

Louis Michel
European Commissioner for Development and Humanitarian Aid
European Commission
Rue de la Loi 200
B-1049 Brussels
Belgium

18 December 2006

Dear Commissioner,

We are writing to you following the publication of the enclosed report, which analyses the work of the Public-Private Infrastructure Advisory Facility – PPIAF.¹ Collectively, we represent both civil society and trade unions from: donor countries to PPIAF, PPIAF recipient countries, and other countries with a wider interest in these issues.

We are aware that the Commission, via the European Development Fund, has recently become a donor to PPIAF, contributing €500,000 in 2005 and a further €500,000 in 2006. We understand that the Commission has been present, as an observer, at several recent PPIAF meetings. Based on the evidence contained in this report, **we ask you to confirm that the Commission will not make any further financial contributions to PPIAF, nor will it attend future PPIAF meetings.**

PPIAF is a little-known organisation and its activities have received minimal scrutiny since its creation in 1999. Notwithstanding this low profile, the report details how PPIAF has funded water privatisation processes in at least 37, mostly poor, countries from Afghanistan to Zambia. While PPIAF's annual budget is relatively small, its political influence is strong.

In particular, PPIAF has funded water privatisation technical advice in at least 19 countries around the world. In at least 16 countries, it has funded work to 'build consensus' around the so-called benefits of water privatisation. While 'consensus building' might sound relatively innocuous, this has included work to persuade populations, employees, journalists and government officials that water privatisation is the right way forward. It involves interfering in, and skewing, legitimate domestic debates on the provision of essential public services and it is hard to justify that this is an effective use of EU aid money.

Since PPIAF was created, the evidence of the failure of water privatisation to deliver clean, affordable water to the poorest communities has grown. Since World Water Day in 2005 when a group of civil society organisations wrote to you about these issues, the water privatisation scheme in Dar es Salaam has collapsed; Bechtel has been forced to settle its legal case against the Bolivian government following the 'water wars' in Cochabamba for a symbolic \$1; Suez has left Argentina; while in Delhi, the water privatisation scheme is on hold following controversy around the selection of the consultants to advise on the process.

Despite these failings, PPIAF maintains its wholehearted belief in the ability of the private sector to deliver the investment and management efficiency required to make a contribution towards tackling the global water crisis. PPIAF is a central institution in the continuing push to privatise water supply and sanitation in developing countries by donors.

Furthermore, PPIAF operates in a way which restricts poor countries' choice to decide their own development path. PPIAF has funded water privatisation in at least 17 countries where water privatisation conditions have been attached to loans, debt relief or aid, by international financial institutions like the World Bank and the International Monetary Fund.

By collaborating with conditionality in this way, PPIAF undermines a country's right to decide how to run its public services. Also, as PPIAF, by definition, only funds privatisation processes (as opposed to public-orientated reforms), it will carry out 'options studies' to only assess the type of privatisation to be implemented, not the principle of privatisation per se.

As the report details, there are many criticisms that can be levelled against the organisation PPIAF and the way that it operates. However, the report's strongest criticisms are reserved for the donors who give their political and financial support to PPIAF.

The report contrasts donor support for PPIAF and public-private partnerships with the absence of any international donor-supported mechanism to exclusively support public sector reform and public-public partnerships (PUPs) in the water sector. PUPs are one way in which expertise, good practice and success within public utilities can be shared with other providers in order to build capacity within the sector and to make progress towards the MDGs. PUPs can be cost-effective as they operate on a not-for-profit basis and they can bring targeted expertise into the public sector from elsewhere in the public sector.

In particular, PUPs could particularly focus on disseminating expertise from within the global south where water distribution to extremely poor communities is being addressed on a daily basis. Among the key recommendations in the report is to set up a facility to exclusively support PUPs in the water and sanitation sector, eg, not-for-profit exchanges between different public utilities, and other stakeholders. We hope that the Commission will actively support such an initiative.

PPIAF is a relic of the 1990s when donors pinned their hopes on private water companies providing the finance necessary to solve the global water crisis. We are writing to other donors to PPIAF to ask that they withdraw all funding from PPIAF that is used for projects in the area of water and sanitation and that PPIAF's remit is changed to prevent future work in this area. Donors should also withdraw all funding from PPIAF that is used for so-called 'consensus building' projects.

It is our sincere hope that you will assess the findings of the report and reach the conclusion that the Commission should not make any further financial contributions to PPIAF, nor will it attend future PPIAF meetings.

We look forward to hearing from you.

11.11.11: the coalition of the Flemish North-South Movement - Belgium
ABVAKABO FNV - The Netherlands
Afrika-Europa Netwerk - The Netherlands
Banglapraxis - Bangladesh
Blue Planet Project / Council of Canadians - Canada
Campaign to Reform the World Bank – Italy
Corporate Accountability International – USA
Corporate Europe Observatory - The Netherlands
Ecologistas en Acción - Spain
EPSU – European Federation of Public Service Unions
FERN: the Forests and the European Union Resource Network – Belgium
FIVAS - Norway
Food and Water Watch - USA
Foundation for Grassroots Initiatives in Africa - Ghana
France Libertés Fondation Danielle Mitterrand - France
Friends of the Earth - Canada
Globalization Monitor - Hong Kong

Japan Center for a Sustainable Environment and Society - Japan
Latin America Solidarity Centre - Ireland
Les Amis de la Terre – France
Manthan Adhyayan Kendra - India
NOAH: Friends of the Earth - Denmark
Public Services International
PSI-Thai Affiliates Council - Thailand
REDES-Amigos de la Tierra - Uruguay
Tearfund – UK
Transnational Institute - The Netherlands
UK WILPF - UK
UNISON – UK
UNISON Scotland – Scotland
Water Movement - Norway
WIDE: Globalising Gender Equality and Social Justice - Belgium
World Development Movement - United Kingdom

Please reply care of World Development Movement, 66 Offley Road,
London SW9 OLS, UK

¹ The report can be accessed in English at:

<http://www.wdm.org.uk/resources/briefings/aid/downthedrainreport26112006.pdf>

or French:

<http://www.wdm.org.uk/resources/briefings/aid/downthedrainreportFR26112006.pdf>