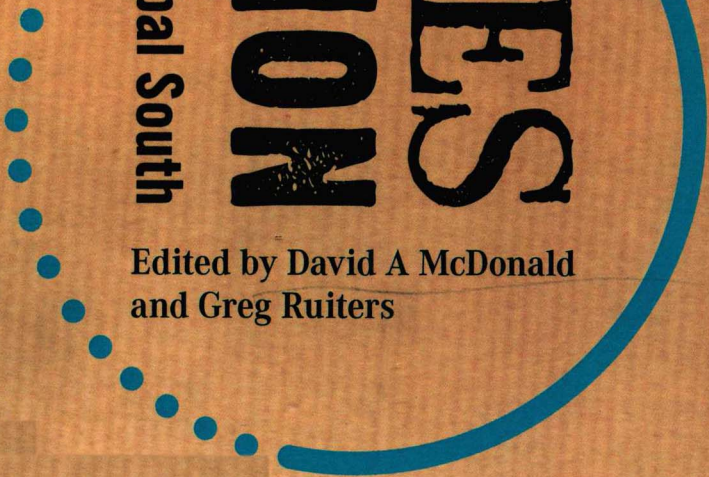


ALTERNATIVES TO PRIVATIZATION

Public options for essential services in the Global South

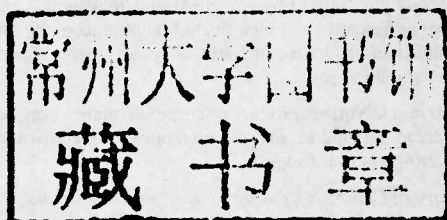
Edited by David A McDonald
and Greg Ruiters



Alternatives to Privatization

Public Options for Essential
Services in the Global South

**Edited by David A. McDonald
and Greg Ruiters**



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1 Introduction

In Search of Alternatives to Privatization

David A. McDonald and Greg Ruiters

In the ongoing debates about privatization, it is often argued that those who oppose private sector involvement in service delivery do not present concrete alternatives. There is some truth to this claim, springing in part from the deep impoverishment of debate since the onset of neoliberalism, which pronounced that “there is no alternative” to privatization. This also needs to be seen in contrast to the 1930s, and the post-World War II period when there was a strong sense of the limits and dangers of excessive domination of society by unfettered markets and private sector service provision and much greater scope for understanding the limits of capitalism and the use of state powers to ensure social integration and secure basic needs and wants.

Yet in the recent past, with the limits to privatization and financialization becoming more apparent, a burgeoning field of enquiry around alternatives has emerged, albeit in a fragmented and inconsistent way. Social movements have developed powerful rhetoric—such as “another world is possible” and “there must be alternatives”—but with little detail on how alternatives are constructed, to what extent they are reproducible, and what normative values might guide them (if any). The literature and practices that do speak directly to “alternatives to privatization” tend to be highly localized and sector-specific and lacking in conceptual and methodological consistency, leading to interesting but somewhat variegated case studies.

This book is an attempt to help fill this analytical and empirical gap by synthesizing existing work and generating new conceptual frameworks, which directly address questions of what constitutes alternatives, what makes them successful (or not), what improvements have been achieved, and what lessons are to be learned for future service delivery debates. The analysis is backed up by a comprehensive examination of initiatives in over 50 countries in Africa, Asia, and Latin America. It covers three sectors—health care, water/sanitation, and electricity—and is the first global survey

of its kind, providing a more rigorous and robust platform for evaluating alternatives than has existed to date and allowing for better (though still challenging) comparisons across regions and sectors.

Although our research focuses on particular sectors in particular regions, the findings are relevant to other services and to other parts of the world, at least in broad conceptual terms. Information of this type is urgently required by practitioners, unionists, social movements, and analysts alike, all of whom are seeking reliable knowledge on what kinds of public models work and their main strengths and weaknesses.

To this end, the book is intended as a first step in a multipronged research process. The findings presented here offer a preliminary review of the scope and character of “successful” alternatives in the different regions and sectors investigated, while at the same time providing a testing ground for conceptual frameworks and research methods. Subsequent research will provide more fine-tuned case studies in sectors and regions identified from this research to be of particular interest, with a focus on key themes that have emerged from the studies (such as the trend towards remunicipalizing water services and the tensions inherent in corporatized service delivery models). The book is therefore a starting point, not an endpoint, and is intended to act as a guide for our own future research as well as a catalyst for others.

The orientation of the research is academic but has involved activists, unionists, social movements, and non-governmental organizations (NGOs) from the outset. As with previous research by the Municipal Services Project,¹ the involvement of frontline workers, service users, policy makers, and others has been an essential part of the design and implementation of research, as well as of outputs and outreach. The perspectives and practices brought to the table by these various groups, based in various regions and sectors, complicate the traditional academic process, but the outcome is much richer for it. The book has thus been written to be academically rigorous but also to be accessible to policy makers, analysts, unionists, activists, and others familiar with the debates on privatization and its alternatives. Not all chapters will resonate with all readers, but the intention is that the book will help advance our understanding of alternatives to privatization in general and stimulate further research in this critically important area.

The book has been divided into three sections. The first looks at conceptual questions around the nature of the state in service provision, the role of labour and social movements, gendered outcomes of different service mechanisms, and the ways in which neoliberal practices and ideologies construct and constrict the push for alternative delivery systems. The second section is an empirical review of alternative models of service delivery broken down by region (Asia, Africa, and Latin America) and sector (health care, water/sanitation, and electricity). In this latter section, regionally based research teams were asked to identify as many “successful” alternatives as they could find in a given region and sector, categorize them according to

predefined typologies, and evaluate their achievements based on a set of normative criteria. The book concludes with a chapter that summarizes the findings of the research and points to future directions for study, policy, and activism.

WHAT IS AN “ALTERNATIVE TO PRIVATIZATION”?

An extended discussion of the methods and typologies developed for the collaborative research in this book is provided in Chapter 2, but it is useful to first explain what we mean by an “alternative to privatization”. We have defined alternatives in this book as (i) “public” entities that are entirely state-owned and operated (such as a municipal water utility or a provincial electricity generator) and (ii) “non-state” organizations that operate independently of the state on a not-for-profit basis and are oriented to principles of equality and social citizenship (such as certain types of NGOs or community groups). These two broadly defined groups might operate independently from each other or in some form of partnership (with “partnerships” forming a third category of sorts).

Notably, this definition includes non-state actors in notions of “public”, helping to get beyond the “stale positions staked out in the public-versus-private debate”, which has often limited the discussion to states versus the private sector (Bakker 2010, 218). More controversially, however, our definition excludes all forms of private, for-profit actors, be they large corporations or for-profit NGOs. In this regard our definition of privatization covers all forms of “private” ownership and/or management, including governmental, non-governmental, or community-based organizations operating on a for-profit basis.

There are fuzzy margins here, of course, many of which complicated our data collection and analysis. After all, the majority of public services operates within capitalist environments and procure goods and services from private firms and rely on certain private distribution and collection networks. There are also many highly regarded public services that have outsourced small aspects of their operations (e.g. meter reading) but otherwise operate on a non-commercial basis. Being “purist” in this regard was not logistically practical and might have unnecessarily eliminated some interesting examples of “alternatives” from our study. There are also NGOs that offer interesting alternative service delivery schemes on a not-for-profit basis in one location but have ties to profit-making ventures in other areas. To rule out these forms of service delivery could also have meant the loss of interesting case studies. Similar parameters apply to “community” service providers, many of which can be “private” (to the extent that they are not always accountable to political authorities or to the communities within which they operate) but could not necessarily be ruled out as “public” actors, particularly if they operated in non-marketized ways.

But the most vexing question of all was (and remains) what to make of “corporatized” services—i.e. state-owned and state-operated services run (to varying degrees) on commercial principles. Corporatized entities have become extremely popular over the past 20–30 years, and some have become more private than public in their orientation. They may not operate on a for-profit basis, but they function using market doctrines, valorizing the exchange rate of a service over its use value, prioritizing financial cost-benefit analysis in decision making, and employing private sector management techniques such as performance-based salaries. These corporatized entities often see their service delivery mandates framed in market terms of maximizing efficiency, promoting free enterprise, and serving individual consumer sovereignty (Shirley 1999, Bollier 2003, Preker and Harding 2003, Whincop 2003).

It is here that we found the biggest divisions amongst ourselves over the publicness of these corporatized entities and whether they should be considered “alternatives to privatization”. In the end it was decided that being purist on this point would not have been helpful either, knowing that some corporatized public entities have performed well when relying on (some) private sector operating principles and that democratic political processes can be used to buffer against overly marketized processes and outcomes (on the latter point, see Warner and Hefetz 2008). Individual research groups were therefore asked to determine whether they thought a particular corporatized entity was sufficiently “non-private” in its operational practice and ideologies to be included in the study. The outcome was that some corporatized service providers were included as positive examples of “alternatives to privatization”, and some were not. Uruguay’s corporatized water entity, *Obras Sanitarias del Estado* (OSE), is an example of the former, having been instrumental in the transformation of water services in that country into fairer and more transparent service provision (see Chapter 15, this volume). Many others were left out, such as South Africa’s parastatal electricity producer, Eskom, which initially extended subsidized electricity to millions after the end of apartheid but now acts much like a private company, cutting off low-income households for non-payment of services and aggressively pursuing privatized contracts in other parts of Africa (Greenberg 2009). This diffusion is a reflection of the conceptual differences of opinion within our research group, as well as a product of different interpretations and measurements of the more objective empirical evaluations of service performance captured in our “criteria for success”, such as accountability, equity, and quality of services (on which more will be said in Chapter 2, this volume).

In other words, there are no hard and fast boundaries between a “privatized” service and an “alternative to privatization”. Rather than lying along a linear trajectory of state ownership at one extreme and private ownership at the other, there are multiple criteria across different forms of provision that are fractured in relation to one another and in terms of more or less