



Debt, the World Bank, IMF and Water

"If the wars of this century were fought over oil then the wars of the next century will be fought over water."

- Ismail Serageldin World Bank Vice President -

It is estimated that 1.2 billion people do not have adequate access to clean water. The vast majority of these people live in impoverished countries in the Global South, countries hit hard by structural adjustment programs imposed by the World Bank and IMF. A major tenant of structural adjustment is privatization of services. The Universal Declaration on Human Rights states that access to clean safe water is basic element of human rights. Yet the World Bank and IMF have pushed for the privatization of water in impoverished countries ultimately limiting access to clean water for millions. When water is privatized as part of loan agreements or as part of debt relief programs like the Heavily Indebted Poor Country Initiative, consumers are most often met with rising costs. In rural areas and areas of extreme poverty where water distribution is less profitable because few people can pay for water services water distribution is cut off altogether.

What does the World Bank and IMF require when a country privatizes its water?

The World Bank maintains that privatizing water is the best way to ensure water distribution and to prevent corruption. The World Bank and IMF push countries to reform their utilities to make them more profitable thus more attractive for foreign investors.

- **Full Cost Recovery:** This requires that there be not assistance for water service to poor and low-income people or to subsistence farmers. The consumer must pay the full cost of distribution and maintenance of water. For poor residents this means sacrificing other essential items to be able to afford water. Distributing water to rural and impoverished areas is less profitable since fewer people can afford the service. When the water utility is privatized the private firm will cut off service to these areas in order to maximize profit.
- **Focus on "high value users":** The World Bank and IMF as well as other International Financial institutions promote systems that focus on "high value users." These are primarily large agro-businesses. Small subsistence farmers loose access to water, once considered communal, to irrigate their fields. Water may be diverted or cut off in order to service these "high value users"
- **Treat Water as an Economic Commodity:** The World Bank and IMF push the concept of water as a primary economic commodity to be sold for profit. This sort of mentality gives little incentive to provide water to low-income people who may not be able to afford it.

What have been the effects of water privatization?

Water privatization as structured by the World Bank and IMF has many harmful effects on impoverished people. The model of treating water as a profit-making commodity undercuts its importance as a human necessity and human right.

- **Higher Prices:** In Cochabamba, Bolivia when the government agreed to privatize the water rates rose dramatically. A family living on less the \$100 a month was now paying \$20 for water. In Ghana water privatization backed by the World Bank resulted in rates increased by 95% as a result many families were now spending 20% of their incomes on water.
- **Less Access:** It is more costly to provide water service to rural and deeply impoverished areas thus they are less profitable. Poor, rural populations often have water services cut.

The people then have to turn to unsafe water sources such as contaminated streams and rivers. In the case of Cochabamba, even rainwater stored in communal collection systems was considered private.

- **Worsening the Lives of Women:** Women and girls as the primary care givers within families are often responsible for water collection. When water is privatized and access limited women must increase the amount of time they spend securing water for cooking, cleaning and other household needs. It is estimated that women globally spend 8 hours traveling as much as 15 kilometers to gather on average 15-20 liters of water per day. This extra work is at the expense of education, income-generating work and cultural and political involvement.
- **Harming Small Farmers:** Focusing on “high value users” means that small subsistence farmer’s lose access too much needed water to irrigate their fields. Meanwhile large agro-businesses receive plenty of water. But their crops are mostly for export leaving many without the means to feed themselves, their families or to earn a living.

How else do the policies of the World Bank and IMF affect water?

Privatizing water utilities is not the only way the World Bank and IMF affect water. Large infrastructure projects, trade liberalization and the promotion of foreign direct investment as conditions of loans and debt relief programs often have negative effects on water quality.

- **Dams:** The World Bank is the largest financier of large dams worldwide to the tune of \$50 billion dollars. The Bank has supported over 500 dams in 92 countries. Since 1948 World Bank financed dams have displaced some 10 million people. The World Bank, in its own report, admits that the vast majority of those people have never benefited from the dams nor have they been able to earn the same income as they did before the dam’s construction. The hydroelectric power generated by many of the dams is often diverted to cities or sold to neighboring countries the profits of which are enjoyed by private companies.
- **Contamination/Pollution:** Trade liberalization pushed by the World Bank and IMF calls for indebted countries to reshape their economies to be more attractive to foreign investment. This includes loosening environmental regulations. In Guyana the World Bank helped finance a large gold mine that spilled millions of gallons of wastewater contaminated with cyanide into the Essequibo River. The river served as the main source of fish and drinking water for the Creole and Amerindian communities.

Water is essential to human life. People who cannot afford water can’t simply switch to using something else. Access to water is a basic human right and should not be left up to market forces. Market forces controlled by powerful northern governments and institutions. The World Bank and IMF’s policies towards water are harming people and the environment under the guise of development and poverty reduction.

For more information see:

Public Citizen’s Water for All campaign

<http://www.citizen.org/cmep/Water>

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