

**Title:**

**Poverty and citizenship: sociological perspectives on water services and public-private participation**

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**Abstract**

This article focuses on the arguments used to support private sector participation (PSP) in the provision of water and sanitation services (WSS) since the 1980s. It addresses the following questions: what was the historical evidence informing the claim that promoting PSP would be the best instrument for reducing water poverty? What are the principles that provided the foundation for this claim? And, what has been the empirical record of the resulting WSS policies? It argues that early neoliberal WSS policies since the 1980s were not intended to expand services to the poor. A pro-poor rhetoric was added to these policies since the 1990s, probably as a result of increasing citizen unrest in developing countries and the failure of privatized WSS projects in the Americas and Europe. However, the claim that PSP can provide the solution to public sector failure in extending coverage of essential WSS to the poor has little ground both in the theoretical literature and in the historical record. As it could have been expected from the accumulated knowledge about the relationship between market-driven WSS and the poor, the recent experience with PSP projects has been disappointing. In practice these policies not only have failed to extend these essential services to the poor but have also contributed to deepening existing inequalities of power resulting in the weakening of state, local government, and civil society capacities to exercise democratic control over private water monopolies in most developing countries. Reversing this imbalance is one of the crucial challenges ahead in order to achieve the Millennium Development Goals. However, the article argues that the inertial forces set in motion by the neoliberal model of water policy based on market-centred governance of water and WSS remains the crucial obstacle for the achievement of the goals.

**Keywords:** Water and sanitation  
Private sector participation  
Water poverty  
Neoliberalism  
Latin America  
Europe

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## **Poverty and citizenship: sociological perspectives on water services and public-private participation**

### **Introduction**

Although extending the coverage of water and sanitation services (WSS) to the poor was not among the stated goals of the programmes promoting private sector participation (PSP) in this area of activity, since the mid 1990s mainstream water policies<sup>1</sup> increasingly adopted a pro-poor rhetoric. This paper explores the arguments and the empirical ground on which these policies have been predicated from a sociological perspective that focuses on the processes of governance and citizenship in relation to water. After two decades of relentless policy programmes oriented at fostering PSP in WSS, there is now an increasing –though partial and half hearted– recognition that the expected outcomes have not materialized. Moreover, the evidence suggests that these policies based on the commodification of water resources and WSS<sup>2</sup> may be intimately related to the increasing inequality that has been recorded in developing countries since the 1990s, particularly in Latin America, which is consistent with other analyses (cf. Stiglitz, 2002: 79). Moreover, although mainstream WSS policies were supposed to enhance democratic governance and citizenship in a sector of activity characterized by top-down and paternalistic practices, they have actually reinforced existing power asymmetries and further deepened the alienation of common citizens.

There are, though, some caveats that need to be spelled out before entering the discussion. In the first place, our critique of mainstream PSP policies does not

overlook the need to simultaneously criticize past and present public sector failures in the WSS sector. In fact, there is a close interdependence between public and private participation in WSS, although this is often obscured in current debates. Nevertheless, in this particular article we specifically examine the claim that public sector failure to extend coverage of essential WSS to the poor in developing countries will be solved by expanding PSP, an argument that has been put forward to justify mainstream WSS policies. Secondly, although our research has concentrated on cases involving multinational private water monopolies (MPWMs),<sup>3</sup> which are the main actors of the mainstream model, we do not reduce PSP in WSS to this particular form. Therefore, the ensuing discussion should not be taken as applicable to all possible forms of private, in the sense of not state-led, involvement.<sup>4</sup> Having said this, our analysis is justified because the policy of water commodification based on the expansion of MPWMs has been at the core of mainstream pro-poor aid, investment, and development programmes since the 1980s. Any balance of these policies and any analysis of future scenarios need to address this particular form of PSP owing to its far-reaching consequences for the democratic governance of water resources and WSS and for the achievement of WSS universalization as envisaged in the Millennium Development Goals (MDGs).<sup>5</sup> The paper argues that, although there is an increasing recognition, at least rhetorical, that neoliberal WSS policies have failed to achieve the expected results, the inertial forces set in motion since the 1980s will continue to shape institutional reforms and policy decisions that deepen rather than reduce WSS inequality and poverty<sup>6</sup>, especially in less developed countries.

The first section reviews the arguments put forward to back the claim that private sector expansion would help to extend the access of WSS to the poor. We make here a provisional evaluation of these claims, in the light of the historical and empirical evidence. Then, we examine in the second section the implications of the mainstream model for the democratic governance of WSS, exploring what we call the neoliberal utopia of establishing a market-centered model of governance. We summarize in this section some examples from ongoing research in Latin America and Europe. The third section briefly reviews recent developments and changes in mainstream policies, which derive from the belated and half-hearted recognition of what we consider an evident failure of the mainstream policies.

### **The private sector as champion of the poor**

Helping the poor or reducing poverty were not among the key targets of early privatization programmes in the 1980s. For instance, in Vickers and Yarrow's (1988) seminal economic analysis of the British privatization programme the concepts of poverty or the poor were notoriously absent. Even in the early 1990s, when privatization policies were rapidly expanding in developing and transition countries and their original objectives had come to encompass a much wider range of issues beyond the purely economic (Clarke, 1994: 3-5), helping the poor was still largely missing from the mainstream literature (see, for instance, Sánchez and Corona, 1993). However, over time not only the stated objectives of privatization evolved to incorporate a wider spectrum of economic, political and social issues, but the very

term “privatization” lost ground to other expressions such as “private sector participation” and, more recently, “public-private” or “tri-partite partnerships” (partnerships between the public sector, private providers, and “civil society”<sup>7</sup>).

On the one hand, this was likely a response to the widespread controversies arising from what World Bank analysts already in the late 1980s termed the difficult and contentious business of privatization, in reference to the unexpected delays in implementation and the social and political conflicts associated with these policies (Nellis and Kikeri, 1989: 670). More recently, leading private operators involved in the implementation of mainstream WSS policies have been seeking to take distance from “privatization” and have proposed to avoid the term altogether, as illustrated by the following public statement by Mr Gérard Mestrallet, President-Director of the French water company Suez:

we believe that the privatization of water infrastructures in developing countries is not necessary. [...] The use of the term privatization made by some authors in their models while referring to situations where the public sector remains the final owner of the infrastructure constitutes an abuse of the language” (Mestrallet, 2001; see also Labre, 2004).

These developments must be analysed in the light of the negative social and political processes associated with privatization programmes, including corruption scandals and growing citizen opposition. In the words of the former World Bank Chief Economist Joseph Stiglitz, “in contrast to what it was supposed to do, privatization has made matters so much worse that in many countries today privatization is jokingly referred to as ‘briberization’” (Stiglitz, 2002: 58). Stiglitz gave among other examples the mass privatization programme implemented in

Russia, which he argued had increased poverty and inequality to unprecedented extremes (id. 153-5). These negative processes associated with privatization were particularly salient in the WSS sector worldwide, with many PSP projects being cancelled or aborted in Asia, Europe, Latin America, and the United States among other.<sup>8</sup>

On the other hand, perhaps these changes in the mainstream discourse also reflected a belated attempt at broadening the scope of privatization policies. In the WSS sector, claims that PSP would help to expand service access to the poor and improve social equity in developing countries became frequent in the mainstream literature since the mid 1990s. For instance, a World Bank policy document stated that “private participation offers enormous potential to improve the efficiency of infrastructure services [and] extend their delivery to the poor” (World Bank, 1998: 1; see also: Savedoff and Spiller, 1999; IDB, 1998). Leading officers from the mainstream institutions went on to claim that for PSP to succeed in helping the poor water provision should be in the hands of unregulated private monopolies. For instance, the World Bank Private Sector Specialist Penelope Brook Cowen has argued in favour of “laissez faire”, “complete privatization of water assets” and “unregulated private monopoly” to solve the situation of the water poor in developing countries (Brook Cowen and Cowen, 1998: 22-28). Although Brook Cowen’s views cannot be taken as representing the bank’s, as shown later there is evidence that facilitating unregulated PSP projects became a widespread practice during the 1990s.

Nevertheless, our main concern here is not the reasons behind the introduction of “pro-poor” arguments in mainstream WSS policies, but rather we want to explore the historical and empirical grounding of such arguments. In other words, what was the historical evidence informing the claim that promoting PSP would be the best instrument for reducing water poverty? What are the principles that provided the foundation for this claim? And, what has been the empirical record of the resulting WSS policies?

#### Water business and the poor: an unlikely couple

There is an increasing consensus that mainstream WSS policies have not been derived from a coherent theoretical framework. Although the claim about the superiority of private over public sector ownership and management has often been presented as grounded on rigorous economic theory, economic theory itself “fails to provide any conclusive reason for favouring private over public enterprise” (Commander and Killick, 1988: 320). However, authors sympathetic to the mainstream PSP model have repeatedly claimed that privatization would “bring substantial gains” (Lee, 1999: 101), allow “breaking with the increasing inefficiency circle” (Beato, 1997: 12) or that it would simply be “the most efficient form of organization” for WSS (Roth, 1988: 7). Moreover, some authors have also argued that expanding PSP would also help fostering “economic development and democracy in developing countries” (Dinavo, 1995: 2). The lack of a coherent theoretical ground for these assertions has led mainstream thinkers to blend arguments taken from, among other, free-market liberalism, management theory,

neo-classical price theory, public choice, and property rights theory in order to assert the superiority of the private sector over the public (Nellis and Kikeri, 1989: 663). This in itself can be acceptable, but the lack of a rigorous and consistent theoretical framework to support these arguments should be made more explicit in the mainstream literature. However, there is an even more important question that mainstream authors fail to address: what is the historical evidence to support their arguments?

In historical perspective, the mainstream arguments are anchored in the principles of “privatism”, and particularly in the free-market Anglo-Saxon cultural tradition interwoven with the long-term development of the capitalist ethos, institutions, and doctrines. The privatist principles entail

an assumption that the private sector is inherently dynamic, productive, and dependable; a belief that private institutions are intrinsically superior to public institutions for the delivery of goods and services; and a confidence that market efficiency is the appropriate criterion of social performance in virtually all spheres of community activity (Barnekov *et. al.*, 1989: 1).

There is a broad agreement in the literature that until the mid-nineteenth century the development of water supply services in the industrialized countries was largely inspired by this privatist ideal, particularly in England, France, and the United States. The prevailing understanding at the time that water services were only for those who could afford to pay for them led to the proliferation of relatively small, unregulated private water monopolies, normally operating in the largest and richest urban centres where —with rare exceptions— they served mainly the wealthiest neighbourhoods and were reluctant to invest in extending the services to the poorer

sectors of the population (Goubert, 1986; Warner, 1987; Ward, 1997; Hassan, 1998; Ogle, 1999; Swyngedouw, 1999). This privatist approach to WSS was challenged since the late eighteenth century by a wide-ranging set of social and political forces, which particularly in Europe became amalgamated in the health and sanitation movement that campaigned for the universal expansion of hygiene and water. Their cause was helped by the threat of nineteenth-century epidemics, in particular cholera, which did not respect class boundaries in their ravages (Goubert, 1986: 103-9).

An example in case is London where eight unregulated private water monopolies controlled the water supply services by the 1840s. As the nineteenth century progressed it became clear that the privatist assumptions of private sector inherent and superior dynamism, efficiency, and productivity had failed to materialize. The private companies were not expanding coverage to the poorest neighbourhoods, keeping quality standards, nor providing environmental protection. After protracted political struggles, in the long run water services were municipalized throughout the country while the London water companies were amalgamated and placed under public control in 1902.<sup>9</sup> Also, the private sector in Britain was not attracted to such activities as river conservation or sewage collection and disposal, which were developed through public, mainly local, initiatives. The evidence shows that by the late nineteenth century it became accepted —across the political spectrum— that universal access to safe WSS was a binding moral duty for the community which could not be left to unregulated private providers nor be subject to free-market principles (Laski et. al., 1935; Mukhopadhyay, 1975; Luckin, 1986; Millward, 1991; Finer, 1997; Ward, 1997; Hassan, 1998; Castro *et. al.*, 2003).

In the United States, by the mid nineteenth-century the privatist model of water services was also marred by technical and economic inefficiencies, expensive tariffs, and inadequate service standards. These problems, together with the risk aversion shown by private undertakers who were unwilling to invest in the expansion and improvement of the systems, led to the increased involvement of the public, mainly municipal authorities. Thus, while in 1806 about 94 per cent of water works were private by 1896 53 per cent had already been taken over or directly built by the public sector. Regarding sewerage systems, like in Britain these were almost exclusively a public sector endeavour (Keating, quoted in Hukka and Katko, 2003; see also Schultz and McShane, 1978; Warner, 1987; Ogle, 1999: 344; NRC, 2002).

In France, private enterprise played a substantial role in developing an efficient water sector particularly since the creation around the mid nineteenth century of companies like Générale des Eaux, which became the first major French capitalist enterprise, and Lyonnaise des Eaux, among other. These companies succeeded in developing economically efficient water services for both domestic and industrial consumption. However, despite their achievements, by the late nineteenth century the bulk of water supply operations (serving about 75 per cent of local authority areas) were in the hands of municipal corporations, which on average provided water at about half the price of the private companies. Also, despite the efforts of the hygienists to make universalisation of WSS compulsory, until around the First World War the actual population connected to both public and private services was a small privileged and influential minority. Like in other cases,

wastewater collection and disposal in France was mostly a public sector initiative and responsibility (Goubert, 1986: 63-7; 101-5; 176-211).

In Latin America, since the 1840s the development of water supply systems was influenced by the models emanating from Europe and the United States, with varying combinations of public (mainly municipal) and private participation. The main forms of private involvement were the concession of the services or the granting of building contracts to foreign companies, mainly British, French, US, and Canadian. By the early twentieth century the situation resembled the pattern of industrialized countries, where water services only reached selected neighbourhoods in the most important cities and private undertakers were reluctant or unable to expand the networks and improve quality standards. In a way similar to the European and US experiences, there was an increasing expansion of public sector involvement in WSS through the take over of most private utilities or in the direct development and expansion of the systems. Also, alternative forms of private initiative such as co-operatives, mutual associations, and not-for-profit ventures became important actors in the development of WSS in the region.<sup>10</sup>

### Regulation and the expansion of public sector intervention

Since the late nineteenth century, the unsatisfactory unregulated private provision of goods and services derived from the laissez faire model, in the face of increasing public unrest, triggered the development of regulation of private activities. Liberal interpretations of this movement towards increasing regulation of economic and social life presented it as a sort of antiliberal conspiracy and an attack against

political democracy. However, the fact is that the social and political forces spearheading regulation in developed countries were wide ranging and included prominent liberals and convinced supporters of laissez faire (Polanyi, 1957: 144-150).

In Britain, formal regulation of public utilities developed in the form of contracts between municipalities and private providers which were granted rights for exploiting service monopolies such as gas and water in exchange for compliance with quality standards and price controls. However, the regulation of private monopolies proved to be inefficient, and eventually the solution adopted was the municipalization of the services (Foreman-Peck and Millward, 1994; Newbery, 1999). In the US, since the 1870s the role of the judiciary in developing regulatory principles and institutions to protect the “public interest” and correct for imperfect competition was paramount. In relation to WSS, the Supreme Court produced cornerstone rulings determining that companies delivering public services are legally in the public domain, performing a state function, and therefore subject to regulation (USSC, 1877), that the public must be protected from unreasonable rates of return reaped by private water companies (USSC, 1904; also USSC, 1912), and that the information about how private water operators run their business must be in the public domain to allow citizen control over their operations (USSC, 1909). These and other landmark rulings contributed in the long run to the establishment of a solid regulatory tradition in the US and have continued relevance for contemporary WSS policies in the light of recent attempts at promoting unregulated WSS.

This development towards stricter regulation of private water monopolies was intertwined with the growing intervention of national states in the development of basic infrastructure, including public utilities (water, electricity, telecommunications), and in the provision of collective consumption goods that characterized the first half of the twentieth century (Swyngedouw *et. al.*, 2002). In this context, the expansion of WSS became a matter of priority not only for reasons of hygiene or health but also for economic growth, attracting large-scale public subsidies. In some cases like Britain WSS became fully nationalized by the end of the Second World War, with the exception of a number of small private water supply operations (Goubert, 1986; Hassan, 1998).

The mainstream post-war intellectual environment, largely influenced by Keynesian economics and broadly framed by social-democratic ideals, further strengthened this privileged role of the state as the key actor of economic development (McGowan, 1994; Brett, 2000). In the water sector, the process took the form of an increased centralization of WSS in the hands of national states, with the creation of powerful public bureaucracies such as the Bureau of Reclamation and the Corps of Engineers in the United States or the Secretariat of Water Resources in Mexico (Lee, 1999: 44). These bureaucratic apparatuses became largely dominated by experts in engineering, environmental science, and related fields, and played a key role in the development of the modern WSS sector. However, while in developed countries this state-led model was successful in achieving the universalisation of WSS, in most developing countries public sector performance has been rather disappointing in reducing WSS poverty and inequality. The substantive question

here, going back to the main concerns of this article, is what are the grounds to suggest that the solution to WSS poverty and inequality could be achieved through the expansion of private monopolies? Where has it happened before? Is it happening?

### Lessons from historical evidence: summing up

It should not be surprising that mainstream WSS were not primarily targeted to reducing WSS inequality and poverty and that the inclusion of a “pro-poor” rhetoric was only a complementary element that was added to PSP programmes in the late 1990s. In fact, the historical evidence does not provide support for the claim that PSP could be the main driver for the universalization of WSS, which in developing countries basically implies extending coverage to large sections of the population that cannot afford to pay even the full cost of WSS, let alone the price of commercially provided WSS. On the contrary, the historical evidence shows that profit-oriented PSP, especially if unregulated, tends to produce highly exclusionary and elitist outcomes, which are unlikely to benefit the poor. The World Bank has recently acknowledged that no country has been able to universalise essential services without strong public sector involvement and that PSP has problems “especially in reaching poor people” (2003: 10-1), but this was already accepted knowledge even among free-market liberals at the end of the nineteenth century.

It is true that while in developed countries public intervention effectively led to the universalization of WSS in the second half of the twentieth century,

developing countries continue to lag well behind and inequality and poverty in the access to these services has been actually expanding in many cases. Why the argument that PSP would provide the solution to this problem has been so influential in shaping policy since the 1980s is still a controversial subject. Mainstream authors continue to offer a blend of free-market theory and an almost religious belief in the inherent superiority of the private sector over the public to defend their case. However, private sector actors seem to have a clearer answer than many theorists in relation to this problem: they acknowledge that their companies can only operate in conditions that ensure an adequate and sustained rate of return for their shareholders, and that this is seldom the case in developing countries, particularly in relation to serving the poor and very poor members of the population. As a recent analysis of the global water business put it: “can anyone imagine investing hard currency in water projects in countries like the Philippines, Argentina and Bolivia now?” (GWI, 2004). The answer could have been anticipated from the historical evidence: multinational private water monopolies and the world’s poor were an unlikely couple from the start.

We come back to this discussion later in the article but need now to approach the interrelation between mainstream WSS policies and the poor from another angle: these policies have profound implications for the democratic governance of water resources and WSS and for the exercise of substantive citizenship rights, especially by the most vulnerable sectors of society.

### **Governance, citizenship and the access to essential services**

There is a broad consensus about the need for effective water governance, based on active citizenship and participation, to achieve the universalization of essential WSS (ADB, 1995; UNDP, 1997; EC, 2002; GWP, 2003; Camdessus, 2003). However, this is a very fragile consensus because it has been built on the assumption that there is a shared understanding of the meaning and implications of “governance”, which in fact does not exist. According to the mainstream literature, governance systems are the result of the interaction between different management regimes: the classic forms of state authority (hierarchy), private management (market competition), and reciprocity (voluntary participation) (UNDP, 1997; Picciotto, 1997).

Figure 1

This understanding of governance is often idealistically portrayed as a balanced interaction between partners (Figure 1), a notion that underlies the concepts of “public-private partnerships” and “tri-partite partnerships” so often deployed in mainstream public policy. Unfortunately, this apparently shared understanding of governance obscures ongoing confrontations between rival theoretical bodies of knowledge and political and cultural traditions. For instance, “civil society”, one of the key partners according to mainstream authors, means radically different things for free-market liberals, communitarians, pluralists, or radical thinkers. While for free-market liberalism civil society is identical to the market, a space characterized in this intellectual tradition as the result of the free concurrence of self-interested

individuals, for pluralist and communitarian thinkers civil society is the realm of reciprocity and solidarity, a buffer space between the market and the state (Cohen and Arato, 1994). Likewise, while for the European social-democratic tradition access to basic services such as health or education is a “social right of citizenship”, this notion is absent in the free-market liberal tradition whereby citizenship is limited to the civil and political sphere and “consumer sovereignty” (Saunders, 1993) has preeminence over any notion of social rights (Marshall, 1992; Bulmer and Rees, 1996).

This is not just a matter of academic disquisition, as the contradictions between these intellectual and political frameworks are at the root of far reaching institutional and political transformations (King and Waldron, 1988; Fraser and Gordon, 1994; Leys, 2001), which we examine here in relation to WSS. For instance, free market liberals tend to consider state regulation of private activities to be an authoritarian practice that hinders rather than protects the rights of individual citizens (Zerbe Jr. and McCurdy, 2000). In this intellectual tradition, public regulation is deemed to be “inevitably inefficient” (Newbery, 1999: 386), markets are said to “find ways to mitigate their own failures” (Lee, 1999: 40), and consequently “unregulated private monopolies” are regarded as the best option for providing life-sustaining services to the poor (Brook Cowen and Cowen, 1998: 22-3).

The consideration of these conceptual cleavages is even more relevant when we address the case of developing countries, given that notions such as “governance”, “civil society”, and “citizenship” emerged from the specific historical experience of developed countries and their empirical reference is often absent in

other societies. For instance, going back to the notion of public-private and tripartite partnerships, in many developing and transition countries the expression is simply meaningless in practice. In many cases, this happens because the public sector is extremely weak and has a low capacity for regulation and law enforcement. Also, civil society is often a euphemism for a small elite that enjoys full access to the status of citizenship while the bulk of society cannot afford to participate meaningfully in the social and political life owing to protracted conditions of social inequality, poverty, and vulnerability (UN *et. al.*, 1998; McGranahan *et. al.*, 2001).

These are not merely abstract speculations, as we have in mind here the evidence emerging from a number of case studies which we briefly consider in the next section. Owing to the limited scope of this paper, we have chosen cases from Argentina, Mexico, and England and Wales. A brief reference is also made to Bolivia. Some of our reflections are also based on our research on Brazil, Finland, Greece, Kenya, and Tanzania.<sup>11</sup>

#### *Argentina.*

**Buenos Aires.**<sup>12</sup> In 1993, Aguas Argentinas (AA), a private consortium headed by the French company Suez (later Ondeo) was awarded a 30-year concession to provide WSS in Buenos Aires. Like most private concessions granted during the 1990s in Argentina, this one was created by a special presidential “Decree of Necessity and Urgency” avoiding political debate, public consultation or citizen participation. Moreover, the concession was granted in the absence of any antimonopoly legislation, specific regulatory bodies or consumer representation. Successive renegotiations of the original contract, openly aimed at favouring the

private company's interests over the public, were protected from scrutiny and even the belatedly created regulator ETOSS<sup>13</sup> was excluded from a crucial contract renegotiation carried out between 1997 and 1999.

AA was largely an unregulated monopoly between 1993 and 2001, when ETOSS was empowered to intervene more effectively. Meanwhile, the regulator and the users were dependent on the information released by the company, which left little room for independent assessment and monitoring. Moreover, the role of users' organizations was only defined after the concession was granted and it was mostly limited to the right of presenting formal complains. After a long struggle to get connected to the network, poor people from neglected neighbourhoods overcame the resistance of the private company and were engaged as providers of labour and materials for the expansion of the network (UN-HABITAT, 2003: 176).

There is little doubt that citizens and users were defenceless against the unchecked activities of AA. Thus, according to the regulator ETOSS, AA had a high level of non-compliance with the investments committed by contract: 42 percent on non compliance during 1993-98 and 33 percent during 1999-2002. Moreover, the company was allowed to raise the tariff by 88.2 percent between 1993 and 2002, compared to increases of 7.3 percent in the consumer price index during the same period. Unsurprisingly, these tariff increases affected especially the poor which contributed to the worsening inequality gap: in the Greater Buenos Aires, in 2004 the poorer 10 percent of the population spent in average 9 percent of their total income in the WSS bill, compared with 1.9 percent for the average consumer. In the mean time, between 1993 and 2001 the company obtained profit rates of between 13-20

percent over net assets in hard currency, compared with rates of between 6-12 percent that are current in Europe or the US.

**Tucumán.**<sup>14</sup> The WSS in the northeastern province of Tucumán were granted in a 30-year long concession to Aguas del Aconquija (AAq), a consortium led by the French company Vivendi in July 1995. From the start, this case was marred by lack of transparency and corruption allegations. Like in Buenos Aires, citizens were excluded from the contract negotiation and there was no provision for user participation in the monitoring of the operation. However, the weak and undemocratic character of Tucumán’s WSS concession soon backfired and led to the early cancellation of the contract.

First an increase of 106 percent in the water bills provoked widespread unrest among water users and prompted a “refusal to pay” campaign organized by a broad opposition front that included municipal authorities, provincial legislators, and former workers of the company. The campaign was heightened owing to problems with the quality of water being delivered and the protest movement grew rapidly to the point that 86 percent of the users, including businesses and the provincial government, joined in the civil disobedience. In 1997, AAq took the case to the International Centre for Settlement of Investment Disputes (ICSID) and sued the Argentinean government for a compensation of US\$ 300 million. Shortly after the contract was terminated and the services resumed by the provincial utility. The case before the ICSID is still open at the time of writing this article (December 2005).

It is fair to argue that Argentina in the 1990s provided the ideal experimental field for the market-centred model of governance relished by neoliberal thinkers:

private monopolies granted concessions and contracts in the absence of public debate and operating free from government regulation and citizen control. It should not be surprising then that between 1993 and 1999 the population served by private companies rose from 0 to 70 percent, an unprecedented case of PSP expansion in a developing country. Also unsurprisingly, and following the pattern observed elsewhere (UN-Habitat, 2003: 176), the poor did not rank high among the goals of the PSP projects implemented in Argentina. As the historical evidence suggests, in a *laissez faire* environment private water monopolies will try to expand their business to reliable and affluent customers not to the marginal areas of the cities. Tellingly, despite the accumulation of negative aspects in the case of AA, including the disastrous impact of the country's financial collapse in 2001 on the operation and the mounting social and political conflicts surrounding it, as recently as in the World Development Report 2004 the World Bank was still praising this concession as a model to be followed (World Bank, 2003: 168).

#### *Mexico*<sup>15</sup>

Despite the significant reduction of state control in the economy derived from the neoliberal programmes started in the mid 1980s, compared to the Argentinean situation in Mexico the public sector retained considerable control over the process. Also, in the early 1990s Argentina's political system was in disarray and President Menem's privatization policies went almost unchallenged for years, while in Mexico the opposition to privatization was comparatively very strong from the start. For instance, reforming the historic 1917 Revolutionary Constitution and passing a new Water Law in 1992 to enable mainstream PSP policies faced significant opposition in

Congress.<sup>16</sup> The level of political confrontation was such that the federal government tried to defuse the critics by publicly denying that it was privatizing WSS, with senior officers like the Director of the National Water Commission appearing in the press to reassure the public that “water will not be privatized” (La Jornada, 1992: 37). When the commercial aspects of the WSS in the Federal District (metering, updating the customer base, and billing) were contracted to multinational private monopolies in 1993, the employees of the private operators had to be disguised as officers of the public water authority owing to the rejection of PSP by the public. Undoubtedly, Mexico in 1993 was a very different playground for neoliberal policies than Argentina, although the Mexican executive itself was a keen advocate of neoliberalism and a strong promoter of PSP.<sup>17</sup>

**Aguascalientes.** The 20-year WSS concession in Aguascalientes, granted in 1993 to a multinational private consortium (CAASA) led by the French group Vivendi, was the first long-term and comprehensive PSP project in Mexico. Shortly after the concession started, the 1994 financial crisis threatened the sustainability of the business, which would have required an increase of 170 percent in the tariffs, on top of several hikes applied during the first year. However, raising the tariff was deemed unfeasible by the authorities given that over two thirds of the customer base of the company were classified as low income. In the end, CAASA was rescued from bankruptcy in 1996 by the state, which provided an undisclosed amount of funding to free the private operator from its mounting debts. At the same time, the original contract obligations were renegotiated by reducing the investment commitments of the private company and transferring the bulk of investment in infrastructure back to

the public sector, while the concession period was extended to 30 years. The process took place in the absence of citizen or user involvement, whether in the original contract negotiation, in the renegotiation, or in the monitoring of the company's performance. In Aguascalientes the regulatory duties are carried out by a decentralized municipal body, CAPAMA, which has the double role of granting power and regulator. In 1996 CAPAMA was a key actor in the controversial rescue package to save the private operator.

The case of CAASA has also other illuminating facets in relation to the impact of PSP on water governance and citizenship. Traditionally the Mexican state has played a central role in structuring the relations between the private sector, labour unions, and popular movements in a corporatist political structure based on clientelism and paternalism (Knight, 1994; Whitehead, 1994). In particular, access to essential services such as WSS has been a favourite object of political clientelism. The 1992 sweeping reforms to the Constitution and the new Water Law were officially aimed at dismantling this clientelist model, and replacing it by a “new water culture” based on the transformation of right holders into customers, and fostering user participation in solving the problems affecting the water sector (CNA, 1990: 16). In practice the situation has been far more complex, and Aguascalientes offers a good example: learning fast the old clientelistic tricks, CAASA has developed a tactic that can be called “private sector clientelism”. Every Wednesday, a representative of the company meets with users in the city's main public square to discuss their grievances and problems, especially the non payment of bills. The event is called Citizen Wednesday and the evidence shows that the system has reproduced

the old clientelistic practices that the introduction of PSP was supposed to eradicate. Discounts are granted, interest rates applied to accounts in arrears are lowered, but the users interviewed perceive that these decisions are not taken on grounds of fairness, social equity concerns, or even rational planning but are rather subject to discretionary and subjective practices, which has created new problems and widespread dissatisfaction (Torregrosa *et. al.*, 2003).

Clearly, transforming deep rooted political cultures requires much more than institutional and legal reforms. Despite the explicit recognition of the need for public participation in the governance of water and WSS, in practice the model implemented in Mexico during the 1990s has not produced the much desired changes in the water culture. The prevailing notion of user participation is mostly limited in practice to the expectation that users would become obedient customers who pay their water bills punctually. This limited and instrumental notion of participation has been contested by the population, which continues to deploy a wide range of tactics from pacific bureaucratic demands and civil disobedience (e.g. non payment of water bills) to open and violent opposition by sabotaging water infrastructure (notoriously water meters), kidnapping water company employees, or destroying property. There remains a substantial hiatus between the formal recognition of participation as a citizenship right and the actual mechanisms available to citizens for expressing their grievances and preferences in relation to WSS policy (Castro, 2005; Castro *et. al.*, 2004b).

Summing up, the contrast between Argentina and Mexico provides an excellent illustration of the particular expressions that the neoliberal model has taken

in different contexts. Undoubtedly, the neoliberal ideal of establishing a market-centered model of governance of water and WSS free from regulation and controls met with a stronger political opposition in Mexico than in Argentina in the 1990s. This, however, does not mean that the Mexican public sector was in a much better position, technically or administratively, to exercise regulatory control over private operators. In this sense, the generalization made in the introduction about the chronic weakness of the public sector in developing countries to enter into meaningful partnerships with multinational private water monopolies remains valid in the Mexican case, as the public sector's regulatory capacity has not been improved in the process (Torregrosa *et. al.*, 2003: 47). In turn, Mexican civil society has been historically weak and subordinated to the state, although this situation has been changing rapidly since the late 1980s. Nevertheless, the capacity of the population to exercise their rights as citizens or even as customers continues to be very restricted. This helps to explain the persistence of non-civic forms of political opposition in Mexico, which are not just remnants of an authoritarian past but rather the traditional channels of public discontent and dissent.

### *Bolivia*<sup>18</sup>

It can be argued that Bolivia, one of the poorest countries in Latin America, was also identified by neoliberal policy makers as an ideal playground for their radical pro PSP reforms. Moreover, the concession granted in 1999 in Cochabamba to the private consortium Aguas del Tunari (AT) illustrates the pattern of political illegitimacy and disregard for the citizenry characterizing the implementation of mainstream WSS policies. The concession was negotiated in conditions of secrecy

whereby essential information such as the contractual obligations and the financial plans of the private operator were hidden from public scrutiny. According to the analysis, the process was also illegal because a) there was only one bidder and Bolivian law requires at least two; b) SISAB,<sup>19</sup> the public body in charge of both granting and regulating the concession, was created in October 1999, after the contract with AT had been already started. Regarding the impact of this concession on the poor, the private company increased water bills by 35 percent (average), and the minimum charge came to represent almost 22 percent of the minimum wage. The prevailing perception among the population was that the regulator was protecting the interests of the private company, a feeling further accentuated when the municipality was left outside the negotiation over tariff increases, effectively curtailing the only institutional mechanism left available to the citizens. The concession was terminated in March 2000 as a result of massive public mobilizations that led to the withdrawal of the entire federal cabinet. AT has sued the Bolivian government before the ICSID to seek compensation, a case that also continues unsolved.

#### *England and Wales*<sup>20</sup>

The privatization of WSS in England and Wales was implemented by the administration of Margaret Thatcher in 1989, as part of sweeping reforms to “roll back the state”. However, despite the neoliberal rhetoric in practice the 1989 privatization brought about an unprecedented strengthening of the public sector’s regulatory capacities (Hogwood, 1998: 83). The original plan had been to minimize regulation, but this proved to be unfeasible in the increasingly complex conditions characterizing the governance of public services in Europe. In fact, a tight regulatory

structure was set in place driven by both national and European legislation. Although the situation is far from perfect (Schofield and Shaoul, 1997; Shaoul, 1998; 1998b), the private water monopolies in England and Wales are subject to much more stringent control than is the case in developing countries.

Nevertheless, even in Europe the idealized understanding of governance as a balanced partnership does not stand the empirical test (Swyngedouw *et. al*, 2002b), as illustrated by the case of England and Wales. Although user participation in the monitoring of WSS was never a high priority, prior to the 1980s users were represented through their local authorities in the managing boards of the public water authorities. In 1983 this role of the local authorities in the governance of water utilities was cancelled by a legislative reform that led to the centralization of decision-making in the water sector, a situation that was maintained after the 1989 privatization (Maloney and Richardson, 1995; Taylor, 1999). As a result, citizen participation in the monitoring of essential WSS continues to be severely restricted in practice. which during the 1990s became a major bone of contention owing to the widespread disappointment among the public with the privatized utilities.<sup>21</sup>

Among other issues provoking public unrest was the fact that WSS tariffs were increased well above inflation by an average 95 percent between 1989-99. Between 1990 and 1995 the number of pre-summons notices sent by the private companies to households in arrears rose by 900 percent, and in 1994 alone almost 2 million households (about 9 percent of the total) defaulted on their water bills (Herbert and Kempson, 1995; Ward, 1997). The companies responded with a strict implementation of disconnection and other methods to punish non payment. Citizen

dissatisfaction was deepened by the private companies’ lack of compliance with investment programmes, extraordinary shareholder gains, and millionaire salary packages for top industry executives, which prompted a policy review after the 1997 elections. As a result of the review, the private companies were required to reduce prices by 12 percent on average for 1999-2004 and to pay a windfall tax to compensate for excessive gains and non compliance with investment programmes. Disconnection was banned in 1997 as a result of strong political opposition to the practice, including pressures from high profile institutions like the British Medical Association. These decisions partly resulted from the substantial evidence showing a negative impact of privatization on the poor (Bakker, 2001; Drakeford, 2002). However, the impact on poverty and inequality worsened between 1998 and 2004 measured by the rapidly increasing levels of consumer debt with the privatized utilities: 20 per cent of the households in England and Wales failed to pay their WSS bill in 2004. According to the government, in 2004 between 2 and 4 million households in England and Wales were leaving in “water poverty” (Klein [G], 2003; Fitch and Price, 2002; Greene, 2002; UKP, 2003; OFWAT, 2004: 14-19; NCC, 2005). On the basis of the available evidence, it can be argued that mainstream WSS policies in England and Wales have contributed to reinforcing existing inequalities and poverty.

### **Mainstream WSS policies in the balance**

The examples from the case studies presented above can be easily extended. There is enough evidence that the mainstream WSS policies have failed to contribute in

reducing WSS poverty (UN-HABITAT, 2003: 180-1), and our research suggests that there is strong support for the hypothesis that these policies have actually reinforced existing inequalities. In this regard, mainstream authors have insisted that PSP “produces net benefits for customers, investors, and countries” and would have “improved service quality and expanded coverage” in WSS (Rivera, 1996; see also Lee, 1999). The institutions at the forefront of these policies continue to argue that the notion that WSS are a “public service or even a social good” must be replaced by market-based provision and PSP (WSP-PPIAF, 2002: 8-10). However, World Bank analysts have also recognized that the impact of PSP in infrastructure provision on sustainable economic growth has been “unclear” (Alexander and Estache, 2000: 1), and that it has “mixed” results (Richard and Triche, 1994: 4). Others have also pointed out that “concern for the poor is by no means automatic” in the case of PSP projects, and that the institutional structures needed to exercise control over private providers and ensuring that they expand WSS to the poor “are often lacking in countries where the needs of the poor are greatest” (Smout, 1998: 150-1). The World Bank has recently acknowledged that though publicly-delivered essential services are often marred by problems “it would be wrong to conclude that government should give up and leave everything to the private sector” as PSP “is not without problems - especially in reaching poor people” (World Bank, 2003: 10-1).

Nevertheless, these belated acknowledgements fall short of admitting the failure of mainstream WSS policies in relation to the poor. Thus, the fact that at the beginning of the 21<sup>st</sup> century the number of people lacking access to essential WSS is higher than in 1990 has been blamed, for instance, on “population growth” or “lack

of sustainability” rather than policy failure (WSP, 2003). Michael Klein, World Bank’s Vice President and Network Head of Private Sector Development, famously stated that “there was never an actual policy that said you shall privatize everything that moves, but some people interpreted it that way” (Klein [M], 2003), which does not help to persuade critics that the mainstream institutions are willing to make honest assessments of policy failures. Furthermore, some authors have argued that mainstream policies have been actually very successful in helping the poor, and that the problem is that the poor cannot recognize the beneficial effect of PSP in their lives. For instance, according to John Nellis, former Director of the Private Sector Development Department at the World Bank until 2000, in Latin America the poor are reaping the benefits of privatization but cannot see this because they would have been misled by anti-PSP campaigns launched by a network of academics, journalists, and militants who are winning the political war (Nellis, 2003: 17-9). However, Nellis’ assessment does not fit in easily with the increasing evidence showing that by the late 1990s Latin America had become the most unequal region of the world (IDB, 1998), a trend that has been confirmed recently by World Bank analysts (Perry et. al., 2003) and by studies of the specific case of water and sanitation services (Crenzel and Forte, 2004). It is also in open contradiction with other analysts who have found that mainstream PSP policies have contributed to rising inequality and poverty (Stiglitz, 2002: 79).

From another angle, the evidence shows that mainstream PSP policies have substantially weakened the capacity of the public sector, especially local authorities, to effectively monitor private providers and have further alienated the citizenry from

participation in the democratic policy process. The 2004 World Development Report stated that “the only issue that really matters is whether the mechanism that delivers key services strengthens poor people’s ability to monitor and discipline providers, raises their voice in policymaking, and gets them the effective services they need for their families” (World Bank, 2003: 10-1). Very clearly, enabling this type of mechanisms has not been a high priority in the design and implementation of mainstream PSP policies. In fact, as discussed earlier, leading officers in charge of pro PSP policies inside the World Bank and other institutions have openly argued in favour of an unregulated or weakly regulated PSP model (e.g. Brook Cowen and Cowen, 1998). In the light of the case studies examined earlier,<sup>22</sup> it can be argued that users’ ability to monitor and discipline private providers has been substantially weakened where it existed or altogether neglected, with few exceptions that tend to confirm the rule (Dourojeanni, 1999; Solanes, 1999; Stiglitz, 2002: 73).

However, the expansion of the mainstream PSP policies has not taken place in a social vacuum, and has rather elicited strong reactions among the citizenry ranging from disappointment to outright contestation. For instance, recent evidence produced by a regular survey of public opinion in Latin America suggests that the already low acceptance of PSP policies among the public of the region has been worsening in recent years. Table 1 shows the results per country and also the total average for Latin America.

Table 1

Unfortunately, the evidence suggests that this growing dissatisfaction with mainstream PSP policies in Latin America is also associated with an increasing disenchantment with the formal political system,<sup>23</sup> which offers strong counter evidence to another claim made in the mainstream WSS literature: that the expansion of PSP would promote democratization in developing countries. In fact, the internal contradictions of the mainstream policies that have attempted to reorganize the governance of essential WSS around market principles while simultaneously claiming to pursue the goals of environmental sustainability, expanding services to the poor, and achieving democratic accountability are at the root of the failure experienced by PSP projects worldwide. Although there is an increasing recognition that these policies have not enhanced good governance and have rather discouraged citizen involvement and accountability, developing and replicating suitable alternatives will require radical changes in the form that multilateral institutions, aid agencies, and other key power holders approach this matter. There are worrying signs, however, that the efforts being made are too mean and half hearted to have the substantial impact needed to produce the expected changes in a system strongly shaped by the inertial forces set in motion by the neoliberal model.

Although there are important lessons to be learned from the recent experience, and although the international financial institutions that have promoted these policies are now acknowledging the failure of centring the governance of essential public services purely on market principles, it is worrying that actual

mainstream policies in these sectors remain largely oblivious to much-needed changes in strategy.

### **Conclusions**

There is a strong connection between eliminating unacceptable inequalities in the access to WSS and the achievement of substantive citizenship rights, such as the right to good health and to dignified living conditions but also the right to exercise control over how water resources and services are managed. For this reason, it is increasingly acknowledged that achieving success in universalizing essential services will require coordinated action at different levels (subsidiarity principle), with public participation by all sectors (active citizenship), and especially engaging the most vulnerable such as women and children who compose the bulk of the world’s poor (UN et. al. 1998; UNDP, 2003).

At the global scale, the long-standing and increasing recognition of the urgent need for action has prompted renewed commitments from the international community, as represented by the adoption of the Millennium Development Goals (UN, 2000; 2002b). Also, and in acknowledgement of the moral character of the task ahead, access to safe water services has been recently enshrined as a human right in the UN International Covenant on Economic, Social, and Cultural Rights (UN, 2002; WHO 2003). More recently, at the 2003 G8 Summit, world leaders have pledged their support for poverty reduction programmes that prioritize “safe drinking water and basic sanitation” (G8, 2003). However, despite these laudable formal commitments there is an increasing recognition that achieving the international goals

for WSS may not be possible unless urgent decisions are taken, both in developed and developing countries. Not only the MDGs are considered by some experts to be technically unfeasible, but the financial arrangements needed to double the investments flows as required to meet the challenge would require far reaching transformations worldwide in the governance of water resources and WSS (Camdessus, 2003). In fact, a team monitoring the level of compliance with the MDGs has recently reported that the worst fears are being confirmed: not only progress is much slower than expected but it is also now clear that many poor countries will not achieve the goals (WHO, 2005: 27).

One crucial obstacle for success is that, even if the political will needed to meet the targets existed, unfortunately current mainstream WSS policies, which have so clearly failed to promote good governance and the exercise of substantive citizenship rights, continue to commit efforts in the implementation of programmes that are largely blind to the needs, requirements, values, opinions, and preferences of people in developing countries, especially the most disadvantaged. It seems that the inertial forces set in motion by the neoliberal programme since the 1980s will continue to shape WSS policies in the foreseeable future.

However, there are important lessons to be learnt from the success of WSS policies in developed countries during the twentieth century. The achievement of universal coverage was made possible by the adoption of policy principles whereby social rights and the common good were given priority over market interests. These policies and principles were supported at the time by a wide range of social and political forces, including sectors that in other respects defended free-market

liberalism but accepted that the extension of WSS to the poorest members of society required different arrangements. It is our hypothesis that achieving success in the design and implementation of present and future WSS policies as those required to meet the MDGs can only be achieved through the amalgamation of a similarly broad and universalistic set of social forces, not just composed by the illuminated elites but also able to incorporate the large sectors currently excluded or marginalized. The good news is that these processes are already taking place, however imperfect or limited they might be. Critically supporting them and contributing to their multiplication and expansion is an intensely political endeavor.

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## Appendix

**Table 1. Institutional Options for Water and Sanitation Services**

OPTION A Public ownership and operation					OPTION B Public ownership, private operation		OPTION C Private ownership, private operation	OPTION D Community/ user provision
Government department	Public enterprise				Lease contract	Concession contract	Private (including cooperative) ownership and operation	User or community provision ("self- help")
	Traditional	Corporatized and commercial	With service contract	With management contract				

Source: World Bank (1994)

**Table 2. Forms of Private Sector Participation in Water and Sanitation Services**

<p><b>FULL DIVESTITURE</b>                  Full transfer of assets to private sector through asset sales, share sales or management buyouts. Private sector responsible for all capital investment, maintenance, operations and revenue collection.</p>
<p><b>PARTIAL DIVESTITURE</b>                  Government (or any public owner) sells a proportion of shares in an incorporated enterprise or creates a new joint venture company with the private sector.</p>
<p><b>CONCESSION</b>                  Government lets a long-term contract, usually over 25 years, to a private company, which is responsible for all capital investment, operations and maintenance.</p>
<p><b>LEASE</b>                  Long-term contract (usually 10-20 years but can be longer). Private sector responsible for operations and maintenance and sometimes for asset renewals. Assets remain in public sector and major capital investment remains a public responsibility.</p>
<p><b>BOT (Build-Operate-Transfer) / BOO (Build-Operate-Own)</b>                  Contracts are issued for the construction of specific items of infrastructure, such as a bulk supply reservoir or treatment plant. Normally, the private sector is responsible for all capital investment and owns the assets until transferred to the public sector, but in BOO schemes, private ownership is retained.</p>
<p><b>MANAGEMENT CONTRACT</b>                  Short-term contracts, typically five years. Private firm only responsible for operations and maintenance.</p>
<p><b>SERVICE CONTRACT- [BUYING IN]</b>                  Single function contracts to perform a specific service (e.g. install meters) for a fee.</p>

Source: Seppälä and Hukka (2004).

**Box 1. Key principles of neoliberal water policy extracted from the mainstream literature**

- a) Water resources should be allocated through the market; that is, private water rights should be created replacing any existing forms of collective or public rights and they should be freely tradable;
- b) Water services have to be considered an economic good, in the sense of being a private good that has to be bought in the market; by definition, once WSS are considered to be private goods, non payers can be excluded from accessing them; the notion that WSS are a public or social good must be abandoned;
- c) Water services should be provided by private operators, which are inherently more efficient than public ones; if possible, water services should be self regulated by market mechanisms and state intervention should be minimized if not altogether cancelled;
- d) Water services are not a natural monopoly, as claimed by the defenders of state intervention; most operations can actually be opened to competition, perhaps with the exception of some core activities; however, high transaction costs can make competition difficult; in these cases, a privately-owned water monopoly is preferable to a public one; even then, keep regulation to a minimum or cancel it altogether if possible;
- e) Water users should be transformed into consumers, and right holders into customers.

Source: Castro (2005), chapter 6 (see also:

[www.staff.ncl.ac.uk/j.e.castro/WPCAppendix.pdf](http://www.staff.ncl.ac.uk/j.e.castro/WPCAppendix.pdf)).

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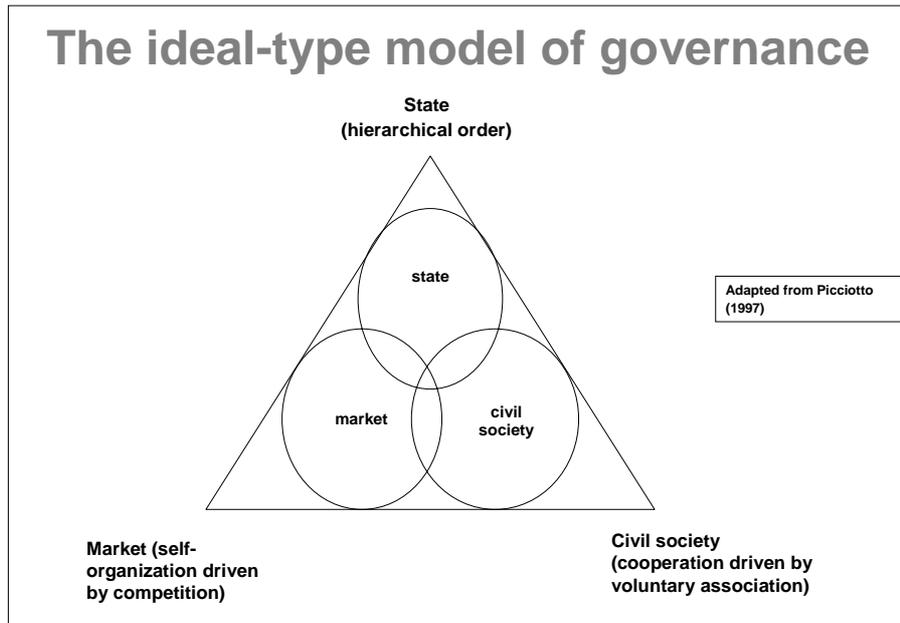
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Figures

Figure 1



Tables

**Table 1. Evolution of public support for PSP in Latin America\* (1998-2003)**

	1998	2002	2003
Costa Rica	60	32	-
Brazil	51	38	33
Venezuela	51	38	32
Mexico	49	28	31
Chile	51	22	29
Honduras	47	34	25
Colombia	39	23	24
Paraguay	46	19	23
Peru	44	32	22
Ecuador	52	40	20
Nicaragua	46	30	20
Bolivia	49	23	19
Guatemala	62	29	16
Uruguay	29	16	16
El Salvador	54	35	15
Argentina	32	14	12
Panama	20	31	10
Latin America	46	28	22

Source: Lagos (2004).

\* Percentage of positive responses to the question: “Do you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each of the following phrases that I am going to read: The privatization of state companies has been beneficial to the country.” The table only shows results for the responses “Strongly Agree” and “Somewhat Agree”.

## Endnotes

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<sup>1</sup> We mean the policies of deregulation, liberalization, and privatization that have been the priority of the international financial institutions (e.g. World Bank), aid agencies (e.g. USAID), and OECD countries and that have been implemented in the water sector worldwide since the 1980s, often referred to as “neoliberal”. We also refer as “mainstream” to the academic and professional literature where the process of governance of natural resources and essential public services has been conceptualized in a way that justifies the subordination of socio-political and ecological concerns to the requirements of capitalist accumulation. We are aware, though, that there are different approaches within this broadly defined mainstream body of thought and policy, and that there is no monolithic position even within the institutions that have been at the forefront of these policies. See Appendix Box 1 for a reference to the key neoliberal WSS policy principles, a topic which is further explored in Castro (2004b; 2005).

<sup>2</sup> In relation to water, and environmental goods and services generally, commodification can be defined as the process by which relations between human beings and the natural environment become increasingly transformed into market transactions and the elements of nature converted into tradable commodities for private profit.

<sup>3</sup> Although for many experts in the field the use of “monopoly” in relation to WSS would be redundant (they would be a natural monopoly), this is a contested terrain and many authors have argued that in fact most WSS operations are not a natural monopoly and are in principle amenable to market competition (see, among others, Newbery, 1999; Lee, 1999).

<sup>4</sup> As shown in Table 1 of the Appendix, there are different PSP options (columns B, C, and D). Our analysis here focuses on cases that fall under options B and C, but does not include option D. Also, as illustrated in Table 2 of the Appendix, the specific implementation of PSP can take different forms ranging from limited service contracts to full divestiture, which have very different policy implications that cannot be addressed here for reasons of space and scope. For a more detailed analysis of the institutional options for PSP in WSS see, for instance, Hukka and Katko (2003); Seppälä and Hukka (2004). We also assume here that the mainstream PSP model implies in principle that the private utilities are financially self-sufficient and not reliant on state subsidies for delivering the services, which are provided on a commercial basis.

<sup>5</sup> The MDGs envisage halving the proportion of the world’s population without access to WSS by 2015 and providing universal access to these services by 2025 (UN 2000; 2002b).

<sup>6</sup> There is no consensus about the quantitative expression of such concepts as WSS poverty. However, there are international standards recommended for water supply which suggest a minimum of 40-50 litres of water per capita per day. In this regard, it is estimated that over 1 billion people (17% of the world population) have no access to safe drinking water supplies and over 2 billion people (40%) lack basic sanitation services (EC, 2003).

<sup>7</sup> I use inverted commas to indicate the problematic character of the meaning of “civil society”, which is at the base of much confusion and ambiguity permeating the mainstream literature on the topic. We address this issue in more detail in later sections.

<sup>8</sup> See, for instance, Savedoff and Spiller (1999); PSIRU (2005); Castro (2004b).

<sup>9</sup> However, in England and Wales there are a number of statutory private water supply companies, mostly small operations some dating back several centuries, which have survived until today. They served around 25 per cent of the population in the late 1980s, but most of them have been absorbed during the 1990s by the large privatized companies created in 1989.

<sup>10</sup> See, for instance: for Argentina: Catenazzi and Kullock, 1997; for Mexico: Connolly (1997), Aboites Aguilar (1998); Pérez-Rincón (2002) for Colombia; Swyngedouw (1999), for Ecuador; Rezende and Heller (2002), for Brazil.

<sup>11</sup> See Vargas (2003), Seppälä *et. al.*, (2003), Kallis, 2003, Nyangeri (2003), and Mashauri (2003). Also, we are concerned here with issues of governance and citizenship, from a social science perspective, and therefore we do not address other relevant aspects of the case studies such as economic and financial performance or infrastructure efficiency of the private operators. These and

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other important aspects have been covered elsewhere: Azpiazu and Schorr (2004); Torregrosa *et. al.* (2004).

<sup>12</sup> The section on Buenos Aires is based on Azpiazu *et. al.* (2003); Azpiazu and Schorr (2004).

<sup>13</sup> Tripartite Entity of Sanitation Works and Services.

<sup>14</sup> The section on Tucumán is based on Crenzel (2003).

<sup>15</sup> The section on Mexico is based on Torregrosa *et. al.* (2003) and Castro (2004; 2005).

<sup>16</sup> The law was passed only after over 30 amendments to the original text.

<sup>17</sup> See, for instance, Rogozinski (1993; 1998).

<sup>18</sup> This section is based mainly on Crespo *et. al.* (2003). This is a brief reference to Bolivia, a case covered in greater detail elsewhere in this issue.

<sup>19</sup> Superintendence of Basic Sanitation.

<sup>20</sup> This section is mainly based on Castro (2003; 2004c).

<sup>21</sup> Participation has been mainly limited to the activities of Customer Service Committees (CSCs), which formed the Ofwat National Consumer Council, replaced in April 2002 by “WaterVoice” and a Consumer Council for Water (CCW). The change, according to a parliamentary report, was introduced “to achieve a higher public profile among water consumers, the media and other interested bodies and clearer separation from Ofwat” (UKP, 2003b). This report includes very illuminating paragraphs about the restricted character of citizen participation in the running of England and Wales’s water and sanitation services, even after the change introduced in 2003 to improve it. For instance, the report adds: “In some areas the powers proposed in the Bill fall short of what experience tells us is required. For example, the CCW must be able to obtain information from the water companies. But in the event of a refusal the Water Bill provides for Ofwat to decide whether the water company should be ordered to supply the information requested from it by the CCW. Ofwat will also be able to decline to supply information requested from it by the CCW. A further example is that Ofwat will not be subject to a statutory duty to consult and take account of the CCW’s comments in the regulatory decision-making process” (*id.*). This is of the utmost relevance, as the report itself illustrates when considering a recent decision by the regulator: “we had reservations about Ofwat’s handling of a consultation last year on an important proposal to extend the minimum period of notice to terminate a water company’s licence from 10 to 25 years. Initially the consultation, limited to an eight week period, took the form of a statutory public notice with little supporting information. Fuller information was provided when we asked for it. Before public consultation Ofwat had consulted and obtained the agreement of Ministers to the proposal and Ministers’ agreement was made public at the start of the consultation. We believe that this gave the impression that the outcome of the consultation was a foregone conclusion. Ofwat has said that circumstances of this particular consultation were exceptional and are unlikely to be repeated. We hope very much that this will prove to be the case, and that this consultation will serve as a reminder of how regulatory accountability can sometimes fall short of customers’ expectations” (*id.*). See also de la Motte (2005), pp. 25 and ff.

<sup>22</sup> We can add a number of similar cases from our research such as Limeira, Niterói and the Lakes Region in Brazil (Vargas, 2003), Athens (Kallis, 2003), Nyeri and Tala in Kenya (Nyangeri, 2003), and Dar es Salaam in Tanzania (Mashauri, 2003). For a comparative analysis of case studies in Africa, Europe and Latin America, see Castro and Laurie (2004), especially Section 3.2 “The unregulated monopoly”.

<sup>23</sup> According to the Latinobarómetro survey, between 1996 and 2003 there has been a decrease in the support for democracy in 14 out of the 17 countries covered by the study. Among the countries mentioned in the case studies here the figures were: Argentina from 71 percent in 1996 to 58 percent in 2003; Bolivia, from 64 percent to 50 percent; Mexico has remained stable at 53 percent (Lagos, 2004).