

From privatisation ***to*** corporatisation

– Exploring the strategic shift in neoliberal policy on urban water services

JØRGEN EIKEN MAGDAHL
PUBLISHED 2012

The World Bank strategy, corporatisation projects
in Sub-Sahara Africa and implications for the
international water justice movement

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Informal settlement in Alexandra township, Johannesburg.

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Introduction

The privatisation of water services has become one of the most politically-sensitive and controversial topics in the development debate (Gutierrez 2003). Over the last 15–20 years, privatisation has generally been regarded as the predominant international strategy for the reform of urban water services (World Bank 2004a, 2006a, Prasad 2006, Hall & Lobina 2006, Goldman 2007, Castro 2008). The World Bank (WB) has led in this respect by being the foremost proponent and exponent of the privatisation strategy, whilst other international and regional finance institutions, as well as bi-lateral donors, have followed closely (see Magdahl et al. 2006, Goldman 2007, Castro 2008, Lobina & Hall 2009). However, there has been a development and shift away from privatisation as the dominant strategy towards the so-called *corporatisation* and *commercialisation* of public water services. This is also a neoliberal reform model.

During the World Water Forum in Mexico City in 2006, 20 000 demonstrators assembled in the streets, beyond the police barricades, to express their anger at the privatisation of water services. Inside the Forum, however, the director of the WB's Boards for Energy, Transport and Water Jamal Saghir arrives on the podium and announces that the pendulum has swung back to the public sector and away from privatisation (World Bank 2006a, 2006b). The WB's director is careful to emphasise that the "new" model and approach is not the same as privatisation, a distinction that it is important for opponents and sceptics of private water services to understand. This is more a matter of reform-based changes *within* the public sector.¹ The renewal of the neoliberal strategy is due primarily to the fact that privatisation reforms have frequently been hindered by resistance within many poor countries and cities as well as by a lack of interest from multi-national water companies. During the past years, corporatisation/

1 Personal notes from Session 3.16: Service Delivery and Local Empowerment: Turnaround of public utilities, 19.03.06. World Water Forum Mexico City.

commercialisation has therefore been a more strategic choice and more straightforward to carry out than privatisation.

The main purpose of this report is to analyse the *strategic development* in policy that has taken place, the WB's neoliberal strategy on corporatisation of urban water services and concrete case studies of corporatisation projects in Sub-Saharan Africa as examples of this strategy. The analysis seeks to contribute to an increased understanding – by a renewed and more developed theoretical understanding. The existing literature can be said to have analytical and theoretical deficits regarding the change within the neoliberal strategy and the “new” neoliberal phase of corporatisation. This concerns three types of relevant literature: (I) theory relating to neoliberal urban water services, (II) newer analyses of the WB's water service strategy, and (III) theory and analysis dealing with corporatisation in particular.

The theoretical insights and knowledge brought forward by the report will also have important normative political and strategic implications. It is for example necessary to update and adjust the international *resistance strategy* and social mobilisation by the so called “water justice movement”, which primarily has been directed against privatisation. Furthermore, the study can increase political awareness and knowledge in terms of what corporatisation involves. As such, the purpose of the report is also to politicise the question of corporatisation and to bring this in as a central and significant theme in the development debate around the reform of water services.

The particular focus on the WB is chosen on the basis that this institution, as previously stated, has played a primary role and contributes to setting the agenda for the international strategy around water services. WB will in any case be the largest external source of finance² and the most prominent advisor/consultant in connection with the reform of water services in poor countries.³ The focus of the report and of the case studies with which it deals is corporatisation projects in Sub-Saharan Africa. It is here we find the greatest number of people who lack access to water services and that the region is also unlikely to attain the UN's millennium goal in this respect (WHO & UNICEF 2010). This region also has the largest proportion of the population living in extreme poverty. Over 50 % of the population lives on less than 1.25 dollars per day (UN 2010).⁴

2 World Bank. Water Supply and Sanitation webpage:
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTWSS/O,,menuPK:337308~pagePK:149018~piPK:149093~theSitePK:337302,00.html> (accessed 10.09.06).

3 World Bank. Water Supply and Sanitation webpage:
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTWSS/O,,contentMDK:20249471~menuPK:514186~pagePK:210058~piPK:210062~theSitePK:337302,00.html> (accessed 10.10.07).

4 UN 25.09.08:
<http://www.un.org/millenniumgoals/pdf/Sub-Saharan%20Africa.pdf> (accessed 08.11.11),
 UNDP in Africa: <http://www.undp.org/africa/> (accessed 08.11.11).

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The report is divided into two main chapters, which are closely inter-linked. The *first* chapter presents an analysis of the WB's policy, as well as of the corporatisation strategy in more general terms. This is an analysis of the strategic and dynamic process from privatisation to corporatisation of urban water services, which forms the basis of a renewed theoretical understanding. Against the background of the theoretical and analytical deficits in the previously-mentioned literature, three questions are put forward which can contribute to the further development of theoretical understanding. Core questions in this respect are: *why* the corporatisation strategy has emerged as an alternative to privatisation, *how* this reform is attempting to succeed with the use of various instruments of power (including state power) and *what* social consequences this will have for access to water services for the poor. This first chapter is also based on and draws out the main findings in the report's case studies in order to undertake theoretical abstraction. In other words, the observations made in the case studies are not only theoretically informed but also strategic and theoretically informative (Sayer 1992, 2000). The *second* chapter, on the other hand, will give a more detailed account of the concrete case studies of corporatisation projects in Sub-Saharan Africa. The principal case is the corporatisation reform in Johannesburg, South Africa. Other cases that will be touched upon, more briefly, are from the cities of Cape Town (South Africa), Lusaka (Zambia) and Nairobi (Kenya), as well as experiences from various reform projects across Zambia and Namibia. *Lastly*, the conclusion will summarise the analytical findings and discuss their normative strategic and political implications.

Chapter 1

1.0 A renewed strategic and theoretical analysis

1.1 Review of the World Bank's strategy: The advent of corporatisation

From the beginning of the 1990s the WB was in the forefront of promoting the privatisation of water services, as a main strategy and as the best solution to the existing water crisis. This was laid out in the 1993 strategy document: “Water Resources Management” (World Bank 1993). The background for the privatisation strategy was the claim, in line with a neoliberal perspective, that governmental water services are inefficient and underpriced, resulting in a shortage of resources for improving access to and quality of the service. At the same time there was a lack of governmental investment in these services. This situation was worsened by, amongst other things, significant urbanisation in poor countries which in itself increased the demand for water services and thus for investment. In short, the state was said to have failed. Private companies, on the other hand, were thought to be more efficient and would contribute necessary investments (Gutierrez 2003, Castro 2006, Magdahl et al. 2006, Prasad 2006).

Most of the international finance institutions (IFIs) and donor countries chose the same strategy as the WB – privatisation. Significant actors in this respect have included the IMF, the regional development banks, leading OECD countries, the European Union, etc. (Goldman 2005, Magdahl et al. 2006, Castro 2008). Privatisation thus became the dominant international strategy; as Castro (2004, 2006, 2007, 2008) chose to put it, the “mainstream international water policy”. According to Goldman (2005),

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this shows that the WB played an important role in defining and articulating the international development policy for the reform of water services.

It is however possible to observe a change in the WB's strategy since 2003 in respect of urban water and sanitation services. This can be seen by examining the strategy documents that have been issued since that time (see box 1).

Box 1:

World Bank's more recent strategy documents – since 2003

Infrastructure Action Plan (World Bank 2003a)

Water Supply and Sanitation Sector Business Strategy (World Bank 2003b)

Water Resources Sector Strategy (World Bank 2004d)

The World Bank Group's Program for Water Supply and Sanitation (World Bank 2004b)

Operational Guidance for World Bank Group Staff (World Bank 2004a)

Implementation Progress Report of the Water Resources Sector Strategy (World Bank 2010).

Firstly, the WB recognises (2003a, 2003b, 2004a, 2004b, 2004d, 2010) that there are problems in relation to the privatisation strategy. The analysis that repeatedly forms the basis of the various strategy documents is that:

(...) only a small proportion of private investment in infrastructure went into water-related infrastructure – about 5 percent into water and sanitation (...) these investments were heavily concentrated in relatively low-risk economies in East Asia and Latin America. Even within these favored environments, the outlook is sobering. (...) Worldwide, only about 5 percent of water services are currently provided through the private sector. (...) Important as the entry of the private sector is, public utilities currently provide and will for the foreseeable future provide water to the vast majority of people in developing countries (World Bank 2003a: 19&44).

In short, the WB notes that there has been little private investment and that the privatisation reform in many cases has not been practicable. This

is because multi-national companies have shown a lack of willingness to invest – they have chosen to withdraw and to invest minimally in new projects in poor countries/regions (see figure 1). This is because of aversion to what they perceive as the great financial and political risk. Experience from previous privatisation projects indicates that they are not very profitable – partly because the poor often have limited opportunities to pay. In addition, a lack of ability to pay amongst poor service users has resulted in social resistance and political protests (The resistance will be dealt with in more detail later). This dissatisfaction has led to many privatisation projects folding up or being cancelled by the authorities, with the re-introduction of public management (so-called “remunicipalisation”) (Lobina & Hall 2003, Robbins 2003, Smith 2004, Hall et al. 2005, Prasad 2006, Castro 2008, McDonald forthcoming 2012). The WB’s own “Operations Evaluation Department” (WB-OED 2005:21&23) has undertaken an assessment of the privatisation strategy that criticises it for poor results: “The record of attempts to unbundle and privatize infrastructure has been poor (especially in electricity and water) (...) the record shows persistent over-optimism on privatization”. The evaluation report thus advises the WB to reconsider its privatisation strategy.

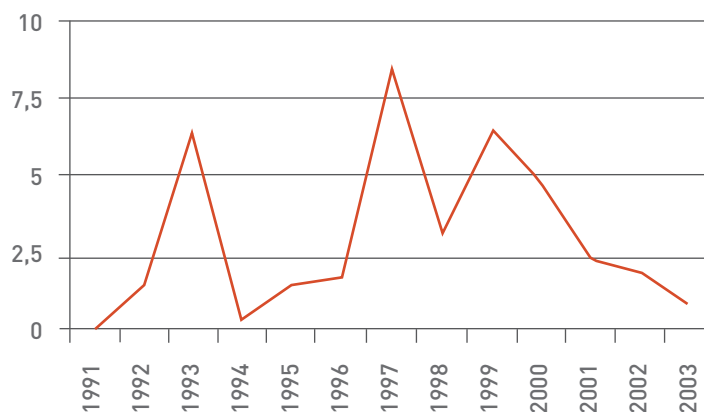


FIGURE 1: The development of private investment in the water and sanitation sector between 1990 and 2003 in developing countries (measured in US\$ billion per year). SOURCE: World Bank (2006a).

As an extension and consequence of this, the WB’s strategy documents conclude that it will also be necessary to focus on the reform of *public* water services (undertaken within the public sector). This new approach was first formulated in the WB’s (2003a) Infrastructure Action Plan, which was intended to contribute to a “revitalisation” of the strategy, and which set the tone for the subsequent strategies (see World Bank 2003b, 2004a, 2004b). Instead of solely promoting privatisation, the new recurrent message is that “The Bank Group will work across the full spectrum of public

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and private options for management and financing” (see Figure 2) (World Bank 2004a:13).

EVOLVING WBG BUSINESS MODEL: FOCUSING ON SERVICE DELIVERY

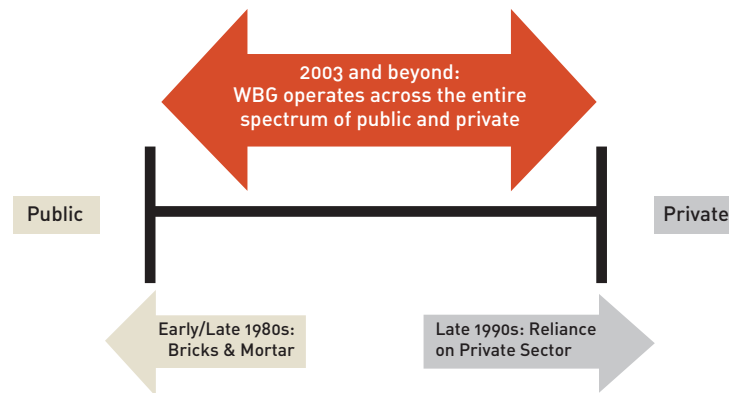


FIGURE 2: The WB presents the development of its own strategy – from dependence on the private sector to the promotion of both private and public-sector services. SOURCE: World Bank (2003a).

If we look more closely at the actual content, however, this rhetoric does not mean that all public reform alternatives are on the table. The strategy is essentially limited to one model consisting of corporatisation with the commercialisation of public water services (see in particular World Bank 2003b, 2004a, 2006a, 2010). This prioritising of corporatisation is repeated in the WB’s (2010:57) latest strategy update, in which it is termed an “innovative instrument” (see box 2 for more about corporatisation).

This preference for corporatisation can be related to the WB’s aim of institutional reforms of publically-owned water services, in order to make them financially efficient and “well-performing”. The WB makes it clear that they do not wish to work with what is regarded as inefficient management systems and models within public water services (World Bank 2003a, 2004a, 2004b). On the other hand it is emphasised that: “The Bank will work with well-performing publicly owned and –operated utilities as well as those that put in place a credible program to improve performance over time” (World Bank 2004a:iv). According to the WB (2004a), this requires the separation of water services into a discrete company:

Creating an autonomous statutory body offers opportunities for improvements in efficiency by (i) allowing bureaucratic administration to be replaced by commercial management, (ii) facilitating the introduction of clear financial and operational performance targets and cost accounting systems (...) (World Bank 2004a:7).

This method of organisation and management has many similarities with those found in private companies (World Bank 2006a), including amongst other things “Recovery of revenues from users within the near term to cover the utility’s operations and maintenance costs (...)” (World Bank 2004a:15).

Box 2:

Privatisation, corporatisation and commercialisation

Bakker (2005) points out that privatisation and commercialisation (in connection with corporatisation) are two processes that have similarities but which must be kept separate. Corporatisation and commercialisation can occur in the context of public ownership and management of the water service, without the service being transferred to a private company:

Privatization entails a change of ownership, or a handover of management, from the public to the private sector. Commercialization entails changes in resource management practices that introduce commercial principles (such as efficiency), methods (such as cost-benefit assessment), and objectives (such as profit-maximization). Privatization thus entails organizational change, in distinction from commercialization, which entails institutional change (in the sociological sense of rules, norms, and customs). Privatization and commercialization (although often interrelated) must be understood as distinct processes (Bakker 2005:544).

Corporatisation involves hiving off the service to a business unit/separate company which is responsible for service provision (Smith 2004, McDonald & Ruiters 2005). The company is owned by the public sector and is therefore:

(...) directed by (local) government but acting as a separate legal entity and largely dependent on its own revenues for its operation. Cross-subsidisation from other sectors or levels of government is discouraged, while evaluation is generally conducted on narrow cost accounting terms and senior managers are paid based on the financial performance of their ‘company’ (McDonald forthcoming 2012).

Box continues >>>

Instead of transferring ownership and organisation to the private sector, commercial private-sector operating principles are incorporated into the management of public services – so that operation is carried out on a commercial basis. This normally entails cost recovery marking a change in emphasis from public subsidy, as mentioned in the quote, to determining and recovering the “actual” cost of the service provision from the consumer (Brown et al. 2000, Bayliss & Kessler 2006, McDonald forthcoming 2012). So-called “managers” are given responsibility for financial effectiveness and profitability (Clarke & Newman 1997). According to the World Bank (2006a), an improved financial situation and accountable managers will provide better services for what are termed the consumers. This is in line with the management system and ideology “*New Public Management*” and “*managerialism*” (see Clarke & Newman 1997, Clarke 2004, World Bank 2006a) ●

The WB strategy is not unique but is part of a more general international trend and development towards corporatisation (World Bank 2006a). Smith (2004) describes corporatisation as the second neoliberal wave within international water-services policy – a successor to privatisation. Likewise, Schwartz (2008) points out that corporatisation has gained a following amongst international donors and lenders, since the strategy of privatisation has ended up in difficulties. Corporatisation has in any event become the *de facto* policy in many countries, according to Dagdeviren (2008a). As such, Loftus (2009:967) is probably correct in stating that: “(...) processes of corporatisation have taken precedence over formal privatization”. This creates the necessity for a re-working and updating of existing *theory of neoliberal water services* (see Castro et al. 2002, Castro 2004, 2006, 2008, Swyngedouw 2006, Goldman 2007, Laurie 2007). Their analytical viewpoint and neoliberal concept are often limited to privatisation, even though several types of neoliberal reforms exist. This focus on privatisation also fails to take account of the development towards corporatisation over a period of time. Such criticism is especially related to a so-called urban political ecological perspective on neoliberal water services (Castro et al. 2002, Swyngedouw 2006), as well as to the theoretical delineation of a neoliberal techno-economic position (also referred to as “mainstream international water policy”) (Castro 2004, 2006, 2008).

That being said, this development (towards corporatisation) must not be understood as meaning that any ambitions regarding continued privatisation reform have been completely abandoned in favour of corporatisation. For instance, the WB (2004b:25) writes: “As a means of increasing the efficiency and performance of water supply and sanitation services,

support for the engagement of private actors (local and international) will continue”. This is also demonstrated by Roaf (2006:25): “Following a review of some of the latest (since 2003) World Bank water and sanitation projects, there is evidence of both a continuation of a privatisation approach, as well as a move towards commercialisation [with corporatization] of state owned enterprises”. Several commentators have also referred to the introduction of new international initiatives which aim to support private companies and thereby the carrying out of more privatisation projects. For instance the WB has taken a lead in providing guarantee funds to protect the investments of private water companies against political risks and currency risks, as well as financing consultancy firms that are to facilitate privatisation reform in developing countries (for more on this, see WPFWI 2003, Hall & Motte 2004, WB & FIVAS 2006, Magdahl 2007, Lobina & Hall 2009, Swyngedouw 2009).

1.2 Corporatisation – a strategic and tactical shift

There are reasons to look more closely at the newer *analyses of the WB’s strategy* for water services and to supplement these contributions. A primary point in Lobina & Hall’s (2009) analysis is that the WB in its strategy is unable to *learn* from experiences relating to the problems associated with the privatisation of water services. As such, the WB strategy lays out, and still maintains, a neoliberal ideological strategy: “(...) the World Bank insists on thinking inside the box of its own [neoliberal] ideology” (Lobina & Hall 2009:6). Fine & Bayliss (2008) points out a shift in the WB’s strategy over a period. This, however, is primarily a shift in rhetoric, which consists of the WB claiming that it no longer supports just one model and that the approach has become more pragmatic since “(...) one model does not fit all (...)” (Fine & Bayliss 2008:84–85). The argument is that this has not been carried out in practice, such that no significant changes or rethinking of the strategy has taken place (see also Bayliss 2011) – and that it is only an attempt to gain legitimacy.

In sum, the newer analyses of the WB’s strategy have been mostly concerned with and have emphasised the lack of actual changes in strategy – in other words continuity (see Fine & Bayliss 2008, Lobina & Hall 2009, Bayliss 2011). Thereby, this analysis underlines the fact that the strategy does not go *outside*, or beyond, a neoliberal philosophy – something to which the introduction of the corporatisation model also contributes. One important reason for this understanding is that public water services copy private-sector management principles – through corporatisation reforms. These services behave like, and imitate, private companies. In addition, the WB’s support of privatisation continues and, according to this literature, still remains a main strategy.

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It is correct that this strategy still is neoliberal. But the analyses do not adequately treat the *strategic* and tactical development that has occurred *within* the strategy for neoliberal water services – towards promoting corporatisation. The existing literature dedicates too little attention to the strategic learning process that the WB's strategy and the neoliberal policy have undergone, with (internal) innovation, changes and renewal. The point is that the “new” neoliberal phase (of corporatisation) has not been sufficiently studied, and this can be said to be an *analytical and theoretical deficit* in the literature. For this reason it will now be investigated more closely.

The WB (2003b, 2004a, 2006a, 2006b, 2010) turns to the public sector and corporatisation/commercialisation, to not be hindered by the problems of initiating privatisation. This option is presented as a necessary one, in the light of privatisation having: “(...) substantially fallen short of expectations that it would help turn around this sector” (World Bank 2006a:1). Where the problems of privatisation have made the realisation of neoliberal management principles difficult, the state and public sector are instead suppose to ensure this.

The same emerges from the WB's *practice* in the various cases presented in this report. Even though the WB worked for privatisation and this was their first choice, the reform process resulted in support for corporatisation. In the cities of Johannesburg, Lusaka and Nairobi it appears that the local political context, entailing resistance to privatisation, determined or was significant for this outcome. In Lusaka there was also a lack of interest from private trans-national water companies. These findings support the assumption made by Roaf (2006:25) that the WB will adopt: “(...) continued state managed provision [commercialisation/corporatisation] where privatization processes are not publicly or politically acceptable, or where there is insufficient financial incentive for the private sector to be interested”.

So, apart from the aforementioned difficulties in attracting private investment, corporatisation is also driven by a resistance to privatisation. Resistance has caused problems for privatisation projects – both in terms of carrying them out and after the projects have been launched. This is because privatisation in many places is a very politicised and controversial matter (see World Bank 2004b, Fine & Bayliss 2008). Hall et al. (2005:286) show, amongst other things:

(....) the role of this opposition in delaying, cancelling, or reversing the privatisation of water and energy. Local civil society has successfully mobilised highly effective political activity, its opposition being based on the perceived conflicts between privatisation and equity, and over the role of the state and community in these sectors. Such opposition has involved dynamic interactions with existing political parties and structures, including the use of existing

electoral and judicial mechanisms. Its success poses challenges for the multilateral and donor community (...)

A WB report (2004b) discussing the privatisation strategy for infrastructure and water services also documents a widespread resistance:

But today, privatization is viewed differently – and often critically. Skepticism and outright hostility toward privatization are not limited to a few radical protesters. Opinion polls in several developing and transition economies, especially in Latin America, reveal growing public dissatisfaction with privatization. (...) Public discontent with privatization has been fueled by price increases, job reductions, and the high profits of firms (...). (...) as with all economic elixirs, privatization was oversimplified, oversold, and ultimately disappointing – delivering less than was promised. Recently, the alleged failures of privatization, improper restructuring, and overly rapid deregulation have led to street riots, skeptical press coverage, and mounting criticism of international financial institutions (World Bank 2004c:6&52).

This WB report concludes that such negative views are significant because reform policy in developing countries is dependent on popular support: “(...) public policies are largely determined by public support” (World Bank 2004c:58). In addition to better design and regulation of privatisation projects, corporatisation is brought forward as an alternative.

Concurring with this, another WB (2006d) report contends that corporatisation might both be widely applied and have an important potential as an alternative to privatisation. This is in light of the fact that: “(...) controversies slowed or halted privatization in many countries, leaving a considerable number of firms still in government hands” (World Bank 2006d:1). The report further states that this is due to a number of well-publicised cases in which the benefits of privatisation seemed too small or very unequally distributed. Utilities have two characteristics that make privatisation politically difficult. Firstly, investors often make excessive gains at the expense of customers or workers. Tariffs are also perceived as unfair. Secondly, basic services such as water and electricity are essential to everyday life and the public relies heavily on them. Consequently, service quality and tariffs are politically-sensitive issues and subject to controversy.

The authorities in poor countries can therefore perceive corporatisation and commercialisation as a method of avoiding private ownership and/or management, in order to keep water services in public hands (Boag & McDonald 2010). At the same time, the “new” approach of corporatisation can be a more politically-acceptable and less controversial reform than privatisation. As Roaf (2006:12) writes:

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Retaining the World Bank's ideological following of neo-liberalism (...) the new approach is the 'commercialisation' of water services. This is a more acceptable face of the marketisation of water and sanitation services, as the operations remain in public hands, and a new operating body is created [corporatisation].

In line with this, the case studies from Johannesburg, Lusaka and Nairobi illustrate that the corporatisation model has been chosen partly for strategic reasons (to avoid resistance and political debate). It should nevertheless be noted that even though corporatisation has been chosen as an option, this does not exclude privatisation at a future point. In Nairobi, for instance, corporatisation was considered to be the most tactical alternative at this time, but privatisation could possibly be carried out when there was less opposition. This privatisation has however not taken place. Lusaka also saw no privatisation of the corporatised water service, due, amongst other things, to resistance. It thus emerges from our findings from various places in Sub-Saharan Africa that corporatisation has primarily been regarded as a strategic alternative, rather than a forerunner, to privatisation (for more on this question see: Smith 2004, 2006, McDonald & Ruiters 2005, Bayliss 2008). In addition, the study by Pigeon (forthcoming 2012) from Dar es Salaam (Tanzania) reveals that the corporatisation reform was initiated after the privatisation contract was annulled by the authorities in 2005, when water services were returned to the public sector (by means of remunicipalisation).

Neoliberal hegemonic projects are not static and stable, but must be regarded as a process. Changes can occur within a neoliberal framework, in order to maintain and ensure the continuation of such a project (Jessop 2002, Peck & Tickell 2002, Hall 2005, Ruckert 2006, Brenner et al. 2010). As Ruckert (2006) and Jessop & Sum (2006) note, it is necessary for the strategies of the WB and the international neoliberal hegemonic projects to show *flexibility*. Neoliberal policies are beset by problems and faults and end up in crisis, which in the next instance prompts reform changes. Neoliberalism is thus an exploratory and experimental process in which the participants are learning by doing (Brenner et al. 2010).

This has been a necessary response to the tendency to crisis in the neoliberal privatisation strategy, caused partially by political resistance. The resistance can be explained by the lack of an inclusive cultural *hegemony*. Put differently, the norms and ideas of privatisation have not received sufficient consent, agreement and support from different countries and social groups. The neoliberalism that emerged in the 1980s (and early 90s) has faced substantial problems in relation to legitimacy (Jessop 2002, Peck & Tickell 2002, Jessop & Sum 2006, Ruckert 2006). It was met both with increasing hostility by the authorities in many developing countries and

cities and with popular resistance (World Bank 2004c – see also Peck & Tickell 2002, Ruckert 2006). The WB, however, needs to mobilise the authorities at national and local level in order to achieve reform. It has therefore adapted itself and realised that corporatisation is a more practicable management model in many places. In other words, local politics, often displaying resistance, have influenced the international neoliberal hegemony within water services (not only the other way round). Local resistance thus led to a response from the hegemonic project. This emphasises a dynamic and so-called *strategic relational* perspective on their mutual relationship (see Jessop 2005, Jessop & Sum 2006, Jessop 2008).

1.3 Strategic means – reinforcing the neoliberal project

The development towards corporatisation have been understood as an attempt to generate support and ideological legitimacy, amongst other things in order to suppress or limit the conflict around neoliberal reforms of water services (see Jessop & Sum 2006). In continuation of this it is also interesting to say something about the *means* by which attempts are made to achieve a more culturally-inclusive neoliberal hegemony within water services. Various strategic aids and techniques, often termed “governmental technologies”, are used and can contribute to securing a greater acceptance for corporatisation (and its management principles). Firstly, we will discuss the WB’s selective educational dissemination and promotion aimed at mobilising support from the authorities and technocrats at a national level and city level in developing countries. After this, we will analyse the more active use of state power to influence the subjective political perceptions, sense of identity and everyday practices of the poor in order to steer people away from alternative perspectives and resistance (see Peck & Tickell 2002, Jessop & Sum 2006, Ruckert 2006).

Selective educational dissemination and promotion of reforms

The WB attempts to display ideological leadership both by appearing as and performing as an “expert” on development. Even though the WB still makes use of conditions to introduce neoliberal reforms of water services in developing countries (in exchange for development assistance), the focus during the 1990s was increasingly directed towards being a “knowledge bank”. The WB’s goal is to be the primary source of knowledge and learning:

The World Bank Group is committed to remaining the premier source of development knowledge through reports, data and analytical tools, conferences, and the Internet. We are enhancing

our capacity to share this knowledge globally and are helping build partnerships and expertise in client countries.⁵

More specifically within water services, the WB draws the following picture of itself: “World Bank is recognized as a lead agency in terms of sector knowledge and analytics, in addition to its strategy and policy to sector development”.⁶

The corporatisation and commercialisation of water services is promoted through many channels: strategy documents, reports, presentations, ready-made multimedia learning modules, a toolkit and a manual for the reform of water services, lectures at various conferences, etc (see World Bank 2004a, 2006a, 2006b, 2006c).⁷ In addition, the WB undertakes an advisory role and participates in reform processes in developing countries. The WB maintains a dialogue with these countries and identifies and prepares reform projects (World Bank 2004a). The WB thus describes corporatisation and commercialisation in terms of: good management practices, the best institutional design for reform of public-sector water services, the most efficient solution, modernisation, etc. (World Bank 2004a, 2006a, 2006b). In other words, it is portrayed as the “correct” and most sensible reform model in public-sector water services – as the natural way of doing things (World Bank 2006a, 2006b, 2006c). In this way, the WB exerts an agenda-setting authority by excluding important questions from the development debate surrounding the reformation of water services (Larmour 2002). As such, the WB attempts to control and dominate this debate by marginalising political alternatives, disagreement and criticism (Jessop & Sum 2006). The WB displays a selective and narrow knowledge agenda.

In addition, there is inherent authority in behaving as a “professional expert” and in possessing “knowledge” in terms of development reform – which can contribute to policy transfer (Larmour 2002, Peck 2002). Dolowitz & Marsh (2000) highlight an increasing development problem inherent in the fact that international advice and consultant services, such as those operated by WB, promote one single model as “best practice” in many countries. This does not take account of the distinct contexts of different countries. A study by Bull et al. (2006:48), commissioned by the

5 Accessed 02.08.11:

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:21709046~menuPK:4851994~pagePK:51123644~piPK:329829~theSitePK:29708,00.html>

6 See web-page introduction:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTWSS/0,,contentMDK:20249471~menuPK:514186~pagePK:210058~piPK:210062~theSitePK:337302,00.html>
(accessed: 10.10.07).

7 See the WB’s learning package “Attributes of Well-Performing Water Utilities”,

<http://water.worldbank.org/water/multimedia/attributes-well-performing-water-utilities>
(accessed 31.10.11).

Norwegian Foreign Ministry, also shows that equally great problems can be caused by the use of consultants as conditions of aid. The reason is that: “Significant use of external consultants reduces customization to local circumstances and impedes ownership”.

In this regard, the WB’s understanding of good public water services is reduced to a “New Public Management” model. This is a technocratic neoliberal economic management form – thereby depoliticising management (World Bank 2004a, 2006a). The reason is that:

The institutional form of the operator is important (...) In particular, public sector managers will tend to be influenced by political pressures, although this will depend on the degree of corporatization. Corporatization strengthens the political autonomy of a publicly owned enterprise by making it increasingly self-sufficient financially (...) (World Bank 2005:5).

Technocratic “managers” are supposed to ensure cost recovery and politicians must not interfere to prevent this – even though it is often politically unpopular (World Bank 2004a, 2006a, Fine & Bayliss 2008). A rigid system for claiming payment from service consumers is a necessity. Those consumers who are unable to pay are to be disconnected from the water mains and lose access to the service:

The utility’s right to disconnect for nonpayment is a critical decision that needs to be totally left to management discretion [without political interference]. It is also a power that should be enforced without exception. Otherwise, the utility’s revenue-generating capacity is completely undermined. Over the years, policy makers have come to acknowledge that indeed customers who do not pay their water bill should be disconnected (World Bank 2006a:28).

Here water and the water service is defined as an *economic good*, implying that those who do not pay will be *excluded* from access to water (see Smith 2004, McDonald & Ruiters 2005, Roaf 2006). A primary objection is that the strategy of corporatisation/commercialisation goes too far in emphasising economic and financial effectiveness (World Bank 2004a, 2006a). In sum, WB is associated with what Castro (2004, 2006, 2007) terms an overly one-sided *techno-economic* neoliberal position.

The WB’s strategy and dissemination thus sidelines or subordinates a more *socio-political* perspective in which social differences and disparities in power are important for explaining a lack of access to water services (see Castro 2004, 2006, 2007). The WB does not take sufficient account of power differences – such as different access to money and that the poor

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therefore have limited opportunities to pay for water services. In urban areas it is money supply that often determines whether people have access to water (Swyngedouw 2004, 2006). Such power differences were also raised in UNDP's Human Development Report for 2006, with the title: "Beyond scarcity: Power, poverty and the global water crisis". According to the report, the primary reason for the existing water crisis and water shortage is the powerlessness of the poor – which means that they are systematically denied access to water services. It argues that: (...) the roots of the crisis in water can be traced to poverty, inequality and unequal power relationships, as well as flawed water management policies that exacerbate scarcity (UNDP 2006b:5). This means that: "In short, scarcity is manufactured through political processes and institutions that disadvantage the poor" (UNDP 2006a:3). The report points out that many of the poor lack the means to pay prices that include cost recovery and commercialisation.

Many of these [poor] households lack the capacity to meet cost-recovery charges on a commercial basis. (...) Most are already paying far more than they can afford to pay to meet their basic water needs in water markets that reinforce their poverty (...). However, willingness to pay is not the same as ability to pay – at least as that concept relates to human development. When spending on water accounts for a large share of the budget for households living on or below the income poverty line, expenditure in other areas – in health, education, nutrition and production – is compromised. (...) In effect, households are balancing the benefits of spending on water against the benefits of spending in other areas that ought to be seen as a social minimum of entitlements (UNDP 2006a:51–52).

This is in contrast to the WB (2006a) which justifies corporatisation, with its accompanying price increases, by saying the poor are willing to pay and often pay a high price in that they have to buy from private water kiosks, water vendors, etc. This does not take account of the fact that the poor in many cases cannot in any case afford or have an opportunity to pay a high price for water services – since this deprives them of the means of meeting other important basic needs, which they are then unable to pay for (UNDP 2006a).

However, a WB (2006c:2) research report looking at the corporatisation of utilities also points out that reforms: "(...) emphasize commercial goals over non-commercial goals. In the first place the goals often conflict to some degree, so that governments can't have it both ways". This counters the claim often made by reform advocates – that the model can pursue both. Here, commercial goals are seen to impede: "(...) insuring universal access to services by, if necessary, charging tariffs well below costs or extending

service into unprofitable territories” (World Bank 2006c:2). The report also underlines the need to recognize that reforms such as corporatization will not work in every context and must be applied selectively, rather than being used widely and indiscriminately. Hence, it is suggested that more must be learned through research and experimentation in order to specify when and where the approach might work. This leads us to a review of existing research.

Several studies conclude that the corporatisation/commercialisation of public services has resulted in social problems for poor service consumers – see Smith (2004, 2006), LaRRI (2005), Bayliss (2008), Bond & Dugard (2008), Dagdeviren (2008a, 2008b), Dugard (2010), Magdahl (2011). These studies look at corporatisation projects in Sub-Saharan African countries such as South Africa, Zambia, Namibia and Kenya. These studies have in common that they find corporatisation to have had severely negative consequences in societies in which great social inequalities and poverty are evident. These consequences relate especially to paying excessively-high service prices and to various forms of disconnecting poor people from water services due to non-payment. This is further illuminated later in the report, in the review of the various cases and of the above studies (see chapter 2). They show clearly that corporatisation/commercialisation is not the success story that the WB (2006a, 2006b) portrays it as. One of the cases highlighted as a success by the WB is the reform in Johannesburg, but the social problems that this has caused the poor are ignored (World Bank 2006a, 2006b, 2009). This can be seen from the experiences in Johannesburg, which will be discussed in depth in chapter 2.

These points of reference confirm Bayliss’ (2011) analysis of the WB’s knowledge dissemination, which calls for critical and sceptical examination of that the WB describes as success stories. The core of the problem, as the study by Karodia (2010:1) illustrates, is the narrowly-defined criteria for success: “The current performance management system is based on revenue generation and not the number of disconnections, health cost due to inaccessibility to clean water (...)”. Similarly, Waeyenberge et al. (2011:18) (see also Bayliss 2011) confirm that the WB’s: “(...) continued preoccupation with a handful of largely economic indicators will not stimulate greater access and may even be a disincentive to serving poor households. An alternative approach is required, with universal coverage as a starting point”. Smith’s (2004:390) empirical survey concludes that the effect of corporatisation can be just as negative for low-income households as privatisation. Against this background, Roaf (2006:25) criticises the WB’s strategy:

(...) neither the commercialisation of state owned utilities, nor the process of privatisation is any guarantee that pro-poor policies will be followed, and it is here that the old mistakes of the

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World Bank are made apparent. Despite much soul searching from the World Bank on why privatisation has been so unpopular and what could be done better to put right the mistakes that have been made, there seem still to be many projects which are failing to make the necessary commitments in order to ensure that projects reach the poor.

“Roll-out” of neoliberal state power

Another strategic mechanism, in addition to the presentation and dissemination of knowledge, is the increased exercise of *state power* over the poor. As we have already seen, the WB (2006a) recommended strongly that the state and water services use power to make the poor pay, and disconnect them when they fail to do so. This is also evident from the practice of the corporatisation projects that are examined in this report. In a number of places, as we shall see, so-called “pre-paid meters” have been installed. This technology takes the form of a box placed on the water supply pipe, so that the poor need to pay in advance to gain and/or maintain access to water. If they do not pay, the water supply is *automatically* disconnected. Another regularly-seen mechanism is the *manual* disconnection of poor households from the water supply due to overdue payments and debt to the water company.

These so-called “governmental technologies” impinge on people’s everyday practices. At their heart lies a neoliberal policy for fighting so-called “welfare dependence”, a policy that weakens social rights to water (for those who cannot pay). The result is the increased steering, control and disciplining of the urban under-class – which in any case is marginalised through the neoliberal policies (Rose 1996, Ruiters 2007, Peck & Tickell 2002, Ekers & Loftus 2008). This represents a deepening and reinforcement of the neoliberal project.

Neoliberal governmental technologies and measures within households are also intended to contribute to increasing individual responsibility for personal welfare – the acquisition of water. This responsibility can oblige the poor to develop self-discipline, in that they see it as necessary to act as paying consumers and to actively save water. In this way the poor are to be taught a “payment culture”. As several of the case studies illustrate, these technologies are regarded as essential to overcome a “culture of non-payment” – to counter the resistance against paying. In this way, the influence of actions on a micro level *can* contribute to the consolidation of an increased degree of cultural hegemony – by means of greater legitimacy, consent and acceptance of neoliberal principles (see Rose 1996, Jessop & Sum 2006, Rose et al. 2006, Jessop 2008, Ruiters 2007, Ekers & Loftus 2008).

PR campaigns and communication programmes aimed at changing people's perceptions also show a more active neoliberal state. In Johannesburg, these were intended to convince the residents and opponents in poor areas of the city that they would benefit in various ways from pre-paid meters and that saving water is also environmentally friendly.⁸ The campaign consisted of propaganda such as brochure distribution, radio and television advertising, putting up posters, etc. (interview, CAWP representative 1, CAWP representative 2). In Nairobi the objective of the communication programme was to change the attitude of the residents in such a way that the corporatisation reform would be regarded as positive. The programme was financed by a loan agreement with the WB.

The above is in line with Peck & Tickell's (2002) analysis of the development within neoliberalism more generally. This describes a transition from a so-called *neoliberal "rolling back" of the state* from the 1980s onwards. Important factors in the 1980s were the dismantling and discrediting of the Keynesian welfare state by means including market expansion, the introduction of competition and deregulation through privatisation. The dogmatic deregulation phase, as noted earlier, had evident limitations, since it led to increased disparities and more conflict, social problems and market failure (e.g. privatisation of water services). The neoliberal project thereby attempts to amend its policy and tactics. The problems are a sign of vulnerability, but at the same time they are used for the benefit of the project by means of transformation, discursive adjustment and re-structuring of the regulation (Peck & Tickell 2002). A development has thus taken place in the direction of a "roll-out" of the neoliberal state (since the 1990s). It is a neoliberalised state form and mode of governance, in which state power is deployed more proactively in regulatory and institutional re-structuring. Smith (2004) shows that a similar movement has taken place within neoliberal water services, from de-regulation and privatisation to re-regulation through the institutional reorganisation of public services by means of corporatisation.

A weakness of Smith's theoretical understanding, however, is that it concentrates on the introduction of the corporatisation model in too narrow a sense. The "roll-out" of neoliberal state power and its strategic function is given little theoretical attention. The same is the case with Fine & Bayliss' (2008) understanding of the WB's movement from the *Washington Consensus* to a *Post-Washington Consensus* (see also Waeyenberge et al. 2011). This means, amongst other things, that the WB is now open for state ownership and the public corporatisation of water services. As has been seen in our discussion, however, it is necessary to emphasise that corporatisation reforms can demand a more active use of state power in order to succeed. This can reinforce the neoliberal reforms and management

8 Johannesburg Water, Operation Gcin'amanzi pamphlet, collected in 2010.

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principles and may thus provide strategic advantages over privatisation, which has seen substantial problems.

More generally, analysis of the neoliberal “roll-out” of more active state power can provide theoretical explanation and increased understanding of the developments within neoliberal water services. This issue has been inadequately dealt with (theoretically) both in the existing critical literature about corporatisation and in the existing analyses of the WB’s strategy (see for example Smith 2004, 2006, LaRRI 2005, McDonald & Ruiters 2005, Bayliss 2008, Bond & Dugard 2008, Dagdeviren 2008a, 2008b, Fine & Bayliss 2008, Lobina & Hall 2009, Dugard 2010, Bayliss 2011).



Informal settlement in Alexandra township, Johannesburg.



Back-yard shacks in Phiri (Soweto township), Johannesburg.

Chapter 2

2.0 *Case studies:* Corporatisation projects in Sub-Saharan Africa

The purpose of this second chapter is to investigate the experiences of corporatisation projects in urban areas and countries in sub-Saharan Africa. This will indicate how the empirical insights have contributed to laying the foundations for several of the arguments in the above strategic and theoretical analysis. The case studies can also shed further light on and illustrate these arguments given that only some of the main empirical tendencies were abstracted in the previous section's theoretical and strategic analysis. The corporatisation reform in the city of Johannesburg (South Africa) will be the principal case study and therefore the most thoroughly discussed. Finally there will be a somewhat shorter review of various cases and studies involving corporatisation projects in other cities/countries in Sub-Saharan Africa.

2.1 Corporatisation reform in Johannesburg, South Africa

In 1997, the City of Johannesburg found itself in a financial crisis due to a budget deficit. This prompted wide-reaching reforms in the city's management, led by the African National Congress (ANC), which had governed Johannesburg since the end of apartheid in 1994 (GJMC 1999, CoJ 2001). In addition, the national authorities at the Ministry of Finance laid out demands that had to be met in order for the city to receive financial assistance.

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This required a re-structuring plan involving adequate cuts in public spending and more *cost-efficient services* (Interview, CoJ leadership position 1, Parnell & Robinson 2006, Parnell 2007). This also followed changes in the national ANC policy in the direction of a tighter neoliberal macro-economic framework with the “Growth, Employment and Redistribution” (GEAR) programme from 1996 (Beall et al. 2002, CoJ 2002, Parnell & Robinson 2006). Furthermore, the city worked on a strategy to make Johannesburg into a so-called “world-class city” (GJMC 1999, CoJ 2002). This included competitive prices for services (such as the water service) when compared with other cities, in order to maintain and attract new private companies. More efficient management of the water service was intended to ensure lower service costs for private companies, as this is regarded as a factor in their localisation (CoJ 2002, CoJ 2006). Harvey (1989) uses the term *entrepreneurialism* politics to denote this type of provision for inter-urban competition within a global capitalist economy.

In 1999 the Igoli 2002 strategy was introduced, involving re-structuring of the city’s governance, with a new institutional design. This was intended to increase efficiency and improve performance and service delivery as well as creating financial stability. For this reason the *corporatisation model* was introduced within the water and sanitation services, which were set up as a separate company. A company with the name “Johannesburg Water” was established in 2001, and: “It is defined in the Municipal Systems Act as a company under the ownership and control of a municipality, which is assigned the financial and operational authority to provide goods or services in accordance with ordinary business principles” (CoJ 2001:57). The Igoli 2002 strategy justifies this by stating that:

By establishing separate utilities for each trading service, the flexibility to introduce appropriate management practices will be possible. (...) The establishment of a utility will create commercial imperatives for improved performance and efficiency. There is lack of business skills. Departments are not run as businesses, and skills common to private sector companies are often lacking. This impacts negatively on performance and customer focus (GJMC 1999:15).

The leadership and management of the company is obliged to operate in a *cost-efficient* manner and will be held responsible for increased profitability – in the same way as in the private sector. The public service company is to manage the day-to-day operation on a commercial neoliberal basis. A central means to this end is to be increased user-payment recovery as well as a reduction in “unnecessary” expenditure (GJMC 1999, GJMC 2000, CoJ 2001, Smith 2004, 2006). In order to ensure this, the city applied a so-called client-contractor relationship model (which is a central feature

of the New Public Management approach), to create a clearer division of responsibility – making performance-based management and measurement possible (GJMC 1999, CoJ 2001):

The primary design feature of the iGoli 2002 model was to create a dividing line between the client and the contractor. The client – city administration, including the council, executive mayor and mayoral committee – would determine the city’s service delivery requirements, while “contractors” [the water company] would be given the mandate to meet these requirements (...) (Smith 2006:9).

The employees, however, lacked the relevant skills for operating the service commercially. The city therefore entered into a five-year contract with the multinational Suez Group, which was to transfer expertise and knowledge about management to the corporatised water service by contributing with “international best practice” (Smith 2006, World Bank 2009).

Corporatisation contra privatisation – a strategic choice

The object here is to look into the politics that explain *why* corporatisation was chosen rather than privatisation for the water service in Johannesburg. The WB had an advisory function and recommended privatisation of the water and sanitation services with a so-called concession contract. This would mean that the responsibility for operation, including planning and financing of investments, would be transferred to a *private* company. This type of contract generally runs for 20–30 years. This type of privatisation alternative was discussed but rejected in consultation with the city’s political leadership (Smith 2006, interview, CoJ leadership position 1). According to an informant who was involved in the decision-making process, the political context did not permit privatisation:

The World Bank moved straight to concession [a type of privatization contract] and they were informing us why concession was good. They motivated, enlightened and influenced us around going for a concession – that was where they came from at the time. We had to look at it carefully. Given the political situation we felt the concession was not an appropriate model for us. It was too politicized (Interview, CoJ leadership position 1).

This political decision was based on a recognition of the negative experiences with previous water-privatisation projects in South Africa: “(...) we have the history of Nelspruit and The Dolphin Coast, two public-private partnerships that where water concessions that failed. So, we were not

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going to go there” (interview, CoJ leadership position 1). For the authorities in Johannesburg, these projects were politicised in the sense of being controversial (interview, CoJ leadership position 1). The authorities in Johannesburg thus took a strategic choice, according to the WB (2009:VII):

In South Africa, a few municipalities contracted private operators during the 1990s under lease or concession contracts, but these arrangements proved to be controversial. The private operators' emphasis on cost recovery often created conflicts with a population used to evading utility bills. The municipality of Johannesburg (...) followed a radically different logic. It made the strategic decision to corporatize its water and sanitation utility and keep it under public management over the long term.

There were great fights and resistance against privatisation within the ruling party, ANC, in Johannesburg. An important argument was that with corporatisation, as opposed to privatisation, the state and politicians can still retain control and ownership, in a strategic sense (interview, CoJ leadership position 1, World Bank 2009). As such, the corporatisation model was a compromise (Smith 2006). The private sector was only to be used for collecting the knowledge and skills essential for operating the service on the basis of business logic, as previously mentioned (World Bank 2009, interview, CoJ leadership position 1). The goal was: “(...) not to transfer the utility to a private operator over the long term, but rather to leverage the expertise of an experienced operator for a few years in order to establish a viable, corporatized public water utility” (World Bank 2009:VII).

The main point is that making corporatisation distinct from privatisation was convincing. Choosing the corporatisation model had a strategic significance for negotiating internal agreement amongst the Johannesburg authorities and overcoming resistance within the ANC.

As Hay (1999) notes, however, internal agreement within the state (in this case, the authorities at city level) does not necessarily lead to stability. The trade-union, “South African Municipal Workers' Union (SAMWU), joined with civil society organisations in an attack on the reform plans, which they regarded as privatisation (Parnell & Robinson 2006, Barchiesi 2007). The authorities therefore attempted to convince the opponents by means of “consultation” and discussion (Barchiesi 2007). Once again, one of the foremost strategic arguments was that Igoli 2002 did not constitute complete privatisation, but rather internal companies within the public sector, with the city keeping hold of the overall responsibility (Parnell 2004). This was presented as less dogmatic than ideological privatisation, in which the most important feature was avoiding state ownership (Barchiesi 2007). Nevertheless, the conflict did not cease, even though

SAMWU eventually stopped its resistance and the social movements continued the battle alone (Parnell & Robinson 2006, Barchiesi 2007).

The choice of corporatisation was a product of the *local* political situation and the context in Johannesburg. This stood in *opposition* to the World Bank's advice and main strategy on privatisation at that time – which followed a broader international trend. The World Bank did not appreciate the decision by the City of Johannesburg but nevertheless supported the corporatisation process and showed understanding for their choice in the light of the local political resistance (interview, CoJ leadership position 1).

This illustrates that for international institutions and actors such as the WB to succeed; they are dependent on mobilising the authorities at other geographical levels, such as the local level. To attain stability and support, the international neoliberal hegemonic project must in fact *adapt* to local conditions and resistance. As such, Johannesburg politics also affect the international hegemonic project, from the bottom up (Jessop & Sum 2006). The World Bank has in this respect chosen to incorporate corporatisation reform as a part of its strategy, amongst other things in order to bypass local resistance in various places where privatisation is not practicable (see chap. 1). The introduction of corporatisation reform in Johannesburg and other cities can actually contribute to consolidating the dominance of the multi-national neoliberal hegemony within water services (see Peck & Tickell 2002, Jessop 2002).

The judgement in Johannesburg also reflects the increasing international awareness of the problems caused by privatisation, which means that corporatisation becomes an alternative neoliberal strategic model. This acknowledges the problems with the dogmatic neoliberal de-regulation phase, with the rolling back of the state, described by Peck & Tickell (2002) and Smith (2004), and opens for “roll-out” of *new* state institutions and forms of *service provision* (see also Smith 2004). This also creates the possibility of increased use of state power, which is now discussed in connection with the “Operation Gcin’amanzi” programme in Johannesburg.

“Operation Gcin’amanzi” and the use of neoliberal state power

“Operation Gcin’amanzi” was a new programme approved in 2003 and is described as a “flagship” within the strategy of the corporatised water service in Johannesburg (CoJ 2003, 2009). It was initially a pilot project that was begun in Phiri, one of the poorest areas in the Soweto township. Subsequently, “Operation Gcin’amanzi” has been introduced in a number of other areas of Soweto and the plan has been to cover another township called Alexandra (Dugard 2008, CoJ 2009). The idea is to ensure that the poor *pay* for water consumption. Therefore, the social policy instituted by

the authorities called the “Free Basic Water policy” only has an exemption for the first 6000 litres per month consumed by a household. Control of water consumption was to take place by the installation of pre-paid meters, but only within: “(...) lower-income working class areas (...)” (CoJ 2003:1) – the “townships”. “Pre-paid meters” are a rigid electronic control mechanism attached to the water pipe of each individual household in poor neighbourhoods and boroughs, which automatically cuts off the water if an extra volume has not been paid for (see picture). The reason for this is that: “Prepayment meters (...) was thought as the best way to deal with the ingrained non-payment habit, and the fact that many residents earned irregular wages in the informal economy and found it difficult to deal with monthly bills” (World Bank 2009:31). In addition, the payment was intended to persuade the poor to manage and *reduce* their *water consumption*, in order to attain a significant reduction in the water company’s costs in relation to purchasing its supply water (CoJ 2003, 2009). As much as 80 % of the water company’s total costs had gone on purchasing input water (CoJ 2002).

There is a powerful financial motivation behind this, which equates to a commercial business practice. The project is regarded as: “(...) the most viable business opportunity to Johannesburg Water in achieving greater efficiency and effectiveness over the next eight years” (CoJ 2003:47).

The project was a strategic response to the poor who fail to pay and thus threaten the commercialisation process. This lack of payment dates back to the mid-1980s, when very poor non-white townships began a payment boycott for services, including water. This was a protest against the poor level of service, for which the poor could not afford to pay, as well as against poverty and racial inequality under the apartheid regime (Beall et al. 2000, 2003, Dugard 2008). The problems of poverty and inequality continued, however, after the fall of the apartheid regime, which led to the poor continuing to refuse to pay for water services (Beall et al. 2000, 2003). Pre-paid meters were regarded as a method of *controlling* customers (CoJ 2003, World Bank 2009). The city authorities describe a: “(...) pre-payment meters rollout project, which will reduce the risk of non-payment” (CoJ 2009:130). It also states that: “Because of an improved tool to manage customers, metering inevitably leads to an *increase in payment percentages* (...)” (CoJ 2003:22, italics in original). Ruiters (2007:498-499) regards this as a method of eliminating the opportunity for political resistance in the form of payment boycotts: “Changing the ‘political opportunity’ structure for protest is an implicit aspect of PPM [Prepaid Meters]. Once PPM is installed, residents cannot withhold payment. Payment boycotts, used before to leverage concessions, are by definition ruled out”.

To counter this, the social movement “Coalition Against Water Privatisation” (CAWP), arose, as a part of the “Anti-Privatisation Forum” (APF) in Johannesburg. These fight against the exclusion of the poor and for a



Two types of pre-paid meters in Phiri (Soweto township), Johannesburg.

policy that covers their basic service needs, even though they do not have the means to pay. This view maintains that there should be a progressive price curve in relation to increased use, so that luxury consumption (swimming pools, etc) subsidises a satisfactory social policy for the poor (CAWP 2004, Bond 2005, Bond & Dugard 2008, Dugard 2008, 2010). CAWP and APF wish for an *alternative strategy*, in which water services are regarded as a common good (as opposed to as an economic good) and a universal citizenship right. This is a socio-political perspective, as described by Castro (2006, 2007).

It is necessary to examine more closely the political implications of “Operation Gcin’amanzi”, at the micro level. In Johannesburg, as in Phiri, it is reasonable to regard pre-paid meters as a micro-governmental technology which has contributed to shaping the domestic behaviour and practices of the poor (within the household). They learn to reckon in the fact that they have to pay and as a result that they need to save water. The interview with a poor female resident in Phiri, Soweto, can be used to illustrate this. She describes how pre-paid meters have resulted in calculations regarding saving water:

We had to reduce the water amount for bathing by half. We would make sure when cooking to make more food, and just warm up when eating tomorrow. Keeping the water after doing the dishes, so that we could flush the toilet. (...) We use to drink two liters a day, now it was one liter a day. (...) Down-prioritizing washing the house, although you know it should be done (Interview, Lindiwe).

A man from Phiri similarly describes that: “After washing, we put the water aside for the toilet. (...) Drinking, you suppose to have eight glasses a day – but we cannot do that” (Interview, Andile). Another male resident suggested that pre-paid meters are an advantage: “It helps manage the money, and not use money I don’t have. (...) pre-paid is a way of spending more wisely – you have to save water. My family try to not spend so much, and know how we spend” (interview, Sihle). This demonstrates a conscious attitude to saving, limiting, economising, calculating, prioritising, managing and weighing up in relation to the consumption and purchase of water. This represents a change in actions and day-to-day routines, enforced and brought about by the pre-paid meters. The study by Schnitzler (2008) from Johannesburg also supports this. The installation of pre-paid meters seemed to some as an imposition, since it was often presented as the only alternative and would otherwise not have been accepted (Schnitzler 2008). However, pre-paid meters also *teach* the poor budget discipline and calculating. Schnitzler (2008:914, italics in original) writes:

In the process, they were encouraged to subject their daily actions, and indeed their bodily functions, to constant (...) scrutiny. Life itself was here to become the subject of measurement, calculation and intervention to be carried out not by an invasive state, but by residents themselves.

The motive of the Johannesburg authorities was that: “To support behavioral change, an exhaustive program of (...) social intervention had to be implemented (...)” (World Bank 2009:32). Pre-paid meters are a governmental technology that allow the state to control and manage the actions of the poor from a distance and indirectly, by means of self-disciplining (see Rose 1996). Rose (1996:158) understands *governmental technologies* as “(...) indirect mechanisms that can translate the goals of political, social and economic authorities into the choices and commitments of individuals (...) through which they may be governed”. Neoliberal projects: “(...) encourage people to see themselves as individualized and active subjects responsible for enhancing their own well-being” (Larner 2000:11). Neoliberal governmental technologies can thus contribute to an individual sense of responsibility. Individuals, families and households have to take responsibility for their own welfare, by making their own choices, decisions and assessments within the private sphere. This responsibility can *discipline* and oblige people to exercise *self-management* in every-day life. Neoliberal technologies can thus shape and control the will of the poor by teaching them to exercise an individualised and rational “calculating” cost-benefit analysis (Rose 1996, Clarke 2004, Rose et al. 2006).

The City of Johannesburg paints a positive picture of the control that is exercised through pre-paid meters, which is said to be useful for the consumers (CoJ 2003). Its purpose is to be: “(...) helping customers take ownership of their consumption and manage their water expenses day to day (...)” (World Bank 2009:32). In a brochure that was distributed to the inhabitants of Phiri and Soweto, the message is: “Consumers will not fall into debt traps as the pre-payment system allows you to manage your consumption”⁹. In a “pedagogic” sense, the city authorities were intending to *promote* a *culture* of payment and saving water amongst poor “consumers”. This was to replace the radical political resistance culture, with its payment boycotts and “culture of non-payment” from the apartheid era (Aiello & Govender 1999, CoJ 2003, Ruiters 2007). This sort of consumer identity can also contribute to suppress the idea of social solidarity, citizenship rights and the state guaranteeing welfare (Rose et al. 2006, Clarke et al. 2007, Ruiters 2007).

9 Undated, Johannesburg Water, Operation Gcin’amanzi pamphlet, collected in 2010.

In common with other neoliberal micro-technologies, pre-paid meters also attempt to conceal state social control and the exercise of power, even though they convey state power (Rose 1996, Ruiters 2007). Pre-paid meters were regarded as a better alternative than that the authorities themselves should undertake *physical* disconnections in Soweto, with the accompanying danger of politicisation (Bond & Dugard 2008, World Bank 2009). The starting point was that: “This option allowed Johannesburg Water and the city to avoid having to resort to cutting service in case of nonpayment (...)” (World Bank 2009:31–32). With pre-paid meters, the water supply is disconnected automatically, so that this happens silently within the sphere of the private home. Instead of the authorities carrying out visible disconnections, it can appear that the consumer himself is responsible for the disconnection (hence the term “self-disconnections”). The “fault” is that they have not bought more water and it is their own responsibility to do so. Critics refer to this as “silent disconnections” (CAWP 2004, Bond & Dugard 2008, Schnitzler 2008). Ruiters (2007:499) concludes in this connection that: “Remote, depoliticized, and impersonal, prepaid meters displace the poverty ‘problem’ from the state to the individual household”.

Furthermore, the introduction of pre-paid meters is the same as Peck & Tickell (2002) called the “neoliberal roll-out” of more active state power by means of new technologies and discourses (practicing state social control, discipline and influence over the urban under-class). As we will now see, this also has social consequences for this group (Peck & Tickell 2002).

Social consequences for the poor

Pre-paid meters lead to social problems for poor households because these often consist of a large number of persons, many of whom are unemployed or have a low income (Bond & Dugard 2008). Several poor informants say that the water savings and economies that they practice are the result of a poor private economy. They have to pay when their pre-paid meter cuts off the water supply (once they have used up the monthly allowance of free water). One person states that: “We run out of water and have to pay, on the 10th to 15th [day of the month] – not halfway” (Interview, Andile). The same experiences emerge from another interview: “It was so hard, we’d run out [of water] at the 14th day of the month. Every month. And we go and buy, and buy, and buy – up until the end of the month” (Interview, Lindiwe). This tells us that the social policy, of an amount of free water is, far from adequate and that the poor therefore have to pay, even though they already practice water saving. Both our examples represent large households, with 11 and 16 persons respectively (Interview, Andile, Lindiwe). This is normal in Phiri, where the average is 13 persons (Bond & Dugard 2008). The free amount of water must therefore be divided amongst many individuals. An additional problem common to both households is that many of



Back-yard toilet in Phiri (Soweto township), Johannesburg.

FROM PRIVATISATION TO CORPORATISATION

the adults are either unemployed or have temporary jobs for very limited periods. Lindiwe, from a household of 11 persons, sums up all the sources of income. Together they have to make do with 720 rand (about 70 or \$91) a month – due to unemployment. The greater part of this comes from child support, whilst extremely little comes from salaries. About 50 rand (about 5 or \$6) a month goes in buying water. This is also consistent with the average monthly sum that households in Soweto, to which Phiri belongs, use on water (CoJ & PDG 2007). For the informant's household, the purchase of water, in a situation where there was a lack of means of payment, meant that water purchases were made at the cost of other basic needs and important purposes.

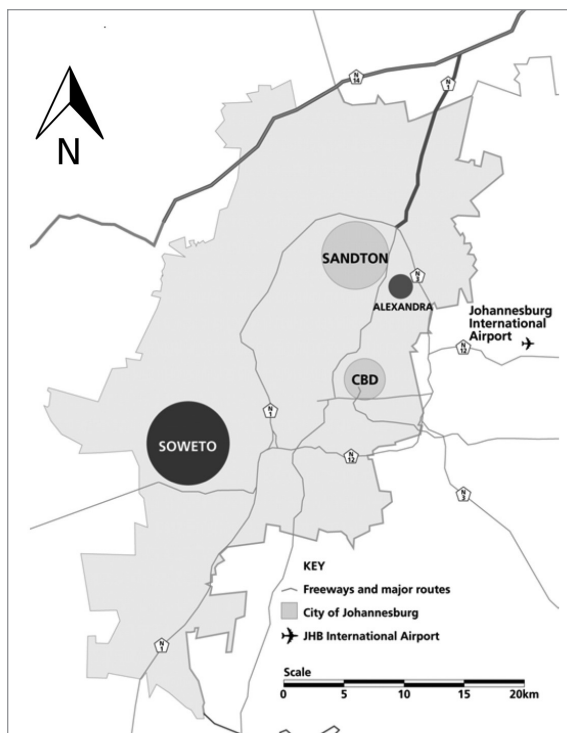
In making trade-off, if you look at things you need – I can't stay without water, it's no other way. So it's frustrating. (...) It was hard because we had to choose between buying a loaf of bread for breakfast or water units. And obviously when we run out of water, and was called for a job interview – you can't go dirty there (Interview, Lindiwe).

In addition to making priorities around saving water, the pre-paid meter as a management tool is here seen as requiring calculations and budgeting that sets different basic needs up against each other. This tool as such causes every-day practice to consist of prioritising, which adversely affects the quality of daily life and makes it more difficult for the poor. Several existing studies suggest that these are not isolated instances but that the problem is widespread in Phiri and Soweto. Schnitzler (2008) concludes that the poor who have pre-paid meters often have to choose between different basic needs. Bond & Dugard (2008:10) remark that: "(...) the majority of residents survive on government grants and cannot afford to spend any money on water. (...) As a result, Phiri residents must make undignified and unhealthy choices about basic hygiene and health". Hazelton (2010:73) concludes: "Many such families are unemployed and do not have money to pay for the very water that would sustain their lives". A consultant's report prepared as a commission for the City of Johannesburg shows that the amount of the free water allocation is too low, since many households in Soweto are so large, and recommends an increase (CoJ & PDG 2007).

Similarly, Swyngedouw (2006) writes about the connection between *power, water and money*. Access to water in urban areas, especially in poor countries, is dependent on money and the ability to pay (Swyngedouw 2004). The social and *geographical differences* in access to drinking water within urban areas can often be attributed to income differentials (Heynen & Swyngedouw 2004). We have just seen that in Phiri and other low-income areas of Soweto a lack of disposable income can explain the lack of ability to buy water.

This is because many residents in Phiri belong to the working class, a structural position that results in a lack of opportunities for adequate paid work and permanent employment. Beall et al. (2002) shows precisely that the class position and class structure have a great influence on the opportunities to get work in Johannesburg. Unemployment has increased substantially within the working class and in the poor under-class in suburbs such as Soweto. It has been pointed out that: “A large proportion of Johannesburg’s working-class population, mostly African, is located in a suburban location that is increasingly unable to offer them employment” (Beall et al. 2002:61). The transition from a so-called “racial Fordism” (term used by Beall et al. 2002) to “post-Fordism” was accompanied by de-industrialisation and a dramatic fall in the number of factory workers from the beginning of the 1980s, as was the case in many other cities. In Soweto, unemployment has stood at over 50 % since the year 2000.¹⁰

Amongst the middle and upper classes in more prosperous boroughs in the northern part of Johannesburg (such as Sandton), unemployment is almost non-existent. This also creates a geographic spatial social polarisation and segregation in Johannesburg (see map 1), with a largely class-based distribution.



MAP 1: The City of Johannesburg, showing the geographical location of Soweto and Sandton (Bond 2004).

10 http://www.joburg-archive.co.za/2009/pdfs/economic_development/regd_plan.pdf (accessed 10.11.10)

The above suggests that Castro (2007) is right in saying that existing structural and systematic inequalities between social groups can be reproduced and exacerbated by the neoliberal policy within water services, with its requirement for user payment.

2.2 Experiences from other corporatisation projects (in Sub-Saharan Africa)

By looking at other corporatisation projects in Sub-Saharan Africa it is possible to observe several similarities which show that the experiences from Johannesburg are not unique. We will look first at two cases in which the WB has been involved in the reform process. These cases show, amongst other things, how the WB from a strategic point of view was obliged to resort to corporatisation in order to carry out neoliberal reforms, since privatisation had proved impracticable. Two cases will then be presented in which the WB has not played a direct or explicit role. Nevertheless, as with the findings in the other cases, these cases support the proposition that the corporatisation strategy has led both to more active use of state power in order to secure payment from the poor and to problematic social consequences. This empirical review of different cases is based on existing studies of corporatisation/commercialisation reforms and other documentary sources such as aid and lending documents, strategy documents, project analyses and evaluations, newspaper articles, etc.

Zambia and Lusaka

In 2006, the water services in Zambia's ten large urban centres had introduced corporatisation and commercialisation reforms. These areas accommodate 90 % of the country's urban population (Dagdeviren 2008a, 2008b). Dagdeviren (2008a) notes that this follows a general trend in many developing countries, where corporatisation is being used rather than privatisation. Even though a new law in 1997 opened the way for privatisation this type of reform has been very little carried out in Zambia, with the exception of a contract that was wound up in 2005.

This is in spite of the push from the WB and their PPIAF (Public-Private Infrastructure Advisory Facility) to privatise the water service in the capital, Lusaka. In 2001, PPIAF paid US\$ 271,659 for the planning of a privatisation reform, in which the consultancy company Severn Trent International recommended a ten-year lease contract (Cocq 2005, WDM & FIVAS 2006). In 2002, the WB and PPIAF paid an additional US\$

198,989 for promoting the privatisation project. This included workshops, so-called consensus-building amongst stakeholders and the design of a communication strategy – in an attempt to overcome the lack of support (described as a “buy in”) for privatisation amongst the decision-makers, trade unions and consumer groups (WDM & FIVAS 2006). Water privatisation was regarded as politically sensitive (Cocq 2005, WDM & FIVAS 2006). Nor did the international water companies show any particular interest, due to the large political and financial risk that was associated with the project (their risk aversion was reinforced by the collapse of the privatisation project in Dar es Salaam, Tanzania) (WDM & FIVAS 2006). There was also concern that poverty would make the project little commercially profitable (Cocq 2005).

When the WB did not succeed in carrying out privatisation, it chose instead to support the city’s corporatised public water company in 2006. A revised loan of US\$ 23 million was given to Zambia and Lusaka (WDM & FIVAS 2006, World Bank 2007). The WB (2007:1) writes that the loan and project: “(...) complements Lusaka Water and Sewerage Company’s (LWSC) own efforts to improve efficiency, and supports its goals of financial recovery, and robust commercial and technical performance improvements”.

The studies by Dagdeviren (2008a, 2008b) and Dagdeviren & Robertson (2008) from Zambia more generally note that a standard corporatisation model has been copied from other places (such as emphasis on increased financial profitability, efficiency, cost recovery and reduction of subsidies). The objection is that this takes little account of the specific context in Zambia, where there is great poverty. *Firstly*, the new management model has resulted in a drastic increase in prices. Prices have increased more for the “low-cost housing” category, where the poor are to be found, than for the “medium-cost” category and in several instances for “high-cost” groups. In most of Zambia’s urban centres, poor households thereby use 10 % or more of their average monthly earnings on buying water (Dagdeviren 2008a, Dagdeviren & Robertson 2008). The Human Development Report from 2006 calculates that the poor can only afford to pay for water if they use under 3 % of their disposable income (UNDP 2006a, Dagdeviren 2008a). The consequence is that as much as 60 % of Zambia’s population cannot really afford to pay for their water. Zambia is one of the poorest countries in Sub-Saharan Africa – 80 % of the country’s population live on less than two dollars a day (Dagdeviren 2008b). The increase in prices for the poor has been a means of maximising the earnings of the commercial water services (Dagdeviren 2008a). High unemployment, low wages and the high costs of meeting other basic needs mean that families are unable to pay. Many are thus disconnected from the water supply.¹¹

11 Development Zambia 01.10.06: <http://www.langmead.com/cgi-bin/archfile.cgi?name=57935&magazine=development&issue=m1006> (accessed 03.10.11)

Secondly, there has been a 20 % reduction in the water service's degree of coverage – in other words, the number of households connected to the water supply. This has occurred in the wake of the corporatisation reforms because commercial water-service companies are reluctant to supply water to the slums in the suburbs, where the majority of the urban population lives. The reason for this is that it is difficult to achieve cost recovery here (Dagdeviren 2008a, Dagdeviren & Robertson 2008).

In Lusaka, the water service company began to install pre-paid meters in 2007. This was apparently recommended in PPIAFs consultancy report as early as 2001 (Cocq 2005). The project was introduced in heavily-populated areas where there was consumer non-payment or large amounts of unpaid debt, to prevent the accumulation of new debt. The company writes in this respect: “It was anticipated that pre-paid water meters would facilitate cost recovery – payment for water” (LWSC 2010:15). Pre-paid meters should also contribute to “Compliance monitoring” (...) (LWSC 2010:17). This measure has halved the water consumption by households. In addition, 45 % more customers now pay for a water service, at the same time as many have been obliged to pay their debts to the water company. The water company regards this as showing that the project has been successful and that it should therefore be introduced in other highly-populated areas in Lusaka where there are payment issues (LWSC 2010).¹² It is the economy and efficiency that is prioritised here, with little concern for social conditions. In Lusaka, water costs have accounted for about 30 % of the average income for poor households (figures for those with the lowest incomes, 2002-03), which is ten times the maximum percentage recommended by UNDP (Dagdeviren 2008a). Nevertheless, the water company is constantly announcing new price increases.¹³

Nairobi, Kenya

In the year 2000 the WB programme PPIAF paid US\$ 441,000 to the consultancy company Halcrow to plan a privatisation reform of the water service in Kenya's capital Nairobi. The consultancy company recommended the choice of either a lease contract or a management contract. The consultancy company also advised a 40 % increase in prices for the water service (WDM & FIVAS 2006). Instead, a reform was carried out in 2004 involving corporatisation and commercialisation of the public water service (with the establishment of the “Nairobi City Water and Sewerage Company”). The Government of Kenya went through the recommendations

¹² See also: LusakaTimes 01.07.09: <http://www.lusakatimes.com/2009/07/01/lwsc-cuts-cost-following-installation-of-prepaid-meters> (accessed 03.10.11)

¹³ The Post Online 15.01.11: http://www.postzambia.com/post-read_article.php?articleId=17306 (accessed 03.10.11)

in PPIAF's consultancy report regarding privatisation of the Nairobi water service, but chose corporatisation instead. Amongst other things it was seen as necessary to create adequate support for privatisation before such a reform could be launched (World Bank 2004e). The WB chose to support the corporatisation reform by approving a loan of US\$ 15 million in 2004, even though it had originally promoted privatisation (World Bank 2004e, Roaf 2006). It appears that the desire to minimise the risk of resistance from the civil society was significant for the decision to go for corporatisation (Roaf 2006).

The WB's project and loan document from 2004 gives the impression that the corporatisation reform is to be used initially but that privatisation can be carried out at a later stage if this gains greater acceptance than has been the case so far (World Bank 2004e). Over seven years later, however, no privatisation has taken place.

This can be seen in light of the substantial opposition to a proposed 10-year sub-contracting of billing and payment collection to a private company, which politicised the question of privatisation. The contract was therefore never put in place (Sammy 2004, WDM & FIVAS 2006). This, understandably enough, also made the more wide-reaching plans to privatise the whole water service more difficult. One of the arguments put forward in the debate that followed was that Nairobi City Council should choose commercialisation instead, which would also ensure an increased financial return (Bayliss & Hall 2000).

This being said, it was also regarded as necessary to secure more support and to build a consensus around corporatisation reform in Nairobi. This can be seen in the WB's loan document, which for this reason financed a communication strategy. One of the main goals was the creation of an "understanding" that the reform involves commercialisation (by means of corporatisation) and not privatisation, and that this model benefits the consumers. The PR strategy was intended to contribute to a shift in how the commercial service structure was regarded:

There is enough evidence that wss [Water and sanitation] service provision premised on commercial principles improves the quality and efficiency of service. The communication strategy is therefore driven by the need to instill a paradigm shift that positions service delivery underpinned by commercial principles as an efficient way to manage wss services (World Bank 2004e:76).

According to the document, the most important target group was the city's domestic consumers, as their agreement was absolutely essential if the reform was to be successful. They have the ability to get politically organised and thus become a very powerful group. In particular Nairobi's Resident Associations were to be influenced as these were regarded as having a great

influence on the city's inhabitants. The media were also to be used and journalists were to be "educated" in order that they should "understand" the reform. The strategy is also aimed at increasing support amongst decision-takers and local-authority leaders, in other words, the city authorities. Nairobi City Council has much of the responsibility for the institutional implementation of the reform, so the council's support and effort would be a decisive factor in whether the corporatisation and commercialisation would be "successful" (World Bank 2004e).

After the introduction of the corporatisation reform there have been heavy price hikes, with an average increase of over 65 % for the city's consumers.¹⁴ A large proportion of Nairobi's population lives in informal shanties in slum areas, with 60 % living under the poverty line. In order to attain the goal of increased earnings the commercialised service company employed strong measures. In 2007, for example, thousands of consumers were disconnected from the water supply so that they would pay their water-service bills (ADB, PPIAF & WSP 2009). In addition, it was decided in 2010 that pre-paid meters should be installed in certain districts in which it was difficult to obtain payment. This is a trial phase before the majority of the city's service customers will have pre-paid meters installed (within five years).¹⁵ The intention is to reduce consumer debt, lack of payments, illegal connections and the manipulation of traditional water meters – something that is especially common in the poor slum areas.¹⁶

Cape Town, South Africa

In addition to Johannesburg, Cape Town is another South-African city that has seen reforms involving commercialisation and corporatisation. In both places this is partly due to the national macro-economic policy introduced in 1996 under the name of "Growth, Employment and Redistribution" (GEAR). This involved tight budgetary discipline which led to a substantial reduction in the national government's financial allocations to the country's cities. In addition, the city authorities were given increased responsibility for improving the water services at the same time as a rapid

14 OOSKANews 31.03.08: <http://www.ooskanews.com> (accessed 03.10.11), Business Daily 22.04.10: <http://www.businessdailyafrica.com/Corporate+News/Water+billing+goes+hi+tech+with+pre+paid+meters/-/539550/904020/-/item/1/-/a33pf2z/-/index.html> (accessed 24.06.11).

15 Business Daily 22.04.10: <http://www.businessdailyafrica.com/Corporate+News/Water+billing+goes+hi+tech+with+pre+paid+meters/-/539550/904020/-/item/1/-/a33pf2z/-/index.html> (accessed 24.06.11), OOSKANews 11.07.11: <http://www.ooskanews.com> (accessed 27.09.11).

16 Business Daily 22.04.10: <http://www.businessdailyafrica.com/Corporate+News/Water+billing+goes+hi+tech+with+pre+paid+meters/-/539550/904020/-/item/1/-/a33pf2z/-/index.html> (accessed 24.06.11), Business Daily 20.06.11: <http://www.businessdailyafrica.com/Corporate+News/Nairobi+water+users+to+pay+upfront+as+billing+goes+hi+tech/-/539550/1184686/-/item/1/-/e6bi3p/-/index.html> (accessed 24.06.11).

urbanisation took place, with the arrival of people wanting to escape from rural poverty. This meant that local authorities at city level in South Africa found themselves in a difficult economic situation, which led them to deploy neoliberal service-delivery models (CoJ 2001, Beall et al. 2002, Smith & Hanson 2003, Smith 2004).

Studies by Smith & Hanson (2003) and Smith (2004) show how the five-year commercialisation process that moved towards and led up to the corporatisation reform in Cape Town has yielded very negative results for poor, low-income households (during the period 1997 to 2001). The commercialisation process resulted in substantial increases in the price of the water service, especially for poor households – such that the monthly cost of meeting basic needs rose. As such, the corporatisation strategy made the situation of the poor more difficult and contributed to maintaining the city's geographical inequality and segregation that was inherited from the apartheid era. The so-called townships are characterised by households in deep poverty, in contrast to more prosperous districts of the city. Credit and payment control measures were also introduced, meaning that non-payers were disconnected from the water system. This was a means of dealing with illegal connections, non-payment and accumulated debt to the water company. As many as 160 000 households, almost exclusively in poor districts, were disconnected during this period. This also included the suburb of Tygerberg and an associated poor township called Khayelitsha. The many disconnections, however, provoked disturbances and resistance. The large numbers of households that did not pay also created problems for the authorities, since this became difficult to handle (to disconnect on such a large scale).

In 2007 the city introduced a project that involved the installation of pre-paid meters in poor, low-income districts (in which pre-paid meters were given the name “Water Management Devices”) and so far 30 000 of these have been installed.¹⁷ Even though the poor have been allocated a certain volume of free water, as was the case also in Johannesburg, this has been inadequate in many cases. In addition, the poor often cannot afford to pay for extra water. The pre-paid meters do not always work properly and can stop working for several weeks at a time.¹⁸

Namibia

In 1997 the Namibian government decided to corporatise the national water-service company which supplied water to the country's local water services. The Namibia Water Corporation was established – referred to as

17 City of Cape Town website: <http://www.capetown.gov.za/en/Pages/Deviceshelpsavewaterandmoney.aspx> (accessed 29.01.12)

18 West Cape News 13.07.10: <http://westcapenews.com/?p=1729> (accessed 23.09.11), IPS 22.03.09: <http://ipsnews.net/news.asp?idnews=46226> (accessed 23.09.11)

Namwater. The commercialisation reform meant that the state subsidy of water prices was replaced by a policy of cost recovery. LaRRI (2005) and Bayliss (2008) show that this resulted in a substantial increase in the price that the water services in the country's cities and villages had to pay to buy supply water from Namwater. On average there was a price hike of as much as 114 % between 1998 and 2004 (Bayliss 2008). In a number of places this meant that the local water service providers experienced problems in obtaining payment from their consumers in poor areas, as they could not afford to pay the inflated prices. This in turn meant that the water service providers had problems meeting their costs to Namwater, thus getting into debt. Non-payment from service consumers is due amongst other things to high unemployment and that many are in poverty (LaRRI 2005, Smith 2006, Bayliss 2008). A large number of people also have HIV/AIDS and much of their money is spent on medicines. Some households are also headed by children who have been orphaned as a result of AIDS. In addition, the concept still lingers of using non-payment as a political tool and leverage, originally used to undermine the apartheid regime, which was dismantled in 1990. Some local politicians have claimed from their side that there is a "culture of non-payment" (Bayliss 2008).

The supply of water from the national authorities to many local water-service providers was reduced or cut on account of their accumulated debts to Namwater (which in turn were the result of the price increases in combination with non-payment from consumers). As a result of this, a large number of cities and villages took a much harder line with consumers who failed to pay. The two main measures that have been introduced are pre-paid meters and disconnection from the water mains (LaRRI 2005, Bayliss 2008). This is intended to discipline the poor so that they acquire a culture of payment and save water. The national authorities also promote pre-paid meters as a solution to the problem of accumulated debt caused by non-payment (LaRRI 2005). In poor districts and local communities, however, this has been termed Namibia's "new apartheid":

[Pre-paid] meters have been installed in black townships and shanty towns, not in rich suburbs or in the industrial areas where vast amounts of water are consumed. The result is that those who can afford to pay are able to use as much as they please on "credit" meters while those without the means are often left without water and have to pay in advance (LaRRI 2005:268).

In poor districts and informal shanties there are families who are unable to pay for water services. Therefore pre-paid meters have hit these particularly hard (LaRRI 2004).¹⁹

19 The Namibian 04.04.06: [http://www.namibian.com.na/index.php?id=28&tx_ttnews\[tt_news\]=21406&no_cache=1](http://www.namibian.com.na/index.php?id=28&tx_ttnews[tt_news]=21406&no_cache=1) (accessed 30.11.11)

Chapter 3

3.0 *Conclusion:* Analytical summary and counter-strategy

This report has explored the development from privatisation to corporatisation within the neoliberal policy on urban water services, looking especially at the WB's strategy and at case studies of corporatisation projects in Sub-Saharan Africa. Firstly we will summarise the analytical findings, before we discuss their normative strategic and political implications.

3.1 Analytical findings

A review has identified three types of existing literature that were particularly relevant for our study. These bodies of literature exhibits analytical and theoretical deficits: (I) much of the existing literature and *critical theory* on *neoliberal water services* is mainly concerned with privatisation and does not take account of the development (over a period) within neoliberal policy towards corporatisation (see Castro et al. 2002, Castro 2004, 2006, 2008, Swyngedouw 2006, Goldman 2007, Laurie 2007); (II) newer studies and *analyses of the WB's strategy* are most concerned with continuity, whilst changes within the neoliberal strategy involving the corporatisation of water services have been little studied and analysed (see Fine & Bayliss 2008, Lobina & Hall 2009, Bayliss 2011); (III) in *the writings on corporatisation*, as well as in both the above-mentioned groups of literature, there is little theoretical treatment and understanding of corporatisation carrying with it a “deepened” form of neo-liberalism, with a more

active use of state power (Smith 2004, 2006, LaRRI 2005, McDonald & Ruiters 2005, Bayliss 2008, Dagdeviren 2008a, 2008b, Dugard 2010).

It can therefore be said that the analysis in this report has gone further than the above-mentioned literature, both in terms of examining the change within the neoliberal strategy and in analysing the “new” neoliberal phase of corporatisation as such. This contributes to a theoretical renewal and further development. This was achieved by analysing three questions.

The first question involved examining *why* the corporatisation strategy has emerged as an alternative to privatisation. The WB’s neoliberal policy and the hegemonic project within urban water services have undergone an *internal strategic* and *dynamic* learning process over a period. The corporatisation model was, amongst other things, a strategic relational response, related to a lack of interest on the part of private multinational companies as well as to both local and international resistance to privatisation. Public-sector reforms have become an alternative to enable the realisation of neoliberal policies. These can provide the necessary acceptance for and consolidation of the hegemonic project. This means that the question of *ownership* forms a strategic and tactical difference. In that the corporatisation reforms retain public ownership, the privatisation debate can be avoided. The analysis here can, amongst other things, supplement the existing analyses of the WB’s strategy, which have mostly emphasised the similarities and continuity between privatisation and corporatisation (such as the replication of private-sector management principles) (Fine & Bayliss 2008, Lobina & Hall 2009, Bayliss 2011).

This led on to the next question: *how* the corporatisation strategy attempts to succeed with the use of various means of power. The WB undertakes information dissemination concerning corporatisation reform which seeks to define it as a “right” and “common-sense” approach in order to achieve a neoliberal cultural hegemony (see also Hall 2005, Jessop & Sum 2006, Waeyenberge & Fine 2011). The power of definition is being exerted in order to influence the authorities in developing countries. Another measure has been the roll-out of a more active neoliberal state power, in order to counter resistance and ensure social acceptance amongst the poor. Governmental technologies such as pre-paid meters and manual disconnections are intended to affect the subjective political perception, identity and everyday practice of the poor so that they will be taught a payment culture and to economise by saving water. This can ensure the implementation of neoliberal policy and thereby reinforce the hegemonic project, something that was difficult with the privatisation strategy and which met great resistance.

The final question was *which* social consequences different corporatisation projects in Sub-Saharan Africa have for the access of the poor to water services. Commercial management methods have led to high water

prices and rigid payment control. This was highly problematic on account of inability to pay and because it weakened the opportunity to meet other important basic needs that the poor then cannot afford. The case study from Zambia also illustrated reluctance to expand the water network and water service to poor suburbs, as this is not commercially viable.

3.2 Counter-strategy

This extended analytical understanding of the development within neoliberal policy also has normative political and strategic implications. First of all, the findings indicate a need to *update* and *adjust* the *international resistance strategy* by what is termed the “the water justice movement”²⁰ (Davidson-Harden et al. 2007, Barlow 2008, Conant 2010). This movement’s counter-hegemonic strategy for combating neoliberal water services has largely focussed on privatisation. The fight for hegemony is often regarded, somewhat simplistically, as: “(...) essentially one between forms of public, or citizen control/administration/stewardship of water as a human right and part of the global commons, and private forms of control of water for profit [by the global corporate agenda for water privatization] (Davidson-Harden et al. 2007:7–8). We have however seen that the WB’s strategy and the neoliberal hegemonic project (particularly in developing countries) has moved in the direction of corporatisation and the use of state power in order to counter the broad and effective resistance to privatisation. The challenge for the strategy of the water justice movement will thus be to use this analysis as a foundation by relating to, countering and directing the strategy towards opposing this type of development with corporatisation. This is necessary, for the counter-hegemonic strategy to be sufficiently up-to-date, relevant and precise. The neoliberal project should not be allowed to succeed in its attempt to counter or circumvent resistance. In the same way as the WB’s strategy, resistance too must display relational dynamics and flexibility – in other words, must adapt itself to a changed *strategic context* and renew its analysis of this (see Jessop 2005).

In addition, the report documents problems with the reform project (in Sub-Saharan Africa), which can be used and referred to in order to criticise the strategy of corporatisation.

In this regard, it is interesting to note that a WB (2006d) report considers it to be a great potential for resistance against corporatisation. This is apparent in the reports assessment of “The Prospects for Reform”:

²⁰ This term is used by a global movement, which is particularly based on two international networks – “Water Justice” and “Reclaiming Public Water Network” – and consists of social movements, trade unions and other organisations.

The controversies surrounding privatization lead many to assume that alternative approaches [like corporatization] will be easier or more readily accepted. But the truth is that the challenges facing the alternatives are similar to, and in some respects harder than, those facing privatization. One reason is that they share a common goal of promoting more commercial behavior. In cases where privatization has been controversial because commercial goals conflict with strongly held social goals, the alternative reforms risk igniting the same controversies. And it may be politically less acceptable for a government firm to take socially painful actions – such as raising tariffs or laying off surplus workers – than it is for a private firm. (...) the public may hold government firms to a higher standard of social responsibility and expect private firms to be callous (World Bank 2006d:4).

This reveals a political space for generating and mobilising resistance, and can be perceived as an opportunity. From a strategic point of view, the water justice movement should therefore illuminate and create attention around the problems that corporatisation cause through commercialisation. It must naturally be expected that public authorities will take a more social and equitable approach than private water services. This is in opposition to and should prevent a view that: “(...) it may be more acceptable for a government enterprise to inflict social pain because at least private investors do not profit as a result” (World Bank 2006d:4). For the same reason, it may be strategically wise to highlight the selective use of neoliberal state power and governmental technologies against the poor, which can spark resistance. In some places this has already created new targets for resistance. For instance, in Johannesburg, Cape Town and Namibia different types of actors fought against pre-paid meters by sabotaging their installation, destroying or tampering with (bypassing) them (LaRRi 2004, Ruiters 2007, Dugard 2008, Magdahl 2011). This touches upon the way: “(...) actors (individual and/or collective) take account of this differential privileging [selective use of state power] through ‘strategic-context’ analysis when undertaking a course of action (Jessop as 2005:48). When the policy of payment is not practicable due to resistance the neoliberal reform has failed and/or the problems have led to the harder use of power and control on the part of the state (LaRRi 2004, Ruiters 2007, Dugard 2008, Magdahl 2011). As Loftus & Lumsden (2008:123) chose to put it: “Seeing how hegemony is established and contested within the water network makes clear both the day-to-day achievement of, and the fragility of, hegemony”.

This also highlights the need for more local contextual studies of social struggles against corporatisation – to demonstrate the room for resistance and perhaps learn from strategies in other places. Analyses and explanations

of strategic choices, however, must also examine how social movements understand and act on the basis of the local political contextual relationship with the state, by taking account of the concrete strategic opportunities and limitations that exist (Dugard 2008, Magdahl 2011, Stokke & Lier 2009).

Our report also has significance for the promotion by the water justice movement of *alternatives* to privatisation, which has been an important part of its strategy. The so-called *public-public partnerships* (PUPs) have received the most attention and are the best-known alternative. These are defined as: “a twinning arrangement with a stated non-profit motive that aims to improve water services in one or more of the partner regions and which includes only public partners²¹” (Boag & McDonald 2010:4). Boag & McDonald (2010) object that there has been a tendency to uncritically celebrate PUP initiatives. The findings in our analysis supports the need for: “(...) practitioners and analysts of PUPs [to] pay more careful attention to the increasingly corporatised nature of public-sector water providers and incorporate these insights into their evaluation and planning. Just because a water service is publicly owned does not mean it is being run in the larger public interest” (Boag & McDonald 2010:15). The trend of *re-municipalising* water services, through the discontinuation of privatisation projects, is another alternative that has become the subject of increased attention (Hoedeman et al. forthcoming 2012, McDonald forthcoming 2012, Pigeon forthcoming 2012). But, as the study by Pigeon (forthcoming 2012) from Dar es Salaam observes, this can result in corporatisation reform, with a weakened commitment to the public interest. This shows the importance both of being positive to re-municipalisation with a high degree of “*publicness*” and critical to a commercial logic (Hoedeman et al. forthcoming 2012, McDonald forthcoming 2012).

Finally, it is also necessary that the various donors and institutions reconsider their financial and political support for the WB. The WB’s corporatisation strategy and information dissemination programme cannot be regarded as politically impartial and socially neutral – or as unassailably “technically correct” (see Mehta 2001, Waeyenberge & Fine 2011). Rather, it has a neoliberal ideological bias and the WB promotes its political project through the use of state power, which undermines social access to water services for the poor.

21 This builds on the following description of PUPs: “(...) a water service which fits all of the following four characteristics: involving the matching of two or more partners (domestically or internationally) via a twinning mechanism; being composed of only ‘public’ partners; working on a not-for-profit (non-profit) basis; involving partnerships which seek to improve and promote public service delivery (Boag & McDonald 2010:4)”.



From Phiri (Soweto township), Johannesburg.

Interview list (anonymous informants):

Informant	Date
CoJ leadership position 1 (City of Johannesburg).	17.03.10
CAWP representative 1 (Coalition Against Water Privatisation)	18.02.10
CAWP representative 2 (Coalition Against Water Privatisation)	22.02.10
Lindiwe (resident in Phiri and CAWP activist).	22.02.10
Andile (resident in Phiri).	31.03.10
Sihle (resident in Phiri).	31.03.10

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Informal settlement in Alexandra township, Johannesburg.

