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## Demand Responsive Approach (DRA): A Neoliberal Approach for Rural Water Delivery and Management in Ghana

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### **Abstract:**

*Demand Responsive Approach (DRA), adopted as a national policy for rural water supply delivery in Ghana is an attempt, within a decentralized programme to improve the efficiency of service delivery. The World Bank, through its assistance to the water sector in Ghana based its argument on division of responsibilities in the water sector where public institutions are deemed more appropriate for managing water in a larger geographical area (urban setting) while the small geographical area (rural and small/towns) facilities are to be managed by the community. The effects neoliberal policies of the major International Financial Institutions (IFIs), particularly the World Bank and the International Monetary Fund (IMF), on social and political conditions in Africa have been the subject of extensive debates. Though these policies have restored some level of sanity at the macroeconomic level, it has come at a high social cost due to the fact that most vulnerable groups have been adversely affected both directly and indirectly by measures such as the withdrawal of subsidies on social services such as water, retrenchment of labour, and the general increases in prices of goods or services. A common feature in Ghana is turning water, which hitherto was accessed free or at highly subsidized rates, into a marketable commodity where cost recovery principles are applied. This paper provides insight into DRA as a neoliberal approach for rural water management in Ghana.*

**Key words:** :DRA, Water, Neoliberal Policies, Rural Ghana

### **1. Introduction**

Many developing countries continue to suffer from unsatisfactory and often dysfunctional governance systems including rent seeking and malfeasance, inappropriate allocation of resources, inefficient revenue systems and a weak delivery of vital public services. This has led to unwelcome outcomes for access to public services by the poor and other disadvantaged members of the society such as women, children and minorities (Leautier, 2005).

The 1980's often referred to as the "lost decade" for Africa was a time of crisis due to rise in oil prices and a fall in primary products such as cocoa for Ghana. The situation has had a devastating toll on African economies as a result of their overdependence on a limited number of primary products. Compounding the already dire situation were other factors such as the burden of growing external debt, rapid population increases, continuous drought accompanied by desertification, and devastating internal conflicts. According to Weissman (1990), Ghana realized a fall in exports to about 52% and Gross Domestic Product (GDP) which was at its lowest in the early 1980s. In addition to the decline in Ghana's economy were the major drought between 1983 to 1985 and the repatriation of millions of Ghanaians from Nigeria (Weissman, 1990). As a result, the provision of social services such as free education, health, water and sanitation by the state began to suffer. As Swartz(1996), puts it, the overextended state control of almost all sectors of economy proved inadequate and inappropriate.

Against this background, it was difficult to find countries and institutions that were willing to finance these developing countries including Ghana. This was because as African Forum and Network on Debt and Development (AFRODAD) (2007)noted most of the countries that had been assisting were also in recession due to the oil crisis. In addition the cold war was taking up a lot of resources and the financing from the Eurocurrency market which had become common in the early 1970s was becoming difficult because of deterioration in terms of trade. The concerned governments (from Africa) therefore looked to the Bretton Wood Institutions (the IMF and World Bank) to finance their economies. In response, the Bretton Woods Institutions came up with loan packages and some recommended reform called the Structural Adjustment Program (SAP). According to a World Bank Study (1988), "Structural adjustment is a process whereby a national economy is opened by means of the depreciation of the real exchange rate through a combination of demand and supply side policies". Ibhawoh (1999) adds that adjustment, in the view of the Bank, aims at setting the economy of a country back on a path of sustainable growth when it is faced with a macro-economic

crisis characterized by unsustainable internal and external balances. According to Greenberg (1997) the neoliberal policies pursued under SAP were aimed at a wise and judicious financial management of borrowing countries to curtail the ill effect of subsidies and financial support on the economy of these countries.

These reforms sought to reduce the role of the State in production as well as service delivery and encourage the deregulation of public enterprises. To obtain financial assistance, African countries were required to carry out macro-economic and sectoral reforms such as reducing spending on public services such as education and health through cost recovery measures, among others. The emphasis was on maintaining macroeconomic stability, lowering inflation, cutting deficit spending, and reducing the scope and cost of government. Agyeman (2007) and Bakker (2007) have argued that the aim is to reduce public sector involvement in the delivery and management of essential public services like water. The effects of SAP and other neoliberal policies of the major International Financial Institutions (IFIs), particularly the World Bank and the International Monetary Fund (IMF), on social and political conditions in Africa have been the subject of extensive debates. While some have lauded them others have criticized them for rather further impoverishing the very countries they sought to help. Owusu (2005) is of the view that, even though SAP has restored some level of sanity at the macroeconomic level, it has come at a high social cost due to the fact that most vulnerable groups have been adversely affected both directly and indirectly by measures such as the withdrawal of subsidies on social services, retrenchment of labour, and the general increases in prices of goods or services.

At a conference in Khartoum on the *Human Dimensions of Africa's Economic Recovery and Development*, the UN ECA (1988) stated that "the overall assessment of the structural adjustment programs has led to the conclusion that, although these programs aimed at restoring growth generally through the achievement of fiscal and external balances, and the free play of market forces, these objectives cannot be achieved without addressing the fundamental structural bottlenecks of African economies". The frustrations and failures in SAP led to the UN ECA to call for increased participation of community groups and individuals in the design, implementation and evaluation of development projects. The participation of people in the whole process was a central issue.

A common feature under both SAP and recently Highly Indebted Poor Country (HIPC) is turning water, which hitherto was accessed free or at highly subsidized rates, into a marketable commodity where cost recovery principles are applied. Indeed, under neoliberal reforms, water has been given a "price tag" termed "water commodification". Castree (2003) defines commodification as a process where qualitatively distinct things are rendered equivalent and saleable through the medium of money". Gleick *et al.* (2002) also state that it "is the process of converting a good or service formerly subject to many non market social rules into one that is primarily subject to market rules". In Ghana, Eguavoen (2007) indicates that even though water was treated as a commodity before the implementation of SAP, it applied to the urban areas where incomes were stable compared to rural areas. In the rural areas, huge subsidies were placed on water while some people did not pay for it at all because they viewed water as nature's gift. Even for urban dwellers, the price paid for water was so low that people do not regard it.

## 2. Literature Review

Following the 1992 Dublin meeting, the United Nations Conference on Environment and Development in Rio concluded that economics must play a role in the efficient management of water and allied services. In support were the Water Supply and Sanitation Collaborative Council's Global Water forums and the World Water Council's World Water forums and the United Nation's (UN) Earth Summits which led to a shift in water provision and management. Ahlers and Zwarteveen (2009) observed two principles in water management. The first is water commodification and the second is community management, which is promoted and practiced in Ghana as a national policy in rural communities. Gbedema (2009) defines community management as the engagement of water users or communities in formulation, provision, management and use of domestic water facilities. The World Bank, through its assistance to the water sector in Ghana based its argument on division of responsibilities in the water sector where public institutions are deemed more appropriate for managing water in a larger geographical area (urban setting) while the small geographical area (rural and small/towns) facilities are to be managed by the community. The new Community Management (CM) concept is said to be demand-oriented, demand driven or demand responsive (Fuest, 2006).

Mulenga (2002) concludes that the DRA methodology appears to have been developed only in the rural areas and largely for the water sector ignoring sanitation. The question often raised is why the World Bank deems it appropriate that rural areas should apply the DRA approach. According to Hoering and Schneider (2004), the DRA has its roots in privatization, which are embedded in the Dublin conference water as an economic good and the principle of cost recovery and the reduction of government spending for the sake of budget consolidation should be enforced. The idea is that taxes pay for social services such as education, health, water and sanitation and people who do not contribute to its funding should not be provided for. Taxation is an essential source of revenue generation by the state. Direct taxes are generally generated from the salaries of formal sector workers who are mainly in the urban centers. Agriculture is the leading economic activity as expected in rural Ghana. According to the GSS (2008) 75% of rural inhabitants work mainly in agriculture. Moreover, a greater proportion of urban workers (33.8%) are engaged in wage employment, while the corresponding proportion in rural areas (7.3%) is much lower. The majority of the informal sector are in the rural areas and therefore do not yield enough revenue to qualify for some government expenditure, water and sanitation inclusive. The essence therefore of DRA is to make the rural areas pay for their own services since they do not contribute significantly towards government revenue.

Hoering and Schneider (2004), is also of the opinion that, the main difference between the urban policy of Private Public Partnership and rural policy of DRA is, that government responsibility is not being replaced by a private operator or investor as is the case in urban centers but by the rural community or water user groups. They have expressed fears that due to non-affordability or non-payment by users there is no sustainability. Also marginalized groups or women are often excluded from decisions as well as from improvements. This is because instead of "need", the "demand" of consumers who can afford to pay for their supply

becomes the criteria for the development of the supply system, very much like the profit motif of the private investor or operator in privatization schemes. They conclude that the World Bank is only promoting a market driven commercialization that cannot guarantee the right to water or other basic services for everybody. They also of the view that DRA-based water projects are relatively better-off in communities or regions which are succeeding and may very well become attractive for private investors later on, thus paving the way for privatization.

The DRA was developed after the failure of many different approaches, such as the supply-led approaches to increase sustainable water and sanitation coverage (Wright, 1997). Supply-led approaches also referred to as top down approach according to Korten(1980) and Burkey(1993) failed because it is usually based on poor assumptions of social and environmental behavior often proven to be incorrect as locality and social formations differ. The outcome therefore was that communities did not associate with the facilities implemented and therefore felt no sense of ownership of them affecting their sustainability negatively. However, Gbedemah (2009) argues that Community Management is a means of removing government and donor responsibility for water provision and management because the managers of the community water devise their own strategy of collecting fees from water users (a form of water commodification) for daily operation and management of the system which, potentially drives the poor away from enjoying the facility. This is because demand-driven or community management model holds that much of the human resource costs of managing rural water projects should be transferred to village water committees. The Water Demand Research Team of the WB concluded in 1993 that the level of service and the level of cost recovery for rural water and sanitation can be adjusted to community characterization and ability to pay so that the long term sustainability of the system can be achieved.

Deverill *et al*(2002) elaborated the following five principles of DRA;

- Requirement of an effective communication strategy which enables project staff to engage with communities, households and individuals;
- Establishing systems for individual and collective decision-making; identifying, developing and pricing options that are based on user priorities and perceptions of value, are socially acceptable, reflect supply costs, are environmentally, technically and financially feasible;
- Provision that vulnerable groups such as women and the poor are included;
- Enabling people to make an informed choice of whether they want to participate in a project, of service level options, how services are to be managed and how contributions are to be managed.

Churchill *et al*(1987), recount that in the 1980's it was widely recognized among sector professionals that many rural water and sanitation programs in developing countries were performing poorly regardless of the type of technology utilized. The reason according to Whittington *et al* (2008) was that the supply driven approach made beneficiary communities not have a sense of ownership in the water and sanitation projects and households were not satisfied with the projects that donors and national governments installed. Even though DRA has attracted a lot of definitions, most (Sara and Katz, 1998; Whittington *et al*, 2008) agree that the planning and implementation of the project should involve households in the choice of both technology and institutional and governance arrangements, give women a larger role in decision-making than has historically been the norm, and require households to pay all of the operation and maintenance costs of providing water services and at least some of the capital costs.

In essence, a DRA means that the service delivery should focus on an informed choice of what users want, are able to pay for (in terms of a proportion of the capital costs) and are able to sustain through user contributions in-kind or cash that cover operation and maintenance.

Huge investments have been made in the water sector during the last two decades by both the Government of Ghana (GoG) and "development" or "donor partners" through which many communities have been assisted with potable water facilities. According to Hon. Hackman Owusu-Agyemang (then minister for works and housing in 2005), the Ghana Government has spent over £300million pounds from internal resources like banks and NGOs and about £800 million from donor partners like the World Bank and International Monetary Fund (IMF) towards water and sanitation delivery in the country. The Danish International Development Agency (DANIDA) also offered financial support amounting to over £1.5 million pounds in grants for its water and sanitation projects in the Greater Accra, Eastern, Central and Volta Regions (Van-Ess, 2009) in 2006. Indeed, the number of rural people with access to potable water facilities in the country is on the increase from 36% in 1999 to about 55% to date. However, given the current level of donor assistance, and increasing water demand qualitatively and quantitatively, Hon. Owusu-Agyemang recommends that current water policies in the country in terms of 'cost sharing' and community water management and use need more attention than at any other point in time in the history of Ghana.

A disturbing element of water provision in rural areas of Ghana is with regard to 'cost sharing; otherwise labeled 'community participation and management'. The system requires that beneficiary communities pay 5% of the initial capital cost of the facilities and bear all other operational, maintenance and repair costs of the facilities (Karikari, 1996; Schouten and Moriarty, 2003). This 5% payment of cost of the water facility may deter many rural communities who struggle to make ends meet to fund water supply. According to Eguavoen and Youkhana (2008), should a community decide to levy its people for the use of the service to generate income for maintenance and repair, the poor often revert to contaminated water sources like rivers and streams. The problem therefore is that, the poor are not willing (cannot afford) to pay for water, but official policy is for communities to pay the initial cost of water facilities and manage them after they have been constructed. This will defeat the officially stated water of increasing service coverage to achieve the Millennium Development Goals(MDGs) of halving the proportion of people without access to hygienic sources of water.

### 3. Conclusion

The 21<sup>st</sup> century is likely to be mostly focused on issues concerning safe and adequate drinking water and sanitation (Lahiri – Dutt, 2008 & Page, 2003), which can be seen in the increased spending and conferences on water and sanitation, however, some authors (Sun *et al.*, 2002; Bour, 2004; Lane, 2004) are of the view that the dynamics and determinants following the reforms are only partly understood, resulting in the unsustainable management of most water facilities.

DRA has undoubtedly brought many benefits, and studies (Bakalian and Wakeman, 2009) indicate that this approach has indeed improved the performance of water supply systems in some cases. However according to Davis and Iyer (2002), many communities keep on struggling with sustaining their water supplies, with some succeeding and others failing, giving rise to the notion of 'islands of success' and the majority failing.

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