



CAMPAIGNING TO KEEP  
WATER AS A PUBLIC TRUST

## THE INTER-AMERICAN DEVELOPMENT BANK (IADB) Pushing Water Privatization in Latin America

### What is the Inter-American Development Bank (IADB)?

The IADB is the “world bank” for the Latin American and Caribbean region. It is the largest and oldest regional development bank in the world. For the last decade the IADB has been the largest multilateral lender of development finance for Latin America and the Caribbean – larger than the World Bank – with a cumulative lending of \$128.5 billion and an annual lending capacity of \$8.5 billion. In 2003, IADB lending operations totalled \$6.9 billion in the region while World Bank lending operations equalled \$5.8 billion.

The IADB holds about \$58 billion of debt in the region, giving the institution tremendous power to impose lending conditions such as privatization, trade liberalization and de-regulation. The project pipeline for 2003-2005 includes about \$3.1 billion for water and sanitation. A recent review of the IADB water and sanitation portfolio from 1996-2003, undertaken by Public Citizen’s Water for All campaign, yielded the following conclusions.

- Some of the largest IADB loans during 1996-2003 went directly to transnational water companies after they were granted private concessions in Argentina, Bolivia and Honduras. A loan to International Water Services, a Bechtel joint venture, is pending in Ecuador for the Guayaquil concession.
- A large proportion of IADB loans promote so-called reform of the water and sanitation sector that is based on changing legal and institutional arrangements so that private sector investment in the water and sanitation sector will be secure and profitable. These policies do not take into account that water is a natural resource, a public good, and an inalienable human right, precisely because it is indispensable for human health and life.
- A large number of IADB loans have stark conditions that require states, provinces or municipalities to open the door to privatization (multinational water companies) in order to be eligible for IADB loans. However, communities and citizen groups who depend on this basic natural resource are not permitted to participate in the decisions and rarely benefit from the policies.

The model of water privatization involving large transnational water companies has been a failure in many cities around the world including Manila, San Juan, Jakarta, Buenos Aires, Atlanta, Cochabamba, Dakar and many others. Key problems include unaffordable consumer water rates, cut-offs in service, water pollution, job loss, major issues of contract non-compliance, and when the company is unable to recover sufficient profits, international lawsuits that pass the debt to the government. Given this proven track record of failure it is irresponsible for the IADB to continue pushing this model in Latin America and the Caribbean.

The construction of dams, hydro-electric projects, highways and the promotion of plans to colonize the ecosystem, develop agro-industrial projects based on the use of chemicals, pesticides, and herbicides, are all part of this unsustainable, unequal and exclusive model of development supported by our governments and financed by the IADB. This development model has showed a great capacity to destroy the eco-system and our water resources.

We demand the following:

- **Stop all IADB loans to major transnational water companies.** There are more than a billion people worldwide that lack access to basic water services. The transnational water companies have proven themselves UNABLE to put this need above the profit motive. IADB resources must be placed in hands that can address this vital public health need and that recognize that water is a human right, not a commodity.
- **Remove loan conditions that require private sector participation.** There is no proven track record that shows that the private sector is more successful in providing water services. In fact, there is considerable evidence to the contrary. Given this situation, all options must be considered and developed with the full participation of civil society including trade unions, public health, women's organizations, religious, human rights groups, environmental groups, consumer groups and others.
- **End loans that reform legal and institutional structures to permit private sector participation.** In many countries there is urgent need for institutional reforms that provide the water and sanitation sector with more independence from political influence, that provide for citizen participation and oversight in the water sector, that ensure efficiency, transparency and accountability to water users, that protect water as a human right, and work toward universal access to clean and affordable water. These are the kinds of reforms that the IADB should be supporting.
- It is urgent that the IADB stop financing infrastructure projects and development projects that are unsustainable for the eco-system. The IADB should: a) finance initiatives that protect our water resources, b) promote a broad plan of restoration of water resources and soil erosion, c) establish independent monitoring of all projects to ensure compliance, and d) examine the real cost of the social and environmental destruction that IADB projects cause in local communities and pay reparations.