Halifax Initiative Coalition

The Social Justice Committee

Water, Land and Labour: The Impacts of Forced Privatization in Vulnerable Communities

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Let's say that nothing in this world has value until it is sold, or changed into something you can buy. We tried to copy this culture after independence, tried to compete as best we could in African countries and tried to take this model of neo-liberalism into our societies.

But it was contradictory to our culture here, which was not open to selling public goods. Things like water and land were never really sold. Neo-liberalism tends to deprive people of these goods, and they are left without any control whatsoever.

Now, if you want to have land you have to have a title deed, private title. How can you say privatize this land, in my country where there are more than 30 million people, and there isn't even enough money to do the surveys? The people with money can therefore survey the land, and it can become theirs. Because then, by law, they have a title deed. The rest of the population will just be there without land, unable to complain because the law does not cover them.

And so with water also. When you privatize this you are depriving people of this good, and we are completely against this.

- Dr. Rogate Mashana, World Council of Churches[1]

Privatization is critical to reform in most developing countries. Helping governments design and implement privatization programs has been a major activity of the World Bank for the past decade and a half.

- World Bank web site, Privatization and Enterprise Reform section[2]

Introduction

Privatization is one of the most forcefully trumpeted pillars of the neo-liberal economic platform. Corporations and international financial institutions (IFIs), decrying government ownership as inefficient, inept and costly, insist that private ownership is the path to efficient, rational use of resources. In their drive to attract foreign investment, governments the world over are shedding regulatory responsibilities, softening environmental laws, and turning control of resources over to national and transnational corporations.

Privatization is not a recent phenomenon, nor is it being applied solely within developing nations. The catastrophic worldwide recession during the late 1970s, the crushing debt crises faced by many African and Latin American countries in the early 1980s and the transition to market driven economies in Asia, Eastern Europe and Latin America during the early 1990s, combined to highlight the critical issue of inefficient state enterprises and prompted a shift towards harnessing the private sector in the pursuit of economic growth. Canada and the United States deregulated extensively from the late 1970s onwards and western European countries, notably Germany, France and the United Kingdom, began relinquishing control of public utilities in the early 1980s.[3]

The international financial institutions, the International Monetary Fund (IMF) and the World Bank, have used their considerable power as providers of finance and arbiters of the main international debt relief program to lead the push for privatization. Privatization of public services and natural resource extraction is now a central component of IMF and World Bank program and project work in developing countries. For most impoverished countries, it is a condition for development assistance and debt relief. The institutions are committed to privatization as the primary method of economic reform, arguing that the performance of privatized firms is superior to that of state-owned enterprises.

These institutions make broad assumptions of benefit but often neglect to adequately consider local conditions, especially social and environmental vulnerabilities that are not reflected in cost efficiency analysis. Most developing countries have put up for sale, or are planning to offer, hundreds of enterprises to private ownership. These involve an array of firms in many sectors, with varying degrees of operational efficiency.

This paper reviews the impacts of privatization in two broad spheres of concern:

1) public services, because of implications for the poor, and
2) natural resources, because of implications for the environment, national ownership and control of extractive methods.

The starting point is that substance upon which all life depends - water. The paper then examines aspects of privatization in mining and public utilities (electricity, transport, communications), closing with a brief look at the implications for working people, and organized labour in particular.

This review of experience in these three broad areas - water, land and labour - indicates that broad assumptions about the benefits from privatization are an error. For the poor especially, privatization as a whole has not brought better service at an affordable price. Improvements that may result from privatization of public services have too frequently been limited to the areas that are most profitable.

In some cases, privatization has had deadly consequences. The worst cholera epidemic in

South Africa's history broke out after water supplies were privatized, then made unavailable in poor rural communities. The cholera infected 160,000 and killed some 200 people between Oct. 2000 and early 2002. Water that had been provided to the communities without charge, even under the apartheid regime, was cut off when local residents could not afford to pay the rates the new owners began charging. As result of the rate increases, poor people began using other - unsafe -sources of water. Privatization of water did not bring an improvement of service. Instead, it brought disease to thousands and death to hundreds. It has brought death in other parts of the world too.

Union leaders in Colombia are being assassinated for their opposition to privatization of public services. Teachers are gunned down for opposing corruption, or cutbacks in education budgets. City workers are killed for voicing opposition to a private takeover of municipal services. Each year, more union workers are assassinated in Colombia than in all the rest of the world put together.

In India, poor people have been denied health care when clinics are privatized. Those who are denied access continue to suffer and eventually die, excluded from a health care system that is increasingly elitist. Doctors who challenge the privatization agenda have been targeted by security agencies. They have been arrested and their offices raided.

Privatization of electricity can mean that urban wealthy and middle class neighbourhoods can hope for improvements to service that is, justifiably, criticized as unreliable. Poor communities and especially the rural poor, on the other hand, will not benefit from privatization of the services they might otherwise expect.

A review of experience in communities across the globe reveals that poorer communities not only have not benefited from privatization, but that people in these communities had the most to lose in the first place. In many cases, they did not gain anything at all, but lost access to service, in some cases, access to a service they had come to rely upon.

In looking at instances of privatization globally, there has not been a generalized improvement in quality or availability of service, or other benefits to communities that are economically disadvantaged. In case after case, the conclusion to be reached is that the removal of service and ownership from public hands in impoverished communities has repeatedly resulted in a decline in access to public services, and a removal of national control over the natural resources that could play a prominent role in the economic development of impoverished nations.

In these circumstances, this paper then questions whether the IFI's are playing an appropriate role by demanding privatization as a central condition of development assistance and debt relief, given their stated objective of social and environmental protection and improvement? If the objective is the improvement in services and living conditions for the poor and vulnerable in the communities served, it is not being met. If the objective is the establishment of economic stability and growth, with an assumed increase in social well being as a result, again the conclusion must be that the objective is not being met.

Privatization of an industry may be a viable policy option in certain circumstances. The decision to privatize a state-owned operation should be made at the national level, in a transparent and accountable manner, with demonstrated social benefit. The process we are now witnessing - imposed, sweeping and ideologically driven - has had devastating consequences in too many places. Given the evidence of social and environmental harm that too often accompanied the process, it is inappropriate for the IFI's to require privatization as a standard condition for assistance and debt relief.

The International Financial Institutions and privatization as conditionality

The World Bank

The Bank is likely to increase its involvement in the coming years in post-privatization assistance and private participation in social services.

- World Bank web site, Privatization and Enterprise Reform[4]

Privatization has become a central component in World Bank and IMF programs throughout the developing world (see Appendix II: Some summaries of privatization, excerpted from documents of the World Bank's Multilateral Investment Guarantee Agency). The World Bank argues that privatization can bring better service and efficiency. While admitting that there are costs, World Bank staff, S. Brian Samuel argues in the "Ten Commandments of Privatization" - written for the World Bank's International Finance Corporation - that nine out of ten times, agencies up for sale are "heavily tarnished by years of state abuse - with two big problems: excess labor and excess debt".

The World Bank argues that privatization is a success, pointing to the improvements to Kenya Airways, with 1996 investments by KLM Royal Dutch Airlines and others leading to improvements in its airplanes and an increase in market share, routes served and domestic service, and hundreds of jobs created. Another success story is the expansion of cell phone competition in Uganda, which "made cellulars an affordable mass market phenomenon (prices begin at the equivalent of US$15 a month, plus 6 to 22 cents per minute of airtime)" according to S. Brian Samuel, who writes about aspects of privatization - both negative and positive - for the International Finance Corporation (IFC).

Samuel recounts his frustration trying to convince an African telecommunications minister about the value of privatization: "We were talking about the poor state of the telecommunications network in Africa, and every argument I advanced in favor of privatization was expertly parried by a counterargument. Finally, the minister banged on the table and exclaimed, 'Listen, we fought a war for this, and we're not giving it up!' What could I say? The minister's argument has a compelling emotional component that is hard to counteract with cold economic statistics."[6]

Yet that is what the World Bank does - respond to the reality of the country or the community, with statistics that may or may not reflect much of the reality of people's lives, especially if they are marginal to the game at hand. The improvement to Kenya Airways may indeed be an improvement, and bring in more tourists and business visitors, but is a cell phone - at the base price of US$15 - really a "mass market phenomenon" in Uganda?

The poverty of sub-Sahara Africa is viewed by the IFC in market terms, a concern because there is a "perception" that Africans "cannot afford to pay the full economic costs of private infrastructure services, according to Samuel.

In his "New look at African privatization" paper for the IFC, he goes on to list other "obstacles" to privatization like the limited domestic market and "improper" legal framework and regulatory systems. The IFC,

like the World Bank as a whole, does not respond adequately to concerns that cannot be dealt with in strict economic terms. For example, multinationals were successful at capturing monopoly positions in countries that moved quickly to dispose of assets, at least as far as Latin American privatization is concerned. The expansion of monopolistic corporate ownership does not seem to be a World Bank concern.

The IMF

Many IMF-supported programs in recent years have contained major policy understandings on structural adjustment, price and trade liberalization, deregulation of the labor market, privatization and many other policies. But, since none of these could conveniently be captured in econometric equations, no attempt was made to build them into the model. Thus, while financial programming and the simple model underlying it continued to provide the packaging for the IMF's lending arrangements, the contents of the packages became increasingly complex over the years.

Jacques J. Polak, Director of the IMF's Research department from 1958 to 1979, is considered to be the "founding father" of the IMF monetary model.

During the last decade, privatization has emerged as an important element of structural adjustment in Fund-supported programs . . . The available evidence suggest that private firms are more profitable, and their output grows faster than those that remain in the hands of the state . . . On the negative side, privatization often leads to job losses, the social impact of which may need to be mitigated through retraining and job creation programs, and income support within a well-defined social safety net. While some Directors observed that, by and large, the fund's conditionality had remained concentrated on its core areas of responsibility, others noted that the application of some conditionality outside these areas gave rise to concerns that the Fund was overstepping its mandate and expertise."

- IMF. "IMF Board discusses conditionality." Public Information Notice No. 01/28 March 21, 2001.

An IMF Working Paper on the impact of privatization on countries' economies argues that there is a correlation between privatisation, increased production and lower unemployment, but even so admits that this needs to be interpreted cautiously as the evidence is not sufficient to establish causality.[5]

The IMF has recently been engaged in a process of streamlining its conditionality - what is required of countries asking for IMF resources. Some conditionality is regarded as being within the IMF's core areas, those areas that relate more closely with the rationale for the founding of the institution in the first place and so for which it has a longer history. These include the system of currency exchange, the financial sector and fiscal policy.

Privatization is not considered an IMF core area, and there seems to be a reduction in the share of conditions directed to privatization in new IMF programs. In the IMF's Poverty Reduction and Growth Facility (PRGF) programs, for example, privatization as a share of conditionality has been reduced from 15.8% of previous programs to 5.5% of new programs. The reduction in volume does not mean the IMF is stepping back from pushing privatization, however, but seems to have identified the need

to be more targeted.

For example, the IMF still considers that these developments notwithstanding, Stand-By Arrangements continued to cover some non-core areas such as pricing, public sector reform, privatization, and agriculture. Citing Croatia as an example, the IMF argues that structural benchmarks on privatizing the telecommunications, electricity, and oil and gas companies . . . are intended to help finance the government's fiscal program and raise the efficiency of the economy.[7]

The IMF has also identified areas of privatization conditionality that the World Bank will take more of a lead on, like the privatization of public utilities, for example. An IMF review of initial experience with streamlining conditionality concludes "where Fund conditionality has been scaled back significantly, this often reflects greater reliance on the use of World Bank conditionality outside the Fund's core areas, particularly in PRGF arrangements".[8]

Debt relief and privatization - no choice for impoverished countries

Low income countries are taking charge of their own future and recognizing that there can be no substitute for sound policies and their own efforts. The prospects for sustained, strong growth - which is indispensable for reducing poverty - requires [sic] investment, not least in human capital and infrastructure, as well as the right macroeconomic and structural policies, good governance, and healthy institutions. Countries therefore need to act to build an improved investment climate for private enterprise . . .

- Staff of the World Bank and IMF. "Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings, Recommendations and Issues for Discussion", February 2002

The World Bank and IMF are the managing agencies of the main debt relief program for impoverished countries. Countries classified as Heavily Indebted Poor Countries (HIPCs) because of a high level of external debt relative to their export earnings are eligible to apply for a reduction in their debt through this program, the HIPC Debt Initiative. Creditor countries have also agreed to link the reduction of bilateral (country-to-country) debt to the HIPC Initiative.

Debt relief through the HIPC Initiative is conditioned on the completion of economic restructuring that normally includes reduced government spending, through, among other things, layoffs in the public sector and privatization. Delays in debt relief have become common amongst HIPCs that have fallen behind in their privatization commitments (see Appendix III: Privatization as a factor in delayed debt relief).

The World Bank and IMF intend to continue to demand privatization, despite opposition from many of the people affected. The institutions seem heedless to the need to provide an adequate regulatory framework before allowing private ownership a free reign. Indeed, too often a privatization program is accompanied by a demand for *deregulation*, including deregulation of labour standards and environmental protection. While there are circumstances in which privatization is an appropriate path, the process thus far has been lacking adequate transparency, democratic process, and "country ownership" - to use a recent favourite (albeit hollow) phrase of the financial institutions.

As with so many aspects of behaviour of the

World Bank and IMF, privatization is an area requiring increased scrutiny, critical analysis, public information and participation. Countries need to be allowed to author their own economic programs, and not be faced with the prospect of dwindling development assistance and debt relief if they fail to hand their public services and natural resources over to the private sector. The financial institutions need to be restricted from using their dominant position over countries in poverty to force the sale of these countries' resources.

Water, land and labour: the social and environmental impacts of privatization

Water

The centrality of water to life places water at the heart of the controversy surrounding the merits of privatization. Increasingly, IFI and Government's policies treat water as a commodity subject to the will of the global market, even as more citizens demand that governments develop and enforce policies that secure the sustainability of this public trust and basic human right.

The recognition of the right to water was given support in November 2002 when the United Nations Committee on Economic, Social and Cultural Rights adopted a General Comment on the right to water. The Committee was explicit in recognizing that "the human right to water is indispensable for leading a life in human dignity. It is a prerequisite for the realization of other human rights. The Committee has been confronted continually with the widespread denial of the right to water in developing as well as developed countries".[9]

The UN Committee goes on to urge that international financial institutions, notably the International Monetary Fund and the World Bank, should take into account the right to water in their lending policies, credit agreements, structural adjustment programmes and other development projects (see General Comment No. 2,1990), so that the enjoyment of the right to water is promoted.[10]

Without referring to privatization explicitly, the Committee's Comment argues that a "national water strategy and plan of action should also be based on the principles of accountability, transparency... since good governance is essential to the effective implementation of all human rights, including the realization of the right to water. In order to create a favourable climate for the realization of the right, State parties should take appropriate steps to ensure that the private business sector and civil society are aware of, and consider the importance of, the right to water in pursuing their activities.[11]

Transnational corporations are threateningly close to attaining a dangerous level of private control of the world's fresh water supplies through their control of water services and delivery. Proponents of privatization argue that the governments of many countries, notably those in the developing world, are overburdened and unable to finance the infrastructure of pipes, pumps, sewers and tunnels desperately needed to provide sanitized water to the shanty towns and small rural farms of developing nations. Christopher Neal, External Affairs Officer for Latin America & the Caribbean at the World Bank, has emphasized that "many countries' public sectors do not have the money or the expertise needed to deliver safe water to all their citizens. Consequently, they look to the private sector to build, maintain and manage water systems."[12] Despite evidence to the contrary, advocates of water privatization, led by the World Bank, insist that private arrangements can be made. They argue that governments can ensure that proper regulatory frameworks are in place to require monopoly private providers to offer consumers water at affordable rates.

The provision of water is so critical an issue that it demands that nations explore the

experiences of other countries to form extensive understanding of the implications of decisions regarding management or privatization of water. As well, the establishment of strong institutional frameworks and regulatory bodies is essential to ensuring access to, and affordability of, water to all segments of the population. In light of the available research, a strong case can be made that public control of water provision, although desperately in need of reform and restructuring, is more likely to fulfil the needs of the population than control based on the market and the behaviour of monopoly private providers.

Organizations opposed to the privatization of water emphasize that introducing private control to water services and delivery creates a polarity of water availability to the public based on who can and cannot afford to pay for it. The act of shifting control of water allocation to private corporations means that the decisions over the allotment of water become subservient to the purely commercial considerations of the profit motive without regard to conservation and long-run sustainability of supply. Furthermore, as corporations seek larger profit margins, water consumption must expand through the pursuit of methods that are counter productive to conservation such as desalination, and water export or diversion. Evidence suggests that the return on the provision of water falls short of required profit margins and leads to attempts by water multinationals to gain further monopoly control of water in general by acquiring the ownership of water infrastructure and licenses.[13]

Extensive theoretical writing on privatization assumes that the advantage of privatization is the extra efficiency fostered through competition. However, thorough comparative evaluations of public and private options must be made before privatization is allowed to take place in order to ensure that claims about efficiencies and finance are submitted to rigorous testing.[14]

The World Bank argues that poor countries cannot afford to continue to subsidize water delivery, but have to move to full cost recovery. In other words, consumer rates must be high enough to finance sustained water delivery and investment in service expansion. The Bank ignores: the implications for poor communities, that wealthy nations assume the costs of water subsidization as a matter of course, and the common practice of cross-subsidization. Instead, it argues that the revenues generated by increased tariffs will allow for expansion of water delivery into areas now without access. There is little evidence that this has happened in countries that have private water systems.

The privatization of water in Africa has had a few generalized results: higher water tariffs, with little benefit to the public purse for new investment in public services, the disconnection of service to poorer households that fail to pay their bills, and slow expansion of delivery and development of new networks to provide safe water to those outside the old system.

The winners in privatization of water are private companies, which tend to focus on the collection of revenue. This means the installation of efficient meters to measure use, but not the installation of new networks in poor neighbourhoods. Private firms have a strong position since they collect the bills, and then pay the government the agreed fees.

Poor households are the main losers. The exclusion of the poor from access to safe drinking water means that they must use unsafe water sources, with an impact in public health that can be lethal.

Loss of service is perhaps the most contentious issue when a public service like water is privatized. In South Africa, 92,772 households were estimated to have had their water cut off for non-payment between 1996 and 2002. 75,400 of these cut-offs were in the Cape Town and Tygerberg administration area. In poor neighbourhoods, where most of the cut-offs took place, non-payment is related more to

an inability to pay rather than unwillingness, and so the actions did little to achieve the stated goal of improved rates of cost recovery.[15]

The debate over the provision of water will continue to attract global attention as shortages of drinking water become more severe. It is predicted that almost two thirds of the world's population will suffer serious water shortages by the year 2025.[16] The ramifications of this eventuality must not be ignored. Water is an essential component of life itself and plays a critical role in most development activities, from health and sanitation concerns to the location of human settlements, agricultural production, nutrition and the maintenance of a sustainable ecological balance. Consequently, management of this resource must focus on maintaining ecosystems and watersheds in order to promote conservation, reducing pollution of water supplies, and creating legal protection for this invaluable resource through national water policies that recognize the right to water.[17]Water privatization efforts in several countries have recently captured global attention. Thorough examination of these experiences is essential to determine the social, environmental and economic impacts of privatization policies.

Country example: Ghana

Ghana is moving to decentralize and pass control and ownership of water delivery to private hands and local governments. The International Development Agency (a World Bank branch that lends to the poorest countries) is providing US$60 million of the $285 million cost of the Ghana Water Sector Restructuring Project.

The program in Ghana has divided water supply into an urban sector and rural sector. The urban sector is expected to achieve full cost recovery and become profitable as tariffs are increased and the work force is reduced, whereas the rural sector is expected to be unprofitable. Urban water will be provided by the Ghana Water Company, which has been downsized in preparation for contracting to a private company.

The rural supply was taken over by the Community Water Supply Agency, an US$80 million project with a World Bank $25 million loan component. Ghana's NGO community is concerned that service in rural areas will deteriorate under the divided system, since income from the urban sector has supported rural water supply in the past. The rural sector would not be sustainable once the cash currently injected is gone.

The minimum wage in Ghana is 5,000 cedis - about US$3 - a day. Although this is not enough to sustain a family, most people in Accra, the capital, do not earn this much and many do not have regular employment. (More than half the people in Ghana earn less than 1740 cedis - US$1 - a day.) In Accra, the cost of a bucket of water, about 2 1/2 gallons, for those who do not have water piped to their homes and must buy it from better-off neighbours, was around 400 cedis until April 2001. In April 2001, water and electricity tariffs doubled, so a bucket now costs about 800 cedis. In poorer neighbourhoods, untreated water from hand-dug wells costs 50 to 100 cedis. These shallow, hand-dug wells, some of them situated close to open drains, do not provide clean water.

Even in areas of cities like Accra where there is piped water, only certain neighbourhoods enjoy a regular supply. Lower middle class neighbourhoods that may have piped water do not have a regular supply, mainly due to problems with the Ghana Water Company. Besides cost, therefore there is also a problem with supply, but it does not follow that the answer is privatization.

Even though low income people cannot afford current rates for piped water, tariffs in Ghana

are considered by the World Bank to be below market rate. With privatization and the use of a "market" price system, tariffs can be expected to rise considerably, with a damaging impact on the poor. Limited access to clean water will lead, as it has elsewhere, to increased incidence of disease.

Water is such a basic necessity; most communities will sacrifice other basic needs such as clothing, education or health care in order to meet the initial 10% capital requirement. But the question is sustainability. Will the communities be able to bear the future maintenance and repair costs? The level of rural family incomes is low. With the withdrawal of subsidies, there is an increasing inability of farming communities to access farm inputs such as fertilizers and to be able to maximize yields and raise their incomes.

The larger context in the rural areas has to be understood. Government-supported IMF and World Bank policies have privileged the large export farmers in terms of access to credit and inputs over the small farmers who are producing foods for the domestic market. The large export crop companies have also taken over the productive land, leaving less fertile, marginal land for the rural farmers. Due to these policies and others, the incomes of the majority of the people (the small farmers) are declining. At the same time, costs for potable water and other basic necessities are increasing. The net effect is that the ability to pay for potable water in the rural areas is receding rather than increasing.[18]

- R. Amenga-Etego (Ghana) and S. Grusky (USA)

In rural areas, some hand pumps and wells have been established with the help of foreign donors. The maintenance costs have been higher than some communities can bear and this has driven some back to using river water or shallow hand-dug wells. These sources of water can lead to increased spread of diseases like guinea worm, cholera, bilharzia, diarrhea and others. In rural areas, 36% of people have access to safe water, and 11% have adequate sanitation.[19]

The World Bank is expecting a 5-10% contribution from communities toward capital costs and future maintenance. As Rudolf Amenga-Etego, of the Integrated Social Development Centre in Ghana, has indicated in the quote above, even this is too high for many to bear.

The water privatization process in Ghana has been dogged by accusations of bribery and secrecy. The bidding process was marred by a lack of transparency, and had to be restarted after public complaint. Citizens still do not know what companies are bidding on what aspects of the Ghana Water Company; for example, there may be a division into different districts with different companies operating each. Proposed tariff structures, and the proposed contract terms, have not been made public, so the impact on poor communities cannot be gauged. Documents prepared by consultants to the Ghana government indicate that private contractors will not be required to expand water distribution to unserved or under served areas, and that the Ghana Water Company will continue to be responsible for expansion of infrastructure. Nevertheless, these documents also indicate that poor households could expect to spend between 8 and 12 per cent of their incomes on water tariffs.

Ghanaian activists are concerned that poor communities do not know how their access to water is to be safeguarded with new owners. Two of the companies bidding for the water system, Suez Lyonnaise des Eaux and Bouygues/Saur, are foreign transnational corporations with annual sales larger than Ghana's gross domestic product, raising

concerns about the ability of consumers in Ghana, especially the poor, to demand accountability.

Rudolf Amenga-Etego argues that there is a role for the private sector to play in the economic development of his country but, even with the existing problems with water supply, that role should not include water:

There are many sectors of the economy where it is important for the private sector to have a strong role. For example processing [manufactured goods], the hospitality and tourism industries, export oriented farming, etc. However, certain basic human necessities such as health care, education and water should be publicly subsidized and regulated for reasons of equity. Water is a basic human need. It is not a mere commodity and must not be left to the whims and caprices, or even the good intentions, of a private investor.[20]

In spite of these flaws and inequities, the World Bank is demanding water privatization and cost recovery through increased tariffs as conditions for a range of development assistance finance. The closer the government sticks to the World Bank's program, the more it will be eligible to borrow. The June 2000 Country Assistance Strategy proposed a lending range of US$285 million to US$640 million, with the government able to get the larger amount if it complies with demands to privatize electricity, water, railway transportation and the ports. Project documents, like the Project Appraisal Document for the Second Community Water and Sanitation Project, indicate that failure to achieve cost recovery would threaten future World Bank loans to improve the Ghana water sector.

The loans are supposed to be repaid from revenues collected, especially from urban water tariffs, which are also supposed to provide returns to the private investors and, finally, to the public sector. Even in rural areas, which have considerably less potential for revenue, the Community Water Supply Agency - the separate entity to be created - is being required by the World Bank to recover costs by securing 5-10% of initial costs from the affected communities by setting market rate tariffs. Investments in the supply infrastructure are to be prioritized based on willingness to comply and pay.

In sum, the Ghana experience indicates a large number of poor will not get improved service and they are losing existing access to safe water as a result of a privatization process that is not transparent or responsive to their needs.

Country example: Guinea

Problems associated with water privatization - lack of expansion of service to poor and rural areas and failure to improve efficiency of delivery - is also evident in the experience of Guinea, in West Africa. When the water supply in Guinea was privatized in 1989, the system was in a bad way. Although there was plenty of water, few people had piped access, and there was a high level of water borne disease. Less than 40% of people in urban areas had access to piped water. Efforts to improve the system had become bogged down because of political interference and the poor economic climate.

The arrival of a new military government provided an opportunity for the World Bank to push for privatization. The Bank provided support for the creation of a new state water authority, the Societé Nationale des Eaux de Guinea (SONEG), to operate alongside the privately owned Societé de Exploitation des Eaude Guinea (SEEG). The government opened a bidding process for ownership of water services in seventeen urban centres, won by an international consortium led by SAUR

and Vivendi (there was only one other bidder - another consortium).

SONEG, the state agency, was to be responsible for new investment, sector planning and the setting of water rates. The privately owned SEEG was to operate the existing facilities and collect bills, paying a rental fee to SONEG.

Privatization brought an immediate increase in water tariffs, but also an improvement in customer service (complaint response and repair work). There was a dramatic increase in the effectiveness of customer metering, with 98% of users having a working meter in 1996 compared with only 5% in 1989, but the results for expanded access were disappointing. The connection rate was 38% in 1989, but had only increased to 47% in 1996, leaving most urban households still unconnected.

Over the years, prices continued to increase at such a pace that even the wealthy began to have difficulties paying. Rates became higher than average for Africa and Latin America. The private SEEG was profitable, gaining profits of US$3.2 million in 1996, but state-owned SONEG was losing money - US$4.1 million in the same year, mainly because the SEEG rental fee to SONEG dropped and a government subsidy came to an end.

The high water tariffs meant that government agencies stopped paying their water bills to SEEG (by 1991, less than half were paying their bills; by 1993 this had dropped to 10%). This was a substantial problem because these agencies represent 30% of sales, so SEEG hiked the rates for other consumers. The high rates were a deterrent for new customers.[21]

Expanding and improving the water system was also made more difficult by confusion between SONEG and SEEG about their roles and responsibilities. State-owned SONEG has no access to SEEG financial information, so the basis for its requests for tariff increases is not clear. SEEG is supposed to report on finances in some areas, but does not and there is no recourse for SONEG. Regulation is weak, and there is no independent regulator to sort out responsibilities beyond what is covered in a series of contracts between the two agencies.

With the failure of government agencies to pay their bills, SEEG withholds its rental payments to SONEG. This means that SONEG does not have funds for the expansion of the water network that is needed.

The net result has been bureaucratic confusion, high tariffs, private profit for SEEG but losses for the public SONEG, and little expansion of water delivery throughout the 1990s.

Part II Land: The privatization of natural resources and public goods

The natural resources of the land have always been central to the economic development of impoverished countries. Minerals, forests and reserves of oil and gas are commodities sought with such intensity that wars are fought over them. Privatization in these areas has been accompanied by a process of deregulation and the withdrawal of the state from oversight and protection of people and the environment.

This section will take a brief look at three aspects of privatization of resources derived from land - mining, agricultural production and electricity - using brief country case studies. The impacts of privatization in mining and agriculture are examined through brief looks at recent experiences in Zambia and Senegal. The social impacts of privatization of electricity are illustrated in a separate section, with highlights of the experience in the Dominican Republic.

Country example: Zambia

By the end of 1999, 238 of 311 state-owned firms in Zambia had been privatized. About 100,000 workers lost their jobs. Employment in the formal sector of the economy fell from 566,000 in 1985 to 478,000 in 1999. Women were most affected, and the negative impact spilled over into the informal sector. Local businesses have collapsed, and there has been a significant rise in unemployment and poverty.[22]

The difficulties for women are aggravated by traditional restrictions on ownership of land and access to education. Government efforts to address these issues - like the adoption of a National Gender Policy - have not been able to compensate for the changes brought by privatization and economic restructuring. Literacy programs and public awareness campaigns have begun, but the streets of Lusaka are filling with women and girls working as prostitutes because they lack other employment opportunities.

One of the biggest privatization programs involved the copper mining industry, a main component of Zambia's economy. Mine privatization has had a strong impact on people in mining communities, who have witnessed the ability of the private sector to operate in ways that generate wealth for the owners but which cost the people of the communities, often dearly.

Zambia's economy is heavily dependent on the mining of copper, cobalt and zinc, which account for 75 percent of its export earnings; mining accounts for 80 percent of gross domestic product. According to the Central Bank of Zambia, the industry is worth $320 million (about R2.6 billion).

Foreign investment plays an important role: South African investment in the mining industry alone accounts for about 70 percent of all new investments, according to the Ministry of Finance.

Most of Zambia's mining operations are in the Copperbelt Province, estimated to hold 34 percent of the world's cobalt and 10 percent of its copper reserves. This mineral-rich area has also become a breeding ground for discontent.

In the copper belt region of Zambia, most small scale farmers are insecure in the ownership of the land they work, with less than 5% of them having leasehold title for their land. Most pay rent to titleholders or have some kind of sharecropping arrangement with the titled owners. Others are squatters on land owned either by the government's Zambia Consolidated Copper Mines (ZCCM) or private owners, or on council or forestry land. Those living in areas of customary land use do not need to be consulted before mining operations are allowed, and are usually not even aware of the possibility of placing land disputes before the Lands Tribunal.

The privatization of the state-owned ZCCM is a concern for those living on ZCCM land, since it was the second largest landowner in the country after the state. The rapid pace of privatization left occupants unsure what the future would bring, especially as pressure for land was growing. Miners were laid off and local businesses dependent on the ZCCM suffered. With the informal sector already at capacity and unable to offer viable livelihoods for new entrants, these layoffs and business failures brought a higher demand for land for small-scale farming.

Few women own land, and in the copper belt most are poor or very poor, unable to produce enough for their subsistence. They depend on family members, and their legal claim to land is precarious. Mine widows are normally given one month to leave their home after their husbands die, and usually have no way of buying a house.

Efforts to find a solution that included resettlement of squatters - who are officially estimated to be more than 50,000 but probably

number many thousands more - prior to privatization collapsed in 1997. The efforts of the Agriculture Department to mark off ownership and use of agricultural areas were hindered by the lack of information about who owned the land, and the ZCCM did not provide maps or clear information.

In one case, Oxfam Great Britain charged that the owners of the Mopani mine failed to comply with OECD Guidelines for Multinational Enterprises by refusing to meet representatives of the local communities or nongovernmental organizations to discuss problems related to land ownership and use.[23]

Miners in the copper belt have complained about poor working conditions at the recently privatised mines. The two biggest mining operations are Konkola Copper Mines, now owned by Anglo-American Corporation of South Africa, and Mopani Copper Mines.

One area of complaint for locals is the low wages they make under private ownership.

People in some circles have been saying mines are doing well and there is development coming to the copper belt," MCM miner Joshua Bwalya said. "How can there be development when miners are hungry? You will find that our salaries differ from our white colleagues."

He contended that Zambians often work under inferior conditions compared to expatriates, with expatriate white supervisors, mostly from South Africa, getting large salaries while locals in risky jobs were offered "slave wages". At MCM, for example, salary disparities are such that a white foreign manager gets as much as K28 million (almost US$10,000) a month while his Zambian colleague gets K500 000 (US$120).[24]

The ZCCM, being a state-owned company, was providing services such as health, education, youth training and so on. But the new mine owners absolutely refused to take up these responsibilities. The Zambian government did not give adequate attention to the gaps that were created. So now you find that in the copper belt, even though things are picking up for business, generally the population is in quite dire straits because of lack of access to quality health care and to quality education, as they were in the past.

For example, at Chitwe Mines the mining company would have a school, a clinic and probably even a hospital. They would have youth training centres, skill training centres, and they would have a mother-and-child clinic for nutrition lessons and all that. They'd also offer bursaries for good students to study at university, and of course would have various social and entertainment facilities such as football clubs, netball clubs, things like that.

For an ordinary family, the children would go to the mine's schools, which would offer a very good education compared to ordinary government schools. And the family would go to the mine-owned clinic that would offer better services compared to ordinary government clinics. Even though they were simple miners, working underground, not privileged in any way.

They'd have at least access to such services.

But then with the onset of the privatization of the mines, the new companies come in - South African, or British, or Canadian - and say, "well, for us, we're only interested in the actual mine. We're only interested in the smelter, and a few of the houses." The social amenities - educational facilities and so on - are left for the government to run with a budget already stretched and unable to maintain good service.

Zambians feel that the government gave huge concessions to the new companies, knocking a huge percentage off their electricity bills while the Zambian people are continually paying. This means the public is subsidizing the profit-making business. They get away with some environmental issues, some of them discharging too much sulphur dioxide in the air, without much regard for the health effects on ordinary people. - Molima Kufekisa-

Akapelwa, Coordinator of the Justice Peace and Development Centre, Lusaka, Zambia.

The World Bank regards Zambia's privatization as a success story in Sub-Sahara Africa. "Zambia has the most successful privatization program to date and the experience there offers many examples of best practice," a 1996 World Bank report stated.[25]

The indicators used in the report on Zambia for assessing performance of privatization programs were:

- the "government's willingness to exit totally from equity ownership of the enterprises"
- fiscal impact
- efforts to broaden ownership
- the "level of foreign direct investment attracted"
- post-privatization performance by the enterprise
- program design and management
- transparency and government commitment

There is no discussion of improvement of public service to the miners and their community, or of involving affected communities in privatization program design, other than a reference to keeping the public informed about the program.

The report boasts that the privatization in Zambia is heavily private-sector led and managed, with the Zambia Privatization Agency (ZPA) chief executive appointed from the private sector, and only three of twelve directors appointed by the government. The government has given the ZPA full responsibility for the sale of major utilities and of the country's largest public enterprise, Zambia consolidated Copper Mines Ltd.

The World Bank considers the main problem with the privatization process to be one of public "misconceptions". Its 1996 report stated that "in the minds of many ordinary people, privatization became synonymous with liquidation," largely because some major public enterprises, like the United Bus Company and Zambia Airways, had indeed been liquidated. The Bank noted that the ZPA "has had to work hard to correct that popular misconception."[26]

Number of companies/units privatized in Zambia	
1994 (Dec)	15
1995 (Dec)	102
1996 (June)	137

In the end, the privatization of mining in Zambia has not gone well for the country or for the investors. With copper prices low in 2001, Anglo-American announced it was closing its Zambia operations.

The World Bank response was to call for more privatization in other sectors, saying this would help shift the economy away from its reliance on one commodity. Despite the experience, more privatization was to be the condition imposed on Zambia for debt relief.

Zambia would not reach the completion point of the debt relief program, according to the World Bank's Zambia country manager Laurence Clarke, "if it does not privatise Zesco, Zamtel, Zanaco (Zambia National Commerce Bank) and these things have to be done quickly".[27]

Country Example: Senegal

In Senegal, the groundnut (varieties of peanuts) sector is the most important single source of employment. Forty percent of cultivated land is used for groundnut production, and more than a million farmers earn their living from peanut production. After the harvest, farmers bring their crops in to be cleaned and stored before being sold to the state-owned company, the Societé nationale de commercialisation des oléagineux (SONACOS)

for processing.

The harvest in early 2002 was a good one, but farmers were not able to benefit from it for a number of reasons. The SONACOS subsidiary that did most of the collecting and transporting of the peanuts was eliminated in November 2001, as part of the move to privatize the sector. Producers used to be paid at the collection point, but were told they now have to wait until the nuts arrived at the factory. Private transport that was to replace the state system was not established, contributing to the farmers' distrust of the new arrangements and the confusion about getting the crops delivered.

In the end, farmers' revenues were marginal. Many complained of sending their produce to collection points but not receiving payment (they were told government credits would be issued for payment at a later date). There were reports of some transporters buying crops at discount prices, for resale to SONACOS at set rates.

Farmers and opposition politicians criticized the program, forcing the president to admit that he had been following the demands of the World Bank and IMF. The government then announced it would cut back on the free market reforms, and it tried to implement a structure of control over the private intermediaries. The IMF, World Bank and European Union responded by demanding the re-institution of full privatization before any lending to the sector would be provided.

The Senegalese government backed down, agreeing to restrict SONACOS crop purchase to 40 percent of the harvest (it was traditionally the buyer of most of the crop) and committing to the privatization of SONACOS before the 2003 harvest.[28]

Electricity

Electricity restructuring is an example of how financial globalization has fuelled development paths based on narrow economic considerations.

- Dr. Navroz Dubash, lead author of the World Resources Institute study, 'Power Politics: Equity and environment in electricity reform' (June 2002)

Outside of industrialized countries, the privatization of electricity has largely taken place in Latin America, with the key players being mainly Spanish and US firms. The privatization is presumed to provide a profit to owners, who are expected to operate efficiently enough to give better service at lower prices. In reality, the privatization means that government gives up its responsibility to provide electrical service while the private enterprise profits, but other expectations are too often not met.

Privatization of electricity is often promoted as a method of solving problems like:

- inefficient managerial/financial systems
- lack of finance for investment and maintenance
- political interference

Some of the problems associated with privatization of electricity distribution include:

- competition to attract buyers often means governments will assume the debts of the enterprise, increase rates and avoid unbundling of the sector, thus ensuring a monopolistic structure. (Unbundling refers to dividing the sector into separate units with different owners for electricity generation, transmission network, local distribution, and aspects of retail to consumers like metering and billing. Unbundling assists in avoiding

problems associated with monopoly ownership of all aspects.)

- since final responsibility for providing electrical power still rests with the state, despite privatization, some governments end up subsidizing the price of electricity. Alternatively, governments may try to restrict prices.
- private ownership of distribution of electricity does not necessarily mean improved efficiency of service. In many instances, delivery breakdowns have occurred after privatization.
- companies have been quick to disconnect non-payers. In some cases this might be a government agency or the military, but can adversely affect people in poor communities also.
- multinationals that are moving in to take over electricity distribution are arriving in a context of low regulatory capacity or, in some cases, lack of political will. Changes in corporate strategy that are decided outside the country may have an impact on local customers, who have no say in the changes.

Governments in struggling economies are faced with difficult challenges, trying to balance the need for stable electricity costs that will encourage industrial production and not trigger social unrest, with the pressure to find a buyer. The nature of electricity distribution is such that there is no competition that will help provide a market price, but prices are set depending on the desire for profit balanced against the ability of the government to regulate.

Privatization of electricity is often justified by pointing to inefficiencies of state agencies in collecting revenue. Non-payment of bills is not a unique problem, but privatization and enforced collection can have severe social impacts. If the state has allowed non-payment to continue in disadvantaged areas, it operates as a form of welfarism. Replacing this with a private agency that does not hesitate to cut off non-payers can have unexpected social implications. In the Republic of Georgia, the private agency has been cutting off about 1,000 users a month. AES, the US firm, was cutting off 2,000 people a day in the Dominican Republic.[29] Small businesses can be affected along with poor individuals and families.

Despite their eagerness to collect payments, private electric companies can be reluctant to invest in long-term infrastructure. Problems with electricity distribution system after privatization emerged in countries as diverse as Brazil, New Zealand, Argentina and Kazakhstan. In the Indian state of Orissa, following a cyclone in November 1999, AES proposed rebuilding its network - either by getting US$60 million from the Indian government or by raising its rates three times higher.[30]

In some regions, there are concerns about the monopolistic control that some companies have gained. The Spanish company, Endesa, has moved aggressively into South America, acquiring ownership of Peruvian distributors around Lima as well as generators. In Chile it took control of the utility holding company, Enersis and its subsidiaries. In Argentina, the government brought an antitrust suit against Endesa, which had purchased large portions of the power distribution system in Buenos Aires.

Protests against the privatization of electricity erupted in Arequipa, Peru from June14-19, 2001. The street protests spread to other cities of southern Peru, despite the military presence. General strikes were called in Puno and Cusco in solidarity with the anti-privatization movement. During the Arequipa protests, two students were killed at the hands of police, and 150 people were injured.[31]

In El Salvador, people had long endured poor electrical service from the state agency but privatization did not bring perceptible improvement. The Structural Adjustment Participatory Review Initiative (SAPRI), a joint World Bank/ NGO/ government review of

impacts of economic restructuring, reported that a national newspaper survey found that "81% of the population surveyed on a national level agreed that the privatized service was not of a better quality than before".[32]

Electricity privatization in El Salvador began in 1998 when the government gave control of distribution to five firms, gaining a regional privatization record for the sales of US$586 million and avoiding the trap of monopoly control of distribution. Two years later, four of those companies were in the hands of AES, the American company.

The cost of electricity in El Salvador has risen dramatically, especially for those in the lowest consumption groups. For example, in rural areas where the government had subsidized rates, prices went up between 200% and 300%. Higher rates have an impact on the quality of people's lives, but women are most affected. The higher cost of electricity means higher demand for other forms of energy sources, like firewood, and so women are putting in longer work hours into meeting energy needs. The SAPRI study (2001) found that in most of the cases it looked at, this meant women had to increase their domestic workload considerably.[33]

As with the other public services reviewed in this report, privatization of electrical services is a global phenomenon and forms part of the standard program of economic restructuring required by the World Bank and IMF. The extent to which these institutions demand privatization in electricity reform as a condition for its assistance is evident in the list provided in Appendix I.

Country example: Dominican Republic

In 1999, the government of the Dominican Republic privatized electrical distribution networks, and transferring control to AES (US) and Union Fenosa consortium, generating plants. Transmission remained government owned.

Prices increased immediately, with generators boosting prices by 51% and distributors indexing their prices to inflation and the cost of oil, which went up considerably. The state electrical company, Corporacion Dominicana de Electricidad (CDE) tried to soften the impact of the price increases by absorbing 42% of the generator price increase. This subsidy cost the government about US$5 million a month, and it accumulated arrears of over US$100 million. Because of the shaky situation, independent power producers began to shut down service, with blackouts affecting communities, businesses, schools and hospitals. Angry consumers began to withhold payment on their bills, and AES was cutting off about 2,000 people a day.[34]

In spite of the ongoing problems, the government had been trying to find a balance between privatizing the supply of electricity and protecting consumers from extreme price increases. However it was pushed by the World Bank to continue its privatization program, which was extended to include transmission.

Labour: Privatization and impacts on working conditions and health care

Privatization processes affect workers in several ways. The most apparent is in the layoff of public sector employees when the enterprise in which they work is sold. They are also affected when they oppose the sale of these enterprises. The most extreme example of repression of workers' rights and the opposition to privatization is probably Colombia, where workers who oppose privatization are targeted for assassination. The dismantling of trade unions too often accompanies the sale of public enterprises, leaving workers more vulnerable to exploitation and weakened in their efforts to demand adequate wages. Finally, people are affected when the services they require are no longer available as a result of privatization. This is especially true in health care, where the poor and the marginalized find themselves further excluded from the benefits due to the community at large.

Another serious concern is the aspects of corruption and bribery that too often accompany the privatization processes. This aspect is considered later in this paper with a quick look at the experience in Uganda.

Job loss is the largest concern when a country undertakes massive transformation, as in the case of Vietnam and its shift to a market economy. Here, there is an argument to be made for economic restructuring, although privatization is not necessarily the only option. State enterprises employ five per cent of the workforce but take more than half of the available bank credit. They then undermine bank stability by their failure to repay borrowed money.

It is a situation that needs addressing, but the question is more how the changes will come about - what the impact will be on state workers given the large amount of privatization that will be imposed in a short time. For Vietnamese workers, the cost will be heavy. Some 250,000 state workers are expected to lose their jobs as Vietnam starts selling off some 1800 firms in the coming round of reforms. To try to offset expected protests, the government is using part of a US$250 million World Bank loan package (2001) to provide some compensation to those losing their jobs.[35]

Labour unions are at the forefront of the struggle against privatization. In El Salvador, for example, the Centro de Intercambio y Solidaridad (CIS) issued an appeal in 2001 for international help to fight privatization. The CIS was concerned with negative social impacts in several areas, including health, education, and electrical service.

State responsibility for health care was reduced as the government cut health spending to 1.8% of the total budget, while passing a A Concessions Law to pave the way for privatization. A new administration of the Salvadoran Social Security Institute fired 71 workers, mostly union members, after taking control in June 2001.

The national teachers union predicted that 3,000 to 4,000 teachers would lose their jobs as a result of privatization. Those still employed would increasingly have "flexible" contracts, without job security and benefits.

In early 2002 the state-run Hydroelectric Executive Commission of the River Lempa (CEL) fired three leaders of the Electrical Workers Union as part of a larger privatization campaign. Privatization of electrical distribution brought a seven-fold increase in tariffs that, according to the CIS, "forced the rural population, particularly women, to search for alternative energy sources - a 20-30% increase in domestic work".[36]

The government response to resistance to privatization was a refusal to negotiate or provide worker protection. The health care workers' union - STISS - launched a strike in

September 2002, shutting down several major health centres and forcing the government to launch new negotiations. The dispute between government and striking health care workers continued into 2003.

The impact of privatization on working people varies from country to country, and resistance takes several forms. Colombia is an example of a country where resistance to privatization can be deadly. As in El Salvador, the major impacts are on unionized workers. In other countries, the impacts are felt differently. Tanzania is an example of a country where the civil service has suffered huge job losses in the public sector and the cost of services has increased substantially, while corruption and secrecy pervade the privatization process. Vietnam is another country where huge job losses are part of an extensive privatization program. In India, inefficient health services for the poor have deteriorated further under private management. Cases like these described below, point to a repeated theme of assumptions of economic efficiency that are not proved, yet show themselves to be damaging for the vulnerable in society.

Country example: Colombia

Carlo Eliecer Prado was a union leader with the Municipal Employees Union of Cali (SINTRAEMCALI), Colombia. As he arrived for work early one morning in May 2001, he was shot eleven times by a paramilitary death squad and left dying in the street, assassinated for leading his union in the fight against privatization of public services.

Four days later another SINTRAEMCALI member, Henry Jimenez Rodriguez, was killed by a death squad as he arrived at work in the telephone department.

The killing of union activists opposed to privatization is not a new phenomenon in Colombia:

> *In September 2000, the leader of a trade union campaigning against the privatization of Cali's public services narrowly escaped an assassination attempt in which another member of the union died. Gunmen reportedly tried to kill Ricardo Herrera, leader of the Sindicato de Trabajadores de las Empresas Municipales de Cali (SINTRAEMCALI), Cali Trade Union of Municipal Service Workers, on 19 September, 2000. The shot missed Herrera but fatally wounded Omar Noguera, who died a few days later. Two weeks earlier, in the face of death threats, SINTRAEMCALI had formally asked President Andrés Pastrana to assume responsibility for Herrera's safety. The union's executive committee received repeated death threats throughout 2000 and one leading member of the union, was forced to leave the area temporarily in fear of his life, reportedly after the discovery of plans to kill him.*
>
> - Amnesty International, June 2001[37]

More than two hundred union activists were killed or missing in 2000, an increase of 50 percent over the number of killings in 1999, according to the International Confederation of Trade Unions. It was a year in which 8,500 people were arrested for union activity. By the end of May 2001, 48 unionists were killed, including 15 officials or leaders.[38]

Three-quarters of the union members killed last year were Colombian. Some, like Carlos Eliecer Prado, were working in a public service unions fighting privatization. Others were educators like Miguel Angel Vargas, also gunned down by paramilitary thugs in May, at the University of Valledupar.[39]

SINTRAEMCALI denounced the killings of

its members, saying that Colombian trade unionists "have been targeted by dark forces moving inside the State itself. They seek to silence through assassination, exile or terror those who are against privatisation and those who defend human rights"[40]

Colombia's main trade union federation said the killings were "selective assassinations" carried out by "paramilitary groups of the extreme right led by Mr. Carlos Castano". It repeated its call for an inquiry into the murders and for the government to dismantle the paramilitary groups.

When a US union delegation visited Colombia, a member of the Colombian Commission of Jurists told them "in the case of the paramilitaries, you cannot underestimate the collaboration of government forces".[41]

Trade union activism is regarded as subversive activity by both the military and paramilitary and thus a legitimate target for assassination. The US has poured over US$1 billion into the country under Plan Colombia, almost all of it in military assistance, thus fuelling the violence. The European Union and other countries, along with the Inter-American Development Bank are providing other grants and loans. The World Bank is a supporter of Plan Colombia, and a major funder of projects in Colombia outside the conflict zone.[42]

The privatization program has been a source of conflict for several years. There was an occupation of the company headquarters in 1998, and a nine-day strike in 1999. The government responded by criminalizing the protests, thus tacitly condoning the assassination campaign. The privatization of the EMCALI services company was announced in September 2000, after six years of opposition by the union. When the announcement was made, the union reacted by calling for a strike. The government then charged 55 members with rebellion. During this time period, the SINTRAEMCALI president left the country after death threats. Four SINTRAEMCALI unionists were assassinated.

Despite these events, the IMF persisted with its push for more privatization. It continues to demand restructuring and downsizing of the public service, and the privatization of the two main electric companies that were not sold off in 2000.[43]

The privatization program fell short of the ambitious expectation in 2000, mainly due to security-related problems that developed during the year and affected the electric power sector... The proceeds from privatization were 0.4 percent of GDP in 2000, well below the amount expected.[44]

Privatization has also gone forward in coal mining. In October 2000, three companies - Glencore (Switzerland), Billington (UK) and Anglo-American (South Africa) - purchased 50% of Carbocol, the state-owned coal company for US$437 million. Exxon (US) owns the other 50%. This company runs the El Cerrejon mine, the largest open pit mine in the Americas. The consortium expects to increase production — most of which is exported to Europe and the US — from 18m to 45m tons per year by 2003.[45]

The El Cerrejon mine has been criticized for its failure to offer long term employment to indigenous people - the Wayuu - in the region, and because of its high use of water, which has left the area without water for other uses. Owners responded to union organizing at the mine by firing workers. Union repression was also prominent at the Loma mine. In March 2001, two union leaders were taken from a bus, tortured and killed by a group of gunmen, some in military uniforms.

Country example: Tanzania

These SAPs and HIPCs and PRSPs, to me they're just one and the same thing. The conditionalities are just the same. They say we have a different program, but when you go into it, it's just one and the same.

We're told that we're going to get debt relief if we privatize some of the parastatal organizations, publicly-owned firms, like water, electricity, telephones, communications - things like that. You tell me, "I'm going to help you. I won't ask for the money but I want everything of yours. First give me everything, then I'll cancel the debt".

If you privatize water, it's like taking everything from me. Is that relief? They don't give us relief. It's absurd. I cannot even understand the concept of what they are doing.

- Rosemary Mwamakula Nyerere, Member of Parliament, Tanzania.[46]

Although the government's overall objective of providing health status for all Tanzanians remains the same, there is an increased move toward privatisation and the public health sector is increasingly deprived of vital funds. In this process marginalized groups are increasingly impacted. The government needs to get rid of the user fees in the health sector, as the health of Tanzanians is crucial to development of the country.

The Public Health System is the right of all Tanzanians, who contribute to government revenue. If the government can shirk some of its responsibilities, it cannot do so for health. The private sector has an important role to play but the Public Health System should be the backbone of health services the country. Otherwise the lives of the citizens would be at risk, as so many examples have begun to emerge showing this.

- Comments from the Tanzania Gender Networking Project, regarding the IMF and World Bank endorsement of the Government of Tanzania's "Poverty Reduction Strategy Paper"[47]

In the 1990s, the government of Tanzania was forced by the IMF and World Bank to begin privatizing about 400 state-owned enterprises. Since 1992 the civil service has been cut from 355,000 workers to 170,000. Trade union leaders claim a lack of transparency in the process, and no involvement of trade unions.

Labour laws have been relaxed to provide a better investment climate. Union leaders argue that existing laws on the health, safety, working hours and wages of workers are being ignored, so that working conditions of most Tanzanians are deteriorating. They are facing lower wages and a harsher work environment, while continuing to be taxed heavily.[48]

Privatization of the Tanzania Electricity Supply Company ran into problems in April 2002 when it was revealed that the Tanzanian partner in the deal is a company owned by President Mkapi's brother-in-law. In an editorial, the East African newspaper, *Nairobi*, questioned the management of the company which apparently listed primary schoolchildren as directors. The government rejected a demand for information about the management contract, and continued the privatization process in secret.[49]

One of the conditions placed on Tanzania in order to qualify for debt relief was the privatization of the Dar es Salaam Water and Sewerage Authority (DAWASA). To make the company more attractive to private buyers, in mid-2002 the government signed for US$145 million in new loans from the African Development Bank, World Bank, European Investment Bank and Agence Français de Développement. A previous attempt to sell the company, in 2000, only attracted two offers -

from Sauer International and Vivendi, both based in France - but the bids were rejected.

Concerns include the possibility of loss of water availability to Dar es Salaam's poor 'squatters'that tap illegally into the water system, since one main objective in the privatization will be to improve billing and tariff collection. Similarly, there may no longer be access to free services at standpipes around the city, used by individuals as well as water vendors.

Critics also argue that taking on loans like this in a country that is already heavily indebted is a problem, especially given concerns about corruption following the Tanesco deal. As a June 2002 Afrol News report stated:

The dubious Tanesco deal is widely interpreted as a result of President Mkapa's desire to enrich himself and his family while serving his last presidential term. The next big parastatals to go are DAWASA and the Tanzania Railways Corporation... Tanzanians hope they will not have to pay the maintenance of the Mkapa family for generations to come over their electricity and water bills and railway tickets.[50]

Country example: Rwanda

Rwanda provides an example of a country that undertook extensive privatization at the expense of workers' jobs. The role of the World Bank and IMF in demanding privatization, and the reluctance to consider alternatives, are other factors that contribute to damaging social impacts of privatization processes. These concerns were raised in these brief excerpts from an interview with François Murangira, General Secretary of Rwanda's trade union centre CESTRAR, published in *Trade Union World* magazine Nov. 2001.[51]

In 1998, in coordination with the IMF and the World Bank, Rwanda signed and implemented a programme of privatisations and rationalisation of its infrastructures. What consequences has this had on a social level?

FM: Many state enterprises were indeed privatised, and each time this led to layoffs without compensation. However, these privatised companies are no better off today that they were before, despite the fact that over 15,000 people - including state employees - lost their jobs. In the case of the government stationary offices, our union had proposed having workers buy the company's shares, thereby forming a cooperative where they would be the owners. However, the government did not accept this proposal.

What categories of state employees lost their jobs?

FM: Those who lacked the qualifications matching government-specific criteria, and mostly women. There were teachers with 20 to 30 years of experience who were dismissed because they had never finished high school. However, our schools are already overcrowded and teachers are poorly paid.

It is important to know that in Africa, a single employee provides sustenance for around 20 members of their extended family. It is therefore a social crisis whenever someone loses their job. [Projects in Rwanda] went nowhere and we still have to pay back the money that we received. The Bretton Woods institutions claim that we did not manage the money properly. That is also true. But who managed this money? The corrupt dictatorship, which embezzled most of it and invested the rest in arms that were used to kill Rwandans. The World Bank does not want to accept full responsibility for this but it knew full well what it was doing. You first give the money to a dictatorship that kills its people and then you

demand that these people pay back the money? The population suffers once under the dictatorship and then a second time to pay back the debt. The World Bank and IMF are largely to blame for the current situation of poverty that is festering in Africa.

Country example: India

The World Bank is funding many health corporations in the state of Punjab. User fees have gone up, treatment costs have gone up. They have gone out of the reach of poor people who now are not able to have access to basic healthcare . . . How can they say they are alleviating poverty and then put everything out of the reach of poor people, whether it is drinking water or other essential services? They are out to get blood money and in the process they create poverty, a wider gap between rich and poor. They subjugate us socially and economically by putting lots and lots of debt on us. - Dr. Vineeta Gupta, a physician and activist based in Punjab, India[52]

Dr. Vineeta Gupta is a representative of INSAAF International, an NGO in India with a special focus on the impact of poverty on women. Her anger at the privatization process derives from her experience as a physician working to serve the poor, but aware that the World Bank is funding private health care facilities that serve the wealthy to the exclusion of the poor. Accepting that the state was not providing the level of service required, her argument is that now these services are even further out of the reach of the poor.

For example, the World Bank has set up the privatization of health care in Dr. Gupta's region of Punjab so that poor people are supposed to be able to produce a card entitling them to service at the private hospital. In practice, the poor do not have access to these cards, and are routinely turned away.

They are parastatal. The World Bank says the state health services are not as good as they should be. So to better it they are creating health corporations, but the same people who head the health services head the health corporation. How does that make a difference?
- Dr. Vineeta Gupta

Frustrated with the lack of service for the poor, she says, "They die on the road. I have seen a patient delivering a baby in a rickshaw myself. She was turned away from the private hospital because of her torn clothes".[53]

Beyond the lack of adequate provision for healthcare for the poor under privatization schemes, Dr. Gupta claims that huge World Bank loans often lead to increased corruption since there is a lack of concern for the utilization of the loan. A corruption scam at Sangrur in Punjab provides a good example. The World Bank funded a $US600 million Reproductive and Child Health (RCH) Project, which fell victim to the siphoning off of funds by individuals within the project.[54]

Bribery and corruption

Reforms introduced through liberalization (a weakening of the state, deregulation and privatization) create new conditions in which corruption have flourished.

- Joseph R.A. Ayee, University of Ghana and 2001 UNESCO/United Nations University International Leadership Academy Chair for Leadership Studies, in *Corruption and the future of the public service in Africa*. June 2001.

The former Chief Economist at the World Bank, Joseph Stiglitz, called privatization "briberization" in an interview with Gregory Palast of the London *Observer.* He spoke about national leaders, told to sell of their countries' water and electricity companies, who were keen to get commissions paid into Swiss bank accounts. "You could see their eyes widen" at the prospect, Stiglitz said, and objections to selling off state industries were silenced.

For example, the two big French multinational water companies, Suez-Lyonnaise and Vivendi, have been convicted in France of paying bribes to get water concessions. Suez-Lyonnaise was also involved in deal in Indonesia, where it and Thames Water (UK) both had arrangements with a company owned by a Suharto crony. There were local outcries as jobs were cut and prices rose. People demanded that the deals be scrapped because of the associated corruption, so the companies had to negotiate with city council and accept price cuts.

As privatization became more widespread in the 1990s, so did the corruption, to the extent that it began to be recognized as a main contributor to corruption in Africa:

Deregulation has weakened the capacity of the state to control corruption while privatization has created a host of opportunities for personal accumulation. Deregulation reduces the capacity of government to tighten rules governing government-corporate relations. In Africa, where the rules have traditionally been poorly observed and enforced, deregulation reduces government capacity still further and makes it particularly difficult to control interactions between private interests and public officials. It also creates opportunities for public figures to use their positions to obtain privileged access within the marketplace.

Privatization has also produced opportunities for acquiring public resources. Instead of a programme of commercialization of run-down state corporations before privatization, adjustment conditionalities and donor deadlines frequently forced a rapid divestment of physical assets at knockdown prices. This permitted politicians and officials to use their insider positions to buy them up. It has generated a great deal of resentment about high-level corruption; it has managed both to encourage corruption and reduce the legitimacy of democratization.[55]

Country example: Corruption in Uganda

Uganda's privatization program began in 1992, after the World Bank and IMF criticized the heavy cost of carrying inefficient public enterprises and demanded a change of ownership. There was some initial objection within the National Resistance Movement government, worried that any privatization process would be dominated by foreign investors and Ugandan Asians. These were set aside because of the need for the financial support available from the financial institutions, and so the government decided to put banking, insurance, railways and telecommunications up for sale.

The privatization program was launched without the approval of the national legislature and with little effort to inform the public about what was being done and why. The process was immediately attacked by Members of Parliament, suffered delays and criticism about the lack of transparency, and was off to a slow start in its first years. Spurred on by the World Bank, a Minister of State for Privatization was created with the hope that the process would speed up.

Eighty public enterprises were put up for

sale, with several being sold in 1995 and 1996. Critics again pointed out the secretive nature of the process, and demanded better access for domestic buyers. Allegations of corruption began to surface.

In 1996 the president's brother, Major-General Salim Selah bought controlling interest in the Uganda Grain Milling Corporation with a bid of US$5 million, the second-highest bid. Within minutes he had resold the business to another bidder, Greenland Investments (a Ugandan company that had placed the lowest bid). Salim Selah is estimated to have made US$400,000 on the deal.[56]

Salim Selah was also involved in a deal involving ground handling operations at Entebbe International Airport. Along with another person related to President Museveni by marriage, he profited by acquiring shares that were substantially undervalued. Charges of influence peddling and conflict of interest were made, but no action was taken.

The privatization of the Uganda Commercial Bank was a subject of much concern, because Ugandans felt they would lose control of their people's bank, and that rural banking would be negatively affected. There were Parliamentary efforts to block the sale in 1997, but continued pressure from the international financial institutions was successful in 1998. The successful bidder, a Malaysian firm, acted as a front for Greenland Investments, which took over the shares shortly after the sale (despite contract restrictions on this kind of move). Again, Salim Selah was involved; as the major shareholder of Greenland Investments he became the majority owner of the bank. He claimed he was trying to keep the bank in the hands of Ugandans, and wanted to serve the poor of his country, but the bank began giving some US$40 million in unsecured loans to companies associated with Greenland Investments.[57]

By 1999 the privatization program was completely discredited in the public eye by the continuing corruption scandals and the cronyism. Even the World Bank noticed, and criticized the process in a 1998 report, pointing to "non-transparency, insider dealing, conflict-of-interest and corruption"[58]

To the extent that problems of corruption and accountability were a concern to the international financial institutions at the time, these concerns were voiced, if at all, in private. Uganda continued to be praised by the IFIs for its commitment to structural adjustment reform. Public opposition came from journalists and parliamentarians who refused to be intimidated or bought off.

As Ugandan journalist Andrew Mwenda and academic Roger Tangi wrote in their 2001 paper on corruption in Uganda, international donors seemed to have little understanding of the political context in which privatization would move forward, and the extent to which this would fuel corruption:

Privatization was embarked upon in an environment lacking a regulatory framework that could ensure probity and fairness in the divestiture exercise. Everywhere, state elites have been able to direct closely various aspects of privatization such as valuing assets, identifying buyers, and determining sales. However, their actions and transactions have remained largely outside public scrutiny. Legislatures have exercised little supervision over privatization activities and rarely has legislative approval been required of divestiture decisions taken by governments. The potential for corruption and cronyism in Africa's privatization process has been evident.

...As a result, privatization has promoted the creation of a tiny wealthy class, rather than, as was its expressed objective, broadening the basis of ownership' among the African population. Given this importance of privatization in the competition for power and wealth in Africa, it is not surprising that the prevalence of abuse in its implementation has been so marked.[59]

Public-Private Partnerships - a legitimate response?

One of the things that may influence the way privatization processes go in the future is the evolution of Public-Private Partnerships (PPPs). PPPs attempt to move away from the wholesale unloading of an enterprise to a more integrated agreement in which the government retains a regulatory presence. It remains to be seen if this approach evolves, and if so, whether it is with an expanded acceptance of state control in the provision of public service, or if it provides a mechanism to resolve public mistrust without substantive concession to the need for a strong role for the state.

Resistance to wholesale privatisation has centered on loss of control or involvement by the public sector, but an important feature of PPPs is that control of core public sector areas of responsibility can be directly retained.

PPPs are now being seen as an effective means of engaging the private sector in a wide range of public sector activity. Already well established in the delivery of transport infrastructure (and, in certain countries, water and power), there is growing interest in the much wider application.

With increasing pressure on public finances, and a greater body of precedent showing that PPPs can be structured successfully, political doubts will fade leading to a much greater involvement of the private sector in the delivery of public services and infrastructure.

- Nigel Middleton, Partner in PricewaterhouseCoopers[60]

Proponents of PPP arrangements make the argument that the public sector has the option of retaining elements of control that it otherwise loses in a large scale privatization, thus allaying fears and concerns that arise from loss of public control. On the other hand, it could be argued that arrangements like these are better suited to businesses that are seeking ownership only of those aspects of enterprises that are profitable, leaving the public sector to absorb the costs in areas where profit, or even cost recovery, is not likely or where there will always be a net cost.

Given the kinds of problems that have emerged in processes of wholesale privatization, it is doubtful that the PPP approach will affect the process in a way that responds to concerns like the ones that have been explored here. As proposals to modify privatization processes emerge, they will have to respond to concerns that they contribute to an enabling social and political environment.

Improvement in the quality of life in the poorest regions of the world presuppose adequate state capacity, democratic processes of informed popular participation in decision making, and economic objectives that balance growth and equity. Privatization programs, if they are to provide successful contributions to poverty reduction, will have to incorporate these assumptions. As it is, the evidence indicates they do not. Indeed, the experience of forced privatization in an inappropriate setting exposes the predatory characteristics that can emerge in an unregulated market environment.

The stance many civil society organizations (CSOs) hold in opposition to privatization extends to PPPs. Their perception is that PPPs do not offer a substantial alternative to outright privatization and ownership. For private sector involvement in areas previously operated by the public sector, CSOs are asking that a wider range of prerequisites be incorporated into the process. For example, forty CSOs and trade unions of the Southern Africa Development Community and the European Union signed a statement calling for their governments to take action on several aspects of privatization.[61] They asked that governments:

- recognise that access to health, energy and water are basic human rights and that it is undermining democracy if they are not under

public control;

- stop using privatisation as a pre-requisite for granting development assistance and access to trade, especially as applied to the conditionalities imposed through the activities of the IFI's and the WTO;
- do away with the in-built modalities of privatisation, such as outsourcing, divestiture and management contracts, that are presently an integral part of the New Partnership for Africa's Development (NEPAD) [NEPAD is the development initiative launched by African leaders in 2001];
- ensure that any implementation of Public-Private Partnerships (PPPs) remains under public control and ownership, and ensures access to affordable services by the people;
- stop using development funds to promote private sector delivery of services;
- commit to pursuing, with the full involvement of civil society, comprehensive economic and social impact assessments prior to the implementation of any privatisation initiative;
- explore alternative strategies to upgrade public services, including gender budgeting, while keeping them under public control that is accountable and transparent;
- examine the hidden costs of privatisation in gendered impact assessment studies; these include higher user fees, loss of quality jobs and loss of public income;
- scrap failed cost-recovery policies on basic services and implement cross-subsidisation and budget subsidies; and
- recognise that privileged elites, companies and countries are driving and benefiting from privatisation.

Conclusions

A review of experience with privatization, with a special regard for the impacts on the most vulnerable, reveals a trend of exclusion. The people affected have not been a part of the design and implementation of the processes, and have not been a part of the decision-making that accompanied them. Privatization often leads to the loss of jobs. It often results in lower quality service to the poor and in higher costs for communities at large in impoverished countries. There is little or no evidence to show that large-scale privatization, as directed by the IMF and World Bank, results in improvement in services and an increase in quality of life for people.

Privatization is more frequently accompanied by an increase in corruption and the dismantling of those services provided by the state to its most vulnerable citizens. In many cases, the quality of that service left much to be desired; it has often been of low quality and poorly maintained. But experience shows that a premature shift to private ownership is not a panacea for the shortcomings that may be evident.

In all the aspects of privatization reviewed - its impacts in water, land and labour in their many manifestations - there are recurrent problems of decreased service to the poor, or increased cost, or the loss of an enterprise entirely at tremendous cost to a community. Opposition to privatization is difficult and can be costly to those involved.

The involvement of the World Bank and the IMF, holding as they do all the cards in negotiation since the bulk of development assistance and debt relief is unavailable without their approval, has brought tremendous weight to bear upon developing nations. It is forcing them to attempt large-scale privatization regardless of their capacity to ensure that this is in the best interests of the people they serve. At the same time, it opens the doors to misuse of funds and the corruption of public officials in places of wide scale impoverishment where bribery and corruption are too easily achieved.

The costs of privatization to a community can be a hike in the costs of basic services, the loss of jobs, the removal of an industry upon which it depends, or the repression or death of those who oppose the privatization process or are excluded when the services are essential to human life.

Experience shows that the process of privatization, especially when it is forced upon vulnerable communities, can be costly in terms of human welfare, and that policy choices should take this into account. This is not to say that privatization is inappropriate in all circumstances, but that local conditions, the impacts on the community as a whole, and the level of local ownership and desire for a larger role for private ownership or management in a sector need to be considered before a government removes itself from an ownership or management role.

With the special importance accorded to water - recognized as a right due to its role in sustaining life and its significance for the realization of other rights - and the emphasis given to the role of the state in ensuring the protection of this right, the negative impacts of privatization in this sector have particular resonance and raise significant concern that also require investigation.

A re-examination of the motives that impel privatization is necessary at all levels, as are processes that better inform and enable affected communities to have effective input into the role of private sector participation in areas in

the public sector. The World Bank and IMF are identified as the primary proponents of forced privatization in impoverished countries. Given the negative impacts that too frequently accompany privatization in these countries, it follows that privatization should not be a condition for assistance and debt relief and the financial institutions should cease incorporating privatization requirements into their programs.

Appendix I: A summary of electrical privatization programs

(List compiled for a Public Services International report:[62])

Country, date, and key reform area:

- Albania 12/01/01 Management contract with ENEL to improve performance of electricity utility.
- Benin 26/12/00 Privatisation strategy for water and electricity utility to be decided by January 2001. Privatisation to be completed before the end of third quarter 2001.
- Bolivia 20/12/99 The Government of Bolivia intends to complete its privatisation program by the end of 2000 and intends to offer for sale in 2000 the electricity distribution company of Tarija, the electricity generation and distribution company of Potosi and the electricity generation company of Trinidad.
- Brazil 3/11/00 Several state energy companies have been privatised.
- Bulgaria 18/8/00 Electricity utility separated into generation, transmission, and distribution components. Privatisation is envisaged for the next few years.
- Burkina Faso 17/4/00 Waiver requested for the completion of the privatisation of the electricity company (SONABEL).
- Cameroon 6/12/00 The successful bidders for the electricity company (SONEL) will be selected by February 2001.
- Cape Verde 26/4/99 Privatisation receipts expected in the second half of the year, as a result of various public enterprises including the electricity company.
- Central African Republic 15/12/00 The government plans to speed up the implementation of structural reforms with technical and financial assistance from the World Bank. Energy is one of the sectors where there are ongoing operations to privatise or restructure companies.
- Chad 6/7/00 Negotiations on the privatisation of the management of the water and electricity company (STEE), began in the third quarter of 1999.
- Colombia 22/8/00 Significant advances have been made but the sale of the main electricity distribution company, ISA, would be postponed to_2001.
- Republic of Congo 3/11/00 A management contract will be signed in June 2001 for the Société Nationale d'Electricité (SNE, electricity company).
- Dominican Republic 22/10/98 A privatisation law was passed in 1997, paving the way for the sale or liquidation of public enterprises, including, inter alia, the Dominican Electricity Company (CDE),
- Ecuador 10/8/00 The regulatory framework for electricity is to be reformed in order to facilitate privatisation and/or joint ventures.
- Estonia 24/11/00 A principal agreement on the partial privatisation of the electricity complex was reached in August 2000.
- Ethiopia 29/1/01 The restructuring of the telecommunications and electricity utilities will be finished, regulatory frameworks put in place, and decisive progress made with private participation in these activities in 2001/02.
- Georgia 12/7/99 In the sphere of energy sector restructuring, the successful privatisation of

Teals will be followed by other sales of electricity generation and distribution companies in 1999/2000.

- Ghana 25/6/00 A sales advisor for the Electricity Company of Ghana will be appointed by end-September 2000.
- Guinea 6/12/00 An action plan for restructuring the energy sector should be prepared by the end of the year, under which the liquidation of the electricity company (ENELGUI) will be launched.
- Guinea-Bissau 13/11/00 The government will (i) open financial bids for a long-term leasing contract (contrat d'affermage) of the power and water utility (EAGB) by November 15, 2000; and (ii) create an independent regulatory agency by end-January 2001.
- Honduras 13/4/00 To speed up privatisation of electricity distribution, the Framework Law on the Electricity Sector will be approved in October 2000.
- Jordan 4/7/00 The former generation and distribution functions have been separated to form two newly created companiesCthe Central Electricity Generation Company (CEGCO) and the Electricity Distribution Company (EDCO), which operate independently and are targeted for privatisation.
- Kazakhstan 22/11/99 Aim of complete privatisation of all electricity producers and all regional electricity distribution companies by December 31, 2001.
- Lesotho 12/2/01 In early 2001 a private company will take over the management of the Lesotho Electricity Corporation (LEC). The management company will restructure the LEC and prepare the enterprise for privatisation in mid-2002.
- Mali 11/8/00 The final call for bids to privatise at least 60 percent of the EDM's (Electricité du Mali) capital was launched in August 2000.
- Mauritania 25/5/00 The sale of 49 percent of the SONELEC's electricity component to a strategic partner was deferred to March 2001 when the entire responsibility for managing the company, will be assumed by the strategic partner.
- Nicaragua 13/12/00 The electricity distribution companies have been sold.
- Niger 21/11/00 The terms and conditions for the privatisation of NIGELEC (electricity) were finalized, consisting in a concession arrangement for the production, import, and distribution of electricity.
- Peru During 2000, remaining government shares in two previously privatised electricity firms were sold.
- Senegal 4/6/99 Government shares in six large enterprises including: the electricity company (SENELEC) were scheduled for sale in 1999.
- Uganda 21/8/00 In November 1999, the Government approved legislation to remove the state monopoly, establish an independent regulator and unbundle the Uganda Electricity Board (UEB) into separate distribution, transmission, and generation companies. Each of these companies will be privatised.
- Zambia 30/6/00 Elimination of government majority ownership and control of ZESCO.

Appendix II: Some summaries of privatization, excerpted from documents of the World Bank's Multilateral Investment Guarantee Agency[63]

Benin

Since 1989, Benin has undertaken a vast program of privatization and restructuring of state-owned corporations and private-public enterprises under pressure from international multilateral institutions. The majority of them are now held by European, especially French, investors. Privatization in Benin has met with opposition from labour organizations. State-owned companies sold to the private sector include SONAR and IARD (insurance companies), SCO (cement company), SSS (sugar refinery) and La Plage and Croix du Sud (hotels). There have been delays in the sale of the telecommunications company, the water and electric power distribution company, and the Autonomous Port of Cotonou.

Mozambique

State enterprises now account for less than a fifth of industrial output, down from more than two-thirds in 1990. Outside the privatization program, the Government undertook the deregulation and concessioning of activities and state-owned enterprises. This process included the ongoing concessioning of railways, ports, and port services owned by the national ports and railways company and the concessioning of water delivery in five major cities (Maputo, Beida, Peba, Calamine, and Nampula, where deregulation was chosen as a short-term substitute for privatization).

Ghana

The Enterprise Reform Programme was launched in 1988, as part of Ghana's overall Economic Recovery Programme. When privatization began in 1988, there were 350 state-owned enterprises. In the first round of divestitures (1988-1993), 55 enterprises were privatized. In 1993, the Divestiture Implementation Committee was established to implement and execute the divestiture program. In 1994 the Government put up for sale the Ashanti Goldfields Corporation (AGC), offering 30 per cent of its 55 per cent stake in AGC on the Ghana and London Stock Exchanges. Accra Breweries and Standard Chartered Bank were also divested in 1994. By the end of 1995, the Divestiture Implementation Committee had approved 195 divestitures, and some 79 sales had already been completed. In 1996, a minority ownership stake in the Ghana Commercial Bank was sold, and later in that year a 30 per cent stake in Ghana Telecom was sold to a Malaysian telecom consortium. In 1998, the Government moved to a new phase of the divestiture process covering major enterprises in the transport, energy, and banking sectors. The overall divestiture program for 1999/2000 covered about 80 companies.

As at 31 December 1998, the divestiture of 212 state-owned enterprises (full or partial) had been authorized by the President's Office. By 2000, the government restarted the effort to reduce its

involvement in financial sector institutions by announcing a plan to privatize the Ghana Commercial Bank and the National Investment Bank. The new Government, which took office early in 2001, intends to deepen its divestiture program and to announce a new privatization strategy by the middle of 2001. Among the candidates for privatization are: the Electricity Company of Ghana, Ghana Telecom, Ghana Commercial Bank, National Investment Bank, Ghana Airways and Ghana Railways.

Tanzania

A comprehensive privatization program of parastatals was announced in May 1993. Ultimately more than 400 loss-making companies were put up for sale. In 1996, the Government decided to include utilities and infrastructure ventures in the privatization agenda. Privatization has recently gained momentum, with about half the commercial parastatal entities removed from government control. A sales agreement for the National Bank of Commerce was signed in March 2000. There are about 165 remaining units for either divestiture or liquidation covering some PE s in the productive sectors (agriculture, industry and trade) as well as major PEs in the infrastructure and utilities. One of the large parastatal monopolies, the container terminal of the Tanzania Harbour Authority, has been removed from government control through a ten-year lease agreement (signed in May 2000). The Tanzania Telecommunications Corporation Ltd. was sold in February 2001 to a consortium of Detecom (Germany) and MSI (Netherlands).

Zambia

The privatization process in Zambia began in 1991, with the establishment of the Technical Committee for Privatisation. In 1992, the Zambia Privatisaton Agency was established and 19 companies were advertised for divestiture. In 1995, the Government declared its intention to privatize the Zambia Consolidated Copper Mines; the privatization was completed in March 2000. In the same year, the Government invited bids for a minority interest in the Zambia Telecommunications Company Limited (Zamtel). Besides copper mining and telecoms, Zambia's privatization program encompasses utilities (power and water), financial institutions, transportation (railways, air transport) and other sectors (tourism).

As of January 2001, 247 enterprises had been privatized and negotiations had been completed for five companies. The Zambia Consolidated Copper Mines, the country's largest enterprise, was privatized in 2000. The privatization of Kafue Textiles of Zambia, New Savoy Hotel and Maamba Collieries Limited (MCL) is currently underway.

Future divestitures include ZNCB, ZESCO and state-owned companies in the oil sector, and:

- Indeni Petroleum Refinery: the company's principal activity is the processing of crude petroleum feedstock.
- Zambia Postal Services Corporation (ZAMPOST): the largest provider of traditional and modern postal services in Zambia.
- Zambia Electricity Supply Corporation (ZESCO): the state-owned electricity utility involved in generation, transmission and distribution of electricity.
- Zambia National Commercial Bank (ZANACO)

Cameroon

In January 1994, the Government revised its economic reform strategy to focus on privatization, instead of rehabilitation, as part of its overall objective to further liberalize the economy. In June 1995, the decision was made to accelerate the privatization program and to expand its scope by including the main public utilities, i.e., water, electricity, and telecommunications. Between 1997 and 2000, Cameroon had largely privatized its domestic banking system as part of its larger scale privatization program.

Privatization in Cameroon began in the late 1980s under pressure from international multilateral institutions and has continued since then at a slow and erratic pace, often falling behind schedule. Since 1989, Cameroon has undertaken a vast program of privatization and restructuring of state-owned corporations and private-public enterprises. Between 1989 and 1994, several reforms and structural adjustment measures that include privatization have been adopted under the guidance of the World Bank and IMF. Privatization in Cameroon has met with opposition from labor organizations and efforts have been made to preserve jobs in privatized enterprises. State-owned companies already sold to the private sector include SONAR and IARD (insurance companies), SCO (cement company), SSS (sugar refinery) and La Plage and Croix du Sud (hotels).

Cameroon expects to complete, within the year 2001, the ongoing reforms and privatization in the agro-industrial and public utilities sectors. Moreover, the following large companies have already been privatized: Hevecam (rubber), Camship (maritime transport), Camsuco (sugar), Socapalm (palm oil), CAMTEL Mobile (first cellular license), SCM (second cellular license), BICEC (bank), Socar (insurance), and Camrail (previously called Regifercam,rail company). In addition, all banks are now privately held, by either national (CCEI, CBC, Amity, UCB) or international capital (Credit Lyonnais, Societe Generale, Standard Chartered, BICEC, Citibank, ECOBANK). The same is true of all insurance companies.

Interim adjudicators have been selected for SEC (water), CAMEL (fixed telephone) and SONE (electricity), but the deals have not yet been completed. The Government also plans the restructuring of the Port of Douala and the privatization of its activities in the industrial and commercial areas, in accordance with the calendar established with a World Bank technical assistance mission. The privatization of Cameroon Airlines is also expected to be relaunched.

The World Bank currently has an active project in Cameroon that promotes privatization - the Public/Private Partnership, Growth and Poverty Reduction Project.

Presently, the privatization program is set to continue, with a list of companies to be privatized that includes the Cameroon Development Corporation (Agro-business, palm oil, tea, rubber); Societé Nationale d'Electricité; Societé Nationale des Eaux and Cameroon Airlines, among others.

Appendix III: Privatization as a factor in delayed debt relief

The World Development Movement (WDM) identified delays in provision of debt relief because of problems with complying with privatization conditions. This list was published in September 2000; other countries have slipped behind in the debt reduction schedule because they missed privatization targets. The WDM report stated that:

> *Of the first ten countries to qualify for debt relief, seven faced delays because of problems in implementing structural adjustment reforms. Several problems arose from demands for privatization.*

Mali	-	Reorganization of cotton sector. Partial privatization of the main energy company, telecommunications
Benin	-	Liberalization of cotton sector
Honduras	-	Restructuring of electricity company. Plans to privatize electricity, telecommunications, social security sectors brought general strike 24 Aug. 2000.
Tanzania	-	Privatization of National Bank of Commerce, petroleum. Removal of petroleum subsidies brought rise in prices. Bus fares up 50% in early 2000.
Mauritania	-	Privatization of national airline, Air Mauritania. Fisheries restructuring. Privatization of water, electricity, telecommunications.

> *Of the next ten countries to enter the HIPC process, six faced delays because of structural adjustment conditions not being met on time. Problems with privatization demands arose in:*

Nicaragua	-	Public sector reform and privatization. Telecommunications. These brought the loss of thousands of jobs, and the replacement of the state telephone monopoly with a private monopoly.
Zambia	-	Privatization of the copper mine. Country forced to cut price to facilitate sale to Anglo-American (valued at US$350 million, sold at US$90 million), absorb all outstanding debts, and provide a 20-year environmental indemnity.[64©]

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