

## **INSIGHTS INTO GHANA'S PRIVATISATION PROCESS**

(Prior to 1983, Ghana went through severe economic decline which necessitated the formulation and implementation of the Economic Recovery Programme (ERP). A recent workshop held in Nairobi (19 - 22 June) under the theme: Improving Water Supply and Sanitation Service Delivery to the Urban Poor - heard of Ghana's experience.)

At the start of implementing the ERP, the then Ghanaian Water and Sewerage Corporation (GWSC) was in charge of both rural and urban water supply. However, its performance was poor and services inadequate. GWSC was created in 1965 by an act of parliament and was in charge of both rural and urban water supply. The GWSC then was mandated to provide, distribute and conserve the supply of water and sewerage services for domestic, commercial industrial purposes throughout Ghana.

There was a general breakdown of the water supply system, inability to undertake rehabilitation or source expansion, weak and inadequate organizational structure and neglect of rural water situation. Privatisation of water services became inevitable. Machinery was put in place to review the institutional, regulatory and legal arrangements that would facilitate the privatisation process. First, studies were carried out to establish facts on the ground.

Second, a team undertook study tours to Senegal, Guinea, the Gambia and Cote d' Ivoire. The team comprised all stakeholder representatives from the utility, unions, relevant ministries, independent providers and the legislature.

The lessons from the tours were varied for the four countries. In Cote d'Ivoire where the privatisation had already been in place for over 35 years, for example, the benefits were very clear. For example, the population now has greater access to water supply, losses due to spillage have been reduced; the management of water delivery services is much more efficient now.

Senegal was in its fifth year of implementing the programme and they too had some very good things to share as far as the process towards private participation was concerned. Guinea on the other hand, had mixed results particularly in relation to the sharing of responsibilities between the private operator and the government body that owned the assets. The Gambia was not so successful. It did not seem to have a strong political will to privatize.

After the tours, the team was able to put in place a process, borrowing from the four country studies but adopting only those practices that were deemed relevant to the Ghanaian situation. More visits were made to the UK and France to market the sector to private companies for private investment.

Thereafter a public awareness programme was launched to market and popularise the idea of privatisation and to get feedback from key stakeholders on the process of private sector participation. It was clear that service delivery in the sector was deficient and that better delivery could only be achieved through private investment in the sector. Among other things, the programme sought to know whether people would be willing to pay more for improved services, a factor that would help set tariffs for the different levels of consumers.

It was important to get the support of the ordinary citizens; to get them to understand why privatisation was necessary. Privatization is a sensitive concept and should be treated as such.

However, we must also recognise the fact that for the poor, it does not matter who provides the service. The most important factors are affordability and accessibility.

In the proposed new arrangement for supply of water and sanitation services, Government would provide a regulatory role as well as finance low income projects, especially those connected to water and sanitation. In the restructuring process, Government then received assistance from OECF of Japan, the World Bank and the Department for International Development (DFID).

While privatising, it is prudent for governments to adopt models that will safeguard local interests. For example, they could decide to do this through management or service contracts, leasing or concession or through BOOT arrangements. The government may also specify the number of systems and the areas they cover in its program private sector participation. They should carefully consider the merits and demerits of the available options and pick that which best suits their situations and safeguards their interest. This is as long as they are attractive to investors and makes financial sense to all parties.

It is important that whatever model is adopted, it should be modified to suit local environments. There is no one single model that can be said to be the best. However, each country should take relevant specifics from the different models and infuse into their own.

Three main types of contracts may be highlighted: lease, concession and BOOT (Build Own Operate Transfer). Leasing is where a government gives the utility to a private operator for an agreed period of time for an agreed fee. During that time, the maintenance and operational costs are taken up by the private operator while the utility (government) carries out the development of assets including infrastructure..

In concession arrangements, the utility is given to the private operator for an agreed number of years (between 25-30 years) to run the utility under agreed conditions. The investor makes all the investment decisions he/she deems necessary for profitability of the enterprise and in meeting the performance criteria agreed with the government.

BOOT on the other hand is where a private entrepreneur comes in for an agreed period of time between 20-30 years to build a new production facility and within that time expects to recoup his investment costs. He builds, owns and operates the utility and makes all the decisions pertaining to the profitability of the service. The drive is the guarantee to get back what has been invested. BOOT is a more expensive alternative but is a viable option where the government cannot raise its own financing for the project. Political and economic stability are key factors to this arrangement. In the case of Ghana, a combination of a lease arrangement for one business package and the inclusion of a BOOT project on the other, has been adopted.

Reported by Mariam Ayoti  
P. O. Box 13450  
Nairobi  
Tel: 751 221  
Email: ayotim@africaonline.co.ke