

## Recife Refuses World Bank Proposal Gets Loan Without Privatisation

The Brazilian state of Pernambuco is engaged in an ambitious project of urban renewal which targets 150,000 people at the poorest sections in the capital city Recife (pop. 1.5 million) and the neighbouring city of Olinda. A major part of this project concerns the water and sanitation infrastructure, which is sorely deficient, especially in service to the poor.

The financing of this US\$ 84,000,000 project depends on a World Bank loan to the state of Pernambuco for about 55% of the amount – the remainder to come from the state and cities' coffers.

During negotiations, the World Bank proposed that Recife and Olinda water and sanitation operations be privatised within the project perimeter, by means of long-term concessions. This was the Bank's solution to the undeniable inefficiencies of the state-level public utility Compesa, which is responsible for Recife and Olinda's water and sanitation operations. The mayor of Recife disagreed with this clause, because the government of Recife had an alternative plan for improving Compesa's operations in the city. Recife's water and sanitation secretariat would develop a much more effective regulatory mechanism, based on direct involvement of the citizens affected. Such popular participation would force Compesa to improve in ways that met the people's needs.

As negotiations dragged on, the Bank insisted to propose privatisation, but due to Recife's refusal, the Bank this time required a five year outsourcing operations and maintenance contract, eventually accepted. At the final contract meeting in Bank headquarters in Washington, the representative of the national government of Brazil under president Cardoso, previously informed by the Recife representative, refused the Bank's attempt to impose privatisation as part of a loan negotiation. Although not opposed to privatisation, the Cardoso government indicated that this would be a municipal and state decision, not a Bank-imposed condition. The Bank staff insisted that this clause remain, and negotiations almost ended.

Most countries would have caved under such pressure, but the political support of Recife's mayor for an alternative vision of public water and sanitation services and the firm position of the national Brazilian government caused the Bank to change their position. A loan contract was signed on 26 July 2003. All mention of concessions, outsourcing or private operators have been removed.

(Source: Recife City Hall. For further information contact Antonio Miranda, secretary of water and sanitation, at [antoniomiranda@recife.pe.gov.br](mailto:antoniomiranda@recife.pe.gov.br) )