WATER: *Life before profit*

THE CANADIAN CATHOLIC ORGANIZATION FOR DEVELOPMENT AND PEACE TAKES AIM AT THE WORLD BANK'S WATER PRIVATIZATION AGENDA

By Danny Gillis

The World Bank and the International Monetary Fund (IMF) celebrate their 60th anniversary this year. They were originally founded to finance the rebuilding of Europe after the devastation of World War II and to prevent another global depression. These institutions were based on the recognition that markets often did not work well and had resulted in massive unemployment and money shortages.

Over the years, the World Bank and IMF have changed. The most dramatic change occurred during the 1980s when the institutions came together with the United States Treasury to develop a new consensus on policies for developing nations. Often referred to as the Washington Consensus, it signaled a radically different approach to economic development based on the free market ideology of Margaret Thatcher and Ronald Reagan.

The three pillars of the Washington Consensus are trade liberalization (forcing developing countries to open themselves up to imported products that would compete with those produced domestically), fiscal austerity (the elimination of budget deficits), and privatization.

The term "privatization" refers to the sale of public assets to the private sector. The argument for privatization is that governments have little business running banks, steel mills or oil companies, for example, and typically do a poor job of it. It is assumed that private enterprise can perform such functions more efficiently.

"Unfortunately," says former World Bank chief economist Joseph Stiglitz, "the IMF and World Bank have approached the issues from a narrow ideological perspective" and have pursued privatization too rapidly. He cites a plethora of problems associated with this approach—country after country has seen privatization lead to unemployment, higher costs to consumers, private monopolies taking over public firms, corruption, the undermining of public confidence in democratic institutions and so on.

The World Bank promotes such privatization policies and pressures governments to adopt them by attaching conditions to World Bank loans. Countries suffering under the burden of massive foreign debt have little choice but to agree to many unwanted conditions. This trend is growing. "People now make the conscious link between national debt, the World Bank, globalization and the privatization of many sectors of the economy," says Charles Abugre of ISODEC, a nongovernmental organization in Ghana.

The privatization of essential services such as public water systems was not foreseen in the original Washington Consensus. Today, 95 percent of the world's water systems are publicly managed. Just five percent are managed by the private sector. This situation is likely to change dramatically. Since 1990 a third of World Bank loans have been conditional upon some form of water privatization. The Bank now loans more than $2 billion annually for water services in developing countries and has become a powerful force in the drive to privatize these services.

Experience has shown that privatization increases the cost of water without satisfying the thirst of the world's poorest people. Millions of people find the tap turned off because they cannot pay their water bill. In desperation, risking illness or death, they must turn to unsafe water sources.

A threat to the common good

Forced privatization is a threat to the common good and to universal access to safe drinking water. The reaction of people in many countries such as Bolivia, Ghana and Indonesia to the water privatization agenda of the World Bank has been swift. "Resistance to the privatization of water has become a symbol of the people's resistance to an agenda imposed from the outside," says Mr. Abugre of ISODEC.

The DEVELOPMENT AND PEACE fall action campaign for 2004 takes aim at the way in which the World Bank pressures countries to privatize their water systems. Countries should not have to sacrifice essential public water services to qualify for desperately needed loans. Instead, the World Bank should support public systems and promote greater citizen participation in the management of water services.∞

The World Bank must ensure access to water for the world's poor

"The water from this well is free," says Madam Atuko, of Accra, Ghana's largest city, as she draws water from a polluted well beside an open sewer. "With the money I save, I can buy food for the baby." Knowing the water isn't safe, she filters it with her headscarf. This crude method isn't likely to protect her family, but the money she saves by using polluted water is a significant part of her family's daily income.

World Bank favours multinationals

In 2001, the government of Ghana raised its water prices by 95 percent to comply with conditions for a badly-needed loan from the World Bank. That same year, more than 70 percent of Ghana's health clinic visits were a result of water-borne disease. As poor Ghanaians turn to unsafe water sources, guinea worm, cholera, and typhoid multiply.

Higher water prices are only the beginning. Throughout Asia, Africa and Latin America, World Bank policies favour provision of water by private firms, particularly multinational water companies. Where governments and citizens lose control of water resources and services, poor families' access to clean water is jeopardized.

But it doesn't have to be this way. If World Bank loans to poor countries focused on the needs of the poor, people like Madam Atuko could afford clean water, and public health in her country would improve dramatically.

Human right or commodity?

"The human right to water is indispensable for leading a life in human dignity," says the UN Committee on Economic, Social and Cultural Rights. Without water there can be no life. The committee has urged the World Bank and other lending agencies to respect the right to water in their lending policies.

Instead, the World Bank has used its substantial power and influence to encourage governments of poor countries in Asia, Africa and Latin America to turn over the management of water supplies to profit-making corporations. The Bank discourages governments from subsidizing consumption of water. The Bank usually demands that all consumers gradually assume responsibility for all the costs of water services. In a market economy, safe, adequate water becomes a commodity sold to the highest bidder, leaving the poor, like Madam Atuko, to find water wherever they can.

A powerful team

Because poor countries in Asia, Africa and Latin America are deeply indebted to their creditors, they must seek grants and loans to service their debts and meet their development needs. Often working as a team, the World Bank and its sister agency, the International Monetary Fund (IMF), are key sources of urgently-needed loans.

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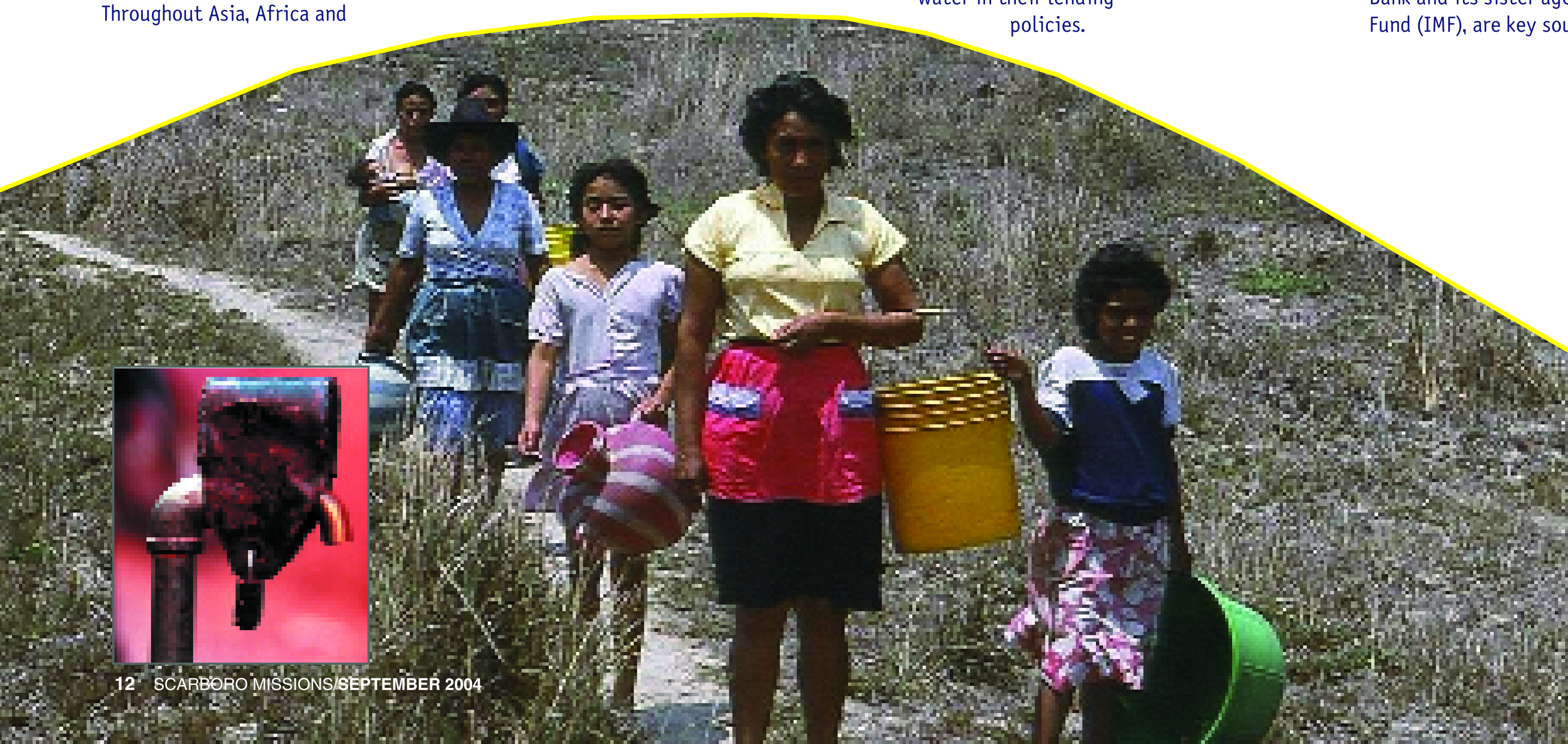

ACTION SHEET 2004

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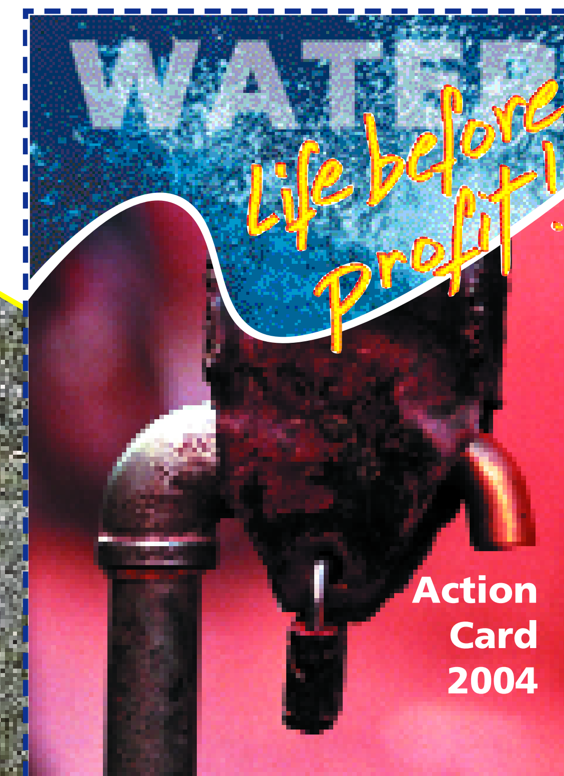
The money the World Bank lends to developing countries comes from wealthy developed nations including Canada, which has one representative on the board. Because your taxes fund the World Bank, the Canadian government should reflect your concerns at the board's table.

Tell the Canadian government that you think water for life is more important than water for profit. Sign and clip our action card (below) addressed to the Canadian Minister of Finance and mail today!



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Their policies influence decisions of other creditors. The IMF and World Bank use the “carrot” and “stick” method of pressuring governments to privatize water services. The “carrot” is loans, grants and debt relief while the requirement to privatize and seek full cost recovery is the “stick.”

Privatization

There are many different ways in which a publicly-owned water service can be privatized, including contracting out water services, leasing or selling assets to a private company. Each means giving up substantial management and control of a water utility.

Making the poor pay

Full-cost recovery means that prices charged for water must reflect all the costs of water delivery, including operating costs, maintenance, debt financing, and building new infrastructure. In Canada and the US, most water services are publicly provided. Yet the World Bank often rules out public provision in developing countries. In much of North America and Europe most of these costs are financed by various levels of government, which use progressive taxation to redistribute wealth from the rich to the poor. The result is lower water costs for all users.∞

Another world is possible

“Canadians must realize that what is happening in the South is also going to happen here,” says Ana Ella Gomez of El Salvador’s Consumer Protection Centre (CDC), a Development and Peace partner. “No country in the world is safe from the privatization of its common wealth.” CDC is a member of VIDA, a network of citizens’ groups across the Americas working against water privatization.

In the Philippines, Indonesia and Bolivia, Development and Peace partners are deeply involved in the struggle against privatization of their water supply, with some success. There are many other ways of funding water infrastructure than inviting multinationals to run the show. The public water system in Porto Alegre, Brazil, is both democratically-run and profitable. A board with citizen representatives from all parts of society meets weekly to govern the system. One result is that water rates for the poor are affordable. All profits are used to improve the water service.

Without meaningful citizen participation like this, the needs of the poor will not be met. Unfortunately, despite its expressed commitment to “country ownership,” World Bank practices often undermine democratic control over water services.∞

To: The Minister of Finance, Government of Canada

The World Bank lends about $2 billion annually for water services in developing countries—a three-fold increase over the 2002 lending level. However, these loans often require countries to allow private companies, usually multinational corporations, to control municipal water services. Other loan conditions require that users pay the full cost of water services.

I ask the Government of Canada to demand that the World Bank

- stop placing these conditions on their loans.
- work to strengthen the role of the public sector in delivering and regulating water services.
- support meaningful participation of citizens’ groups and affected communities in setting water policies.
- ensure access to clean, affordable water for the world’s poor.

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