

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.

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