The struggle over water

GYEKYE TANOH KATHY CUSACK¹



The plan to privatise the urban water supply system by March 2003 has become a defining battlefield. For the poor, the commercialisation of water, combined with lack of investment in the sector and regressive socio-economic distribution, is a key factor in their poverty-striken situation. At the heart of the issue are questions of need versus profit, and whether water is a right or a commodity.

The Ghanaian government's plan to privatise the country's urban water supply system by March 2003 has become a decisive battlefield regarding the long-running influence of the Bretton Woods Institutions, bilateral funding agencies and transnational companies over Ghana's economic policies. Public mobilisation against the policy has provoked intolerant pronouncements by a government that proclaims itself the guardian of Ghanaian traditions of liberal democracy. At the international level, on the other hand, the anti-privatisation campaign has thrust Ghana back into the centre of activism against the policies of the World Bank and the International Monetary Fund.

The planned privatisation of the urban water supply is part of a larger programme that could eventually sell off core public enterprises—ranging from a highly profitable cocoa factory to the troubled Ghana Airways. It is part of the rapidly intensifying process of transferring key aspects of essential social services from the public to the private sector. In addition to water, specifically targeted services include electric power generation and distribution. At the heart of the issue are questions of need versus profit, and whether water is a right or a commodity.

The government of Ghana estimates that about 66% of urban residents and only 37% of rural dwellers have access to potable, piped water. However 78% of the urban poor do not have regular access to potable water because they lack connections. This majority of urban residents buy their daily supplies from water merchants at an average cost of USD 0.34 (at August 2002 prices), or 54% of the minimum daily wage. In contrast, the more affluent urban minority who are connected to the public system spend a daily average of about USD 0.05, or about 8% of the daily minimum wage. In other words, the daily expenditure on water for the urban poor is on average seven times the expenditure of upper class urban households.

Not surprisingly, Ghanaians perceive the parastatal, monopolistic Ghana Water Company (GWC) as inefficient, corrupt and unreliable. This criticism is due to multiple factors: years of under-investment in maintenance and expansion of facilities, poor management, operational inefficiency and opportunistic political meddling by governments, especially with tariff levels. These factors have eroded public patience and sympathy for the utility and strengthened the government's case for privatising water. It argues that the sector's problems stem from public ownership, and that privatisation will deliver more water to more people, cheaply, efficiently, reliably, and without corruption.²

Privatisation: a creeping but radical programme

In addition to politicians, top water executives in the public sector strongly support the privatisation process. The government department undertaking the day-to-day work of privatisation, the Water Sector Restructuring Secretariat, is funded by global pro-privatisation institutions such as the World Bank, the UK's Department for International Development and Japan's Overseas Economic Cooperation Fund.

Hailed for many years as a model for the successful implementation of neoliberal economic policies, Ghana joined the Heavily Indebted Poor Countries scheme early in 2002 and is now even more beholden to the World Bank and IMF. The current World Bank Country Assistance Strategy (CAS) for Ghana classifies «private sector involvement» in the provision, operation and management of public and social infrastructure as a key institutional reform whose implementation will trigger varying levels of Bank support (or punitive action if conditions are not met).³

A creeping but radical change has been taking place in Ghana's water policy. In the mid-1980s and again in the early 1990s, rationalisation of the water sector meant a combination of mass layoffs (36% of Ghana Water Company workers), tariff increases and the withdrawal of government subsidies for water. More tariff rises are planned before March 2003. Furthermore, rural and small urban water supply systems have been separated and placed under the management of a Community Water and Sanitation Agency (CWAS). There was also some re-capitalisation through government borrowing and Official Development Assistance support (estimated to amount to 8% of water investment needs) and foreign «technical assistance» which took the form of rudimentary line management, replicating inside GWC the very «loss of sovereignty» that has characterised the broader adjustment process.

Until it came to power two years ago the ruling New Patriotic Party (NPP) vehemently opposed the privatisation policy. The chosen institutional mechanism for the NPP's privatisation policy is a «private-public partnership» or private sector participation (PSP). The primary mechanisms to ensure the institutional and entrepreneurial independence—as well as financial viability—of water services, include self-financing, better efectiveness through private investment and profit incentives, and the greater efficiency of consumers' water use through price mechanisms.

The national urban water system will be divided into two discrete business units, to be run by two companies, each of which will enjoy a monopoly in its market/service area. For an undisclosed fee, private sector operators will lease each of the two urban water systems for ten years. During that time they will be responsible for «rehabilitation, renewal and operation» of the water supply, billing and collection, and management and disbursement of water revenues.

Together, the two private companies will contribute USD 130 million—one tenth of the required investment for rehabilitation and expansion over ten years, according to Government and water industry figures. The private companies are

¹ Gyekye Tanoh is the Southern coordinator of CAP-W; Kathy Cusack is coordinator of the Nkyinkyim Anti-Violence Project.

² Sir William Halcrow & Partners Ltd., Final Report of Consultancy Services for the Restructuring of the Water Sector, 1995; Stone & Webster Consultants, Information Memorandum – Enhanced Leases for the Operation, Maintenance and Management of Urban Water Supply Systems in Ghana, March 2001; Republic Of Ghana Ministry of Works & Housing, Enhanced Lease Contract, Invitation for Pre-Qualification, May 2002.

³ See e.g. World Bank, Ghana - Country Assistance Strategy: 2001-2003, June 2000.

⁴ Earlier privatisation plans ran aground in 1999 when it was revealed that «Azurix» (the water subsidiary of Enron, the scandal-ridden and now bankrupt utility giant), which won the water privatisation bid, may have paid USD 5 million in bribes to Ghanaian government officials.

not responsible for directly providing or raising funds. The Government will fund and underwrite an Operational Investment Fund from which private companies will borrow at 1% interest, while prevailing interest rates in Ghana run between 29% and 50%. All other investment is to be provided directly by the Government.

Accordingly, the Government has cut the water investment programme from USD 1.3 billion to USD 530 million (of which the Government directly provides USD 400 million and provides or guarantees the remainder of USD 130 million for private «investors»). In other words, the economic criteria for private sector profitability in water *service* rehabilitation, maintenance and management will restrict water *system* expansion and overall public investment. Crucially, the public sector is stuck with the deficit-creating aspects of the water system—sewerage, rural water and sanitation, system expansion and capital investments—by an arrangement that ensures that major revenue from billing goes to the private sector.

Minimum profit rates for private water companies are guaranteed and protected from market conditions by IMF-imposed full cost recovery and automatic tariff adjustment mechanisms. Long-term exchange rate depreciation has already taken a heavy toll on the financial viability of the existing public utility. In 1998, losses due to currency exchange rate depreciation, dependence on foreign imports and external financing (e.g. interest on loans) made up 93% of the operational losses of the water company. Since only foreign multinational companies are bidding for the water privatisation contract, the reliance on foreign inputs (and labour) will certainly increase distortions created by exchange rate depreciation. With privatisation, the automatic tariff adjustment formula ensures that these will be passed on to the consumer.

The specific performance targets under «level of service criteria» include full metering, billing and collection and the reduction of unaccounted-for or «non-revenue» water (NRW) from its current level of around 50% to 25% within the 10 years. NRW reduction depends on financial resources to repair and replace defective infrastructure, as well as improved administration. Efficient revenue management and a reduction in NRW are enhanced, among other things, by cutting off water supply to users who are unable to pay.

While profitability and financial viability of the provider are central priorities of the Government's water policy, social demand is marginalized. Ghana's water privatisation policy explicitly exempts private water companies from providing services to urban low-income communities that are not already connected to the public system. Private company service obligations also exclude all small urban and the entire rural population (grouped under the CWAS), namely the majority of the country, which does not represent an attractive market. These make up the 70% of the population who live on less than USD 1 a day and for whom access to water is determined by policies based on a «demand-driven approach, with [community] self-selection and clear commitment to enhance sustainability by [communities] contributing 5-7% of [water] investment cost.» 5

In this policy, «coverage», in the context of «self-selection» based on economic demand, is constantly re-defined to scale down the service level and reduce the per capita demand from 45 to 20 litres per day.⁶ Yet even when defined at this lower level, the national drinking water supply [in non-municipal areas] dwindled from supplying 46% of the population in 1992 to 30% in 1998.

Antagonism of civil society into the breach

The long incubation of widespread scepticism, disaffection and outright opposition to neo-liberal policies has become an open struggle with the creation of the Coalition Against Privatisation of Water (CAP-W). Originally initiated by a local NGO, the Integrated Social Development Centre (ISODEC), CAP-W has now grown to become a mass civil society campaign led by the Ghana Trade Unions Congress (TUC), the largest labour organisation in the country.

CAP-W defines itself as a broad-based coalition of individuals and civil society organisations united around six activities:

- A mass civil society campaign of public debate, education and mobilisation to stop the transfer of water supply to foreign monopolistic control.
- Direct citizen involvement in decisions about the alternatives for reforms in the water sector.
- 5 Ghana Ministry of Works & Housing, WATER: Comprehensive Development Framework, November 1999
- 6 Ibid

- The inclusion of a public sector option in water supply and restructuring, to be drafted and publicised by GWC, the existing public sector supplier.
- Full public disclosure of all documents and details of transaction proposals, bids and negotiations involving all parties involved in the so-called PSP.
- Full public funding and public sector community management for all rural and non-municipal CWAS systems.
- Access to water for all Ghanaians, backed by a statutory right to water, by 2008.

CAP-W maintains that water privatisation is a major threat to public accountability, democratisation, equitable social development and the realisation of poverty reduction goals. It has been engaged in a range of activities including research, advocacy and networking, signature campaigns, teach-ins, and local action committee work. These organised networks also aim to become grassroots instruments for ensuring the accountability of a socially responsible public water utility and water policy.

The work of CAP-W has been bitterly denounced by government officials, who claim the group is made up of unpatriotic privileged persons (and in one instance «terrorists») with access to clean water who do not care whether the excluded enjoy the same. However, CAP-W's work has forced a much higher level of domestic and international discussion on the water privatisation issue than has taken place on any previous Ghanaian privatisation.

The report of an April-May 2002 international fact-finding mission to Ghana (FFM), led by British MP Jenny Tonge, and including prominent water engineers, has become a central focus of public debate. During their visit the group met government representatives as well as a broad range of civil society groups and individuals. The FFM concluded «the current Private Sector Participation (PSP) proposal is not the optimal option for ensuring expanded access to clean and affordable water for the people of Ghana». It recommends that «the Government of Ghana continue ... open dialogue and consultation with a broad representation of stakeholders regarding alternative approaches to expanding access to clean and affordable water».

While CAP-W has hailed the report, the Government has discredited it as «bogus and fraudulent,» and made clear it does not intend to consider the FFM's findings and recommendations. To reinforce the government's stand, the Ministry of Works and Housing launched a campaign in the state-owned media attacking both the FFM report and CAP-W, calling them left-wing ideologues and propagandists.

Scrambling for a drop: women's unequal burden

There is evidence of increasing daily household labour, especially health care responsibilities, for women and girls. The commercialisation of water adds directly to this burden, since as the Ministry of Health shows, 70% of all diseases treated in outpatient clinics in Ghana are water-related. Water scarcity also increases household tensions that lead to violence against women and children.⁷

The brutal cuts and restructuring pursued so far in the process of water sector reform with a view to «getting the price right» is an appalling example of the differential impact of SAP policies. The commercialisation of water, combined with lack of investment in the sector and generally regressive socio-economic distribution, have led the poor to see water supply as a key factor in their poverty-striken situation.⁸ Yet the World Bank extolled the increased market efficiency resulting from these reforms, citing GWC as a model for reforming public sector companies.⁹

This form of privatisation—that of «Public-Private Partnership» or «Private Sector Participation»—is rationalised as a shift away from exclusive focus on market efficiency to harnessing the dynamism and resources of the private sector to make it operate for the social good. This rationalisation fits in with the shift in approach supposedly inherent in the Poverty Reduction Strategy Programmes. Yet *plus ça change, plus la même chose.* Although one of the PRSP's «novel» features is the requirement for widespread social participation, Ghana's PRSP, and water reform in particular, is drawing widespread criticism from civil society groups because of shortcomings in its participatory process. •

TWN-Africa twnafrica@ghana.com

⁷ K. Cusack, research notes on «The Economy and Violence Against Women,» unpublished, Accra 2002. Also: M. Grieco, «Living Infrastructure: The Role of Children In Refuse Disposal and Water Provision in Ghana,» Social Policy Journal, Vol. 1, No. 1, June 2000, pp. 55-68 (CSPS, University Of Ghana. Lenon).

⁸ See: Appiah, Demery & Laryea-Adjei, Poverty in a Changing Environment, in «Economic Reforms in Ghana: The Miracle and the Mirage,» ed. E. Aryeetey, J. Harrigan & M. Nissanke (James Currey, Oxford 2000), p. 313.

⁹ World Bank, Bureaucrats in Business, Washington DC, 1995.