

Introduction

Beyond the market: the future of public services

Daniel Chavez

The future of public services is a major issue of contention amongst governments, social movements, international financial institutions and other organisations involved in the design and implementation of development policies. What counts as 'quality', 'equality' and 'accountability' in public services is disputed, and so are proposals for restructuring the public sector.

Five years after the dawn of the twenty-first century, community organisations, trade unions and a broad range of social movements are scrambling to protect public services in the face of a global shift towards privatisation and deregulation. Governments around the world are handing over schools, hospitals, water and power utilities, telecommunications, nursing homes and other vital services, eroding the social gains that men and women built and benefited from in previous decades.

In the academic, technical and political language of the advocates of the market, *reform* is usually portrayed as an indispensable and positive transition in service delivery, a necessary move away from the outdated public policy of previous decades and a pre-condition for economic growth and social development. Critical voices, however, have argued that market-driven reforms do not yield any social or economic benefit for the vast majority of the population, particularly in the Global South.

This publication aims to contribute some much needed facts-based analysis to this prejudice-laden debate. When corporate leaders and conservative analysts make the case for public services reform, they cite a large and growing literature on the alleged success of privatisation

and deregulation. Critics might legitimately question the credibility of their sources, the rigour of their research, and the ideological foundations of the theories upon which their neo-liberal model for public sector restructuring has been built. But this is not enough. The only progressive means to counteract the politics and economics of neo-liberalism is to present a coherent, objective, up-to-date and broad corpus of evidence on the negative results of over two decades of public services reforms around the world. It is also indispensable to present feasible alternatives for the restructuring of the public sector, founded on a counter-hegemonic set of values, principles and institutions.

This is precisely the goal of this book project: to expose the drawbacks of market-driven reforms and to push forwards new ideas for the democratic, participatory, efficient and accountable governance of public services. The *Public Services Yearbook* (PSY) aims to become an internationally respected source of information and analysis on the evolution of public services globally. Instead of insisting on the purely ideological defence of the state – which might be as subjective and biased as the blind defence of the market typical of neo-liberal discourse – the PSY relies on social science research and

investigative journalism to document reforms in multiple sectors and geographical contexts.

The contents of the Yearbook

The *World Development Report 2004*, published under the title *Making Services Work for Poor People*, argued that there was no difference between selling public services to customers and selling sandwiches at a street stall (World Bank: 2004). The PSY challenges this narrow economic viewpoint, from which the 'Washington Consensus' institutions have traditionally approached the policy debate. Instead, the problem of public sector restructuring is seen from a political and institutional angle. The diverse chapters that compose this volume not only look at the content of these reforms, or their effects on major economic and social indicators, but also at the process by which they have been discussed, approved and implemented. The complex interaction between diverse social, economic and political stakeholders engaged in public services reform is influenced by the institutions and political traditions of each country. Therefore, the PSY combines a variety of country and sector case studies, written from a broad array of organisational and professional standpoints.

The *Public Services Yearbook 2005/6* provides an overview of the state of public services around the world. It covers national and international policy developments from January to December 2005, as well as analysing the recent history of the present situation and providing a prognosis for the near future. The PSY is structured around four distinct but closely interrelated sections. The first part focuses on theoretical concepts and relevant policy issues, presenting an overview of current discussions on the nature and meaning of public services. The second part is dedicated to four state-of-the-art reviews of basic public services: health, education, electricity, and water and sanitation. The third part explores the latest developments and challenges on a regional basis, through detailed assessments of the state of public services in 12 countries, from both the North and South. Part four consists of two chapters produced by the Public Services International Research Unit (PSIRU), focussing on the social and corporate actors engaged in debates and conflicts around the development of public services.

Chapter one, by David McDonald and Greg Ruiters (Municipal Services Project), presents a critical theoretical perspective on privatisation. Until a few years ago pri-

vatation meant the full sale of public assets to the private sector. Nowadays, there are many more subtle forms of privatisation. One of the most frequent new arrangements, referred to in many of the studies included in this book, are *Public Private Partnerships* (also commonly known as 'PPPs' or 'P3s'). They represent a wide variety of privatisation activities, and typically involve the private operation, management and maintenance of services. They may also include private financing for infrastructure projects and long-term leaseback arrangements. These long-term schemes are a particularly troubling form of privatisation, as the contracts often last several decades and threaten public control over vital services. The authors of this chapter also dissect the concept of *commodification*, understood as "a process integral to capitalist expansion and central to the marketisation of all aspects of life".

The second chapter, by Subodh Wagle and Kalpana Dixit (Prayas), revisits the concept of *good governance*, focusing on the politics of citizens' participation in the planning and management of public services. The authors expose the internal ideological confusion which prevails at the World Bank (WB) and other mainstream development institutions over their commitment to conceptualise all aspects of service provision in market terms. It is well known that for too many years the WB, in particular, has favoured the private provision of infrastructure services like energy and waterworks, despite its potentially negative social impacts. More recently, however, the WB has begun to question the private sector's role in the delivery of social services, especially health-care and primary education. Wagle and Dixit outline an alternative framework for the provision of services based on progressive principles, which they summarise with the anagram *p-TAPA*. The small 'p' means that services should be geared towards the people and not private investors, as in the case of the WB model; the 'T' refers to *transparency*, the 'A' to *accountability*; the 'P' to *participation*, and the final 'A' to *autonomy*. They contend that only true and meaningful participation can secure proper representation of the concerns and expectations of the disadvantaged of society in the process of governance.

The third chapter, by trade unionist and social researcher Jane Stinson (Canadian Union of Public Employees), offers a gender perspective on public services provision. She presents evidence from Canada and South Africa which suggests that corporate profiteers are devouring jobs and driving down the quality of life for



public sector workers. But the effects of public sector reform reach far beyond the paid workplace. When the cost of care for the elderly spirals out of reach, when patients get released earlier than they should from hospital, or when working mothers cannot secure a place for their children in overcrowded kindergartens, the burden of this work typically falls on women, who are pushed back into the secluded and unpaid realm of domestic labour. Stinson's chapter on the impacts of privatisation and deregulation on women provides a lucid description of this process.

Chapter four, by John Lister (London Health Emergency), discusses the health sector's global agenda. Lister argues that recent experience in both the richest and poorest countries does not substantiate the claim that market mechanisms and greater reliance upon the private sector reduce costs or enhance efficiency. On the contrary, market-driven reforms tend to widen inequalities in access to healthcare. Lister concludes that the health sector should move towards new management models *"based on the widest possible risk-sharing, collective funding, and progressive taxation to fund services run for need rather than profit"*.

The fifth chapter is jointly written by Adriana Marrero (Universidad de la República del Uruguay) and Francesc Hernández (Universidad de Valencia). They begin by warning that with fewer than ten years remaining until the United Nations deadline for reaching the *Millennium Development Goals*, there are still 800 million illiterate people in the world, mostly living in Africa. If change continues at the current rate, it is conceivable that it will take sub-Saharan Africa over a century to achieve universal primary education targets (United Nations, 2005). Marrero and Hernández demonstrate that the reforms promoted by international financial institutions and neo-liberal governments around the world foster a shift from a state-based to a market-oriented approach. This encourages a more individualistic approach, with consumers freely choosing educational services from a differentiated supply.

A similar pattern is described by Sharon Beder (University of Wollongong) in chapter six. Electricity deregulation and privatisation is referred to as 'liberalisation' by the advocates of neo-liberal reforms, who use the term to disguise what is in essence a massive shift of ownership and control of electricity from public to private hands. Beder argues that 'liberalisation' has seen the goal of an affordable, accessible and reliable service

"replaced by the market ideal of competition, the myth of consumer choice, and the priority of economic efficiency, as measured by profits or rate of return on investment".

Chapter seven shows that, often, fighting back means thinking ahead. That is exactly what concerned communities and progressive local governments in several countries are doing. Democratic, participatory and efficient forms for public service delivery are currently being developed where access and quality are not subordinated to profits and market expansion. This chapter by Olivier Hoedeman (Corporate Europe Observatory) and Satoko Kishimoto (Transnational Institute) on alternatives to privatisation in the water and sanitation sector illustrates that innovation, democracy and accountability based on the initiative of local organisations and institutions are a sound basis from which to move forwards.

This positive viewpoint is generally shared by Osvaldo Calle (BolPress) and Maria Lohman (Somos Sur), the authors of chapter eight, which focuses on Bolivia. Inspired by the result of the December 2005 presidential election, the authors write that *"the time has come to reform the neo-liberal reforms implemented up to now"*. However, after reviewing the contemporary history of Bolivia – in particular the so-called 'gas war' and 'water wars', which exposed the vast gap between the selfish interests of large multinational corporations and the social demands of the impoverished urban and rural communities – Calle and Lohman moderate their initial enthusiasm. They look at SEMAPA, the world-famous community-run water utility rebuilt after a popular mobilisation reversed the privatisation of the municipal water service of Cochabamba. Attempts to rebuild SEMAPA as a transparent and efficiently managed public enterprise based on citizen participation and social justice have not been fully accomplished. The Bolivian experience highlights common problems faced by community organisations and local governments in the Global South, such as a lack of financial resources, interference by unaccountable government agencies, corruption and the constant pressure imposed by international financial institutions and powerful private corporations.

An analysis of public services in the largest South American country, Brazil, follows in chapter nine, written by Diego Azzi and Gonzalo Berrón (Universidade de Sao Paulo). The Brazilian case has been scrutinised by researchers, activists and policy makers from around the world. The title of the chapter, *Between neo-liberalism and progressive reforms*, accurately captures the essence

of the current situation of public services in the country. The chapter begins with a review of the institutional changes implemented by the federal government in the second half of the nineties, when the wave of privatisation reached most public services. The chapter goes on to explore the current state of four basic services: energy, health, telecommunications and water. Finally, the authors look at the present government's so-called 'mixed approach', highlighting internal contradictions between an orthodox wing that favours market-driven reforms and a developmentalist wing aimed at recreating a Brazilian model of welfare state. This is demonstrated with reference to current policy debates on the reform of higher education and the introduction of public-private partnerships.

Zsolt Boda (Hungarian Academy of Sciences) and Gábor Scheiring (Védegyelet) analyse the present and the future of public services in a quite different political context: the transition from a socialist regime to a market-oriented economy in which transnational corporations are actively engaged. Focusing on the water sector in Hungary, chapter ten shows how the fable of privatisation as the key to a modern economy, with efficient companies delivering quality services and decent jobs, failed to materialise. The old socialist dependence upon state policies and subsidies is now gone, but Boda and Scheiring refer to some successful examples of how municipal water enterprises in Hungary have provided good management and efficiency without relying solely on market mechanisms.

The eleventh chapter focuses on electricity privatisation in India. The researchers from Praya Energy Group (a think-tank and advocacy NGO based in Pune) present an overall picture of recent developments in the electricity sector, reviewing reforms that will have long-term impacts not only on this specific sector, but on the entire economy and society of India. Two crucial issues are covered by the project: (a) the institutional, social and economic implications of the new national electricity law; and (b) the continued controversy over the Dabhol power project, promoted by the ill-fated Enron Corporation, which threatens to be resuscitated in the context of current obscure negotiations between Indian government officials and foreign investors. Prayas dispute the alleged benefits of the electricity law and the revival of the Dabhol project with the argument that the Indian energy sector would be the target of predatory corporations unaccountable to any democratic institution.

Chapter twelve, by Diana Siller (Universidad Autónoma de México) is dedicated to the debate around the *universalisation* and *democratisation* of public services in Mexico. Siller briefly reviews the history of public services in Mexico and then analyses in more detail the present government reforms and proposals for further policy changes. In particular, the analysis focuses on changes already taking place in the area of health, based on the extension of new public-private partnerships. The chapter concludes by presenting civil society perspectives on how the improvement and expansion of public services can simultaneously act as a strategy to democratise society and the state.

Chapter thirteen, jointly written by Elâabadila Chbihna Maaelaynine (Office National de L'Eau Potable) and Massimiliano Di Tota (Cooperazione Internazionale Sud-Sud), also refers to the problem of democratisation. The authors argue that, given the lack of a project for the democratic modernisation of the Moroccan state, Morocco remains caught between economic liberalism and political stagnation. The type and extent of the current delivery of public services does not satisfy the population's basic needs. Recent market-oriented reforms have aggravated the social and political crisis, as shown by an increase in corruption, clientelism, foreign debt, impunity and religious fundamentalism. Maaelaynine and Di Tota perceive that although Morocco at present shows a certain dynamism in its 'civil society', there are as yet no structured actions, nor alternative proposals to the privatisation of public services. They suggest that the only way out for the improvement of public services and the democratisation of governance is a radical shake-up of the *Makhzen*, the authoritarian and corrupt system of government centred on the monarchy.

Chapter fourteen focuses on South Africa. Greg Ruiters (Municipal Services Project) observes that although the South African government seems to have shifted away from the uncritical promotion of neo-liberal public management, it still favours market-driven reforms. The government has tried to use service delivery to win political loyalty, but this strategy has largely backfired. Ruiters contends that there is growing public awareness that the current failures and inequities in access to public services can no longer be blamed on the legacy of apartheid.

Chapter fifteen looks at two countries that have been closely intertwined for many years: Syria and Lebanon. Alessandra Galié and Bernhard Hack (Transnational



Institute) examine the two countries' different approaches to the notions of 'public' and 'private' in the provision of services. Focusing on the water and electricity sectors, the chapter shows how international bodies and regional trade agreements influence domestic policies, adapting them to the internationally hegemonic model of market-oriented reforms.

Catherine Needham (Queen Mary, University of London) writes about the recent evolution of public services in the United Kingdom, where many of the current ideas about privatisation and deregulation were originally tested. Chapter sixteen begins with a briefly review of the 1979 to 1997 period of Conservative government, during which time a 'new public management' agenda was followed. This encompassed the privatisation and disaggregation of service provision by the state, the use of competition, performance measurement and tighter cost control. The analysis then moves to the post-1997 period of New Labour administration. Its advocates of the 'third way' have reversed little of the Thatcherite agenda, sharing many of the market-driven assumptions of their predecessors. Needham states that the current government "*appears unshakeable in the belief that market rules and private choice are the only drivers of service improvement, refusing to engage with concerns about accountability and equity*".

In chapter seventeen, Ben Manski (Liberty Tree Foundation) and John Peck (Family Farm Defenders) address the present situation of public services in the United States. The authors affirm that when it comes to describing the state transfer of public services to private corporate interests in the United States, *corporatisation* is a more accurate term than privatisation. At present, it is almost impossible to identify a public service or function in the United States that is free from corporatisation. Manski and Peck show multiple examples of core public services subjected to market pressures, including disaster management, education, public procurement, the penitentiary system, housing, health and welfare, energy policy, water rights, and law enforcement. Despite such a gloomy picture, the chapter finishes on an optimistic note, referring to concrete examples of how a wide variety of civic organisations are attempting to claim back and democratise public policy.

The final national report is dedicated to Uruguay, a country in the Southern Cone where most citizens show a high degree of preference for state-run services and a

clear distaste for privatisation. Uruguay hit the international headlines for the first time in 1993, when it became the first country in the world where a referendum overturned a law paving the way for privatisation of state-run companies and services. In 2005, Uruguayans approved a constitutional clause stating that water is a natural resource essential to life and that access to piped water and sanitation services is a fundamental human right, in a referendum coinciding with the country's presidential elections. The author of chapter eighteen, Andrés Prieto (Universidad de la República), concludes that the new, self-styled 'progressive' government could be expected to implement policies that expand the quality and coverage of social services in response to citizens' demands. However, recent declarations by government officials suggesting changes in the traditional relationship between the state and society raise some doubts about the future of public services in the country.

The last two chapters are written by researchers from the Public Services International Research Unit (PSIRU, at the University of Greenwich). In chapter nineteen, David Hall looks at corporate actors, presenting a global review of multinational corporations in the water and electricity sectors. The chapter provides a description of the major companies active in these sectors and their activities in different regions, as well as discerning patterns in how their activities have changed. It then analyses some of the main political implications of this survey. Chapter twenty, written by David Hall, Emanuele Lobina and Robin de la Motte, examines the role of civil society in delaying, cancelling or reversing the privatisation of water and electricity. It presents data on the actors, on the issues and methods of the opposition, and on the results it has achieved. The authors demonstrate that civil society in 'developing countries' can mobilise highly effective political activity even when confronting heavyweight international actors such as development banks and multinational companies. The success of such opposition poses important challenges for the international institutions and donors, NGOs, the campaigns themselves, and the future development of national systems of electricity and water.

Further data will be available from the Transnational Institute's website (www.tni.org) in April 2006, in the form of an electronic database containing a statistical overview of key indicators on the quality, extension and accessibility of public services internationally.

Weaving a new net

Roberto Elissalde (*)

For a small team of researchers and journalists based in Uruguay – a small country in the South – to participate in the editorial co-ordination of a project as ambitious as the Public Services Yearbook is an enormous challenge. It entails many and varied responsibilities in terms of logistics and communications with contributors from around the world. But the most difficult task, evident in our daily work during the past months, has been to be able to know what is happening in other countries of the South itself.

The fluent working relationship that we have managed to build with the Transnational Institute in Amsterdam allowed us to use its network – friendly eyes and ears in all regions of the world – to weave a new series of relations between the North and the South, but also between those of us who live and work in the South.

To construct something new is always difficult, even now that geographical distances have been shortened by information and communication technology. This Yearbook is preceded by similar efforts in different areas of social and political activity. Without claiming to be totally original, we did attempt to take advantage of the intrinsic heterogeneity of this project. Citizens of many countries offered their academic, political and personal experiences, and engaged in the project at both a theoretical and practical level. All focused on a public interest perspective, but the book takes account of the diversity of culture, gender and stages of development. In the end, what could have been the greatest weakness of this publication became its main virtue.

Therefore, I would recommend that you read the entire book. Only after reading the many and diverse chapters can the reader gain a comprehensive picture of the drift of public services into private hands. The process of alienation has been based on private interest, with the active participation of bankers, consultants, economists, politicians, propagandists and marketing specialists. The results of this process are well known. And that is why the Yearbook can also be used to push forward a ‘reverse engineering’ of privatisation. When this process is seen through the eyes of a social scientist it is possible to understand its economic and political foundations; seen from the point of view of a journalist it is possible to understand how the ideology of the market has been imposed to weaken governments; seen from the viewpoint of those who have participated in campaigns against privatisations it is possible to grasp the viability of alternatives to something that has been sold as ‘the only solution’.

We are convinced that this first experience of joint work has been very fruitful. And we are even more confident that we have begun to weave a new web of relations and interchange of experiences that will allow those of us who live to the South or the North of the Equator to work more efficiently in defence of the most legitimate public interest.

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The future of public services

Besides the many and diverse problems faced at a national level, clearly identified in the case studies included in this volume, the future of public services is also threatened by global and regional negotiations on the liberalisation of trade, such as the General Agreement on Trade in Services (GATS) negotiated in the framework of the World Trade Organisation (WTO). If the services sector is liberalised further, states will lose most of their authority on the identity, origin, number and activities of private providers. Consequently, national, regional or local governments would no longer be able to implement poli-

cies designed to allocate public resources more equitably. In the case of the health sector, for instance, the GATS would forbid the implementation of local accountability measures that are essential for ensuring access to health-care as a basic human right, including any policy aimed at greater community-based control and decision-making that could challenge the free operation of the private sector. Moreover, in the education sector, as the boundary between public and private education becomes increasingly blurred in many countries, the danger is that commitments made to private education could easily leave the public system exposed. At its root, the GATS is in conflict with human rights, being a commercial agreement designed to expand business opportunities for



investors. Public services, by contrast, serve the public interest and must not be treated as commodities subject to commercial trade rules.

The recent agreement on services liberalisation reached at the December 2005 WTO Ministerial Summit in Hong Kong commits member states to far-reaching negotiations in order to facilitate new business opportunities for transnational companies. In exchange for a hollow package on agriculture, the text agreed in Hong Kong sanctions the launch of sectoral negotiations that will force all countries to provide foreign investors with the same rights as local suppliers. This would lock up the ability of poorer states to develop their own services sector. Until now, governments could choose which services would be included in the agreement, and most had excluded essential services such as water, education, health care, public transport, telecommunications and postal services. Under existing WTO trade rules any legislation and government policy on services can be challenged by another state on the grounds that they are 'barriers to trade'.

Public services reforms are also promoted by the investment chapters of regional free trade agreements and the more than 2,000 bilateral investment treaties (BITs) which protect foreign investment and regulate concessions, licenses, contractual agreements and permissions granted to foreign corporations. For example, as a result of the protection granted by these agreements to companies active in the water sector, Argentina now faces six legal demands worth more than six billion dollars from multinational consortiums headed by Suez and

Veolia, whilst Bolivia faces two legal actions at the International Centre for Settlement of Investment Disputes, hosted at the World Bank.

Even wealthy and 'developed' European societies are facing a neo-liberal offensive which seeks to open public services to market forces. An initiative dubbed the 'Bolkestein directive' (after its author, Dutch ex-commissioner Frits Bolkestein), has already been endorsed by the European Union. It aims at market-driven reforms of services and the demolition of labour regulations and health and safety conditions that were supposed to be at the core of the 'European social model'.

As the Co-ordinator of the Transnational Institute's Public Services Project which, together with PSIRU, was responsible for the production of this Yearbook, it is my pleasure to introduce the first of what will become a permanent series annual reports. All of the authors who contributed to this publication were entirely free to develop their own ideas, and although the contents of every chapter do not necessarily reflect the views of the Transnational Institute, they do reflect the challenging environment of plural and progressive thinking, analysis and debate that has always characterised it. We, editors and contributors, as well as all of the members of the TNI and PSIRU intellectual communities, are confident that trade unionists, social and political activists, government officials, NGO practitioners, researchers and students of public policy, will find in this first Yearbook incentives to keep trying in their efforts to build more equitable, democratic, accountable and efficient public services.

References

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