

Water Privatisation in Ghana?

An Analysis of Government and World Bank Policies

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WATER PRIVATISATION IN GHANA?: AN ANALYSIS OF GOVERNMENT AND WORLD BANK POLICIES

Introduction to the Issues

There is a long history of social struggle in Ghana, as in many other countries, around the principles of social equity, and the accountability and transparency of governments and international creditors. It is in this context that the current struggle around the issue of access to safe and affordable water should be viewed. The underlying cause of the conflict is the issue of affordability. Should water be available and affordable to all or affordable only to a few privileged households and businesses? Increasingly, clean water has become a commodity in Ghana – a commodity that too many people in urban and rural areas cannot regularly afford. Part I of this article is an analysis of the policies of the Government of Ghana and the World Bank in relation to issues of water access and water privatisation. The possibility of options to privatisation of the urban water system in Ghana are explored. Part II is an interview with Rudolf Amenga-Etego, of the Integrated Social Development Centre in Ghana, who presents his views about the situation and sets forth the concerns of many citizens who seek access to safe and affordable water.

It appears that the Government of Ghana, with the backing of the World Bank, has concluded that privatisation of the urban water system is the appropriate policy option for the country. Unfortunately, there has not been broad-based, open public discussion among the government, citizens and donors about the full range of alternative water management options. In fact, there has been very little transparency or citizen involvement in Government or World Bank decisions related to the water privatisation process. Citizens are concerned that management decisions are driven more by economic considerations than by considerations related to issues such as social equity, public health, and environmental preservation. Concern is also growing as the news spreads about the negative impact of water privatisation in other countries.

PART I. Up For Sale? Accra's Water Services. The Government of Ghana plans to lease the operation, maintenance and management of the urban water supply system to two foreign multinational corporations. The Government has demarcated the districts in the cities which will comprise the markets of the two corporations. The first segment (called project A) has received four bids while the second (project B) has received five bids. Four out of the five corporations have bid on both project A and project B, so currently the total number of corporations bidding to provide urban water service is five. (See corporate profiles in Box 2.) Two of those corporations, Suez Lyonnaise des Eaux and Bouygues/Saur, have annual sales figures significantly larger than Ghana's 1999 GDP. The government may have limited capacity to influence such large corporations. Such corporations may also have limited accountability to the common Ghanaian water consumer.

Many Ghanaian citizens are apprehensive about a water privatisation process that involves leasing the public water utility to large foreign multinational corporations. There is concern that water privatisation could reduce access for women, poor and

vulnerable communities rather than remedy the lack of safe, affordable water. Already, the prospect of privatisation has driven up water tariffs. Currently about 35 percent of the Ghanaian population lacks access to safe water and 68 percent lack sanitation services. (See Profile of Ghana, Box 3) More than 50 percent of the population earns less than US\$1 a day and approximately 40 percent fall below the national poverty line. The poorest 20 percent of the population earns 8.4 percent of the national income while the richest 20 percent receive 41.7 percent of the national income.

Many citizens fear that water privatisation will exacerbate these inequities rather than redress them. The impact of reducing access to safe and affordable water falls most heavily on women and children. Across the globe, more than five million people, most of them children, die every year from illnesses caused from drinking unsafe water. As water becomes more costly and less accessible, women and children, who bear most of the burden of daily household chores, must travel farther and work harder to collect water – often resorting to water from polluted streams and rivers. Families are forced to make trade-offs between water, food, schooling and health care.

The current water management arrangement is certainly not addressing the needs of the majority of Ghanaian citizens, especially the poorest citizens. But, a full range of water policy options should be explored prior to taking further steps toward the privatisation option. The current problems with the Ghana Water Company, Ltd., should not automatically justify a decision to lease this important public asset to foreign multinationals. A range of alternatives such as local or municipal-level management should be fully explored. Further studies should be conducted in order to assess the impact of the proposed privatisation option on the access of poor, low-income and vulnerable communities to safe, affordable water. Ghanaian citizens should have the opportunity to discuss and debate the relative merits of a variety of water policy proposals.

World Bank Influence over the Government's Water Policies

The Government of Ghana argues that water privatisation and increased private sector participation will benefit people by improving the performance of the water sector in a variety of ways:

1. ensuring sustainability through increased cost recovery.
2. improving the efficiency of production and distribution through improved operation and maintenance;
3. increasing cost-effectiveness and promoting pricing guided by commercial principles;
4. expanding the supply of safe water in urban areas; and
5. ensuring that poor households have water supply.

Claim #1: The private sector can help ensure sustainability through increased cost recovery. It is often difficult to distinguish the water policies of the Government of Ghana from those of the World Bank. The World Bank has provided substantial funding for the water sector restructuring process. Many government policies mirror World Bank

policies and conditions that have been promoted as part of the water restructuring process. (See Box 1, below.) For example the World Bank, like government officials, argues that increased cost recovery from water consumers is necessary to replace government subsidies for water services. They claim that a debt and deficit-ridden government should not provide subsidies for water and sanitation services. Hence, they justify that increased cost recovery, or higher consumer costs, is necessary to ensure sustainability. This means that water consumers will need to cover the costs of operating, maintaining, and expanding the water utility as needed.

Claim #2: The private sector can ensure efficient production and greater cost-effectiveness. The Government and the World Bank also appear to agree that abandoning state-owned enterprises for privately-owned and managed firms will improve the economic efficiency of water management and also achieve benefits such as a reduced public debt and improved management of the national budget. In general, World Bank officials claim that the private sector is more efficient and cost-effective than the public sector in the provision of basic goods and services in many sectors, including water. The merits of this claim should be assessed on a case by case basis with active participation of citizens.

However, there can be social costs when governments defer responsibility for providing basic water infrastructure. These costs can include the cost to the health care system of coping with increased water-borne illnesses, the cost to the economy of lowered productivity, and the cost of sacrifices that poor and low-income families make when minimal resources cannot be stretched to provide the basic necessities such as food, water, housing, education and health care.

The World Bank argues that low-income countries cannot afford public subsidy of water, however many G-7 countries, such as the United States, continue to provide public subsidy for water utilities. The U.S. federal, state and local resources subsidize about 10 percent of U.S. water and sanitation needs. The American Water Works Association estimates that this public subsidy will need to increase by approximately \$23 billion a year over the next 20 years due to the aging nature of the U.S. water infrastructure.¹ While wealthy countries like the U.S. continue to subsidize water and sanitation services, the World Bank and the IMF oppose such public subsidies for developing countries and insist that full cost recovery is an appropriate public policy!

Claim #3: The private sector can help expand the supply of water and ensure that poor households have access. The Government and the World Bank have also argued that privatization and cost recovery will provide the investment resources necessary to extend the coverage of water and sanitation services to those outside of the system, especially the poor and underserved. There is little empirical evidence that this has happened in other countries where water systems have been privatised. Nor does it appear likely that substantial expansion of water services to the poor and underserved

¹ *Water Infrastructure Now: Recommendations for Clean and Safe Water in the 21st Century*, Water Infrastructure Network, Washington, D.C. April 2000.

would be achieved by water privatisation in Ghana.

Unfortunately, the Government has not made available to the public the precise terms of the proposed contracts with the private sector companies. However, documents prepared by foreign private consultants for the government reveal that privatisation will not significantly expand services to unserved or underserved urban areas nor make water more affordable. For example, according to these documents:

- The private sector contractors will not be responsible for the extension of the water distribution system to unserved or underserved urban areas. With the possible exception of an expansion of water supply in the Accra-Tema Metropolitan Area, the Ghana Water Company, rather than the private contractor, will retain most of the responsibility for infrastructure expansion.²
- With the proposed increase in water tariffs, 8 percent and 12 percent of the monthly incomes of poor and very poor communities, respectively, would be spent on water, while non-poor households would be spending 4.6 percent of their monthly incomes on water.³

Are There Alternatives to Water Privatization?

From the national level to the district level, decisions about water management should involve citizens and communities. It is vital that citizens discuss and debate the privatisation option proposed by the Government at the urging of the World Bank. For this to happen, information related to the privatisation process must be publicly disclosed. However, the proposal to lease the urban water service to foreign multinational companies should not be the only policy option on the negotiating table. Perhaps the best approach would be to suspend further progress toward privatisation of the urban water service until sufficient information is made available to permit a broad-based public discussion and debate among the government, citizens and donors on a full range of alternative water management options.

For example, local or municipal management could be a realistic option for urban as well as rural water delivery systems. In most cases, some financial support from the Central government would be required. The involvement of small private sector contractors in urban water service delivery could certainly be a part of public/private partnership. However, the proposed leasing of the urban water utility to foreign multinational companies raises a number of important questions regarding the commitment of government and private sector actors to important social equity and public health considerations. For example:

- What might be the conditions in the lease agreement regarding tariff structure or cost recovery?

² Stone and Webster Consultants, "Information Memorandum: Enhanced Leases for the Operation, Maintenance and Management of Urban Water Supply Systems in Ghana," March 2001, pp. 7-8.

³ London Economics in Association with John Young Associates, May 1999.

- Are the government regulatory institutions sufficiently strong, independent and accountable to the public interest?
- Might the government consider a “cap” on water tariffs to ensure that water is affordable to poor and low-income communities?
- Might the government consider a guaranteed free minimum “water lifeline” to ensure that basic needs for water are met?
- Might the lease agreement prioritize expansion of water services to unserved and underserved communities with affordable connection fees?
- How might water quality standards be ensured?
- Would the conditions suggested above dampen or deter the interest of foreign investors?

There are many basic questions that need to be answered about the proposed privatisation plan. Ideally, a range of alternative water management proposals could be developed and evaluated in terms of their commitment to social equity, public health and environmental preservation. It would be important that independent, non-governmental organizations undertake impact assessments of the potential social and environmental consequences of the proposed privatisation plans. Comparative case studies of the social, environmental and public health impacts of water privatisation in other African countries should be evaluated.

BOX 1: The World Bank Presses Water Privatization and Cost Recovery Conditions on the Government of Ghana

When a government borrows from the World Bank or the International Monetary Fund, it must comply with terms and conditions associated with the loan or risk suspension or termination of the loan. These terms and conditions are commonly referred to as “conditionalities.” Currently there are several types of World Bank “conditionalities” that pressure the Government of Ghana to privatise the water system and raise water tariffs. (In World Bank language this is called increasing the rates of cost recovery for water.) The following World Bank loan-related documents include “conditionalities” related to water privatization and cost recovery:

1. Country Assistance Strategy (CAS): The World Bank’s Country Assistance Strategy (CAS) for Ghana describes the loans the Bank plans to extend to the Government over the next two to three years. The June 29, 2000 CAS for Ghana proposes loan commitments ranging between \$285 million and \$640 million. If the government complies well with conditionalities known as “triggers” it will be eligible for more loans (closer to the \$640 million). If the government does not comply well with the “triggers,” it will be eligible for fewer loans (closer to the \$285 million). Ghana’s CAS “triggers” require that the Government expand private sector participation in infrastructure (power, urban water, rail and ports).

2. Interim Poverty Reduction Strategy Paper (IPRSP) Policy Matrix: In order to borrow from the IMF or the World Bank or receive grant assistance, many governments are required to prepare a “Poverty Reduction Strategy Paper (PRSP).” The IMF and the World Bank endorsed an Interim PRSP for Ghana in August 2000. Attached to the Interim PRSP was a set of Government policy commitments known as the “Policy Matrix.” The Policy Matrix for Ghana includes a commitment to divest the urban water system to private sector operators and to issue invitations for bids.⁴

3. Project Appraisal Document (PAD) for the Second Community Water and Sanitation Project: A performance “trigger” for the Second Community Water and Sanitation Project, which was approved by the World Bank in early 2000, includes achieving increased rates of cost recovery for water services from local communities and thereby decreasing the financial burden of the central government. If cost recovery rates are not increased, subsequent World Bank loans to the Ghana water sector may be threatened.

Why is there International Concern about the World Bank’s Water Privatisation Policies?

There are four basic reasons why the role of the World Bank in promoting the privatisation of water services in countries around the world is causing widespread concern.

1. **Water is a resource essential to human survival – some have argued that water is a human right.** Decisions regarding the allocation of water should not be driven primarily by economic considerations. Decisions related to water provision touch upon critical issues related to public health, social equity, the environment, gender roles and responsibilities, and sustainable resource management.
2. **Water is often viewed as common property or a commonpool good rather than a market commodity.** The fact that many governments have failed to provide safe and affordable water to large segments of the population, does not automatically justify initiatives to treat water as a commodity, or a strictly commercial or economic good. Because the private corporation exists to generate profit for its shareholders, it may not be the appropriate institution to manage the myriad of interests related to the provision of an important public resource.
3. **Democratic and community involvement in water management decisions is essential.** The IMF and the World Bank should not be making decisions about water management in countries around the world. Governments should be accountable primarily to their own citizens for such decisions, not to the international financial institutions.
4. **Public sector ownership provides a legal and sometimes constitutional**

⁴ Some sectors within the government of Ghana may also be eager to privatize the Ghana Water Company and other public assets as this can provide quick and easy cash infusions for the government.

basis for accountability to the broader public interest. Private corporations are not legally or constitutionally bound to serve the public interest in the countries where they operate. Many corporations have minimal information disclosure requirements which makes it difficult for citizen's groups or even governments to provide oversight and encourage accountability. Corporate interests may exercise undue influence over the government, compromising the government's ability to govern based on the interests of the public.

Decentralization and Segregation: Two World Bank Policies Shape Ghana's Water Sector

Two important World Bank-backed policies have set the stage for water privatization in Ghana: decentralization and segregation. These two policies are analyzed below.

1. Decentralization. The World Bank-backed policy of decentralization began in 1988. The intent of this policy was to devolve certain fiscal, administrative and development responsibilities from the central government to the district assemblies. The District Assemblies prepare a five year development plan and receive an annual Common Fund allocation from the Central government. There has been reluctance on the part of some sector ministries to devolve authority to the districts. There is also a lack of capacity on the part of many district assemblies. It is unrealistic to expect the low incomes of most rural communities to provide substantial back-up funds for decentralized water projects. While decentralization can increase participation, accountability and transparency of the government, many critics of this approach claim that it is primarily driven by fiscal concerns – that is, the desire to reduce central government expenditures and increase the revenue generation responsibilities at the district assembly level. The World Bank always has, as a fundamental concern, reducing the government's deficits and improving the government's ability to pay back its loans.⁵ The decentralization process, therefore, set the stage not only for devolving to the district assemblies the responsibility for the provision of local water and sanitation services, but also shifted some of the government's international debt burden to the impoverished countryside.

2. Segregation of rural and urban water services. Beginning in 1993, World Bank-backed policies began to segregate the potentially profitable urban water sector from the unprofitable rural water and sanitation sector. The segregation policy was necessary in order to create a segment of the water sector that would be attractive to and profitable for foreign private investors. Prior to the policy of segregation, the intent was that the wealthier urban sector would subsidize water for the rural areas. The relatively better resourced metropolitan and urban communities paid a small levy to contribute to rural water delivery for relatively poorer rural communities.

In 1995 the World Bank urged the Government of Ghana to develop specific options to increase private sector participation in the delivery of water services. The current version

⁵ Ghana's external debt stands at about \$6 billion as of January 2000 and the bulk of it is owed to the World Bank.

of these options transformed the Ghana Water and Sewage Corporation into two separate structures. The profitable urban water sector is temporarily managed by the downsized Ghana Water Company, Ltd. However, it is planned that the urban water sector will be leased to private sector corporations in two separate packages. (A past bidder was the foreign investor, Enron/Azurix. But, the deal collapsed when corrupt and untransparent bidding practices were alleged.) The unprofitable rural water supply will be managed by the Community Water Supply Agency with efforts made to devolve some responsibilities over the longer term to district assemblies. The segregation and privatization efforts will be carried forward in the following two World Bank projects.

TWO WORLD BANK WATER PROJECTS IN GHANA

1. Ghana-Water Sector Restructuring Project

The Ghana Water Sector Restructuring Project is a proposed (or pipeline) project that was originally scheduled for World Bank Board approval in the last quarter of 2000, but project approval has been delayed. The project is estimated to cost US\$285 million of which the World Bank will finance approximately US\$100 million. The Government of Ghana and other external donors will provide the rest. The World Bank has made it clear that the Ghana Water Sector Restructuring Project will not move forward until the Government of Ghana completes the contract negotiations for the leasing of water provision rights to private companies. Scandals related to the Government's handling of a bid from the private sector company Azurix set back the timetable for approving this project. The bidder, Azurix, was the newly formed water division of the U.S. energy giant Enron. Azurix's CEO, Rebecca Mark, has claimed that she wants to fully privatise the global water market.

At present, the Ghana Water Company, Ltd. has the responsibility for operation of the urban water supply comprising about 101 water systems in 10 regions. However, the Government of Ghana plans to lease the operation, maintenance and management of the urban water supply system to private contractors. The Government of Ghana will provide leases to two separate private sector contractors and has demarcated the districts in the cities which will comprise the markets of the two companies. The first segment (the Bank calls this "project A") has received four bids while the second, "project B," has received five bids. Four out of the five companies have bid on both project A and project B, so currently the total number of companies bidding for the Ghana Water Company is five. All of them are foreign multinationals. (See Box 1 for profiles of the five companies.)

It is unlikely that the bidding process will be completed before October 2001. As previously mentioned, the World Bank does not want to invest in the rehabilitation and restructuring of the Ghana Water Company until the negotiations for with the private sector contractors are completed. Therefore this project may not go to the World Bank Executive Board for approval until late 2001 or, even more likely, early 2002.

The project has two main goals: (1) the rehabilitation and (2) the restructuring of the Ghana Water Company.

Rehabilitation. The project proposes to rehabilitate the physical works of the Ghana Water Company. This includes rehabilitation of the production and transmission facilities, the meters and the connections, distribution connections to peripheral urban areas, and provide some new production and transmission facilities.

Restructuring. The project also proposes financial restructuring which includes the phasing in of tariff increases in order to reach “full” cost recovery and staff rationalization. “Restructuring” inevitably involves increasing the cost of water services and reducing the number of employees of the Ghana Water Company in order to increase its profitability.

With revenues from the tax-paying public, the Government will service the debt to the World Bank for the rehabilitation and restructuring of the Ghana Water Company. However, some of the returns on the investment to rehabilitate and restructure the Ghana Water Company will benefit the new foreign private sector investors, rather than accruing to the public sector. Ideally, the benefits of the rehabilitated and restructured Ghana Water Company should accrue to the general tax-paying population rather than benefitting foreign private sector investors or government officials.

One of the stated project objectives is “providing safe and affordable water supply service to unserved and underserved urban areas.” While the precise terms of the proposed contracts with the private sector companies have not been available to the public, as mentioned on page 4, documents prepared by foreign private consultants for the Government of Ghana reveal that neither affordability nor expansion of services to unserved or underserved urban areas will be objectives achieved by the privatisation.

2. Second Community Water and Sanitation Project

This project takes the unprofitable piece of the Ghana Water and Sewage Corporation, the services provided to the rural sector, and manages them as the new entity, the Community Water Supply Agency. This is a US\$80 million dollar loan, implemented over three years. It was approved by the World Bank Board in early 2000.

The Community Water Supply Agency (CWSA) will work to increase the technical capacity of the district assemblies to manage the water procurement and delivery system. According to the World Bank project document, the policy approach of the CWSA is:

1. Demand-driven: Communities “decide” if they want to participate. Their preferred service level is determined by “willingness” to pay. They need to make a 5-10% contribution toward the capital cost and then pay the normal operations, maintenance, and repair costs for the facilities.

2. Private sector as facilitator: The CWSA will be contracted by the Government of Ghana to manage the program and provide technical assistance to the district assemblies. The CWSA will also provide incentives for the entry of small scale private sector contractors to provide needed equipment and services.

Also according to the project document, one of the performance “triggers” (conditions) used to evaluate eligibility for the subsequent year’s loans includes achieving increased cost recovery from the communities. This places pressure on the Government of Ghana and the CWSA to ensure that the project shows increased levels of cost recovery as these numbers will be evaluated to determine access to subsequent loans.

The project states upfront that investments will be prioritized where willingness to pay is highest.

According to Government of Ghana figures, only 36% of the rural population has access to safe water and 11% have adequate sanitation. This project is proposing that communities pay 5%-10% of initial capital costs and then all subsequent operation, maintenance and repair costs. These costs may prohibit access to many rural communities. Even if they are able to pay initial capital costs, the water project may not be sustainable as the communities may be unable to pay subsequent costs needed to cover on-going maintenance and repair.

The officially stated project objectives include increasing service coverage and achieving effective use of improved water and sanitation facilities. However, ability to pay (not need) will be the primary determinant for obtaining the new water services. This will ensure that that the rural areas with the greatest resources, not with the greatest need, will get the new water services.

PART II

GLOBALIZATION CHALLENGE INITIATIVE INTERVIEWS RUDOLF AMENGA-ETEGO FROM THE INTEGRATED SOCIAL DEVELOPMENT CENTRE (ISODEC) IN GHANA

SARA: How do most people in the urban areas get their water?

RUDOLF: Water supply in Accra is very problematic. The same is true in the other big cities and towns in Ghana, particularly Kumasi, Sekondi-Takoradi and Koforidua. Access to water is, by-and-large, determined by socioeconomic circumstance. The urban consumers may be divided into four categories:

Category 1: The wealthy and middle-class consumers in areas such as the Airport residential area in Accra or the Nhyieso area in Kumasi or Community five in Tema etc. They are the only consumers who enjoy pipe borne water regularly.

Category 2: The consumers who may be described as lower middle class or upper working class. They largely occupy areas constructed by real estate developers. They have

pipes laid to their houses but do not enjoy regular supply due largely to supply problems associated with the Ghana Water Company rather than affordability. They supplement their supplies through orders from private water tanker truck owners.

Category 3: The consumers who do not have pipes laid to their houses either for reasons of affordability or the water companies' own planning policies. These are largely poor households and buy water from their better-endowed neighbours. A bucket of water (about 2.5 gallons) now costs around 800 cedis.

Category 4: The very poor found in the shanties dotted around the cities. Such households may be found in parts of Nima, Maamobi, Medina, and Ashaiman etc in the Accra-Tema area for example. They depend largely on hand-dug wells for their water. A bucket of water from a well costs between fifty to hundred cedis. Hand dug wells are a deviation from the norm in the urban scheme of things and therefore fall outside the statutory responsibilities of the Ghana Water Company in terms of treatment. These wells are never treated. The health implications I believe are clear. Some of them, however, depend on well water for washing only and buy a few gallons from their better-off neighbours for drinking. The third and fourth categories constitute perhaps about 50% to 70% of the urban population.

The categories above are a simple attempt to convey a picture of the social composition of the urban areas and how each segment is positioned in view of the impending water reforms. However there are no strict demarcations and socially mixed communities are not uncommon. Incomes are quite depressed in Ghana. The current minimum wage is 4,200 cedis a day. This amount can hardly sustain the average family.⁶ The labour movement in Ghana is demanding an increase in the minimum wage to 6000 cedis a day. Most people in Accra do not earn the minimum wage and a significant number have no regular employment. An average price for a bucket of water, which used to be 400 cedis rose to 800 cedis following an over 100 percent increase in water and electricity tariffs announced on April 20, 2001.

Privatization is expected to increase water tariffs even further. The current water tariff rates that the government of Ghana and the World Bank think are "below the market rate" are already beyond the means of most of the population in Ghana. So, how will the population possibly be able to absorb a so-called "open market" price for water in the context of privatisation? The basic issue is affordability. And, as water becomes less affordable, it is highly likely that there will be a corresponding increase in diseases stemming from reduced access to clean water.

SARA: So what do people do if they can't afford water?

RUDOLF: As I have tried to convey above, people are forced to cut down drastically on their use of water with many health and sanitary implications. They will go to public places to fetch water for free or for a token fee. Children spend a lot of time fetching water and carrying it back to their parents. For example, the university of Ghana has the

⁶ One U.S. dollar exchanges for 7,000 cedis.

philosophy of “struggle alongside the people” and permits others in the community to use the university’s water. So, people actually travel from all parts of Accra to the university to fetch water. In poor areas of Accra such as Nima and Maamobi, shallow hand-dug wells are an important source of drinking water. Some of these wells are situated near large open drains. The cleanliness of the water is very questionable.

SARA: How do most people in rural areas get their water?

RUDOLF: In the rural areas, most communities depend either on river water, dams, ponds, hand-dug wells or boreholes fitted with hand pumps for their water supply. NGOs and foreign donors, especially the Canadians, invested in the development of wells and hand pumps. Because of the prohibitive maintenance and operational costs which these communities are expected to bear through the imposition of user fees, some have gone back to the use of river water and shallow untreated hand-dug wells.

This has serious health implications such as guinea worm, cholera, bilharzia, bacterial diarrhea and many other diseases. The situation will get worse with the full cost recovery policies placed on the Government of Ghana as part of the World Bank loan conditions. In other words, full cost recovery will increase water fees and reduce people’s access to safe water.

SARA: The World Bank project calls for a 5% - 10% contribution toward capital costs and then future repair and maintenance costs. Is this a reasonable cost for most rural communities to bear?

RUDOLF: It is not about reasonableness, it is about the absence of options. Because water is such a basic necessity, most communities will sacrifice their life long savings to be able to qualify for the water facilities by meeting the initial 10% capital requirement. But, the question is sustainability. The level of rural family incomes are low. With the withdrawal of subsidies, there is an increasing inability of farming communities to access farm inputs such as fertilizers and to be able to maximize yields and raise their incomes.

The larger context in the rural areas needs to be understood. Government supported IMF and World Bank policies have privileged the large export farmers in terms of access to credit and inputs over the small farmers who are producing foods for the domestic market. The large export crop companies have also taken over the productive lands, leaving less fertile, marginal lands for the rural farmers. Due to these policies and others, the incomes of the majority of the people (the small farmers) are declining. At the same time, costs for potable water and other basic necessities are increasing. The net effect is that the ability to pay for potable water in the rural areas is receding rather than increasing.

SARA: Why was there a scandal surrounding the contract award to Enron/Azurix?

RUDOLF: The water privatization process has lacked transparency from the beginning. Last year, the Ministry of Works and Housing made a decision to award the water privatization contract to Enron/Azurix, a consortium of British and American companies. Two other companies, Suez Lyonnaise des Eaux and Groupe Vivendi, had been prequalified as lease operators for water supply and distribution and challenged the award to Enron/Azurix. Further, there were allegations that the contract had been awarded because of the payment of a \$5 million kickback to certain politicians. The World Bank threatened to cancel some of its concessionary loans unless the government of Ghana reversed its contract award and opened the process to international competitive bidding practices.

SARA: What is the status of current attempts to privatise water?

RUDOLF: The contract was denied to Enron/Azurix because of public protest. The government denied the existence of a huge kickback to the Minister of Works and Housing. As a result of the public outcry, they had to start the bidding process all over again. The bidding process is still basically untransparent. Information from World Bank officials suggest that the Government of Ghana, acting under the advice of the IMF and the Bank, has decided to lease the Ghana Water Company to two different transnational corporations and has demarcated the districts that will comprise the markets of each of the corporations into project "A" and project "B." Project "A" has received four bids so far while project "B" has received five bids. However, four out of the five corporations have bid on both projects, which means that a total of five transnational corporations have placed bids to date. Information that should legitimately be in the public domain for discussion and debate, such as the proposed tariff structure, is secretly guarded. I think civil society has the right to know the proposed contract terms. There are specific concerns about the proposed tariff structure and what kinds of policies are built in to ensure accessibility to poor communities. There are important social equity questions that must be addressed by policymakers.

SARA: Given the privatization and cost recovery conditions being attached to the World Bank's Water Sector Restructuring loan, do you think the country would be better off or worse off with this loan?

RUDOLF: Given the tremendous social impact of the conditions attached to the loan, the country would be better off without it. I agree that the water sector needs to be rehabilitated and reformed, but there are a variety of options besides the proposed privatisation. Water issues are too important to be left to decisions by government and foreign creditors like the World Bank. Civil society and government must dialogue on the options. We need to ask ourselves whether reform must necessarily be in the direction of privatisation. We need to develop a national response to the contractionary policies of the IMF and examine new options for financing our water sector reforms in an equitable and socially responsive manner. Ghanaians should be cautious about accepting the public statements about the benefits of privatisation. In March 2000, the Minister for Works and Housing announced that, with the Enron/Azurix project, water production

from both the Kpong and Weiija water works would total 110 million gallons per day by the year 2004. However, the current water needs of Accra and Tema is 160 million gallons per day. This is far in excess of what Enron/Azurix was expected to provide by 2004. Conservative estimates indicate that demand will be in the neighbourhood of 200 million gallons per day by 2004. The Enron/Azurix involvement would not have significantly and positively changed the water supply situation in the Accra-Tema metropolis, particularly for poor people. A private investor will be more interested in the middle and upper class areas because they can afford to use water extravagantly (they need to keep their lawns and gardens) and pay regularly. Infrastructure expansion is not likely to benefit the poor. I guess we would be the wiser if we are guided by the Enron/Azurix experience.

SARA: What do you see as a more appropriate role for the private sector in Ghana?

There are many sectors of the economy where it is important for the private sector to have a strong role; for example, processing (adding value for the domestic and foreign market), the hospitality and tourist industry, export oriented farming, etc. However, certain basic human necessities such as health care, education and water should be publicly subsidized and regulated for reasons of equity. Just as citizens have a responsibility to pay taxes, governments have a responsibility to ensure the basic well being of their citizens. Water is a basic human need. It is not a mere commodity and must not be left to the whims and caprices, or even the good intentions, of a private investor.

It is important to note that water is supplied primarily by public sector undertakings in the majority of the developed countries (including the USA, Netherlands, Sweden, Germany, and Japan).⁷ The World Bank and the IMF use the argument of public sector failure and the high levels of domestic debt to make the case for privatisation in the developing world. This has created new opportunities for transnational corporate investment in the water sector. There is irony and injustice in the outcome of this argument. The rich countries can afford to subsidize water. However, in the poor countries, the end result of privatisation and full cost recovery is often that the poor must pay more.

In the situation of abject poverty and the lack of opportunities for employment that characterizes Ghana and many other developing countries, it is not in the national interest to privatize water. Water should be regarded as a social service with government bearing the primary responsibility for its provision. This primary responsibility may be expressed through decentralized public management with clear social service objectives anchored on the principle of equity.

⁷ Hall, David. *The Public Sector Water Undertaking: A Necessary Option*. Public Sector International Research Unit (PSIRU), Univeristy Of Greenwich, London, February 2001.

BOX 2

Five Multinational Corporations Bid for Ghana's Urban Water Service **What are their Profiles around the World?**

1. SAUR

Background: Saur's parent company, Bouygues, is headquartered outside Paris. It is one of Europe's largest industrial groups with more than 40 subsidiaries and affiliates in two main business sectors, construction and services. The group has operations in 80 countries.

On the services side of the business, Saur is a public utilities management firm that designs, constructs and manages water and sewage services. Saur has numerous water and electricity ventures in Africa including in Mali, Ivory Coast, Senegal, Guinea, Central African Republic, Mozambique, and South Africa. Saur has recently joined a consortium with the Spanish water company, Aguas de Valencia, to move into the Latin American water sector. Saur has also been active in Eastern Europe with bids in the Czech Republic, Poland, and Bulgaria.

Annual Sales: The annual sales of the parent company, Bouygues, were about \$16.9 billion in 1999. The service sector accounts for about 14% of the company's annual sales. The annual sales of Bouygues were more than twice the size of Ghana's GDP in 1999.

Social and Environmental Concerns

Corruption: Saur is alleged to have made the largest of 12 bribes that are the subject of various investigations into corruption and political payoffs in the controversial World Bank-funded Lesotho Highlands Water Project. Saur's parent company, Bouygues, has been subject to a stream of investigations for corruption and operation of cartels. In 1996 the former vice-president of Bouygues was charged with corrupt practices and imprisoned for invoice forgeries amounting to FFr 3.2 million.

Access and Affordability: There is a lack of research available on the social impact of Saur's water operations in countries around the world, especially in Africa. However, there are reports that large price increases followed Saur's privatisation of water services in Gdansk, Poland and Conakry, Guinea. Saur's operations in Mozambique generated protests recently due to the reduced hours of water service provided.

2. INTERNATIONAL WATER AND UNITED UTILITIES

Background: International Water and United Utilities have collaborated on many previous

occasions to develop, finance, own, and manage water systems around the world. Previous collaborations were in the U.K., Australia, Poland, Philippines, Estonia and Bulgaria. International Water is jointly owned by Bechtel Enterprises Holdings, Inc. and Edison S.P.A. of Italy, two of the world's largest infrastructure and services companies.

United Utilities, a U.K. based company, is one of the largest water companies in the world. It has electricity, water and waste water operations in Argentina, Australia, Canada, Mexico, the Philippines, Malaysia, and the U.S., among others. United Utilities expanded through England during the deregulation and water privatization associated with the Thatcher era. After regulatory bodies in England announced rate cuts in 2000, reducing its profit base domestically, United Utilities renewed its efforts to expand into deregulated markets worldwide.

Annual Sales:

International Water: Unreported

United Utilities: Annual sales in 2000 were \$3.7 billion. About 76 percent of their sales income was derived from the provision of energy supply, water and wastewater services.

Social and Environmental Concerns: While International Water has less of a track record, its parent company Bechtel has a long history of problematic nuclear power plant projects in the U.S. Bechtel-built boondoggles include: the Pilgrim plant in Massachusetts; Susquehanna in Pennsylvania; Midland and Palisades in Michigan; Davis-Besse in Ohio; and San Onofre and Rancho Seco in California. All of these facilities, if they operated at all, have experienced long delays or outages. Although Bechtel did not build the ill-fated Three Mile Island (TMI) nuclear power plant, it was co-manager of the cleanup operation at TMI. The Nuclear Regulatory Commission's (NRC) Office of Investigations found that Bechtel schemed to avoid making the necessary repairs and that the company "improperly classified" modifications to the plant as "not important to safety" in order to avoid safety controls. In 1985, the NRC fined the two companies for this abuse. Bechtel also disregarded the health and safety of the cleanup crew at TMI. In a rare interview with Forbes magazine, Stephen D. Bechtel, Jr. acknowledged that Bechtel's nuclear mishaps have hurt the company but denied that they endangered the public. He said that the hefty fines imposed on it for violations of safety regulations are not an accurate measure of the company's safety record. More recently, Bechtel's subsidiary was granted a water concession in Cochabamba, Bolivia. The soaring water rates provoked major citizen protests eventually causing Bechtel to flee and sue the Government of Bolivia for close to US \$40 million.

BIWATER

Background: Biwater is a British-led consortium involved in the design, construction and operation of water and sewage treatment facilities. It has subsidiaries active in Mexico, Spain, Europe, Malaysia, South Africa, Chile, Venezuela, and many other countries.

Annual Sales: US\$293.3 million in 1998

Social and Environmental Concerns: In South Africa, Biwater's operations have outraged local unions and residents as the company promised better water and sewage services, but few new pipes have been laid, while water interruptions have increased, and so have water rates for consumers. Recently Biwater lawyers threatened a libel suit against GreenNet, an internet service provider which carried a document from the South African Municipal Workers Union. The document refers to alleged reports that Biwater was among a select group of contractors and defense manufacturers that controlled the supply of British aid and arms to, and trade with, foreign governments during the tenure of former prime minister Margaret Thatcher. Biwater is also part of a Panama water privatization project which is under investigation for corruption.

4. HALLIBURTON COMPANY

Background: Halliburton is the world's largest provider of oil field services. The Texas-based company makes oil field equipment, and offers construction, engineering and maintenance services to the petroleum industry. Halliburton's energy services, which include its subsidiary Brown and Root, construct offshore production facilities, land-based plants and pipelines, offer well evaluation, drilling and maintenance services, and exploration-related software. In 1995, Dick Cheney, a former US defense secretary and current vice president, became chairman and Chief Executive Officer. He resigned as chairman and CEO in 2000, after he was chosen as the vice presidential running mate of Republican George W. Bush. Halliburton has operations in more than 120 countries.

Annual Sales: Unreported

Social and Environmental Concerns: Halliburton's subsidiary, Brown and Root, is under criminal investigation by the US Justice Department and a federal grand jury, for allegedly defrauding the federal government of between \$5 million and \$6 million in a contract involving the closure of Ft. Ord military base. In Texas, Halliburton has been repeatedly fined for not completing its contracts for road work and in North Carolina incomplete contracts resulted in the company being barred from bidding on road work in the state. Halliburton has also been involved in a controversial project to build a natural gas pipeline from Bolivia to Brazil.

5. SUEZ LYONNAISE DES EAUX

Background: The Paris-based company was formed in 1997 by the merger of Compagnie de Suez (builder of the Suez Canal) and the water treatment and engineering conglomerate Lyonnaise des Eaux. The company operates private infrastructure services focusing on energy, water services, waste treatment and communications in more than 120 countries. Most of its operations are in Europe. While Suez has recently moved into the US market, only 15 percent of its total operations are outside Europe and the US.

The current CEO of Suez, Gerard Mestrallet was quoted as saying...*Ferdinand de*

Lesseps wanted to build the Suez Canal to transform the geography of the world. And it was a philosophy of conquest. And I think that we—we have to keep the heritage of Ferdinand de Lesseps and to develop among all in our group the philosophy of conquest. And doing that, if we succeed, we shall be in harmony with our world history and follow our culture.

Annual Sales: 1999 annual sales were \$31.7 billion

Social and Environmental Concerns: Suez is currently under investigation in France for alleged participation in a corrupt cartel. In Indonesia, the workers at Suez water operations have protested different pay scales for local workers and expatriate workers. Suez has repeatedly requested tariff increases (that would effectively double the price charged to the consumer) from the Manila regulator of their water operation in the Philippines, reportedly due to the devaluation of the peso. In Queenstown, South Africa, protesters claimed that Suez was taking excessive profits, grossly overcharging for its services, and leaving the municipality unable to pay workers a living wage. The Argentine regulator of a Suez water operation claimed that “the main goals set at privatisation have not been met, in terms of the raising of water quality standards or in expansion of the system.”

Sources: Polaris Institute, *Geopolitics and the Corporatization of Water*, 2001; Public Services International, Research Unit, University of Greenwich, London <www.psiru.org>; Multinationals Resource Center, Washington, D.C.; Reed Business Information, Ltd.; Hoover’s Company Profile Database of World Companies; Corporate Watch, the watchdog on the web <www.essential.org>

BOX 3: PROFILE OF GHANA

GDP per capita was lower in 1998 (\$390) than it was in 1975 (\$411)*

Human Development Index Ranking	129	
Life Expectancy at birth (1998)	60 years of age	
People not expected to survive		
Age 40	21%	
Adult Literacy Rate (1998)		
Age 15 and above	69%	
Female	60%	
Male	78%	
Age group school enrollment		
Primary age group (1997)	43.4%	
Tertiary education expenditure (1994-97)		
As % of public education expenditure	17%	
Combined gross enrollment ratio (1998)		
Primary, secondary, and tertiary	43%	
Female	38%	
Male	48%	
Population without access to**		
Safe Water	35%	
Health Services		75%
Sanitation	68%	
Maternal mortality ratio reported		
Per 100,000 live births**	210	
Infant mortality per 1000 births	66	
Under age 5 Mortality		
Per 1000 children	102	
Child malnutrition		
(% of children under 5)	27%	
GDP per capita (PPP US\$ 1998)	\$1,735	
Female	\$1,492	
Male	\$1,980	
Distribution of Income**		
Poorest 20%	8.4%	
Richest 20%	41.7%	

Population below	
National income poverty line	31.4%
\$1 a day (1993 PPP US\$)	78.4%
Seats in parliament held by women (as % of total)	9%

*1995 US dollars.

**Statistics are based on most recent data available between 1987 and 1999.

BOX 4
Democratic Principles
For Evaluating IMF and World Bank Lending Policies

1. **ACCOUNTABILITY.** *The IMF and World Bank should be accountable for the consequences of their lending operations to constituencies in borrowing countries, especially poor and marginalized populations.*
2. **POSITIVE HUMAN DEVELOPMENT OUTCOMES.** *The international financial institutions (IFIs) are public institutions and, as such, should be expected to serve the public good by advancing economic policies that will improve the quality of life of citizens by: enabling access to basic health and education services; reducing or eliminating poverty and inequality; protecting labor standards; protecting consumers; and protecting the environment and natural resources.*
3. **PARTICIPATION.** *The citizens in borrowing countries, particularly those who will be most impacted by potential loans, should be involved in deciding if and when their governments should contract hard currency loans from the IFIs. If such loans are desired, affected stakeholders should identify and design the possible loan operations for financing by foreign creditors, including the IMF and World Bank.*
4. **TRANSPARENCY.** *Freedom of information is a basic principle for the functioning of a democratic society. IMF and World Bank country-wide strategies, loan documents, debt relief documents, Board proceedings and other institutional documents relating to a countries' development policies should be available in draft and final form for parliamentary and citizen deliberation prior to their implementation.*
5. **DEMOCRACY.** *IFI financing should not be used as leverage to overturn social consensus and democratic processes in borrowing countries. Wherever possible, national development policy and economic reform programs should be forged through a domestic democratic process that builds a broad social consensus.*