

Ethical Trade Currents

**TRADE WITHOUT
TRAGEDY**

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Focus on Water

www.pedec.org.uk

Welcome

Trade Talk



G'day and welcome to the new format 8th issue of Ethical Trade Currents, the global links business newsletter. This issue, we focus on Water Issues and Development and highlight good and bad practices in this watery field.

Of all the world's many problems and issues, Water has got to be one of the biggest! It is a scarce resource and literally billions of people are missing out on access to it. There is a 2.4 billion person toilet market out there waiting for someone to take the plunge and service. There is also a 1.1 billion person fresh water market, as yet untapped in 2006...

Andy Parnell

Editor

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Contents

| | |
|--|-------------|
| The Costs of Water & War | p.3 |
| Water Aid is Saving Lives! | p.4 |
| To Dam or Not to Dam? | p.6 |
| Welsh Business Aiding Reconstruction Abroad | p.8 |
| The Biosands Filter: Saving People | p.9 |
| Useful Links and Further Information | p.11 |

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www.dfid.gov.uk

The Costs of Water and War

A Brief World Overview

By Andy Parnell
Business Links Coordinator

For many business persons in Wales, water is taken for granted. It is something that appears on your bill each quarter and is seen as an 'overhead' expense for your company. For most consumers in the mass consumptive societies we live in, water connected to your tap or your toilet or shower is taken as a given. Yet for the vast majority of human civilisations on our planet, water from a tap is, quite frankly, a 'pipe dream'.

We live in a 'water world' and according to UNESCO there is around 1.4 billion km³ of water on and in the planet we inhabit. Of this, 97.5% is salt water and therefore, undrinkable. That leaves 2.5% of 'fresh water' yet, about two thirds of this is locked up in ice caps and permanent snow cover. Another 16 million Km³ of this water is too deep to reach or inaccessible to get at which, leaves us with less than 90,000 Km³ stored in lakes and rivers (0.26% of total water on

the planet). A realistic figure of the actual available amount of water available on the planet is around 12,500 Km³ so that when it boils down to it, fresh water is a scarce resource. Most countries do have theoretical access to 1,700 cubic metres per head per year needed for adequate and fair use. However, just like many other aspects of international development, it is not the availability of this scarce resource that is at issue here but the distribution and accessibility of it to large parts of the world's population.

There are estimated to be 1.1 billion people without access to fresh drinking water at their place of residence. For these people, it can be a very long walk to get water as you shall see in the Water Aid article later in the publication. In addition, there are estimated to be another 2.4 billion people without access to sanitation (with the very basic being a hole in the ground). Many if not most of the diseases in the world are water related

diseases, everything from Diarrhoea, to Cholera to Bilharzia to Malaria to name but a few common diseases that relate directly to water issues. 6, 000 people per day, mostly children under 5, die from water borne diseases. With correct hygiene or access to fresh drinking water and sanitation facilities, many of the world's diseases would not be the big killers that they are today.

The cost of fixing this problem would cost a similar price tag that the USA has spent going to war with Iraq for example. The current cost of the War with Iraq just to the USA has been according to the National Priorities project (as at 15th Feb 2006 - 2pm) \$241,132,932,460. This figure is based upon Congressional Appropriations and Department of Defense DFAS monthly reports and was compiled by the >> 4



CRS (Congressional Research Service). Now if we were to give everyone of those 1.1 billion and 2.4 billion people access to fresh drinking water and sanitation, to a standard we see in the 'West' it would likely cost us US\$3000 billion. Yet the true cost is likely to be at least ten times less since we are not looking at full plumbing out to rural areas and the like in developing countries. In fact, I estimate that 9,219,381,857 (at £15 per person) people could be given access to fresh drinking water and clean sanitation in the developing world for the same cost as waging war in Iraq by the USA alone! Considering that we've only 6.2 billion people on this humble planet of ours, reality really does start to bite hard...

In other words, had the 'West' allowed the tyrant of Saddam Hussien to continue to terrorise his people and remain a thorn in the 'West's' side, we could have installed enough water taps, wells and toilets for billions of people in the developing world and still had change to spare! Think on that the next time you turn your tap on or flush a toilet near you...

Water Aid is Saving Lives!

A look into their operations and practices



'Lack of clean water and sanitation is the biggest, single killer of children in the developing world'
WaterAid February 2005

By Jemima Roberts

Turn on the tap, run a bath, take a shower...water, water everywhere... Not so according to WaterAid, one of the UK's leading NGOs working to provide safe, clean water and sanitation to millions of people worldwide. This year sees the charity marking its 25th anniversary so I went to meet them at their offices in London to find out about their work.

Twenty five years ago, in line with the gradual global awakening to the problem of access to clean water, the UK water industry (pre-privatisation) together with the Trade Unions and the Ministry of Environment decided something needed to be done. Thus the charity WaterAid, initially with just one member of staff, was founded. That first year £25,000 was raised, this year, with a considerably larger workforce, it is looking to raise about £25 million. The organisation has grown immensely.

WaterAid currently works actively in 17 developing countries. In the early days small amounts of money were channelled into Zambia and Sri Lanka – the first countries the charity worked in. Back then its work focussed on facilitating water engineers from water companies in the UK to harness their expertise by spending a few weeks of their holidays working on projects on the ground in these countries. Today, the focus is more about empowering local people to help themselves so most

of the money goes into funding local NGOs as well as working with local groups and providing help through training, advice and showing them alternatives. WaterAid then provides the funding to enable them to get projects off the ground.

The whole ethos of the charity centres round building and supporting projects that are sustainable. This means that despite WaterAid providing help, support and finance, most of the labour is done by local people so that they in turn have a sense of ownership as well as being able to take on board the running of the project. The idea is that all projects are built in such a way as to generate some form of income thereby enabling the financing of their replacement when they reach their natural end. Materials are also generally sourced locally – high tech equipment/technology is not the order of the day here as with little technical expertise on the ground it could not be easily maintained or repaired. The emphasis is on simple solutions: hand pumps rather than automated pumps and in some places it can even be as basic as a covered bucket and rope system. It all depends on what people can save up and afford.

According to WaterAid, a child dies

every 15 seconds as a result of a lack of clean water and sanitation. Furthermore, a lack of clean water and sanitation presents a major stumbling block in terms of education and health. So much time spent traipsing 10-20km every day to get water leaves little time left for going to school not to mention days missed due to diarrhoea or stomach upset. Ironically it is the very invisibility of water that places it on the bottom rung of government's, both national and international, development ladder. Education and health may be prioritized yet by WaterAid's figures, clean water and sanitation would cut the death rate in many countries by 65%. One of the main challenges obstructing the prioritizing of water is governments' failure to realise their responsibilities and not being held to account.

Despite such a bleak picture, WaterAid remains convinced that the problems are not insurmountable. Sudan, I was told, has more rainfall than East Anglia yet people in East Anglia don't go without water. People in Sudan do: with no infrastructure in place, no system for collection and storing of water, people simply can't access it. Yet according to WaterAid, a lasting difference can be made very, very cheaply – just £15 per person to

deliver sanitation and clean water.

As well as the obvious financial channels in terms of donations, there are plenty of opportunities for businesses to engage with WaterAid's work. Alongside the secondment opportunities still taken up by UK water company employees, these opportunities aren't limited to water engineers. The charity is keen to encourage a diverse range of people with particular skills who can volunteer their expertise on the ground. At present, for example, someone with IT skills is working in Nigeria for a year to help local partners build up the IT systems there. Similarly people with communications experience could help in countries where communications systems are very basic and need improving, which is the case in many of the countries where WaterAid works.

For busy people with busy lives a year may be an unrealistic time frame. WaterAid says that three days a month is more realistic and in some cases, if you had a whole team of people you could, in theory, build and latrine or a basic water point - including constructing everything on site – in about two weeks!

WaterAid also offers a 'twinning' system whereby companies can choose to 'twin' with particular countries. This essentially means that a company could choose, for example, to 'twin' with Ethiopia. They would then be sent information about the work being done there and then they could have part ownership of what's being done in Ethiopia rather than feeling they are merely adding money to the WaterAid 'pot'. Furthermore, donations beyond a specific amount can also be designated to a specific project.

UK companies (though not limited to the UK), who trade with companies in developing countries are encouraged to use their trading leverage to good effect by checking the company's ethical credentials before entering into business with them. Any companies with dubious records could then be equally encouraged to reconsider their practices in the face of the possible loss of business.

There are opportunities to make a difference and the problems may not be insurmountable but many challenges still lie ahead. WaterAid for one is upping the ante in terms of its own personal goals: to deliver clean water and sanitation to 1 million people every year to be >>10

To Dam or Not to Dam?

The Source of the Nile

By Andy Parnell

Uganda is a fairly poor country compared to many other parts of the world and yet in its efforts to develop as a nation it has had many infrastructure constraints placed upon it. The country does not have the technical knowledge necessary to build such feats of engineering as major roads and rail. These are being built with funds supplied by the European Union. In addition,

power shortages are a daily fact of life. Local businesses have had to live with this constant disruption of energy supply, although various areas are given advanced warning as to which day their power shutdown will be for that area. This allows businesses reliant upon power to plan ahead. However, can you imagine if once per week, for at least half a day, your workplace had to go without power? Well, that is the reality of Ugandan businesses and workplaces.

Of course, since Uganda is mostly an agrarian society, for the vast majority, these power cuts do not affect their daily lives. For most Ugandans, light sources range from Kerosene lamps, to candles, to biomass fires to torches run on batteries. The deal is, when the sun goes down, its time for bed. This is true even in most parts of Kampala where after dark, light sources are few and far between.

Less than 5% of all Ugandan's have access to electricity. Less than 7% of the population could actually afford unsubsidised electricity. According to the NRM (National Resistance Movement who hold power at present), there is an average daily deficit of between 20 Mw to 30 Mw (during the day) and a range of between 120 to 130 Megawatts during the Peak periods as of February 2006.

Got a problem with power shortages?

Fly in the World Bank and AES Corporation....to the rescue!?

Back in 2000, plans were afoot to build 3 large dams on the Nile.

According to the National Resistance Movement spokespersons at The Monitor Newspaper on 1st February 2006:

“Our plan was to build three new dams: Bujagali-250 megawatts, Kalangala 450 megawatts and Karuma-150 megawatts. We had got investors for all the three: AES-Bujagali, Norpark-Karuma and the Egyptians for Kalangala.”

The most controversial project of these 3 was the Bujagali Dam at Bujagali Falls (South Eastern Uganda). According too the AES at that time (20/12/2001):

“The AES Corporation (NYSE: AES) announced that the Uganda government has granted AES Nile Power final approval to begin the construction of a \$550 million, 200-megawatt hydroelectric facility on the Nile River at a site 10 km north of Lake Victoria.

AES Nile Power will own, operate and construct the hydroelectric facility and related 100 km transmission line and two substations.





A local partner, Madhvani International, will take a minority interest in the business. After a four-year construction period, the power facility will supply electricity to the state-owned Uganda Electricity Board (UEB) and its successor once it is privatized.

The project has a 30-year power purchase agreement (PPA) with the UEB together with a Government of Uganda guarantee backing payment obligations due under the PPA. Total financing requirement for the project is \$ 550 million with 80% of the financing for the

project coming from the World Bank, the International Finance Corporation, African Development Bank, Westdeutsche Landesbank Girozentrale (WestLB), and Australia and New Zealand Banking Group Limited (ANZ).

Export credit guarantees are to be provided by GIEK of Norway, EKN of Sweden, ERG of Switzerland and Finnvera of Finland.”

The actual project fell through amongst a scandalous exposure of corruption. Later on in 2003 The Guardian Newspaper broke the

scandal to the world’s press:

“The World Bank last year suspended its \$215 million funding dam project, citing corruption. Guardian said investigators from The United States, Norway, Sweden and Uganda’s Inspector General Government have information about alleged corruption. They reportedly have evidence that in 1998 Nordic Consortium, Norpak Power, hired a UK firm of consultants, which lobbied Ugandan MPs with promise of financial inducements to block the Bujagali dam project. Norpak were lobbying the government to build the rival dam on site Karuma.”

The scandal of corruption led to the World Bank pulling out of the deal and this led to AES Corporation to withdraw from the original contract when the finance was no longer forthcoming from the International Finance Corporation (private arm of the World Bank).

There were also major environmental objections and local people’s objections as well as tourist operators all strongly opposing plans to build Bujagali Hydro-electric Dam. Worse, there were major security concerns over the damming of the Nile by Kenya, Sudan and Egypt amongst

other countries whom depend upon the free flow of the Nile river for their main water source.

We can see from the above deficit estimate that there would be no need to build all of these dams in the first place for home consumption even along a 30-year growth span at current rates of electricity demand. Already a major revenue earner for Uganda is hydro-electricity exports to neighbouring countries and this points to the main motivator behind the Ugandan government’s desire for 3 major large dams in the region.

Into the breach, a new Dam contractor...

As of December 13th 2005, a new contract has been signed between the government of Uganda and Industrial Promotions Services (IPS) of Aga Khan. This new consortium probably has its headquarters in France with its registration in Switzerland. Aga Khan himself, is a very rich and powerful capitalist who has also been bestowed with honours from the Queen of Great Britain. The consortium of sub-companies conducts a lot of business in Asia and Africa and is involved in a whole range of development, finance, consultancy and construction projects.

>>10

Welsh Business Aiding Reconstruction Abroad

By Kirstin Edwards

Braithwaite Engineers Ltd manufactures steel water-storage tanks in Newport, Gwent. Its tanks are exported globally to the richest and poorest of countries, from Sudan to Canada. Most recently in Iraq, the Al-Faiha hospital in Basra has been the destination of Braithwaite's tanks as part of the reconstruction effort there.

Ethical Trade Currents spoke to David Beech, Operations Director at Braithwaite, to trace the history of the company's international dimension and discover what problems it faces in doing business with developing economies.

How did Braithwaite become involved in international development projects?

“We first became involved in international development projects through contacts in the British Empire. Our first export was to Nigeria in the early 1900s – a steel

water-storage tank supplied through the Crown Agents for the Colonies. Since then Braithwaite has specialised in the provision of steel water storage tanks globally.

Today our work in poorer countries is mostly a case of following demand created by international funding agencies such as the World Bank and DFID. We are too small to be a direct player in developing economies. Neither do we have the resources to become involved in such work through applying for DFID grants to promote development abroad.

Where we do operate abroad ourselves it is through a system of agents and distributors since this is the cheapest way for us to source new

business.”

What problems do you find in doing business in developing countries?

“The main problem is making sure we get paid.

We prefer to operate on a letter of credit basis in such countries: this guarantees we get paid if our trading partner fails to fulfil their obligations. It could be very difficult to enforce payment for a contract otherwise.

The political situation can also be unstable or dangerous. A very old example is that our whole Calcutta operation was lost when India claimed independence and nationalised its industries. Today we would not face the same problem because we now operate through agents abroad.



In Iraq, Braithwaite staff did not face any physical danger since we just provided the water-storage facilities for assembly on-site by others”.

Is tendering for World Bank and government projects a difficult process?

“We check the Internet for contracts out to tender on relevant projects. One problem is that very long lead times are often associated with these types of projects. Big projects can take three years or more to get off the ground; our work in Romania, which formed part of the Romanian government's pre-EU Accession infrastructure improvement programme, took eight or nine years to develop from identification of the project to receiving the first order.

How did Braithwaite become involved in the reconstruction work in Iraq?

“Winning contracts from the US government for reconstruction in Iraq has been difficult – there is a definite tendency to award contracts to US companies rather than to others. Orders for Iraq to date have been received via the Crown Agents who purchased the tanks on behalf of other parties.”

The Biosands Filter: Saving People

By Kirstin Edwards

The contamination of Gwynedd's water supply with the parasite cryptosporidium late last year, a problem not resolved until the end of January, brought home to Wales the dangers of an unsafe water supply.

Water is essential for every living creature. Yet while 70 percent of the earth's surface is covered by water, more than one in six of the global population (one billion people) lacks access to clean drinking water. The UN Millennium Development Goal is to reduce by half the number of people without access to safe drinking

water and suitable sanitation facilities by 2015. This goal is unlikely to be met by using community approaches to the cleaning of water because of the amount of time and resources necessary to implement such projects. Home-based water cleansing facilities have a greater chance of succeeding in reaching this goal.

Dave Cooke, based in Wrexham, supporting the global charity Samaritan's Purse, (<http://www.samaritanspurse.org/>) has been following in the footsteps of Canadian Dr David Manz, an expert in irrigation and environmental engineering, to try to extend the availability of clean drinking water to some of the poorest homes in the

world.

While teaching environmental engineering in South Africa during the 1980's, Dr Manz noticed that the efforts of locals to purify water supplies, requiring either the use of valuable

fuels or unfamiliar chemicals, were not appropriate. He developed using mainly concrete and sand (resources readily available to most developing countries) an inexpensive and effective filter and called it the BioSand filter. Nicaragua was the first place the filter was tested. After a few improvements it was installed in two communities there and wiped out cholera in the two localities.

The BioSand filter uses a modified slow sand filtration process - basically a large container filled with sand and gravel. As water passes through the various layers foreign particles and organisms are filtered out and the end product is relatively safe drinking water. A 'biolayer' of good bacteria



grows on the top layer of sand and eliminates almost all the pathogens. The sand absorbs viruses, iron and parasites such as Cryptosporidium.

The filter is ideal for communities with few resources since it runs on a demand basis and requires no electricity or chemicals. The technology is applied to both the commercial version, which Dr Manz's company Davnor sells, and the concrete version, which is manufactured and installed in developing countries. Dr Manz also created a charity, the Centre for Affordable Water and Sanitation Technology (<http://www.cawst.org/technology/>) for the distribution of the Biosand filter to developing countries with the help >>11



<< 5

achievable within 5 years. Put into the context of its achievements so far: clean water to approximately 10 million people and sanitation to 7 million people, it is no mean feat. But it isn't stopping at that: it also wants to be able to deliver to a further half a million people through a system of 'levered' support, i.e. not directly through WaterAid's finance but through partners they've empowered to also go out there and deliver it.

Water shouldn't be a privilege available to the privileged few. It's a basic human right, a basic necessity for life. Without it people simply cannot survive.

With thanks to Paul Hetherington, Media Relations Manager at WaterAid.

LINKS

Water Aid

www.wateraid.org

Oxfam's Water Webpage

www.oxfam.org.uk/what_we_do/emergencies/how_we_work/water_sanitation.htm

Action Aid on Tap

www.actionaid.org.uk/index.asp?page_id=1365

<< 7

Environmentalists, local community groups, local businesses, tourist operators and NGO's have been lining up to attempt to stop this project from going ahead in Uganda for a range of concerns and the displacement of thousands of poor farmers with wholly inadequate compensation given for their loss of land.

They are putting forward a range of renewable alternatives. Local activists working on this issue are pressing for a national energy plan that takes into account the needs of the poor and emphasizes true renewables like geothermal, solar, micro-hydro and biomass. The country has 400-500 MW of small-hydro potential, and up to 450MW of geothermal reserves. The two opposing ideas, between centralised energy and decentralised energy appears to be playing out in Uganda as it is across the world. There are many Welsh companies that are able to supply Uganda with solar, micro-hydro and biomass plants and if the Ugandan government chose this route instead, Welsh companies could start trading with Uganda to supply the expertise and equipment in helping Uganda to develop. The overall projected costs would likely cost a great deal less because the electricity could be used closest to the

point of use rather than having to be transmitted over half the country first with all the resultant transmission losses...

With the current political troubles in Uganda between the NRM government and the opposition parties, it is unlikely that this water conflict is likely to be resolved this year. It is also not clear whether or not the World Bank and other financial institutions are likely to re-enter the deal to finance the new Dam proposal and no doubt more details will be revealed in the fullness of time.

LINKS

The Ugandan 'Save Bujagali' campaign

<http://www.uganda.co.ug/bujagali/>

International River Network

<http://www.irn.org/programs/bujagali/>

Aga Khan's IPS and direct funding from the IFC World Bank

http://www.akdn.org/agency/akfed_indpromo.html

http://www.akdn.org/news/akfedips_171103.htm

AES Corporation

<http://www.aes.com/aes/index?page=news&reqid=239324>

<< 8

Braithwaite fell into the path of international development by historical accident and it has continued with the help of international institutions such as the World Bank and the EU.

Self-interest is one path for SMEs to follow in to international development. Alternative routes in to poverty alleviation world-wide include Fair Trade initiatives and projects such as those espoused by DFID grant schemes.

LINKS

Company website:

<http://www.braithwaite.co.uk/>

How to get involved in development projects with the international institutions:

<http://www.devbusiness.com/questions.asp>

Criticism of World Bank policies:

<http://www.globalpolicy.org/soecon/bwi-wto/bankind.htm>

Practical Action - Alternative approaches to development work:

<http://www.itdg.org/>

World Development Movement

www.wdm.org.uk/campaigns/aid/

of grants and charities such as Samaritan's Purse.

Dave Cooke works with other members of Samaritan's Purse, Wrexham, fundraising in Wales to finance the production (by the native labour force), training on and distribution of Biosands filters in Mozambique and Cambodia, where a total of almost 1800 filters were installed last year. Each filter costs about £40 to create and distribute.

Nearly twice the population of Wales (i.e. almost six million people – or 11 per minute) die each year from water-borne diseases. Many of these deaths could be prevented by global initiatives for the sustainable provision of clean water within the home. Under 2,000 homes in Cambodia and Mozambique received BioSands filters from Samaritan's Purse in 2005 – but nearly one billion people lack access to clean drinking water globally. Much more needs to be done to achieve the UN Millennium Development goal of halving the number of people without access to clean drinking water by 2015.

Much more needs to be done.

WHO statistics:

http://www.who.int/water_sanitation_health/publications/facts2004/en/index.html

Additional Links

Hilary Benn's Speech

"Water: meeting our promises"

<http://www.dfid.gov.uk/news/files/Speeches/water-meeting-promises.asp>

DFID's Response to World Development Movement - Water privatisation Campaign

<http://www.dfid.gov.uk/aboutdfid/world-development-movement-water.asp>

22 March - World Water Day 2006: Water and Culture

<http://www.unesco.org/water/wwd2006/index.shtml>

UNESCO's Water Portal

<http://www.unesco.org/water/index.shtml>

The World Water Assessment Programme

<http://www.unesco.org/water/wwap/wwdr/index.shtml>

The 4th World Water Forum Mexico 2006

<http://www.worldwaterforum4.org.mx/home/home.asp?lan=>

World Commission on Dams

<http://www.dams.org/>



“If we are to achieve the Millennium Development Goals in water, we need to bring clean water to an extra 150,000 people, every day, every year for the next 10 years. That is roughly the task of supplying water to a city the size of Birmingham every week, every month, every year for the next decade. Well, that’s what we have to do.”

**Hilary Benn MP
Secretary of State for International Development**

