

# Public resistance to privatisation in water and energy

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*Since the 1990s, development agencies and international institutions have promoted private-sector involvement in infrastructure, assuming that this would inject both investment and efficiency into the under-performing public sector. In the water and energy sectors, these expectations have not been fulfilled. Private-sector investment in developing countries is falling, multinational companies have failed to make sustainable returns on their investments, and the process of privatisation in water and energy has proved widely unpopular and encountered strong political opposition. This paper examines 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, NGOs, the opposition campaigns themselves, and the future of national systems of electricity and water.*

## Introduction

Private-sector involvement in infrastructure was vigorously promoted by development agencies and international institutions in the 1990s and early 2000s. It was expected to inject both investment and efficiency into these sectors in developing countries, replacing traditional public-sector systems suffering from under-investment and inefficiency due to excessive political interference and rent-seeking behaviour by vested interests including bureaucracies and labour. It was assumed that this extension of private-sector involvement would be economically successful and generally welcomed, except among those interests losing out as a result of the reform process.

In the water and energy sectors, these expectations have not been fulfilled. Private-sector investment in developing countries has been falling since its peak in the 1990s, multinational companies have failed to make sustainable returns on their investments, and the process of privatisation in these sectors has proved widely unpopular and encountered strong political opposition. This resistance is now generally recognised as an important factor in the failure of private investment in these sectors, by supporters and critics of privatisation alike.

This paper examines the role of this opposition in delaying, cancelling, or reversing the privatisation of water and energy. It presents data on the actors, on the issues and methods of the opposition, and on the results it has achieved. The paper also discusses the roles of the range of (international and national) actors and interests involved, the relationship to political parties and electoral politics, the alternative policies presented, and the reaction of international institutions and companies to the opposition.

The paper concludes, first, that civil society in developing countries can mobilise highly effective political activity even when confronting weighty international actors such as development banks and multinational companies. Second, the opposition is based on the perceived conflicts between privatisation and equity, and over the role of the state and community in these sectors. Third, the opposition has involved dynamic interactions with existing political parties and structures, including use of existing electoral and judicial mechanisms. Finally, the very success of such opposition campaigns poses challenges for the international institutions and donors, NGOs, the campaigns themselves, and the future development of national systems of electricity and water.

## Public resistance to privatisation

### *Disenchantment with privatisation*

There has been strong public resistance to the privatisation worldwide. The extent of this opposition is much greater and more widespread than is usually acknowledged, involving a general rejection of privatisation across the economy that is not limited to utilities or traditional public services: a 2002 survey concluded that ‘privatization remains widely and increasingly unpopular, largely because of the perception that it is fundamentally unfair, both in conception and execution’ (Birdsall and Nellis 2002:1).

The collective political impact of the campaigns against privatisation is remarkable. Buresch (2003:11) suggests that, globally, ‘[I]t is getting harder to find political leaders that are willing to truly champion privatisation for reasons other than to generate cash proceeds’. The World Bank, in revising its infrastructure policy in mid-2003, stated that it was ‘[r]esponding to country demand by offering a broad menu of options for public and private sector infrastructure provision’ (World Bank 2003a). In every instance, the campaigns were taking place against policies which were advocated by the government of the day, sometimes with the support of traditional leftist parties, and invariably—in developing countries—with the support of development banks. In many countries, the policies were reversed or significantly delayed.

Data from opinion polls in Latin America carried out in 1998 and 2000 reveal that support for privatisation, which was not very strong to begin with, has decreased over time (Nellis 2003). In Sri Lanka, opinion polls show that privatisation has been associated with deteriorating socio-economic conditions (greater poverty, increased cost of living, etc.) (Nellis 2003); while in Russia two thirds of the respondents in a 2001 survey said that they had lost more than they gained from privatisation, with only 5 per cent saying they had gained more. Privatisation has become so unpopular that governments everywhere have developed increasingly tortuous euphemisms, including ‘capitalisation’ (Bolivia), ‘ownership reform’ (China), ‘disinvestment’ (India), ‘disincorporation’ (Mexico), ‘peopleisation’ (Sri Lanka), and ‘equitisation’ (Vietnam).

At the World Bank’s energy week in February 2003, a speaker from the global consulting firm Deloitte noted a ‘growing political opposition to privatization in emerging markets due to widespread perception that it does not serve the interests of the population at large’, which it attributed to a number of features of privatisation: ‘Pressures to increase tariffs and cut off non-payers; loss of jobs of vocal union members that will be hard to retrain for the

new economy; [and] the perception that only special interests are served—privatisation is seen as serving oligarchic domestic and foreign interests that profit at the expense of the country . . .'. These are not offset by any benefits from privatisation because gains such as expanded coverage, improved quality, and competitive tariffs are small, dispersed, and slow, whereas the impact of price hikes and job losses 'is concentrated, immediate, and falls on visible and vocal groups (e.g., labor unions)' (Buresch 2003:9, 11, 12).

### *Campaigns against water privatisation*

During the 1990s, with the encouragement of the World Bank (WB) and others, water privatisation was proposed or implemented in many countries. Political resistance has been widespread, as have been economic, social, and even technical problems associated with the implementation process (Lobina and Hall 2003). The opposition to water privatisation is by no means confined to developing countries. Even where privatisation has gone ahead, this has often been after significant political resistance: in the UK, for example, a vigorous campaign against Margaret Thatcher's 1985 proposals for water privatisation led to her abandoning the plans before the 1987 election in order to avoid electoral damage; the policy was only revived and implemented once the election had been safely won.

Three examples serve to illustrate the range of opposition to privatisation schemes. In December 2001 the water contract for Nkonkobe (Fort Beaufort) in South Africa was nullified as public or municipal consent was never obtained (Mxotwa 2001). In May 2002 the city council of Poznan in Poland (with a population of 650,000) unanimously rejected a water privatisation proposal: the city had already improved the efficiency of its water services and had obtained investment finance from various sources including the European Investment Bank (EIB). And in June 2002 the Paraguayan parliament voted by 32 to 7 to suspend indefinitely the privatisation plans for the state-owned water company Corposana (now known as Essap) (*Business News Americas* 2002). The privatisation proposal had been driven by fiscal motives, in order to comply with IMF targets. Its rejection was hailed by the trade unions as 'a great victory against the IMF, the World Bank, globalisation, and neo-liberalism'. The decision was upheld in August 2004 when a renewed privatisation attempt was shelved as a result of pressure from protesters.

Table 1 shows a range of countries and cities that have rejected privatisation proposals or terminated private concessions and reverted to public-sector services. The list includes cities such as Washington, DC, where a comparative evaluation of private and public options was carried out, and the latter preferred. Elsewhere, strong campaigns against water privatisation have not been successful (e.g. Chile, Philippines, and the UK), or privatisation has been abandoned by company decision and not because of popular opposition (e.g. in Mozambique, Vietnam, and Zimbabwe).

The opposition has come from a range of groups, led by different types of organisations in different countries—trade unions, consumers, water professionals, environmentalists, political groupings, and community organisations. The campaign in Brazil is an example of a broad-based long-term campaign, with the *Frente Nacional pelo Saneamento Ambiental* (FNSEA) (National Front for Environmental Sanitation) bringing together 17 civil society organisations (CSOs)—unions, managers, professional associations, NGOs involved in urban reform, consumer groups, and social movements (Filho 2002).

### *Campaigns against energy privatisation*

The widespread opposition to energy privatisation has also come from a broad range of civil society groups, including trade unions, community organisations, environmentalists, consumer

**Table 1:** Opposition to and rejection of water privatisation, 1994–2004

Country	Place	Year	Result	Decision mechanism	Active groups
Argentina	BA Province	2002	Termination of privatisation	–	U, C
Argentina	Tucuman	1998	Termination of privatisation	Election (state)	C, P
Bolivia	Cochabamba	2000	Termination of privatisation	Government decision	U, C, B, N
Brazil	All	2002	Privatisation policy abandoned	Election (national)	U, C, B, E, N, P
Brazil	Rio de Janeiro	1999	Rejection of proposals	Court ruling	U, C, B, E, N, P
Canada	Montreal	1999	Rejection of proposals	Municipal decision	E, U, P
France	Grenoble	2001	Termination of privatisation	Municipal decision/ election	E, C, P
Germany	Potsdam	2000	Termination of privatisation	Municipal decision	C, P
Germany	Munich	1998	Rejection of proposals	Municipal decision	U, C
Ghana	Accra	–	<i>Continuing campaign</i>	–	N, C, E, U
Honduras	Honduras	1995	Rejection of proposals	Government decision	U, M
Hungary	Debrecen	1995	Rejection of proposals	Municipal decision	U, M
India	Delhi	–	<i>Continuing campaign</i>	–	E, N
Indonesia	Jakarta	–	<i>Continuing campaign</i>	–	U, C, E
Mauritius	All	2000	Rejection of proposals	Election (national)	C, E, U
Panama	All	1999	Rejection of proposals	Election (national)	U, C, S
Paraguay	All	2002	Rejection of proposals	Parliament decision	U
Poland	Poznan	2002	Rejection of proposals	Municipal decision	P
Poland	Łódź	1994	Rejection of proposals	Election (local)	U

(continued)

**Table 1:** Continued

Country	Place	Year	Result	Decision mechanism	Active groups
Sri Lanka	All	Ongoing	<i>Continuing campaign</i>	–	U, C
South Africa	All	–	<i>Continuing campaign</i>	–	U, C, N, E
South Africa	Nkonkobe	2002	Termination of privatisation	Court ruling	U
Sweden	Malmö	1995	Rejection of proposals	Municipal decision	U, C
Thailand	All	2002	Termination of privatisation	Government decision	U
Trinidad	All	1999	Termination of privatisation	Government decision	U
UK (N. Ireland)	All	–	<i>Continuing campaign</i>	–	U, C, N, P
USA	Atlanta	2003	Termination of privatisation	Municipal decision	U, C
USA	Birmingham	2000	Termination of privatisation	Municipal decision	U, C
USA	Washington, DC	1996	Rejection of proposals	Municipal decision	N

Key to active groups: U = unions; C = consumers or citizen groups; B = (local) business; N = other NGOs; E = environmentalists; P = political parties.

Source: PSIRU database.

organisations, and political parties. In some cases there have been generalised public protests, with prices—and profits—overwhelmingly the biggest single issue, followed by job losses.

Resistance to large price hikes usually entails the rejection of privatisation. In Senegal, for example, the government has refused to meet the demands for price rises of three successive multinationals—Hydro-Québec, Vivendi, and AES—as a result of which even the WB abandoned the plan to privatise the electricity utility (though it is now proposing the development of private generation through independent power producers (IPPs)). Other issues include reliability, efficiency, the local impact of IPPs, environmental policy, public accountability, national control, and corruption.

Other campaigns have revolved around a broader set of interests, such as the campaign against Enron's private power plant at Dabhol, in the Indian state of Maharashtra, which was based on a long-term power purchase agreement. The campaign was supported by energy NGOs opposed to the project on social, economic, and environmental grounds, and by the local communities whose livelihoods were seriously damaged by the plant. Demonstrations by these communities were brutally suppressed—leading to the unusual case of an Amnesty International report on Enron (Amnesty International 1997). The campaign nevertheless achieved some success with Enron's departure from India.

The examples shown in Table 2 include campaigns that could be described as successful in terms of their own objectives. In some cases these were local issues, concerning one power

**Table 2:** Campaigns against energy privatisation

Country	Location	Year of rejection	Result	Decision mechanism	Active groups
Australia	NSW	1999	State utility corporatised, not privatised	Election (regional)	U, P
Brazil	All	Ongoing	Oppose privatisation of utilities, generators	Elections (national and state)	U, P, N, C
Canada	Ontario	2002	Court rules against privatisation of utility Ontario Hydro	Court ruling	U, C, N
Colombia	Cali, All	1997–date	Oppose privatisation of municipal utility Emcali	–	U, N, E
Dominican Republic	All	2003	Re-nationalised electricity distributors	Government decision	C, U
France	National	Ongoing	Delayed privatisation of state company EdF	–	U, P
India	Maharashtra	1996–date	Dabhol IPP (Enron) proposed democratisation, not privatisation, of utility MSEB	–	N, E, U
India	Karnataka	2000	Cogentrix IPP plan rejected	Court ruling	E, N
Indonesia	National	Ongoing	Payment of corrupt PPAs withheld, electricity liberalisation reversed	Utility decisions, court case	U, N
Mexico	National	Ongoing	Defer privatisation of electrical utilities	Parliament, court ruling	U, P, N
Senegal	National	2002	Privatisation plans collapsed	Government decision	C
South Africa	National	Ongoing	Eskom remains public utility	–	U, C, N
South Korea	National	2004	Plans to privatise and liberalise Kepco withdrawn	Government decision	U, N
Thailand	National	2004	Planned sale of shares in state electricity company withdrawn	Government decision	U
USA	California	2000	Los Angeles municipal utility avoids power crisis	–	U, C

Key to active groups: U = unions; C = consumers or citizen groups; B = (local) business; N = other NGOs; E = environmentalists; P = political parties.

Source: PSIRU database.

station, for instance the Cogentrix campaign in southern India, or a single city's utility, such as the Emcali campaign in Colombia; in others they covered a whole country, such as the campaigns in Mexico, South Korea, and Thailand. They include cases where existing systems have been successfully defended so far, such as in South Africa and the USA (California); and others where privatisation efforts have failed to take place or been rolled back, such as

the Dominican Republic and Senegal. Not included in the list are cases where privatisation has been terminated as a result of an exit decision by the company concerned, such as in the Indian state of Orissa, where AES abandoned an energy generation and a distribution company, claiming excessive tariffs and an adverse business climate.

## Discussion

### *Economic issues*

Opposition to privatisation is based on central economic issues—prices, profits, jobs, and development. Privatisation of water and energy is seen as making prices higher than they would otherwise be, and profits—and senior management pay—higher than is justified, while at the same time cutting jobs and making the remaining workers less secure. In developing countries in particular, opposition is also based on a strong sense that these sectors should be subject to local decision making, taking account of all public interests, and not left to global, commercial operators and market forces. Deloitte's analysis of opposition to energy privatisation (Buresch 2003) notes all these issues, including the rejection of excessive and unjustifiable profits. The campaigns also articulate a view that the organisation of sectors like water, and to a lesser extent energy, should be determined as a matter of public policy within the country concerned, not by the operations of the market.

A significant feature of the campaigns is that they have taken place in countries at varying levels of national income, so the opposition is clearly not limited to factors that are peculiar to developing countries. As shown in the tables, countries with recent campaigns include high-income countries like France, Germany, and the USA; transition countries such as Hungary and Poland; middle-income countries such as Mexico, South Africa, and Thailand; and low-income countries like Ghana, Honduras, and India. As recently as 2003, the German federal parliament and many regional (*Länder*) parliaments passed motions opposing any move by the European Commission, under the GATS (General Agreement on Trade in Services) provisions of the WTO, that could lead to opening Germany's water sector to foreign private-sector competition.

It is also worth emphasising that the opposition to privatisation should not be cast as resistance to economic progress. Scepticism concerning the supposed benefits of privatisation is increasingly confirmed by reviews of empirical evidence suggesting that public or private ownership makes little difference to efficiency (Willner 2001). Even an exhaustive review of the economic aspects of the mass privatisations in the UK has concluded that there was no significant efficiency gain, while there is clear evidence of a regressive effect on the distribution of income and wealth (Florio 2004). Reports from international financial institutions (IFIs) are now noticeably more cautious about the economic desirability of relying on the private sector for development in these sectors. The IMF has acknowledged the probability that curbs on public-sector investment in infrastructure have damaged economic growth, and that the evidence on the relative efficiency of the private sector is finely balanced (IMF 2004). The WB, for its part, has published a lengthy report highlighting the limitations of privatisation (World Bank 2004a), acknowledging that it promoted the policy with 'irrational exuberance'. The opposition campaigns can legitimately feel that their positions on the economics of privatisation have been vindicated by these developments in academic and official thinking.

### *Actors*

Support for the anti-privatisation campaigns is very wide, and goes far beyond the rent-seeking vested interests that the proponents of privatisation regard as responsible for them. For example,

a report commissioned by USAID (Padco 2002) to defend the policy of encouraging water privatisation in South Africa named ten groups as highly critical of public-sector privatisations. The list includes US and South African trade unions, Public Services International (PSI), and research units (including PSIRU)—but not consumers, environmentalists, or communities—and the report chooses to ignore the growing amount of critical research being published on water privatisation (Hall 2002).

There is no consistent pattern in the ‘leadership’ of the various campaigns. Unions have played a leading role, for example, in the campaigns against water privatisation in Brazil and South Africa and against energy privatisation in Australia, Mexico, Senegal, and Thailand. But this is not always so: in Grenoble, for instance, unions played at most a minor role in the campaign which led to the termination of the private water concession (Lobina and Hall 2001), while in Ghana, unions did not even join the campaign against water privatisation for some time.

In some cases the activity has been diffuse, with various parties actively campaigning but without forming a single alliance. In Jakarta, for example, a trade union has conducted a lengthy campaign of strike action, calling for the end of the water privatisation contracts, but apparently it has not done so in coordination with protests by consumer and community groups. A similar picture emerges in Colombia, where highly active environmental groups are campaigning against energy policies that are based on privatisation, alongside unions that are also campaigning against the privatisation of municipal utilities, as is the case in Cali and elsewhere. In some instances, existing divisions have prevented the formation of alliances over privatisation. In Thailand, for example, successful union action against the sale of shares in the state energy company did not receive active support from environmental groups, because of the lack of union support for the environmentalists’ campaigns against environmentally unfriendly hydropower and coal-fired power station developments.

Without exception, these campaigns were initiated by local or national organisations: none was prompted by international agencies or originated as part of international campaigns. Many opposition campaigns have received little or no international assistance, including some of the most successful ones, such as the water campaigns in Łódź (Poland), Tucuman (Argentina), and Nkonkobe (South Africa). Even where there has been some international support, it has not been a significant element in the campaign itself. Despite the vast publicity about the ‘water wars’ in Cochabamba, and the subsequent international solidarity visits, the entire episode of expelling the private water contractor was completed in April 2000, before most groups outside Bolivia even learnt what was happening.

The international organisations active on these issues include some with an international membership of affiliated organisations, notably PSI and Consumers International (CI), as well as organisations that act globally, including a number of development NGOs. None of these organisations has a centralised structure capable of ‘commanding’ local participation in a global campaign. The campaigns have not even been ‘coordinated’ by international confederations, as has happened with the union campaigns against mining companies: lobbying of multinational company shareholder meetings, for example, has been almost completely absent in the water and energy sectors.

International organisations can assist in two main ways. First, they can provide material support in terms of information, liaison, and publicity: as well as local solidarity, this has a multiplier effect, whereby publicising the issues faced in one place helps strengthen the campaigns elsewhere; some national campaigns have themselves made direct links. The availability of information through the Internet has greatly facilitated the dissemination of such information. Second, international organisations have also been active at the global level, principally in interacting with multilateral bodies, such as the WB, especially at events such as the World Water



Forums in The Hague and Kyoto. Specific global demands have included ending conditionalities tied to privatisation. The impact achieved at these events has been significant, but mostly because of the known existence and success of the national campaigns.

### *Political parties and processes*

The campaigns have exhibited a range of connections with political parties and processes. In some cases, they have in effect been supported by, and supportive of, specific political parties. The campaign against energy privatisation in the Australian state of New South Wales was constructed explicitly around an alternative policy of the then opposition Labor Party. But there have also been cases when campaigns have been unable to work with the party from which support would naturally have been expected, because that party was in government and promoting privatisation. In Berlin, for example, the Social Democratic Party (SDP) headed the city government which proposed and implemented the water privatisation; and in South Africa, the government of the African National Congress (ANC) has been introducing water privatisation. In both cases, individual rebel councillors were effective actors in the campaign, but became isolated from their parties.

Most campaigns seek broad-based political support. In Brazil, for example, proposals on water privatisation were rejected at parliamentary level on at least three occasions before the election of Lula's centre-left PT government in 2002. In Mexico, energy privatisation proposals were rejected by a parliament whose political composition did not favour the campaign. Other campaigns have enjoyed similar political success, but were overruled by final decisions. In Chile, for instance, water privatisation was authorised in 1999 by the 'lame duck' presidency of Eduardo Frei, who was not standing for re-election, despite opposition from all political parties, including the Christian Democrats (*Financial Times* 1999).

The opposition campaigns have on occasion gained significance within wider political movements that eventually have reshaped political positions and organisations. The best known is the Bolivian example of Cochabamba, where the resistance to water privatisation was coordinated by the *Coordinadora de defensa de agua y de la vida* (the coordinating group to defend water and life), which had an extremely broad-based agenda and membership, including local businesses, labour, community groups, water vendors, and local farmers. In Panama, too, opposition to the water privatisation plans became part of a wider movement including student protests about education fees, ultimately leading to the election of a new president committed to opposing privatisation. This contribution to the reshaping of national politics has also been seen in other sectors. For example, the campaign against healthcare privatisation in El Salvador was a significant factor in the emergence of a new left-leaning leadership in one party.

The energy campaigns also relate to political parties in a variety of ways. In Australia, a campaign organised mainly by trade unions succeeded in influencing the results of elections in New South Wales. The voters rejected the Conservative Party, which was proposing privatisation of electricity, in favour of a Labor Party that promoted the public-sector, corporatised Energy Companies, which now have a long future. This followed similar election results in Tasmania, where Labor defeated a Conservative Party that was proposing electricity privatisation, a policy that has also been rejected in South Australia and Queensland, leaving Victoria as the only state which has privatised power. South Korean unions, by contrast, have waged a long campaign against the privatisation of electricity, gas, and other utilities, without relying on the support of any one party. The campaign has included parliamentary pressure, general strikes, and research, and more recently collaboration with environmental groups and others. At the time of writing (early 2004), the electricity utility had still not been privatised.

### *Courts, elections, and referenda*

Where campaigns have been successful, it has almost always been through existing democratic institutions. This has sometimes involved pursuing cases through the courts to rule privatisation policies illegal on constitutional or other grounds. There are examples of successful court actions in both high- and low-income countries, including Brazil (court ruling that the proposed water privatisation of Rio de Janeiro was unlawful), Canada (reversal of proposed electricity privatisation in Ontario), France (where the courts ruled both that illegal corruption had taken place in Grenoble, and that customer bills had been wrongly calculated), India (ruling against the legality of a proposed power station on environmental grounds), and South Africa (where a contract was ruled invalid for lack of public consultation). The tactic has sometimes been successfully nullified by attacks on the courts by supporters of privatisation: when campaigners brought court cases against the water privatisation in Manila, for instance, six chambers of commerce—including the US, Japanese, EU, and Australian–New Zealand bodies—criticised what they termed ‘excessive challenges to public biddings’ (*Financial Times* 1997) and there were dire warnings of ‘terrorists in robes’ threatening future foreign investment (*Philippine Daily Inquirer* 2003).

The campaigns have sometimes significantly affected the outcome of elections. In Łódź, the 1994 campaign focused on the municipal elections, with unions undertaking door-to-door leafleting of every household in the city. The result was a defeat of the party advocating water privatisation: the outgoing mayor thought that the effect of the water campaign was so significant that he brought a court case challenging the result on the grounds that the unions had acted illegally in engaging in electoral politics (he lost the case). Privatisation policies were significant electoral issues in Argentina (Tucuman, water), Australia (New South Wales, electricity), and Panama (water). In some cases development banks have imposed conditionalities preventing the implementation of such election results. For example, in Cartagena, Colombia, elections were won by politicians opposing privatisation, but the winner was prevented from acting on the election result because of WB loan conditionalities: the victorious mayor was forced to allow the privatisation to continue.

The prospect of referenda has also been used to some effect. In the US city of New Orleans it was decided that any future proposals to privatise water would have to be put to a referendum: the prospect alone led Suez to announce that it would not seek a concession that would be subject to such a vote. Campaigners in Germany, e.g. in Hamburg, are also using the referendum as a tactic to oppose water privatisation.

### *Alternative positions*

The opposition campaigns have not always articulated a specific alternative policy. The information costs of doing so are very high, and most campaigns do not aspire to detailed restructuring and management of utilities. Some campaigns are effectively defending the status quo, without necessarily ruling out other changes. This is most often the case in water, where there is an existing public utility in place, however poorly functioning. The public-sector water operator *is* the alternative—the technical and financial measures needed to deal with service problems such as extensions or continuity of service or collection of bills can be expected to be dealt with within this framework.

In other cases, there may be an obvious need for changes on social, financial, environmental, or technical grounds, and the campaign then implicitly demands the seeking of a solution other than privatisation. Examples of situations where the need for change is widely accepted would be water in South Africa, where restructuring and extension are necessary for social and

developmental reasons; water in Brazil (Recife), where the municipality acknowledged the need for restructuring but refused to accept WB attempts to impose privatisation as a loan condition; and electricity in India, e.g. Maharashtra, where the need to restructure and improve the performance of the state electricity board is widely accepted, but privatisation is not (Hall and de la Motte 2004).

It is unlikely that generalised alternatives would ever be developed because local conditions and demands vary so greatly. Procedural positions can, however, be pursued in a way which supports the democratising aspect of any campaign, without requiring commitment to one particular type of system. The World Resources Institute offered a version of this approach in 2002, with a review of recent energy reforms in Argentina, Bulgaria, Ghana, India, Indonesia, and South Africa (Dubash 2002). It identified major problems with the goals and processes of electricity reform in nearly all these countries:

*By focusing on financial health, reforms in the electricity sector have excluded a range of broader concerns also relevant to the public interest. In this study, we have examined the social and environmental concerns at stake in these reforms. We have found that not only are they inadequately addressed, but that socially and environmentally undesirable trajectories can be locked-in through technological, institutional, and financial decisions that constrain future choices. (Dubash 2002:171)*

This report puts forward four clear recommendations for what it calls ‘a progressive politics of electricity sector reform’:

- 1. Frame reforms around the goals to be achieved in the sector. A narrow focus on institutional restructuring driven by financial concerns is too restrictive to accommodate a public benefits agenda. . . .*
- 2. Structure finance around reform goals, rather than reform goals around finance. . . .*
- 3. Support reform processes with a system of sound governance. An open-ended framing of reforms will reflect public concerns only if it is supported by a robust process of debate and discussion.*
- 4. Build political strategies to support attention to a public benefits agenda. (Dubash 2002:168–171)*

Locally, too, procedural issues have become central to alternative reform proposals, as can be seen from the following two examples.

The Indian energy group Prayas ([www.prayas.pune.org](http://www.prayas.pune.org)) advocates the application of three principles: transparency, accountability, and participation (TAP). Its website states:

*[A]ll the governance functions and governance agencies are made amenable, on mandatory basis, to full transparency to the public, direct accountability to the public, and meaningful participation of the public. . . . The three major governance agencies—the state, the utilities, and the regulatory commissions—could be TAPed in a variety of ways. However, the space and capabilities of civil society institutions will be the important determinants of successful TAPing of these agencies. (Prayas Energy Group 2001)*

Prayas agrees that there is a crisis in the power sector in India, but also recognises the achievements of the existing model, based on state ownership, self-sufficiency, and cross-subsidy to agriculture and households: in 50 years, capacity has increased 55 fold, with 78 million customers, and 500,000 villages connected. That being said, half the population is still unconnected, and there are power shortages, weak accounting and metering, and huge financial losses (Wagle 2000).

In South Africa, the public-sector union SAMWU not only organised a campaign of action to oppose privatisation of public services including water and energy but also ran a series of workshops for its members to address the issue of developing alternatives, looking at both international dimensions and local issues. The workshops analysed cases of successful public-sector restructuring: the participatory local government budgeting process in Porto Alegre, Brazil; a union-led internal restructuring of local government departments in Malung, Sweden; and the public–public partnership (PPP) for water services in Odi, in South Africa (Pape 2001).

### *IFI, donor, and multinational company reactions*

The political resistance to privatisation has been acknowledged by the WB as a significant factor in its lack of success in both water and energy. In February 2003, the WB director for these sectors, Jamal Saghri (2003), identified the problems in the energy sector as including ‘decreasing faith in markets’. In July 2003 the *Wall Street Journal* quoted senior WB officials on their reappraisal of privatisation policies in these sectors:

*‘There’s certainly a lot of soul-searching going on’ says Michael Klein, the World Bank’s vice president for private-sector development . . . World Bank officials have now decided it doesn’t matter so much whether infrastructure is in public or private hands . . . the World Bank itself must pay far greater attention to the fiery politics of privatization and especially to the effect of rising prices on the poor and disaffected. (Wall Street Journal 21 July 2003)*

At the same time, a new infrastructure policy paper was approved by the WB board, which did not refer to the ‘fiery politics’ spelled out above, and continued to concentrate on measures to support the private sector’s involvement (Hall et al. 2003).

Multinational companies (MNCs) have reacted more sharply, in both energy and water, with a series of withdrawals from developing countries. Suez announced in January 2003 that it was reducing its investments in developing countries by one third, insisting on higher and more certain profitability. A series of US energy multinationals, including AEP, Entergy, NRG, Reliant, Southern/Mirant, and TXU (as well as Enron), have withdrawn from overseas investments; others, such as PPL, would withdraw if they could find any buyers. The largest US international electricity company, AES, has also made sudden exits, abandoning major investments in Orissa (India) and Yorkshire (UK), and the controversial Bujugali dam project in Uganda.

The water multinationals have started developing initiatives to reduce the political risk of private water ventures, especially in developing countries. RWE-Thames Water has gone the furthest, associating itself with some of the key criticisms raised by the opponents of water privatisation. The company has used conferences to announce that it does not want to be associated with private ventures resulting from conditionalities imposed on communities by donors or lenders; as well as to dissociate itself from the European Commission’s initiative in the GATS negotiations. The UK Department of Trade and Industry is similarly dissociating itself from the water initiative in GATS, an equally surprising move that may be connected with the RWE-Thames position. RWE-Thames is also seeking to build advance acceptance from potentially critical international NGOs, or simply build influence with key politicians. There is no sign of any such initiatives from energy companies.

## Conclusions

### *Donor responses*

The experience of opposition poses a number of challenges to donors. In terms of development policy, the IFIs and other multilateral and donor agencies need to address the question of whether privatisation and liberalisation in sectors such as water and energy can possibly deliver economic sustainability in the absence of political legitimacy. In so far as the agencies seek to promote the extension of these services, they should encourage the development of national and local policies through democratic processes that are recognised as legitimate, and then provide financing for the resulting policies. In 2003, the WB made encouraging statements to the effect that its position on privatisation in water and energy was being completely reviewed, but no new approach has yet emerged which would enable the Bank to support public-sector developments with the same vigour (World Bank 2004a). Given the increasing global harmonisation of aid, the position of the WB on this issue is of even greater importance than ever before.

The same donor organisations may also feel that they face the question of how to maximise the size of the market open to international companies in these sectors in the face of such widespread resistance. There are clear signs that the WB is addressing this issue, for example through the Guarantco mechanisms, which protect companies from political risks and so make markets more attractive; and through financing pro-privatisation information through the public–private infrastructure advisory facility (PPIAF), thereby actively promoting privatisation in local political discourse (World Bank 2003a, b; 2004a, b). The MNCs also have to reappraise the nature of their business in this sector, especially in developing countries. The retreat by many companies in 2003 was a widespread response: the exploration by RWE-Thames Water of a role based on consensus with NGOs exemplifies a longer-term approach. It remains to be seen what long-term sustainable role there may be for MNCs in these sectors.

### *Global politics*

The opposition to privatisation in water and energy (and other public services) represents a series of relatively successful engagements by national or local organisations with global politics. Initiatives from IFIs or MNCs have met with national and local opposition and in many cases have been withdrawn. Civil society in developing countries can mobilise highly effective political activity even when confronting significant international actors such as development banks and MNCs. However, this has not happened as part of an internationally coordinated initiative, which means that the organisation of the opposition does not mirror the structure of the global policy makers it is engaging, as Herod (2001) has observed in relation to union solidarity campaigns. It is thus different in kind from campaigns such as those for the abolition of child labour, or campaigns launched by an international organisation against the activities of mining or forestry multinationals.

### *Political structures and processes*

The opposition has operated through existing political structures in a wide variety of ways, and with some degree of success—except where there is dictatorship or a lack of democratic institutions. Opposition to privatisation has affected the policies and leadership of political parties. The impact on elections at all levels indicates that campaigns on privatisation have a consistent effect of ‘priming’ the election by making it an issue which affects voting patterns, an effect that has also been observed in relation to referenda (de Vreese 2004; Krosnick and Kinder 1990).

The widespread recourse to the law also indicates a surprising readiness of courts to rule against proposed or existing privatisations on public interest grounds.

In a few countries, most notably Brazil, the resistance to privatisation and the development of coherent democratic alternatives have been closely integrated with political parties and the broader political system. Elsewhere, however, this link has been absent, which may be an indicator of a political vacuum, in terms of parties that stand for the development of public infrastructure and public services.

### *Public interest*

The opposition to privatisation is based on widespread perceptions of the damaging effect on equity (Birdsall and Nellis 2002). The broad base of social support for opposition also suggests that there is extensive disagreement with the orthodox view of the IFIs, the EU, and the OECD on the appropriate boundary between political decisions and the market in relation to the structure and operation of public services. The attempt to impose a single model of the role of the state is as weak in policy terms as it is theoretically, and the attempt to introduce privatisation as a global policy emphasises that markets themselves are contentious political constructs that are subject to specific local conflicts (Chang 2003; Harriss-White 2003). The inadequacy of the neo-liberal paradigm for the state is increasingly recognised, and analysts are emphasising the importance of building strong state institutions, based on local culture and conditions (Fukuyama 2004). The politics of the water and energy campaigns should thus be seen as linking to the future rather than to the past.

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