

RECLAIMING PUBLIC WATER

**ACHIEVEMENTS, STRUGGLES AND VISIONS
FROM AROUND THE WORLD**

Reclaiming Public Water
Achievements, Struggles and Visions from Around the World

Editorial team: Belén Balanyá, Brid Brennan, Olivier Hoedeman,
Satoko Kishimoto and Philipp Terhorst

Translation assistance: Belén Balanyá, Meredyth Bowler-Ailloud and Katell Gelebart

External editing: Vicky Quinlan

ISBN 90-71007-10-3

Second edition March 2005

First published in January 2004 by:

Transnational Institute (TNI) & Corporate Europe Observatory (CEO)
www.tni.org
www.corporateeurope.org

Layout and cover design: Zlatan Peric

Printing: drukkerij Mittelmeijer, Amsterdam



Contents of the book may be quoted or reproduced for non-commercial purposes, provided that the source of information is acknowledged. TNI would like to receive a copy of the document in which this booklet is used or quoted.

ACKNOWLEDGEMENT

This book would never have taken shape without contributions from the authors, a diverse combination of utility managers, water professionals, trade unionists, anti-privatisation campaigners and academics from around 20 countries. Our thanks goes to all the authors for taking the time to share their experiences despite of the time pressures they face in their campaigns or as managers responsible for running water utilities. We are also very grateful for the essential contribution from the advisers who shared their expertise and helped us find the right direction (including David Hall, Clare Joy and Tim Kessler as well as Patrick Bond, Maj Fiil-Flynn, Antonio Miranda, Carla Montemayor, Anil Naidoo, Pietje Vervest and Alberto Villareal). Thanks to our editor, Vicky Quinlan, who has woven these diverse contributions into a coherent and easily readable shape. 11.11.11 (Belgium), Trécaire (Ireland) and Bread for the World (Germany) provided crucial financial support without which this book would not have been possible.



CONTENTS

| | |
|--|------------|
| FOREWORD | 9 |
| INTRODUCTION <i>By David Hall</i> | 15 |
| PART I SUCCESSFUL PUBLIC WATER | |
| PORTO ALEGRE'S WATER: PUBLIC AND FOR ALL <i>By Hélio Maltz</i> | 29 |
| MANAGEMENT OF BASIC DRINKING WATER AND SANITATION SERVICES BY A CO-OPERATIVE IN BOLIVIA <i>By Luis Fernando Yavari</i> | 37 |
| PEOPLE'S INITIATIVE IN WATER - OLAVANNA VILLAGE IN KERALA, INDIA SHOWS THE WAY <i>By Joy Elamon</i> | 45 |
| PUBLIC-PUBLIC PARTNERSHIP: AN ALTERNATIVE STRATEGY IN WATER MANAGEMENT IN MALAYSIA <i>By Charles Santiago</i> | 55 |
| A RETURN TO THE SOURCE - RE-MUNICIPALISATION OF WATER SERVICES IN GRENoble, FRANCE <i>By Raymond Avrillier</i> | 63 |
| DEMOCRATISING THE REGULATION AND GOVERNANCE OF WATER IN THE US <i>By Sean Flynn and Kathryn Boudouris</i> | 73 |
| GERMANY: PUBLIC WATER SERVICES IN CONTINUAL RETREAT? <i>By Hans-Werner Krüger</i> | 85 |
| WATER CO-OPERATIVES IN ARGENTINA <i>By Alberto D. Muñoz</i> | 95 |
| PUBLIC SERVICES IN COLOMBIA: A MATTER OF DEMOCRACY <i>By Hildebrando Vélez</i> | 103 |

PART II PUBLIC WATER - WORK IN PROGRESS

| | |
|--|------------|
| RECIFE, BRAZIL: BUILDING UP WATER AND SANITATION SERVICES THROUGH CITIZENSHIP | 113 |
| <i>By Antonio Miranda</i> | |
| COCHABAMBA, BOLIVIA: PUBLIC-COLLECTIVE PARTNERSHIP AFTER THE WATER WAR | 121 |
| <i>By Luis Sánchez Gómez and Philipp Terborst</i> | |
| THE VENEZUELAN EXPERIENCE IN THE STRUGGLE FOR PEOPLE-CENTRED DRINKING WATER AND SANITATION SERVICES | 131 |
| <i>By Santiago Arconada Rodríguez</i> | |
| AGAINST THE CURRENT: COMMUNITY-CONTROLLED WATER DELIVERY IN SAVELUGU, GHANA | 139 |
| <i>By Al-Hassan Adam</i> | |
| ARGENTINA: WORKER'S CO-OPERATIVE TAKES OVER POST-ENRON | 149 |
| <i>By Guillermo Amorebieta</i> | |
| SOUTH AFRICA: TESTING THE WATERS OF PUBLIC-PUBLIC PARTNERSHIPS | 159 |
| <i>By Laila Smith</i> | |

PART III STRUGGLES FOR PEOPLE-CENTRED PUBLIC WATER

| | |
|---|------------|
| URUGUAY: VICTORIOUS SOCIAL STRUGGLE FOR WATER | 173 |
| <i>By Carlos Santos and Alberto Villarreal</i> | |
| THE STRUGGLE AGAINST WATER PRIVATISATION IN SOUTH AFRICA | 181 |
| <i>By Dale T. McKinley</i> | |
| UKRAINE: WOMEN ACT AGAINST POVERTY AND PRIVATISATION | 191 |
| <i>By Svitlana Slesarenok</i> | |
| LEARNING FROM PRIVATISATION OF WATER SERVICES IN TRENCIN, SLOVAKIA | 201 |
| <i>By Roman Havlicek</i> | |
| POSSIBILITIES FOR PUBLIC WATER IN MANILA | 213 |
| <i>By Carla A. Montemayor</i> | |

| | |
|---|------------|
| WATER PRIVATISATION IN INDONESIA | 227 |
| <i>By Nila Ardbianie</i> | |
| URBAN WATER MANAGEMENT IN MEXICO | 239 |
| <i>By David Barkin</i> | |
| EMPOWERING PUBLIC WATER – WAYS FORWARD | 247 |
| <i>By the editorial team</i> | |
| NOTES ON AUTHORS | 276 |
| RESOURCES | 281 |

FOREWORD

BACKGROUND

Due to the ideology-driven privatisation wave, the 1990s was essentially a lost decade for the struggle for clean water for all. The high-profile failure of privatisation in major cities of the south, described elsewhere in this book, provide ample evidence that the water needs of the poor should not be left in the hands of profit-driven, transnational water corporations. Almost without exception, global water corporations have failed to deliver the promised improvements and have, instead, raised water tariffs far beyond the reach of poor households. The rise of grassroots anti-privatisation campaigns in countries around the world, increasingly linked in regional and global networks, is starting to turn the tide against free-market fundamentalism. The time has come to refocus the global water debate on the key question: how to improve and expand public water delivery around the world?

This book is intended to contribute to the achievement of this much-needed shift in the global water debate. While privatisation is no solution, neither is the status quo of often bureaucratised and ineffective, state-run water utilities which, in large parts of the developing world, fail to supply clean water to those that need it. This book provides a wide range of inspiring examples of innovative approaches to public water delivery. Important lessons can be learned from people-centered, participatory public models that are in place or under development in Porto Alegre and Recife (Brazil), for example. In these cities, the public water supply is being improved through increased citizen and user participation as well as other

democratic reforms. In other cities, such as Penang, Malaysia, a rediscovered public service ethos has led to significant improvements in the performance of the utility. Water workers play a key role, to the extent that worker's co-operatives are running the water supplies in cities in Argentina and Bangladesh. In Olavanna (Kerala, India) and Savelugu (Ghana), local communities have taken control to improve water delivery, mobilising their own capacities and local resources.

The motivation to compile this book is that these often-successful experiments have not received the attention they deserve. The challenge to broaden access to clean water to the hundreds of millions of people who need it is such that lessons from these approaches need to be shared. While there is no one-size-fits-all solution, there is important inspiration to be found on how to improve and extend public water services, for instance through people-centred participatory processes and inclusion of public utility water workers.

This book also includes chapters on struggles around the world to prevent privatisation and, in some cases, to de-privatise water delivery. These chapters include often elaborate visions developed by anti-privatisation coalitions on making public water work.

FROM KYOTO TO PORTO ALEGRE

The March 2003 World Water Forum in Kyoto, Japan, was a defining moment for the international water debate. Civil society groups from around the world spoke out passionately against water privatisation and testified to numerous, dramatic failures of privatisation both in the south and north. These interventions spoiled the attempts by the forum organisers, particularly the neo-liberal World Water Council (WWC), to promote Public-Private Partnerships (PPPs) as the way for-

ward. The response to the withdrawal of multinational water corporations from the south, argued the WWC, international financial institutions and many northern governments, should be to subsidise the corporations, cover political risks and guarantee profits. Remarkably, there was hardly any mention of the far more obvious way forward: improving and expanding public water supply.

Straight after the World Water Forum, over 100 activists from around the world attended a seminar on alternatives to privatisation. The seminar concluded not only that there are numerous examples of well-functioning public water utilities, but also that a wide range of new innovative approaches has resulted in substantial improvements in public water delivery, not least in the south. Throughout 2003, a concerted effort to advance awareness and debate about public water solutions took shape. After a successful follow-up seminar at the Third World Social Forum in Mumbai, India, in 2004, a joint project was launched involving a diverse coalition of NGO campaigners, grassroots anti-privatisation activists, academics, public utility managers and trade unionists. The www.waterjustice.org website was established as a clearinghouse and forum for facilitating discussion. And the decision was made to compile a book, to be published in time for the January 2005 World Social Forum in Porto Alegre, with examples of improvements in public water delivery and a special focus on the potential of participation and democratisation.

The focus and format of the book has been shaped through discussions with the authors as well with a large number of advisors. Alberto Villareal, co-author of the Uruguay chapter, stressed that the book could be an important source of inspiration for anti-privatisation activists by providing concrete examples from around the world of both achievements and ideas for reclaiming public water. The book, indeed, pres-

ents a broad range of experiences in an accessible style. Beyond activists, the book is also intended to be a resource for water professionals and water workers. They are in the front-line of the privatisation process and are often bombarded heavily with pro-privatisation messages and pressure. Based on his own experiences as the director of a public water utility, Antonio Miranda, another of the authors, confirmed that the role of citizens' participation in solving urban water problems deserved to be a major focus of the book. Carla Montemayor, a campaigner against the Manila privatisation project, echoed the importance of both these objectives in the light of the urgent need to outline a concrete, public water alternative to convince policy-makers and the wider population of the Philippino capital.

ABOUT THIS BOOK

The introductory chapter discusses the historical background to the global crisis in water access and why the privatisation wave of the 1990s has failed. This is followed by over 20 chapters which present concrete examples and ideas on how urban water delivery can be improved through democratic public utility reforms. All chapters are written by public water utility managers, civil society activists and others involved first-hand in these efforts. The chapters reflect the experiences and perspectives of the individual authors, which may or may not be shared collectively by the others. Many chapters also have a strong emphasis on the different political, financial and other obstacles which may hinder the success of these approaches. Public water solutions are likely to emerge from, and be shaped by, people's efforts to secure safe and affordable water for all. This was another reason for including a number of chapters on civil society campaigns against failing privatised water delivery

and inadequate state-run water utilities. In the words of one of the authors, Dale T. McKinley of the Anti-Privatisation Forum: "In South Africa, the struggle against water privatisation continues to plant the seeds of an alternative."

Finally, the last chapter of the book attempts to summarise some of the lessons that can be learned from the experiences presented and to identify the main challenges for multiplying these approaches.

NEXT STEPS

This book is not just a product in itself or simply an intellectual exercise but is part of a continuing process of collective learning, with the aim to empower democratic, equitable public water solutions. It is our sincere hope that this book will be not only a source of inspiration to many around the world, but will also spark further sharing of experiences as well as discussion on each of the key questions addressed. We hope that civil society activists and citizens will increasingly engage in how public services are delivered, and that trade unions will contribute to the discussion and practice of assuring public services that actually serve the poor. This process also has to involve public sector managers and water professionals, many of whom are already engaged in emerging international campaign coalitions for people-centred public water.

Alternatives are our best inspiration to resist the forces trying to hand over our common resources and fundamental human rights to private companies. We hope this book provides useful tools to all those who are striving to stop corporate-driven water privatisation and to reclaim public water.

The editorial team

INTRODUCTION

By David Hall

This introduction attempts to put the book in its historical context. This context is a specific set of experiences and responses with some outstanding features: failed privatisations, widespread campaigns, a critique of past public sector weaknesses and the emergence of new structures drawing on the strengths of earlier, northern, public-sector models and new, southern forms of participatory democracy.

PRIVATISATION HAS FAILED

The 1990s was the decade of water privatisation which has since proved to have failed. It was expected to bring greater efficiency and lower prices, attract greater volumes of investment, especially in developing countries, and extend water and sanitation to the unconnected poor. The actual experience has been different.

The expansion of the private water companies in the 1990s was supported by the World Bank and other international institutions as part of policies to transform developing and transition countries into more market-oriented economies. It entered the transition countries of eastern Europe with a wave of water concessions: in the Czech republic and Hungary; in Latin America, especially Argentina, where a series of major cities were privatised, including the “flagship” concession of Aguas Argentinas in Buenos Aires; in Asia, including the privatisation of two major cities, Manila and Jakarta; and in Africa, where concessions were obtained in former French colonies, notably

Cote d'Ivoire, as well as a few towns in South Africa. By the time of the World Water Forum at The Hague in 2000, senior World Bank officials were presenting water privatisation as historically inevitable, using the phrase "there is no alternative".

Privatisation of water supplies and sanitation has taken various forms but has the constant element of transferring control and management of operations to private companies, thus making them sources of profit for private capital. Complete sale of the water system to private companies has been introduced in the UK, but elsewhere the form of privatisation promoted has been based on privatisation through concessions, leases or management contracts (or special forms of concession for treatment plants or reservoirs, known as "build-operate-transfer" schemes (BOTs)). The precise form has been dictated by the private companies; in the early 1990s, concessions were the favoured form but, since 2000, companies have preferred the less risky options of leases or management contracts. Variations on these themes include joint ventures with public authorities, which have to be structured to provide the private partner with the necessary freedom to achieve returns, and so are invariably controlled by the private partner. Other phrases – including "public-private partnerships" (PPPs) and "private sector participation" (PSP) – avoid the word "privatisation", which has become an increasingly unpopular concept, but they still refer to the same kinds of contractual relationship with the private sector.

The unpopularity of the concept of privatisation has been caused largely by experience of the results, which have been different from what was promised. Companies have failed to invest as much as was hoped; private investments in infrastructure were falling by the end of the 1990s and investment by development banks was also decreasing. Prices have risen to reflect the returns on capital required by companies. When tar-

gets specified in contracts have not been met, contracts have been revised rather than enforced. Regulators have lacked the authority and competence to control companies' behaviour. The contradictions have been made more acute by currency movements and economic crises: the privatised water operations in Argentina are now bankrupt. Despite all the attention and support given to private water concessions in Latin America, they performed no better than public sector operators in terms of expanding services to the poor. Manila and Jakarta, two large Asian cities with private operators, have worse levels of water loss than the large majority of cities where water is publicly managed. Finally, there is strong and growing opposition to water privatisation in developing countries, from consumers, workers, environmentalists, other civil society groups and political parties.

Faced with poor returns, unexpected risks, and political opposition, water multinationals have decided to cut their losses. In January 2003, Suez, the largest multinational, announced it would withdraw from one third of its existing investments in developing countries, and Veolia and Thames Water are also withdrawing from contracts. All three are using political and legal action to recoup losses and claim anticipated profits.

The World Bank has acknowledged the failure of privatisation to deliver investments in extending water services. It has devised new instruments to provide stronger guarantees to private companies and is exploring other forms of business opportunities in the sector, such as franchising water vendors in peri-urban areas. But the World Bank, other development banks and donors remain reluctant to provide support to public sector water companies, even though these are responsible for over 90% of the world's water and sanitation services.

These responses by the companies and the World Bank address their own concerns but do little for people who need

affordable water supplies and sanitation. The development of new approaches has, instead, come from the same campaigners who opposed the privatisation.

THE RESPONSE FROM CAMPAIGNS

The campaigns against water privatisation are spread across the world. Privatisation has been a key issue in elections at municipal or national level in countries as diverse as Poland and Panama. Campaigns are typically broad-based and include many different groups – unions, environmentalists, consumers, business associations (in the Philippines, industrialists have threatened to disinvest because of price rises following privatisation), women's organisations (who had spearheaded the opposition to water privatisation in the Crimean region of the Ukraine, for example), political parties, and religious bodies.

The campaigns have often united bodies normally in conflict with each other. In Poland, competing trade union organisations joined forces to campaign successfully against water privatisation in Lodz; in Northern Ireland, the parties representing Irish nationalists and British Unionists sit side by side in a campaign against water privatisation while refusing to work together in political executive bodies.

The reasons for this opposition are also multiple. One reason is the experience of sharp price rises following privatisation. Another is the fear of job losses and weakened trade unions. Another is to do with accountability and the difficulty of influencing or scrutinising a privately-owned company compared with a municipality. A fourth reason is the belief that water, both as an environmental good and a public service, belongs in the public domain. Finally, there is a belief that social and economic reasons for developing water supply services require the commitment of a public authority rather than

private entities which are focused on their own rate of return.

These campaigns have occurred in both developed and developing countries – even in the UK there was a strong campaign against water privatisation that persuaded Thatcher to postpone privatisation until after an election.

FAILURES OF UNDEMOCRATIC REGIMES

A common element of the campaigns has been the critique of privatisation itself, its economic and political problems and its failure to deliver extension of services to the poor. But the campaigns have also had to acknowledge the failures and limitations of the practices of public sector operators, especially in developing countries, in the preceding years. During the 1980s in particular, these structures had largely failed to deliver significant extensions to water services, even when development banks had made loans available, and these failures were used to justify the privatisation policies of the 1990s.

Blaming these failures on the fact that water was in public ownership is too crude an explanation, however. Many developing countries in this period were subject to dictatorships and corrupt regimes with contempt for human rights and democratic processes, let alone transparency. With no accountability, services to the poor suffered while the corrupt regimes themselves benefited from the loans intended for water. The beginnings of privatisation flourished in these same undemocratic regimes; Suez was active in South Africa under apartheid, the privatisation of Jakarta's water was corruptly arranged by the Suharto dictatorship, the privatisation of Casablanca's utilities was arranged by a decree of King Hassan, not by a competitive tender organised by the city council. The contracts they obtained were kept secret even from elected municipal councillors – especially ironic in cities like Gdansk (Poland) and

Budapest (Hungary) which were undergoing a transition from undemocratic communist rule to a supposedly more accountable democratic system.

The problem of the 1980s public sector failures can therefore be seen as a lack of democratic process in the public sector, rather than a problem with the public sector itself. The experience of Brazil after the ending of its military dictatorship supports this; the opportunities of the new democracy were seized in many ways, including the development of new approaches to extending water and sanitation supplies to new areas. These initiatives, rather than the privatisations endorsed by the dictatorships themselves, indicated the need for a new approach based on democracy and a level of public participation that guaranteed accountability.

The same analysis can be applied to the complaints by development banks and donors that governments do not give adequate priorities to water compared with other policies, as though the governments and people of developing countries cared less about water and sanitation than the enlightened bureaucrats of the international institutions. The problem, however, is not a lack of popular demand for water and sanitation services, but a failure of governments to respond to this demand. In Brazil in the early 1990s, there was a very broad-based campaign for a national sanitation policy which was abruptly rejected by Cardoso, the favoured candidate of the International Financial Institutions (IFIs), when he became president in 1995. Instead, he pursued a policy of encouraging piecemeal privatisation which fitted with the IMF's preference for restricting government borrowing. This led to much less investment in water (and other infrastructure such as electricity), as the IMF itself now acknowledges.

In Latvia, there were public campaigns for wastewater treatment plants even under the Soviet Union. In peri-urban settle-

ments where the government fails to provide essential services, like Orangi in Pakistan, people have demonstrated a willingness to use their own labour and savings to create water and sanitation schemes.

The ineffectiveness of governments can thus be seen as evidence of failure of the political processes, often exacerbated by the policies of the IFIs themselves. The problem has been a lack of democratic process.

NORTHERN PAST AND SOUTHERN PRESENT

In developing alternative policies and structures, the campaigns have drawn on two main sources of inspiration. One has been the historical success of the public sector model in developed countries for much of the 19th and most of the 20th century - the "northern past". The other has been the emergence of new forms of democratic structures in the south, especially the initiatives in participatory democracy in Brazil and India - the "southern future".

The northern experience has been rediscovered behind the misleading attention given to privatisation. The scope and era of privatised water is very narrow, recent and very short. Before 1990, nowhere outside France, except a few cities in Spain and Italy and a few former French colonies, had experienced or seriously considered water privatisation for nearly a century. The common European and North American experience was to replace the private contractors of the mid-19th century with municipal water services, because the municipalities could deliver the necessary expansion of services more efficiently and effectively. Only in France did these 19th century contractors survive and consolidate into a private oligopoly, which is why the only large private water companies were French until the ideology-driven privatisation of water and

other utilities by the Thatcher government in the UK.

Communist countries and post-colonial independent countries also developed water services through the public sector, either through municipal, regional, or national ownership. Historically, public sector utilities are a highly successful model for the extension of water and sanitation services to all urban and even rural populations. Over 80% of the populations of the EU and the US remain served by public operators, despite the advocacy for privatisation in recent years.

In the south, new democratic forms have emerged which emphasise participation and centralisation. India has a widespread system of elected village councils, “panchayats”, and in the state of Kerala the left front government initiated a deliberate programme of decentralisation and participation - nearly 40% of the state budget is devolved to panchayats, citizens have the right to see every document and budget priorities are set through a series of public meetings. In Brazil, the Partido dos Trabalhadores. (PT – Workers’ Party) has adopted policies of developing similar devolved and participatory systems in municipalities where it has power, through a system known as “participatory budgeting” (Orçamento Participativo).

CONCLUSION

The campaigns and experiences presented in this book are part of this historical context. They include a wide range of approaches to the organisation of water services, but the case studies are not a set of technical models. The various proposals and policies reflect the interaction between local economic and political circumstances, global forces and the development of new ways of understanding and developing water supply and sanitation as a public service.

These campaigns also interact with each other through var-

ious forms of active support. They thus form part of an international process which is dealing with local problems by engaging with the global dimension. The sharing of these experiences, through this book and other forms of information exchange, is a part of that process.

THE CASE STUDIES

This book is structured to reflect key aspects of the campaigns, their critiques of privatisation and alternatives.

The first section includes examples of the northern tradition, with accounts of water services in Germany and the US, overwhelmingly public sector in both cases, as well as an account of how the French city of Grenoble rid itself of corrupt private water concessions and re-established a municipal service. It also includes examples of the southern participatory models, with accounts of Porto Alegre in Brazil and a village in Kerala. Other studies give accounts of distinctive forms of public sector development in Malaysia (Penang), Bogota (Colombia), and the co-operative of Santa Cruz (Bolivia), as well as an account of how social movements in Argentina have responded to the privatisations of the 1990s and the subsequent economic crisis.

The second section is of “work in progress” and covers cases where new forms of water and sanitation services are still being developed or proposed. These include reforms of previously weak public sector operations - including Recife (Brazil) and Caracas (Venezuela) - as well as the process of reconstructing a public water regime in Cochabamba (Bolivia) which both replaces the disastrous privatisation and improves on the previous, inadequate, municipal service; and an account of an innovative participatory development in Savelugu (Ghana) in the context of a national water company threatened with frag-

mentation and privatisation. This section also includes a South African experiment with “public-public partnership” in Harrismith.

The third section covers campaigns still in progress and in different stages of formulating a new policy. Three of the examples are of countries where private water companies have had little success but new policies are needed and demanded by campaigners: South Africa – where access to water supply is a constitutional right; Uruguay, where a recent referendum supported making water privatisation illegal under the constitution; and Mexico, where the problems of water services have not been solved by contracts with multinationals. It also features campaigns in former communist countries Slovakia and Ukraine against commercial initiatives by multinational companies and development banks; and the continuing battles against the failing water privatisations in Jakarta (Indonesia) and Manila (Philippines), where the process of opposition is simultaneously becoming a process of reformulating new public policies.

The final section summarises the general lessons which can be drawn from these cases.

David Hall is director of Public Services International Research Unit (PSIRU), University of Greenwich

For documentation on failed water privatisation as well as achievements by public water utilities, see the PSIRU website: www.psiru.org/reportsindex.asp

PART I SUCCESSFUL PUBLIC WATER

PORTO ALEGRE'S WATER: PUBLIC AND FOR ALL

By Hélio Maltz

Porto Alegre, a city well known worldwide for its participative democracy, capital of the southernmost state of Brazil, Rio Grande do Sul, is also proud to be home of DMAE, the successful public water and sanitation utility that has become a model for opposing the trend towards privatization.

In 2004, Porto Alegre was considered the Brazilian state capital with the highest quality of life and best human development index, and of course, water and sanitation have something to do with that.

DMAE is a publicly owned water utility intensively focused on social inclusion through water and sanitation programmes, and committed to city development combined with environmental protection. It is administratively and financially independent from city hall, but subordinate to it on political and regulation issues.

The history of water and sanitation in Porto Alegre starts in the early 1800's. Until 1961, water and sanitation were managed by a municipal department in the central administration. When the city decided to get a loan to expand water services in the late 1950's, the city council decided to transform the water department into an autonomously administrated, financially independent, municipally-owned utility. This was due to the demand from the Inter-American Development Bank (IADB) for a guarantee on the repayment of the loan. This decision allowed DMAE to move from a property tax calculated on the value of the building, to a tariff based on water consumption.

Besides being financially independent, the creation of

DMAE had other important characteristics, such as the implementation of the deliberative council, which after more than 40 years, has been an important entity which practices ‘social control’ by society, allowing the department to be totally transparent in its administrative acts.

Among the important features that made DMAE become an international alternative model to water privatisation, are its sustainability, both in financing and technological terms, and its accountability with regard to safe water and environmental protection. A very important and distinguishing characteristic, however, is the democratic decision-making process of its participatory budget.

Until 1994, Brazil repeatedly had abrupt changes in its economy with currency changes and hyperinflation. Despite this, DMAE was able to maintain and expand the city service - more proof that, even under harsh conditions, a well-run public utility is able to succeed.

Workers have a very important role in the utility. They have faced technical difficulties such as the large-scale proliferation of the golden mussel (*Limnoperna fortunei*), which obstructed important pipes and other facilities. Research done to combat this challenge has made DMAE one of the most important references in the country on this subject.

During the past few years DMAE has seen its indicators increase; in water, in 1989, approximately 94.7% of the population was supplied which rose to 99.5% by 2001, a figure maintained until the present day. With regard to sanitation, figures have risen from 73% of the population having sanitary sewage collection in 1990, to 84% in 2004. In the area of sewage treatment, growth was even more outstanding; in 1989, 2% of the population was served, a figure which had increased to 27% in 2002 due to the construction of five new plants during that period. At present, DMAE has plans to build a new

wastewater treatment plant which is meant to raise the treatment index to 77% in five years.

It is important to show how public participation, mainly through a participatory budget, has influenced DMAE’s services. While the population of the city has grown about 8.5% in the last 10 years, household water connections have grown by nearly 23%, and the households served with sanitary sewage collection went up around 40%. This is illustrated in the table below.

| | 1994 | 2004 | Evolution |
|---|-------------|-------------|------------------|
| Inhabitants | 1.294.506 | 1.404.670 | 8,51% |
| Household water connections | 459.706 | 565.358 | 22,98% |
| Households served with sanitary sewage collection | 342.178 | 480.114 | 40,31% |

Source: DMAE and IBGE (Brazilian Institute for Statistics)

Up until 1989, DMAE served primarily downtown and affluent areas. However, when people started to discuss their demands and vote in 16 regions, investments were also made in the water and sanitation of the peripheral and shanty areas, so everyone now has access to water.

As a direct consequence of this, waterborne diseases have been substantially reduced in the city. For example, Brazil had a cholera outbreak in recent years but no cases were registered in Porto Alegre. When *vibrio cholerae* was identified in the sewers, DMAE’s highly controlled water treatment system behaved as a barrier to the disease.

All these examples are the result of solid management which has focused its efforts on keeping DMAE financially sustainable, thus enabling it to reinvest its surplus money in

water and sanitation facilities. In the past seven years, about 70% of money invested was from tariff collection. This has been achieved due to a strong internal controls policy, with cost evaluations and expenses management. DMAE could have expanded its services even further, but from 1997 to 2003 there were no affordable loans from national credit banks, which were oriented to assist privatisation of the water sector in Brazil.

By the end of 2000 a law was proposed to congress with the clear objective of privatising water. DMAE was in the vanguard of a national resistance movement which succeeded in preventing this and the proposal was withdrawn. Under the current national government, inaugurated in 2003, a new law project which wants national regulation of water, sanitation, solid waste and storm water, is being discussed all over the country before sending it to congress.

The new policy encourages state and municipal water utilities to work side by side, but also allows municipal administrations the option of working independently, according to the Brazilian Constitution, or commissioning a state utility based on a long term contract.

One of the main purposes of the new law is to promote both the regulation and social control of the water utilities, public or private, by linking even loan offers to those utilities that follow the law.

DMAE has already adapted to what is proposed by the project, mainly with regard to social control, and has hired a consultancy that is working on proposing improvements in the administration of the utility.

Our tariff structure is based on strong cross-subsidies. There is a social tariff for low-income people who have the right to use 10 cubic metres per month but pay for only four. There are

also three different rates besides the social tariff. People who use water only for basic needs (they consume up to 20 cubic metres per month) are strongly subsidised by others who use between 20 and 1,000 cubic metres per month. Tariffs for the group that consume between 20 and 1,000 m³, go up exponentially and, after this, tariffs become very expensive. Large consumers, such as airports, shopping centers and industry, fall into this category. For instance, rich people who use water for their swimming pools and not just basic needs, subsidise water for poor people. With this tariff structure we are able to invest substantial amounts in maintenance and expansion of the water and sanitation services. It also generates an annual surplus of about 15 to 25% of our annual budget which goes to new investments.

It is at this point that people participate in the following year's participatory budget cycle. People bring their demands, discuss and vote on them and, after a technical feasibility evaluation, they are included in the following year's municipal budget. The water works are examined by DMAE.

During the works, a group of concerned citizens is commissioned to accompany and supervise the contractors, so that there are people monitoring the process from decision-making to the application of the money. It is a complete exercise in control by society.

The implementation of the participatory budget has changed DMAE just as the concept of meeting the needs of the city has changed. All the staff and workers of DMAE have had to focus on listening to people and taking forward their demands. This has brought about a strong change in the way we manage things. As a result, we don't prescribe where money will be invested anymore; people discuss their demands and, if it is technically feasible, they are introduced into the following year's budget.

DMAE administrators also know they need to have workers who are motivated and can achieve high standards in meeting people's needs, so every year strong investments are made in education, healthcare, insurance, transport and other areas. As a result, many workers have had access to high school or university scholarships, as well as training courses on managerial and technical subjects. The result of these investments is detailed in a social audit, published annually since 2000, and they have won important national prizes for social responsibility.

Citizens have played an important role in DMAE's success through the years. The deliberative council was created in 1961 and has represented many sectors of the society in overseeing DMAE and played an important part in its success. The implementation of the participatory budget, in particular, brought DMAE even closer to society and established a new level in control over the utility. This was not only because it was the point at which the demands began being heard, but also because people began to be involved in checking the quality of the services done.

In addition, DMAE established a close relationship with its users through offices distributed in the city. Among other things attended to, they can bring their bill complaints and have the option to parcel their debts at these offices, which is an important option for low-income users. They can also reach DMAE by telephone and through a website where there is also a large amount of information. It is possible to check here if a maintenance service is already scheduled or find out their month's consumption, for instance.

Recently, Porto Alegre was judged to be one of several cities worldwide with a high potential for attracting investment

¹ See <http://www.joneslanglasalle.co.uk/news01/nr1221.html> and http://www.joneslanglasalle.com.br/internet_noticia.asp?not_id=398&area=551

in the next 10 years. It was published in the international report "World Winning Cities" issued by the English consultancy Jones Lang LaSalle. They had looked at 24 cities, only one of which, Porto Alegre, was in Brazil.¹ According to its spokeswoman in Brazil, besides being economically developed, Porto Alegre was chosen for its excellent quality of life, as a global reference point for participative democracy, and having good conditions for starting a new business. It's easy to understand that a well-run public water utility would have an impact on this choice.

A principle obstacle for DMAE to overcome has been the threat of privatisation and DMAE has been the focus of a lot of interest from those supporting this. Porto Alegre is the only capital with over 1,000,000 inhabitants that still has its own publicly owned municipal utility. This became evident during loan negotiations with Inter-American Development Bank (IADB), which made a strong effort to change DMAE into a company and to separate it from the city hall, with the clear purpose of privatisation. But the utility firmly opposed this and still got the loans, showing how respected DMAE is.

Privatisation is a persistent threat and DMAE has to keep defending itself. Corporations could generate the same surplus as we do, possibly more, because they have no social concerns and could raise tariffs. They could then send this money abroad as a profit to their main offices. Instead, we give it back to the people who provided it in improved infrastructure for water and sanitation services.

We also believe that if the participatory budget is stopped, it will take from people an important aspect of the relationship between government and society and one that established it on a new level.

Public water utilities are really viable and can be better than

corporations in social, financial and technical ways. So, it's clear that all successful and viable public water utilities worldwide should gather to firmly oppose the privatisation of water, and also support those who are still trying to achieve higher standards.

In the last few years, many conferences have taken place worldwide to discuss which is the better way to provide water and sanitation services, but it seems that has already been happening in Porto Alegre for a long time. It is a model that could be reproduced all around the world if adapted to regional conditions regarding natural resources, legislation and scale.

*Hélio Maltz is with the municipal department of water and sanitation
(Departamento Municipal de Água e Esgotos - DMAE).*

The department may be contacted at www.dmae.rs.gov.br

MANAGEMENT OF BASIC DRINKING WATER AND SANITATION SERVICES BY A CO-OPERATIVE IN BOLIVIA

By Luis Fernando Yavari

THE CO-OPERATIVE MOVEMENT IN BOLIVIA

Since the Co-operatives Act of 1958, co-operatives have played an important role in delivering public services (from water and electricity to telecommunications) in Bolivia. According to this law, co-operatives should follow these principles: all members have equal rights and obligations; democratic principles are followed; every member has a vote; the goal of the co-operative is not profit but economic and social improvement.

Bolivia is politically divided into nine regions. In the regional capitals, drinking water and sanitation services are provided by co-operatives in 44% of the cases; in another 44% they are provided by public companies; and 12% is in private hands. Water services are governed by the 1999 Drinking Water and Sanitation Services Act, which was amended in 2000 after the water war of Cochabamba (see “Cochabamba: Public-popular partnership after the water war”). The new law enforces the following: universal access to services; the quality and continuity of basic services; efficiency in the use of resources; acknowledgement of the economic value of services (tariffs); sustainability of services; neutrality towards users; and protection of the environment.

This chapter will focus on the co-operative movement for services delivery, particularly one developed in the city of Santa Cruz de la Sierra (1,3 million inhabitants), the capital of the Santa Cruz region. During the 1960s, the first two co-opera-

tives were created in the city to provide telephone lines and electrification. In 1979, the Co-operative for Drinking Water and Sanitation Services (Co-operativa de los Servicios de Agua Potable y Alcantarillado Sanitario - SAGUAPAC) was established.

SANTA CRUZ: A CO-OPERATIVE PROVIDING DRINKING WATER AND SANITATION SERVICES

SAGUAPAC supplies drinking water and sanitation services in most of Santa Cruz de la Sierra. A few small operators, independent of SAGUAPAC, supply drinking water in the periphery of the city.

The water company has experienced three very different periods in its history. Until 1973 it was a public company and then until 1979 it was a semi-public utility. In 1979 it was formally established as a co-operative. The good results other co-operatives (telephones and electrification) were having influenced the community's choice of management for SAGUAPAC.

SAGUAPAC has a complex structure. The co-operative has a concession over a specific area divided into nine districts, each of which has a council whose task is to monitor members' concerns (every owner of a water connection is a member) and to satisfy their needs. Councillors serve a six-year term and a third of these councillors are renewed every two years. Each of the nine councils has three delegates at the Assembly of Delegates whose task is to approve decisions by the co-operative. The assembly also chooses nine members for the board and six members for the supervising council. The board is responsible for approving the budget and accounts, and for designing the policies of the company. The supervising council controls the board and does the external audits. Members of

both bodies serve for six-years and every two years a third of the members is also renewed.

Because SAGUAPAC is a co-operative, everyone with a water connection becomes a member and therefore a co-owner of the co-operative with a voice and voting rights. Besides the structures for participation, through which members can voice their needs and concerns, the utility carries out satisfaction polls twice a year to evaluate where water and sanitation services need to be improved.

The goal of a co-operative is the well being of its members, not profit. SAGUAPAC has a social tariff structure with different price levels for home consumption, commercial use, industrial use and special use (hospitals, public schools, government offices, etc). Tariffs are also dependent on consumption levels and increase every 15 cubic metres, so that those who consume more pay more per cubic metre than lower users. SAGUAPAC also runs promotion campaigns in poorer communities to encourage access to water services.

SAGUAPAC has a quality control system based on ISO 9001 and at present is being certified by the TÜV Rheinland of Germany. The co-operative also has optimal performance indicators by Latin American standards. For 2003 they are as follows:

| | |
|--|---------|
| Access to drinking water | 96% |
| Access to sanitation | 50% |
| Number of drinking water connections | 123.597 |
| Number of sanitation connections | 64.096 |
| Number of workers | 387 |
| Number of workers per 1000 connections | 3,13 |
| Average water tariff (US\$/m3) | 0,31 |
| Average sanitation tariff (US\$/m3) | 0,29 |
| Water loss | 26% |
| Annual billing (US\$) | 19,5 |
| Collecting efficiency | 94% |

THE STRATEGIC DEVELOPMENT PLAN

SAGUAPAC has developed a Strategic Development Plan (Plan Estratégico de Desarrollo - PED) for the concession period of 40 years up to 2039. This plan has identified the investment that needs to be made and the estimated cost, which for the 40-year period is US\$559 million. The largest amounts will be for sanitation infrastructure (\$309 million) and water networks (\$118 million).

Net income has also been analysed and compared with needed investment and operational costs. For an initial period there is a gap in the budget (alternatives to cover this gap are explored below), but for the period after that the company will be financially self-sufficient.

| Closing year | Multilateral body | Name of the programme | Amount of the project (US\$ million) | Amount of the loan (US\$ million) | Loan number |
|--------------|-------------------|---|--------------------------------------|-----------------------------------|-------------|
| 1986 | World Bank | Water and Sanitation Programme in | 17,0 | 9,0 | 948-BO |
| 1997 | World Bank | Santa Cruz Programme for the Rehabilitation of Water and Sanitation in the main cities. | 13,3 | 5,4 | 2187-BO |
| 2001 | IBD | Programme for Basic Urban Water and Sanitation (PROSUB) | 30,5 | 20,0 | 987/SF-BO |

SAGUAPAC has carried out a number of projects funded by multilateral institutions such as the Inter-American Development Bank (IDB) and the World Bank. The table on the left shows a summary of those projects.

In all cases, SAGUAPAC completed the projects in less time than scheduled and with significant savings, with the result that it could tackle more work. SAGUAPAC is also complying with loan repayments.

MAIN CHALLENGES AHEAD

The main concerns for the co-operative are summarised as follows:

- availability of water resources;
- low access to sanitation;
- the need for financial resources to carry out the Strategic Plan for Development;
- the small operators at the periphery of the city.

AVAILABILITY OF WATER RESOURCES

Currently the drinking water supply system has one only source and that is underground water. SAGUAPAC exploits the aquifers with 47 wells in four fields (with an annual production, in 2003, of 45 million cubic metres). According to the studies undertaken, and taking into account the planned exploitation and replenishment of these underground aquifers, it is estimated that by the year 2017 it will be necessary to find an additional water source. By this date, the underground reserves will not be enough to fulfill the expected demand but SAGUAPAC is exploring alternative sources to find a solution well before 2017.

LOW ACCESS TO SANITATION

At present, only 50% of the population has access to sanitation services, but the population growth index compared to the sanitation service growth shows that without new investments the access index will be even lower. The city has an annual population growth of six percent, which has been taken into account in the financial plan allocating the biggest amount to sanitation infrastructure. An additional, worrying factor is that underground water is the only source of drinking water. Expanding the sanitation network is needed to avoid contamination of the underground water. At present, wastewater not collected in the sanitation network goes into septic tanks, which directly pollute underground waters.

MOBILISING FINANCIAL RESOURCES

In the early years of the plan, the gap between the net income on one side and the investments and operational costs on the other shows a need for some US\$50 million. A number of alternatives have been explored: (i) multilateral loans; (ii) commercial loans; (iii) strategic partnership under the operator modality; (iv) strategic partnership under the non-operator modality; (v) sub-concession or BOT contract. The preferred alternatives for SAGUAPAC are in this order (1) unilateral loan, (2) strategic partnership non-operator and (3) commercial loan and BOT.

SAGUAPAC has taken some steps towards securing multilateral loans. In loan negotiations with multilateral agencies, the government is the party that guarantees the deal, but the one who pays the interest is SAGUAPAC. However, the country's limited debt capacity is making it very difficult to access these loans.

THE SMALL OPERATORS AT THE PERIPHERY OF THE CITY

These small systems of drinking water supply, run by eight operators independent of SAGUAPAC, have their origins in the uncontrolled growth of the city. The city's expansion featured satellite areas in which independent water systems were built, as the existing infrastructure was not able to support them. After some time, these systems were consolidated and they now supply the periphery of the city, but the quality of the service is bad and there is no guarantee of the sustainability of these companies. Furthermore, no effective action has been taken by the government to reduce the number of operators and to avoid water services of different quality. The government body in charge of drinking water and sanitation services, (Superintendencia de Saneamiento Básico (SISAB)), should play a more effective role.

CONCLUSIONS

Analysing the performance and results of SAGUAPAC, it can be concluded that this company provides drinking water and sanitation services of excellent quality. Its independent, co-operative status and members' participation has benefited the utility in many ways. It has avoided political intervention, something that allowed the company to give continuity to its plans, and it is based on the democratic participation of its members. Its economic and financial situation, given the growth of Santa Cruz de la Sierra, is forcing SAGUAPAC to look for an injection of economic resources for the initial years of its strategic plan of development, so it can guarantee its sustainability. For that it needs state guarantees for its financial operations, although its financial obligations will be covered by user tariffs. An important element is that, according to its co-

operative philosophy, the main goal of SAGUAPAC is the well-being of its members and not making a profit.

SAGUAPAC's model is an alternative option to the public and the private model, and one which it was invited to present at the World Bank's 2003 Water Week. Inspired by SAGUAPAC, Cobija, Trinidad, Tarija and other cities in Bolivia have also established water delivery co-operatives. Although these cities have not yet reached the same levels of efficiency and sustainability as those of Santa Cruz, it is clear that the model can be replicated.

Luis Fernando Yavari is planning and systems manager of SAGUAPAC.

PEOPLE'S INITIATIVE IN WATER - OLAVANNA VILLAGE IN KERALA, INDIA SHOWS THE WAY

By Joy Elamon

OLAVANNA

Olavanna is a village situated in the northern part of Kerala state in India. Kerala is considered as a development model with its high rate of literacy, better health indicators and high human development indices. Kerala is also known for its participatory local planning process where local village governments (panchayats) prepare and implement their own development plans with the active participation of the people (People's Plan Campaign). As at July 2003, piped water is provided to 64% of the Kerala population, but there are big differences in coverage between regions.¹

Hills, marshy areas and paddy fields constitute the geography of Olavanna. A river flows across the village, but the water is salty and cannot be used for drinking. In many places, wells cannot be dug due to the hard rocks underneath.

In the 1990s, Olavanna had a population of 45,000 living in

¹ Out of the 204 lakh people (64%), 138 lakhs are in the rural area (68 %) and 65.6 lakhs (32%) in the urban area. District wise analysis shows that Ernakulam has the highest coverage of 89.5 % and Kozhikode the lowest with 46.6 %. Similarly, if we look at the rural population the coverage varies from 90.5 % in Ernakulam and Kozhikode with 33 %. With regard to urban population, Kottayam district is highest with 97.6 % and Wayanad at the bottom (50%). According to a survey carried out for the Rajiv Gandhi National Drinking Water Mission, there are 9776 habitats in Kerala. Out of these, by 2003 April, 2091 habitats (21.4%) have been fully covered with piped water and 7444 ie 74 % have been partially covered, and 228 habitats still remain to be covered. In 1788 habitats, drinking water provided is below 10 lpcd whereas in 2091 habitats above 40 lpcd is provided. (Economic Review. 2003. Government of Kerala.)

an area of 21 square kilometres. The sex ratio is 1000:1022 in favour of women. In the early nineties, almost 70% of the households of Olavanna suffered drinking water shortages. Even those lucky ones who had wells were deprived of drinking water as the water was salty and it was a summer of near total drought.

There were a few schemes organised by the state government agencies. Forty-five public taps and 42 house connections were already in place, but of these 42 public taps, 30 were not working. Moreover, the expansion of the nearby city brought more people to the village thus adding to the drinking water scarcity of the village.

Kerala is a politically active state; Olavanna is no exception. Every election has been fought on the issue of drinking water but, although promises were plenty, no solutions were found and, slowly, people in various hamlets began to unite.

STRUGGLES BEGIN

It started with a hamlet (Vettuvendankunnu) near the panchayat office (village government) itself. The hamlet, with a large majority of poor, had only a little drinking water for a long period. It was provided with a well by the panchayat but there was no water in it. People, especially women, had to carry water down from the hill. Under the leadership of the elected representatives of the panchayat, they went to the district authorities but in vain, so women, children and men marched to the district collectorate with empty pots and vessels. Eventually, funds were allotted for a small drinking water project for the hamlet.

THE FIRST INITIATIVE

People joined together to form a beneficiary committee; one of them donated land for the well and another for the water tank.

With people's initiative and monitoring, the scheme was completed within the stipulated time, unheard of in the usual government programmes implemented through contractors. Apart from implementing the project, the beneficiary committee decided to take over the responsibility of managing the water supply. It was in this context that the village panchayat decided to meet part of the monthly running expenses.

It is interesting to note the factor which motivated them. A person had been providing water to the neighbourhood from his household well through a locally-laid pipeline free of cost. Later, people in the neighbourhood willingly shared electricity charges. All these things were not part of any project or scheme, it was the benevolence of a single person which motivated the people to co-operate. This also motivated the people in nearby areas who had watched this for years.

A MODEL IN THE MAKING

The success of the people in Vettuvendankunnu hamlet triggered a series of initiatives. It was at this point that the government of Kerala, under the leadership of the Left Democratic Front, decided to implement the People's Plan Campaign (decentralised planning). It was a bold initiative giving power to the people. The state government decided to devolve 35-40% of the state plan outlay to local self-governments. It also decided to initiate a campaign to mobilise people so that they participate in planning, implementing and monitoring the development projects in their own locality. Thus, the funds devolved to the local self-governments were to be used for local development according to the needs and suggestions of the population.

Olavanna began to be active and people began to get organised. They knew money was required for water projects and they tried to pool all resources available from various govern-

ment and other agencies. They found that the People's Plan Campaign provided the ideal environment. In every hamlet, meetings of the potential beneficiaries were conducted under the leadership of village panchayat and people discussed the problems of drinking water scarcity, the reasons for it and the potential solutions.

In many places, even if they dug wells they would not get good potable drinking water. In such situations, they were to dig wells in ideal locations, tanks were to be constructed and then water pumped to these tanks. From there, the distribution lines were to be laid. Estimates were prepared locally and the total expenses, in addition to the panchayat support, were divided among the total number of households and they paid their share in installments. There were concessions for the poor decided on the basis of their capability. These decisions were taken by the neighbourhoods.

The management of each of these projects is by the beneficiary committees. People paid their share not only in terms of money, but also with physical labour. A person from the locality was posted as the pump operator and the beneficiary committee pays his wages. This committee monitors the drinking water supply, takes the initiatives in its maintenance and sees to it that the repairs are done at the correct time. They also monitor the water usage by the households. Every month, each household spends less than a dollar (varies from rupees equivalent to US\$0,5 to 0,9 according to the area). Every year, the annual general body of the beneficiary committee is convened and the audited accounts are presented. The new office bearers are also elected. It should be noted that the plan, estimate and implementation responsibilities are with local people, who find people skilled to do these activities from among themselves. In fact, one of their reports say that they have not so far sought help from any engineers or technical experts and have

not experienced any problems with their own technology.

Olavanna village now has a total of 60 new drinking water schemes, of which 34 were with the support of the village panchayat and agencies related to that; 26 have been completely people's initiatives. All these together provide water to half the population of the village.

STOCK TAKING

Taking stock of the situation, we find that a people's initiative, together with the involvement of the local panchayat and the support of the state government, could address the issue of scarce drinking water in Olavanna to a large extent. Moreover, all classes of people, irrespective of religion, caste, economic status or political affiliation, participated in such a venture and there were instances where the poor were subsidised by the affluent among the community. People's unity was strengthened to a great extent and, in addition, the need for people's participation in such development interventions was demonstrated. More than all this, the Olavanna initiative lessened one of the major burdens women have had to face all their lives for many years.

A few key points can be learned from the Olavanna model. It focuses on the need for more decentralisation of the implementation of development activities. Olavanna proved beyond doubt that instead of major mega projects, micro level projects with micro water sources are the ideal. Such schemes can be designed with local skills and capacities. If transferred to the local people along with the resources for implementing them, the people have the capacity to do things themselves. If it is a centralised agency, the cost increases and the experience in many situations is that projects fail to provide the expected results. Sustainability is also an issue in such situations.

An analysis of the Olavanna model shows that the management cost is much less compared to state-run mega projects. If given powers, the local community is ready to supplement with local resources including capital and recurring expenses. The ownership of the projects gives them satisfaction, which in turn leads to proper monitoring and maintenance of the water schemes. This leads to the sustainability of the project.

Olavanna clearly shows that the local population can handle most of the technical issues in such projects. This ownership also prevents the misuse of water and adds to water literacy. As people understand that water is theirs, they are empowered, which in turn makes them fight the lobby of water exploiters.

So far urban centers have not done similar things. But, even in larger centres, management of drinking water is possible through people's initiatives. In the case of sanitation, similar initiatives are being launched in many municipalities, which clearly indicates the viability of such initiatives in drinking water. The government programmes on drinking water slowly took lessons from Olavanna and to a major extent it helped to shape the drinking water initiatives of the government.

Olavanna and similar models do suggest that the failing state-run models and privatisation can be replaced with people-owned models. The difference to be noted is that here the state is not actually shying away from providing drinking water, but it helps people own their drinking water projects and supports them through support to the village governments.

BARRIERS AND THREATS

Once such people's initiatives are successful, we find that the various agencies engulf those ideas and re-orient them to their advantage. This is especially true of the international funding agencies like the World Bank, which have started funding the

drinking water projects in the state. While the Olavanna initiative was a movement by the people, owned by the people with the support of the local and state government, such funded initiatives are controlled by other agencies. Though the Olavanna initiative was able to influence the design of such projects to a major extent, the loan dumped on to the people of the state is a potential burden to the population.

Such projects are more expensive with lots of costs for technical expertise, management structures and the like. On the other hand, the Olavanna model shows how the local people can design such projects with local expertise, with less cost and with better chances of sustainability. International funding agencies influence governments so that the state withdraws from key sectors like drinking water in the name of facilitating instead of providing. In the case of Olavanna, the state, through its devolution of funds to the local self-governments, actually brings the government closer to the people. Along with funds, it also provides scope for people to decide themselves, thus it becomes an empowerment process where the state also plays a major role.

Of course, local players in the drinking water sector also play a major role in creating barriers for such people's initiatives. The engineer-contractor nexus has caused problems for many beneficiary committees in several other panchayats. By questioning the expertise of the local people, by delaying the funds, by not approving the projects in time and by initiating parallel projects and schemes with the approval of the centralised agencies in the government, they discourage the local beneficiary committees. In such situations the state also fails to play a proactive role. This is especially crucial in the context of globalisation and privatisation where the states are asked to withdraw from such social sectors and then they are opened for markets.

Another major issue cropping up is that of multi-national companies and transnationals trying to exploit water resources. There are a few major struggles going on the state against these multi-national giants. In the name of soft drinks, cola and mineral water, these companies take hold of the water resources in the villages, thus exploiting it to the maximum. Worldwide solidarity is required to combat such forces and exploitation.

With the state being in a fiscal crisis, the lending agencies are trying to influence the policies of the government. This has worsened especially in the context of globalisation. Much of the support from the national government is being linked to such “reforms”, which in effect is government “withdrawing from service sectors”. Thus the state has no option but to follow such directives which, in essence, is privatisation. This is a retrograde step for Kerala considering its history in the service sector where the state always provided services in areas such as health, education, drinking water and the like. Whatever the state has achieved is through these interventions.

Olavanna was a major weapon against total privatisation of the drinking water sector. When the World Bank supported drinking water initiatives being designed, the Olavanna model became convenient for the people and the government, then ruled by left-wing parties, to show that people’s initiatives are possible. The mass mobilisation through the People’s Planning Campaign gave the additional support needed to correct the original proposal from the World Bank-directed project planners. Thus the World Bank model was remodelled after learning a few important lessons from Olavanna. Though there has been dilution, the Olavanna model was adapted to a large extent, so much so that even in a World Bank-aided project, drinking water is owned by the people.

Joy Elamon is the chief programme co-ordinator for SDC-CapDecK (programme on Capacity Development for Decentralisation) in Kerala, India.

PUBLIC-PUBLIC PARTNERSHIP: AN ALTERNATIVE STRATEGY IN WATER MANAGEMENT IN MALAYSIA

By Charles Santiago

This chapter explores the possibility of an alternative model in organising water management in Malaysia. The experience of the Perbadanan Bekalan Air Pulau Pinang (PBA) in water supply management could be emulated by other state water providers in the country. Specifically, the PBA experience in the state of Penang could provide a basis in which to forge and organise a public-public partnership in water management in the country. The PBA experience in water management serves as an effective alternative to privatisation and makes a strong case against the Malaysian government's plans to hand over the water management to private interests.¹

Why should the PBAs experience in water management in the state of Penang be the basis in which to organise a public-public partnership or arrangement? At present, Penang enjoys one of the lowest water tariffs in the country² as well as the

¹ The state water authorities inherited an efficient management water supply system from the British about 200 years ago. More recently, in January 1973, the Pihak Berkuasa Air Pulau Pinang (PBA), a state statutory authority was established. The role of this authority was to supply treated water within Penang (both the island and the mainland). In 1999 the PBA was corporatised into Perbadanan Bekalan Air Pulau Pinang Sdn Bhd, (PBAPP) a private limited company, wholly owned by the government of Penang through its investment arm, State Secretary Penang. In 2000 PBAHB was incorporated as an investment holding company to carry out all business activities for PBA Group of Companies. See History of Water Supply in Penang. <http://www.pba.com.my/PBAHis.html>.

² From 1993 until the present, the Penang domestic water rates for the first 20 000 litres is 22 sen per 1000 litre and between 20 000 and 40 000 litres is 42 sen per 1000 litres. The tariff rates introduced in 2001 maintained the same tariff structure as in 1993. Based on the 2001 tariff increase, about 75% of consumers in Penang did not have to pay more for their water as opposed to 1993.

world.³ A 1999 comparative study of water charges in 65 cities and towns in 38 countries in Asia, Europe, Africa and the United States showed that Penang has the lowest water rates.

The PBA also recorded the highest profits among all the water providers in the country. In the last few years, the company achieved record profits of between RM40-50 million. Also, water is accessible 24 hours a day and reaches about 99% of the population in the state. The non-revenue water (NRW) is the lowest in the country at 18%, a target attained one year ahead of schedule (2005). The company expects to reduce NRW to 15% by 2010.

Its employee-to-connection ratio is about 1:373. The PBA has attained 99% billing and collection efficiency, another national high. The company's strong operating profit margin of 50% owes a lot to its low NRW and good revenue collection rate of 99%. Furthermore, Penang is the only state in the country which provides an interest-free loan of RM1,000 to poor communities for the purposes of connection. The PBA is the only water provider in the country that can boast a cash reserve or its equivalent of RM223 million.

Currently, Penang shows a remarkable achievement of 99% universal access to drinking water at the lowest prices in the country with a 98% revenue efficiency. It is important to note that the efficiency requirements were met with no substantial tariff increase and with a subsidy and cross subsidy in place.⁴ This was because profits of the water utility were reinvested⁵ and new infrastructure investments are self-financed.

³ The comparison of annual water charges for a family living in a house consuming 200 cubic meter per year shows that the Penang water charge is only ECU 10.13 for a household consuming 200 cubic meter per year. International Water Association's International Statistics for Water Services 1999. Cited in Water Malaysia Issue No: 4. 2003.

⁴ The cost of producing per cubic metre of water is 35 sen. It is sold at 22 sen for the first 20 cubic metres of water.

⁵ In 2002 and 2003 the PBA invested RM61.4 million and RM85 million respectively in capital expenditure for water resource development. Annual report 2002 and 2003.

What are the critical factors that are responsible for the success of this model of water management? First, a management that is committed to administrative excellence and public service wedded to a commercial outlook helped to create an efficient management of the water system in the state. A strong commitment to public service influenced the management, operations and delivery of services of the organisation. Interviews with workers, unions and management staff indicate that a commitment to public service excellence was inculcated at every level of the company. In fact, working for and serving the *rakyat* (people) was internalised by the staff and represented a key commitment and asset of the organisation. Also, it appears that there was a real sense of commitment among the staff to a work culture that promotes excellence in public service.

Second, interviews indicate that since 1973, the Penang Water Authority operated autonomously and without political interference from the state, albeit the water utility had to follow federal government policies on staff recruitment. The PBA's day-to-day operations and management decisions, including its policies, were free of political interference. Thus, the water utility was able to focus on its core responsibility and commitment to balancing profitability with public interest. In this environment, the senior management could formulate plans and decisions without upsetting politicians or fearing employment transfers or demotions, something that cannot be said for most of Malaysia's state water providers. Politicians acted on the professional advice of the managers.

Interviews with retired senior management staff reveal that the state politicians did not interfere with day-to-day operations of the company nor influence its policymaking. In fact, it was pointed out that the PBA managers exercised their responsibilities and tasks professionally and were led by visionary senior management team committed to public service. In this

sense, the PBA was very much a bureaucracy-led organisation devoid of political encroachment.

Third, in 1973, the Penang Water Authority adopted a “commercial outlook with social obligations” strategy. This involved increasing access to water at affordable prices while ensuring high revenue efficiency. Such an approach ensured universal access to water and yet made the provision of water cost-effective and profitable. The PBA adopted appropriate technology either to enhance water accessibility or for revenue efficiency. Senior and retired managers indicated that PBA embracing of the “commercial outlook with social obligations” strategy early in the 1970s, was the key in realising its aim of providing water profitably yet being socially responsible.

A commercial outlook involved the organisation being budget conscious, adopting a commercial accounting system, instituting internal and external audits, a customer-friendly service, accurate recording of payments, billing and collection system. Also it involved developing a reliable and accurate integrated customer and engineering data system. Such a system allowed for correct recording or identifying burst pipes in different geographical locations. Furthermore, it entailed putting in place a leak detection and rehabilitation system. Essentially, a commercial outlook involved cutting costs and enhancing revenue efficiency. Furthermore, corruption and abuse of power was neither systemic nor prevalent in the organisation, although there were suspicions of corruption involving engineers in 1996.

Fourth, political party rivalry coupled with a vigilant public is said to be another factor that forced the state-owned utility to be efficient, transparent and accountable. Political competition between the various political parties, especially between the parties of the ruling government, contributed to keeping the state’s water supply system efficient, and the provider transparent and

accountable. Interviews with management, workers and NGOs indicate that the political rivalry, especially between the Gerakan and the Malaysian Chinese Association (MCA), resulted in unprecedented levels of scrutiny and demands for transparency and accountability vis-à-vis the performance of the state-linked and owned companies, such as PBA and Penang Development Corporation, the investment arm of the state.

Furthermore, political pressure from the opposition Democratic Action Party (DAP) and UMNO, a ruling coalition partner which has been eyeing the chairmanship of the PBA, forced the utility company’s performance, efficiency, transparency and accountability to improve. It appears that political competition forced a higher demand of transparency, accountability and efficiency levels, and this is a phenomenon that is absent in many other state water utilities in the country.

Since 2001, PBA was legally a privatised entity but one that was owned and controlled by the state of Penang. The state government owns 75% equity of the company. The remainder is owned by PBA workers and staff, by PBA consumers in Penang and the general public.⁶ While PBA, in its operations, is financially and organisationally independent of the state government, the people of the state view the PBA as belonging to the state and that is why its performance is scrutinised closely by the various political parties, NGOs and consumers.

The PBA offers cheaper rates compared to other privatised water providers in the country, ie Syarikat Air Johor Holdings Sdn Bhd (SAJH), which is a wholly-owned subsidiary of Ranhill Utilities. SAJH has been granted rights to carry out water supply services in the state of Johor for 30 years from

⁶ The direct control of the company is exercised through a 55% equity stake through the State Secretary Inc., while 20% of the shares are in the hands of state-owned companies. Santiago, Charles. 2004. Privatisation vs. Public-Public Partnership in Malaysia. Monitoring the Sustainability of Globalisation.

2000. The SAJH charges consumers 30 sen for the consumption of 0-15 cubic metres and 95 sen for the consumption of 16-30 cubic metres. The PBA charges consumers 22 sen per cubic metre for 0-20 cubic metres and 42 sen for the consumption of 21-40 cubic metres.

The PBA charges for the first 0-40 cubic metres have not changed since 1993, despite the privatisation exercise in 2001. However, SAJH increased water charges by 40% on January 1, 2001, and a further increase of 30% was made in 2003.⁷ It is interesting to note that a review of the water tariff in 2003 was made before the expiry of the three-year requirement.⁸ In the last 13 years, water tariffs have increased by 82% in the state of Johor.⁹ In the case of SAJH, it exploited its monopoly position to increase water tariffs, shore-up its share value and thus profits. However, the PBA, as a result of its “public although private” approach has not treated water like any other revenue-generating commodity. It has reinvested its profits and maintained highly affordable rates in order to ensure universal access and equity.

⁷ The Federation of Malaysian Manufacturers (FMM) has this to say about the second tariff increase in the state of Johor: “SAJH Sdn Bhd should not treat its water supply business an indiscriminate cash cow to be milked at every three-year interval. As a monopoly, SAJH Sdn Bhd must regard its water supply business as a social responsibility that must be carried out in fairness and in full consideration of the impact on all consumers, including industrial and commercial consumers. SAJH Sdn Bhd should not exploit its monopoly position in order to make obscene profits at the expense of its customers.”

⁸ Under the Concession Agreement (CA), 10 staggered increments of water tariff rates are allowed over the 30-year period. Malaysian Rating Corporation Berhad (MARC) Reaffirms Rating Of AID On SAJ Holdings Sdn Bhd's RM680 Million Al-Bai Bithaman Ajil Islamic Debt Securities (2000/2009). <http://www.marc.com.my/marc/readnews.asp?PID=55>

⁹ FMM Johor Branch Position Paper on the Latest Water Tariff Increase in Johor. Statement by the FMM on the increase of water tariff in the State of Johor. The statement quoted the State Executive Councillor Y.B. Adam Abdul Hamid on May 29, 2003, in *The New Straits Times*: “SAJH could raise the water tariff by not more than 30% every three years.”

There are potential problems in the long run for PBA. The organisation needs to consider conservation seriously given the increasing demand for water in the state, and that 80% of its raw water comes from outside the state. It needs to protect and gazette its catchment areas which are being eyed by business for purposes of commercial farming and other business ventures.

Another serious problem that the water utility provider will have to consider is in relation to its privatised status, although it is owned and controlled by the state government. Various stakeholders have suggested that the commitment to keep the water provider “public although it is private” might not be assured if the government changes to another political party.¹⁰ A privatised utility is vulnerable to foreign take-overs through the General Agreement on Trade in Services, an international trade agreement that is designed to control and regulate trade in services, including water.

In conclusion, the PBA experience refutes the widely-held notion that a state-controlled water utility is inefficient and loss-bearing. In fact, the PBA is a profitable and efficient water provider without imposing full-cost recovery, a phenomenon that turns the privatisation logic upside down. For Malaysia and the developing world the challenge would be to learn from the PBA experience through a public-public partnership, one that can keep the private sector out of the water management business.

Charles Santiago is with Monitoring Sustainability of Globalisation.

¹⁰ At present the Gerakan controls the state government. Their political rivals within the state coalition government include the Malaysian Chinese Association and UMNO. The three parties are part of the Barisan National government at the national level. The three parties compete with each other to lead the state government, albeit the Gerakan has led the state government in the last decades.

A RETURN TO THE SOURCE - RE-MUNICIPALISATION OF WATER SERVICES IN GRENOBLE, FRANCE

By Raymond Avrillier

Grenoble, located in the center of the Alps at the crossing of valleys between mountains, is a town of slightly more than 150,000 inhabitants in an agglomeration of 400,000 inhabitants.

In Grenoble, we re-municipalised our water utilities system in 2000. This service had been illegally privatised in 1989. Corruption, involving the local conservative party and the mayor at the time, led to the privatisation in 1989 of Grenoble's water and sanitation to Lyonnaise des Eaux (part of Suez). After years of political and public pressure, court rulings in 1997/1998 opened the way for the re-municipalisation that occurred in 2000. Since then, a transparent public utility has been created. The main lesson learned from our action for public water management in Grenoble is the importance of access to information and to independent analysis of the role of the private sector. In this way, public debates, prior to decision taking, allow appropriate and controlled public policy choices to be made. As a result of taking back our water, the quality has improved, the costs reduced and decisions have become more transparent though the complete disclosure of information to the public by the local authorities, which has become the rule. In order to achieve these improvements, all of the essential work is provided by the public administration and other services are provided by the private sector through public procurement.

The personnel now carry out their public service mission independently of market and private profit considerations. It also assures that a long-term public service can be provided that is conducive to the protection of resources, the maintenance and regular renewal of equipment, the undertaking of important investment, and the assistance in reducing consumption and social policies for families in difficulty. As a result, maintenance, renewal and improvement of the technical systems have increased threefold compared with the practices of Lyonnaise des Eaux during the 1990s. Employees and local elected officials, relieved of the pressure of pursuing private interests, carry out the public policy practices on a daily basis. Today, the city of Grenoble has the lowest water bill in all of France for cities with more than 100,000 inhabitants. Moreover, the water quality is exceptional, naturally pure without treatment and is sustainable.

Grenoble was able to eliminate the private-sector control of water utilities mainly as a result of political will and the persistence of a few citizens. A local movement called “*Démocratie écologie et solidarité*” (ADES), was founded by members of the green party followed by the establishment of a users’ association “*Eau-secours*” (SOS water). Their demand for a genuine local public water service has acquired overwhelming support today. Users and employees alike participate in the decision-making process. Decisions are taken democratically and, for the most part, through majority vote of elected officials and qualified representatives.

To claim back the water management from the private sector, we had to demonstrate the degree of corruption involved in the choices imposed by managers at the Lyonnaise. Public meetings were organised, spot checks of water bills were carried out against the will of public authorities implicated, legal actions were taken and complaints filed accrediting our cause.

The legal actions were long and drawn-out; a first complaint was filed in 1989, whereas the Conseil d’État (Ministry of Justice) only annulled the decision in 1997 to delegate the public water management, taken in 1989, and the resulting orchestrations by the Lyonnaise des Eaux, annulled in 1998. It was only through our action, launched in 1989, that the *Chambre Régionale des Comptes* (the Regional Chamber of Accounts) finally took up this dossier in 1995. The Appeals Court finally judged on the corruption case in 1996, although the events had taken place during 1987-90 and were revealed in 1993.

LONG-TERM STRUGGLE

We claim that water is a public good but it should be a right for all. It is therefore, above all, a public affair and an essential public service. To say that is a good thing (not every one gets this far) but to actually do it, debate it, and act on it is better. In the context of commercialisation and privatisation of public utilities and of policies that advocate the disengagement of the state and collectives (instead promoting “lean government” and a “lean city”), these actions led by users, citizens, tax payers, political movements, unions and elected people, are not so easy. In Grenoble, our collective and individual experience is that it took a 10-year struggle to regain and re-municipalise our communal water public utility.¹

The public water and sewage utility in Grenoble was privatised and handed over to Lyonnaise des Eaux (Suez) on July 14, 1989, the anniversary of the French Revolution. The city council was led by Mr Alain Carignon from the right wing party,

¹ For a summary of actions undertaken in 1989 until 2004 in Grenoble, France to regain the public water utility from the private interests of big corporations, see: www.adès-grenoble.org

who was later to be found guilty of corruption.² I was then an elected representative in the progressive minority. Mr Alain Carignon wanted a “meager city”, just like Jerome Monod, who was the CEO of Lyonnaise des Eaux and today one of the main advisors of President Jacques Chirac. The privatisation contract for Grenoble’s water followed the typical “French model” of delegated public services, a kind of public-private partnership that gives full power to the private sector. The contract guaranteed profits worth a few hundred million Euros for the private sector over a period of 25 years (between 1989 and 2014). In return, a fee of a few million Euros (later invoiced to the consumer) was paid to the municipality whose budgets were in deficit. Dozens of millions of Francs were paid under the table in a deal between (it was later revealed) corrupted elected representatives and accomplices and corrupting heads of private companies.

LESSONS LEARNT FROM THIS EXPERIENCE

We have learnt from this collective campaign a method, in other words a tool box, for the promotion and reinforcement of public services and for the fight against direct or indirect privatisation, such as mixed companies, subcontracting of public service to the private sector, public-private partnership etc. The analysis of money flows is the key issue in the struggle for a public water utility. The quality of the public service can be analysed only on the long run.

² Carignon was minister of environment during M. Jacques Chirac’s government of 1986 to 1988, then Minister of Communication under M. Edouard Balladur’s government from 1993 to 1994, and convicted of corruption in 1996.

To enact our rights, the right of the collectives, of the users, and also the elected representatives requires:

- Access to information: information on water cannot be delegated and access to information about the real costs and the quality of the public service is an action, a continuous action (the big private water companies treat the information as private).
- Pluralist analyses: expertise cannot be subcontracted, especially on the technical and financial aspects (this implies the existence of public sector employment and public procurement of expertise in accounting, law and technical issues that are independent from the water oligopoly).
- The choices of public policy, management and engagement must be clearly presented after an open public debate, for example in annual reports on the quality and the price of the water utility, so that they can be controlled and adjusted regularly.

OUR CAMPAIGN INCLUDED A WIDE RANGE OF ACTIVITIES:

- Collective action, such as the communal workers and user’s strikes in 1989 to say “no to privatisation” of water; also, the gathering of users in the organisation “Eau Secours” as well as the local political movement persistently fighting for the re-municipalisation of water.
- Legal action: in administrative, financial and judicial courts. In order to support collective actions, it also helps that collective rights are not flouted and are acknowledged in court as the rights of the users, of taxpayers, citizens and elected representatives.
- Action with regard to the authorities, especially in elected assemblies.

- Action in groups, such as associations, local social forum, network of organisations and movements, and political movements.

This last strategy of collective action is still going on today in order to maintain better quality and least costs in the public service.

ACHIEVEMENTS IN PUBLIC WATER AND SANITATION

Public water services can deliver excellent results provided they are given the necessary means, are responsive and careful with regard to cost and quality. The municipal water management of Grenoble today provides the cheapest water of all French cities of more than 100,000 inhabitants, naturally pure and untreated water of excellent quality that is sustainable. It has 85 employees, a user committee, and mechanisms of constant control by elected representatives. It is a public structure that is certified ISO 9001-v2000. The intercommunal management of sanitation has lowered the tariffs of sanitation and continuously improves the quality of the collection and treatment of used waters by maintenance and improvement of the networks. It has 77 employees, a users' committee, constant control by the community council and is about to be certified ISO 9001-v2000.

Over the past five years, we have shown our public water utility costs less for the community and to the users than “the French model” of private management.³ Compared to the

³ The private sector invoice profits, excessive interest on investment and exploitation, the rent ability of the assets, as documented in reports of the Audit office and Regional Audit office, as well as the Evaluation and Control Committee of the Parliament, and the reports and judgments of the general committee on market, consumption and suppression of frauds (DGCCRF). See also the analyzes of users associations www.cace.fr, and <http://causecours.free.fr/>

102% increase in water prices between 1988 and 1995 (during the period of private management), prices were not raised from 1995 to 2003 (after the return to public management) and increases for 2004 and 2005 are less than inflation. The price of water is an issue of social policy: to save dozens of Euro cents per cubic metre makes dozens of Euros per year per family, when these charges are becoming heavier for households, and end up being millions in terms of overall consumption. Keeping prices low has been made possible by improved monitoring of the water utility, which resulted in savings of up to €40 million.

The quality of the services has improved significantly. Maintenance and renewal tasks have increased by three to four times compared to the years of private management. Users are advised on how to save water and a 20% reduction of the water consumption in communal buildings has been achieved. The work of protecting the resource and improving the capture, and maintenance of networks and storage cannot be planned on the scale of an election or in terms of a subcontract to the private sector (focused on short-term profitability) but requires years, if not generations. This is one more reason water is an essential public service. Improving the quality, benefiting from the organisational memory and long-term planning are important features.

Work on maintenance, renewal, extensions and improvements are not cancelled in order to save money and to increase dividends for shareholders and to deliver profits for bankers and the executives.

A DEMOCRATIC AND ECOLOGICALLY RESPONSIBLE PUBLIC UTILITY

Accounting of the utility is now public and tariffs are decided each year by elected councils. Financial planning is made for 20

years with tri-annual planning of construction. An annual report on the price and quality of the public service (around 100 detailed pages) is approved by user-consultation commissions, the “council of exploitation” and locally elected assemblies. Assemblies of users decide and control the public utility.

This is in sharp contrast to the private accounting of the subcontracted companies that are opaque and include various non-justified, indirect costs (company fees, structural fees, subcontracting) and non-accounted financial options (delay of repayment of rental fees to a third party). These companies often see big maintenance and renewal works as a source for generating excessive profits.

Whereas the private sector sees the users as consumers and encourages them to consume more, the public utility involves the users in the decisions and can advise them how to save water or to promote a social policy. Whereas in the private sector, the employees are under pressure to make a profit, public employees are the actors of the utility. While the private sector seeks to take advantage of employees, we aim to provide useful and quality employment and work.

Unlike the private sector, whose profit-driven logic encourages consumption, including a price structure more favourable to big consumers, the public utility in Grenoble strives to reduce leakage and save water. Whereas for the private sector, water treatment and pollution are sources of profit (as constructors and exploiters or via links to companies that bottle water), the public utility of Grenoble is committed to preserve naturally pure and renewable resources and to apply the precautionary principle.

Natural, pure and renewable tap water can be used by gardens, hospitals and people that are potentially weak. Treated water, just like bottled mineral water, often contains wastes and is very expensive.

PUBLIC WATER INSTEAD OF “THE FRENCH MODEL”

The lessons learnt in Grenoble are important, now that many similar water concessions here in France made before the transparency and anti-corruption law of 1993 are coming to an end. These concessions may now return to public hands.

This lesson is very important when many European countries, not the least in Central and Eastern Europe as well as developing countries, are under pressure by governments and institutions like the World Bank, the WTO, the GATS, the G8 and the European Commission that seek to impose privatisation and public-private partnerships. They often promote the “French model”, but the reality of this model is “profits for the private sector, risks for the public sector, and costs for the people”.

Water is a public good far too precious to leave to market forces. Management decisions must not be taken under the influence of corrupt officials and private interests. It is an essential public service whose mission must not be guided by profit-seeking.

Raymond Avrillier is manager of the municipal water utility of Grenoble.

DEMOCRATISING THE REGULATION AND GOVERNANCE OF WATER IN THE US

By Sean Flynn and Kathryn Boudouris

In the United States, the term “public utility” refers to a class of industries that, because of their essential nature and their tendency toward monopoly provision, have historically been subject to more direct and pervasive governmental control than is common in other industries. Public control over utilities has been effected through (1) direct government ownership of utilities, or (2) government-appointed or elected regulatory commissions that oversee the rates and services of private utilities. In each area, popular movements have been instrumental in shaping the nature and structure of the government’s role, including the role of citizen representation within public processes.

EARLY HISTORY

“By the late nineteenth century there was a strong feeling among municipal leaders that any respectable community needed a citywide waterworks.”

*- Martin V. Melosi, *The Sanitary Idea: Urban Infrastructure in America from Colonial Times to the Present*, 116 (2000)*

In the 1800s, as American cities increased in size and density, the provision of municipal water systems emerged as a vital public interest. Health was a primary concern as increasing

congestion in the urban environment heightened pollution of local sources and the spread of typhoid, cholera and other water-borne disease.¹ Additionally, the provision of a city-wide water supply was important to many businesses and industries; providing a water system became one of the most important ways that a city could demonstrate its commitment to economic growth.²

Initially, private ownership and operation of water services predominated. All but one of the 16 water systems in existence before 1800 were privately owned and, in 1870, 52% of the 244 water systems in the US were privately owned. But over the next 50 years, coinciding with the growth of the power and importance of municipalities, the tide dramatically turned toward public provision. By 1896, the number of water systems in the US had exploded to over 3,000 with the majority owned and operated by municipal governments. By 1924, 70% of all water systems were municipally owned and controlled.

The shift of most cities, especially large ones, to public ownership of water systems by the close of the 19th century was motivated in part by negative experiences with private water suppliers. Private water companies “were notorious for choosing a water source that would minimise the initial investment outlay, and for ignoring the concomitant shortcomings in water quantity and quality.”³ Lacking incentives to complete ostensibly unprofitable projects, companies “preferred to lay their distributing pipes through the wealthier sections of the city and to hold back from carrying water into the poorer dis-

¹ Comm. on Privatisation of Water Services in the US, National Research Council, *Privatisation of Water Services in the United States: An Assessment of Issues and Experience*, 30 (2002).

² Martin V. Melosi, *The Sanitary Idea: Urban Infrastructure in America from Colonial times to the Present*, 119 (2000)

³ Peter H. Gleick et al., *The New Economy of Water: The Risks and Benefits of Globalisation and Privatisation of Fresh Water*, 23 (2002), quoting L. Anderson, “Water and the Canadian City,” *Water and the City* (1991).

tricts.”⁴ The Baltimore Water Company, for example, provided water to only about 30% of Baltimore’s citizenry, even after significant infrastructure additions between 1835 and 1852.⁵ At its peak, the privately operated Manhattan Water Company served only one third of the city and was the subject of constant criticism for deteriorating water quality.⁶ Private water companies were also more expensive than most municipal suppliers – by as much as 40% by the close of the century.

In many cities, including New York, these experiences fuelled political movements that pushed city legislatures to pass resolutions in favour of municipalising water suppliers. In other cities, municipalisation was promoted by chambers of commerce and boards of trade seeking to compete with rival communities in attracting development.⁷ Finally, it was often the case that the private sector did not have sufficient capacity to meet rapidly rising demand.

Municipalisation did not automatically correct inequities in service provision. Hierarchical relationships existed in the governing structures of many cities that favoured moneyed interests. In Detroit, for example, the public system prioritised extending service to uninhabited land for development over servicing working class areas of the inner-city.⁸ On the whole, however, most municipal systems were favoured for their greater capacity to meet the rapidly increasing demand for water at a lower price than their private counterparts.

⁴ Id., quoting N.P. Blake, “Water and the City: Lessons from History,” *Water and the City* (1991).

⁵ *Privatisation of Water Services in the United States*, 31.

⁶ Melosi, 37.

⁷ Melosi, 119-121.

⁸ Melosi, 123.

THE BIRTH OF REGULATION

“Regulation is a peculiarly American institution.”

- Roger G. Noll and Bruce M. Owen,
What Makes Reform Happen, 7 *Regulation* 19 (1983)

Although direct municipal provision of water and sewerage was the dominant mode of supply by the early 1900s, there remained a significant number of private water utilities serving towns and cities of various sizes. With the advent of the Progressive Era, these entities were identified as “natural monopolies” and subjected to control by state regulatory agencies.

The concept of a natural monopoly had its genesis in analysis of the railroad industry. There, it was observed that unbridled competition led to highly inefficient outcomes, including multiple companies laying parallel lines of track to serve the same locations at great cost.

The concept of natural monopolies provided a classical economic justification for strong government intervention in a finite class of “public utilities”, since without competition there would be no incentive to keep prices low or to serve less profitable areas of the community. To reach economically and socially optimal solutions, either the government had to provide the goods or service directly, or it had to establish regulatory institutions that would “replace the invisible hand of Adam Smith in order to protect consumers against extortionate charges, restrictions of output, deterioration of service, and unfair discrimination”.⁹

Although economic academics provided the theoretical justification for government control of public utilities, it was pop-

⁹ Walter Adams, “The Role of Competition in the Regulated Industries”, 53 *American Economic Review* 40 (1963).

ular organising, beginning with the Granger movement of small farmer collectives, which drove the first action by governments. In the 1870s the Granger movement grew rapidly to over 850,000 members that placed growing emphasis on the extent to which farmers were being victimised by abusive pricing and commercial practices of railroads, merchants and banks.

The Granger movement succeeded in pressuring state governments to create scores of state regulatory commissions with the power to investigate (but often not to set) the rates of railroads. The development of regulatory institutions was strengthened during the period of popular political agitation known as the Progressive Era, lasting roughly from 1896 through World War I. Drawing on the lessons of natural monopoly theory, the Progressives called for strong government regulation of a number of powerful industries of the day, including private electricity and water utilities.

By the 1920s, every state in the US had a regulatory commission with authority to oversee the rates and services of privately owned public utilities. The commissions were generally under an obligation to promote adequate services at reasonable rates while protecting a fair rate of return to the utility on its investments to reward shareholders and attract further infusions of capital from private markets.

By design and effect, regulation by state commissions shifted authority over regulated service priorities from local to state governmental bodies, thus diminishing the power of municipalities. Municipalities could escape this loss of power by establishing their own utilities, which were not regulated by most state commissions. This provided an additional incentive for enterprising cities to build and maintain their own water systems and other utilities. Today, about 85% of the US population is served by public water systems and there are approximately 4,000 municipally-owned electricity systems.

DEMOCRATISATION OF THE REGULATORY PROCESS

“A prime characteristic of the American consumer movement over the past decade has been its concentration on the investigation and reform of administrative agencies lax in protecting citizens’ interests.”

- Robert B. Leflar & Martin H. Rogol,
*Consumer Participation in the Regulation
of Public Utilities: A model Act. 13
Harvard Journal on Legislation 235 (1976).*

Between the 1920s and 1960s, the main task of commissions was to distribute to consumers cost savings from technological advances and economies of scale in the form of rate decreases. Although the commissions had their detractors,¹⁰ it was not until the rise of the consumer movement in the late 1960s and early 1970s that serious reform was implemented. In those years, increased interest rates, a world fuel crisis and rising inflation reversed the steady course of declining utility rates, pushing prices, especially for electricity, far higher. In this context, critiques of industry capture of regulatory agencies grew louder and proposals for regulatory reform gained a serious audience.¹¹

¹⁰ Horace M. Gray, “The Passing of the Public Utility Concept,” *Journal of Land & Public Utility Economics* 16, 8-20 (1940) (“It originated as a system of social restraint designed primarily, or at least ostensibly, to protect consumers from the aggressions of monopolists; it has ended as a device to protect the property, ie, the capitalised expectancy, of these monopolists from the just demands of society, and to obstruct the development of socially superior institutions.”).

¹¹ See Stephen Breyer, *Regulation and Its Reform*, 351 (1982) (“If agency decisions are not controlled by Congress, if they are not scientifically determined, if agency decision makers are not elected, what right does the agency have to make its policies? What makes the agency’s decision legitimate?”); Robert B. Leflar & Martin H. Rogol, *Consumer Participation in the Regulation of Public Utilities: A model Act*, 13 *Harvard Journal on Legislation* 235, 242 (1976) (“[commission] staffs frequently exhibit a tendency to subject the carefully prepared analyses of the data submitted by the utility company to less than critical scrutiny, particularly if there is a lack of pressure from consumer interests to do so”).

Many states responded to the growing legitimacy crisis in regulatory commissions by transforming the selection of commissioners to an elected process. Another common series of reforms was designed to broaden the degree of participation in the regulatory process, particularly that of residential consumers who, because of lack of resources and high transaction costs of forming associations, commonly lacked any representation within the process.

Reforms enacted to increase consumer representation ranged from government or utility payment of fees to public interest interveners to the establishment of special “consumer counsel” offices staffed with lawyers, accountants, economists and community organisers to engage the regulatory process and organise and educate community groups about utility issues. One especially innovative and effective institution established in many states is referred to as a Citizen Utility Board (CUB), sometimes called a Residential Utility Consumer Action Group.

CUBs are voluntary organisations funded through contributions from their members. The model laws creating CUBs permit them to recruit members through bill inserts, through which a consumer could check off a contribution to the organisation that would be added to the regular utility bill and transferred by the utility to the CUB.¹² All members who make a minimum contribution receive the right to vote for the CUB’s board of directors on a one-person one-vote basis. The board oversees a staff of organisers, lawyers and other experts needed to represent residential consumers in proceedings in regulatory agencies, legislative bodies and other public processes that

¹² A much criticised US Supreme Court decision held that states could force a private corporation to “speak” in this way, after which CUB laws were changed to provide member recruitment in other ways, such as through inserts in government agency mailings.

impact utility rates or services. The model act for establishment of CUBs also gives them authority to conduct and support research, investigations and public information activities regarding utility matters and to participate in initiative and referendum campaigns.¹³

Many CUBs have been very successful in their advocacy of consumer interests. One of the most successful, the Illinois CUB, has saved consumers more than \$5 billion in two decades by blocking rate hikes and winning consumer refunds. The CUB promotes tougher consumer protection laws in the state legislature, publishes consumer education materials and operates a Consumer Hotline that fields more than 6,000 calls a year providing assistance to consumers who have complaints against their utility companies.

CONSOLIDATION, PRIVATISATION AND RESISTANCE

“Europe’s leading water companies saw the United States as the last great bastion of water (and wastewater) still under public control.”

*- Steve Maxwell, Musical Chairs in the Water Industry:
Consolidation or Fragmentation?
Journal of the American Water Works Association 28 (November 2003).*

The cost of providing water in the US is increasing dramatically due to the need to replace aging infrastructure and to comply with heightening security and environmental regulations. At the same time, national government support for local infrastructure development projects has been decreasing, forcing municipalities and their citizens to bear the increased costs.

¹³ See Leflar & Rogol, *supra*.

Small systems are perceived by many to be in a particularly poor position to meet the increasing investment obligations. In the private sector, there has been a wave of consolidations that, according to the large water companies, increase the capacity of the companies to meet investment obligations. The largest water companies in the US have, in turn, been targeted for acquisition by far larger European water companies, including RWE/Thames, Veolia (formerly Vivendi) and Suez.

Powerful political forces have risen up against privatisation in the US, derailing several large projects. Coalitions of citizen organisations and public sector unions pressured the city of Atlanta to cancel a \$428 million operation and maintenance contract after the Suez/United Water contractor drastically cut employees, hiked rates 17%, slowed service delivery times and failed to adequately respond to consumer complaints of brown water coming from their taps. In New Orleans, the city spent \$5 million assessing private contracting offers before ending the process of privatisation in April of 2004 in response to a groundswell of popular and union organised opposition.¹⁴ In Stockton, California, a plan to turn over operation and maintenance of the water system to RWE/Thames was overturned by a court upon application by community groups alleging that the plan failed to comply with environmental planning laws.

The privatisation focus is now shifting toward small towns, where communities are often less organised and the financial pressures may be more severe. However, as small-town citizens learn more about the ramifications of privatising, opposition appears to be gaining a foothold. In September, the town representatives of Lee, Massachusetts, voted 41-10 to reject a 20-year monopoly contract with Veolia. Their decision to forgo

¹⁴ Public Citizen, “US Privatisation Update: State of Play and Recent Developments” (Boston Social Forum, July 2004).

privatisation was influenced by a grassroots campaign that raised concerns about Veolia's past project history, articulated the risks of privatisation and warned that current employees might not receive fair treatment.¹⁵

Where private systems are in place, consumers in some areas have pressured their governments to municipalise them. In Lexington, Kentucky, a grass roots group successfully lobbied the city council to vote to take over the private company that had served the town since the 1880s, but which was recently purchased by the German conglomerate RWE.¹⁶ Municipalisation is also being pursued by communities in Felton, California, and Nashua, New Hampshire.¹⁷ In Pekin, Illinois, voters used the Progressive Era referendum process (allowing citizens to pass legislation directly through popular vote) to demand public ownership of its water system.

TOWARD DEMOCRATISATION OF UTILITIES

Democratisation of public utilities need not stop at the simple distinction between public and private ownership. Democracy is a process not an ownership structure. Participatory institutions, including CUBs, municipal utility districts and co-operatives, may assist the democratisation of publicly-owned utilities by better empowering citizens to hold their leaders accountable.

For many communities, the pressure to consolidate resources to meet their funding and operational challenges is real. Often, these needs can be met through inter-local joint

¹⁵ Public Citizen, Currents: Public Citizen's Water For All Campaign Newsletter (October, 2004).

¹⁶ The group's website may be viewed at <http://www.bluegrassflow.org>; see John Stamper, "Mayor appoints task force to study how city could run water company," Lexington Herald-Leader (Mar. 10, 2004).

¹⁷ US Privatisation Update.

action with other municipalities. For example, several suburbs surrounding Manassas, Virginia, outside of Washington D.C., were facing rapid population growth prompting the need for a new wastewater treatment facility. Rather than privatising, the region defrayed the cost and benefits from economies of scale by creating a new public authority, known as a joint action agency, to build and operate a new treatment plant.

Access to necessary expertise can be accomplished through public mechanisms. The public supplier in Cincinnati, for example, extends technical assistance services to smaller public systems surrounding it.

Within the US there are a variety of organisational structures that afford more direct participation in the governance of utilities than mere government ownership with directors appointed by an elected council or other official. The Sacramento Municipal Utility District (SMUD), for example, is governed by a board of directors that are directly elected. Each of the seven directors represents a different geographic area, or ward, within SMUD's service area, with seats allocated based on a one-person one-vote methodology. This structure allows citizens to express different political preferences for governance of their utility than they might choose to do with respect to governance of the rest of the city. It also ensures that all areas have representation equal to their population, providing a bulwark against utility decisions that favour investment in one region to the disadvantage of others. Another example of a more directly accountable utility structure is a co-operative, where the consumers of the utility have the sole right to elect the governance of the utility. There are over a hundred million customers of co-operative utilities in the US, including water, electricity and telephone co-operatives.

Where utilities are privately owned, advocates for democratisation need not end their advocacy with calls for municipali-

sation. Establishing institutions that link citizen interests with access to financial and knowledge resources, such as CUBs, can increase popular power to control utilities through regulatory processes and increase their sway with government leaders. And regulators themselves can be subject to direct election to improve their responsiveness to consumer concerns.

Sean Flynn is an Associate at the Washington D.C. based law firm of Spiegel & McDiarmid. Kathryn Boudouris is a paralegal at the same firm. The authors retain rights to authorize the reprinting of this chapter. Sean Flynn may be contacted at sean.flynn@spiegelmc.com

GERMANY: PUBLIC WATER SERVICES IN CONTINUAL RETREAT?

By Hans-Werner Krüger

The freshwater and wastewater services in Germany are some of the best examples of well-organised and efficient public services in Europe. Their development and the degree of performance compares favourably to neighbouring countries like Austria, Switzerland and Denmark.

The rise of a technically modern water and sewerage system in the second half of the nineteenth century included some private companies, for example in Berlin, but mostly municipal waterworks made up the administration. The rapid growth and industrialisation of the cities demanded too much of private companies, who often failed to establish a constant supply and acceptable price system. These developments strengthened the position of municipal waterworks and several long-distance freshwater supply systems were established that still exist today. Municipal waterworks are normally organised under public law as associations between cities and other communities.

In 1909, of 1,291 communities 96% had their own waterworks, a figure which remained almost constant for many generations. Even the limited company Gelsenwasser, founded in 1887 and for a long time the only major example of a private water (and gas) company, included several cities in the Ruhr region as shareholders. In 2002 the cities Dortmund and Bochum bought the 81% stock package from the multi-utility giant EON, a move criticised as re-socialisation by right-wing newspapers.

Today there are still 6,700 waterworks and 7,000 sewage treatment companies with individual owners, most of them in public hands. Most waterworks are small and represent the typical village supply system in the rural area. They are normally well adapted to the local hydrological situation and able to guarantee their clients good or even excellent water quality. As a rule, the villages and small water associations tend to keep waterworks as their property and have municipal independence. Their water and sewage services can often profit from low prime costs, compared to costs in unfavourable locations like the middle and lower Rhine area which are much higher.

An international comparison of water prices has Germany at the top. The waterworks refer to their high quality, the same applies to the standard of the sewage treatment, and to very different conditions of price setting, for example taxes and direct or indirect subsidisation in the European countries. The requirement of the European Water Framework Directive that the water prices shall have a full cost calculation, which is reasonable in rich countries, is not usually fulfilled. A realistic, multi-factor analysis will put German water prices in the middle of the scale.

The generally suitable structure and the high quality of public water supply systems are partly the result of well-educated engineers and their specific sense of responsibility for water as a common good and a basic foodstuff. The professional association of water and gas engineers has, for more than 125 years, developed an incomparably elaborate and comprehensive body of technical and organisational rules and standards. It is hard to imagine that this successful model could have developed under competitive market conditions. And there are severe doubts whether it will be still be applied with the same sense of responsibility under the growing pressure of liberalised markets in the public services.

In Germany the municipalities, with their high degree of self-government and political and economic independence, have mostly organised their public services, electricity, gas, water and traffic in the form of *Stadtwerke* (municipal utilities), the public equivalent for the great private multi-utility groups. The latter, after a process of mergers and acquisitions, are now prominently RWE, EON and, in the energy sector, the Swedish-dominated Vattenfall and EnBW.

The *Stadtwerke* generally have the right to make use of cross-subsidising between more or less profitable public services. In this way they may guarantee an efficient infrastructure and basic provisions under more or less public control. There is no participation by citizens in the public companies, except for the representation of trade unions, in this case for the public service, in some supervisory boards is seen as a certain substitute. The way in which the municipalities exact control of their public enterprises is sometimes questionable but has seldom been subjected to public criticism or alternative proposals.

The whole system, widely guaranteed by law and, up to the 1970s, politically supported by all parties, should be considered as a public good. The consensus that the state, and especially state-owned enterprises, play a fundamental role as a regulative force in the economy has diminished more and more, not only as a consequence of neo-liberal ideology. The state itself has produced the fundamental crisis in public finances by tax cuts for companies and wealthy citizens. Cities, especially, are the main victims of a misleading and misunderstood fiscal policy.

This and their own illusive assumptions about permanent economic growth have made the utilities easy targets for economic takeovers by the big private multinationals. The VKU, the association of the communal enterprises, (unofficially) has counted among its 1,400 members more than 500 which

already have private shareholders. They mostly bought parts of the Stadtwerke who generally are the owners of the local fresh-water and sewage services.

The leader in this process is the EON subsidiary, Thüga, with 130 interests in municipal enterprises. Thüga in most cases acquires about 25%, but gets the right to manage the operative business and, consequently, dominance. In this way political control of public enterprises often is reduced to tokenism.

Private owners try to keep the whole system of shares and crossover investments as invisible as possible. The Federal Cartel Office has seldom intervened in this process of concentration and widespread monopolistic or duopolistic power play. The Federal Government supported this development in favour of building up internationally competitive units.

This argument also occurred during the discussion about liberalisation and privatisation in German water services. The announcement of neo-liberal office-bearers in the ministries was and still is that the 6,700 existing water enterprises and 7,000 sewage plants, out of date, pre-modern, non-competitive and inefficient as they are said to be, have to change their structure and have to reduce their number down to 300 or 500. Even the Bundestag (parliament) in the petition “Sustainable water services in Germany” in 2001 gave a clear market-oriented statement.

No doubt many people, flanked by the interested companies, banks and management consultants which work as a lobby for privatisation, ignore the specialties of water supply. This was one of the main results of the so-called Ewers experts’ opinion about market opening of the water and sewerage services, initiated by the economics ministry in 2001. Ewers seriously claimed in a hearing that the “water industry” (water services are by no way an industry) has to “submit to the

discipline of the capital market”.

After the harsh criticism of such mental aberration, the liberalisation express slowed down and officially changed its destination into “modernisation” of the water services.

This new label policy has reached the European Commission and the European Parliament and is also supported by the different organisations of the water services in Germany. Probably they are misunderstanding what they think is their tactical refinement to get the train under control. Modernisation so far shall be the result of a nationwide process of benchmarking. It is not clear whether it shall be made obligatory or not.

The process of selling public property already started during the 1970s, accompanied by a continuous change in the interpretation of the role of the state in general and of the particular significance of the public enterprises. The promoted market orientation as an all-out mechanism of public and individual conduct replaced the specificity and the understanding of public services and common goods. The citizen turned into the customer with his well-trained sense for prices.

The public, respectively the local citizens/consumers, seldom take care of changes in their local Stadtwerke or waterworks. Privatisation has become a somewhat normal process. As a rule, people are not informed in advance about privatisation or one of the numerous cross-border leasing treaties in their cities. In several cases, administrations directly hid their intentions or lied to the public.

HIGH-PROFILE PRIVATISATION: BERLIN

Nationwide attention was only given in 1999 to the 49,9% privatisation of Berliner Wasserbetriebe (BWB), which have freshwater and sewerage in one hand, although the parliament

only got very little knowledge of the treaty. It favoured RWE, Vivendi (later renamed Veolia) and the insurance company Allianz, which sold its share some years later, in a hitherto unknown manner. The group got a guaranteed 9% payment of interest upon the capital invested, irrespective of the actual economic performance. The investment of €1,6 billion was overpaid, but a so-called strategic investment into the emerging water markets in Eastern Europe. BWB has lifted the water price 15% higher in 2005 and the private investors are striving for further increases.

Following the figures of the dominating multinationals, they supply 27 million people through companies that are partly privatised or have engaged the big companies or their numerous subsidiaries as operators. EON as a holding is engaged in 138 companies, RWE in 84 and 11 are shared by both. The next in the number of shares are Gelsenwasser (21), EnBW (19), the French Veolia (5) and the French Suez/Ondeo (2). The influence of the French big two still is limited to the eastern parts of Germany.

Since privatisation has become more controversial, and sometimes too expensive, the official policy from Berlin to Brussels prefers the term public private partnership (PPP). It is designed as a more elegant way to take private profit from public subsidies of all kind and to rely upon the guaranteed security of municipal services. Public enterprises, which see themselves as integral part of capitalist market movements, sometimes feel proud to blow the PPP horn.

The Stadtwerke, 850 of which are producers of energy, are involved in the new energy market competition. Water is still protected in its monopolistic structure by cartel law. But as a part of the whole Stadtwerke system between the pressures of fiscal poverty and the efforts to improve the efficiency, they are undergoing a silent commercialisation. The water-only compa-

nies in public property are not exempted from this policy of “efficiency”.

This means less investment in new installations, plants and pipelines, less means for maintenance, fewer employees, less training, less know-how and, in the long run, the loss of a specific professional sense of responsibility. It is a corporate quality and may be seen as the equivalent of an involvement by civil society in public enterprises – at least as long as it works.

ANTI-PRIVATISATION CAMPAIGNS

People normally do not realise the transformation in the public services and until now only a minority has learned that all citizens are directly affected by privatisation, which takes away their public goods. But there is a growing consciousness that some things are going wrong and people are learning that they can differ from authorities, most of the mass media and the ideology of competition. People are also beginning to learn from successful opposition to privatisation in their own and in others' cities.

In Germany, citizens have fairly good opportunities to exact political influence, especially in local affairs, through the referendum. It comprises two or three steps with commitment for the local authorities. In 2001, in the large town of Düsseldorf, about 90% of the votes were against the privatisation of the Stadtwerke AG. In about a dozen referendums concerning water services, no one favoured privatisation. The last one took place in Hamburg during August 2004 against the threat of privatisation of the oldest municipal waterworks in continental Europe. The local initiative collected 147,000 votes, two times more than necessary. Following the vote, the city council on November 24th 2004 accepted a resolution banning any kind of privatisation, which will be transformed into law in

2005. This will resemble the decision which Vienna (Austria) made in 2003.

Local initiatives from big and middle-sized cities like Munich, Stuttgart, Augsburg and Kassel in 2003 started co-operation in a network against water privatisation named "Wasser in Bürgerhand" (water in citizens' hands). It is supported by environmentalist groups, the trade union of public sector workers, ecclesiastical and developmental aid groups and some people from public enterprises. But the co-operation is only loose and has not reached practical, mutual support or a nationwide bundling of public address.

In Munich there is a remarkable unison between the local government, the sewerage services and the anti-privatisation initiative. The Stuttgart Water Forum has tried to stir the public mind to make the privatisation of the municipal shares in the two water distribution systems undone. The Augsburg Water Alliance, after a referendum and negotiations with the municipality, got the municipal council on March 25th 2004 to refuse to privatise any of the water and sewerage services. Moreover, they fixed a target to use profits only for the maintenance of the water systems and for water protection.

The website www.privatisierungswahn.de gives support against neo-liberal policy and Attac Germany has adopted the subject on its website as well.

A completely different approach to possible privatisation has been practiced in the small town Herten, with a debt of €75 million. Starting in 2002, the local Stadtwerk, which makes a profit, has sold personal bearer loans of between €1,000 and €20,000 to customers with a fixed interest rate of 5%. They can be terminated after one year and are somewhat similar to normal fixed investments.

Meanwhile, about 950 people have brought €10 million into the municipal coffers to finance infrastructure measures such

as the modernisation of the local bath. This now closed investment raises the public interest for municipal affairs but does not give any right to exact control over the public enterprise. The model, although prominent, has not found a successor.

Another idea is derived from the pension funds in the steel and chemical industry. The so-called blue pension fund shall combine the property of parts of waterworks with the guarantee of safe old-age insurance. Starting with the employees of a company who give their private insurance rates into the company, other people also may invest in public waterworks, the return on investment paid in fixed interests. This would mean "ethical" investment and the security of a company that is independent from private market uncertainties and failures. The idea till now has not been further developed.

*Hans-Werner Krüger works with Hamburger Wasserwerke
(the water utility of Hamburg).*

WATER CO-OPERATIVES IN ARGENTINA

By Alberto D. Muñoz

THE PRIVATISATION PENDULUM SWINGS BACK

During the 20th century, delivery of water and sanitation services in Argentina went from private to public and back again. Private water management got a boost in the bigger cities at the end of the 19th century as a result of cholera epidemics, but in the 1940's water became public. A national water services company (Obras Sanitarias de la Nación) was established, covering the whole country. During the military dictatorship of the 1980's, this company divided into regional utilities such as DiPOS in Santa Fe, EPOS (later renamed DAS) in Cordoba and OSN in the Federal Capital and Buenos Aires.¹

The new privatisation wave of the 1990's made it possible for a single transnational corporation, Suez-Lyonnaise (together with a local financial operator, Banco de Galicia), to "skim" the emergent market and take over the most attractive Argentinean contracts. In 1993, Suez got the concession for Buenos Aires (Capital Federal and 17 other parts of the urban area of the Buenos Aires region in 1993). In 1995 it got the Province of Santa Fe (Rosario, Santa Fe and 13 other of the most important cities except for Venado Tuerto, where it was needed to invest before making profits), and in 1997 Cordoba (Capital of the Province of Cordoba). It is worth mentioning that the water net-

¹ DiPOS stands for Dirección Provincial de Obras Sanitarias (Regional Directorate of Sanitation Works) EPOS means Empresa Provincial de Obras Sanitarias (Regional Company of Sanitation Works), while DAS is Dirección de Agua y Saneamiento (Water and Sanitation Directorate).

work of the city of Venado Tuerto was built and managed by a local co-operative at a much quicker rate than that of the subsidiary of Suez (Aguas Provinciales de Santa Fe S.A.) in the other 15 cities that it runs in the province of Santa Fe.

The other big water transnational, Veolia (previously known as Vivendi), is also involved, although to a lesser extent. Veolia has water concessions in the province of Catamarca, but the company is also a minor shareholder (together with Anglian Water) in Suez's subsidiary Aguas Argentinas S.A. in the Federal Capital and the other 17 districts of the Buenos Aires province (the world's largest water concession in terms of number of inhabitants). This demonstrates that competition in the water market is a fallacy.

Several privatisation contracts in Argentina have already been terminated, for instance Vivendi / Veolia's concession in the province of Tucuman. Another is the concession inland of the province of Buenos Aires previously run by Azurix, the water and sanitation arm of the collapsed giant corporation Enron (see "Argentina: Worker's Co-operative Takes over Post-Enron"). There are also other local private companies that operate here, such as the ones in the provinces of Rioja, Salta and Corrientes.

THE CO-OPERATIVE MOVEMENT IN ARGENTINA

During the 20th century, the very strong agricultural co-operative movement in Argentina diversified into other fields such as public services. This was often the result of the changing needs of villages that grew into cities.

Water and sanitation co-operatives developed strongly during the 1960's and 1970's and nowadays these co-operatives are responsible for water and sanitation services in most Argentinean cities with less than 50,000 inhabitants. Around 60% of urban

water delivery is in private hands (mostly run by transnational corporations), while respectively 20% and 11% is supplied by municipal public utilities and co-operatives (which means over 4 million people). The remainder is supplied by neighbourhood associations and users unions of different kinds.

In the privatisation process of the mid-1990's, the co-operative movement was not only denied the possibility of participating as an alternative, it was effectively excluded. The views of users and local authorities in the affected cities were never taken into account. The possibility of restructuring and modernising the existing companies was not even considered. Indeed, article 18 of the 11.220 Act of privatisation in the province of Santa Fe states that, "for the selection of the concessionary, the preferences of the article 31 of Act 10.798 are not applicable". This meant that, in practice, municipalities, communities, co-operatives, users or water unions and smaller water companies were ruled out.

Many of the cities with a privatised water concession border cities with a well-functioning water and sanitation co-operative which would have been capable of running these utilities as well. The city of Avellaneda, which shares a border with Reconquista in the north of the province of Santa Fe, is one example where the government clearly preferred to benefit a single transnational company, Suez. A number of co-operatives have also been prevented from providing a service by local political authorities as a step towards privatisation (for example, the city of Funes, near Rosario), and some other co-operatives that were already providing services such as electricity or telephones were never allowed to expand into water and sanitation delivery.

Still, water co-operatives and local community and neighbourhood-run utilities constituted a barrier to privatisation policies for two reasons. First, because of the economies of

scale that big companies need for their profits (much higher in other countries than those they have in their countries of origin); and second, because of the stronger resistance that smaller communities posed in giving up utilities that were built with their common effort, and of which people felt ownership.

Around 2,000 water co-operatives from various parts of the province met in October 2000 in Buenos Aires and in March 2001 they established the Federation of Drinking Water Co-operatives of the Province of Buenos Aires (FEDECAP).² Soon after the provincial government, with the participation of the workers, regained control over the water utility that was previously run by the Enron-subsiary, Azurix (see “Argentina: Worker’s Co-operative takes over post-Enron”). These developments represented a strong step forward in the recovery of public space and social control.

In the province of Santa Fe, on the other hand, the regulatory body controlling sanitation services (ENRESS), has a very rigid and biased attitude towards the 114 water co-operatives, eight municipal utilities and 76 community companies, many of which provide a service of better quality and for less cost than do the privatised companies. ENRESS seems determined to serve the privatised companies by writing off their fines and raising tariffs. Strong pressure is exerted on the water co-operatives by these supervising bodies to force them to adopt the same conditions of supply as the privatised companies, which undermines one of their main comparative advantages: a more social approach towards the users.³ The co-operatives are now under pressure to:

- Increase the price of new connections, something which co-operatives offer cheaper than private companies.
- Implement a policy of compulsory connection and payment for vacant lots and houses, something many co-operatives do not apply or only charge symbolic rates for.
- Increase the total amount of billing, either per cubic metre of water or in the fixed charges.
- Standardise payment procedures, which are more flexible at the co-operatives.

These regulatory bodies do not exercise similar pressure on the privatised companies to comply with the objective of universal access to water and sanitation. Private companies oppose micro-measurement because profits are higher when they continue billing according to an estimated consumption based on the amount of cubic metres.

The neoliberal ideology of the 1990’s also affected the co-operative movement directly. Some co-operatives changed the founding ideas of solidarity and co-operation to adapt to the conditions of market competition. This happened either in order to survive or simply to benefit the interests of the ruling leadership, which in some cases was co-opted by conventional political parties and the neoliberal thinking that dominated the debate. Other co-operatives diversified their activities and managed to consolidate and prosper without giving up the founding principles of the co-operative movement.

CHALLENGES AHEAD

Natural resources, including water, belong to the provinces and are governed by legal frameworks that are different in each region. This, together with the dismembering of water and sanitation companies, poses serious challenges for the efficient

² Federación de Cooperativas de Agua Potable de la Provincia de Buenos Aires.

³ Regulatory bodies like ENRESS were established to control the privatised companies, but also have authority over municipal utilities and cooperatives. They use regulation, fines and restrictions to enforce supply conditions identical to those of the private water companies.

and sustainable management of water resources which, as we all know, does not usually respect political divisions. The differences in legislation, shaped to facilitate the privatisation process and the commodification of water, are contradictory. For instance, there are different quality standards for different regions. This ultimately divides Argentines into first class citizens (with a quality level similar to that in Europe or the United States) and second-class citizens.

Water co-operatives face problems with the quality of the water, such as the arsenic pollution that is frequent in the north of Buenos Aires, the eastern part of Cordoba and south of Santa Fe. Other problems are pollutants derived from agriculture which uses more and more pesticides and hard waters. In addition to this, the financing of infrastructure for collecting wastewater and primary and secondary treatment plants is a major hurdle for a lot of co-operatives. Many co-operatives have chosen small, reverse-osmosis plants that allow them to distribute a family quota in barrels for domestic use, and keep the network water for other uses. Building big aqueducts from the main rivers is the only solution to these problems.

As for the finances that co-operatives need for expanding, they depend on public money. Over the years they have also had the support of the Inter-American Development Bank (IADB), first through the so-called SPAR (Provincial Service for Rural Drinking Water and Sanitation)⁴ and more recently from ENOHSA (National Body for Water and Sanitation Works)⁵, that gives technical and financial assistance together with the Federal Council for Sanitation.

⁴ Servicio Provincial de Agua Potable y Saneamiento Rural.

⁵ Ente Nacional de Obras Hídricas de Saneamiento.

CONCLUSION

After 15 years of neoliberalism, it will take a long time to rebuild a public sphere in Argentina. Our alternative to privatisation is public-owned and publicly managed water utilities with users participation in the decision-making. This can take diverse forms, including co-operatives.

Water co-operatives in Argentina represent a realistic alternative model to the commodification of the sector. Clearly, co-operatives should not be idealised: the numbers of users who actually use the option to participate is often low. Still, they are much closer to the average citizen and subject to democratic control and pressure than are large, private companies.

Co-operatives have demonstrated they can be efficient providers in cities of less than 50,000 inhabitants and have good quality services and more affordable prices. They have been marginalised until now, but will hopefully be considered as a serious option also in big cities in the future.

Alberto D. Muñoz works with the Users and Consumers Union (Unión de Usuarios y Consumidores) and the Provincial Assembly for the Right to Water (Asamblea Provincial por el Derecho al Agua), Rosario, Santa Fe, Argentina.

PUBLIC SERVICES IN COLOMBIA: A MATTER OF DEMOCRACY

By Hildebrando Vélez

Bogotá is situated on a broad plateau in the equatorial Andes. About seven million people live at an altitude of 2,600 metres. Bogotá is an example of what happens in the cities of southern hemisphere countries where violence, social and economic inequalities, marginalisation and insecurity are daily features. Subjecting their inhabitants to poor and scarce public services is to create the risk of social upheaval. There is no doubt that, due to the rapid destruction of the water sources, the uncontrolled deployment of the freatic waters that are the only reserves, and the general pattern of use and abuse of available sources, the threat to the drinking water supply is increasing.

Despite improvements in the last decade, there are still people in Bogotá who do not have adequate amounts of water of the quality that they demand. Moreover, if the city's demographic trend continues, in the next 20 or 30 years the demand for drinking water will double. Where will this water will come from? What are the efforts needed to avoid this? These are the questions public services providers need to answer.

The situation in a country like Colombia is such that without good public services, peace is threatened. But a precondition for obtaining good public services is democratic access to economic and environmental wealth. Services must also be considered to be the fundamental right of every person. A study of the National University of Colombia reveals that 66% of its 44 million citizens are poor, while half of the wealth is in the hands of the richest 10%. Popular sectors who fight for public services also fight for democracy.

Privatisation has a direct influence in the fundamental rights of the people. In many countries, privatisation took place to create resources to pay the external debt interests acquired, in many cases, by dictatorial regimes and corrupt governments, generally without public consent. In South America, water market liberalisation and the privatisation of public services have benefited TNCs and big national companies, while access to water services has decreased due to the significant tariff increases and reduction in investment.

PUBLIC WATER DELIVERY IN BOGOTÁ

It's not possible to show here all the problems associated with water in Bogotá, but we can sketch the conditions and features of the public service supply to a city with over seven million inhabitants. The mission of the Water and Sewerage Company of Bogotá (EAAB)¹ is to contribute to the improvement of the quality of life of the city and the country through a committed team providing an efficient supply of water and sanitation that is of a high quality and makes a profit. Its goal is to capture, carry, treat and supply drinking water, as well as recollect and treat waste and rainwater. This goal is achieved despite the fact that the utility does not purify water. Fulfilling this goal guarantees that citizens do not see their food, health, environmental or political security threatened.

In the 1990's, progressive mayors in Bogotá refused to privatise water, despite continued pressure from the World Bank. Instead, they successfully transformed EAAB into one of the most efficient and equitable utilities in Colombia, if not Latin America. Expanding water delivery to poorer neighbourhoods was the highest priority. By 2001, 95% of the population had

¹ Empresa de Acueducto y Alcantarillado de Bogotá.

clean tap water while 87% were connected to the sewage system - quite an achievement considering the rapidly growing population. The expansion was financed by introducing a progressive tariff system in which the city's wealthy pay up to 200% of the actual cost of their water. The poorest pay affordable, subsidised rates. At the same time, educational campaigns have reduced water consumption per person by around 30% in ten years.²

EAAB has an external and internal debt of \$800,000 million (approximately US\$350 million) and a three-year-old loan with the World Bank for US\$200 million, negotiated under the Astrid Álvarez administration and approved by the Council of Bogotá. The money from these loans will be spent on expansion, service and coverage increase.

The Constitution of Colombia establishes that public services are "inherent to the mission of the state" and that it is its "duty to guarantee an efficient supply to all the inhabitants of the national territory". Contrary to what neoliberal orthodoxy establishes, the state can offer better results than private business between individuals through the market. The state can guarantee that those services are provided with clarity, with continuity, with security and at an affordable and fair price, in accordance with the social conditions of the people who receive them.

That is why the Water and Sanitation Utility of Bogotá, EAAB, aims to be a leading public company rooted in society. To guarantee that this utility continues operating is, in some way, to resist the neoliberal business model imposed on our countries by transnational corporations. Models imposed generally on countries other than those of their origin, which

² Garland, Sarah. 2004. Keeping it public in Bogotá in NACLA Report on the Americas.

encompass colonialist and archaic methods. To ensure the survival of the company is not an easy task, as that model can easily slip through the cracks. For instance, Petrobras, a company of which the majority of its capital is Brazilian, operates in other countries in the region by imposing worse conditions than many of their competitors from northern countries. To be a public company does not guarantee that it follows democratic procedures and acts ethically.

COMMERCIALISATION OF PUBLIC SERVICES

Unfortunately, some of the measures applied by EAAB follow the same model. For instance, the labour model of private companies abuses the outsourcing of labour, and so has EAAB. It imposes a flexible model with workers tied to precarious contracts through third parties that bring instability and social insecurity. The fragmentation of the business and the handing of some tasks to private companies, who are not required to follow labour and social standards, only economic goals, is the model that EAAB follows. This is a slow way of adapting to the privatisation processes by promoting market principles.

EAAB has no shareholders as it is a public company. Nevertheless, one of its corporate goals is to make a profit through good financial performance. To collect the water fees, the company has created five zones and each zone has been given to a private operator, who does the commercial management and oversees customer relations. They are expected to optimise operations and to reduce both the losses and the time spent in attending to customers. Those operators collect, on average, US\$4,368,023 per zone per month, a total monthly income of approximately US\$20 million. Research shows a significant financial surplus could be achieved by taking action

against clandestine connections, undermeasuring, leaks and faults in stratification, that would provide new resources not yet used.

The increased use of specialised commercial operators is intended to reduce and control operational costs. It is expected that, in this way, the company gets access to the specialised knowledge that the operators possess and improves the focus of the utility itself on the integral control of the processes. One of the central things those operators oversee is the improvement of the service. Such improvement will be measured by various indicators: reduction of complaints, dealing with all complaints, efficiency in dealing with complaints and less time for repairing minor damages in tubes smaller than three inches. The Water Regulation Commission³ says 60% of the time is spent on fixing breakdowns and this is paralysing the company.

Among the official goals of EAAB is for citizens to feel ownership of the company, but the image of public participation that it promotes is not the reality. The utility spent \$3,200 million on a change of image and a public relations campaign to announce the establishment of new systems of management. This simply served the purpose of promoting the new processes which had been handed to private operators. It is obvious that the reality is not management in the hands of the public, but is private economic actors now taking over the role previously played by the company. However, it is also true that the citizens of Bogotá did not show any organised opposition to these changes.

This process of privatisation of management goes together with granting concessions. Following the Performance Plan of 1993, EAAB granted the concession for the water treatment

³ Comisión de Regulación de Agua, the national regulatory body.

plant of Tibitoc for 20 years to the French transnational water giant, Generale d'Eaux (Veolia). This twisted process of privatisation is one of the biggest conflicts the company currently faces. Both the local municipality and the district council want to reverse the concession and give a new direction to the company as a municipal public utility.

IN DEFENCE OF PUBLIC SERVICES

There is no process that has citizens controlling the performance of private operators and the utility itself. Recently, a number of consumer organisations, environmental and popular groups initiated a movement to defend the national wealth and the right to public services. It operates nationally and is gaining political weight.⁴ As part of a nationwide campaign in defence of public services, grassroots groups, farmers, human right organisations, neighbourhood associations, students, community mothers and others joined forces. A demonstration by this movement took place on December 10, 2004 in Cartagena. On the international day of human rights, hundreds of people took part in a bike caravan, with drums and cultural activities to defend public services and to demand that public companies return to the state.

GOVERNMENT: BUREAUCRACY AND QUOTAS

The Council of Bogotá is responsible for exercising political control over the district administration and its companies. But the involvement of councillors in the past has been mostly about political ruling of the companies and enjoying the bureaucratic quotas derived from such ruling. Some councillors

⁴ See www.censat.org

even participate in contracts through straw men. This reduces the capacity of the local government to fully comply with their duties and limits the autonomy of the company.

Some of the conflicts that EAAB faces are related to other national entities, such as the conflicts with the environmental authorities, the ministry of environment, CAR and DAMA (administrative department of environment). Those are due to the conflict and definition of competences and to the clash of interests about benefits and investments connected with the water treatment plants in which French transnationals and national contractors are involved.

EAAB GOING GLOBAL?

EAAB has shown it has the capacity to attend to the service demands beyond the city where it sells bulk water competitively. At a national level, it participates in contracts in local aqueducts of the municipality of La Calera and part of its strategy is to offer technical consultancy services and to develop new projects and studies. By using the income provided by this, the company hopes to get investments for improving the water service and the sanitation of the city, and to negotiate a new agreement with the Water Regulation Commission over the tariffs system. EAAB, as part of its strategic plan, has established “Agua de Bogotá Internacional” with the goal of competing in markets such as Ecuador, Peru and Morocco. This would be a further step towards commercialisation and undermining EAAB’s identity as a public water utility.

*Hildebrando Vélez is with Censat Agua Viva
(Friends of the Earth Colombia)*

**PART II PUBLIC WATER - WORK IN
PROGRESS**

RECIFE, BRAZIL: BUILDING UP WATER AND SANITATION SERVICES THROUGH CITIZENSHIP

By Antonio Miranda

BACKGROUND

Recife, with 1,5 million inhabitants, is the capital of Pernambuco State, in northeast Brazil. More than two thirds of the population lives in poverty, half of these below the official poverty line. Recife is at the coast with more than 60 rivers, channels and creeks within the city's perimeter – including the largest urban mangrove in the world – all of them totally polluted with sewage. Only 27% of the population is serviced by sewers, and less than 10% have even basic treatment. In addition, Recife has had water rationing through scheduled cut-offs for the last 21 years. About 12% of the population is not regularly connected to the water pipes.

This dramatic situation is the result of the municipal government not regulating and controlling these services' delivery – though it is the body responsible according to the National Constitution – but it has been left to be done by a state (provincial) level public utility named Compesa. This utility has had a poor performance, in general, due to a number of factors. Compesa was one of the state public operators created during the military dictatorship, during a period of total lack of interest in municipal participation or, of course, any kind of popular participation. Not surprisingly, Compesa has been the worst state public services' provider for the past few years.

PRIVATISATION - THE PROPOSED SOLUTION

In 1999, the state governor decided to privatise Compesa with the silent acquiescence of Recife's mayor at that time. The people were so angry with Compesa that this idea was supported by important, key players. But the municipal elections in 2000 brought a new dimension: The Worker's Party candidate, João Paulo, was elected for a four-year mandate. Clearly committed to a social agenda, with an anti-neo-liberal approach, Paulo decided to take up the challenge and get the municipality involved in the water and sanitation issues. The first ever department of municipal water and sanitation services was established and his very first institutional position was to declare his opposition to Compesa's privatisation. This announcement literally stopped the process.

There were a number of reactions attempting to link this position to a possible worsening of services. A little later, a negotiation for a US\$84 million loan from the World Bank for infrastructure investments in Recife and the neighbour city of Olinda, through the state government, brought up the issue of water services' privatisation again. The World Bank insisted on privatisation as a pre-condition for the loan. The mayor's position was clear and firm: Recife would not accept this. On the contrary, the city hall offered a new institutional arrangement to improve Compesa's performance, keeping it as a public provider and under social control mechanisms. The negotiations almost finished then, but eventually Recife's proposal was accepted by the World Bank. The loan was signed in 2003 with no mention of privatisation.

THE CHALLENGE: TO CREATE A FEASIBLE ALTERNATIVE

Due to people's lack of satisfaction – mainly, the poor – it was hard to defend the continued existence of Compesa. The issue's complexity and its various scenarios drove the municipality to launch a so-called “First Municipal Conference on Water and Sanitation”, a seven-month long process which involved 4,000 people in 20 meetings at neighbourhood level, starting in 2001 and finishing in 2002. During this process, the 4,000 participants elected almost 400 representatives for a deliberative session. Among these representatives, there were ordinary people (more than 60%) and others organised in civil society organisations (about 27%). The government's representatives – from federal and state and municipal levels – had less than 7% of the voting power. Such numbers show by themselves the value of the popular participation in a deliberative – meaning decision-making – process.

Of course, all of the representatives received all the information needed to make their own choice on several issues around water and sanitation matters. During those seven months, capacity-building instruments were by and large implemented. Workshops, seminars, articles, press releases, lectures, arts, all of the tools for improving knowledge, were used so that representatives had both pro-privatisation and anti-privatisation information.

At the end of the conference process, more than 160 decisions were voted on and approved. The main ones were: to oppose the privatisation of the water and sanitation services in Recife; the maintenance of Compesa as the provider, but under strict regulation and control of the municipality; the creation of the municipal council of water and sanitation as the major body for strategic decisions in this regard; and the creation of a statutory body at the municipal level for the execu-

tion of a number of services, complimentary to Compesa – mainly works and services at slums, the most urgent and important problem to be faced.

The way to convene Compesa and the municipality is a “concession contract”, on which all the rules, goals, roles and penalties will be established. With this arrangement, the institutional model seemed to be theoretically designed, with the legitimacy of a very democratic decision-making process. But what did Compesa and its owner – the state government – think about it all?

THE NEGOTIATIONS WITH COMPESA

First of all, we realised that there would be a better environment for negotiations if we could have some kind of pilot-project. There was a good basis already in place: co-operation between Compesa and the municipality for a community of more than 30,000 people, aiming to rebuild and to expand an existing water and sewers network, virtually not-operated and not-maintained. The selection of this community came from the mayor and was proposed to the state governor – although they are political opponents, both are directly involved in commitments for administrative partnerships for the benefit of the people. A few political analysts trusted this declared willingness, but the implementation of this commitment did come very quickly on a number of areas – urban transport, housing, etc. This happened despite clear opposition from within Compesa on the issue of water and sanitation, mainly due to corporative reasons – for the previously “untouchable” Compesa, this negotiation is no less than a threat. At the time of writing, the negotiations for the constituency of the concession contract were developing very well, with perspectives to be concluded and signed in March 2005.

THE GOALS

The main goals of the concession contract will be related to the time frame for universal coverage of quality services. In the case of water supply, the initial proposal is to end the scheduled cut-offs within the next five years; for the sewage, coverage of 100% (with proper treatment) within the next 20 years, according to priorities defined by the “participatory budgeting”, which exists in Recife as well as in Porto Alegre. At first sight, 20 years might seem too long a time, but it means more than 55,000 people per year added to the network – a huge number, even for a city of 1,5 million people.

Other goals are related to the tariff structure and prices: to guarantee the right to water, taking into account the payment’s affordability; to the operation and maintenance standards; to the transparency and accountability of the service’s delivery as a whole, which will be one of the most important concerns of the municipal council.

THE FINANCING

Today, Compesa makes a surplus in Recife which is transferred to more than a hundred small towns throughout the state of Pernambuco. This inter-municipal subsidy, though a good source of resources for small communities, is very unfair from the perspective of the poor people that live in Recife. The use of this surplus will be carefully examined and the open and transparent decisions that will be taken by the council must consider the interests of those who need improvements most, regardless of the city in which they live. We believe that, with this criteria, Recife will have a lot more investment. Also, there is already a considerable amount from the city budget – a decision resulting from the fact that investments in water and san-

itation mean a large amount of savings on public health care.

Nonetheless, investments in water and sanitation are expensive (and long term) enough to require loans with long-term amortisation, from both national and multilateral banks and agencies. Of course, harsh pre-conditions must be refused and fair interest rates must prevail, but the fact is that the balance of power is not favourable yet.

THE MANAGEMENT

The key for the sustainability of these services is actually the municipal council on water and sanitation. Democratically constituted and pro-consumer oriented, all the issues – coverage, quality, maintenance, prices, etc. – will be under its control. The decision taken at the first conference was that only 25% of the votes of this council will come from the government. Another 25% will come from labourers and 50% from civil society representatives (organisations and individuals). Once this model is established, the “blackbox” will be permanently open, avoiding political manipulation of the management – including tariffs and all other strategic decisions.

THREATS AND OPPORTUNITIES

This new arrangement means a rebalancing of power. From the municipal side, there is a strong willingness to transfer the decision-making power to the municipal council. This will hardly be a priority for Compesa – the more power Compesa has, the less the council will interfere. So, the main threat comes from the possible – and probable – opposition from Compesa. Again, once established, democracy will drive the process; sometimes for the better, sometimes for the worse. The opportunity that will come from this experience has a rev-

olutionary component – together with the participatory budgeting, there will be a mix of direct and representative democracy working not in opposition, but in harmony.

A GLOBAL MOVEMENT?

Certainly, a global watch on experiences like this is the most effective way to deliver and to bring new ideas and shared experience, and to constrain governments from dismantling good (transparent and accountable) mechanisms of popular participation. To be naïve is not an option for those who still dream to make this world a better place, but with both feet on the ground.

*Antonio Miranda is head of the
Municipal Water and Sanitation Services, city of Recife.*

For more information, write to amirandaneto@yahoo.com or visit the following websites:

www.recife.pe.gov.br (Portuguese only),

www.assemac.org.br (Portuguese only)

COCHABAMBA, BOLIVIA: PUBLIC-COLLECTIVE PARTNERSHIP AFTER THE WATER WAR

By Luis Sánchez Gómez and Philipp Terborst

AND AFTER THE WATER WAR... WHAT?

This “million dollar” question is spray-painted on a wall in Villa Sebastián Pagador, a poor neighbourhood in the southern zone of Cochabamba. It echoes the concern shared by many who hope the victory over the U.S. water multinational, Bechtel, can be transformed into a long-term success for SEMAPA, a public water and sewerage utility of Cochabamba, Bolivia.

There are strong forces who want to see SEMAPA fail because it stands as proof that popular struggle can indeed open paths for viable alternatives to privatisation. The defeat of water privatisation was the first step in SEMAPA’s ongoing bid to create a public service that is transparent, efficient, based on participation and builds social justice. These are the four pillars for “SEMAPA of the population”, the proclaimed objective of the Coordinadora del Agua y de la Vida (Coalition for Water and Life).

However, the construction of a new model of public management and participation has proved to be very complex and riddled with problems. The lack of finance, interference by state institutions, party politics, corruption and conditions imposed by international financial institutions (IFIs) are just some of the hurdles the new SEMAPA faces. As a result, progress in improved access to water and sanitation has been slow. SEMAPA’s main challenge now is that it needs to

strengthen as a public-popular partnership and deliver the improvements the people want and need.

THE WATER WAR

Cochabamba's municipal water and sewerage services (SEMAPA) were privatised in September 1999 and sold to Aguas del Tunari after pressure by the World Bank and an obscure tendering process. At the end of 1999, the people of Cochabamba mobilised in response to the disastrous record of the U.S. corporation, Bechtel, which controlled Aguas del Tunari. Privatisation had resulted in dramatic water tariff increases and the expropriation of community water systems. Bechtel had made excessive profits, 15% real return, in the secret privatisation contract that was illegal at the time, but made legal later by a pro-privatisation law (Law 2029) drafted by the German development agency GTZ. Civil society groups, trade unions, irrigation farmers and water committees formed the Coordinadora del Agua y de la Vida (Coalition for Water and Life), in response.

The Coordinadora's modest initial demands for tariff reductions were not heeded by Aguas del Tunari or the city government, but were met with hostility and repression by the police and military. Public pressure increased and, in a referendum organised by the coalition, 50,000 people demanded the end of privatisation. In April 2000, the water war culminated in a weeklong general strike that shut down Cochabamba and triggered heavy government repression, leaving hundreds injured and a 17-year-old boy dead. The result was that people turned out with more determination. Finally, on 11 April 2000, the government conceded defeat and Aguas del Tunari fled.

TAKING CONTROL

The demands of the Coordinadora were met; Aguas del Tunari had to leave, Law 2029 was recalled and later rewritten (Law 2066) and SEMAPA returned to its former municipal control. The Coordinadora joined an interim directorate with the trade union and the local government and thereby gained partial control to decide on the future of the utility. The public company was rescued from immediate collapse and a new general manager, chosen from the ranks of the Coordinadora, started to build a more democratic public service. The victory of the water war made possible a more democratic management led, to a large degree, by the citizens' organisations. However, while local government was largely disruptive, co-operation with workers and trade unions was crucial but so difficult it, in fact, stalled rather than helped the process.

REFORMING SEMAPA

On the basis of a participatory process, civil society organisations and other groups developed proposals for the reformation of the statutes of the municipal, corporatised public water company SEMAPA. The Coordinadora wanted to establish popular participation and control through elected citizens being the majority on the board of directors. This proposal was blocked by the trade unions and local government which has allowed the board to be controlled by the New Republican Force (NFR), the party in control of local government, a sore issue in SEMAPA's politics. Nor did the Coordinadora succeed in removing SEMAPA from municipal ownership and regulation by state authorities to gain more operational freedom. Despite the setbacks, in October 2001 radically new statutes were passed by the interim board and in April 2002 the first

secret and free elections for the board were held. Three out of seven board members were elected by the residents of the southern, central and northern areas of the city and, for the first time, SEMAPA's trade union had a permanent seat on the board. Another seat was given to the College of Professionals and the mayor controls two seats, one of which is the chair of the board.

The new statutes were a hybrid of the former municipal ownership and citizen control and reflected the powerful dynamics of the time. The Coordinadora, of course, had hoped for wider-sweeping changes but after the water war it became more and more difficult to mobilise supporters, who were "distracted" by other erupting social issues in Bolivia. Despite this, the Coordinadora assured that popular participation was not limited to the official OTB structures (state-induced level of local participatory democracy, mostly in the hands of political parties) but was to be based on direct and secret elections and open to informal organisations such as the water committees. Article 15 of the new statutes incorporated popular participation and control, a right that remains to be fully operationalised in the future.

The changes were significant, not just for their actual outcomes but for the way in which they were brought about by a coalition of social movements and civil society organisations (CSOs). But a major point is that the democratic reforms in the management need to be sufficiently formalised and explained within the utility and its workforce in order to be effective. Public participation has, in fact, been minimal since the water war and political interference has been high, especially by the New Republican Force (NFR) and the Cochabamba mayor.

Democratic management in SEMAPA is now assured by the representatives of the directorate and the main drivers from 2002 to 2004 have been the water committees in the

southern zone. How to extend the earned rights to participation in governance and management and to operate effective public control to get more efficient and fair service delivery are issues currently on the agenda.

PROPOSAL FOR A UNIT FOR PUBLIC PARTICIPATION WITHIN SEMAPA

An important step is the creation of a unit for "vigilance and social control" within SEMAPA. This should be independent and made up of a mix of civil society and SEMAPA itself and have the right to investigate incidences of corruption or inefficiencies and malfunctions. The idea is to create a method of control by civil society so that, via public vigilance, SEMAPA develops more fully into a "company of the population". The unit is to complement the representatives on the board of directors, and partially fulfil the notion of participation in management but also the aim of social control expressed in Article 15 of the statutes.

Apart from the fact that this unit has been rejected by the board so far, a further sign that SEMAPA has a long way to go is the high incidence of nepotism. An internal review found 52 cases where family members had been employed at all levels, from directors to street level workers. The fact that this is being tackled is a sign of improvement but it will take time and effort to transform the culture of public service within SEMAPA.

INVESTMENT AND WATER RESOURCES

The major debt inherited from the previous owners make the expansion of services to the urban poor and the increase of water resources, ie, by reducing leakage, dependent on loans from international financial institutions. The main problem for

SEMAPA is that most IFTs are unwilling to invest in Cochabamba because they disagree with the idea of a public company being in the hands of the people and with the anti-privatisation struggles that have occurred. Finance institutions will only invest in Cochabamba with stringent conditions, such as creating a semi-private company, which would reverse the gains of the water war.

Despite this, the Inter-American Development Bank (IADB) did agree to a loan. Though this was a major achievement, the conditions are restrictive and hinder progress. The loan has a first phase of US\$3,8 million ring-fenced for capacity building, reduction of leakages and management reform. For the latter, 40% of the loan has to be spent on external capacity building by the transnational consultancy company Gerentech, who were chosen by the IADB. This condition increases the debt burden for external consultancy and could be done in-house or at least decided by the public-popular regime itself instead of by the bank. In addition, in October 2004, a year after the contract was signed, Gerentech has not yet done any substantial work for SEMAPA, which causes delay for the loan procedure and thus SEMAPA's improvements. In the second phase, the bank will invest US\$13 million for the expansion of piped water to the southern zone and other improvements, but only after the completion of the delayed first phase.

The second phase of the IADB loan will also only be released if considerably more water resources have been secured. SEMAPA is on track to fulfil its part of the deal with the reduction of leakages and the increase of legal connections having reduced unaccounted-for-water by between 18 and 20% from a level of around 60%. (Water shortages and growing demand have been long-term reasons for conflict in Cochabamba such as during the so-called "War of the Wells"

in the 1990s. The competing urban and rural demands have not been resolved and overall resource management remains volatile.) Water resources for Cochabamba will also be increased by the Misicuni dam project which is under construction.

PUBLIC-COLLECTIVE PARTNERSHIP: CO-MANAGEMENT AND EXPANSION OF SERVICES IN THE SOUTHERN ZONE

Most water supplies in the southern zone, a poor and marginalised part of Cochabamba, are organised through 120 water committees, but groundwater in the zone is too saline to drink and most households still depend on private vendors who sell expensive and often unclean water. Unconnected to SEMAPA's sewerage system, these neighbourhoods currently depend on pit latrines and septic tanks. Following the start of progressive reforms in SEMAPA, the water committees have created an association called ASICA-SUR in order to be collectively connected to the services of the utility. Together they have entered a dialogue and consensus-building process with the authorities to define a model of co-management of basic services, where each assumes their own roles and functions. During its brief time in charge of water supply, Bechtel simply expropriated the wells and pipes that had been constructed by the water committees. The company only expanded the pipe system into the southern area in return for excessive tariff increases. Today's constructive co-operation as a public-collective partnership between the central utility and the informal water committees is therefore an impressive improvement.

Because of the constraints of the IADB loan and other factors, there have been long delays in starting the expansion project. Acceptance of government agencies (such as the regulator who decides on the concession for the expansion project) is

also problematic as it lends legitimacy to a system of government that the Co-ordinadora opposes and had tried to avoid by changing the ownership status of SEMAPA, for instance taking it out of municipal control. This was not possible because of the legal constraints of the Bolivian state and also resulted in the dependency of SEMAPA on local government. An example of the influence by the NFR, the ruling party in the city council, over SEMAPA is the fact that alternatives to the expensive and environmentally controversial Misicuni dam have never been discussed.

The project to expand the distribution system of SEMAPA to the fringes of Cochabamba, part of the delayed phase funded by the IADB loan, includes the delivery of 200 litres of water per second and then, in a second stage, 400 litres/second. This depends on the Misicuni development. So far the construction work has been too slow and social organisations in the southern zone want to increase pressure on SEMAPA and co-operate with the company.

Another issue is that there are parts of the urban fringes and peri-urban areas that are not included in the co-management package and still need infrastructure development. Besides ensuring the expansion of water delivery to unconnected neighbourhoods, the new management also needs more water resources to serve more people and improve the intermittent supply. Unfortunately, the Misicuni development is not under control of SEMAPA but of private entrepreneurs, although Aguas del Tunari had been granted control over it.

CONCLUSION

The basic principle of the public-collective SEMAPA is that social control and participation are necessary for efficiency and both can only be achieved in tandem. The successful water war and appropriation of SEMAPA, although limited by state law and difficulties of maintaining grassroots pressure over time, has demonstrated that participation via social struggle and proactive appropriation can lead to fundamental transformations, although these will be delayed or not materialise if the environment is not conducive, ie, finance is not available. The secret of success in the long-term will be to transform the social dynamic of April 2000 into a sustainable and effective system of social participation that attracts long-term support from Cochabamba's people, something that may not be achieved at all if the awaited investment does not reach them. Participation in governance should be complemented with management participation and social control, for example through the Unit for Vigilance and Social Control and the co-management in the southern zone. Tangible improvements in services will be the decisive factor, without which the population will lose either interest or trust.

With the work of the Co-ordinadora, the company has the potential to slowly develop into a transparent public utility with a high degree of participation and sense of ownership by citizen-users. In order to flourish, it will require more external support in terms of unconditional finance, technical support to the CSOs and, crucially, the termination of Bechtel's ludicrous lawsuit currently being dealt with by a World Bank arbitration panel. Their US\$15 million compensation claim can potentially destroy SEMAPA's future.

SEMAPA also operates in the volatile political situation of Bolivia that could prove either highly conducive or detrimen-

tal, according to whether neo-liberal elites or the populations of Cochabamba and Bolivia keep the upper hand. Water delivery in Cochabamba remains an important political issue. The success of the water war against Bechtel and the public-popular management have massively boosted Bolivia's social movements fighting the neo-liberal policies of the national government in La Paz. Transforming a long-standing culture of neglect and corruption into a functioning public-popular alternative based on effectiveness, participation and social justice, is a task that will take a long time and will have to overcome many hurdles.

Luis Sánchez Gómez was an elected representative of the southern zone on the board of SEMAPA from 2002 to 2004.

Philipp Terborst is a PhD researcher (focusing on progressive public urban water services) at WEDC and has worked with the Coordinadora in 2003.

THE VENEZUELAN EXPERIENCE IN THE STRUGGLE FOR PEOPLE-CENTRED DRINKING WATER AND SANITATION SERVICES

By Santiago Arconada Rodríguez

PART OF THE CONSTITUTIONAL PROCESS

In February 1999, President Hugo Chávez Frías took office in Venezuela. Between March and April he named the team in charge of the water sector and in May this team, responsible for drinking water and sanitation services, organised a workshop of veteran social activists. The delegates had varying experience and were trade unionists, students, environmentalists, co-operative movement activists, academics, and came from neighbourhood and cultural groups. Their goal was to outline what, from June 1, 1999, was known as the Communal Management of HIDROCAPITAL, the water company of the capital, Caracas.

At that workshop, they discussed the experience of the so-called Water Technical Tables (Mesas Técnicas de Agua) during the municipal government of Aristóbulo Istúriz (1993 - 1996) in Caracas, particularly in the Antímano and El Valle neighbourhoods. Some elements of this experience were selected and discussion of them generated a proposal to tackle problems concerning drinking water and sanitation.

This analyses the development of that proposal in the country after its first five years of existence.

A COMMUNITY-BASED ORGANISATIONAL PROPOSAL

Problems with the drinking water and sanitation service included not only the lack of service, but also the chaos of the water network due to the lack of urban planning in Venezuelan cities. This is particularly true in Caracas and the rest of the cities of the capital area that were under the responsibility of HIDRO-CAPITAL.

From the start, the proposal of the Water Technical Tables and Communal Councils was intended to re-establish the involvement of citizens.

Until those first meetings, the relationship between communities and the public drinking water and sanitation utility (in this case HIDROCAPITAL) was limited to demonstrations that blocked streets and occupied offices to protest about HIDROCAPITAL's inability to provide drinking water. (The Communal Management of HIDROCAPITAL began in the summer of 1999, after the serious drought in 1998 caused by "El Niño".) Those first meetings acknowledged that there was no option other than communal organisation to solve the serious problems affecting so many places.

The Water Technical Tables were a way of co-ordinating all the knowledge the community had about their water network with the human, technical and financial resources that belonged to them through their public water company. This was seen as necessary to harness the skills needed to solve the problems and the proposal suggested a huge change.

Dispensing with the patronising state model that substitutes citizens instead of supporting them, the Water Technical Table was, in practice, the citizens' response to the public water company on how to deal with any problem. Three tasks need to be done:

- a) the census - which should not be considered as pure accounting, but as an x-ray of the community that includes all references points to get an exact picture of the situation they face;
- b) the map - a drawing by the community of the way services are established in their area. By doing this there is a retrieval of the collective memory of the installation of the service. This allows everyone to understand the problems caused by the growth of the area, and the attempts to solve problems. This input is key to designing the solution. It also helps the public water company to understand better the water networks which were built by the people;
- c) the diagnosis – this step is simply the collective processing of the information to establish a diagnosis of the problem and to formulate a working plan for works, repairs and maintenance.

The communities which are organised into Water Technical Tables, together with the representatives of the public water company and officials of elected local government (mayors, councillors or neighbourhood boards) constitute a Water Communal Council.

Different information processes take place in those councils: from the various communities to the water company and the representatives of local government; from the water company and local authorities to the Water Tables; and among the Water Tables themselves. This information exchange increasingly empowers the communities.

The council has two main features: it is public and it meets regularly. This means that is open to all citizens with no exclusions, and it meets at a regular time and in a place well known.

It has three main functions:

- a) It prioritises issues from all identified needs. Taking into account available resources, it establishes a working plan according to priorities established collectively.
- b) Organises programmes. Both the water company and the community take on commitments. An agenda for the workers is established and resources are allocated to each task.
- c) It follows up. The main task of the council is to exert social control over the public company. Meetings always start with the same questions: What have we agreed? What did we do? What didn't we do and why? And so on.

FIVE YEARS LATER

More than five years have passed now and the organisational proposal of the Water Technical Tables and Communal Councils has been adopted by almost all the public water companies of the country. Subsidiaries of HIDROVEN (head company) and the companies depending on the regional government have different ways of incorporating community participation.

Public water companies have experienced the transformation that comes from meeting their owners, the citizens. Communities that five years ago drew the first maps of their reality, and were mobilised by not having water in their taps, now formulate their problems in the context of the water situation in the region.

Wastewater has also been on the agenda and sanitation is acknowledged to be the most in need of an infrastructure overhaul in order to prevent disasters and tragedies. Investment in infrastructure in high-density neighbourhoods has also increased enormously.

Information in the hands of the community about the situation of their public water company, of the infrastructure and of the water sources on which they depend, has created a collective idea of future problems.

There has been a process of organising different areas of drinking water and sanitation service into co-operatives. Worker co-operatives are growing in the water sector as part of a process of eliminating intermediaries between those who do the work and the company that has to formulate, plan and inspect this work. They are also a sign of the increasing control of organised communities over their basic services. They have taken on diverse work such as collecting, treating, delivering and disposing of the water by means of networks throughout the whole country.

Some examples are particularly representative.

- a) In Caracas (the capital region), managed by the Water Communal Council of Antimano, the aqueduct has a cyclical pattern and cannot provide water to everyone at the same time. For the past five years, this council has been controlling the supply schedule to the area and trying out various methods to improve it. The way in which the community uses the council as a control tool over the water services is remarkable.
- b) In the State of Zulia, the Communal Council of Páez, is a municipality in which the majority of the population is the indigenous wayúu people. Its water system, which draws water from the Guasare River and sends it to all the settlements of the municipality, was working well below its capacity due to some unfinished repairs. Once the Water Communal Council was established, they carried out inspec-

tions in which the community realised that repairs were not done. Not only did they manage to get the service functioning with a bigger capacity, but also to organise a workers co-operative to operate the system.

- c) In the State of Sucre, the Communal Council of the Clavellino system is tackling serious management problems. The system conducts water from the north of the eastern Venezuelan massif to the peninsula of Araya and the city of Carúpano in Edo, Sucre and, through an underwater tube, to the islands of Coche and Margarita in the Edo, Nueva Esparta. The communal council is working to get consensus from the range of people who take water from this system and to find a solution to the many and diverse problems.

CONCLUSION

It would be easy to pretend that in the past five years all the problems and the chaos that affect the functioning of the diverse water networks have been solved. Very many kilometres of pipes have been built, but many more are still needed. The reality now is that the Venezuelan water service is increasingly in its citizens' hands and much more under their control than ever before. It is also the case that an increasing number of communities do not think any longer only in terms of having water or not in their taps, but in terms of managing their water sources.

Santiago Arconada is a community promoter, working at the headquarters of the regional public water companies of Venezuela (HIDROVEN).

National coverage in drinking water and sanitation services in Venezuela 1998-2003

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|-------|-------|-------|-------|-------|-------|
| Coverage drinking water (percentage of total population) | 81.57 | 83.66 | 85.15 | 86.37 | 87.65 | 89.27 |
| Coverage sewage collection (percentage of total population) | 63.77 | 64.38 | 66.96 | 68.51 | 71.27 | 71.69 |

Water Technical Roundtables established (as of October 2004)

| Water Utility | Water Technical Roundtables |
|---------------------|-----------------------------|
| HIDROANDES-BARINAS | 9 |
| HIDROANDES-TRUJILLO | 10 |
| HIDROCAPITAL | 1.088 |
| HIDROCARIBE | 96 |
| HIDROCENTRO | 42 |
| HIDROFALCON | 144 |
| HIDROLAGO | 476 |
| HIDROLLANOS | 10 |
| HIDROPAEZ | 24 |
| HIDROSUROESTE | 41 |
| HIDROLARA | 24 |
| AGUAS DE MONAGAS | 29 |
| AGUAS DE PORTUGUESA | 2 |
| Total | 1995 |

Statistics from HIDROVEN, the Hydrologic Company of Venezuela and the Ministry of Environment and Natural Resources.

AGAINST THE CURRENT: COMMUNITY-CONTROLLED WATER DELIVERY IN SAVELUGU, GHANA

By Al-Hassan Adam

Ghana is a country in West Africa, populated by about 20 million people. The country has experienced colonial domination from different European powers, including the Dutch, Portuguese, Danes, Germans and British, who plundered the wealth of the nation (gold, timber and people). The colonial name the Gold Coast was replaced by the name Ghana after the country became independent from Britain in 1957 and became a republic in 1960.

The provision of essential services in the then Gold Coast was to meet the needs of the colonial administrators and their priests who lived in fortified castles and forts, mainly in coastal towns. Cape Coast, the seat of the colonial government, was the first place to get potable water in 1928. After meeting the demands of the colonialists, water was extended to the auxiliary staff of the colonial administration. It was only after satisfying these classes of people that the administration extended water to the public in the form of communal “stand pipes”, out-door taps located mostly in public spaces such as schools, hospitals and market squares. When the nationalist government assumed power in 1957, in a bid to fulfil the demands of self-rule, they created a Water Supply body under the Ministry of Works and Housing in 1958.

In 1965, parliament created Ghana Water and Sewerage Corporation (GWSC) as a legal, public entity charged with responsibility for providing and managing water resources. This move was not unusual; most newly-independent countries

were undertaking state-led development. This arrangement created a massive, centralised bureaucratic institution, which made it next to impossible for decision-making at regional level, much less district and unit levels, and state bureaucracy had its own setbacks due to alienation of the general populace from effective participation in policy making.

In order to overcome these challenges, the state and its major donors thought it best to decentralise some of GWSC's operations. The donors, particularly the World Bank, were guided by neoclassical economic school of thought and saw decentralisation as a step towards minimising the government's expenditure and influence over water provision. The decentralisation took place from 1970 to 1985, but the results did not match the targets. The political landscape also contributed to the alienation of the services from the consumers. The military dominated political power and decision-making processes, crowding out citizen participation. The military junta (PNDC) dominated the political scene from 1981 to 1992, when it catapulted itself into a political party (National Democratic Party-NDC) led by J.J. Rawlings, and won the elections from 1992 to 2000. Not only did PNDC and NDC crowd out citizens' voices, but they followed the economic agendas laid down by the World Bank and IMF to the letter.¹ Ghana's economy was celebrated by the IMF and World Bank as a model, yet, the reign of this military junta brought about unbridled corruption in the public sector.

This corruption engulfed GWSC, as the corporation was restructured purposely for fiscal policies, which meant the sacking of 2000 workers from 1990-93. The private water company Thames (UK) was contracted by the government and

¹ The PNDC/NDC instituted the IMF and World Bank's Economic Recovery Programme (ERP) and Structural Adjustment Programme (SAP).

donors to strengthen GWSC's managerial and financial capacity through World Bank's financial support (Project Credit 1342GH). Ghana supplied Thames with \$13.5 million through a World Bank loan. There are similar packages that were carried through up till 1997. At the end of the day the restructuring failed to deliver potable water to Ghanaians and the corporation was running into crisis.

The collapse of phase 1 of the neoclassical Structural Adjustment Programme (SAP) gave way to further and harsher economic models. Phase 2 meant massive deregulation with the focus on transferring public resources to private purses. In 1993, the NDC government accepted the World Bank's recommendation to restructure the water sector in preparation for privatisation, a process which worsened the plight of rural people, who face the toughest water burden, because the government relinquished responsibility for providing them with water and gave the responsibility to under-funded local authorities and unreliable philanthropists. Seeking to sell GWSC, the NDC government went into negotiations with the private water company Azurix (a subsidiary of Enron). There were a lot of clouds hanging over the deal with Azurix and it was later alleged that a minister accepted a bribe of \$5 million from Azurix in 1995. The government could not push through the Private Sector Participation (PSP) deal in 1996 since it was an election year and publicity of the bribery scandal would be detrimental to their campaign.

After winning the elections in 1996, the NDC government continued preparing the ground for water privatisation and the Water Resources Commission oversaw the giving of water rights and permits, opening the floodgates for selling water bodies to private companies and individuals. In 1999, the government incorporated Ghana Water Company Limited (GWCL) as a public, limited liability company, and it assumed

responsibility for 100 relatively larger urban potable water supply systems. Under the privatisation process, the 100 systems were reclassified into 69 systems and packaged into two business units to be sold to two separate companies. The business units were supposed to be leased out for 10 to 25 years.

A wave of opposition to the neo-liberal policies in 1995 - dubbed “Kume Preko” - resisted the moves of the NDC to liberalise the economy. Mass demonstrations were held and the state responded by killing four of the demonstrators. At the forefront of the demonstrators were the leadership of the then biggest opposition party, NPP (New Patriotic Party). This party later became the ruling government, after which it changed course and also started promoting privatisation.²

In 2001 a national water stakeholders’ workshop was organised by the Integrated Social Development Centre in the capital, Accra, to look at the pros and cons of PSP. At the end of the workshop, the PSP plan which was previously shelved by the NDC, but now being re-invigorated by the new government of NPP led by John Kufour, was seen as a proposal that would not deliver water to all, especially the poor. A declaration was signed and the signatories formed the National Coalition Against Privatisation of Water (NCAP).

The coalition membership cuts across civil institutions in the country; Organised labour, students, communities and NGOs are all involved. Since the start of the campaign, the government has come down heavily on members, calling them terrorists and un-patriotic among other names. Newspaper advertisements by the government to tarnish its reputation did

² One of the leading members of the NPP, Kan Dapaah, wrote in a national daily “In Defence of GWSC: Stop the butchering.” (Daily Graphic, August 4, 1999, p7). His article was very critical of the privatisation process but Dapaah is now a minister who supports Private Sector Participation.

not scare them. The smear campaign was masterminded by the water sector restructuring secretariat, an outfit sponsored by the World Bank and the UK development agency the Department for International Development (DFID).

A principle argument in support of the privatisation of GWCL was that there would be more money for the utility after implementation of the project, but this argument is flawed. There was an initial promise of \$500 million from international donors which would be made available for the company to borrow at no interest. The final two private water companies who will win the bids are obliged to contribute \$70 million each for each business unit. This amount was challenged and the amount was dropped to \$30 million. Soon after the private companies refused to inject even these small amounts into GWCL, citing currency devaluation, political instability after the September 11 attacks and war conflicts in the West African sub-region that make investment unattractive.

According to the World Bank, on offer at the time of writing is a three-year service contract rolled into a five-year lease contract, by which time there will be less political and financial risk in the sub-region. In essence, all risks are offloaded onto the public and all profits to the private operator.³ GWCL’s existing debt will be cleared and the private water corporations are not required to make any significant investments.⁴ Additionally, the foreign company is allowed to repatriate

³ According to the new management service contract, 42 months after operation of the service contract, the operator could be served six months’ notice for the termination of contract when it is realised out right lease is possible. Reading in between the lines, the contract document says that 42 months after using public money to clear the debt of GWCL, the contract would be transformed into “Lease”.

⁴ This became clear at a meeting to inspect the bid document. The private companies asked if they were expected to service the debt of GWCL and Alex McPhail of the World Bank said only a deposit of \$500,000 as working capital was required and would be fully refundable at the end of the contract (p5 of contract document). Even the World Bank’s Fact Sheet on the Management Contract says the company is not required to invest in or expand the water sector.

100% of the profits and has no obligation to re-invest in GWCL. Therefore, whether the reform is a success or a failure, the private operator will make a profit, while the Ghanaian government will be deeper in debt.

Mr. Lamptey, managing director of GWCL, has estimated the company requires US\$100 million per annum to provide safe water on a sustainable basis. Currently, GWCL has a budget of only \$45 million. With the onset of the management contract, it will have a budget of \$135-145 million over a five year period. Therefore, there will be a significant de-investment in GWCL, as it will be running on a budget of only \$27-29 million per annum within the Private Sector Participation (PSP) framework. The de-investment in GWCL of about \$17 million per annum is bound to cause far-reaching damage to the water sector. In order to raise the necessary funds to keep GWCL functional, the private operator will not provide the capital, but rather potable water consumers will bear the cost in increased tariffs. The government and the donors are finding it difficult to tell the public that the private water companies, previously presented as strategic investors, are in fact strategic managers. The World Bank, meanwhile, has embarked on a new strategy to gain the support of tribal chiefs in order to win over Ghanaian citizens to PSP. World Bank President Wolfensohn has pledged a \$30 million loan to an Ashanti chief to enable him to provide water and sanitation services to some communities in the country. This is despite the fact that the chief has no previous experience in water and sanitation and is not democratically accountable to anyone.

Ever since government and donors (backed by NGOs like WaterAid) have pushed hard to sell GWCL to Suez, Veolia or Bewater, investment in GWCL has dwindled. Rampant water shortages are the norm and private water vendors are cashing in on this situation by drawing water from filling points with

trucks and selling it at 600% of the original price, which is unaffordable for most consumers. Worst affected are rural areas. There has also been a surge in guinea worm infection, a debilitating water-borne disease. Ghana has the second highest rate of guinea cases even though it was almost eradicated 10 years ago.

SAVELUGU: THE CASE FOR PUBLIC INVESTMENT AND CONTROL

It has been demonstrated that community control of water resources is feasible by a guinea-worm infested community called Savelugu in northern Ghana. Savelugu is a small town whose inhabitants are basically farmers and middle men and women who sell farm produce. It is also in one of districts where guinea worm is most endemic. Savelugu, with a population of 20,000, had 600 cases of guinea infection, the highest in the country. Out of necessity, this community has been able to develop a water distribution model based on citizens taking control of their water and has been celebrated by local water activists, water service providers and international activists alike.

The achievements in Savelugu were possible due to the injection of funds and human resources from central government represented by GWCL, and international NGOs (UNICEF, GLOBAL 2000, World Vision). These organisations, in collaboration with the community, approached GWCL to sell water in bulk to the community who will then distribute it.

By taking over distribution, the community is able to drastically reduce unaccounted for water, set lower tariff rates and also do routine maintenance and some expansion of connections.⁵ Tariff setting is undertaken by the community water

⁵ For any amount of water supplied, the water board allows up to five percent losses at the fetching points. Thus, water committees account for up to 95% of water supplied to their respective sections.

board and tariffs are cross-subsidised so water is affordable even for the poor and the elderly. At the time of writing, cases of guinea worm are virtually unknown in Savelugu. Access to potable water has increased to 74,4%, compared to the national average of 36% access for the rural population.⁶

How can this model be replicated in other parts of the country and the world at large? First, there must be public investment in the huge capital outlay associated with water infrastructure development. The community cannot mobilise the investment required upfront for these types of projects on its own. The community should be given the mandate to take full control of the utility and its water distribution, with capacity building in project management and monitoring. Part of this should include how to recruit skilful technicians, preferably residents or others who have a sense of community development. The main task of water production should be the responsibility of a bigger public institution. In the case of Ghana this should be GWCL.

The sustainability of such public schemes is assured when there are public funds available to support them. Also, the recognition that consumers and community members can make a meaningful contribution towards management of utilities and the demystification of decision making in the utilities is important. Consumers and community involvement guard against mistrust and help build public confidence in management. Acrimony associated with tariff collection would not arise if consumers and the community were involved.

⁶ “Report on Public-Community Partnership Model for Water Delivery In Ghana: a Case Study of the Savelugu Water System”, Integrated Social Development Center and Community Partnership for Health and Development, 2002.

Current international economic trends, however, result in public institutions being short of funds and undermined. This is a great danger to the success of initiatives like that of Savelugu. The general crisis of Ghana urban water, created by lack of investment and the privatisation preparation processes, now also impacts on the performance of the Savelugu scheme. GWCL in Tamale, the main supplier of bulk potable water to Savelugu, has begun rationing its water which has drastically affected Savelugu. The lesson here is that you cannot guarantee a successful performance of an enclave in the midst of crisis. The issue of delivering water for all should always be seen in a wider context. There should be a common policy and purpose. The private corporations have recognised this and are trying feverishly to institute a global water policy geared towards privatisation. What we have to do is to fight to consolidate public funding and control of water resources and management. This will ensure cross-fertilisation of ideas and resources for the common good.

Al-Hassan Adam is with the National Coalition Against Water Privatisation (NCAP).

ARGENTINA: WORKER'S CO-OPERATIVE TAKES OVER POST-ENRON

By Guillermo Amorebieta

The 1990s witnessed the greatest asset sale in the history of the Argentinean state. Together with the handing over of public services in concession to national and trans-national businesses, it became a sad example of the “success” of neo-liberal policies for developing countries.

Since 1990, the most conservative sector of Argentinean politics took over the government and started the systematic sale of public companies, from the metallurgic industry to oil, including air, sea and land transport, telecommunications, insurances, pensions, airports, etc. They even gave away concessions for electricity, water and sanitation, gas and all services that a nation provides for its citizens.

Due to the resistance of some trade unions and a few young NGOs, the province of Buenos Aires (10 million inhabitants distributed over 74 cities with 48 municipalities) kept most of the state public services, but was constantly pressured by the national government, which tried to strangle it financially to make it give up public companies providing public services. At the same time, the IMF and the World Bank persistently required the sale of assets related to urban services as a condition for diverse loans.

The Water and Sanitation Works Trade Union of the province of Buenos Aires proposed a law called OSBASA and managed to get it approved by the provincial Senate – not by Congress – which established public provision of basic water and sanitation services in the province, with the participation

of workers in the administration and management of the company. This project forced all the administrations of the province, the most important in the country, to protect water resources, to universalise basic services, to guarantee the treatment of wastewater and force municipalities and operational co-operatives to offer similar things.

Unfortunately, the strong political pressure exerted by the national and foreign corporate sector, multilateral loan bodies and consultants with a strong corporate link, caused provincial parliamentarians to halt the project, which lay the ground for the future privatisation of water and sanitation services.

In 1999, as a result of the political pressure posed by US economic interests that, up to then, were excluded from getting a piece of the Argentinean pie, the remaining public companies in the hands of provinces were handed over, although with tougher conditions due to a slow but continuous increase in awareness by civil society.

In the province of Buenos Aires, (the highest contributor to the national GDP and containing almost a third of the country's population) public services companies were the target of several Houston corporations. An important reason why ENRON, Houston Corporation and AES obtained water and energy services was the involvement of Marvin Bush, brother of US President George W. Bush, and a well-known power broker for Texas business.

EXPENSIVE WATER

Buenos Aires had the second largest national company in charge of water services, OSBA. This company's social mission was to give access to the poorest areas and the marginal sectors of the urban area, control industrial discharges, and be legally competent on issues of water sanitation.

As was the case with other water concessions in the country, ENRON – through its water services subsidiary Azurix Corp. and its Argentinean representation, Azurix Buenos Aires S.A., - took over the service supply with very benign contractual conditions, but at a time of social complexity: huge impoverishment of the population, almost 20% unemployment, a monetary system close to collapsing due to the maintenance of the currency convertibility, political erosion of the government and the first social reactions to the general situation and, in particular, poor services.

The payment by Azurix of a “valor llave” (deposit) of almost US\$500 million (almost three times the offer of the runner-up company) reflected technical improvisation and the rush to acquire new companies to boost Enron's Wall Street stock prices. Azurix hoped that local governments would allow the company to escape contractual obligations and ensure a short-term profitable business, as French corporations Suez and Vivendi had done for 10 years in the city of Buenos Aires and in some provinces in the interior of the country.

The concession covered over 70 cities with water and sanitation, 47 treatment plants of wastewaters, 470 deep wells for drinking water, close to 10,000 km of water networks and 7,200 km of sanitation drain pipes. Of the 2,000 original workers only 1,100 were transferred to the ENRON concession.

They called the new company Azurix Buenos Aires S.A., capitalised by Azurix Corporation headquartered in Houston and by another company established for the purpose, Azurix Argentina. The capital asset declared was \$85,000 (\$1 = 1 Peso), barely the value of any modest real estate anywhere in the country.

To act as a responsible operator, as the contract required, they used Wessex Water, a small British company that ENRON had bought for this purpose, and established Wessex Technical

in charge of the technical consultancy. It never had an active part in the management of the concession, although it is assumed it was part of the system of front companies established by ENRON to divert money to tax havens by means considered illegal in the US.

During the first year of management of Azurix it was clear it was limited to a superficial “make up” of the company infrastructure, and that it only looked for the quickest way of recovering the investment made to get the concession without making the needed investment.

The lack of care and interest of ENRON caused serious problems in the service, both in the production and distribution of water and in the collection and treatment of wastewater. Water networks were polluted, water treatment plants suffered considerable damage, waste water collection and treatment plants were paralysed, there was disinvestment in equipment and technology, important areas of the service were outsourced, etc. All this brought dissatisfaction among users and consumers that, in turn, pressured the mayors of important cities affected. This forced the provincial government to repeatedly sanction Azurix, to ask for a change in its investment policy and the establishment of an adequate programme to retrieve the quality and continuity of the service.

After months of negotiations, we, the workers, had to pressure the government to start Working Collective Bargaining and the commissions to enforce it. What made it even worse was that due to the seriously reduced workforce, the company started outsourcing as a permanent method of carrying out regular works, with negative consequences for company workers and poor quality of services for users.

CORPORATE ARROGANCE

When the managers of Azurix realised that the government could not defuse dissatisfaction with poor service in some cities in the interior, they began substituting Argentinean professionals with those “imported” from the UK, Australia and the US as a low-cost solution to problems that grew bigger by the day.

Without speaking the language, without knowing the existing technology, with a low budget for basic works and with pressure from users who demanded urgent solutions, the crisis exploded between the state authorities and the company. The regulatory body heavily fined the company. Not two years had passed since the beginning of the contract and then, on top of it all, came the bankruptcy of the head company in the US, ENRON. That made the remaining US managers quit, causing the withdrawal of the company without complying with important commitments.

GOVERNMENT DOES NOT KNOW WHAT TO DO

In February 2002, the provincial government either did not have the technical staff or the managers needed to take charge of the service. This (under the deadline pressure) led the Water and Sanitation Trade Union of the Province of Buenos Aires (Sindicato de Obras Sanitarias de la Provincia de Buenos Aires) into urgent negotiations to guarantee the quality, quantity and continuity of the supply to the almost three million people covered by the concession.

A project was proposed that involved social actors beyond the political conditions that circumstances currently imposed on the government. The basic idea was a public utility with

shareholder participation by its workers, with the approval of the regulator body itself (then called ORAB and now OCABA). It meant workers of the water sector organised their own company in partnership with the trade union, became operators of the service getting rid of conditions imposed by the World Bank that referred to the need for international experience.

Users were involved through the representative organisations both in the regulator body (ex ORAB) and in the management of the company Aguas Bonaerenses S.A. (ABSA), and an agreement was reached to transform the salaries for operating the service into new shares for workers once the company had got balanced accounts and got over the water and sanitation emergency created by the mismanagement of Azurix Buenos Aires – ENRON.

The workers themselves used their knowledge and experience to capture, treat and distribute water and to treat wastewater. Cross control was done by the Regulatory Body on the technical and operational aspects and by the Ministry of Infrastructure – Public Works and Services on the commercial management and the quality of the service provided. Organisations of users (some 12 in the area covered by ABSA) have the power to not only participate in the management and control, but also to go to the ombudsman and local bodies representing users and consumers. This allows for a constant presence in every aspect of the service.

To establish a service operation system in such a large company, the trade union established a legal company (Sociedad Anónima) formed by the trade union and the workers of ABSA. This company owns 10% of the shares of Aguas Bonaerenses S.A., the national service provider, and shareholder participation is scheduled to increase as part of the payment for operating the service.

From the start, the trade union did not want to take over the accounting and administrative management of ABSA, but focused exclusively on the technical operation, the designing of policies aimed to overcome the main problems of water and sanitation, better and fairer use of human resources, promotion and skills learning of the technical and professional workers, participation of citizens through workshops aimed at sharing knowledge about technical and operational activities, policies of works and expansion of the service, improving the technology of the control and administrative systems, etc.

ABSA's own resources and the financial contribution of the provincial state were used to finance the main works and to deal with the bigger problems inherited from the previous concessionaire. To do that, the workers-controlled operator (called "5 de setiembre S.A.") developed a broad policy of consultations with the authorities, users and consumer unions, and reviewed the historical archives of the old company OSBA. This was done to get the knowledge needed to develop a working plan to overcome the most urgent emergencies of water supply and to drastically reduce pollution levels due to the lack of treatment of wastewater.

For drinking water, more than 100,000 metres of the oldest functioning water networks, some of them with over 70 years of use, are being replaced, using modern techniques of piping and contracting small and medium domestic companies.

Another priority was the building of new water networks in the main cities to expand the service to highly populated areas with sanitation problems, and to strengthen water pressure and water levels in critical areas on the periphery of some cities.

The work interrupted by the paralysis of Azurix Buenos Aires has started again, particularly the reactivation of the Sewage Treatment Plants and equipping purifying systems that

were out of service due to lack of investment. This guarantees a reduction in pollution levels.

In 1999 – when privatisation took place - the province of Buenos Aires had a rate of water supply of 74% and 47% of the urban population had access to sanitation. In 2002, after Azurix withdrew and ABSA was established, the supply of water had decreased to 68%, due to demographic growth and lack of investments. Sanitation did not reach 43% of the population. Today 71% have potable water and 45% have household sewerage. Importantly, up to now all investments were with money from the company and of the provincial government budget. Very recently, the governor arranged a loan with the World Bank which will be important for the expansion of the services. We have had to urgently renovate the water networks as Azurix did nothing at all and leakages amounted to 40% of the drinking water produced. Millions of litres have been lost due to the age of the tubes (over 60 years). More than 110,000 metres of tubes have been changed and we have recovered the contractual water pressure in 30% of the area covered. Similarly, Azurix had practically abandoned half of the black waters treatment plants, which resulted in a substantial increase in the pollution of rivers. Now 30% more of the paralysed plants have an optimal functioning. Investigations are being done about the works that Azurix claim to have done. Fraud is suspected in what they had declared as done but does not exist in reality, or was only a simple fitting out of some aqueducts that were supposed to be renewed but were not. This investigation is linked to a compensation claim which Azurix/Enron has filed at the international dispute settlement court ICSID against the national state and the Province of Buenos Aires.

The next steps that we must take are focused on getting total autonomy by incorporating users as shareholders repre-

sented by their respective organisations and the inclusion of other productive sectors of the region where ABSA provides services. This is needed to guarantee the highest possible level of democracy in decision making, the rational use of the economic and financial resources, the start of a priority system in the expansion of the service with a social approach and the commitment of the state to financing the biggest works that such an important region needs to match the demographic growth and the productive development.

Guillermo Amorebieta is leader of the Water and Sanitation Workers Trade Union of the Province of Buenos Aires.

SOUTH AFRICA: TESTING THE WATERS OF PUBLIC-PUBLIC PARTNERSHIPS

By Laila Smith

South Africa's first public-public partnership illustrates the potential for addressing some of the critical difficulties local governments face in delivering water services to the poor. In just three years, the partnership between Rand Water and the Harrismith local authority has had significant results that will hopefully set a precedent for the development of future service-delivery initiatives.

Driving Harrismith's need for a water partnership was years of infrastructure neglect which led to very poor effluent control. The situation reached the point where "raw sewage was running through the river". The Harrismith city council needed to join forces with an external service provider to improve the management of water and sanitation and explored numerous partnership options.

The service-delivery challenges facing Harrismith need to be understood in the context of the region and recent municipal demarcation. Harrismith is part of the Maluti-a-Phophung (MAP) local municipality in the Free State province of South Africa. The local council boundary of Harrismith includes the former white town of Harrismith, the African township of Intabazwe five kilometres to the north, and parts of the former Qwa Qwa homeland, called Tshiame, located between 15 and 20 kilometres to the west. It is, therefore, a dispersed urban settlement with little to connect or integrate the separate components.

Harrismith's urban complex is loosely grouped and spatially dispersed from the core of economic activity. Intabazwe is the original African township associated with Harrismith. Despite the fact that most households in this area are poor, the township's infrastructure is relatively well developed; most properties have meters with in-house electricity connections and water-borne sanitation. There are, however, a number of settlements in the area that rely on community standpipes and approximately 1,500 households still use the bucket system. The township is separated from the economic hub and has few formal employment opportunities, forcing most jobseekers to look outside the area.

The challenges of poverty alleviation in both Intabazwe and Tshiamo are significant. Despite the advantages of its location, the Harrismith area has an unemployment rate of 38%.¹ This could be reduced with the growth of entrepreneurial activities, but the scope for business investment in the township areas in particular is limited by socio-economic conditions there. Those who are employed are in low-paid, unskilled, menial jobs such as domestic and maintenance work.

Why was a public-public partnership chosen to address the service delivery backlog? Amid the fanfare given to a range of public-private partnerships (PPPs) in South Africa in the 1990s, there was surprisingly little attention paid to the value of public-public partnerships (PUPs) as a viable alternative. By the late 1990s, the national government, through the Development Bank of South Africa (DBSA) and the Department of Water Affairs and Forestry (DWAF) in particular, began to realise that service delivery options needed to extend beyond those offered by the private sector.

¹ South African Census. 2001.

When the Harrismith local authority explored private sector options, it found there was little to interest capital when one considered the high levels of poverty in the area and the town's relatively weak rates base. It believed a public sector ethos was important to ensure low-income households would be protected from the profit motives of the private sector, which could restrict access to essential services. The council was also sceptical that a private sector partner would uphold the local authority's constitutional obligation to improve the quality of services to those who had been historically marginalised.

Rand Water in Gauteng is a province-based water board that has been in the bulk water business for over 100 years and services more than ten million South Africans. It won the tender to be the external service provider to the Harrismith area. The risk was seen as relatively small since the contract would be limited to operations and maintenance for only three years. After examining existing institutional arrangements for providing water within the country, Rand Water proposed a corporatised model. Rather than creating mechanisms for the city council to develop a separate utility, Rand Water would, instead, manage a business unit within the council to ensure a degree of autonomy.

In 1999, an 18-month negotiation process began between labour, the residents of the area and the city council that led to an agreement on the principles of the contract. The negotiations were structured around task forces on finance, technical, human resources, legal, institutional and communications issues, each of which generated information and recommendations for the council. The long process was at considerable cost to both council and Rand Water, but was necessary to ensure full support from all parties. The consultation process was particularly effective in ensuring labour union representation from local and national offices, not only on labour issues but on all aspects of the partnership (Floss and Chipkin, 2002). Both

Rand Water and the council were willing to bear the additional costs of the protracted process because of their respective co-operative experiences with the unions. In 2001, a management contract was signed between Rand Water and the Harrismith city council to create Amanziwethu (AWS) as a business unit within the water and sanitation department. AWS would be responsible for operations and management in the department for three years as well as for revenue collection for all municipal services in the local authority.

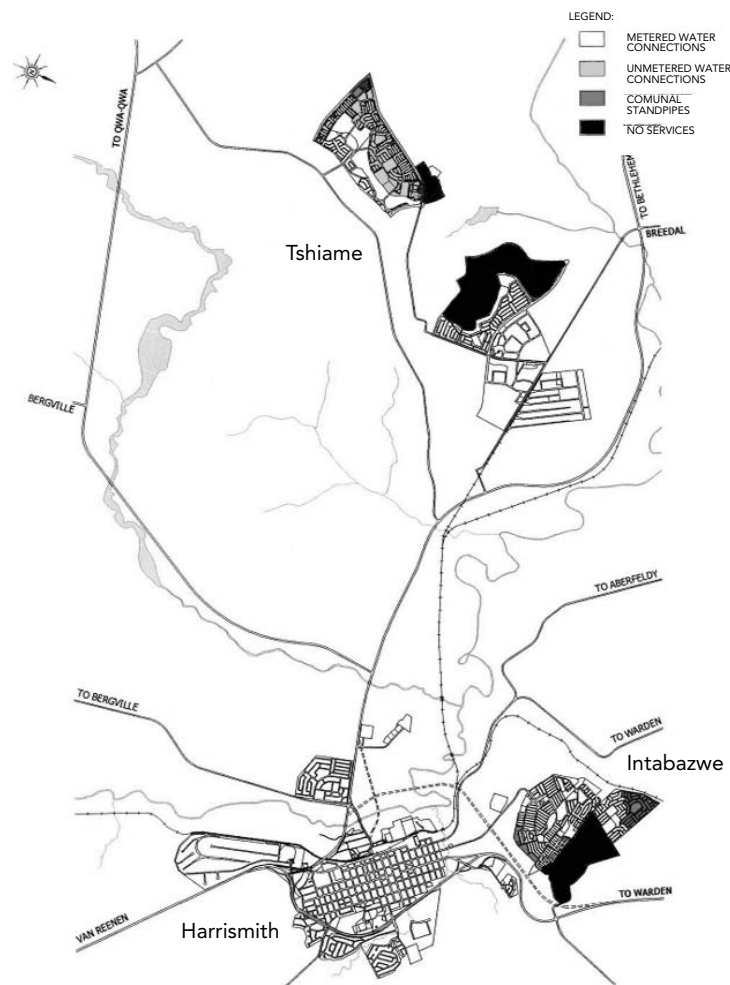
THE PARTNERSHIP

The partnership had several positive aspects for the local authority. First, the interests of the public authority were protected through the design of the contract. Rand Water carried the commercial risk by guaranteeing the local authority R1 million² if the contract came to a premature end. Second, as water and sanitation revenues were ring-fenced to ensure adequate reinvestment into the sector, the local authority was guaranteed five percent of the sector's revenue to pay for non-profitable services such as community centres and libraries. Third, the cost-recovery imperatives of Rand Water were capped to ensure that no more than five percent of revenue went to Rand Water in management fees. This was to keep tariffs affordable by capping price increases for water and sanitation.

The regulatory structure of this partnership was well designed and provided feedback from various committees. Water forums were organised at ward level to provide an opportunity for service users to raise concerns about operational and payment issues. These issues were then raised at a monthly co-ordinating committee consisting of relevant stake-

² As of 2004, the rand/dollar exchange hovers around R6.50 to \$1 USD.

Figure 1: Water service delivery levels in the greater Harrismith area



Source: Water Service Plan for the Thabo Mofutsanyana District, 2002.

holders such as Rand Water senior managers, AWS senior staff and city officials. These co-ordinating meetings were used to solve issues raised through the water forum, as well as to review the monthly technical monitoring reports provided by the regulator.

Part of the success of this partnership was due to ward councillors taking a proactive role in communicating the details of the contract to their constituency. In ward committees, water forums and door-to-door campaigns, ward councillors explained how water services operated and the importance of being registered as poor if the household earned below R1,100 per month.³ Ward councillors also took responsibility for protecting poor households from being disconnected if they could not afford to pay. They accompanied the community liaison officer from AWS on his or her rounds to inform service users about this policy. If households were too poor to pay, the councillor encouraged the service user to register as a poor so they could receive a state subsidy and to ensure their water supply would be restricted rather than cut off.

With regard to service users, the extensive consultation throughout the negotiation process was critical to earn the general support of different communities in the area for the partnership. In the AWS partnership, the community participation strategy had two components: an education initiative and a feedback mechanism. The educational objective was to inform the public of council's intention to change the provision of water. Through council and AWS co-operation, creating awareness was done in a variety of ways: radio broadcasts, community video screenings, community theatre productions, newspaper articles, advertising and community meetings. Feedback was obtained through local political structures and various

³ Households earning under R1,100 are considered to be living below the poverty line which, in South African vernacular, is indigent.

stakeholders such as the unions, local NGO's, political parties and small businesses. This was, for the most part, seen as constructive. These consultation forums eventually evolved into a water services forum in order to encourage popular participation in actual decision-making processes. It was envisaged that this forum would transform basic consultative approaches to the delivery of water into more participatory mechanisms in which the expansion of services, tariff structuring and strategic goals and priorities could be thoroughly considered.

The value of institutional structures for public participation has been instrumental in gaining service-user support for the partnership. The improvements in service delivery were demonstrated by formal townships being supplied with yard taps or in-house connections and outdoor flushing toilets with waterborne sanitation - a level of service considered to be high given the poverty levels of the area. Interviews with residents and councillors also revealed the sympathetic approach AWS adopted in response to the socio-economic hardships residents face. There are numerous instances in which households could not be registered as indigents (poor) and were in arrears but were not disconnected when they consumed more than the amount they were allotted for free. AWS has tried to be flexible in these instances on condition that such households commit to paying on terms that are mutually agreed to, yet are affordable. In addition, in cases where residents have been restricted to six kilolitres of water because of their poor status but need to exceed this limit because of an emergency, AWS has been flexible by allowing a freer flow of water.⁴

⁴ One household interview conducted in Intabazwe serves to illustrate this point. This particular household's water supply was restricted by the installation of a trickler. Subsequently, a death occurred in the family. After this was reported with supporting documentation, the trickler was removed to allow for an unlimited flow of water. While the free flow of water was intended only for the duration of the mourning period, the trickler was never reinstated, according to the householder. (Smith and Fakir 2003)

The general sense of improvement in the quality of services provided by AWS, and their efforts to institutionalise mechanisms for public involvement in service delivery, has led to a general support for the partnership. This support cannot be underestimated as it has contributed to residents generally complying to credit control measures, which is illustrated through very low illegal reconnection rates. There are, nevertheless, exceptionally high non-payment rates in some township areas, for example eight percent in Tshiamo. This non-payment rate is largely related to high levels of unemployment and the simple inability to pay for water. Despite this problem, where households can afford to pay for basic municipal services there appear to be relatively high levels of household compliance with credit control measures. This is an anomaly in South African cities and towns where non-payment is threatening to crush the ability of local authorities to finance the delivery of a service that is vital to life.

LESSONS LEARNT

Despite these achievements, the partnership had several problems. The transfer of skills is often touted as a crucial outcome of partnerships, yet it is an objective that is difficult to achieve. The knowledge acquired through Rand Water's managerial and administrative experience has not been transferred sufficiently to the city council in order to strengthen its own capacity to manage the sector or to better monitor a new service delivery agreement. While city councillors were certainly part of the monitoring process, their own understanding of the detail of the contract remains limited, which leads to acquiescence to those who hold technical expertise. In short, despite the three-year contract, the partnership did not alleviate the local authority's dependency on an external provider. This problem is relat-

ed to the turnover of city council politicians during a period of intense municipal restructuring and is endemic to the regulatory difficulties facing local authorities across the country.

A second problem is that the value of the training provided to workers remains dependent on the sound management Rand Water seconded. To what degree will the performance benefits of this training continue when such highly skilled managers are no longer seconded by Rand Water?

A third problem is the great difficulty in trying to balance cost-recovery imperatives with the constitutional requirements to extend equity to previously disenfranchised households. It is a battle that has still not been won. Amanziwethu has made strides in determining who can afford to pay and who cannot and has tailored its credit control measures more harshly for those who can afford to pay. As a result, it has been able to enumerate the poor to ensure that their monthly access to 6000 litres of water free of charge⁵ is not denied. But when poor households, most of whom have large numbers of people, are reduced to trying to survive with a trickle, the dignity enshrined in their right to water is lost. This raises larger questions about national guidelines and the local authority implementation of six kilolitres as a basic minimum, which is simply insufficient for a poor household to manage its needs.

While technical and managerial expertise is still an external contribution to the partnership, difficult political questions remain unanswered. The challenge of service delivery alternatives is to ensure that the local authority capacity to govern is built up in the process of partnering. This can then put the local authority in a position of choice as to whether it runs the

⁵ In 2001, the Department of Water Affairs and Forestry set out national guidelines to ensure that all households receive a monthly allocation of 6000 litres, or six kilolitres, free per month. The thinking behind this allocation was that it would allow a household of eight people access to 25 litres per person per day to meet their minimum requirements.

sector itself or can at least be in a stronger position to oversee a partnership should it choose to enter into one.

On the bright side, there is hope for a growth in public-public partnerships as a preferred option for local authorities in South Africa. The country has, since the late 1990s, experienced two long-term water concessions, both of which have been plagued with difficulties. They have shown that private sector options do not necessarily guarantee improvements in service delivery or protect local authorities from the risk of borrowing on the market. There are a number of public-public partnerships developing across the country between municipalities and water boards, with community-based organisations as well as with other municipalities. The more local authorities are willing to test the waters of these options, the more experience there will be to draw on in proving that public-public partnerships can be a viable service delivery alternative.

Laila Smith is with the Research and Evaluation, Contract Management Unit, City of Johannesburg.

REFERENCES

- Floss, MM and Chipkin, I. 2002. A New Model of Service Delivery: Amanziwethu in Harrismith. Report commissioned by Rand Water.
- Republic of South Africa, Census, 2001.
- Smith, L. and Fakir, E. 2003. The struggle to deliver water services to the indigent: A case study on the public-public partnership in Harrismith with Rand Water. Centre for Policy Studies. Research report.

**PART III STRUGGLES FOR PEOPLE-
CENTRED PUBLIC WATER**

URUGUAY: VICTORIOUS SOCIAL STRUGGLE FOR WATER

By Carlos Santos and Alberto Villarreal

Through the mechanisms of direct democracy, the Comisión Nacional en Defensa del Agua y la Vida (CNDAV-National Commission for the Defense of Water and Life), supported by 64,6% of the citizens, made possible the inclusion of water as a fundamental human right in the Constitution of Uruguay. In this way, the foundations for the public management of water resources, based on social participation and sustainability, were laid.

In October 2004, the Uruguayan people endorsed a CNDAV initiative that amended the Constitution in an election victory backed by more than 1,440,000 Uruguayans, almost 65% of the poll.

The amendment stated: “Water is an essential natural resource for life. Access to drinking water and the sewage system constitute a fundamental human right.” The Amendment of Article 47 of the Constitution (Rights, Liabilities and Guarantees section) says that the public management of the water resources ought to be based on the criteria of citizen participation and sustainability.

The direct democracy mechanism was fostered by the CNDAV. This commission was established in 2002 as a reaction towards the letter of intent signed between the Uruguayan government and the International Monetary Fund, in which the former committed to expand the privatisation of the drinking water and sewage services throughout the country.

Privatisation of these services began in Maldonado in 2000, favouring the multinational French company Suez Lyonnaise

des Eaux, followed by Spain's Aguas de Bilbao.

Like most cases of water privatisation worldwide in recent years, it had negative consequences in Uruguay.

From a social point of view, large sections of the population were denied access to drinking water as they could not afford the privatised service, whose tariffs have risen up to 10 times more than the price charged by the public utility OSE. The service also did not maintain the quality provided before by the public utility (which still serves the rest of the country with over 90% coverage). It was so bad that inspectors stipulated that the water ought not to be drunk as it did not comply with minimum standards.

From an economic point of view, it was a very bad "business" for the Uruguayan state. Neither of the companies has complied with the work scheduled in the contracts, nor have they paid the fees that were initially agreed. Instead, they resorted to a number of revisions of the original contract by which the state effectively took over the losses each of these companies incurred, effectively making the Uruguayan population subsidise them.

From an environmental point of view, the company Aguas de la Costa – a subsidiary of Suez - was responsible for drying up Laguna Blanca. As a result, neighbouring organisations in the province of Maldonado have recently sued the company, alleging environmental damage.

RESISTING PRIVATISATION

Reaction to the privatisation of water in Uruguay has varied according to the characteristics of the area where it was carried out. Grievances in coastal areas revolve around the quality and price of the water services - "Water for a Fair Price" was the main demand of the Liga de Manantiales (a community organ-

isation), while organisations in Maldonado's impoverished areas focused their struggle on the defense of "public or popular faucets" (supplying posts). These taps were installed by the public water utility at different spots throughout the country to ensure a supply of drinking water. The cost and installation of the service is borne by OSE, the public water utility in charge of providing the drinking water and sewage system services.

In the privatised areas of Maldonado, companies decided to eliminate the "popular faucets" as a way of increasing the number of people connected to their service.

In case of Manantiales (a locality near Maldonado), the private company was able to eliminate the popular taps, and poorer sectors were left without drinking water due to the high connection costs.

Solutions sought by inhabitants also varied according to the different socio-economic conditions: some drilled their own water wells (at the risk of legal reprisals since regulations governing the supply of water where private companies have taken control are not clear), while others have chosen to develop a system to collect rainwater as their water source. The latter strategy was adopted by a group of families that have settled on land situated a few yards from residential and tourist areas.

These options have worked since the natural characteristics of the surroundings allow this kind of strategy (the plots are big enough to drill wells or install rain water drains).

The reactions in the city of Maldonado were different. Even though the private company was successful at first in eliminating the taps in many impoverished areas, it later faced strong resistance from neighbours. Resistance was particularly strong in San Antonio III where the water supply was cut for a day after the private company removed the tap. San Antonio's neighbourhood commission - which has been committed to community work for over a decade - managed to make the

local authorities back their claim to restore the public tap, despite the fact that the municipality had to cover the maintenance costs.

TOWARDS A SOCIAL VIEW OF WATER

The CNDAV promotes a vision of water opposite to that promoted by multinational corporations. The Constitutional Reform supports the notion that water is a basic human right, not a “need” that can be satisfied by private corporations in exchange for profit. Moreover, social criteria prevail over economic criteria, and water for human consumption is now given constitutional priority over all other uses of water. The amendment also includes a clause that severely limits the ability of corporations to pump water and export it without limits, either as bottled or bulk water. The approved amendment demands a special majority approval in parliament for “the provision of water to other countries facing water shortages, for solidarity reasons”.

Besides making the private provision of water delivery and sanitation services illegal, by mandating that these can only be provided directly by state or government entities, the successful constitutional amendment also enshrines the participation of consumers, communities and civil society in all stages of water management and institutions. Participatory management, following the example of participatory budget administration in Porto Alegre and several other municipalities in Brazil, will certainly be the first and most effective weapon to protect — through local community control mechanisms — the existing public utility from corruption and the vices that were eroding its public credibility, services and finances. Effective public participation will clean the public utility’s top management of failed politicians who were given leading positions (which were

created specially for them) in (mis)management, with very high salaries. Similarly, existing and potentially new community-run water and sanitation co-operatives will be protected as participatory management schemes.

Finally, the approved Constitutional Reform gives a mandate for the sustainable management of all water resources in Uruguay. So far, the public utility has not incorporated high environmental standards and sustainability criteria in its management. Additionally, there is a myriad of government bodies that have decision-making powers over different aspects of water management, and this has led to inconsistent, incoherent and unsustainable policies. Water conservation will now be a central thread in all water-policy making, and measures and legislation to prevent water contamination will be at the forefront of management, with water basins as the basic management unit.

Naturally, all these provisions need to be translated into enforceable legislation, and this will be the challenge for the incoming government and the CNDAV.

DIRECT DEMOCRACY AT WORK

The Uruguayan electoral system requires that constitutional reform prompted through a citizens’ initiative must have the support of 10% of the electorate to be considered by citizens as a whole, together with national elections (legislative and presidential). In Uruguay, referendums are the traditional method for popular movements to resist authoritarianism by the military as well as the privatising “reforms” of neoliberal governments.

In October 2003, a year after it was formed, the CNDAV presented to parliament the 283,000 signatures that were required to have a popular vote (plebiscite) on constitutional

reform, thus triggering the plebiscite mechanism enacted a year later together with national elections.

ENTRENCHED OPPOSITION TO THE REFORM

The water plebiscite was an important political victory spearheaded by CSOs such as grassroots, local communities, trade unions and environmental organisations. CNDAV is a broad coalition of social and political organisations that oppose the commodification of water.

Among its founders are several neighbourhood organisations, FFOSE (the trade union of the public water utility workers) and REDES-FOE (Friends of the Earth) Uruguay. The commission grew to include the left wing coalition (Frente Amplio) that won the October 31st elections, and the majority sector within the Partido Nacional (that came second in the national elections).

Despite this political support, the water plebiscite was a minor issue on the political and media agenda for most of the two-year campaign. Moreover, private companies in the water and other sectors (such as bottling companies), as well as conservative business sectors (large land owners, forestry plantations, rice industry and cultivators) carried out a strong political and media lobby against the reform.

During the three months prior to the plebiscite, the International Monetary Fund (IMF) started a public debate with the CNDAV, denying any imposition on the Uruguayan government and rejecting any responsibility attributed to them with regard to the content of the 2002 Letter of Intent.

The interests of water multinationals based in the country are also affected by the special Z disposition established in the reform document, according to which: “the compensation that could arise as a result of the entrance in effect of these

reforms, will not generate reparation for future lost profits, and only debts not gradually being paid off will be reimbursed.”

This specific clause puts this local struggle against water privatisation in the international arena as it comes into direct conflict with what has become normal practice through bilateral investment agreements and free trade agreements (FTAs), such as NAFTA; namely that corporations demand compensation for future lost profits, arguing that they have been expropriated (expanding the definition of an expropriation to almost any government action that affects their interests).

Eventually, after the constitutional reform has been approved, we get to the cutting edge of the conflict. If Suez manages to pressure the new government enough with threats of huge compensation into flipping sides and, through “interpretative legislation”, allows Suez to stay, the introduced amendments in the constitution will be turned into dead literature.

Defending this constitutional reform from the claims of Suez and other private actors in the water sector in Uruguay will demand a strong international campaign. It will need to expose and defeat the undemocratic character of the international arbitration panels that the water corporations have already threatened to use to impose their will over the will of the Uruguayan people.

Carlos Santos and Alberto Villarreal are with REDES-Amigos de la Tierra (Friends of the Earth Uruguay).

THE STRUGGLE AGAINST WATER PRIVATISATION IN SOUTH AFRICA

By Dale T. McKinley

BACKGROUND

In 1955, the main liberation movement in South Africa, the African National Congress (ANC), adopted the Freedom Charter as a popular expression of the desires of the majority of South Africans. One of the most important clauses in the charter - which the present-day ANC government still cites as their guiding manifesto - states that “the national wealth of our country, the heritage of all South Africans, shall be restored to the people”.

The majority of South Africans, made up of the poor and working class, fought and died not just for political freedom from apartheid, but for socio-economic freedom and justice; for the redistribution of all “national wealth”. An integral part of that national wealth is water, a natural resource essential to all life. When the majority of South Africans gave political victory to the ANC in 1994, they were also giving the new government the power to fulfil the charter and ensure natural resources like water would be controlled by, and be accessible to all citizens irrespective of race or class. This popular mandate was captured in the Reconstruction & Development Programme (RDP), which formed the basis of the people’s contract with the new, democratic government. However, it did not take long for the ANC government to abandon that popular mandate by unilaterally deciding to pursue a water policy that has produced the opposite result.

Before the end of 1994, the South African government had introduced its policy on water in direct violation of the RDP commitment to lifeline supply. This gave the water officials the authority to provide water only if they could fully recover the costs of operating, maintenance and replacement. In 1996, the adoption of a new macro-economic approach, known as Growth, Employment & Redistribution (GEAR), located the policies on water and other basic needs within a neo-liberal framework.

Following the neo-liberal economic advice of the World Bank, the International Monetary Fund and various western governments (and heavy lobbying by private multinational water companies such as Suez and Bewater), the government drastically decreased grants and subsidies to local municipalities and city councils, and supported the development of financial instruments for privatised delivery. This effectively forced local government to turn to the commercialisation and privatisation of basic services as a means of generating the revenue no longer provided by the state. Many local government structures began to privatise and / or corporatise public water utilities by entering into service and management “partnerships” with multinational water corporations.

THE IMPACT

The immediate result was a massive increase in the price of water that necessarily hit poor communities the hardest. The neo-liberal-inspired cost-recovery policy – ie, making people pay for the associated costs of water infrastructure – led to this dramatic increase. Under apartheid (1993), the black townships around the Eastern Cape town of Fort Beaufort paid a flat rate of R10,60 for all services, including water and refuse removal. Under privatisation (Suez), from 1994 to 1996, the service

charges were increased by 600% to R60 per month. A 100% increase in water connection costs was also imposed. In another Eastern Cape town, Queenstown, a similar picture emerged with a 150% increase in service costs. In the north-eastern city of Nelspruit (Bewater), where the unemployment rate hovers around 40% and average black household annual income is a paltry R1,2000, the price of water delivered to black communities increased by up to 69%! The cost recovery policy caused a national affordability crisis for black townships as well as rural communities.

These early price increases were only further exacerbated by the need to “recover” additional, huge costs associated with the World Bank-funded Lesotho Highlands Water Project. (This project featured dams built to provide water for South Africa’s largest city, Johannesburg, and surrounding large-scale mining and manufacturing industries.) The first price hike instituted by the newly privatised water service in Johannesburg (the Johannesburg Water Company and Suez’s South African subsidiary) was an astronomical 55%. Despite vigorous opposition from the union movement, especially the South African Municipal Workers’ Union and newly emergent (mostly urban-based) social movements, the government persisted in its pursuit of privatising water.

Taking the World Bank’s advice to introduce a “credible threat of cutting service”, the Johannesburg city council and other councils across the country began cutting off water services to people who could not afford the increased prices. The full-cost recovery model pushed by the World Bank – ie, tariff revenue sufficient to meet operations and maintenance costs, without any public subsidies to keep prices in check – has seen the water services of over 10 million people being cut off. Additionally, more than two million have been evicted from their homes, often as a part of the associated legal process to

recover debt from poor “customers”. Those communities without previous access to clean water have either suffered the same fate since the infrastructure was provided or have simply had to make do with sourcing water from polluted streams and far-away boreholes.

The collective impact of water privatisation on the majority of South Africans has been devastating. The desperate search for any available source of water has resulted in cholera outbreaks that have claimed the lives of hundreds. In the province of Kwa-Zulu Natal, the country’s biggest cholera outbreak occurred in 2000 as a result of changing the free communal tap system to a (privatised) pre-paid metering system. Over 120,000 people were infected with cholera and more than 300 people died.

Not long after the French multinational, Suez, took over Johannesburg’s water supply, an outbreak of cholera in the township of Alexandra affected thousands of families. In both these cases, it was only after the national government was forced to step in as a result of community mobilisation and pressure that the disease was brought under control. Inadequate hygiene and “self-serve” sanitation systems have also led to continuous exposure (especially for children) to various preventable diseases. There has been an increase in environmental pollution and degradation arising from uncontrolled effluent discharges and scarcity of water for food production. In addition, the dignity of entire communities has been ripped apart, as the right to the most basic of human needs, water, has been turned into a restricted privilege available only to those who can afford it.

COMMUNITY STRUGGLES

In response to these privatisation measures, communities in large urban areas such as Johannesburg, Durban and Cape Town, as well as many smaller towns and peri-urban areas across the country, have responded with active resistance. One of the new social movements that has taken the lead in this resistance is the Anti-Privatisation Forum (APF), an umbrella organisation for grassroots groups primarily located in Gauteng province (which includes Johannesburg and Pretoria). Formed in 2000, APF’s guiding principle has been that basic needs, such as water, are a fundamental human right, not a privilege to be enjoyed only by those who can afford it.

Throughout the privatisation process, APF (alongside other social movements and, to a lesser extent, the union movement) has mobilised and organised poor communities and workers to oppose it. Educational and legal initiatives have been combined with regular mass action aimed at empowering ordinary people to assert their right to free basic services (water, electricity, education and housing). As a result, the Coalition Against Water Privatisation (CAWP) was formed in late 2003, bringing together a range of social movements and progressive NGOs in a collective effort to turn the tide against water privatisation.

With the assistance of APF and CAWP, residents have launched a campaign called Operation Vulamanzi (“water for all”), which has helped physically bypass some privatised water control measures, such as pre-paid meters and trickler systems. Water pipes have been re-routed to allow free access to water and, in the process, strike a grassroots blow for the “decommodification” of water and self-empowering of the community. In some communities, residents have destroyed pre-paid meters in an overt act of defiance against privatised water delivery.

Displaying their contempt for the constitutional and human rights of the poor, ANC politicians and government bureaucrats have publicly labelled those who resist privatisation as criminals and anarchists who want to create a “culture of non-payment”. These attacks have been accompanied by a large-scale crackdown on community dissent and resistance. Over the last three years, hundreds of activists and community members have been arrested and imprisoned.

While anti-privatisation struggles have not yet succeeded in halting the process, popular pressure forced the government to implement a partial free-water policy in late 2002. However, there are still millions of people who do not receive the “free” 6000 litres of water per household per month allocated through this policy, an amount that does not meet even the basic sanitation requirements of the average household. (The World Health Organisation specifies a minimum of 100 litres of water per person, per day. If the average (black, urban and rural) household has eight people, then the minimum amount needed is 24 000 litres per month per household.)

Grassroots opposition to privatisation has also contributed to both the failure and / or re-negotiation of many South African water privatisation projects.

It is within this context that APF and CAWP continue to intensify the campaign against privatisation of water in all its forms. It is through these campaigns that the majority has, once again, moved to the forefront of the drive to reclaim their basic human rights and dignity.

PLANTING THE SEEDS OF AN ALTERNATIVE

In South Africa, resistance to water privatisation continues to plant the seeds of an alternative. One of those seeds can be found in the ability of poor communities to undermine priva-

tised delivery, both politically and physically, at the point of “consumption”. Not only is this an act of self-empowerment, but also it provides a foundation on which the majority of South Africans can pursue the demands for policy and structural changes in the ownership and distribution of water and other basic services essential to life.

At present, these demands, which continue to be pursued by both APF and CAWP, include:

- The criminalisation of dissent and opposition to the privatisation of water must be immediately stopped;
- Pre-paid meters be outlawed immediately and removed from all poor communities where they have been installed. They should be replaced with an uncontrolled-volume, full-pressure water system, for which a flat-rate charge of R10 per month is levied;
- The government reverse its policy of privatising water and all other basic needs by cancelling all “service” contracts and “management” agreements with private water corporations;
- A policy of cross-subsidisation (from corporate business and wealthy individuals to poor communities) be immediately implemented in order to effectively subsidise the provision of free water services to the poor. This should be complemented by the government’s repudiation of apartheid debt and the use of subsequent monies to assist in delivering free basic services;
- The government make a firm political and fiscal commitment to rollout a universally accessible infrastructure (especially in the rural areas) that is completely divorced from any “cost-recovery” mechanism, and that is coupled with meaningful participation from popular, community organisations located in those areas most in need of infrastructure;
- The government publicly affirm the human and constitution-

al right of all South Africans to water by ensuring full public ownership, operation and management of public utilities in order to provide free basic services for all. Over time, such “public ownership” should take the form of public-community and public-worker partnerships in which community organisations and public sector workers have equal participation and democratic control.

INTERNATIONAL SOLIDARITY

It is unfortunate that many progressive, international NGOs, social movements, political parties and community organisations continue to support the socio-economic policies of the ANC government in the mistaken belief that they are a genuine reflection of a “continuing national liberation struggle”. APF, CAWP and other allied organisations and movements in South Africa urge those who are part of the global justice and anti-capitalist globalisation movements to act in solidarity with us. The first act of such solidarity should be increased contact, sharing of information and the content / character of mutual struggles. Spreading the word about privatisation in South Africa, engaging in protest actions at South African embassies and consulates, and messages of solidarity would be welcome. The writing of political articles in both progressive and mainstream print media is also encouraged. Very crucial at this stage of the anti-privatisation movement in South Africa is the need for legal defence funds. It is difficult for APF and CAWP to provide funds to defend the many activists who are arrested and face court action and the intensification of the campaign will ensure that the need for legal defence funds is going to become even greater in the coming period.

Across the world, people have begun to unite in defence of the human right to water. Whether in Cochabamba, Bolivia or

Accra, Ghana or Atlanta, Georgia or Buenos Aires, Argentina or Manila in the Philippines, or Johannesburg, the ongoing anti-privatisation campaigns for water access are resonating with those in other places to decommodify water and institute public sector services in which genuine democratic participation and control is exercised in order to meet people’s needs.

Dale T. McKinley is the media-information officer for the Anti-Privatisation Forum and acting chairperson of the Coalition Against Water Privatisation.

Information: drdalet@metroweb.co.za or dale@apf.org.za
To make a financial contribution, please visit <http://www.apf.org.za>

UKRAINE: WOMEN ACT AGAINST POVERTY AND PRIVATISATION

By Svitlana Slesarenok

WOMEN IN A TRANSITIONAL ECONOMY

Ukraine (6,037,000 square kilometres, population 48,416 million) is one of the 12 former USSR republics and a country in transition. After the start of market reforms, neo-liberalisation and privatisation, the situation in Ukraine and other former USSR countries of East Europe, Caucasus and Central Asia has changed dramatically. In the Soviet era, people in these countries traditionally had a very high level of social protection. The new market economy gave birth to realities such as prostitution, homeless people and constantly increasing poverty. Now, in Ukraine, there is a small number of rich people who, after privatising common goods like factories, plants and mines, are now also trying to privatise common resources like forests, lakes, springs, gas, oil and even rivers. And we have a very large number of poor people and their numbers continue to increase dramatically. According to official statistics, we have a poverty level of 27%. But some alternative investigations by scientists show much higher figures for poverty in Ukraine of between 40 and 60%.

The history and activities of MAMA-86 show that women can really improve the situation and create significant changes in their communities. MAMA-86, created in 1990 by Ukrainian mothers who were worried about the effects of the 1986 Chernobyl nuclear accident on the health of their children, now works with several hundred active members in 17 cities and

towns across the Ukraine. Today, the work of MAMA-86 includes research, advocacy and lobbying, education and capacity development, pilot projects and policy analysis and development.

CLEAN WATER – THE MAIN PRIORITY FOR WOMEN

In 1998, Ukrainian women identified drinking water as their most urgent problem. According to the UNECE definition, Ukraine is a water-limited country with resources less than 1,5 thousand cubic metres of river run-off per capita. In a dry year in Ukraine, this figure is reduced to 0,67 thousand cubic metres per capita. In addition, water resources are unequally distributed in Ukraine, making supply problems even more complicated. The water resources of Ukraine have suffered from considerable anthropogenic pressure and degradation. About 75% of the population is supplied by surface water, which is not suitable for drinking. In Ukraine 70% of the population use centralised water supplies, but still more than 814,000 people in 13 oblasts (regions) as well as the Crimea have no permanent or regular access to water and are forced to use imported water of low quality.

The worsening and, in some regions, already critical water supply and sanitation services, combined with increasingly ineffective water and wastewater treatment and lack of sufficient financing, are the most pressing problems facing the water sector. Currently, 25% of water supply facilities and lines have reached their expiry date; 22% of supply systems are in a state of emergency, with 35% worn out and inadequate; half of the pumping units have depleted their resources, with 40% of them requiring immediate replacement; 26% of sewerage nets and 7% of pumping plants are worn-out; moreover, 46% of pumping plants are to be fully replaced. As a result of this, 45% of the population is consuming water that does not com-

ply with state standards. If there is a serious accident in the water distribution networks, consumers' water supplies may be switched off for several days. The problem of drinking water directly affects the health and well-being of Ukrainian residents. In some areas, water-borne diseases like hepatitis A, rotavirus infections, and "blue baby" syndrome have become more acute.

From another perspective, the cost of water supply and canalisation services is rapidly growing, without any improvement in service quality. In the Soviet era, the Ukrainian population paid only 2-4% of real costs for their water supply, the rest was paid by the Soviet government.

The steadily growing tariffs for supply and sanitation services have resulted in serious protests from consumers, higher social tensions and a reduction in the collection rates for water bills. Consumers pay rates for water based on average water supplies, which are 2-3 times higher than elsewhere in Europe. Due to the absence of water meters, consumers have no idea about their actual water consumption and take no measures to limit their consumption. Low quality and rising prices generate protests from consumers and require urgent measures at national and local levels, accompanied by the development of mechanisms to protect consumers' rights that currently exist only on paper.

Protecting consumers' rights became the corner stone of the MAMA-86 work in rural and urban areas. MAMA-86 has carried out independent water testing, launched several water purification initiatives, surveyed 1,600 people on their problems with drinking water and installed citizen's water centres, where filters provide clean and affordable water for vulnerable groups. MAMA-86 has shown that NGOs can provide significant help in giving legal advice and support in situations connected with consumer protection. The "Drinking Water in

Ukraine” campaign was started with the aim of finding concrete solutions for local drinking water problems. Within the framework of the campaign, the MAMA-86 network implements pilot projects to provide practical small-scale and low-cost alternative solutions for drinking water supplies. The exchange of knowledge and experience of positive solutions to ecological problems (water pilot projects in particular) are of great importance for galvanising public activity. MAMA-86 develops and widely replicates such pilot projects.

MAMA-86: COMMUNITY BASED WORK FOR CLEAN WATER

Local activists from MAMA-86 carry out a wide range of local initiatives to improve access to clean water, including research into pollution in drinking water sources, cleaning of wells and reservoirs to improve quality and human health, as well as installation of purification and sanitation systems in kindergartens, schools, hospitals and sanatoriums. Other important activities are raising awareness about water-borne diseases, water saving technology and consumer’s rights.

Water wastage is a major problem facing the water sector in Ukraine. The outdated supply systems and equipment, combined with irrational and unregulated consumer usage, create a serious situation. In Ukraine people generally have not got water metres and have no idea about the volume of water they use. The implementation of water-saving strategies is a major priority for the water sector. The state programme on the installation of water metres exists but it is being implemented very slowly because of a lack of money. Since 2001, MAMA-86 has been carrying out experimental pilot projects in three cities: Kiev, Odessa and Kharkiv, aimed at changing public attitudes to water use, with the main purpose of decreasing the level of consumption. In Odessa, consumption in households

in 2002 decreased by 14% because of 74,000 water-metres installed as the result of MAMA-86 Odessa’s activities. This included a pilot-project on water-metres, an information campaign in the city, and changing local legislation (the draft was prepared by MAMA-86) which simplified the process and reduced the price of meter installation.

In June 2003, a business plan for reconstructing the water supply in Soledar (Artemivsk administrative unit) based on local water resources was designed in co-operation with Tebodin, Soledar Water utility and MAMA-86. MAMA-86 Artemivsk is responsible for the first stage of the project and for a broad information campaign to involve investors and find matching funds to start the second, more expensive stage. At this first stage, the main task is to create the technical survey for the project. Now MAMA-86 Artemivsk is working with Soledar Water utility on preparing the technical background materials for the business plan. One of the outcomes of this project will be the introduction of new methods of collaboration between public organisations, enterprises and local government to realise town programmes.

FROM ACTION TO POLICY DEVELOPMENT

MAMA-86 has been involved in some very innovative policy developments, especially in the current context of post-Soviet Ukraine. From 1998 onwards, MAMA-86 and a host of NGOs initiated the first ever participatory and consultative process for the development of the National Environment and Health Action Plan (NEHAP). The national co-ordinator asked MAMA-86 for their assistance to draft a paper for public participation on the NEHAP.¹ More than 600 organisations and

¹ The public consultation and feedback process was co-ordinated by MAMA-86, EcoPravo Network and Bahmat with support from UNED-UK.

individuals from across the country representing environmental groups, women's groups, researchers, health workers, business people and government representatives, gave input. After much lobbying by more than 50 organisations in the Ukraine, the Cabinet of Ministers approved NEHAP in October 2000. MAMA-86 and other NGOs were also instrumental in the drafting the new Drinking Water Law. They analysed existing legislation, provided comments on the structure and content of the new law, provided the public with information on the process, engaged them in hearings on the draft, monitored the drafting process, and lobbied for amendments.

WOMEN ACT AGAINST PRIVATISATION

Since 2000, cases of “wild” privatisation have emerged. In July 2002, for instance, the inhabitants of five villages of the Odessa's oblast wrote to MAMA-86 Odessa complaining about the infringement of their right to use of the river water. A village head had authorised five local businessmen to rent a part of the basin of the small river Kuchurgan for the period of 49 years.² It is first time in the history of independent Ukraine that there has been an attempt to privatise a part of the basin of a river. The new Ukrainian Land Code allows private persons to privatise land, water and woods but these articles of the new Land Code are in conflict with the rules of the earlier accepted environmental legislation.

The persons who have rented the river Kuchurgan for 49 years felt they were the absolute owners of the river and violated the environmental legislation by illegally building dams on the river. Their actions caused the complete drying up of the river and local inhabitants lost the right to access the river they

² The catchment's area is 2090 square kilometres, the length of the river is 109 kilometres.

have lived by and grazed livestock next to for centuries. They have lost the main source of their existence as a result of the privatisation of the river. This loss of right to usage of the river, in conditions of severe unemployment and high level of poverty in these villages, caused a disaster. MAMA-86 Odessa provided legal support to residents and contracts to rent the basin of the river have been annulled. The Odessa's area public prosecutor started criminal proceedings in connection with the infringement of environmental laws. It is still necessary, however, to calculate the damage caused to the river by the businessmen.

Unfortunately it is not always possible for local inhabitants and NGOs to change the course of events. Often the interests of local communities are neglected and protests of NGOs are not taken into account in any way, particularly if the interested parties are powerful multinational companies with the support of international financial institutions. Frequently, the budget of such multinational companies exceeds many times the budget of cities and whole states where they conduct business.

In 2000, a small article appeared in the Russian newspaper *Moscow Komsomolets* saying representatives of the Odessa municipality had concluded a protocol on intentions with a French firm, Suez Lyonnaise des Eaux, for the reconstruction of Odessa's urban water networks (one million inhabitants). Odessa-based NGOs contacted the urban authorities about the case, but got no reply. In October 2000, representatives of Suez Lyonnaise des Eaux visited Odessa and publicly declared its intention to participate in the management of the urban water supply. The formal tender to attract foreign investors was announced only in December 2000. The conditions could be met only by a company like Suez Lyonnaise des Eaux (the size of the tender pledge was US\$130,000), however, these conditions did not say anything about the protection of interests and

rights of consumers, or about the social consequences of the project for city dwellers. Considering the unfair conditions of the tender it was no surprise that only one firm - Suez Lyonnaise des Eaux –took part in the tender process and won it. Similar practices that exclude competition are used by multinational water companies in all countries in transition in Central and Eastern Europe.

International financial institutions, such as the World Bank and the European Bank for Reconstruction and Development (EBRD), encourage private capital in water supply. These institutions frequently provide finance only for the private sector, in spite of the possible efficiency of alternatives with the public sector. In 1998, Odessa's water utility, Vodokanal, did a feasibility study with the World Bank on improvements of the water supply. On the basis of this study, Vodokanal requested \$64 million in credit from the EBRD, \$14 million of which was to be for foreign experts. EBRD did not want to give credit to a local company so Vodokanal formed a closed joint-stock company in order to provide a guarantee on basis of its property. It was refused the loan again. EBRD then declared they were ready to pay \$200 million for the same to the French firm Suez Lyonnaise des Eaux.

MAMA-86 and other NGOs have asked for information and details on the negotiations many times, but have always had the same answer: the agreement with Suez Lyonnaise des Eaux is classified. After two years of confidential negotiations, Suez stopped its activities in Odessa; Suez found the economical situation in Ukraine unsuitable, because people can't pay the fees Suez wanted.

RECOMMENDATIONS AND LESSONS LEARNT

Water is a critical resource and should not be a means for profit. In Odessa, the women of MAMA-86 and other NGOs were successfully able to block the privatisation of their water supply by Suez Lyonnaise des Eaux. They were able to demonstrate that there was a lack of transparency in the tendering process, that the local authority conducted secret negotiations, and that the European Bank for Reconstruction and Development (EBRD) was willing to provide financing for the privatisation for Suez without public consultation, but were not willing to finance a local company that would have been more accountable to consumers.

In the Ukraine, there is a larger issue of poor state governance to consider, as water issues are connected to so many other problems. The state has withdrawn from solving water problems and left it to consumers to resolve them themselves. Women's actions for change are setting new parameters for democratic governance. However, women are not yet equal decision-makers and a gender perspective is still lacking.

There should be transparency in all water utilities and local authorities and an open process of consultation with the public and consumers, especially women, who are critical to problem analysis and solutions. The key factor of mobilising poor women for cleaner water, for pricing, accountability and affordability, and for better management of water infrastructure has already been demonstrated through several successful initiatives.

The arrival of multinationals and the push for privatisation should be approached with caution as it could lead to an increase in poverty and inaccessibility of water to a significant part of the population. This will especially affect already poor, women-headed households, families with children and pen-

sioners. There is also a need to be vigilant about corrupt practices by transnational water corporations. For example, both Suez and Vivendi/Veolia executives have been suspected of bribing to obtain water contracts.

The public should have the right to access all information as it pertains to discussions between local governments, water utilities, multinational corporations and the national private sector. International financial institutions (IFIs) should support the principle of sustainable development, which supports the management of water resources at the local level as a key to sustainable development. IFIs should guarantee the rights of the local population and public participation in the process of water sector reforms.

Attempts should also be made to learn from the practices of successful public water utilities, for example the Municipal Department of Water and Sanitation of the city of Porto Alegre in Brazil. At the same time, activists from MAMA-86 have proposed their own practical solutions and given their own examples of how to resolve local problems with drinking water.

Svitlana Slesarenok is the executive director of the All-Ukrainian Environmental NGO "MAMA-86" and may be contacted at slesarenok@mama-86.org.ua

MAMA-86 can be visited at www.mama-86.org.ua

LEARNING FROM PRIVATISATION OF WATER SERVICES IN TRENCIN, SLOVAKIA

By Roman Havlicek

INTRODUCTION

In Slovakia, almost 85% of inhabitants are connected to public water supply systems, but only 55 % of them live in houses connected to public sewerage. In the past, the reconstruction and renovation of water infrastructure was neglected, which resulted in a high rate of drinking water leakages, estimated at 30 % but reaching almost 50% in some networks. In order to comply with regulations of the European Union, there is a need to invest more than €3 billion in public water services by the end of 2015.

Since the mid-1990s, the Slovak Republic government has been preparing for transformation of state waterworks and sewerage enterprises with the aim of transferring infrastructure ownership from the state to municipalities. The way the property would be transformed and results of the transformation process remained unclear for a long time. One option considered included privatisation of a part of the state waterworks. Privatisation of the Trencin Water Company (following the public-private partnership model – PPP) was supposed to serve as a transformation pilot project and learning model. In 2002 the government decided to transform formerly state-owned water utilities into seven joint stock companies and hand over their shares to municipalities according to the number of inhabitants.

PRIVATISATION OF THE TRENCIN WATER COMPANY

The first steps toward privatisation of the state-owned Trencin branch of the Western Slovakia Waterworks and Sewage Company (known as the Trencin Water Company – TWC, serving around 150,000 inhabitants in the city of Trencin and surrounding municipalities) were made in the summer of 1997. At that time, the government's plan for transformation of the state water companies assumed that municipalities would acquire the property, including water distribution systems, sewerage systems, sewage water treatment plants and the related operational property. Other relevant property - buildings and machinery - would be accessible in the process of privatisation, and municipalities would be able to buy it for the price equal to its current book value.¹ Remaining property - mainly water distribution systems of strategic importance and big potable water resources, such as water reservoirs - would remain state-owned.

In 1997, the municipalities supplied by TWC asked for the ownership of water infrastructure property (including water distribution and sewerage systems) and they acquired it in several steps. In March 1997, the municipalities established the Trencin Waterworks and Sewage Company (Trencianske vodarne a kanalizacie - TVK), and the property they acquired was deposited into this company. The operational property (mainly buildings, machinery and related devices) as well as laboratories and a water dispatching centre that were essential for operation of the system, were designated for privatisation in the form of “direct sale to the applicant appointed in advance”.²

¹ “New private waterworks and sewerage company begins to operate in Trencin”. Trend No. 46, November 11, 1998.

Privatisation of TWC was, according to the official documents, to serve as a model for transformation of other state water enterprises in Slovakia. However, it was obvious that from the start that the driving force of privatisation was managers of TWC, with close political ties to HZDS (the leading political party), wanting to acquire property that had been generating profits for a while. As early as 1993, the management of TWC had established a firm called Trencianska vodohospodarska spolocnost (TVS) which was not active; but was in preparation for privatisation.

Its time came in 1998 when the government coalition, including the HZDS, was afraid of losing power and political influence in the upcoming elections. Since the municipalities already owned the infrastructure property, there was just one last step needed to privatise the operational property and to gain control over future profits from the water business. Private TVS had strong support from state officials which, significantly, simplified the privatisation process.

TVS was the only corporation running for privatisation of the operational property of TWC. Only this firm received the so-called “acceptation letter” issued by the Ministry of Agriculture which guaranteed TVS operation of the public water company. This is why TVS had no competitors and it was clear in advance that TVS would win this “competition”. The transfer of state property to TVS was then just a matter of time and relevant government institutions hurried to finish the privatisation before elections. The contract was signed on 23 September 1998, two days before the parliamentary elections in which the ruling coalition lost its power.

² This form of privatisation was introduced into the Act No. 92/1991 on Conditions of the Transfer of State Property to Other Entities during the authoritarian government of V. Meciar in 1993. At that time, this method was used mainly to privatise the state property to people loyal to the government.

The property of TWC was divided in such a way that municipalities in the Trenčin region had to sign an agreement for the operation of municipal waterworks and sewerage systems with TVS if they were to fulfil their legal obligation to ensure continuous delivery of water services. Any other approach by the municipalities would result in a collapse of water supplies in the region.

The financial value of the operational property of Trenčin was officially stated to be 93,318 million Sk (€2,3 million). TVS had to pay only half of the price divided into 15 annual instalments, while the rest was to be invested by TVS until 2007.³ Taking into consideration the net financial profit, which Trenčin generated before privatisation, TVS was in a situation where it could easily repay these sums from profits of the privatised operational property.⁴

SUEZ LYONNAISE DES EAUX TAKES OVER TVS

The municipalities transferred at the end of 1998 the infrastructure waterworks property, which they gained from the state, to TVK - whose shareholders are municipalities of the Trenčin region. Then, in October 1999, TVK and TVS signed a contract for operation of the water services that became effective on 1 July 2000.⁵ The operational contract turned out to be very disadvantageous for TVK.

³ “Proposal to issue the decision on privatisation of a part of the Western Slovakia Waterworks and Sewage Company Bratislava, enterprise Trenčin - the operational property.” A document submitted for session of the Slovak government, August 18, 1998.

⁴ In the last three years before privatisation, the Trenčin water company made a surplus of respectively 35,081 million Sk (1995), 16,742 million Sk (1996) and 39,436 million Sk (1997). 1 Sk = €0,025.

⁵ The contract on renting and operating waterworks and sewage infrastructure in the Trenčin region and on providing services related to general repairs and investments dated on October 7, 1999.

Before signing the privatisation contract, TVS signed a memorandum on a potential future collaboration with Suez Lyonnaise des Eaux (SLDE). Apparently, for a long time before privatisation, SLDE had been negotiating with TVS about its future participation in operation of water companies in the Trenčin region. In October 1999, SLDE purchased the majority of TVS shares and gained control over decision-making of the company. At present, SLDE occupies three of five seats in the TVS board of directors, including the post of company president.

EUROPEAN COMMISSION EXPERT TEAM INVESTIGATES PRIVATISATION CONTRACT

At the beginning of 2001, TVK was awarded almost €4 million grant from the European Commission (EC) programme, ISPA, for the construction of wastewater treatment plant (Trenčin Right Bank Waste-Water Treatment). The grant represented 50% of the total project costs and was accompanied by co-financing from Slovak government amounting to 12,5 %. In May 2002, however, the EC published a report by an EC team that looked at the privatisation contract to evaluate “whether there is scope for making undue profit”.⁶ The report’s conclusions clearly indicated that the Trenčin Right Bank Waste Water Treatment project represented a real risk in terms of undue

⁶ Final report of the expert team of the European Commission “PPP/SK/01/TR, Framework Contract for Provision of TA for Analysing and Monitoring PPP Operations in ISPA Countries Review of 6 WWTP ISPA Measures in Slovakia” May 2002 (<http://www.vlada.gov.sk/phare/finalreport.pdf>). The aim of the expert team was to evaluate preparation and implementation of the ISPA-funded wastewater treatment projects. The team had focused on an examination of the legal status of final beneficiaries in relation to transformation of the state water utilities and their institutional and professional capacities. One of the main goals of the expert team was “the terms and conditions must be summarised and an estimation given as to whether there is scope for making undue profit” in case operation of water companies was or may be given to a private company.

profit for TVS, the private provider of water services. The EC's report pointed out several provisions of the operational contract between TVK and TVS that privileged the private corporation at the expense of the municipal company and consumers.

By this contract, TVS acquired exclusive rights to operate the water infrastructure owned by TVK for 20 years.⁷ According to the expert report, the most problematic provisions of the contract were connected with the amount of the rent, the guarantee of minimum TVS profits, the management and organisational fees, planning and performing of repairs and investments, accountability for damages, and protection of TVK in case of violation of the contract by TVS. These provisions enabled TVS to increase its profit at the expense of TVK and consumers.

The contract guaranteed that fees for water services paid by consumers would cover not only TVS's expenditures for repairs, new investments and all organisational expenses - including full annual inflation, but they would also guarantee 15 % profit. Profit guaranteed in this way is unusual, according to the authors of the report: "Allowing recovery of a 15% profit margin on unregulated operational costs may open up opportunities for TVS to make unreasonable profits, and is not in the best interests of the consumer."⁸ In the first few years after privatisation, TVS made constant profits, while TVK lost major amounts. This was due to flaws in the operational contract and the fact that the rent for using the infrastructure was calculat-

⁷ For using this infrastructure, TVS pays rent equal to depreciation of rented property. The contract has several annexes, one of which was an agreement on the loan that TVS provided to TVK. The interest rate, the payback period nor any other details about the credit have ever been published. According to the TVK 2001 Annual Report, the loan of 45,5 million. SKK was spent in 2001.

⁸ According to the report, it is not common practice that inflation is fully reflected in water prices. Usually, it is possible to cover a part of annual inflation in order to increase effectiveness of the services.

ed wrongly. Only in 2002, when the rent was doubled, this situation was corrected.⁹

Repairs and investments in the rented property were to be covered by a major part of the rent as well as from a loan provided to TVK by TVS. According to the operational contract, TVS prepares a long-term plan that includes repairs and investments necessary for providing water services and operating the infrastructure. In addition, repairs and investments can be made directly by TVS, which raise the risk of hidden financial flows between repairs and operation of the services. In this way, the contract allows for easy abuse of public resources: TVS, itself, suggests what repairs and investments in the property of TVK are necessary and TVS, itself, sets the price and the same company also carries out the work.¹⁰

The contract provides TVK with no possibility to sanction TVS in the case of a material breach of the operational contract, for example, in the case of delays in repairs or investments. TVK has limited power to control the activities of TVS. TVK can execute only annual inspections of infrastructure, and TVS has to submit annual reports to TVK. According to the operational contract, TVK is supposed to prioritise repayment of debt to TVS, for instance by taking additional loans if

⁹ The operational contract was defined by the amount equal to depreciation of the rented infrastructure property. This is why TVS made constant profits, while TVK lost more than 5,6 million Sk in the first year after the contract became effective. The amount of rent was improperly calculated. The loss was repeated in 2001 as well. Only when the rent was almost doubled, did TVK profit.

¹⁰ According to the operational contract, and apart from direct expenses for repairs and investments, the budget for major repairs and investments includes the organisational fees of TVS, interest from the loan provided to TVK by TVS (or from any additional loans of TVK) as well as an additional 10% of total expenditures as a reserve. Since the residence of TVK is located in the building of TVS (part of the privatised property), TVK pays TVS for renting their offices as well.

¹¹ At the same time, TVS is supposed to facilitate such loans. From these new loans, TVK is supposed to invest in infrastructure property, and subsequently, the property is to be rented to TVS so that the debt can be repaid from the TVK revenues generated by rent.

it is unable to pay the loan to TVS.¹¹ The EC's experts pointed out that the operating guidelines and performance standards for TVS, annexed to the contract, have been to a large extent defined by TVS. The European Commission report concluded that "there is a risk that ISPA contribution is perceived as inducing undue profits to the private partner, and/or that benefits for the local population induced by the ISPA contribution are not evident". The experts recommended that "TVK, as final beneficiary, should renegotiate the contract with TVS in order to reduce the current advantages of TVS that may increase to a point where profits could be considered undue."

STRUGGLING FOR TRANSPARENCY

After the expert report was published, negotiations between representatives of the EC and the TVK company were held to address concerns of the expert team. The EC made it a condition of the release of the second instalment of the ISPA grant that there was a change in the operational contract between TVK and TVS. The result of the negotiations was the annex to the contract between TVK and TVS, signed in January 2003.¹²

The Center for Environmental Public Advocacy (CEPA), a Slovak NGO, requested the Commission to tell them how the contract was changed. An officer at the EC said "the contract was re-negotiated and clearly improved to the advantage of TVK. The commission has endorsed the result."¹³ For any other information he referred CEPA to the Slovak authorities.

The Slovak government's agency responsible for implementation of ISPA projects confirmed that the EC made several

¹² Minutes from the fifth meeting of the ISPA Monitoring Committee, March 13, 2003, Bratislava.

¹³ The letter of Carsten Rasmussen, European Commission, DG Regio, dated April 10, 2003.

improvements to the contract and that all deficiencies that were criticised by the EC's expert report have been resolved. As a result, the contract as a whole was amended to reflect a more balanced division of risks. But it refused to disclose the contract between TVK and TVS because TVK declared it a trade secret and, instead, recommended passing a request for disclosure of the contract either to TVK or TVS.¹⁴ In February 2003, the TVK refused such a request, and TVS responded likewise.

Therefore, on April 24, 2003, CEPA submitted a request for copies of the contract between TVK and TVS to the Ministry of Environment according to Act No. 211/2000 on Free Access to Information. CEPA requested access to both original as well as amended versions of the contract. The ministry denied the request arguing that the content of the contracts is subject to trade secrets. Therefore CEPA, in January 2004, filed a complaint to the Supreme Court of the Slovak Republic against the Ministry of Environment. In November 2004, the court cancelled the decision of the ministry and confirmed the contract should be revealed.

LEARNING FROM THE PRIVATISATION "PILOT PROJECT"

The case of privatisation of water services in Trenčín is clear evidence that the main goal of so-called public-private partnerships for private providers is to make a profit at the expense of the public owner of the water infrastructure or consumers. The Trenčín case has become a poor example for municipalities in the rest of Slovakia.

By handing over the shares of water companies to municipi-

¹⁴ A letter from Radoslav Liptak, ISPA project manager at the Implementing Agency of the Ministry of Environment, dated April 11, 2003.

palities, the government practically dumped all problems connected to water supply and sewerage onto municipalities. Now it is clear that municipalities did not have enough expertise or experience to exercise public control and management of water services. There are real risks that municipalities that do not have the capacity or management abilities will not be able to responsibly fulfil their obligations, which might lead to privatisation of water services in different forms (sale of shares, sale of property, operation contracts with private providers etc). For example, the city of Bratislava (capital of Slovakia with approximately 550,000 inhabitants) was already preparing its water utility in 2002 for privatisation, with the French company Vivendi/Veolia among the strongest candidates. With a new municipal council elected at the end of 2002, the city changed the plan and stopped the privatisation process. This decision however cannot prevent attempts by water TNCs to privatise in the future.

In 2002, a new way of regulating prices was adopted. The regulation office sets the top limit of prices for each water company. According to the law, regulated prices in the water sector should reflect eligible expenses and reasonable profit of each provider. Unfortunately the regulation office has only a limited ability to verify of data presented by providers. Also it isn't clearly defined what "reasonable profit" means, which allows for different interpretations. However, the rates have grown since 2002 by about 30% every year and it is expected that the increment in 2005 (also projected at 30%) will not mean the end of price increases.

Another difficult issue for municipally-owned water utilities is investments for reconstruction, upgrade and building of new infrastructure. The only finances from public sources currently available come from cohesion and structural funds of the EU, supplemented with co-financing from a European

Investment Bank loan (€30 million) and a small amount from the state budget. Unfortunately, this cannot satisfy all requirements, which need to be fulfilled in order to comply with EU regulation by 2015. The government refuses to increase the state's share. Instead, it uses insufficient public financial support as an argument to promote private involvement in water services provision.

VISION FOR PUBLIC-CENTERED WATER SERVICES MANAGEMENT

Currently, the main challenges for water services are environmental standards, finances, effectiveness, affordability for marginalised communities as well as socially weak citizens and public participation in decision-making.

Water companies must comply with environmental standards, related to both drinking water and wastewater, set by the EU regulation at latest by year 2015. Required investments are estimated at €3 billion, but the government now relies only on financing from the European Union's cohesion and structural funds. Water companies and municipalities learned how to apply for grants from this source but now they will have to look for other sources. It is inevitable that the government's financial contribution will increase, otherwise the goals will not be met. Development banks (EIB, EBRD, World Bank) should also increase their financial involvement without any conditions on private or public modes of operation.

There is room for increased economical effectiveness of water utilities. For a long time water services were provided in a strictly centralised and non-flexible system, unable to accommodate possibilities for cost saving. On the other hand, the function of public water utilities as important employers must also be taken into consideration.

Affordability of water services for socially weak groups is a

problem. Water companies have already disconnected several Roma communities where people are unable to pay for water. Not having access to clean water represents a potential threat for inhabitants' health.

The former centralistic management of water services practically excluded effective public participation in decision-making. Even now, municipalities, management of water companies and other public authorities often doesn't allow the public to "interfere with their competence". It's crucial for public control that all information related to management of water services, as well as decisions on strategic planning processes, are open to the public. Municipal councils, officials and water companies' representatives have to understand that public control can help them to provide effective services.

Currently, there is not enough strong social pressure to initiate these changes. But possibly, with continuous increases in water prices, the awareness and activity of different groups will also grow. Consumers, trade unions, environmental and social NGOs will have to articulate their positions on public water services and initiate public dialogue with municipalities, water companies and other relevant public authorities. Many citizens' groups have experience in how to involve media in this dialogue and how to attract the attention of politicians at all levels. The international water justice movement can support this dialogue by providing examples of successful, publicly-operated water utilities abroad and by facilitating communication between Slovak institutions and foreign municipal water utilities, which may result in public-public partnerships emerging.

*Roman Havlicek works with the
Centre for Environmental Public Advocacy
(Friends of the Earth Slovakia).*

POSSIBILITIES FOR PUBLIC WATER IN MANILA

By Carla A. Montemayor

INTRODUCTION

The case for water privatisation's failure in Metro Manila is well documented and almost indisputable. Seven years after the utility was privatised in 1997, coverage, pricing, service obligations, non-revenue water, water quality and other targets stipulated in the Concession Agreement remain unmet. The two private concessionaires, Maynilad Water Services, Inc. (Maynilad, operator of the west zone) and Manila Water Company Inc. (Manila Water, operator of the east zone) committed to 100% coverage of their respective concession areas within the first 10 years of operation; a capital inflow of \$7,5 billion to upgrade and extend the pipe network over 25 years; and the reduction of non-revenue water (NRW) from 56% to 32%, among other targets. They also entered into a contract that provided for no unnecessary price increases other than the yearly adjustment for inflation.¹

Maynilad, especially, has been grossly remiss. It has delivered and billed only 50% of the programmed volume of water (which accounts for its 58% shortfall in revenue), while its operating expenditures surpassed bid levels by 11%. Its capital expenditure over the first five years was an incredible 75% lower than the promised PhP14,1 billion. It also managed to increase NRW levels to 69% - 14% higher than pre-privatisa-

¹ Lo, Frances. 2004. Making the Public Work: Alternatives to Manila Water Privatisation. Presentation at the Asia-Europe Meeting, Hanoi.

tion levels. It has affected a 500% price increase since 2001, while Manila Water has imposed a 700% price increase.² A cholera outbreak in October 2003 that killed seven people and sickened over 600 is a compelling demonstration of poor water quality and sanitation levels.

Coverage data remains disputed. Both companies place unconnected individuals at an estimated one million. Some experts place the number of Manila residents without direct access to piped water at five million.³

There is no disagreement at this point among the different water groups that the west zone (or at least the west zone) should be de-privatised. This consensus directly opposes the Philippine government's position of bailing out Maynilad by engineering a bogus "takeover". The final terms of this bailout scheme are not yet public, but previously floated scenarios include: a government buyback of Maynilad's shares at double the market value; partial recovery of unpaid concession loans; retention of the existing corporate structure (minus key Maynilad executives and reduced Ondo participation); and, perhaps most importantly, maintaining the status quo for the "privatised" character of the utility under the same concession agreement and regulatory arrangements.⁴ The goal of the

² Diokno-Pascual, Ma. Teresa. 2004 Lessons from Suez-Maynilad Water Venture (presentation at the Belgian Parliament inquiry on water privatization). Brussels: 11.11.11.

³ Private concessionaires report one connection per 9,2 people when population figures for Manila show that an average household consists of 4,6 people. In a study of water supply in Asian cities, Arthur Macintosh argues that the best measurement of "coverage" is 24-hour access, which is not documented in Manila concessionaires' reports. Numerous households in Metro Manila only have several hours of water supply delivered on alternating days during a typical week. McIntosh also questions standpipes, shared connections, vended water and neighbourhood re-sale of water as accurate measurements of "coverage". See MacIntosh, Arthur. 2003. Asian Water Supplies: Reaching the Urban Poor. Asian Development Bank and International Water Association.

⁴ Diokno-Pascual, Ma. Teresa (2004) No to the Bailout (Bantay Tubig statement on the bailout of Maynilad). Manila: Bantay Tubig.

national government is to restore Maynilad's financial health in order to attract new private bidders. It has no intention of altering the underlying framework of water privatisation, or recasting its approach to water provision as a basic service, with access to water being a fundamental human right.

CHALLENGES TO A FEASIBLE PUBLIC ALTERNATIVE

While the rationale for the re-nationalisation of water utilities seems well established, debates still surround the mechanics of such an option. The history (and indeed, the present state) of the Philippine public sector does not bode well for its efficiency or reliability in service delivery. Philippine water activists have to contend with an inefficient and corrupt public sector seemingly impervious to reform - the very basis for the absence of any strong opposition to privatisation in 1997. The specifics and feasibility of water sector reforms need to be convincingly articulated in order to advance a politically acceptable re-nationalisation program.

This takes us to the stubborn knot in the struggle for water in developing countries. On one hand, the provision of water is located within a larger ideological struggle, which compels us to reject the injustice and inhumanity of the profit-driven model. On the other hand, it requires us to face up to the practical, immediate needs of the communities we work with - the poor need water now. To them, the public versus private debate is distant and irrelevant; the public-private debate is probably of greater concern to those who already have connections and suffer from the dismal performance of the private concessionaires. Those who remain waterless welcome any entity that will provide water - an attitude that creates enormous difficulties for anti-privatisation advocates. The issue of access, then, is a critical and immediate one that informs water struggles in

countries like the Philippines.

Within such a context, the search for alternatives has thrown up options that may not be similar to those advanced by other movements caught up in the same struggle. We put forward a range of possibilities that we are prepared to advance given the enormous challenges that face us in Manila.

ELEMENTS OF A PUBLIC ALTERNATIVE

Any public entity that seeks to replace private concessionaires must meet several requirements⁵:

1) *Operational viability*

Financial resources to fund a clear-cut capital expenditure programme that especially targets poorest areas for expansion and most vulnerable sections of the pipe network for rehabilitation.

Institutional capacity to implement service obligation targets. It must be demonstrated that a public agency / corporation can provide skilled, service-oriented and accountable personnel. A system of incentives for good performance and clear punitive measures for unmet performance targets must be institutionalised.

2) *Conducive policy environment and legal framework*

A broad national policy to provide universal water coverage aligned with the Millennium Development Goals and

⁵ Bantay Tubig has held several discussions on the issue of alternatives and the Institute for Popular Democracy has conducted research on the same issue. The elements outlined here are drawn from those researches and discussions over the course of three years (2001-2004).

general poverty reduction targets. Individual water agencies, government departments and local government units need to be motivated by a clear, co-ordinated push towards water provision, especially for the poor. President Arroyo has announced a 10-point programme that includes universal access (for the entire country) in five years, but it does not spell out priorities and preferences (for community-managed systems, for example, instead of private provision).

Legislation for the rules and regulations that will govern a public water utility, including performance standards and penalties for the non-fulfillment of such. There is likewise a need for legislation creating a new, independent regulatory system (discussed separately below).

3) *Legitimacy and accountability*

Social preparation, continuing education and dialogue to develop consensus and commitment towards responsibilities, rights and obligations concerning water. Private corporations have either deliberately ignored these needs or have undertaken self-serving promotional or “social marketing” projects prior to their entry. Community participation is not integral to private operations unless it impacts directly on profit levels. Community participation in water resource management, prevention of leakages and illegal connections and even collective maintenance of a water system can be encouraged through field personnel who can interact with, dispense and collect information from residents concerning water issues. Higher tariffs may be needed in the future to invest in improvements for the many unserved and badly served areas. The public needs to be convinced that a path towards reform has been defined and is likely to be sustained. People must become confident that the money that they will infuse into a public compa-

ny (via taxes and via cross-subsidisation) will not be stolen by corrupt officials and equally corrupt public works contractors.

Transparency in the technical and financial processes of the utility. The complexity of processes such as rate-rebasing exercises, have prevented broader public discussion on pricing and the mechanics of regulation. Communities, however, have shown sufficient understanding of aspects of water administration such as metering and reticulation standards, as evidenced by village associations' campaigns to end bulk-water selling. Bantay Tubig worked with the United Homeowners' Association for Water to stop the bulk-water selling practice of Manila Water in their villages. Bulk-water selling involves the use of a collective "mother" meter installed at the gate of a village. The entire community is billed in commercial instead of household rates. Public access to the utility's books, capital expenditures maps, price indexes, audits, regulatory procedures, etc. should be ensured. This transparency will enable greater and more meaningful participation of communities, organisations, local government officials, and other stakeholders in policy and decision-making. This needs to be supplemented by new systems of representation and other institutional mechanisms that can discipline decision-makers, for instance board members at the Metropolitan Waterworks and Sewerage System (MWSS) who will alert the public when things are going wrong. An office for consumer's rights that can help prosecute erring officials is another option.

A clear responsibility and accountability chain. Both the pre-privatised and privatised water utilities were managed by bureaucrats and personnel who were largely unknown and inaccessible to the public. Only bill collectors and engineers dealt directly with users. There is a central Consumer Affairs Office, but queries and complaints will not be addressed at local branches of the utilities.

An alternative structure should indicate the responsible personnel for specific areas of water administration such as coverage issues, service issues, repairs, metering and billing, etc. Ideally, there should be locally assigned personnel to respond to communities' queries and concerns.

4) *Financial sustainability*

Several studies have already explored the conditions attached to loans extended by development banks and multilateral agencies.⁶ Since transnational companies have likewise renounced their willingness to invest in water utilities, financing remains a problematic issue for public alternatives. The following have been suggested as sources of alternative financing: co-financing between national and local governments; the corporatisation of water authorities, securitisation (floating municipal/city bonds for water system projects), etc.

Cross subsidies and tariff adjustments. A form of socialised billing has been implemented by private concessionaires, where the first ten cubic metres of water is charged at the lowest rate, with prices increasing progressively after certain volume levels are breached. However, the high connection costs (4,000-6,000 pesos or around \$100) have prevented the poorest households from obtaining piped water. High connection fees are thus the biggest barriers to universal access. Yet, ironically, in terms of water prices, many urban poor households use up to 20% of their monthly incomes to pay for vend- ed water sold at rates up to 500% higher than piped water. A typical Manila household consuming 30 cubic metres per month pays around \$4/month, while an urban poor household

⁶ Hall, David. 2004. Water Finance: A Discussion Note. Paper presented at the World Social Forum in Mumbai.

without a connection spends \$20/month to buy six cubic metres of water during the same period.⁷ The poor household also has to bear the additional costs of collecting and transporting the purchased water, boiling and storage, health and sanitation risks. Manila Water has required communities to pay for service pipes leading to their houses, which is an often impossible obstacle for households that are some distance from the main pipes. In the slum areas the households also have to pay for “after-meter” pipes, which can be very expensive because Manila Water (unlike Maynilad) sets up the water meters at the entrance of the informal settlements, rather than near the dwellings.

Without the infusion of loans or capital outlays from the national government, it is becoming clear that universal access through zero connection charges, expansion and rehabilitation costs will have to be borne by subscribers. These will have to be financed through tariff increases for certain income groups – an issue that generates significant resistance given the record of the two concessionaires. Tariffs that will be charged to everyone can finance individual water connections and extension lines to whole communities. In effect, instead of the direct beneficiaries paying for part of the infrastructure costs upfront, it should be possible for a larger set of consumers to pay for these connections over longer period.

McIntosh outlines some principles that can be used to guide these tariff increases: 1) that those who have connections and especially those who have a 24-hour supply, should pay more so that those who are without access can get connections; 2) tariff structures should be adapted to the income profile of the city, which should be studied thoroughly before any

⁷ McIntosh, A. (2004) Asian Water Supplies: Reaching the Urban Poor. Asian Development Bank.

increases are proposed; and 3) there should be a ceiling on water affordability, ideally at five percent of a household's income.⁸

Bantay Tubig subscribes to these principles but only within a reformed public set-up; we cannot advocate further price increases under the current system or under the equally unviable pre-privatisation public set-up. That would be unjustifiable and impolitic given the previous price hikes that did not translate into service upgrades and coverage expansion.

5) *Independent, functional regulatory system*

The need for regulation cannot be over-emphasised, even within a public setting. Regulation is necessary to ensure the consistent delivery of service obligations, to determine “efficient” pricing, to conserve water, to extract professionalism from managerial staff, and to ensure the financial viability of the utility (especially when public subsidies are involved). Regulators of public water utilities should have equity as an additional and explicit objective that might conflict with the regulatory function of devising “efficient” pricing patterns.

If the overall goal of water provision is to complement poverty reduction goals, such a conflict would be moot. Subsidies for water connections and even usage have been demonstrated to have significant impact on poverty reduction. Regulators of a public utility can be guided by such a principle and enforce a universal service obligation on connection, while balancing usage-related and other fixed charges.⁹

⁸ Ibid.

⁹ Chrisari, O, Estache, A and Price, C. 2001. Access by the Poor in Latin America's Reform Subsidies and Service Obligations. World Institute for Development Economics Research.

RANGE OF OPTIONS

The above elements of a public alternative can find expression in a range of options, whose merits and limitations are described briefly below:

Pure public

Under this scenario, the entire utility is re-nationalised, the privatisation policy rescinded. Apart from being improbable (the Arroyo government does not show any indication of exploring this option, nor is there significant public clamour for it), this option requires the following: 1) The removal of Manila Water as east zone concessionaire. This is problematic given its marginally better performance record, compared to Maynilad and the pre-privatisation public utility. 2) Massive and swift reforms in the MWSS. A return to pre-privatisation management is simply unacceptable to Metro Manila residents and will only serve to discredit the advocacy for re-nationalisation. Unless a coherent and operational reform plan is devised, this scenario remains unimaginable at this juncture. 3) National/city resources for a takeover. The current government is mired in a fiscal crisis that may degenerate into an economic meltdown if not resolved within the next two or three years. There are no public funds to finance the utility.

Public operator versus private concessionaire

A genuine takeover of the west zone can be engineered by a decisive national government which does not stand to lose anything it has not already conceded to Maynilad. Reforms will still have to be undertaken, but an infusion of fresh administrators and a new management structure can serve as a transitional

mechanism while a more comprehensive reform program is implemented. Manila Water remains in the east zone where it can provide a benchmarking function in terms of price and service levels. This prevents the publicly managed west zone from ossifying into another corrupt and inefficient government corporation. Manila Water's continued operations in the East Zone, however, are also far from ideal. Indeed, it has dramatically failed on its efficiency targets and urgently needs to catch up, without further tariff increases beyond inflation levels. It may be the case that the company's own financial limitations and commercial-mode of operations prevent it from implementing President Arroyo's agenda for universal piped service coverage in its franchise area. This would for instance require the abolition of all connection costs that are charged upfront to new (mostly poor) customers.

In cities like Washington, the threat of privatisation served to revitalise the moribund water utility. The case of the city's Water and Sewer Authority (WASA) demonstrated that the public sector can indeed perform efficiently given certain conditions: 1) financial autonomy; 2) the power to set fee structures according to certain processes insulated from political interference; 3) the power to raise funds (such as bonds); 4) the power to negotiate labour agreements (given the need for streamlining); and 5) quantified measures of "efficiency" that can readily be compared to those of the private sector, such as cost reduction rates, service levels, etc.¹⁰

¹⁰ Gutierrez, Eric, 2002. Washington D.C.'s Continuous Internal Improvement Alternative—An Initial Inquiry on PSP in Water and Sanitation in the US. London. WaterAid.

Smaller concessions, local governments' involvement in water utilities

The proposal to split Metro Manila into smaller concession areas solves management problems endemic to a water utility that caters to 12 million people. The areas can be managed or supervised by local government units (or a cluster of local government units) which have 1) direct links with communities within their service areas, and 2) have the strongest political motivation to deliver water services to their constituencies. Local governments can also legislate to raise or allocate revenues for the water utility.

Comparisons can be made across local governments, some of which may choose to nominate private concessionaires at their own risk. The end-result is still the availability of benchmarking opportunities across communities.

Co-operatives

Co-operatives in Binangonan, Rizal have been operating for 30 years on the outskirts of Metro Manila which remain unserved by concessionaires. These co-operatives have raised investment within their communities, jointly manage their water system and actually earn revenue, which they re-invest in the utility.

Yet, according to the Concession Agreement, concessionaires have the right to take over such co-operatives when they do expand to those areas, without having to compensate communities for their investments. This policy needs to be reversed. Communities must be encouraged to replicate the co-operative experiment, which has proven to be viable and participatory.

CONCLUSION

The above proposals can be studied further, refined or combined to make public water a viable alternative even in as problematic a setting as Manila. The Manila water fiasco need not end as one of those insoluble southern crises that no one quite knows what to do about. The struggle against privatisation in Manila continues as we - local and international water activists - persuade our various publics, pressure national governments and IFIs, and work with communities to establish that our vision of public water is better because it works.

*Carla A. Montemayor is with
Bantay Tubig (Philippine Water Vigilance Network).*

WATER PRIVATISATION IN INDONESIA

By Nila Ardbianie

JAKARTA WATER PRIVATISATION: SEVEN YEARS OF "DIRTY" WATER

Complaints about performance and various other problems are increasing more and more as the multinationals Suez-Ondeo and RWE-Thames continue to operate in Indonesia. Privatisation started in 1997 with Jakarta's water company PAM Jaya. Thames Water controls the water supply in the eastern part of Jakarta, and Suez-Ondeo runs the western part of the city. Even though there have been serious problems since the start of privatisation, the Indonesian government is planning further privatisation that will include up to 250 state-owned water companies.

The early part of privatisation of Jakarta's water was done through closed-door negotiations instead of an open bidding process involving interested companies. Unusually, this is legal under the Instruction of the Minister of State Affairs.¹ In fact, the government instruction was drafted so as to make the privatisation process as smooth as possible.² In mid 1995, President Soeharto instructed the Minister of Public Works to speed up the process and the minister responded by allowing the companies PT Kekar Thames Airindo (later named

¹ Instruction No. 21/1996 on Co-operation Guidelines Between Municipal Water Companies with the Private Sector.

² An interesting point is that it was the only regulation with an English translation. The instruction recommends all governors in Indonesia's water service co-operate with the private sector. The recommended process is through direct appointment; co-operation initiatives are supposed to be initiated by the private sector and the municipal water company chooses which private company to work with.

Thames PAM Jaya with some shares owned by Soeharto's son) and PT Garuda Dipta Semesta (later renamed PAM Lyonnaise Jaya) to handle water service delivery in Indonesia.

The privatisation contract between the two companies and PAM Jaya was signed in 1997 and renewed in 2001. The private companies have operational rights, from raw water supply to billing the customers. PAM Jaya supervises company performance and advises on tariff increases. The contract clearly defines issues like the profit-sharing model, termination conditions and asset ownership for the 25-years the contract will run. The actual privatisation model, however, remains vague. It is not clearly stated if the agreement is Build-Operate-Transfer (BOT), build-own-operate (BOO), a concession, or some other privatisation model. In a number of official documents, the regulatory body states that it is a concession contract. Also the World Bank, in documents related to Second Jabotabek Urban Development Project, states that the agreement to supply water for 10 million Jakartans is a concession contract. In any case, it is a very generous contract for the water corporations as the financial risks are covered by PAM Jaya. The contract specifies that if the contract is terminated by PAM Jaya, then the state-owned company has to pay RWE-Thames and Ondeo-Suez the following:

- 1: all investments made by the foreign companies;
- 2: insurance costs;
- 3: expected income before tax for half of the remaining years of the contract.

FAILING TARGETS, RAISING PRICES

The private sector's performance in the first seven years has been poor and most targets have not been met. Table 1 shows

that the coverage target for 1998 was 49%, but the result was only 43%. This pattern continued and in 2000 only 48% coverage was achieved, far below the 63% target.

The original target in the June 1997 contract was to supply 70% of Jakartans with continuous water supply by 2002. According to an employee, the coverage levels reported by the companies are flawed. On many occasions, the private companies have simply installed new pipes above functioning, older pipes but count the new pipes as an addition to the coverage level. The reality is that a lot of poor communities in Jakarta have not seen any improvements during the seven years of privatisation.

Table 1. Comparison between targets and realisations until end of concession period (revised from the original targets, as described in the Restated Co-operation Agreement)

| | Total Connection | | Service Coverage | | NRW | | Water Sold, Million | |
|------|------------------|-------------|------------------|-------------|--------|-------------|---------------------|-------------|
| | Target | Realisation | Target | Realisation | Target | Realisation | Target | Realisation |
| 1993 | | 324.433 | | 38% | | 53% | | 158 |
| 1994 | | 349.849 | | 38% | | 52% | | 168 |
| 1995 | | 362.618 | | 39% | | 57% | | 165 |
| 1996 | | 393.746 | | 41% | | 57% | | 176 |
| 1997 | | 428.764 | | 42% | | 57% | | 191 |
| 1998 | 470.674 | 487.978 | 49% | 43% | 50% | 58% | 210 | 181 |
| 1999 | 571.776 | 541.630 | 57% | 43% | 47% | 54% | 244 | 208 |
| 2000 | 653.885 | 562.255 | 63% | 48% | 42% | 48% | 281 | 228 |
| 2001 | 597.174 | 610.806 | 50% | 51% | 47% | 49% | 236 | 237 |
| 2002 | 636.461 | 649.429 | 53% | 52% | 45% | 47% | 250 | 255 |
| 2003 | 675.534 | 690.456 | 54% | 56% | 43% | 45% | 258 | 274 |
| 2007 | 796.738 | | 75% | | 31% | | 297 | |
| 2012 | 847.774 | | 89% | | 26% | | 322 | |
| 2017 | 864.511 | | 100% | | 26% | | 337 | |
| 2022 | 879.511 | | 100% | | 26% | | 353 | |

Source: Jakarta Water Supply Regulatory Body, 2004

Since the beginning of privatisation, there has been an increasing deficit between the tariff collected from the costumers and the fees paid by PAM Jaya to RWE Thames and Ondeo for their operations in Jakarta. As illustrated in Table 2, the highest shortfall was in 2000. The companies used this to support tariff increases. The water tariff has now been increased three times since privatisation (35% in April 2001; another 40% in April 2003 and an additional 30% in January 2004). The total amount of shortfall until the first semester of 2004 is Rp 900 billion, and all this is regarded as PAM Jaya's debt to RWE Thames and Ondeo. Richard Gozney, the British Ambassador to Indonesia, even found it necessary inform vice president Hamzah Haz, at the end of 2003, that RWE Thames was losing US\$1,5 million per month, and that by November 2003 the loss amounted to US\$58 million. By mid-2004, the governor of Jakarta agreed to automatic tariff increases starting from 2005. With automatic tariff increase, permission from the governor and city council is no longer required. The increase would be applied every six months; if privatisation continues as scheduled for the next 18 years; Jakarta will be faced with 36 automatic tariff increases (the contract was signed in 1997 for 25 years period).

Table 2. The shortfall (in billion Rp)

| Description | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 1st semester | Total |
|--------------|-------------|---------------|---------------|---------------|---------------|---------------|-------------------|---------------|
| Water charge | 265,7 | 510,20 | 647,40 | 673,80 | 726,10 | | | |
| Water tariff | 264,5 | 380,30 | 405,90 | 529,10 | 605,80 | | | |
| Deficit | 1,20 | 129,90 | 241,50 | 144,70 | 120,30 | 175,00 | 87,50 | 900,10 |

Source: Association of Indonesia's Water Contractor, 2004

LABOUR IMPACTS

Lay-offs have been a common feature of privatisation around the world and this is no different in Jakarta. Until now, at least a thousand workers has been laid off with many people leaving voluntarily due to psychological stress caused by poor working conditions. "Prior to privatisation, employees received a lot more benefits than now," said Zaenal Abidin, a member of the PAM Jaya Labor Union. "Uniforms, paid leave and health facilities are the right of every employee. But privatisation erased all of our rights. In fact, we had to wait for four years just to get our uniforms, with a complicated and tiring process."

There are also serious problems with the early-retirement scheme offered by the two companies. Employees who have worked for ten years received pension funds of only Rp150 000 per month (approximately US\$16). An expatriate in the same company receives a salary of between Rp150 million and Rp200 million per month (US\$16,130 to US\$21,500). They also have other benefits which are not included in this salary. The pension of an Indonesian worker is only 0,001% of the monthly wage of an expatriate!

Poltak Situmorang, head of the Association of Indonesia's Drinking Water Contractor, Jakarta branch said: "These expatriates spend more than Rp 1 billion on security alone. All this money is used to keep them "safe", each one is guarded by five body guards on a daily basis."³ Security expenses are well beyond that allocated for the golden hand shake scheme of only Rp 221 million.

³ Presentation in *Drinking Water Service in Jakarta as a 477-Year Old Megapolitan City*, August 31, 2004.

250 STATE-OWNED WATER COMPANIES TO BE PRIVATISED?

Bad experiences with privatisation in Jakarta do not seem to deter the Indonesian government. Currently, hundreds of other state-owned water companies (PDAMs) around Indonesia (most in a poor condition due to debts and mismanagement) are earmarked for privatisation. Director of Cities and Villages, Department of Settlement and Regional Infrastructure, Totok Supriyanto, told the media in April 2004 that 90% of the “sick” PDAMs will be privatised soon. Since the “healthy” PDAMs account for only 10% (30 PDAMs), there are at least 250 PDAMs to be privatised (Indonesia has approximately 300 PDAMs).

The former Minister of Environment, Nabel Makarim, has said more than once that he supports plans for privatisation as it will lead to a more efficient water resources management. According to Nabel, there is not a single state-owned water company anywhere in the world that has managed water resources efficiently.⁴ So far, there are three cities in Indonesia whose water management is managed fully by the private sector: Jakarta, Batam by Biwater and Sidoarjo by a consortium of Vivendi and Thames.

Totok Supriyanto has said that, in the future, more and more PDAMs will be privatised. In the meantime, there are eight PDAMs currently in a special program to make them “healthier” through the “Urban Water and Sanitation Improvement” project (managed by the World Bank with funding from the Asian European Meeting - ASEM). It is very likely that the eight PDAMs will be privatised once the project is completed. A World Bank staff member in charge of urban

⁴Tempo Interaktif, 15 December 2003. Ministry of Environment Agrees to Water Privatisation.

water management said, however, that the goal of the project is not to privatise the PDAMs, but they would be a lot better healthier rather than sick. He added that for other “sick” PDAMs, the World Bank is preparing another programme through leasing. It should be clear, given the many definitions and explanation of privatisation, that leasing is another form of privatisation.

Jakarta’s experience is influenced by the World Bank through the Second Jabotabek Urban Development project. Through this project, PAM Jaya was given a loan of US\$ 93 million to increase its coverage to 70%. The target was not met and by the time the project was completed, PAM Jaya was privatised. The same project also funded PDAM Tangerang to build a water treatment plant to increase the raw water supply to the western part of Jakarta. The project was also partially funded by the French government and when the project was completed, water management in the western part of Jakarta was handed over to Suez Lyonnaise des Eaux, the French water giant.

WATER UTILITIES IN DEBT CRISIS

An important point is that the failure of hundreds of PDAMs around Indonesia is usually due to enormous debts they cannot pay. In 1996, for example, PDAM Kediri owed Rp 3,25 billion to the World Bank and it was due to start repayments in 2001 of Rp 15 million a month for 18 years. But PDAM Kediri only generates Rp 70 million a month and Rp 68 million of that is used for routine operational costs and employee payment. With Rp 2 million left, how could they pay their debts? A further burden is the donation of Rp 10 million per year to the local government’s income.⁵ There is nothing to do by

⁵Kompas, March 16, 2001. PDAM Could Not Pay the World Bank Rp 3,25 billion

PDAM Kediri but wait to fail. PDAM Semarang, Papua, and many others face similar problems, which is why debt-based programmes should no longer be an option for making PDAMs “healthier”.

In Table 3, we can see the results of Wijanto Hadipuro’s research in 2003 that shows the pattern of debts in PDAMs. The creditors are mostly international financial institutions who have agreed to give loans that are higher than the assets of the debtors. PDAM Tirta Nadi in Medan has assets worth of Rp 16 billion, but their debts are Rp 70 billion. PDAM Pematang Siantar’s assets are worth only Rp 1,8 billion, but it has debts Rp 3,5 billion. Wijanto suspects that the wrong pattern is not an accident, it is intended that way so the PDAMs will have no bargaining power over privatisation.

Table 3. PDAM Foreign Debt Vs Asset (in Rp)

| No | Name & PDAM Location | Foreign Debt 1998 | Foreign Debt 2000 | Asset |
|----|-----------------------------------|-------------------|-------------------|-----------------|
| 1. | Kota Medan "Tirta Nadi" | 0 | 70,359,805,198 | 16,547,760,477 |
| 2. | Kota Pematang Siantar "Tirta Uli" | 0 | 3,557,460,654 | 1,852,476,409 |
| 3. | Kota Bukit Tinggi | 2,129,581,730 | 1,789,631,128 | 665,453,020 |
| 4. | Kota Bandung | 0 | 277,465,537,059 | 254,015,898,071 |
| 5. | Kabupaten Bandung | 0 | 11,071,768,875 | 2,334,731,178 |
| 6. | Kabupaten Garut | - | 3,770,872,565 | 3,585,294,565 |
| 7. | Kabupaten Wajo | - | 15,000,000,000 | 1,709,266,103 |

Source: *Directory Indonesia Water Association 1998 and 2000*

RESISTANCE TO PRIVATISATION

Since the Law No 7/2004 was passed in March 2004, it is very likely that privatisation and commercialisation of Indonesia’s water resources is unpreventable. Only large-scale and persistent opposition from the population can slow it, and recently this has emerged in many forms. Academics, activists, employees of PDAMs, the public in general and even customers of RWE Thames and Ondeo, are trying different ways to prevent privatisation in Jakarta. Komparta (Jakarta’s Water Customer Community) has filed two cases against the two companies; the first against tariff increases and the second against poor service.

Meanwhile, there are five suits filed against the newly legalised Law on Water Resources. These suits have been brought by groups of NGOs and the community before the Constitutional Court on the grounds that the law violates Indonesia’s constitution. Our Constitution, article 33, states that all business entities essential for the lives of the people should be owned by the state. But the Water Law provides many opportunities for private-sector ownership in water management through applying water rights (water usage rights and water exploitation rights), allowing the export of water and allowing private companies and individuals to: 1) participate in drinking water service; 2) manage parts of rivers; and 3) conduct weather modifications.

Another case against TPJ and Palyja is also being prepared by a contractor organisation. The two companies are accused of violating the Anti-Monopoly Law by appointing only a handful of contractors for their outsourced works when there are hundreds of other, well-qualified and experienced contractors in Jakarta.

The anti-privatisation movement is starting to spread in cities like Jakarta, Bandung, Pati and Manado. Protests are usu-

ally about poor service issues or when the community refuses a privatisation plan such as in Manado, Pati and Bandung. Unfortunately, the movement has not yet evolved into a persistent, mass movement. The anti-water privatisation movement in Indonesia is still sporadic, reactive and not getting enough support from the general public.

This lack of support is because the public is not well informed and people don't comprehend the issues in water privatisation; issues, for example, such as what is the impact when water is privatised and what are the conditions which apply when privatisation is about to take place. In addition, operators of many public-owned water companies have been "influenced" to see privatisation as the best way to clear prolonged debt. They think that through privatisation, they will end debt and finally the company can run normally.

Most of Indonesia's PDAMs are in a complicated situation with regard to the huge debts they have. So, the first step to take if we want to maintain public ownership is to cut or cancel all debt, both to the central government and debt to the international financial institutions like the ADB and World Bank. Without this, it will be impossible for the PDAMs to run normally. They could then learn from healthy PDAMs how to manage efficiently and effectively. (Most of the healthy PDAMs in Indonesia are not burdened by foreign debts or their foreign debt is very small.)

EFFECTIVE PUBLIC WATER IS POSSIBLE

There are some PDAMs in Indonesia which are able to perform well, for example PDAM Solo. PDAM Solo, founded in 1929, has good financial management and is trying to conserve the environment surrounding the water source and neighbouring community. It has a coverage level of 56% which is very

high since, in general, PDAMs in Indonesia only have 18% coverage. Unlike other PDAMs, PDAM Solo already has an active and critical consumer group, and complaints and expectations are documented and handled well.

Even though there are only a few healthy PDAMs, in the future their operational methods and management should be taught so that other PDAMs, the government, and donors can learn and gain experience. The message from the healthy PDAMs should be to erase, step by step, the understanding that public management of water services is doomed to failure.

Nila Ardhianie is with the Indonesian Forum on Globalisation.

URBAN WATER MANAGEMENT IN MEXICO

By David Barkin

Mexico has created yet another crossroads in water management. In April 2004, the Law of National Waters was amended to change the regime of water management in Mexico. On the one hand, the National Water Commission (CNA) was confirmed as a relatively powerful organisation charged with the oversight of the sector; the law mandated a decentralisation process that leads to significant changes in the control of important parts of the system, including a reduction in the power of the CNA. In this regard, the creation of local water basin management councils (Consejos de Cuenca) is one of the more innovative structures that place control of irrigation systems in the hands of the water users, while charging them with the responsibility to finance their operation and maintenance.¹ Urban water systems are also under pressure to change their management structures.

Drinking water and sewage systems are the responsibility of municipal government, of which there are about 2,500 in the country. Most are small administrative organizations, with water being managed by a department staffed by people with little expertise. There are about 435 water systems operated as independent agencies, either semi-autonomous organisations dependent on municipal governments or concessions from these governments that are either wholly owned by private

¹ Unfortunately, these councils have been conceived without the participation of small (peasant) users and other water basin groups whose conservation efforts are frequently crucial for the maintenance and recharge of the aquifers upon which (urban/industrial) consumers frequently depend.

companies or are joint ventures between public and private parties; all of the major international water companies – Suez, RWE, Aguas de Barcelona, Vivendi – along with many smaller international firms, participate in the management of one or more local water and sewage systems.² A recent development is the separate concession of sewage systems as an independent enterprise, let out to a private company for a fixed period, often under a BOT (build, operate and transfer) scheme, with costs being transferred to the rate payers. At present, less than one-quarter of the water systems have sewage treatment plants, and only about 22% of the plants that have been built are actually in operation.

The major challenge facing in urban water management in Mexico is assuring a universal drinking water service and adequate facilities for treating sewage water in an efficient and financially viable manner. At present, no water system is financially self-sufficient and almost all are plagued by huge problems of water loss through their distribution systems, which are old, often poorly designed and suffer from decades of neglect. Just as serious is the absence of any systematic ecosystem management of either areas that supply water to the urban areas or, more ominously, areas where wastewater is discharged. This water is still frequently channelled into the irrigation systems of fruit and vegetables cultivated for local markets.

² A unique service contract was negotiated with joint ventures between foreign and Mexican capital for the administration of billing and rate collection in each of four sections of Mexico City. The companies are also responsible for maintenance of the secondary distribution network in their areas. In this case, all policy matters and the tariff structure are decided by the local legislature and companies are compensated in accordance with their original bids for the contracts; since initiated in 1994, one foreign partner has withdrawn and the quadrant is managed by a wholly owned Mexican enterprise.

Another serious problem facing authorities is their inability to regulate the large water users on the one hand, and the “culture” of irresponsibility among consumers to pay for water use. These problems are exacerbated by technical and political features of the Mexican system that have not been attended to. Constitutionally, water is a resource owned by the nation and subject to political control; long-term concessions for drilling and using wells have been let to private parties, primarily for agricultural use since the beginning of the 20th century. With urban expansion and industrial growth, new demands for water have led to the emergence of a lucrative “parallel” market for water rights for commercial and industrial purposes; they pay a fixed permit fee to federal authorities and, although they draw water from the same aquifers on which urban water supplies depend, these users remain outside the control of the local water agencies, in terms of both quantity and financial responsibility. Throughout the country, most consumers do not have their water use measured, and even when consumption is metered, many do not work correctly and others operate incorrectly because air running through the pipes when water is not being pumped also advances the count. Exacerbating the problem is the large number of unregistered consumers – often medium-sized commercial and industrial enterprises – who have connected themselves to the system without informing the water agencies. Finally, very little attention has been devoted to the problem of the “culture of water”, which requires an educational campaign among users about their water-use patterns, controlling leaks and the possibility of reusing water within the household. In contrast, many large industrial users are installing treatment and recycling facilities because the CNA has implemented an effluent fee for discharges of polluted water.

The most far reaching aspect of the reformed water law in Mexico is likely to be the move towards the private management of urban systems during the coming years. As in most of the world at present, private companies control less than 5% of consumption, but the government argues that the public sector lacks the technical and financial capacity to meet the challenges of assuring adequate supplies of high quality water to meet the country's needs during the coming period. Recent experience, however, belies this assessment. In this short introduction, we will mention only a few of the several dozen cases where privatisation is leading to serious problems.

Cancún, a large tourist resort, was originally served by a subsidiary of Enron, Azurix, which, after declaring bankruptcy, sold its interest to Ondeo, the water subsidiary of the French water giant, Suez, who in turn financed its purchase with a loan from the Mexican government bank, Banobras. The stipulated investments in water treatment are yet to be made and sewage effluents are discharged into the Caribbean. Water rates are high but protests are limited since most of the charges are paid by the hotels.

Saltillo, a northern industrial city, bid out a long-term concession for potable water service to a joint enterprise owned by a subsidiary of the Spanish water company, Aguas de Barcelona, and the municipal government. During its first two years, water rates rose between 32 and 68%, in contravention of the terms of the concession, which stipulated that rates be limited to the rate of inflation, after 11%. In this case, the municipal members of the board of directors were negligent in overseeing the decisions taken by the Spanish executives. Although the company has increased fee collections and the proportion of the population with service, its flagrant violation of the terms of its operation has provoked energetic protest that is still playing itself out at the time of writing.

The water system of Aguascalientes was let out to a private company with significant participation from the water subsidiary of another French giant, Vivendi. In this semi-arid industrial center in northern Mexico, demand for water is rising rapidly but services are being extended to the poorer regions only after serious public discontent got the government to "persuade" the company to modify its investment programme. Rates are among the highest in Mexico and the aquifer on which the city depends is being dangerously depleted with no effective measures to either reduce consumption or change watershed management practices. Although not accepted by local authorities, knowledgeable experts generally anticipate this region will be one of the first to suffer a water crisis that will force a dramatic curtailment in plans for economic expansion.

In contrast, the title of best-managed system in Mexico is generally awarded to the public agency in Monterrey, Mexico's second largest city. Other agencies vying for the title are water companies in the northern order region. These organisations have succeeded in assuring widely available service while reducing service water loss through their networks and increasing collections from their customers.

The biggest challenge facing Mexico at the present time is assuring adequate and affordable service to its urban population. With the notable exception of Mexico City, water charges do not generally provide for lower fees for basic services. Even more problematic, at present there is no adequate process that allows the government to impose an effective regulatory system on water agencies, be they private or public, and the financial resources allocated to this infrastructure is insufficient. Perhaps the greatest problem facing the country in attempting to resolve these problems, however, is the reluctance of the

government to encourage or even permit public participation in the discussion of management, oversight or management of public services. Until these problems of financial solvency, regulatory capacity and participation are resolved, it is unlikely that the country will be able to effectively modernise its water system.

David Barkin is Professor of Economics at the Xochimilco campus of the Universidad Autónoma. He can be contacted at barkin@correo.xoc.uam.mx

EMPOWERING PUBLIC WATER – WAYS FORWARD

Viable alternatives to both privatised water delivery and inadequate, state-run water utilities clearly exist. The question is, therefore, not if public water can work, but how it can work. Due to the ideological obsession with private sector promotion in the last decade, this question has not received a fraction of the attention it deserves in policy debates and decision-making. As described in the introductory chapter, there is now a fundamentally new situation as a result of the many high-profile privatisation failures, the withdrawal from developing countries by private water multinationals and the realisation among even privatisation proponents that private investment will not deliver for the poor. The need to refocus on amplifying the performance and coverage of public utilities is obvious. This book aims to contribute to this long overdue re-orientation.

Many chapters here describe how significant improvements in access to clean water and sanitation have been achieved by diverse forms of public water management. These people-centred public water solutions have occurred under a variety of socio-economic, cultural and political circumstances. Examples include the accomplishments of public utilities and co-operatives in Porto Alegre (Brazil), Santa Cruz (Bolivia) and Penang (Malaysia); the improvements realised by innovative public delivery models in Caracas (Venezuela), Harrismith (South Africa) and the province of Buenos Aires (Argentina); and the achievements of community-managed water in Olavanna (Kerala, India) and Savelugu (Ghana). These diverse public approaches have all proved their potential for improving water delivery, not least to the poorest.

In virtually all cases, however, these achievements have happened against the odds as the obstacles for improving public and community-controlled water delivery are manifold. Among the worst are the systematic bias against public water of international financial institutions (IFI's) and the privatisation conditionalities attached to the decreasing amounts of development aid offered by northern governments. The political, financial and other hurdles that prevent public water management from achieving its full potential are however by no means insurmountable. Essentially what is needed is political will to create more enabling environments. This chapter outlines a wide range of progressive policy options. It also concludes that strengthening the democratic, public character of water services is fundamentally at odds with the currently dominant neoliberal model of globalisation, which subordinates ever more areas of life to the harsh logic of global markets.

Drawing on the experiences from around the world presented in this book, this final chapter explores some of the key issues that need to be debated far more intensively in the coming years.

- What are the options for improving and expanding public water and sanitation services in order to meet the challenges of sustainability, justice and access for all?
- What is the potential of citizens/user participation and other forms of democratisation?
- What are the conditions needed to make people-centred public utility reform work?
- What are the problems posed by the commercialisation of public sector water operations?
- What lessons can be learned on how to overcome the hurdle of raising finance for much needed improvements?
- Which kinds of political processes are involved in developing successful public water?

- What needs to happen, from the local to the global level, to spread, empower and implement public services for urban water and sanitation?

PARTICIPATION AND OTHER FORMS OF DEMOCRATISATION

In many of the cities featured in this book, citizen and user participation in various forms is an essential factor behind the improvements in effectiveness, responsiveness and social achievements of the water utility.

Participation and democratisation can take many shapes. Water co-operatives in Bolivia and Argentina allow the users (all of which are members with voting rights) direct influence in decision-making, for instance via elections for the governing bodies of the utilities. This gives the users the opportunity to hold the utilities accountable to their not-for-profit mission of serving the users.

In Porto Alegre and a growing number of other Brazilian cities, civil society involvement has been combined with innovative democratic reforms like participatory budgeting, a model often described as 'social control'. Like many other areas of public life in Porto Alegre, the people directly decide the budget priorities of their water utility. Through a process of public meetings, every citizen can have a say in which new investments should be made first. In Porto Alegre, participatory budgeting has played a key role in ensuring that 99,5% of the population, including those living in poorer neighbourhoods on the periphery, today have access to clean water. For the utility, getting active input based on the unique knowledge of the citizens is an asset in itself. The increased sense of ownership contributes to the willingness to pay and thus make new investments and improved maintenance possible. Transparency is by definition improved, which is also likely to reduce the risk of corruption.

Porto Alegre is one of the wealthier cities in Brazil, which is an advantage when setting out to improve access to clean water, but this does not reduce the value of the achievements made possible through participatory democracy. Like elsewhere in Brazil, the city has a large gap between rich and poor, and before the start of democratic reforms a major proportion of the population lacked access to clean water. Recife, the north-eastern city with very large numbers of low-income people, has introduced democratic and participatory water management and aims for very substantial improvements in access to water over the coming decades. This was kicked off in 2001 with a seven-month long participatory consultation process starting with a series of neighbourhood meetings. Over 400 representatives elected at these meetings participated in a deliberative conference where no less than 160 decisions were made about the future of water and sanitation in Recife. The conference decided against privatisation and for an institutional set-up to improve and expand public water delivery, prioritising the city's slum areas. Other examples of Porto Alegre-style participatory water management in Brazil can be found in cities like Caxias do Sul in the state of Rio Grande do Sul, and Santo André, Jacareí and Piracicaba, all in the state of Sao Paulo.

The Brazilian experiences show that scale is not necessarily an obstacle to participatory water management. Porto Alegre and Recife both have over one million inhabitants and similar models have proven successful in numerous other large cities.

The model of participatory water management under development in Caracas, Venezuela, engages the population very intensively in areas needing improved water delivery, both in decision-making and in actual construction and maintenance work. Local communities, the water utility and elected officials co-operate in communal water councils to identify needs and priorities for improvements, allocate available funds and devel-

op joint work plans. The users exert democratic control over their utility, for instance by holding it accountable for implementing the work plans. Major improvements in access to piped water have been achieved in the last five years via community involvement and empowerment.

In Olavanna and other communities in Kerala, India, participatory water management has worked wonders as well. As a result of the Kerala state government's People's Plan policy (which decentralises decision-making about major parts of public finances), the local population was able to decide to allocate public funds for improving access to drinking water. These public funds were supplemented with financial contributions by the communities themselves. Local people participate in planning, but also in construction, management and maintenance. Using appropriate technology and avoiding dependency on external contractors and expertise reduces costs. The sense of ownership emerging within the community contributes to monitoring and maintenance, thus ensuring the sustainability of the improvements. It is significant that the decisions about allocation of public funds and management take place within existing community structures.

Similarly in Savelugu, Ghana, the involvement and democratic empowerment of the local community has reduced costs and helped control leakages, thus contributing to making clean water affordable for all. The community-controlled water management system in Savelugu is described as a public-community partnership. This refers to the fact that the national public water utility delivers bulk water to the community, which in turn takes care of all further steps in the water delivery system, including billing the users, maintenance and new connections. An important feature in this highly decentralised system is that each neighbourhood has a water management committee, which is one of the reasons leakages have been reduced to an

absolute minimum. The city's community water board decides on tariffs which are designed to ensure access for all. Contrary to Caracas and Olavanna, the Savelugu model was developed without active government support, but the improvements were only possible due to financial support from UNICEF and several northern NGOs.

In Cochabamba, Bolivia, the term public-collective partnership is used to describe the new model of municipal ownership, participation and democratic control that is emerging after the disastrous privatisation by Bechtel, terminated by the April 2000 water war. The utility SEMAPA is now being restructured to serve the citizens, particularly the poorest. In April 2002 elections, three out of seven board members were elected by the residents of the southern, central and northern areas of the city. At the same time, SEMAPA is entering a co-management model with the pre-existing water committees which supply the unconnected poor communities in the southern zone of the city. In order to expand access to piped water into these peri-urban areas, SEMAPA co-operates with the water committees, using their capacities to administer services in their local communities while SEMAPA supplies bulk water. Although a range of factors still endanger successful outcomes of this co-operation, the public-collective partnership is a novel and innovative format that can help overcome centralistic tendencies in utilities and solve access problems in peri-urban areas.

A different form of participatory management is that of the water utility in the province of Buenos Aires, Argentina, which since 2002 has been run by the water workers and their trade union, providing water for over three million people. The workers took over in the emergency situation that arose when the private concession holder, Azurix (a subsidiary of Enron), withdrew after the provincial government had refused to agree to price increases for the abominable services delivered by the

US corporation. The option of leaving, it should be noted, is a fundamental difference between a private concession-holder and a local public water utility. In co-operation with user representatives who participate in and oversee the management, the workers have achieved in getting the utility (Aguas Bonaerenses S.A.) back on track after the years of gross mismanagement by Azurix. A similar workers' co-operative has successfully managed a water concession in two sections of Dhaka, the capital of Bangladesh.¹

There are also many cases where effective and equitable public water has been achieved without user participation having played any major role, such as the water utility PBA in Penang, Malaysia, described in this book. A key factor behind PBA's achievements is the strong commitment among the utility's management and workers to public service excellence and serving the population. The utility is operationally autonomous from the state government, which prevents undue interference. Efficiency, transparency and accountability of the utility, on the other hand, are boosted by the vibrancy of politics in the state, including continuous scrutiny from the side of competing political parties. There are numerous other remarkable examples, also in the south, such as Phnom Penh, Cambodia, where the number of households receiving running water has increased from 25% to almost 80% in the last 10 years.² Many

¹ "Experimental Alternate Option to Privatisation of Water Industry in Dhaka, Bangladesh", by M.Z.Hoque, presentation for the seminar on advancing alternatives to privatisation, Kyoto, 22 March 2003.

² Today, water in Phnom Penh flows 24 hours per day instead of the 10 hours that was common before. The inhabitants of the city's large slums are no longer dependent on unreliable private vendors and the health situation has improved. Many observers point to the inspiring role played by Ek Sonn Chan who, in 1993, became director of Phnom Penh Water Supply Authority (PPWSA), the city's public water utility. Chan emphasises that PPWSA's autonomy from the city government's bureaucracy has contributed to the efficiency and achievements of the utility. Chan's goal is that 95% of all households receive clean tap water before 2015. See "Reclaiming Public Water – Participatory Alternatives to Privatisation", TNI/CEO briefing October 2004.

more cases have been documented by the Public Services International Research Unit (PSIRU).³

While it should not be considered a panacea to be implemented in every situation, and in some circumstances may not be feasible, participation and democratisation in its multiple forms can be a powerful tool for positive change in most circumstances. There is the general potential to improve the quality of decision-making and management, effectiveness and responsiveness and thus contribute to better services provision. Decision-making on urban water delivery in cities of the South is often an intense political battleground where the interests of political and economic elites clash with those of the poorest. When democratisation means increased political control by the marginalised and the poor, it boosts the likelihood of their needs being met.

Participation, as described in the chapters of this book, is something substantially different from the way the World Bank and most international donors use this term. For these powerful institutions, “participation” is often little more than an instrument for smoothing the way for privatisation and commercialisation, for instance by using consultants to assess the willingness to pay in order to assist a private investor to decide on service levels and tariffs. Also the World Water Council, the much-criticised neoliberal think-tank that controls the World Water Forum process, has recently adopted a new discourse over-flowing with ‘public participation’ and other feel-good terms.⁴ There is no indication, however, that the World Water Council has moved away from the corporate agenda it promoted at previous World Water Forum events. The examples of

³ See for instance “Public services work!”, Public Services International, September 2003, <http://www.psiru.org/reports/2003-09-U-PSW.pdf> ; and “Water in Public Hands”, July 2001 <http://www.psiru.org/reports/2001-06-W-public.doc>

⁴ <http://www.worldwatercouncil.org/>

participatory public water management described in the pages of this book imply far-reaching, genuine democratisation of decision-making, empowering people to change, if they desire, the system of service delivery. Rather than a tool to engineer consent, the aim of participation is emancipation.

ENABLING ENVIRONMENTS

What constitutes enabling environments (local, national and internationally) in which various people-centred public water approaches have a chance to succeed? Among the most important factors are the local availability of water resources, the capacity of public administrations to deliver services, and the crucial factor of political support - or lack thereof - from the state, international institutions, governments and political parties.

Since the 1990s in Argentina, national and regional governments have, for ideological reasons, actively obstructed the further development of co-operatives and public utilities, despite their often excellent performance. While there are good reasons to expect that co-operatives could deliver water in many other and larger cities more effectively and more socially responsibly than private water corporations, the neo-liberal political elite is unwilling to allow this option to be explored. Similarly, public utility reforms were not considered as a possible alternative to the privatisation programme promoted by the World Bank and the International Monetary Fund (IMF). Unfortunately, this is a common pattern in many countries around the world.

In Cochabamba, Bolivia, the local and national governments are hostile towards the attempts to move towards participatory public water management. This means very difficult circumstances and limited political space for those promoting democratic control in Cochabamba. The model of water man-

agement that is now emerging still has less democracy, transparency and accountability than civil society would like, reflecting the continuous power struggle. The reforms and improvements achieved are the result of the power built up by the grassroots water movement. While the vision behind the public-popular partnership in Cochabamba is comparable to the participatory planning systems of Porto Alegre or Kerala, in Cochabamba there is hardly any money for people to make decisions about. Clearly, this lack of resources discourages active participation.

In another Bolivian city, Santa Cruz, an important factor behind the success of the water co-operative is its independence of party politics and the fact that the city and its water utility has been ignored, but not obstructed, by the national government. The utility was transformed into a co-operative in 1979, at a time when neo-liberal ideology had still not emerged as an obstructive factor for people-centred water approaches. The co-operative status (and a less politicised reality than Cochabamba after the water war and de-privatisation) has provided the autonomy needed to steer free from political interference, bureaucracy, cronyism and corruption typical in other Bolivian cities.

Santa Cruz and, far more immediately, Cochabamba are facing water scarcity, a growing problem in many parts of the world. As demand increases due to industrialisation, urbanisation, rapid expansion of intensified agriculture (often for export purposes) and other trends related to economic globalisation, conflicts over water resources intensify. Improved water resource management to secure sustainable availability is a key challenge for urban areas around the world. Any progressive urban water delivery model needs to include a sustainable approach to water resources and balance urban with rural water needs.

The Cochabamba experience shows that it takes a long time

to change a dysfunctional utility, especially when the local political elite is obstructing such change. The more general absence of a tradition of effective public administration means that developing performing public services has to happen if not almost from scratch, then certainly from a very difficult starting point. It is illustrative to compare the difficult conditions for re-municipalisation in Cochabamba with the situation in the French city Grenoble. In Grenoble, the pre-existence of an effective local public administration, the absence of widespread poverty and the availability of abundant freshwater resources from the Alps provide a far more conducive environment for successful public water delivery. The achievements in Cochabamba, in other words, are very much against the odds. Success is by no means guaranteed, especially when the local population may lose patience if concrete improvements in water delivery are not secured. To overcome the many hurdles facing improved water delivery in Cochabamba, international solidarity is desperately needed.

The administrative capacity of the local public sector to deliver public services is, indeed, a crucial factor. For a variety of reasons described in the introductory chapter, public administrations, especially in developing countries, are often not sufficiently resourced or capable of delivering a public service dependent on large network infrastructures and soft skills such as demand responsiveness. This reality has often been abused as an argument for privatisation, which has proven not to be a solution, particularly in cities with large populations of low-income people. It is clear that the capacity to deliver public services is a key component of democratic societies and a necessity for enacting the right to water.

One way to overcome weak local public administration capacity is through public-public partnerships. In South Africa, the public-public partnership between the local government in

the city of Harrismith and a large public water utility from elsewhere in the country achieved good results. The three-year experiment showed that sharing - and hopefully transferring - management and technical skills can contribute to rapid improvements in public water delivery. Participation and extensive consultation at ward level was also a key feature in the relative success, financially and otherwise, of the public-public partnership. Due to the lessons learned from these consultations, a social tariff approach and support from the communities, Harrismith does not suffer from the very high rates of non-payment typical in privatised concessions in South Africa. This experiment was only possible with government sponsored financial subsidies to the poor, which were administratively well managed through the partnership.

The public-public partnership project has led to concrete improvements, but has not managed to overcome the enormous backlog in access to clean water that exists in the impoverished township communities in Harrismith. It is hard to see how water for all can be achieved without far more ambitious policies to fight poverty and redistribute wealth locally and nation-wide. As a result of the disastrous socio-economic circumstances, riots broke out in August 2004 in the Intabazwe township in Harrismith. Locals demanded government housing subsidies, improved water and electricity services, employment opportunities and general social development. On August 17, the police opened fire on demonstrators, killing 17 year-old Tebogo Molois and wounding dozens of others.

In Ghana, the achievements made by the public-community partnership in Savelugu are now endangered by the fact that the Ghana Water Company (GWCL) is unable to deliver sufficient bulk water to the community. The deepening crisis of the GWCL is, to a large extent, caused by under-funding and has everything to do with the joint efforts of the central govern-

ment and the World Bank to prepare the company for privatisation. This underlines the importance of national and international policies that facilitate rather than obstruct participatory and other public water solutions.

In the Brazilian cities like Porto Alegre and Recife, but also Kerala in India and Caracas in Venezuela, improvements were achieved due to the facilitating and empowering role of national and local governments, as well as political parties. In Kerala, decentralised participatory budgeting was initiated and consolidated by the state government, controlled by the Left Democratic Front. In Brazilian cities like Recife and Porto Alegre, improvements were achieved due to the far-reaching commitment of mayors and local city councillors from the Workers Party (PT). Participatory budgeting was introduced and institutionalised after election victories by the Workers Party and resulting political control. Also in Caracas, participatory water management is developed with - if not driven by - strong support from the government. In the deeply polarised reality of Venezuelan politics, this has meant that some neighbourhoods opposing the Chavez government also reject community water management. This obviously raises the question of whether participatory water management would survive if the opposition ever manages to take power. Similarly, will participatory water management (and participatory democracy more generally) survive in Porto Alegre after the Workers Party's loss of the October 2004 municipal elections? Encouragingly, the multi-party coalition taking over after the PT has promised to keep participatory budgeting intact. If the future of participatory democracy is seriously endangered, one may assume that 16 years of radical democracy has equipped people with sufficient confidence to defend its achievements and their rights.

NEW PUBLIC SERVICE ETHOS

While it is a reality that many water utilities in the south suffer from bureaucratisation and often fail to deliver to the poorest, this book describes numerous attempts to boost capacity for public administration, either in state-led, worker-led or civil society-led forms. This often involves a radical redefinition and reinvention of public service and the meaning of publicness (the quality of being public and belonging to the community). Most of the successful utilities described have improved water and sanitation via a vision of public service that serves broader societal objectives, including democracy, environmental sustainability and human security.

Indeed, a shared feature of these reformed public water utilities is the development of a new public service ethos. Publicness is redefined as something that goes far beyond simply public ownership or management by public employees. In many cases, internalising and consolidating the philosophy of serving public needs is facilitated by direct citizen participation and other forms of interaction with users. This progressive publicness is of crucial importance for meeting challenges like providing access to clean water for marginalised groups on urban fringes and, more generally, achieving a sustainable resource management for ever-growing cities.

A new public service ethos has emerged under a range of different forms of non-profit water management, from co-operatives to municipal utilities, but also corporatised utilities under public control. The water utility in Penang, Malaysia, whose shares are, in part, owned by workers and users, has developed a high-level public ethos which enables it to deliver high-quality water for all at affordable prices.

CONCERNS ABOUT COMMERCIALISATION

Several chapters in the book highlight some contradictory trends in the future of public water services. Firstly, the influence of neo-liberal ideology results in a very problematic convergence in the practices of public and privatised utilities. The introduction of neo-liberal business and management models (often referred to as New Public Management - NPM) leads to forms of commercialisation that are often seriously at odds with the type of public service ethos described above. This trend is visible, for instance, in the operations of EAAB in Bogota, Colombia. Outsourcing of key tasks to private contractors and the introduction of “flexible” labour conditions are examples of the adoption of a corporate business model.

A related trend is that public utilities like EAAB, but also Rand Water in South Africa and PBA in Malaysia, are increasingly expanding into operations abroad. While they may uphold a public service ethos in their domestic operations, these companies intend to operate as commercial water providers overseas.

FINANCING PUBLIC WATER

Financing is a key challenge for every community wanting to ensure water for all. The day-to-day running of a water utility comes at a cost and expanding access to water requires significant upfront investments. There are essentially two ways to pay for public water delivery: taxes or user fees.

In some cities with successful public water delivery presented in this book, water is entirely paid for by user fees (full-cost recovery), but with cross-subsidisation through “stepped tariffs”, so that larger consumers pay proportionately more. Taxation is commonly used to finance the extension and devel-

opment of systems, and also to provide subsidies to reduce the burden which has to be borne by users through water charges. When governments or municipalities borrow money or issue bonds to finance investment, the cost of the loans is normally borne by taxes. In some countries - such as Ireland – water services are paid for almost entirely through central government taxation. Some of the public water utilities described in this book have combined expansion of water services with social tariff structures, thus enabling all citizens, including the poorest, access to affordable water. DMAE in Porto Alegre, for instance, channels the surplus resulting from the higher fees paid by well-off users into an investment fund that finances new water and sanitation infrastructure for all those that need it.

In South Africa and many other countries around the world, neoliberal cost-recovery policies (without cross-subsidisation) have caused disastrous affordability problems and millions of poor have been cut off from water supply. The pre-paid meters that have been installed in many poor communities in South Africa are a particularly blatant violation of the human right to water. While the South African constitution guarantees 6,000 litres of free water per household, the right to water is not effectively implemented and the 6,000 litres of free water per household has moreover proven insufficient for the often large families of the poorest. To genuinely guarantee affordable water for all, at least a doubling of the constitutional amount of free water would be needed, combined with cross-subsidised low tariffs for low-income people.

Overcoming financial obstacles to the expansion of water delivery can also be done by reducing operational costs and increasing efficiency. By ambitiously taking on leakages and improving billing, lower shares of non-revenue water (NRW) can be achieved and the financial viability of the utility improved. In Penang, Malaysia, very low rates of NRW enables

the utility to have the lowest water price in the country. In the Brazilian city of Matão, privatisation seemed the only option for a cash-starved local government needing to invest to expand water connections to the fast growing population. After a public consultation process, the utility was reorganised with a different tariff structure and incentives to reduce leakages and waste.⁵ This improved the financial health of the utility and solved the water resource problem. Clearly, this is also a matter of sustainability: reducing leakages can also help overcome threatening water shortages and may even make major investments in new dams unnecessary.

Citizen participation can help the financial health of the water utility, as is the case in Porto Alegre. Citizens are not only empowered by the government to prioritise allocation of public funds, they are also involved in monitoring implementation of decisions and projects. Locals from the areas where the water infrastructure construction takes place participate in commissions that supervise the contractors during the works. This means continuous scrutiny of the water utility and of external contractors, which has helped reduce costs of new construction projects.

Access to finance for investments in expansion and improvement of water delivery is an obstacle in most cities in the south. The Savelugu model in northern Ghana was made possible by funding from UNICEF and international NGOs, but other communities wanting to implement similar models cannot rely on philanthropy. For impoverished communities, external funds to pay for large, upfront investments are needed. This points to the crucial role of national governments and for international funding and access to loans.

⁵ Antonio da Costa Miranda, municipal director for water and sanitation in Recife, speaking at the seminar “People-centered Water Management is Possible!”, January 17 2004, World Social Forum, Mumbai.

There is much that can be improved in the approach of southern governments towards water delivery. In many countries, access to water for the poorest remains under-prioritised and often neo-liberal approaches dominate among local elites in the political process. In stark contrast to the democratic empowerment of the decentralisation of decision-making on government funds in Kerala, India, a very different form of decentralisation process has taken place in many southern countries in the last decades. Following IFI advice, governments have transferred responsibilities to local municipalities while at the same time starving them of funds for fulfilling their new obligations. This has had predictably negative consequences for essential services delivery, often leaving little other option than privatisation.

At the same time, the current context of neo-liberal globalisation is very much the opposite of an enabling environment for improving and expanding people-centred public water systems. For large parts of the populations of the south, as well as countries in Central and Eastern Europe, trade liberalization and other neoliberal reforms have resulted in unemployment and economic marginalisation. Governments are facing ever-decreasing budgets due to dwindling tax income, often combined with excessive debt repayments. Added to this is the pressure to liberalise and privatise from IFIs, development aid agencies and trade negotiators. The cumulative impact of these neo-liberal policies is a fundamental obstacle to the development of public provision of essential services. Lasting solutions, it seems, are only feasible if this model of development is replaced by a different model of globalisation, one that facilitates progressive public solutions rather than hindering them.

With southern governments often impoverished by an unfair global economic system and crippling debt, loans from IFIs are currently one of the only ways in which governments

and municipalities can raise external funds for investments to expand water access. The disastrous reality is that most IFIs remain stubbornly addicted to privatisation and use various, more or less subtle pressures to impose this on borrowers. Northern governments and IFI's continue to use finance as a political tool of leverage over southern governments to push them to take on board neo-liberal reforms. The European Union and various European governments pro-actively use aid to encourage privatisation. The willingness to finance non-private sector options remains far too limited.

There are exceptions, such as the IBRD's loans for co-operatives in Argentina and Bolivia. The co-operative in Santa Cruz, Bolivia, is facing restrictions on further lending not due to its own financial situation, which is very healthy, but because of the indebtedness of the national government. Porto Alegre and Recife secured IFI loans after tough negotiations in which the World Bank insisted on moving towards privatisation. The democratic legitimacy of the utilities and firm political support from the mayors helped resist these pressures and obtain loans without conditions that would undermine the essence of the participatory models.

In Cochabamba, the IADB did offer the new SEMAPA a loan, but with conditions that hamper the transformation of the utility and, in fact, endanger popular support by delaying visible improvements in water delivery. In Indonesia, a majority of water utilities are caught up in a debt crisis following IFI loans from the last decade. The debt trap they are in undermines the viability of utilities and *de facto* paves the way for privatisation. IFI loans in foreign currency, due to the risk of devaluation and currency crisis, often have very high interest rates. Concluding that IFI loans do more harm than good, civil society groups united in the Jubilee South network campaign for the World Bank and other IFIs to withdraw altogether from the south.

There is a desperate need for funding mechanisms that are without political conditions and that are oriented to serve societal goals instead of economic and ideological objectives. Except for the crucially important progressive redistribution via taxation and cross-subsidised water tariffs, there are a wide range of local and national finance options, including floating of municipal bonds.⁶ To boost international finance flows for expansion of access to water to the poorest increasing the development aid budgets of northern governments is a straightforward option, obviously in combination with ending current privatisation conditionalities and pressures. It is important to remember that just a fraction of current military expenditure would be sufficient to finance clean water for everyone on the planet. In Europe, a small tax on bottles of mineral water has been proposed. Such a tax could bring in billions of euros, but still far less than the enormous amounts that could be raised via a Tobin tax on speculative international financial transactions.

MOVEMENTS, STRUGGLES AND PUBLIC WATER SOLUTIONS

As shown in many chapters in this book, social movements contribute actively to preserving and improving the public character of water and sanitation services around the world. By exerting public pressure on governments and utilities to change and improve access to clean water, such movements have a key role in achieving sustainable water for all. In many countries, social movements are mobilising to defend the interests of marginalised people against the neoliberal policies promoted by political and economic elites. Social justice and democratisa-

⁶ See for instance "Water Finance - a Discussion Note", by David Hall, PSIRU, University of Greenwich, January 2004: <http://www.psiru.org/reports/2004-01-W-finance.doc>

tion of water management decision-making are integrally linked.

The example of Cochabamba and many other cities in this book illustrate how models of public water delivery are, to a large extent, shaped by the political struggles preceding them. The political process of pursuing public utility reforms and alternatives to privatisation defines the character of the public water management approach. These political struggles, therefore, are an essential element in understanding the future of water delivery.

Anti-privatisation campaign coalitions in countries around the world, as the final chapters of this book show, go beyond mere resistance. These movements, uniting a broad range of actors, from environmentalists, women's groups and grassroots community activists to trade unions, political parties and public utility managers, have often very elaborate visions and concrete proposals for public sector alternatives.

That is certainly the case in Uruguay where, in the October 2004 national referendum, a large majority supported constitutional amendments that will define water as a human right and ban privatisation. The constitutional amendment promoted by a coalition of movements defines a central role for the participation of consumers, communities and civil society in all stages of water management and institutions. Effective public participation is envisaged to further improve the management of public water utilities. While these generally operate very effectively, there is scope for improvement, such as stopping the flawed practice of failed politicians abusing the utility as a well-paid retirement option.

Inspired by the victory in Uruguay, civil society groups in Argentina have also launched a campaign for a referendum in order to get access to water recognised as a fundamental human right and to declare water public property exempt from

privatisation. A growing global coalition of NGOs is demanding that governments commit themselves to negotiate an international convention on the right to water, within the framework of the United Nations. Such a convention should provide a strong legal instrument to guarantee the right to clean water for all and ensure that water is not treated as a commodity.⁷

In the Ukraine, NGOs like MAMA-86 are struggling against privatisation but are also working hard to improve public water delivery. This happens within the context of a post-communist state in crisis that is gradually withdrawing from its responsibilities to deliver essential services to its citizens. MAMA-86, for instance, joins hands with schools, hospitals and other public institutions to improve the quality of their water supply. It promotes water meters and prevention of water wastage through public information campaigns, but also works closely with water utilities, for instance in the city of Soledar, to improve public water delivery.

In the Philippines, the record of public sector water delivery was so bad that people were not *a priori* concerned about the 1997 privatisation. After the disastrous failure of privatisation, a return to the pre-1997 reality of public water is not an option. The Water Vigilance Network advocates concrete ways in which public solutions can help overcome risks like bureaucratisation, inefficiency and lack of responsiveness to the needs of the poorest. The civil society coalition has developed a sophisticated set of requirements which a public sector alternative must meet, ranging from financial resources, institutional capacity, an independent regulatory system, transparency, accountability and social tariff systems, to mention a few. A public water utility running water supply in the west zone

⁷ The demand is described for instance in “Why we need an international water convention” (Swiss Coalition of Development Organisations, March 2004): http://www.swisscoalition.ch/english/files/T_WrWn.pdf

would have to fulfil contractual delivery targets, but also face scrutiny in comparison with the private utility operating in the eastern half of the city. These combined pressures would likely improve the performance and accountability of the public utility. Another option to be considered is to split up Metro Manila into smaller concessions involving local governments to reach a manageable scale. This would allow for benchmarking between the utilities. Also, existing co-operatives in the peripheral parts of the city are part of the solution.

The anti-privatisation movement in a range of countries advocates public-public partnerships and other models in which ailing utilities learn from the operational methods and management structures of successful utilities, as highlighted in the chapters from Indonesia, Malaysia, Brazil and South Africa. In Indonesia, for instance, civil society rejects the government’s sweeping ideological prejudices and points to examples of best practice in public water delivery within the country, concretely the water utility of the city of Solo.

Not all anti-privatisation coalitions promote radical forms of participatory democracy as a central part of their vision for public water solutions. User participation, however, is promoted almost everywhere. In Mexico, where the Fifth World Water Forum will be held in March 2006, the government is unwilling to allow for public participation in decision-making on public services. Instead it insists on continuing the privatisation process, despite the poor performance of private water corporations in cities like Cancun, Saltillo and Aguascalientes and the fact that public water utilities have proven able to improve coverage, reduce water losses and improve their financial viability.

The fight for transparency and public access to information is a recurring theme in many campaigns. It is hardly a coincidence that transparency is a fundamental characteristic of almost all the successful people-centred public utilities

described in this book. The potential for transparency is an essential advantage of public utilities over privatised water delivery, where key information is defined as out of reach due to reasons of commercial confidentiality. In a post-communist country like Slovakia, however, transparency and citizen participation is a major battle. Public utility managers and municipal officials often consider citizens engagement as undesirable “interference”. Anti-privatisation campaigners face the challenge of convincing public water operators that citizens’ participation and democratic control can help improve the effectiveness of public services.

Campaign strategies are obviously shaped by the local and national context, including the intensity of the problems and the political opportunities. Campaigns against privatisation and for improved public services in a country like Germany, where water is cheap, safe and plentiful, will necessarily take a different form than in places like Ghana or South Africa where access to water is a daily struggle for large parts of the population. Water struggles, moreover, are always dependent on broader political environments. For example in Uruguay, the water movement is successful as it came at a time of major political changes and a political shift to the left. Still, learning experiences from campaigns for public water can be of great value across borders and continents.

Whereas privatisation waves swept the south in the 1990s, the pressure is now increasingly on the still overwhelmingly public-controlled water sectors of US, Canada, Japan and particularly (western) Europe. This means a major challenge for civil society in the north. Luckily there is a lot which can be learned, not only from the anti-privatisation campaigns that have grown strong in the south, but also from the innovative forms of water management that have reinvented public services in a range of cities in the south during the last decade. Also

in the north, the struggles against privatisation cannot be simply to defend the status quo. The extent to which citizens’ participation will be part of the agenda for improving public water delivery in the north remains to be seen. In the US (where 85% of the population is supplied by public utilities), various democratic and participatory mechanisms have been developed to regulate and improve the performance of utilities, these could be further expanded in the water sector. In Italy, new forms of citizen participation in water management have been introduced in several municipalities in recent years.⁸

The French city of Grenoble is an example of democracy revitalising a water utility. Grenoble shows that it is possible to win a campaign for de-privatisation with the long-term commitment of a broad coalition involving consumers, environmentalists, trade unions and political parties. Since re-municipalisation, the enhanced democratic accountability and public governance has resulted in major improvements in maintenance and infrastructure renewal, water usage reduction and lower tariffs. The actors involved in the struggle for re-municipalisation also took on active roles in the implementation of utility reform.

WATER FOR ALL, PUBLIC SERVICES FOR ALL

The process of collective learning between public utility managers and water professionals, civil society, trade unions, social movements and governments is an essential tool for overcoming obstacles and needs to be accelerated. In recent years, a global process of exchange of experiences and debate between progressive forces has emerged. Indeed, this book is a result of this process and will hopefully contribute to further

⁸ “Local Democracy”, Hilary Wainwright, Red Pepper, August 2004.

boosting this important development. It presents a broad range of alternatives to privatisation and inadequate public water delivery, highlighting the role of citizens' participation and civil society movements in solving urban water problems. It underlines the need to strengthen the capacity of public administrations and institutions to deliver services and outlines strategies for change towards improving these.

There is no single blueprint for how to make public water utilities deliver affordable, clean water for all, but the different cases in this book of municipal utilities, users co-operatives, workers co-operatives, community-utility partnerships and other forms of public-public partnerships, all offer valuable information, suggestions and lessons to be learned.

In the end, decisions about the exact management model, the degree of user / citizen participation, the social structure of tariffs, etc. are to be made by local people in democratic debates about what is most appropriate to specific, local circumstances. But while local communities should have the right to choose how their water is delivered, the reality is that the range of choices continues to be narrowed down dramatically by factors outside of their control. There is an urgent need for accelerating a change in thinking among governments, in the south and north, and international institutions so public water solutions get the political support they need. Included in the bold approach needed to help overcome obstacles to improving and expanding public water around the world are certainly cancelling of crippling debt, boosting aid flows and a shift away from neoliberal trade policies.

One example is the disastrous proposal to include water delivery in the WTO's services agreement (GATS). In the ongoing round of GATS negotiations, the EU has targeted the water sectors of 72 other WTO member countries for liberalisation, including developing and least developed countries.

Any country making GATS commitments in water would bind in existing levels of privatisation for the future, making it effectively impossible for it to change course and embrace public water strategies. Water must clearly remain outside of the scope of neoliberal trade rules and should also be exempted from bilateral investment treaties (BITs). Several chapters in this book highlight attempts by water multinationals to use BITs to secure excessive and unjustified compensation after failed privatisation. In cases still under consideration by panels at the International Centre for Settlement of Investment Disputes (ICSID), US-based Bechtel and Azurix as well as French water giant Suez demand multi-million dollar 'compensation' from the deeply indebted governments of Bolivia and Argentina.

There are major ideological prejudices that need to be overcome, for instance in international financial institutions. Both IFIs and aid agencies must be forced to stop pushing privatisation and end their obstructive attitude towards public water utilities and communities pursuing democratic utility reform. The continued unwillingness to provide finance and adequate technical support for public sector solutions is a structural obstacle which urgently needs to be tackled. The global water movement needs to stay on the offensive and demand concrete policy changes from IFIs and governments in order to achieve enabling environments for public utilities to flourish. Instead of closing down the space for people-centred delivery models, we must insist that governments do all they can to support these models politically, technically, financially and in other ways.

In a non-binding resolution on the EU's approach to water in the south (September 2003), a majority in the European Parliament insisted on "the need for local public authorities to be given support in their efforts towards establishing an inno-

vative, participatory, democratic system of public water management that is efficient, transparent and regulated and that respects the objectives of sustainable development in order to meet the population's needs". These are the right noises, but old neoliberal habits seem hard to break for the European Commission and for many European governments. Far more political pressure from the local to the global level is needed to convince governments that support for public utility reform and expansion of people-centred public water supply is, indeed, the best route for development and the best way of spending aid money.

The departure from neo-liberal policies that needs to happen at the level of national governments and international institutions may take a long time to achieve. Meanwhile, far away from the centres of political power and finance, local utility operators, grassroots movements, trade unions and NGOs, will continue to show the way forward and create public water solutions against the odds.

By the editorial team

Some key steps towards an enabling international environment for public water:

- Sustaining and expanding innovative and participatory public water delivery models around the world, for instance through international public-public partnerships.
- Canceling the crippling debt of developing countries in order to free public funds for expanding access to water.
- The World Bank and other IFIs must end privatisation conditions for financial support to those requesting it.
- Wealthy northern governments must increase funding flows and end the pro-privatisation bias.
- Enshrining the human right to water in international legal instruments, including a UN convention.
- Exempting water from the GATS negotiations (services liberalisation talks within the World Trade Organisation) and other trade agreements.
- Renegotiating bilateral and regional trade and investment agreements which enable private water corporations to claim undue 'compensation' from public authorities via arbitration cases.

NOTES ON AUTHORS

Al-Hassan Adam works with the National Coalition Against Water Privatisation (NCAP), Ghana.

Guillermo Amorebieta is co-ordinator of the Latin American network of Water Sector Trade Unions affiliated to Public Services International. He also heads the Water and Sanitation Works Trade Union of the Province of Buenos Aires. He co-authored books as well as magazines and newspaper articles published in Argentina, Chile, Paraguay and Brazil.

Santiago Arconada Rodríguez works at Hidroven, the main agency for drinking water and sanitation in Venezuela. He is the former secretary-general of the Textile Worker Union U.T.T. and has worked in water management in the cities of Caracas and Maracaibo.

Nila Ardhianie works with the Indonesian Forum on Globalization (INFOG). She has been involved in advocacy, participatory monitoring, and community development projects for more than 10 years - particularly on water resources and pesticide issues. A current main focus is advocacy and information dissemination on Indonesia's new Water Law passed in February 2004.

Raymond Avriillier is a technical engineer, ecologist and elected member of the city council in Grenoble since 1989. He is manager of the municipal water utility of Grenoble since 2001 and vice-president of the community of agglomeration in Grenoble in charge of water sanitation and rainwater since 1995. He is also co-author of the book "Le Système Carignon" (1995).

David Barkin is Professor of Economics at the Xochimilco campus of the Universidad Autónoma Metropolitana and is currently directing a national diagnostic study of urban water management in Mexico. He can be contacted at barkin@correo.xoc.uam.mx

Joy Elamon published a wide range of books and articles on health issues and participatory development. He was a consultant with the State Planning Board that coordinated the People's Campaign for Ninth Plan, the Kerala experiment on democratic decentralisation. He was also a member of the District Planning Committee in Trivandrum where he is based. At present he

works as Chief Programme Co-ordinator at SDC-CapDecK (Capacity Development for Decentralisation in Kerala, supported by the Swiss Agency for Development Co-operation).

Sean Flynn is an Associate at the Washington D.C. based law firm of Spiegel & McDiarmid. **Kathryn Boudouris** is a paralegal at the same firm. Spiegel & McDiarmid represents local governments, agencies and municipal and co-operatively owned utilities in the US and abroad in matters concerning regulatory design and compliance, environmental compliance, antitrust, complex litigation, telecommunications and other areas. Flynn may be contacted at sean.flynn@spiegelmc.com

David Hall is director of Public Services International Research Unit (PSIRU), responsible for its overall work. He specialises in water, energy and healthcare, and the design and maintenance of the PSIRU database and website. Before joining PSIRU he worked at the Public Services Privatisation Research Unit, which developed a database on privatisation for the UK trade unions. He had previously worked for trade union research units, and as a lecturer in higher education. He has written books on public expenditure and labour law.

Roman Havlicek has been active in the environmental movement since the late 1980's. Since 2002 he works at the Center for Environmental Public Advocacy (CEPA) as the coordinator of the Corporations project which evaluates the impacts of the Slovak government's policies towards foreign direct investments. He is also responsible for CEPA's water project which aims to defend the public interest in the ongoing process of transformation of water services.

Hans-Werner Krüger has since 1977 been employed at the Hamburg Waterworks plc and is currently heading the public relations department. He is a member of anti-privatisation networks and published a book about water supply in West Germany (1982) as well as a range of articles on water and privatisation subjects.

Hélio Maltz is the Planning Coordinator at DMAE (Municipal Department of Water and Sanitation) of the city of Porto Alegre, Brazil. He is responsible for managing the team working on budgets, expenses control, loan management, costs evaluation, international relations and special projects. Before joining the planning field, he was the manager of DMAE's Sewage Division, responsible for managing operation and maintenance of the sanitary sewerage and pumping facilities.

Dale T. McKinley grew up in Zimbabwe and studied in the USA, but has lived in Johannesburg, South Africa, since the early 1990s. He presently works as an independent researcher, editor, lecturer and writer. McKinley is an activist within the Anti-Privatisation Forum and the Social Movements Indaba. He has written a book on the history of the ANC's liberation struggle, numerous scholarly articles for journals and publishes regular articles in the press and progressive political publications.

Antonio Miranda is the former president of ASSEMAE (Brazilian Association of Municipal Water and Sanitation Public Operators) and currently its Director of International Affairs. He is also the Head of Municipal Water and Sanitation Services in the city of Recife, and member of the UN Secretary-General's Advisory Board. More info: amirandaneto@yahoo.com

Carla A. Montemayor is the former co-ordinator of Bantay Tubig (Philippine Water Vigilance Network). She has written a number of articles on the water privatisation debacle in Manila and has presented the role of French water giant Suez at many conferences in Asia and Europe.

Alberto Daniel Muñoz is based in Rosario, Santa Fe, Argentina. Muñoz is the vice-president of the National Roundtable of the Users and Consumers Union. He is also a member of the Provincial Assembly for the Right to Water and part of the co-ordination of RED VIDA, the Inter-American network of water activists.

Luis Sanchez Gomez (Cochabamba, Bolivia) served as an elected representative of the southern zone on the board of SEMAPA from 2002 to 2004.

Charles Santiago is the director of Monitoring Sustainability of Globalisation (MSN), a Malaysia-based research, advocacy and activist NGO. He is also the coordinator of the Groups of Concerned Citizens, a minority-based group working to increase democratic participation and empowerment of the poor.

Carlos Santos and Alberto Villarreal are with REDES-Amigos de la Tierra Uruguay.

Svitlana Slesarenok is the executive director of the All-Ukrainian Environmental NGO "MAMA-86" and may be contacted at slesarenok@mama-86.org.ua

Laila Smith is the Director of Research and Evaluation at the Contract Management Unit for the City of Johannesburg. She participates in the Water Service Authority team within the City and oversees the service delivery standards for Johannesburg Water, a public utility fully-owned by the City. Prior to this Laila worked for many years in the research and policy arenas focusing on the equity implications of private sector involvement in the water sector.

Philipp Terhorst is an activist researcher and PhD scholar at WEDC, Loughborough University. His focus is the potential of water movements for the democratisation of urban water services. Previous work includes research on water management in Cochabamba, Bolivia. He is active in various civil society networks, both international and German.

Hildebrando Vélez is an environmentalist and has during last 15 years worked with Censat Agua Viva (Friends of the Earth Colombia).

Luis Fernando Yavarí is Manager of Planning and Systems of SAGUAPAC, the water supply utility in Santa Cruz de la Sierra, Bolivia. He has also worked as Manager of Engineering, managing the operations and maintenance of the company. He is also a Professor in Civil Engineering of the University Gabriel René Moreno in Santa Cruz de la Sierra.



Al-Hassan Adam



Dale T. McKinley



Joy Elamon



Luis Fernando Yavarí



Laila Smith



Hélio Maltz



Guillermo Amorebieta



Charles Santiago



Antonio Miranda



Hans-Werner Krüger

RESOURCES

JOIN THE DEBATE: WATERJUSTICE.ORG

The website waterjustice.org is both a virtual resource centre and an open space to connect people from around the world dedicated to effective, democratic and equitable water solutions, including community activists, NGO campaigners, academic researchers, trade unionists and water utility managers. The success of the website will depend primarily on the active participation of these diverse groups. The site has a content management system which allows you to upload contributions (from articles, report and case studies to calls for action and campaign news) and a discussion forum on the issues covered in this book. We warmly invite you to get involved!

SUBSCRIBE TO THE WATERJUSTICE LISTSERVE

Transnational Institute (TNI) manages the [waterjustice] email listserv, aimed to facilitate information exchange and strategy debate among activists from around the world campaigning for people-centred alternatives to water privatisation. For more information, contact satoko@tni.org

SOME RECOMMENDED WEBSITES

11.11.11

The Coalition of the Flemish North South Movement in Belgium.
www.11.be (in Flemish and English)

ASSOCIATION POUR LE CONTRAT MONDIAL DE L'EAU (ACME)

ACME campaigns against privatisation and for the human right to water.
www.acme-eau.com (in French)

ANTI-PRIVATISATION FORUM

Campaigns against water and electricity privatisation in South Africa.
www.apf.org.za

ASSEMAE**(ASSOCIAÇÃO NACIONAL DOS SERVIÇOS MUNICIPAIS DE SANEAMENTO)**

Progressive federation of public water utilities in Brazil.

www.assemae.org.br**BLUE PLANET PROJECT**

Website on the “Treaty Initiative to Share and Protect the Global Water Commons” and related activities, hosted by the Council of Canadians.

www.blueplanetproject.net/english/resources**BREAD FOR THE WORLD**www.brot-fuer-die-welt.de (in German)**CENSAT AGUA VIVA (FRIENDS OF THE EARTH COLOMBIA)**www.censat.org/Index_Ingles.htm**CENTER FOR ENVIRONMENTAL PUBLIC ADVOCACY (CEPA)**

CEPA (Friends of the Earth Slovakia) defends the public interest in the transformation and reform of the Slovak water sector.

www.cepa.sk/ekon/en_index.stm**INTERNATIONAL CONSORTIUM OF INVESTIGATIVE JOURNALISTS (ICIJ)**

Excellent collection of articles on the impacts of privatisation in cities around the world (also published as a book titled “The Water Barons”)

www.icij.org/water**CITIZENS NETWORK ON ESSENTIAL SERVICES**

Helping citizens attain universal water, healthcare, education and electricity services.

www.servicesforall.org**CORPORATE EUROPE OBSERVATORY (CEO)**

Info briefs on the European Union’s push for water privatisation.

www.corporateeurope.org/water/infobriefs.htm**COUNCIL OF CANADIANS**

Campaigns to ban the bulk export of water and head off commodification and privatisation.

www.canadians.org**DMAE**

Municipal department of water and sanitation, Porto Alegre, Brazil.

www.dmae.rs.gov.br (also in English)**EUROPEAN FEDERATION OF PUBLIC SERVICE UNIONS**www.epsu.org**FRIENDS OF THE EARTH INTERNATIONAL (FOEI)**

Federation of autonomous environmental organizations from 68 countries.

www.foei.org/water/index.html**GATSWATCH**

GATSwatch brings together the growing body of NGO and academic critique of the WTO services agreement and ongoing liberalisation talks.

www.gatswatch.org**JUBILEE SOUTH**

A network of jubilee and debt campaigns, social movements, people’s organizations, communities, NGOs and political formations.

www.jubileesouth.org**MAMA-86**

Ukrainian Environmental NGO campaigning for water for all.

www.mama-86.org.ua (also in English)**PHILIPPINE WATER VIGILANCE NETWORK / BANTAY TUBIG**

Bantay Tubig is a citizens’ coalition for adequate, accessible and affordable water in the Philippines.

www.ipd.ph/Bantay%20Tubig/web-content/b2big_main.html**POLARIS INSTITUTE**

Canadian institute campaigning against GATS and for public services.

www.polarisinstitute.org**PRIVATISIERUNGSWAHN**

Analysis and campaign news on privatisation in Germany.

www.privatisierungswahn.de (in German)**PUBLIC CITIZEN**

Campaigning to keep water as a public trust.

www.citizen.org/cmep/water**PUBLIC SERVICES INTERNATIONAL (PSI)**

The international trade union federation of public sector workers, involving more than 600 trade unions in over 140 countries.

www.world-psi.org

PUBLIC SERVICES INTERNATIONAL RESEARCH UNIT

For a wealth of research on water privatisation and public water, go to:
www.psiru.org/reportsindex.asp

REDES

Friends of the Earth Uruguay.
www.redes.org.uy

SAGUAPAC

Website of the water co-operative of Santa Cruz, Bolivia.
www.saguapac.com.bo (In Spanish)

SEMAPA

Website of the water utility of Cochabamba, Bolivia.
www.semapa.com.bo (In Spanish)

TRANSNATIONAL INSTITUTE (TNI)

For more on TNI's Water Justice project, see:
www.tni.org/water-docs/water.htm

WORLD DEVELOPMENT MOVEMENT (WDM)

The UK-based WDM campaigns to tackle the root causes of poverty.
www.wdm.org.uk

ABOUT TNI AND CEO

Corporate Europe Observatory (CEO) is an Amsterdam-based research and campaign group targeting the threats to democracy, equity, social justice and the environment posed by the economic and political power of corporations and their lobby groups.
<http://www.corporateeurope.org/>

Transnational Institute (TNI), founded in 1974 is an international network of activist-scholars committed to critical analyses of the global problems of today and tomorrow. It aims to provide intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.

Contact: Satoko Kishimoto <satoko@tni.org>

tel: + 31 20 662 66 08

fax: + 31 20 675 71 76

<http://www.tni.org>

COVER PHOTOS:

Main photo:

As the privatised utility fails to ensure promised water connections, residents of this Manila suburb have to rely on old hand well.

Photo by Rod Harbinson, www.diversityphotos.com

Photos at the top:

Anti-privatisation demonstration in Uruguay (October 2004)

Water activists walk out of the World Water Forum (Kyoto, March 2003).

Consumers march to Mendiola, Manila, denouncing a water rate hike both by Maynilad and Manila Water (November 2004). Photo by Freedom from Debt Coalition.

Photos at the bottom:

MAMA-86 certifies a water well in the Ukrainian city of Nizhyn.

Participatory decision-making on water services in progress at neighbourhood meeting in Recife, Brazil.

Water pipe construction works in Porto Alegre, Brazil.