

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.

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