

Public Service Privatisation – The Poor Can't Afford It

For many of the world's poor the privatisation of essential public services is proving to be an expensive and at times life-threatening policy decision. Despite this, privatisation comes highly recommended by major global institutions and powerful countries, such as the UK. 'Dogmatic Development', a new report by the University of Greenwich for War on Want highlights how, in an increasingly coordinated effort, these institutions and countries are using the promise of aid, loans and debt relief to coerce developing countries to open up their basic services to multinational companies. It also reveals how aid money is being spent convincing poor country governments to open their public services up to the private sector.



The poor can't afford it

Basic services such as water, electricity, education and healthcare are vital for development. Improvement in the availability and quality of these services can play a major role in reducing poverty. On the other hand, the consequences of introducing charges for these services can be devastating as the poor simply cannot afford them.

When the water supply in Kwa-Zulu Natal, South Africa, was privatised, 10 million people couldn't afford clean water. Two hundred and fifty thousand people got cholera. Three hundred died.

Not designed with the poor in mind

Not surprisingly, private companies have little interest in providing services to areas where large infrastructure investment is required - usually the areas where the poorest in society live - preferring instead to service cities or areas where the financial rewards are higher. As a result, under privatisation, the poor are not getting the essential public services they desperately need.

Governments can't afford it

Privatisation is encouraged on the grounds that it drives down costs through generating competition. However, essential services like water and electricity are often natural monopolies. A costly regulatory framework is needed to overcome this, which poor countries often cannot afford. The result in many cases is no competition and arbitrary pricing.

Governments are also often required to subsidise the profits of private companies in order to protect vulnerable groups in society. As poor people are most likely to experience the

Aid for the private sector?

"Dogmatic Development" finds that a number of global initiatives have been created, many of which seek to facilitate or finance private sector involvement in public services, including water and energy. In effect, they provide aid money for the bureaucratic preparation for privatisation. The increasing number of these initiatives means an increasing amount of aid is being set aside to assist the private sector rather than for those who most need it.

greatest price rises during privatisation and are least able to afford them, governments are forced to foot the bill.

Undermining democracy

Privatisation undermines local democracy by prejudicing governments' ability to choose the most appropriate means of providing basic services. All too often it is not the electorate of poor countries but multilateral bodies, such as the World Bank, that shape these decisions.

A botched decision to privatise taken by one government can lock essential services into a democratic deficit for generations. For example, awarding an electricity company the contract to run a country's power supply can last for 25 to 30 years. In the words of the World Bank's former chief economist, Joseph Stiglitz; "In theory, the Fund [IMF] supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies."

The role of UK government

The UK is a powerful player in both the World Bank and the IMF. The Chancellor of the Exchequer, Gordon Brown MP, is Chair of the IMF board and International Development Secretary, Hillary Benn MP, sits on the board of the World Bank.

Through the Department for International Development (DfID), the UK government has also played a central role initiating, funding and being a partner in a number of new international initiatives aimed at advancing private sector participation in public services.

What does War on Want say?

The experience of the poor clearly questions the promotion of the private sector as a means of alleviating poverty and delivering essential public services. The current practice of making privatisation a condition of aid, loans and debt relief undermines local democracy and the ability of poor countries to address their service needs.

Throughout the Third World the sale of public services has created a storm of protest. In some countries this opposition has caused governments to reverse privatisation plans. In others, leaders have been forced to stand down. But many developing country governments have little choice. They are trapped between the wishes of their electorate on the one hand and the threat of withdrawn loans, debt relief and aid on the other. War on Want's partners are amongst those on the frontline of the battle to protect the poor from the dangers of unwanted privatisation.

We believe that the best way to support them is by challenging our governments and the institutions they dominate to stop forcing inappropriate development models on the poor.

War on Want is calling upon Hilary Benn MP, the Secretary of State for International Development, to:

- Champion the right of poor countries to determine their own path to development.
- Reverse the trend of supporting development programmes restricted only to the private sector.
- Use his influential position within the World Bank to end the damaging practice of attaching harmful conditions to development assistance.

For more information and campaign materials visit www.waronwant.org/privatisation

Power and Protest

Residents of South African townships reconnected their neighbours' electricity under the slogan "Power to the People." In Arequipa, Peru, moves to sell electricity companies brought the mayor out on hunger strike with demonstrators blocking the airport runway. 10 million went on strike in India to protest against bank privatisation. In Tucuman, Argentina, people refused to pay for water turned brown under a subsidiary of corporate giant Vivendi. South Korea saw hunger strikers opposing plans to privatise power plants and hospital workers walking out to keep their health-care systems public.