile, Indus, Ganges and Huang He, aware of the exceptional significance of water for life and survival, the human kind had been involved in the battle for the control of water resources. With the development of

modern technology and exponential demographic expansion, the demand for water kept increasing. Taking into account the processes occurring around the world, it is expectable that the reserves of drinkable water have started to decrease. And indeed, there is a lot of evidence demonstrating that the quantity of drinkable water starts to decrease at places where the demand exceeds the supply. The examples of water shortages can be found in Northern China, India and Bangladesh, where the level of underground water reserves decreases one meter per year due to the excessive pumping. In Chad, the area of the lakes decreases on average 100 square meters during the dry season, and in the Dead Sea, the water level has decreased 10 meters over the last decade (De Villers, 1999). The illnesses resulting as the consequences of water pollution cause deaths of approximately 3.4 million people per year. This is the leading cause of death and illness on the planet. According to the United Nations, four thousand children die every day from the water-pollution related diseases (Voice of America, 2012), while approximately 780 million people do not have access to drinkable water (Water, 2012). These problems are most present in Africa and Asia, which respectively make 28% (Africa) and 63% (Asia) of the total number of people that do not have access to drinkable water.

Water shortage is one of the most important problems currently facing the planet, since the pollution or lack of water caused deaths of more people than all weapons in the history of the world. With the increased pressure on the water demand, there comes the increased number of conflicts. And indeed, when the historical data of conflicts is analyzed, their number increases as we approach the contemporary era. If comparing the number of water-resource related conflicts since 1950, there appear surprising facts. Between 1950. and 2000., there had been approximately 90 conflicts, while in the period between 2000. and 2010., there had been over 65 conflicts (Freshwater resources, 2012). The trend of the increasing number of conflicts is related with the increased demand and ever growing water shortages.

Considering its water endowment, Croatia is ranked very high on the global scale. According to the report about the water reserves created by UNESCO, in which 188 countries were surveyed, Croatia was ranked third in Europe (behind only Norway and Iceland) and was also among the top 30 countries globally (Poslovni, 2012). In the anhydrous Mediterranean, Croatia could easily take a very important strategic role in the future as the supplier of the most important contemporary global resource.

The privatization of water presents one of the potential solutions, but also dangers, for the problem of thirst in the world. In the context of this problem, there has also been analyzed the example of Croatia, as it is evident that the existing system of water resource management will have to undergo unavoidable modifications, the reason for this being certain persisting constraints. Although there are many arguments "for" and "against" the privatization of water, no model has been defined so far which would completely satisfy all the involved interest groups. As the best alternative solution, there has been offered the franchise model, which will optimize the use of the previously installed capacities, but will also contribute to the development of future infrastructure. The French and Argentinian examples are cited as succesful franchise models, in which the domicile population was guaranteed the supply of drinkable water under the best conditions, while concurrently eliminating the possibilities of the overexploataion of water resources.

2. WATER AS A PUBLIC GOOD

Please provide a reference for the statement in the lines 61-63. Would you consider a lake or river or forest as a public good? Then it is for all individuals equally (line 63-69). Public infrastructure requires investment and usually taxpayers do the job, so probably it is not zero as the authors suggest in line 70-73, I would say

partially-public. Please provide a reference for the concept “free-rider” line 76. Free riding means for example taking public bus without paying the ticket (which is relatively cheap), free riders tend to utilize public resources either to avoid costs or to maximize the utility they get from using the resource, so “ large number of users” may not always be the case or the motive behind free-riding.

Line 104-121. The authors mention “recent literature” while their citations are from the 1990s. There has been substantial work and research on this topic in recent years. Please find also a reference of the argument that privatization has “negative social and economic consequences”. Please also try to expand this topic since it is a cornerstone of your work.

3. WATER AS AN ECONOMIC GOOD – ARGUMENTS FOR AND AGAINST

Good explanation for the arguments behind water privatization, please correct the references and add the year of publications as it is missing in the text. How about the disadvantages of privatization? And why privatization may fail sometimes (such as in France for example). And what about countries with real shortage of water, is privatization a good solution for water problem.

Privatization can also bring negative social and economic consequences, which are characteristic for the post-socialist countries, where the process of privatization of the former state property has been the reason for appearances of grey zones in their economies (Kaufmann and Siegelbaum, 1997). A number of private enterprises involved in the process of privatization performed an array of irregular, immoral, and sometimes completely criminal activities, which were in complete contrast with the interests of the society as a whole. Therefore, although it was logical to expect that their business activities would function in the sphere of the official and legitimate economy (which encourages the transfer of knowledge and creativity between the sectors), the previously mentioned enterprises are responsible for the loss of clear distinction between the legitimate and illegitimate economy. This has been especially characteristic for certain transition economies (Slovakia, Romania, Bulgaria, Albania, Ukraine). Since Croatia is also undergoing the process of societal transformation that involves privatization, there exists a justifiable misgiving on the side of the public opinion that behind the phrase "the optimization of the water resources management", which can often be heard in the mainstream media, there lies an attempt of certain structures to extract capital from the enterprises or illicitly expropriate the profits, all of this being contrary to the national interests.

3.1. Arguments "for" - positive examples of water privatization

In the case of Argentina, can you please highlight the reasons for the court-case for the Suez Company, what are the arguments behind filing the case against the company? The GB case was well explained.

The City of Paris refused to extend the contract with the Suez firm because of the excessive profits and water price increases, and delegated the water supply to the local utility company.

3.2 Arguments “against” the privatization of water- water supply system

Please provide a reference for the World Bank projections about water shortage.

It is common that better quality and access to water require more resources and infrastructure which elevates the prices. Higher prices of water may result in lower consumption among individuals. The government can set the rules before any contracts made with private company. Corruption in developing countries may actually destroy proper water governance. Ultimately, private companies are not the only perpetrators. A solution might be that the state provides subsidies for water consumption especially for poor people. Meaning that the quality is maintained even though the price is high. Was the company in Bolivia local or international? please specify.

4. THE POTENTIAL OF CROATIAN WATER RESOURCES AND MANAGEMENT DILEMMAS

A good explanation of the water resources in Croatia. An outlook on the water quality and whether the use of fertilizers in agriculture poses a threat to Croatian water resources. Furthermore, the use of energy requires water, how is the energy-water nexus in Croatia, does Croatia hold non-conventional resources (e.g. shale gas) that may require extra water? How about exporting water to water-thirsty: this would generate economic opportunities. Please elaborate a bit on these issues.

Although currently 80% of inhabitants have access to the water supply network, only 40% have sewage disposal available. A small percentage of them collect the waste water and even smaller recycle it with the purifying devices (the main reason for this being the worn-out and outdated devices). In some areas of Croatia, there is a constant danger of water pollution and the reduction of supply of drinkable water for the local population. Although in the past years there have been more investments in the development of the water supply and sewage infrastructure, because of huge losses there exist problems with financing the water supply network, which can influence the expenditures of household and firms. The financial losses of the water supply system can be the result of poor maintenance, illegal connections and the wastage of drinkable water on the way to the end user.

In the areas that do not abound with drinkable water, greater investments in the infrastructure are necessary. There is a causal relationship between the increased access to the water supply network by the residents and the average daily water consumption. With the increased access, more residents use water, and thus increase the average daily consumption. In Croatia, only 75% of residents had access to the water supply network in 2005. In the EU countries (except Romania), 85% had access, and in certain countries, such as Italy and Netherlands, even 100% of households had access to the water supply network.

In Croatia, the wastage of water is measured as the difference between the scooped and the amount of water delivered to the end user. On average, for a single scooped cubic meter of water, 46% of water becomes wasted. This is a significant percentage, especially in the context of the EU policy which considers acceptable only 15% - 18% of wastage. Therefore, it can be concluded that the water supply system in Croatia is not effective, since with the increase of 1 m³ of the delivered water, there ensues the wastage of 0,89 m³ (Bajo i Filipović, 2008).

The wastage within the network is most often the result of poor maintenance and investment in the water supply system. It ranges between the minimal 8% and the outsized 68% in some areas. The reasons for such wastage can be the use of the outdated technologies and the absence of the water purifying systems in some regions.

With the specified data, it is justifiable to raise questions about the profitability of the utility companies' operations, which are financed from the revenues collected from the end consumers. It is estimated that

the total financial losses in 2005. amounted to 0.9% of the GDP, which indicates an enormous unused potential and poor management of the water supply system. In light of the specified data, there appear to grow ever more significant speculations about the necessity of modifying the existing model of water resource management, since the existing situation generates losses and prevents the modernization of the system. According to some estimates, there is required an investment of approximately EUR 3 billion in order to adjust the water supply system with the standards of the European Union (Liderpres, 2013). The analysis of the current situation indicates that the specified financial resources can not be raised from the budget. It is therefore necessary to consider other models of financing - one of them being the privatization of the utility companies in charge of the distribution and maintenance of the water supply system.

4.1.1 The possibility of privatizing the public company HrvatskeVode

If possible, please provide a reference for the statement in the line 405-407.

Please provide reference for the statements in the lines 408-412. Please rephrase the last part of this section as I could not follow it very well.

4.1.2 The consequences of the water supply system privatization in Croatia

The consequences of privatization can be diluted using public-private partnership. Meaning that the states hold 51% shares and the private company holds the rest. Installing a very modern and smart water infrastructure will reduce the costs of maintenance and expansion. The Dutch expertise in water management can be used to the Croatian model and the results will be positive. In some really water-poor country, privatization has led to less leakages and better water quality however at a price which was subsidized from the government. Paying some money for the water is necessary to invest in protecting the resources.

Franchising water supply system rights as an alternative to privatization

In some countries with political corruption and monopoly, how we guarantee the franchise has gone to the right company?

the sentence in the line 548 is not complete.