IMF and World Bank Water Policies Undermine Public Health

Access to clean and affordable water is vital to public health.

- More than 1 billion people, mostly in the developing world, lack access to clean and affordable water. Approximately 2.4 billion people lack access to proper sanitation services.
- Over two million children die each year of diarrheal diseases related to lack of access to clean water and sanitation. **These are preventable deaths**. Increased public funding for universal access to basic water and sanitation services could solve this problem.

Rather than increasing funds for public water and sanitation services, IMF and World Bank policies push full cost recovery and water privatization.

- Many World Bank structural adjustment loans and water sector restructuring loans now require governments to replace public subsidy with a policy promoting "full cost recovery" or "economic pricing." This means that water consumers must pay the full price for operation and maintenance (and sometimes even expansion) of the water utility. Increasing the price of water in developing countries, where the majority of the population makes less than US$2 per day, **reduces access to clean water.** This is not responsible public health policy.

- A review of IMF loans in 2000 found water sector policy conditions in 12 out of 40 countries that included increased cost recovery and water privatization. Increased cost recovery policies often precede privatization because an "improved" tariff structure will make the public water utility more lucrative on the international market.

- A review of World Bank Water and Sanitation sector loans approved in 2001 found that 80.9% of loans contained cost recovery measures and 51% contained privatization measures.

- World Bank and IMF loans also promote "automatic tariff adjustment formulae." Automatic tariff adjustment formulae ensure that consumer water rates or tariffs reflect the shifts in the international exchange rate of the domestic currency. In other words, when the domestic currency depreciates, consumer water rates go up.

The social impact of increased fees for water can be devastating. IMF and World Bank policies must prioritize public health BEFORE increased cost recovery.

- When water becomes more expensive and therefore 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. This increases the risk of diarrheal diseases, including cholera and parasitic diseases.

- In developing countries, many people are outside the piped water system or cannot afford treated water. Those who are outside the piped water system must depend upon costly tanker trucks or streams, rivers and lakes that may be polluted. Those outside the piped water system already pay exorbitant fees for access to clean water. In Ghana, **after IMF and World Bank policies required a 95 percent raise in water fees in May**

Public Citizen: 215 Pennsylvania Ave. SE, Washington, DC 20003 tel: 202-588 1000 fax: 202-547-7392
California Office: 1615 Broadway, 9th Floor, Oakland, CA 94612 tel: 510-663-0888 fax: 510-663-8569

2001, three buckets of water cost a family almost half of the minimum wage. In India, some poor households pay as much as 25 percent of their income on water. In Lima, Peru poor residents pay as much as $3 per cubic meter (approx. 260 gallons).

- In developing countries, water-borne diseases are usually the second most common cause of morbidity and mortality. Diarrheal diseases due to pathogens such as cholera, E.coli, shigella, amoebas and giardia account for up to half of all clinic visits. Increased water fees reduce access to clean, affordable water. Families are forced to make daily trade-offs between safe water, food, clothing, school fees and health care.

- In South Africa, increased water fees led to water supply cuts for people who were too poor to pay their accounts, this **resulted in the outbreak of a cholera epidemic** in KwaZulu-Natal, the Water Affairs and Forestry Ministry admitted in October 2000. Similarly, water-borne guinea worm has been making a comeback in a region of Ghana where a World Bank water & sanitation project required unaffordable capital contributions from local communities as a precondition for installing standpipes and bore-holes.

IMF and World Bank policies are biased in favor of large multinational water companies.

- The World Bank routinely argues that the private sector is more efficient and cost-effective than the public sector. However, water is a natural monopoly and the water "market" is dominated by a few large multinational companies. The top water companies are part of the Fortune Global 500 List. The lack of market competition among water companies does not provide an environment conducive to efficiency.

- World Bank loans require that governments privatize their water utility without undertaking a comparative analysis of the option of restructuring and rehabilitation of the public water utility. IMF and World Bank loan conditions often result in a government commitment to privatization without the participation, knowledge or discussion among citizens, local government officials, or parliaments.

- In many developing countries the public water utility is in desperate need of restructuring, rehabilitation, and expansion. Water and sanitation services are failing to meet the needs of growing populations. The result is a serious public health and environmental crisis. The World Bank says the private sector is positioned to resolve this crisis.

- However, private sector water companies are not providing investment in desperately needed restructuring, rehabilitation and expansion of water utilities. In general, they prefer leases, management and service contracts that enable them to intersect with the rate-paying consumers **without** providing such investment.

- The large water companies introduce new financial demands on the water system. These include the demands of company owners for profits and dividends, which may be globally redistributed for investment in other company activities.

- The IMF and the World Bank, as public institutions, should not be using the leverage of loan conditions to promote new business opportunities for private international corporations.

Recommendations to the IMF and World Bank:

1. **UNTIE THE AID.** IMF and World Bank loans should not impose conditions requiring full cost recovery and water privatization.

2. **PRIORITIZE PUBLIC HEALTH.** Rather than full cost recovery and water privatization, the objective should be increased access to water and sanitation services in poor and underserved areas.

3. **PROVIDE GRANT AID.** Developing countries do not need new debt. Rather than new credits, increase grant aid with clear performance objectives focusing on rehabilitation, improved public health and expansion of water and sanitation services to low income communities.

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