

WATER PRIVATIZATION IN GHANA CHRISTIAN AID

"To privatise water is like handing down death sentences to the majority of the urban and rural poor in Ghana because they cannot afford to pay economic rent for such services. The right to water is a fundamental, God-given right to all people that dwell on this earth." Press statement opposing water privatisation, Christian Council of Ghana, Christian Aid partner.

There is nothing more essential than water. In the rich world, in countries such as the UK, it is taken largely for granted. It is piped into the vast majority of homes and its consumers are charged a minimal amount for its supply. If water is a tradable commodity then its value, in wealthy economies, is very low.

In many poor countries, those who have water piped into their homes are in the minority. Moreover, 1.1 billion people still have no access to improved water supply,¹ which means they draw their water from potentially contaminated sources.

This is the case in Ghana, West Africa, where overall, nearly half of the population has no regular, safe supply. In the countryside, where 80 per cent of people live, that figure rises to almost two thirds.

The Urban Water Market and the Poor

In Accra, the capital of Ghana, close to some of the city's smartest middle class residential neighbourhoods sprawls a slum area called Nima. In stark contrast to the walled gardens and security gates of the houses of the wealthy, Nima is a collection of makeshift dwellings and tiny, ramshackle houses. Deep trenches line the roads; the stench of sewage is heavy in the air. In all some 350,000 people live here. It is estimated that fewer than ten per cent of them have water supply in their homes.

Philomena is a widow in her mid-thirties with six children. She buys her water from Kandy Hamidou who lives nearby and owns a rubber water tank connected to the main. If there is no supply, and frequently there is not, she has a fifteen-minute walk to the nearest alternative.

Typically, Philomena will spend up to 3,000 Ghanaian Cedis (US\$0.43) per day on water for her household – around the same as her earnings. In fact, she spends around the same on water as many households in London, even though she earns a minute fraction of the amount people in London earn. In the cut and thrust of modern, Third World, urban economics, the price of the water she buys rises when there is a shortage and falls when people can get water elsewhere. Because there is little infrastructure, ordinary people like Philomena rely on others more fortunate or more wealthy for their water supply. Consequently and by virtue of its scarcity, an unjust, undignified and unregulated market for water already exists in many poor countries.

Kandy Hamidou is of a similar age to Philomena. She is a widow, with two daughters and makes a living by selling buckets of water to Philomena and her other neighbours – 400 Cedis (US\$0.05) for a small bucket and 500 (US\$0.07) for a large bucket. When her husband died, Hamidou's brothers clubbed together and bought her a larger rubber tank which holds up to 2500 litres of water. They also helped pay for piping to connect it to the main water supply, over half a mile away, registered her with the Ghana Water Company and waited for water to flow.

Sometimes water does flow from Hamidou's taps. Recently there has been water around twice a week but there was none at all for the first six months of the year. When there is no water, Hamidou, like the rest of her neighbours, is faced with a long walk to fetch it.

Maamobi is another slum district close to Nima and is similarly set, surrounded by the houses of the wealthy. Poor Ghanaians mostly live in compounds, with several families clustered around a courtyard.

¹ WHO Press Release, 22/11/01.

In one such compound, in the heart of Maamobi 32 families live together – 156 people in all. The compound has no pipes, no water tanks and no boreholes.

Hawa Amadu, a striking widow in her seventies, is the compound's landlady and three of her six surviving children live alongside her with their families. Amadu spends between 3,000 and 4,000 cedis (US\$0.4 and US\$0.6) a day on water which her grandchildren fetch water from an area known as the lowlands over a mile away.

"Sometimes I will go without food so my grandchildren have water," says Amadu. "The government should understand this – water comes before food. Soon we will have to drink air."

A close neighbour of Amadu is Bertha Obuobi-Bossman. She is an imposing woman in her forties who lives in her late father's house, a large, four-bedroom building surrounded by a parched garden. Bossman used to work in a drinks company but eight years ago was obliged to resign after her husband, a former government minister, suffered a stroke. She has lived in the same place for more than 20 years.

"Since I have lived here I have never seen water (in the house), even though there are pipes in the house," she says. Bossman makes it her business to 'worry' members of the local council and the employees of the water company. "They always say they have no water pressure," she complains. "But no one comes here to tell us what the problem is – nobody seems to care."

Having an ill husband, Bossman constantly worries about having enough water. But Bossman is fortunate. Her husband's pension has allowed her to have two tanks built in the yard, one of which has been standing empty for over a year. She also has a rubber tank on the roof to catch rainwater. But when there's no rain and water does not flow, she spends around 5,000 cedis (US\$0.60) a day on water from the lowlands. She pays local children to fetch it for her.

"I worry about the children who fetch the water," she says. "It's very dangerous. They have to cross a busy road and two years ago a girl who was fetching water was hit by a car and died." Asked what she thinks about the hikes in water prices in preparation for privatisation, she laughs. "We don't have water here – how could I notice whether or not the price of water has gone up."

These life stories point to three main conclusions:

- The urban water system is unable to deliver water reliably and affordably to many poor households.
- As a result, the cost of consuming clean water is exorbitant for the poor, directly (in terms of the proportion of their incomes) and indirectly through adverse effects on health, through imposing various burdens on women and children as well as forgone consumption of other basic needs.
- The water supply in Ghana clearly needs fixing. Not least, there is a serious need for investment in infrastructure, in the maintenance and proper management of the systems and in ensuring special attention to the needs of the poor.

Unfortunately, Ghana, like many developing countries face a combination of resource constraints (the inability of the public purse to finance such investments) and public management failures. It is on account of the need for resources, in particular (in the face of severe external indebtedness), to invest in pipes, pumping stations and treatment plants that poor countries like Ghana turn to the donor/creditor community like the UK, for assistance.

- **But far from helping to increase and expand the supply of safe 'improved' water in such countries, the current system of global trade and the one size fits all approach to development in poor countries is threatening to make improved water an even more expensive commodity for Ghanaians.**

Next year, if the governments plans go through, the sources from which both Philomena and Hamidou obtain their water will be leased to a private company. Privatisation is being heavily pushed by the World Bank, the IMF, DFID and other bilateral donors/creditors not only as a solution for the water supply problems in Ghana but as a condition for supporting critically needed investment in the sector.

Christian Aid is concerned that this policy which is being fast-tracked without adequate public debate and serious investigation into options other than public-private partnerships, for reforming the sector, will bring severe adverse impacts on the poor.

This is already evident. For example, in preparation for privatisation, water tariffs have already risen and by the end of 2001 may have increased by as much as 300 per cent. According to a report completed by US water consultants Stone and Webster, tariffs must increase to a market level before the lessee is chosen from a field of four companies – all from overseas. Once in the hands of a foreign utilities company, it is uncertain even whether Hamidou will still be able to afford to buy and sell water to her neighbours or what price Philomena will have to pay.

Arm-Twisting to Promote Privatisation

The Government of Ghana (GOG) prefers the title, private sector participation (PSP) to privatisation on the grounds that the assets are not being fully concessioned but leased for upwards of 25 years to foreign transnational companies. Civil society organisations say, this is privatisation nevertheless. In line with recommendations of donor-financed foreign consultants, Ghana's water supply has been split in two – the rural and the urban. The supply of urban water will be leased to two private companies for 25 years³ while rural supplies – already under the auspices of the Ghana Community Water Supply Agency, a newly established quango – will be largely managed by rural and small-town communities, who are expected to raise their own funds to meet part of the capital costs and all of the maintenance costs. .

There are five different companies tendering for the two urban water concessions in Ghana, four for concession A, which includes Accra, and five for concession B. They are: Biwater (see box above) and International Water and United Utilities (see Bolivia box) of the UK, Suez Lyonnaise des Eaux and Saur of France and Haliburton of the USA. Two of these companies, Suez Lyonnais and Saur, have annual sales figures significantly bigger larger than Ghana's 1999 GDP.⁴ Haliburton is the world's largest provider of oil field services and was headed by the American vice-president, Dick Cheney, until he was invited to stand with George W Bush in 2,000. International Water and United Utilities has since pulled out of the tendering process.

The terms of the leases do not require the lessees, to expand water supply within their concessions. Major investments in the expansion of pipelines, treatment plants and pumping capacity has been left to the responsibility of the people and government of Ghana who will be expected to raise these funds largely from the same donors for private companies to execute. The lessees will only be required to 'rehabilitate and restructure' the current supply. The anticipated injection of private capital, itself doubtful unless supported by the state or local financial sources, may improve the water supply of those who already have it but it will not, it seems, be used to bring more improved water to more of Ghana's people. So why is Ghana poised to allow two foreign companies to cherry-pick its public services?

² Christian Aid interview with Rudolf Amenga-Etego, Integrated Social Development Centre, Ghana.

³ A Business Framework Report prepared by an American firm, Louis Berger, recommended the separation of the water supply system into 2 parts, the conversion of the urban part into a limited liability company and the packaging of the urban systems into 2 lots for lease to 2 foreign companies

⁴ Water Privatisation in Ghana: Exploring options to government and World Bank policies, Sara Grusky and Rudolf Amenga-Etego.

The answer appears to be this: The World Bank and wealthy governments are prepared to lend Ghana money for improvements to its water supply but only if its government agrees to private sector involvement. There is no doubt that in the case of Ghana, the decision to lease the urban water systems to foreign companies was largely driven by pressures exerted by donors and creditors. They set up and funded an autonomous body, the Water Sector Restructuring Secretariat (loosely affiliated to the Ministry of Works and Housing) to carry out the privatisation process. They funded and carefully selected pro-privatisation British and American firms to conduct a series of studies in preparation for the leases including long-term advice on regulation, tariffs and financing. These studies carefully avoided investigating any public-public or public-labour partnership options, concentrating only on private-public partnerships, and arrived at conclusions designed to minimise the obligations of these firms to the Ghanaian people and maximise their profits. To enforce this condition, donors have demonstrated their preparedness to arm-twist the government by withholding critically needed investments in on-going programmes.

Christian Aid is concerned that the government of Ghana is being pressurised into leasing into private hands, which for the next 25 years, are the only sections of its water supply that are likely to generate revenue to reinvest in expanding infrastructure

Christian Aid has learnt that the UK government is playing an instrumental role in driving forward the privatisation of water in Ghana. It is currently withholding overseas aid funds from one water project it has been involved in for many years until the leases for the privatisation of urban supplies have been signed.

Civil Society organisations in Ghana have criticised this behaviour as another dimension of tied aid and as punitive to the poor.

WATER – HUMAN RIGHT OR COMMODITY?

"The dismantling of the water sector is the dismantling of state responsibility. Water is the petroleum of the 21st century. Watch out what happens when it is privatised." Yao Graham, Third World Network.

People in wealthier countries rarely stop to think about the amount they are levied for reliable, clean water supplies. In the UK, for example, annual water rates are in most cases little more than one per cent of an average salary. Because of the importance of water to the right to life, many governments in developed countries take steps to ensure that the poorest people have access at all times to a minimum consumption required for a decent standard of lifeline many developing countries however, water is increasingly treated as a common commodity, where poor people are often forced to pay in excess of 50 per cent of their income for water which may not even be drinkable. This can either be because water is scarce and they are forced to buy it from local traders who charge high prices for it or because, once supply it has been privatised, the tariffs are hiked to bring them up to market rates.

Past experiences of privatisation and the control of water by large private monopolies show that almost invariably, they lead to the exclusion of the poor from accessing clean water, mainly through tariff increases and disconnections. "Even before the project starts, taps are being turned off because a growing number of families cannot afford to pay as a result of recent tariff increases in preparation for privatisation. This situation will become progressively worse with the move towards full-cost pricing as recommended by the World Bank, the IMF and DFID," says Rudolf Amenga-Etego from the Integrated Social Development Centre (ISODEC), a Ghanaian NGO. "The aim of any restructuring must be to deliver better quality water at affordable prices."

But the likelihood of providing safe and affordable water to poor people in Ghana who currently go without may be slim under the proposed structure. Critics of the 'Private Sector Participation Process' in Ghana's beleaguered water sector claim it is flawed for the following reasons:

- there is no obligation on private companies who win contracts in Ghana's cities to expand the provision of safe water.

- Private monopolies are replacing a public monopoly. They will reap sub-normal profits without necessarily delivering efficiency.
- They will appropriate the revenues for private profit rather than for reinvestments. "Foreign Investors will produce and distribute water, they will retain the profit but pay a user fee to the Ghana Water Company Ltd which will remain the nominal owner of the assets," says Rudolf Amenga-Etego. "The user fee is unknown but is likely to be nominal. The question is how will they (Ghana Water Company Ltd) be able to expand using only the fees paid by the private investor.". The potential transfer of profits in foreign exchange abroad would exacerbate the balance of payment problems of these countries and the production of water does not generate foreign exchange..
- Willingness and ability to pay studies funded as part of DFID and World Bank policy requirements did not adequately deal with the income earning prospects of the poor, and recommended tariff levels and tariffs structures which are not sensitive to the affordability of the poor.

WILLING BUT NOT ABLE

"Poor people will almost always be willing to pay but they have very limited ability to do so. If we were talking about something they could choose whether or not to have it wouldn't be so much of a problem. But this is water." Charles Abugre of Integrated Social Development Centre (ISODEC).

Christian Aid is questioning how it will be possible for people in Ghana with little or no income to pay 'market rates' for water, even if they are willing to do so. 45 per cent of Ghanaians currently have no improved source of water⁵. That figure rises to 64 per cent in Ghana's rural communities. More than 50 per cent currently survive on less than the equivalent of one dollar per day.⁶

The World Bank has made the assumption that people are willing to pay a higher tariff for water based on current inadequate consumption levels and scarcity prices. This is the basis for privatisation on which the World Bank builds its plans. In some cases, including Ghana, the World Bank or donor governments will make an assessment of what local people are willing to pay for their water. Tariffs are then set at – or in the case of Ghana, gradually rise to – what are thought to be 'market rates' sufficiently high in order to attract foreign companies to bid.

However, activists against privatisation are concerned that willingness to pay and ability to pay are two very different things. They argue that people will always express a willingness to pay for water but their ability will be extremely limited by their income streams. Furthermore, they are concerned that the 'market rate' at which tariffs are eventually set will prove beyond the means of many people, driving them back to other, more dangerous sources of water. Worse of all these rates will largely be at the mercy of the private companies who will most likely index them to such exogenous factors as inflation, exchange rates and interest rates.

WATER PRIVATISATION IN GUINEA

A similar privatisation in Guinea, West Africa, gives clues as to how the Ghanaian privatisation may proceed. A consortium led by French giants Saur and Vivendi was successful in winning the lease to operate the water supply for 17 urban centres. As is the plan in Ghana, the government of Guinea retained the assets of the water sector with the consortium taking over the supply on the basis of 'renting' the assets. Contracts were signed in 1989 after tariffs had been increased to allow the eventual winner to make more revenue.

⁵ Government of Ghana.

⁶ Water Privatisation in Ghana: Exploring options to government and World Bank policies, Sara Grusky and Rudolf Amenga-Etego.

Once the consortium took over the operation of water supply, water quality and customer service improved but prices increased more rapidly than had been anticipated, making it difficult for even wealthy people to pay. The state-owned water authority, which regulates the sector, has no access to information about the finances of the French-owned consortium. It cannot, therefore, judge the grounds on which any request from the consortium to increase tariffs is fair.

In Ghana there are no plans for an independent regulator to scrutinise the operation of the water leases. In Guinea this is also the case. As a result, the Government of Guinea has been one of the worst payers of its water bills which is believed to be one of the reasons why tariffs have been increased.

The lack of independent scrutiny and regulatory power over the lease means it has been difficult for anyone concerned to make a full assessment of the success of the privatisation. Supporters argue that supply has improved but because tariffs have also risen dramatically, it is difficult to see how many ordinary people have benefited. Furthermore, while the consortium has operated the supply at a profit, the state-owned infrastructure continues to be loss making.

Source: Water Privatisation in Africa: lessons from three case studies. Public Services Research Unit, May 2001.

ISODEC believes that there will be no meaningful expansion of water supply in Ghana as a result of the water restructuring and experience from similar schemes in other poor countries, such as nearby Guinea, suggests they may be right

The World Bank disagrees. It says that levying charges on those who can afford to pay for their water will raise the required revenue for future investment in expanding water provision in Ghana. It has also approved a loan of US\$25 million to support the Community Water Supply Agency's work in rural areas and is planning to lend as much as \$100mn in support of the to the privatisation process. The whole programme is likely to cost US\$285 million.

Charles Abugre, the Executive Director of ISODEC refutes the World Bank's claims. "The money argument the World Bank and donors are using doesn't stand up," he says. "Whichever way you look at it, the restructuring of Ghana's water as they are proposing will not bring much extra capital as the main source of finance for expansion will continue to be concessionary donor sources. In the end it will be the public sector subsidising the profits of foreign private companies. The whole project fails to address the fundamental problem in Ghana – how to mobilise resources to invest in extending water supply to the poor affordably. The current privatisation plans do not seriously address this problem.

ISODEC concludes that the main motivation behind the donor community's enthusiasm for involving the private sector in restructuring Ghana's water supply is sidelining the government. This angers Abugre. "They see governments in poor countries as essentially corrupt bureaucratic and unreformable and by extension, the private sector as non-corrupt and inherently efficient. This is obviously not always true either way and can only be described as ideological"

"Whilst we agree that the recent performances of the Ghana Water Company has been abysmal, we believe that the company can be turned around with better governance and various public-public partnerships. Similarly, we do not agree that the only way to turn around a poorly performing private venture is for a foreign company to run it. If that is the case, you you will have a foreign company running every aspect of our lives, including our Judiciary and our Parliament." ISODEC says it is not opposed to privatisation per se but it is opposed to the privatisation of water because water is a public good and should not be treated as a common commodity." It's a basic human right and it's imperative that it remains in the hands of democratically elected and publicly accountable hands," continues Charles Abugre. "If it passes into the hands of foreign companies then democracy and sovereignty will be weakened not strengthened in Ghana."

Christian Aid shares ISODEC's concerns. If Ghanaian public utilities are allowed to fall into the hands of foreign multinationals then Ghana will no longer be in full control of the development of water infrastructure vital to poor Ghanaians. Crucially, the most cost-effective part of Ghana's water supply network is about to pass into the hands of a foreign profit-making body for the next 25 years. This will rob Ghana of its chance to use the recovery of costs in cities to subsidise the extension of water provision in rural areas.

WHY THE PSP PROCESS IS REJECTED BY CIVIL SOCIETY ORGANISATIONS

The numbers and variety of opponents of Ghana's privatisation and current restructuring plans have been growing rapidly. A National Coalition Against the Privatisation of Water (the National CAP of Water) has been formed with membership drawn from NGOs, the trade union movement, organisations of disabled groups etc. mobilising across the country. Groups, including the Christian Council of Ghana (Christian Aid's partners), the Trade Union Congress and Opposition Parties have recently issued statements opposing the privatisation plans and in support of the National CAP of Water and ISODEC. In the main, they argue as follows

- **The process has not been transparent** – In 2000 the Ghanaian Ministry of Works and Housing awarded the contract to Enron/Azurix, a UK/USA consortium. Suez Lyonnais and another French company, Groupe Vivendi (former owners of Connex Rail in southern England) challenged the award because they believed they had been 'prequalified' for the contract. Following allegations of kickbacks and threats of loan withdrawals from the World Bank the contract decision was reversed and tendering was opened up to other companies. The government of Ghana still refuses to disclose the full details of the tendering process and the profiles of the companies involved.⁷ This is particularly worrying in view of the fact that most of the companies currently shortlisted have been implicated at one time or the other in corruption allegations.
- **Ghanaian people have not been adequately consulted** – A UK DFID study of willingness and ability to pay was conducted to gauge the potential for private sector participation. However, at no time has there been a wide consultation process involving those affected by the proposals. Furthermore, poor people themselves, who are at risk of being priced out of regular, safe water supply, have not been involved in the process of improving water provision in Ghana – the indigenous experts have been ignored. ISODEC conducted its own study, with money from the UK DFID – which DFID denies providing - where it mapped out the ability of different groups of poor people around Kumasi to pay for water and their perceptions of the impacts of private sector participation. It claims its study has been largely passed over, only recently quoted as part of government propaganda to discredit the organisation.

CONSULTATIONS FOR VALIDATION?

Five separate consultation studies were commissioned by the Water Sector Restructuring Secretariat in Ghana, funded largely by DFID and the World Bank in support of the privatisation process. The consulting firms all happened to be ideologically favourable to PSPs and had a track record working for large private water companies. All the studies concluded that the model of privatisation, being proposed by the World Bank and driven by conditions for IMF and DFID loans, is the best one for Ghana.

Louis Berger, a New Jersey, USA-based firm of consultants prepared the first report. According to its website, Louis Berger's remit was "to encourage private sector participation in the Ghana water sector." Louis Berger's whole expertise is in the field of infrastructure privatisation.

It was also asked, following subsequent reports on tariffs and Halcrow's survey of different public/private partnership options (see below), to prepare a final Business Framework Report which included an implementation plan for Ghana's urban water supply. It recommended breaking urban supplies into two enterprises for lease to private operators).

⁷ Water Privatisation in Ghana: Exploring options to government and World Bank policies, Sara Grusky and Rudolf Amenga-Etego.

London Economics, a UK-based consultancy which approaches water resource problems from the standpoint of market economics was chosen to prepare a report on willingness and ability of consumers to pay and its impact on tariffs.

The report recommended a single tariff structure and rejected the notion of a 'social tariff.' Charles Abugre from ISODEC says, "we found this to be an obnoxious and mistaken approach." Abugre also criticises the analysis in the report of the traditional Ghanaian compound. "The report posited a minimum consumption level for a compound in an urban area of 50 litres of water per day," he says. "But it did not look at the issue of households within the compound. The system proposed would penalise large compounds with multiple households. Further, they did not realise that 20 to 30 per cent of water users rely on other sources of water.

Halcrow & Halcrow, another UK-based firm of consultants, prepared a further report on the privatisation funded by DFID. Abugre criticises this report too. He believes the terms of reference were too narrow as Halcrow were not asked to look at public-public arrangements only private-public.

Stone and Webster, based in Louisiana, USA, produced the framework for privatisation from which the World Bank and Government of Ghana are believed to be working. Stone and Webster are still currently retained by the Ghana Water Restructuring Secretariat as Transaction Advisors– its work is also funded by DFID.

- **The restructuring plan appears to be unlikely to raise new capital** – Ghana's fundamental problem is lack of infrastructure, which means many people, especially those with limited financial resources, have limited access to clean water. Furthermore, there is a high incidence of water-borne infections and diseases in Ghana which are consistent with people drinking and using water from unclean sources. The restructuring plan fails to address these issues because, aside from drawing down loans from the World Bank, it will raise little new capital from other sources.
- **Foreign companies stand to benefit from the current infrastructure** – Leasing the urban water supplies, the only part of Ghana's water infrastructure that is currently in reasonable condition, is akin to selling the family silver. The leases are being offered for 25 years and will be very difficult to rescind within that time. Opponents of the plan claim the only beneficiaries will be the companies which win the two leases. They will seek to make profit from supplying water and recovering costs from the consumers and the money they pay to the Ghana Water Company will be nominal.
- **The restructuring of water supply will add significantly to Ghana's debt** – Ghana is already a highly indebted country and has recently entered the Highly Indebted Poor Countries (HIPC) Initiative.⁸ Borrowing in excess of US\$200 million for a flawed water restructuring project, seems unwise.
- **Prices have already risen and are likely to rise further** – In Accra water tariffs have already doubled as they are gradually inflated to 'market rates.' By the end of the year, some claim they will have risen three fold and many poor people, who already struggle to afford clean water, will be priced out and forced to draw water from dangerous sources.
- **Water in Ghana will no longer be considered a public service** - The supply of water is crucial to people in Ghana – especially to the poor who have limited ability to pay. To Christian Aid, and its partner the Christian Council of Ghana, it is not so much a question of in whose hands the water supply rests but whether it is likely to be expanded and made affordable – this should be the central concern of any restructuring. The proposed plan in Ghana would seem to offer little in terms of expansion and may only offer better service to those who already have it. ISODEC and The Christian Council of Ghana are not against privatisation, but they are opposed to this model.

⁸ See Christian Aid's latest briefing on debt, Vicious Circle, July 2001, which criticises the HIPC initiative for failing to deliver significant debt cancellation to poor countries and perpetuating the debt crisis. Visit www.christian-aid.org to read the report.

For these reasons, Christian Aid supports its partner, the Christian Council of Ghana, in its opposition to the privatisation of Ghana's water.

As Rudolf Amenga-Etego from ISODEC puts it, "We should not be looking to privatise the (Ghana Water) company, but at the restructuring of the company, making it accountable, more efficient and involving the community in the management of water."

UK GOVERNMENT LEADING PRESSURE TO PRIVATISE

In countries such as Ghana, the World Bank and its shareholders – the governments of wealthy countries – are driving forward a programme of privatisation in water. In Ghana, the UK government's Department for International Development, its overseas aid department, is at the forefront of this.

The Water Restructuring Secretariat – part of the Ministry of Works and Housing – which is implementing the privatisation of Ghana's water, is having its salaries and other costs paid by the World Bank.⁹ It also receives funding from the UK DFID for asset and financial studies. It has so far contributed £2.8 million in technical assistance to the privatisation process.¹⁰

Most disturbing of all, Christian Aid has learnt that the UK government is freezing aid funds for expansion of water in the Ghanaian city of Kumasi until contracts for the lease of Ghana's urban water supply is confirmed.

The UK DFID had agreed to provide £10 million in aid for the third phase of an on-going project to expand the Kumasi water supply system (The Kumasi Water Project). Engineering Studies, conducted by the British firm, Alexander Gibbs had been completed, together with ISODEC's Social Mapping study. However the money has yet to be disbursed. In a confidential agreement between DFID and the government of Ghana, the UK made the disbursement of the funds for the Kumasi project conditional upon the privatisation of urban water supply reaching the stage at which contracts are signed for the two leases.¹¹

Biwater – Bidding for Britain

A UK based engineering company, Biwater is Britain's only remaining bidder for the lease to supply Accra's water. It has successfully tendered for several water concessions in poor countries including in Nelspruit in South Africa. French manufacturing multi-national Saint Gobain recently acquired Biwater's pipe manufacturing section. But Biwater PLC remains a family-owned company that is not quoted on the FTSE.

On its website, Biwater says it is 'a world leader in the international water industry' and has in the past claimed to be 'one of the largest managers and operators of water supply and sewerage systems.' However, Biwater is a relative minnow when compared to companies such as Suez Lyonnais des Eaux and Saur, both of which it is up against in the tendering process for Accra's water supply. It is also smaller than many public providers of water.

Biwater has a track record of benefiting from aid given to poor countries by the UK government. Between 1978 and 1997 it was the fifth largest beneficiary of tied aid, receiving £66.42 million in 'Aid For Trade' provision.

⁹ Emmanuel Nkrumah of the Ghana Water Restructuring Secretariat told Christian Aid that the World Bank met his salary and many of his office costs.

¹⁰ International Business and Finance Research Group at Strathclyde University, Water Resources Strategy note no.2: the aid institutions in Ghana, September 2001.

¹¹ International Business and Finance Research Group at Strathclyde University, Water Resources Strategy note no.2: the aid institutions in Ghana, September 2001.

However, Biwater's track record in developing countries has been questioned in some quarters. In particular, its critics say, charges or allegations of corruption often smear projects with which it has been involved.

In April 1999, Biwater won a water supply concession in Nelspruit, South Africa. This was one of the first water privatisations in a developing country and is seen as the crossing of a rubicund by many that oppose water privatisation. On its website, Biwater says it 'will oversee an investment of £15 million in new and upgraded facilities in the Greater Nelspruit region.'

The concession gives Biwater a 30-year lease. According to the South African Municipal Workers Union, the company began breaking its promises as soon as it was awarded the contract. In particular the union accuses Biwater of laying-off water workers when it gave assurances that it would be taken over after the signing of the lease.¹² Further criticism has been levelled at the way public money was used to underwrite the Biwater's investment with nearly two-thirds of the total finance of the project coming from the Development Bank of South Africa. The company has also been criticised for failing to improve water services in the concession. Few new pipes have been laid and 'water interruptions have increased as have tariffs.'¹³

Source: Biwater, Public Services International Research Unit, David Hall, 1998.

Effectively the UK is withholding funds from a project that will bring water to more people as leverage to force through a project that will not. It has tied £10 million of British aid – not to the purchase of British goods and services but to the advancement of the process of water privatisation in Ghana.

This is a clear indication of the intentions of governments such as the UK to open the markets of poor countries using bilateral assistance as a means. In spite of the UK government's rhetoric about 'pro-poor development' its development work in Ghana appears to be led by trade policy. But aid is not only still being tied to contracts for British business. It is being used as leverage to open up Ghana's water sector to multinational companies based in wealthy countries. In this way, the UK government's actions are contributing to the weakening rather than the strengthening of democracy in Ghana. Proper democratic processes of decision making are being short-circuited by the pressure from the UK, the IMF and World Bank.

It seems to Christian Aid that the situation in Ghana is a clear example of how pressure from the governments on which it relies for aid is driving the country towards measures which may not be of benefit to poor people. It is also increasing massively the involvement of foreign companies in the running of essential services in Ghana.

UK DFID POLICY ON WATER IN POOR COUNTRIES

DFID's main policy document on water resources, Addressing the Water Crisis (March 2001), accepts the full-cost pricing position that prevails among international institutions and corporations. It argues that "water agencies have not been charging their users the true cost of supplying water and sanitation services", and that this situation "often benefits the better off, who tend to use large quantities of water at little or no cost, while failing to ensure service delivery to the poor".

As for private investment, the document observes that it has been "vigorously promoted by some agencies and criticised by others" – and argues that "well-designed contracts and enforced regulation will be needed to ensure that part of improved service delivery goes to improving the level of coverage for poor people". The main challenge, it continues is to "build good relationships" between the public

¹² SAMWU press release, 19/10/99.

¹³ Water Privatisation in Ghana: Exploring options to government and World Bank policies, Sara Grusky and Rudolf Amenga-Etego.

and private sectors and civil society. Public water companies in developing countries have often been corrupt, it states, and it would be wrong to assume that involving other agencies will necessarily root out corruption, "but transparency in these contracts is an important issue. Empowering civil society can challenge vested political interests".

It could be argued that there is a serious dichotomy between these sentiments and the practice of DFID on the ground in Ghana.

- Firstly, because the issue of failure to ensure service delivery to the poor is not satisfactorily addressed by the privatisation plan and places no demands regarding expansion of the network on those bidding for the contract to operate water supply.
- Secondly, because the challenge to "build good relationships" between public and private sectors and civil society appears not to have been met; the NGOs say that their input into the discussion on sector reform have to all intents and purposes been dismissed.
- Thirdly, because DFID's advocacy of transparency in contracts, which the NGOs consider laudable, is seen in contradiction to its behaviour in Kumasi, where by an unpublished agreement with the Ghana government it has tied aid for extension of the network to acceptance of privatisation policy in the face of public opposition.

REGULATING GHANA'S WATER INDUSTRY

Aside from the lack of water infrastructure in Ghana and the problems of supplying the 45 per cent of the population who are not regularly and reliably able to draw clean water, much of the water that is supplied is of sub-standard quality. However, quality assurance is the responsibility of the GOG, alongside network expansion under the privatisation plan. The responsibility for regulating these companies to ensure that their tariffs are affordable to the poor but profitable to the companies and good quality services fall under the Public Utilities Regulatory Commission (PURC), a Constitutional Body mandated for these purposes.

In spite of valiant efforts by the PURC to enforce affordability in the phase of intense pressures by the IMF for rapid attainment of full-cost pricing, the ability of the PURC to effectively regulate huge TNCs is limited and being effectively constrained. For example, the report by the US consulting firm, Stone and Webster recommended allowing the companies to apply for an exemption from control of Public Utility Regulatory Commission (PURC) and the Ghana Standards Board. In other words they are likely to be allowed to set their own standards.

Similarly, although the job of deciding how revenues generated from the supply of water will be distributed is expected to be decided by the water companies in conjunction with the PURC, previous experience even in rich countries show that regulators have struggled to exercise sufficient control over the revenues of water companies.

To address the problem of weak regulatory capacity, the DFID commissioned work on regulation within Ghana's restructured water sector. Unfortunately, it hired the Adam Smith Institute to advise PURC. Adam Smith is an enthusiastic supporter of privatisation and marketisation and believes in "corporate governance with weak regulation and advocate of the "small state"

Alaric Marsden at the Adam Smith Institute says that regulation in Ghana should aim "firstly to stimulate conditions of competition as if there were a market in the services in question and secondly to referee between stakeholders (government, private sector and consumers)."

Charles Abugre from ISODEC, on the other hand, says the answer is to strengthen the PURC to enable it to stand up to water companies. "The PURC has taken admirable positions in the past." He says. "When the government's letter of intent to the IMF in June this year declared its readiness to introduce full cost pricing (for consumers paying for water), the PURC stated that this could only be done

gradually. However, he also observes that it is unlikely that the PURC will have sufficient power and capability to deal with TNCs that have acquired world-wide expertise in evading effective regulation”

Christian Aid believes that more not less regulation of foreign companies investing in poor countries is required.

Christian Aid is also calling for regulation of all trans-national businesses at a global level (see chapter 3).

SUPPLYING WATER TO GHANA’S VILLAGES

In the Ghanaian countryside even fewer people currently have access to safe drinking water – only 36 per cent, according to the Government of Ghana. Only 11 per cent have adequate sanitation. Consequently, in village communities, the disease guinea worm is very common, as is the incidence of other water-borne diseases such as cholera. It is here that the Community Water Supply Agency (CWSA) is working to increase the ability of local authorities to ‘manage water procurement.’ It is the responsibility of local government to decide what quantity of water each community needs and how tariffs will be set and collected.

Bimbila, the capital of Nanumba District, is a village 200 kilometres east of Tamale, in the north of Ghana. In 1997, it was chosen by the CWSA for one of the World Bank schemes to provide a more reliable and better quality water supply.

Bimbila’s new water scheme was structured according to the World Bank’s ‘demand driven’ concept of water, where it is available to communities which are willing to pay. The community is then required raise 5% of the capital costs which, in the case of Bimbilla was 35 million cedis. Each of the 4,000 adults included in the scheme was expected to pay around 5,000 cedis. The community soon realised it would not manage to raise the required capital. They were forced to look to the Teachers’ Training College in the town, the transport union and the District Assembly (The WB scheme specifies only ‘individuals’ must contribute – they are not usually allowed to let organisations contribute). Some people said they didn’t even have money for food, so couldn’t contribute, others took four months to pay.

A loan from the World Bank covered drilling and construction of two new boreholes. In 1997, the contract for the work was given to two Chinese companies. The work is not yet completed.

In line with the World Bank’s vision for rural water provision in Ghana, a community water board is now responsible for production and quality of water, maintenance, expansion and salaries – their only source of revenue is the consumer. The Water Board manager, Ziblim Nantonah, is resigned to an uphill struggle.

“We do not yet charge economic tariffs and we don’t yet know how much the work by the (Chinese) companies will yet cost,” says Nantonah. “We were told we should make sure they did good work and we’ve reported much shoddy work. They were using old meters and valves.”

Long-term, Nantonah is worried about how the community water board will sustain itself. “There is a case for subsidies, at the local level the sources of revenue is only available at one time of the year, the harvest” he says. “We know that some tariff collectors give water away for free – our receipts do not match the meters.”

The water board charges 600 cedis for a barrel (50 gallons) of water or 50 cedis for a bucket. In an average month they take in 3 million cedis. Out of this they must pay for everything – chemicals for the pumping station, salaries and electricity. They also need to cover for expansion and maintenance, which, according to Nantonah, is impossible. Already the pumping station needs parts, one borehole

has problems, pipes are bursting as the old ones were not replaced – just patched up, and the pressure is too much for the old pipes.

Peter Harrold, the Ghana representative for the World Bank told Christian Aid that for every Bimbilla he could cite half a dozen examples of where demand driven water projects worked extremely well. So well that the water boards were setting up micro credits.

ISODEC'S ALTERNATIVE VISION

Sawdatu Zakahria lives with her six children in Saveluga, a poor community on the outskirts of Ghana's northernmost city, Tamale. She is in her thirties and has six children.

"I used to get water from the dam (water retention basin). Until two years ago my children and I used to get guinea worm," she says. Guinea worm lasts for a year and for the last 3 months effectively cripples its carrier as it works its way out of the body through the feet. Until two years ago, Saveluga had a one-quarter of the guinea worm in Ghana.

In the 1970s, Saveluga received water, but as Tamale expanded the pressure in the main dropped and water no longer reached Saveluga. For years the community was served by tankers bringing in fresh water but 80% of the population could not afford it and relied on old water retention bins.

Led by Community Partnerships for Health and Development and with a grant of \$450,000 from UNICEF and World Vision, the pipeline was repaired and a new 20,000-gallon overhead water tank built. They also built 19 public fountains (standpipes with 6 taps each) and drilled four boreholes.

"I was very grateful when the water came," says Zakahria. "There is nothing wrong with paying for water provided you can drink without worrying about illnesses. And as long as you're healthy, you can work. I won't allow anyone to interfere with the taps and I don't think it would be good for someone else to own them. If it were private, they wouldn't sell it at the rate we have now."

Each standpipe has a tariff collector – 'pay as you fetch'. A community-run Water Board (an independent legal entity, operated on a not-for-profit basis) buys the water the Ghana Water Co Ltd and sets the tariffs. In other words, the public utility produces and sells in bulk, but also remains responsible and able to regulate the mains and quality of the water.

The community buys around 740,000 gallons a month at a rate of 9 cedis per gallon and sells it at the standpipes for 18 cedis per gallon (still many times cheaper than the cost of water fetched from the lowlands by people in Accra's slums). Their monthly revenue is 6 million and the community claims to contribute 60% more in revenue than a comparable area without this system. From this they pay Ghana Water Company, the project manager and the tariff collectors. The remainder is put aside for expansion. The Saveluga Water Board also lets the community's poorest people collect water for free from the boreholes because they acknowledge that those who cannot pay will collect their water from unsafe sources.

Most importantly, the health of people in the area has improved. In 1997 Saveluga recorded 608 cases of guinea worms but by 1999 that figure had dropped to 220 and in 2000 just 33 cases.

GHANA, WATER, CAMPAIGNERS AND THE WORLD TRADE ORGANISATION

Back in Accra, in an industrial area called Tema, Yao Graham from the NGO Third World Network speaks passionately to an audience of activists. Huddled together in an open-air community centre, Graham's audience hangs on his every word.

"The dismantling of the water sector is the dismantling of state responsibility," shouts Graham. "Water is the petroleum of the 21st century. Watch out what happens when it is privatised."

Yao Graham, ISODEC, the National CAP of Water and Christian Aid partner organisation the Christian Council of Ghana, are beginning to respond to the plans of the World Bank and the Government of Ghana. A protest movement is developing and new coalition of NGOs, trade unions, activists and church leaders has been formed to begin to raise awareness of ordinary Ghanaians about the water privatisation.

"People already have to pay market tariffs before privatisation. Market rates would bring us up to about 80 cents per litre," says a student from the University of Ghana who has travelled from the centre of Accra to attend the meeting. "We don't earn market salaries so how can we pay market rates."

People of many other poor countries facing the privatisation of parts of their water supply echo this concern. Already those who led the successful protest against the water concession in Cochabamba, Bolivia, have contact with ISODEC and its partners in Ghana. "There is an emerging, global movement against this type of privatisation," says Charles Abugre. "People are not being asked what they want before their water is sold into private hands. When they realise that they are asked to fork-out at least half of what they earn to pay for the profits of wealthy foreign companies, they will be understandably angry.

The campaigners are particularly angry that the government of Ghana has been trying both to smear and co-opt members of the campaign. It distributed a document to journalists urging people to "ignore ISODEC" and making allegations about ISODEC's intentions and credibility. The government has also worked behind the scenes in an effort to convince the Christian Council of Ghana that the proposed plans will not threaten the welfare of poor people in Ghana.

The case of Cochabamba, Bolivia

In January 2000, a general strike shut down the city of Cochabamba, Bolivia. The target of the uprising was Aguas Del Tunari, a subsidiary of the Bechtel Group and its roots lay in the World Bank's push for privatisation of water.

In 1999, following years of pressure, the Bolivian government agreed to privatise the public water system of the country's third largest city, Cochabamba. A 40-year lease turned over control of the utility to a UK-based subsidiary of utilities giant Bechtel called International Water Limited.

Within weeks, the company had doubled and then tripled water rates; families earning less than \$100 a month suddenly faced monthly bills of more than US\$20.

The protest continued until April when martial law was declared. After the death of a protestor, the government caved in. Public control of the water system was restored and water rates were rolled back. By the end of the year the Government of Bolivia formally cancelled Aguas Del Tunari's 40-year contract.

However, Bechtel is currently preparing a legal case against the Bolivian government and is hoping to recover US\$XXXX million in compensation for having to relinquish the contract.

It is also Christian Aid's concern that if water becomes subject to WTO agreements then it may become less and not more accessible to poor people.

This can currently only happen if governments in poor countries choose to commit public services to the WTO General Agreement on Trade in Services (GATS) and are prepared to put water in their GATS schedule. According to the WTO, there is no obligation on those governments to do so and even if countries commit water services to the GATS, they will still retain control over procurement and regulation. Ultimately, the governments of poor countries will retain the right to decide who runs their

water services and to hold both domestic and foreign companies to account if they fail to deliver on the terms of contracts.

However, significant parts of 'services supplied in the exercise of government authority' (such as water in Ghana) have already been opened-up to private sector participation.

Christian Aid is concerned that where public services have already been opened up to private sector involvement, often according to World Bank or IMF conditions, they will not be exempt from the GATS. Furthermore, any local regulation, such as environmental or social legislation, might also be forbidden under the GATS if the WTO could show they restrict trade.¹⁴

Also, Christian Aid has learnt that the governments of poor countries are already coming under pressure to add vital public services, including water, to their GATS schedules.

- Ghana has added telecommunications its GATS schedule. It has also added secondary education without much debate and clarity about the potential consequences of such action. It could equally quietly add any area of public services to its schedule of offerings.

The WTO's view of Ghana.

"Since the early 1990's, the Republic of Ghana has sought extensive reforms, in an effort to reverse previous inward-looking policies. Trade and investment liberalization has been integral to reform, and has continued since Ghana's previous review in 1992. Government policies are now focused on making Ghana the Gateway to West Africa." WTO Secretariat report, Ghana trade policy review, February 2001.

The World Bank's view of Ghana

"The macroeconomic situation inherited by the new administration is worse than could have been anticipated. In the past eighteen months, Ghana has been hit by two major shocks: (i) a severe decline of the terms of trade since mid-1999; and (ii) the financial impact of loose economic management in the run up to the December elections." World Bank, Ghana country brief, 2001.

The Government of Ghana's view of Ghana

"Ghana has suffered a severe terms of trade shock during 1999-2000 which was compounded by inappropriate policies and delays in donor disbursements. As a result many of the program targets for 2000 were not achieved." Government of Ghana letter of intent to the IMF, June 2001.

Christian Aid has been shocked by the actions of wealthy governments and large corporations in their efforts to acquire water services and other public services in poor countries. Through the World Bank and IMF, and by using the carrot of loans or donations, these governments and companies, including the UK are using their power to gain significant poor country assets.

Despite fears that water privatisation in Ghana will lead to less access to water for poor people, the government is under increasing pressure to lease the most cost-effective and potentially profitable parts of its water industry.

Christian Aid deplores the pressure put on the government of Ghana and is urging the World Bank, IMF and the UK government to consider the welfare of people in Ghana with limited access to water. In particular:

- Christian Aid condemns the UK DFID for tying overseas aid to the leasing of urban water supplies in Ghana to foreign companies. The UK government, in its white paper on globalisation, has already made commitment to end tied aid. But in this case it is not tying its assistance directly to

¹⁴ See; The Final Frontier, A working paper on the Big 10 global water corporations and the privatisation and corporatisation of the world's last public resource, The Blue Planet Project.

British business but rather to the dogma of privatisation. In Christian Aid's view, this is as unacceptable as straightforward tied aid and should also be scrapped.

- Water is the most important of all public services. The people who use, desperately need and are often denied water that is clean and safe should be consulted and involved in any plans for restructuring and privatising services. Moreover, if the UK government and the World Bank are serious about tackling poverty they should be promoting community-led programmes, where those whose need is greatest are put in control of key decisions.
- It is our belief that, in the light of the case of Ghana and other countries where water services have already been opened up to the private sector, the GATS needs urgent attention. While the current agreement specifically excludes government services unless governments choose to open them up to GATS, it is our concern that the pressure governments are currently being put under by the World Bank and agencies such as the UK's DFID may result in a creeping programme of privatisation.
- Christian Aid is not opposed in principle to every privatisation and acknowledges that business has an important role to play in expanding services in developing countries under certain circumstances. However, given the character of water as a basic need, essential to the right to life, water should not be treated as a common commodity. This implies guaranteeing access and affordability to the poor even at the cost of profit. In Ghana this is not the case and Christian Aid's fear is that the country stands to lose its most cost effective services, leaving it with no means of raising revenue to improve those areas that are least cost-effective.

The World Bank, IMF and wealthy countries are positing water as a tradable commodity. Creeping and unchecked privatisation will further develop the trade in water and water services. Christian Aid's overriding concern is that once water is 'commodified' and given a global market value, it will become increasingly unaffordable and beyond the reach of poor people.