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Holding International Public-Private Partnership Accountable: An Analysis of Sensitivity and Vulnerability Dynamics In Ghana'S Water Sector Reform and Its Impact On the Target Population

Xi Chen

University of South Carolina - Columbia

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HOLDING INTERNATIONAL PUBLIC-PRIVATE PARTNERSHIP ACCOUNTABLE
AN ANALYSIS OF SENSITIVITY AND VULNERABILITY DYNAMICS IN GHANA'S
WATER SECTOR REFORM AND ITS IMPACT ON THE TARGET POPULATION

by

Xi Chen

Bachelor of Arts
China Foreign Affairs University, 2004

Submitted in Partial Fulfillment of the Requirements

For the Degree of Doctor of Philosophy in

Political Science

College of Arts and Sciences

University of South Carolina

2013

Accepted by:

David Whiteman, Major Professor

Donald Puchala, Committee Member

Laura Woliver, Committee Member

Roger Coate, Committee Member

Lacy Ford, Vice Provost and Dean of Graduate Studies

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DEDICATION

To my maternal grandfather Chen Jianfu, with loving memories

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This research project would never have reached its completion without the assistance, guidance, and support of a number of people. First and foremost, I would like to thank my family for their support of my academic career—for acknowledging the importance of education and encouraging my pursuit of scholarly aspirations. In particular, I am grateful that my paternal grandfather, Mr. Chen Haiqing, has put the desire for academic excellence in my heart from an early age. I would also like to thank the professors who have lent me their support during my graduate studies, especially during the writing period of this dissertation. Professor Roger Coate, my mentor, deserves special recognition for bringing me up from a twenty-year-old boy who had just graduated from college to a mature scholar. Professors Don Puchala, Laura Woliver, David Whiteman, and Betty Glad have also had their scholarly influence on me, for which I am truly thankful.

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ABSTRACT

This study explores the interaction among stakeholders involved in global public-private partnerships, using and developing the theoretical framework provided by the interdependence theory's sensitivity and vulnerability analysis, which is further supplemented by the stakeholder's analysis and the two-level game model. Citing the case of Ghana's water sector reform, it looks into the dynamics among four categories of stakeholders involved in the partnership, namely the public and private partners, the World Bank (as the broker), and Ghanaian civil societies representing a broad spectrum of the local population. It is charged with the task of investigating the negotiation dynamics of all the listed actors in relation to each other through the lenses of the enriched sensitivity and vulnerability framework. It explains the process in order to discover what kinds of impact the group dynamics have on the choice of the partnership type in conjunction with the question whether it helps the host country (Ghana) to achieve, on a smaller scale, the partnership targets, and on a larger scale, water-related Millennium Development Goals.

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LIST OF SYMBOLS

T_1	The beginning of the system on the time continuum
T_n	The end of the system on the time continuum
T_x	A random point on the time continuum
T_{x+1}	The next point on the time continuum (in relation to T_x)
α	Coefficient
β	Coefficient
γ	Coefficient
δ	Coefficient
ε	Coefficient

LIST OF ABBREVIATIONS

AVRL.....	Aqua Viens Rand Limited
BOT.....	Build-Operate-Transfer
CEO.....	Chief Executive Officer
CSR.....	Corporate Social Responsibility
DFID	Department for International Development
DHS	Demographic and Health Survey
DPKO.....	Department of Peacekeeping Operations
ECG.....	Electricity Company of Ghana
ECOSOC.....	Economic and Social Council
ERP	Economic Reovery Program
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIM.....	Growing Inclusive Market
GNI	Gross National Income
GWCL.....	Ghana Water Company Limited
GWSC	Ghana Water and Sewerage Corporation
IDA	International Development Association
IFC	International Financial Corporation
IFI.....	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund

IO	International Organization
ISODEC	Integrated Social Development Center
JMP	Joint Monitoring Programme
MDG	Millennium Development Goal
MICS.....	Multiple Indicator Cluster Survey
NCAP	National Coalition against Water Privatization
NDC	National Democratic Congress
NGO	Non-Governmental Organization
NPM.....	New Public Management
NPP	New Patriotic Party
NRW	Non-Revenue Water
ODA.....	Official Development Assistance
OECD.....	Organization for Economic Co-operation and Development
PMNCH	Partnership for Maternal, Newborn, and Child Health
PNDC	Provisional National Defense Council
PPP	Public-Private Partnership
PSI.....	Private Sector Involvement
PSP	Private Sector Participation
PURC	Public Utility Regulatory Commission
PUWU.....	Public Utilities Workers Union
RRR	Repair Renew and Rehabilitate
SAP	Structural Adjustment Programme
SS	Statistical Service
SSA	Sub-Saharan Africa
TNC.....	Transnational Corporation

TUC.....	Trades Union Congress
UFW.....	Unaccounted-for Water
UN.....	United Nations
UNCTAD.....	United Nations Conference on Trade and Development
UNDP.....	United Nations Development Programme
UNDPA.....	United Nations Department of Political Affairs
UNECE.....	United Nations Economic Commission for Europe
UNEP.....	United Nations Environment Programme
UNESCO.....	United Nations Educational, Scientific and Cultural Organization
UNGA.....	United Nations General Assembly
UNHCHR.....	United Nations Office of the High Commissioner for Human Rights
UNICEF.....	United Nations Children’s Fund
UNSC.....	United Nations Security Council
UNSG.....	United Nations Secretary-General
USAID.....	U.S. Agency for International Development
VRA.....	Volta River Authority
WBCSD.....	World Business Council on Sustainable Development
WDI.....	World Development Indicators
WFP.....	World Food Programme
WHO.....	World Health Organization
WSRP.....	Water Sector Restructuring Project
WWI.....	World War One
WWII.....	World World Two

CHAPTER 1

INTRODUCTION

*The newborn impulse fires my mind,
I hasten on, his beams eternal drinking,
The Day before me and the Night behind,
Above me Heaven unfurled, the floor of waves beneath me.*

-- Johann Wolfgang von Goethe, Faust, Act I, Scene II

Since the mid-1990s, public-private partnerships have steadily gained popularity in the rhetoric, policies, and practices of all actors involved in the international development landscape. In the past decade and half, many international organizations (IOs) such as the United Nations, a range of UN specialized agencies, and International Financial Institutions (IFIs) have increasingly engaged in various forms of public-private partnerships (PPPs) with many for-profit members of the private sector. The conviction that the private sector possesses untapped resources that could be used in tandem with IOs' specialties in addressing the world's problems, especially in terms of development, prevailed. Among all international organizations, the Bretton Woods Institutions, guided by their "neoliberal" development ideology and strategies, have been adamant advocates of "privatization," "private sector participation," and "public-private partnerships" in

many publicly-owned enterprises in the developing world. This dissertation focuses on the public-private partnership the World Bank facilitated in the water sector reform program of Ghana.

This study explores the interaction among stakeholders involved in global public-private partnerships, using and developing the theoretical framework provided by the interdependence theory's sensitivity and vulnerability analysis, which is further supplemented by the two-level game model. Citing the case of Ghana's water sector reform, it looks into the dynamics among four categories of stakeholders involved in the partnership, namely the public and private partners, the World Bank (as the broker), and Ghanaian civil societies representing a broad spectrum of the local population. It is charged with the tasks of investigating the negotiation dynamics of all the listed actors in relation to each other through the lenses of the enriched sensitivity and vulnerability framework. It explains the process in order to figure out what kinds of impact the group dynamics have on the choice of the partnership type in conjunction with the question of whether it helps the host country (Ghana) to achieve, on a smaller scale, the partnership targets and, on a larger scale, water-related Millennium Development Goals.

1.1 RESEARCH QUESTIONS

Building partnership entails a significant number of challenges, including finding the right partners and the right shared problem at the right time. In addition, development partnerships need strong safeguarding leadership to take responsibility for creating modalities that suit local circumstances. If the particular formation or type of partnership is determined by external elements over which participating stakeholders have no control, instead of the needs and interests of the targeted communities and populations that are

deeply rooted in local particularities and unique circumstances, it is very likely that such partnerships would fail to address the problems they were devised to tackle and would fall short of achieving partnership goals and targets.

Bearing this in mind, the author seeks to investigate two related research questions:

1. What effects did the relations among major actors, in terms of their sensitivity and vulnerability towards each other, have on the outcome of the selection of the specific partnership formations in the negotiations that led to the final conclusion of a management contract between the public and private partners in the water sector reform in Ghana?
2. Does the public-private partnership in Ghana's water sector produce positive results that contribute to the actual inclusive, equitable, and sustainable development of the target populations and communities that the water sector partnership is devised to assist and facilitate? If it does not, why?

Each question by itself may constitute a single research agenda. However, the author plans to draw a more comprehensive picture that explains the influence of the dynamics among the actors regarding the conception, performance, and impact of the water sector PPP in Ghana. By doing so, the author hopes to provide a new and unique angle for scholars, policy-makers, and other interested stakeholders to look at cases of public-private partnerships.

1.2 DISSERTATION STRUCTURE

After this introduction, the second chapter delineates the steps that staff of the UN Secretariat took to facilitate the General Assembly's adoption of public-private

partnerships as a viable development instrument in 2001. It also explores the “bigger picture” behind the UN’s formal recognition of public-private partnerships by analyzing the socio-economic dynamics among the UN, Member States (developed and developing), and private businesses during the 1990s and early 2000s. This chapter also hints that pro-private participation policies and practices are not new to many agencies both in and out of the UN system, particularly leading international financial institutions (IFIs) like the Bretton Woods Institutions. It further sets the backdrop for the discussion in Chapter Three, which examines the World Bank’s approach towards public-private partnerships in developing countries, with an emphasis on Bank-led water sector reforms.

The third chapter looks into the approach that IFIs, especially the World Bank, follow to form developmental partnerships. IFIs like the World Bank take a strategy that emphasizes the power of free market and private investment and management (the neoliberal agenda). This chapter explores the historical background of the return of neoliberalism to the international stage, along with the rise of the private sector participation schemes all around the world, as advocated by the Bretton Woods Institutions. It identifies the main arguments of both sides at the center of the debate over the neoliberal ideology in development. It also provides an account of the World Bank’s involvement in the water sector in developing countries, particularly in the states of Africa, setting up the discussion of Ghana’s water sector reform in Chapter Four.

The fourth, fifth, and sixth chapters form a series that offers an account of the events that led up to the decision to create a public-private partnership based on a management contract in Ghana’s water sector reform. It explores the different roles played by the government of Ghana, the World Bank, and private water companies in the

decision-making processes. It tries to determine the sensitivity and vulnerability dynamics among these key actors in the decision-making process. The author believes that the dynamics among all stakeholders have a decisive impact on structuring who has input at the negotiation table and how much weight that input is given. Thus, Chapter Five offers an enriched sensitivity and vulnerability model to account for the question why a management contract was adopted in Ghana and what influenced that decision. It also attempts to make a case that the sensitivity and vulnerability dynamics among the stakeholders were greatly influenced by their changing preferences over different types of public-private partnerships (mainly the oscillation among a lease, an enhanced lease, and a management contract) as the negotiation process dragged on for over ten years. Finally, the author tries to illustrate that trends in the international economy, particularly the shifting atmosphere in the international water market, largely determined the evolving preferences of the participants involved in Ghana's water sector reform and the final outcome of the negotiation.

In Chapter Seven, the author tries to answer the question of whether the problems, or the "sicknesses," of Ghana's water sector were correctly diagnosed and whether the chosen partnership, in the form of a management contract, is the right "cure" for the problems. It inspects whether the performance of the private actor reaches the partnership goals—in other words, whether the Ghanaian water partnership was devised with principles that would help meet the challenges of managing the entire nation's urban water system. In addition, the rifts between the grantor (the government of Ghana and the Ghana Water Company Limited) and the operator (the Aqua Vitens Rand Limited) are

captured to illustrate the dynamics in the dealings between GWCL and AVRIL during the private partner's five performance years (2006–2011).

Chapter Eight questions whether the PPP in Ghana's water sector is conducive to meeting the development principles laid out by international organizations, in particular the Millennium Development Goals. The first section explores the relationships between water accessibility and gender disparity in Ghana. It analyzes whether women are empowered through increased access to household water. It also explores whether private partner participation in water management directly or indirectly improves women's status in Ghanaian societies. The two sections that follow then pose the question of whether privatized water supply reduces child mortality and water-related diseases. Increased access to safe water is one key element that contributes to the reduction of child mortality and water-related diseases in the developing world. In these sections, the author devises an empirical study, using panel data sets, to test whether the introduction of the public-private partnership into the water industry has any impact on the child mortality rate and water-related disease occurrence in Ghana.

A final chapter brings together the key points of this research. Although it becomes increasingly apparent that the partnership in Ghana's water sector largely ended in failure, the conclusion is not intended to deliver a verdict on whether public-private partnerships should be applauded or regarded as failed development instruments in general. However, it does suggest that should a partnership be called for to reform a particular enterprise or industry in a certain country, the design of this partnership ought to be responsive to the local circumstances and the real needs of the target population. Its

properties should never be determined by external factors that none of the involved parties, public or private, has any control over.

1.3 THE BONA FIDE STATEMENT

In addition to providing a well-documented record of the UN's public-private partnership journey and the arguments of the proponents and opponents of the neoliberal reform doctrine, this research project also tests the usefulness of a set of theoretical tools that are dear to the hearts and minds of political scientists in general and international relations scholars in particular, namely the sensitivity and vulnerability analysis, the stakeholder analysis, and the two-level game. In the course of investigating the Ghanaian water reform case, elements of these three theoretical models and a longitudinal dimension are woven together to form a single new model, entitled "enriched sensitivity and vulnerability analysis," to account for the progression of the events in the case study. The enriched model, as later chapters will show, possesses much more explanatory power than any of the three original models.

On the methodological front, a variety of tools are employed to assist the author's research. The main method used is a case study, in which a theoretical model is applied to account for the historical development of the case (Chapters Four, Five, Six and parts of Chapter Seven). At the same time, a comparison of survey data (the first analytical section of Chapter Eight) and statistical analyses (parts of Chapters Seven and Eight) are also used. Finally—to borrow the words of Professor Stephen Krasner that he once offered during a lecture at the University of South Carolina—the choices of the methods employed conform to the principle of "using the right hammer to hit the right nail."

CHAPTER 2

INTERNATIONAL ORGANIZATIONS AND GLOBAL PUBLIC-PRIVATE PARTNERSHIPS

The difficulty lies not so much in developing new ideas as in escaping from old ones.

-- John Maynard Keynes

Approaching development goals through public-private partnerships gained international popularity during the late 1990s and early 2000s, particularly after the passage of the United Nations General Assembly's Resolution 56/76 (UNGA 2001b, 5–6), which formally endorsed partnerships with “all relevant partners, in particular the private sector” in 2001. However, public-private partnerships had emerged in the parlance and policies of many development agencies, international and national ones alike, long before the adoption of Resolution 56/76.

This chapter analyzes the recognition of development partnerships by the international community in its historical context. It makes an argument that, although the United Nations Secretariat played a crucial role in securing the General Assembly's endorsement in 2001, providing an important source of legitimacy for international public-private partnerships, there have been deeper social and economic reasons on the international and national levels that have led to the “sudden” proliferation of partnership rhetoric and practices at the turn of the millennium. The chapter posits that the popular

policy phenomenon of public-private partnerships was not a “random fervor”; rather, it was a result of the trends and relative strength configuration among different international and national actors in the 1990s.

The chapter is divided into six sections. First, the important steps that the UN Secretariat took to secure the General Assembly’s adoption of Resolution 56/76 are delineated. Second, an analysis is conducted of the shifting context of the international development landscape in the 1990s that dictated the devising of new approaches, especially transformative strategies in searching for new sources of development assistance, by development institutions on international and national levels. The third section explores the ways through which development agencies both within and outside of the UN system stretched and (mis)interpreted the intention of the General Assembly Resolution 56/76 in order to justify the public-private partnerships in which they participated or that they facilitated. Fourth, the present state of public-private partnerships in key agencies of the UN system, covering the most important issues of the world, including development, environmental issues, social and cultural matters, health, food, children’s rights, and human rights are described. The fifth section identifies and exams common problems that infest many international public-private partnerships. The chapter conclusion sets the background for later chapters that will examine the particular type of public-private partnerships that the Bretton Woods institutions have been implementing in developing countries, with special attention paid to the case of Ghana’s water sector reform.

2.1 THE BACKGROUND: STEPS LEADING TO UNGA RESOLUTION 56/76

“Creating wealth, which is business’s expertise, and promoting human security in the broadest sense, the UN’s main concern, are mutually reinforcing goals. Thriving markets and human security go hand in hand. A world of hunger, poverty and injustices is one in which markets, peace, and freedom will never take root,” declared UN Secretary-General Kofi Annan in late 1990s (Dossal 2004). This assertion by the UN Secretary-General was just one of the many early indicators of the world body’s soon-to-come global campaign at the dawn of the twenty-first century to promote (hopeful) cooperation between private and public partners, aimed at achieving development results that would eventually promote peace and security worldwide. The aspiration that a new initiative endorsing international public-private partnerships (PPPs) would bring a new era of global development soon found its place in the hearts and minds of many international servants, global policy practitioners and decision-makers, and stakeholders on the national and community levels.

The Secretary-General’s statement, at the same time, is also a reflection of the established notion that development and peace and security are interlinked on both international and national levels. Adequate economic development plays an instrumental role in assisting peace and security to take roots in international and intra-national relations, as well as in the hearts and minds of ordinary people. Therefore, the United Nations and other international actors need to address these “twin imperatives” through integrated policies and programs (Weiss, Forsythe, Coate, and Pease 2010; Tschirgi 2003; Stewart 2004; Sida 2005).

In November 2001, the UN General Assembly passed Resolution 56/76 (UNGA 2001b), which was based on the Secretary-General's agenda item "Towards Global Partnerships," formally recognizing the importance of the collaboration between the United Nations and "all relevant partners, in particular the private sector." Resolution 56/76 has been regarded as a milestone achievement towards the international community's embracing of the soon-to-be ever-popular "public-private partnerships." Indeed, if one traces the legitimacy claims of partnerships under the banners of many international development agencies inside and outside of the UN proper, the search always leads back to Resolution 56/76.

Consequently, in the past two decades, the United Nations and a range of agencies in the UN system have increasingly engaged themselves in various forms of public-private partnerships with many for-profit business corporations. The conviction that the private sector processes untapped resources that could be used in tandem with UN's specialties in addressing the world's problems, especially the ones in development, prevailed in the UN system's rhetoric and practices (Tesner 2000).

This emphasis on public-private partnerships did not arrive without preparation. In the following subsection, the author will highlight the important steps that the UN Secretariat staff members, under the leadership of Kofi Annan, took towards achieving formal recognition of the UN-private sector partnership by the General Assembly. The following discussion will focus on: (1) the initiative in 1997 to find ways to renew the United Nations from within; (2) the launch of the Global Compact in 1999; (3) the General Assembly initiative to have the world body collaborate with "all relevant partners, in particular the private sector" for a comprehensive consultation to be carried

out by the Secretariat; and (4) the adoption of Resolution 56/76 by the Assembly, endorsing partnerships with “all relevant partners, in particular the private sector.”

2.1.1 Renewing the United Nations (UNGA 1997 A/51/950)

On January 1, 1997, a Ghanaian national and career international public servant, Kofi Annan, took office as the new Secretary-General of the United Nations. Prior to being selected as the chief of the world body, Annan had served as the UN’s Director of Personnel, Comptroller, Assistant-Secretary-General for Peacekeeping, and then Under-Secretary-General of the Department of Peacekeeping Operations (DPKO) from 1993 and 1996. Being the DPKO head during the sobering genocide in Rwanda in 1994 gave pause to the limitations of the world body. As a result, the new UN chief was ready to start afresh by devising an ambitious plan to transform the Organization before the dawn of a new millennium.

Immediately after taking office, Annan named Maurice Strong—a Canadian diplomat and the legendary figure behind the creation of the United Nations Environmental Program (UNEP) in the 1970s—his Executive Coordinator for Reform, charging him with the task of finding ways in which the United Nations could reinvent itself from within. During the course of the first six months of 1997, Strong, with a small but dedicated team, initiated a thorough review of the entities within the United Nations proper and the manner in which they organized and carried out their responsibilities and activities during the Organization’s fifty-two-year history.

Strong’s team came up with a list of extensive and far-reaching reforms in the report that Annan distributed to all Member States during the General Assembly’s fifty-first session on July 14, 1997. This Report of the Secretary General was entitled

“Renewing the United Nations: A Programme for Reform” (UNGA 1997a). It provided a “thematic overview of the main reform elements” that the new Secretary-General wanted to realize within the Organization, and a “detailed a discussion of the entire set of reform measures, as well as [full] explanations and specific actions and recommendations” (UNGA 1997a, 1). In his letter of transmittal to the President of the General Assembly, Annan revealed the ambitious objective of his plan, which was “[to] identify the ways in which the United Nations can more effectively and efficiently meet the challenges that lie ahead as we enter a new century, and a new millennium,” considering that “the Organization needs to be significantly reconfigured in order to do better what the international community requires it to do” (Annan 1997).

According to the report, there were imminent needs for the United Nations to transform its leadership and management, as well as to strengthen its relations with Member States and non-state actors. The report acknowledges that since the birth of the UN, and particularly during the past two decades (1980s and 1990s), non-state actors have enjoyed a steady increase in numbers and in their influence on the changing international environment as a result of “two interlocking processes: the quest for a more democratic, transparent, accountable and enabling governance and the increasing preponderance of market-based approaches to national and global economic management” (UNGA 1997a, para. 208).

The report also states that “virtually no area of United Nations involvement, at either the policy or the operational level has been left unchanged by this process” (UNGA 1997a, para. 212)—a process in which non-state actors have become close partners with the UN in disseminating information, providing services, and most importantly, shaping

polices. Among all types of non-state actors, it was deemed as particularly important for the UN to strengthen its relations with the business community, as the “impact of the private sector, in both developing and developed countries, is of growing importance” (UNGA 1997a, para. 214).

For the UN itself and its programs, the report proposed to establish an Office for Development Financing in the Secretariat to “explore the possibility of creating non-profit entities to enable the United Nations Development Group to receive tax deductible contributions from individuals and especially private corporations at the country level... [as well as] to identify innovative mechanisms for mobilizing resources from private capital markets for development” (UNGA 1997a, para. 169). For Member States, especially developing countries, it was determined that the “mobilization of resources from private capital markets and other innovative financing systems must also be addressed in order to enable countries to tap into the development potential embodied in the private sector” (UNGA 1997a, para. 168).

As Tesner (2000) puts it, under the new leadership of Annan, the year 1997 marked a “turning point” in UN-business relations. The report “unveiled a long-awaited [UN] reform proposal that . . . stated openly that the relationship of the UN system with the business community was of ‘particular importance.’” At the same time, business sector also started to wage a “multi-pronged” campaign to influence the UN. In June 1997 the executive director of the World Business Council on Sustainable Development (WBCSD) co-hosted a high-level public-private sector meeting with the president of the UN General Assembly to “examine steps toward establishing terms of reference for business sector participation in the policy setting process of the UN and partnering in the

uses of UN development assistance funds”; the meeting concluded that “a framework” for corporate involvement in UN decision-making should be worked out under the auspices of the UN Commission on Sustainable Development (Buse and Walt 2002; Korten 1997). As interests of both sides concurred and grew simultaneously, a fundamental shift in the ways in which relations with the private sector were perceived would soon take place in the international development strategic landscape worldwide.

2.1.2 The Global Compact (2000)

Another appointment Annan made during the first year of his mandate was to name John Ruggie as his Assistant Secretary-General and Senior Advisor for Strategic Planning with the task of “[initiating] a global compact of shared values and principles, which will give a human face to the global market” (McKinsey&Company 2004, 1). Subsequently, Ruggie became one of the main architects of the United Nations Global Compact, which would become the flagship framework for partnerships between the UN and the private sector in the years to come. Launched by Annan in July 2000, the Global Compact is a joint undertaking of the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), and the Office of the High Commissioner for Human Rights (UNHCHR).¹

The Compact is a strategic policy initiative that invites members of the business community to align their operations and strategies with and commit themselves to ten universally-accepted principles in the areas of respect for human rights, equitable labor

¹ Later on the United Nations Development Programme, United Nations Industrial Development Organization, United Nations Office on Drugs and Crime, United Nations Entity for Gender Equality and the Empowerment of Women joined the ILO, UNEP, and UNHCHR as the “core UN agencies” supporting the Global Compact.

standards, environmental sustainability, and anti-corruption.² It is based on the convictions that “weaving universal values into the fabric of global markets and corporate practices will help advance broad societal goals while securing open markets” (UNGA 2000b, 27), and “business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere” (Global Compact 2012a). In other words, the Compact recognizes that globalization should benefit all peoples of the world and that the business sector could and should play a crucial role in ensuring that it becomes a positive force for all. Participating corporations are asked to translate their alleged commitments to the ten principles into concrete management practices.

Over the years, the Global Compact saw rapid growth in participating corporations. As of 2012, it claimed to have “8,700 corporate participants and other stakeholders from over 130 countries and takes pride in being “the largest voluntary corporate responsibility initiative in the world” (Global Compact 2012a). At its inception in 1999, it served as a salient UN initiative that forecasted a tremendous effort towards the turning of a new historical page of global partnerships between international public and private partners, which was to be unfolded in the years to follow.

² The ten principles are, under human rights, Principle 1: businesses should support and respect the protection of internationally proclaimed human rights, Principle 2: make sure that they are not complicit in human rights abuses; under labor, Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, Principle 4, the elimination of all forms of forced and compulsory labor, Principle 5: the effective abolition of child labor, Principle 6: the elimination of discrimination in respect of employment and occupation; under environment, Principle 7: Businesses should support a precautionary approach to environmental challenges, Principle 8: undertake initiatives to promote greater environmental responsibility, Principle 9: encourage the development and diffusion of environmentally friendly technologies; under anti-corruption, Principle 10: businesses should work against corruption in all its forms including extortion and bribery. These ten principles are derived from the *Universal Declaration of Human Rights*, the *International Labour Organization’s Declaration on Fundamental Principles and Rights at Work*, the *Rio Declaration on Environment and Development*, as well as the *United Nations Convention against Corruption*.

2.1.3 We the Peoples (UNGA 2000b A/54/2000*)

At the turn of the second millennium, as a celebration and reflection, the Secretary-General prepared a report in March 2000 titled “*We the Peoples*” (UNGA 2000b) for the Millennium Summit that would soon take place when Heads of State and Government gathered in New York to address the role of the United Nations in the twenty-first century and to identify and act on the major challenges ahead. At the Summit, UN Secretariat aimed to seek a “renewed sense of mission about our common endeavor” and to look for “clear answers... to energize and focus the Organization’s work in the decades ahead,” as they argued in the report that “the United Nations is more than just a mere tool... as its Charter makes clear, the United Nations was intended to introduce new principles into international relations, making a qualitative difference to their day to day conduct” (UNGA 2000b, 3).

At the Millennium Summit, the Secretariat, under the leadership of the Secretary-General, aimed high at making those so-called “qualitative differences” by pushing forward a grand scheme known as the Millennium Development Goals (MDGs) in order to achieve the Organization’s “avowed purpose of transforming relations among states, and the methods by which the world’s affairs are managed” (UNGA 2000b, 3). The MDGs would become widely known and accepted as a set of global benchmarks to measure the world’s achievement, or the lack of it, in development. The Secretariat generated and gathered a tremendous amount of political willingness for its adoption at the Millennium Summit; simultaneously, at the turn of the century, the Secretariat was exerting a concerted effort to reinvent the organization by opening up new dimensions for the UN’s operations and exploring new ways of engagement in world affairs, while at the

same time adhering to old principles and roles.³ The effort of the Secretariat was not futile, as Bayliss and Kessler (2006, 2) observe,

in September 2000, all 189 Member States of the United Nations adopted the Millennium Declaration. Of these 147 were represented directly by their head of state. The declaration committed its signatories to promote a series of goals for poverty reduction to be achieved by 2015. These MDGs are time-bound, quantified targets for addressing the many dimensions of extreme poverty... which include promoting gender equality and environmental sustainability. Furthermore, some of these goals, such as access to water and shelter, can be considered to be fundamental human rights. Five years later, at the UN summit in 2005, government leaders reaffirmed their commitment to the goals.

Advocating for the involvement of private sector as a means to achieving the MDG targets, the UN revealed its vision for public-private partnerships as a remedy to alleviate extreme poverty in the world and to ensure that globalization becomes a positive and inclusive force for all. This point, subsequently, would be repeatedly reflected in General Assembly resolutions under the agenda item “Towards global partnerships.”⁴

The Millennium Declaration aimed “to develop strong partnerships with the private sector and with civil society organizations in pursuit of development and poverty eradication” (UNGA 2000f, para. 20). Accordingly, the UN vowed to “serve as a catalyst for collective action, both among its Member States and between them and the vibrant

³ Ruggie was particularly praised for leading the Secretary-General’s successful effort at the Millennium Summit to propose and secure the adoption of the Millennium Development Goals (UNSG 2005).

⁴ For example see para. 5 of the Millennium Declaration (UNGA 2000f); paras. 3 and 4 of Resolution 55/215 (UNGA 2000h); the fifth preambular paragraph of Resolution 56/76 (UNGA 2001b); and the eighth preambular paragraph of Resolution 58/129 (UNGA 2003b).

constellation of new non-state actors” (UNGA 2000b, para. 360). It recognized that at “both the national and international levels, private investment has an indispensable role to play,” therefore making it necessary to “develop strong partnerships with the private sector to combat poverty in all its aspects” (UNGA 2000b, para. 364).

It is safe to say that the UN’s emphasis on public-private partnerships as a tool for development was fairly obvious from this point on. However, the details of public-private partnerships that the UN wanted to promote were yet to be hammered out. In addition, although representatives of the Member States at the Millennium Summit adopted the MDGs, they did not explicitly endorse the idea that the involvement of the private sector could be a crucial and viable approach to combat poverty and its related malaises worldwide. At this point, a General Assembly resolution formally recognizing public-private partnerships as a viable development approach could be very apt.

After the Millennium Summit, a new agenda item—“Towards global partnership”—was introduced in the General Assembly. Several important resolutions were adopted under this agenda item in the following years. The first one, Resolution 55/215, was adopted at the end of 2000 and initiated a comprehensive discussion about collaboration with private partners; the second one, Resolution 56/76, was adopted on December 11, 2001 and formally granted the General Assembly’s recognition.

2.1.4 Towards Global Partnership (UNGA 2000h A/RES/55/215)

During the fifty-fifth session of the General Assembly, on 21 December 2000, the move towards formal recognition of global public-private partnerships was initiated. Member States of the UN adopted Resolution 55/215, requesting that the Secretary-General consult with Member States and relevant partners on the matter of private sector

involvement and to provide his recommendations in a report to be discussed by the Assembly in the following year.

General Assembly Resolution 55/215 set the stage for a full-fledged discussion within the UN proper on the topic of public-private partnerships. The Member States were supposed to ponder over this idea; meanwhile, the Secretary-General was asked to consult with both Member States and potential private partners on the feasibility of public-private partnerships between organizations, agencies, and programs in the UN system and “all relevant partners, in particular the private partners.” To develop strong partnerships in pursuit of development and poverty eradication was justified as a priority and an objective formulated in the Millennium Declaration in order to meet the challenges of globalization(UNGA 2000h, third and fourth preambular paragraphs).

It is important to note that at this stage, the discussion, however, was still centered on partnership between entities in the UN system and private partners; international organization-brokered partnerships between national public actors and members of the private sector were not mentioned. The distinction between these two different types of public-private partnerships was yet to be noticed.

2.1.5 Report of the Secretary General: Cooperation between the United Nations and All Relevant Partners, in Particular the Private Sector (UNGA 2001a A/56/323)

Pursuant to the General Assembly Resolution 55/215 of 21 December 2000, in order to solicit input on the idea of public-private partnership, the Secretariat carried out an eight-month project in 2001, contacting all Member States and observers of the world body, as well as 31 United Nations entities. Twenty-three Member States, one observer, plus twenty-seven UN entities gave comments. In addition, the UN resident coordinator in nine countries provided materials and feedback. From the “relevant partners,”

representatives of business associations and non-governmental organizations that had been active in building relationships with the UN were consulted through a combination of personal interviews and questionnaires. By the end of the consultation, in August 2001, the Secretary-General issued a report titled “*Cooperation between the United Nations and all relevant partners, in particular the private sector*” (UNGA 2001a). This document was discussed in the Assembly’s fifty-sixth session later that year.

Data from an eight-month research project showed that, as described in the outcome report (UNGA 2001a), the UN’s cooperation with non-state actors was not new. Many non-state actors have been interacting with the UN since its very beginning from 1945 in what this Report of the Secretary-General characterizes as “traditional ways,” such as through consultative status with governing bodies, procurement contracts, and philanthropic-based fund-raising activities. The report also mentioned new ways of UN and non-state actor cooperation, ranging from multi-stakeholder initiatives, such as the Global Compact, to numerous operational partnerships in individual countries and communities. The report stated that “non-state actors are now engaged to an unprecedented degree in most areas of United Nations endeavour”; and “[they] have become increasingly influential in the United Nations system, at the global, national and local levels, [offering] a variety of competencies, constituencies, resources, and networks that cannot be ignored.” It also asserted that cooperation with such non-state actors has become “increasingly necessary if the United Nations is to remain relevant and effective in meeting the real needs of people in today’s world” (UNGA 2001a, para. 5).

2.1.5.1 Views of Member States

Twenty-three Member States provided their opinions. In general, they did acknowledge the benefits of involving the private sector to collaboratively achieve the Charter-stipulated purposes of the UN, “in particular in the areas of development and poverty eradication” (UNGA 2001a, para. 8). “The private sector can play an important role towards furthering development, for development cannot occur without conditions that are amenable to the conduct of business,” and “the private sector must be encouraged to promote the public good” (UNGA 2001a, para. 8), in order to ensure that globalization becomes a force that will benefit all. However, skepticism and reservations also remained. Three core themes that emerged from the responses are of immediate relevance here, including safeguarding states’ dominance in the UN, concerns about clear guidelines and frameworks, and the involvement of partners from developing countries.

One set of opinions suggested that to promote cooperation with the private sector was important, but that cooperation must not threaten the UN’s core nature and its integrity as an intergovernmental organization, in which states—as opposed to non-state actors—were the dominant actors. As one Member State explicitly described, “such cooperation should not challenge the intergovernmental nature of the United Nations, in particular its intergovernmental decision-making procedures” (UNGA 2001a, para. 9). For Member States, their status as the “dominant actors” in the UN system would thus stay unchallenged. The “intergovernmental natural of the United Nations” should remain as its essential feature, and “the widening partnership relations of the United Nations with business should be welcomed and promoted to the extent that the cooperation is responsive to the interests of Member States and works to strengthen the authority and

increased effectiveness of the United Nations system” (UNGA 2001a, para. 9). In other words, Member States would only tolerate the promotion of private sector involvement provided that they were not challenged and the partnerships serve their and the UN’s interests. In the end, the UN is indeed an “intergovernmental” organization where states are the only eligible members, who would not risk any chances of losing such privilege. This is especially important when one realizes that for many of the world’s weak states, they are much less capable of wielding influence in the UN (or even within their own territories) than some of the world’s most powerful private entities.

A second set of opinions reflected concerns about “clear guidelines and frameworks for partnership,” with some respondents “comment[ing] on the risk of partnership with private sector.” Several Member States warned about “risks involved due to fixation of the private sector on market economies and corporate profitability.” Thus, “[i]t would be useful to adopt general parameters for the implementation of such initiatives in order to direct them adequately. Although micro-management should be avoided, some criteria must be established” (UNGA 2001a, para. 9).

A third set of opinions emphasized that “partnership with the private sector should promote adequate participation from all parts of the world. In particular, there were calls for involving partners from developing countries and for the participation not only of large companies, but also of medium-and small-sized enterprises” (UNGA 2001a, para. 11). This opinion came from a typical Southern perspective embedded in the North-South dialogue that is often seen in the General Assembly, a legacy of the “international affirmative action” phase of the UN’s development philosophy when developing countries demanded preferable treatment in the international economic order. It comes as

no surprise that the same concept—suggesting that enterprises of developing countries should be safeguarded and promoted—emerged in discussions regarding collaboration with the private sector. In addition, it has been suggested that

the responses received from Member States pursuant to General Assembly Resolution 55/215 offer a similar message to the agreed conclusions of the coordination segment of the substantive session of 2001 of the Economic and Social Council. Those conclusions emphasized the following critical points with respect to partnerships with other stakeholders, including the private sector: the United Nations system is encouraged to continue and further their efforts to ensure that the principles and approaches that govern these partnerships and arrangements should build on the firm foundation of the United Nations development goals. Without imposing any rigidity in partnership agreements, agencies of the United Nations should continue to adhere to a common principled approach to partnership that includes the following principles: common purpose, transparency, bestowing no unfair advantages upon any entity that is in partnership with the United Nations and not compromising the independence and neutrality of the United Nations system in general and the agency in particular (UNGA 2001a, para. 14).

In sum, Member States accepted the idea of partnership with external actors, as long as their central role in the UN system remained unchallenged, safeguarding parameters were considered, and the Global South got its chance to underline adequate participation of enterprises from developing countries. All these recommendations made

by the Member States, as one would observe later, were explicitly and stringently followed by the resolution on this topic (Resolution 56/76) adopted by the General Assembly in 2001.

2.1.5.2 Other Views (Non-Member State Views)

Consultation with non-state actors also indicated several important themes (UNGA 2001a, 10–17). First, money should not be the only important resource that the UN would seek from the private sector. The private sector could offer other benefits, such as management and technical expertise, in-kind donations, technology, ideas, new perspectives, and networks. These different resources could lead to a richer and more informed policy debate, enhanced quality of decision-making, joint problem-solving, and greater operational efficiency.

Second, new types of relations with the private sector could provide advocacy and program innovation in areas such as human rights, environment, and labor. New partnerships could create space for different types of leadership that are not possible in traditional models of organization and government and could express progressive values in addressing societal changes.

Third, partnerships should be mutually beneficial. It was argued that in order for partnerships to be “effectively sustainable,” benefits were needed for business, the UN, and development. It was reasonable for businesses to expect short-term and/or long-term benefits from the partnerships. However, at the same time, partnerships should not “compromise the independence of the United Nations to stand for and promote the broader public interest” (UNGA 2001a, para. 19).

Fourth, partnerships were also perceived as a way to increase trust and mutual understanding. Among government, business, and NGOs, “stereotypical perceptions and prejudice towards each other” are still common, there is widespread suspicion that “partnership is inappropriate, or constitutes, de facto, the United Nations giving unfair advantage to corporate partner,” and the relations among them “continue to be marred by mistrust, misinformation, and missed opportunity” (UNGA 2001a, para. 20). By bringing the partners together and setting examples of good practices, it was hoped that this mistrust could be addressed and attenuated.

Fifth, bringing private and public partnerships together existed in concurrence with the fact that the boundaries of the roles and responsibilities of governments, companies, and civil societies were constantly shifting. Partners could come together and figure out the shifting boundaries and expectations towards each other in informed debates and in practice.

2.1.5.3 Conclusion and Recommendations

Based on the input from governments, the private sector, civil societies, and entities within the UN, the report made several recommendations. Echoing the concern of Member States, it stated that “[t]he overriding purpose of cooperation between the United Nations and non-state actors should be to enable the Organization to serve Member States and their peoples more effectively, while remaining true to the principles of the Charter” (UNGA 2001a, para. 115). At the same time, growing cooperation with non-state actors would not, and should not, replace the central role and responsibility of governments in national and international policy-making and in ensuring the security and progress of

their citizens. Cooperation with non-state actors should be viewed as a means for realizing the goals of the UN, not as an end in it.

In that context, Member States were advised to consider the most effective ways and means to enhance the specific contributions that these actors, including the private sector, can make towards development. At the same time, partnership should not adopt a “one-size-fits-all” institutional approach; it should reflect the diversity of different UN entities, varied characteristics of non-state actors, as well as the diverse scope and nature of the issues that partnerships are meant to address. It was also noted that the private sector’s contribution to development was multifaceted and needed to be harnessed in a focused and effective manner to ensure positive economic, social, and environmental impacts. For this purpose, steps needed to be taken in developing guidelines for cooperation with the business community that would offer tools for safeguarding the integrity and independence of the United Nations, while preserving the necessary degree of flexibility to encourage successful innovation. Finally, the report recommended that partnership initiatives should involve developing country organizations and pay particular attention to the needs and priorities of both developing countries and countries with economies in transition.

The Secretary-General’s report A/56/323 provided a comprehensive reflection of key attitudes and opinions that are common towards partnerships with the private sector. The recommendations in the end adhered to the major concerns that the respondents had offered and, more importantly, served as the basis for a future General Assembly resolution numbered 56/76 (UNGA 2001b)—the applaud resolution that many consider

as the Assembly's formal recognition of public-private partnerships as a viable development strategy worldwide.

2.1.6 Towards Global Partnership (UNGA 2001b A/RES/56/76)

On December 11, 2001 the General Assembly formally considered the initiative of involving private partners in the programs of the UN with the aims of enhancing development and combating poverty and its related problems. The Assembly adopted Resolution 56/76, which stressed the importance of partnerships with the private sector, non-governmental organizations, and civil society “so as to enable them to contribute to the realization of the goals and programmes of the Organization, in particular in the pursuit of development and the eradication of poverty” (UNGA 2001b, fourth preambular paragraph). The resolution encompassed the recommendations of the Secretary-General's report (UNGA 2001a), emphasizing states' central role within the UN (UNGA 2001b, second preambular paragraph), the principles and approaches guarding the partnerships (UNGA 2001b, para. 2), as well as the participation of organizations from developing countries (UNGA 2001b, paras. 3 and 4).

At this point, the goal of obtaining the General Assembly's formal recognition was well achieved, although details related to partnerships, such as definitions, guiding principles,⁵ and individual UN agencies' adaptations to this partnership initiative were yet to be hammered out. Later, for example, in 2003, the UN finally defined partnerships as “voluntary and collaborative relationships between various parties, both State and non-State, in which all participants agree to work together to achieve a common purpose or

⁵ See Report of the Secretary General A/58/227 of 18 August 2003 (UNGA 2003a), Resolution 58/129 of 19 December 2003 (UNGA 2003b), Report of the Secretary-General A/60/214 of 10 August 2005 (UNGA 2005b), Resolution 60/215 of 22 December 2005 (UNGA 2005c).

undertake a specific task and to share risks, responsibilities, resources, competencies and benefits” (UNGA 2003a, para. 9; Nelson 2002, 46).⁶

Nevertheless, this landmark legislation paved the way for UN agencies, as well as other international organizations, to gain legitimacy for their partnership-related policies and initiatives. In later years, public-private partnerships quickly became a trendy strategy that many development institutions frequently used to label their projects or programs. Such popularity was also reinforced by the association in broad terms of partnerships with the achievement of the MDGs, in particular the goals related to poverty alleviation (UNDP 2008a; UNGA 2000f; Utting and Zammit 2006, 15).

The adoption of Resolution 56/76 was hailed as a milestone in advocating for international public-private partnerships; however, the extent to which it was fully observed in later years is a question worthy of close scrutiny. In particular, many observe that safeguarding public-private partnerships to serve inclusive and equitable development goals was always a difficult task to monitor and enforce. In addition, companies with considerable resources, especially investment capabilities—and usually those companies are based in the developed world—often had an unchallenged advantage when competing with their counterparts from the developing world.

Nevertheless, during Annan’s ten-year tenure, the UN secured the public-private partnership’s status as a leading approach towards development. It transformed from a “new” initiative into an established and applauded strategy. Annan’s successor, Secretary-General Ban Ki-moon also embraced the idea of private sector involvement. In

⁶ For definitions or typological categorizations of public-private partnerships, see for example Weihe (2005), Nelson (2002), Börzel and Risse (2007, 198), OECD (2006), Rein et al. (2005), Nelson and Zadek (2000), Kaul (2006), Bull and McNeill (2007), Martens (2007), Schäferhoff, Campe, and Kaan (2009), and Glasbergen (2007).

mid-February 2012, in his opening speech addressed to 600 CEOs and senior business leaders of the world at a meeting in New York City, Mr. Ban called for business to “show leadership” and conveyed his enthusiastic support for public-private partnerships’ potential to bring stakeholders together “looking for ways to serve the common good” (Global Policy Forum 2012).

The discussion about partnerships mainly remained in the General Assembly and the Secretariat. However, the Security Council also briefly touched on the issue of “the role of business in conflict prevention, peacekeeping and post-conflict peacebuilding.” For example, a discussion on this topic took place during the council’s 4943rd meeting on April 15, 2004 (UNSC 2004). During the meeting, the Secretary-General affirmed that the UN was ought to translate *ad hoc* efforts into a more systematic approach that would promote greater cooperation and interaction between the Organization’s security and development arms, making sure that economic dynamics of armed conflict were reflected in efforts to prevent conflict, in peace agreements and in peacekeeping mandates. Council members concurred that as a consequence of globalization, the international private sector had an increasing influence on global economic stability, and sustainable economic growth could be a key to conflict prevention and reconstruction, while economic factors could also contribute to the genesis of many violent conflicts (UNDPA 2004).

2.2 THE BIGGER PICTURE

Many have contributed the proliferation of the public-private partnership model to the entrepreneurship of UN leaders, particularly Secretary-General Kofi Annan, as well as to the demand of non-state actors and pressure from some of the UN’s most powerful states (Andonova 2006; Bexell and Mörtz 2001b, 7; Global Policy Forum 2012). However, the

emphasis on public-private partnerships and private sector participation—as some international agencies and donor countries put it before the adoption of Resolution 56/76—in addressing the world’s pressing issues was not just an isolated and transient phenomenon. The commencement of such an idea and practice had much deeper socio-economic roots than a few UN reports and resolutions could reveal.

The public-private partnership scheme was a continuation of the trend of the “return of neoliberalism” in the UN’s development philosophy influenced by the trend to return to free market-based development approaches in the larger development landscape. It was a result of the complexity of the global issues that the UN, Member States, and private corporations were facing in the contemporary—especially the post-Cold War—world.

With the unprecedented degree of globalization and interdependence and the facilitation of fast technological development and innovation, world issues such as peace and security, economic and social development, the prevention of pandemic disease, and human rights promotion were increasingly interconnected—a situation thereby reinforced recognition of the need for multilateral and multi-actor cooperation for solutions to common problems (Kaul, Grunberg, and Stern 1999). In this time of opportunities and challenges, the UN and governments of Member States had more important roles than ever before. However, governments and international organizations could no longer tackle the problems by themselves and they must reach out to business and civil society as never before (Nelson 2002; Runde, Carson, and Coates 2011). For example, in “*We the Peoples*,” the UN stated that “we [are required to] think afresh about how we manage our joint activities and our shared interests, for many challenges that we confront today are

beyond the reach of any state to meet on its own... [n]o state and no organization can solve all these problems by acting alone” (UNGA 2000b, paras. 15 and 369).

The complexity of global issues increased the need for a transformation of the traditional global governance structure. Despite that states still enjoyed a central role in international politics (particularly in the UN framework), they could not address some of the most pressing issues of the world without moving away from conventional understandings of authority and governance (Grande and Pauly 2007). “It is progressively more evident that a variety of challenges cannot be met efficiently at the national level, but require additional collective international, if not global, approaches” by bringing “all relevant partners, in particular the private sector” into the game (Kaul, Grunberg, and Stern 1999). Indeed, in many issue areas cross-cutting in to conventional turfs of firms, NGOs, and governments, *de facto* multi-stakeholder governance has already been in place (Abbott and Snidal 2009). To accept such multi-actor governance structure and to share the responsibilities and risks of transnational activities embedded in larger socio-economic contexts was a very pragmatic and reasonable move for all parties involved.

The increasing complexity of global issues and the requirement of multi-actor governance provide the general condition for placing the issue of global public-private partnerships on the UN’s agenda. However, the somewhat sudden appearance and emphasis of global public-private partnerships in the UN proper in the 1990s had historic foundations. As stated before, the UN and its entities have been engaged with non-governmental partners since its inception. The question is, why the formal recognition of public-private partnerships as a viable development approach took place during the particular time period under investigation (the late 1990s and early 2000s), as there was

an extraordinary expansion of global public-private partnerships mainly during the 1990s (Kaul 2006). The United Nations Economic Commission for Europe (UNECE) asks the same question “[p]ublic-private partnerships in the delivery of public services have become a phenomenon which is spreading the globe and generating great interest. But why is such a concept, barely mentioned a decade ago, now attracting such interest” (UNECE 2008, iii)?

To answer this question, one has to look at the bigger picture of international economic trends at that specific time to understand why Resolution 56/76 was passed in 2001, not a decade before (or after). It is important to analyze the particular situations in which the UN and its agencies, governments of both developing and developed countries, as well as international corporations found themselves at the turn of the Millennium. Understanding the political and economic context for development policies in the post-Cold War era could illustrate the broader context within which the partnership agenda was brought into the ongoing international discussion of development.

First, UN agencies were facing financial hardship during the 1990s, although the issues of the world, especially development problems, demanded the world body to play an increasingly important role in the world. For the UN and its various agencies, the 1990s witnessed considerable cuts and constraints on their budgets, as well as declining public confidence in the organization (UNGA 2005a). Donors became increasingly concerned about the effectiveness of the UN and imposed a policy of zero real growth in its budgets (Buse and Walt 2002, 173). The UN, itself, was looking to strengthen the efficiency of the staff and organizational structure while facing pressing budget cuts. A candid confession stated that,

[t]he demands on the United Nations have expanded over time...

Economic, environmental, social and political changes have added further priorities for development assistance... Despite these growing needs, the key funds and programmes of the United Nations continue to face stagnation and lack of predictability and reliability in core contributions, accompanied by a significant growth in earmarked resources. Individually, the funds and programmes represent a very modest proportion of total resource flows for development purposes. The United Nations must therefore seek to reassess and refocus its role in development operations in relation to significant new entrants in the development assistance arena and important shifts in the policies and role played by others (UNGA 1997a, paras. 3 and 4).

The UN further reported, “[t]here are a number of challenges facing the United Nations in this regard and the key one is increasing the availability of resources for operational activities” (UNGA 1997a, para. 168). Such predicaments made partnerships with “all relevant partners, in particular the private sector” even more attractive. In fact, private sector “[were] more than welcome; they [were] necessary” (Beigbeder 1997).

Second, at the same time, for most of the world’s countries, it was noted that “the nature of development has changed dramatically and is now characterized by greater political and economic openness as well as sensitivity to social and environmental concerns,” as the UN observed in 1997, “a dramatic increase in private sector capital flows, which have now become the primary engine for development in many countries that possess the requisite institutional base” (UNGA 1997a, para. 146). In addition,

Reinicke (1998) also argues that such trends of deregulating and liberalizing domestic economies and opening up trade and capital flows have sped up in the 1990s, driven by technology innovation and political changes.

Against such a backdrop, states (as well as international organizations) increasingly realized that their conventional public power was diminishing in a global environment now mostly shaped by private actors (Reinicke and Witte 2003). However, the majority of the world's least developed countries continued to have very limited access to private capital and to depend on a diminishing pool of official development assistance (ODA) while struggling with problems of poverty, low levels of social development, environmental degradation, and, in some cases, political instability (ECOSOC 2009, para. 6 and 7). For example, it was estimated that in 1996, foreign director investment in Asia amounted to 48 billion US dollars, but just 2.6 billion in sub-Saharan Africa (UNGA 1997a, para. 146).

The 1990s was marked with the tremendous shrinkage of ODA. At that time, ODA dropped from 0.33 percent to 0.22 percent in terms of the donor countries' gross national income (GNI), falling much short of the targeted 0.7 percent. For example, Runde, Carson, and Coates (2011) reveals that in the past fifty years, the levels of official foreign assistance as a percentage of overall financial flow from the United States to the developing world have dropped from 74.8 percent in 1960 to 13 percent in 2011. Besides, there was an increasing suspicion that conventional ODA was not producing the expected development results in the receiving countries, which further discouraged donor countries' incentive to provide more money; instead, they increasingly bought into the idea of engaging business in development (Binder, Palenberg, and Witte 2007). The

financial hardships led Member States, as well as the UN, to look for alternative patterns. Global public-private partnerships became fairly attractive due to the expectation and belief that by involving the private sector, the burden of the UN and its Member States, both rich and poor, could be shared (Utting and Zammit 2006). Public-private partnerships could be a “game-changing mechanism” to leverage a range of resources, expertise, and access to the capacities of nontraditional actors and to design effective responses to existing challenges as well as new ones that were evolving.

Third, while the UN and developing countries were experiencing financial difficulties, transnational corporations (TNCs) were in their prime. The economic boom of the 1990s further increased global trade and monetary exchanges, expanding the influence of TNCs into every corner of the world. Data provided by the United Nations Conference on Trade and Development (UNCTAD) show that for most of the 1990s, international businesses saw their greatest and fastest expansion to all corners of the planet. The UNCTAD estimates that during these ten years, the number of transnational corporations (TNCs) almost doubled from 37,000 to 60,000, while these TNCs’ foreign affiliates increased from 170,000 to 800,000. At the same time, foreign direct investment to developing countries increased from a little short of 44 billion in 1991 to more than 240 billion in 2000. It is argued that during this time private businesses have shifted strategies to do business in developing countries in order to take advantage of new resources and markets that have opened in the developing world; this, in return, drove a shift of business strategies to the inclination of investing and working with a variety of actors in the Global South in order to gain access to certain resources and to penetrate specific markets (Buse and Walt 2002; Natsios 2009; Runde, Carson, and Coates 2011).

However, the same period witnessed a decline of ODA flows from about 57 billion to 53 billion (UNGA 2001a, 5–6). This meant that while pro-profit activities increased exponentially, traditional ways of development assistance for developing countries not only did not see an increase but instead saw a steady decline. For the UN, it meant that the conventional approaches for encouraging development were not working as expected and that new modalities of development facilitation and resource mobilization needed to be devised and sought. Globally, ODA was “no longer the only or even the biggest game in town,” and other positive development potentials needed to be levered and harnessed (Binder, Palenberg, and Witte 2007, 13).

Fourth, participating in public-private partnerships may be a smart move for TNCs to be politically responsive to the pressure they encountered (Utting 2000b). Although international economies were more and more characterized by economic interdependence and controlled by big corporations and elites, TNCs were increasingly faced with economic pressure and social expectations worldwide (Nelson 2002). The 1990s saw “high-profile world citizen campaigns” demanding socially and environmentally just behaviors from TNCs (Stiglitz 2003; Wapner 1995). There was an imminent need to address global governance gaps and failures and the societal backlash that they had caused (Andonova 2006; Benner, Reinicke, and Witte 2003; Reinicke and Deng 2000; Ruggie 2004). Public-private partnerships emerged partly in response to such pressures from civil societies, campaigns, and movements concerned with the growth of unconstrained corporate power, corporate malpractice and abuses, and the perverse effects of “corporate globalization” (Bendell 2004a, 2004b; Broad 2002; Utting 2005a; Utting and Zammit 2006).

For global corporations, public-private partnerships provided an additional set of instruments to expand or consolidate their presence in developing countries and opportunities to meet social expectations through the creation of competitive advantage and social benefit beyond a pure profit focus (Runde, Carson, and Coates 2011, 5–6; Utting and Zammit 2006). As the Global Compact suggests, “[a]s social, political and economic challenges (and opportunities)—whether occurring at home or in other regions—affect business more than ever before, many companies recognize the need to collaborate and partner with governments and civil societies in the management of increasingly complex risks and opportunities in social and governance realms” (Global Compact 2012a).⁷ Indeed, such challenges and public pressure were of highest consideration for many corporate executives in their decision to seek partnerships with the public sector (Auty 1999). Among all public actors, the UN was of particular importance as “business believes that the rules of the game for the market economy, previously laid down almost exclusively by national governments, must be applied globally if they are to be effective; for that global framework of rules, business looks to the United Nations and its agencies” (Cattaui 1998).

In sum, the public-private partnership’s emergence in the late 1990s as an “innovative” and important instrument for tackling the pressing world problems on the UN’s agenda was an inevitable result of the political and economic conditions of that time, with a strong leadership commitment from Secretary-General Kofi Annan. When international conditions change, alternative approaches emerge as different ideas gains power and become publicized and translated into policies (Blyth 2002). With the idea of public-private partnership becoming popular at different levels of the UN bureaucracy, it

⁷ ECOSOC (2009) reflects on the same idea in para. 9.

became a general belief that public-private partnerships would serve the purposes of both the UN and the private sector and, supposedly, provide a “win-win” situation for all, including the UN and its agencies, business corporations, as well as the states, societies, and peoples that various partnership programs would affect. However, instead of assuming this creates a “win-win” situation, it is more appropriate to ask “who wins what and who loses what” (Richter 2003)?

In this context, the sudden popularity of public-private partnerships in the rhetoric and practices of international agencies in late 1990s and early 2000s was not a random phenomenon; instead, it had deeper socio-economic roots closely related to the trends and relative strength configuration among different international and national stakeholders. More than a decade has passed since the adoption of General Assembly Resolution 56/76 in 2001. During this time the public-private partnership has transformed from a “new” initiative into an established and applauded strategy of many, if not all, agencies within the UN system.

2.3 RESOLUTION 56/76: THE TRAGEDY OF (MIS) INTERPRETATION

The content of General Assembly Resolution 56/76 followed closely the discussions with Member States and non-state actors that were reflected in the Secretary-General’s report A/56/323 (UNGA 2001a). The resolution embraced most of the recommendations made by the entities that had been consulted. Among all the entities contacted, the Member States’ options were strictly observed and followed in the writings of the resolution. However, there had been great discrepancies between what the Member States intended to adopt and how the resolution has been (mis)interpreted by others after its passage.

When one looks at the history of how the initiative of collaboration with “all relevant partners” had been pushed forward towards the General Assembly’s recognition in 2001, as well as how this recognition was interpreted and used in later years, one notices at least three interesting points. First, discussions within the UN about the new collaboration with external actors have always been framed in the parameter of UN-“all relevant partner” partnerships; a UN-private sector partnership was never blatantly singled out. However, in later years, people of different trades and intentions, including scholars and practitioners alike, misinterpreted the resolution to create the impression that it was only UN-private sector partnerships that the General Assembly endorsed in 2001. The truth is, however, they were partially right. The tilt towards UN-private sector partnerships has always been present in the intentions and policy-making of the UN.

Second, General Assembly Resolution 56/76 sanctions partnerships between the United Nations and “all relevant partners, in particular the private sector,” rather than partnerships between international organizations (IOs) and “all relevant partners, in particular the private sector.” In reality, many international organizations, within or outside the UN system, joined the Resolution 56/76 bandwagon and frequently referred to it to support and justify their collaborations with non-state actors, particularly members of the business community. This enthusiasm to rush into such a partnership fever, in many cases, did not necessarily guarantee that all partnerships would serve the original goal of the General Assembly of promoting inclusive and equitable development and making sure globalization would become a positive force for all.

Third, the UN-initiated discussion and legislation about partnerships failed to emphasize the distinction between UN/IO-participating partnerships and UN/IO-brokered

partnerships. In the former, UN agencies or other IOs actively participate in the partnership; they are the public end of the deal. In the latter, UN agencies or other IOs play the role of a facilitator that brings together the public partner (usually a state entity) and the non-state partnership (usually a private, for-profit entity).

2.3.1 The Tilt Toward Business Partners

Too many people refer to Resolution 56/76 as if it was endorsing public-business partnerships, ignoring the fact that what the General Assembly endorsed was partnerships with all types of non-state actors; private companies are just a fraction of “all relevant partners” (UNGA 2001b, fourth preambular paragraph). It is important to note that there is a distinct difference between profit-seeking corporations and non-profit NGOs. Indeed, these two types of actors maintain very different relations with their UN partners and at times have quite opposite views of each other (Tesner 2000). Certain UN agencies, such as the UNDP and UNCTAD, seem to accept both profit-seeking corporations and non-profit organizations as “private sectors”; while others, for example UNICEF, restrict their definition of “private sector” to profit-making corporations, calling non-profit NGOs “programmatic partners.” This study uses the UNICEF language and refers to only for-profit business corporations as “the private sector.”

Between these two major categories of “all relevant partners,” namely the “private sector” versus NGOs and civil societies, there has always been a tilt towards business partners. Looking at the steps that the UN took towards the final adoption of the public-private partnership scheme by the General Assembly, one notices that it was clear that Secretariat staffers aimed at involving private sectors in the programs and work of the UN for reasons stated above—limited resources at the UN’s disposal required effort to

explore new sources of funds and support. At the very beginning of 1997, Maurice Strong already offered the suggestion of mobilizing resources from private markets and other innovative financing systems in order to “tap into the development potential embodied in the private sector” (UNGA 1997a, para. 168).

However, to have the idea developed among the staff members of the UN was one thing; to sell it to the Member States and the wider audience of UN policies was another. It was reasonable to expect widely-shared bias, distrust, and resentment towards private sector involvement with the UN among many Member States and important stakeholders that mattered to the world organization. Collaborations with the private sector needed to be wrapped up in a bigger package of partnership between the UN and a variety of non-state actors in order to attract wider acceptance of the new initiative. Therefore, one can easily observe that, in general, UN staff members tried to frame their propensity towards cooperation with the private sector within the bigger advocacy of collaboration between the UN and “all relevant partners” or “all non-state actors” in the reports and draft resolutions that they produced. However, the intention was clear—to get the world’s, especially the third world countries’, formal acceptance of international public-private partnerships, through the adoption of the General Assembly resolution by all Member States of the UN, recognizing the roles of private business actors in the work of the world body and its agencies.

The inclination towards private sector partnerships was not just a recent phenomenon. Since the 1997 report on reforming the United Nations (UNGA 1997a) until the 2001 report on the comprehensive debate of partnerships prior to the adoption of Resolution 56/76 (UNGA 2001b), discussions of partnership have always focused on

those between the UN and “all relevant partners” (or “non-state actors”). Although the preference was given to business partners by frequent insertions of phrases like “in particular [partnerships with] private/business sector,” UN staff carefully avoided singling out business actors or the private, for-profit sector as the prime candidate for partnerships with the UN. It is clear that public-private partnership was heavily sugar-coated in the bigger category of partnerships between the UN and “relevant, non-state partners.”

In the very first General Assembly resolution adopted under the agenda item “Towards Global Partnerships” —Resolution 55/215 (UNGA 2000h)—the resolution requested that Member States further explore the ways and means in which the UN could cooperate with “all relevant partners” in order to realize the goals and programs of the organization (UNGA 2000h, para. 1). Although in the subsequent paragraphs, “all relevant partners” were mentioned, in the preamble, the resolution stresses “in particular the private sector.” The inclination towards the private sector participation in UN programs was already noticeable at that time. It was fairly clear that “the General Assembly call[ed] for a particular focus on the private sector” among all the “relevant partners” (UNGA 2001a, para. 3).

The focus of the Secretary-General’s report summarizing the comprehensive debate over partnership with “all relevant partners, in particular the private sector” (UNGA 2001a) further revealed that what the UN truly sought was partnerships with members of the business community. The report acknowledged that although the topic of partnership between the UN and all relevant partners should include cooperation with various non-state actors, including “a combination of the private sector, non-

governmental organizations and civil societies in general,” the tilt toward the private sector was obvious to the point that the main emphasis of the report was on “cooperation with the business community.” Only in the very beginning and the very end of the report was there mention of a “partnership with all relevant partners, particularly the private sector.” In the main body of the report, the dialogue was centered on collaboration with the private sector.

The report justified the focus on business actors by stating that other UN documents on the topic of partnerships between the UN and NGOs/civil societies had already been issued (UNGA 2001a, para. 3), and therefore there was no need to repeat what had been discussed in the other UN documents. However, it is very important to note that the this particular report, with a sole focus on partnerships with the private sector, rather than those “other UN documents,” formed the basis and background for the discussion in the General Assembly later that year (when Resolution 56/76 would be adopted and public-private partnerships formally recognized). Excluding discussions of UN-NGOs/civil society partnerships in this report was basically excluding such discussions in the General Assembly session. Focusing solely on partnerships with the private sector in this background report was *de facto* steering the discussion in the General Assembly towards the same focus.

Thus, it becomes clear that not-for-profit partners, including NGOs and other civil societies, were only collateral objectives in the whole public-private partnership initiative; in reality, the private business sector was the intended target that the UN wanted to involve in its new scheme of partnerships. However, this is understandable, considering that the reason why public-private partnerships were brought to the

international agenda was because they were seen as a remedy and source of capital and expertise to alleviate poverty and ensure the inclusiveness and fairness of globalization. Choosing private business, especially international business, partners as the scheme's "particular focus" was just a logical and pragmatic thing to do.

2.3.2 Bandwagoning

After the adoption of General Assembly Resolution 56/76, a variety of UN agencies all jumped on to the notion of public-private partnerships and rushed into re-branding existing collaborations and forming new "partnerships." As Binder, Palenberg, and Witte (2007) counted, by 2007 twenty organizations within the UN and the Bretton Woods institutions had offices dedicated solely to "promot[ing] public-private partnerships." The label "public-private partnership" has become a catch-all term for any kind of collaboration with external actors, among business or civil societies alike. At the same time, the combination of various key UN documents on the topic of collaboration with "all relevant partners, in particular the private sector," including General Assembly resolutions under the agenda item "Towards global partnership" and reports prepared for such Assembly sessions, have become the umbrella framework from which many specialized programs derive their own guidelines, as well as justifications for partnerships with external actors.

For example, UNICEF clearly states that "[t]he UN-Business Partnership agenda is gaining momentum and there is a clear mandate from the former and current UN Secretaries-General and the General Assembly to mobilise all sectors, in particular business, to help achieve the Millennium Development Goals. UNICEF recognises that partnerships are needed in order to realise children's rights, and business can play a

strong role in helping to advance [such] rights” (UNICEF 2012c). In the meantime, UNESCO derives its policy framework for partnerships with the private sector from the guidelines adopted by the United Nations in 2000. UNEP, in the same vein, regards the General Assembly (thus, the “Towards global partnership” resolutions) as its main source of guidance (UNEP 2009, 1 and 4). As a result, UN agencies’ collaborations with the private sector is far more widespread and far-reaching than generally assumed, and it is fair to say that every UN organization is involved in multiple forms of partnerships with members of the private sector (Tesner 2000).

The same phenomenon exists in agencies outside of the UN system as well. For example, at least six of the 22 OECD Development Assistance Committee donors have established programs promoting public-private partnerships and other types of initiatives that are designed to leverage the resources and expertise of the private sector to address global development issues (Binder, Palenberg, and Witte 2007, 8). It is worth noting that although partnerships might seem to be quite new in the global development setting, both within and outside the UN system, they often have long historical roots, although the very label of “public-private partnership” is of recent date (Mörth 2008).

However, some worry that these agencies might have gone into this partnership fever in a “somewhat naïve way, assuming virtually any relationship constitutes a partnership and that almost any company can be a worthy partner” (Utting 2000a, 10–11). An interesting phenomenon appeared in which as the idea of partnership gained more and more momentum, many previous “beneficiaries,” “technical assistance providers,” “donors,” and “sponsors” all suddenly and fashionably became “partners.” It seems that agencies overstretched the partnerships that the General Assembly originally had in mind,

which had the strong, direct emphasis on advancing development and making sure “globalization becomes a positive force for all.” When agencies started labeling all collaborations as “partnerships” and all collaborators “partners,” it became easy to overlook that in development discourse, partnerships would involve not only different actors and institutions coming together to pursue a common goal, but also mutual respect, transparency, balanced power relations, and the equitable distribution of benefits, responsibilities and risks (Folwer 2000; Utting 2000a). At the same time, it also overlooked the fact that in order to form voluntary, mutually beneficial, and innovative partnerships in development, the participants would need to adhere to certain standards of responsibility and accountability; however, not all “partners” of all of these UN agencies could pass such tests (Nelson and Zadek 2000; Utting 2000a).

Particularly, the problem of exclusiveness—that is, ruling out stakeholders that are actually affected by such policies—exists with many partnership deals brokered by the Bretton Woods institutions. In many cases, excluding such stakeholders from the formation and execution of partnerships have often led to abuses, such as the inequitable distribution of benefits, loose safeguards against irresponsibility, and unaccountability on both public and private ends. The case of Ghana’s water sector’s public-private partnership will demonstrate this in later chapters.

2.3.3 IOs as Participants vs. as Brokers

For many, the terms “corporation with private sector,” “private sector participation,” or “public-private partnership” convey little but a vague impression of some sort of cooperation between a public entity and a private partner. This confusion also exists in the UN’s rhetoric of such topic. Too many definitions of such “cooperation,”

“collaboration,” and “partnership” have been given by various organizations and agencies inside and outside of the UN proper. Among all the differences, one distinction should be clearly pointed out. That is that international organizations (IOs), especially institutions and agencies in the UN system, can play two distinct roles when it comes to partnerships with the private sector. First, IOs could participate in the partnership as the public partner. Second, IOs, as a third-party broker, could facilitate a partnership. In other words, there is an important division between UN/IO-participating partnerships and UN/IO-brokered partnerships. In the former, UN agencies or other IOs actively participate in the partnership; they are the public end of the deal. In the latter, UN agencies or other IOs play the role of a facilitator that brings together the public partner (usually a state entity) and the private partner (usually a private for-profit entity) to a partnership.

Unfortunately, in most, if not all UN papers, documents, guidelines, and even resolutions, such distinction is not clearly spelled out. In numerous cases, discussions about public-private partnerships inside the UN focus on the first type of partnerships, in which UN agencies or other international organizations act as the public partner. However, such discussions do not rule out implicit references to the second role that UN agencies could play in a partnership—acting as the broker. For example, if one compares the first two resolutions under the agenda item “Towards global partnership”—Resolutions 55/215 and 56/76 (UNGA 2000h, 2001b)—one would notice that a new preambular paragraph is inserted into the latter one—“Reaffirming its [the General Assembly’s] resolve to create an environment, at the *national* and global levels alike, that is conducive to development and the elimination of poverty” (UNGA 2001b, third

preambular paragraph). This paragraph steers the discussion from the international level to the national stage, adding a new dimension to the envisaged partnerships and providing justification and legitimacy for any activities on the national level. The crucial point that deserves attention is that on the national level, IOs often retreat from the more active role of participating in partnerships as the public end; rather, agencies in the UN system (especially the Bretton Woods institutions) and other international agencies often take a step back and play the role of a broker that brings the public and the private sectors together.

In the latter part of Resolution 56/76, the same idea is reflected in the ninth preambular paragraph:

[e]mphasizing that all relevant partners, in particular the private sector, can contribute in several ways to addressing the obstacles confronted by developing countries in mobilizing the resources needed to finance their sustainable development, and to the realization of the development goals of the United Nations through, inter alia, financial resources, access to technology, management expertise, and support for programmes, including through the reduced pricing of drugs, where appropriate, for the prevention, care and treatment of the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) and other diseases.

This paragraph gives a sort of vague statement from which one could draw an interpretation that the partnerships discussed and endorsed by the General Assembly could possibly implicitly include partnerships brokered by UN agencies. Since the

examples given in the paragraph, such as access to technology, management expertise, and the reduced priced of drugs are clearly needs of national governments and populations (usually in developing countries), it is reasonable to conclude that this paragraph actually refers to UN-brokered partnerships, rather than UN-participating partnerships. The “contributions” that “all relevant partners, in particular the private sector” could make in the above-mentioned aspects directly go to the benefit of the local institutions and populations on the national level, only channeled through, instead of being provided by, UN agencies or other international stakeholders.

Other UN reports or documents on the topic of partnership also implicitly suggest the same idea that partnerships involving the UN or other international organizations do not necessarily require these international stakeholders to be the public partner; instead, this role could just be played by a national government or a public development institution on the national level. For example, as early as 1997, Maurice Strong already suggested that Member States, especially developing countries, should tap into the development potential (in particular resources from capital markets) embodied in the private sector, and the UN and its agencies should facilitate the effort to attract investments to the poorest countries (UNGA 1997a, para. 168).

In addition, the Secretary-General’s report covering the results of the comprehensive debate on partnerships with “all relevant partners, in particular the private sector” goes an extra mile to define three categories of private sectors (UNGA 2001a, para. 6). The three categories include: first, individual, for-profit, commercial enterprises or businesses, in both the informal and formal sectors, ranging from small and micro-enterprises to cooperatives and large national and multinational companies; second,

business associations, and coalitions, both representative membership bodies, such as chambers of commerce, employers' organizations, and trade and industry associations, and business-led groups that have been established specifically to promote corporate citizenship and the involvement of companies and individual business people in social and environmental issues; third, corporate philanthropic foundations directly funded and/or governed by business.

However, the report failed to provide any definition of the actors on the public end or any definition of public-private partnerships. In fact, the UN would not define public-private partnerships until 2003 (UNGA 2003a). This left ample room for speculation that on the public side, the participant could be UN agencies, as well as national governments or development institutions on the national level. In the same report, Member States were advised to consider the most effective ways and means to enhance the specific contributions that all relevant actors, including the private sector, can make towards development (UNGA 2001a, paras.113–123). However, the report never clearly explained the “specific contributions” that should be made towards the UN and its agencies or towards development goals of Member States, particularly the developing ones.

A 2004 UNDP document clearly describes its focus as “[offering] recommendations on how the major actors—governments, public development institutions [on one side and] the private sector and civil society organizations [on the other side—]could modify their actions and approaches to... advance the development process” (UNDP 2004, i). Meanwhile, in the UNEP's 2009 partnership policy and guidelines document, it is also recognized that “partnerships also contribute to build[ing]

capacity and creating enabling policy frameworks at national level” (UNEP 2009, 5).

Last but not least, a 2011 ECOSOC document particularly focuses on conducting a national readiness assessment and calls for “PPP national readiness assessment-focused capacity-building activities” for Member States’ public institutions before bringing in the private sector to pair with national public actors (UNESCO 2011, para. 38).

In sum, indeed, the vague General Assembly resolution does give room for speculation that both types of partnerships, UN-participating and UN-brokered, were endorsed by the Assembly. At the same time, certain UN documents seem to use Resolution 56/76 as the justification of their focus on IO-brokered partnerships. However, it is important to note that during the pre-adoption discussion and consultation, as well as the adoption of the General Assembly resolution, the type of partnership that the involved stakeholders had in mind were UN-participating partnerships, not UN-brokered partnerships. Simply saying that the Assembly advocated for partnerships with “all relevant actors, in particular the private sector” without referring to the distinction between the two different types of UN-involved partnerships creates the impression that Member States have given equal importance and endorsements to IO-participating and IO-brokered partnerships, which is a stretch of the intentions of the Assembly and its members.

The implications of this difference are vast. In general, UN/IO-brokered partnerships require much more stringent safeguarding measures than UN/IO-participating partnerships. This is because public actors in UN/IO-brokered partnerships (i.e. governments or public institutions, usually in a developing country with weak state capacities) are much more vulnerable than the public partners in UN/IO-participating

partnerships (UN agencies or other IOs) in regards to potential abuses by the private partner(s). Therefore, to use Resolution 56/76 to justify UN/IO-brokered partnerships without providing adequate safeguarding measures to ensure that such partnerships would produce the desired outcome is, practically, taking advantage of the vagueness of the General Assembly resolution and misinterpreting the Member States' intentions.

Unfortunately, many agencies do take full advantage of such vagueness in the formulation of their policies and initiatives regarding partnerships. The Bretton Woods institutions are particular examples of such “smartness.” For many public-private partnerships that the World Bank and the IMF advocated for or supported, the Bank and the Fund usually played the role of a broker or a facilitator instead of an active participant; nevertheless, at the beginning of the new century when public-private partnerships started to gain popularity among agencies in the UN system and other actors on the international level, these two IFIs bandwagoned onto this initiative and quickly rebranded their existing policy of “private sector participation” (or “private sector involvement” in some cases) and certain components of their “structural adjustment programmes (SAPs)” as “public-private partnerships.” However, in many of these partnerships, the safeguarding measures were either missing or inadequate, leaving the public partner powerless when facing the problems of abuse, misconduct, or underperformance of the private partners.

2.4 BRIEF PROFILES OF SELECTED AGENCIES⁸

Despite the misinterpretation of the General Assembly Resolution 56/76 by a variety of actors, agencies in the UN system do take advantage of partnerships with “all relevant

⁸ The Bretton Woods Institutions are pivotal development agencies within the larger UN system. However, they are excluded in this section as their approach to public-private partnership, especially that of the water industry of many developing countries, will be discussed in detail in the next chapter.

partners, particularly the private sector” to serve their development-related agendas. Flaws do exist; nevertheless, partnerships provide their own merits, to a certain extent, within a range of UN agencies. Despite their shortcomings, partnerships have allowed the UN and its agencies to become increasingly creative and sophisticated in leveraging the skills and resources of business and civil society towards the goals of the world body (Witte and Reinicke 2005).

In the early 2000s, Tesner (2000) made an assertion that “it is fair to say that every UN organization is currently involved in multiple forms of partnership with private sectors.” By the end of the first decade of the second millennium, key UN agencies had engaged in a great number of public-private partnerships with “all relevant partners, particularly the private sector.” The following is a survey of major UN agencies’ involvement in public-private partnerships, including UNDP, UNEP, UNESCO, UNICEF, WHO, WFP, the Human Rights Council, and the Global Compact. These UN entities are chosen as examples because they are the primary UN agencies that cover the most important matters of the world, besides peace and security, including development, environmental concerns, social and cultural issues, children’s rights, health, food security, and human rights. All of these agencies have placed a great emphasis on mainstreaming and scaling up partnership activities with “all relevant partners, in particular the private sector.”⁹

In 2010, for example, UNDP claimed that in the ten years since it started collaboration with the private sector, “it has made great progress in developing partnerships with business,” and “it is committed to working with business towards

⁹ In addition to Tesner (2000), for an early overview of partnership programs in the UN system, see Witte and Reinicke (2005).

meeting the MDGs.” UNDP views the business sector “no longer as a source of funding, but as an equal partner in development” (UNDP 2010, 76) and is convinced that “the private sector is a great untapped resource for investment and innovation to achieve the MDGs” (UNDP 2008a, i). The Development Programme assumes four types of roles in supporting public-private partnerships, namely as policy adviser, researcher and advocate, funder, and technical advisor and capacity developer (UNDP 2008b, 2010).¹⁰

UNEP claims to “[work] closely with partners from business and industry to advance our mission and activities” (UNEP 2012). In 2009, UNEP recognized eight types of partnerships, including private sector involvement, that could “harness the potential of the private sector, business, and industry in mainstreaming environment into their operations and achieving sustainable development” (UNEP 2009, 8). Through its UNEP Finance Initiative, the Environment Programme claims to work closely with over 200 financial institutions to develop and promote linkages between sustainability and financial performance; and in 2010, almost 1.8 million US dollars were gathered from signatory parties to the Finance Initiative (UNEP 2010).

¹⁰ As a policy advisor, UNDP, through its close links with national governments, organizes public-private policy dialogues to gather input from partners and to influence policy change. The aim of this is to create legal and institutional frameworks for private sector growth and/or to promote private-sector investment as part of cooperation among developing countries (UNDP 2010, 78). As researcher and advocate, at the national, regional, and global levels, UNDP complements private-sector activities by being a platform for research and for raising awareness (UNDP 2010, 80). For example, the Programme has also put considerable emphasis on the Growing Inclusive Markets (GIM) initiative, a global multi-stakeholder research and advocacy initiative that “seeks to understand, enable and inspire the development of more inclusive business models around the globe that will help to create new opportunities and better lives for many of the world’s poor” (UNDP 2012a). As a funder, the Programme in some cases shares the costs of a particular project with participating companies and other partners. Such UNDP co-financing explicitly contributes to public goods (UNDP 2010, 80). Finally, the UNDP claims to have a wide network of local and regional offices, a recognized convening power, and notable expertise in designing and implementing development activities, as a technical advisor and capacity builder (UNDP 2010, 84). At the present time, the UNDP’s private-sector portfolio consists of more than 200 projects, in more than 90 country offices, with an annual value of more than 200 million US dollars.

UNESCO claims to have given great importance to partnerships with civil societies since its foundation. In November 2011, its General Conference adopted new *Directives concerning UNESCO's partnership with non-governmental organizations* (UNESCO 2011), allowing even greater involvement of NGOs in the development and implementation of its programs. As of September 2012, the Educational, Scientific, and Cultural Organization maintained a database of 389 NGO partners (UNESCO 2012a). In addition, the organization considers cooperation with the private sector to be “a necessity, not just an option.” It places its policy framework for partnerships with the private sector under the guidelines adopted by the United Nations in early 2000s (UNESCO 2012b).

As Utting and Zammit (2006) observe, UNICEF has actively sought corporate funding to support its various projects and initiatives. A core element of UNICEF's involvement with corporations is to identify, design, and implement alliances that leverage the strengths of the corporate sector to promote investment in children through programs of UNICEF or other organizations, with the strong belief that partnerships and collaborative relationships are critical to deliver results for children and to realize their rights (ECOSOC 2009, 3; UNICEF 2012b). The Children's Fund claimed to have received contributions valued over 100,000 US dollars from over 200 corporate partners in 2010 (UNICEF 2012a).

In the field of public health, following early success with a number of high-profile partnerships, the World Health Organization (WHO) has become increasingly engaged with the private sector (Buse and Waxman 2001). One of WHO's flagship partnership initiatives, the Partnership for Maternal, Newborn, and Child Health (PMNCH), listed in 2011 about 400 members as part of the initiative, representing donors and foundations,

multilateral organizations, NGOs, health care professional associations, and academic, research, and training institutes (PMNCH 2012, 24–27; Prentice 2010). The PMNCH is committed to achieving universal access to high-quality reproductive, maternal, newborn, and child healthcare and services, emphasizing accelerating efforts towards achievement of the MDGs—in particular, goals four and five, which refer specifically to reproductive, maternal, and child health.

On the issue of food aid, the World Food Programme’s 2008–2013 Strategic Plan (WFP 2008) clearly states that “partnerships are essential for WFP in order to accomplish its mission and achieve its objectives,” as they are “instrumental in increasing WFP’s global deep field presence” and “essential in both short-term and long-term responses to hunger.” WFP gives particular emphasis to the importance of national and local communities as key actors on the front line of hunger. The food organization reports to work with more than 21,000 NGOs—almost 90 percent of which are local or community-based—in 171 projects in 67 countries worldwide. Besides NGO partners, WFP also collaborates with 30 organizations from the Red Cross and Red Crescent movements, working together across 28 countries (WFP 2012a). In addition, WFP is actively seeking funding and valuable expertise from private companies active in areas such as transport, food, information and communications technology, logistics, finance, and human resources (WFP 2012b); and partners from the private sector support WFP projects in over 80 percent of the countries where the organization has a presence (WFP 2012c).

In July 2005, Annan appointed John Ruggie as the Special Representative on the issue of human rights and transnational corporations and other business enterprises, upon the request of the Commission for Human Rights (UNSG 2005). Ruggie was tasked with

“identifying and clarifying standards of corporate responsibility and accountability with regard to human rights” (Wallis 2005). Six years later, in May 2011, the Special Representative presented his final report to the Human Rights Council, which “[in] an unprecedented step... endorsed a new set of Guiding Principles for Business and Human Rights.” The framework of the guiding principles is based on three pillars—the state’s duty to protect against human rights abuses by third parties, including businesses, through appropriate policies, regulation, and adjudication; the corporate responsibility to respect human rights, which means avoiding infringing on the rights of others and to address adverse impacts that occur; and greater access by victims to effective remedies, both judicial and non-judicial (UN News Centre 2011; UNHCHR 2011, 2012).

As stated above, in 2012 the Global Compact claimed to have “8,700 corporate participants and other stakeholders from over 130 countries,” and took pride in being “the largest voluntary corporate responsibility initiative in the world” (Global Compact 2012a). The Compact, however, has been receiving “polarized opinions” (Utting 2003a). It constantly faces sharp criticism regarding its inability to obligate companies to adhere to the standards that it promotes, instead simply allowing the “blue wash” (the UN color) to boost corporate public image without changing damaging practices (Friends of the Earth International 2012, 2). Despite a recent attempt to delist some of the “free riders,” the Compact has almost 7,000 business participants from over 135 countries and is signing up new businesses at the rate of around 100 companies every month (Confino 2012; Global Compact 2012c).

2.5 IMPERFECT PARTNERSHIPS

The idea of global partnership is conceived to facilitate development, alleviate poverty, and make sure globalization becomes a positive force for all. In essence, it is supposed to “[provide] collaborative solutions to the most fundamental challenges facing both business and society” (Global Compact 2012a). Standing on its own, the public sector is perceived with the stigma of poor governance, inefficiency, low capacity, and corruption (Bayliss and Kessler 2006, 7; Dyck and Zingales 2002; Sappington and Stiglitz 1987). Meanwhile, the private sector is known for its for-profit nature and lack of social responsibility. Partnerships are devised to overcome the shortcomings of both sectors and to combine the “best properties of both worlds: the private sector with its resources, management skills and technology; and the public sector with its regulatory actions and protection of the public interest” (UNECE 2008, iii).¹¹

However, public-private partnerships, participated in and brokered by international organizations alike, do not automatically align themselves with the actual needs, interests, and aspirations of the people that these partnerships are supposed to assist; nor do they produce desired outcomes in terms of achieving partnership goals by default. One should not forget that simply by putting together a public entity and a private company does not necessarily guarantee that such partnership would combine the “best properties of both worlds”; in fact, there are many reasons that one might fear the combination might bring out the worst properties of both sectors. As a former UNICEF Executive Director puts it, “it is dangerous to assume that the goals of the private sector are somehow synonymous with those of the United Nations (and other public institutions on international and national levels), because they most emphatically are not” (Bellamy

¹¹ Similar arguments are made in Bayliss and Kessler (2006, 7).

1999). Practice has shown that, without adequate safeguarding measures, especially mechanisms that are devised with inputs from the target communities and populations, both public and private ends of a variety of partnerships are infested with shortcomings that hamper the effort to achieve partnership goals, in particular the ones that are related to the betterment of the livelihood of some of the world's poorest communities and populations.

Students interested in such a puzzle have done quite a bit of research into the weaknesses of such partnerships, in absence of strong safeguarding mechanisms. Building and maintaining partnerships entails a significant number of challenges. However, not all challenges and difficulties are adequately addressed in many public-private partnerships worldwide. The following is a summary of the most commonly noticed problems on both ends of many partnerships. The list is by no means exhaustive; it simply offers a discussion of some widespread flaws of public-private partnership worldwide, many of which can be found in the case of Ghana's water sector reform to be analyzed in later chapters.¹²

2.5.1 The Private End

For members of the private sector that want to participate in partnerships with the UN or other public institutions, they can never manage to escape scrutiny from all directions, and people do observe repeated patterns of shortcomings. Many argue that private partners often participate in partnerships for advancing corporate gains rather than providing benefits to the development of the world's poorest places, thus victimizing the peoples, communities, and even governments in those places.

¹² For an overview see Schäferhoff, Campe, and Kaan (2009).

2.5.1.1 The Selection Bias

First, many development-related partnerships are found to be mainly located in economically attractive places such as Brazil, China, and South Africa; geographic selection bias is rampant. For example, a 2011 International Finance Corporation (IFC) document on water partnerships admits that most water public-private partnership activities concentrate in China and Latin America, whereas they remain “relatively less important” in the Middle East, North Africa, Sub-Saharan Africa, and South Asia (IFC 2011, 10–11). In addition, many partnerships in developing countries concentrate on economically attractive industries, such as electricity and water; at the same time, investments in health, education, and rural development remain inadequate. The focus on the needs of the poor is lacking (Hoering 2003). It seems that the generation of benefits is given primary consideration when deciding whether to join a partnership, whereas the need for a development boost in some of the world’s poorest corners is almost completely ignored.

The private sector should not be the only one to blame for the selection bias problem, though. Georg Kell, Executive Director of the Global Compact, is quoted saying that “in many parts of the world the enabling environment for business is not well developed. It has to do with corruption and violence and the way that power is managed for the benefit of the few” (Confino 2012). In those places political and bureaucratic leaders control information and resources that allow them to pursue their own individual aims and ambitions, rather than operating in the public interest (Bayliss and Kessler 2006, 6). Institutional failures from the public end could place increased demands on potential private partners and thus decrease the chances for partnership formation (Reed

and Reed 2004; Reed 2002). Without adequate local capacity that enables private businesses and practices to take firm roots and prosper, many places of the world naturally remain unattractive to the private sector. This situation is acknowledged by many international agencies. For example, the UNDP (2012c) admits that although “[t]he private sector can make an important contribution to development...[i]n many of our programme countries the precondition for private sector development and the emergence of inclusive markets...are not yet in place.”

2.5.1.2 The Free-Riding Problem

Groups such as McKinsey and Company (2004) raise the concern that corporations use their participations in UN-led or -brokered partnerships to gain public relations points and enhance company image and reputation by free-riding into UN-business partnerships. A 2004 evaluation carried out by McKinsey and Company shows that only six percent of the Global Compact-participating companies reported that they were taking action that would not have happened without participating in global PPPs or that would have been difficult to implement without such participation. Thirty-three percent said that it had not prompted any change. Twenty-seven percent said that changes they had taken would have happened anyway even without the participation in the Global Compact. Thirty-four percent reported that change would have happened anyway but that the association with the Compact had significantly facilitated change. In March 2012, in an effort to deal with “free riders who joined but had no intention to stay engaged,” Georg Kell reportedly announced a plan to delist more than 750 businesses, including major corporations in Europe and America in the next six months, with hundreds more to follow. About 3,100

businesses had already been kicked out in the few years prior to the announcement (Confino 2012).

2.5.1.3 Alternative to Stronger Regulations

Concerns have been raised that in some cases corporations have used UN-initiated deals with private companies as an excuse for the imposition of more stringent international regulations. For example, as Utting and Zammit (2006) point out, when the UN Sub-Commission on the Promotion and Protection of Human Rights designed and adopted in 2003 the *Norms on the Responsibilities of TNCs and Other Business Enterprises with Regards to Human Rights*—a set of standards and compliance procedures, the reaction of some business interests was to argue that they were unnecessary because the Global Compact and other voluntary instruments already existed, despite the Global Compact clearly stating that it is a “complement rather than substitute for regulatory regimes” (Global Compact 2012a, 2012b).

In the same vein, many NGOs also accuse businesses of using the Compact to “oppose any binding international regulation on corporate accountability and [of] benefitting from the Compact’s public image... while continuing to perpetrate human rights and environmental abuses” (Confino 2012; Friends of the Earth International 2012). As the resentment towards such evasive behaviors grows, more and more people advocate the idea and practice of “corporate social responsibility” (CSR), which holds that corporations may have responsibilities to go beyond legally-required measures in order to ensure that the social, political, environmental and economic impact of their practices and policies conforms with justifiable norms (Reed and Reed 2004; Reed 2002; Utting 2003b). However, it is noted that the CSR agenda “can deal with some of the

worst symptoms of maldevelopment... [but fails] to deal with the key political and economic mechanisms through which transnational companies undermine the development prospects of poor countries” (Utting 2005b, 375). Others try to push from voluntarily-based CSR to more stringent “Corporate Accountability,” which implies an obligation of corporations to be held accountable to different stakeholders and the enforcement of penalties in cases in which breaches of agreed rules and standards occur (Bendell 2004a; Newell 2002).

2.5.2 The Public End

International Organizations and other public actors on the international and national levels also face many problems that need to be systematically improved in order to be accountable to the stakeholders that are involved in partnership initiatives, especially the ones that have little influence over policy-making processes but nevertheless are enormously affected by the outcomes of such partnerships. There is a need to develop a more critical approach, from the perspectives of public actors, towards partnership activities. Public partners, especially international agencies, should move beyond the emphasis on showcases and devote greater resources and energies to conducting assessments of the immediate or direct development impacts of partnerships, as well as their wider development implications (Utting and Zammit 2006).

2.5.2.1 Showcase Emphasis

Documents prepared by international organizations, particularly UN agencies, contain countless showcases of examples of global public-private partnerships (Nelson 2002; UNDP 2009). These case presentations claim partnership successes, although little evidence has been captured through credible evaluations with solid methodological

approaches. UNDP itself admits that “[t]here are some descriptions of individual partnerships but when it comes to a more comprehensive description of a larger number of cases based on comparable information the information is limited” (Sørensen and Petersen 2006, 54). In addition, very limited effort has been given to enable formal processes for forming and managing partnerships in order to move past pilot examples.

2.5.2.2 Lack of Impact Assessment and “Critical Thinking”

Related to the emphasis on showcases, impact assessment has not been a priority of international agencies that promote global public-private partnerships. The UN Secretary-General’s report on *Partnerships for Sustainable Development* states that “many partnerships have reported on the successes of ongoing pilot projects and research studies at the regional and country levels” (ECOSOC 2006), but detailed evaluations and impact assessment studies are still lacking (OECD 2006). Noting the importance of effective assessment, in 2006 the General Assembly asked the Secretary-General, “in consultation with Member States, to promote, within existing resources, impact assessment mechanisms, taking into account the best tools available, in order to enable effective management, ensure accountability, and facilitate effective learning from both successes and failures” (UNGA 2005c, para. 13).

Impact assessment is crucially needed in evaluating UN-business partnerships and holding all parties accountable. According to many scholars and practitioners, critical thinking, in addition to best practice learning, should be employed in the assessment. The purpose of critical thinking is to facilitate a particular mode of analysis that reveals precisely the sorts of issues that are often ignored in best practice learning, namely the complexities of power relations and how these affect outcomes, and the ideologies,

agendas, contradictions, and trade-offs involved in partnerships (Ocampo 2006; Utting and Zammit 2006)—a crucial point that lies in the core of the theme of this dissertation.

2.5.2.3 Local capacity and Localization

Localization of global public-private partnerships dictates effective involvement of local stakeholders in the decision-making processes of individual projects, which, ironically, is a missing element in many partnerships facilitated by international agencies, despite the emphasis on such “local ownership” from higher levels (UNGA 2005c, para. 12).

Involving local stakeholders is an indispensable requirement for accountable partnerships. Researches have shown that the failure of partnership projects in some developing countries, and their negative impacts in terms of the affordability of services for low-income households, partially relate to the weak regulatory environment that often results from a lack of input from local stakeholders in many IO-brokered partnerships (Prasad 2006; Sørensen and Petersen 2006).

A crucial aspect of the regulation problem is the limited bargaining power of government institutions, local business, and local communities when they negotiate with large transnational corporations. Another aspect is that in some cases public-private partnership projects are not compatible with local governmental policies and existing infrastructure. As Minogue (2002, 36) argues, without flexible adaptation to diverging local circumstances, any sort of reform, including private sector participation, would only create empty, fake, and ineffective changes, and do little more than create new bureaucratic layers. Hence the success or failure of many innovative reforms, including public-private partnerships, is contingent upon the influence of local structural and contextual conditions (Thompson 2003).

2.6 CONCLUSION

This chapter delineates the historical progress that led to the adoption of partnerships between the UN and “all relevant partners, in particular the private sector” by the General Assembly in 2001. It emphasizes that the implementation of partnerships with the private sector was a prime target for UN agencies, although it had to be embedded in the larger framework of collaborations with all relevant partners in order to gain wider acceptance of this “new” initiative. This chapter also makes a point that the international recognition of such partnerships at the turn of the millennium had its particular breeding ground rooted in the changing characteristics and trends of the international development landscape in the 1990s.

The UN’s precarious financial constraints, developing countries’ inability to secure ODA from donors whose willingness to supply such assistance steadily decreased, as well as the increasing momentum of growing corporate strength all contributed to the enthusiasm to explore partnerships with the private sector. However, one should not ignore the fact that simply putting together a public entity and a private company does not necessarily guarantee that such a partnership would combine the “best properties of both worlds.” Without adequate safeguarding mechanisms and the active participation of local stakeholders, partnerships are likely to be taken advantage of, if not misused, by the participants, leaving the goal of “making sure globalization becomes a positive force for all” an empty statement.

It seems that the UN’s promotion of global partnerships is a relatively “new” initiative. For many agencies, *formally* endorsing and emphasizing partnerships with non-state actors, particularly the private sector, was indeed a relatively new phenomenon

(UNDP 2008a; UNECE 2008). However, a closer look at this issue reveals that such partnerships had already existed in many agencies, although in less formal and understressed manners. Meanwhile, for quite a few prominent international institutions monopolizing the leadership in global development, particularly the Bretton Woods institutions, the concept and practice of private sector involvement were never foreign. In fact, such partnerships, with the heavy emphasis on the participation of private companies, have been a key policy component for the World Bank and the IMF for decades.

The idea that the private sector is superior to the public sector when it comes to generating revenue and fostering development is an integral part of an old philosophy that can be traced at least as far as liberal economists such as Adam Smith during (or slightly prior to) the Industrial Revolution in the eighteenth century. After the establishment of the UN, reflections of such philosophy continued to influence post-WWII economic regimes (Ruggie 1982). It gained a vital revival at the end of the 1970s with the label of “neoliberalism.” In fact, the UN’s endorsement of partnerships with “all relevant partners, in particular the private sector” was merely an adaptation to and a continuation of the return to such liberal notions. The adoption of Resolution 56/76 was, in reality, a breakthrough of neoliberal doctrine into the UN proper through the formal endorsement by Member States of the General Assembly. Such continuation of neoliberalism intrinsically can not escape the common malaise with which neoliberal policies and practices are infested.

While the UN was making its way toward adopting these neoliberal ideas, other international organizations, particularly powerful development agencies, such as the

World Bank and IMF, bandwagoned on the General Assembly's endorsement in an effort to gain more credible justification for their long-standing policy of private sector participation in development initiatives. Unfortunately, while trying to increase the credibility of their policy, the Bank and the Fund failed to pay adequate attention to the concerns raised by Member States and other stakeholders regarding safeguarding mechanisms that would ensure partnership inclusiveness and fairness—an extremely important point clearly made in the comprehensive discussion in 2001 and in Resolution 56/76 (UNGA 2001a, 2001b).

In fact, in many public-private projects that the World Bank and IMF facilitated, public partners were usually quite weak and had no ability to keep powerful private partners in check. To make the situation worse, in practice, many public-private projects became exclusive deals between the private and the public partners, tremendously undercutting the inclusiveness of these partnerships by excluding reasonable stakeholders' participation. By keeping out stakeholders that represented the interests of the communities and populations that were affected by the public-private collaborations, there is little to no guarantee that these communities and populations were able to reap the full benefits that could come from such collaborations. Without giving a say in the decision-making process to those who were affected by collectively binding decisions, such partnerships lost both their problem-solving capacity and the legitimacy of their governance. In other words, legitimacy cannot be earned by just bandwagoning on General Assembly resolutions; rather, it should be gained by giving full and fair consideration to the input of those most affected.

In the end, although for many public institutions, international and national ones alike, promoting development while adhering to socio-environmental principles is an end in itself, for many private businesses it could be very well only a means at best. In the following chapter, the author will analyze in its historical context the neoliberal manifestation in public-private partnerships facilitated by the Bretton Woods institutions, with a particular focus on private participation in the water industry, bearing in mind the case of the public-private partnership governing Ghana's water sector.

CHAPTER 3

INTERNATIONAL FINANCIAL INSTITUTIONS, THE RETURN OF NEOLIBERALISM, AND PSI/PPP IN WATER SECTOR REFORM

Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon.

-- Winston Churchill

Looking at the broad spectrum of a variety of international organizations advocating the idea of public-private partnership, international financial institutions (IFIs), among which the most notable are the Bretton Woods institutions such as the World Bank and the IMF, take a distinct approach in dealing with global public-private partnerships. While most UN system agencies look at public-private partnerships as supplemental tools for leveraging resources and expertise, the Bretton Woods institutions see it as a universal remedy for the limitations of the public sector in promoting development. Their neoliberal approach emphasizes the virtue of “the invisible hand” of free market and private businesses as opposed to the inefficient, bureaucratic, and corrupt public institutions. The reform they advocate throughout the world is supported by the ideology of “neoliberalism,” or “new liberalism,” which stresses the revival of earlier theories of the free, liberal, and unfettered market (Wiarda 2003).

The return of neoliberalism was a direct challenge to the previous Keynesian state capitalism phase. From the end of World War II to the middle of the 1970s, state-controlled and -guided development was the main theoretical foundation for policy-making in many newly independent nations in the Third World. The state was seen as a much more capable economic agent and instrument for national development than the market. It was thus given the unquestionable responsibility of conducting the historical orchestra of national development as these nations moved toward modernization (Turner and Hulme 1997; Weiss et al. 2010). However, the state's ability to sustain efficient development momentum came under increasingly fierce criticism due to its inability to solve the problems and difficulties that came after the oil crisis in the 1970s. In developing countries, the capacity of state governments were over-stretched to a breaking point due to scarcity of economic resources and much-needed but unavailable investment for building infrastructure in basic industries. To exacerbate the problem, the debt crisis that engulfed many developing states in the 1970s further undercut governments' credit and ability to be a responsible and efficient conductor of economic affairs. The crisis situation drove governments, as well as international development agencies, to look for reform remedies (Bruno and Easterly 1996). Indeed, as Rodrik (1993) observes, "no significant case of trade reform in a developing country in the 1980s took place outside the context of a serious economic crisis."

Against such a backdrop, the failure of the state's ability to deliver gave chance for the resurrection of liberal ideas that stressed the laissez-faire market approach. The World Bank, as Bayliss (2000) claims, plays a key role in the implementation of public-private partnerships, as well as privatizations, in developing countries, selling policy

guidance towards private sector participation/involvement in formerly state-owned industries and enterprises with the attachment of aid disbursements and a pro-private sector culture. Particularly in Africa, private sector participation/involvement has become “the super-ordinate medium-long term objective of structural reform programs” since the 1980s (Bennell 1997, 1785). The decade of the 1990s was the prime time for private participation in public enterprises all over the world, especially in Africa. In Sub-Saharan Africa alone, it is recorded that from 1991 to 2002 about 2,300 private participation transactions took place (Buchs 2003).

In sum, since the late 1970s, the revival of market-oriented liberal ideology and policies has become increasingly dominant in development-related issues on local, national, and global levels. Powerful international development agencies converged in the adoption and promotion of such neoliberal ideology, particularly in developing economies. In 1989 John Williamson coined the term “Washington Consensus” to describe ten policy instruments in which these agencies (most of which were based in Washington D.C.) “[could] muster a reasonable degree of consensus,” namely fiscal deficit (and thus, discipline), reordering public expenditure priorities, tax reform, liberalizing the interest rate (and in a broader sense, financial liberalization), competitive exchange rates, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation, and property rights (Williamson 1990, 2002). Among these ten policy areas, privatization (or PSI/PPP) is the focal point of this paper, and broadly related to all other nine areas.

Subsequently, to Williamson’s great dismay, the term of “Washington Consensus” acquired a broader sense referring to the general inclination towards market-

based ideology and policy approaches, “[signifying] a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery” (Williamson 2002). The 1980s and 1990s were labeled with policy inclination embedded in the broader-sense “Washington Consensus” that guided waves of private sector participation/involvement schemes worldwide. This chapter begins with a discussion of the terminologies to be used and then explores PSI/PPP reforms in both developed and developing countries during these two decades and the continuation and repercussion of these policies in the following years of the 2000s. First, the arguments against the public sector’s role in economic growth and industry/enterprise management will be presented. Second, a summary is provided of the alleged merits of private sector participation as a cure or remedy for the problems that the public sector has created in its guidance of theeconomic growth and management of industries and firms. In the third section, a comprehensive review of the criticisms against neoliberal policies, particularly PSI/PPP policies is offered. The fourth section provides an analysis of the manifestation of neoliberal policies in both the developed and developing world, stressing the externality of neoliberal policies in developing countries. The fifth section offers an account of PSI/PPP reforms in the water sector worldwide, leading to the case of Ghana’s water sector reform in the next chapter, before a chapter conclusion is given.

Before proceeding further, matters related to terminological usage in the literature and in this chapter need to be clarified, as the proliferation of public-private partnerships also coincides with a proliferation of phrases used to describe different partnerships. Among all the terms used, collaborations between a public entity and a member of the

private sector are most frequently referred to as privatization, private sector participation (PSP), private sector involvement (PSI), and public-private partnerships (PPP).

When neoliberal policies saw their first implementation in the late 1970s and gained much strength in the 1980s, most of their manifestations on the enterprise/firm level were referred to as privatization. Although the term “privatization” creates an impression that ownership and management of infrastructure are *completely* transferred to the private sector from public hands, the concept of “privatization” is seldom used in such a strict, “100-percent” sense. Only a handful of research and policy pieces use privatization in such a complete sense: defining privatization as a 100-percent sell-out—for an example, see OCED (2003). In the overwhelming majority of the literature, privatization includes the sales of public enterprises and firms (such programs are usually called “divestiture”), as well as other ways of engaging the private sector, such as management contract, lease, and concession—types of “privatization” in which the public sector still enjoys asset ownership (Budds and McGranahan 2003, 89). Even among “privatization” arrangements that involve the sale of public enterprises and assets, the sales are very often partial, with the public sector retaining a considerable portion, if not the majority, of the ownership. For example, the seminal case of “privatization”—the sale of British Telecom in 1984 (see the later part of this chapter for details)—was a partial sale of up to 51 percent.¹³ Therefore, when people talk about privatization, most of the time they talk about generic reforms to increase private sector engagement and partial divestiture, which are more in line with joint public-private ventures in which the private

¹³ Shivendu (2008, 18) surveys relevant literature and discovers that most privatization transactions are partial, which “indicates that partial privatization has dominated over... full sale... across countries in last two decades, and appears to be especially prevalent in developing countries.” For example, Jones et al. (1999) finds that among 384 initial privatization deals offered in 59 countries between 1977 and 1997, 88.5 percent are partial sales.

sector participates (or gets involved) to a certain degree or percentage. Therefore, it is more reasonable to use the terms private sector involvement (PSI) or private sector participation (PSP) rather than “privatization” to describe what has transpired in those programs.

In the 1990s, the terms “private sector participation” and “private sector involvement” gained popularity partially due to the increasing resentment towards “privatization” worldwide and, in particular, in developing countries. In essence, private sector participation (PSP) and private sector involvement (PSI) are the same terms, as they describe the same concept and policy-orientation. Between these two it is just a different choice of the last word—participation versus involvement. PSP and PSI started to appear with increasing frequency in policy documents and research works from the early 1990s to the 2000s. These two terms gained particular prevalence in the World Bank parlance, to “cover a wide range of arrangements between a government agency and a nonpublic institution, but usually refer[ing] to a contractual agreement involving a public agency and a formal (often multinational) private company” (Budds and McGranahan 2003). For example, as Cooper (2002) observes, the World Bank carefully chooses its words in its comprehensive water strategy (World Bank 2002), avoiding mentioning “privatization” and instead advocating “private sector entry,” “public-private partnerships,” “institutional reforms,” and “private financing.” In that sense, the terms PSP and PSI are often interchangeable with “privatization” or, as will be discussed later on, with “public private partnerships” in the literature.

As mentioned in Chapter Two, after the General Assembly’s adoption of Resolution 56/76, all actors in the international development scene bandwagoned

themselves onto the popular and internationally accepted idea of public-private partnerships. A change in the terminology took place after the General Assembly's endorsement in 2001, and public-private partnership (or its acronym "PPP") became the catch-all name for all sorts of collaboration with non-public actors. It is very clear that in the literature, academic research and policy papers alike, that PSI/PSP and privatization took on the new robe of public-private partnership. In the water and sanitation sector, as Prasad (2006, 669) observes, "various forms of *private sector participation (PSP)* have been tried... despite growing evidence of failures and increasing public pressure against it, *privatisation* in water and sanitation is still alive. [However, increasingly,] it is being repackaged in new forms such as that of *public-private partnership*." For example, in the official documents regarding Ghana's water sector reform, the proposed project had always been characterized as a PSI project in the 1990s; but in the next decade of the 2000s, scholars and policy-makers all started to refer to the same reform project as a PPP program.

That said, PSP, PSI, privatization, and public-private partnership (PPP) are essentially interchangeable terms for many (Budds and McGranahan 2003; Hoering 2003). For the sake of consistency and simplicity, in the following text, all types of collaborations between a public agency and a private business are referred to as PSI/PPP projects or programs, unless mentioned in a direct quote.

3.1 THE WEAKNESS OF THE PUBLIC SECTOR

Neoliberals are of the view that the problems faced by modern states in the 1970s were the product of states' expansion of their activities. Stiglitz (2003, 85) concisely summarizes the neoliberal capstone argument as "if government was not the root of all

evil, it certainly was more part of the problem than the solution”. A fundamental assumption of neoliberalism is a minimalist role for the public sector while enhancing the role of the free market and the private sector. To neoliberals, it is unacceptable for the state to engage in activities that could and should be undertaken by private endeavors (Cammack 2001; World Bank 1996). To curtail the Keynesian states developed in earlier decades and remove government interference from economic affairs, and to increase private participation in state-owned enterprises and industries, which is wrapped up in New Public Management (NPM) and Structural Adjustment Programmes (SAPs), are therefore fundamental parts of the neoliberal agenda and have gained much currency in economic reforms in both developed and developing countries (Ohemeng 2006, 4–5).

Neoliberals often portray public governance in the economic realm as overextended and inefficient, with poor performance in both the Global North and South (Kikeri, Nellis, and Shirley 1992). Such poor quality of governance is perceived as originating from “bureaucratic inertia and disincentives to innovate, low technical and managerial capacity at all levels of service delivery, lack of accountability to consumers, or unneeded workers, and rent-seeking and corruption” (Bayliss and Kessler 2006, 7; Dyck and Zingales 2002). Such poor performance of the public sector not only fails to produce and deliver the needed goods, services, and economic growth at large, but it also damages other aspects of state and societal structures: “[i]n many countries, inefficient but privileged public enterprises drained budgets, diverted resources from health and education, seriously damaged the health of the banking sector, and created obstacles for the development of the private sector” (Bayliss 2000, 3). In addition, government officials in many countries, developed and developing alike, are seen as

arrogant, insensitive to citizens' needs, mistrustful of private business, and apt to think that only they can determine what is in the public interest regardless of communities' desires to participate in decision-making (Bennett 1998).

Public sectors in the Global South face its particular problems. First, relatively weak government capacity leads to a “downward spiral” of weak performance of enterprises, poor quality of products and services, and, in return, low payment levels and lack of revenue-generation. Publicly-owned enterprises are branded with inefficiency and a limited output of volume and quality of economic activities (Sappington and Stiglitz 1987; Vickers and Yarrow 1991).

Second, such frail capacities of the public sector, combined with the inability to generate meaningful revenue, resulted in the public sector's concentration of goods and service deliveries to central urban areas, leaving peripheries and rural locations under or unattended. This problem particularly exists in basic utility industries such as water, sanitation, and electricity. Despite tremendous amounts of aid and loans poured into the Global South since the 1950s, little improvement has been achieved in reaching to the poor and underserved (Winpenny 2003). Publicly run utilities in developing countries have been accused of being “singularly unsuccessful in providing reliable water supply and sanitation” (Brocklehurst 2002).

Third, indebtedness and financial insolvency are particularly troublesome for public sectors in many low and mid-income countries, which in return, damage their creditworthiness and constrain their access to financial resources (Haarmeyer and Mody 1998). Many suggest that sale of government assets should be used to improve public finances. It is also argued that in order to restore financial solvency and

creditworthiness, governments, especially in developing countries, should implement privatization programs as a response to worsening fiscal deficits and burgeoning public debts (Ramamurti 1992; Ridley 1994).

Finally, the problem of political interference tremendously constrains the performance of the public management of firms and enterprises (Shapiro and Willig 1990; Shleifer and Vishny 1994). In both developed and developing countries, powerful interest groups, such as unions, could impose considerable barriers to the implementation of corporate policy changes, pulling firms away from a business-oriented management style that is more suitable for revenue generation (Jessop 2003). In addition, particularly in utility services, subsidization and cross-subsidization are usually political (and social) policies aiming at universal coverage and maintaining the livelihood of the poor; however, many argue that such policies would generate perceptions that do not reflect the real production values, leading to wasteful habits and the unsustainable use and management of resources (Castro 2008). Such problems have particularly negative consequences on the local level, where the influence of the central government is usually drastically diminished.

In short, growing dissatisfaction with the volume and quality of government output in economic affairs increasingly calls for the reform of the public ownership and management of enterprises in both the developed and developing worlds. Two options become apparent—on the one hand, to reform within the public sector in search of better performance, efficiency, and fiscal solvency; on the other, to overhaul public ownership and management by introducing private sector participation.

For the majority of neoliberals, the track record of reforms within the public sector is as disastrous as the noted failure of public ownership and management in the first place. Despite the fact that “country after country is transforming the management of the public sector in response to the dual challenge of needing to meet growing demands [with] constrained resources,” World Bank-sponsored studies claim that “few governments have been able to introduce—and keep in place—the large number of complex and demanding measures needed for effective public enterprise reforms” (Galal et al. 1994; Kikeri, Nellis, and Shirley 1992). Indeed, reform programs within the public sector in the 1980s—many of which were under donor guidance—proved to be dismal in the Global South (Buchs 2003). Even in places where positive results were recorded, they tended not to last (Nellis 2005b). As the World Bank claims, its experience with failed attempts at reforming public enterprises was “long and painful” (World Bank 1995a, 56).

Observing the immense difficulty of reforming public enterprises without changing ownership, powerful global multilateral and bilateral development institutions have been taking firm stances on the second option, introducing PSI/PPP reforms in public ownership and management, since they regarded the private sector as more competent, innovative, and accountable than the public sector. For many of these agencies, particularly the World Bank, any reform that falls short of some sort of private involvement is intrinsically doomed as unsuccessful (Kikeri, Nellis, and Shirley 1992). Private sector participation, if not outright privatization, is seen as an institutional solution and cure to the poor governance of the public sector. In this regard, global development agencies, particularly the Bretton Woods institutions, have been playing a

central role in advocating such neoliberal reforms, especially in the developing South where borrowing governments are “recommended” to take on the advice of “private participation” or “privatization” (Conway 1994; Drum 1993).

3.2 MERITS OF PRIVATE SECTOR PARTICIPATION

According to the neoliberals, private sector participation is an effective tool to induce development as well as to reduce poverty and its related problems, such as limited access to utility provision and healthcare (World Bank 1997). The neoliberals claim that if the political and bureaucratic structures that control infrastructure, resources, and information are not operating in the interest of the public, private services can become more accountable and efficient when providers and managers respond to market incentives rather than corrupt and obscure administrative orders. Many have advocated for the merits of the private sector, including its ability to reduce the fiscal and administrative burdens of the public sector, to spur private sector development, to install greater government accountability, and to contribute to the fight against poverty and other Millennium Development Goal-related problems (Campbell White and Bhatia 1998). The following is a summary of the major arguments.

3.2.1 Efficiency

Whereas the public sector is seen as having extremely incompetent and ineffective owners and managers, the private sector is championed for its efficiency, which, accordingly, seems to be among the most applauded virtues of the private sector in the neoliberal literature and belief. As Bakker (2003) observes, “[i]n particular during the early 1990s, when privately run utilities were rare in low and middle-income countries, it was simply assumed that the private sector would be more efficient, due to the

commercial incentives that would encourage private operators to seek the highest possible efficiency in order to maximize commercial returns and reduce possible losses from inefficiency and non-paying customers.”

Neoliberals believe that in publicly run enterprises, managers may react to non-economic incentives whereas the injection of private participation would increase the motivation for managers to respond to market signals and achieve better management efficiency (Shleifer and Vishny 1994). At the same time, as firms behave in an economically efficient way, the economy is likely to reallocate assets to efficient owners over time through market-based competition (Buchs 2003). Such efficiency and resource allocation objectives are integral components of many neoliberal policy conditions. In the same line of argument, Cook and Uchida (Cook and Uchida 2001, 3) state that “[t]he key theoretical elements underpinning the argument for a change in ownership from public to private related firstly to the view that public ownership led to the pursuit of objectives that detracted from economic welfare maximisation. Secondly, an ownership change could improve economic performance by changing the mechanisms through which different institutional arrangements affect the incentives for managing enterprises”; and “[b]y the end of the 1970s these theories were influencing attitudes towards public ownership among policy-makers in developed and developing countries.”

3.2.2 Reducing Political Influence

Related to the issue of efficiency, PSI/PPP can be used as a policy instrument for reducing the impact of political factors on economic incentives and performance (Vickers and Yarrow 1991). Indeed, it is commonplace for policy-makers and managers to have a broader agenda than the efficiency, resource allocation, and production objectives that are

purely economic. Decision-makers in publicly owned enterprises answer not only to market incentives but also to the signals from the bureaucratic establishment; their objectives are distorted and actions constrained by games played in the political realm (Shapiro and Willig 1990). For example, managers may run the firm to achieve political objectives such as higher employment rate rather than pursuing profit maximization. It is argued that private sector participation would help dilute such political interference in economic affairs, should the private partner be given enough independence and control over the enterprise (Shleifer and Vishny 1994). Free from the influences from non-economic interferences, private sector involvement is expected to outrun public ownership and management in most cases, as long as the proper regulatory mechanisms are in place (Laffont 1994).

3.2.3 Bringing in Resources and Capital

As stated above, PSI/PPP reforms took place in developing countries as a partial remedy for crisis management when public-owned enterprises became powerful consumers of governments' fiscal capabilities in both the Global North and South, but particularly in the South. For many of these governments, especially the governments in Africa, PSI/PPP projects were implemented as quick solutions to budgetary problems (Campbell White and Bhatia 1998). As Yarrow (1999) observes, policy sequences in many countries show that comprehensive ownership reforms have always been preceded by a period of increased financial stringency for state-owned enterprises.

In addition, the World Bank claims that as developing countries grow increasingly integrated with the global trade and investment market, private capital and expertise become ever more important development tools in the Global South. In fact, in many

developing nations, foreign direct investment (FDI) has clearly outweighed official development assistance (ODA), making the presence of the private sector increasingly important in the global development scene. Since its prime status in the 1960s and 1970s, official foreign aid has gradually dropped to the third-largest source of financial flows from the developed to the developing world, after FDI and remittances (Binder, Palenberg, and Witte 2007; USAID 2006; World Bank 2006a). Against this backdrop, encouraging private sector development could serve as a signal for attracting investment. Indeed, Ramamurti (1996) claims that such a motive to draw private investment was the main reason behind many private participation deals in the infrastructure reform projects in Latin America.

3.2.4 Reaching out to the Poor

The notion that public-private partnership or private sector participation would help outreach to the poor is of particular importance for the proponents of such a development approach, as the justifications for PSI/PPP from the international level are usually accompanied by strong arguments from a MDG perspective, where poverty eradication and the alleviation of a number of problems undermining the poor population's livelihood are put to focus. In the debate of public versus private ownership and management, much has been discussed about extending services and benefits to low-income and marginalized groups. The public sector has been accused of catering only to the urban few and leaving those on the periphery and in rural areas either under-served or not served at all. However, on the other hand, considerable policy literature suggests that the private sector could inject external funding and extend great efficiency and services to marginalized populations, partially in basic utility industries such as water, sanitation,

and electricity (Brocklehurst 2002). In addition, proponents of private sector participation in development claim that by working with local stakeholders, external private actors can improve the scalability of development projects, extending services and benefits to accomplish a range of development goals in previously ignored areas (Runde, Carson, and Coates 2011).

Looking at several cases in Latin America, Estache, Gómez-Lobo, and Leipziger (2001, 1181) discover that private sector participation, if designed and implemented properly, provides an opportunity to end the exclusion of the poor, which is perpetuated by many cash-strapped public utilities. Experience shows that PSI/PPP could increase the poor's access to utilities such as electricity, water, and telecommunication, although the general tendency is for the non-poor to benefit more than the poor.¹⁴ In addition, in a very limited number of cases, private operators are reportedly implementing specific measures to improve provision to under- or un-served low-income areas through voluntary labor, alternative payment arrangements, and so on. (Budds and McGranahan 2003; Hall 2002).

However, the debate over to what extent the private sector should be involved in public-service delivery is quite polarized. As Davis (2005, 146) observes (using the water and sanitation sector as an example), on the one hand, some view PSI/PPP as critical to increasing investment, expanding access to services, and managing infrastructure and resources; on the other hand, others opine that utility services are such central public interests that the responsibility for their provision cannot be taken by for-profit entities.

¹⁴ For a case study of Chile's electricity industry reform, see Contreras and Gómez-Lobo (2000). For a case study of the water sector reform in Bolivia, see Ajwad and Wodon (2000).

3.2.5 Better Be in the Club

As Binder, Palenberg, and Witte (2007) point out, despite the risks of being involved and, thus, exposed in the global economy, it is widely recognized that “the biggest threat for developing nations is not usually the negative consequences of being inside the global club—but instead to be left outside or on the margins.” Continuing with this logic, partnerships with the business sector are seen as tools to assist developing economies in integrating with the global economic order. From the perspective of many multilateral and bilateral development institutions and donor agencies, promoting private sector participation in the forms of public-private partnership or privatization has become a viable and innovative way to engage developing economies in the global trade and financial systems; therefore they could avoid being “left out” by these systems.

Indeed, as Conway (1994, 267–268) indicates, the pro-market policy guidances of international financial institutions, such as the stabilization programmes and the structural adjustment programs, is “more likely found in the integration of developing countries in the world economy” to deal with the “inconsistency between internal policies and external balance”. Structural adjustment is seen as “a reallocation of resources to compete best in and take advantage of the world environment. Such reallocations are necessary because the world economy has changed greatly for developing countries since the mid-1970s.”

3.2.6 Claimed Successes of Public-Private Partnerships

Economists such as Rosenkranz and Schmitz (2004) point out that partnerships based on shared asset rights could mitigate the disadvantages of public ownership and of privatization; therefore, joint ownership could well be the optimal ownership structure. In

all forms of joint ownership, public-private partnerships are seen as an instrumental mechanism to address development challenges worldwide. Supposedly, such partnerships combine “the best of both worlds” (UNECE 2008). This potential is not only advocated for by members of the private sector; public actors, confronted with internal and external pressures, have increasingly recognized the prospective benefits of working with non-public actors, particularly the private sector (ECOSOC 2009).

Campbell White and Bhatia (1998) record the successes private participation programs, particularly their contribution to government financial flows and toward improving performances at the enterprise level, both of which come largely as a result of new investment, which overtime would produce positive effects on employment by creating more jobs in the long term. Particularly, they find that with government commitment, suitable institutional arrangements, and the coordinated support of donors, PSI/PPP programs are likely to succeed. However, it is noted that early efforts to estimate the impact of private sector participation are based on “anecdotal evidence” or “mail questionnaires” (Buchs 2003).¹⁵ Several other empirical studies, employing more stringent methodological approaches, also attempt to measure the economic impact of private sector participation programs. Plane (1997), utilizing Probit and Tobit models, finds that PSI/PPP positively affects GDP growth and that the effect is found to be stronger when reforms take place in industry or infrastructure. Barnett (2000) also suggests that PSI/PPP positively correlates with dynamic or intertemporal improvements

¹⁵ In addition to Campbell White and Bhatia (1998), see for example Bennell (1997) and Paulson (1999).

in macroeconomic performance, specifically with real GDP growth and with declines in the unemployment rate.¹⁶

Buchs (2003) summarizes relevant literature and reveals three trends. First, privatization results have generally been positive in the manufacturing, industrial, and service sectors. Second, firm turnover and profitability have generally increased immediately following PSI/PPP, but the evidence is mixed regarding the sustainability of the initial post-privatization upswing. Third, notwithstanding measurement problems, private investment has generally increased following PSI/PPP relative to public investment. In the end, an important message is that PSI/PPP appears to be a relatively successful “damage control exercise”—controlling for the “damage” caused by the previous public ownership and management.

To conclude this section, since the 1980s, PSIs/PPPs are seen as a good tool for promoting development. Major proponents for PSI/PPP have argued that PSI/PPP is supposed to enhance enterprise and sector efficiency, bring in needed resources and capital, reach out to the poor population, and facilitate integration into the global economy. International financial institutions have been playing a key role in promoting such policy orientations, particularly in developing countries, usually as conditions for

¹⁶ Plane’s (1997) dataset covers 35 developing market economies over the 1988–1992 period. Barnett (2000) uses data from twelve developing countries and eight transitional economies. This dataset is created by Davis et al. (2000). All these studies use aggregated data for their regression analysis. However, cross-country regressions suffer intrinsic conceptual and statistical flaws. Harberger (1987) points out that one of the most fundamental statistical problems could be caused by the inclusion of countries that have little in common into the same regression. In principle, regression analysis necessitates observations that are drawn from a distinct population. Thus, the inclusion of the countries that are intrinsically different may result in unacceptable levels of statistical bias (Levine and Zervos 1993). In the same vein, Davis, Owen, and Videras (2007) strongly reject the “hypothesis that all countries follow a common growth process... the findings of a typical cross-country growth regression may be misleading because they do not accurately reflect the experience of any particular group of countries” that has “its own distinct growth process.” In the end, as Harberger (1987) authoritatively points out, “what do Thailand, the Dominican Republic, Zimbabwe, Greece and Bolivia have in common that merits their being put in the same regression analysis?”

loans and grants. For example, the World Bank has “keenly supported privatisation in Africa”; by the end of 1995, 42 of the 48 African nations had engaged in some sort of PSI/PPP program, and 37 “had some World Bank lending in support of the policy” (Campbell White and Bhatia 1998). In addition, in the 1980s, the IMF “moved beyond its traditional role of short run, macroeconomic crisis management” and “joined with the World Bank in an attempt to induce... reforms through sustained conditional lending” (Collier and Gunning 1999, F634).

However, the enthusiastic praise of the merits and successes of PSI/PPP and the zealous promotion of them in policies are never without challenges. There has been a whole set of literature criticizing the neoliberal ideology and agenda. The following section offers a summary of the key criticism.

3.3 CRITICISM OF PRIVATE SECTOR PARTICIPATION

Despite the fervent promotion of private sector involvement by institutions that have adopted the market-oriented development approach, there is a whole set of literature that heavily critiques the neoliberal ideology and policy agenda. International agencies such as the World Bank, the IMF, and the World Trade Organization (WTO) become prime targets of such criticism. The “unholy trinity” is accused of enforcing “a virtually synonymous set of neoliberal economic policies” all over the world at the behest of a Washington-Wall Street alliance (Peet 2003).

Many challenge the proponents of neoliberalism with the argument that private sector participation does not necessarily constitute a cure for the poor records of the public sector. When it comes to development, particularly the betterment of the lives of the poor, the private sector has its own shortcomings that might undermine such a cause.

In addition, PSIs/PPPs might prove to be incapable of either curing the illness of the public sector or fully overcoming the limitations of the private sector. Such market-based reforms, as many argue, have attracted overly-optimistic hopes based on unrealistic assumptions (Bayliss 2000); and many private participation policies have “not live[d] up to the ambitious expectations of its promoters” (Bayliss and Kessler 2006, 7).

3.3.1 Profit Orientation

The biggest argument against private sector involvement in previously publicly-managed industries is that the private sector is profit-driven, responding only to market signals and incentives. Such a quality might be good news for firm efficiency, but it is also a curse for corporate social responsibility. Indeed, members of the private sector have seldom tried to hide such a propensity for profit at the cost of social equality. For example, commenting on their concerns regarding the financial viability in developing countries, representatives of Veolia, a prominent TNC in the water sector, state that profits depend on “sufficient and assured revenues from the users of the service,” by either excluding the poor or by receiving guarantees of payments for the products or service (Bayliss 2000; Dwivedi 2010).

Many perceive that preferences for private sector participation taken by international agencies are driven by the goal to further the interests of donor countries’ own private sector than the interests of the recipient countries (Bayliss 2000). It is accompanied by the argument that private businesses have shifted strategies to do business in developing countries in order to take advantage of new resources and markets that have opened in the developing world; this, in return, drives a shift of business strategies to the inclination of investing and working with a variety of actors in the

Global South (Natsios 2009; Runde, Carson, and Coates 2011). In addition, it is argued that low domestic economic strength would prevent the private sector in the host nation from participating, leaving the game almost exclusively for international investors (Commander and Killick 1989).

In the exact same vein, Bayliss (2000) argues that low domestic savings and weak capital markets will prevent the domestic private sector from participating, thus increasing reliance on foreign investment. For example, many feared that during the 1990s, when countries in Latin America, Asia, and Africa were experiencing market-based reforms in the water and sanitation sectors, international development agencies would pave the way for a handful of water TNCs based in the Global North to penetrate the markets and structure of the receiving countries and communities (Budds and McGranahan 2003; Schulpen and Gibbon 2002). Indeed, in a study of Latin America water PSI/PPP projects, Castro (2008) finds that prequalification processes limited bidders to a very small number of North-based water companies. For example, in Buenos Aires, only four bidders were qualified. In Cochabama, Bolivia, and Cartagena, Colombia, there was only one bidder for each, respectively (Castro 2008; World Bank 2006b). In addition, bilateral donor governments seem to push for involvement of major companies based in their own countries. For example, it is reported that the US President pressured the government of Mozambique to give a major gas exploration concession to Enron, with hints that US aid may be affected if the Mozambicans chose not to oblige (Bayliss 2000).

3.3.2 Perceived as Anti-Poor and Unpopular

As much as neoliberals have argued that the private sector, in partnership with their

public counterpart, would extend more access to basic utilities, goods, and services to the urban and rural poor, others have observed that private sector involvement is perceived as intrinsically unpopular and anti-poor (Birdsall and Nellis 2003; Brocklehurst 2002). It is often recorded that private enterprises supplying market demands fail to provide public goods to those who could not afford them; and much evidence suggests that private companies are reluctant to extend services to low-income communities (Budds and McGranahan 2003). For example, in a 2002 World Bank-sponsored presentation, the CEO of SAUR International—another major water TNC—clearly stated that the goal of universal connection to all users was “unrealistic” (Talbot 2002).

Studies have shown that many public-private partnership contracts in utility industries exclude low-income populations—including the poor neighborhoods on city peripheries and rural residents— from the coverage area. In some cases, the poor are not included in the original contract; on other occasions, they are excluded from renegotiated contracts; and in several cases, the battle of inclusion and exclusion creates continuous tension between the public and private participants (Almansi et al. 2002; Budds and McGranahan 2003; Nickson 2001a, 2001b; Trémolet 2002). Even World Bank-sponsored studies admit that without proper mechanism to guarantee the private actors’ ability, obligations, and financial incentives to serve low-income households, the goal of reaching out to the poor has rarely been successful from a commercial perspective (Komives 1999). For example, the La Paz concession, which was designed to be pro-poor, was operating at a loss only three years into the contract, principally due to a lack of demand for new connections and low domestic water consumption (Budds and McGranahan 2003). To make things worse for the poor, Birdsall and Nellis (2003) find

that in many private sector participation programs, the situation regarding the distribution of assets and income has been worsened by these market-oriented reforms. In addition, a comprehensive evaluation by a panel of external experts on IMF adjustment policies suggests that due to flaws in design, some PSI/PPP programs end up having adverse consequences for the poor, either directly through reducing incomes or indirectly through decrease in social service provision (Botchwey et al. 1998). Cornia, Jolly, and Stewart (1988) concur and speculate that some of the PSI/PPP programs hurt the poor mainly through reductions in public expenditures on health, education, and other social services.

In their seminal work, Campbell White and Bhatia (1998) find that many African countries fail to mitigate the social impacts on some of the most vulnerable portions of the populations that were affected by PSI/PPP projects. In the same line of argument, Buchs (2003) observes that PSI/PPP projects generally have the tendency to overlook wider social objectives; instead, too much focus is given to economic activities and gains, which further undermines the popularity of private participation programs. Finally, private participation does not exclude room for corruption, a point elaborated on below: corruption scandals involved in PSI/PPP projects have led to a major perception problem about the credibility of PSI/PPP programs. That said, it is not surprising to see relevant studies show that although PSI/PPP could bring benefits in many economic aspects, the perception continues to decline among the public (Birdsall and Nellis 2003; McKenzie and Mookherjee 2003).

In addition, it is important to note that among the world's poor populations, women are usually in a particularly more disadvantageous situation than men. For example, as Chapter Eight shows, in water governance in Ghana, on community and

family levels, female members of a certain family or a certain community suffer more from water scarcity than their male counterparts. There is clear evidence that adult female and young girls shoulder more burdens related to water consumption on the family level and have less input in water governance on the community level. The predicaments of women and girls in water-related matters, such as loss of time in managing small businesses or attending school (due to time required to fetch water) and physical weariness (and sometimes, bodily harm) caused by water-collecting activities, were never addressed by the partnership under the PSI/PPP reform scheme. Therefore, it is safe to say that, if a certain PSI/PPP project does not improve the situation of the poor in the host community/country, the female component of the population tend to undergo more suffering from the non-impact of the PSI/PPP than the men do.

3.3.3 Limited Fiscal Outcome and Capital Injection

As elaborated in the previous sections, private sector participation is promoted due to its expected ability to improve the fiscal outcome of the firms and host governments, as well as to bring in investments to the cash- and capital-strapped public enterprises. However, on the contrary, Buchs (2003) suggests that PSI/PPP is less of an economic booster than an exercise in damage limitation. On the one hand, PSI/PPP has had a minimal one-off impact on the budgets of many countries, at least in the short run, for a variety of reasons; additionally, the impact on tax revenue has been mixed at the microeconomic level (Buchs 2003). On the other hand, the legend that the private sector would bring in much-needed capital flow is somehow quite unsubstantiated.

Consider the following. On the issue of bringing positive fiscal outcomes, it is argued that PSI/PPP could contribute to governments' financial flow mainly through two

channels, including sale proceeds and increased tax revenue. Regarding sale proceeds, there does not seem to be any significant evidence suggesting that governments would gain considerable amounts of financial flow after sales of previously publicly owned enterprises and firms. In developed countries, not much has been sold, most sales are partial, and governments maintain considerable control. Bortolotti and Faccio (2009) study 141 firms in OECD countries that went through the largest PSI/PPP wave in the 1990s, and find that at the end of 2000, governments retained control of 62.4 percent of post-PSI/PPP firms. In civil law countries, governments tend to retain large ownership positions and in common law countries, golden shares are usually preferred. In the developing world, the seminal work of Campbell White and Bhatia (1998) shows that PSI/PSP projects did not have any substantial impact on government financial flow in the 1990s: “[t]herefore, the objective to raise government revenue has not been met... On a cash basis, government revenue was not significantly raised... all in all the government benefited from financial relief rather than from cash money.” In addition, PSI/PPP projects in developing countries face particular problems, including the overestimation of asset values (thus the over-expectation of proceeds generated by sales) and winning bidders’ inability to fulfill their financial obligations (Makalou 1999, 20).

In terms of government revenue through taxation, PSI/PPP projects show mixed impact on tax revenue at the microeconomic level. Buchs (2003) argues that on the one hand, PSI/PPP programs are supposed to generate more tax revenue for the government, as firms and enterprises become more profitable and efficient and less likely to benefit from weak auditing and tax collection efforts than public enterprises and firms. For example, Cote d’Ivoire saw an increase of forty-one percent in tax revenue (Buchs 2003;

Jones, Jammal, and Gokgur 2002). On the other hand, PSI/PPP programs could potentially transform the tax base from “a large, easy-to-tax public sector to a largely informal private sector” in which “many prove more skillful at evading taxes” (Buchs 2003; Davis et al. 2000).

On the topic of investment boost, despite such a claim by actors in the international development arena, the predicted substantial finances mobilized by the private sector “has simply not materialized,” assert Budds and McGranahan (2003), and it would be a “serious mistake” that private sector participation will attract sufficient finance to play a major role in leading development in many of the world’s poorest corners.

Domestically, local investors are often wealth-constrained in developing countries; their wealth is relatively small compared to the value of the enterprises with reform agenda towards broadened ownerships. If no foreign investment is involved, facing such wealth-constrained domestic investors, the government optimally retains a significant proportion of shares in the reformed firm (Lewis and Sappington 2000). This leads to the limitation of private capital injection and of private partners’ incentives to operate the firm efficiently. Internationally, lack of global investor interest, due to instability or limited markets in the host countries, has become a “major stumbling block” in many failed attempts to establish private sector participation in unattractive places or industries (Bayliss 2000). For example, even during the heyday of PSI/PPP in the mid-1990s, both the World Bank and UN reported in 1995 that PSI/PPP-related flows represented less than five percent of all foreign investment in Africa, which is low both in relation to expectations in Africa and in comparison with other developing regions of the world—

“the fruits have failed to meet the expectation raised by the flowers” (Makalou 1999). In other words, the volume of private investment realized in developing countries does not suffice to fulfill the objective of using PSI/PPP as a catalyst for private sector involvement (Buchs 2003).

Even in cases in which private companies show a willingness to be involved, many ask for government subsidies and investments from international agencies to minimize corporate risks. Others try to scale down from deeper forms of involvement, such as divestiture and concession, to lesser involvement without risking company’s own capital reserve, such as lease or management contract (Dwivedi 2010; Hall 2002). For example, surveying the water and sanitation sector of the Global South, Budds and McGranahan (2003) conclude that the majority of the funding in the water and sanitation sector will continue to come from the public sector at least at present and in the foreseeable future. Swyngedouw (2005) concurs that international development agencies and governments, especially those of the developed countries, provide “numerous financial and other incentives to lure private companies and foster private sector involvement,” providing guarantees of post-PSI/PPP profitability in order to pave the way for PSI/PPP projects. For example, the World Bank insured International Water’s concession in Guayaquil, Ecuador, to the tune of eighteen billion US dollars against all sorts of risks, including political instability. The Buenos Aires water concession sued Argentina over the loss of income and profit after the collapse of the Argentinean Peso.

Then the issue is as follows: if international agencies and the public sector continue to be the major funding source while investment from the private sector (particularly capital from international corporations) remains limited, this ultimately

defeats the purpose of involving the private sector in the first place.¹⁷

3.3.4 Selection Bias

As indicated in Chapter Two, selection biases exist widely in partnerships facilitated by international development agencies. Such biases are manifested in four folds: the choices for regions, countries, target populations, and enterprises.

An IMF-sponsored study concludes that private sector involvement with public institutions tends to be more common in countries where “aggregated demand and market size are large” (Hammami, Ruhashyankiko, and Yehoue 2006). On the global level, although many developing countries—particularly the Asian ones—have successfully integrated into the global economy and attracted significant investment while actively participating in global trade, many countries in Sub-Saharan Africa, the Middle East, and North Africa continue to rely heavily on development assistance (Binder, Palenberg, and Witte 2007). Little interest is shown to the least developed regions of the world; as Makalou (1999) observes, until 1995, less than ten percent of private sector participation, in terms of amount of proceeds gained through PSI/PPP projects, took place in the Middle East and North Africa, Sub-Saharan Africa, and South Asia combined.

Furthermore, there is a favorable tilt towards Asia and Latin America in terms of foreign investment flow, particularly in the forms of private sector participation or public-private partnerships; within each region of the world, certain countries are favored over others. Private investment and involvement are concentrated in countries with larger

¹⁷ Swyngedouw (2005, 96) argues that the “tendency to leave the network/infrastructure part of urban water networks to the public sector, while profitable operational and private companies secure managerial activities, is an indirect subsidy of the private sector by the state. In market terms, it distorts the operation of the market.”

economies and populations and higher levels of urbanization (Budds and McGranahan 2003).

Within each country, certain strata of the population are more likely to benefit from private sector involvement, as companies tend to be attracted to the urban and relatively higher income populations (Graham and Marvin 1994). For example, in the water sector, several multinational water companies have openly stated that low-income populations do not represent an attractive market and involve too great a risk; thus, these companies showed little interest in serving such communities. Kicking back the responsibility to the public sector and international aid agencies, the CEO of Saur once asserted that the affordability of the poor in the South did not represent the levels of investment needed and that the public sector should be responsible for providing for them (Budds and McGranahan 2003).

In addition, within each country, certain industries are more likely to attract the participation of private interests than others. Small- and medium-sized companies are likely to attract local entrepreneurs, while large companies in “strategic sectors” have “almost invariably been taken over by foreign investors. As a rule, the larger the transaction value, the higher the involvement of foreign investors” (Buchs 2003; Craig 2002).¹⁸ However, the large size of the enterprises does not necessarily guarantee sufficient interest from the private sector to participate in joint partnerships. Many large, but indebted and low-performance, enterprises in the developing countries find it extremely hard to attract investors, as the potential private partners are not interested in “loss-making businesses” (Bayliss 2000; Wallace 1997). For example, most African

¹⁸ Low domestic savings and weak capital markets will prevent the domestic private sector from participating, thus increasing reliance on foreign investment.

enterprises that successfully formed some sort of public-private partnerships in the early 1990s were financially solvent businesses, which did not impose any budget drain on government resources in the first place (Campbell White and Bhatia 1998; Kikeri, Nellis, and Shirley 1992). Meanwhile, loss-making companies remained with the governments and the public sector. In the end, only “promising” utilities are cleared for PSI/PPP while smaller and less profitable utilities remain public and require continuous subsidizations from the government (Swyngedouw 2005, 95).

3.3.5 Not Achieving Targets

Many posit that private sector involvement has achieved neither the scale nor benefits anticipated, despite the heavy campaign that has championed it in many developing countries, put forth by a cluster of international development agencies in the 1980s and 1990s (Budds and McGranahan 2003). Bayliss and Kessler (2006, 7), for example, claim that “from an MDG perspective, the track record of market-based reforms has not lived up to the ambitious expectations of its promoters.”

As stated in the section above, efficiency is the most applauded virtue of private participation; indeed, one of the most important targets for many, if not all, private participation projects is that the private partner should be able to manage the assets and the performance of the reformed enterprise in the most efficient way possible. Ridding itself of political interference and responding to market signals (and *market* signals only), private participation should bring in considerable gains in corporate efficiency and economic outcome. However, in reality, private sector participation by itself does not guarantee the achievement of improved enterprise efficiency. Surveying relevant literature, Shivendu (2008) summarizes that in the developed world, private participation

programs are usually recorded with improved performance; at the same time, studies carried out in the developing world show mixed track records of private sector involvement.¹⁹ In developing countries, as stated above, PSI/PPP appears to be a “damage control exercise” (of the damages done by previous public ownership and management), rather than an economic boost (Buchs 2003). Sachs, Zinnes, and Eliat (2000) argue that a mere “change-of-title” does not necessarily entail economic gains from PSI/PPP programs; it has to be accompanied by deeper institutional and regulatory reforms. In addition, economic benefits are also determined by initial conditions in the host country. There is a reached consensus that high-functioning markets supported by institutional and regulatory capacity should be in place before any PSI/PPP program could take place and succeed (Buchs 2003).²⁰ Unfortunately, in many Global South countries where PSI/PPP programs are carried out, such key preconditions for project success were either absent or weak, which contributed greatly to some of the failed cases in the mixed track records of PSI/PPP programs in developing countries.²¹ To make the situation worse, as Campbell White and Bhatia (1998) complain, most governments in

¹⁹ Some of the most cited literature pieces on this issue include Megginson and Netter (2001), Megginson et al. (1994), Galal, Jones, Tendon and Vogelsang (1994), Boubakri and Cosset (1998), Plane (1997), and Barnett (2000).

²⁰ This point is related to the discussion in a later part of this chapter on the “premature designs and implementations” of PSI/PPP projects, in which the author elaborates on the notion that certain prerequisites need to be in place before the implementation of PSI/PPP projects to ensure their success. For example, without addressing the corruption of public officials in the government, to whom managers and technocrats of the public sectors/firms are held accountable, and severing ties between the government and the sector/firm, the simple implementation of a PSI/PPP by no means constitutes a guarantee for improved performance of the sector/enterprise. In the case of Ghana’s water sector reform, as Chapter Seven shows, illegal connections of certain communities undercut the equitable distribution of the limited water supply among the greater population. However, the persistence of political interference (in addition to the lack of adequate technological support) renders the water company (during the time of public administration, as well as the period under the PSI/PPP) incapable of putting a halt to the illegal connections.

²¹ In addition, in many case, when PSI/PPP projects are implemented in a host country/community without the absence and weakness of these preconditions having been tackled, the PSIs/PPPs tend to shun away from addressing them, framing them as exclusively public section inefficiency problems.

Africa have failed to establish monitoring procedures to track and evaluate enterprises' post-PSI/PPP performance. Many of these projects are left unchecked.

Moreover, targets should not simply include efficiency and economic gains; there are wider social settings in which enterprises operate regardless of whether they are publicly or privately owned or managed. For example, in many places in the world, in particular the less developed corners, important activities that are within the social and family dimensions of the society, such as care work and family nurturing, are beyond the reach of market forces. Nevertheless, these activities and their positive impacts on the population should not be undercut by PSI/PPP-oriented policy decisions. For example, the problems related to gender equality in water governance in Ghana, as shown in a later chapter, were never address by the policy-makers in the water sector during the time when it was managed by a public company; subsequently, when the PSI/PPP took over the management of the sector, it failed to bring any positive impact either.

In the 1980s, international aid agencies promoted PSI/PPP policies without much knowledge of their broader consequences (Cook and Uchida 2001). As a result, relatively little is known about the social impact of PSI/PPP policies (Buchs 2003). As the promoters and recipients of these policies become increasingly aware of the larger impacts of PSI/PPP than just those related to enterprise performance, government budget solvency, and capital injection, studies focusing on their societal impacts have begun to increase. Buchs (2003) studies PSI/PPP projects' income distribution impact in Sub-Saharan Africa and concludes that the impact of such projects is "at best neutral" and "at worst negative." PSI/PPP programs seem to have no effect on the extremely poor, and in some cases they negatively affect the middle-lower group of the distribution.

Extending goods and services to the poor is another important merit and target of PSI/PPP programs, particularly the ones in utility industries. Unfortunately, there is no conclusive evaluation on whether PSIs/PPPs have achieved the target of reaching to the poor. Researchers of this topic, even those with the most sophisticated methodological tools, complain about the inconclusiveness of their studies. Most of this is because of the lack of data that evaluate performance, difficulties in accounting for spurious variables in the macroeconomic environment, and the lack of solid prediction of the counterfactual scenarios— in other words, predicting possible situations among the poor should the PSI not take place (Cook and Uchida 2001; Estache, Gómez-Lobo, and Leipziger 2001; McKenzie and Mookherjee 2003).

3.3.6 Threat to Societal Structure and Stability

PSI/PPP projects concentrate on industries that public agencies failed to manage and services that the government failed to provide. However, one should not neglect that when governments failed to perform or deliver, the affected population would devise their own ways and means to cope with the failure of the government. Among these people and communities, informal businesses fill in the gap that governments stumble to cover. For example, friends and family often provide loans and credit while unregulated vendors deliver bottled water in trucks (Runde, Carson, and Coates 2011; Yeboah 2006). Such informal activities weave together the economic structure of the under or un-served communities outside of the formal reach of the government. Injection of private-run businesses, especially powerful international private actors, could significantly tear up the fabric of such traditional and informal ways of living and doing business, leaving the larger societal structure fragmented and posing a tremendous threat to the established

market-state-society relations. Unharnessed growth of corporate dominance in such circumstances not only shifts away power from already relatively weak governments but also leaves the population and communities disjointed socially and economically (Andonova 2006).

In addition, social stability could be jeopardized when post-PSI/PPP firms fail to survive market pressure, thus failing to supply essential goods or services to the population; or when a considerable part of the population is excluded from the receiving end of goods and services due to an inability to pay. Both case scenarios would cause social upheavals, and in some extreme cases, the private sector is thrown out or downgraded and the public sector has to step in to re-takeover or to re-assume important management roles; such problems exist in both developed and developing, as the cases of Wales and Cochabamba, Bolivia, show (Bakker 2003; Swyngedouw 2005).

3.3.7 Missing the Point: Public or Private, Does Not Matter

The many scholars who question whether to replace exclusive public ownership and management of certain enterprises with private sector participation are failing to address the real obstacles of development, particularly in the Global South. Their major arguments around this issue are included in this sub-section. First, private sector participation might not necessarily outperform the public sector; and second, many of the barriers to development can persist whether the public or private sector owns or manages the firms or projects. If PSI/PPP reforms do not address these barriers, there is no guarantee that they would outperform the previous public ownership or management after all.

Although theoretical assumptions underpinning most studies on PSI/PPP indicate that on average post-PSI/PPP firms' performance will increase, Cuervo and Villalonga (2000) argue that empirically, evidence suggests that there is substantial variance in post-PSI/PPP performance. The variance is mostly caused by differences in both the market structure of each industry in which the studied firms operate and the measures of efficiency used in the studies. They find cumulative evidence from a cluster of individual studies that points to quite inconclusive verdicts whether the private sector is really more efficient than the public sector. In the same way, drawing evidence from their survey of eleven PSI/PPP cases of British companies, Martin and Parker (1997) conclude that "on balance it seems that neither private nor public sector production is inherently or necessarily more efficient," and PSI/PPP has not caused a significant improvement in performance (whatever improvement there has been, it pre-dates PSI/PPP). Looking at firms in Poland (a transitional economy), Pinto, Belka, and Krajewski (1993) show that firms selected for PSI/PPP programs have already begun introducing reforms and improving performance even before PSI/PPP. Others argue that if enterprise or sector failures are underpinned by governance or institutional problems, and PSI/PPP reforms fail to address these problems, they will persist and undermine firm or sector efficiency, regardless of the nature of ownership or management (public or private) (Budds and McGranahan 2003).

Two independent studies looking at PSI/PPP programs in the water and sanitation sector show that PSI/PPP programs have mixed results, and in several important aspects the private sector seems to be no more efficient in delivering services than the public sector. Service provision in water and sanitation raises a number of economic and

governance issues that cannot simply be resolved by bringing in private operators, which are not any more capable of solving these obstacles than their public predecessors (Budds and McGranahan 2003; Prasad 2006). A recent World Bank-sponsored project also reveals that “[t]he empirical results in electricity distribution and water and sanitation services are far less clear-cut,” and efforts made to understand the tradeoffs between public and private management “ha[ve] led to strong feelings both for and against private involvement in utility services” (Gassner, Popov, and Pushak 2009). Some of the inherited characteristics of utility goods, including and in particular water, have resulted in various types of failures, including market and government ones. Despite the fact that such failures barely have any relevance to the nature of the ownership and management, they are generally attributed to either one of the two (market or government), depending on the political debate of the moment (Castro 2008).

3.3.8 Premature Planning and Implementation

There is a cluster of issues related to governance and institutional capacities when it comes to PSI/PPP reforms. In essence, it is crucial for the legal and institutional framework of the sectors in question to be “capable to provide solid legal, administrative, economic and technical sustainability, while providing clear and measureable rules of the game and the capacity to implement them and stimulate compliance” (Castro 2008, 248). After more than two decades of PSI/PPP campaigns, policy prescriptions, and experiments, scholars and practitioners in essence have reached a consensus that before successful PSI/PPP projects can take root and eventually succeed, well-developed and functional prerequisites need to be in place to create and maintain the governance and institutional capacities that underpin and guide proper market functions. According to

mainstream literature on this topic, these preconditions include, inter alia, government commitment, preparatory work, meaningful regulation, functional competition and legal framework, viable monetary and labor markets, and guarantee of transparency in execution (Campbell White and Bhatia 1998; Cook 1999, 2002; Cook and Uchida 2001; Davis et al. 2000; Nellis 2005a, 2005b). In addition, the correct sequence of key steps towards PSI/PPP implementation should be planned out and not be interrupted. For example, Collier and Gunning (1999) observe that the poor sequencing of reform measures, in particular premature financial liberalization, has caused hardships that could have been avoided.

Despite repeated emphases on such prerequisites, their absence in many PSI/PPP deals is still at the forefront of PSI/PPP concerns worldwide (Buchs 2003). In the initial PSI/PPP years of the 1980s and the heyday of the 1990s, many PSI/PPP projects were carried out in a hastened fashion, with premature planning and implementation that had become secondary to the imperatives of private sector involvement. In many cases, key prerequisites were missing, which in return resulted in project failure or performance deficiency. In the end, such immature projects greatly undermined the credibility of PSI/PPP policies and programs. During the first two decades of PSI/PPP, proponents often opted for rapid transitions. For example, the “shock therapy” prescribed for some of the former Soviet Union countries was one extreme form of such policies. Rapid transitions or project implementations were called for as to avoid protracted uncertainty and institutional conflict during the planning and negotiation periods, before the windows of opportunity closed (Budds and McGranahan 2003). For example, in Cartagena, Colombia, the PSI/PPP deal in the water industry was characterized by the rapidity of its

bidding process. The hastened process was caused by changes in the political realm, as the party of the mayor who supported PSI/PPP policies lost the election and the incoming administration might not find PSI/PPP plausible (Castro 2008).

At the same time, such quick reform measures ran the risk of inadequate consultation and stakeholder engagement, which was likely to lead to situations in which the real problems are unidentified and thus, unaddressed. For example, Campbell White and Bhatia (1998) provide a list of some of the major problems, including weaknesses in design, preparation, implementation, and management of programs, such as not adequately understanding the initial conditions, flawed classification of enterprises, non-establishment of important operating policies, non-transparent use of proceeds, weak mobilization of potential investors, and the lack of appropriate legal authority. In this sense, enterprise or sector PSI/PPP reforms are unlikely to survive or thrive unless they are placed in a bigger setting of institutional and governance reforms that actually address the real problems undermining firm or sector performance. If unaddressed, these problems would be inherited by the new PSI/PPP projects, rendering PSI/PPP incapable of tackling the underlying causes of failures attributed to previous public management (Green 2003)—a point already mentioned in the section above. In addition, without effective regulatory and legal frameworks, PSI/PPP programs cannot necessarily be planned and implemented in the most efficient, most inclusive, and least corrupt ways possible (Campbell White and Bhatia 1998), which is more closely explored in the next section.

3.3.9 Exclusiveness and Corruption

Despite the calls for the inclusiveness of local stakeholders in decision-making processes related to public-private partnerships, or private participation programs, it is observed that little has been done to accomplish this objective. Campbell White and Bhatia (1998), surveying a wide range of private participation projects in Africa before 1996, find that there have been very limited opportunities for ordinary people to participate in the private participation processes. They warn that unless the poorest communities are allowed to participate in the processes or to receive measurable benefits from the proceeds, private participation programs tend to widen the income gap and make little direct contribution toward alleviating poverty. The same study suggests that if governments wish to maintain consensus and support, they should keep the public well informed before, during, and after the processes of private participation projects. However, unfortunately, few governments have applied such measures consistently, and fewer still effectively.

In a considerable number of cases, key stakeholders prefer PSI/PPP programs to be done in non-transparent processes, avoiding broader participation as much as possible. For members of the private sector, many are eager to negotiate exclusive rights and preferential treatment, which in the end would lead to collusive behavior, cartel arrangements, and abuse of their dominant position—a phenomenon called the “private capture” (Buchs 2003). Powerful groups in the state elite circle tend to closely direct and manage PSI/PPP processes for the purpose of ensuring that the outcomes of the PSI/PPP programs would maintain rather than undermine their own domestic political support circle (Tangri and Mwenda 2001). Often these support circles, or the immediate support layer around the political leaders, are rather small and exclusive. In such closed loops,

PSI/PPP programs could be used by regime politicians to recentralize power, reassert control over patronage networks, and weaken political contenders (Van de Walle 2001). In addition, PSI/PPP projects also give controlling elites new political patronage opportunities, which have already led to scandals that seriously damage the credibility of the PSI/PPP processes (Buchs 2003).

For the above-mentioned reasons from both the private and the public ends, countless PSI/PPP deals are sealed behind closed doors. Participation from local communities and users of goods and services is often lacking in PSI/PPP programs. The population is mainly seen as “recipients rather than contributors to development” (Green 2003). The World Bank and African Development Bank Group warned that not all PSI/PPP programs have been open and transparent in Africa in the 1990s, emphasizing that PSI/PPP methods that point to genuine broadened ownership have not been commonly used in Africa (Makalou 1999). The problems related to (non)transparency not only damage the credibility of PSI/PPP policies in most African countries, but they also jeopardize the efficiency and competitiveness of the post-PSI/PPP enterprises (Campbell White and Bhatia 1998).

Problems related to the exclusive nature of many PSI/PPP program are regrettable because inclusivity is stressed as a key prerequisite for successful PSI/PPP projects, particularly among UN-related principles and guidelines for PSI/PPP policies, including the General Assembly Resolution 56/76, which too many development stakeholders take advantage of to justify their PSI/PPP policies, despite that many of their projects are carried out in very exclusive manners.

One issue closely related to exclusiveness is corruption in PSI/PPP processes. This is another shame since PSI/PPP policies are often vigorously promoted as a remedy to the corruption problem plaguing publicly-owned enterprises by its most forceful proponents (as elaborated in the previous section). Buchs (2003) observes that PSI/PPP programs have been subject to widespread corruption in all developing regions of the world, as well as in transitional economies. Swyngedouw (2005, 96) looks into water PSI/PPP deals and finds that scandals were associated with several concession contracts in Jakarta, Grenoble, Tallinn, Lesotho, and Kazakhstan. Major water TNCs, including Enron, Vivendi, and Suez, “have all been accused of making payments to political parties in return for favors.” Regardless of regional specifics, PSI/PPP projects offer clear opportunities for corruption, particularly for large transactions. Malpractices and abuses in PSI/PPP processes greatly undermine perceptions about PSI/PPP policies among the receiving populations. They also taint the images and reputations of development agencies and donors as they are seen as covering up for large private firms.

Tangri and Nwenda (2001) offer one of the first accounts of abuses in PSI processes in Africa—a process that is marred by malpractice and manipulations involving regime politicians and well-connected individuals. The scandals they explore show the serious problems of corruption and cronyism in PSI/PPP processes in which anti-corruption agencies fail to prosecute high-level political leaders who give favorable treatment to patronized clients. Sufficient evidence shows that private sector participation, without adequate support from functional legal frameworks and healthy market systems, does not intrinsically possess a cure for corruption. Arikian (2008) notes that having a private partnership in asset ownership or performance management of an enterprise does

not necessarily reduce corrupted firm behaviors unless the official-firm connection is successfully and fully severed. The case of Ghana's water sector PSI/PPP reform was marred by a scandal in the late 1990s when the winning bidder Azurix (a subsidiary of Enron) was accused of bribing officials in the Government of Ghana in order to rig the bidding process. This scandal infuriated a wide range of domestic and international stakeholders, including the World Bank. As a result, Azurix lost the bid and the PSI/PPP project in Ghana's water sector was delayed. This scandal will be elaborated on more in Chapter Four. In addition, in Chapter Seven, the case of the misuse of the water supply by the Waija community in Accra will also demonstrate this point.

3.3.10 One Size Does Not Fit All

Stiglitz (2003) criticizes the "market fundamentalism" embedded in neoliberal ideology, which posits that a return to the "free, unfettered" market could solve all development problems. He authoritatively underscores the point that one-size-fits-all economic policies can in many cases damage rather than help countries with unique financial, governmental, and social institutions. In the same vein, Minogue (2002, 36) argues that variations in local circumstances dictate that "there needs to be substantial adaptation of generic reforms. Without such flexible adaptation to local conditions, reforms will not become rooted, will create empty, façade reforms which will be ineffectual, and do little more than create new bureaucratic layers." Countries in different parts of the world can and should be empowered to achieve development and modernization that is "amenable to their histories, circumstances, and distinct needs" (Ohemeng 2006, 9). Proponents of neoliberal policies should acknowledge the "permanent reality of a diversity of cultures, regimes, and market economies" across the globe and market operates in the most

efficient ways only when it is well-rooted in the larger societies (Gray 1998). Ohemeng (Ohemeng 2006, 9–10) summarizes it all, explaining that

[t]he managerial approaches envisaged by neo-liberals for public services are neither appropriate nor sustainable strategies when applied across countries. Factors such as cultural and organisational differences, political and ideological context and commitments, influence of external policy actors, and conflicts between local and international institutional standards must be considered in the adoption and implementation of reforms. In addition, the environment in which the policies are being implemented matters. Hence, the success or failure of many administrative reforms is contingent upon the influence of local structural and contextual conditions. The administrative state is interdependent with a larger environment and not an autonomous entity. Environmental influences mould sentiments, social controls, values, and norms as they are incorporated into the political system that the administrative state serves.

It is important to note that the configurations generated by the “generic reform-local adaptation” nexus are displayed in both developed and developing worlds. As delineated in the next section, in the Global North, neoliberal reforms mainly take the shape of “new public management” (NPM) policies. Kickert (1997) notes that the variety and specificity of NPM reforms in Europe and the United States show that NPM cases in continental Europe differ from the Anglo-Saxon ones and the United States; in addition, considerable variations exist within continental Europe as well. Numerous studies have produced evidence to challenge the idea originating in the early 1990s that NPM reforms in

Northern countries would converge to “one single, common, universal” pattern; on the contrary, NPM reforms took on a variety of forms and content, reflecting the divergent political-administrative-social contexts of different countries (Kickert 2008; Pollitt and Bouckaert 2011b).

In developing countries, neoliberal reforms have been guided by prominent international agencies such as the World Bank and the IMF since the 1980s (Collier and Gunning 1999). Most PSI/PPP projects are wrapped in the package of structural adjustment programmes (SAPs). In their early stages, most SAP programs have a strong component of sale or partial sale of formerly state-owned enterprises or firms. As time progresses, even the most adamant supporter of neoliberal policies comes to learn that variation, flexibility, and adaptation can never be avoided or neglected. Malakou (1999) counted as many as sixteen different ways of private involvement that were used in PSI/PPP programs across Africa. However, one should not overlook the fact that PSI/PPP reforms in developing countries are often externalized and exogenous. Forms of PSI/PPP may diverge, yet they might not vary according to different local circumstances; instead, variations may occur due to, and thus only respond to, external factors that are of little or no relevance to local contexts. For example, in Chapter Six, the author will try to make a case that the conception of Ghana’s water PPP was determined by the elements of the international water market instead of the unique circumstances of Ghana or the needs of the Ghanaian people.

To swiftly conclude this section, it seems that the merits of PSI/PPP claimed by its proponents are irrefutably refuted by its critics. Nevertheless, the past three decades have witnessed a revival of neoliberal ideology, policies, and projects in both the developed

and developing world. The following section provides a snapshot of what has transpired in that direction in the whole world.

3.4 MANIFESTATIONS IN BOTH DEVELOPED AND DEVELOPING WORLDS

The powerful shift back to liberalism was on a global scale and had its manifestations in both developed and developing countries. In the developed world, the return to neoliberalism takes on the look of new public management (NPM) and PSI/PPP with formerly state-owned businesses and industries (Ohemeng 2006). In many Third World countries, neoliberal policies were adopted by the World Bank and the IMF as the primary approach to guiding economic development (Cammack 2001; Mbaku 2004; Turner and Hulme 1997). A major difference is that PSI/PPP reforms are endogenous in developed nations but largely exogenous in developing ones. In the developed world, governments initiate reform of new management from within to dilute public interference in enterprises and industries. However, in the developing world, many of those reforms towards the private management of industries and enterprises were injected by international development agencies that greatly influence national policies through their development assistance, such as loans and grants. PSI/PPP projects first gained momentum in the developed countries as governments offered equity shares to the private sector for large state-run enterprises in mid-1980s. Since 1987, such policies were also heavily carried out in developing countries, particularly in Latin America. The trends of the deregulation and liberalization of domestic economies and the free flow of goods and capital further sped up in the 1990s, driven by technology innovation and political changes (Reinicke 1998). It eventually slowed down in early 2000s as many PSI/PPP programs backfired in mostly developing countries, although the ideas of neoliberalism

continue to influence us to this date. In short, PSI/PPP was vigorously promoted in both developed and developing worlds as a core economic policy reform (with varying results), although the problem of public ownership and private sector involvement are “different in a developed setting from those encountered in underdeveloped countries” (Wessel 1991).

3.4.1 In the Developed World

Among governments in developed countries, Margaret Thatcher’s cabinet in the United Kingdom is usually considered the first government in the Global North to launch an overhaul of public ownership of enterprises and to carry out sustained PSI/PPP reforms within the public sector. Guided by the Hayekian theories of returning to the market and de-nationalization, the Britons led the show of the return of neoliberalism in the 1980s. In July 1982, the Conservative Party-controlled British Government formally announced its intention to sell up to 51 percent of the British Telecom’s shares to private investors. In the wake of the equity offering in November 1984, which was favorably responded to in the UK and in overseas stock exchanges, many observed the hint that a global market for PSI/PPP existed, and therefore PSI/PPP as a policy was ready to be taken to a global scale. After succeeding in the telecommunication sector, the Tories implemented PSI/PPP measures in all other major utility industries in succession—gas in 1986, water in 1989, and electricity in 1990 (Dnes 1995). It is important to note a crucial point that such a policy tilt towards PSI/PPP was not just a question of stimulating private sector involvement in investment and management, but also of an ideological warfare intended to re-engineer support for the ideas of “popular capitalism” (Seymour 2012).

Major industrialized countries followed the footsteps of the British experiment.

As Shivendu (2008) observes, in France, the conservative government of Chirac came into power in 1986 and soon sold off nationalized assets during the ruling of the socialists in early the 1980s as well as large banks nationalized by Charles De Gaulle in 1945. In Japan, the equity offering of Nippon Telephone and Telegraph yielded more 72 billion US dollars in 1987. In the same year, 1.65 billion US dollars worth of shares were issued for Conrail in the United States. By the end of the 1980s, the neoliberal paradigm had secured its role as the main prescription for state reform in the economic realm in many developed countries.

For a paradigmatic perspective, these policies became an integral part of a shift towards what scholars and practitioners call the new public management (NPM)—a “shorthand for a group of administrative doctrines” in the reform agenda of several OCED countries since the 1970s, representing a collection of policies to “hollow-out” the state, which is seen as too overloaded and overstaffed as to have become unaffordable, ineffective, and overly constraining (Hood 1991; Kickert 1997; Ocampo 2000; Pollitt and Bouckaert 2011a). Hood (1991) summarizes key components of the NPM paradigm which include the following: “hands-on professional management” in the public sector; explicit standards and measures of performance; greater emphasis on output controls; shift to disaggregation of units in the public sector; shift to greater competition in public sector; stress on private sector styles of management practice; and stress on greater discipline and parsimony in resource use. At the core of the MPM doctrines lie the defining characteristics of its entrepreneurial dynamics, reinstatement of market in replacement of state, and proclaimed intention to transform managerial performance (Minogue 2002; Ohemeng 2006). Ideas and policies of NPM become keys of for-profit

actors to gain access in sectors that had previously belonged to the state and the public sector (Bexell and Mörtz 2001a, 2001b; Hood 1995; Mörtz 2008). Since the mid-1980s, NPM has been widely accepted by many developed countries that launched major programs of central government reform (Bexell and Mörtz 2001b; Kickert 2008; Mörtz 2009; Pollitt and Bouckaert 2011a).

3.4.2 In the Developing World

Tremendous pressure was imposed on the governments of developing countries to oblige with neoliberal development strategies, whose primary goal was to reduce direct involvement of state power in fostering economic growth (Wallis 2004; World Bank 1996). In the developing world, neo-liberal policies became known as the structural adjustment programmes (SAPs) (Ohemeng 2006).

The SAPs are designed packages that countries must follow in order to qualify for new World Bank and IMF loans, including a set of conditionality requiring significant and dramatic reforms in macroeconomic, structural, and social policies (Abugre 2000). Originally the World Bank is the main agency promoting such structural changing policies (heavily attached to the Bank's lending). The IMF started pursuing the same policy orientation in 1986, and subsequently, other key international financial institutions adopted the same principle. Although SAPs are designed for individual countries, they have common guiding principles and features that include: export-led growth; privatization and liberalization; and the efficiency of the free market. SAPs generally require countries to devalue their currencies against the dollar; lift import and export restrictions; balance their budgets and not overspend; and remove price controls and state subsidies.

The global economic downturn at the end of the 1970s plunged many developing nations into massive economic decline and overbearing debts, which halted the implementation of key economic development initiatives of the governments; therefore, many countries in the Global South were forced to adopt mandatory adjustments to their internal economic structure, either in the form of stabilization or structural adjustments, should they desire to seek assistance from prominent international financial institutions (Nwagbara 2011).

Ohemeng (2006) points out that SAPs consist of two major policy components—stabilization and structural adjustment. Stabilization programs are intended to correct a balance of payment deficit, while structural adjustment works simultaneously toward payments for deficit reduction, the resumption of output growth, and the achievement of structural changes needed to prevent future payments (Yagci, Kamin, and Rosenbaum 1985). In essence, on the one hand, stabilization deals with macroeconomic disequilibrium, improving the balance between supply and demand in an economy in order to moderate inflationary pressures and strengthen the balance of payments in a relatively short time. On the other hand, adjustment programs are long-term measures to reform public institutions to increase the efficiency and flexibility of a country's economy, to enhance resource utilization, and to engineer sustainable long-term growth (Ohemeng 2006; World Bank 1989). It is believed that stabilization and adjustment policies complement each other, as “the boundary between the two is not well-defined, and actual programmes usually include elements of both” (Nelson 1984, 984). At the core of the SAP programs is the idea “to discourage the state's typically multitudinous

interventions in productive economies, and allow freer rein to more efficient and productive market forces” (Green 1991, 67).

SAPs have become a common remedy that IFIs, particularly the World Bank and the IMF, prescribe for debt-engulfed states in the developing world. Many criticize the exogenous nature of SAP programs, as they were forced onto host nations by powerful multilateral or bilateral development agencies. However, let one not ignore the fact that many elites in developing countries are also receptive to such programs, as they are proactively seeking reform and buying into the idea that SAP programs could leverage private resources and expertise to boost domestic institutions—and most importantly, pave the way to loans and grants from IFIs such as the World Bank and the IMF (Andonova 2006; King 2001). However, it is important to bear in mind that the objectives of SAPs are valid “only if they arise out of a domestic consensus which balances competing objectives with attention to the needs of vulnerable people, local producers, and the natural environment.” Unfortunately, SAPs are perceived commonly as “[conflicting] with homegrown development agendas [that feature] the priorities of social development...and environmental protection” (Abugre 2000).

3.5 NEOLIBERAL REFORMS IN THE WATER SECTOR

As Budds and McGranahan (2003) point out, in the nineteenth century, when water service was first provided to the wealthier few in industrialized Europe and North America, it was mainly a private business endeavor. Water provision was an exclusive good served only to the urban elites who could afford it and who, in return, generated profit for the providers (Corbin 1994; Davis 2005; Swyngedouw 2004).

However, governments, particularly municipal governments, grew convinced that

water and sanitization were important for both public health and national economic development, and they started to assume the role of provider of these services in the Global North. Such conviction and related activities became institutionalized worldwide in the twentieth century when water provision and system maintenance almost exclusively fell under the purview of the public sector (Davis 2005). The short pre-WWI years of the twentieth century witnessed the consolidation of water supply systems through some sort of “municipalization” in the Global North. City after city started to have a standardized, comprehensive supply of potable water and the regulated disposal of sewerage (Gandy 2004; Swyngedouw 2005). Around approximately the same time, in other parts of the world, colonies or not, cities followed similar models and began to develop urban water supply systems (Swyngedouw 2004).

The years following WWI witnessed the increasing interest of national states in major utility industries such as water, electricity, and telecommunication. Guided by a “Fordist-Keynesian State-led social and economic policy,” national governments in industrialized countries gradually assumed much greater roles in service provision. The water sector, as well as other public service industries, became “an integral part of the Fordist and corporatist state form” (Littlechild 1988; Swyngedouw 2005, 84–85).

In the post-WWII era, newly independent nations in the global South followed the same trend of providing public services, including potable water, to the general population through a state-run provider. Although the aim was towards universal provision, infrastructural and capital constraints greatly hampered such aspiration and potable water supplies were usually provided only to urban-dwellers. It is important to note that water was only one of the many services that states in the Global South took

responsibility of; in fact, the so-called “statism,” a popular development ideology at that time, dictated that the government provide universal access to basic services, including water, electricity, sanitation, education, health care, and so on. In many former colonies, such socialist post-independence industrial policy “accorded a dominant role to the state in the articulation and implementation of economic development strategy in general and industrialization in particular” (Shivendu 2008).

This phenomenon also had its reflection on the international level. On the one hand, the developed world started to inject more government control over the economy. On the other hand, as stated above, the population of the newly independent Global South expected their new governments to provide universal care for the citizens. Both sides contributed to the prevalence of what Weiss et al. (2010) call “the Keynesian State Capitalism” in the UN’s post-WWII development agenda. Meanwhile, as the membership of the General Assembly grew at a startling speed in the 1960s, the Global South collectively demanded a “new international economic order” and preferable treatment in the world economy. At this particular historical time, international development agencies, particularly the ones in the UN system, focused on mustering and channeling assistance from the governments of developed countries, largely in the forms of ODAs, grants, and loans, to the governments of the developing world. Southern governments were supposed to use those resources to build up infrastructure and provide basic services to the general population, including potable water. As stated at the beginning of this chapter, such a state-run approach came to its breaking point in the post-crisis 1970s, and the 1980s saw a revival of liberal economic theories and policies, as well as the demise of the Fordist economic states and the policy formula of state-led economic growth (Moulaert and

Swyngedouw 1989).

Starting in the 1980s, neoliberal ideas had a profound influence on international development and policy debates in the water sector (Budds and McGranahan 2003; Gutierrez 2001). Over the past two and half decades, from the mid-1980s to the 2000s, while international development agencies were pushing for sector reforms in developing countries, water, like many other natural resources, presented itself as a new frontier for capital investment, becoming “an increasingly vital component in the relentless quest of capital for new sources of accumulation,” through which “local resource systems become part of the strategic checkerboard of global companies” (Swyngedouw 2005, 87). As elaborated in the previous section, such a return to the market and private sector had its manifestation in both the developed and developing worlds. After the first decade of massive water PSI/PPP projects, as Swyngedouw (2005, 87) observes, by 2002 the relentless rush towards water PSI/PPP programs created “a global market valued at more than \$45 billion US.” The number of people supplied by private companies grew from 51 million in 1990s to nearly 300 millions in 2002 (Davis 2005).

3.5.1 In the Global North

In the developed world, the privatization of water services gained tremendous momentum. Again the UK was one of the pioneers in such an endeavor. After the Conservative takeover of the UK government in late 1970s, previous Labour-sponsored equalization schemes among water consumers were suspended. In 1989 the regulatory framework created with privatization formally stopped cross-regional subsidies and consumers started to face real commercial prices for the water they consumed. Average

water charges per household rose significantly, and disconnection peaked at over 20,000 properties in 1992 (Bakker 2001).

In continental Europe, similar processes towards PSI/PPP in the water sector ensued. France is usually regarded as the heartland of water privatization and home to some of the major water TNCs of the world. Since the French Revolution, water management has fallen into the jurisdiction of municipal authorities, which have been delegating the job to the private sector, creating giant water monopolies such as Suez and Veolia (formerly known as Videndi). The Government of Jacques Chirac of the 1980s further pursued PSI/PPP deals in water, awarding water contracts to private companies, most notably in Paris and Grenoble (Alech 2009; Godoy 2008).

In other western European nations, either PSI/PPP is enforced or public sector managements were required to operate more like a corporation. For example, in the Iberian Peninsula, both Portugal and Spain went through concessions of water management from municipal authorities to private water companies. In Portugal, PSI/PPP started in 1993 following legislative amendments to create the “water industry.” In Spain, the PSI/PPP process began in the mid-1980s, and the private sector has managed to control about 50 percent of water services by now through forms of private enterprises or public-private partnerships. About 90 percent of the private water business in Spain is controlled by the French water giants Suez and Veolia. In Italy, PSI/PPP in the water sector started in mid-1990s and sped up in the 2000s, and by now half of the country’s population is serviced by mixed public-private providers (Hall and Karunanathan 2012).²²

²² For a list of different types of PSI/PPP adopted by continental European countries, see Gutierrez (2001).

3.5.2 In the Global South

In developing countries, water sector reforms have also been carried out in various forms of PSIs/PPPs. Despite considerable resentment, multinational financial institutions and bilateral development agencies vigorously promoted public-private partnerships in the water and sanitation sector of the Global South. Partnership discourse was particularly strong in the water industry, with an aim to achieve greater operation efficiency and enhanced access to potable water (Hall and Lobina 2005; Prasad 2006).

The 1992 Dublin Principles illustrate this new perspective and apply four development dicta of the 1990s to the water sector: care for the environment, increased participation of non-governmental stakeholders, sensitivity to gender issues, and the increased role of markets (Budds and McGranahan 2003), as the Principle No. 4 of the Dublin Statements indicates (WMO 1992),

[w]ater has an economic value in all its competing uses and should be recognized as an economic good. Within this principle, it is vital to recognize first the basic right of all human beings to have access to clean water and sanitation at an affordable price. Past failure to recognize the economic value of water has led to wasteful and environmentally damaging uses of the resource. Managing water as an economic good is an important way of achieving efficient and equitable use, and of encouraging conservation and protection of water resources.

The Dublin conference served as an official declaration of the idea that water is an economic good and should be treated as such (IFC 2011, 14). The theme is echoed in other international conferences though out the decade of 1990s and the years to follow.

For example, at the 2002 Johannesburg Summit, “market and market forces were championed as the pivotal leverages” to achieve the goal of halving the number of people that lacked adequate access to clean water (Swyngedouw 2003, 2). Based on the Dublin Principles, in 1993, the World Bank endorsed a Water Resources Management Policy Paper, which formed the Bank’s comprehensive water sector strategy (World Bank 2004b).

Such stance steered a fundamental shift in the perception of water from a public service to an economic good in the international development landscape (Bakker 2003). It had tremendous influence on both multilateral and bilateral organizations, which realigned their positions in the water sector to reflect their own interpretations of the Dublin Principles. International financial institutions such as the World Bank started to play a central role in advocating new approaches to reforming water sectors in the emerging markets of the Global South (Brocklehurst 2002). Recommendations for private sector participation were made to many governments struggling to gain economic development. Powerful bilateral development agencies, such as the UK’s Department for International Development (DFID) and the USAID, also started to favor increased private sector participation in their recipient countries (Budds and McGranahan 2003; UK-DFID 1999). Therefore, water has become “one of the central testing grounds for the implementation of global and national neo-liberal policies... water production and delivery services, particularly urban water supply systems, [have] become an important arena in which global capitalist companies operate in search of economic growth and profits” (Swyngedouw 2003, 2).

The shift towards treating water as a global commodity has “profound

implications for the social and political meaning and cultural valuation of water” (Swyngedouw 2005, 93). However, such a shifting notion towards water is never unchallenged. This move towards involving the private sector in basic service industries such as water remains a point where contending ideas meet and often invokes tremendous opposition, particularly in developing countries (Shiva 2002). Many people find it “ethically unacceptable” for tariffs to be based on the profits of private operators when part of the population struggles to meet basic needs (Budds and McGranahan 2003). Resentments are heightened when powerful water TNCs based in the wealthiest countries collect such profit from prices paid by poor people in developing countries (Bond 1998). It is believed that water is a human right, “a necessity more basic than bread and a roof over the head... [and] no one should have to pay for water” (The Economist 2012).

In 2003, ECOSOC (2003, 2) challenged the notion that water is mere a economic good. Rather, it considered water a human right, noting that that everyone should be “entitled... to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses.” In addition, many perceived that private sector participation taken by international agencies is driven by the goal to further the interests of donor countries’ own private sector rather than those of the recipient countries. The way was thus opened for private sector participation in water utilities in cities in Latin America, Asia, and Africa, making privatization a central concern of development policy during the 1990s (Budds and McGranahan 2003; Schulpen and Gibbon 2002).

Nevertheless, leading international development agencies have insisted on having PSI/PPP in the water sector for more than two decades all over the world, promoting the private sector as a condition for government borrowing and expenditures and sensitizing

government and local elites towards such a policy propensity. Particularly the World Bank's propensity towards PSI/PPP cast considerable influence on both borrowing countries and other development banks and donor agencies (Davis 2005, Haughton 2002).

As a result of two decades of such influence, Davis (2005, 153) observes that following a decade of virtually no foreign investment in the Global South, the years between 1990 and 1998 saw an influx of 1.1 billion US dollars of investments in the water and sanitation sector. Latin America took roughly half of these investments, whereas East Asia and the Pacific captured 30 percent of the FDI in the sector. Unfortunately, between 1990 and 1997, less than 0.2 percent of all PSI/PPP investment in developing countries took place in Sub-Saharan Africa.

The International Finance Corporation (IFC), the World Bank's private sector arm, claims that "by 2007, private water operators were delivering services to around 160 million people in emerging markets. These PSIs/PPPs have delivered water access to an estimated 24 million people since [the] 1990s" (IFC 2011; Marin 2009). In the first decade of the new millennium, "[p]rivate-sector participation in water by number of projects has expanded threefold... with an average of 50 projects and two to three billion (USD) investment commitments per year, 535 water projects benefitting from private participation have reached financial closure... [and commitments] to water projects with private participation totaled about \$34 billion" (IFC 2011, 9).

It is important to note that these data are worldwide, and a careful look into the details reveals that most of the large water PSI/PPP deals take place in the developed world, while private investment injection into the water sector of developing countries remains limited. In addition, among the low and middle-income countries, China

accounts for 80 percent of PSI/PPP water projects (IFC 2011, 9), which further shows the limited scope and activities of water PSIs/PPPs in developing countries. Therefore, it is not surprising to find out that by the time the surge of water PSI/PPP subdued, “ninety percent of worldwide water and sanitation services remain[ed] under government ownership and administration” (Cevallos 2006).

3.5.3 Water TNCs

Even though most water and sanitation services remain in the public sector, an exclusive club of a handful of private water companies have emerged in the international market, competing and collaborating to finance, build, manage, or operate water industries worldwide (Castro 2008). Despite that in the general PSI/PPP literature there is a strong emphasis on marketed-oriented competition that is supposed to lead to efficiency of the private sector, in reality such envisioned competition rarely takes place in the global water industry as “[at] a global scale, an accelerated process of concentration and consolidation is taking place that is rapidly leading to a fairly oligopolistic economic structure of water utility companies, with two (French) companies controlling about 70 percent of the global privatized water market” (Hall 2002; Swyngedouw 2005, 94).

Hall (2002) lists seven companies as members of the exclusive club of “water multinationals,” among which the French companies of Suez (water division: Odeo) and Vivendi Universal (water division: Vivendi Water) were marked as the leading horses of the industry. There is a clear dominance of the market by these giant water TNCs, who have a track record of close collaboration to “share the spoils” by either managing water systems jointly or carving up the PSI/PPP deal into different geographical areas (Swyngedouw 2005, 94–95). In addition, the smaller and less powerful members of the

club often make partnerships with Suez or Vivendi in order to establish themselves in the market, which further exacerbates the situation (Hall 2002, 7). In the next chapters, the author will elaborate in detail the powerful influence that these water TNCs could wield in water PSI/PPP negotiations.

3.6 CONCLUSION

The UN's Secretary-General asserted in 2000 that positive, inclusive globalization "must be built on the great enabling force of the market, but market forces alone will not achieve it. It requires a broader effort to create a shared future, based upon our common humanity in all its diversity" (UNGA 2000b, para. 14). As elaborated in Chapter Two, the UN's recognition of the merits of the market and partnerships with the private sector was actually a delayed reflection of, and response to, the revival of neoliberalism on the global development agenda. Long before the UN's formal recognition of the private sector's value in enhancing development, governments and donor agencies had already initiated their own reform agenda towards enhanced private sector participation. In the developed world, starting from the 1980s, a wave of PSI/PPP programs were carried out to inject private sector participation into formerly nationalized sectors and enterprises. In the developing world, international bilateral and multilateral agencies, particularly the Breton Woods institutions, adopted neoliberal doctrines and pushed for their reflection in the PSI/PPP reforms in developing economies.

For the proponents of neoliberal ideology, market-based reforms were seen as the cure for the state's inability to deal with firm efficiency, fiscal solvency, investment injection, and unwarranted political influence, as well as making an attempt at the universal provision of services and goods. At the same time, criticism of the neoliberal

policy and approach never stopped accumulating. Critics of neoliberalism argue that the alleged merits of PSI/PPP are over-optimistic and their supposed positive effects on development were based on unrealistic assumptions. Many have pointed at the weak theoretical and empirical foundations of PSI/PPP policies. It is argued that during the 1980s, proponents of market-based reforms took a “leap of faith” in promoting PSI/PPP projects without really examining the possible outcomes of such policies (Nellis 2005b). For example, the World Bank, one of the most enthusiastic supporters of PSI/PPP reforms worldwide (in particular, in developing countries), was accused of offering little more than a superficial account of what PSI/PPP policies are supposed to achieve, without indicating how the achievements would occur (Bayliss 2000).

Nevertheless, neoliberal ideology gained momentum in guiding development policies in both the developed and developing worlds in the 1980 and 1990s. In both Global North and South, PSI/PPP policies and projects were carried out in a variety of sectors and formerly state-owned enterprises. Starting from late 1980s (but mostly early 1990s), the water and sanitation sector(s) became a testing ground for the PSI/PPP experiment. The decade of the 1990s witnessed PSI/PPP reforms in the water sector on all the continents of the world, with a particular salience in Asia and Latin America. Although on a much smaller scales, Africa is no exception. Many African nations also went through market-based reforms in the water sector towards more private involvement. In fact, the focal country of this research, Ghana, was a latecomer in this game. Many other African countries have adopted private sector participation in the water sector long before the idea was being contemplated in Ghana. On the one hand, this could mean that the reforms in Ghana could possibly be much informed by the

experiences in other parts of the continent and the world, thus giving Ghana a better footing in the water public-private partnership game. On the other hand, it could also mean that Ghana might have already missed the prime opportunity to join water PSI/PPP schemes.

The positive impact of free markets and private sector involvement is an important aspect of development. However, it is not the only element. The private sector is not a default cure for the barriers that hinder development. In fact, if not handled properly, PSI/PPP might very well hinder sustainable and inclusive development. As mentioned earlier, partnership-building in PSI/PPP programs entails a significant number of challenges, including finding the right partnership to address the right problems at the right time (Runde, Carson, and Coates 2011). In addition, partnership formations need to be devised to address the real problems that have been undermining development; therefore, these partnerships require careful efforts in designing and monitoring. Superficially imposed market-based reforms that do not take into consideration of the circumstances in which problems of development are deeply rooted, would miss the real hindrances of development, fail to address them, and fall short of delivering expected results (Bayliss 2000).

In the next chapters, the author will look into the circumstances in which the PSI/PPP reform in Ghana's water sector was carried out. Chapters Four, Five, and Six tries to offer an account of the dynamics among the stakeholders during the partnership negotiation processes. A case study is presented to determine the key factors behind Ghana's final choice of a management contract as the particular form of PSI/PPP in which the reforms will be carried out in the water sector. It is important to bear in mind

that as much as PSI/PPP are viable tools for development, if the particular form of PSI/PPP program is not suitable in addressing the genuine obstacles of development, and if the determinants of the PSI/PPP are external elements that have nothing to do with the real needs in the host country, it is very likely that such ill-conceived and ill-born PSI/PPP reforms might grow into a Frankenstein's monster, disliked by its very own creators in the end.

CHAPTER 4

A DECADE AND HALF’S JOURNEY: NEGOTIATING A WATER PARTNERSHIP (1990–2005)

*An old, mad, blind, despised, and dying king,
Princes, the dregs of their dull race, who flow,
Through public scorn, mud from a muddy spring,
Rulers who neither see, nor feel, nor know,
But leech-like to their fainting country cling.*

-- Percy Bysshe Shelley, “England in 1819”

It does not matter whether the cat has a white or black fur as long as it catches mice.

-- Comrade Deng Xiaoping

The dichotomy between public and private enjoys a long history in Western thinking and is one of the major debates in the social sciences (Mörth 2009). In the 1980s, many developing countries, especially in Africa, found themselves caught up in the struggle between the state and the market and between the contesting ideologies of statism and neoliberalism in economic and development affairs. During this time, many African economies had accumulated a variety of problems that they inherited from dysfunctional policies under decades of public ownership and management. Ghana was no exception.

As a result, prescribed neoliberal policies created fundamental challenges to the socialist states in Africa, including Ghana. Neoliberalism eventually gained the upper hand and essentially altered the inward, big “D” development of the Ghanaian economy and set it on the path of market-oriented policies, adapting to the global reform trend of reducing the public hand in economic affairs.

This chapter examines the contest between IFI-prescribed neoliberal reforms and the retreating Ghanaian state in the economic realm. Focus is given to the market-oriented restructuring of the water sector—a process that took more than a decade to conclude (early 1990s–2005). In the first section, the development of the socialist state in Ghana, from the nation’s independence to the eve of the 1980s, is described. The demise of the state-led economic development doctrine leads to section two, which presents the history of the neoliberal reform in the 1980s. The achievements of such reform measures, mostly on the macro-level, set the stage for their spill-over and penetration in the “commanding heights” of the Ghanaian economy, including the water sector, in the 1990s. The third section outlines the establishment and development of the state-controlled water sector during the heyday of the big “D” development era, and it also examines the decentralization measures that took place in the sector in the 1980s that conformed to the general trend of reducing state influence in economic affairs. The fourth and most substantive section of the chapter delineates the events that transpired since the reform agenda formally landed in the water sector in the early 1990s. The negotiations for a water PSI/PPP are captured by three stages of progression, in which a lease option (1990–1995), an “enhanced lease” proposal (1995–2000), and eventually a management

contract (2000–2005) successively dominated the negotiation talks. Finally, the chapter conclusion sets the stage for the analyses of the next two chapters.

4.1 STATISM IN GHANA

Ghana's post-independence experience in development is one of many typical stories of Sub-Saharan African nations that had the luxury of avoiding protracted civil wars (with its own slight variations, of course). These countries share a collective experience, in that they “revolted against foreign rule, or negotiated with foreign rulers to gain political and economic independence, and undertook far-reaching development programmes in the attempt to improve their welfare, with widely differing results” (Frimpong-Ansah 1992, 1). Together, these newly independent states witnessed a socialist state capital development period in the 1960s and 1970s. Subsequently, from the mid-1980s to date, they started adopting, with varying degrees, a gradual shift towards a more market-oriented style of development.

Ghana gained her independence and broke away from the British Empire in 1957, and three years later, in 1960, Ghana became a republic. During the administrations of Nkrumah (1960–1966), Busia (1969–1972) and the Supreme Military Council (1972–1979), Ghana pursued a development plan that largely depended on domestic construction and growth. During this period of time, development was “inward-looking with an emphasis on eradicating spatial inequalities inherited from the colonial era,” and “global concerns were not at the core of development practice in the era of big ‘D’ development in Ghana” (Yeboah 2006, 51–52). The state assumed the role of guiding economic growth through massive projects and ambitious attempts to provide universal coverage of services (e.g., utility provision) to the population—a typical example of state

capitalism, or “statism.” Underlying this Keynesian approach was the belief that the new political leaders and economic managers of the post-colonial nation would make rational choices in economic decisions that would serve and enhance the welfare of the majority, if not all, of the population. In practice, such high involvement of government in economic activities was reflected in the proliferation of state-owned assets and enterprises, whose public ownership was justified by arguments of social equity, economic independence and self-reliance—idealistic, but important labels for any post-colonial regime and population.

Edjekumhene, Amadu and Brew-Hammond (2001, 1–2) offer an excellent account of the early state-led development years in Ghana. Starting from the first president Kwame Nkruma until the *coup d’etat* on New Year’s Eve in 1981, the idea and practice of state-led economic activities and state-owned enterprises set up as “statutory bodies or companies to carry out specific tasks” were “the development paradigm then in vogue”, and the private sector was seen as “unable or unwilling to undertake such venture at the time.” It was an imperative for the government to “own, operate, and control the ‘commanding heights’ of the economy,” and to provide “vital public services or utilities such as the provision of electricity, water and telecommunication.” In the 1960s and 1970s, “moderate successes” were recorded for the state “as the engine of economic growth.” Jobs were created, import substitution industries proliferated and massive infrastructure projects were carried out.

For example, in the electricity sector, Asante (2006) gives a detailed account of the growth of the state-owned assets and state-controlled utility provision in Ghana’s post-independence history. In 1914, the central region of the capital city, Accra,

witnessed the first public electricity supply in the country under the colonial rule. Isolated, small electricity supply systems appeared in different parts of the country throughout the first half of the twentieth century. Prior to the eve of independence, public electricity supply systems were already providing for many towns and communities; however, these providers and networks were largely isolated. It was only after Ghana gained its independence that a nation-wide electricity-generation and provision network was brought to the agenda and ambitiously carried out.

In 1961, four years after Ghana gained its independence and one year after the attainment of republic status, the Ghanaian government passed the Volta River Development Act (1961), which established the Volta River Authority—a state-owned entity responsible for the generation and transmission of electricity in Ghana. The construction of the Akosombo Dam formally commenced in 1962 and was completed in 1967—a project that echoed the Hoover Dam, in its own scale of course. Between the 1960s and mid-1980s, state-owned electricity infrastructure grew steadily and reached its peak when another giant undertaking, the Kpong Hydroelectric Project (another dam), was successfully commissioned in 1982, a year before the invasion of structural adjustments in 1983. Both projects continue to supply electricity to the majority of the country to this date. The government, in particular the Volta River Authority, was the architect of these projects and was in charge of the planning and execution throughout the whole processes. No private sector entity was involved except for studies commissioned and outsourced to Western consultants. At approximately the same time that the Akosombo Dam was being built, in the water sector, the Ghana Water and Sewerage Corporation (GWSC) was established in 1965—another one of the many elements of

such state-guided and controlled development (to be elaborated in later parts of the chapter).

When Ghana became independent in 1957, the nation was hailed as the first to rid itself of colonialism in Sub-Saharan Africa. It was widely believed that the new nation would embark on a journey of rapid economic growth, accompanied with social equity and justice, as she had “a considerable head start over many countries” in the region (Dzorgbo 2001). It was exactly with this optimism that the Government of Ghana assumed responsibility of guiding the state into a social-economic blossoming during the immediate two decades following the nation’s independence (the 1960s and 1970s). Ghana became “one of the first countries in Africa to make a bold attempt at planned economic development” with new programs of modernization that generated their own momentum and dominated decision-making processes regarding the running of the country (Frimpong-Ansah 1992, 2–3). However, “by the end of [the] 1970s Ghana paradoxically became the first country in twentieth century Africa to have experienced socio-economic decline” (Dzorgbo 2001). Ghanaians became “the first on the African continent to suffer real failure in economic development, and to resign themselves to the humiliating disintegration of a post-independence political economy” (Frimpong-Ansah 1992, 3).

At the dawn of the 1980s, the previous “three decades of euphoric adventures in development” came to a halt (Frimpong-Ansah 1992, 4). Ghana was facing multiple difficulties as national debt was accumulating and the economy was on the verge of collapse. The negative impact of the drop of the cocoa price on the international level certainly played a direct role in exacerbating the situation. However, multiple sources

point out that the inability and incompetency of the state as the conductor of the development orchestra were the root causes of the crisis. On the domestic level, on the one hand, the accumulated economic burdens and bad policies in the economic realm overstretched the government's ability to its breaking point. On the other hand, the "vampire state" of the Government of Ghana intrinsically damaged the economy that it was supposed to lead in growth.

On the enterprise/firm level, Ghana's state-owned and managed enterprises were trapped with poor financial results and low productivity for many years prior to the crisis of the 1970s and 1980s. As a result, to sustain these state enterprises, the government had to continuously subsidize them by using tax money or borrowing, which led to an increasing debt burden and the diversion of resources that could be better used in other domains. During the first half the 1980s, it is recorded that between eight to ten percent of government expenditures went to support under-performing state-owned enterprises (Edjekumhene, Amadu, and Brew-Hammond 2001). On the national level, the successive administrations of the Ghanaian government, civilian and military ones alike, were accused of failing or being unable to "develop consensual politics and a clearly specified long-term development objective that could be widely understood, accepted and have relevance for policy making" (Dzorgbo 2001). In addition, the "vampire state" of Ghana, hijacked by a small group of people who took advantage of their power in the state to seek private benefits for themselves or their cronies, was intrinsically undercutting the economy in both the short and long run (Frimpong-Ansah 1992).

As a result, between 1980 and 1983, Ghana registered negative GDP growth rates, and the Provisional National Defense Council (PNDC) government, which came into

power after a *coup d'état* in late 1981 and inherited an economy on the brink of disaster, was forced to launch the Economic Recovery Program, which was guided by the World Bank and IMF, and to unleash three successive Structural Adjustment Programmes (Edjekumhene, Amadu, and Brew-Hammond 2001; Kapur et al. 1991; Parfitt 1995; Tangri 1991).

4.2 NEOLIBERALISM IN GHANA

On December 31, 1981, Flight Lieutenant Jerry John Rawlings of the Ghanaian Air Force overthrew the civilian government of Hilla Limann and took over as the leader of the country. What is noteworthy is that this was not the first *coup d'état* that the Flight Lieutenant had attempted. In fact, the post-independence years of Ghanaian political history was marred by a series of coups ever since the first one had removed Kwame Nkruma from power in February 1966. During the last one of the 1970s and the second to the last in the Ghanaian history, Rawlings revolted against the then ruler General Akuffo on May 15, 1979—his debut coup. Subsequently, he was arrested with a possible death sentence and broken out of jail by sympathetic soldiers. Eventually, he managed to take down his nemesis General Afullo. After the coup, Rawlings' Armed Forces Revolutionary Council organized an election and handed over the country to the winner, Hilla Limann, who became the target of Rawlings's second coup on the last day of 1981.

The 1981 coup inaugurated Rawlings as the leader of the country for the next two decades. He ruled as a military strongman for the first decade until 1992, when he retired from the armed forces, legalized political parties, and organized and won a presidential election. He won reelection in 1996 and officially retired from the political scene in 2000. The two decades of the “Rawlings era” witnessed neoliberalism's intrusion, takeover, and

expansion in the Ghanaian economy. When Rawlings took office in the early 1980s, the Ghanaian economy was dominated by state-owned sectors and enterprises and was at the parade's end of state-planned and guided economic development. By the time Rawlings retired in 2000, Ghana was already cited as one of the most victorious stories of neoliberal adjustment programs with successful private sector involvement in key industries, at least according to the Bretton Woods institutions (Kapur et al. 1991).

In 1981, the Flight Lieutenant and his followers in the PNDC accused the overthrown president Hilla Limann of economic mismanagement. However, the economic disaster at the dawn of the 1980s was more a result of accumulated enterprise and sector problems and policy errors in the previous decades, rather than the failure of the short-lived and ill-fated Limann administration. As mentioned above, Rawlings and his PNDC inherited an economy on the verge of collapse. Despite his early tendency towards socialism, the crisis that the Flight Lieutenant found himself in pushed him to accept a reform proposal offered by the Bretton Woods institutions, namely the World Bank and the IMF, in the name of structural adjustment programmes.

Tangri (1999) presents an excellent analysis of the economic concerns of the Ghanaian government during the first years of the Rawlings era. For Rawlings and the PNDC, should they try to sustain the country in the same way that it had been managed during the previous two decades, in the short run, they needed a considerable amount of additional borrowing, which was untenable. More importantly, in the long run, it was very likely that they would face a catastrophic failure. However, should they accept the Bretton Woods reform proposal, there was high anticipation and expectation of budgetary and economic benefits, as well as international aid money from multilateral and bilateral

agencies. At the same time, for the middle-level technocrats in the government, especially the ones who were charged to manage state assets and enterprises, it was widely believed that the government had proven its inability of “generating sustained real growth and permanently improved living standards,” while the private sector, on the other hand, was “the route to sustained economic growth” (Tangri 1999, 48). Reform, therefore, was seen and welcomed by the majority of the technocrats as a means to achieving wider economic objectives, including the promotion and development of the private sector that had been crowded out by the state sector, enhancement of overall efficiency in enterprise management and performance, and the growth of the economy.

It is important to note that this sentiment and stance of the middle-level technocrats pointed towards being in favor of private-sector growth and participation. It counters the argument that the Bretton Woods institutions completely forced PSI/PPP programs on Ghana. It adds a dimension to the dynamics of the interaction between the Bretton Woods agencies and the government of Ghana—that is to say, the voice that advocated the virtues of the private sector did not just come out from the IFIs, but it had an echo within certain elements of the government. In fact, the same sentiment existed among mid-level managers in Ghana’s state-owned water company when PSI/PPP was first proposed and contemplated in the sector (to be elaborated in later sections). However, this is not to say that reform measures in Ghana were not largely guided and influenced by external donors. For example, certain water sector technocrats in the Ghanaian government were willing to try PSI/PPP reforms in the sector in the 1990s, but at the same time, the water sector reform was largely a World Bank initiative and prescription. Should the World Bank have not pushed for the water sector reform, the

water PSI/PPP would not have taken off despite the technocrats' leniency towards trying options that would involve the private sector.

As a result, the decade of the 1980s witnessed the shift from an inward strategy to an outward orientation in Ghana's grand development plan. During this period, while the international economy witnessed a return to neoliberal development strategies from previous Keynesian state capitalism and international affirmative action periods, the Ghanaian government started to make structural adjustments, too. The first structural adjustment programme (SAP) was introduced in 1983, which started Ghana's increased dependence on international sources to meet her development needs. This change brought in new actors from outside of Ghana—both IFIs and private investors—which required domestic adjustments to fit them in. The key element of the SAPs is to privatize industries and businesses that were formerly owned by the state (Fuest and Haffner 2007). Therefore, the inevitable issue was to reconfigure and reappraise the role and scope of state-owned enterprises and industries. In early 1988, the PNDC redrew the line between the public and private sectors and decided that the public sector would only remain in eighteen key state enterprises, including mining, energy, transportation, utilities, wholesale and retail trade, and cocoa marketing—the “commanding heights.” In the same year, 32 enterprises became the target of the first wave of PSI/PPP programs (Tangri 1999). From the perspective of the PNDC, gradually reducing public control of sectors and enterprises was an unavoidable choice, although to let which sectors or enterprises go to private hands first would become a protracted decision-making process.

From the perspectives of international financial institutions that were guided by neoliberal development doctrines, working Ghana through the structural adjustment of

enterprise ownership was a way to ensure that Ghana would be responsible for her own development. Instead of simply providing loans and cancelling debts, PSI/PPP was to ensure that Ghana would be able to get on a track of economic development that would enable her to repay the loans received. Members of the private sector, with their technical know-how, efficient management systems, and much-needed capital, were considered the best proxy for sector and enterprise management, as well as infrastructure development (Bakker 2003; Vickers and Yarrow 1991)

For private investors, buying state-owned properties opened up new business opportunities. Starting from the 1980s, investors gradually realized that previously state-owned industries were the new frontiers for capital investment. It is in the very nature of capitalism that investors seek profits in whatever opportunities that are given to them (Swyngedouw 2003). Formerly public-owned assets and firms everywhere, not only in Ghana, started to become the new commodity through a strategy of “accumulation by dispossession” (Harvey 2003; Katz 1998; Swyngedouw 2005)

All these factors led up to the massive sale of state enterprises and the withdrawal of state involvement in basic social welfares such as school and healthcare in Ghana (Konadu-Agyemang 2000). It also liberalized the import and foreign exchange markets. The Ghanaian economy was no longer self-reliant and became deeply involved with the control of global financial and economic forces (Akindele, Gidado, and Olaopo 2002; Mordern Ghana 2001; Yeboah 2006). Therefore, the reader should not be surprised to find out in later chapters that the negotiations of Ghana’s water PSI/PPP were in the end largely determined by trends in the international water market than by the needs and unique circumstances of the Ghanaian society.

The PNDC vigorously carried out the prescription from the Bretton Woods institutions, and by the beginning of the 1990s, it was clear that the structural adjustment programmes had yielded successful results in macroeconomic terms. According to Parfitt (1995, 56–57), the country’s GDP grew with a six percent annual rate between 1983 and 1988, inflation rate decreased to 18 percent in 1991 as oppose to 142 percent in 1983, the balance of payments position transformed from a large deficit to a substantial surplus, and industrial production and capacity utilization also rose from about 21 percent to 40 percent in 1988 for large and medium enterprises.

The government of Ghana responded positively to the reform records by affirming in January 1992 that the “Ghana Government is committed to continuing the structural adjustment process and increasing the liberalization of the economy” and that the reforms would “lay a firm base for sustained growth within the context of a viable balance of payments and price stability” (Ministry of Industries Science and Technology 1992; Parfitt 1995, 60). At the same time, in 1991, the IMF commissioned a study to evaluate Ghana’s overall neoliberal reform experience to date. Kapur et al. (1991) hailed Ghana as an example of “adjustment with growth” in Sub-Saharan Africa. It seems that at the dawn of the 1990s, both IFIs and the government of Ghana reached an agreement that in macroeconomic terms, structural adjustment had produced positive results in the 1980s. Therefore, the government needed to further decrease its involvement in the economy and encourage the private sector to take over and play an increasingly central role in Ghana’s industrial regeneration (Parfitt 1995, 60).

In the next decade, the 1990s, economic diversification and private sector participation expanded and intensified in the Ghanaian economy. Data collected by

Buchs (2003) show that between 1991 and 2002, Ghana had 181 cases of PSI/PPP transactions out of 2,273 for the whole Africa. Out of all 37 countries in the World Bank database that Buchs uses, Ghana ranked the fifth (after Mozambique, Zambia, Tanzania, and Kenya). In terms of sales values, Ghana had 936.5 million US dollars out of 9,111.9 million for all Africa, ranking number two only below South Africa. In terms of the share of total state-owned enterprises divested, Ghana divested 69% of her state-owned enterprises, ranking number seven (Buchs 2003, 5, Table 1). Regarding sectoral distribution of PSI/PPP projects, the general picture that Campbell White and Bhatia (1998) painted for Africa invariably applies for Ghana: “the bulk of privatization transactions has taken place in manufacturing and industry...public utilities and energy remain far behind and quite interestingly, public utilities privatization did not accelerate through the second half of the 1990s” (Buchs 2003, 6–7 and Chart 4).

At this point, it is safe to say that the twenty years of the 1980s and 1990s were years of PSI/PPP projects in Ghana under Bretton Woods-prescribed structural adjustment programmes. In macroeconomic terms, there seemed to be a reasonable achievement for the government and its adaptation to neoliberal reforms. However, these reforms were not without shortcomings—in particular on the microeconomic level. For example, Appiah Kubi (2001, 197) points out that the reforms have placed “too much emphasis on public finance rationalisation and faith in the market system, and too little on sociopolitical and regulatory issues.” Besides, inadequate regulation on post-privatization firms and political interference and patronage in divestiture programs further undercut the success of the reform measures. In addition, there were always elements in Ghanaian society that were on the receiving end of the harsher consequences

of economic liberalization and structural adjustment policies. Haynes (1993, 451) observes that “macroeconomic success was not followed by corresponding increases in all Ghanaian’s well-being, as certain groups... benefitted more than others”.²³

As elaborated above, by the end of 1980s and the beginning of 1990s, private sector development and participation in the economy, under IFI-prescribed reforms, started to show positive results on the macroeconomic level. Against that backdrop, international development agencies were grooming Ghana to be one of the exemplary cases of achievement under reform, and they were ready to further pursue and intensify neoliberal reforms in the country. For them, PSI/PPP was working and needed to expand into more areas and penetrate through more layers of the Ghanaian economy. The World Bank believed that reform efforts at adjustment during these years were “real and praiseworthy,” and “ha[d]... perhaps created high expectations, many of which [were] yet to be fulfilled”; therefore, “remaining gaps in its reform program and development efforts” needed to be closed (World bank 1995b, 1).

According to Haynes (1993, 451), before the Rawlings years, two competing ideas dominated the Ghanaian political scene, including the socialism and anti-imperialism associated with Kwame Nkrumah and the pro-West liberalism of Kofi Busia and J. B. Danquah. The Rawlings regime seemed to have inherited both, and mixed “an unusual blend of anti-imperialism and pro-Western initiatives” in its foreign policies. When it came to domestic reforms in economic affairs, this “unusual blend” was reflected in the collaboration (and division) between the populists (the more socialist faction) and the technocrats (the more pro-Western component) within the PNDC.

²³ For a good analysis on the socio-political implications of the SAPs during the Rawlings years, see Adedeji (2001).

Domestically, despite the differences between the pro-poor populist branch and the pro-reform technocrat faction of the PNDC, the inclination towards PSI/PPP edged ahead and the Ghanaian national leadership generally agreed that reforms needed to continue in both scale and intensity. In 1992, the PNDC lifted the ban on political parties and organized an election. Despite cries of election fraud, Rawlings was deemed the legitimate winner of the election and became the president of the republic. Rawlings' the letter "s" is in his name, Rawlings] retention of national leadership laid the political foundation for continuity in economic affairs and policies. Soon after the election, neoliberal reforms were taken to new levels that were not necessarily foreseen in the 1980s.

Intensified neoliberal reform schemes became the trademark of the Ghanaian economic history in the 1990s. One manifestation of such intensification was that, under tremendous pressure from international development agencies, in particular the World Bank and the IMF, certain sectors, conventionally considered the "commanding heights" of the economy and thus, traditionally state-owned, became part of the neoliberal reform agenda. Among these sectors, public utility providers were of particular interest to this paper. Not surprisingly, the three most important public utility industries in Ghana, namely water, electricity, and telecommunications, all went through reform schemes that emphasized greater private sector participation. At the end of the 1980s, these industries were tightly held by the PNDC as core industries of the nation and were to remain in public hands. It was no longer the same case in the 1990s.

In 1992, a competing cellular company was allowed to start operations within the same network that had been monopolized by the nationally-owned telecommunications

firm, Ghana Telecom. A second one followed suit in 1995, and then a third one in 1996. In December 1996, a grand step was taken when Ghana Telecom was partially privatized, and a private investor was granted a license to build a competing network (Haggarty, Shirley, and Wallsten 2002). To this date, Ghana's telecommunication sector is dominated by two foreign giants, Vodafone and MTN.

The government decided in 1995 to initiate the power sector reform program, with the intension of attracting private investments to fill the gap as the expansion of the electricity supply became an imminent need of the nation for both domestic consumption and foreign export purposes. The plan was to privatize the generator—the Volta River Authority (VRA), and the distributor, the Electricity Company of Ghana (ECG), both of which were 100 percent state-owned. However, private sector involvement remained minute in this industry despite the intention to increase the involvement of the private sector. The VRA eventually managed to enter into a joint venture with a US company to expand thermal plant capacity, and the ECG entered a contract with a Chinese firm.

In the 1990s, the Ghana Water and Sewerage Company was restructured as the Ghana Water Company Limited (GWCL), reducing its operational scope to solely the urban water supply and ridding it of the sanitation and rural water supply sections. This is part of the government of Ghana's plan towards private sector participation in the water industry. The rationale behind the reduction of the operational scope was to make the company more attractive to private, in particular international private, investment—in other words, kowtowing to the prevailing problem of selection bias in international public-private partnerships. In the following sections, the author will give an outline of the development of Ghana's water sector, with particular emphasis on the events that

played a key role in forming Ghana's water public-private partnerships during the years between 1994 and 2005.

4.3 GHANA WATER: PRIOR TO PSI/PPP

Before the public-private partnership project was staged in Ghana in 1994, the country had enjoyed eight decades of public water provision. In 1914, on the eve of WWI, as part of the British Empire, Ghana (then the Gold Coast) built its first public water supply system in the city of Accra. During the twenty years in between the two World Wars, urban areas in major cities, most notably the colonial capital of Cape Coast and the communication hub of Kumasi, started to build supply systems for the areas where urban elites inhabited. Within the colonial authority, the Hydraulic Division of the Public Works Department managed all urban supply systems in the colony and was in charge of the planning and development of water supply systems in other parts of the country. As indicated in Chapter Three, among the European powers at that time (late 1800s and early 1900s), there was a general trend of adapting to public ownership of water supply systems, and the colonies started to follow the models of the European powers as well. In the water sector, Ghana's experience during the first thirty years of the 1900s was a typical story of publicly-owned small water supply systems, which were built to serve the needs of the colonial elites and higher strata of the society concentrated in urban cities. Not until three years after the end of the WWII did the colonial authority start to expand its area of responsibility into the rural parts of the territory. In 1948, a Rural Water Development Department was created to manage water supply in the villages, most by drilling bore holes and wells.

Therefore, even before the independence and the “big D” development ideology of Nkruma was put into policy and practice, there had already been a strong tradition of public ownership and management in the country’s water sector. After the country gained its independence in 1957, it was very natural for the new government to establish a water division responsible for both urban and rural water supplies, considering that the colonial tradition and the post-independence policy tendencies both pointed towards heavy government involvement in the provision of water supply to the population.

Despite the aspiration of the government to eventually provide universal water supply to the population, the dry season of 1959 inflicted a severe water shortage in the country and served as a warning sign that such a water shortage might occur again if no measures were taken to further develop the country’s water sector. Against this backdrop, the World Health Organization (WHO) offered to conduct a study focusing on technical and engineering issues, the establishment of a national water and sewerage authority, and financing methods for the sector. In line with the recommendations made in the WHO study, the government decided to establish the Ghana Water and Sewerage Corporation (GWSC) in 1965, a public entity responsible for water and sanitation services and network expansion in both rural and urban areas.

During the first six decades of the 1900s, Ghana witnessed the steady expansion of public ownership and management of water-related services, with two landmark events, namely the inclusion of rural areas in 1948 and the addition of sanitation services in 1965. In the next three decades (1965–1994), the public entity GWSC became the grand architect of Ghana’s water and sanitation systems. However, unfortunately, throughout its three-decade existence, the GWSC was constantly at the center of the

dilemma between the aspiration for universal coverage and the cruel reality of limited government capability. As mentioned above, like many governments in the Global South, the Ghanaian government found itself at a breaking point at the dawn of the 1980s, and the fate of the GWSC was a quintessential example, as well as a victim, of such overstretched and overburdened government authorities typical in developing nations at that particular time in history. The GWSC was created during the heyday of the socialist state and declined at the dawn of the liberal resurrection.

Before Ghanaian independence was achieved in 1957, according to the Ghana Water Company Limited (GWCL—the heir to the GWSC), there were only 35 pipe-borne water supplies in the entire country. However, in the post-independence era, especially after the establishment of the GWSC in 1965, “in a bid to promote rapid national development...the government launched a crash program for urban water expansion and accelerated rural development.” Under the auspices of the GWSC, “by 1979 there were 194 pipe-borne and 2,500 hand pumped borehole systems in the country,” and “by 1984, [an] additional 3,000 boreholes had been drilled and fitted with hand pumps” (GWCL 2013). The numbers indicate quite an achievement for the GWSC at first glance; however, the other side of the story is that due to insufficient funding, the GWSC always operated with great difficulties and fell short of carrying out maintenance and rehabilitation. In fact, almost all pieces of literature on Ghana water sector reform offer a picture of the deteriorating water systems and financial situation of the GWSC before and during the crises of the 1970s and early 1980s.

From its very beginning, the GWSC depended solely on government subsidies to make ends meet. Even during the early and better years of its first decade (mid-1960s to

mid-1970s), the government subvention that GWSC received was hardly adequate, often not released on time or not released at all before the end of the budgetary cycle. As a result, the operational capacity of the GWSC was constrained by the “unavailability or inadequacy of funds” and the infrastructure developed during the “crash program,” especially the distribution system, remained in a poor state (GWCL 2013). Then the bad years arrived. At the end of the 1970s, as a World Bank report (1998) describes, “the water supply system in Ghana deteriorated rapidly during the economic crises... when the government’s (already constrained) ability to adequately operate and maintain essential services was (further) severely constrained” (GWCL 2013). Whitfield (2006, 429) concurs that “the economic decline during the late 1970s and early 1980s resulted in a severe deprivation of investment in the water sector and the loss of skilled manpower from GWSC leading to an unprecedented decline in operational efficiency.” Consequently, as the Ministry of Works and Housing (2002, 9) admits, the “level of water supply service declined substantially due to deteriorating infrastructure, high unaccounted for water (over 50 percent) and poor billing collection. During this period about 1/3 of the total of 208 urban water supply systems and several of the rural water supply systems broke down and the rest operated below designed capacity” due to inadequate funding to carry out maintenance and rehabilitation.²⁴

Then the Rawlings years came at the beginning of the 1980s, and with them, the Bretton Woods-prescribed reforms. However, during the entire 1980s, the water sector was never a target for private sector involvement. Any reform carried out was set within the parameters of public ownership and management. The state’s monopoly of the water

²⁴ In the first section of Chapter Three, the author discusses the alleged flaws of the public sector, including weak performance, inability to deliver universal coverage, financial insolvency, and political interference. The GWSC, inescapably, suffered from all these weaknesses.

sector was never challenged, at least not in the 1980s. However, even though there was no direct challenge to the GWSC's public nature, reform measures reflecting the neoliberal economic ideology were nevertheless taken in the water sector. The reforms were three-fold, namely financial, institutional, and operational, with themes of decentralization and price liberalization—typical features of the neoliberal reform agenda. Ainuson (2010, 61), for example, records that “[i]n 1983, under the World Bank sponsored Economic Recovery Program (ERP), Ghana Water and Sewerage Corporation (GWSC) adopted a five year water sector rehabilitation and development plan. The plan was aimed at institutional strengthening through manpower development, rehabilitation, and expansion of existing service and decentralization of water and sewerage supply.”

Financially, in 1986, as part of the structural adjustments that the Rawlings government and the PNDC agreed to with international financial donors, removal of subsidies to state-owned enterprises was being implemented in Ghana. In the water sector, the government stopped providing subsidies on the water tariff. Although the GWSC was allowed to increase the tariff by 25 each year, the revenue it could generate remained limited. Whitfield (2006, 429–430) records that the increased tariff rates did produce revenue to cover more or less the operating expenses, but they did not generate any positive income. This means that any expansion of production capacity, supply, and network extension could not be funded by the water company itself. Therefore, as the Ministry of Works and Housing (2002, 9) admits, the GWSC “could not keep pace with the spread of cities with the required distribution network and corresponding increase in volume of water supply.” The situation remains the same to date. Ever since the 1980s, any projects that aimed to increase water production or supply capacity had to rely on

external loans or grants. This predicament of the water sector—not being able to generate extra income to expand itself—played a crucial role in “convincing” the government to accept the promised 103-million-dollar grant from the World Bank, provided that the government would allow some sort of private participation in the sector in the 1990s.

Institutionally, a decentralization formula was also carried out in the water sector. In 1988, fiscal, administrative and development responsibilities and competencies were delegated to the district assemblies from the central government level. These structural changes, according to Amenga-Etego (2003b), were mainly driven by fiscal concerns “to reduce central government expenditures and increase the revenue generation responsibilities at the district level.” Therefore, the financial changes that had been implemented since 1986—removal of subsidies to the water sector—pushed forward the structural reform of the sector. Facing operational difficulties mainly resulting from the removal of government subsidies, GWSC, the water authority on the central level, had to relieve itself the burden by allowing the district assemblies to have more authority in the operational and fiscal responsibilities of the water company on the district level.

Operationally, several projects were carried out to improve the operational efficiency of the water company, mostly guided by the World Bank. For several years, the World Bank supported the seconding of five expatriate high-level staff to the Ghana water company and arranged a twinning agreement between the GWSC and the Thames Water in the UK, where British water management specialists went on exchange programs to Ghana with their Ghanaian counterparts. In addition, a foreign public administration consulting firm was hired to explore reform options for the GWSC (Whitfield 2006). Despite of all these attempts to increase operational efficiency,

GWSC's performance remained unsatisfactory, particularly in the areas of revenue collection, and consequently, financial solvency. Commenting on the operational reforms injected by the World Bank in the 1980s, the Finance Director of the GWCL opined that these reforms never really touched the root problems of the company. In particular, the expatriate staff members, who had been planted among or twinned with the GWSC staff, were seen as not being devoted to really tackling the problems of the company and searching for effective reform measures within the publicly-owned entity. Rather, the expatriates left an impression that they were only in Ghana to gain experience for their resume and never wanted to stay. On the other hand, from the perspectives of the expatriates who worked in Ghana through the twining program, the problems of the GWCL were so deeply rooted in its decades of public ownership and entanglement with the government (and thus always subject to political interference), a handful of expatriates planted into the management of GWCL can never cure the diseases of the GWCL that had already spread to every part and dimension of the publicly-owned company.

Whitfield (2006, 430) puts it fairly concisely that the reform measures within the framework of public ownership "w[ere] hindered by the exodus of managers and professionals in all sectors in Ghana, a lack of adequate financing, and a lack of commitment of GWSC staff and external parties engaged in the managerial reforms as well as by political interference and corruption." As a result, relevant stakeholders on the both international and domestic levels, including donor agencies and a fairly considerable amount of technocrats in the GWSC, grew increasingly frustrated. As the author's interviews with mid-level managers of the GWCL reveal, after the failures of the reforms

of the 1980s, a variety of stakeholders came to accept the idea that without touching the public nature of the ownership and management of the GWSC, no reform could produce any substantial and sustainable positive results, in particular in the areas of revenue collection and financial solvency.²⁵

Ohemeng (2006, 197) quotes the World Bank, recalling its disappointment in a project appraisal document: “the results of over 25 years of public sector management have been disappointing and the urban water sector remains in a poor condition with the trend in service and sustainability currently worsening” (World Bank 2004a, 7). Consequently, the Ministry of Works and Housing (2002, 9) admits that “after a number of efforts had failed to improve the sector,” under pressure from international donor agencies and domestic reform proponents, the government of Ghana “resolved to restructure the water sector,” which lead to the eventual adaptation of PSI/PPP policies.

The Water Sector Restructuring Project (WSRP) initiated in 1987 became the medium in which the nature of the reform measures transformed from public ownership and management-oriented reforms to neoliberal PSI/PPP adjustments. At the very beginning, when the WSRP was launched with the “Five-Year Rehabilitation and Development Plan,” it was aimed at “reducing unaccounted for water, rationalisation of the workforce, hiring of professionals and training of staff” (GWCL 2013). The Project and the Plan were still devised within the parameters of public ownership; however, it also included an element of “[improving] management and [increasing] efficiency through organisational change of the water sector” (GWCL 2013). At the same time,

²⁵ As stated in Chapter Three, during the same period of time, frustration with failure to reform the public sector had contributed to the increased propensity towards private sector involvement worldwide.

multilateral and bilateral donors pledged 140 million US dollars to fund the WSRP's implementation.

While the actual technical plans and details of the Water Sector Restructuring Project were still being hammered out by international and domestic stakeholders, as stated above, people grew frustrated about the public ownership and management of the sector and became increasingly upset that reform measures that had not challenged the public nature of the sector continued to fail. Towards the end of the "Five-Year" plan, in the early 1990s, international donors started to come to the consensus that private sector participation in the water sector might provide the only chance for the sector to increase efficiency in production and revenue collection and thus, become financially solvent.

As mentioned earlier, in 1992 Rawlings won the presidential election and secured his retention of the national leadership and the country's continued adherence to the neoliberal adjustment agenda. This political stability laid the foundation for the launch of a "stronger shot" for the water sector—private sector participation. The 140 million dollar credit that was promised to Ghana in 1987 (at the beginning of the Water Sector Restructuring Project)—about 100 million from the World Bank, and more than thirty from other donors—was withheld at the beginning of the 1990s. No substantial loans or grant would be injected in the water sector unless some sort of private participation would be involved in the water section. Once the international donors finally "ganged up" on this idea of PSI/PPP for Ghana's water sector, the water sector was soon pushed over the neoliberal point of no return down the path of PSI/PPP reform.

It would take another two decades before people would finally admit that the particular PSI/PPP project that Ghana undertook would eventually fail; but we are getting

ahead of the story. In the remaining sections of this chapter, the author will provide an account of the events that transpired during the negotiation/formation years of the water PSI/PPP; and, in the following two chapters, offer analyses of these events using the theoretical framework provided by the sensitivity and vulnerability analysis and the two-level game model.

4.4 NEGOTIATING A WATER PSI/PPP (1990–2005)

Starting from the early 1990s, PSI/PPP reforms of the water sector in Ghana were contemplated. The World Bank was the main broker in this effort. In essence, the sector itself needed an emergent cure, and its malfunction was jeopardizing the country's vision of becoming a middle-income country by 2020, since it had negatively affected commerce and industries and made investment in Ghana appear unattractive (Fuest and Haffner 2007, 173). A series of events on the national and international levels led to the finalization of a 2005 management contract between Ghana's national water company, the Ghana Water Company Limited (GWCL), and a Dutch-South African joint venture, the Aqua Vitens Rand Limited (AVRL).

4.4.1 1990–1995: from Public to PSI/PPP (Lease)

As a continuation of the SAP reform plan carried out in the 1980s and in preparation of the PSI/PPP program that would come in the following years, in 1990 about 1,400 personnel of the Ghana Water and Sanitation Company that were considered unskilled were laid off to make room to hire more qualified personnel (which in the large part would never happen, as it would turn out) and to prepare the company for private participation. According to Adam (2003), a UK water giant, Thames Water was heavily involved in this process through a “smoke screen of institutional capacity building.” Six

hundred more workers lost their jobs in 1993 due to further retrenchment policies. However, the GWSC still failed to achieve financial solvency and the expansion of a potable water supply to the population. In the end, a new set of development paradigms were finally being called upon—private participation. As a result, in late 1993, the Rawlings government accepted the World Bank’s recommendation for restructuring the water sector towards PSI/PPP reforms (Adam 2003), and the “[private sector participation] program started in 1994 as part of an overall [government of Ghana] policy initiative to reform the water sector to make it responsive to the needs of the people” (Ministry of Works and Housing 2002, 1).

Subsequently in 1994, the rural water sector was cut off from the GWSC and delivered to the care of community management. The Community Water and Sanitation Agency was created to be in charge of the development, operations and maintenance of the water supply systems in rural areas (Amenga-Etego 2003b; Ministry of Works and Housing 2002, 12). In the same year, an Action Plan for restructuring the water sector was agreed on between the Ministry of Works and Housing and the World Bank. The Action Plan allowed the government to hire external consultants to explore different options to restructure the water sector.

The Ministry commissioned Halcrow, a UK-based consultancy firm, to examine different options for reform, among which PSI/PPP was stated for possible consideration (Whitfield 2006, 430; World Bank 1994a). Supposedly, with the advice that Halcrow could offer, the government of Ghana would select the most appropriate option for the Ghanaian water sector situation, in terms of the sustainability of the water supply, improved efficiency, attracting funding for system rehabilitation and expansion, and the

affordability of tariffs. Four strategic objectives are developed for the consultant's terms of reference (TOR), including, a) to improve efficiency in production and distribution through improved O&M [operation and management], cost-effectiveness and pricing (strategy and structure) guided by commercial principles; b) to expand the supply of safe water in urban areas; c) to ensure that poor households have access to water; and d) to ensure sustainability through cost recovery and improved sector management (Ohemeng 2006, 198).

The 1995 Halcrow report assessed eight options. Actually, from the term of reference, there were only five options; however, the consultant went beyond its mandate to consider eight. That is why some literature pieces say five (Whitfield 2006, 430) and other sources say eight (Ministry of Works and Housing 2002). Ohemeng (2006, 199) provides an account. At the beginning, the consultant was charged with the task of examining five reform options, namely, 1) Converting the GWSC into one public limited liability company with substantial decentralization and private sector participation in selected key functional activities; 2) a joint venture between the GWSC and an external company (or multiple companies) in a new operating company; 3) the GWSC produces and sells bulk for private sector distribution; 4) lease arrangement(s); 5) spin off (make into legal entity) the Accra-Tema area and the largest urban centers and commercialize the remaining regions in a downsized GWSC. However, the Halcrow team decided to, beyond its mandate, include three additional options—6) Engaging an international operator to assist in the interim management of all GWSC's regions with a view to an early transfer of the profitable urban centers to a long-term concession and a refocusing of objectives of the remaining GWSC regions to facilitate their longer-term transfer to a

concession; 7) Retaining the GWSC as an existing entity and engaging an operator to undertake the GWSC's revenue collection and customer services activities; 8) Engaging an international operator to assist in the interim management of all of the GWSC's regions with a view to forming a joint venture between the GWSC and an external company (or multiple companies in a new operating company).

A detailed look at the three additional reform options that the Halcrow consultant examined (beyond the mandate given) reveals that these three options involve much “lesser” forms of PSI/PPP for the water sector—“lesser” in a sense that the involvement of the private partners in these options, as well as the risks that the private partners are exposed to, are much less than the five initial options. According to the author's interview with a senior staff member of ISODEC, these three additional options came about when multinational water companies gave indications that they were not particularly interested in investing to the levels of concession or joint ventures. In addition, they suggested that the liabilities of the water sector/company should be cleared up before a partnership is formed. It is unfortunate that the UK consultant never met with important civil societies in Ghana, which, in the end, would eventually take a firm anti-PSI/PPP stand towards the end of the decade. For example, the International Fact-Finding Mission (2002, 78) openly states that “there were no consultations or meetings during the course of the entire study of the restructuring of the water sector [between the UK consultant] and any representatives of the Public Utilities Workers Union or the Trades Union Congress of Ghana.”²⁶ Therefore, with prominent civil societies that might have objected the PSI/PPP initiative excluded and the government of Ghana turning a blind

²⁶ The same report also notes that no representatives of said two civil societies participated in the 1995 national workshop during which the PSI/PPP project was debated, endorsed, and launched (see below).

eye, the consultant managed to include three additional options that would pose a much smaller risk for and require much less engagement from the potential private partner.

The report suggested a lease option as the most suitable PSI/PPP reform scheme for Ghana's water sector, claiming that "it would introduce competition between operators and... it was among the options showing the best financial returns. International operators were claimed to bring efficiencies through the application of expertise and greater access to investment capital" (Halcrow 1995, 93).

Multiple sources noted (and many did so regretfully) that reform of the public sector was never among the options considered by the Halcrow consultant (Ohemeng 2006; World Development Movement 2005). Despite the original claim that PSI/PPP would be under consideration among other options, all options that were actually considered by Halcrow involved some sort of private participation, with variation only in extents. The consultant, Halcrow, had no intention of hiding the neoliberal underpinning of the reform options that it was examining, as the final report openly stated that "the essential factors underpinning each of the listed options in the [term of reference] are those providing value for money in satisfying the market demands and the optimum utilisation of resources" (Halcrow 1995, 2). Therefore, the author believes that consultation with Halcrow and the report produced by the consultant in 1995 signified the official adoption of the orientation towards private participation in the water sector and the complete departure from previous measures taken towards reforming the public sector from within. From this point on, the boat of PSI/PPP in the water sector had officially sailed.

This departure and reorientation also became “the cause of disagreement between proponents and opponents of privatisation of urban water supply in Ghana,” notes Ohemeng (2006, 200–201), which also identifies the National Coalition against Water Privatization (NCAP), with its principal actors being the Integrated Social Development Center (ISODEC) and the Trades Union Congress (TUC), as the backbone of the opposition against the PSI/PPP after its formation in 2001. The opposition rightfully pointed out that the decision to pursue PSI/PPP reforms in the water sector was “the result of deliberately narrow reform options, inasmuch as they excluded all options based on reforming the public institutions.”

A look into the commissioned consultant further indicates that by the time the international donors (in this case specifically, the UK’s Department for International Development, DFID) provided the grant for the study and eventually picked the Halcrow group, the determination to depart from the public sector was already formed. Christian Aid (2001) argues that the UK government, through the DFID, “has a sophisticated programme of development work in Ghana which reinforces the UK’s commitment to the country as a former colony” and that “[e]xpanding water is a key strategy for DFID in Ghana...[focusing] on increasing clean water supply to meet demand [and] assisting plans to promote private sector participation in urban water management.” Therefore, it is safe to say that, before, during, and after the Halcrow consultation, plans for PSI/PPP reforms were already in the making, with the push from the international level.

It is of no surprise that the Halcrow study would implicitly rule out consideration of reforms within the public sector, as the contractor boasts to be “one of the few firms in the world that has successfully carried out the privatization of water sector infrastructure.

Building on the [experience in the UK], Halcrow has developed an international reputation as a leading independent advisor in privatization and other forms of private sector participation with an unrivalled track record” (Halcrow 2003). The expertise of the consultant is a “provision of specialist interest assistance throughout the privatisation process... with the ability to provide a seamless transition from the public to the private sector” (Halcrow 2003).²⁷ In other words, the Halcrow consultant was never going to consider the option of reform within the public sector. Halcrow had no experience in that domain; however, it excelled at providing advice on private sector participation.²⁸

4.4.2 1995–2000: From Lease to “Enhanced Lease”

After the publication of the Halcrow report in 1995, a three-day workshop of 60 participants reviewed the Halcrow study in early February in the same year. The Ministry of Works and Housing (2002) gives a detailed list of the workshop participants, among whom there were representatives of the Ministry of Works and Housing, Members of the Parliament, the GWSC, NGOs such as the World Vision Institute, and international private water companies. Option 4, “leasing,” was endorsed by the workshop. The lease, as the workshop participants envisaged, would offer more flexibility for private sector participation, greater injection of capital, and improved management skills. It could also introduce a new corporate culture while the government of Ghana continued to own the assets.

²⁷ The pro-PSI/PPP orientation of the Halcrow consultant is discussed extensively in World Development Movement (2005).

²⁸ A collection of literature argues that the international prejudice against public ownership and management has caused a bias that public operations tend to be understudies. However, if significant steps are taken to encourage the public sector to apply commercial principles, the public hand could be just as effective as the private one. Performance of the water sector does not depend on whether they are under public or private management (Fuest and Hanffer 2007; Lobina and Hall 2003; Collignon and Vézina 2000; Hukka and Katko 2003).

Besides the letter issued by the Ministry of Works and Housing (2002, 1 and 14), the detailed list of meeting participants can be also found in the final version (post-national workshop) of the Halcrow report. In addition, Whitfield (2006, 430) mentions that the attendees included “members from relevant Ministries, Parliament, relevant state commissions and institutes, GWSC, the committee established for the restructuring process, as well as donors, private water operators and maintenance contractors from Ghana, UK, France and South Africa, two international NGOs (Action Aid and World Vision), and Halcrow consultants.” At the first glance, the composition of the meeting participant seems to be fairly inclusive. However, later on, when anti-PSI/PPP civil societies became active in the late 1990s, they contested that domestic civil societies, which might express a less lenient stand towards the PSI/PPP in water, were excluded from the workshop.

The government of Ghana maintains the claim that the three-day national workshop served as the platform for representatives of the Ghanaian society to evaluate the proposed PSI/PPP project and voice their opinions. The workshop’s endorsement of the lease option, therefore, was regarded as the endorsement of the entire population of Ghana for carrying out PSI/PPP reforms in the water sector. However, others have contested such an argument. Ohemeng (2006, 202) opines that “[u]nfortunately, participation in the stakeholders’ workshop was restricted to organisations and individuals who supported the PSP [private sector participation] idea. Groups opposed to it were not invited, primarily because the World Bank and the IMF have perceived them as left-wing entities who still believe in the efficacy of the state as an instrument for development.” In addition, as interviews with Integrated Social Development Center

(ISODEC) staff members indicate, the backbone of the anti-water PSI/PPP opposition, the ISODEC and the Trades Union Congress (TUC), at that time were yet to amass support from a variety of civil societies in the country and international supporters to join forces in opposing the PSI/PPP proposal. It was not until the end of the 1990s that the civil society opposition became a recognized force.

After the national workshop formally endorsed the lease option, the government of Ghana acknowledged the endorsement and started to prepare the water sector to enter into leasing agreements with potential private partners. In 1996, an Advisory Committee was established to implement the enhanced lease arrangement, with a particular task to “[coordinate] views on investment options” (Ohemeng 2006, 203). However, it appeared that there had been quite some confusion among Ghanaian officials, especially water sector technocrats, about what the lease agreement would exactly entail. As later noted by the Berger report (and other observers), there was “uncertainty regarding the exact meaning of ‘lease arrangement’ amongst the various authorities in the Ghana water sector,” particularly in regards to where to secure capital injections for asset and rehabilitation investments (Louis Berger 1998, 1–5; Whitfield 2006, 431).

In a conventional lease arrangement, the private partner is usually not responsible for any major capital investment. The government of Ghana seems to have suffered from a surprising confusion on this point, hoping that a lease deal would secure a considerable amount of capital injection from the private partner. The Ministry of Work and Housing recalled that the definition used for a lease agreement at that time was that a “private operator (the Lessee) enters into contract with the Lessor [the government of Ghana/Ghana’s water company] for the right to operate, rehabilitate, renew and

improve... urban systems for a period of time. The system continues to be owned and expanded by [the government of Ghana/Ghana's water company]" (Ministry of Works and Housing 2002, 14). However, it seems the obvious point—this very definition did not include any requirement for private investment—never bothered any of the key stakeholders at that time.²⁹

Therefore, it is quite interesting to observe that despite the lease arrangement being endorsed by the national workshop and accepted by the government of Ghana, it was missing a fairly obvious and very important element that was part of the justification for adopting a PSI/PPP arrangement: a substantial injection of capital from non-government sources was never formally discussed and was not tackled until much later. This confusion eventually pushed another foreign consultant, Louis Berger, to recommend an "enhanced lease option" (elaborated below) in 1998.

The year of 1996 was also an election year, and talks of water sector reform were put on hold for the most part. At the end of the year, Rawlings won a second presidency, retaining his party's and government's authority in the country and providing another four years of consistency in following neoliberal reform prescriptions. Consequently, in the next year, as the dust of the election settled, measures taken towards the water sector PSI/PPP reform reemerged. In 1997, the Advisory Committee created a Water Sector Restructuring Secretariat to carry out its daily work. In the same year, the Public Utility Regulatory Commission (PURC) was founded to regulate prices in water and electricity,

²⁹ A survey of definitions of lease contract indicates that a lease usually does involve the private partner making minor investments in repair and renewal of the existing system (Hall and Lobina 2006, 12; Davis 2005, 148; Green 2003, 7). However, it was unfortunate that at this stage, the lease discussed in the Ghanaian case did not explicitly include such investment. In addition, there were almost naïve ideas and hopes, among the Ghanaians that supported the PSI/PPP in the water sector, that the private partner would bring in investment at a level that would be more than what would be required for maintenance.

and staff of the Ghana Water and Sewerage Corporation and the Water Sector Restructuring Secretariat went on trips to other African countries that had implemented PSI/PPP reforms in the water sector (Ministry of Works and Housing 2002). Examples of these countries seemed to have “played an important role in encouraging water privatisation in Ghana,” writes Whitfield (2006, 432), and trip participants “highlighted the experiences of these countries as validating and informing the reform process in Ghana.” She also pointed out that the staff members failed to mention “problems experienced in these countries,” except that a “former head of the Secretariat... argued that failures of previous water privatisation experiments can be avoided by more carefully designing the contract.” Little did this former Secretariat head know that Ghana’s water sector would end up having a rushed process towards the end of its PSI/PPP deal and eventually would have to accept a management contract that was full of loopholes (to be explored in Chapter Seven).

In Chapter Three, it is observed that during the 1980s and the 1990s, many PSI/PPP projects were carried out in a rushed manner, with premature planning and implementation. The pursuit of a viable development project became secondary to the IFI-mandated imperatives of private sector involvement, regardless whether the design of the PSI/PPP project fits the needs of the host enterprise/industry/country. In many cases, the rushed process to form a PSI/PPP before the window of opportunity closes leaves the root problems unidentified and unaddressed. Thus, the premature imposition of a PSI/PPP often results in project failure or performance deficiency and damages the credibility of PSI/PPP policies. This general observation applies to Ghana. During the water sector reform negotiations of the 2000s, the interests of water TNCs drastically

declined. In order to reach an agreement for the sake of just having a PSI/PPP—a prerequisite for continued IFI funding—the stakeholders agreed on a management contract. Despite the early caution that the contract should be carefully designed to avoid project failure, the particular contract that Ghana ended up with contained several crucial loopholes, which, during the performance years, would contribute to the non-performance of the private partner and the public partner’s inability to impose punitive measures against the private operator.

Another major event of 1997 was that a French consultant, Louis Berger, was invited to assist the Secretariat in preparing for reform process in general and to develop a business framework for the “lease option,” in particular. The final product of this round of consultation, later known as the “Berger report,” brought in two significant events to the reform process after its presentation to the government of Ghana in 1998.

First, the Berger report tackled the problems related to the discrepancy between a lease arrangement that usually did not require the injection of major private capital and the envisaged PSI/PPP deal that badly needed diversified capital investment. It came up with the idea of an “enhanced lease.” In the early course of developing the business framework, the Berger consultants came to realize that they were in need of clarifying the basis on which the business framework would be developed, and that basis had to include some sort of private investment, as expected by all stakeholders at that time. Therefore, they diverted from the conventional lease arrangement and examined a total of three strategies, as Ohemeng (2006, 204–205) notes: first, a classical lease contract with minimal private capital expenditure; second, an enhanced lease contract with additional private capital expenditure; and third, a concession contract.

It is interesting to observe that foreign consultants were able to easily change their terms of reference. Halcrow went beyond the mandated five options to examine eight in total, and Berger also looked into alternative options. The first two of the three changes of policies to be examined in the sensitivity and vulnerability analysis chapter, namely the lease option and the enhanced lease option, were all crystallized by consultants and their reports.

During subsequent discussions with the Advisory Committee and the Water Sector Restructuring Secretariat, the second alternative, an “enhanced lease contract” was chosen by the Committee and the Secretariat, since the enhanced lease option could, on the one hand, fix the “no-private-investment” flaw of a conventional lease contract and secure the private partners’ capital injection, which the government scrambled to provide; and on the other hand, it would not divert too much from the idea that the public partner would still retain complete ownership of the assets. It was believed that the “enhanced lease” option had several advantages over the other two alternatives, including, as Ohemeng (2006, 205) summarizes, first, permitting as much private capital funding in the sector as possible; second, permitting a sufficient level of interest and competition among potential private bidders; third, allowing for shorter term contracts than a concession; fourth, permitting a more gradual transition to PSP than a concession, with some flexibility for adapting the approach in accordance with experience gained.

The second major change that the Berger report suggested was further re-organizing the components of the Ghana Water and Sewerage Company. This re-organization was two-fold. First, the consultant advised the water and sewerage company to get rid of its obligation in the rural areas. Second, the report proposed to divide the

urban water systems into two units to be run by different operators. In this arrangement, the private operator would receive a management fee, in addition to a guaranteed level of return for their investments. This guaranteed level of return and amount of investment required from the private partners would be determined through a competitive bidding process, and confirmed in the contract with the selected bidder (Whitfield 2006).

After the acceptance of the Berger report by the government of Ghana, a group of British and American consultants worked on the implementation of the Berger suggestion. The PSI/PPP transaction documents produced in this process, including the financial model and the lease contract, recommended that the water company would be downsized and play the role of nominal asset holder and mapped out the detailed division of the two units (Amenga-Etego 2003b; Ministry of Works and Housing 2002).

In late 1998, the business framework was translated into action. The government of Ghana established the Community Water and Sanitation Agency to take charge of water and sanitation services in the rural areas. This move, in fact, was aimed at making the sector more attractive to potential private partners, rather than reforming the sector towards more efficiency and better financial solvency. The Halcrow (1995, 7) report already discussed this issue suggested that “the removal of the [community water and sanitation department] does not in itself solve GWSC’s intrinsic problems of cash shortage, financial insolvency, insufficient capital to maintain assets... and the increasing burden of debt servicing” (also noted in Ohemeng 2006). In addition to water systems in the rural area, 110 small-town water supply systems were also transferred to District Assemblies for community management (Ministry of Works and Housing 2002, 15–16). As part of the process, the Ghana Water and Sanitation Company was restructured into

the Ghana Water Company Limited (GWCL) on July 1, 1999, with 71 urban systems remaining under its administration. These 71 urban systems were reclassified and packaged into two business units that were put on the market for enhanced leased contracts of ten years for maintenance and management (Ministry of Works and Housing 2002, 16).

As noted in Chapter Three, “cherry-picking practices” are very common in PSI/PPP projects all over the world. This is also visible in the Ghanaian case. Cooper (2002, 38) notes that in Ghana, TNCs “benefit from ‘intense cherry-picking’ of the most lucrative parts of the water sector.” Indeed, the GWCL only inherited the most “attractive” part of the GWSC. In previous parts of this chapter, it is mentioned that during its early history, the GWSC took on two additional, giant scopes of operation, namely the inclusion of rural areas in 1948 and the addition of sanitation services in 1965. When the Water Sector Restructuring Secretariat endeavored into creating the GWCL from the old GWSC, the Secretariat had to help the new company rid itself of the rural areas and the sanitation sector (in 1994 and 1998, respectively). In addition, Ohemeng (Ohemeng 2006, 203–204) observes that the government of Ghana had set up new institutions to take three major functions of the GWSC away from the GWCL, namely, establishing the Water Resources Commission to oversee the management and use of water resource of the country, creating the Public Utilities Regulatory Commission to regulate the pricing and operation of utility companies, and setting up the Environmental Protection Agency to set guidelines for water quality standards. Therefore, in order to become more attractive to potential private suitors, the GWSC went through an intensive weight loss program starting in 1994 and became the slimmed-

down GWCL in 1999. The Ministry of Works and Housing (2002, 16–17) claimed that after the creation of the GWCL in 1999, “[a]ll the remaining 71 urban water supply systems were included in the package to avoid what is termed as ‘cherry picking,’ whereby the more viable systems would be leased and the others left out”—referring to the fact that in each of the two business units, “attractive” and “unattractive” urban systems were bundled together as a package. However, the Ministry failed to mention that this measure only prevented further “cherry-picking” among the already-picked cherries.

Subsequently, between 1998 and 2000, a pre-qualification exercise was carried out to obtain eligible bidders for the two contracts. The criteria set for eligible bidders were quite stringent and only multinational water companies would eventually qualify, which included the following: 1) General experience in successfully managing and operating water supply of similar scope for at least ten years. 2) Suitably qualified personnel to fill key positions. 3) Financial capability to meet the operating and developing cash flow. 4) History of (non-)litigation (Ministry of Works and Housing 2002, 16–17). Initially, 27 international companies, including all major water TNCs, and one local construction company showed interest.

After evaluation, eight companies, all of which are international water giants, were officially pre-qualified and invited to submit bids. The list included Northumberlandian (British), Vivendi (French), SAUR (French), Bi-water (British), Nuon (Dutch), General Des’ Eaux (French), Suez Lyonnaise (French), and Skanska (Swedish) (Ohemeng 2006, 210).³⁰ Green (2003, 9) states that a typical PSI/PPP transaction and tendering process includes five stages: prequalification; tender documentation; bid evaluation; preferred

³⁰ Also see International Fact-Finding Mission (2002).

bidder; and negotiating the contractual structure. Ghana followed the exact steps.

Subsequently, five of the pre-qualified companies bid for unit A and four for unit B (Amenga-Etego 2001, 2003b; Ministry of Works and Housing 2002, 16–17).

As Chapter Two revealed, when the General Assembly discussed and endorsed public-private partnership as a recognized development tool, the Member States, especially the ones from the Global South, emphasized “local ownership” in PPP programs (UNGA 2005c, para. 12). However, in practice, in many PSI/PPP projects, involvement of local private partners remains nil or limited. As noted in Chapter Three, local investors are often cash-strapped and unable to compete with international private companies. Therefore, in many cases, local partners are successfully excluded from participating in PSI/PPP due to certain “prequalifying requirements,” increasing host nations’ reliance on foreign partners (Bayliss 2000). In the same vein, Budds and McGranahan (2003, 105) summarize relevant literature and note that

[I]ocal companies in low- and middle-income countries rarely have the capacity to compete.... In some cases, the local private sector is prevented from participating independently... presumably on the grounds that the government was seeking international finance and expertise.... [F]ew local operators have the scale, resources and experience to manage a significant-sized utility. Many local operators do not have strong enough balance sheets to raise debt and equity finance, and/or local bond and equity markets are often too weak to attract the scale of investment needed.

This is reflected in the case of Ghana. As the paragraphs above indicate, the criteria for pre-qualification in the Ghanaian water sector reform set high bars by which only international water companies could qualify. The only domestic application did not make the final list of qualified bidders, which consisted exclusively of international water companies.

In 2000, the Ministry of Works and Housing granted a contract to Azurix—a subsidiary of the later disgraced Enron. Azurix was not one of the bidders pre-qualified in 1998. Two of the pre-qualified French bidders, Suez Lyonnaise and Vivendi, challenged the decision (Christian Aid 2002). Adam (2003) notes that “a lot of clouds” hung over the dealings between the government and Azurix. As the rumor that the Enron subsidiary was bribing a top-level official was confirmed and a minister was accused of receiving five million dollars as a bribe, the progress of PSI/PPP reform was stalled.

It is unfortunate that such corrupt dealings in water PSIs/PPPs were not unique in the Ghanaian case. Worldwide, convicted and alleged corruption cases were rampant. Almost all major international water companies were involved in bribery to secure contracts or/and to negotiate favorable terms (Hall 2002, 12-13; Swyngedouw 2005, 96). As noted in Chapter Three, corruption in PSI/PPP projects are particularly shameful as PSI/PPP policies are often advocated for as a cure to the corruption problems of publicly owned enterprises. PSI/PPP projects offer clear opportunities for corruption, particularly for large transactions, which, in the end, greatly undermine perceptions about PSI/PPP policies among the receiving populations and damage the images and reputations of development agencies and donors. It is unfortunate that corruption in PSI/PPP deals do not receive enough attention from proponents of PSI/PPP policies. For example, Cooper

(2002, 39) notes that in a World Bank document regarding reform in Ghana's water sector, the file "refers to corruption in the public sector but never in the private sector."

Internationally, appalled donors threatened to withdraw promised support if the government was seen as not properly investigating and handling the scandal and the parties involved. For example, the World Bank's 2000 country assistance strategy document records that "it is unclear whether the Bank will be compelled to withdraw from [the water] sector, as the government plans to award a major contract under this program in a non-transparent manner." In the same document, it is mentioned that the Bank had informed the government of Ghana that if non-transparent dealings occurred, "the allocated funds in the proposed lending program... US\$ 100 million, would be cancelled from the proposed three-year program" (Ainuson 2009; World bank 2000, 10).

Domestically, public outcry over the scandal forced the government of Ghana to deny Azurix's further involvement. At the same time, the scandal also triggered the population, led by civil society groups, to mount a protest against the World Bank-guided water sector PSI/PPP reforms (Grusky 2001). This scandal gave form and strength to the crystallization of the anti-PSI/PPP stands made by many civil societies in Ghana, such as ISODEC, the Trades Union Congress, and the Public Utility Workers Union. A year later, in 2001, these grassroots opponents would converge under the umbrella of the National Coalition Against Water Privatization (NCAP)—an event elaborated on later.

As a result, amidst the negative taste that the scandal had put in to mouths of the population, no serious political groups would want to take the issue public and risk being seen as taking the unpopular stance of pro-PSI/PPP as the 2000 election was on the horizon. In addition, fights related to workers' retrenchment issues, led by the Trades

Union Congress, also became a headache for the government to further push the bidding process. Due to all of these factors, the government planned to restart the bidding process. However, it became obvious that for many key stakeholders, particularly governmental ones, it was unfeasible that they would be able to make the final selection of winners before the general election in 2000 (Ohemeng 2006, 210). However, a second round of pre-qualification was still carried out for one of the contracts in 2000. Biwater, Halliburton, Saur, Bechtel and Suez participated (Whitfield 2006, note 13).

As a result, as campaigns for the general election took center stage in the Ghanaian political arena in 2000, many PSI/PPP projects slowed down. The delays in PSI/PPP reforms up to this point invoked the World Bank's dissatisfactions towards the government of Ghana. Cooper (2002) observes that in the 2000 country assistance strategy document, the World Bank's country office director in Ghana wrote that the government of Ghana was "unresponsive to 'long-standing Bank support for the process of privatization,' slow in implementation, with dubious commitment to divestiture, 'still bloated' public services despite Bank efforts, and suspected of 'political interference' in the process" (World bank 2000). In the same document, the World Bank official also wrote that there was only one "key trigger" for the Bank's continued assistance—progress on "the program to increase private participation in infrastructure"; and only with "substantial progress" towards PSI/PPP reform would the World Bank release its 100 million dollar loan for the urban water restructuring project.

4.4.3 2000–2002: From "Enhanced Lease" to Management Contract

The election in late 2000 yielded a new government under a new president, Mr. John Kuofur. Mr. Kufuor and his followers in the New Patriotic Party (NPP) opposed PSI/PPP

in the water sector (Kan-Dapaah 1999). Both Ohemeng (2006) and Adam (2003) quote Kan-Dapaah (1999) as evidence that key members of the Kufuor administration experienced a change of heart after taking office. Mr. Albert Kan-Dapaah was a Member of Parliament in opposition [of Rawlings and his PNDC/NDC] after the 1996 election and wrote the article against GWSC reform in 1999. After the 2000 election, he became the Minister for Energy and later, in 2003, the Minister for Communications and Technology during the first Kufuor administration; during Kufuor's second term, he became the Minister for Interior.

However, soon after taking office, the new president and his government started to cave in to the reform demands of the neoliberal patrons. Adam (2011, 36–37) notes that after the NPP won the election, “[l]ow and behold, one of the major policy decisions they took was to continue with the proposal to introduce a public-private partnership in the water sector,” and their giving in to the neoliberal agenda gave the World Bank “a stable power position.” In addition, a conversation with Frank Ohemeng in Accra in 2010 indicated that due to the anti-PSI/PPP background of the Kufuor camp, the new administration suffered from its lack of knowledge of the PSI/PPP preparation activities of the previous decade. Many of the officials in the new government had to familiarize themselves with the PSI/PPP scheme after taking office.

Whitfield (2006, 432) records that once Kufuor took office, documentation of the events became much less articulated and more obscured. The “muddling of the picture” was “due to two reasons”—on the one hand, after the campaign following the Azurix scandal, civil society groups became a recognized force in the water sector reform process and started to politicize the issue, which “put the government and the World

Bank on the defensive”; on the other hand, bidding processes became classified and not much information was made available to the public.³¹

Amenga-Etego (2001, 3) notices the same issue of the non-transparency of the bidding processes under the Kufuor administration. He regrets that “there [has not] been any broad, open, public discussion and debate among the government, citizens, and donors” on the reform processes, and on how to “address social equity, public health, environmental preservation and economic efficiency.” He criticizes the World Bank, stating that “[t]he World Bank’s conditionality will place undue pressure on the government and impede the process of social consensus and transparent decision-making.” Nevertheless, a review of relevant documents would still give a general picture of the bidding processes during the Kufuor years.

The (non)transparency issue has always existed in the Ghanaian case. Adam (2003) complains about non-transparency problems in the 1990s. The author also notes that there had been no serious consultation with civil societies after the national workshop in 1995. Whitfield (2006) observes that negotiations for the water sector became even more exclusive and were increasingly carried out behind closed doors during the Kufuor administration in the 2000s. This problem is not unique to Ghana, though. As Swyngedouw (2005, 91) argues,

[p]rinciples of business secrecy, absence of participation, non-transparent decision-making procedures and the like, characterize the privatized

³¹ Whitfield regrets that the water specialist in the World Bank Ghana Office refused an interview therefore lacking an authoritative figure’s recollection in the process. The author, however, managed to speak to both the international and national water specialists at the World Bank country office in Accra. Inputs from the national officer were particularly valuable as he was among the GWSC officials (one of the technocrats) during the negotiation period. Later he was hired by the World Bank as a national staff. Therefore, he provided very helpful insights into both sides of the story.

organization of the water sector. Although a vital and local good, the decision-making frameworks are taken away from local or regional political control and relegated to executive boardrooms of global companies. This leads to autocratic forms of water governance and regulation with limited or no democratic control. Of course, the new regulatory institutions may provide some space for ‘stakeholder’ participation, however tenuous this might be.

Additionally, this issue is not unique to water sector PSIs/PPPs. As noted in Chapter Three, among PSI/PPP deals in all sectors, members of the private sector are eager to negotiate exclusive rights and preferential treatment, which in the end would lead to collusive behavior, cartel arrangements, and abuse of their dominant position—a phenomenon called the “private capture” (Buchs 2003). At the same time, powerful groups in the state elite circle tend to closely direct and manage PSI/PPP processes for the purpose of ensuring that the outcomes of the PSI/PPP programs would maintain rather than undermine their own domestic political support circle (Tangri and Mwenda 2001). At last, Grusky (2001) reflects on the non-transparency issue related to loan negotiations between IFIs and developing governments, many of which are closely tied to PSI/PPP reform measures.

Responding to the criticism in the World Bank’s 2000 *Memorandum on Ghana Country Assistance Strategy* (World bank 2000), the Water Sector Restructuring Secretariat stressed that “[the government of Ghana] is not rushing the project... delays have been necessary” (Cooper 2002, 33). Soon after the new government was formed, the

Secretariat decided to pick up what had been left before the election and to re-review the pre-qualified bids carried out between 1998 and 2000.

While the Ghanaians continued to pave the way for private participation in the water sector step by step, on the donor side, things started to look promising, too. At a donor conference hosted by the government of Ghana in late 2000, the participants, “in appreciation of Government of Ghana’s effort to improve the sector, expressed their willingness to provide an amount of \$400 million to cover the rehabilitation and expansion requirement of the sector for the first five years under public-private partnership.” Further, a consensus was reached that “[t]he investment required from the private operator will be indicated in the contract document and will form part of the contract” (Ministry of Works and Housing 2002, 2 and 21).

In addition, in July 2001, the World Bank approved a 110-million-dollar structure adjustment loan as the “Third Economic Reform Support Operation Credit” for Ghana, on the conditions of seven “prior actions,” including to “increase electricity and water tariffs by 96 percent and 95 percent, respectively, to cover operating costs, effective May 2001” (Grusky 2001; International Fact-Finding Mission 2002, 45).³² These prior actions are prerequisites to the PSI/PPP deals in the water sector, as “[p]rivate companies want to operate systems where consumers meet the expenses of running the systems and pay enough for company profits” (Grusky 2001).

Despite the reignited enthusiasm of both the government and the international donors to finally conclude a PSI/PPP project for the water sector in the framework of an enhanced lease, on the private sector side, the previously interested water TNCs’

³² For a detailed list of World Bank and IMF documents that show IFI loans to the water sector was conditioned on a series of reform benchmarks, see International Fact-Finding Mission (2002, 45–46 Box 1).

willingness to invest in the water sector dramatically decreased during the post-2000 election bidding processes, which resulted in the constant revision of the bidding documents (Amenga-Etego 2003b; Whitfield 2006, 433). More specifically, Amenga-Etego (2003b) recalls that initially the government set the bar of investment from the private partner at 70 million dollars each to rehabilitate, renew, and improve the water system. However, the prequalified bidders all stated that they were not ready to invest at the 70-million-dollar level.

Picking up on the signal, the government of Ghana gave in and proposed a revised bidding document, requesting that the private partners make an investment of 30 million dollars each, with the hope that a final agreement on the revised proposal would be reached by the end of 2002. At the same time, the World Bank also stepped in and tried to save the day. Whitfield (2006, 433) observed that the Bank had suggested creating an “Operating Investment Fund.” Under this scheme, international donors would lend to the government of Ghana to create the fund, from which the private partner could draw capital for investment in the first three years at a very low interest rate. At the same time, the World Bank promised to mobilize itself and other donors to contribute the capital cost of the project. This is not the only case in which the World Bank and other international development agencies tried to step in and reduce the risks of water TNCs in the early 2000s. Hall (2002, 4) gives two other examples. In Guayaquil, Ecuador, the World Bank offered an eighteen-million-dollar guarantee to the private partner to cover against political risks and the “risk of wrongful call”. In Peru, the PSI/PPP deal is avoiding currency risk by raising finance entirely in Peru—a practice regarded as a model by the Inter-Americas Development Bank.

Despite the effort to keep the pre-qualified bidders interested in an “enhanced lease” that required investment from the potential winners, the proposal finally fell apart in December 2002. According to Whitfield’s (2006, 439) description, during a meeting between the World Bank and the potential private partners in December 2002, the water corporations made it clear that they would not participate in any lease agreement that would involve their own investments, and the best they could do was to bring in no more than one million per year in working capital. They also requested risk guarantees from the government of Ghana. Several bidders suggested that they could pursue a “less risky management contract before going into a lease.”

According to Whitfield (2006, note 39), in February 2003, the World Bank issued an internal document on water restructuring in Ghana containing information on the position of TNCs and World Bank support for the management contract. The Bank “acknowledged that these corporations will only bid under ideal conditions and that there is no guarantee that they will honour their contracts if they begin to lose money.” However, the World Bank was not ready to abandon its PSI/PPP plan. After the meeting, a new plan for a management contract was presented to the government of Ghana by the World Bank as the only viable option. The World Bank also promised to provide 100 million dollars and leverage another 30 million dollars should the government of Ghana agree to pursue a management contract; otherwise, without any private participation, the World Bank would only provide a maximum of 30 million dollars. An internal memo collected by Ohemeng (2006, 212–213) indicates that, in light of the situation, “[t]he investment expected under a lease from the operators would not be forthcoming,” and “the [government of Ghana], on the advice of the country’s development partners,

including the World Bank, opted for a Management Contract with a private operator as an interim measure followed, if the government of Ghana so wishes, by lease or affermage.” The direct result of the episode was that all actors involved acknowledged that an enhanced lease contract was no longer an option and a management contract would be more acceptable to all parties.

As noted in Chapter Three, one of the major arguments of the proponents of neoliberal policies was that the private sector could bring in badly-needed capital investment. However, as the Ghanaian case shows, such assertion of the neoliberals might not always be supported by reality. The Ghanaian experience supports the observation and criticism that members of the private sector often seek guarantees before involvement, and the need to minimize risk often undercuts the willingness to invest.

In June 2004, the World Bank approved an International Development Association (IDA) credit of 103 million US dollars for what was called by the official Bank documents the “Urban Water Project” of Ghana. The total project cost was 120 million, of which the remainder was being financed by the government (12 million) and the Nordic Development Fund (5 million). The Project included four components: rehabilitation and expansion of the water systems (98.1 million), payment of the management contract operator (6.5 million), technical assistance and training for GWCL staff under a training plan proposed by the private operator (7.7 million), and severance pay for retrenched workers, who constitute 40 percent of the workforce (11 million) (World Bank 2004c). In January 2005, the World Bank turned the credit into a grant, which meant that the Government of Ghana would not have to pay it back later (World Bank 2005).

Despite all the concessions that the government of Ghana had to oblige and the favorable financial conditions offered by the World Bank, interest from international water companies kept shrinking. Bidders that had been prequalified in the 1990s kept pulling out of the process. The last one of them, Biwater, withdrew in July 2005, leaving only three corporations eventually participating in the bid for the management contract, namely, Saur, Veolia and Vitens Rand Water. Vitens Rand won the bid. At the end of 2005, a management contract was signed by Ghana Water Company Limited and Aqua Vitens Rand Limited, effective July 2006. It was also suggested that after the five-year management contract, a possible continuation into higher forms of PSI/PPP would be explored (Ministry of Works and Housing 2004).

The winner, Aqua Vitens Rand Limited (AVRL), was a Dutch (Vitens)-South African (Rand) joint venture. Vitens had a long history of managing water systems and supply in the Netherlands, where a law was passed to prohibit any forms of privatization of the water sector in 2004. Therefore, Ghanaian NGOs opposing the PSI/PPP reform openly stated that it was ironic that Vitens was given a PSI/PPP deal in Ghana (Whitfield 2006, 440–441 and note 46). The other investor, Rand, being a South African company, had its public-relation value of being African (as opposed to being from the Global North). It is also interesting to observe that, during the same period of time, in one of South Africa's most important cities, Johannesburg, a management contract PSI/PPP had been carried out in its water supply and sanitation services since 2001. Analyzing the Johannesburg management contract, the World Bank (2010)³³ offers the following account about management contracts in the water sector, which fits the Ghanaian case perfectly.

³³ World Bank (2010) is a summary note of key messages of Marin, Mas, and Palmer (2009).

[In the water and sanitation sector of many developing countries], different contractual schemes were used, with varying levels of risk and responsibility passed to the private partner. While concessions transferred the most responsibilities, management contracts stood at the lower end of the spectrum, involving a three- to five-year term, no private investment, and payment of the private partner through an annual fee based, in part, on performance. As a lighter approach for private sector involvement, management contracts have been mostly used for situations where the deterioration of infrastructure and lack of reliable data was such that other PPP options were deemed too risky. As such, they were often introduced as a first step in the reform, before a second, wider-scope PPP contract could be implemented.

4.5 CONCLUSION

The series of events delineated in this chapter provide a good case study to look into what kind of roles the World Bank, the Government of Ghana, and private water companies played in the decision-making processes of Ghana's water sector reform. Analytical focus will be placed on the key turning points of the historical events, namely the change from the Halcrow-suggested lease option to the enhanced lease proposed by the Berger report, and eventually to the management contract in 2002. The analysis of the events in Ghana will also be placed under the framework of sensitivity and vulnerability analysis, as well as the bigger context of the ups and downs of the elements in the international market that are directly related to the water sector.

The historical events analyzed above are a collection of other scholars' research work and the author's own study of relevant documents and interviews conducted in Ghana. The same data have been compiled by others, and used for research projects with varying angles and approaches. However, the same events have never been looked at through the lenses of the sensitivity and vulnerability analysis and the two-level game model. In the following chapters, the author will apply the two theoretical tools and arrange the data in new ways that allow the author and the readers to conceive of a new understanding of the negotiation dynamics and to capture the general knowledge that underpin answers to the issues of interest—the actors' behavior patterns, their positions in the negotiation process determined by their “power,” the way they influence each other, and the determinants of the negotiation outcome.

It is important to recall that at different times of the long-drawn-out partnership preparation period, each actor had its own turn to introduce a change of policy and steered the negotiation toward a new direction. The major changes are to be noted here. First, in the early 1990s, the World Bank initiated the policy suggestion of replacing the public management of the water sector with a public-private partnership. This suggestion was heard, considered, and accepted by the government of Ghana. As a result, reform within the public sector was abandoned and a PSI/PPP project, in the form of a “lease,” as suggested by the Halcrow report, was endorsed and pursued. Second, in mid-1990s, after the Berger consultation finally tackled the confusion surrounding the sources of private capital injection, the government of Ghana, overriding the “lease” suggestion made in the Halcrow report, demanded an enhanced lease as the basis of a public-private partnership, as a lease in its usual senses, did not include the element of the badly-needed

major capital injection into the water sector. This demand was acknowledged, and for five years (1998–2002), an enhanced lease was the basis of the prequalifying and bidding processes. Third, in 2002, the private companies preferred a management contract, and in the end, a management contract was signed. It seemed that all three key actors—namely the World Bank, the government of Ghana, and members of the private sector—were able to muster enough power to influence the course of PSI/PPP preparation at one point or another.

How would one account for their success in influencing the preparation processes? The author proposes that the fact that all three actors could successfully influence the direction of the negotiation was because at the times when the changes were demanded, the configurations of the unique sensitivity and vulnerability dynamics either favored or found no reason to reject these changes. However, this is not to say that all participants in the negotiations had equal footings. Some were far more powerful than others.

At the dawn of the 1980s, when the IFIs, most notably the World Bank and the IMF, rode into the Ghanaian economic terrain like “a glorious Phantom” to “illumine the tempestuous day,” the giant state machine of Ghana was in some ways perceived as similar to how the English Monarch, King George III, and the decadent ruling class of England, had been depicted by their contemporary poet Percy Bysshe Shelley after the Peterloo Massacre in 1819. The “vampire state” of Ghana was “old, mad, blind, despised, and dying,” and the ruling elites were clinging to and leeching on a fainting economy on the verge of a complete collapse. The socialist state, as the neoliberals saw it, could very well be the “worst statute unrepealed.” The IFIs sealed the book of state-led economic

doctrines and pushed Ghana onto a market-oriented reform path, which eventually would reach the “commanding heights” of the economy in the 1990s. However, doubts about whether market-oriented reforms are an effective cure to the “vampire state” and its reflections in the water sector remain. As it is shown in this chapter, corrupted dealings still occurred during the negotiation years of the water PSI/PPP; and in later chapters, case studies will demonstrate that the PSI/PPP could never successfully dissolve the government-firm connections, leaving political interferences in the water company’s operations unaddressed.

Six score and ten years after the British sonneteer composed his verses, the author’s forefathers brought forth on the other end of the Eurasian continent, a new nation, conceived by an ideology that would eventually align with a state-led mode of production in the three decades to come. In 1949, the author’s grandfather, a young recruit of the Second Field Army of the People’s Liberation Army (PLA), attended a gathering in the then-capital of China, Nanking, a city that had suffered through a massacre by the Japanese imperial army in 1937 and had been newly captured by the communist partisans in 1949, where Political Commissar Deng Xiaoping (also spelt as “Teng Hsiao-p’ing” in the Wade-Giles tradition) delivered a speech with General Liu Bocheng, who would eventually receive the rank of Marshal of the Republic in the 1950s. At that gathering, as the then-young Sergeant Chen wrote in his journal, Comrade Deng urged the soldiers to march into the country’s southwestern region to drive out the last dregs of Generalissimo Chiang Kai-shek’s nationalist “ancien regime.” At the same time, the Political Commissar, as firm as he could ever be, commanded the audience to “seek

truth from the facts (Chinese: 实事求是)” in their daily conduct, before the crowd dispersed after the warnings of air raids had arrived.

The notion of “seeking truth from the facts,” as later Chinese Marxist economists would interpret it, dictates a pragmatic approach towards economic development strategies—ones that are not particularly conformed to any ideological inclination, be it state-planned or market-driven. The same doctrine was captured by Deng’s parable: “it does not matter whether the cat has white or black fur as long as it catches mice,” with the two different colors of the feline’s fur symbolizing economies dominated by the state or by the market, and the rodents tangible economic achievements. At the exact same time when the socialist state in Ghana fell to its knees, the proletarian regime of the People’s Republic, under the grand steering of Deng, embarked on the pursuit of economic liberalization when Beijing announced its so-called “reform and opening up” policy in 1978, two years after the death of Chairman Mao Tse-tung. In the following decades, the Middle Kingdom would rise to the status of one of the most powerful economies on the planet, after successive waves of liberalization policies. Fortunately for the Chinese, Beijing retained its ability to devise its own policies and reform pace—with valuable capacities that were resilient towards external influences, be it from international development agencies, multinational corporation, or the global market itself.

Unfortunately for the Ghanaians, they lacked such aptitude. The neoliberal reforms of Ghana have always been heavily influenced by external actors and elements, and the one in the water sector was no exception. In Chapter Five, the author will analyze the roles and powerful influences of the World Bank and water TNCs in Ghana’s water sector reform negotiations. Subsequently, in Chapter Six, the author will try to make a case that

the final outcome of the negotiations, a management contract-based PSI/PPP in the water sector, was largely dictated by the trends of the international water market.

CHAPTER 5

DECIPHERING THE NEGOTIATIONS: A SENSITIVITY AND VULNERABILITY ANALYSIS

One can even set up quite ridiculous cases. A cat is penned up in a steel chamber, along with the following device (which must be secured against direct interference by the cat): in a Geiger counter, there is a tiny bit of radioactive substance, so small, that perhaps in the course of the hour one of the atoms decays, but also, with equal probability, perhaps none; if it happens, the counter tube discharges and through a relay releases a hammer that shatters a small flask of hydrocyanic acid. If one has left this entire system to itself for an hour, one would say that the cat still lives if meanwhile no atom has decayed. The psi-function of the entire system would express this by having in it the living and dead cat (pardon the expression) mixed or smeared out in equal parts.

--Erwin Schrodinger, letter to Albert Einstein

As delineated in the previous chapter, in the early 1980s, the socialist state of Ghana that had developed in the previous decades arrived on the verge of collapse. Prominent international development agencies offered loans and credits, as well as a market-oriented reform agenda, which were accepted by the government that came into power after a 1981 coup under the leadership of Flight Lieutenant, and later President, Rawlings. Reform measures that emphasized private-sector involvement were carried out

throughout the 1980s and moved into the “commanding heights” of the economy in the 1990s. The water sector PSI/PPP reform was initiated against such background. From the early 1990s to 2005, a protracted preparation and negotiation period had taken place before the PSI/PPP reform project was finally realized in the form of a management contract between the GWCL and the Dutch-South African joint venture AVRL. During this period of time, three different options of water PSI/PPP had been proposed and contested, including a lease, an enhanced lease, and a management contract, before the battle finally concluded in 2005.

This chapter focuses the analyses on the dynamics among participants during the decade-long water sector partnership formation period in order to develop explanations of the negotiation processes and the final outcomes. More specifically, this research explores the sensitivity and vulnerability of relations among key PSI/PPP stakeholders as possible explanations of power dynamics and the causation of the outcome of the partnership negotiation (a management contract-based partnership). It is hoped that the theoretical framework and actors’ behavioral patterns discovered in this chapter could enjoy reliability beyond the case of Ghana—being generalized and applied to the negotiation dynamics of broader sets of PSI/PPP projects worldwide.

Max Weber (1949, 72) identifies one of the most important tasks that social sciences, as a collection of disciplines, and social scientists, as observers of human behaviors with the ambition to offer credible explanations of such behaviors, would need to take on in their endeavors to reveal the patterns of our world, our societies, and ourselves. The ultimate challenge of social sciences, argues the intricate sociologist, is to understand “on the one hand the relationships and the cultural significance of individual

events in their contemporary manifestations and on the other hand the causes of their being historically so and not otherwise.”

Following the Weberian tradition, in this chapter the author attempts to offer an observation of the dynamics of the decade-long negotiation for a PSI/PPP reform scheme in Ghana’s water sector (the major events took place from 1994 to 2004). Further developing and utilizing the theoretical framework of the sensitivity and vulnerability analysis sketched by Keohane and Nye (2001), the investigation traces the movement of the relevant stakeholders on a time continuum. It is hoped that, in the end, the readers will have a better understanding of the events that transpired during the negotiation years “in their contemporary manifestations,” which eventually concluded with a management contract-based reform project in 2005, and this final negotiation outcome’s status as “being historically so and not otherwise.”

In this chapter, the author will first give an overview of the analytical framework. The first section identifies the key arguments of the sensitivity and vulnerability theory to the extent that it is outlined by Keohane and Nye, and offers some critiques of this basic model. After that, the author further develops Keohane and Nye’s basic model in the second section, with elements borrowed from the stakeholder analysis that have been enhanced by the author (i.e., the use of a matrix and descriptions of patterns of usual behaviors of actors in each of the four boxes of the matrix). In addition, a longitudinal dimension is added to the hybrid model (being a “hybrid” as a combination of the above-mentioned two analytical frameworks), as the author’s original contribution to the development of the theoretical structure, which by far remains in need of further elaboration by scholarly works of the international relations discipline. Moreover, this

original contribution is complemented by drawing a connection between the enriched sensitivity and vulnerability framework and the two-level game analysis in the next chapter. In the next and third section, a discussion of case study as a research method in general and the application of case study techniques in this chapter and the one after are offered. In the fourth, fifth, and sixth sections, the enriched sensitivity and vulnerability theory is applied to the case of Ghana's water sector reform, offering a discussion on how this theoretical framework helps, as it exceptionally does, to explain the power dynamics among the stakeholders during the three stages of the water PSI/PPP formation period (each section accounts for the events at one particular stage). This enriched framework is used to assess the power of the actors as defined by their sensitivity and vulnerability in the system at cross-sections pinned at important analytical time points during the negotiation journey that lasted for more than the years. More importantly, in these sections, the movements and evolutions of key actors in between the cross-sections of analytical times throughout the decade and half are accounted for—a task that Keohane and Nye's model fails to capture, unless the static pictures of single sensitivity and vulnerability matrices are multiplied to form a time continuum. At last, a chapter conclusion is given, leading to the next chapter, in which the two-level game theory will offer a supplemental explanation of the evolutions of actor preferences.

5.1 OVERVIEW OF THE ANALYTICAL FRAMEWORK

Both economists and political scientists have attempted to study the policy initiative (or prescription) of PSI/PPP. As Shivendu notes, “[w]hile economists have looked at privatization in terms of efficiency, political scientists have looked at the privatization as a policy shift and have studied it in the context of complexity of policymaking. Thus,

while most of the economics literature on privatization has been prescriptive or evaluative, political scientists have studied privatization in terms of shifting powerbase of various interest groups” (Shivendu 2008, 34). Accordingly, in Chapter Three, the author reviews PSI/PPP studies from both economic and political perspectives. However, in this chapter, the author will try to focus on the political science angle to look into the case of the PSI/PPP reform project in Ghana’s water sector. Therefore, a discussion of the theoretical framework to be used becomes imperative.

5.1.1 Sensitivity and Vulnerability Analysis

The sensitivity and vulnerability analysis was first proposed in Keohane and Nye’s work. To understand the power and interdependence dynamics among a group of actors, as Keohane and Nye (2001, 10) argue, it is important to take note of the two dimensions involved in the relationships, namely, sensitivity and vulnerability. Sensitivity is defined as the liability to costly effects imposed from outside before policies are altered to try to change the situation. In other words, an actor’s (A’s) sensibility towards another actor (B) entails the degree of impact imposed on A due to a change in B’s action or policy. Sensitivity analysis is useful in examining how much the interest/well-being of one actor (A) is dependent on the actions/policies of another actor (B). However, to rely only on an analysis of sensitivity among different actors does not paint the whole picture and “obscures some of the most important... aspects of mutual dependence” (Keohane and Nye 2001, 11). For such reasons, the second dimension, vulnerability, needs to be considered as well. Vulnerability is defined as an actor’s (A’s) liability to suffer costs imposed by external events (e.g., a change of action/policy by B). In other words, vulnerability is defined by an actor’s (A’s) ability to counteract or to find alternative

options to the changes in another actor's (B's) actions/policies. The less actor A is able to counteract or to find alternative options, the more vulnerable it is towards B's actions.

Between sensitivity and vulnerability, it is argued, "vulnerability is clearly more relevant than sensitivity" because vulnerability is particularly important for understanding the political structure of interdependent relationships due to its status as "the definer of the *ceteris paribus* clause"—in other words, the rule-setter (Keohane and Nye 2001, 13). However, this does not mean sensitivity is unimportant, as rapidly rising sensitivity often leads to complaints about interdependence and political efforts to alter it, particularly in countries with pluralistic systems (Keohane and Nye 2001, 14). Sensitivity and vulnerability are the two decisive elements that shape the positions, especially the power positions, of a group of interdependent actors. The degrees of sensitivity and vulnerability that an actor possesses determine how much the actor is dependent on the success of the collective framework and how much the actor is able to wield influence, to counter influence wielded by other actors, and to challenge the structure of the framework when opportunities arise. In other words, the degrees of sensitivity and vulnerability that an actor possesses determine how powerful the actor is in an (asymmetrical) interdependent system. In such a context, power can be achieved in two ways—by reducing either sensitivity or vulnerability. In such a system, a certain actor's power to prevail in negotiations is profoundly determined by its degree of sensitivity and vulnerability toward the existence of the system and the actions/policies of other actors in the system.

In the study of Ghana's water sector PSI/PPP, it is important to understand who is (are) the most powerful actor(s) among all the stakeholders that share an interdependent

relationship under the framework of the water PSI/PPP partnership. Power, in this case, means two sets of abilities during the negotiation phase (1994–2005), which are determined by the actors' sensitivity and vulnerability configurations in the system. At an earlier stage, power means the ability to decide whether to form a public-private partnership and, subsequently, the ability to determine which type of partnership is to be formed in Ghana (more specifically, the choice among a lease, an enhanced lease, and a management contract).

5.1.2 Critiques of Keohane and Nye's Model

As the readers of Keohane and Nye's work might have already noticed, their sensitivity and vulnerability analysis proves to be quite useful in accounting for negotiation events. The explanatory power of this analytical framework is indisputable; at the same time, it is the author's observation (and practice) that certain additions and modifications could also be borrowed to improve the theoretical model. Keohane and Nye (2001) offer a general description of the sensitivity and vulnerability model, much of which still needs to be polished and amended. In this regard, the following paragraphs note some of the areas in which improvements of the model could be sought.

First, despite the general emphasis on the recognition of non-state actors in international politics, as well as the erosion of the power of the conventionally-perceived states, in *Power and Interdependence*, Keohane and Nye (2001) use the sensitivity and vulnerability analysis predominantly to explain state relations. The actors whose sensitivity and vulnerability are under their analysis are mostly nation-state actors. The model's extended applicability to negotiations that involve non-state actors is under-

explored by the theorists.³⁴ In this research project, the actors involved in the negotiation for Ghana's water sector include only one state actor—the government of Ghana—whereas the other three main categories of actors are, respectively, international development agencies (most notably the World Bank), private companies, and civil societies—all of which are non-state actors. It turns out that the model's explanatory strength remained powerful when theoretical arguments are applied to interactions among state and non-state actors. That said, for the sake of fairness, some of the points in the following paragraphs should be seen as modifications and amendments to the model when applied to scenarios involving non-state actors, rather than a direct criticism of the flaws of the analytical framework.

Second, in Keohane and Nye's discussion of sensitivity and vulnerability, the two concepts are treated as two dimensions of power in interdependent relationships. The focus is to explain where and how actors draw their power to influence the others in the system. This focus only covers part of the story. The theorists fail to account for another important element—what are the usual behavioral patterns of the actors in the system, given the levels of power vested in them (or given their configurations of sensitivity and vulnerability). In this research, the stakeholder analysis is borrowed and modified to fill in this gap in the framework of the sensitivity and vulnerability analysis. As demonstrated below, the stakeholder analysis enables the author to place each actor/group of actors in one of the four categories with unique configurations of sensitivity and vulnerability

³⁴ This is not to say that Keohane and Nye completely ignore the model's applicability to non-state actors. For example, in their discussion of sensitivity's manifestation in the social and political realms, they use examples of communications between American and European student movements in the 1960s to demonstrate that transnational communication enhances sensitivities of the student movements on both shores of the Atlantic (Keohane and Nye 2001, 11). However, for the overwhelming majority of the examples that they give in their discussion of sensitivity and vulnerability, the actors are states.

levels. Based on the payoffs of the two dimensions of power, a description of usual behavioral patterns is given for each category. These patterns are fairly predictive and illustrative for making sense of the case of Ghana—when changes were proposed in the system, the actors either favored the change, or had no willingness or ability to reject the proposed change. The stakeholder analysis makes up the inadequacy of the sensitivity and vulnerability analysis. The two sets of analyses complement each other and give more insight into analyzing the behaviors of the actors.

Third, in their book, Keohane and Nye challenge the traditional realist assumption of unitary states. Indeed, they distinguish different sub-groups of actors within each nation-state. However, in their sensitivity and vulnerability analysis, the theorists more or less treat the sub-groups of actors, in particular the governments, as homogeneous ones. However, as the case of Ghana shows, actors in an interdependent system are by no means all homogeneous. They are known for their internal splits and conflicts of interest. Special attention should be paid to the government of Ghana. As the account in Chapter Four shows, the government of Ghana has been consistently suffering from internal factions. For example, the Rawlings government, during the military dictatorship and the first democratic term (1992 and 1996), always consisted of two big factions—the populists and the technocrats. During the second democratic term (1996–2000), the inclusion of the opposition added another dimension of division to the government. Furthermore, elements of different groups might switch camps. In the case of Ghana, during the 1996 and 2000 elections, many activists previously affiliated with civil

societies joined the government, and some former government officials also became supporters of civil society movements.³⁵

Fourth, Keohane and Nye's framework lacks a clearly defined longitudinal dimension. The cases that they look into tend to be much less protracted than the case of Ghana, which partially contributes to the absence of a clear longitudinal dimension in their model. However, this is not to say that they completely ignored the effect of time. It seems that there is a time element in Keohane and Nye's conceptualization of their basic model; for example, in their elaboration on the sensitivity and vulnerability configurations of three imagined countries, time is considered as an element (Keohane and Nye 2001, 12–13). However, this longitudinal dimension is never emphasized by the theorists. On the other hand, in analyzing stabilization programs, Alesina and Drazen's (1991) emphasis on the impact of "waiting" is of relevance here. Delays at different stages caused by different reasons, especially the ones in the late 1990s and early 2000s, inflicted great costs on the actors of the system, especially the local ones—the Ghanaian government and the population (represented by civil societies). The actors' inability to conclude the negotiation in the 1990s caused Ghana to miss the prime opportunity to secure a deal that would have been relatively more favorable for the national actors. The incremental cost of "waiting"—dragging the negotiation into the new millennium—precipitated the change in the sensitivity and vulnerability configuration of the motivated tacticians, which in the end, resulted in the acceptance of a lesser form of PSI/PPP by all actors. As a result, the national stakeholders ended up losing investments from the private

³⁵ In the case of Ghana, even though civil societies generally took the anti-PSI/PPP stand, there was a small group of civil societies that supported the reform project. In addition, within the anti-PSI/PPP camp, different organizations also had varying agendas and preferences. However, such differences are too complicated to untangle and more or less beyond the scope of this paper.

partner—which marked the loss of an important leveraging tool that would have kept the private partner more sensitive towards the performance of the PSI/PPP in the following years.

Last but not the least, in Keohane and Nye’s model, actors’ preferences were treated as given and used as independent variables. It does not account for the factors that cause the preferences to vary—thus creating the need for a change of policy. In the same vein, so far the author has tried to demonstrate that the changes that different actors brought in at different stages of the negotiation caused reconfigurations of sensitivity and vulnerability to “ripple” onto other actors in the interdependent system. Through the sensitivity and vulnerability lens, it is argued that “the fact that all three actors could successfully influence the direction of the negotiation was because at the times when the changes were demanded, the configurations of the unique sensitivity and vulnerability dynamics either favored, or could not reject, these changes”. The unanswered questions are what influenced the actors’ preferences and why certain types of PSI/PPP were acceptable during one stage and unacceptable in another—a puzzle to be explored in the next chapter.

5.1.3 Enriching the model: Stakeholder Analysis

In addition to Keohane and Nye’s sensitivity and vulnerability analysis, elements of Start and Hovland’s (2004) stakeholder analysis are borrowed, tailored, and adopted to supplement Keohane and Nye’s model. There are vast similarities between the two theoretical frameworks, despite that Start and Hovland use a power versus interest configuration, in comparison to Keohane and Nye’s sensitivity versus vulnerability spectrum. Start and Hovland’s argument provides an insightful complement, as it predicts

the behavior patterns of a certain actor/stakeholder, given its position in Matrix 1 (Figure 1).

Start and Hovland (2004, 26) define a stakeholder as “a person who has something to gain or lose through the outcomes of a planning process or project. In many circles these are called interest groups and they can have a powerful bearing on the outcomes of political processes.” They also assert that “[i]t is often beneficial for research projects to identify and analyse the needs and concerns of different stakeholders, particularly when these projects aim to influence policy.” In addition, they make a very brief (and incomplete) attempt to give descriptions of behavior patterns for actors in two of the four categories embedded in the matrix. They advise researchers using the stakeholder analysis in their studies to carry out, “if time and sources permit,” further analysis “which explores in more detail (i) the nature of the power and its position and (ii) the interests that give it that position” (Start and Hovland 2004, 27).

The author takes on their suggestion and offers a set of conceptualizations of actor behavior patterns within each box (category of actor) of the matrix, as delineated below. The descriptions below are built on Start and Hovland’s work, as well as that of others who utilize their framework;³⁶ nevertheless, the author’s version is quite different and much more developed than that of Start and Hovland.

5.1.3.1 The Apathetic

The upper left box is the *Zone of Apathy*. Actors in this category are affected little by the policy change or have yet to realize the consequences of the change. Therefore, their sensitivity or perceived sensitivity is low. At the same time, on the vulnerability side,

³⁶ For example, Adam (2011) provides a good account of applying the stakeholder analysis to the issues related to water PSI/PPP in Ghana. However, Adam focuses his discussion and investigation on the interactions among the national actors.

they are unable to block the policy change, or the alternative option is too costly. In general, they might be affected by a policy change but are either unaware that the process can affect them; or are disengaged because they perceive themselves to be powerless.

5.1.3.2 The Underdog

The upper right box is the *Yard of the Underdogs*. The underdogs have a high sensitivity towards the policy change; however, their ability to block such change is low, and the alternative options are too high for them. Therefore, they are seen as having high vulnerability as well. Individually, each actor in this category has little influence over the processes of the system. They are usually never expected to win; however, if they group their power and action together, they might cast substantial influence within the system.

5.1.3.3 The Patron

The lower left box is the *Castle of the Patron*. The patrons are some of the most powerful actors in the system. They enjoy low sensitivity towards policy changes. The change, initiated either by the patrons themselves or by other actors in the system, do not have much impact on the patrons. On the other hand, the patrons' abilities to easily block changes, or to pursue alternative options, give them low vulnerability. They are broadly connected to most, if not all, of the other actors in the system. They hold the system together, able to maintain or stall the processes in the system. In general, they have the broad goal of keeping the system running; at the same time, they do not feel the need to keep an eye on the details. On most days, they let the other actors in the system play out on their own.

5.1.3.4 The Motivated Tactician

The lower right box is the *Boardroom of the Motivated Tactician*—actors that are most likely and most able to initiate policy changes. They are less powerful than the patron on most days; however, they are more likely to initiate changes than the patrons, as they enjoy low vulnerability but suffer from high sensitivity. When the outcome of the system serves their interest, they consent and contribute to the system; when the outcome of the system undercuts their interest, they strive to initiate changes and usually succeed.

In social psychology, a motivated tactician is a person who shifts from cognitively economical tactics to more pragmatic strategies and displays cognitive bias under particular social motivations (Fiske 2004). The concept has been borrowed by political science studies. For example, Glad (2009) describes Mr. Zbigniew Brzezinski, National Security Advisor in the Carter administration, as a motivated tactician who successfully took advantage of the President's personal and political inabilities and influenced the President to take on policies that the Advisor favored.

5.1.4 Enriching the Model: A Time Continuum

Despite its considerable explanatory power, the model specified so far suffers from a vital shortcoming. Each individual matrix, if applied to a case scenario, explains the unique sensitivity and vulnerability configurations of the actors in the matrix at a given time. However, with the actors in it, the model is basically static. A longitudinal aspect is missing to capture actors' movements from one cross-section of analytic time to the next. Therefore, the two-dimensional matrices must respond to explanatory needs when events unfold during an extended period of time. As a further development of the model, an infinite multiplicity of individual matrices are put together to form a time continuum (or a

tunnel) through which actors travel, occupying a certain spot in a matrix at a given time and emerging at a different point in another matrix at another given time. Adding a longitudinal dimension to the model creates the cognitive structure in which actors are no longer stationary; instead, they, and their sensitivity and vulnerability configurations, evolve.

In addition to the shortcomings of being static and lacking a time dimension, Keohane and Nye's model is also reactionary, as they only talk about how actors react to "a change of policy." However, it does not account for the endogenous evolution and change (and thus movements) of actors in the system in between major changes of policies. Therefore, it is important to point out that actors' sensitivity and vulnerability not only react to "changes of policies" (in the Ghanaian case, the proposals for a lease, an enhanced lease, and a management contract at different stages of the negotiation); they also evolve in between "changes of policies" as key events occur (e.g., elections, growth of civil societies). In other words, when a "change of policy" is introduced to the system, the configuration of a certain actor's sensitivity and vulnerability levels may put the actor at a certain point in one of the four boxes of the matrix. When the next "change of policy" is introduced, it is very possible that the actor has already moved, either to another point within the original box or into a different box, due to certain endogenous developments. Therefore, it is important to identify the threshold for "in-between-boxes" movements in addition to the threshold for "within-box" movements. For example, as later analysis will show, the Ghanaian case tells us that the ability to exit (to quit the system) distinguished the underdogs from the motivated tacticians.

To help the readers better capture the argument cognitively, the author proposes an analogy of a linear collider—a sophisticated instrument used in quantum physics studies through which particles travel with high velocities. The length of the collider is thought as the time continuum, consisting of a collection of indefinite numbers of analytical time points. At one end of the tunnel, there is T_1 , the genesis, or the “big bang” of the system; while on the other end is T_n , the end of the system. At any given time point between T_1 and T_n , if the collider is sliced open around its girth, on the emerging cross-section surface (or facet), a matrix can be observed. Actors in this model move through the “time tunnel” in the same way that particles travel through the collider, appearing at one position in the particular matrix at a particular time point (T_x) and resurfacing at another position in another matrix at a different analytical time (T_{x+y}).³⁷

In the following sections, three critical time points will be identified on the longitudinal dimension, namely the times when a lease (1995), an enhanced lease (1998), and a management contract (2002) were proposed, respectively. In addition, much of the work is devoted to accounting for the evolutions of the actors’ sensitivity and vulnerability configurations in between these three time points, as a result of the occurrences of external events or innate developments of the actors.

If one buys into Erwin Schrodinger’s ridicule of some of his contemporary physicists, it is not too difficult to imagine the confusion on, say, Niels Bohr’s face when he opens the steel chamber. With that very observatory act, theoretical ambiguity on the micro-level collapses, and the ensuing certainty, through the relaying mechanism, becomes amplified in the macro-level reality, and the Copenhagen theorist would find the

³⁷ A discussion between the author and a colleague in Kosovo suggests that another way to perceive the conceptual construction of the time dimension is to imagine the time continuum as a piece of salami, with the white strings (the fat) in the sausage indicating the travelling paths of the actors.

cat either dead or alive (or extremely annoyed and slightly radioactive)—only one state of the two (or three), not a mix of both (or all). What escapes the Copenhagen tradition’s account of quantum properties is the ascertainment of whether the atom has, in fact, decayed and thus triggered the movement of the hammer, or not.

In a similarly imagined scenario, when Keohane and Nye slice open our “linear collider” at T_x , they could find that their discussion of sensitivity and vulnerability is captured by a matrix on the cross-section surface. With a pair of goggles borrowed from Start and Havland, they might be able to predict the behavioral patterns of a certain actor, given its position in the matrix. What further eludes Keohane and Nye’s explanation of negotiation dynamics are the movements of the actors in between different analytical time points (e.g., T_{x-y} , T_x , and T_{x+y}). Their basic framework fails to answer why a certain actor occupied a particular position in the matrix at T_x , while emerging at another spot at T_{x+y} . The analysis in this chapter accounts for such movements and the major events that have triggered those movements.

5.2 CASE STUDIES AS RESEARCH METHODS³⁸

For the investigation of the Ghana water sector PSI/PPP, a case study will be conducted. A case study is defined as “the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events” (George and Bennett 2005, 17). It is hoped that this chapter could demonstrate the assertion that a “single case study can have powerful, and even conclusive theoretical results” (Eckstein 1992). Among the numerous research endeavors of Ghana’s water sector reform, except for few well-written analyses, most studies rely on the narration of anecdotal events, with little theoretical support and/or empirical evidence. To make up for this gap, this chapter

³⁸ This discussion on research methodology covers both this chapter and the following one.

utilizes the enriched model of sensitivity and vulnerability as the main theoretical framework, supplemented by the two-level game analysis (in the next chapter), in the quest for a more sophisticated analysis and greater explanatory power.

As stated above, the author plans to delineate the sensitivity and vulnerability dynamics among the key actors during the negotiation period. It is hoped that the analysis will paint a picture of the power dynamics among the four key actors (or groups of actors), namely, the World Bank, the government of Ghana, the private water companies, and civil society organizations in Ghana. It is also expected that the study will show how certain actors' preferences prevailed at different stages of the negotiation due to their different levels of sensitivity and vulnerability in regard to a policy change. The explanatory strength of sensitivity and vulnerability analysis is thought to be most powerful in situations where a change of policy is introduced. During the negotiation period, three of the four key actors introduced a policy change at a certain point. Therefore, there are three cross-sections of analytical time to be looked at.

The first one was at the beginning of the negotiation in the early 1990s, when the World Bank informed the Ghanaian government that the Bank endorsed a public-private partnership approach as an alternative to the problematic public management of the country's water sector. Despite resistance from different groups in Ghana, the World Bank's preference prevailed and the preparation to form a water PSI/PPP was initiated. The second change of policy was introduced after the Berger consultation in 1998, when the Ghanaians proposed a change in the partnership type from a management contract to an enhanced lease. The suggestion of the Berger consultant, endorsed by the government, overrode the suggestion made in the 1994 Halcrow report. Subsequent negotiations (until

2002) focused on a partnership in the form of an enhanced lease, which almost came into realization in 2000 and perhaps would have had the Azurix scandal not occurred. The third change transpired in 2002 when the private water companies collectively argued that an enhanced lease was impossible and the basis of negotiation should be a management contract, which was eventually signed in 2005.

Such historical facts hinder the effort to generalize the power dynamics of the stakeholders, should one only look at who wanted what and whether the demand was successful at a particular point of time. Indeed, all three actors made a demand for change at one point or another, and all succeeded at various points. Only when the actors are analyzed according to the evolution of their degrees of sensitivity and vulnerability at, and in between, the times when changes were introduced does it become possible to articulate a generalized pattern of the power dynamics involved in the asymmetrical interdependent relations among the key actors during the negotiation stages.

This kind of analysis helps us understand who called the shots in deciding whether a partnership was to be formed and which type of partnership was to be formed in Ghana. It helps us to understand the sources of power, and it illustrates whose preference prevailed and how those preferences prevailed at different times. However, it does not help us to understand why certain actors had certain preferences and how those preferences evolved. To use the two-level game model (in the next chapter) thus supplements the study by adding the elements of the “constituency” and the “win sets,” offering a situational context in which the game of asymmetric interdependence, shaped by the actors’ sensitivities and vulnerabilities, is played out. In other words, the author

will be able to account for the influence of the evolving “win sets” on the preferences of the different parties in the partnership deal negotiation.

In this research, the author tries to make the argument that the outcomes of the PSI/PPP negotiation are related to the choices made by the stakeholders as was pertinent to their sensitivity and vulnerability towards each other; in addition, a particular actor’s sensitivity and vulnerability are largely influenced by their preference, among other things, and such preferences are most likely determined by external factors outside the scope of the specific situation related to the water sector reform in Ghana (such as the ups and downs in the international water market throughout the negotiation decade—to be analyzed in Chapter Six). At last, it is important to bear in mind that the actors and their degrees of sensitivity and vulnerability, their positions in the system, and their preferences are never static or reactionary; instead, they evolve on a longitudinal dimension. Lobina and Hall (2003, 3–4) point out that negotiations for a PSI/PPP deal, such as the one in Ghana, are

best understood by analysing PSP as a dynamic process, with interaction among different actors pursuing different objectives. The most important factor driving outcomes appears to be continual profit-seeking and risk-avoiding behaviour of international water companies, in interaction with local and national government (pursuing mixed political and fiscal goals), political community movements and international donors and institutions pursuing their own goals.

This statement proves to be very accurate for the more than a decade’s worth of negotiations for a water PSI/PPP in Ghana. The “dynamic process” of this negotiation

will be captured in the following three sections through analyses of actors' initial positions in the matrix and the subsequent adjustments of their positions when a change of policy was being proposed, causing reconfiguration of sensitivity and vulnerability levels. Therefore analyses of the sensitivity and vulnerability dynamics among the key actors of the negotiation phase, most notably the government of Ghana (including the state-owned national water company), the World Bank, international water corporations, and civil society in Ghana, will help the author answer the question regarding who is (are) the most powerful actor(s) in shaping the outcomes of the partnership negotiation. The following sections explore the extent to which and how the enriched theoretical framework of sensitivity, vulnerability, and stakeholder analysis can be applied to the events that transpired during the negotiation period of the water partnership in Ghana to provide important insights into these political processes.

5.3 LEASE (1990–1998)

In the early 1990s, the decision to introduce private sector participation in the water sector was tossed around. There is little doubt that it was entirely a donor-led initiative (in particular, the World Bank). It was an exogenous policy proposition. Endogenously, the government of Ghana was nowhere close to suggesting the initiation of such a structural overhaul in the sector. This is not to say that no one in the government of Ghana was in favor of private sector participation in the water industry; however, as the Managing Director of the GWCL revealed during an interview with the author, in the early 1990s, if the government was left on its own to make such a decision, PSI/PPP programs would have never even been contemplated for the water sector. In this section, the author will try to look at the dynamics among the involved actors in this policy transformation (from

reform within the public sector to PSI/PPP reforms) through a lens calibrated by the enriched sensitivity and vulnerability theoretical framework. The argument that the author will try to get across is that when the policy change was initiated, the sensitivity and vulnerability of the initiator (the World Bank) was much lower than those of the receiver (the government of Ghana, in particular the GWSC). Therefore, the initiator of the policy change was in a much more powerful position in its interdependent relations with the receiver. In other words, the receiver was quite dependent on the initiator in the dyadic, asymmetric interdependent system and had to concede to the change brought in by the initiator. At this particular stage, the system has only two key interdependent actors—the World Bank and the government of Ghana. As relevant civil society organizations were still in their embryonic phase, they are at best in the *Zone of Apathy*—indifferent and inactive. At the same time, it was still too early to involve any potential private partners in terms of (pre)qualification or bidding. Consequently, analyses of the events in the early 1990s will mostly capture the interaction between the World Bank and the government of Ghana. Generally speaking, in this particular interdependent system, the World Bank is the patron, while the government of Ghana is referred to as the underdogs (as Figure 2: Matrix 2 shows).

5.3.1 The World Bank: The Patron

As stated above, international financial institutions (IFIs) were the (largely) behind-the-scene architects of the PSI/PPP reforms in Ghana's water sector (with the exception of the World Bank, of course). Among the IFIs, the World Bank played the leading role and was visibly involved throughout the reform process. Neoliberal reform in the “commanding heights” of the economy in the 1990s, including in the water industry, was

just an expected step-up after the reforms in the “peripheral” sectors of the economy in the 1980s.

Although the discussion of water sector reform in Ghana never appeared in Bank publication or disclosed documents until 1995, it was generally believed that the World Bank was the initiator of the water reforms at the beginning of the 1990s. Discussion of the water sector reform first appeared in the World Bank’s 1995 Country Assistance Strategy— “[t]he Bank is currently discussing the restructuring of the entire water sector including Ghana Water and Sewerage Corporation and encouraging private sector participation.... Our strategy in the urban sector is to alleviate constraints on urban productivity and target urban poor. We are actively supporting the use of private contracting for operations and maintenance of water and sanitation facilities” (World bank 1995b, 16). It influenced the government through less formal channels, such as undocumented meetings, as well as through less visible approaches, such as funding the hiring of project consultants.

Therefore, the World Bank is the patron who created the system in which all relevant stakeholders of the water sector in Ghana would try to prevail and influence others, with their respective competing interests. The Bank’s promise of providing about 100 million dollars via a loan and leveraging even more from other IFIs served as the trigger of the original “big bang” of the system. Pulling the strings of the loans, the World Bank could easily maintain or take apart the system. With such a great power (and accordingly, low vulnerability), the Bank decided to set a broad goal of having some sort of private sector participation in Ghana’s water system and successfully enforced a change of policy from reforming within the public sector to bringing in PSI/PPP

adjustments. At the same time, due to its low sensitivity, the Bank did not feel compelled to choose one particular type of water PSI/PPP for Ghana—as long as there was some sort of PSI/PPP, it would be sufficient enough to obtain the endorsement of the patron.

On the one hand, despite the fact that it was the initiator of the neoliberal reform in the water sector, the World Bank had low sensitivity towards a potential private overhaul of Ghana's water industry. Whether PSI/PPP reform was carried out in the water sector would not constitute much of an impact on the Bank's role and long-term involvement and objectives in the country. It is important to understand that the PSI/PPP project in water was only a small part of World Bank activities in Ghana. In fact, the Bank, along with other IFIs such as the IMF, had a much broader neoliberal agenda for the country. Water was just one item on the table full of reform projects. If the water project took off, it would become one of many reform initiatives; at the same time, if it never took place, the resources of the World Bank and other international donors would just be moved around to privatize other industries in the country or would be diverted to other countries in the developing world.

On the other hand, the World Bank had total control over the policy initiation. It could easily withdraw, cancel, or threaten to cancel the project, as it ended up doing after the Azurix scandal. The alternatives to a neoliberal reform in the water sector were not costly to the Bank at all. Without PSI/PPP elements, the water sector would remain in public hands. Surely it would remain a burden to the government, face financial insolvency, and fail to deliver to most of the population. But from the perspective of the World Bank, such an alternative would be disappointing but tolerable, as long as the country moved forward in other sectors with neoliberal reforms. In addition, looking

outside of the small box of Ghana, as the national Water Specialist at the World Bank's Accra office pointed out during an interview with the author, experiments with water PSI/PPP were carried out in many countries in the 1980s and 1990s under the auspices of the World Bank. If Ghana failed to take on the reform, the Bank would surely miss one case study, but it would not suffer from it, as there had been plenty of cases from other parts of the world. That said, it is safe to say that the World Bank's vulnerability in the system was quite low.

To sum up this sub-section about the World Bank, based on the analysis above, in the early 1990s, the World Bank pushed the formation of the interdependent system in which relevant stakeholders would play out their power games defined by their sensitivity and vulnerability in search for a PSI/PPP project for the water sector of Ghana. In this system, the World Bank enjoyed low sensitivity and low vulnerability, and it would continue to be in this position throughout the next decade and half. This particular configuration of power, shaped by the actors' degrees of sensitivity and vulnerability, defined the World Bank's *Patron* status in the system. As a result, the Bank became the key actor in maintaining the system and setting broad goals for the actors in the system, while at the same time tending to ignore the details of the game—even though certain details were important enough to determine whether the outcome of the system was going to eventually succeed in the implementation stage.

5.3.2 The Government of Ghana: Underdog

The other important actor in the game—the government of Ghana—was like a pack underdogs in the system. The following paragraphs will explain that the government was highly sensitive and highly vulnerable in the early 1990s and throughout the entire

PSI/PPP preparation phase (early 1990s–2005). Thus, it should be placed in the box of the *Yard of the Underdog(s)* (as Figure 2: Matrix 2 shows).

On the sensitivity side, for the government of Ghana, at the beginning of the 1990s, a policy change involving private partners in the reforms of the water sector was a volatile one in both social and political realms. In other words, the potential impact of privatizing the water supply was extremely high and the results unpredictable. It is important to remember that at that early stage, the particular type of PSI/PPP in the water sector was still unclear, and the potential reform options ranged from a management contract to outright sale. Socially speaking, the main concern was the fear among the population and government officials that PSI/PPP in the water industry would entail a full recovery scheme of water tariffs, which would render the population unable to afford a fundamental natural resource necessary for life, the lack of which could easily cause upheavals in the country. As a result, private participation in the water sector could potentially destroy the fabric of the society with which ties of family, tribes, and nation were woven together.

Political speaking, the early 1990s witnessed the transition of the political structure from a military dictatorship to a democratically-elected government (the first democratic election took place in 1992, as mentioned earlier). This transition naturally forced the government to align policies more and more closely with the preferences of the population (although such alignment was still limited in the early 1990s). At the same time, water sector PSI/PPP reforms were never popular among the citizens (in particular, among the poor ones) in the majority of developing countries, including Ghana. To allow private sector participation in the water sector could potentially inflict politically high

costs on the circle of the ruling elite. Several pieces in the literature offer multiple accounts that in the late 1980s and early 1990s, the Rawlings regime was forced to diversify its support “selectorates.” The beneficiaries of the reform measures in the 1980s, mainly expatriate business owners and cocoa farmers, proved to be inadequate to the politics of the 1990s. As a result, the ruling regime had to broaden its political base and to increase its mobilization capacity and formal representation; at the same time, conciliatory stances were taken to balance ethnic, political and economic outcomes and to mitigate the social costs of adjustment policies (Adedeji 2001; Callaghy 1990; Green 1988; Jeffries and Thomas 1993; Jeong 1995; Krause 1987; Mikell 1991; Shaw 1993).

However, at the same time, the government of Ghana was also quite vulnerable towards the change that the World Bank had brought to the table. This vulnerability would eventually overcome the high sensitivity and help the government of Ghana to give in and adopt neoliberal reforms in the water sector (elaborated below soon). This high vulnerability of the government, in the face of a fundamental overhaul of the water industry, was defined by two factors: first and most importantly, the inability of the government to block this change, and second, the high cost of the alternative option.

The inability of the government to block this change came from pressures from external and internal factors. In addition, there was also a natural “spill-over” effect of the neoliberal reforms adopted since the 1980s.

Externally, the donor conditionality, in particular the World Bank’s tendency of using lending conditionality as an instrument to induce policy change, was difficult for the government to resist. Empirical studies have shown that macroeconomic variables, including the rising debt burden of the state, play an important role among governments

that take on PSI/PPP reforms (Biglaiser and Brown 2003; Clarke and Cull 1998; Shivendu 2008). This assertion also applies to Ghana. In the early 1990s, positive trends of the reform carried out in the 1980s started to be observed in Ghana. Multiple macroeconomic indicators showed that the country had successfully distanced itself from the verge of collapse and possibly moved onto the path of economic prosperity. Continuous lending from IFIs, most notably the World Bank and the IMF, played an instrumental role in the recovery of the economy. The continuation of such loans and grants were crucial for the economy in the 1990s, during which time neoliberal policies penetrated the “commanding heights,” including the water industry. Therefore, to secure IFIs’ support was crucial for the water sector, in particular, and the entire national economy in general. Loans from the World Bank and other multilateral or bilateral donors for the water sector, conditioned on further reforms—such as “full cost recovery” and “automatic tariff adjustments”—was too critical for the government to reject. As Whitfield (2006) observes, the World Bank, through conditionality pressures and the persuasion of technical expertise (such as the consultancy reports and communications between Bank officials and national leadership), successfully influenced the government’s decision to reform the water sector. From a vulnerability perspective, such external influence doubtlessly increased the vulnerability of the government, in the sense that the government’s ability to reject the Bank-supported reform (to block the change) was tremendously undercut.

Internally, the government of Ghana at that time was split between the populists and technocrats of the PNDC (and its successor, the National Democratic Congress-NDC, after 1993). It was not completely resistant to PSI/PPP reforms. Collier and

Gunning (1999, F649) warn about the tendency to automatically assume that in reform negotiations, IFIs' role is to "[extract] the maximum possible reform," at the same time nothing that "governments will inevitably be placed in the role of opposing reform at the margin." In addition, "there is a danger that the credit for those reforms which governments are willing to make will inadvertently accrue to the [IFIs] rather than to the government." In the same vein, Andonova (2006, 20) points out that although it is reasonable for authorities in developing countries to "[fear] a power-shift away from their relatively weak governments," and thus "be more skeptical about public-private institutions...[n]evertheless, the promise of leveraging private resources and expertise to boost domestic institutions could prove attractive for developing governments that are proactively seeking reform." It should be noted that this phenomenon is worldwide and not specific to the case of Ghana. For example, Andonova (2006) mentions a study by Steinberg (2001) that demonstrates the lead role played by the environmental administration of Costa Rica (a national stakeholder) to venture public-private partnerships for biodiversity management.

Looking at the specific case of Ghana, in the 1990s, the government was not just one underdog; rather, it was a pack of underdogs with different attitudes towards the neoliberal reform. There were certainly factions within the government that supported the reform agenda, in particular the ones that dealt with the water sector in technical aspects. Tangri (1999) recalls the split between the populist branch of the PNDC and the technocrats among the ruling elites. The populists maintained a base that resisted reforms, as these reforms inevitably challenged their ideological doctrines and touched upon their vested interest in the economy, and the PSI/PPP agenda was never popular among that

population. At the same time, the technocrats, frustrated by the inefficiency and unprofitability of the public management of economic sectors, grew increasingly supportive of the idea that the private sector might possess the cure to the underperformance of industries and firms and the stagnation of the almost-collapsed economy. Indeed, The author's interviews with multiple mid-level managers of the GWCL revealed that a large percentage of the managerial staff of the water company at that time, the GWSC, were in favor of giving PSI/PPP a try. The International Fact-Finding Mission (2002, 5) also states that "many in the government feel strongly that privatization or Private Sector Participation (PSP) will improve the current situation in the water sector in Ghana. They feel that the PSP proposal will improve the operational efficiency of water service, attract badly needed capital, and expand the supply of affordable water."

For these reasons, the government continues to move forward with the privatization process." For example, the GWCL Financial Director recalls that there had been a strong sentiment that reforms within the public management of the water sector were hardly attenuating the symptoms—let alone curing the root causes of the disease. Therefore, within the government of Ghana, certain groups of ruling elites, in particular the technocrats, served as the internal pressure that undercut the government's ability to resist the reform agenda prescribed for the water sector. This favorable sentiment towards PSI/PPP reform among the water technocrats continued throughout the negotiation years of the reform project. It was later captured by the International Fact-finding mission (2002) as well. It was only after several years into the performance period of the PSI/PPP

(post-2005) that the non-performance of the PSI/PPP started to dishearten the technocrats.

As a continuation of the neoliberal reforms carried out in the 1980s, it was only a matter of time before it spilled over into the “commanding heights” of the economy, including the water sector. In this sense, it is important to understand that the World Bank’s reform advocacy for the water sector—at that time, a lease contract for the GWSC—was part of the Bank’s general support for greater private sector participation in the entire economy. The “central objective” of the World Bank (1995c, 27) was to “help Ghana adopt and implement an ‘adjustment agenda’ largely in keeping with the tenets of stabilization, liberalization, and ‘market-friendly’” reforms carried out in the 1980s. In the 1980s, the removal of government subsidies to sectors and firms became an established policy and was carried out in parts of the economy. By 1995, public utilities, including water, became salient industries that were seen as burdens for the government. Donors converged on the shared notion that it was time to cut the government-firm ties of the utility industries, which should be restructured for better management and the generation of revenue (Hall and Goudriaan 1999).

Besides the government’s inability to block the policy change towards PSI/PPP in the water sector, the potential high cost of the alternative option—keeping the water sector in public hands, further increased the government’s vulnerability. On the one hand, publicly running the sector became increasingly costly to continue, as the sector had inflicted a tremendous burden on the national budget. On the other hand, rejecting the reform agenda meant that Bank and donor lending in the sector would drastically decrease, which was the least desirable outcome. In a bigger context, disobeying the

World Bank's initiative would jeopardize the country's status as a prime example of reform—a reputation gained in the 1980s—and would hinder donor assistance to the country in general. Indeed, as Fuest and Haffner (2007) observe, the water sector reform was influenced by the decision of the Bretton Woods institutions to grant Ghana entry into the Heavily Indebted Poor Country (HIPC) initiative. Obtaining the HIPC status would pave the way for considerable debt relief in the future. However, eligibility for the program required three years of macroeconomic and structural adjustment policies, among which the reform of the water sector was clearly mandated for Ghana.

Based on the analyses above, it is safe to say that when the policy change of PSI/PPP in the water sector was pushed forward, the government of Ghana was put in the underdogs' position, with high sensitivity and high vulnerability. The play-off between its sensitivity and vulnerability would eventually determine the government's stand towards private participation in the water sector. In one scenario, if sensitivity gained the upper hand, it would suppress vulnerability, making it relatively low and thus, moving the government's position towards that of the motivated tacticians (high sensitivity, low vulnerability). If this scenario was true, then the government would be able to fight more against the change, should it be convinced that the outcome of the change would undercut its own interest—the usual position of the motivated tactician (see Figure 1: Matrix 1). In the other scenario, if vulnerability gained more momentum, it would downplay sensitivity, pushing the government closer to the zone of apathy (low sensitivity, high vulnerability). If this scenario proved to be closer to reality, the government would become more lenient towards accepting the change, as the apathetic usually passively accept the change brought upon them (see Figure 1: Matrix 1).

As mentioned in the theory part above, Keohane and Nye (2001, 15) predict that “vulnerability is clearly more relevant than sensitivity” because vulnerability is particularly important for understanding the political structure of interdependent relationships due to its status as “the definer of the *ceteris paribus* clause,” or the rule setter. This assertion of the theorists held true for Ghana in the early 1990s. The factors that contributed to vulnerability—internal and external pressures, the spill-over effect of the reforms done in the 1980s, as well as the foreseeable high costs of the alternative options—were certainly tangible variables of the country’s reality. In comparison, the elements that contributed to sensitivity—potential outcry of the population and possible loss of political capital—became far more acceptable and manageable. Consequently, the position of the government, although still in the yard of the underdogs, moved closer to the zone of the apathetic [see Figure 3: Matrix 3, $GoG(T_1) \rightarrow GoG(T_2)$]. In the real world, this adjusted position was reflected in the government’s acceptance of neoliberal reforms in the water sector. Then the rest of the story was already told—the government turned a blind eye on the fact that the Halcrow report only examined PSI/PPP options and accepted the report’s recommendation of the lease option, after the endorsement of the national workshop.

5.3.3 Section Conclusion: Lease (1990–1998)

Looking through the lens of the sensitivity and vulnerability analysis, it was a natural outcome of the system that the government of Ghana accepted a water PSI/PPP reform project in the early 1990s and carried out its preparation for the most part of the decade (until the Berger report proposed the “enhanced lease” adjustment in 1998). The acceptance of the particular lease option was just another step further—a detailing of the

general neoliberal adaptation. It also helped to reduce the sensitivity and vulnerability of the government in its relations with the general population, compared to other PSI/PPP options. At this particular point of time, the sensitivity and vulnerability configurations of the two key actors, the World Bank and the government of Ghana, favored the acceptance of this change.

At the early stage of this period, the other two important actors, anti-PSI/PPP civil society organizations and the international water TNCs, were either inactive in the system or still out of it. Civil society organizations in Ghana in the early 1990s are best placed in the *Zone of Apathy*. They were still in the emergent phase. Let us not forget that the Rawlings government remained a military authoritarian regime until 1992, and the 1992 election never really shook the foundation of their rule. Against such a background, the advocacy activities of civil society organizations remained limited. In addition, as many have argued, the existing advocacy groups never really took a strong interest in the water issue at that time. Instead, they focused more on education, health care, and so on (Adam 2011). Adam (2011, 29–30) recalls that in the late 1980s, civil society organizations that had anti-PSI/PPP or anti-retrenchment agendas tied themselves to the opposition parties, whose main political objective was to “institute a free and fair multi-party democracy.” The issue related to the water sector was not “the main thrust of their demands.” Afterwards, in the 1990s, the sheer number of civil society organizations increased, but they were largely focused on service delivery and were disengaged from policy processes.”

In addition, there was an unwillingness to include them on the part of the government and donor agencies. Fuest and Haffner (2007) records that key civil society

organizations, such as the Trade Union Congress and the Public Utilities Workers Union, were never consulted “in the course of the entire study dealing with the restructuring of the water sector” in the mid-1990s (the Halcrow consultation), and no representatives of these organizations participated in the 1995 national workshop where the “PPP process was debated, endorsed and launched,” and “[t]he great majority of Ghana’s citizens were unaware of the basic components of the PPP and had not been consulted.” A “public awareness” campaign, founded by the UK’s DFID, “was considered as insufficient to compensate for the lack of proper consultation” (Fuest and Haffner 2007; International Fact-Finding Mission 2002). Whitfield (2006, 432) points out that during the first stages of PSI/PPP negotiation, discussions of PSI/PPP were exclusively between the donors and the executive government, causing problems later on when a new government would be elected and when citizens started to mobilize and make their voices heard during the next stages.

Meanwhile, international water TNCs were yet to be brought into the system. Despite the fact that prominent international water companies were actively participating in the water sectors of many other developing countries throughout the 1990s, most notably in Latin America and some neighbors of Ghana in the Sub-Saharan Africa, they never formally entered the Ghanaian landscape until the selection of prequalified bidders in 1998. Eventually they would become motivated tacticians in the system (elaborated in the next section), but at this stage, they were only actors outside of the system, although enthusiastically ready to get into it.

It is important to point out that political stability—Rawlings’ retention of authority—greatly contributed the unhindered move towards the adoption of the water

sector reform agenda in the early 1990s. Between 1990 and 1996, opposition against Rawlings' government barely existed. In 1992, when Rawlings won the first presidential election, the opposition considered the election rigged and unfair and thus, refused to accept the results and to participate in the subsequent parliament elections. As a result, Rawlings and his followers remained in control of the political terrain, and the political space that could have been filled by opposition groups ended up being occupied by members of the incumbent regime (Jeffries and Thomas 1993).³⁹ The 1996 election eventually changed the political and societal terrains of Ghana, contributing to the government's position moving more towards that of the motivated tactician (although remaining in the underdog box, see Figure 5: Matrix 5). It also partially contributed to the civil society organizations' migration from the *Zone of Apathy* to the *Yard of the Underdogs*. However, this is getting ahead of the story (to be elaborated in the following section, 1998–2002: Enhanced Lease).

Before moving to the next section, the author would like to highlight the accuracy of the analogies that compare the government of Ghana to the underdogs and the World Bank to the patron. For the underdogs, they are chained in the yard, highly limited by their position in the system and can barely fight back against the system. On the other hand, although the dogs may never be fully happy, a majority of them choose to stay in the system and take the patron's offer, as the outside world (the alternative option) is too harsh and costly (thus high vulnerability). What the patron offers him, although highly uncomfortable (causing high sensitivity), is perceived as the better option (vulnerability wins over sensitivity). On the other hand, the patron created the system, lured the

³⁹ For analyses of the origination and evolution of the opposition groups during the Rawlings years, see Adedeji (2001) and Jeong (1995).

underdogs in with treats (loans), and threatened to abandon the dogs if they left the yard (withdraw of funding). At the same time, should the dogs really leave this particular system (water sector reform negotiation), the patron would not suffer much (low sensitivity), as treats could be used in parallel systems for the same pack of dogs (reforms in other sectors) or on other packs of dogs (other countries). As an alternative, the patron could easily take apart the system (pull away loans); and this alternative, as harsh as it might be for the underdogs, would inflict minimal cost on the patron (low vulnerability).

5.4 ENHANCED LEASE (1998–2002)

In 1998, the Berger report tackled the problem of unidentified capital sources under a lease program and suggested an “enhanced lease” option. The major change that the adaptation of the “enhanced lease” brought to the table was that under “enhanced lease” arrangements, the potential private partner would also inject capital investment into the water sector in Ghana. The government of Ghana, following the suggestion in the Berger report, was the initiator of this change. The World Bank did not object to this change. Starting from 1998, bidders were invited to submit applications for pre-qualification, and a handful of international water TNCs were chosen as the pre-qualified potential private partners. At this stage, the TNCs formally joined the system and will be placed in the *Boardroom of the Motivated Tactician*—to be elaborated below [also see Figure 4: Matrix 4, $TNCs(T_1) \rightarrow TNCs(T_2)$]. In this section, the author will analyze the impact of this change on the World Bank and the prequalified water TNCs within the framework of the sensitivity and vulnerability analysis. It was also during this period of time that the civil society organizations finally became a recognized force in the reform dialogue. Their role, especially their relocation from the *Zone of Apathy* to the *Yard of the*

Underdogs will be discussed, and their connection with the other pack of underdogs, the government, will be explored [see Figure 4: Matrix 4 and Figure 5: Matrix 5].

5.4.1 The World Bank: The Patron

For the World Bank, this change caused little concern in terms its sensitivity and vulnerability towards the PSI/PPP program in the making. It remained the patron, with low sensitivity and low vulnerability. On the sensitivity side, the requirement for private capital injection did not have much of an impact on the Bank's position or objectives in the system. As a patron, it is entitled to adhere only to broad objective and had the liberty of ignoring certain details. In the case of Ghana's water sector reform, the broad objective was to have some sort of PSI/PPP reform scheme, whereas the detail, in terms of what particular type of PSI/PPP reform would be carried out in Ghana, was of little relevance to the patron. The Bank's position was to keep the system running and let the other actors, most importantly the government of Ghana and the potential private partners, work out the specifics on their own. Taking into consideration that the Bank took the stand that any sort of PSI/PPP would suffice fulfilling the requirement for its continued support of the water sector in Ghana, the change from a lease arrangement to an "enhanced lease" did not alter the World Bank's calculation very much. On the vulnerability side, the Bank could have blocked the change, if it had desired to do so. At the same time, any alternative option, as long as it did not retreat to the previous reform within the public sector, posed no concern to the Bank. In addition, this change inflicted no cost on the World Bank. The patron, as predicted in the model, chose to ignore such a detail, not knowing (and not concerned about) how costly the proposed changes might be for the underdogs in the future.

5.4.2 Water TNCs: Motivated Tacticians

As stated in the previous section, in 1998, a group of water companies were selected as the pre-qualified bidders. All of them were prominent international water TNCs. At this stage, “the hand of the pro-privatisation coalition was further strengthened... their coalition expanded to include international water companies” (Adam 2011, 35). The water TNCs found themselves in the *Boardroom of the Motivated Tactician*, as they enjoyed high sensitivity but low vulnerability [see Figure 4: Matrix 4].

For the pre-qualified bidders, the proposal of an enhanced lease did have an impact on the sensitivity side, as they were required to invest in the reform project and, consequently, run the risk of not being able to regain the investment should the reform project fail in the end. However, interviews show that the bidders considered the change acceptable, and as long as the amount and scope of the investment were limited, their sensitivity was mitigated. As the Halcrow (1995) report predicts, despite that the private partner was usually in a position to be selective, if appropriate returns could be reasonably expected and successful packaging and marketing campaigns could be waged, it was possible for the Ghanaian water sector to look attractive enough to potential international bidders that they would willingly contribute investment if the risks were perceived as limited and controlled.

On the vulnerability side, the bidders enjoyed low vulnerability, but they were more vulnerable than the World Bank—standing in a higher position on the vulnerability spectrum [see Figure 4: Matrix 4]. The competition among the bidders, however limited it was, undercut their ability to rebuff the investment requirement individually. Refusal of the investment requirement, if not done in a group manner, would mean the loss of the

pre-qualified status and, subsequently, the contract. At that time, the Ghana water sector was still attractive, and dropping out of the bidding process was perceived as a great cost. At the same time, any alternative option, if taken by individual companies, could also lead to the loss of a potential contract.

As Swyngedouw (2005) points out, the 1990s was a time for leading water companies in the developed world to internationalize their activities, moving into the territories of developing economies. “In the context of geographically limited supply and demand, in which most companies operate while simultaneously being exposed to a rapidly globalizing competitive environment,” water TNCs became enthusiastic about exploring new frontiers “either by bidding for new concessions, by taking over existing privatized water businesses elsewhere, by means of mergers, acquisitions and/or diversification into other sectors, or by selling their ‘know-how’ overseas” (Swyngedouw 2005, 88–89). However, what is excluded from this picture is that the “new territories” of water markets in the developing countries were untested. Soon enough, flirtations with developing economies would backfire on all of the international water giants and eventually contribute to the decrease of vulnerability in their position when negotiating for future deals. In the next stage, water TNCs’ interest in becoming involved in new places such as Ghana would drastically decrease. In addition, competition among them would also diminish, therefore attenuating their vulnerability in the system [see Figure 6: Matrix 6, $TNCs(T_2) \rightarrow TNCs(T_3)$]

Let us not get ahead of the story, though. At the beginning of this particular stage—the second half of 1990s—water markets of developing economies still looked attractive enough for the water TNCs. The potential outcome of the interdependent

system in Ghana—an enhanced lease with limited investment—was still assessed as profitable to them. As the theoretical model predicts, when the outcome of the system works for the motivated tacticians, they tag along. This unique combination of the sensitivity and vulnerability of the water TNCs is partially reflected in the fierce fight between Azurix and the other prequalified bidders. The fact that Azurix would go as far as bribing government officials with millions of dollar showed that the interest to break into the game and get ahead of the others was quite high—and this interest, as stated above, contributed to the attenuation of the sensitivity caused by the requirement of investment. Whitfield (2006, note 14), for example, observes that “Azurix was attempting to break into the global water market by offering a deceptively attractive contract and by bribing the Minister [of Works and Housing].” On the other hand, this interest amplified the vulnerability of TNCs in consideration of the perceived greatness of a potential loss of contract. At the same time, the pre-qualified bidders’ instigation of a full-scale confrontation against Azurix’s dealing, which in the end caused tremendous outcry from the domestic and international stakeholders, also demonstrated the same point.

5.4.3 Civil Society: Underdog

The second half of the 1990s witnessed the explosion of civil society in Ghana in terms of both the sheer number of organizations and the volume of their activities. It is during this period of time that the previously inactive civil society organizations became an increasingly recognized force in the water reform dialogue, which contributed to the civil society’s elevated position in the system. On the surface, the explosion of civil society organizations’ anti-PSI/PPP activities was largely triggered by the outcry caused by the Azurix scandal. However, a deeper look into this phenomenon leads us to the change of

political and societal scenes after the 1996 election, which contributed to the growth of a genuinely pluralistic society in Ghana.

In the first open election of 1992, allegations of widespread election fraud abounded. As a result, opposition groups decided not to join the post-election government. This decision of the opposition groups made it easy for the Rawlings dictatorship to maintain political control of the country in the post-election, nominally more democratic country—a point mentioned above. However, although Rawlings and his followers won re-election in 1996, after this election, the opposition groups decided to join the regime and take up positions in the government and parliament. This meant that for the first time since 1980, Rawlings and his PNDC/NDC party lost its absolute grip on the political arena of the country. According to Jeong (1998), the development of a pluralistic society in Ghana was necessitated by the need to further pursue the reform agenda—as stated above, the pressure to open up the political space started late in Rawlings' military strongman years. Being able to overcome the difficulties caused by reform measures in the 1980s paved the way for further socio-political changes, alongside deeper and wider economic adjustments in the 1990s. The 1992 election opened up an opportunity for the opposition to gain more ground, yet results were limited due to the opposition's refusal to join the government. However, after the 1996 election, the situation changed dramatically, and the political arena started to take on pluralistic features. According to an account by Adam (2011), many members of the opposition came from activist backgrounds. They subsequently became parliamentarians or elite backbones of the growing civil society. Despite the fact that the anti-PSI/PPP activists gained a footing in the parliament, it is important that the gravity of the Ghanaian

political structure still largely lay with the presidency. Ainuson (2009, 019) asserts that “[w]ith the presidency wielding the power of appointment and dismissal and operating with a weak parliament that is unable to exert any real influence on the agenda of agencies, government agencies invariably follow the programmatic agenda of the presidency to the letter.” This post-election change served as the political backdrop for civil society organizations to move from the *Zone of Apathy* to the *Yard of the Underdogs* [see Figure 4: Matrix 4, NGOs (T₁)→NGOs (T₂)].

On the sensitivity side, several factors contributed to the sensitization of civil society in the water sector reform dialogue. First, increased awareness about the water sector PSI/PPP reform, intensified by the Azurix scandal, provided a strong cohesion for the anti-PSI/PPP advocacy of the growing civil society groups. Second, the change of political landscape in the wake of the 1996 election opened up more realistic optimism that grassroots voices were more likely to be translated into tangible influence in policymaking processes (this factor would also contribute to the decrease of vulnerability, see analysis below and also indication of decreased vulnerability of NGOs in Figure 4: Matrix 4). Third, connection with international civil society partners—through increased communication and substantial international funding—increasingly connected Ghanaian activists with their counterparts all over the world, further raising awareness about the potential negative consequences of a failed water PSI/PPP reforms in Ghana. All these factors contributed to Ghanaian civil society organizations’ taking of an exponentially increased interest in the water issue, eventually moving them from a low sensitivity category (the Apathetic) to a high sensitivity category (the Underdogs) [see Figure 4: Matrix 4, NGOs (T₁)→NGOs (T₁)]. This high sensitivity was reflected in the intensified

hostility between the anti-PSI/PPP camp and the pro-PSI/PPP actors in the late 1990s and early 2000s, which showed no signs of abating throughout the years (Ainuson 2009, 021).

On the vulnerability side, civil society organizations' vulnerability decreased as they gradually joined hands and became a more forcible group. However, the decrease of vulnerability was limited; it would never allow them to cross the threshold where they could move into the next category on the vulnerability spectrum—motivated tacticians [see Figure 4: Matrix 4, indication of civil society organizations not being able to cross into the *Boardroom of the Motivated Tacticians*]. They would never be able to enjoy the position of the water TNCs on the vulnerability continuum. As stated above, vulnerability is defined as the (in)ability to block change or to choose alternative options. The TNCs were in a much better position to take action in those two directions. As discussed above, when compared to the World Bank, the TNCs had a higher vulnerability—since Ghana was seen as an attractive market at that time, and the blocking of the adaptation of an enhanced lease option or pursuing of alternative ones would mean the loss of a potential deal in Ghana and de facto exodus from the system. However, when compared to the civil society, the TNCs enjoyed a luxury that the civil society organizations did not have—the ability to exit. They could afford to quit the system if they really needed to. This point, as well as relevant points in later paragraphs, indicates that the ability to exit is the threshold between the lower and higher ends of the vulnerability spectrum (the difference between the motivated tacticians and the underdogs). The water TNCs always enjoyed the ability to exist—the reason why they remained in the box of the motivated tacticians throughout the negotiation process. However, despite the fact that the government of Ghana and civil society organizations experienced decreased

vulnerability, they never had the luxury of “being able to exit”—the reason why the author deems the decreases in their vulnerability have been always limited, never enough to bring them over the threshold into the position of the motivated tacticians (thus, they remained underdogs).

Quitting the system (and losing the deal in Ghana) would hurt, but it would not be fatally catastrophic, as the prequalified bidders also operated in other parts of the world and did not simply rely on the deal in Ghana. In fact, as the Ghanaian project became less and less attractive with time, many prequalified bidders eventually bailed out and completely withdrew later. However, on the other hand, for the civil society organizations, exiting the system was not an option. Quitting meant leaving the system in the hands of the pro-PSI/PPP actors (the World Bank and the water TNCs) and the non-objection actor (the government of Ghana). This ability to quit secured the water TNCs’ position as motivated tacticians on the lower side of the vulnerability spectrum. At the same time, the inability to quit grounded the civil society organizations in the *Yard of the Underdogs* and kept them on the higher end of the vulnerability continuum.

Nevertheless, within the section that the *Yard of Underdogs* occupies on the vulnerability spectrum, it is reasonable to argue that civil society organizations’ vulnerability decreased in this period of time, based on two factors. First, the growth of a pluralistic society in Ghana proved to be conducive to the growth of civil society organizations (thus increasing the size of the “pack”); at the same time, enhanced connections among civil society organizations led to much better coordinated actions in the water reform dialogue. Second, with the increased connection between the two packs (the government and civil society organizations), one witnessed the “infiltration” of anti-

PSI/PPP activists in the government [see Figure 5: Matrix 5]. Both factors contributed to the underdogs' abilities to challenge the system (to block changes, indicating decreased vulnerability—see Figure 4: Matrix 4). The second half of the 1990s witnessed the growth of a pluralistic society in Ghana, which led to the blossoming of civil society organizations, interest groups and free media outlets. As the steps taken toward water PSI/PPP intensified, a growing number of civil society organizations started more coordinated campaigns against the water PSI/PPP policy orientation. In 2001, the Integrated Social Development Centre (ISODEC) started to steer the fight against water PSI/PPP. With other active NGOs, such as the Trade Union Congress and the Third World Network Africa, the ISODEC became the backbone of an umbrella organization—the National Coalition Against the Privatisation of Water (NCAP).

According to Whitfield (2006, 434) the NCAP “consisted of the old opponents of structural adjustment policies—the labour movement, some professional organisations and student unions. It also consisted of a new class of policy advocacy organizations which found their footing in the 1990s. This new class is partly led by former members of the ‘progressive’ organisations from the 1970s which supported Rawlings’ rise to power. These political activists have turned their attention from advocating revolutionary change to working within the liberal democratic framework to lobby the government on substantive issues. The socialist ideology of old has been replaced with the rights-based approach to development.”

The NCAP firmly rejected the notion that the consultation with civil society organizations on the water PSI/PPP in the previous decade was sufficient. They demanded that their voices and their rejection of any form of water PSI/PPP be

acknowledged, considered and responded to by the government. It is important to point out that at this stage, civil society organizations were not just responding to the change from a lease to an enhanced lease. They responded also to the change from public management to PSI/PPP. The growing civil society organizations in Ghana intended to break the neoliberal deal and to bring down the system. It was a delayed response that should have happened in the previous phase but, unfortunately, as pointed out above, civil society organizations were disinterested (in the *Zone of Apathy*)—the water issue was simply not a salient matter for the civil societies at that time. In this phase, the sensitized civil society organizations still suffered from high vulnerability, but pooling together their resources gave them better footing (and limited decrease in their high vulnerability) in the system and a better chance at challenging the system.

At this point, it is important to flesh out the evolution of the anti-PSI/PPP stands of the Ghanaian civil societies. As stated, when the PSI/PPP was first proposed for the water sector in the early 1990s, the project saw little to no organized objections from the Ghanaian civil societies at that time, as a result of two factors. First, the early 1990s were still a period of transition in Ghanaian politics. The country's formal transformation from a dictatorship to a democracy took place only in 1992 when a presidential election was organized. Therefore, the social space and traditions for active civil societies that dared to take direct opposition against government policies were still very limited. Second, for the limited number of existing civil societies, the water issue was less salient; it had yet to climb the charts on their agendas. According to the author's interview with a senior staff member of ISODEC, the first noticeable wave of anti-PSI/PPP movements emerged after the 1995 national workshop, which was organized by several civil societies (most notably

the Trades Union Congress and the Public Utility Workers Union) that represented groups directly affected by the negative consequences of the PSI/PPP (such as workers' retrenchment). Their objection, at that time, focused on their exclusion from the reform dialogue (as mentioned in Chapter Four, for example, the TUC and PUWU were never invited to participate in the 1995 national workshop). This position evolved during the years in between the proposals of a lease (1995) and an enhanced lease (1998, and the end of the 1990s in general). During this period of time, civil societies in Ghana grew in number. In addition, the reasons for their objection to the water PSI/PPP were also broadened to take into consideration the PSI/PPP's possible negative impact on the population, especially the poor (e.g., the cost recovery scheme insisted by the World Bank), as well as the less than savory dealings in the PSI/PPP negotiations (e.g., the cherry-picking practices and disgraceful events like the Azurix scandal). The 2000 Azurix scandal directly fueled the consolidation of the anti-PSI/PPP stands of the civil societies, which was manifested in the formation of the NCAP in 2001. Later on, after the PSI/PPP's implementation in 2006, the focus of anti-PSI/PPP voices within the civil societies would shift to target the non-performance of the partnership, which, however, is beyond the scope of this chapter.

In addition to the antagonistic stands of the civil societies towards the PSI/PPP, let us not forget about the anti-PSI/PPP elements of the government. This element included the previous populist factions of Rawlings PNDC (the old foes of the technocrats that favored market-oriented reforms) and the anti-PSI/PPP activists that entered into the government after the 1996 election. The following paragraphs elaborate on the connections between the anti-PSI/PPP faction of the government and the civil societies.

Besides coordinated efforts among members of civil society organizations, the increased connection between the two packs of underdogs—the government of Ghana (the anti-PSI/PPP factions) and civil society organizations further brought down the packs’ vulnerability, providing more strength and leverage in their “resistance movement” [see Figure 5: Matrix 5]. An episode offered by Ohemeng (2006, 206–207) shows that the water sector reform project indeed met difficulties caused by the growing ties between anti-water reform elements of the government and the civil society. Nevertheless, the pro-reform elements of the Rawlings government still managed to push through reform steps. The “infiltration” of anti-PSI/PPP activists into the post-1996 government injected more willingness and strength into the government to resist the PSI/PPP reform agenda (more ability to block the Bank-sponsored policy prescription—indicating decreased vulnerability). However, due the external pressure to pursue PSI/PPP and the internal willingness to reform (of the pro-PSI/PPP elements of the government), the decrease in the government’s vulnerability was limited, never enough to bring it into the *Boardroom of the Motivated Tacticians* [See Figure 5: Matrix 5, $\text{GoG}(T_2) \rightarrow \text{GoG}(T_3)$].

In Ghana, market-oriented reforms were governed by the legislative Act 461, passed in 1993, which was a precursor to reforms in limited liability companies. The reform of GWSC ran into a dilemma—the GWSC was a public statutory corporation, not a limited liability company. As a result, on July 1, 1999, the GWSC was converted to the Ghana Water Company Limited (GWCL), a limited liability entity, in order to meet the reform legality. It is interesting to observe that the instead of changing Act 461 to include public statutory companies, the pro-reform element of the government changed the legal

status of the water company. This episode shows that there must have been strong resistance in the legislative branch when it came to the neoliberal reform agenda. Indeed, interviews show that during the second half of the 1990s, among the post-1996 election parliamentarians, a small but visible stronghold for resisting neoliberal reform in the water sector gradually took form. At the same time, increased civil society advocacy against water PSI/PPP greatly enhanced the public's awareness of the issue, which in garnered more support for the anti-reform factions in the government, particularly the ones in the parliament. Looking at the issue as related to Act 461, the "inability of the government to change Act 461," according to Ohemeng (2006, 206–207), indicated that certain parts of the government's "unease at the prospect of subjecting this important sector to the economic imperatives of market forces and profit-minded private sector." However, at the same time, pro-reform elements of the government still managed to alter "the status of the GWSC...via (a) Legislative Instrument in a very expeditious manner."

Therefore, it was clear that although the underdogs had become a recognized force and wielded considerable resistance against the neoliberal agenda in the water sector, they could not fundamentally alter the course of actions in the system. The challenge that civil society actors (with their connections in the government) could wield against the system was limited. The underdogs were underdogs, after all; they were never lions. They could never break the system or fundamentally challenge the reform agenda for the water sector. During the second term of Rawlings' presidency (1996–2000), measures towards an enhanced lease contract were steadily carried out. For the Rawlings government (as well as the later Kufuor government), it would make the reform path less rough if they could contain the anti-reform activities of the civil society members (and

their allies in the government). If not, the pro-reform factions of the government, supported by international agencies, could still manage to push the reform agenda through, step by step. Indeed, besides the informal connections between the anti-PSI/PPP element of the government and the civil society organizations, there had not been much formal public discussion or debate on this issue. As Adam (2003) notes, “[t]he debate on PSP was limited to newspaper articles and the occasional rhetoric of the opposition parties.” An examination of formal communication between civil society organizations and the government indicate a lack of seriousness on the government’s part in responding to civil society queries and demands. Responses produced by the government focused on reiterating the government’s stance in regards to supporting the PSI/PPP, without directly addressing inquiries and challenges of the civil society organizations. From a different angle, Ainuson (2009) also reflects on the lack of communication between the anti- and pro-PSI/PPP coalitions. Members of each coalition predominantly relied on fellow members of the same camp for obtaining “trusted information.” Cross-camp reliance was very rare.

Although civil society members could not fundamentally challenge the neoliberal reform agenda of the government and the IFIs, they did manage to stall the process—partially contributing to the non-conclusion of the negotiation focused on an enhanced lease option. Eventually, a new option would emerge—a management contract (this time proposed by the water TNCs). However, in hindsight, a management contract was a much less plausible option than the enhanced lease for Ghana. Therefore, it is possible that civil society organizations, unaware of the consequences of their actions, stalled the negotiation based on the enhanced lease and partially contributed to the eventual

adaptation of a management contract—a less optimal option. However, civil society organizations, as said, only partially contributed to the negotiation stalemate. Decreased interest from water TNCs, reflected in the continuous revisions of bidding documents (the level of investment decreased each time), was the deciding reason for the prolonged and inconclusive negotiations about an enhanced lease. Eventually, the potential outcome of the system (an enhanced lease) became no longer acceptable for the TNCs. Being motivated tacticians, they worked to challenge the system and successfully instigated a change of policy—downscaling the deal to a management contract without any requirement of private investment.

5.5 MANAGEMENT CONTRACT (2002–2005)

In 2000, another round of elections pushed the opposition in the 1990s to the center of the political stage in Ghana. A former opposition member, Mr. Kufuor won the presidency and organized a new government. Despite their oppositional background, once Mr. Kufuor and his followers took up office in the government, they continued to accept the neoliberal reform agenda that international donors, in particular the World Bank, had prescribed for Ghana. It is important to understand that the tide of market-oriented reforms started in the 1980s in Ghana. It has been in force for two decades, and entangled in almost every aspect of the economic, social and political lives of the country. The new administration of Kufuor had no choice but to be sucked into the neoliberal reform waves, should they wish to keep the country running. In the water sector, analyzing a series of government documents in the 2000s, Ainuson (2009) concluded that the Kufuor government took on a position that favored the PSI/PPP project.

Therefore, after the 2000 election, bidding processes for an enhanced lease continued. However, as stated above, the bidding documents were constantly revised, reducing the level of investment required from the private partner one step at a time (Amenga-Etego 2003a). Runde, Carson and Coates (2011, 9) argues that “mismatches often exist between public and private interests and priorities for partnerships...[and both sectors could] bring a variety of explicit and ‘implicit interests’ to the table.” These competing interests could take time to become clear. Towards the end of the 1990s, the water TNCs became much more aware of the investment environments in developing countries and how these environments could influence their interests. As Fuest and Haffner states (2007), “[t]he general deterioration of the international investment climate, especially in the infrastructure sector, had generally reduced the possibility of finding bidders or buyers even for viable utility companies.” Eventually, in 2002, a change of policy was proposed, this time by the water TNCs, which suggested reducing the PSI/PPP deal to a management contract. The following analyses examine the impact of this change on all the relevant actors in the system through the sensitivity and vulnerability lens.

5.5.1 Water TNCs: Motivated Tacticians

The change to pursue a management contract was proposed by the water TNCs. Therefore, analyses in this sub-section focus on the angle that this change of policy is a reflection of the evolution of water TNCs’ sensitivity and vulnerability configuration in the early 2000s.

On the sensitivity side, prolonged negotiation desensitized the water TNCs in the system as developing markets became increasingly less attractive in the late 1990s and

early 2000s [see the indication of desensitization in Figure 6: Matrix 6]. For example, in a presentation in 2002, Saur's CEO said that higher forms of water PSI/PPP, such as concession and full divestiture, were "often premature and simply unrealistic" (Talbot 2002). At this time, reality caught up with the water TNCs, which were forced to realize that the water and sanitation sectors in the developing world were challenging and difficult for business. Not only that, but the water TNCs also found that the opposition against PSI/PPP in the sector had become increasingly intensified and internationalized. Opportunities in the developing economy turned out to be much less crucial to the "well-being" of the water TNCs than had been initially thought in the early 1990s.

Such decreased interest not only desensitized the water TNCs, but it also brought down their vulnerability in the sense that the alternative to participating in the bidding—exiting—became much less costly and much more acceptable [see the indication of decreased vulnerability in figure 6: Matrix 6]. The realization that developing economies, instead of being an attractive new frontier as previously perceived, were in fact wild terrains with untested waters increased the investment risks in their utility industries. Besides difficulties and risks that were purely business in nature, on the social level, resistance from the population also became an important reason for the reduced or abandoned plans of private investment worldwide (Hall, Lobina, and de la Motte 2005). Therefore, pursuing low levels of water PSI/PPPs, such as management contracts, became important for water TNCs as part of a risk management plan. For the motivated tacticians, when the cost of exiting the system is low [see Figure 6: Matrix 6], it becomes a prime opportunity for them to influence the processes and outcomes of the system and create favorable results for themselves, as they did in the case of Ghana.

In addition, increased coordination among water TNCs at this stage brought down individual's vulnerability, in the sense that collectively, they became more capable of resisting unfavorable factors in the system—and at this stage, an enhanced lease was no longer favored. Swyngedouw (2005, 95) notes that worldwide “joint ventures and joint bids for contracts further erode whatever limited ‘competition’ exists in the market. The market for privatizing urban water is far removed from the competitive ‘environment’ that neoliberal pundits hail as the savior of ailing economies in the Third World.” In the same vein, Hall (2002, 7–8) and Whitfield (2006, 428) also notice the same increased collaboration between water TNCs worldwide.

In the case of Ghana, interviews show that as the bidding process was prolonged among the participating water TNCs, increased communication and coordination among them undermined the supposedly competitive nature of the process. Limited competition existed, but cohesion among TNCs to enforce the parameters in which competition was allowed to increase, and in 2002, they came to an agreement that they would still compete for Ghana's water deal but would only compete for a management contract instead of any other type of water PSI/PPP. “Such oligopolistic control,” asserts Swyngedouw (2005, 95), “provides considerable leverage for the corporate mandarins when negotiating terms with local or national states.” In the case of Ghana, it further reduced the water TNCs' vulnerability within the system, giving them considerable power to eventually reject (block) the “enhanced lease” option [see Figure 6: Matrix 6, $TNCs(T_2) \rightarrow TNCs(T_3)$].

5.5.2 The World Bank: The Patron

The drastic decrease of interests in Ghana's water sector from the international water companies in the early 2000s caused a visible adjustment of the World Bank's sensitivity and vulnerability in the system; however, the adjustment was limited and never managed to make much of an impact on the patron's dominant position in the game.

As stated above, the patron's interest in the system largely remains in setting (a) broad goal(s) for the system and keeping the system running to produce an outcome that matches the broad goal(s). At the same time, the patron has little interest in specific details of the possible outcome, as long as it falls within the broadly set parameters. This is the reason that the World Bank remained unmoved when the government of Ghana proposed the change from a lease to an enhanced lease. This change was regarded as a detail and inflicted little impact on the patron's sensitivity and vulnerability configuration in the system—the World Bank wanted a PSI/PPP reform project but did not care much about what form the project would take.

However, events that transpired after the 2000 election signaled a threat that could no longer be regarded as a "detail." As stated above, the 2000 election delayed the bidding process for a short period of time, after which, when negotiations resumed, interests from the potential private partners drastically decreased, resulting in the constant revision of the bidding documents. These events sent out a message to all the actors in the system, including the patron, that a PSI/PPP reform project might be on the verge of falling apart and not reaching any deal at all. The possibility that the previous decade's preparation would have gone out of the window was perceived as a legitimate threat to

the system and had an impact on the patron's level of sensitivity and vulnerability [see Figure 6: Matrix 6, $WB(T_1) \rightarrow WB(T_2)$].

On the one hand, the World Bank's sensitivity spiked a little. If the deal fell apart, it would mean a complete failure of the water sector reform initiative of the World Bank and its international partners. Reform efforts of the previous decade, as well as investments that had already been made in the water sector (grants and loans) would have produced little positive outcome. An outcome of a non-deal would mean the disintegration of the system and the end of any foreseeable reform measures for the water sector in the near future.

On the vulnerability side, should the pre-qualified water companies decided to exit the system, the World Bank had no real power to reverse their decisions and keep them interested in staying. This meant an increase in vulnerability on the Bank's part and pushed the Bank to readily accept the new proposal of a management contract from the water TNCs. The World Bank had multiple experiments with water sector reform all over the world in the 1990s. At the turn of the millennium, many water projects backfired on the proponents of neoliberal reforms. The World Bank, as the author's interview with the international water specialist in its Accra Office revealed, started to take a step back—but did not commit to a complete withdraw—in regards to its support of water PSIs/PPPs. This view of the water specialist is supported by Bank-sponsored studies at that time, such as Kessides (2004), who concludes that the policy of neoliberal reform in the water sector had been oversold, misunderstood and blindly applied in the past. Therefore, to have a reduced form of PSI/PPP in Ghana's water sector (a management contract), in the

face of multiple failures elsewhere in the world, became more acceptable in the 2000s than it would have been in the 1990s.

To conclude, in the early 2000s, the possibility that a deal might not be reached in Ghana produced a noticeable impact on the World Bank, increasing its sensitivity and vulnerability in the system [see Figure 6: Matrix 6, $WB(T_1) \rightarrow WB(T_2)$]. This adjusted configuration of their sensitivity and vulnerability explains the Bank's efforts to save the deal. As mentioned above, the Bank suggested creating an "Operating Investment Fund" and promised to mobilize itself and other donors to contribute the capital cost of the project. Under the investment fund scheme, international donors would lend to the government of Ghana to create the fund, from which the private partner could draw capital for investment in the first three years at a very low interest rate. This is clearly an act of the World Bank to fill the investment gap in order to maintain the system and lead to a possible conclusion of the negotiations. Under this scheme, the investment risks of the water companies further decreased. However, it was still not satisfactory for the water companies, which in the end would only accept a management deal. It is important to point out that the phenomenon of TNCs backing out and IFIs stepping in was not unique to Ghana—it was universal. Dwivedi (2010, 4) records that in the early 2000s "multi-national corporations in water business... have started demanding more support from the IFIs and the developing country governments. For the support sought was in terms of assured revenues, intervention procedures from the IFIs to off-set risks, substantial grants and soft loans and partnerships with private companies towards the goals of profit making from the water business."

Subsequently, the World Bank's readiness to accept the management contract proposal without putting up much of a fight, and its firm persuasion of the government of Ghana to accept it as well further showed the elevated sensitivity and vulnerability of the patron. If a management contract could be concluded, the system would still be maintained and produce an outcome that would be within the broad goals defined by the patron. A management contract is much less optimal than an enhanced lease, but at the same time, much better than no deal and the disintegration of the system.

5.5.3 The Government of Ghana: Underdog

For the government of Ghana, on the sensitivity side, this change means a complete loss of capital injection from the private partner. At first glance, it seemed that this could potentially cause a considerable impact on the government [See the indication of a "potential" increase of the government's sensitivity in Matrix 6, $GoG(T_3) \rightarrow GoG(T_4)$]. However, this possible increase of sensitivity was attenuated by the Kufuor government's position on the water PSI/PPP issue. Members of the Kufuor administration came into power as the opposition group after the 1996 election. While in opposition, many key members of the Kufuor government took the anti-water PSI/PPP stand. However, once in power, they had to cave in to the general trend of neoliberal reforms in the country. From the perspective of the prominent NGOs in the country, a considerable portion of the Kufuor government, once in power, had a change of heart. For example, as stated in Chapter Four, Adam (2003) observes that a prominent member of the biggest opposition party in the 1990s (the New Patriotic Party, NPP, under Kufuor's leadership), and a Member of Parliament then, openly criticized the restructuring and reform of the GWSC in 1999.

After the 2000 election, the same person became a minister in the Kufuor government and turned into a supporter of the water PSI/PPP arrangement. Inevitably, for members of the Kufuor government, there has been a struggle between their anti-PSI/PPP background and the need to kowtow to the World Bank, as required by their new position as the leader of the country. This struggle produced a compromised position. As Ohemeng (2006, 211) recalls, the Kufuor government, without challenging the World Bank's goal of having some sort of PSI/PPP reform for the water sector, was lenient towards a lesser form of PSI/PPP than an enhanced lease. Therefore, when the change to pursue a management contract was proposed, the Kufuor administration did not completely object to it. In fact, the pursuit of a management contract met the compromised position of the Kufuor government, and consequently, desensitized the government's reaction to the proposed change. Ohemeng (2006, 212 Note 32) also mentioned that a former Communication Director of the Water Sector Restructuring Secretariat said that the government also thought the (enhanced) lease was flawed, which contributed to the adoption of the management contract. In the author's opinion, the flaws of the enhanced lease option could have contributed to its abandonment but were not the deciding factor. If the government had the willingness and ability to continue pursuing an enhanced lease, it could amend it instead of dropping it entirely. The compromised position of the Kufuor government and the decreased interest of water TNCs were far more important factors.

Although the government's sensitivity towards the change to pursue a management contract was attenuated, the Kufuor administration continued to suffer from high vulnerability. On the one hand, it was unable, and unwilling, to block this change.

Decreased interest in the Ghana water sector steered the water TNCs away from any form of investment. At the same time, the government of Ghana had no power or resources to keep them interested in the enhanced lease. Even with the help of the World Bank, which offered the operational investment fund option, they still could not secure the water companies' commitment for investment. At the same time, as stated above, the government was already lenient towards a lesser form of reform on its own. In short, it was clearly impossible and unlikely for the government to resist the change towards a management contract (therefore, it remained on the higher end of the vulnerability spectrum).

On the other hand, the alternative option was too costly for the government to pursue. Without private investment commitment, among all the different types of water PSIs/PPPs, there was no alternative to a management contract, as any other forms of PSI/PPP required some sort of private injection of capital. Therefore, the only remaining alternative was to abandon PSI/PPP reform. However, the World Bank, as mentioned above, made it clear that without the PSI/PPP reform, only a 30-million-dollar credit would be given to the government, as opposed to the approximately 140 million dollars that would change hands should a reform (at this stage, with the only option of a management contract) be adopted. In addition, the World Bank had also included the water sector reform project "as one of many conditions that determined the extent of Ghana's access to the portfolio of loans in the World Bank's Country Assistance Strategy" (Grusky 2001). The UK's DFID, on a much lesser scale, also delayed a 10-million-dollar loan for the water system rehabilitation project in the major city of Kumasi, complaining about slow progress in the water PSI/PPP reforms (International

Fact-Finding Mission 2002, 10). It should be noted here that IFI reform-based lending conditionality is not unique in Ghana or in the water and sanitation sector. It is universal—all over the world and in every sector (Hall and de la Motte 2004).

At this point, it is important to point out that in the early 2000s, reform plans in Ghana's water sector were close to complete abandonment. The system that the World Bank had created flirted with collapse, with decreased interest from the water TNCs and the new Kufuor administration. In the author's opinion, instead of saving it and imposing a management contract, the stakeholders, especially the World Bank, should have just let go the reform agenda. Unfortunately, the World Bank was fixated on PSI/PPP, and the government of Ghana was unable to challenge the Bank's insistence. In the end, the World Bank had to resort to its loans to pressure the government into accepting the management contract. The need to invoke enforcement of such reform via promise-based lending should have served as a signal of a divergence of preferences among the interested stakeholders. In theory, such display of power and enforcement on the World Bank's part could have induced what Collier and Gunning (1999, F645) calls "reactance"—"typically agents who face coercion attempt to re-establish freedom of action by breaching the condition." However, unfortunately, the Government of Ghana was not ready to break the system yet. Interviews show that for the government at that time, the Bank's lending and the possibility of improving the water sector were still too attractive for the government to exit the system—a privilege enjoyed by the water TNCs but not by the government of Ghana. The situation would remain the same through the remaining year of the negotiation phase, and continue to be relevant during the PSI/PPP performance years despite the non-performance of the partnership. Only at the end of the

management contract in 2011, when it became clear that the water PSI/PPP had completely failed to achieve its targets, the government of Ghana, facing mounting outcries regarding the partnership's failure, mustered enough power to exit the system by not renewing AVRL's contract and by putting any PSI/PPP reform ideas on the shelf for the near future.

One event remains to be analyzed—the Kufuor government being sucked into the neoliberal reform tide. Students of international development frequently warn about the intrusion of international agendas in national and local politics. In the development realm, frequent external pressure had been known to circumvent local political arrangements toward reforms. It is observed that “there is a serious imbalance of power when indebted governments are negotiating with international financial institutions and multinational water companies. This imbalance not only makes it difficult for the local government to negotiate a ‘fair deal,’ but effectively overrides local political processes” (Budds and McGranahan 2003, 113). In 2000, the Kufuor administration took office as the previous opposition group, most of whom heavily criticized the water sector reform when in opposition. At the same time, civil society organizations' anti-PSI/PPP activities became heated after the 2001 establishment of the National Coalition Against Water-Privatisation (see below). At last, there had been a strong connection between the Kufuor government and the anti-water PSI/PPP civil society organizations.

All these factors naturally indicated a policy orientation towards deserting the water sector reform agenda. At the same, internationally, decreased interest from water TNCs made such a desertion even more likely. If the World Bank had not been there to keep the system together, it would have disintegrated, and reforms would have been

thrown out of the window. The high sensitivity and high vulnerability of the government put it in the least powerful position in the system. The “serious imbalance of power” was real in the Ghanaian case. In the end, the deal of a management contract was never “fairly negotiated”; rather, it was imposed and unsuitable for Ghana, as it would eventually turn out. The powerful patron was able to effectively control one pack of the underdogs—the government, forcing it to accept the reform agenda and making it ignore the demands of the other pack of underdogs, civil society organizations. In the end, the externalized policy preference not only intruded into and greatly influenced local politics surrounding the water issue, but it also effectively undercut the emergence of a democratic, pluralistic society in Ghana as well. It is important to note that “[w]hether or not the local political processes are considered equitable or efficient, the decision to circumvent these is not one that international agencies should take lightly, as it may have negative repercussions” (Budds and McGranahan 2003, 113).

The government of Ghana continued to be steered away from the demands of the general population even after the management contract had been signed. Adam (2011, 40) recalls that during the 2008 presidential election (three years after the signing of the contract), questions related to the new water PSI/PPP were highly publicized and became a key campaign issue, as the water PSI/PPP’s performance continued to fall short of set targets and the population’s access to potable water supply saw no tangible improvement. The post-2008 government was relatively sympathetic to the campaign against water PSI/PPP; however, it refrained from directly challenging the signed deal, and opted to wait until the expiration of the contract.

5.5.4 Civil Society: Underdog

Sensitivity-wise, the change towards a management contract did not create a large impact on the civil society organizations in Ghana. In principle, the goal of civil society organizations was to pressure the government to abandon water PSI/PPP as a whole. Although a management contract was a much lesser form of PSI/PPP, it still involved private participation in the water sector. For the anti-PSI/PPP civil society organizations, their objective was still unachieved, and they still occupy a place on the higher end of the sensitivity spectrum.

On the vulnerability side, cohesion among civil society organizations considerably increased, providing more strength in fighting the PSI/PPP project in water. Under the leadership of NCAP, the post-2001 (the year of NCAP's foundation, see above) years witnessed civil society organizations conducting a broad campaign to challenge the water sector PSI/PPP. Their major arguments rested on flaws in the process of stakeholder participation and consultation, the weak role of the regulator, and policy design flaws that negatively affected the poor (Fuest and Haffner 2007). Besides the increased ties among domestic civil society organizations, transnationally, the Ghanaian activists developed stronger contact with their counterparts in other corners of the world, in both the developing and developed countries. For example, Amanthis (2012) recalls that in 2001, the Accra forum that established the NCAP saw the participation of members of South Africa's Anti-Privatisation Forum and Municipal Workers' Union, as well as an activist from Cochabamba, Bolivia (one of the epicenters of the "backfiring" of the neoliberal approach in the water sector). At the Accra forum, participants shared their experiences of water privatization and the adverse impacts it had had on their

communities. In the UK, an international advocacy NGO, the World Development Movement initiated a targeted campaign against Biwater's (a British company pre-qualified by the government of Ghana) involvement in Ghana. Eventually, Biwater decided to pull out of the bidding process. These events are manifestations of a growing global anti-water PSI/PPP movement in the new millennium, with increasing ties that penetrated state borders.

It is important to note that at this particular time in history such transnational social movements against neoliberal policies gained significant momentum worldwide (e.g., the famous 1999 protest against the WTO and its policies in Seattle). Increasing connections among civil societies in different locations of the world gave a strong voice to the discontent towards the negative impacts and exclusive nature of globalization (Stiglitz 2003)—a problem that, ironically, global public-private partnerships were supposed to address (UNGA 2000b, 2000c, 2001b, 2003b). This global solidarity, on the national level, strengthened the capacities of civil societies that began to take up anti-PSI/PPP stands.

Such increased domestic and international cohesion in principle should indicate the decreased vulnerability of the civil society organizations. However, similar to their situations in the previous phase, civil society organizations never managed to cross the threshold to where they could fundamentally challenge the system [see Matrix 6, $NGOs(T_2) \rightarrow NGOs(T_3)$]. Meanwhile, negotiation deals in the 2000s increasingly occurred behind closed doors, undercutting civil society organizations' ability to communicate and influence (however little) the policy-making processes. They were still quite excluded from the reform dialogue, as the communication between civil society organizations and

other involved actors remained limited. There has been barely any evidence that the World Bank and private companies showed any interest in communicating with them. Therefore, the only channel through which the NGOs could inject their voices in the negotiation processes was through communications with the government of Ghana. There was indeed communication between them, through several exchanges of letters/responses. However, the government's willingness to communicate with anti-PSI/PPP civil society organizations continued to decline. After the 2000 election, Rawlings and the PNDC/NDC partisans exited the government (after being in there for two decades), and Kufuor and the New Patriotic Party (NPP) took office. This was the first time a democratic rotation took place in Ghanaian political history. As a result, it was hoped that more political space would open up for the growth of pluralistic participation in politics. However, the Kufuor government (as well as the previous Rawlings government) "generally perceived criticism of government policy as a partisan threat, or a threat to their power—legacies that democratisation has to confront" (Whitfield 2006, 442). On the issue of water sector reform, increased civil society "noise" put the government on defensive. As a result, the government started to brand key members of the NCAP, in particular the ISODEC, as leftist groups opposing PSI/PPP on ideological grounds (Whitfield 2006, 441; Adam 2011, 38–39). Consequently, civil society organizations were never direct participants in the negotiations.

Keohane and Nye (2001) argue that in a typical pluralistic society, when domestic groups feel undercut by the processes or outcomes of the interdependence system, they will try to seek the protection of the government, which usually extends such protection. However, this was not the case for Ghana. The combination of the immaturity of the

Ghanaian democracy and external pressure for reform steered the government away from supporting the claims of the civil society organizations. With the World Bank's insistence on the water PSI/PPP, the opposing demands of civil society organizations could never seriously influence the government's decision. Therefore, connections between civil society organizations and the government were undermined. External pressure to form a successful water PSI/PPP turned the government away from translating demands of the population into action. Therefore, it was clear that the fundamental principle of a democratic, pluralistic society—that government policy should be determined by the will of the population—was overshadowed and undercut by the influence of international financial institutions in national policymaking processes. Again, this phenomenon was not unique to Ghana. Globally, Grusky (2001) records that both the IMF and World Bank are falling short of disclosing negotiations done “behind closed doors and without the knowledge or consent of citizens.”

5.6 CONCLUSION

For more than a decade, a PSI/PPP reform project was negotiated among stakeholders relevant to the water sector in Ghana. In this section, the sensitivity and vulnerability analysis is applied to capture the dynamics of the negotiation process. The relations among the key actors in the negotiation are presented as an interdependent system, with a focus on the actors' positions in the system and their sensitivity and vulnerability configuration, which defines the actors' “power” in the system. This theoretical tool proves to be quite useful in explaining stakeholders' reactions to the changes that were introduced during the long-drawn-out negotiations; and most importantly, the longitudinal dimension of the enriched model allows the author to account for the actors'

movements within the system. The analyses provide an innovative angle to look into the interactions among the actors, weaving together a new presentation of the events that is underscored by the changing sensitivity and vulnerability levels of the stakeholders.

The analysis yields at least two striking and unfortunate observations that are worth mentioning here, namely the inability of the government of Ghana to resist changes initiated by other actors in the system and the limited involvement and influence of civil society organizations during the negotiation phase. In principle, the PSI/PPP project should have delicately balanced the preferences of the government and the population, while at the same time being attractive to the private partner. Unfortunately, what became attractive to the water TNCs was not necessarily the best deal for the government or the people. The analysis shows that if the government is pressurized to take or reform measures, local stakeholders can be easily disengaged and ignored. In the case of Ghana, both groups of domestic stakeholders were positioned in the system as underdogs and could only yield influence when the others consented to their demands. They could also only passively accept the changes of the others, as they lacked real power to challenge them. Bayliss's (2000) observation holds true in the Ghanaian case. When the paces of reform are forced by donors, there is a major imbalance of bargaining power between low-income country governments (and the population) against the others in the system. As Budds and McGranahan (2003) point out, such imbalance makes it difficult for the local stakeholders to negotiate a favorable deal. At the same time, it effectively overrides local political processes; in this case, the limited influence of civil society organizations in the policymaking process demonstrates this point.

Due to the limited influence of the government within the system and the even

more limited influence of civil society organizations, the negotiation process concluded in a closed-room agreement largely determined by the more powerful actors in the system, namely the patron (the World Bank) and the motivated tacticians (the water TNCs). The government and the population were brought in at the end to accept an already-made deal, and they were unable to wage much of an effective resistance. Scholars warn that the lack of active engagement of local stakeholders often leads to wrong solutions and an apathetic public, undercutting the fundamental issue of democratic participation in governance. It is unfortunate that the “relevant situational knowledge” of the local stakeholders of Ghana was lost in the formation of the water sector reform project (Ainuson 2010; Burby 2003; Lindblom and Cohen 1979). The policy that the donor agencies pressured the government to pursue in the end rendered the local circumstances irrelevant to the reform measures.

Donor agencies should not treat such problems lightly, as they might produce “negative repercussions well beyond the water and sanitation sector” (Budds and McGranahan 2003, 113). At the same time, international agencies’ failure to value local influence in reform decision-making undercuts their credibility in safeguarding the promotion of “inclusive and equitable development goals”—a key aspect of the ideal public-private partnership that international organizations are supposed to promote.

It turns out that stakeholders in the interdependent system of the Ghanaian case did not have equal footing in the process. The system was asymmetric, tilted in the favor of the patron and the motivated tacticians. Unfortunately, the local stakeholders, both the government and civil society organizations, were in the disadvantaged position of the underdogs. Although there were opportunities for both packs to decrease their

vulnerability, it was never enough for them to escape the predicaments of the underdogs—in other words, they could never manage to move into the box of the motivated tacticians, where they would have enjoyed more power in the asymmetric system [for example, for the government of Ghana, see Figure 5: Matrix 5, $GoG(T_2) \rightarrow GoG(T_3)$; for the civil society organizations, see Figure 6: Matrix 6, $NGOs(T_2) \rightarrow NGOs(T_3)$]. The government of Ghana’s “imprisonment” in the *Yard of the Underdogs* was largely due to the World Bank’s insistence on PSI/PPP reform, and partially because of the prevalence of the pro-reform elements in the government. At the same time, the unwillingness of the World Bank, the government of Ghana, and the water TNCs to fully include the civil society organizations’ participation in the system perpetuated the civil society organizations’ position on the higher ends of the sensitivity and the vulnerability spectrums and fundamentally undercut the development of a pluralistic and democratic society in Ghana. As a result, on the one hand, the two packs of underdogs could wield limited influence only when other actors had no reason to reject them. On the other hand, whatever changes the more powerful actors preferred, the underdogs had to passively accept them.

Through the sensitivity and vulnerability analysis, the chapter has demonstrated each actor’s (or group of actors’) position in the interdependent system, defined by their sensitivity and vulnerability configuration. The theoretical tool sheds light on our understanding of whose preference prevailed during the three times in which changes of policy were introduced in the negotiation and how (by what power) certain actors’ preferences dominated the partnership negotiations at different stages. Through the analytical power of the theory, one can make sense of the key events of the negotiations,

not seeing them as unrelated, singular threads of data but as parts of a holistic picture to be woven together. It is unfortunate, but not surprising, to observe that the national actors turned out to be in the least favorable and least powerful position in the system—being underdogs with high sensitivity and high vulnerability. The government of Ghana was able to introduce a change (from lease to enhanced lease) only when the other actors saw no reasons to object it. On the other side of the coin, the Ghanaian authority was never in a position to resist changes introduced by other actors even if it had wanted to. In addition, civil society groups could never truly participate in the reform dialogue and were kept in the system's periphery with the least power.

One basic assumption of the sensitivity and vulnerability analysis was that evolutions in actors' preferences trigger them to propose changes in the negotiation; however, what causes the actors' preferences to change remains unexplored in the sensitivity and vulnerability analysis. The two-level game model steps in to fill the gap. Utilizing this theoretical instrument in the next chapter, the author tries to make the point that the changing climate in the international water market dictated the evolving preferences of the actors, especially the private ones. The negotiation dynamics reacted more closely to trends in the international economy than the actual circumstances of the local environment, despite the fact that the shifting climate of the international water market provided no solid basis in deciding the best reform option for the affected local civil society organizations and populations.

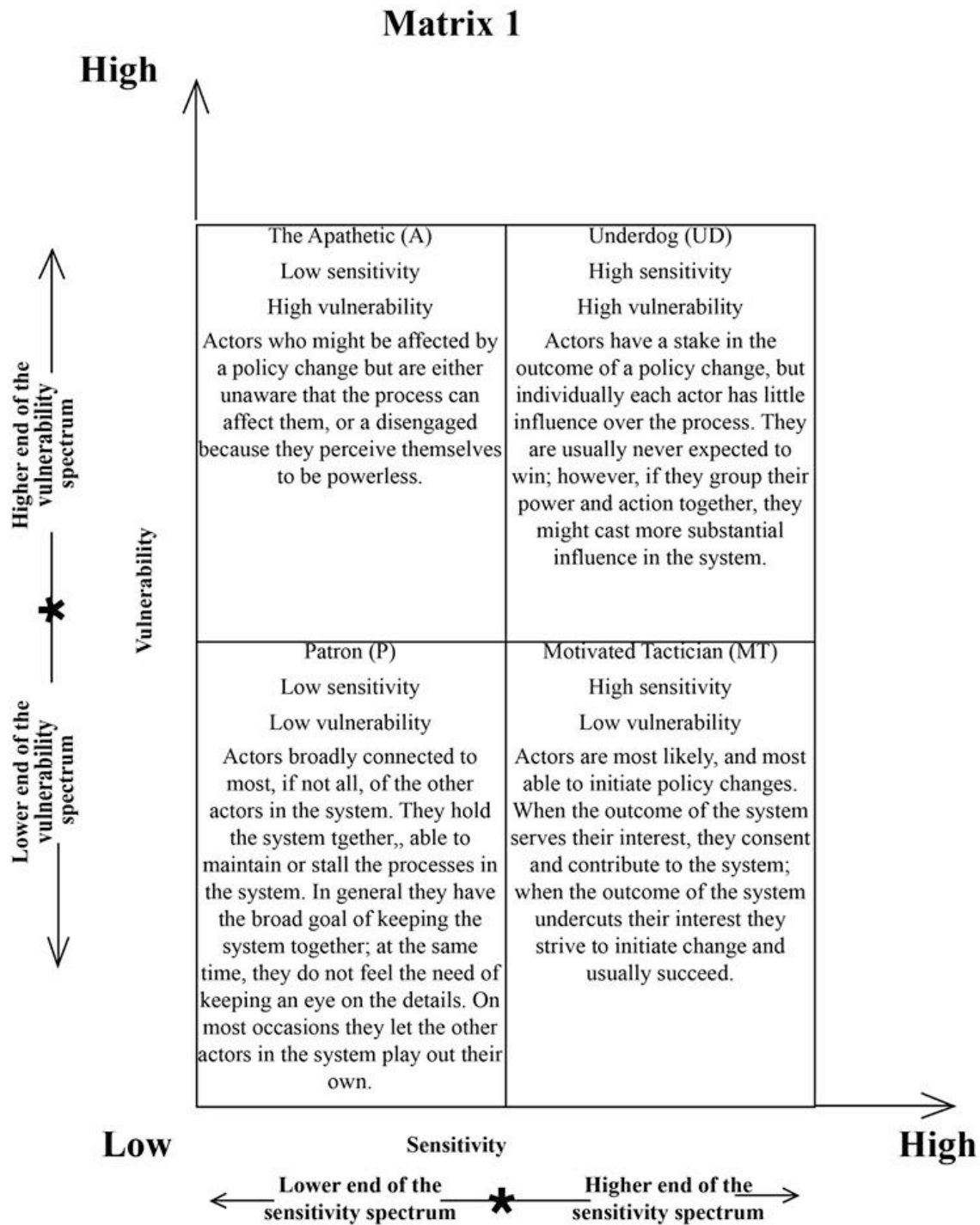


Figure 5.1: Matrix 1

Matrix 2

- WB: World Bank
- GOG: Government of Ghana
- NGOs: Civil Societies
- TNCs: International Water Companies
- $T_x \longrightarrow T_{x+1}$:
- Movement of actors in the Matrix

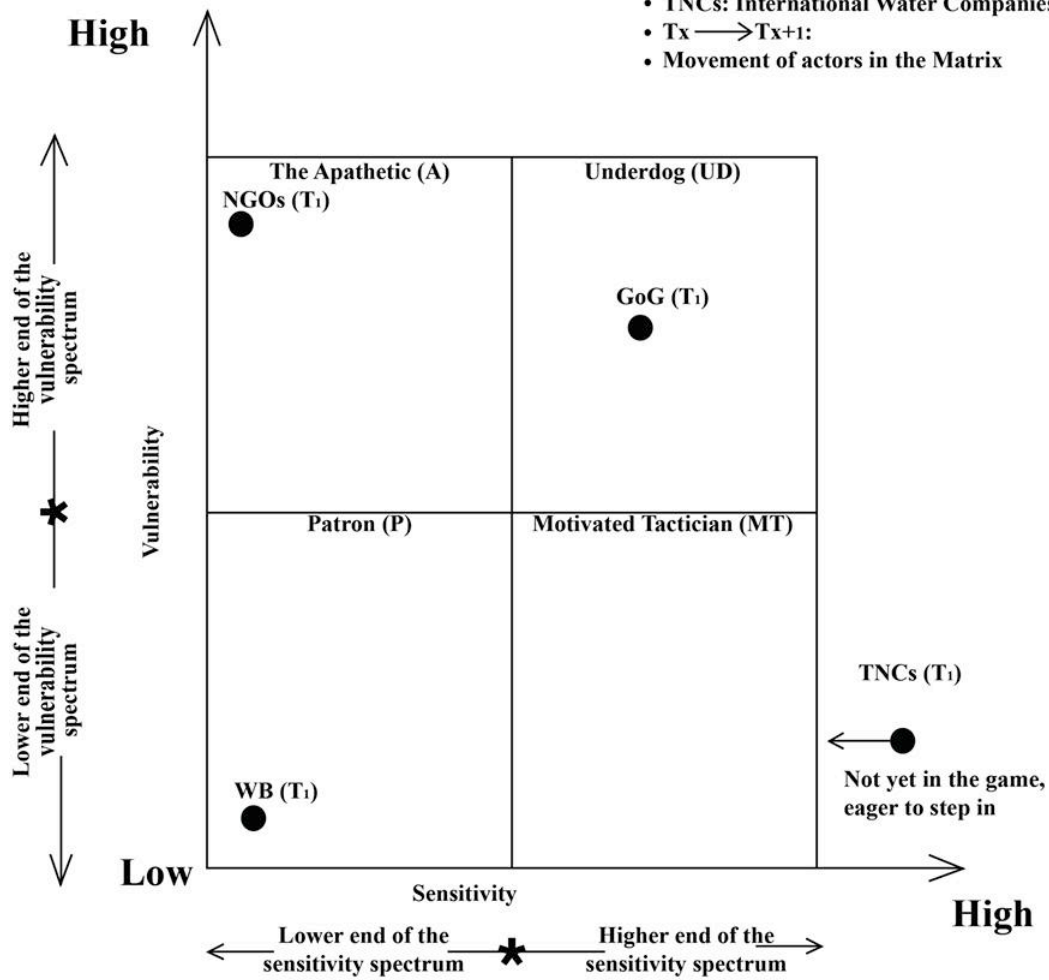


Figure 5.2: Matrix 2

Matrix 3

- WB: World Bank
- GOG: Government of Ghana
- NGOs: Civil Societies
- TNCs: International Water Companies
- $T_x \rightarrow T_{x+1}$:
- Movement of actors in the Matrix

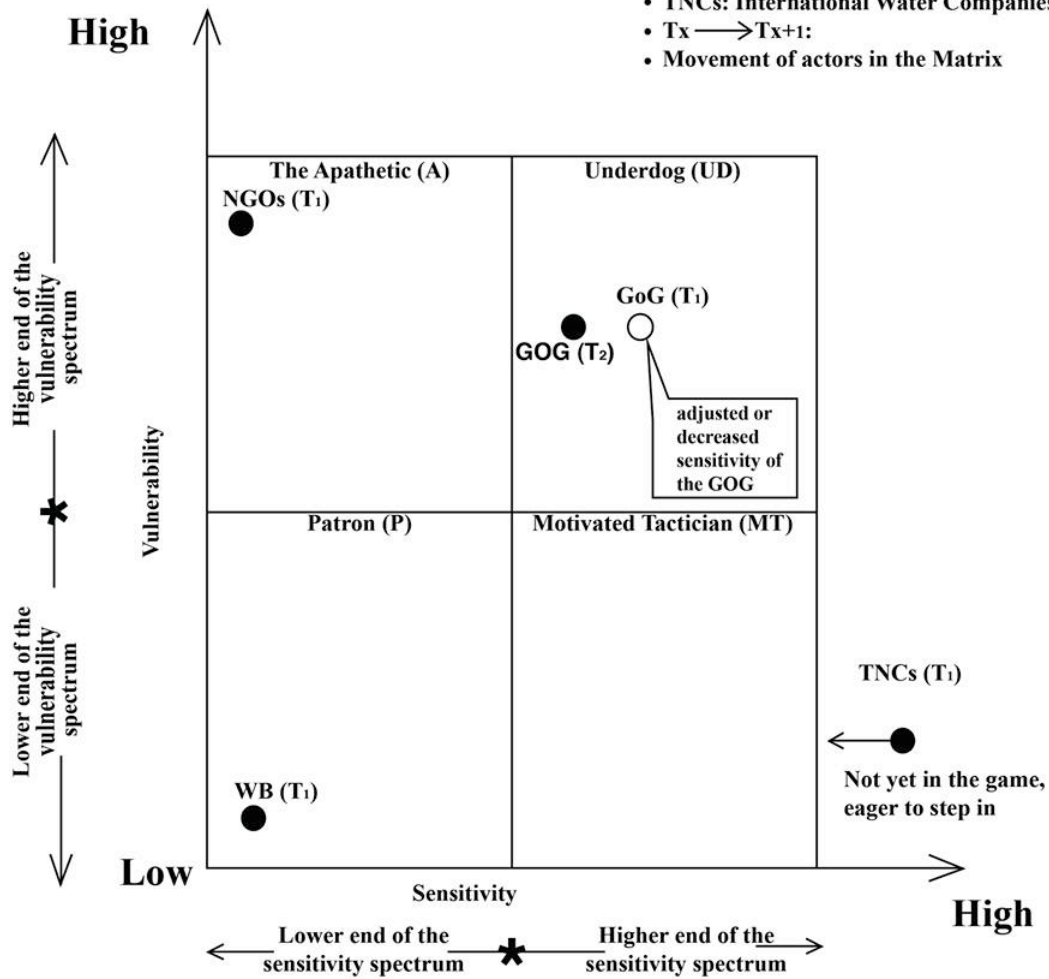


Figure 5.3: Matrix 3

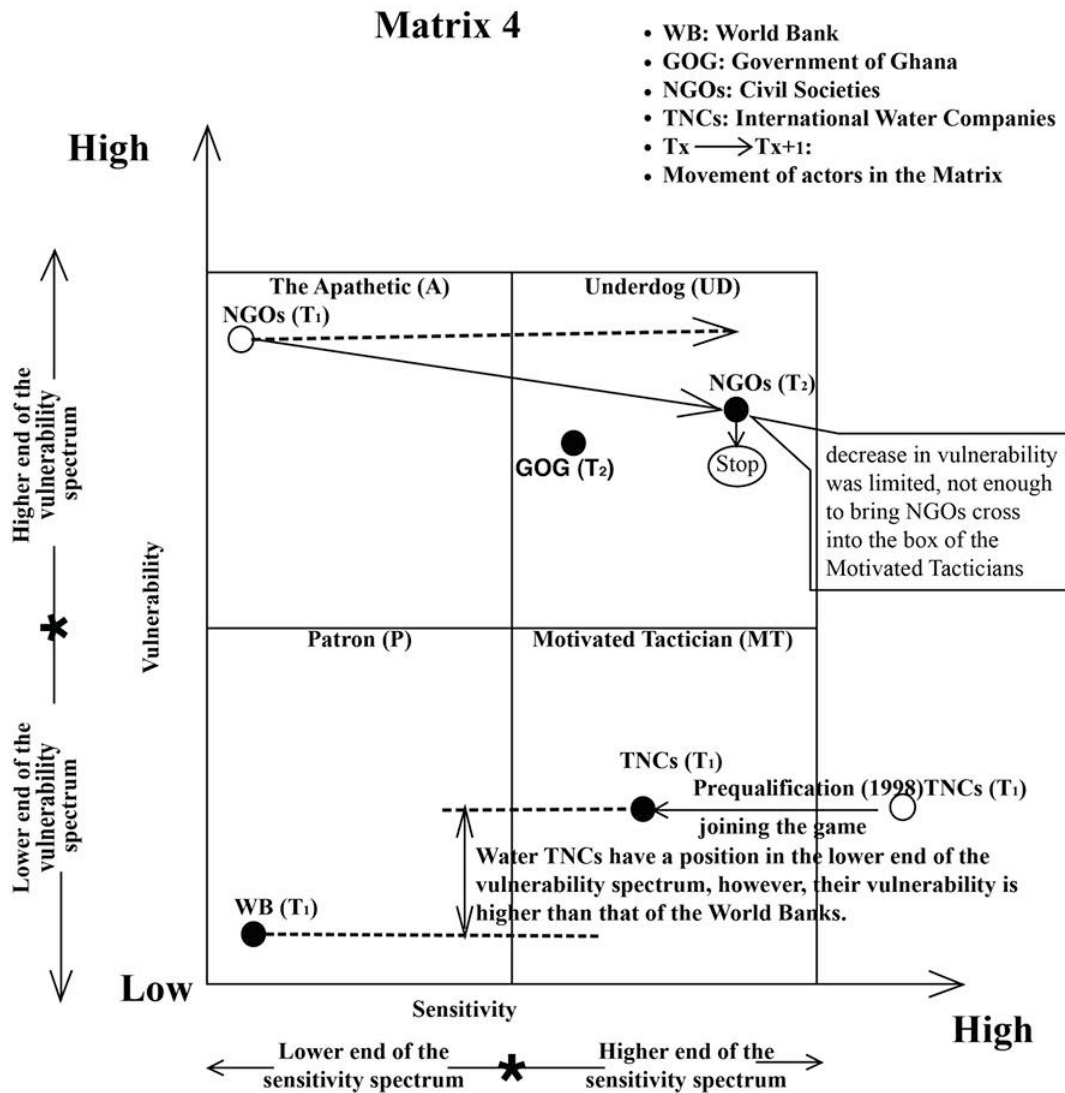


Figure 5.4: Matrix 4

Matrix 5

- WB: World Bank
- GOG: Government of Ghana
- NGOs: Civil Societies
- TNCs: International Water Companies
- $T_x \rightarrow T_{x+1}$:
- Movement of actors in the Matrix

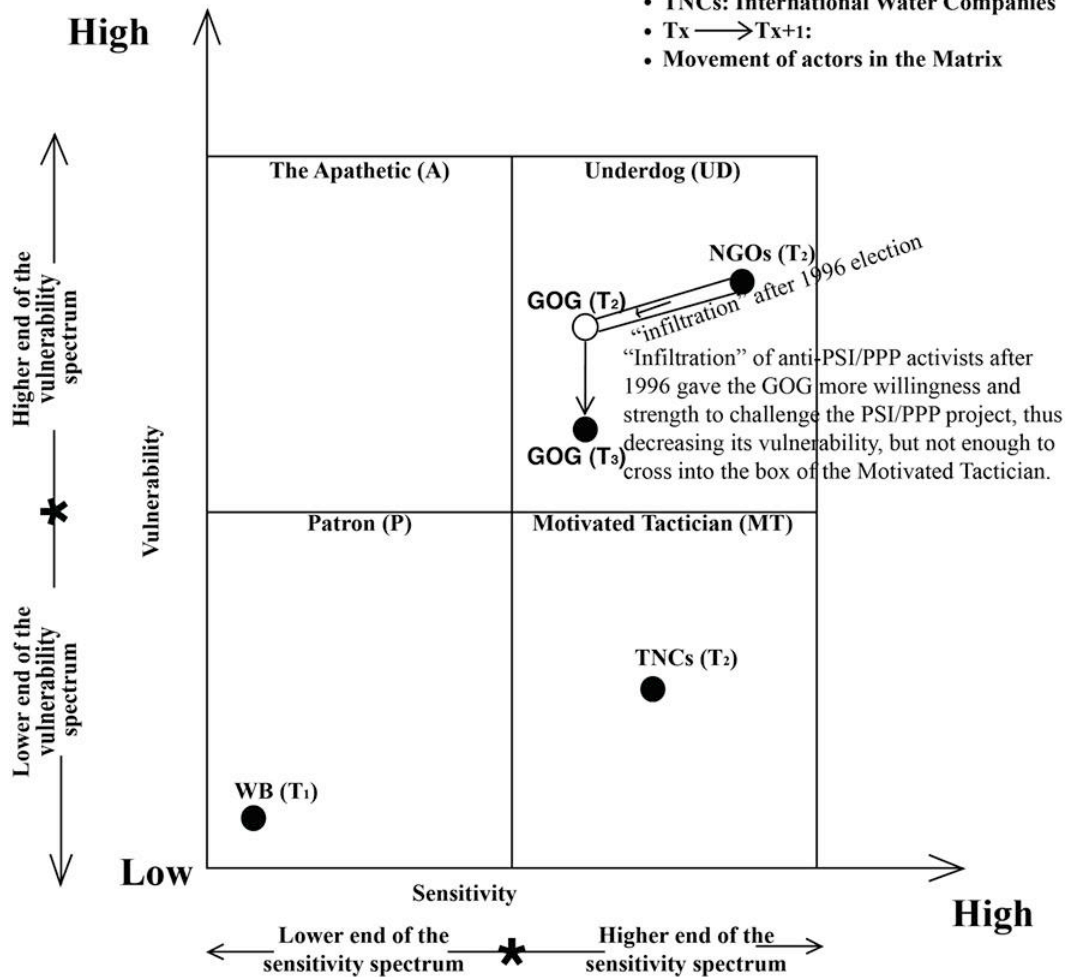


Figure 5.5: Matrix 5

Matrix 6

- WB: World Bank
- GOG: Government of Ghana
- NGOs: Civil Societies
- TNCs: International Water Companies
- $T_x \rightarrow T_{x+1}$:
- Movement of actors in the Matrix

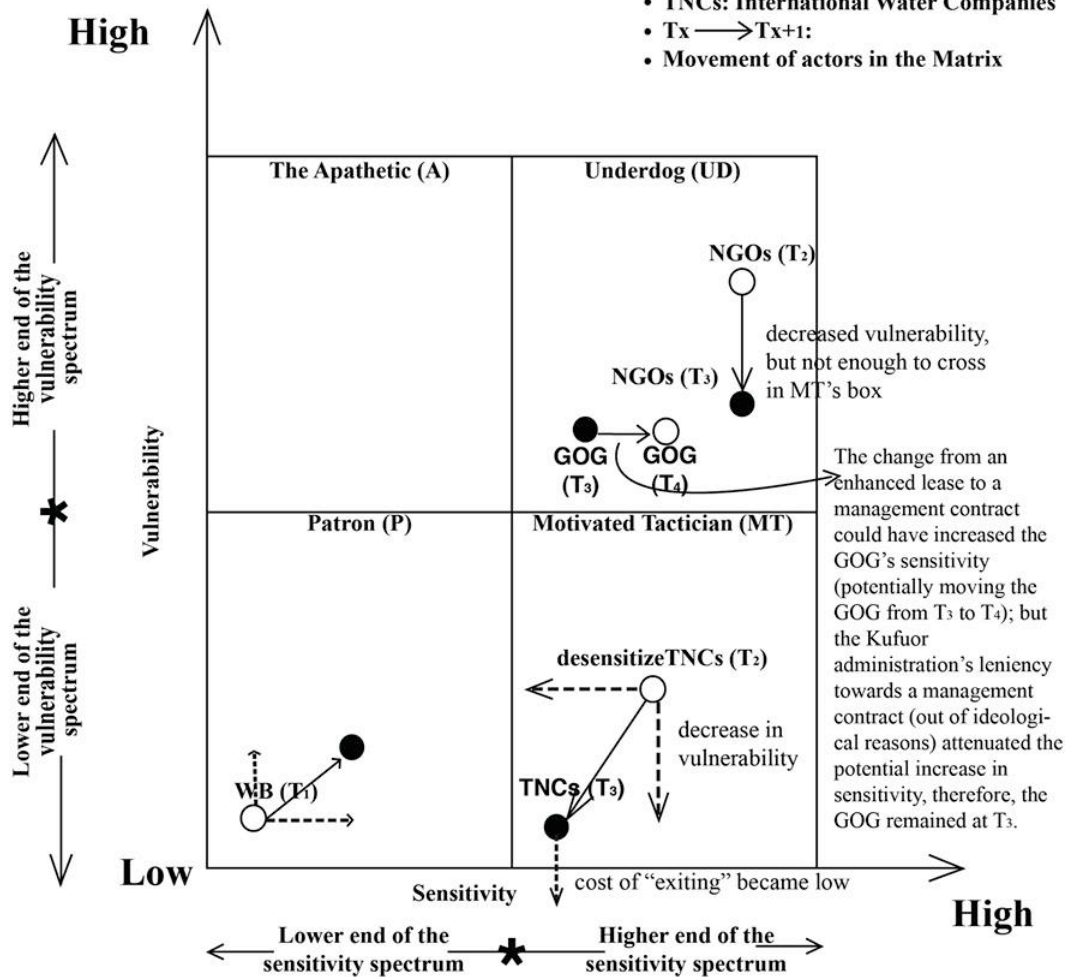


Figure 5.6: Matrix 6

CHAPTER 6

DECIPHERING THE NEGOTIATIONS: A TWO-LEVEL GAME

*He is in this, as in many other cases, led by an invisible hand to promote an end which
was no part of his intention.*

-- Adam Smith, Wealth of Nations

The enriched sensitivity and vulnerability analysis proves to be quite useful in accounting for the events that transpired in the prolonged negotiation for a PSI/PPP deal in Ghana's water sector. The theoretical framework developed in the previous chapter lends the author and the readers an innovative angle to look into those events, weaving the puzzle pieces together in ways that generate novel insights into the "significance of concrete historical events and patterns" that are "exclusively and solely the final end which, among other means, concept-construction and the criticism of constructs... seek to serve" (Weber 1949, 111). In other word, the value of the enriched model of sensitivity and vulnerability analysis, as well as that of the last chapter and this dissertation project in general, rests with their ability to generate new knowledge of negotiation dynamics that not only capture the episode in Ghana but also, the author hopes, in similar cases worldwide.

The explanatory power of Keohane and Nye's basic model is already significant. With the addition of the stakeholder analysis matrix and the time continuum on the

longitudinal dimension, most of the critiques of Keohane and Nye's model (offered in Chapter Five) are addressed with an assurance of the reliability of the enriched version of the framework. At the same time, one thing remains undone—to account for the evolution of actors' preferences, which have been treated as given (independent variables) thus far. Therefore, the focus of this chapter is to explain the evolutions of these preferences. The independent variables of the previous chapter become dependent variables in this one; and it is well that they should be treated and evaluated as such so that the validity of this research endeavor is ensured, without leaving a significant chapter (literally) of the story unexplored.

In this chapter, the author proposes that actors initiated changes because their preferences, which fluctuated in accordance with the changing trends of the international economy (in particular, the international market for water), varied. As a result, the scope of the “win set” that contained the acceptable types of PSI/PPP also changed. The two-level game model will be used as a supplemental explanatory tool, in which actors' preferences become the focus of the investigation, and the causes for preference variations are examined. In the first section, the framework of Putnam's two-level game analysis is sketched to set the theoretical foundation for the later sections. Secondly, the worldwide background of water PSI/PPP programs for the most part of the 1990s (1990–1998) is painted, putting the analysis of the “win sets” of the negotiation participants into context. Section three follows the format of the previous one, offering the worldwide picture from the late 1990s to the early 2000s (1998–2002), against which the shrinkage of the common denominator of the actors' “win sets” took place. At last, a conclusion is given for the chapter.

6.1 THE TWO-LEVEL GAME MODEL

Analyzing the dynamics of negotiations among liberal democracies, Putnam (1988) devised the two-level game model to sort out the “puzzling tangle” between “diplomacy and domestic politics.” For Putnam, it is clear that domestic politics determine international relations, and vice versa. In his model, international negotiations are conceptualized on two levels.

At the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Neither of the two games can be ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign.

It is convenient analytically to decompose the process into two stages:

1. Bargaining between the negotiators, leading to a tentative agreement; call that Level I
2. Separate discussions within each group of constituents about whether to ratify the agreement, call that Level II. (Putnam 1988, 434 and 436)

In addition to the two-level conceptualization, the theoretical framework has another important element—the “win sets.” At Level I, a win set is the common denominator of the acceptable outcomes for all negotiators. At Level II, a win set is a

collection of possible Level I negotiation outcomes (agreements) that could be accepted or ratified by a given Level II constituency. The ratification process refers to “any decision-process at Level II that is required to endorse or implement a Level I agreement, whether formally or informally” (Putnam 1988, 436). International agreements occur when the win sets of actors at both levels—those of the negotiators and the constituencies—overlap. International negotiations are processes in which representatives test whether there is a Level I win set, or a common denominator. Ratifications are processes in which the Level I common denominators are tested against the preferences of the constituencies—whether those lie in the win sets of the Level II actors. Between the win sets on both levels, Level II win sets tend to be more decisive, since in order to have a ratified agreement, the win set on Level I (the common denominator) has to fit into all the win sets of Level II constituencies—in other words, the common denominator on Level I has to be the common denominator of Level II as well. In essence, win sets are basically actors’ preferences.

Elements of the two-level game model, especially the concepts of the win sets on both levels, are very useful tools for understanding the long drawn-out negotiation processes in the Ghana water sector reform program. The major contribution of the two-level game literature is that it provides an angle by which one could see the linkages between international (negotiation) politics and domestic (constituency) politics. The key argument is that agreement can be reached only when there is an overlapping area between what is feasible in international negotiation and what can be accepted “domestically.” Whatever the agreement is, as a result of negotiation, it has to be within the parameters set by the “win set.” It is important to point out that the original models

are devised to account for negotiations among state actors on both international and domestic levels. However, in order to serve the particularities of this study, two modifications need to be carried out. First, and very obviously, the model will be applied to a group of mostly non-state actors. In this study, the only state actor is the government of Ghana, while all the other actors are non-state in nature. Second, the term “domestic constituency” needs to be redefined and allowed to take new forms. In the original model of two-level games, the domestic constituency of the international negotiator (usually the administrative branch of the government) consists of the people of the country that is represented by the legislative branch (parliament or congress). This negotiator-constituency configuration will be adjusted to account for the actors in the case of Ghana.

The two-level game model’s applicability extends to negotiations involving non-state actors. State in nature or not, actors generally negotiate the same way when they try to reach a deal or an agreement on the international level. Analyses in the rest of this section will show that, if the negotiators, constituencies, and win sets are properly identified, the two-level game model is a useful explanatory tool to account for changes in negotiators’ preferences and the dynamics of negotiation, regardless of whether the actors are state or non-state.

In the negotiation for Ghana’s water sector PSI/PPP, on the international level (Level I), the following actors are the main negotiators. For the government of Ghana, the negotiation team usually consisted of representatives from the Ministry for Works and Housing, the Water Sector Restructuring Secretariat, and the GWSC. For the World Bank, the main negotiators were staff of its country office in Accra, in most cases, the water specialists. For the water TNCs, their representatives were usually upper-middle

management members. Unfortunately, civil societies are completely ruled out as they were never direct participants in the negotiations. Therefore, they are excluded from the two-level analysis.

On the domestic level (Level II), the Ghanaian negotiators' constituency consisted of the central government, most notably the senior management of the Ministry of Works and Housing, and the parliament. For the World Bank and the international water companies, such constituencies are not easily found. Their "domestic constituency" needs to be defined in a broader sense as groups of people/actors, or a representation of such people/actors, to whom the negotiators are held accountable and for whom the result of the negotiations need to be deemed acceptable. The World Bank negotiators are accountable to the senior management of the country office, who in the end answers to the World Bank headquarters, most notably to the branch dealing with water and sanitation sectors in developing countries. The decision-makers in the headquarters choose the Bank's overall development doctrine and strategy, which are heavily influenced by the most powerful member states of the Bank. For the water TNC representative, their constituencies are ideally the stockholders of their respective companies. However, the representatives of the private companies at the negotiations table tend to more directly answer to the top management of the companies, to whom the stockholders have delegated the authorities to manage and make decisions.

In the following sub-subsections, the two-level analysis will be used to explain where the partnership stakeholders' preferences came from and how the preferences influence the size of the win sets. Analyses will focus on the evolving win sets on both international (Level I) and national (Level II) levels. They will also explore the influences

between the win sets on Level I and those on Level II. At last, the author will try to make a case that the changing climate of the international economy, especially that of the international water market, was the root cause of the variations in the constituencies' preferences, as reflected in the changes of the win sets on Level II, which in the end dictate what can be accepted as outcomes of the negotiations on Level I (the scope of Level I win sets).

The picture to be depicted has two parts of influence—first, the climate of the international economy, especially that of the international water market, influences the Level II win sets; second, win sets on Level II influence those on Level I, causing changes in the size of the Level I common denominators. Almost all studies of the Ghanaian water sector reform mention the influence of the international water market on the Ghanaian case. However, such influence has never been accounted for through a two-level game approach. In the following subsections, the author intends to fill in this gap.

6.2 1990–1998: LEASE AND ENHANCED LEASE

For the most part, the 1990s, especially the first seven or eight years, were the heyday of the international water market. People were ready to privatize the water sector, and international companies were eager to open up new fronts for investments in Third World countries' basic industries. During this stage, the international climate was favorable, and reform options that involved investment commitment from the private partner(s) were possible. Therefore, in the 1990s, the actors' win sets were relatively large, and it was possible for the negotiation for Ghana's water sector to be largely based on a lease option, which later evolved into an enhanced lease option.

6.2.1 Worldwide Picture

Before the 1990s, PSI/PPP in the water and sanitation sectors was a rare phenomenon in the developing world. Few large, private initiatives were recorded in the water and sanitation infrastructure and services (Budds and McGranahan 2003). In a World Bank-sponsored study, Silva, Tynan and Yimaz (1998, 1) record that “[b]etween 1984 and 1990 developing countries awarded contracts for only eight water and sewerage projects to private companies. The private capital investment in these projects was US\$297 million.” Acknowledging that since the 1980s, PSI/PPP have grown steadily in public-service delivery worldwide, Davis (2005, 147) also observes that “PSP in the water supply sector has also been relatively late and light... [and] accompanied by considerable controversy.”

The growth of PSI/PPP projects in developing economies’ water and sanitation sectors accelerated sharply in 1990 and peaked in 1997. By the end of 1997, the picture had changed drastically. According to the same study, private companies operating in developing countries had reached financial closure on 25 billion US dollar of investment, and 97 projects had been implemented in 35 developing countries. Projects of private involvement in the water and sanitation sectors took up all forms, from the ones requiring a high investment level, such as concession, divestiture, and build-operate-transfer (BOT), to those requiring less investment, such as management contract and lease. Despite the growth, water and sanitation PSI/PPP, in comparison to those in other infrastructure sectors, were nevertheless slower in tempo and smaller in size (Budds and McGranahan 2003; Mergos 2005). In addition, there are at least three “concentration peaks” of the available data set.

First, in terms of geographic distribution, Latin America and East Asia and the Pacific were leading horses in this game, taking up 73 percent of projects and 81 percent of investments. Unfortunately, Ghana's home region, Sub-Saharan Africa, only accounted for eight percent of the projects and minimal investment (Silva, Tynan, and Yilmaz 1998, Figure 3) Silva, Tynan and Yimaz's (1998, 4) Tables 2 and 3 show that between 1990 and 1997, the top five developing countries in water PSI/PPP were all from Latin America, Asia, and the Pacific. Investment-wise, Argentina led the list with 6,183 million dollars, followed by the Philippines (5,820 million), Malaysia (5,030 million), Turkey (1,230 million), and Mexico (597 million). Project-wise, China was on top with 13 projects, followed by Mexico (12), Brazil (8), Argentina (7) and Malaysia (6). Budds and McGranahan (2003) show the same trend with data from 1990 to 2001. Silva, Tynan and Yimaz's (1998, 2) Figure 3 indicates that Sub-Saharan Africa received close to none in terms foreign investment in water and sewerage system without a specific number. According to Davis (2005, 153), "[b]etween 1990 and 1997, less than 0.2% of all private sector investments in the developing world involved SSA [Sub-Saharan Africa] countries." Second, looking at the different types of PSI/PPP, there is a notable dominance of concession deals over other kind of contracts worldwide. Between 1990 and 2001, 44 percent of contracts in low- and mid-income countries were concession deals, taking in 69 percent of investment (Budds and McGranahan 2003, 104 Table 5). Third, only a handful of international companies from developed countries were involved in most of the major projects in the developing world (Hall 2002).

One of the three "concentration peaks" is of particular importance in this section—the dominance of concession deals over other types of private involvement.

Between the government-water company dyad, concession deals are more favorable towards the governments, as “they place full operational and investment responsibilities, and associated commercial and investment risk, with the private sector, maximizing potential benefits from efficiency gains and access to private sector financing” (Silva, Tynan, and Yilmaz 1998, 5). This dominance of concession (followed by the BOT type) in the 1990s indicated that as long as there was a clear government commitment to a credible regulatory environment for private investment, water markets in the developing economies looked quite attractive to international water companies, who were ready to explore new territories with investments from their own pockets.

To paint a general picture of the new phenomenon of private participation in water and sanitary sectors of the developing world in the 1990s, one should note that developing countries were opening up their industries and markets; at the same time, members of the private sector saw it as an attractive opportunity and were willing to join the game and take on new projects. This general trend created favorable conditions for the reform project in Ghana. In the following paragraphs, the author will analyze how this favorable condition dictated a relatively large win sets for the actors involved in the Ghanaian case, and the large win sets made a lease option (and later an enhanced lease option) look acceptable for all participants in the bidding processes.

6.2.2 The Ghanaian Case

As stated above, in the early 1990s, privatization in the water sector was still a new idea for many people, both in the developed and developing worlds. Exciting as it was, it had yet to gain momentum all over the world. The international market for water industries started to form but yet to mature. The initiation of a PSI/PPP project in Ghana’s water

sector was just one of the many currents in this worldwide tide. This formative stage of water PSI/PPP was marked by adventure and experiment, as well as uncertainty and risks. This general trend dictated relatively large win sets for participants of international water partnerships on both Levels I and II. Such a global trend had a perfect reflection in the Ghanaian case. The following paragraphs are an effort to map out the win sets of the key participants, namely the World Bank, the government of Ghana and the water TNCs.

6.2.2.1 The World Bank's Win Sets

The World Bank participants in the Ghanaian negotiation (Level I) had the broadest win set among all the Level I actors. For the World Bank country office, the goal was broadly set as to initiate neoliberal reforms in the water sector, without fixation on any particular form(s) of PSI/PPP. The broadness of the Bank's win set was a result of the Bank's unwillingness and inability to pinpoint a particular PSI/PPP type for Ghana. On the one hand, the Bank's unwillingness was determined by its "patron" status, as the patron's goal was to keep the broader agenda, not necessarily to pay attentions to specific details. On the other hand, even if it wanted to, the Bank was not able to offer credible justification for a particular form of PSI/PPP for Ghana. At this stage, water PSIs/PPPs in developing economies were still new experiments worldwide, and studies were yet to be conducted to distill any conclusive insights or guidelines. Between the Bank's unwillingness and inability to give specific instructions for the Ghanaian reform project, the unwillingness was more decisive. The unwillingness was intrinsic, determined by the Bank's general position in PSI/PPP negotiations (the *partron* of the system). The inability was temporary, caused by the momentary lack of information and knowledge at that time. As time passed by, during the run-up to the new millennium, many cases in the

developing world were initiated, implemented, concluded with success and failure, and studied. However, the Bank never changed its broad win-set for Ghana's negotiations. It did not have to or want to—a privilege enjoyed by the patron. Therefore, at the very beginning, on Level I, the World Bank was ready to accept any kind of PSI/PPP for Ghana in the early 1990s. The only exclusion of its win set was the continuous public management of the water sector.

World Bank Win Set (Level I)

*[lesser forms of PSI/PPP: service contract, management contract, lease
as well as higher levels of PSI/PPP: concession, BOT, divestiture]*

Budds and McGranahan (2003, 89) adopt a table from Stottman (2000) and analyze the allocation of four key responsibilities, namely asset ownership, capital investment, commercial risk, and operations/maintenance of the most usual PSI/PPP options in the water and sanitation sector, namely service contract, management contract, lease/affermage, concession, BOT-type, divestiture. For concession, BOT-type, and divestiture, more than two of the four key responsibilities fall on private shoulders; therefore, they are considered as “higher levels of PSI/PPP”. At the same time, for service contract, management contract, and lease/affermage, the public partner takes on more than two of the four key responsibilities; as result, they are categorized as “lesser forms of PSI/PPP.”

On Level II, in World Bank headquarters (the constituency), the win set had been in place from the beginning of the neoliberal resurrection of the late 1970s and early 1980s. Since that time, to restructure and adjust developing economies' public ownership and management of sectors, industries, and firms had been put in an unshakable place due

to the guiding doctrine of the Bank's activities in the Global South—to increase private sector involvement. Hall and de la Motte (2004, 5) observe that prominent IFIs' neoliberal orientations were largely influenced by powerful northern countries: “Budhoo Davison, who resigned as senior manager at the IMF in 1989 after 12 years' service, stated: ‘President Reagan effectively told us to go out and make the Third World a bastion of freewheeling capitalism.... Everything we did from 1983 onward was based on our new sense of mission to have the ‘south’ privatise or die; towards this end we created economic bedlam in Latin America and Africa in 1983–88.’ Under this groupthink mentality of the powerful northern countries and the international development agencies that kowtowed to their policy preferences, the discourse on and policy agenda of PSIs/PPPs at this particular stage of history became dominated by hegemonic voices that enshrined the neoliberal doctrine—one that deemed market-oriented reforms as rational, scientific, unbiased, and unpolitical, while deeming its critics and doubters as political, irrational, and uninformed. It would take about two decades (the 1980s and most of the 1990s) before a consensus is reached that such optimistic beliefs in the virtues of the “unfettered” market were oversold, and assertive proponents of the neoliberal ideology would eventually encounter colossal setbacks on the international, national, and societal levels at the turn of the millennium. However, we are getting ahead of the story.

According to Grusky and Fiil-Flynn (2004, 1), in the 1990s, the World Bank started to move the neoliberal reform agenda into public water service industries in the developing world. “In collaboration with governments and regional development banks, in many countries across the world, the World Bank pushed water privatization and promoted multinational water corporations as the answer to water and sanitation

problems.” During this time, the World Bank developed its first water strategy based on a 1993 policy paper on water resource management (World Bank 1993). This strategy drew its guiding principles from the 1992 Earth Summit, in particular the Dublin Principles. The Dublin Principles, as mentioned in Chapter Three, emphasize the need to involve non-state actors, such as civil societies and private actors, in the water sector, and economic principles and incentives should play a greater role in resource allocation and quality enhancement. The policy paper’s emphasis on PSI/PPP involvement in the sector was a major reflection that PSI/PPP had become “the centerpiece of World Bank policies in the water and sanitation sector,” and the paper was “followed by numerous optimistic statements promoting private sector solutions” (Grusky and Fiil-Flynn 2004, 2).

Powerful member states of the World Bank, in particular the OECD countries, pursued neoliberal reforms in their own economies. Such a neoliberal domestic takeover resulted in its internationalization through donor agencies over which these countries had firm control. On the one hand, many perceive that preferences for private sector participation taken by international agencies are driven by the goal to further the interests of donor countries’ own private sectors than the interests of the recipient countries (Bayliss 2000). For example, it is argued that the EU was “instrumental in trying to impose the worldwide privatisation of water and other public services through the WTO/IOs... and worked closely with the water companies to fashion their trade policies” (Godoy 2008). The same article also records that in a May 17, 2002 letter, the European Commission invited private water companies to inform it of “the position and interest of the European industry, their main market, obstacles if any to access new markets, as well

as other questions you would consider relevant in this context.”⁴⁰ This assumption is true to a certain extent; but at the same time, it is biased and does not paint the whole picture. From the perspective of the international donor agencies, continuing to pump money into developing economies’ public sectors—sectors that neoliberals do not believe in—without seeing substantial results could be frustrating.

The ideological prejudice, support from powerful member states of the World Bank, as well as the empirical evidence of the failure of the public sector all contributed to the ascent of PSI/PPP policies to the prominent status of a common prescription to the malaise of the developing countries’ embattled public sectors, including water and sanitation.

World Bank win set (Level II)

[private sector participation in the infrastructure of developing economies]

6.2.2.2 The Government of Ghana’s Win Sets

For the government of Ghana, in the early 1990s, it had already passed “the point of no return” on the neoliberal reform path. Accumulated adjustment policies and their implementations in the previous decade had set the country up for further reforms horizontally and vertically. As stated above, reforms in the 1980s indeed yielded macroeconomic results, encouraging the factions of the ruling elites to take on additional neoliberal prescriptions. However, the growing momentum of neoliberal restructuring was not moving without friction. The government of Ghana was not one hundred percent responsive to donor-prescribed reforms, in particular within the “commanding heights” of the economy. In terms of the water sector, public management was still an acceptable

⁴⁰ For the preference of the U.S. government in favor of PSIs/PPPs in its international activities, see USAID (2006).

option. No matter how badly the public hand had managed the industry before, water would not have climbed the charts on the reform agenda if the government had had the free will to set that agenda.

Facing donor pressure, the government accepted to contemplate reforms in the water sector. At the same time, the fractures between the populist and the technocrats in the PNDC (and later the DNC) prevented the government from moving too far in regards to the water sector reform. As interviews show, the government agreed to take on reform measures but would never have opted for higher forms of PSI/PPP, such as concession, BOT or divesture. The lesser forms of PSI/PPP were far more acceptable. Therefore, it is safe to say that the government of Ghana's win set, on Level I, included public management and lesser forms of PSI/PPP.

Government of Ghana Win Set (Level I)

[public management, a lesser form of PSI/PPP, such as service contract, management contract, lease]

This Level I win set gives us an idea of the collection of acceptable outcomes for the Ghanaian negotiators. It is also a reflection of the win set on the domestic level (Level II). For the government of Ghana, on the national scale, being on good terms with international donors such as the World Bank was vital to the development of the economy. Continued loans and grants were critical to the nation's development in general and the water sector in particular. At the same time, utility sectors such as water were too important to go through adjustments without caution. In addition, water, being an essential source for life, was a sensitive element of community and individual life. Therefore, reform measures needed to also carefully avoid stimulating public resistance.

Government of Ghana Win Set (Level II)

[A water sector with continued support and investment (from donors and/or private sector), at the same time, cautious reform measures in the “commanding heights,” avoiding public outcry in the process]

6.2.2.3 Water TNC Win Sets

For the international water companies that were interested in the Ghanaian reform project, at this particular stage, interests and stakes were both high, and risk-taking was acceptable as long as the risk was reasonable and controlled. As stated in Chapter Two, in the 1990s, members of the private sector converged on the strategy shift to increase activities in developing countries in order to take advantage of new resources and markets that had opened in the Global South; this, in return, increased private companies' willingness to invest in and work with a variety of actors in developing countries (Natsios 2009; Runde, Carson, and Coates 2011).

In water sectors worldwide, as stated above, water PSI/PPP were carried out in enthusiasm, with concession and BOT deals being the major type of reform projects. However, the picture in Sub-Saharan Africa was more cautious. Looking at the data from 1990 to 1997, Silva, Tynan and Yilmaz (1998) conclude that project-wise, only eight percent of PSIs/PPPs were implemented in Sub-Saharan Africa; and investment-wise, it is close to nil. This data is particularly discouraging considering that the years between 1990 and 1997 were the heydays for water PSI/PPP; and yet, Sub-Saharan Africa benefited so little from it. Two major factors contributed to the extremely limited investment in Sub-Saharan Africa. First, generally speaking, countries in Sub-Saharan Africa lacked large economies and highly urbanized population. In addition, significant

government commitment and efforts to create a credible regulatory environment for investment were largely missing as well. As a result, even during the years when water TNCs were willing to invest and take risks in the Global South, investments in Sub-Saharan Africa were still treated with much caution. Elaborating on arguments that are similar to those of Winpenny (2003), Budds and McGranahan (2003, 102) assert that

[t]he private sector has its own criteria regarding what it considers to be viable commercial opportunities, and these criteria have little to do with water and sanitation targets as defined in the international development community. Companies' strategies must be consistent with the demands of their funders and market conditions. The most important aspect for private companies and their financial partners is the potential profit or rate of return. A key consideration is scale. Bankers and multinational water companies are looking for large-scale projects, with contract values of US\$ 100 million upwards, in middle- to high-income cities with at least one million inhabitants.

Therefore, for the water TNCs, on Level II, they are willing to explore opportunities in the developing economies, but only with reasonable risks. As a result, on Level I, in the particular negotiation for a reform project in Ghana, it is very logical to see that water TNCs turned away from higher levels of PSI/PPP with larger investment requirements and opted for lesser forms of participation.

Water TNC Win Set (Level I)

[Lesser forms of PSI/PPP in Sub Saharan Africa, such as service contract, management contract, lease]

Water TNC Win Set (Level II)

[willing to take opportunities to explore the terrain in developing economies, with reasonable, controlled risks]

6.2.2.4 The Common Denominator

A survey of the win sets of all the participants of Ghana's water PSI/PPP negotiations shows that their preferences converged on lower levels of PSI/PPP reforms in Ghana, such as service contract, management contract, and lease. Therefore, when the Halcrow consultation proposed the lease option as the most suitable PSI/PPP reform for Ghana's water sector, it fell right into the win sets of all negotiators on Level I and became the *de facto* common denominator. This common denominator was soon ratified by all constituencies on Level II.

Convergence of Preference/Level I Common Win Set

*[service contract, management contract, **lease**]*

For the World Bank, a reform based on the lease option entailed the introduction of the private partner(s) in the sector, which fitted the Bank's overall objective of enhancing private participation in the developing world. The Bank's endorsement of the continuation of the reform process, manifested in its support for developing the business framework of the lease option, indicated the lease proposal's acceptance by the Bank's actors on both Levels I and II. For the government of Ghana, although the formal ratification came from the Ministry of Work and Housing's consent to the lease option, the endorsement of the national workshop served as the informal ratification and justification for the formal one. For the water TNCs, they expressed relatively high interest in the Ghanaian water market, and their readiness to enter the bidding process

was evidence that the management in the headquarters deemed the lease option a feasible investment in Ghana.

To sum up, in the 1990s, the international climate was fairly favorable, and as a result, a common denominator of the win sets of the stakeholders could be found in the reform dialogues of the Ghanaian water sector—that is to say, the stakeholders’ preferences converged. The acceptance of the lease option by all participants indicated a relatively sizable scope of the Level I common win set. In fact, it turned out that, against all odds, this win set could be even stretched a little further to include an enhanced lease. As stated above, when the Berger report tackled the issue of investment from the private partner(s) and proposed the enhanced lease option, the reform negotiation continued and the bidding process opened. In the immediate days after the publication of the Berger report, the government of Ghana consented to the enhanced lease, the World Bank had no objection, and all bidding documents submitted by the private bidders were based on an enhanced lease option—evidence of the the enhanced lease option’s acceptance by all Level II constituencies.

However, this seemingly favorable progression of events would embark on a sharp turn soon. The international climate for involvement in the water sectors of developing countries deteriorated and sent the Ghanaian dialogue onto a curve. As a result, one key group of participants, the motivated tacticians, immediately swerved around, adjusted their preferences, and reduced their win set size.

6.3 1998–2002: FROM ENHANCED LEASE TO MANAGEMENT CONTRACT

In the land of Ghana, commuting with public transportation is a cutthroat game. The majority of the population relies on fourteen-passenger minibuses to commute, and the

people waiting at the bus stops are always at least twice the number that the buses are supposed to accommodate. Therefore, when a bus comes, the passengers, including the ones who carry babies, flock to the door and push themselves, and each other, in order to get into the vehicle. A funny but unfortunate event often takes place. As the bus leaves the stop, provided that one of the tires does not explode due to the overloading, it would pause again after a couple of yards, reopen the door, and one or two frustrated, and sometimes even angry, passengers would be forced to get off the bus because they, in fact, could not find seats and would have to step out. A parallel story can also be narrated for the reform dialogue in the water sector. At first, it seemed that the water sector of Ghana caught the last bus of water PSI/PPP reform of the 1990s heyday with reasonably favorable conditions; however, as the events unfolded later, it became apparent that it did not really get a proper seat, and instead, it had to either step down or sit at an awkward corner in an awkward position. However, “stepping down” was not an option, as the World Bank threatened to cut the “gas supply” to the “entire bus.” Consequently, the “discomfort of being awkward” (a management contract that was not desired by the national stakeholders) was far more acceptable than the “none-option,” as the underdog feared that the patron would stop feeding him.

Many studies of water PSIs/PPPs in the developing world observe that the prime time for such PSIs/PPPs were between 1990 and 1997/98. According to Budds and McGranahan (Budds and McGranahan 2003, 101–102), “[p]rior to 1990, there were very few large private initiatives in water and sanitation infrastructure and services. Privatization accelerated sharply in 1990 and peaked in 1997, after which it started to decline.” Grusky and Fiil-Flynn (2004, 2) also record that “private investments in water

in the Global South have fallen drastically after the slight peak in private investment in 1997. As the World Bank had projected a massive increase in private funding for water and sanitation infrastructure, their portfolio declined dramatically from the mid-1990s to the early 2000s. Reluctantly, the World Bank had to acknowledge that the private sector was unable to fund the gap.” Buchs’ (2003, 7) Chart 5 shows that the heyday for water PSI/PPP was the first half of the 1990s. After that, there were no signs of acceleration of water PSI/PPP. In 1998, the general trend plummeted. The timing of the starting point of Ghana’s bidding process is of critical importance here. The Berger report’s recommendation was accepted in 1998, and the bidding processes started in the same year. The year of 1998 was surfing on the last tide of the worldwide wave of water PSI/PPP in developing economies. Afterwards, the tide subdued and nothing much could be stirred anymore.

6.3.1 Worldwide Picture

On the world scene, private participation in water sectors retreated in both developed and developing countries towards the end of the 1990s, continuing into the 2000s. The Asian financial crisis of 1998 rippled through the globe, and the golden age of economic development in the 1990s came to an end. In the water sector, international water companies started to face difficulties both at home in the Global North, and in overseas markets in the Global South. As a result, private involvement retreated, and public re-takeover took place in many corners of the world (Cevallos 2006; Godoy 2008).

In the Global North, for example, France has been one of the European countries with the most privatized water market, a tradition formed since the French Revolution. In fact, most of the international water giants are French, such as Veolia, Suez and Saur.

Besides their international activities, domestically, these three companies distribute water to 72 percent of the French population. In the late 1990s and 2000s, these private water giants started to face strong domestic challenges when more than 40 French municipalities and urban communities took water services back into public hands (Alech 2009; Godoy 2008). For example, in 1999, a court decision ordered Suez to pay back water charges imposed between 1990 and 1998 as a punitive measure against the company's fraudulent accounting, which eventually led to the sector's returning to the public hands. The trend continued, and in June 2008, the Mayor of Paris announced that by 2010, the water service management would return to the municipality, ending a 100-year monopoly (Alech 2009). In the UK, Swyngedouw (2005) records that Yorkshire Water proposed to collectivize the network part of the water supply system, while keeping the managerial part in private hands. The Welsh water utility also moved away from private ownership to some mix of public and private management (Bakker 2003).

In the Global South, many water PSI/PPP projects also backfired on the proponents of such initiatives in the early 1990s. Resistance to private participation in water supplies erupted on many continents. For example, in 2000, after weeks of intense protest against the rising water tariff, the government canceled the PSI/PPP project in Cochabamba, Bolivia, and returned the water system to public hands. The event is hailed as "the first major victory against the global trend of privatizing water resources" (Grusky 2001). In Buenos Aires, after the Argentine government gave up its currency stabilization policy, the city re-negotiated its water contract in 2002 (Swyngedouw 2005). In addition, "[s]truggles in South Africa, the Philippines, Brazil, Ghana, Turkey, India, Korea and Indonesia, to name just a few, testify to the mobilizing effects" against private

involvement in the water sector (Swyngedouw 2005, 97). Promotion of PSI/PPP policies in the water sector in the previous decade contributed to growing social movement against such policies. The movement grew increasingly internationally coordinated, standing in firm opposition to the proponents of neoliberal reforms in water. The discontented population, and their increasingly organized resistance, backfired on the World Bank, governments, and international water companies.

Hall (2002, 3–4) gives examples of the setbacks in some of the most prominent water TNCs' involvement in developing countries. For instance, the crash in Argentina imposed a tremendous loss on Suez, turning “a 5.8% growth in Suez’ international water business into a fall of 2.8%—a loss of 8.6%, about 290 million Euros from Suez worldwide public water business (including France) in a 6 month period.” Vivendi also suffered difficulties in a number of Latin American countries, including being sacked from its contract in Argentina, losing the deal in Puerto Rico and running into problems in Brazil. SAUR’s CEO expressed “serious doubts about the viability of private provision of water for profit in developing countries... and its recent experiences in Africa have led it to withdraw from a contract in Mozambique, insist on a major renegotiation of a contract in South Africa, and suspend a planned contract in Zimbabwe.” Setbacks in the developing terrains inflicted tremendous losses on TNCs and downgraded company credit ratings. As a result, risk-avoidance emerged as the general stand that water TNCs took in the developing world after the turn of the millennium.

6.3.2 The Ghanaian Case

When the bidding process for Ghana’s water PSI/PPP project started in 1998, it was the last opportunity for the stakeholders, especially the national ones, to conclude a deal

based on an enhanced lease option. The win sets of the stakeholders (the World Bank, the government of Ghana, and the water TNCs) remained relatively large, similar to the early 1990s. The window of opportunity for an enhanced lease reform project remained open during the two years of 1998 and 1999; afterwards, it closed rapidly.

It is unfortunate that the negotiation failed to reach an agreement before the change of win sets of two key participants—the water TNCs and the government of Ghana. Three major events stalled the whole process, namely the Azurix scandal, resistance from civil societies, and the 2000 election. This delay proved fatal. For the case of Ghana, the 2000 election was the threshold event after which, as it turned out, an enhanced lease was no longer feasible, and the remaining choice was either a management contract or no deal at all.

6.3.2.1 The World Bank Win Sets

Despite the global downturn of water PSIs/PPPs, the World Bank continued to pursue its neoliberal agenda in the water sectors of developing economies. The global discontent that backfired on water companies and supporters of neoliberal reforms did set the Bank back a few steps, as several Bank-sponsored studies of water sector reforms (or utility sector reforms in general) at that time took on more critical views of the PSI/PPP approach, acknowledging that PSIs/PPPs would work only when particular circumstances and prerequisites were present. For example, Haarmeyer and Mody (1998) analyze the risks involved in financing water and sanitation projects and conclude that risks do exist but can be mitigated through independent regulatory agencies and competition. However, they primarily use cases in England and Wales in their analysis. The conclusion they offer tends to suggest an “it is easier said than done” impression, as in many developing

countries, such as Ghana, the independent status of regulatory agencies and genuine competition cannot be easily achieved.

Despite of the acknowledgement that PSIs/PPPs might not work under all circumstances, in general, the World Bank, as well as other prominent IFIs, never backed down from their neoliberal orientation. Grusky (2001) offers an insightful account of the IFI's insistence on neoliberal policies in the new millennium. In 2000, IMF loan arrangements in twelve borrowing countries (out of forty countries studied) had to succumb to water PSI/PPP or cost recovery schemes. In the next year, the IMF announced its withdrawal from public enterprise restructuring projects and completely handed over water sector reform projects to the World Bank and other development banks. The Bank and other multilateral donors continued to pressure government leaders, usually behind closed doors, to further reform measures. Eager to secure loans or credits, in many cases pressured government officials caved in and subscribed to the externalized policy prescription. Besides Ghana, many other developing countries continued to pursue neoliberal reform measures under pressure, even though the favorable international conditions had already disappeared. For example, a thirty-percent increase in water tariff was introduced in Nicaragua; and a Bank proposal suggested enhancing commercial water operations in order to recover "long run marginal costs" in Tanzania. In 2002, the Bank published its second water strategy, in which heavy emphasis is still placed on "collaborative public-private partnerships" (World Bank 2002). It is interesting to observe that there was a ten-year gap between the Bank's first and second water strategies (1993 and 2002). Despite the changes that occurred during the ten years, especially the tremendous loss of private interest in the developing world's water sectors,

the 2002 strategy was still in consistency with that of 1993 in terms of PSI/PPP promotion.

Against this global backdrop, the Bank's win sets saw no adjustments in the new millennium when it came to the reform negotiations in Ghana. The Bank's objective and policy orientation were immune to the recession in the international market—a privilege that powerful patrons usually enjoy. On Level II, it still pushed forward private participation in developing countries' infrastructure on the global level, as a general Bank approach. The World Bank's loan records from 2000 to 2004, Grusky and Fiil-Flynn (2004, 18) offers a detailed list of Bank-sponsored water and sanitation PSIs/PPPs worldwide in developing and transitional economies. They conclude that “it is clear that... little or nothing has changed in the water sector. The policy goal for World Bank involvement in the water and sanitation sector continues to be privatization” in the 2000s. In the same vein, Prasad (2006) observes that despite growing evidence that PSI/PPP might not be the most efficient means to address the development problems of the Global South under all circumstances, private sector participation in water and sanitation remained alive in the 2000s and increasingly became wrapped up in more acceptable packages, such as public-private partnerships. As a result, on Level I, for the potential deal in Ghana, any form of PSI/PPP was still acceptable to the Bank, as long as continued public management was kept off the table.

As mentioned in Chapter Two, after the comprehensive consultation with Member States on “cooperation between the United Nations and all relevant partners, in particular the private sector”, the UN noted that one group of Member States had expressed concerns about “clear guidelines and frameworks for partnership” and some

respondents “commented on the risk of partnership with private sector” (UNGA 2001a). However, in practice, as the case of Ghana’s water sector reform and many other cases all over the world tell us, general guidelines and frameworks are not enough. Unless the international organizations involved have the clear intention to monitor and guide the PSI/PPP to fit specific national circumstances (this does not mean micromanagement), instead of letting the process be determined by external factors (such as the climates of the international market), PSI/PPP projects run great risk of not being able to achieve desired outcome. An important theme in this dissertation is about forming partnership to suit local circumstance—choosing the correct type of partnership and maintaining local control of international partner. In order to achieve this, international organization involvement and devotion are needed when PSIs/PPPs are in the forming stage. Simply advocating for PSI/PPP and some general guidelines will not do the job. In the case of Ghana, the World Bank imposed PSI/PPP, but did not involve much to ensure the PSI/PPP formed was what Ghana needed; in the end the World Bank let international market dictate the outcome.

World Bank Win Set (Level I)

[service contract, management contract, lease, concession, BOT, divestiture]

World Bank Win Set (Level II)

[private sector participation in the infrastructure of developing economies]

6.3.2.2 The Government of Ghana Win Sets

The 2000 election brought in a new government—the Kufuor administration. This change of leadership led to an adjustment of the win sets of the government, not in scope but in terms of preferred PSI/PPP type among all acceptable ones in the win set. In short, the

enhanced lease became a less desired reform outcome; instead, the government was more inclined to have a management contract.

As stated above, the Kufuor administration came from an opposition background in the 1990s and was not in favor of neoliberal reforms in the water sector. However, it was not in a position to challenge the reform agenda completely and revert to continued public management of the sector. Therefore, a compromise started to emerge in the government's preferences—to continue to carry out the reform program but be lenient towards having a lesser form of private involvement. As a result, a management contract became the key preference in the win set.

Government of Ghana Win Set (Level I)

*[public management, a lesser form of PSI/PPP, such as service contract, **management contract, lease**]*

6.3.2.3 The Water TNC Win Sets

Starting from the late 1990s, international water companies converged on the realization that risks in developing economies had been underestimated in the first part of the decade. The optimistic expectation that private sector participation would continue to grow in the southern nations' economic reforms soon came to an end. The experience of failed partnerships, as well as growing grassroots resistance, contributed to the increased caution among the private sector and influenced their strategy in the Third World countries. Consequently, the relatively more risk-taking water TNCs in the 1990s started adopting risk-aversion policies in the 2000s. Hall (2002, 13) precisely captures the TNCs' predicament: "The multinational corporations' interest in water and sanitation services is defined by their shareholders' interest, their return on capital and the risks involved." In

the late 1990s and early 2000s, “it seems that the corporations are now experiencing financial problems which must lead them to question their financial interest in continuing [PSI/PPP investments in the developing economies].”

In the specific case of Ghana, the post-2000 period witnessed that all private bidders experienced increased concern and carefully distanced themselves from being exposed to any further risks. “Companies... will not commit themselves where they consider the risks to be too high to justify the expected returns. Private operators may initially take on low-risk contracts in order to ‘test the water’ and see whether it is feasible to undertake investment in the future” (Budds and McGranahan 2003, 101). Therefore, for the water TNCs, their win sets on both levels shrank. On Level II, the willingness to explore terrains of the developing economies was still there, but only with minimum risk involved (as opposed to “reasonable, controlled risks” in the early 1990s). On Level I, in the Ghanaian negotiation, they collectively proposed the management contract as the only acceptable form of partnership.

Water TNC Win Set (Level II)

*[willing to take opportunities to explore the terrain in developing economies, with
minimum or no risks]*

Water TNC Win Set (Level I)

[management contract]

6.3.3 Conclusion: 1998–2002

Looking at the post-2000 win sets of the World Bank, the government of Ghana and the water TNCs, one notices that, first, the World Bank’s win sets did not change; second, the government of Ghana’s win set did not change in scope/size, but the management

contract option became the preferred option; and third, the scope/size of the water TNCs' win set reduced, and the lease or enhanced lease options were no longer in the win set. As a result, on Level I, a management contract became the only common denominator on Level I.

In Putnam's (1988) theoretical framework, it is argued that negotiators with a smaller win set are more likely to push around the ones with bigger win sets. The case of Ghana seems to well reflect the theoretical argument. As stated in previous parts of this chapter, in 2002 water companies collectively demanded the World Bank and the government of Ghana to reduce the enhanced lease to a management contract. This was a clear signal that the win set of the TNCs was reduced and became smallest among all win sets on Level I. Water TNCs successfully managed to push around the World Bank and the government of Ghana to accept the change they wanted. However, it is important to point out that the theoretical argument only says that negotiators with a smaller win set tend to push around the others, but their success is not guaranteed. The water TNCs' successful campaign for a management contract in this specific case (pushing around the others) was determined by their power vested in the motivated tactician status in the system, which is accounted for by the sensitivity and vulnerability analysis.

In the 2000s, both the Kufuor government and the water TNCs' preferences tilted towards a management contract—one out of ideological reasons, and the other due to economic incentives. Between these two, the TNCs' decision was much more crucial. The water TNCs ruled out of the enhanced lease, while the Kufuor government did not exclude it. From another angle, had the water TNCs still preferred the enhanced lease, the Kufuor government would not have insisted on the management contract; and had the

government not changed preferences due to ideological reasons (and continued to prefer an enhanced lease), as long as the water TNCs wanted a management contract, the negotiation would have produced a management contract in the end.

shrinkage of preference/Level I common win set

[management contract]

6.4 CONCLUSION

In the colonial capital city of Cape Coast, the Castle El Mina stands peacefully on the Atlantic shore. The fortress was originally built by the Portuguese and later used by successive European rulers of the region. Throughout its history, it became the symbol of European involvement in West Africa, especially through the role that it played in the trans-Atlantic slave trade. Inside the castle, slaves gathered from all parts of the continent were kept in the dungeons until the shipment came. When the boats arrived, the enslaved men and women gathered from their quarters, slid through a tunnel into a dark room, boarded the ships and embarked on a journey to the New World. As a result, the castle also inherited the name “the point of no return.” The fort witnessed some of the stories written on the darkest pages of human history but that were only known to the men and women torn away from their roots and shipped to unknown destinations. A small portion of them would eventually end up standing on the auction blocks, such as those in the Grand Market of Charleston, South Carolina. The rest would vanish during the journey, lost to the oceans and devoured by the unquenched human greed for profitability. The invasion of the “Obrunis (the foreigners)” destroyed the tribal fabric of the societies on the west coast of the African continent (Achebe 1958). Artificial lines were drawn and colonies of the “great powers” established.

The independence wave of the 1950s and 1960s saw former colonies' transformation into resolute states that took on ambitious development plans, determined to march towards prosperity in many parts of Africa. Two decades of such development brought a majority, if not all, of these socialist states to a breaking point, desperately in need of intervention and salvaging. Centuries after the abolishment of the slave trade, the same waves from the Atlantic go on hitting the banks of the El Mina Castle, whispering new stories in the making and echoing the ones that transpired in the past. Once again the economies of Africa, including that of Ghana, were sucked into the global neoliberal tide, only in less physically brutal ways this time.

After the establishment of Rawlings' rule in the country at the beginning of the 1980s, Ghana welcomed the policy prescriptions from the international financial institutions, which were heavily influenced by neoliberal ideology. Since then, the Ghanaian economy has also passed the "point of no return" on the market-oriented reform path. PSI/PPP projects in the "commanding heights" of the economy in the 1990s, including the water sector, were just a natural follow-up to the reform measures taken in the 1980s. In this research, the water sector reform negotiation was mainly captured by two theoretical frameworks, namely the enriched sensitivity and vulnerability analysis and the two-level game model. The stakeholders participated in the negotiations of Ghana's water sector PSI/PPP with their respective preferences, in addition to their respective sensitivities and vulnerabilities. By using both theoretical paradigms, the author provides a comprehensive account of where the partnership actors' preferences came from, whose preference prevailed during the three times when changes of policy

were introduced and how (by what power) certain actors' preferences dominated the partnership negotiation at different stages.

As observed in this chapter, the prolonged negotiation for a PSI/PPP project in Ghana's water sector witnessed a major shift in preferred outcome. In the 1990s, the negotiations were largely based on a lease option, which later evolved into an enhanced lease option. During this stage, the international climate was favorable, and reform options that involved investment commitment from the private partner(s) were possible, even for Ghana—a Sub-Saharan African country. As history moved into a new millennium, the international atmosphere deteriorated. The 2000s saw the retreat of international water companies from developing economies. As a result, a management contract replaced an enhanced lease as the preferred outcome of the Ghanaian negotiation.

In hindsight, stakeholders, especially the ones on the national side, would find out and agree that an enhanced lease would have been a much better deal than a management contract for the Ghanaian case. In the performance period of the water PSI/PPP, it was obvious that the private partner lacked the commitment necessary for achieving partnership targets. Since the private partner had no investment stake in the PSI/PPP, non-performance imposed minimum risks on it. It is interesting, and unfortunate, to observe that the negotiation, after more than a decade's effort, failed to pick out the option that would better serve the interests of the host country and population. A more unfortunate revelation is that instead of local circumstances and needs, the shifting international economic trends were the deciding factors of Ghana's reform choice.

In addition, in the mix with the disappearance of a favorable international atmosphere for water PSIs/PPPs, grassroots discontent with such policies gained momentum, with the aid of strengthened civil societies, coordinated worldwide protests, and increasing academic and political critiques of SAPs and PSIs/PPPs as a universal remedy. It is disturbing to see that the World Bank was largely immune and insensitive to the reversals in the international water market and the increasing resentments against its neoliberal policies and still managed to push for a PSI/PPP reform based on a management contract, as unfitting as it was, in the water sector of Ghana. What is even more disturbing is the observation in Chapter Five that the only time when the World Bank reacted to such an external signal was when the water TNCs announced in the early 2000s that they had no intention to continue the water sector reform dialogue if they were required to invest with their own capital—which was a confirmation of the water TNCs’ status of being the motivated tacticians in the system, as well as evidence that the World Bank’s policy interference was largely disconnected from the reality on the ground, at least in the case of Ghana.

This dislocation is also a result of the lack of community and societal participation in the governance of urban water activities in Ghana. As Chapter Eight will show, there is no meaningful community participation or governance structure in urban water affairs in Ghana before and after the PSI/PPP’s implementation. More importantly, hidden in this Ghanaian situation is the worldwide fact that water (and sanitation) issues are largely female issues on family and community levels, and unfortunately, the voices of the female component of the populations, especially input from the ones that are

adversely affected by water policies, are largely ignored by policy-makers on national and international levels—a point to be made in Chapter Eight.

The two-level game model is a useful tool to map out how the international climate influenced the altering preferences/win sets of the negotiators, which in the end determined the outcome of the negotiation. At the end of the analysis there is a powerful argument that echoes a message sent in *We the People*—one of the key UN documents promoting global public-private partnerships:

[t]he economic sphere cannot be separated from the more complex fabric of social and political life, and sent shooting off on its own trajectory. To survive and thrive, a global economy must have a more solid foundation in shared values and institutional practices—it must advance broader, and more inclusive, social purposes (UNGA 2000b, para. 25).

The cautious message in the UN report was completely ignored in the Ghanaian reform case. When the water PSI/PPP negotiation was carried out in Ghana, the powerful influence of the global economic trends indeed “[shot] off in its own trajectory” and overshadowed what was in the better interests of the host country and people. An argument mentioned in Chapter Two stated that the success or failure of many innovative reforms, including PSIs/PPPs, is contingent upon the influence of local structural and contextual conditions (Thompson 2003). Unfortunately, the PSI/PPP reform choice of Ghana adapted to external influences, instead of local circumstances, and would in the end only produce “empty, fake, and ineffective changes, and do little more than create new bureaucratic layers” (Minogue 2002, 36)—a point to be elaborated in Chapter Seven.

In his thesis on economic affairs, the iconic Adam Smith opined that market forces should be left alone and let play out on their own. The invisible hand of “free market” would regulate economic activities in the best ways possible when it is “unfettered”. Individual actors might lose in one deal but are likely to win in another. According to Smith, in the end, everybody will be better off in the long run. The invisible hand of the global economy, especially in regards to the trends in the international water market, played a crucial role in determining the outcome of Ghana’s water sector reform negotiations. However, Smith’s assertion that everybody will be better off only works “in the long run” when similar activities are repeated. In short-term, individual cases, one could win or lose, and the result could be dramatic and traumatic. If no one makes an effort to harness the influence of the “unfettered” market, the results may make sense from a business perspective but not in terms of the benefits reaped by the target peoples. Unfortunately, in the one-time case of Ghana’s water sector reform, the national actors, the government and the population represented by the civil societies stood on the losing end. In this particular case (as in many other similar cases all over the world), the Ghanaians were led by an invisible hand to promote an end that was never part of their intention.

CHAPTER 7

WATER PSI/PPP AND WATER ACCESS IN GHANA

*“Now I will tell you buster that I ain’t a fan of Custer’s,
and the General he don’t ride well anymore.
To some he was a hero but to me his score was zero,
and the General he don’t ride well anymore.”*

-- Johnny Cash, Custer

Clean water access is a very important political, economic, and environmental issue in many West African nations. Limited access to safe water is detrimental to key aspects of development, such as economic growth, population health, and environmental sustainability, all of which are the underlying issues of the Millennium Development Goals (MDGs); in fact, the MDGs have set the goal to halve the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015 (using the situation in 1990 as the baseline). In order to achieve this target, in the first UN world water development report, the UNESCO’s World Water Assessment Program (UNESCO-WWAP) estimates that 961 million urban dwellers must gain access to improved water supply and one billion to improved sanitation (UNESCO-WWAP 2003).

As previous chapters indicate, international organizations, in particular the Bretton Woods institutions, have been trying to push partnerships between local, state-

owned providers, and transnational water companies to address the populations' needs for safe water. This strategy is in accordance with the increasing conviction that the private sector processes untapped resources that could be used to address the world's problems, including the problems related to (un)safe water sources. Despite all the enthusiasm, concerns have been raised regarding whether international water PSIs/PPPs are compatible with the mandates and goals for the actual inclusive, equitable, and sustainable developments in water-related issues in the target nations. In the case of the water PSI/PPP in Ghana, many argue that the development goals that the PSI/PPP was supposed to facilitate have fallen short of adequate achievement.

In this chapter, the author plans to utilize both quantitative and qualitative methodological approaches to examine the impact of the water PSI/PPP on the urban Ghanaian population's access to a treated water supply. The first section employs a statistical analysis to test whether the PSI/PPP, after its installation in 2006, is positively correlated with the population's increased access to treated water. The second section explores the key factors that determine a certain population group's (a community/district or a family) access to water supply, which leads to the identification of the bottleneck problem of urban water access in Ghana and the dynamics embedded in the population's struggle to gather water. Before the chapter's conclusion, the last substantive section explores the reasons behind the PSI/PPP's inability to tackle the bottleneck problem of water access.

7.1 WATER PSI/PPP AND ACCESS TO WATER IN GHANA⁴¹

This section is designed as an empirical test to examine whether the water PSI/PPP in Ghana has improved the urban population's access to treated potable water in general. It also lays the foundation for analyses in the following sections that focus on identifying the bottleneck problem of water access in Ghana and the PSI/PPP's inability to address that bottleneck problem. In addition, following this general examination, in the next chapter, three analyses will be carried out to test whether the water PSI/PPP had any positive impact on the improvement of the Ghanaian society in terms of gender equality, child mortality, and the occurrence of water-related diseases—three issue areas defined by the Millennium Development Goals.

7.1.1 Research Design: Variables, Model, Data, and Hypotheses

As illustrated in the case study in the previous chapters, selection bias does exist in the PSI/PPP public-private partnership that privatizes Ghana's urban water supply. The rural population is excluded from the deal. For urban dwellers, the PSI/PPP of the Ghanaian water sector, in its final agreed form of a management contract, emphasizes that accessibility depends on affordability—rather than being guaranteed as a basic service necessary to Ghanaians' welfare. Despite the fact that the PSI/PPP operates on such a business model, the *de facto* situation on the ground is distorted. Accessibility in Ghana, as the next section will show, is largely determined by the consumer's proximity to water sources, such as treatment plants and main pipes. The ways in which the PSI/PPP were prepared, planned, and realized did not place the interests and needs of the Ghanaian population at its core; instead, it was dictated by the trends of the international water

⁴¹ This section is based on a paper the author presented at the 2010 Annual Conference of the Midwest Political Science Association (Chen 2010a).

markets and the resulting preferences of the actors in the decision-making process.

Therefore, it is imperative for a research project such as this dissertation to explore the impact of the PSI/PPP on the population's access to potable water supply.

7.1.1.1 Dependent Variables

The dependent variable of this analysis is the urban Ghanaian population's access to water supply produced by the GWSC (prior to 1999), the GWCL (from 1999 to 2005), and the PSI/PPP (from 2005 to 2008) in successive years. This dependent variable is indicated by the percentage of urban dwellers that use tap connections for water consumption, which has two sub-indicators, namely the percentage of the urban population who use "house tap connection" versus those who use "public tap/standpipe." The data come from the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation.⁴²

7.1.1.2 Independent variables

Data for the independent variables of this study mainly come from the World Bank's World Development Indicators (WDI). The specific data sets used are: 1) the economic status of the urban population, indicated by percentage of the population that lives under two US dollars per day; population growth indicated by 2) the percentage of urban population out of the total population, and 3) annual urban population growth rate. Besides the WDI data, the author introduced the binary (dummy) variable of PSI/PPP (coded as "0" before 2006 and "1" in 2006 and the following years).

⁴² Data source: WHO/UNICEF-JMP (2010b). The WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (WHO/UNICEF-JMP) has an online interactive page where viewers can extract data. The most up-to-date web address is noted in WHO/UNICEF-JMP (2013).

7.1.1.3 Model

Based on the description of the dependent and independent variables the following model is devised.

$$Y (\% \text{ of population with access}) = \text{constant} + \alpha X_1 (\text{population under two dollars per day}) \\ + \beta X_2 (\text{percentage of urban population}) + \gamma X_3 \\ (\text{population growth rate}) + \delta X_4 (\text{PSI/PPP}) + e$$

7.1.1.4 Time frame

The years under consideration begin with 1988 and end with 2008. The choice of this time frame is determined by the time frame of the available data sets. The author would also like to point out that the data sets used for both independent and dependent variables have intervals, meaning that not all data are given for each year. Therefore, interpolation is performed to fill the gaps.

7.1.1.5 Hypotheses

In addition to common sense, as stated above, the PSI/PPP in Ghana's water sector reform was at its core a business deal, dictated by business rationale, calculation, and practices; therefore, it is reasonable to form the following hypothesis,

Hypothesis 1: The poorer the urban population is, the smaller the percentage of the population that consumes water supplied by pipelines (from both household taps and public taps) will be.

Since infrastructure improvement—production of potable water and maintenance and extension of pipe networks—in Ghana's urban area hardly catches up with the speed with which the urban population grows, population growth will also have a negative impact on the percentage of the population that uses supplied water. Thus,

Hypothesis 2: The more the urban population expands, the smaller the percentage of the population that has access to piped water supply.

In regard to PSI/PPP,

Hypothesis 3: The PSI/PPP of the water sector does not make a great difference in the urban population's ability to access the water supply (if it does not negatively impact the accessibility).

7.1.2 Preliminary Observation

In this subsection, before regression analyses are performed, the author looks into the data sets of the dependent variable and tries to draw some preliminary observations, comparing the data sets before and after 2006—the year when the water PSI/PPP came into effect.

Table 7.1 shows that between 1990 and 2008, in the urban areas of Ghana, we do see a constant improvement in the usage of drinking-water sources (“Total Improved”). The percentage of the population using unimproved water sources decreased over the years in question. However, when we divide the total improvement percentage into two sub-categories, piped-on-premises and others, we see an interesting observation. The percentage of the population that used piped-on-premises water sources decreased. Increasingly, people relied on other types of improved water sources. By the year of 2000, more than half (53 percent) of the urban dwellers were using other forms of water sources than that supplied by water pipes on premises; and eight years later, in 2008, the percentage increased to 60 percent.

The 60 percent of the population who used “other improved” water sources usually get water from public pipes, wells/boreholes, or surface water (rivers and ponds).

One important difference between obtaining water from “pipes on premises” and “other improved” sources is that those who do not get water from their household pipes have to engage in time-consuming fetching activities and usually pay more for the water (if payment is required at the water source). In Ghanaian society, both urban and rural, there is still a strong gender division among household affairs. Fetching water is primarily a woman’s job. Not having a tap in the house means that women need to spend extra time obtaining water. They have to go to a public pipe or a well, wait in the line, and then get water. This is counterproductive towards freeing women from household affairs so they can engage in other activities that could improve their lives and their families (e.g., small business). In addition, it is a common practice for women to send their children, especially girls, to get water, which means that such children have less time to spend on more important things, such as school work. This observation indicates that the urban population of Ghana was less and less willing or able to use water supplied through pipes that are on premises, which could be caused by two reasons—an inability to pay or a lack of supply to individual households. This was a trend before the PSI/PPP, and the PSI/PPP did not seem to be able to reverse it.

Table 7.2 contains data that are more detailed and illustrative than those of table 7.1. It is based on the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation data set updated in 2010 (WHO/UNICEF-JMP 2010b), which is a compilation of multiple data sources, including Demographic and Health Survey (DHS), Statistical Service (SS), and Multiple Indicator Cluster Survey (MICS)—hence the acronyms in the first column. As a result, several interesting observations can be made from this chart. From the column of “house tap connection” we can see that the percentage of the urban

population using house tap connections fluctuated slightly between 36 percent to 41 percent from 1988 to 2003. Starting from the year 2006, which was when the water PSI/PPP came into effect, there was a sharp drop in the percentage of people who used house connections, falling to about only 27 percent in 2008.

From the column of “public tap, stand pipe,” we can see that the percentage of people using public taps or standpipes did not really change much over the years before or after the PSI/PPP went into effect. There were two possible ways in which the PSI/PPP could influence this. First, it barely had any impact. The same people used public taps before and after 2006. They hardly felt any difference. Or perhaps the difference was not big enough to make them change their ways of getting water. Second, some former house tap users resorted to using public pipes, and the same amount of people who were former public tap users are seeking other ways of getting water, thus keeping the percentage of population who use public taps roughly the same.

From the “ground water” column, we can see that since 2003, ground water usage remained at a high level. It is unclear whether PSI/PPP had anything to do with it. Certainly, the PSI/PPP did not reduce the usage of ground water.

One interesting observation is the usage of “bottled water.” In 2006, bottled water started to emerge in the data set; however, the percentage of the population that consumed bottled water was very small (0.3 percent). In 2008, the third year into the PSI/PPP, the population that used bottled water spiked up to 13.6 percent.

Besides drawing assessments from the trends in the subgroups of the independent variable, the author also conducts two GSL regression analyses that not only incorporate the dependent variable but also include the independent ones, as indicated by the model

above. In the two regressions, the dependent variables are “percentage of urban population using house tap” and “percentage of urban population using public tap,” respectively.

7.1.3 GSL Results

For the “percentage of urban population using house tap”, the empirical results from the GLS regression show that a linear model is generally a good fit for the relations between the dependent variables and the independent variable with a Multiple R-Squared value of 0.87 and Adjusted R-Squared value of 0.81 (see Table 7.3). It demonstrates that there is a linear correlation between population poverty level, population growth, PSI/PPP, and percentage of population that has access to piped water supply. The overall P-value is quite small ($1.606e-05$), which is strong evidence against the non-hypotheses (thus, confirming the hypotheses). However, when we look at the $\Pr(>|t|)$ value of each independent variable, the values are quite high, which is quite unsatisfactory. However, the author believes that this is due to the limited size of the data set.

Despite the flaws, as suggested, the results do confirm the hypotheses. The percentage of the urban population living under two dollars has a negative impact (-1.36, standard error: 0.98). Both the urban population growth rate (-2.35, standard error: 1.70) and the percentage of the urban population out of the total population (-2.08, standard error: 1.71) have negative impacts, too. PSI/PPP has a negative impact of -1.45; however, the standard error is too large (1.66). This means that, at best, the PSI/PPP encourages 0.21 percent (1.66–1.45) of the population to use a household-piped water supply, and at worst, it discourages the population by 3.11 percent. Since zero lies in the confidence interval, it is reasonable to state that, based on the available data and the methodology

used, the PSI/PPP had no clear positive impact on the population's access to water through household pipes.

The results for the percentage of urban population that uses public taps are less illustrative (see Table 7.4). The Multiple R-Squared value (0.69) and Adjusted R-Squared value (0.56) is a little lower than the desired value (more than 0.8). It undercuts the credibility of using a linear model to explain the correlation. The overall P-value (0.0054) is quite low, which is strong evidence against the non-hypotheses. The $\Pr(>|t|)$ values are still quite high for the independent variables. However, the most significant independent variable—the percentage of the urban population living under two dollars daily—has the lowest $\Pr(>|t|)$ value (0.141).

The results show that the percentage of the urban population living under two dollars daily, the independent variable used to indicate poverty, has a negative impact (-0.95, SE: 0.61) on public tap water consumption, which is consistent with its impact on household tap consumption. However, the results for the other independent variables have standard errors that are so large that zero lies in the confidence interval, making it impossible for the author to statistically infer any conclusive assessments.

7.1.4 Implications and Section Conclusion

First, the statistical results confirm *Hypothesis 1: The poorer the urban population is, the smaller the percentage of the population that consumes water supplied by pipelines (from both household taps and public taps) will be.*⁴³ The consistent negative impact of the population income level has been found on both household and public tap water accessibility. This is a reflection of the fact that the PSI/PPP—as a pure business

⁴³ This connection of affordability to accessibility does not contradict the later assertion that access is largely determined by proximity, as the picture painted later involves the informal elements in the “supply vs. consumption” struggle for water, which is not included here.

arrangement in its core—makes water accessibility solely dependent on affordability. The PSI/PPP does not seem to strengthen any local capacity in terms of obtaining access to the piped water supply. Since water is so interconnected with other development factors, such as health, sanitation, and household economic capacity, the research results indicate that the PSI/PPP in the water sector reform project does not enhance local communities' ability to pursue further development. Consequently, the achievement of actual inclusive, equitable, and sustainable development of the targeted peoples and communities is considerably undercut—a point to be confirmed by the analyses in the next chapter.

Second, this research shows that as the urban population grows, a smaller percentage of the population has access to household tap water supplies, which partially confirms *Hypothesis 2: The more the urban population expands, the more the percentage of the population that has access to piped water supply decreases*. During the years in question, as the urban population grew, the production capacity and ability to extend the pipe networks of the water provider (GWSC, GWCL, and the PSI/PPP at different times) never increased. In other words, the infrastructure development did not meet the demand of the urban population growth. For the water company, since the 1980s, production remained at the same level, and there has been no considerable extension of pipe networks; to this day, Ghana's urban population still largely relies on the network built during the colonial time. Unfortunately, the PSI/PPP, in the form of a management contract, was never able to address these two issues (production capacity and extension of pipe networks). Intrinsically, the terms of the management contract left these two key responsibilities to the public partner—the GWCL. The AVRIL, as the private partner and “the leaser,” was only in charge of the management of the day-to-day operation of the

water company, while the GWCL, as the public partner and “the grantor,” remained responsible for asset development, including building new treatment plants and new pipelines. Therefore the introduction of the PSI/PPP in the water sector, in the form of a management contract, was irrelevant to any capacity enhancement in the water company’s delivery of potable water to the urban population. This is an evident example of “cherry-picking” schemes in PSIs/PPPs worldwide, with the private partner taking the best part of the deal, leaving the more difficult tasks to the public partners or simply leaving the problem unattended by either the public or the private partner.

Because of this exact reason, the results of the analyses find that the PSI/PPP has no statistically significant impact on the urban population’s access to a piped water supply. Unlike the promised positive outcome of the partnership, we do not see any statistical evidence to support it. The PSI/PPP seems to make no difference, which is the essential argument of *Hypothesis 3: The PSI/PPP of the water sector does not make a great difference in the urban population’s ability to access the water supply (if it does not negatively impact the accessibility)*. Ghana is not the only case in which water PSI/PPP fails to solve problems of the urban population’s access to water or harness the investment needed to deliver such access. For example, Finger and Allouche (2002) assert that the private operator in the PSI/PPP in Cote d’Ivoire, Ghana’s neighbor to the west, also failed in the same regard.

Unfortunately, the problem with the PSI/PPP is that it is purely business in nature. Its particular form (a management contract) was dictated by international market trends; and its operation was done with business rationale, calculation, and practices. The development needs of the population were never genuinely included in the objectives and

practices of the PSI/PPP. Positive social outcomes, as a supplement to sound business performance, were never integral parts of the deal. This observation casts a very pessimistic shadow over the analyses to be done in the following chapter, which focuses on three of the eight MDGs. If there is no indication that the water PSI/PPP made any positive impact on the population's access to water supply, it would be extremely surprising that it should have any encouraging results in women's empowerment, child mortality, and water-related diseases. However, such speculation requires the backing of substantiated evidence, whose presentation is the primary task of the next chapter.

7.2 AFFORDABILITY VS. PROXIMITY: THE KEY TO WATER ACCESS⁴⁴

In the previous section, it is demonstrated that the PSI/PPP has no clear positive impact on the population's access to safe water. However, all of the observations made so far rely on statistical analyses, and thus, could only offer inferences from a statistical perspective. To make this chapter a well-rounded research project, therefore, it is important to show in case analyses the actual factors that determine the population's access to treated water and possibly to confirm that the PSI/PPP indeed does not have any positive impact on these determining elements—and, consequently, has no significant impact on water access and its related development issues.

This is the primary task of this section, in which the author argues that, instead of the conventional suspicion that income level plays a crucial role in the population's access to safe water, in Ghana, the bottleneck problems to water accessibility are production quantity and water consumers' proximity to sources of treated water, including water treatment plants and main water pipes. It is the author's conviction and

⁴⁴ This section and the next section are based on two papers the author presented at the 2010 annual conference of the International Studies Association-South, and the 2011 annual international conference of the International Studies Association, respectively (Chen 2010b, 2011).

this section's conclusion that the water access problem should be analyzed in the bigger context of a holistic development strategy with emphasis on infrastructure-building. The author finds that the water PSI/PPP of Ghana, in its unique form of a management contract (determined by the trends of the international water market rather than the situation in Ghana and the needs of the Ghanaian people), was incapable of addressing the fundamental problems that undercut the population's water access.

Therefore, it is important to recall an argument in Chapter Three that quick reform measures run the risk of inadequate consultation and stakeholder engagement, which are likely to lead to a situation where the real problems are unidentified and, thus, unaddressed. In this sense, PSI/PPP reforms are unlikely to reach agreed targets unless they are devised with a holistic view to the real problems undermining firm or sector performance. If unaddressed, these problems would be inherited by the new PSI/PPP projects, rendering PSI/PPP incapable of tackling the underlying causes of failures attributed previously to public management. Unfortunately, in the case of Ghana, the research shows that the same problems that undermined the performance of the water company when it was completely managed by a public entity (the GWSC and the GWCL until 2005) were inherited by the PSI/PPP in 2006, and the PSI/PPP was never able to tackle those problems. The very arrangement of a management contract, in which asset investment in infrastructure remained the public partner's responsibility, rendered the participation of the private partner irrelevant to any measures that could address the fundamental problems of the water sector, such as a limited production rate due to the limited infrastructure capacity, and their negative impact on the population.

7.2.1 Determinants of Urban Water Access in Ghana

As previous chapters show, the Breton Woods institutions, guided by the neoliberal doctrine, have been pushing PSI/PPP in water sectors all around the globe. However, private participation in the water sector has not been well received worldwide, especially among grassroots movements in the developing world. The most critical issue, according to the opponents of water PSI/PPP, is that water is a basic human right and cannot be transformed into a commodity. PSI/PPP in the water sector jeopardizes the affordability of the population's basic needs for water, especially the poorest of the poor, who will not be able to gain access to water if the PSI/PPP raises the water tariff to a point that excludes a great part of the population from having access.

However, a close study of the water access problem in Ghana reveals that the situation is not exactly as pictured above. The price of water has not become a problem for most of the population. In reality, people who access the services provided by the PSI/PPP-based water company have a much lower price to pay than the ones who seek water from other sources. In fact, this phenomenon is observed worldwide, although it is unclear how much more expensive water from informal providers are than water directly provided by formal suppliers. Estimations vary in different parts of the world or according to different sources. Collignon and Vézina (2000, 44) state that consumers who buy at the standpipe pay the same as the highest tariff rate paid by high-volume consumers in nine out of ten African countries under their study. Further analyzing Collignon and Vézina's data, Budds and McGranahan (2003, 98) conclude that "low-income groups [who] lack adequate water and sanitation provision [often pay] per unit prices that are up to 100 times higher than piped water from the utility." In addition, Solo

(1999, 130) estimates that among cities in the Global South, the poor pay five to 35 times more than the wealthy households that are connected to the public pipes.

In Ghana, Ainuson (2010, 66) estimates that residents in low-income communities in Ghana's urban areas pay three or four times what the GWCL charges customers who receive its services directly. Yeboah (2006, 62), quoting a source in the Water Sector Restructuring Secretariat (WSRS), makes the same estimation—three to four times. However, the two survey reports that provide the basis for a section of the next chapter (enhancing women's role in water governance) have much higher estimations for the situation in Ghana. Akabzaa and Ayamdoo (2006, 4) project that “the poor generally pay a much higher cost ranging from two to fifteen times of that paid by the rich who get their water mostly from the Ghana water company,” while ISODEC (2010, 5) indicates water from informal providers is greater than ten times more expensive and costs more than ten percent of the respondents' income, on average. In a way, Amanthis (2012) concurs with ISODEC (2010) that “fetching three buckets of water a day can cost you between 10% and 20% of your daily income.” In sum, the specific figures may vary; however, the general picture is clear—water from informal providers, who tend to be the only available water sources for many poor populations in Ghana and worldwide, are much more costly than the products provided by formal suppliers.

The 2006 UNDP *Human Development Report*—published in the same year when the water PSI/PPP became effective—looks into eight cities around the world (including Accra) and estimates that in urban localities, on average, poor people living in slums often pay eight to sixteen times more than the public utility price (UNDP 2006, 52 and Figure 1.14). In Ghana, the pre-PSI/PPP institutional adjustment excludes the water

company from having the right to determine water tariff. As stated in Chapter Four, the water price in Ghana is controlled by a government agency called the Public Utilities Regulatory Commission (PURC). The author's interview with the PURC's Water Director has revealed that water access in Ghana is not as much influenced by price as determined by the production rate and the population's proximity to major water sources, such as treatment plants and main pipelines. Following this argument of the PURC water chief, the author conducted further interviews with employees of the GWCL and the AVRL, as well as residents of two areas in the Accra (capital) metropolitan area. The case study drawn from the interviews supports the argument that the production capacity of the water provider, rather than the water price, is the bottleneck of the population's access to a potable water supply. As a result, proximity to water plants and main water pipes also largely determines an urban area's or a household's access to treated water.

The Accra metropolitan area is supplied by two major water treatment plants on the outskirts of the city—the Kpong and Waija facilities. With the continuous growth of the population and the establishment of new settlements, the supply of treated water has always been in shortage. In order to assure that most of the population has some sort of water supply, treated water is distributed through a rationing system. Should the rationing system be strictly observed, water accessibility would be determined by the allocation plan of the system. However, this rationing system never works in practice. The situation is distorted by a series of legal and illegal consumer activities, caused by the scarcity of treated water, that in the end create the reality that an area's or a household's access to treated water is largely determined by its proximity to either water treatment plants or to main pipes in the supply network. More specifically, when one looks at the macro-level,

comparing different areas of a city, proximity to the water treatment plant(s) is the factor determining how much a certain area gets a supply of treated water (if it gets any treated water at all). When one looks at the micro-level, or at individual households, a family's access to the water supply largely depends on whether they are closely connected to a main pipe through legal or illegal connections. In addition to the distortion caused by the activities of the average resident/consumer, informal providers of water (vendors) further undercut the population's regular access to water.

Due to the distorting factors, the urban population in Ghana never had equitable access to treated water—a goal that the water company's rationing system was supposed to achieve. An estimation done in 2005 shows that in the capital city of Accra, “only 25 percent of residents have 24 hour water supply. For about 30 percent of residents, water supply service averages twelve hours a day for five days a week. For another 35 percent of residents, water supply is estimated at two days per week. For the remaining 10 percent living mainly in poor neighborhoods at the urban fringes there is no access to piped water supply” (Ainuson 2010, 61). As a result, the general picture painted by Swyngedouw (2003, 2) inevitably applies to Ghana—many urban dwellers in the mega-cities of the developing world are “embroiled in daily struggles for access to some sort of potable water.” In the quest for such access, water has become a “highly contested terrain, one replete with all manners of economic and political struggle and conflict.” The disadvantaged communities in urban and peri-urban areas, whose needs are often hidden in aggregated statistics of larger urban areas, are the ones that participate in and suffer most from this struggle for water (Ainuson 2010). For example, the GWCL claims that on average urban coverage in Ghana is at 59 percent. However, in the poor

neighborhoods, the coverage is about 20 percent—and five in the worst areas. In the capital city of Accra, the water connection rate is 90 percent in high-income areas on average and 16 percent in low-income ones (Ainuson 2010, 65).

In the following two subsections, the author tries to capture the dynamics of the struggle for water in Ghana. The first one offers an account for the activities of the average citizen that are performed to gain better access to water delivered by the formal provider (the GWCL/AVRL PSI/PPP) on both macro- and micro-levels. The second one discusses the impact of the informal, private, small-scale water vendors' activities on the population's access to water.

7.2.2 The Fight to Access Formal Supply

In the examination of the determinant of the urban Ghanaian population's access to treated water, all GWCL/AVRL staff members interviewed by the author seem to converge on one assertion: proximity to water sources largely determines an area's or a family's access to water treated and directly delivered by the water company. On the macro-level, when one compares water access rates in different communities/districts of a given urban locality, the distance between the community and the water treatment plant(s) is critical in deciding the amount of water that the community receives. On the micro-level, when the water accesses of individual households are compared, whether the household is directly connected to the main pipes in the network becomes significant.

7.2.2.1 Macro-Level: Proximity to Treatment Plants

A comparison of the two areas of Waija and Madina in Accra shows the difference in the amount of water received by an urban area, as a result of proximity to water treatment plants. Waija is an impoverished settlement right outside of the Waija treatment plant

(named after the community where it is located)—one of the two treatment facilities that supply water to the city of Accra. The community enjoys constant water supply seven days a week. The major pipeline that goes out of the plant into the city of Accra goes right underneath the land of the Waija community; therefore, Waija is the first community to receive water. Naturally, supply to Waija residents is plentiful due to the geographic location of the community. At one point, the amount of water that Waija received in the rationing system caught the attention of the GWCL, and the company tried to seal the taps at Waija at certain points of the week so more supply could go beyond the community. This action triggered massive protests by Waija residents and illegal connections to the main pipe, which resulted in the vandalism of the pipe network and loss of water in great quantities. The company had to give up and let the residents of Waija have as much water as they wanted to consume. On the other hand, a similarly impoverished area of Accra, Madina, happens to be located the furthest from both treatment plants. Although the pipe network has already reached the community, there is little to no water running in the taps in Madina at any given point of the day, due to the long distance that treated water has to travel to the community. The available water has already been consumed by legal and illegal connections of all the other communities in between Waija and Madina. In the communities between Waija and Madina, it has become a known fact among staff members of the water company on all levels that how much running water a community receives largely depends on the community's proximity to one of the two treatment plants.

Underlining the government's inability to curtail Waija community members' misappropriation of treated water coming out of the Waija treatment plant are two

important observations that echo the arguments made in Chapter Three. First, there are certain governmental and institutional capacities that are prerequisites for PSIs/PPPs. The legal and institutional framework of the sector in question should be mature enough to “provide solid legal, administrative, economic and technical sustainability, while providing clear and measurable rules of the game and the capacity to implement them and stimulate compliance” (Castro 2008, 248). More specifically, meaningful regulation and functional legal framework are among these prerequisites. Despite the fact that Ghana has some of the most stable and functional governmental institutions on the West African coast, some of the prerequisites for successful PSIs/PPPs are still in weak forms.

The water company’s inability to apply the rationing system in Waija shows that the government’s capacity to enforce established regulations is still lacking. As the author’s interviews with staff of the GWCL indicate, when the massive illegal connections took place after the water company attempted to enforce the rationing system in Waija, there was no adequate institutional and legal support to halt the residents’ illegal connections and to enforce the rationing of water in the area. Institutionally, the GWCL did establish rules regarding illegal connections and the penalty measures to be taken on illegally connected individuals/households. However, there were not sufficient human resources or appropriate technical support from the side of the water company to detect illegal connections in the first place, as most of these connections could be easily buried underground.

On the human resource side, such detection is too costly in manpower and in financial resources to support the employees in detection efforts. In the technical aspect, no individual water meters are installed in the community, as in most of the peri-urban

areas in Ghana. Under the rationing system, residents of these unmetered areas, including Waija, are supposed to pay a flat rate based on the number of days/hours per week during which they would receive water. Due to the lack of the simple technology of individual household meters, even though the company was able to measure how much water was extracted by the Waija community as a whole, it was not capable of detecting which household was illegally connected or how much water was unaccounted for in each family. The inability to generate individual household data further undercut the company's ability to impose a higher flat rate in Waija (to make up for the water lost to illegal connections), as residents could easily complain about being overcharged, claiming that there was no illegal connections in their household, either truthfully or untruthfully.

The other reason behind the water company's inability to enforce the rationing system in Waija is due to political interference in the GWCL's business operations. It is argued in Chapter Three that it is commonplace for policymakers and managers to have broader agendas than objectives that are purely economic. Managers of publicly owned enterprises answer not only to market incentives but also to the signals from the bureaucratic establishment; their objectives are distorted and actions constrained by games played in the political realm (Shapiro and Willig 1990). PSI/PPP does not necessarily have the capability to reduce politically influenced firm behaviors unless the official firm connection is successfully and fully severed. In the case of Ghana's water sector, the management of the water company had been closely tied to politics in the government before the PSI/PPP and remained so after the management contract had been signed. The fortune of the top leadership of the company, namely the Managing Director,

directly depends on the decision of the Ministry of Water, Works, and Housing.

Successive Managing Directors have always been appointed by succeeding Ministers.

The Ministry has been in possession of a considerable amount of strings to pull on the water company.

In the case of Waija, GWCL staff recall that as soon as the protest of the residents was noticed on the central level, the government reacted immediately, which was understandable considering the Waija community's proximity to the water treatment plant and the fact that any abnormal activities there could disrupt the entire city of Accra's water supply. The Ministry instructed the water company to immediately deal with the situation in Waija so the water supply to the capital city would not be jeopardized. As a result, the water company leadership took the quickest and easiest way out—letting Waija residents have as much water as they wanted. Consequently, residents of Waija had preferable access to water supply, which was unfair to the other communities in Accra. However, the bigger picture of continuous water supply to the capital city no longer ran the risk of being massively interrupted, and the GWCL managerial staff was also able keep their posts.

7.2.2.2 Micro-Level: Proximity to Main Pipelines

On the micro-level, the lack of a sufficient water supply has driven individual households to devise illegal connections to main water pipes. The pipe network of Ghana's urban areas consists of, in general, three levels of pipes. The main pipes start from a treatment plant and extend through the urban areas to which the plant supplies water. From the main pipes, webs of secondary and tertiary pipes are built to extend supplies to individual consumers. In principle, no individual consumers are directly connected to the main

pipes. However, in reality, as a result of the insufficient water supply, water supplying has become a zero-sum game in which households are forced to build illegal connections directly to main pipe. As revealed from the author's interview with a mid-level manager of AVRL (seconded by the GWCL), water tariffs are not the reason for illegal connections; rather, lack of sufficient supply, constrained by the treatment capacity of water plants, is the determining factor. The game of the illegal connection is not a game to avoid payment of the water tariff; instead, it is a game to gain the upper hand in accessing the water supply, which can be captured by the model of the prisoner's dilemma.

In the prisoner's dilemma game of illegal connections, the individual consumers are all "prisoners." To hold up the deal means to remain connected to secondary or tertiary pipes. To defect means to illegally connect to the main pipes. From an individual consumer's perspective, no matter what the other "prisoners" do, one is always better off to defect. On the one hand, if the other consumers hold up the deal and remain disconnected to the main pipes, the ones that are illegally connected to the main pipes would undoubtedly win and beat the "suckers" by having access to much greater quantities of water. On the other hand, if everybody defects and connects to the main pipe, each "prisoner" would have access to much less water in equal amounts; but in comparison to each other, nobody loses.

In the imagined theoretical model, the prisoner tries to avoid severe punishment in a zero-sum game against his accomplice. In the case of Ghana, the population has become a prisoner of the insufficient water supply, desperately trying to gain proximity to main pipes, competing in a zero-sum game against fellow community members, and

undercutting the collective interest of the community. In the end, their activities distort the picture of the urban water supply and further perpetuate the fact that water accessibility in Ghana's urban localities has become dependent on the population's proximity to sources of treated water. This situation explains the massive scale of illegal connections among private households, which has become the major reason for the high percentage of non-revenue water on the water company's account book.⁴⁵

There are a variety of reasons underlying illegal connections to utility supplies worldwide. In different places, a particular reason stands out as more salient than the others. In the literature, there are two most commonly-discussed reasons, namely the poor population's willingness and ability to pay and the quality of the service provided (Budds and McGranahan 2003). This research discovers another factor that drives the consumers to avoid formally delivered and paid supplies—the inadequate quantity of goods being delivered.

This analysis also clearly shows that the key to tackle the illegal connection problem is to increase the amount of treated water, which can only be achieved through investment in the infrastructure, such as treatment plants and pipe network extensions. Since illegal connections are the single most important reason for non-revenue water, whose reduction is a critical target of the PSI/PPP, it is reasonable to argue that investment and infrastructure upgrades are also the key to non-revenue water reduction—a point, however, largely missed by both partners in the Ghanaian PSI/PPP, unfortunately. In a similar vein, Estache, Gómez-Lobo, and Leipziger (2001, 1181–1182) state that the

⁴⁵ Non-revenue water (NRW), sometimes also called “unaccounted-for water” (UFW), refers to “the difference between the volume of water supplied to a network by a [water and sanitation] agency and the volume of water used by its customers. [It] comprises both physical losses through leaking pipes and administrative losses through illegal connections, meter tampering, and other activities” (Davis 2005, 161).

co-existence of formal and informal access to treated water, instead of being “a strategy pursued by poorer households to obtain free services,” was a result of the formal provider’s inability “to identify and incorporate their implicit customers.” Poor communities and households are willing to “pay a reasonable bill in order to have a formal connection to piped water services than maintain an informal connection.” Even if the formalization of the service imposes a higher financial burden on the household, its impact can be mitigated by the increased safety (and continuous supply). Also, using survey data from selected village in Ghana, Boadu (2008) argues that a statistically significant positive correlation exists between households' history of water-related illness and their willingness to pay for water.

7.2.3 The Dynamics of the Informal Suppliers

Besides formal providers of water supplies, purely public or PSI/PPP, informal providers play an important role in serving marginalized communities of the developing world (Budds and McGranahan 2003; Davis 2005). Worldwide, a World Bank-sponsored study estimates that over 75 percent of the urban poor get water directly from a variety of small-scale, private, independent providers, who “[respond] to market niches and [meet] the needs of both the poor and other unserved communities on a very broad scale” (Collignon and Vézina 2000, 1). These informal providers are recognized as being “very different types of organizations from large water companies,” and they “play very different roles and operate on very different principles” (Budds and McGranahan 2003, 89).

In the literature, the World Bank has been the pioneer in sponsoring studies that try to conceptually capture and understand these informal providers and their operations.

Collignon and Vézina (2000, 37) paint the following portrait of a typical informal provider of water (and sanitation) services in Sub-Saharan African cities:

[A] versatile man, risk and publicity averse; capable of raising important sums of money when necessary, but without a logo or a front office. He seeks no loans from the bank, nor does he pay the city business tax, if he can avoid it. He can and does cover many bases, depending on what is most profitable today. His relations with other providers are opportunistic, governed by the practical advantage conferred, with little inclination (at least so far) to control or restrict the free operation of market forces. He has just joined, or is thinking about joining, a new trade association in his city.

Bank-sponsored studies tend to speak highly of these informal providers—a view that is shared by some other independent studies. The informal providers are considered part of the solution to meet the demand for water by the growing urban population, and they are believed to set their commercial practices completely in response to market signals and to the needs to their clients (especially their ability to pay). It is also argued that, contrary to conventional wisdom, their services are actually characterized by good quality and low cost, generally speaking. Referring to Solo (1999) as an example, Budds and McGranahan (2003, 98) also notice that “many informal water and sanitation entrepreneurs provide a fairly efficient and reliable service in difficult circumstances.” At the same time, the less desired qualities of these providers do not go unnoticed. They generally lack communication with authorities, do not fall under any independent regulatory authorities, exist in urban development policy vacuums, and are indifferent to

the formal financial sector (Collignon and Vézina 2000, 50-51). Nevertheless, it seems that World Bank specialists still believe that public policies should guide the informal providers to maximize their potential to serve the poor. or at least, not seriously constrain their activities (Collignon and Vézina 2000; Solo 1999). According to a case presented by Ainuson (2010, 70), it seems that international aid agencies, especially the ones that are influenced by the neoliberal ideology, such as the World Bank, the Canadian International Development Agency, the UK Department for International Development, and WaterAid International, tend to give more credit to small-scale, informal providers than other agencies that are commonly believed to be less dominated by any particular ideology, such as WHO, UNICEF, and UNDP. It should be noted that the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation does not recognize informal water providers as safe sources for drinking water (Ainuson 2010; WHO/UNICEF-JMP 2004). Similarly, UNDP considers water vendors to be an “unimproved” source (UNDP 2006).

At the same time, besides meeting the needs of an extended population, the informal providers of water have have an impact on individuals and communities in ways that are worth noting. First, on an individual household level, water obtained from informal providers usually does not meet a family’s water need completely. Due to the higher prices that the population has to pay for their water (in comparison to the price charged by the formal provider), the poor often purchase from the informal providers small quantities that are used for drinking only and rely on other, untreated, less safe water sources for other needs. Second, despite the commonly believed argument that poor people are willing to pay for their water, this does not account for the fact that water

payments can put pressure on already constrained household finances, which does not imply that the poor are not suffering as a result (Budds and McGranahan 2003, 98).

The case of Ghana invariably fits the general, worldwide picture. In Madina and the communities in between Waija and Madina, water vendors provide an additional water supply. When supply from the water company is in shortage, a service vacuum and a business opportunity are created for the water vendors to fill in. A survey in 2010 indicates that among six cities/communities that the study examines, 88.8 percent of the respondents (on average) receive water from vendors; in each city/community, the lowest percentage is 73.3, and the highest 100. This shows that that an overwhelmingly large portion of urban dwellers in Ghana rely on informal providers for their water supply (see Table 7.5). Vendors drive around in trucks loaded with massive polytanks full of water. The residents can either buy a whole tank of water, if they have a tank installed in the yard, or purchase water with buckets. Small businesses of sachet water companies connect to the main pipeline or purchase water from big vendors and then resell water in small plastic bags.

Similar to the arguments in the world-wide picture, water consumers in urban and peri-urban areas in Ghana acknowledge vendors as a positive benefit to their communities—in other words, they recognize that private vendors are an important water provider. The 2010 survey shows that on average, more than 90 percent of the respondents acknowledge vendors' benefits to their communities; in each city/community, the lowest approval rate is 72 percent, and the highest 100 percent (see Table 7.6). Gender-specific data indicate that there is no disparity between the male and female population in their perceptions of the vendors' impact on their communities—

both give an approval rate of more than 90 percent (90.2 percent for male respondents and 91 percent for female ones, see Table 7.7).

Despite the positive impact that informal providers such as vendors have on the communities' water supply, it is also important not to lose sight that they are not without shortcomings. In the above subsection, less desirable qualities of informal providers are already noted. In the specific case of Ghana, three particular issues stand out, namely, the price increase, hijacking of community supplies, and lack of regulatory mechanisms.

All informal providers offer water with much higher prices than piped water in households. Due to information asymmetry, average residents do not have the necessary information to make more calculated decisions in choosing their suppliers and comparing prices (Ainuson 2010, 66). Therefore, the shortage of water supply created a chance for these businesses to take advantage of the impoverished population. According to Ainuson (2010, 66), residents in low-income communities in Ghana's urban areas pay three or four times what the GWCL charges customers who enjoy its services directly. Despite the community members' appreciation for the service provided by the vendors, they also reveal concerns that market-oriented mechanisms favor the suppliers when critical goods such as water are in high demand, which gives the vendors strong leverage in deciding water prices. In addition, irregular business activities, such as collaboration in price-hiking, further distort the market that is already in the favor of the vendors (ISODEC 2010).

At the same time, these purely private businesses of water supply (vendors or sachet water producers) further undercut the population's regular access to potable water. It is important to note that water vendors and sachet water producers do not treat water

themselves. They obtain treated water from the water supplied by the GWCL treatment plants and simply repackage the water and sell it at a higher price to the population. To maintain their businesses, water vendors and sachet water producers found their water sources at the main pipes with heavy duty pumps, cutting the population off further from the piped supply.⁴⁶ For example, residents of the Nima community, where 100 percent of respondents receive water from vendors and the approval rate for these vendors is over 90 percent, complain at the same time that their taps flow only when the lights of the vendor facilities are off and the pumps are immobilized. It seems that residents of Nima particularly suffer from the activities of vendors that hijack the community water supplies. Besides the study by ISODEC (2010), Ainuson (2010, 68) also mentions that this problem is prevalent in Nima and further adds that with “limited resources from GWCL and ill-equipped police” to check their illegal connections to the main pipes, informal vendors operate with impunity, which gives them greater incentive to carry out their illegal activities. This shows that “in a context where accessibility is critical users are more likely to see water vendors as beneficial even as their operations are unsatisfactory” and detrimental to the collective interest of the community (ISODEC 2010, 31). In the end, it creates a vicious circle in which the more water is hijacked by water vendors, the less reaches the population, who, accordingly, increasingly rely on the services of the vendors.

The last, but certainly not the least, critical issue in the Ghanaian context is that all aspects of water-vending activities remain largely unmonitored and unregulated.

These activities include the two issues above, namely price determination and hijacking

⁴⁶ Solo (1999) reports that in Cote d’Ivoire, some informal providers invest in a localized small pipe network, connecting themselves to the houses of their customers, and charging for water metered at the seller’s house.

of community water supply, as well as quality control of the goods provided. ISODEC (2010, 10) concludes that “[t]here is very little supervision for the operations of water vendors who take advantage of the current water situation to charge high prices and prevent others from receiving water in homes because of their usage of water pumps. Community members also mentioned the fact that because very little monitoring and supervision of water vendors is done, the sector is non-transparent and the product they offer very unhygienic.” They also express concerns that vendors have become institutions in their own right but failed to exhibit sensitivity to quality, affordability, and health consequences of customers (ISODEC 2010, 29). Unlike large public utility enterprises that are historically handled and regulated by public policymakers in the government structure, little attention is paid to and little resources are available to deal with heterogeneous groups of small-scale informal providers. In many cases world-wide, including the one in Ghana, government agencies have refused to pay attention to informal providers’ activities due to a lack of willingness and readiness to engage them in recognized supply structures. After all, informal providers are generally seen as a “short-term” fix to water insufficiency in urban areas (Ainuson 2010, 70).

In Ghana, under the PSI/PPP scheme, the regulatory body of water supply is the Public Utilities Regulatory Commission (PURC), which only regulates the activities of the water company under the GWCL/AVRL partnership. According to an account of Ainuson (2010) and the author’s interview with the PURC water director, the PURC has no interest in or resources to regulate vendor activities in the urban and peri-urban areas.⁴⁷ Their operations are completely left to market forces. The author concurs with

⁴⁷ Davis (2005) gives examples of PSIs/PPPs in some countries that try to prevent informal providers from taking a share of the market. However, most of such efforts were unsuccessful. In the Ghanaian PSI/PPP, as

Ainuson (2010) that this stance by the PURC is largely unsatisfactory. First, in terms of the financial aspect, market forces may be good instruments in determining commodity prices, as long as a healthy competitive market exists. Abnormal market activities, such as collaborations among a few providers that are monopolies or semi-monopolies, require external regulatory measures. Second, the market offers little deterrence towards vendors' misappropriation of the water supply that belongs to the whole community. In fact, the economic gains from such activities—a market incentive—may very well encourage vendors to engage in those activities. Third, the market provides little to no mechanism to monitor the quality of the goods being supplied. Especially for critical goods such as water, in places where the supply is extremely low and the demand is exceedingly high, the consumers are likely to be forced to buy tainted goods even though they are aware of the health hazards they might cause.

Therefore, in Ghana, vendors operate not only in a vacuum created by supply insufficiency; they also maneuver in a regulation void. When a formal regulatory body fails to deal with informal providers, informal mechanisms on the community level could possibly make up for the gap. However, there is no structured platform on the community level for people to voice and address their grievances in Ghana, unfortunately. For example, ISODEC (2010, 41) reveals that during a focus group discussion of youth community members in one of their study locations, the participants expressed interest in forming and participating in water governance structures in their communities. At the

is shown, the informal providers remain unregulated, as in many other cases in the world. Solo (1999, 119) discovers a rare but interesting case in Cote d'Ivoire, one of Ghana's neighbors. The PSI/PPP (based on a concession) entered into an agreement with small-scale private providers and managed to regulate their water resale activities. Under the agreement, water is resold at a fixed price. The small-scale providers can only increase profit by developing new sales or by offering additional services, such as home delivery, but not by raising the price.

same time, they are concerned that such an idea will be strongly resisted by the water vendors, as it affects their already-established interests. As a result, residents who actively advocate for such a governance structure may fall on the receiving end of the wrath of the vendors, who, in reality, are their most reliable source for water.

In sum, once again, the bottleneck problem of inadequate supply caused by limited infrastructure capacity becomes the root problem and provides a supply and regulation vacuum for informal suppliers to dominate community water activities. To break the vicious cycle, treatment capacity needs to be enhanced—an issue, however, irrelevant to the PSI/PPP, as infrastructure development falls exclusively among the responsibilities of the public partner.

7.2.4 Section Conclusion

From the above case, it is very obvious that infrastructure problems (production ability and pipe networks) are the determining factor of water accessibility. Limited access is the disease that undercuts the livelihood of many Accra residents. The diagnosis is that the improvement of infrastructure is the key to solving the problem. Logically, the cure that brings in capital investment to expand infrastructure is the appropriate treatment.

However, in sub-Saharan developing countries like Ghana, governments have little ability to invest in basic industries such as water and electricity. The majority of the investment comes from multilateral and bilateral loans and grants. This has been the case for Ghana for the last thirty years. As elaborated in Chapter Four, the World Bank and IMF have been the major multilateral donors in Ghana's pursuit of development. The World Bank and other donors have been pumping money into the Ghanaian water sector since the 1980s. However, the Bank has grown frustrated over the lack of improvement

that the Ghanaian water sector has shown. The argument that a public-owned company could not put international investment/grant monies to better use was the major reason that the Bank insisted on introducing private participation into the Ghanaian water sector reform. Supposedly, the private partner will would in better management, the know-how, and the necessary technologies. In addition, the expectation was that private partners would also bring in the much-desired investment (Ministry of Works and Housing 2002). However, the case of Ghana shows that when Ghana was entering the global trend of water PSI/PPP, the PSI/PPP tides of the international water markets were already retreating and major international water companies were stepping back from large-scale investments in developing countries. After the PSI/PPP was finally formed in Ghana in 2005, symbolized by the signing of the 2005 management contract, the PSI/PPP served as a guarantee for the 103 million US dollar World Bank grant. Unfortunately, in subsequent years, neither the grantor (GWCL, the public partner) nor the leaser (AVRL, the private partner) was able to use much of the available funds due to a variety of reasons. In the end, the case of Ghana renders observers to contemplate whether private participation missed the point since the private partner was not bringing in any investment and the available investment was not being used to its full extent. As a result, the water PSI/PPP was never able to address the bottleneck problem of water access in Ghana—lack of adequate infrastructure to supply sufficient treated water to the population. It made insignificant impact on the population's access due to its inability to use available funds (provided by the World Bank, not the private partner) to enhance treatment capacity. In the end, unable to achieve any of the targets set by the PSI/PPP deal, the partnership fell apart.

The following section examines the reasons why the available funds provided by the World Bank were not put into use by either the public or the private partner in the years following the signing of the contract, and thus, failing to address the bottleneck problem of urban water access—limited supply constrained by infrastructure capacity.

7.3 THINGS FALL APART: NON-ACHIEVEMENT OF THE HYBRID

The national water specialist in the World Bank’s Accra Office, who had been a former employee of the GWCL during the partnership negotiation years, called the management contract a “hybrid” during an interview with the author. A hybrid could grow to be a perfect fit that addresses the needs of all parties. It could also become a deformed child who grows into Frankenstein’s monster and is hated by its own creators.

The 2005 management contract took effect in June 2006. By the time of the author’s field research in 2010, the private operator, AVRL had been involved in Ghana’s water sector for more than four years, eighty percent into the contract’s five-year time frame. According to the management contract, the private operator is responsible for the following key tasks:

- Extending reliable water supply especially to low-income areas
- Making potable water affordable for low-income consumers
- Increasing cost recovery
- Reducing non-revenue water
- Increasing water treatment

Among all the tasks, the most important ones, agreed upon by all parties, are increased access to potable water and reduction of non-revenue water. Both tasks are closely tied to the scaling-up of investment and infrastructure building. On the one hand,

increased water supply, as a result of enhanced treatment capacity and the extension of the pipe network, would definitely increase the population's access. On the other hand, increased supply would reduce illegal connections, since the primary reason for illegal connections is to gain better access rather than avoiding payment, as elaborated in the last section. Subsequently, the reduction of illegal connections would single-handedly contribute to the decrease of non-revenue water. In 1998, the Berger report estimated that 52 percent of all water produced by the GWSC ended up being non-revenue water, most of which was lost to illegal connections (Louis Berger 1998). The situation never changed. The GWSL has monthly data for all regions in Ghana in terms of non-revenue water. An examination of the data show that after the PSI/PPP came into effect, the non-revenue water rate continued to linger around 50 percent in all regions at all times.

In terms of investment, the financial basis of the PSI/PPP management contract was the World Bank-spearheaded water project grant. In this grant, a special fund of RRR was set up to repair, renew, and rehabilitate (RRR) existing facilities. As of 2010, four years into the management contract, less than a million dollars of the 103-million-dollar fund had been put into use. An examination of this phenomenon sheds light on one's understanding of the PSIs/PPPs, including both the public and private partners' inability to address the necessity of an infrastructure upgrade—the bottleneck problem undercutting the population's access to treated water.

It is important to note that even if the 103-million-dollar World Bank fund were fully utilized, Ghana would still fall short of obtaining sufficient funds to achieve water-related MDGs. A summary by Ainuson (2010, 63) shows that by a PURC estimation in 2005 (the year when the management contract was signed), a total of 891 million US

dollars are needed to meet the MDG goal of 85 percent urban water coverage by 2015. Therefore, in each of the ten years between 2005 and 2015, on average, 89 million dollars need to be invested. A similar estimation by WaterAid-Ghana points to an 85-million-dollar annual investment in order to achieve the MDGs. Therefore, even if the World Bank fund is fully spent, it only covers less than a year and half's investment requirement. As stated in Chapter Four, from the very beginning of the GWSC/GWCL, the water company has never been able to escape the pressing need of securing sufficient capital investment to maintain the existing system and to undertake system expansion in order to meet the increasing needs of the expanding urban population. After the initial socialist state development era, in the two decades of the 1980s and 1990s, the government had little financial means to spend in the water sector and heavily relied on external assistance.

During the PSI/PPP preparation/negotiation years in the 1990s, the underlying expectation that the private partner would be able to bring in additional funds was a consistently present idea among the proponents of PSI/PPP reforms. However, this expectation was never met, as it became clear in the 2000s that no prequalified private bidder was interested in investing in Ghana, and in the developing world in general, anymore. The final PSI/PPP was based on a management contract, in which no investment from the private partner was required. The World Bank's 103-million-dollar fund—conditioned on the PSI/PPP—became the only considerable investment that was available for the sector, which was, in the end, largely unused during the first four years of the partnership.

The following subsection gives three accounts regarding the reasons behind the non-utilization of the available funds, offered by the public partner (the grantor, or the principal), the private partner (the leaser, or the agent), and the independent regulatory body (PURC), respectively. Underlying these three reflections are the crucial problems of principal control of agents—how the leaser should be regulated by the grantor, the private partner’s (in)ability to induce positive changes in the public partner, and the lack of commitment on both ends of the partnership.

7.3.1 The GWCL Version

From the perspective of GWCL, the argument is that the RRR duties were the responsibility of the private operator, AVRL. According to GWCL, not being able to use the fund to perform its designated goals is due to the negligence of the private partner. GWCL officers have collectively shown frustration about the performance of AVRL over the years. The Director of Finance at GWCL recalled his initial enthusiasm about private participation in the water sector in the hope that the new PSI/PPP would lead to efficiency, financial solvency, and better service. However, the current situation proved to be disappointing—a sentiment shared by the staff members of GWCL on all levels. The key factor contributing to AVRL’s low performance, according to several department directors at GWCL, was that the incentive/penalty clauses in the management contract were not enforced at all. According to the contract, AVRL would be awarded for excelling performance expectations and be penalized if the targets were not met. The definition of performance success was clearly spelled out in the contract—50 percent reduction of non-revenue water.

However, there was also a loophole—no baseline was established against which the expected 50 percent reduction would be measured. Subsequently, four years into the contract, GWCL and AVRL have not yet agreed upon baseline indicators against which AVRL performance can be evaluated.⁴⁸ Most GWCL officers maintain the position that AVRL was trying to avoid invoking the incentive/penalty clause by playing around the establishment of baseline targets. Since the incentive/penalty clause of the management contract—the possible cornerstone of the PSI/PPP’s success—was never cited, AVRL was left in a situation to collect “easy money”—the management fee, which was part of the World Bank grant. Suggesting a relatively more radical perspective, Shiva (2002) regards international donor agencies’ investment (loans or grants) in PSI/PPP projects “a subsidy for private firms.” Despite the fact that the AVRL’s collection of the management fee was only a small portion of the World Bank grant, the World Bank *de facto* did pay AVRL even though there was no performance of the PSI/PPP.

Without the enforcement of the punitive clause, aligning the action of the agent to the interest of the principal is difficult at the best of times. Such alignment is a complicated process and requires a significant amount of time, effort, and capacity from the principal. In many cases, due to lack of competence and “teeth,” the principal does not have the time, effort, and technical support to keep the agent in check. Despite the fact that GWCL staff have unanimously alleged that the stalemate in establishing the baseline is the fault of the private partner, it is also important to know that baseline measurement places a considerable amount of requirement on the public partner as well. For example, reduction in non-revenue water needs accurate data on the post-PSI/PPP

⁴⁸ The baseline problem is also reflected in Ainuson (2010, 65). It seems that Ainuson conducted his field research in 2009, as he evaluates the situation “almost three years into the management contract.” The author’s field research took place in 2010. The same problem remained unsolved.

situation as well as the current production levels. However, it is observed that the GWCL was not up to speed to provide such data—it did not have the capacity to measure and collect them (Ainuson 2010).⁴⁹

This problem in lack of performance of PSI/PPP is not unique to Ghana; in fact, it commonly exists worldwide. Davis (Jennifer Davis 2005) looks into seven cases in Latin America, Asia, Africa, and Eastern Europe and makes the same observation. In all the cases, non-revenue water reduction is an important indicator for partnership performance—just like the deal in Ghana. In three of the seven cases, little or no impact on performance is observed. Lack of appropriate incentives for efficiency enhancement is identified in these cases; whereas in Ghana, despite of the existence of the incentive, the private partner was not particularly interested in striving for the incentive gain, but remained comfortable with only collecting the management fee.

Looking at the cases in Africa, Buchs (2003, 27) highlights “the institutional deficiencies and limitations prevailing in most African countries with regard to the creation of credible regulatory agencies and the enforcement of contracts and the rule of law in general.” In the same vein, Campbell-White and Bhatia (1998) complain that most governments in Africa failed to establish monitoring procedures to track and evaluate enterprises’ post-PPP/PSI performance. Even in cases in which regulatory and monitoring frameworks are duly established with pressure and assistance from international aid agencies, efforts lapse in terms of enforcement. Particularly, in cases in which PSI/PPP contracts lack specificity, it is very easy for the parties to “take advantage of any subsequent change in conditions to reopen contracts and embark on endless

⁴⁹ The author’s interviews with technicians at the Waija treatment plant showed the same problem. Measurement and bookkeeping of such data remained inadequate in 2010.

renegotiation” (Buchs 2003, 27). This observation fits Ghana consistently, as attempts to establish the baseline indicators constantly failed, and the process became endless. Budds and McGranahan (2003, 99) offer descriptions of a common scenario that applies to the Ghanaian case: “Once the private operator is in place, it carries out more detailed assessments of the infrastructure, and may well find that it had underestimated the situation that they signed up for. In such cases, they start to renegotiate relevant terms of the contract or find excuses.”

7.3.2 The AVRL Picture

From the perspective of the private partner AVRL, it is the grantor GWCL’s responsibility for making any investment. A frequently quoted part of the management contract is Section 5.1.6, which clearly states that the performance of the operator (AVRL) shall not be tied into the investment program of the grantor (GWCL). AVRL’s stand on the problem of no progress in RRR projects is that GWCL was unable to make any investment with the fund and thus AVRL could not operate on any RRR projects. The AVRL managing director attributes the problem to the stringent procurement process that Ghana has. Ghana has three levels of authorities that approve procurements depending on the amount of funds under review. The operations of the water company usually have to go through the highest level of authority for improvement due to the large amounts of funds involved. However, instead of reaching the third level directly, the first two levels have to approve the projects first. AVRL holds the procurement “red-tape” in the Ghanaian government as the primary reason why the funds have not been used so infrequently by GWCL. Since GWCL is unable to make this investment, AVRL as the operator cannot put any projects into effect. AVRL also complains about their constraints

in terms of the human resource department. All AVRL employees were former GWCL employees that were seconded to AVRL, and the power of hiring and firing still resided with GWCL. Without the power to lay off people, AVRL management did not have any substantial control over employee performance. Company efficiency could not be guaranteed if the managers could not lay off incompetent employees.

It is true that for both public and private partners, even after being put together in a partnership, they may have different paces and timeframes in achieving performance targets. The AVRL director's argument is not unsubstantiated. It is commonly observed that procurement processes, usually controlled by the public partner, continue to remain rigid and inflexible after the partnership agreement is reached, making it difficult to maintain efficient functions of the partners and to allow their speedy engagements on certain projects. At the same time, the difficulties encountered in procurement are just a single component of a bigger problem—the partnership's inability to rectify issues undermining the sector's performance during previous public management. As a result, the new partnership inherits the same problems and neither the public nor the private partners has the any incentive to facilitate speedy solutions. For the public partner, established institutions and their patterns of operation could fall considerably short of being flexible to new changes and adjustments. To challenge this from the inside could be quite an uphill battle—the introduction of a PSI/PPP and the involvement of a private partner could have provided the opportunity to bring changes in a rigid and old system. However, for the private sector, without any enforced tie between its gains and partnership performance, problems with the public partner are just additional excuses to avoid blame for partnership failures.

Furthermore, the AVRL story also touches on the problem of the “regulatory creep” of PSIs/PPPs. It is observed that PSIs/PPPs often suffer from the old bureaucratic regulatory layers from the pre-PSI/PPP time, as well as the new layers created by the PSI/PPP (IFC 2011; Swyngedouw 2005). Unsuccessful severance of PSIs/PPPs from the old bureaucratic red tape undercuts the efficiency of a sector/enterprise under the new PSI/PPP. As the case above shows, the water PSI/PPP could not escape the inefficient procurement process in Ghana, which was in place before the PSI/PPP, and the PSI/PPP could not bring any changes to it. At the same time, seconding GWCL staff to AVRL with GWCL retaining the power of firing employees created additional management layers with which staff performance and career fortune was disjointed on the individual level, providing no incentives for efficiency on the company level.

7.3.4 The PURC Account

A third view comes from within the Government of Ghana. The author’s interviews with certain officials indicated that neither GWCL’s nor AVRL’s performance in the PSI/PPP has proven satisfactory. The Water Director at the Public Utility Regulatory Commission (PURC) concludes that both parties, private and public, had serious commitment problems with the PSI/PPP. Since the PSI/PPP went into effect in 2006, the heads of both GWCL and AVRL have frequently changed. In the first four years of the PSI/PPP, GWCL had five different managing directors while the current managing director of AVRL is the fourth one. GWCL’s managing director position has historically become the designation of political nepotism. Changes among the positions of key officials in the Ministry of Water, Works, and Housing usually determined the fortunes of the persons who take the managing director position in GWCL. On the other hand, AVRL managing

directors have been rotated in and out for a variety of reasons. Some were taken back to the Netherlands because the Ghanaian partners rejected them on the grounds that they were culturally insensitive and arrogant. Some others were placed in Ghana for short-term duties so second-level managerial personnel in the Netherlands could obtain experience overseas for their later professional advancement. The current managing director in 2010 (the fourth one) was the only one who has stayed in Ghana from the very beginning of the PSI/PPP and worked his way up to the top. Frequent rotation of top directors from both sides resulted in serious commitment and consistency problems in the PSI/PPP's leadership.

According to Runde, Carson, and Coates (2011), building and maintaining partnerships entails a significant number of challenges, including the monitoring and evaluation of not only business performance, but also how the partnership itself functions. However, systems set up to capture the accountability of both partners' commitment to the success of the partnership are often flawed, if not missing. Partnerships could succeed only if there is public and private commitment and suitable institutional arrangement to monitor and maintain such commitment, with coordinated donor support (Campbell White and Bhatia 1998). It is unfortunate that besides a lack of commitment from the partners, in the case of Ghana, the donor played little to no role in ensuring the cohesion and collaborative relations between the partners. Despite the fact that the PSI/PPP was a World Bank installment, during its performance years, the operation of the partnership was largely left to the participating parties by the broker. A bank official in Accra interviewed by the author claims that the partnership was an independent arrangement between the Ghanaian water company and the Dutch-South

African joint venture, and thus, should be left with no external supervision and interference. It seems that the World Bank, after achieving the goal of establishing a PSI/PPP in Ghana's water sector, fell short in its dedication to ensuring the success of the partnership, which further added to the problem of lack of commitment.

7.3.5 Section Conclusion

The PSI/PPP was introduced into Ghana's water sector with the hope that it would create more investment, enhance the cooperation of local and foreign expertise, and exhibit better management and efficiency. However, the institutional arrangement of responsibilities laid out in the management contract did not produce any positive results in achieving those goals. Once again, this failure traces back to the point that the particular format of the PSI/PPP in Ghana's water sector was dictated by the trends of international water market instead of the Ghanaian circumstances. The very fact that the PSI/PPP was based on a management contract ruled out the possibility of investment from the private partner. The water sector in Ghana still relied on the same investment sources that had been in place when the sector had been managed only by the public company GWCL—loans and grants from international development agencies led by the Bretton Woods institutions. Resentment and distrust between the public and private partners prevailed soon after the contract had been signed. A supposedly cooperative partnership deteriorated into a fight of mutual blame and avoidance of responsibility. Efficiency could not be achieved because the private partner has no role in investment and no control over human resources decisions. Even existing investment funds could not be efficiently used due to the ineffectiveness that resulted from a lack of cooperation between the partners in the partnership. Lack of commitment from both sides further

exacerbated the problem. Minimum improvements have been achieved in key performance targets. As a result, the PSI/PPP was never able to address the fundamental needs of the population to have access to adequate treated water. If nothing really changed after the PSI/PPP was installed, a critical question arises: What was the point of replacing the original public management with a PSI/PPP? Consequently, it would be reasonable to conclude that the World Bank's insistence on some sort of private participation in Ghana's water sector has largely missed the point.

7.4 CONCLUSION

In social sciences, if changes are observed after the occurrence of an event, it is extremely difficult to evaluate whether the event itself caused the changes or whether the same outcomes could have been achieved without the occurrence of the intervening event, as such cases cannot be repeated to observe counterfactual results. However, in the experiment of Ghana's water sector reform, no changes are observed. Therefore, the intervening event—the installation of a management contract-based PSI/PPP—is irrelevant to any change, which, in this case, means the development of Ghana's water sector in particular and the advancement of the Ghanaian society in general. Underlying this irrelevance is the fact that the PSI/PPP in Ghana failed to take a form that could address the fundamental problem of the sector—insufficient availability and utility of capital funds to expand infrastructure to provide sufficient supply. The management contract was dictated by the winds in the international water market, rather than the genuine needs of the host country, and thus, it was unable to tackle the real problems of the sector. Several lessons can be summarized and learned from this case.

First, imposing a PSI/PPP just for the sake that a private partner and the illusion that the private sector can solve problems better than the public sector, regardless of the situation at hand, have both proven to be counterproductive. The Ghanaian water PSI/PPP was created at the wrong time and not suited to the local needs. In the early 2000s, when global water giants were withdrawing from developing countries, the chance had already passed. Instead of rethinking its neoliberal approach as a whole, the World Bank took the stand that private participation was still the key to development and what matters was the sector being run in a business-like manner, combining both public and private talents. However, the particular form that was taken in Ghana, a management contract, proved to be inadequate and unable to address the real needs of the country, which were greater capital injection and infrastructure-building.

Second, private sector participation is not the miraculous cure. The expectation that “the private sector would come in and solve anything” is wrong (Beete 2011, 29). The author concurs with the notion that “private participation and investment in the water sector is not a substitute for sector reform and regulatory oversight, which is invariably a prerogative of the government. For the private investor to produce strong results, its public sector counterpart, the regulator, needs to be equally empowered. Local sensitivities and the specific technical and economic conditions of each operation require careful and continuous adaptation” (Saporiti 2011, 45).

Third, strong monitoring and enforcement of incentives and penalties are necessary. Neither the public nor the private partners can be left alone to guard their own responsibility and accountability. As quoted in Chapter Five, “[m]ismatches often exist between public and private interests and priorities for partnerships, [and both sectors

could] bring a variety of explicit and implicit interests to the table” (Runde, Carson, and Coates 2011, 9). While these interests take time to become clear, diverging opinions of who should be responsible and held accountable towards what aspects of the partnership may emerge, undercutting all participants’ commitments to achieving partnership targets. In the Ghanaian case, both partners and the broker, the World Bank, lacked commitment to ensuring partnership success. An uncritical approach to responsibility and accountability in PSI/PPP does not produce the desired results that are expected and has only a marginal effect in facilitating holistic development. It can easily induce negligence on the parts of the public and the private partners, as well as the broker. As a result, international PSIs/PPPs could be easily abused, facilitating corporate gains and ignoring benefits to the development of the world’s poorest places and the peoples, communities, and even governments in those places.

Last but not least, important barriers to achieving the aspiration of extending water provision to a wider population can persist even after the previous public management is replaced by a PSI/PPP. Worldwide, one of the most important barriers to the expansion of services is the lack of infrastructure, resulting in insufficient supply that can only be enjoyed by certain parts of the population. Investment in infrastructure—“the wheels of economic activity” (World Bank 1994b)—is the key, while the nature of management is a secondary issue. Without adequate investment, the difference between public and private management do not make much of an impact in increasing water access. Even with investment, without the monitoring and enforcement of both the public and private partners, the latter cannot magically produce efficiency and improvement of

general development goals of the host nation, such as those defined by the Millennium Development Goals.

In the end, what the World Bank would eventually end up with the Ghanaian water reform scheme would be quite parallel to what faced Brigadier General George A. Custer at Little Bighorn, if Johnny Cash is to be believed. In his ballad about the slain cavalier (who equally inflicted gushing wounds on the Native American tribes, unjustly), the legendary country singer and songwriter had no intention to disguise his disapproval of General Custer, whose “yellow hair had lustre.” The General, who was decorated with battlefield achievements against the Confederate troops, rode into the plains on his high horse again to fight the “Indian War,” where he had “killed children, dogs, and women” before he made his last stand against Crazy Horse, Sitting Bull, and Gall, and could not “ride well anymore.” History has an uncanny ability to offer comparable scenarios of seemingly isolated events that nevertheless share a resemblance that evades the constraints of time and space. In the case of Ghana’s water sector reform, with achievement in salvaging the Ghanaian economy on the macro-level in the 1980s, the World Bank rode into the water sector in the next decade to impose a PSI/PPP. It did not “kill children and women,” but, as the next chapter shows, it did not help improve water-related conditions of the Ghanaian women or children either. In this particular case, the World Bank’s neoliberal approach scored zero, and the Bank could not ride the water PSI/PPP horse well anymore, at least not in Ghana.

Table 7.1: Urban Use of Drinking-Water Sources (percent of population)

	Total Improved	Pipe on Premises	Other Improved	Unimproved
1990	84	41	43	16
2000	88	35	53	12
2008	90	30	60	10

Data source: WHO/UNICEF-JMP (2010b).

Table 7.1: Urban Access to Drinking Water Source (% of population)⁵⁰

	Tap Water Total	House tap Connection (HC/Tap)	Public tap standpipe (PT/Tap)	Ground water	Rainwater	Bottled Water	Surface water
1988 DHS	70.8	36.3	34.5	13.7	2.1	0	13.3
1993 DHS	75.8	37.2	38.6	14.2	0.7	0	5.8
1997 SS	75	36.8	38.2	13.2	N/A	0	4.2
1998 DHS	84	41.4	42.6	9.6	0.5	0	4.4
2003 DHS	72.5	33.4	39.1	18.9	0.5	0	2.6
2006 MICS	65.7	26.9	38.8	16.9	0.2	0.3	0.7
2008 DHS	67	27	40	15.1	0.1	13.6	2

Data source: WHO/UNICEF-JMP (2010b).

⁵⁰ The WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation data set updated in 2010 (WHO/UNICEF-JMP 2010b) is a compilation of multiple data sources, including Demographic and Health Survey (DHS), Statistical Service (SS), and Multiple Indicator Cluster Survey (MICS)—hence the acronyms in the first column.

Table 7.2: House Tap (Percentage of Urban Population)

Coefficients	Estimate	Std. Error	t-value	Pr(> t)
Year	0.4196	1.6149	0.260	0.799
% Urban Pop. <2 USD	-1.3588	0.9785	-1.389	0.187
Urban Pop. Growth Rate	-2.3455	1.6994	-1.380	0.189
% Urban Pop. of Total	-2.0761	1.7051	-1.218	0.244
PSI/PPP	-1.4482	1.6646	-0.870	0.399
Residual standard error: 1.717 on 14 degrees of freedom Multiple R-squared: 0.8719 Adjusted R-squared: 0.817 F-statistic: 15.88 on 6 and 14 DF, P-value: 1.606e-05 P-Value ≤ 0.001 (***); P-Value ≤ 0.01 (**); P-Value ≤ 0.05 (*)				

Table 7.3: Public Tap (Percentage of Urban Population)

Coefficients	Estimate	Std. Error	t-value	Pr(> t)
Year	0.1840	1.0025	0.184	0.857
% Urban Pop. <2 USD	-0.9476	0.6074	-1.560	0.141
Urban Pop. Growth Rate	-0.4541	1.0550	-0.430	0.673
% Urban Pop. of Total	-0.5785	1.0585	-0.547	0.593
PSI/PPP	-0.4439	1.0334	-0.430	0.674
Residual standard error: 1.066 on 14 degrees of freedom Multiple R-squared: 0.6888 Adjusted R-squared: 0.5554 F-statistic: 5.165 on 6 and 14 DF, P-value: 0.0054 P-Value \leq 0.001 (***); P-Value \leq 0.01 (**); P-Value \leq 0.05 (*)				

Table 7.4: Water Vendor Involvement in Respondent Communities

	Cape Coast	Kasoa	Gomoa Feteh	Nima	Nungua	Swedru	Total
Yes	86.7%	96.7%	96.7%	100%	73.3%	78.6%	88.8%
No	13.3%	3.3%	3.3%	0	26.7%	21.4%	11.2%

Data source: ISODEC (2010).

Table 7.5: Benefits of Water Vending to Community

	Cape Coast	Kasoa	Gomoa Fete	Nima	Nungua	Swedru	Total
Yes	72.0%	92.9%	96.9%	93.3%	100%	87.5%	90.7%
No	28%	7.1%	3.1%	6.7%	0	12.5%	9.3%

Data source: ISODEC (2010).

Table 7.6: Benefits of Water Vending to Community (by Sex)

	Male	Female	Total
Yes	90.2%	91.0%	90.7%
No	9.8%	9%	9.3%

Data source: ISODEC (2010).

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CHAPTER 8

WATER PSI/PPP AND MDGs IN GHANA

“Womenfolk can prop up half of the sky.”

-- Chairman Mao

“Every child comes with the message that God is not yet discouraged of man.

-- Rabindranath Tagore

“Contaminated water can really make you sick.”

-- Wendy of South Park, Colorado

In hindsight, former Secretary-General Kofi Annan considered the adoption of the millennium development goals (MDGs) “the highlight of my U.N. career.” “While there were many wonderful moments,” said the former UN chief, “hosting the largest collection of world leaders ever assembled to sign the Millennium Declaration in New York is certainly among the top” (Annan 2010a). What Annan refers to in his recollection is the Millennium Summit of 2000, an event that the Secretariat had been steering from the very beginning of Annan’s tenure as the head of the world body. The final outcome document of the Summit was the Millennium Declaration, embedded in which were eight MDGs that are defined by specific targets. Since then, the MDGs and their related targets have become benchmarks to measure the advancement, or lack thereof, of human conditions throughout the world (Annan 2010b).

Parallel to the adoption of the MDGs, the campaign for international public-private partnerships also unfolded on the global level (as elaborated in Chapter Two). To date, proponents of global PSIs/PPPs have always advocated for and perceived them as viable tools to deliver results that are conducive to achieving the MDGs. In this chapter, the author devises three empirical analyses to examine whether the water PSI/PPP in Ghana has brought any positive impact on the host country's pursuit of three MDGs, namely gender equality, the reduction of child mortality, and the prevention of epidemic diseases. In section one an exploration of the adoption of the MDGs and an explanation of its relevance to global PSIs/PPPs and water issues are provided. The second section compares the results of two survey studies to examine whether the PSI/PPP has any positive impact on enhancing women's roles in water governance in Ghana. Sections three and four employ statistical investigations that look into whether the PSI/PPP has in any way helped the reduction of child mortality and water-related diseases in Ghana. Finally, a chapter conclusion is offered.

8.1 THE MILLENNIUM SUMMIT AND DEVELOPMENT GOALS

When Annan took office in 1997, the United Nations was caught in a handful of predicaments—difficulties accumulated ever since the establishment of the organization more than fifty years before. Allegedly, the UN has been “plagued by outdated and redundant missions and mandates, poor management, ineffectual oversight, and a general lack of accountability” (Schaefer 2011). Manifestations of these accumulated problems erupted in the 1990s. In particular, the image and the reputation of the UN had been marred by multiple failures of peacekeeping missions in Somalia, Rwanda, and the former Yugoslavia, which triggered an international consensus that reforms within the

UN proper were critically needed in order to prevent the future gross violation of human rights (Chen 2010c). In addition, in the development realm, the efforts of the UN and its affiliated agencies lacked coordination and suffered from overlapping mandates and programs. At the same time, the lack of development and opportunities to succeed economically was regarded as one important root cause for the conflicts in the world. Against such a backdrop, the new Secretary-General tasked the Secretariat to engineer a grand strategy to set clear goals for the world's development affairs, as part of a larger reform program within the UN.

8.1.1 The Millennium Assembly and Summit

As mentioned in Chapter Two, immediately after taking office, Annan commissioned Maurice Strong to search for reform recommendations for the UN to reinvent itself at the turn of the millennium. In the Report of the Secretary-General that Strong's team produced, which was distributed seven months later on July 14, 1997, Annan suggested that the General Assembly session in 2000 be designated "the Millennium Assembly" with a summit segment of "the Millennium Summit," where world leaders would convene to explore the challenges ahead in the new century and the best ways to prepare the UN to live up to its demanding role in world affairs via ambitious reform programs (UNGA 1997a).

At the end of Annan's first year as the Secretary-General, on December 19, 1997, the General Assembly adopted Resolution 52/12B (UNGA 1997b, para. 26), recognizing the need to consider "changes of a more fundamental nature and other broader issues" within the UN, and tasking the Secretary-General, under the subsection of "long-term

changes,” to elaborate his proposal on “a Millennium Assembly” by the end of March 1998.

The requested elaboration arrived on March 31, 1998, with a Note by the Secretary-General (UNGA 1998a, para. 2), “concerning the General Assembly session in the year 2000.” In the Note, Annan envisaged his idea of the Millennium Assembly, stating that “[t]he year 2000 constitutes a unique and symbolically compelling moment for Member States to articulate and affirm an animating vision for the United Nations in the new era.” He asked Member States to provide guidance to the Organization for meeting the challenges of the new century by focusing discussions and making concrete decisions on thematic issues, and he promised to identify the themes by midsummer 2000. In addition, the Secretary-General also hinted that the Millennium Assembly “may wish to establish” a Special Commission to assess the decentralized system of UN agencies and “the extent to which a clearer division of labour within the system is emerging through a sharpening of mandates, competencies, and comparative advantages of the component parts.” At the same time, a “Millennium Forum” would be organized to engage NGOs and civil societies in connection with the Millennium Assembly.

The General Assembly responded positively to Annan’s requests and adopted Resolution 53/202 on December 17, 1998, designating its fifty-fifth session “The Millennium Assembly of the United Nations” and recognizing the “Millennium Summit” as an integral part of the Assembly (UNGA 1998b). The Secretary-General was asked to identify “a number of forward-looking and widely relevant topics” for the Millennium Summit’s consideration.

The adoption of Resolution 53/202 of December 17, 1998, provided legitimacy to and a formal announcement of the Millennium Assembly and Millennium Summit in 2000. However, it still left important logistical issues open and unaddressed. Subsequently, the General Assembly passed a series of resolutions setting up the schedules, modalities, lists of speakers, and the presidency of round-table meetings for the Assembly and the Summit.⁵¹

Pursuant to Resolution 53/202, in 1998 and 1999, the President of the General Assembly held five open-ended consultation sessions with Members States, members of specialized agencies and other observers to solicit input for thematic issues to be discussed at the Millennium Assembly. Meanwhile, the Executive Committee for the Millennium Forum and the Conference of Non-Governmental Organizations sought views from NGOs and civil societies. In the end, twenty-four themes were identified and suggested for the consideration of the Secretary-General. On May 10, 1999, the UN chief distributed a report and identified four topics of the Summit, including, (a) Peace and Security, including disarmament; (b) Development, including poverty eradication; (c) Human Rights; and (d) Strengthening the United Nations (UNGA 1999a).

⁵¹ Resolution 53/239 of 8 June 1999 (UNGA 1999b, paras. 1 and 2) says that the Millennium Assembly shall open in the afternoon of September 5, 2000, and the Millennium Summit September 6, 2000. Resolution 54/254 of 15 March 2000 (UNGA 2000a, paras. 1, 2, and 3) determines that the Millennium Summit shall be held from September 6 to 8, 2000, under the overall theme "The Role of the United Nations in the twenty-first century." It also notes that the Summit will be composed of plenary meetings and of four interactive round-table sessions, with each interactive session to be held in concurrence with a plenary meeting, and that the country of the President of the fifty-fourth session (Namibia) and the country of the President of the fifty-fifth session (Finland) of the General Assembly would jointly preside over the Summit. Resolution 54/261 of 10 May 2000 (UNGA 2000c) establishes the schedule of the Millennium Summit, the list of speakers for the plenary meetings, and the modalities of the round-table meetings. Resolution 54/281 of 11 August 2000 (UNGA 2000d, para. 6) establishes that the four round-table meetings will be chaired by Mr. Goh Chok Tong, Prime Minister of Singapore, Mr. Aleksander Kwasniewski, President of Poland, Mr. Hugo Rafael Chavez Frias, President of Venezuela, and Mr. Abdelaziz Bouteflika, President of Algeria.

After the three-year-long preparation, on September 4, 2000, the eve of the Millennium Assembly, the UN issued the final list of participants of the Millennium Summit, including one hundred Heads of State, forty-seven Heads of Government, three Crown Princes, five Vice Presidents, and three Deputy Prime Ministers (UNGA 2000e). The list included Mr. Kim Yong Nam as Head of State of the Democratic People's Republic of Korea (DPRK). However, the North Korean delegation decided to boycott the Summit, after staff of the American Airlines at the Frankfurt airport "opened suitcases and handbags of each member of the presidential entourage, forced them to take off clothes and shoes and thoroughly searched... the body," according to an interview of the then-Deputy Foreign Minister of the DPRK (ABC News 2000). As a result, the North Koreans went home and a planned meeting between the leaders of the two Koreas, on the sidelines of the Summit, never took place (UN Press Release 2000b). The statistics indicated that the Millennium Summit would by far become the largest gathering of world leaders in history, convened to forge a vision of the United Nations in the twenty-first century.

On the morning of the opening day of the Millennium Assembly on September 5, 2000, Annan rang the Peace Bell at the UN headquarters and urged the world to reaffirm its commitment to the ideas of peace and tolerance that the UN has symbolized throughout its history (UN Press Release 2000a). In the following three days, leaders of the world discussed a wide range of issues, such as the eradication of extreme poverty, potential benefits of globalization, equitable world economy, debt relief, advocacy for women and children, terrorism, and Security Council reform (UN Press Release 2000c).

At the end of the Summit, on September 8, 2000, participants adopted a resolution that would become the famous “Millennium Declaration” in the years to come.

8.1.2 The Millennium Declaration and the MDGs

The Declaration upheld the UN and its Charter in high regard, which were seen as “indispensable foundations of a more peaceful, prosperous and just world” (UNGA 2000f, para. 1). The Heads of States and Governments also endorsed freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility for managing worldwide economic and social development and threats to international peace and security as the key values fundamental to the world in the twenty-first century. In addition, in order to translate these shared values into actions, the Summit participants identified key objectives to which special significance was assigned, including peace, security and disarmament, development and poverty eradication, protecting the environment, human rights, democracy and good governance, protecting the vulnerable, meeting the special needs of Africa, and strengthening the United Nations.

Addressing the closing session of the Summit, the Secretary-General thanked the audience for the “clarity of course” that the world leaders had charted for the United Nations, and the “clear directions for adapting [the UN] to its role in the new century” that the Summit had sketched out. At the same time, the chief of the world body reminded the leaders of the world that the governments and states that they represented were in the end responsible for reaching the goals that they had defined. “But ultimately, you are yourselves the United Nations,” said Annan, “only you can determine whether the United Nations rises to the challenge” (UN Press Release 2000c).

One important part of the course that the Heads of Government and State charted

for the UN, and for themselves, was to pursue the Millennium Development Goals (MDGs) in the development realm. The eight MDGs, established and internationally recognized following the Summit and the Declaration, provide tangible targets for the world to achieve in the areas of poverty eradication, education, gender equality, child mortality rates, maternal health, HIV/AIDS and other diseases, environmental sustainability, and global partnership by the year of 2015. The eight goals are 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child-mortality; 5) improve maternal health; 6) combat HIV and AIDS, malaria, and other diseases; 7) ensure environmental sustainability, and 8) develop a global partnership for development. Soon after its debut presentation in the international scene by the UN, the MDGs have become one of the most commonly referred-to policy road map and have dominated international and national development rhetoric and practices in decade that followed their creation.

This said, it is important to recognize that what Annan said about the Millennium Summit indisputably applies to the MDGs, as the latter have become an integral part of the former's legacy. In the press conference held before the opening session of the Summit on September 5, 2000, the Secretary-General admitted that "I have no illusions that a single summit in itself can change the world"; at the same time, he noted that "it is critical for Member States to come together...[and] to give direction for a new century." From the very beginning of its adoption, the MDGs were by no means enforceable international agreements that nation states and other international actors would be required to adhere to. However, throughout its more than decade-long existence, they have been providing measurable benchmarks and tools in guiding development rhetoric

and policies. Their normative power as objectives that the whole world should aspire to deserves no underestimation.

8.1.3 The MDGs, PSIs/PPPs, and Water

When former Secretary-General Annan took office in 1997, the organization of the Millennium Summit (which produced the MDGs) and the recognition of global public-private partnerships as a viable development instrument were equally important items on his agenda. From 1997 to the early 2000s, the preparation, organization, and finalization of the international community's endorsement of the MDGs and global PPPs were steadily carried out on parallel tracks. During this period of time, the paths of the two grand visions of the Secretary-General had already crossed at various points. For example, as early as in 1997, the report produced by Maurice Strong had already initiated the basis for the policy discussions for both schemes (UNGA 1997a). In addition, as mentioned in Chapter Two, the Millennium Declaration clearly aims “to develop strong partnerships with the private sector and with civil society organizations in pursuit of development and poverty eradication” (UNGA 2000f, para. 20)

After the adoptions of both the MDGs and global PPPs by the General Assembly, in 2000 and 2001 respectively, their fortune and fate among international affairs rhetoric and the policy world would inevitably intertwine again—a point already touched upon in Chapter Two. As the Director General of the UN Office in Geneva asserts, PSIs/PPPs are “critical for the modernization of infrastructure, the improvement of public services and in meeting the United Nations Millennium Development Goals” (ECOSOC 2011, para. 7). In the same vein, the UNDP (2008a, i; 2012b) is with the “strong conviction that the private sector is a great untapped resource for investment and innovation to achieve the

Millennium Development Goals.” In addition, to ensure adequate follow-up of the outcome of the Millennium Summit, of which the MDGs are the most important part, the General Assembly “invit[ed] the Bretton Woods institutions to become involved actively in the implementation of and follow-up to the Summit...for coherent implementation of the Millennium Declaration;” and tasked the Secretary-General to prepare comprehensive (every five years) and annual reports on “progress achieved towards implementing the Millennium Declaration” that “draw on the entire United Nations system, including the Bretton Woods institutions and the World Trade Organization” (UNGA 2000g, paras. 12 and 19). Therefore, from the very beginning of the MDGs’ initiation, the Bretton Woods institutions, including the World Bank, were meant to be involved in their implementation.

For many of the development issues covered by or related to the MDGs, improved access to safe water plays a vital role. The international development agenda has always been dominated by poverty reduction strategies before and after the MDGs and PSIs/PPPs gained worldwide popularity. At the same time, the Millennium Declaration confirms the central role of safe water and adequate sanitation in poverty alleviation. Therefore, the health and socioeconomic benefits of increased access to safe water and sanitation facilities indisputably become “the most compelling argument to support resource allocations towards this goal” asserted a WHO-sponsored study (Hutton and Haller 2004).

Unfortunately, conventional international assistance for water saw a steady decline in the 1990s and 2000s. Despite commitments from a variety of donors, the water sector only claims less than six percent of total aid allocations (UNESCO-WWAP 2009,

xxi). In particular, when one looks at the official development assistances (ODAs), according to an OECD estimate, from 1997 to 2008, the portion allocated to the water sector fell from eight percent to five (WHO and UN-Water 2010, 3). A year later, a third UN water development report discovered that the percentage dropped to four and predicted that it would keep declining (UNESCO-WWAP 2009, xxi).

Nevertheless, data collected by a variety of UN agencies in the past decade show that the world, when taken as a whole, has been on track to achieve the MDG target regarding water access, halving the number of people without access to safe drinking water by 2015, using 1990 as the baseline. In 1990, 77 percent of the world's population had access to improved water sources, which set the MDG target at 88 percent (WHO and UN-Water 2008). The target was met in 2010, when 89 percent of the world's people became provided with improved sources, due to the fact that between 1990 and 2010, two billion people gained access to improved drinking water and 92 percent are expected to have the same access in 2015 (UN-Water 2013).

Despite of the positive trends on the global level, data on the regional level and in absolute values remain concerning. The 2013 MDG progress chart indicates that if current trends persist, the MDG target for water access will not be reached in Sub-Saharan Africa, Western Asia, and Oceania (UNDESA 2013). As stated above, when the MDG target was met in 2010, 89 percent of the world's population had access to improved water sources, which means that there were still 11 percent (783 million people) deprived of such access. Almost all of them are in developing countries (UN-

Water 2013).⁵² It is predicted that this absolute value (783 million) will continue decreasing; nevertheless, by 2015, 672 million people will still lack access to safe water (WHO/UNICEF-JMP 2010a, 9), and three billion people will be living in water-stressed countries by 2025 (UNDP 2006, 37).

8.1.4 Section Conclusion

In 2000, after three years' dedication and persistence, the UN, under the leadership of the then-Secretary-General Kofi Annan, successfully drew the world's and its leaders' attention to eight eminent global economic, social, and health issues and secured their commitment to achieving specific targets under the grand framework of the MDGs. The issue of access to safe water is a critical element underpinning this ambitious agenda to improve human conditions on our planet. As UNICEF asserts, "[a]ccess to water supply... has considerable health and economic benefits to households and individuals, [and equitable] access to improved drinking-water and sanitation is of fundamental importance to health, and will speed the achievement of all eight MDGs" (UNICEF 2013).

However, the notion that water is important for development is not just a recent, post-Millennium Summit memory. Ever since the early 1960s, international aid agencies and developed countries have been providing assistance for the water and sanitation sector(s), specifically through the World Bank (Botting et al. 2010). Two decades later, in the 1980s, as the World Bank and other development agencies formally adopted their neoliberal strategies for assisting the world's less developed regions, it was just a matter of time before they systematically pursued private sector participation in the water sectors

⁵² The WHO/UNICEF Joint Monitoring Programme has a slightly different number in this regard. According to the WHO/UNICEF-JMP (2010a, 7), in 2010, 884 million people do not use improved sources of drinking water, and almost all of them are in developing regions.

of developing countries, which, as Chapters Three and Four indicate, became a reality for the Third World, including Ghana, in the 1990s. The conviction that the private sector could help improve the performances of state-owned water production and service delivery prevailed and continues to prevail to this date. In 2013, the IFC, the World Bank's PSI/PPP arm, reaffirmed its commitment to "reaching the Millennium Development Goals (MDG) in the water sector," noting that "[one] of the ways IFC is responding to the above challenges is by enabling partnerships between governments and private operators to bring the needed capital, expertise, and technology to improve access and services" and declaring that "properly structured public-private partnerships can play a key role in addressing the global water issues of today" (IFC 2013).

To test this claim, in the following three sections, the author conducts three empirical analyses using available data and statistical tools to examine whether the World Bank-brokered water PSI/PPP has brought tangible results in Ghana's effort to achieve three of the Millennium Development Goals, namely women's empowerment in water governance, the reduction of child mortality, and the decrease of occurrences of water-related diseases.

8.2 ENHANCING WOMEN'S ROLE IN WATER GOVERNANCE

This section takes a gender approach in looking at the impact of Ghana's water sector reform on the roles, responsibilities, and livelihood of women in their day-to-day management of water-related activities in their households and communities. The author agrees with Mensah's (1999, 2) assertion that "a special role ought to be given to women in the management and control of water resources," since "[i]n most developing societies, women are the primary collectors of water. It takes long hours and long distances for

women to get water. The methods of carrying water also lead to physical injury. Women therefore have a special interest in ensuring that water is always available.”

In many international policy statements and initiatives, a focus on women has been seen as critical to improving the management or governance of water within an overall context of economic development. In 2000, at the Second World Water Forum in The Hague, it was concluded that women and children were most vulnerable to water-related disasters. The forum recognized that “access to safe and sufficient water and sanitation are basic human needs and are essential to health and well-being.” Women’s involvement in water governance could be enhanced through “a participatory process of water management” (UNDESA 2004; World Water Council 2000). Gender equality is further emphasized in the following World Water Forums (World Water Council 2003, 2009). The Ministerial Declaration of the Third World Water Forum in Kyoto stated, “In managing water we should ensure good governance with a stronger focus on household and neighbourhood community-based approaches by addressing equity in sharing benefits, with due regard to pro-poor and gender perspectives in water policies. We should further promote the participation of all stakeholders and ensure transparency and accountability in all actions” (World Water Council 2003). Other international conferences, for example the International Conference on Freshwater (2001) in Bonn, echoed the World Water Forums’ position that a gender approach needed to be adopted in order to involve both men and women in water governance and that the role of women in water-related areas needed enhancement.

On the international level, gender mainstreaming is regarded as the preferred approach to promote gender equality, including enhancing women’s role in water

management. The ECOSOC (1997, 33) defines gender mainstreaming as “the process of assessing the implications for women and men of any planned action, including legislation, policies or programmes, in all areas and at all levels. It is a strategy for making women’s as well as men’s concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all spheres so that women and men benefit equally.”

In water policy, it is believed that gender mainstreaming is justified for reasons of efficiency and effectiveness. A gender-sensitive approach helps to ensure that supplies are provided and managed more sustainably. It is also argued that gender mainstreaming helps to empower women and therefore furthers broader goals of equality within society, contributing to poverty alleviation and social inclusion. Gender approaches to development are therefore underpinned by the notion that it is possible to promote changes in gender relations in favor of more equitable divisions of labor and power between women and men and that it is possible to design interventions to facilitate this process. A gender approach to water resources management, for example, strives for a balanced division between men and women in the following areas: access to information; physical work; contributions in time and cash; decision-making; and access to and control of resources and benefits (UNDESA 2005a).

From the perspective of international water operators, they believe that their involvement in the water sectors worldwide promotes gender equality and enhances women’s voices in water governance. The International Federation of Private Water Operator (AquaFed 2007) claims that “[p]rivate water operators are committed to using their expertise to improve the quality of life of more women, implementing their right to

access to good quality water and to sanitation.” It argues when public authorities and private operators work hand in hand to improve and expand water services, the results usually constitute a dramatic improvement in the lives of women and girls for a variety of reasons. These reasons include 1) women no longer have to fetch water from distant sources; 2) they no longer have to carry heavy loads long distances and hence suffer less physically; 3) better quality water is available when needed; 4) infant mortality decreases; 5) water actually costs less and more water can be used without straining the household budget; 6) health expense is less because water-borne diseases are eradicated; 7) girls and women have more time to study; 8) better cleaning and sanitation options; 9) more time with their children; 10) more time to work and set up small businesses.

Others like Amenga-Etego (2003b) believe that women in the developing world are the most vulnerable and adversely affected by private participation in the water service industry. According to these critics, the AquaFed’s projected benefits for women are not realistic, since in many places water privatization is followed by an increase in water tariffs, which, in turn, prohibit families and communities from using the services provided by water companies. The population is forced to find alternative or “subaltern” means to gain access to water sources (Yeboah 2006). The alternative water sources are usually unsanitary and distant. Since women are the primary house members responsible for water, private involvement in water provision actually contributes to the hardship of daily life, and women are forced to make difficult decisions in water-related areas on a daily basis.

8.2.1 Methods and Data

In this section, survey data is used to test whether the involvement of a private operator in

Ghana's water sector has produced any significant impact on empowering women's role in water governance. If the AquaFed's claims were true, the four years between 2006 and 2010 would have witnessed noticeable improvement in gender equality in the roles of men and women in water-related issues in homes and communities.

The data to be used come from two surveys conducted by independent NGOs in Ghana. The first one was conducted in 2006, the year AVRL became operational in Ghana's water sector. The second one was conducted in 2010, four years after the management contract took effect. Both surveys use randomized target populations and included both male and female respondents. Both surveys are very sensitive to the issues that are stressed in the gender approach to water governance. These issues include 1) access to information; 2) physical conditions; 3) cost, in time and economic resources; 4) leadership roles in decision-making; 5) access to and control of resources and benefits.

In this section, the results of these two surveys will be compared and the female role in water governance in Ghana and whether the public-private partnership in the water sector is able to improve women's status in households and communities will be explored. The timing of the two surveys is ideal for this study. The 2006 survey provides a baseline for comparison, since it was done in the year when AVRL took over water sector management. The data should give an accurate description of the pre-PPP situation. The 2010 survey paints a picture of the status report of women's voices in water governance four years after the PSI/PPP took effect, which may or may not show any progress from 2006. However, the calibrations of the survey questions and organization of the data in the two reports are, sometimes, not compatible with each other. Therefore, the comparison done in this section is not between the specific figures

and percentages; rather, it is a comparison of the two general pictures (in 2006 and 2010) woven together by the specific numbers and calculations provided by the survey data.

In addition to the two reports, in 2010, the author also conducted a focus group discussion with 20 female residents of the “Technical Institution” area of the Madina District of Accra. Information gathered from the focus group discussion is used to supplement the analyses through the comparison of the two reports.

In the following three subsections, gender-specific analyses are organized around three of the five themes listed above, namely leadership roles in decision-making, access to information, and cost in time and economic resources. The choice of these three themes is determined by data availability in both reports, as no consistent data are given for the other two themes—physical conditions and access to and control of resources and benefits—by the reports under examination.

8.2.2 Leadership Role in Decision-making

8.2.2.1 The 2006 Picture

The 2006 study indicates that 35 percent of all respondents were heads of household; among them, only 35 percent were women, which meant 12 percent of all respondents were female heads of household. The study also mentions that five percent of all respondents were divorced females, 7 percent of all respondents were women who were married but not living with their spouses, and two percent were widows. The report indicates that six percent of total respondents were divorcees with 82 percent of them being female. Eleven percent of respondents were married but not living with their spouses, with 64 percent being female. Three percent had lost their spouses, and among them, 67 percent were female. It is reasonable to estimate that, for some of these women,

when a dominant male figure was missing, they would assume the role of household head not by their recognized merits, but by the mere fact that there was no dominant male figure in the family.

Therefore, it is reasonable to speculate that many of the female heads of household were not necessarily accorded that status because of their ability to manage family affairs but because of necessity (e.g., missing of a male figure in the family). Considering that 48 percent of all respondents were women, this means that at best, a quarter of the total female respondents were household heads by recognized merits—and there are strong reasons to believe the actual figure was much less than that. This speculation is confirmed by the data showing that 35 percent of female respondents said their spouses were their household heads while not a single male respondent mentioned a female as head of household.

This data regarding the heads of households is of particular importance as it shows that in 2006 (when the water PSI/PPP commenced), decision-makers on the household level were predominantly male. Despite the fact that women are the primary family members who deal with the gathering and usage of water by the family, such second-level managerial roles in water issues are subjected to the male-dominance of family decision-making in general. If the water PSI/PPP had made any positive impact on women's leading role in a family, it would mean that through improved governance of household water consumption (from 2006 to 2010), female household members would have gained a more esteemed role in the family hierarchy and a more respected role in making family decisions.

Above the family level, on a community level, female respondents on the whole

state that they were not consulted in the development of water facilities; they had no input in the design of locations of water sources in their communities. This was a result of the fact that there was little community participation in urban water governance in Ghana. Urban communities were rarely involved in the management of water facilities and had received little training in such management. In particular, there were no specific gender-sensitive structures in place to promote the female population's involvement in water governance. Therefore, one particular contribution the water PSI/PPP could have had was to enhance such gender-sensitive structures on the community level, if it was designed to foster the inclusive, equitable, and sustainable development of the local population.

8.2.2.2 The 2010 Picture

It is unfortunate that the picture painted by the 2010 studies does not show much of a change in women's role in the decision-making processes of their families and the community. On the family level, 49 percent of the respondents in 2010 mentioned a female member as the family head in the sense that this female family member, usually the mother, was responsible for paying for household water expenditures. However, the calibrations of this data are not exactly comparable to the 2006 survey, which provides a rough estimate of the percentage of female heads among all participants. The focus group discussion in Madina supplements the study here. Among all twenty participants (all female) of the focus group, eleven identified themselves as leader of the family in water matters. Only four stated that they were head of the family in all household matters. Among these four, one was a widow. From the estimation of the focus group, it seems that 55 percent of the participants were water managers in their families. Twenty percent

were family heads for all household management, while fifteen percent led the family due to their own merit (as opposed to the absence of a leading male figure).

When asked whether their status in the family had improved since 2006, in consideration to water-related issues, the discussants that were water managers in their families reached a consensus. Due to the lack of water directly supplied from the GWCL/AVRL PSI/PPP in the area of Medina, women who were in charge of water provision in the family had to devise alternative ways of accessing water, such as buying from water vendors or fetching water from a distant source. Due to the financial and physical difficulties involved in these alternative ways of obtaining water, the water managers often fell short of meeting their families' demands for water. Despite the assumption that by managing the family's water needs, women would receive better status in the family hierarchy and gain a better chance at participating in other non-water-related family decisions, failures at adequately succeeding in water-related family responsibilities, due to limited access to water supplies, actually undercut the possibility of women rising up through the ranks of the family hierarchy. None of the participants stated that the water PSI/PPP had made any difference in their status in the family decision-making and day-to-day life management activities. Unless the PSI/PPP could considerably alter the current supply status, it would make little progress toward improving women's statuses in their families.

On the community level, the 2010 report shows that no evident improvement in the community water management apparatus has taken place since 2006. There still lacked a functional community water-governing mechanism that fully engaged community members. In particular reference to women's role in water governance, the report writes

“[despite the fact that] women as primary collectors, carriers, users, and managers of domestic water and promoters of home and community-based sanitation activities, have developed appreciable levels of expertise and experience regarding water management arising from their daily association with this resource... [t]heir voices and views are not systematically represented in the structured decision-making arrangements relating to water supply systems nationally and locally...[and this] central role of women as providers and users of water and custodians of the natural environment has seldom been reflected in institutional arrangements for the development and management of water resources” (ISODEC 2010, 5–6).

The report also reflects on a section of male respondents that was not in favor of women leading a water governance structure in their community, citing three reasons. First, traditionally, women are not active in community leadership. Second, women cannot be leaders when “men are around.” Third, women would have no time for assuming leadership roles in communities. The prejudice of this particular section of male respondents was partially reflected by the data showing that a much smaller percentage of women expressed willingness to participate in water governance structures on the community level. Survey data show that 64.8 percent of the women respondents expressed such willingness, in comparison to favorable answers from 82.1 percent of male respondents (see Table 8.1). It is argued that the relative disinterest of women in water governance participation is due to limited time at their disposal, given that they perform numerous household responsibilities. The report also mentions that “societal pressures... limit [women’s] participation in water governance... [and there is an]

erroneously entrenched perception of who a leader and decision-maker should be, namely a man influencing women's life choices" (ISODEC 2010, 41).

Comparing the situations reflected in the two reports, one can easily notice that no substantial improvement had taken place in women's role in water governance on the community from 2006 to 2010. Identical to the picture in 2006, the 2010 situation saw no institutional arrangement being put in place to guarantee community members participation in water governance, men and women alike—let alone any preferential practices that would enhance female community members' participation. The entire society was still geared towards male dominance in practice and in perception. Despite that women were the direct managers of water-related issues, they were still subject to male leadership in all aspects of societal life. The situation in Ghana is not unique, unfortunately. The UN Secretariat's Department of Economic and Social Affairs (UNDESA 2005b, 11) observes that worldwide, "the 'water world' has been almost solidly male," despite the recognized value that "water management must be democratic and transparent, and represent the needs of the people, especially women, who are the primary users (collectors) of water throughout the world."

The 2010 study yields an interesting observation as well. In a free business world, such as the supply (and regulatory) vacuum of Ghana's urban and peri-urban areas, there are data indicating that women are equally capable of establishing and maintaining business venture as men. The study looks into the gender divide among the informal, private suppliers of water (ISODEC 2010, 31). According to the survey results, 49.7 percent of the water businesses were jointly owned by men and women. For the other 50 percent, it is estimated that women owned 23.3 percent, while men owned 27 percent.

The data show that without the constraining practices and perceptions embedded in the traditional family and societal structures, in the business realm where success is largely based on competition, intelligence, and diligence, rather than gender difference, women show no inferiority to men in their business capabilities.

8.2.3 Access to Information

8.2.3.1 The 2006 Picture

The 2006 study evaluates respondents' levels of knowledge on the water PSI/PPP in Ghana, which just became effective in the same year as the survey was carried out. (The PSI/PPP went into effect on January 1, while the survey was carried out in February.) When asked about the government's role in forming the water PSI/PPP, 57 percent of the respondents stated that they were aware of the government's effort in this process. The gender-specific data indicate that 69 percent of the male respondents gave positive answers, while the percentage of female participants who had the same knowledge was more than 20 percent lower at 46 percent (see Table 8.2).

Given that the PSI/PPP was the single most important event in the Ghanaian water sector in that year, it is reasonable to deduce that the population's level of knowledge in water-related issues was quite low, and the female population suffered considerably more from this shortcoming than the male population.

8.2.3.2 The 2010 Picture

The 2010 survey explores the population's knowledge of water-related issues in two aspects, namely knowledge about water providers and awareness of legal instruments providing citizens' rights to water. Regarding the first aspect, the population had a very low level of information on their water providers, with only 55.3 percent of the

participants, when taken as a whole, acknowledging that they were aware of who were the water providers in their communities (see Table 8.3) The region-specific data show that the best record of such awareness was 70 percent and the worst only a little over 30 percent. This lack of information hit the female population particularly hard. Gender-specific data show that 77.6 percent of the male respondents gave positive answers, while only 44.6 percent of the female participants offered the same response (See Table 8.4). A gender disparity in favor of men is clearly observed. Women's empowerment in this regard is particularly undermined due to the high opportunity cost of time and finances in acquiring such information and the limited participation of women (in comparison to men) in civic engagement and social institutions.

As to the second aspect, the population's awareness of existing national and international frameworks concerning citizens' rights to water was shockingly low, with almost 80 percent of the respondents revealing that they had no such knowledge (see Table 8.5). When looking into the gender-specific data, one easily discovers that women were again disadvantaged. Almost 87 percent of women respondents gave negative responses, while the percentage among the male respondents was more than 20 percent lower (65.5 percent). The report attributes such disparity to gender-role stereotyping, as "[w]omen are hardly expected to know about 'laws', 'constitutions'" (ISODEC 2010, 42).

A comparison of the two pictures shows that there was no sign of substantial increase in the population's knowledge of water-related issues. Both men and women suffered from the same lack of information. At the same time, women were in a more disadvantaged position than men. Therefore, it is reasonable to argue that the PSI/PPP

had no obvious positive impact on the populations' access to and attainment of water-related knowledge from 2006 to 2010. This assertion is confirmed by data gathered from the focus group discussion conducted by the author. During the discussion, the participants (all women) stated that they had not come across any awareness campaign conducted by the GWCL/AVRL PSI/PPP in terms of water-related issues. Due to the fact that the entire community where they lived relied on informal private providers (such as water vendors) for water supply, the community members' contact with the PSI/PPP water provider remained extremely limited. All 20 participants were not aware of the fact that the PSI/PPP was based on a management contract and that the public partner remained the asset holder. In their minds, the water PSI/PPP was a "privatization" deal; and most discussants were under the impression that the water company, or part of the company's assets, were to be sold to the private partner under the PSI/PPP scheme.

8.2.4 Cost in Time and Economic Resources

8.2.4.1 The Situation in 2006

The 2006 report has a clear assertion that "women and children are the main providers of water from [distant] sources to the household"; consequently, spending extra time fetching water for the family prevents women from "[using] their time more productively" and girls from "[going] to school" (Akabzaa and Ayamdoo 2006, 27). Survey data show that nearly 85 percent of respondents said they usually waited in line for less than an hour for water while 15 percent stated that they waited between one and two hours on average. Fifty-three percent of those who waited in line for water were women.

Among all adult respondents who fetch water for the family, nearly 65 percent were

women. The report notes that women who fetched water for their families often did so “at the expense of their daily struggles to provide economically for the needs of the households... [and] some women would have to forgo their micro-businesses or attend to them late as a result of time spent on fetching water” (Akabzaa and Ayamdoo 2006, 28).

Among all child respondents who had to collect water for their families, over 73 percent were girls. In general, such responsibilities shouldered by children prevented them from going to school. As a result, some of the respondents stated that children “have to go to school late or forgo school on some days to fetch water... [and] depending on the gravity of the water situation children can spend the whole day looking for water in some communities” (Akabzaa and Ayamdoo 2006, 28).

One interesting observation of the 2006 report is that gender stereotyping and gender discrimination that associate the female population to certain groups of household and community responsibilities resulted in “unfair and self-perpetuating impacts” on men and women and “[reduced] the benefit of development among disadvantaged groups and [marginalized] their contribution to society” (Akabzaa and Ayamdoo 2006, 28). Fifty-eight percent of female participants in the study were noted to acknowledge that fetching water was the duty of women, reinforcing the stereotypes and discrimination inflicted upon them by societal prejudices.

8.2.4.2 The Situation in 2010

In 2010, the female component of the population remained the primary collectors of water in Ghanaian households. The 2010 survey shows that the adult male population was the most privileged societal strata, in the sense that they were the least likely to be water collectors for the family. Among all the adult respondents, only 18 percent stated

that they were responsible for collecting water. This is in sharp comparison to the data related to adult women and children (see Table 7.6). Almost 60 percent of adult female respondents identified themselves as the primary water collectors in their families. This responsibility, when not performed by adult women, was shouldered by children. In addition, among these children, it is clear that girls were more likely to take water collection responsibilities than boys, as 65.9 percent of girls had such duties, while 49.4 percent of boys assumed the same task.

It is interesting to observe that the greatest responsibility for collecting water was on girls, followed by women, boys, and men in that order. The differential intervals among the first three groups (girls, women, and boys) are relatively small (6.2 percent between girls and women, and 10.3 percent between women and boys, respectively), in comparison to the sharp drop between boys and men (31.4 percent). These data clearly show a great gender disparity between males and females in the assumption of water collection responsibilities, with a particular heavy burden on girls and women.

As a result, the female population (both girls and adult women) were more exposed to the problems associated to fetching water from distant sources. These problems, as identified by group discussions, existed across all regions under examination and include missing school due to water duties, substantial time spent for collection, physical weariness and injuries, and constraint on household economies due to higher prices at alternative water sources than water supplied, metered, and charged directly by the water company.

Another interesting practice of the 2010 study is that the respondents were asked to choose between water resources that were “near but pay” and “far and free” (see Table

8.7). Approximately 91 percent of male respondents were inclined towards the “near but pay” option, while almost 83 percent of female respondents made the same choice. This comparison indicates that even though women were much more likely to be responsible for fetching water, and thus, more likely to be exposed to inconveniences and problems related to collecting water from a distant source, they were less prepared to pay for a nearby source than men. This observation, when understood in the context of women’s limited influence in household financial decisions, as the report notes, may indicate that they could be prevented from “suggesting extra spending that may look selfish since that action will end up basically benefiting them by decreasing the burden of what is traditionally and culturally considered their responsibility” (ISODEC 2010, 36).

When one compares the two pictures in 2006 and 2010, two key observations are consistent in both years—meaning no substantial change has taken place. First, women and girls are primary collectors of household water supplies. A clear gender disparity exists between men and women, as well as between boys and girls, in the sense that the duty of water collection is strongly associated with female members of the family (women and girls, as opposed to men and boys). As a result, the duty of gathering water costs women and girls more than men and boys, in terms of time and economic resources. It is important to note that the Ghanaian situation is a reflection of an internationally observed fact that “[w]omen and children spend millions of hours each year fetching water... [which] diverts their time from other important activities... [such as] attending school... [and] participating in the economy” (UNICEF 2013). Second, social prejudices and societal pressures reinforce water-related stereotypes, including the association

mentioned in the first point. Such reinforcement perpetuates women's and girls' disadvantageous situations in water issues.

8.2.5 Section Conclusion

In her exit interview, former UN Deputy Secretary-General Asha-Rose Migiro⁵³ stated that “when you empower women, you are really empowering communities” (UN News Centre 2012). It is with the same conviction that gender mainstreaming is adopted in policy formations on international, national, and local levels. In order to achieve inclusive, equitable, and sustainable development in the world's less developed regions, enhancing gender equality in all aspects of societal and family lives is a prerequisite and an imperative. If international PSIs/PPPs are devised to achieve such inclusive development aspirations, the gender aspect should never be left out. However, many PSIs/PPPs are market-oriented and driven by business trends and incentives, including the case in Ghana, where, unfortunately, there are no signs that the water PSI/PPP will engage communities and individuals in any practices that could enhance women's role in water governance on community and family levels. Such a requirement is not part of the PSI/PPP deal, which is not obligated to be socially responsive to the needs of the local population in general and disadvantaged groups, such as women, in particular. This feature of the Ghanaian case is a reflection of a worldwide general trend that “water policies and programmes are often developed and designed without taking into account the socio-cultural positioning of critical actors including the vulnerable and marginalised

⁵³ Ms. Asha-Rose Migiro was the Deputy Secretary-General (DSG) of the United Nations from February 1, 2007 to June 30, 2012. She was the third person and first African woman taking that position since its establishment in 1997. While interning at the Secretariat Department of Political Affairs in fall 2011, the author had the honor of meeting her in the General Assembly Hall, where the DSG encouraged all the interns, in particular the female ones, to make their best contribution to the peace and development of the world.

groups especially women” (ISODEC 2010, 5). As long as the PSI/PPP in Ghana’s water sector is devised with a business-driven approach, it will inevitably run into conflicts with values and practices that are rights-based, such as the principle of enhancing gender equality in all aspects of life.

During the first five years of the PSI/PPP (2006–2010), no attempt was made to address unequal gender relations in the water governance structure on family and community levels or to deal with entrenched societal norms and stereotypes that perpetuate women’s detrimental status in the day-to-day procurement and management of water. As a result, there is no observation of any substantial improvement that took place in women’s status in water governance in Ghana. The PSI/PPP, as a means to achieve business goals, is irrelevant to this end.

8.3 WATER PSI/PPP AND CHILD MORTALITY

Infectious diseases are one of the biggest threats to children’s survival in the world’s developing countries. In this regard, Ghana is no exception. This section and the following one look into what kind of impact the water PSI/PPP has on the health conditions in the targeted Ghanaian community. One specific matter discussed here is the issue of child mortality rates. Alleviating the health conditions of the world population is a key component of the development goals that are advocated by international organizations such as the United Nations. As elaborated above, at the 2000 Millennium Summit, Member States of the United Nations unanimously agreed on a set of Millennium Development Goals, among which was the goal of reducing child mortality by two thirds by 2015. Children are particularly vulnerable to water-related diseases as a result of weak body defenses, higher susceptibility, and greater exposure from inadequate

knowledge of how to avoid risks; because water-related diseases can easily be prevented through access to clean drinking water, better hygiene, and better sanitation, such improvements have been regarded as key to reducing child mortality rates (WHO/UNICEF-JMP 2000).

In 2006, UNDP estimated that unclean water and poor sanitation were the second largest cause of death of children (UNDP 2006, 23). In areas poorly served with water and sanitation, children under five are ten to twenty times more likely to die prematurely than those in places where water and sanitation services are adequate. In 2010, the WHO asserted that improvements in sanitation and drinking water could reduce the number of children who died each year by 2.2 million (WHO and UN-Water 2010). To use diarrheal diseases for example, summarizing relevant studies, UNICEF (2013) estimates that “children under five represent 90 per cent of all deaths caused by diarrheal diseases.... Approximately 2,000 children die per day from diarrheal diseases. Of these deaths 88%—or around 1,800 per day—are due to poor drinking water, lack of sanitation and poor hygiene. Thus, the improvement of access to water is a crucial element in the reduction of under-five mortality and morbidity.” From another angle, Botting et al. (2010) assert that 18 percent of all deaths in children under five are due to diarrheal diseases. In 2013, according to a UN estimations, four regions of the world, namely Sub-Saharan Africa, Southern Asia, Oceania, and Caucasus and Central Asia, lack sufficient progress to achieve the MDG on reducing child mortality, if prevailing trends persist. Among all four regions, Sub-Saharan Africa is marked with “high mortality” while the situation in the other three places are considered “moderate” (UNDESA 2013).

Empirically, Galiani, Gertler, and Schargrodsky (2005) use Argentina as a case study to examine the causal effect between water PSI/PPP and child mortality rates. Their work shows that in the regions that had water supply privatized, there was a decline of child mortality rates, as related to infectious and parasitic diseases. They found that in the municipalities that they looked into, there was a robust correlation and rather credibly established causal relationship between water sector PSI/PPP and the reduction of child mortality. At the same time, Galiani, Gertler, and Schargrodsky (2005) also argue that two pathways need to be present for private participation to have a positive impact on child mortality rates: expanded water supply and sewerage networks, which would provide access to service to households that were not previously connected to water and sewerage; second, improvements in service quality in terms of reduced spillage of water and sewerage, faster repair rates, fewer shortages, cleaner water, and better water pressure and sewerage treatment. These quality enhancements would improve the epidemiological environment, which is conducive to reducing child mortality rates.

However, these two pathways are not always guaranteed in water PSI/PPP deals worldwide. In particular, when PSI/PPP is treated as a purely business transaction, without taking into consideration its societal implications, the expansion of water supply and improvement in service quality might very well be excluded from the partnership, if they are at odds with the generation of commercial gains. Therefore, it is of no surprise that some others argue that it is not clear whether the adoption of private sector participation in the water sector would necessarily be related to improved health outcomes everywhere. Indeed, in the past decade, there has been a widespread discontent with PSI/PPP in general in Latin America, a place where the World Bank and IMF had

pushed for water PSI/PPP before they pursued the same strategy in Ghana (Finnegan 2002; Inter-American Development Bank 2002; McKenzie and Mookherjee 2003; Tagliabue 2002). Private water companies may provide suboptimal levels of service quality because they fail to take into account the significant health externalities that are present in this industry (Shirley 2000). In this case, PSI/PPP of water services may affect health outcomes negatively. In addition, PSI/PPP may hurt the poor through price increases, enforcement of cost recovery, and investment only in high-income areas (Birdsall and Nellis 2003; Estache, Gómez-Lobo, and Leipziger 2001). Efficiency gains from PSI/PPP might be obtained at the cost of excluding the poor from access to water services, and thus the health outcomes of the poor may actually deteriorate under PSI/PPP.

The analysis here will use data from Ghana to test the same hypothesis. If the hypothesis holds true, Ghana could be used as another case that demonstrates the benefits of private partner participation in water sector. In addition, it provides more confidence for the policy prescribers to believe that increased private participation is indeed a cure that fits the development goals of many, if not all, countries. On the other hand, if the hypothesis is rejected, a more interesting argument can be made about why the same results are not observed in Ghana. Furthermore, it could offer an example that the same “cure” may not fit all. Individual countries vary, and policy makers/prescribers should be very careful about the “one-model-fits-all” approach.

Looking at the water sector reform process in Ghana, the condition of network expansion is progressing slowly. The private partner is not given the responsibility of infrastructure improvement. Building the network is a duty of the Ghanaian public

partner, thus rendering this pathway irrelevant to any private participation. However, the private partner may make a difference in the second condition, namely the improvement of water service quality. Without concrete empirical support, it is hard to predict whether the PSI/PPP in Ghana has had or will have any effect on reducing the child mortality rate. Therefore, in the following part of this section, using a data set with variations of time (2000–2009) and space (10 regions in Ghana), a statistical analysis is devised to explore whether a positive correlation exists between the water PSI/PPP and reduction of children mortality in Ghana, as it does in Argentina, if Galiani, Gertler, and Schargrotsky (2005) is to be believed.

8.3.1 Research Design: Variables, Model, Data, and Hypothesis

This subsection explores the correlation between the two variables. The method to be used is GSL regression of panel data (with variation over time and different regions).

8.3.1.1 Dependent Variable

The dependent variable is the child mortality rate in a particular region in a given year (from 2000 to 2009). “Child” is defined as persons under five years old. Internationally, it is a standard practice to use the age of five as the defining point in studies and policies related to child mortality. For example, the MDGs, the World Bank, UNICEF, Galiani, Gertler, and Schargrotsky (2005), and Botting et al. (2010) all use such a measurement.

8.3.1.2 Independent Variables

The independent variables are as follows: 1) dummy variable of the water PPP since 2006; 2) control variable of population social economic status (indicated by Real GDP per capita); 3) control variables of health service infrastructure (namely doctor and nurse

to population ratios); 4) and control variable of population health condition (indicated by Outpatient attendance per capita).

8.3.1.3 Model

Based on the description of the dependent and independent variables, the following model is devised.

$$Y \text{ (Under 5 mortality)} = \text{constant} + \alpha X_1 \text{ (PSI/PPP)} + \beta X_2 \text{ (Real GDP per Capita)} + \gamma X_3 \text{ (doctor to population ratio)} + \delta X_4 \text{ (nurse to population ratio)} + \varepsilon X_5 \text{ (outpatient rate per capita)} + e$$

8.3.1.4 Unit of Analysis

The unit of analysis is all ten regions of Ghana during the years 2000 to 2009 (e.g., the Greater Accra region in the year of 2000, or the Volta region in the year of 2003).

Regions in Ghana are second-level administrative demarcations, equivalent to “states” or “provinces” in other countries.

8.3.1.5 Data Source

The public health-related data were obtained from the Public Health Section in the Ghana Statistical Service. There is no formal citation of this data source. The data were obtained from the Public Health Office in the Ghana Statistical Services during the author’s field study in 2010. The author was given a finished copy of one section that was to be part of a ten-year data compilation. The section is titled “The Health Sector in Ghana: Facts and Figures.” Population social economic data were provided by the Economic Section of the Ghana Statistical Service and the Ghana Commercial Bank.

8.3.1.6 Hypothesis

Private participation in Ghana’s water sector reform reduces child mortality rate.

8.3.2 Statistical Observations

The residual plots in Figure 8.1 show that the linear model is generally a good fit for the relations between the dependent variables and the independent variables. It demonstrates that there is a linear correlation between the dependent variable and independent variables in the model presented above.

Two robust correlations can be observed between child mortality rate and doctor per population ratio, as well as child mortality rate and outpatient per capital ratio. The coefficient for doctor per population ratio is 0.0014 (standard error: 0.0002; P-value 0.000). The P-value and Standard Error are quite small, which indicates that a strong statistical reference can be made that as the doctor per population ratio increases (meaning as the number of people each doctor has to take care of on average increases), child mortality rate increases as well. Similar arguments can be made for the outpatient ratio per capita as well, since the P-Value (0.186) and Standard Error (22.18, relatively small) are relatively small as well. This shows that as the likelihood of a person visiting a hospital/clinic in a given year increases (meaning population general health condition worsens in a given year), the child mortality rate increases as well.

As for the other independent variables, it is very disappointing that their standard errors and P-Values are too big to make any significant statistical references. Unfortunately, the variable of the water sector PSI/PPP is among them (coefficient: 6.04; standard error: 10.82; P-Value: 0.578). From the data set we have, it is unclear whether the water sector reform in Ghana has positive or negative impact on child mortality.

8.3.3 Section Conclusion

In the literature, it is understood that introducing private partner(s) into water reform does not necessarily automatically lead to a reduction of child mortality rate. Galiani, Gertler, and Schargrodsky (2005) indeed argue that certain pathways need to be present for private participation to reduce child mortality rates. As the existing data set shows in this study, the author cannot support the argument that private participation in water sector reform definitely has a positive impact on the reduction of the child mortality rate in Ghana. Following the argument of Galiani, Gertler, and Schargrodsky (2005), the author attributes the non-existence of substantial evidence that Ghana's water sector reform (in the form of a public-private management contract) produced noticeable improvements in both infrastructure advancement and service performance (the two pathways) as the prime reason that there is no evident link between the introduction of the water PPP/PSI and reduction of child mortality rate in Ghana.

The disparity between the case from Argentina and the observation in Ghana is an indicator that the World Bank's "one-model-fits-all" approach of inserting private participation into public service industries in the developing countries of the world is not a "cure" for all "diseases." Development strategy needs to be tailored to country specifications. What works in one place might not work in another. Although there is evidence that private participation in the water sector might have played positive role in reducing the child mortality rate in Argentina, it does not mean the same results will be obvious in Ghana. In order for the water PSI/PPP to help Ghana achieve goal number four of the UN Millennium Development Goals (children's health), simply the presence of a public-private partnership is not sufficient.

8.4 WATER PSI/PPP AND WATER-RELATED DISEASES

Following the last section, this one examines the water PSI/PPP's impact on another health issue, namely the occurrence of water-related diseases. The failure to provide safe drinking water and adequate sanitation services to all people is perhaps the greatest development failure of the twentieth century. Lack of safe water and adequate sanitation is the world's single largest cause of illness. In 2005, the UN estimated that two million people, most of them children, died every year from water-borne diseases, such as diarrhea, and millions become seriously debilitated (UN-Water 2005). The number rose to about three and half million in 2013, by the estimation of the IFC—the World Bank's PSI/PPP arm (IFC 2013). Most of these negative figures were observed in developing countries, as the UN asserted in 2009 that in developing countries alone, every year three million people died prematurely from water-related diseases. The majority were women and children in rural poor areas who lack access to safe water and sanitation (UNESCO-WWAP 2009, 12). In addition, the UNDP asserted in 2006 that close to 50 percent of all people in developing countries suffered at any given time from a health problem caused by water and sanitation deficits (UNDP 2006, 15).

These negative observations of water-related health issues are mainly caused by the fact that a considerable portion of the world's population lack access to safe water supply. Water scarcity forces people to conduct daily activities with contaminated water, leading to water-related diseases. The same UN report of 2005 (as mentioned in the paragraph above) states that “half a billion people lived in countries defined as water-stressed or water-scarce. This figure is expected to increase to 2.4 billion and 3.4 billion, respectively, by 2025, with North Africa and West Asia particularly affected. Increased

urbanization is placing an enormous strain on existing water and sanitation infrastructure. Urban centers in developing countries have grown rapidly without adequate infrastructure planning, resulting in millions of immigrants who have little access to safe sanitation or water supplies. This puts the entire population at risk, causing serious damage to the environment and the health of the population” (UN-Water 2005, 9). The most recent estimation by the IFC in 2013 indicates that “water constraints disproportionately affect people in developing countries. An estimated 768 million people lack access to clean drinking-water and 2.5 billion people live without safe sanitation” (IFC 2013, 1).

The problem of diseases caused by water scarcity is one of the most serious public health crises facing us and deserves far more attention and resources than it has received thus far (Gleick 2002). Globally, improving water, sanitation and hygiene has the potential to prevent at least 9.1 percent of the disease burden, or 6.3 percent of all deaths (Prüss-Üstün et al. 2008; UNICEF 2013). For example, the provision of improved sanitation and drinking-water could reduce diarrheal diseases by nearly 90 percent (WHO and UN-Water 2010).

Water-related diseases are typically placed in four classes: waterborne, water-washed, water-based, and water-related insect vectors. The first three are most clearly associated with lack of improved domestic water supply. Table 8.9 lists the diseases associated with each class (Gleick 2002).

It seems helpful here to clarify several of these medical terms. According to UNICEF (2013), “[c]holera is an acute diarrhoeal disease that can kill within hours if left untreated. There are an estimated 3–5 million cholera cases and 100,000 to 120,000 deaths due to cholera every year. Cholera is a world-wide problem, especially in

emergency situations, that can be prevented by access to safe drinking water, sanitation and good hygiene behaviours.” Overall from 2000 to 2010, the number of cholera cases increased by 130 percent (UN-Water 2013). With increasing populations living in peri-urban slums and refugee camps, as well as increasing numbers of people exposed to the impacts of humanitarian crises, the risk from cholera will likely increase worldwide (UN-Water 2013; UNESCO-WWAP 2012). Schistosomiasis is “a chronic disease caused by parasitic worms. Over 230 million people require treatment for schistosomiasis yearly. The number of people treated for schistosomiasis rose from 12.4 million in 2006 to 33.5 million in 2010. Studies found that adequate water supply and sanitation could reduce infection rate by 77%” (UNICEF 2013).

Waterborne diseases include those where transmission occurs by drinking contaminated water, particularly contamination by pathogens transmitted from human excreta. These include most of the enteric and diarrheal diseases caused by bacteria and viruses. Waterborne diseases also include typhoid and over 30 species of parasites that infect the human intestines. Seven of these are distributed globally or cause serious illness: amebiasis, giardiasis, *Taenia solium* taeniasis, ascariasis, hookworm, trichuriasis, and strongyloidiasis (Gleick 2002). On the other hand, water-washed disease occurs when there is a lack of sufficient quantity for washing and personal hygiene, which facilitates, among others, the spread of skin and eye infections e.g. trachoma (UNICEF 2013). Water-based diseases come from hosts that live in water or require water for part of their life cycle. These diseases are usually passed to humans when they drink contaminated water or use it for washing. The most widespread examples in this category are schistosomiasis and dracunculiasis. Schistosomiasis infects 200 million

people in 70 countries (Gleick 2002). Finally, water-related insect vectors, includes those diseases spread by insects that breed or feed near contaminated water, such as malaria, onchocerciasis, and dengue fever. These diseases are not typically associated with lack of access to clean drinking water or sanitation services, and they are not included in estimates of water-related deaths (Gleick 2002).

8.4.1 In Africa and Ghana

In Sub-Saharan Africa (as well as other developing parts of the world), a considerable portion of disease occurrences are connected to water. For example, in Ghana's neighbor Nigeria, an official state health institute (the National Centre for Disease Control) announced in June 2013 that "50 per cent of all public health issues and diseases transmission was water-related" (News Nigeria 2013). Public-private partnerships could be a viable solution to address water issues and, thus, could directly have an impact on the population's health conditions. For example, in Mexico, using a case study of the State of Chiapas as an example, an undated article of Ignez, Neeraj, and Steven argues that public-private partnership programs could effectively address the population's health needs, reduce the burden of diseases, and increase the human development index.⁵⁴ However, as stated in the previous section, PSIs/PPPs could only have a positive impact on health indicators if the overall development goals of the population (not only economic advancement) were integrated into the partnerships.

Although Ghana has made progress in preventing water-related diseases (e.g., the near-elimination of guinea worm, there is still much to be done. The population consuming unsafe water is the prime victim of water-related diseases. Exactly like the

⁵⁴ This study does not look directly into water-related diseases; instead, they look into neglected tropical diseases. However, many of the neglected tropical diseases are water-related.

situation articulated in the UN report mentioned above (UN-Water 2005), rapid urbanization and the migration of rural populations to cities are not accompanied by adequate infrastructure-building in most Ghanaian cities, which results in very restricted access to treated water. If the PSI/PPP in the water sector has indeed improved safe water access as predicted by its advocates, we should be able to observe a strong correlation between the introduction and continuation of the water PSI/PPP and reductions in water-related disease occurrences. Therefore, in the following part of this section, using a data set with variations of time (2000–2009) and space (10 regions in Ghana), the analysis explores the impact of the water sector PSI/PPP on water-related diseases in Ghana.

8.4.2 Research Design: Variables, Model, Data, and Hypotheses

In this subsection, the author conducts a study of the correlation between the occurrences of seven different types of water-related disease and the PSI/PPP. The method to be used is GLS regression of panel data (with variation over time and different regions).

8.4.2.1 Dependent Variables

The dependent variable is the number of water-related disease cases in a particular region in a given year. Specifically, seven water-related diseases are looked at, among which typhoid, cholera, and buruli ulcer are waterborne, guinea worm and bilharzias are water-based, and malaria and onchocerclasis are water-related insect vectors. This selection consists of an exhaustive list of water-related diseases for which the Ghana Statistical Services has data.

8.4.2.2 Independent Variables

The independent variables are as follows: 1) dummy variable of introduction of water PPP since 2006; 2) control variable of population economic status (indicated by Real GDP per capita); 3) control variables of health service infrastructure (doctor and nurse to

population ratios); 4) and control variable of population health condition (indicated by outpatient attendance per capita).

8.4.2.3 Model

Based on the description of the dependent and independent variables, the following model is devised.

$$Y \text{ (disease occurrence)} = \text{constant} + \alpha X_1 \text{ (PSI/PPP)} + \beta X_2 \text{ (Real GDP per Capita)} + \gamma X_3 \text{ (doctor per population ratio)} + \delta X_4 \text{ (nurse to population ratio)} + \varepsilon X_5 \text{ (outpatient rate per capita)} + e$$

8.4.2.4 Unit of Analysis

The unit of analysis is all ten regions of Ghana in the years 2000 to 2009 (e.g., the Greater Accra region in the year of 2000, or the Volta region in the year of 2003).

8.4.2.5 Data Source

The public health-related data were obtained from Ghana's Statistical Service's publication *The Health Sector in Ghana: Fact and Figures*. Population socio-economic data were provided by the economic section of the national Statistical Service and the Ghana Commercial Bank.

8.4.2.6 Hypothesis

Private participation in Ghana's water sector reform reduces water-related disease occurrences.

8.4.3 Statistical Results and Observations

Table 8.10 shows that among all five independent variables, real GDP per capita and PSI/PPP have robust correlations with some of the dependent variables (real GDP per capita with malaria and bilharzia, and PSI/PPP with guinea worm, malaria, and bilharzia).

The other tables at the end of this chapter give detailed statistical results of the PSI/PPP's impact on the dependent variables.

Table 8.11 indicates that a linear model is generally a good fit for the relations between PSI/PPP and the dependent variables, as all R-square values are above 0.5 except for cholera (0.35) and ochocerciasis (0.19). It demonstrates that there is a linear correlation between PSI/PPP, real GDP per capita (population economic status), doctor and nurse per population ratio (health service infrastructure), outpatient ratio (population health condition), and five of the seven independent variables.

Among all seven dependent variables, PSI/PPP has a robust correlation with three, namely guinea worm (coefficient: -304.93; standard error: 63.76; P-value: 0), malaria (coefficient: 25920; standard error: 3594; P-value: 0), and bilharzias (coefficient: 241.65, standard error 37.77; P-value: 0). The P-values for the other four dependent variables, namely typhoid, cholera, ochocerciasis, and buruli ulcer, were too large to generate any sound statistical inference.

Table 8.12 contains the results of the three independent variables that have robust correlations with PSI/PPP, from which conflicting observations emerge. It seems that the dummy variable of PSI/PPP has a negative impact on, and thus reduces, occurrences of guinea worm infections. At the same time, it has positive impact on, and thus increases, occurrences of malaria and bilharzia. Among the three types of diseases, malaria belongs to the category of water-related insect vector, while the other two, guinea worm and bilharzia are water-based diseases.

Despite of the observation that PSI/PPP has a negative correlation with occurrences of guinea worm infections, it would be too far of a stretch to infer that

PSI/PPP has a negative impact on, and thus reduces, occurrences of water-related insect vectors, based on the current statistical analysis. The other water-related insect vector, ochocerciasis, has no observed robust correlation with PSI/PPP.

Both guinea worm and bilharzias are water-based diseases. However, there is no consistency in their correlation, although robust, with PSI/PPP, with one negative and the other positive. Therefore, there is no clear conclusion whether PSI/PPP has negative or positive impact on the occurrences of water-based diseases in Ghana.

The remaining three independent variables, typhoid, cholera, and buruli ulcer are all waterborne. There is no statistically significant correlation observed between them and the PSI/PPP.

To sum up the observations, there is no clear evidence to confirm the hypothesis that *private participation in Ghana's water sector reform reduces water-related disease occurrences*. The same argument made for the case of child mortality reasonably applies in the case of water-related diseases. Without noticeable improvement in the performance of the water supply industry under the new PSI/PPP, in particular in the pathways of infrastructure growth and service upgrading, private participation does not necessarily generate improvement in the population's water-related health outcomes.

8.5 CONCLUSION

In the Millennium Declaration, world leaders recognized that in addition to their separate responsibilities to individual societies, they also had a collective responsibility to uphold the principles of human dignity, equality, and equity at the global level. At the same time, the central challenge to fulfill such responsibilities, individual or collective, was to ensure globalization becomes a positive force for all, acknowledging that its benefits and costs

were unequally shared among the world's countries and populations. "Only through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable," declared the world's leaders. It is important to bear in mind that the principles of dignity, equality, and equity are holistic values of and for the entire human race. The principles touch on multiple facets and dimensions within societies rather than just on economic aspects. The idea to ensure that globalization becomes a positive force for all includes the notion of economic advancement for societies and individuals; however, it also stipulates upbeat growth in terms of social, societal, and cultural dimensions. Positive globalization is never single-handedly guaranteed by economic development; moreover, economic advancement is never single-handedly guaranteed by PSIs/PPPs in a certain industry or sector. The fixation on PPPs/PSIs is by no means constructive towards fully inclusive and equitable globalization processes.

The empirical analyses carried out in this chapter show that the water PSI/PPP in Ghana had no significant, clear positive impact on three important aspects of the development of the Ghanaian society defined by the Millennium Development Goals, namely, women's empowerment in water-related issues, the decrease of child mortality rates, and the reduction of occurrences of water-related diseases. The non-positive results seen in these three sections are a reflection and a result of the phenomenon elaborated in the previous chapter—that the PSI/PPP had no clear positive impact on the population's access to safe water.

The case of Ghana's water reform shows that there has been a dislocation between PSIs/PPPs in the ideas of its advocates on the international level and the actual

PSIs/PPPs being formed on the ground, especially the ones guided by the Bretton Woods institutes. Unfortunately, for many international development agencies that are indoctrinated by the neoliberal ideology, it is a strategic practice to bandwagon on the ideas related to equitable, inclusive, and sustainable PSIs/PPPs accepted on the international level to gain popularity for their own PSI/PPP policies. However, in practice, the PSIs/PPPs formed in many developing countries are business-driven, unable to tackle the genuine development obstacles in the host nation, and in the end, incapable of delivering betterment in terms of the human conditions of the world's poor and the poorest, who the PSIs/PPPs are supposed to assist.

Table 8.1: Participation in Community Water Governance Structure (by Sex)

	Male	Female
Yes	82.1%	64.8%
No	17.9%	35.2%

Data source: ISODEC (2010)

Table 8.2: Knowledge/Information from and about Water PSI/PPP (by Sex)

	Male	Female	Female
Yes	69%	46%	57%
No	31%	54%	43%

Data Source: Akabzaa and Ayamdoo (2006)

Table 8.3: Knowledge/Information from and about Water Providers

	Cape Coast	Kasoa	Gomoa Fete	Nima	Nungua	Swedru	Total
Yes	60.7%	46.7%	31.2%	53.3%	72.4%	70.0%	55.3%
No	39.3%	53.3%	68.8%	46.7%	27.6%	30.0%	44.7%

Data source: ISODEC (2010)

Table 8.4: Knowledge/Information from and about Water providers (by Sex)

	Male	Female	Total
Yes	77.6%	44.6%	55.3%
No	22.4%	55.4%	44.7%

Data source: ISODEC (2010)

Table 8.5: Aware of Any Law Providing Citizens' Right to Water (by Sex)

	Male	Female	Total
Yes	34.5%	13.2%	20.1%
No	65.5%	86.8%	79.9%

Data source: ISODEC (2010)

Table 8.6: Primary Collectors of Water in Households

	Cape Coast	Kasoa	Gomoa Fete	Nima	Nungua	Swedru	Total
Women	60.0%	53.3%	59.4%	53.3%	60.0%	72.4%	59.7%
Men	6.7%	6.7%	18.8%	14.8%	26.7%	34.5%	18.0%
Girls	66.7%	70.0%	66.7%	77.8%	56.7%	58.6%	65.9%

Boys	53.3%	43.3%	56.7%	40.7%	50.0%	51.7%	49.4%
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Data source: ISODEC (2010)

Table 8.7: Preferred water location (by sex)

	Male	Female	Total
Near But Pay	91.1%	82.9%	85.5%
Far and Free	8.9%	11.1%	14.5%

Data source: ISODEC (2010)

Table 8.8: Regression Results

Coefficients	Estimate	Std. Error	T-value	P-value
Constant	6077	9631	0.63	0.53
PSI/PPP	6.04	10.82	0.56	0.578
Real GDP/Cap.	-1.324	5.834	-0.23	0.821
Doc./Pop. Ratio	0.0014***	0.0002	9.19	0.000
Nurse/Pop. Ratio	0.0020	0.0052	-0.39	0.696
Outpatient/Cap.	29.58*	22.18	1.33	0.186
S = 24.1028 R-Sq = 58.4% R-Sq(adj.) = 55.7% P-Value \leq 0.001 (***); P-Value \leq 0.01 (**); P-Value \leq 0.05 (*)				

Table 8.9: Water-Related Diseases

Waterborne diseases	Caused by the ingestion of water contaminated by human or animal feces or urine containing pathogenic bacteria or viruses; include cholera, typhoid, amoebic and bacillary dysentery, and other diarrheal diseases.
Water-washed diseases	Caused by poor personal hygiene and skin or eye contact with contaminated water; include scabies, trachoma and flea, lice and tick-borne diseases.
Water-based diseases	Caused by parasites found in intermediate organisms living in contaminated water; include dracunculiasis (guinea worm), schistosomiasis (bilharzias), and other helminthes.
Water-related insect vectors	Caused by insect vectors, especially mosquitoes, that breed in water; include dengue, filariasis, malaria, onchocerciasis, trypanosomiasis, and yellow fever

Source: (Gleick 2002)

Table 8.10 PSI/PPP Impact on Water-Related Diseases 1

	Constant	PSI/PPP	Real GDP/Cap.	Doc./Pop. Ratio	Nurse/Pop. Ratio	Outpatient Ratio
Typhoid	4183432 **	- 780.6	2857 **	- 0.0114 **	0.4011 **	- 600.2
Cholera	366318	- 11.8	245	- 0.0006	0.0152	- 281.7
Buruli Ulcer	-14017	2.65	-9.11	0.0001	- 0.0040	- 1.29
Guinea Worm	159569	- 304. 93 ***	174	-0.0010 **	0.0182	-65.75
Bilharzia	- 372502 ***	241. 65 ***	-262.07 ***	-0.0004	0.0146	-45.83
Malaria	- 49512441 ***	25920 ***	- 31501 ***	-0.0043	0.255	- 10068 **
Ochocerciasis	116263 *	-60.28 **	81.43 **	-0.0002	0.0097	1.64
P-Value ≤ 0.001 (***); P-Value ≤ 0.01 (**); P-Value ≤ 0.05 (*)						

Table 8.11 PSI/PPP Impact on Water-Related Diseases 2

	PSI/PPP Coef.	Standard Error	P-Value	R-Square
Typhoid	-780.6	613.6	0.209	55.5%
Cholera	-11.8	616.4	0.985	35.3%
Buruli Ulcer	2.65	13.81	0.856	56.9%
Guinea Worm	-304.93 ***	63.76	0.000	52.8%
Bilharzia	241.65 ***	37.77	0.000	55.3%
Malaria	25920 ***	3594	0.000	69.1%
Ochocerciasis	-60.28 **	22.41	0.010	18.7%
P-Value ≤ 0.001 (***); P-Value ≤ 0.01 (**); P-Value ≤ 0.05 (*)				

Table 8.12 PSI/PPP Impact on Water-Related Diseases (Robust)

	PPP Coef.
Guinea Worm	-304.93 ***
Bilharzia	241.65 ***
Malaria	25920 ***
P-Value ≤ 0.001 (***); P-Value ≤ 0.01 (**); P-Value ≤ 0.05 (*)	

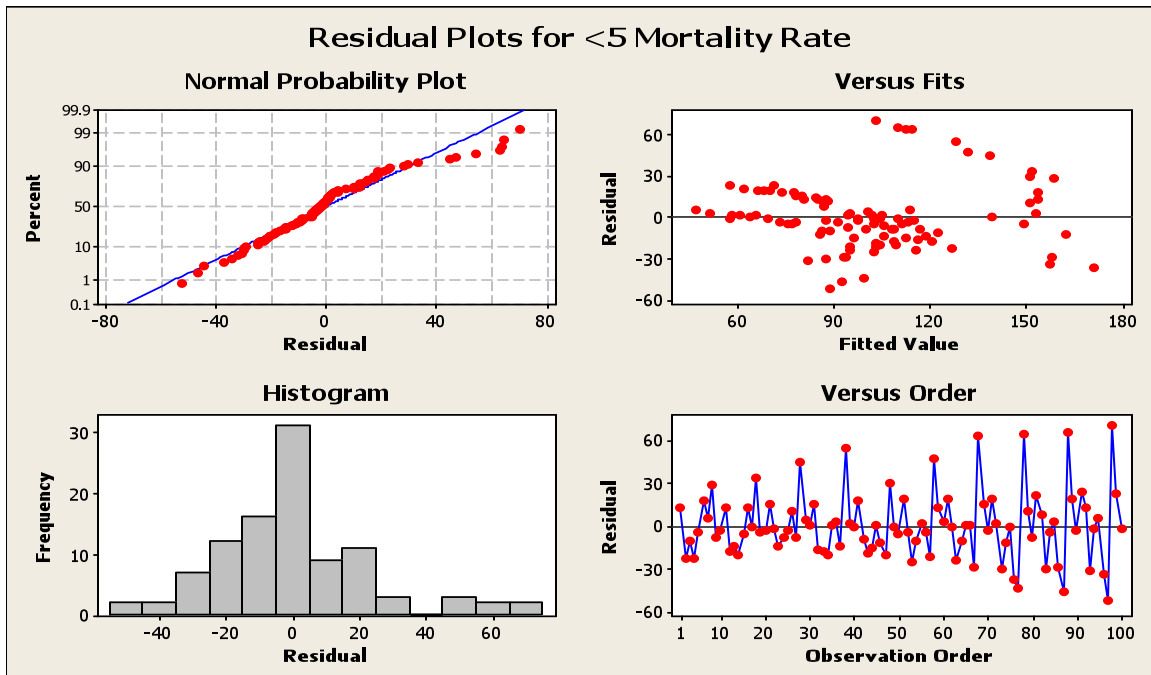


Figure 8.1: Residual Plots for Under-Five Mortality Rate

CHAPTER 9

CONCLUSION

Turning and turning in the widening gyre;

The falcon cannot hear the falconer;

Things fall apart; the center cannot hold.

-- William Butler Yeats, "The Second Coming"

When the author started this research project in 2010, the water PSI/PPP in Ghana was still in effect, if crumbling. By the time this dissertation neared its completion in 2013, the PSI/PPP had already ended in disgrace. Towards the end of the management contract, non-performance of the private operator became the target of all opponents of the Ghanaian water PSI/PPP deal, from both within and outside of the ranks of the water sector. From the inside, in March 2011, the Public Utilities Workers Union (PUWU) warned against any attempt to extend AVRIL's contract, claiming that "extending the contract of AVRIL would be met with series of confrontations within the rank and file of the workers of the GWCL." In addition, the General Secretary of the PUWU was quoted saying that "AVRIL must be asked to go away... [otherwise], there would be industrial unrest." At the same time, anti-PSI/PPP civil societies in Ghana, under the framework of

the umbrella organization NCAP, in late May 2011, demanded sanctions against AVRIL's non-performance after the end of the contract.

Faced with mounting resentment from all strata of Ghanaian society, on June 6, 2011, AVRIL officially handed over its operation responsibility to GWCL, ending the five-year management contract—the capstone of the World Bank-imposed water sector reform project. After half a decade of non-performance and impunity of the private partner, things eventually fell apart, and the center of the scheme, the ill-designed management contract and its patron the World Bank, could no longer hold the reform project together.

This case of failed water sector reform in Ghana, nevertheless, provides us with a scenario based on which a research project is designed to generate a meaningful addition to the theoretical and policy debate over international public-private partnerships, especially the kinds of partnerships that are conceived with the guidance of a neoliberal development strategy. This dissertation examines the literature on international organization-brokered Public-private partnerships in general and the return of neoliberal PSIs/PPPs in particular, identifying the main arguments of the advocates and antagonists of the international cooperation of public and private actors. Using the case of Ghana's water sector reform, this research offers an accurate account of what was/were the real powerful actor(s) in the forming of the management contract partnership in Ghana. It develops and utilizes several theoretical models to account for the interaction among the actors involved (during and after the formation of the contract). In the end, the study examines the credibility of the argument that private participation in public sectors, under all circumstances, is conducive to the betterment of different development aspects in

local communities. Using three of the UN's eight Millennium Development Goals, the performance of the water PSI/PPP in Ghana is evaluated in terms of whether it was able to make a difference in improving women's roles in water governance, reducing child mortality, and decreasing the occurrence of water-related diseases.

As mentioned before, despite of the fact that the reform of Ghana's water sector has been studied from different angles by various scholars—political scientists and economists alike, as well as policy practitioners—the events can be rearranged and looked into through the lenses provided by the enriched sensitivity and vulnerability framework, with the aid of the two-level game model. It is the author's intention that through the analyses in this research undertaking, the “genuine artistry” of social science studies, to use the words of Weber (1949, 112), “[has manifested] itself through its ability to produce new knowledge by interpreting already known facts according to known viewpoints.”

With this ambitious agenda in mind, it is the author's hope that this dissertation has contributed to both the studies of international relations in particular and the discipline of political science in general, as well as the policy terrains of international public-private partnerships in at least three ways, namely descriptive, innovative, as well as evaluative ways; additionally, with the evaluative dimension come attempts at making informative suggestions for decision-makers on the policy level.

On the descriptive dimension, Chapter two carefully documents the rise of the idea (as well as the policy) of international public-private partnerships in the parlance and practices of the UN system, both in the policy-formation spaces in the Secretariat and the General Assembly, as well as the practices of UN agencies with specific mandates that

have tangible impacts on human conditions all over the world in the fields of development, peace, and security. An important subplot developed in Chapter Two is that the sudden favor and prevalence of public-private partnerships in the UN proper was not a result of the personal preference of the so-called “norm entrepreneurs” (Auger 2010; Finnemore and Sikkink 1998), i.e., Secretary-General Annan and his close aids, such as Maurice Strong and John Ruggie; instead, it had deeper economical and social drives that were rooted in the general climate that surrounded the UN and its development agencies at the particular time of the late 1990s and early 2000s. The decline in the moral and financial support that the UN was suffering from at that time, in the context of the unprecedented growth of corporate strengths in a new age of rapid globalization, dictated that the world organization reach out to the business world for its untapped potentials in assisting the world’s development, especially that of the poorest corners of the planet, which, in the UN’s regard, would eventually bring about a more peaceful and secure world for the present and future generations.

What is striking is that a similar observation is made in the analytical Chapter Six, where the negotiation for a PSI/PPP deal in Ghana’s water sector is analyzed among the milieu of the trends of international climate—this time, more specifically the ups and downs of the international water market. The conclusion of Chapter Six—which recognizes that the final outcome of the Ghanaian negotiation is a result of market forces on an international, and not local, level—echoes the Chapter Two argument that the ascent of public-private partnerships on the international agenda is also a result of historical trends that are beyond the control of the subjective will of certain persons/actors or certain groups of persons/actors. These two observations, in their

combined strengths of argument, point to the merit of the so-called historical determinism that is frequently employed in the Marxist interpretation of historical events. In essence, the paradigm of historical determinism posits that the wheel of history moves on as the productive forces of the economy (which is growing in scope and depth internationally) evolves, crushing outdated modes of production and the superstructures that are associated with such modes of production, and subsequently bringing human societies into new eras of societal restructuring, as well as material advancement (development) and non-material progress (new or renewed ideas and ideologies whose interpretations have a direct influence in policy formations). It seems that the messages underpinned by the Marxist historical determinism become central to this case study and to the confirmation of an important thesis of this dissertation.

Another important observation made in Chapter Two is that the employment of public-private partnerships as a viable development tool had long preceded its formal endorsement by the UN General Assembly in 2001. International development agencies, in particular the Bretton Woods Institutions, have adopted the same approach since the late 1970s in many developing countries of the world, under the banner of “privatization” or “private sector participation,” which were frequently embedded in their “policy guidance,” such as the structural adjustment programmes. The UN’s endorsement of global public-private partnerships only provided additional justification and legitimacy for their policies that had been in place in many parts of the developing world for decades. Therefore, much of Chapter Three is devoted to delineating the arguments of the proponents and opponents of the neoliberal development strategies that emphasize the

merits of the private sector and the market, with a special focus of the implementation of such policies in the water sectors in both the Global North and South.

For the proponents of reform schemes under PSI/PPP projects, records of the public hand in economic affairs are catastrophic at best, and reforms that fail to challenge public ownership and management are inadequate and ineffective. For them, the only way to bail out the troubled sectors and enterprises in developing countries where the socialist states prevailed in earlier decades is to inject private sector participation into the publicly-owned and -managed industries or firms. The list of the merits of PSI/PPP projects is long. However, the account of the opposing side is even longer. A poignant subtext of this chapter is that all over the world, poor people almost always get trampled on if no special attention is paid to safeguard their well-being under either public or PSI/PPP auspices. In addition, the points made in Chapter Three build a useful threshold into the Ghanaian case study in the next chapter.

It is interesting to see that when the water PSI/PPP reform project was contemplated in Ghana in the 1990s, many of the merits of PSI/PPP listed in Chapter Three were used to boost the idea's popularity in the Sub-Saharan nation. The belief that a PSI/PPP would cure the diseases that had been infesting the water sector in the past decades was shared among both international and domestic stakeholders. Taking note of the World Bank's effort in salvaging the Ghanaian economy in the 1980s with structural adjustment programs, a considerable portion of the technocrats within the Ghanaian water sector supported the World Bank's reform idea. Nowadays, it is common for any Ghanaian to denigrate the ill-conceived and ill-fated management contract whose failure sank the credibility of anyone who had spoken in its favor. But the 1990s water

technocrats thought differently. At that time, neoliberal reform of the company was a hope for salvaging the sector, and its implementation was beyond reproach.

Unfortunately, the very same technocrats became disheartened soon after the PSI/PPP took effect in 2006; and their complaints regarding the reform project resembled most, if not all, of the criticisms of PSI/PPP listed in Chapter Three. To account for this change, it is important to look into the formation period of the PSI/PPP, the final outcome of which was a management contract-based reform scheme, as well as the performance years of PSI/PPP with a view to whether it has brought any tangible improvement in the water company's operations and the human conditions of the Ghanaian population.

Chapters Four, Five, and Six constitute the bulk of the author's innovative contribution to the field of international studies and the discipline of political science. In Chapter Five, Keohane and Nye's sensitivity and vulnerability analysis is used as the theoretical framework to investigate negotiation dynamics during the formation period of the water PSI/PPP in Ghana, which lasted for more than a decade. In the course of applying the theoretical model to the events under examination, the shortcomings of Keohane and Nye's model become evident. One important discovery is that the basic model of sensitivity and vulnerability analysis, to the extent that is developed by Keohane and Nye, is static, reactionary, and incomplete. Much of the theoretical framework needs to be adjusted to account for protracted negotiations, such as the case in Ghana's water sector reform. In particular, the model desperately needs a longitudinal dimension to account for the innate evolutions within actors or groups of actors, as well as the occurrences of events that would have an impact on actors' sensitivity and vulnerability configurations.

With the aid of the enriched sensitivity and vulnerability model, Chapter Five is designed to present a holistic view of the many aspects influenced by the sensitivity and vulnerability dynamics among the partnership actors and the multifaceted consequences that such dynamics can produce. It captures the movements of the actors within and in between the boxes of the sensitivity-vulnerability matrix, as changes in their preferences dictate evolving configurations of the actors' "power" in the system; and such "power" would define the weight of their demands when they try to propose changes of the particular type of PSI/PPP under discussion (i.e., a lease or a management contract). The enriched theoretical framework proves to be quite capable of deciphering the ever-changing dynamics among the negotiation participants, as well as the impact of certain events (such as elections or scandals) on the system and the actors, as the proposed reform project varied from a lease to an enhanced lease and then to a management contract over the span of about fifteen years.

In addition to the enriched framework of the sensitivity and vulnerability analysis, the model of the two-level game is also utilized to account for changes in actors' preferences. In Chapter Six, unfortunately, the author finds out that during the negotiation processes of the water partnership in Ghana, the sensitivities and vulnerabilities of all actors involved were determined by their own preferences, which ultimately were influenced by elements of the international economy. This public-private partnership deal in Ghana's water sector reform was pushed at the policy level with little regard to what is really suitable for Ghana's unique circumstances; rather, it was based on the trends in and influences of the international water market over the decade between 1994 and 2005.

Chapters Seven and Eight form the evaluative part of the dissertation. Chapter Seven discloses that the water PSI/PPP of Ghana, in its unique form of management contract, whose adoption had largely been influenced by the international water market, was never able to address the bottleneck problem of water access in Ghana's urban localities. The terms of the management contract, which left the responsibility of asset development to the public partner, rendered the PSI/PPP irrelevant to the root problem of the population's struggle for water access—both in terms of limited production capacity and the quantity of water delivered. As a result, it is of no surprise to discover in Chapter Eight that the water PSI/PPP had an insignificant impact on the betterment of the livelihood of the Ghanaian people, measured against the benchmarks set by three of the eight Millennium Development Goals.

It is important to bear in mind that the evaluations performed in Chapters Seven and Eight are by no means intended as an exercise aimed at generating any verdict on the PSI/PPP policy in general: a single case study, as explanatory as it might be, provides insights into the understanding of the case as a part of a broader, worldwide policy initiative; but it does not give any basis for universal judgment. At the same time, observations made in this case study can nevertheless generate meaningful criticisms, especially in the form of constructive suggestions that members of the policy-making world may find informative. The “epic fail” of the Ghanaian water reform scheme—adopting a PSI/PPP that was intrinsically unable to address the problems that had undercut the performance of the sector under previous public management—does not suggest that neoliberal reforms in general are a failed experiment. In fact, market-oriented reform measures have produced remarkable results in many places throughout the world,

including Ghana (i.e., the achievement on the macro-economic level in the 1980s), if they were carried out in careful, appropriate manners that fit the local circumstances. At the same time, as the failed reform attempt in Ghana's water sector demonstrates, PSI/PPP projects, if implemented in ways that conform to external pressure and influences, may very well produce counterproductive results.

That said, after seven long chapters and more than 400 pages of substantive analyses, the author owes it to the readers to offer a moral to the story: The decisions whether to adopt a partnership, and what particular kind of partnership needs to be adopted, should be based on the unique circumstances of the enterprises and host nations in question, on the national and local levels. Such decisions must never be driven by external pressures or macro-economic variables on the international level; and international organizations that facilitate such PSI/PPP deals should make a special effort to ascertain that that is the case. A candid statement of an African water specialist captures this notion best in a document published by the IFC—the World Bank's privatization arm (Beete 2011, 31):

If I were a consultant going to a country, rather than introducing the PPP model up front, I'd try to work it backwards and ask what we need to do to deliver the service in the most efficient manner. We would definitely end up with some sort of PPP... In Ghana the process was not right, there was insisting of PPP and letting international market taking over the influence on decision. Not how to deliver service in the most efficient manner. I'd also stress that PPPs are not a panacea for everything. Water is a very localized business, so you have to have the right local experts, and make

sure that business is carried out in a manner that fits well within our environment and our society.

The world has changed and is changing, and as such, globalization has meant that the role of the state has diminished and that all relevant actors, particularly the private sector, have increased their influence and their ability to affect the world that we live in. To harness such increasing capacity and roles of non-state actors, especially the private sector, the UN tried to promote global public-private partnerships, with an emphasis on accountability and compatibility with universally-accepted principles. International development agencies that are captured by the neoliberal ideology, such as the World Bank, attempted to accentuate such increased influence and aptitude of the private sector but failed to help many host nations and local populations, such as Ghana and the Ghanaians, secure accountability and, thus, the successful performance of the partnership. Principles and safeguarding measures were sacrificed for the sake of having a partnership with private participation. External factors became decisive, through influencing the preferences of key actors, in the choice of the particular type of partnership to be adopted, whereas considerations for local circumstances were completely left out of the equation. It is unfortunate that in the case of Ghana's water sector reform, the instruction of having a PSI/PPP was absolute; however, on the other hand, the particular form of partnership and the inclusion of social benefits, in addition to economic gains, were never certain in the PSI/PPP. This problem is not unique to Ghana. As Green (2003, 11–12) observes,

[a]t present, the pursuit of a policy of PSP often undermines local and national government capacity... The involvement of local communities and users of water and sanitation services is often lacking in PSP reform

programmes. Poor people are still seen mainly as recipients rather than contributors to development. Whether projects involve large-scale or small-scale PSP, the focus is on giving contracts to the private sector for construction or operating services, Urban and rural communities are rarely consulted, leading to a lack of ownership. It would seem that old problems such as lack of community involvement, which led to previous failures, are continuing, raising serious doubts over the sustainability of PSP projects.

In his search for the meaning and purpose of the scientific criticism of ideals and value-judgment, Weber (1949, 52–53) ventures into a discussion of “means” and “ends,” noting that

All serious reflection about the ultimate elements of meaningful human conduct is oriented primarily in terms of the categories “end” and “means.” We desire something concretely either “for its own sake” or as a means of achieving something else which is more highly desired. The question of the appropriateness of the means for achieving a given end is undoubtedly accessible to scientific analysis. Inasmuch as we are able to determine (within the present limits of our knowledge) which means for the achievement of a proposed end are appropriate or inappropriate, we can in this way estimate the chances of attaining a certain end by certain available means. In this way we can indirectly criticize the setting of the end itself as practically meaningful (on the basis of the existing historical situation) or as meaningless with reference to existing

conditions. Furthermore, when the possibility of attaining a proposed end appears to exist, we can determine (naturally within the limits of our empirical knowledge) the consequences which the application of the means to be used will produce in addition to the eventual attainment of the proposed end, as a result of the interdependence of all events.

In the dialogues and policy practices of international PSIs/PPPs, it is ever-important not to forget that the actual inclusive, equitable, and sustainable development of the target peoples, communities, economies, and countries that global PSIs/PPPs are devised to facilitate is the ultimate goal of market-oriented development initiatives—not anything else. PSI/PPP programs are just means to achieve such an end, and by no means should they become an end themselves. However, as the case study of this dissertation indicates, in practice, the fixation on pursuing a PSI/PPP regardless of whether a PSI/PPP is a suitable solution to a particular country's particular sector, at a particular time when the opportunity for such a reform measure might have very well been lost, has driven international development agencies to broker reform schemes that in essence have transformed PSI/PPP from a means to an end, losing sight of the real development goals themselves.

The distinction between “means” and “ends” should not be confused by international organizations in their policies. Unfortunately, such confusion has become a source of the inflexibility of powerful “patrons” displayed in many PSI/PPP projects worldwide, including the water sector reform in Ghana. When the idea of international public-private partnerships was formally pursued on the global level, the UN General Assembly stressed that partnership should be done in a flexible way “*without imposing*

undue rigidity in partnership agreement” (UNGA 2001b, para. 2). In addition, the World Bank’s water strategies consistently advocate for flexibility in policies: “[w]hat is appropriate in a particular country (or region) at a particular time will involve adaptation of these general principles to the specific economic, political, social, cultural and historical circumstances” (World Bank 1993, 2004b). However, in the case of Ghana, the World Bank displayed both inflexibility and flexibility. The Bank’s insistence on PSI/PPP reform in the water sector pushed the government of Ghana to seek a PSI/PPP deal, even under extremely unfavorable conditions in the early 2000s. At the same time, the Bank was flexible in terms of what particular type of water PSI/PPP would be chosen for Ghana’s water sector. It is unfortunate that the Bank was inflexible when flexibility was needed; and it was flexible when more stringent safeguarding measures are desired.

Despite the divergence in terms of the PSI/PPP approach, it is safe to say that World Bank officials and stakeholders in developing countries could probably converge on two points—first, the public management of the water sector has largely failed to provide adequate water supplies to the population, and the sector indeed needs reform (Grusky 2001); and second, a well-designed PSI/PPP could prove to be a viable means to achieve a much-desired end. In order to create more meaningful and effective partnerships, international development agencies should take a leading role during the partnership-formation period to safeguard the particular type of partnership to be adopted and ensure that the configuration of relations among partners are conducive to achieve mutually agreed upon development goals. This requires the “patrons” of the deals to be proactive, not passive, in leading the negotiations among the “underdogs” and the “motivated tacticians.” This is because in many partnership cases involving public

institutions of developing countries, the public partners are the “underdogs” of the system (with their weak capacity and limited arguing power making them susceptible to being taken advantage of by the potential private partners), while the private partners are most likely the “motivated tacticians” at the negotiation tables, shaping the partnership deal towards their own advantage, minimizing their risk and maximizing their revenue.

Unfortunately, with strings of grants and loans in hand, powerful “patrons” could be very insensitive and invulnerable towards demands for such safeguarding requests from host countries, which is also a cause of their unwillingness to be collaborative with local stakeholders in the decision-making process. Such insensitivity of the “patrons” could drastically increase the sensitivity and vulnerability of the public partners during the negotiation and performance stages of the partnership, causing the deal to become unbalanced, often providing greater benefit to the private partner.

More than thirty years ago when international financial institutions started bailing out failed governments worldwide, they believed in and sold the policy of PSI/PPP as a salvation. Despite of the policy’s remarkable achievements in certain aspects, now many have seen that the majority of these governments have paid for their rescue with the cost of their freedom to devise independent development paths and strategies. With the alarming observation that some of the PSIs/PPPs have largely neglected the genuine development goals of their host countries, a transnational consensus has awakened to the revelation that the idea and policy of PSI/PPP, inasmuch as treasured by its proponents, may have become an end itself, when it is supposed to be treated as a means to achieve a more desirable end—to improve living conditions and to prevent the undoing of human dignities of the world that we call home.

Ever since its resurrection in the late 1970s, the market-driven neoliberal agenda has brought up a tremendous power shift among the actors involved in development affairs on both international and domestic levels. The private sector has been steadily gaining an upper hand and more popularity and strength in world development affairs, while the public hand has largely retreated from the economic realm. In the midst of all of the influx of private strength and influence, civil societies also grew exponentially and started to pick up communications and collaborations transnationally. This exact process is still unfolding to this date, and the belief that non-state actors, in particular the private sector, could contribute to inclusive development is still admired—and not without justification. For example, in a 2013 speech to launch the Post-2015 Business Engagement Architecture [post-2015 meaning post-MDG], UN Secretary-General Ban Ki-moon asserted that the Architecture is designed to “drive and scale up corporate actions to directly advance United Nations goals” (Ban 2013). The torch of PSI/PPP had gone forth from time and place, announcing to its friends and foes alike that the recognition that market forces and members of the business community ought not to be neglected in the discussion and policies relevant to the world’s development affairs. At the same time, it is an imperative for such development to ensure the success of more equitable globalization processes in which the survival and prosperity of all are assured.

When a single case study leads to comments about its contemporary manifestation from a grander historical viewpoint, it is the researcher’s duty not only to offer empirical evidence but also, if she or he is capable and the case permits, to provide value judgments that are evaluative, informative, and most importantly, reflective—a task that the author wishes to have achieved in this scholarly undertaking. In fact, “[t]he ‘objectivity’ of the

social sciences,” to borrow the words of Weber (1949, 111) again, “depends rather on the fact that the empirical data are always related to those value ideas which alone make them worth knowing and the significance of the empirical data is derived from these value-ideas... [T]he meta-empirical validity of ultimate and final values, in which the meaning of our existence is rooted, is not incompatible with the incessant changefulness of the concrete viewpoints, from which empirical reality gets its significance.”

At last, it is the author’s hope that with his contribution to the theoretical model and the empirical analysis, the manifestation of the events of the case under study at their contemporary time, as well as their historical status of being so, are made sense of in ways that have lived up to the expectations that Weber (1949, 112) left for succeeding generations of social scientists. As he notes,

[t]he light of the great cultural problems moves on. Then science too prepares to change its standpoint and its thinking apparatus and to view the streams of events from the heights of thought. It follows those stars which alone are able to give meaning and direction to its labors:

‘..... der neue Trieb erwacht,
Ich eile fort, ihr ewiges Licht zu trinken,
Vor mir den Tag und unter mir die Natcht,
Den Himmel über mir und unter mir die Wellen.’
(The newborn impulse fires my mind,
I hasten on, his beams eternal drinking,
The Day before me and the Night behind,
Above me Heaven unfurled, the floor of waves beneath me.)

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