

Congress of the United States

Washington, DC 20515

December 3, 2002

The Honorable Paul O'Neill
Secretary
United States Department of Treasury
1500 Pennsylvania Ave., N.W.
Washington D.C. 20220

Dear Secretary O'Neill:

We are writing to urge you to instruct the U.S. Executive Directors of the IMF and World Bank to oppose the current "Private Sector Participation" proposal being promoted for the urban water sector in Ghana. The plan is opposed by a broad coalition of Ghanaians because it would increase the cost of water for the people of Ghana. We also urge you to instruct the U.S. Executive Directors to oppose loan conditions in Ghana mandating increased cost recovery for water. These conditions have already raised the price of water for the poor in Ghana. Ghana should receive loans that do not have onerous conditions.

Mr. Secretary, on October 8 at the Global Millennium Water Initiative Symposium you stated that "water is life. Nothing is as essential- or as fundamental to us-as water." You went on to state it is a goal of yours to ensure that all people have clean water. We share your goal and we commend your efforts to increase access to clean and affordable water around the world. Unfortunately we believe that IMF and World Bank policies in Ghana have in fact, been counterproductive to that goal. Clean and affordable water is becoming less accessible for the vast majority of Ghanaians.

Increased cost recovery is often part of the regulatory reform imposed by the World Bank prior to water privatization. Most Ghanaians earn less than \$2 a day and the rising cost of water forces families to make impossible trade-offs between purchasing food, clothing, medicine, paying school fees, or buying a bucket of water. Conditions attached to IMF and World Bank loans in May 2001 required a 95 percent increase in water tariffs in Ghana. Another 40 percent tariff increase was imposed in August 2002 and other tariff increases are likely before and after the privatization proposal is implemented.

Tariff increases are borne unequally by poor populations because their relatively smaller incomes already go disproportionately to pay for water and because they are often outside the piped system. For those without piped water, tariff increases are magnified as they are passed on by the tanker truck operators and other intermediary buyers and sellers. Purchasing three buckets of water a day in Ghana can cost between 10% and 20% of the average daily income. World Bank policies of increased cost recovery for water are removing much-needed income from the pockets of the poor. This contradicts the poverty reduction mandate of the institution.

A broad coalition of Ghanaian organizations, including teachers, doctors, nurses, trade unions, women's and human rights organizations, NGOs, students and others have stated their opposition to the World Bank-backed "private sector participation" proposal and delivered a memorandum to this effect to their government. Eminent individuals from renowned organizations in Ghana -- the Christian Council, the Trade Union Congress, the Civil Society Council of Ghana, the Ghana Catholic Bishop's Council and the African Association of Universities -- invited an international delegation to study the proposal for privatization or private sector participation (PSP) in the restructuring of the water sector. The report of the International Fact-Finding Mission on Water Sector Reform in Ghana found serious shortcomings in the privatization proposal and concluded that other options should be sought. The key shortcomings identified are:

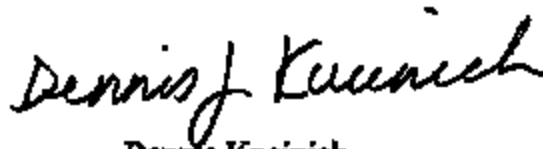
- increased cost recovery will reduce access by low-income consumers;
- proposed investment priorities and lack of capital are likely to make significant expansion to low-income and unserved areas unlikely;
- the separation of water and sanitation services reduces opportunities to address public health problems;
- there is no attempt to address the excessive prices borne by those dependent on tanker trucks;
- there is no plan for ensuring access to low-income consumers;
- the lease formula may encourage transfer pricing which could lead to higher consumer prices;
- IMF loan conditions, in particular the recommended implementation of an automatic tariff adjustment mechanism, interfere with an independent regulatory function; and
- the great majority of citizens and civil society organizations, who will be directly affected by the PSP proposal, were unaware of its basic components and were not involved in the decision-making process.

Again, we urge you to take immediate action to instruct U.S. Executive Directors to oppose the World Bank's water privatization proposal in Ghana and to oppose loan conditions promoting increased cost recovery for water. Access to water is a basic human right and should not be denied to people simply because they are poor.

Sincerely,



Jan Schakowsky
Member of Congress



Dennis Kucinich
Member of Congress



Jerrold Nadler
Member of Congress



Eleanor Holmes Norton
Member of Congress



Jim McDermott
Member of Congress



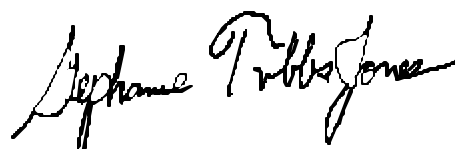
Donald Payne
Member of Congress



Bob Filner
Member of Congress



Lynn Woolsey
Member of Congress



Stephanie Tubbs-Jones
Member of Congress



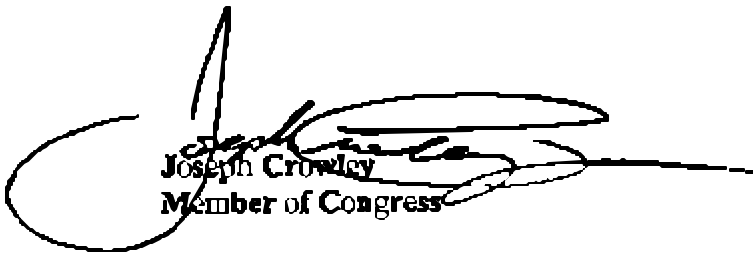
Henry Waxman
Member of Congress



Edward Markey
Member of Congress



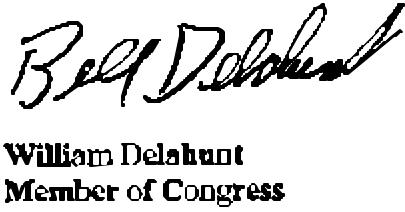
Peter DeFazio
Member of Congress



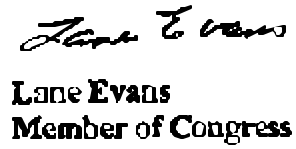
Joseph Crowley
Member of Congress



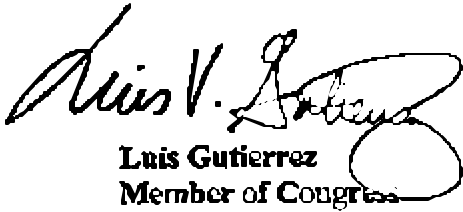
Elijah Cummings
Member of Congress



William Delahunt
Member of Congress



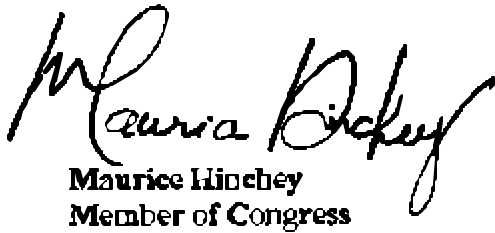
Lane Evans
Member of Congress



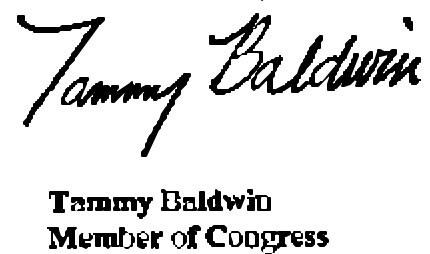
Luis Guterres
Member of Congress



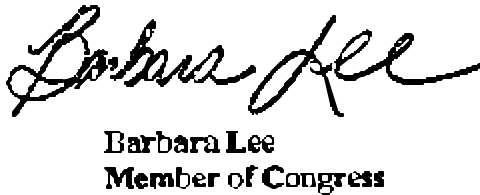
Alcee Hastings
Member of Congress




Maurice Hinchey
Member of Congress



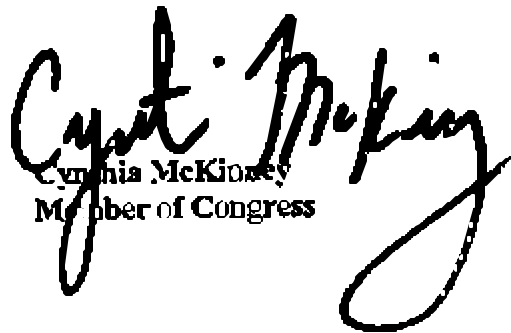
Tammy Baldwin
Member of Congress



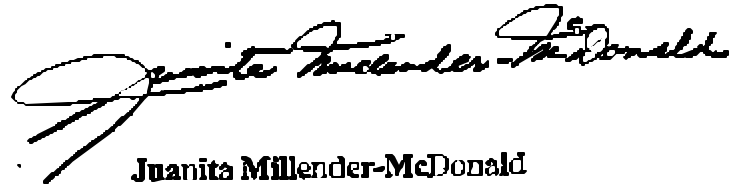
Barbara Lee
Member of Congress



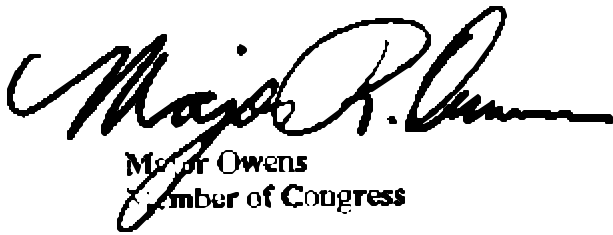
James McGovern
Member of Congress



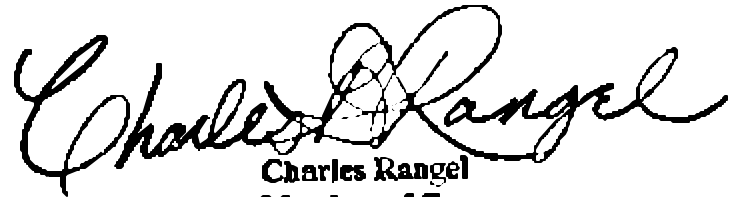
Cynthia McKinney
Member of Congress



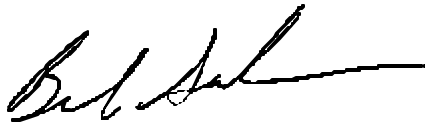
Juanita Millender-McDonald
Member of Congress



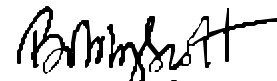
Major Owens
Member of Congress



Charles Rangel
Member of Congress



Bernard Sanders
Member of Congress



Robert Scott
Member of Congress



Edolphus Towns
Member of Congress

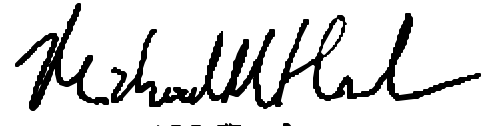


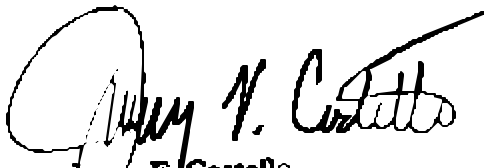
Maxine Walters
Member of Congress


Louise McIntosh Slaughter
Member of Congress

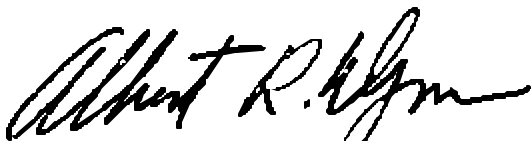

Bart Stupak
Member of Congress


Dohna M. Christian-Christensen
Member of Congress


Michael M. Honda
Member of Congress


Jerry F. Costello
Member of Congress


Sherrod Brown
Member of Congress


Albert Wynn
Member of Congress


Bobby L. Rush
Member of Congress

Carolyn C. Kilpatrick
Carolyn C. Kilpatrick
Member of Congress