



WORKING PAPER

The Córdoba water concession in Argentina

Andrew Nickson
January 2001

Working Paper 442 05



THE UNIVERSITY
OF BIRMINGHAM

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PUE

BUILDING MUNICIPAL CAPACITY
for PRIVATE SECTOR PARTICIPATION
DFID Knowledge and Research Project R7398
in collaboration with the UNDP PPPUE

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Building Municipal Capacity for Private Sector Participation

The Building Municipal Capacity research series is supported with Engineering Knowledge and Research (EngKARs) Programme Funding from the British Department for International Development (DFID). This *Building Municipal Capacity Building for Private Sector Participation* undertaking by GHK International, is being carried out in collaboration with the International Development Department (IDD), University of Birmingham and the UNDP Public-Private Partnerships for the Urban Environment (PPPUE) Programme.

The research aims to analyse and document municipal experiences of private sector involvement in the delivery of services and infrastructure and to formulate a strategic framework for municipal capacity building in private sector participation. The elements of this framework will be supported by in-depth illustrations of the lessons that have been learnt by municipalities in various parts of the world. The purpose of this case study series is therefore to compile a source of material that will inform and illustrate the capacity building framework.

A number of parameters describe the nature and scope of the work. First, the research and outputs are concerned with the participation of the (for profit) private sector in service delivery in cities overwhelmingly troubled with poverty and service constraints. The scope is also limited to those services that fall within the responsibility of municipalities. Combining these parameters has enabled us to focus the research on water and sanitation services and solid waste management.

Second, the research seeks to explore PSP in relation to urban management. Where possible, it intends to explore linkages between the private sector participation, municipal management and poverty reduction. A key concern of each study will be the lessons relevant for dissemination to smaller cities where financial and human resources are particularly constrained.

The case studies in this series are published as working papers and will be made available on the website www.ghkint.com. It is important that they are seen as part of a process and not an end in themselves. It is hoped that the transparency of this work-in-progress will produce greater awareness of the initiatives being undertaken, and promote peer learning amongst municipal officials. We hope it will also promote openness in the vast arena of private sector participation research. Comments are very welcome.

Janelle Plummer
Team Leader and Series Editor

GHK International
January 2001

Definitions

<i>Private Sector Participation (PSP)</i>	'PSP' refers to the involvement of the private sector in some form, at some stage in the delivery of services. It is a general term that is used to cover a wide range of private sector involvement from the service contract, management contract, concession and BOT. It may also include informal sector participation.
<i>Public-Private Partnerships (PPP)</i>	'PPP' specifically refers to those forms of partnership in which government establishes an arrangement with the private sector in which the private sector provides some form of investment. As such, the terminology PPP tends to exclude service and management contract arrangements, but includes leases and concessions.
<i>Privatisation</i>	This term is used to mean the transfer of ownership to the private sector. Divestiture is beyond the scope of the research.
<i>Service delivery or service provision</i>	The terminology 'service delivery' has generally replaced 'service provision' removing the implication that there is a provider and a recipient. This distinction is not always adhered to and so will not be overly stressed in this work.
<i>Pro-poor or poverty focused</i>	These terms have achieved different levels of favour at different times. Pro-poor implies that the overall aim is beneficial towards the poor, while poverty focused implies a greater degree of targeting.
<i>Consultation or Participation</i>	These terms have very different meanings in participation literature, and are not used interchangeably. Consultation means that a stakeholder was contacted and their views sought. Participation is generally used to refer to a two-way flow of information and implies a greater degree of influence over the decision-making process.
<i>Municipal</i>	The term municipal refers to the local level of government. It is at the 'municipal' level of government that is frequently, and increasingly, responsible for urban services and infrastructure. It is also the implementation arm of government, being responsible for executing policy. Technically this work also includes local level (line) agencies responsible for service delivery.
<i>Capacity Building</i>	The term 'capacity building' draws on a UNDP definition that includes a broader understanding of capacity which includes organisational development, human resource development and regulatory framework. The terminology municipal capacity building refers specifically to organisational and HRD issues and whatever regulatory framework issues are within the scope of municipal government.

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Acronyms

CPC	Centro de Participación Comunal
CV	Comisión Vecinal
DAS	Departamento de Aguas y Saneamiento
EDENOR	Empresa Distribuidora y Comercializadora Norte Sociedad Anónima
EDESUR	Empresa Distribuidora de Electricidad en el Sur de la Capital Federal y Gran Buenos Aires
EIB	European Investment Bank
ENRE	Ente Nacional Regulador de la Electricidad
EPEC	Empresa Provincial de Energía de Córdoba
EPOS	Empresa Provincial de Obras Sanitarias
ERSEP	Ente Regulador de Servicios Públicos
ETOSS	Ente Tripartito de Obras y Servicios Sanitarios
FAS	Fondo de Acción Social
GDP	Gross Domestic Product
IMF	International Monetary Fund
OSN	Obras Sanitarias de la Nación
PSP	Private sector participation
RAC	Red de Accesos a Córdoba
SOPyC	Secretaría de Obras Públicas y Comunicaciones
UCD	Unión del Centro Democrático

Partnership Profile

In April 1997 the Provincial Government of Córdoba, Argentina signed a 30-year concession contract with Aguas Cordobesas for the delivery of water supply within the jurisdiction of the Municipality of Córdoba. Aguas Cordobesas, the concessionaire, is a private sector consortium, headed by the French utility multinational, Suez-Lyonnaise des Eaux, which also acts as manager of the concession on behalf of the consortium. The short-term public sector objective was to rid itself of the fiscal burden of an inefficient in-house operation by delegating the service delivery function and to improve efficiency by attracting the necessary technical skills from the private sector. A longer-term objective was to ensure the investment financing needed in order to upgrade and expand the system.

The municipality and citizens of Córdoba are generally satisfied with the service provided by Aguas Cordobesas. System efficiency has improved since 1997 as measured by labour productivity, leakage rates, service reliability, water quality, and customer care. However, little attention was devoted to the water needs of the urban poor during the drawing up of the new institutional arrangement. Water coverage at that time was already 83% of the population. In particular, the issue of the linkage between home ownership and the legal responsibility of the concessionaire to supply services, and issues surrounding cost recovery relating to the financing of household connections and willingness to pay, were not considered. Progress in extending the coverage of water supply has been relatively slow to date.

A number of contractual and capacity issues characterise the Córdoba concession. Unusually, the responsibility for water and sanitation in the city is split between the provincial government and the municipality respectively. Hence, the Municipality of Córdoba has no formal responsibility for urban water supply in the city and it has no formal involvement in the regulatory mechanism for overseeing the implementation of the water concession contract. Both of these are the exclusive preserve of the provincial government.

The role of the municipality in the new institutional arrangement has been limited by the absence of its involvement in the formal contractual arrangement. Nevertheless, the municipality does exert informal influence over contract implementation, given the important role of water supply in urban planning and the specific need to co-ordinate network expansion and upgrading with its own sanitation department. In spite of the prevailing political culture of clientelism, the capacity of the municipality in this respect has benefited from two factors that distinguish it from local government elsewhere in Argentina – a higher level of professionalism and lower levels of malfeasance.

Despite the rhetoric of municipal autonomy, and an innovative recent experience of administrative deconcentration, citizen participation in local governance in Córdoba has for long been manipulated through structures of political clientelism and is still relatively limited. There is no citizen watchdog committee to monitor the implementation of the water contract and the performance targets to be met by the concessionaire are not in the public domain. In response to growing concern at weak regulation of public services, the provincial government has recently created a new multi-sectoral regulatory body, which includes water within its remit. Although a citizens' representative will figure on its six-person board, this person will have to represent the interests of

consumers across a wide range of services and runs the risk of being captured by the powerful political interests that dominate the composition of the board.

The Córdoba case study demonstrates that, even where it has no formal involvement in the institutional arrangement of the water sector, the municipality still has an important role to play in promoting the water needs of the urban poor. It also highlights the importance of the municipality in promoting capacity-building among community leaders in order to defend the interests of the urban poor. The main lesson of the case study focuses on the drawbacks of a split in institutional responsibility for water and sanitation for promoting the interests of the urban poor.

Partnership Data

Location	Córdoba, Argentina
Sector	Water only
Level of Infrastructure	Primary, secondary and tertiary
Target Group	All residents 1.4 million
PPP Objective	Improve service standards, service coverage, efficiency and reduce fiscal burden
Partnership Arrangement	Concession contract
Size	Gross income of \$65m in 1999, with royalty payment of \$13m to provincial (not municipal) government
Duration	30 years commencing 1997
Primary Stakeholders	Province of Córdoba and Aguas Cordobesas Suez-Lyonnaise des Eaux and subsidiaries – 53% Domestic capital – 47%
Ownership	Public, no transfer of ownership
Key Characteristics	<ul style="list-style-type: none"> • Lack of institutional integration between water supply and sanitation • Improvement in service standards and efficiency after three years • 14% of households not connected to network • Imprecise chronology of investment commitments during contract period, with danger of backloading
Issues concerning the poor	<ul style="list-style-type: none"> • Non-metered tariff structure is inequitable • Coverage targets affected by land titling • Provision of water tankers to villas • Take-over of small-scale private suppliers • Cost recovery issues unresolved • Lack of integration of water sector within strategic planning of city
Capacity concerns/ Capacity building	<ul style="list-style-type: none"> • Municipality of Cordoba is training leaders from community organisations in management of community development projects within PPP framework. • Neighbourhood resident groups are prone to political manipulation by local caudillos.
Lessons learnt	<ul style="list-style-type: none"> • The separation of responsibility for water and sanitation weakens the regulatory role of the public sector • The absence of a career service within the public sector affects the sustainability of private sector participation in UWS • The representation of consumer interests within regulatory bodies is questionable • Leadership training for citizen participation should be carried out independently of the municipality • A structured approach to pro-poor initiatives is advisable, with legally binding written agreements between stakeholders • Local champions are important in explaining why some pro-poor initiatives are more successful than others.

1 Introduction

There has been a rapid growth in public private partnerships in Argentina over the decade following the introduction of pioneering legislation in 1989. Private sector participation has proliferated in the provision of a wide range of basic services. In the case of water supply and sanitation, contracts have been signed with the private sector in the capital city, Buenos Aires, as well as other major cities including Córdoba, Formosa, Corrientes, Santa Fe, Mendoza and Tucumán.

The Córdoba case study has been selected for this Building Municipal Capacity research for a number of reasons. First, it represents a rare example in which the municipality is not the legal representative of the public sector in the partnership arrangement with the private sector in the delivery of water supply within its own jurisdiction. Second, the ambitious nature of the long-term concession contract stands in contrast to the more limited nature of service contracts developed elsewhere in Latin America. Third, the arrangement has been in operation since 1997 and a process of lesson-learning and revision of the regulatory regime is now underway. The Córdoba case thus provides an opportunity to analyse the opportunities and drawbacks of partnership arrangements, the potential scope of partnerships in the water supply sector and the lessons arising from contract implementation.

This working paper focuses on the extent and manner in which the concessionaire has addressed the needs of the urban poor in Córdoba and the implications for capacity building within the Municipality of Córdoba.¹ The broad political, administrative, economic, and participatory context within which private sector participation has evolved in Argentina is examined first, followed by a review of the emergence of a favourable environment for public-private partnerships. This is followed by a description of the unusual institutional arrangement for the delivery of water and sanitation services in Córdoba, an outline of the content of the concession contract and a review of performance by the concessionaire. Next, the water needs of the urban poor are identified, followed by an examination of four pro-poor initiatives carried out within the framework of the concession. Key issues that affect the poor are then highlighted, followed by a number of areas where capacity building is needed in order to improve the role of the municipality in support of pro-poor activities in the water sector. The paper concludes by identifying lessons for other municipalities from the Córdoba experience.

2 The context of private sector participation in Argentina

Several contextual factors have moulded the current environment for private sector participation in basic service provision in Argentina in general, and Córdoba in particular. The most important of these are: a long history of political centralization; a partially institutionalised system of local public administration; a deteriorating economic situation and growing poverty; and the limited development of citizen participation.

¹ The case study, like others in the series, has been developed around the research framework and methodology produced for the Building Municipal Capacity for Private Sector Participation research, prepared by Janelle Plummer of GHK International in March 2000.

A long history of political centralization

Argentina is a federal nation with three levels of government – national, provincial and municipal. In addition to the federal government, there are 23 provincial governments and 1,719 municipal authorities. It was only in 1984 that the country began to emerge from a long history of extremely centralised governance, under both civilian and military rule, during in which time local government had been granted minimal importance. The 1853 Federal Constitution, still in force today, did not include any municipal legislation and made no reference to municipal autonomy. Instead, it empowered each province to approve its own constitution, and to establish norms for the municipalities within its own jurisdiction. Hence, municipalities were organized as part of each province's system of government. For over a century thereafter, provincial constitutions reflected the prevailing view that municipalities were mere administrative appendages of provincial government. This perception was heightened during the period of rapid industrialization in the post-1945 period that saw a strengthening of the functions of provincial government. This process was particularly marked in Córdoba. Here, a 1949 reform of the provincial constitution abolished municipal councils altogether and replaced the elections of mayors with a system of appointment by the provincial governor. In this way, the provincial government absorbed the considerable budget of the Municipality of Córdoba, which at that time accounted for half of the combined budgets of municipalities in the province.²

From the 1950s, this highly restrictive view began to be replaced by a broader definition of municipal autonomy, as illustrated by the promulgation of modern provincial constitutions in Chubut, Río Negro, Neuquén, Misiones, Formosa and Santiago de Estero. However, during the military governments of 1966-73 and 1976-83 local government elections were abolished. Provincial governors and municipal mayors were appointed by the federal government and municipalities were once again reduced to mere administrative dependencies of central government. With the return to civilian rule in 1983, a new impetus towards municipal autonomy was reflected in the reform of provincial constitutions in Córdoba, La Rioja, and Salta. As a result of these historical circumstances, the extent of local government autonomy within Argentina today varies to a much greater degree than elsewhere in Latin America - from the Province of Buenos Aires where municipalities are often little more than deconcentrated administrative units of the provincial government, to the Provinces of Córdoba and La Rioja where they now enjoy a significant degree of political autonomy. In some provinces, comprehensive municipal laws are only sanctioned by the provincial legislature, while in others, notably Córdoba, individual municipal charters may be drafted by a local citizens' convention, a procedure that is still unique in Latin America.³ In 1995 a local constituent assembly enacted a new such municipal code for the Municipality of Córdoba.⁴

The Municipality of Córdoba, the capital of the Province of Córdoba, has one of the largest areas of any major city in Latin America. On the map, it appears as an enormous 24 km square, measuring 576 sq. km. In demographic terms it is the second largest municipality in the country, with a population in 1999 of 1,339,164 and a budget of US\$79m, giving an annual per capita expenditure of \$59. The municipality is governed by a directly elected mayor, *alcalde*, and a legislature comprising 31 councillors, *consejales*. The mayor and councillors are elected concurrently for a four-year term of office. The deputy-mayor presides over the municipal council without voting rights and the mayor may not seek immediate re-election. The municipality operates 82 primary health centres, two municipal hospitals, and 38 primary schools. The council has a nine-

² Furlan:24

³ Nickson (2000)

⁴ Carta Orgánica Municipal de la Ciudad de Córdoba.

member Public Works Committee, whose remit includes issues relating to water and sanitation.

Although the prevailing clientelist political culture in Argentina is still strong in Córdoba, the city has been largely immune from the mismanagement and malfeasance that is endemic in many other municipalities in the country. The Partido Radical ruled the city for sixteen years since the return to democracy (1986-99). During this period two mayors (Martí and Mestre) each served two non-consecutive terms of office. The latest municipal elections were held on 10 December 1999 and were won by an alliance between the Partido Justicialista (Peronists) and a right-wing party, the Unión del Centro Democrático (UCD). The new mayor, Hernán Kammarach (2000-2003) is a member of the UCD, the minority partner in the alliance. The Peronists also won elections on 19 July 1999 for the provincial government of Córdoba, with the victory of the new Governor, José Manuel de la Soto.

A partially institutionalised system of local public administration

Local government in Argentina tends to have an unprofessional and overstuffed bureaucracy. This is a product of the political culture of clientelism that subordinates both provincial and local government to short-term party interests. Job tenure is limited, appointment procedures are non-transparent, professional merit is not the main factor in promotion, and staff turnover is rapid at election time. Following the return to democracy, municipal employment rose rapidly during the 1980s. This was primarily as a welfare mechanism to offset the increase in unemployment brought about by the impact of IMF structural adjustment policies. Given that the share of local government in gross domestic product did not rise during the period, employment growth was only made possible by a significant decline in the real income of municipal employees. In turn, this led to declining skill levels and higher rates of absenteeism. These factors combined with an increase in unnecessary red tape to produce a marked deterioration in the public image of local government. Gross overstaffing continues to be a major feature of local government in much of the country. As a result, personnel costs absorb the lion's share of recurrent expenditure, thereby greatly constraining the growth of capital expenditure.

In marked contrast to this prevailing situation, the Municipality of Córdoba has a public administration system that is far more institutionalised. Although, as elsewhere in the country, there is no formal career system, the turnover of professional staff in response to changes in political leadership is far less pronounced. To some extent, this is the result of an unusual sixteen-year period of political stability (1985-99), during which two mayors from the same party each served two non-consecutive four-year terms of office. Nevertheless, when a different political party took office in 1999, the municipal administration was not subjected to the wholesale turnover of staff that is still the norm in many parts of Argentina country.

The Municipality of Córdoba is different from other Argentine municipalities in another respect. Together with Porto Alegre (Brazil) and Montevideo (Uruguay), it is a pioneer within Latin America in bringing local government closer to its citizens. For the purposes of administrative deconcentration the municipality is divided into nine districts, *zonas*. The *zonas* provide the geographical basis for a network of nine neighbourhood offices, *Centros de Participación Comunal* (CPCs), located around the city. These impressive administrative offices were built during the administration of mayor Martí (1996-99) at a cost of \$1.5m each.

The CPC No. 5 (El Colón) is typical. It serves 120,000 citizens in the extreme west of the city, where 27 neighbourhood committees, known as *Comisiones Vecinales*, are

operating. It has a staff of 110 (including 40 temporary staff) and is open to the public from 8am to 8pm six days a week. Citizens can pay local taxes, obtain a driving license, attend an emergency health clinic and register complaints about basic municipal services. It also provides facilities for banking, post office, a inter-city bus company, as well as for paying water and electricity bills. At present, the CPCs have no formal involvement in the administration of the municipal schools and health centres within their jurisdiction, although there are plans to deconcentrate to them the administration of public works (road repairs and public lighting). A ten-person team of unskilled labourers operates from the CPC No. 5 on three-month renewable “scholarships” as part of a city-wide poverty alleviation programme. In mid-2000 they were employed on a self-financing programme to clean garbage from empty lots. Owners of such lots are required by municipal law to keep them clean as a condition for a reduced rate of property taxation. Following the cleaning operation by the CPC team, the owners must pay a fine, the proceeds from which cover the costs of the programme itself. In addition, the team paints and cleans the grounds of municipal health centres and schools.

A deteriorating economic situation and growing urban poverty

During the 1990s, under President Carlos Menem, Argentina underwent one the most rapid and deep-rooted processes of economic liberalisation in the world. As a result of a mix of extensive tariff cutting and widespread privatisation, the country was transformed from a highly protected economy to one of the most liberalised countries in the world. But the process was not without its social cost. From the mid-1990s Argentina has experienced a marked increase in income disparities and more recently, the country has suffered a prolonged economic recession.

The city of Córdoba is the major industrial centre of the country outside of the capital city of Buenos Aires. The twin effects of liberalisation and economic recession have hit its industrial base hard. Nevertheless, the city has adapted more effectively than many parts of the country to the rapid process of liberalisation and has sought to restructure its economic base in order to compete more effectively on the global market. The urban area of the city grew rapidly during the 1990s as residents moved out from the central area in search of their own homes and as its relative prosperity attracted an inflow of migrants in search of work from other more depressed parts of the country. During the decade new housing estates for the first time spilled over the ring road, further extending the geographical area of urban settlement.

In 1999 Argentina had a per capita income of US\$7,600.⁵ It was ranked 35th in the Human Development Index (HDI) for 1998.⁶ Although its adult illiteracy rate was only 3.3% in 1998, some 29% of the population still did not have access to safe water.⁷ Income disparities in Córdoba increased during the 1990s but by 2000 were still less pronounced than that of Buenos Aires. The unemployment rate in the city in mid-2000 was around 12% and the rate of underemployment was a further 13%. While social expenditure by the provincial government remained constant in real terms from 1992-99, social expenditure by the Municipality of Córdoba increased by nearly 40% in real terms over the same period. In large part, this was a result of a national strategy of fiscal decentralisation that involved the transfer of responsibility for social programmes to local government.

⁵ World Bank: 274

⁶ UNDP:157

⁷ UNDP:169

The limited development of citizen participation

The municipal codes of most Argentine provinces do not refer specifically to citizen participation, but instead confine citizen involvement in local government to the right to vote. By contrast, the provincial constitutions of Córdoba and La Rioja provide mechanisms that facilitate a much higher degree of citizen involvement in municipal affairs. Among these are referendums, citizen initiatives that oblige the council to consider any issue of interest to them, and a system of popular recall, under which an elected mayor may be removed from office before the expiry of his/her term of office.

On the surface at least, the city of Córdoba has a long history of citizen participation in local government. The territorial base for this tradition of participation is the neighbourhood, *barrio*, which with citizens have developed a strong identification. Those *barrios* that are formally recognised by the municipality possess elected neighbourhood committees, known as *Comisiones Vecinales* (CVs). They were banned and repressed by the military government in the 1970s, but re-emerged with the return to civilian rule in 1983.

The prevailing political clientelism in local government in Córdoba, as in most large cities in Argentina, has had a negative effect on citizen participation. The majority of the *Comisiones Vecinales*, rather than representing the local citizenry as a whole, have become closely identified with one or other political party. As such, they exert influence through personal contacts with leading municipal authorities rather than through the formal institutions of local government.⁸ Under this political culture of clientelism, municipal councillors play a key role as brokers, negotiating “patron-client” deals between the mayor and party supporters at the neighbourhood level.⁹

This problem was aggravated during the long period of single-party rule at the local level by the Partido Radical (1986-99). The CVs became ossified and controlled by self-perpetuating cliques. The level of citizen participation dropped off, as exemplified by the low turnout in elections for CV leadership. In 1999 the incoming administration of Mayor Kammerach sought to revitalise the CVs by extending the right to vote to include all persons on the electoral register - previously only those who were paid-up members of their local CV were allowed to vote. In elections held in 30 CVs on 25 June 2000 the turnout averaged 467, a considerable increase over the figure of less than 100 that was common during the previous decade. In mid-2000 there were around 300 legally recognised CVs in the Municipality of Córdoba, of which 250 were actually functioning.¹⁰

3 The emergence of a favourable environment for private sector participation

The privatization programme

Following the overthrow of the military government in the wake of defeat in the Falklands/Malvinas War, the first democratically-elected government of President Raúl Alfonsín (1983-89) postponed any fiscal adjustment. Net public sector investment

⁸ Although evidence from the Municipalities of Resistencia and Neuquén points to the emergence of more independent citizen associations that suggests a gradual rejection of the clientelist relationship with local government authorities (Pirez:121-46, Herzer & Pirez:95-121).

⁹ Interestingly, decisions on the use of the municipal development fund (Fondo de Acción Solidaria), which has been used on occasions to finance connections to the water supply network, are actually taken by councillors rather than by the municipal executive.

¹⁰ Eduardo Barrionuevo, Director, Department of Community Participation, Municipality of Córdoba

declined dramatically, leading to a bout of hyper-inflation. This reached a peak in 1989 when the public sector borrowing requirement reached 12% of GDP. Prompted by the severe fiscal crisis and hyper-inflation, in December 1989 the incoming Peronist government of President Carlos Menem initiated a major structural adjustment programme designed to radically reduce the public sector borrowing requirement. This consisted of economic liberalisation (tariff and non-tariff reduction), financial and economic deregulation (transport, ports and postal service), a currency convertibility plan establishing parity between the Argentine peso and the U.S. dollar, and reform of the State, involving the wholesale privatization of state companies

The breadth and depth of the reforms took place at a time when the opposition of civil society to radical measures of financial adjustment had been considerably lessened by the experience of hyper-inflation. The far-reaching privatization programme, a key component of the state reform process, had two objectives. The first was to reduce the fiscal deficit, by eliminating subsidies to inefficient state companies, and by increasing revenues through the direct sale of assets and tax receipts from newly privatised companies. The second was to improve the quality of basic service provision by generating new investment and introducing new technology.

The privatization programme had two distinct stages. The first stage (1989-91) took place during a period of continuing high inflation. Telecommunications and civil aviation were the key sectors that were privatised during this stage. In both cases the overriding objective was to ensure new investment in order to overcome declining level of service. However, the State negotiated badly, failing to ensure competition, failing to ensure contract compliance, and failing to establish an adequate regulatory mechanism prior to sell-off. The second stage (from 1992 onwards) took place during a period of much lower inflation. This saw a marked improvement in the negotiating capacity of the State, as evidenced by the establishment of regulatory frameworks prior to sell-off in the case of gas, electricity and water.

By the mid-1990s the effects of the privatization programme had been far-reaching. Some 20% of the foreign debt outstanding in 1989 had been written off by debt-for-equity swaps. Total employment in thirteen previously state-owned companies had fallen from 260,000 in 1990, to 60,000 by 1993, with most of the reduction achieved through voluntary redundancies. By December 1993, the only significant sectors remaining to be privatised were thermal power generation and hydro-electricity, coal, shipping and grain storage, and the national savings and loan association.

Although the major impact by far has been the transfer of federally-owned companies to the private sector, local government was also encouraged to extend the practice of contracting-out service provision to the private sector. In December 1991 the incoming administration in the Municipality of Córdoba for the period 1992-96 prepared a strategy document that included provision for private sector participation in basic service provision in the form of concession contracts.¹¹ A study of the Municipality of Córdoba, where virtually all basic urban services (street cleaning, solid waste collection, traffic lights, car-parks, parks and gardens, and public lighting) were contracted out, has highlighted two serious administrative deficiencies that were found throughout the country in the wake of privatization. One is the lack of impact evaluation of municipal investment projects and the absence of any structure to monitor contract compliance and service quality by private contractors responsible for the delivery of municipal services. The other is the absence of any overall sectoral co-ordination of municipal activities.¹²

¹¹ Marianacci:12

¹² Herzer:47

The decentralisation process

With the focus of the state reform programme concentrated on redrawing the boundary between the public and private sectors of the economy, little attention was paid to decentralization of functions within the public sector itself. Nevertheless, several provincial governments, notably that of Córdoba, used the state reform programme to legitimize their ongoing programs for the devolution of responsibility for social services (education, health and social welfare) to municipalities in their jurisdiction. A sharp reduction in the level of federal government transfers occasioned by the severe fiscal crisis seriously limited the capacity of provincial governments to provide municipalities with extra finance in order to match newly devolved responsibilities. In turn, this fiscal austerity dampened the enthusiasm of local government towards the assumption of new responsibilities.¹³

In 1987 a new provincial constitution was promulgated in Córdoba that gave municipalities a high degree of political, administrative and economic autonomy. It granted local government a wide range of responsibilities, most of which are held concurrently with the provincial government. Uniquely in Latin America it enabled individual municipalities to draw up their own municipal code. The decentralization strategy pursued since 1989 in the Province of Córdoba was based on the gradual transfer of responsibilities to local government by means of agreements, *convenios*, signed by the province and individual municipalities. Between 1989-93, 2,450 such *convenios* were signed, covering the construction of 90,000 m³ of school rooms, the maintenance of 421 school buildings, the maintenance of 2,200 km of paved roads and the operations of 63 drinking water systems.¹⁴ Interestingly, the provincial government did not contemplate devolving responsibility for water supply to the Municipality of Córdoba, even though it would have enabled far better co-ordination for urban planning because the latter already held responsibility for sanitation. The decision by the provincial government instead to retain ownership of the water assets and privatise service delivery by a concession contract was driven by fiscal considerations. By so doing, the province was assured of a sizeable revenue increase in the form of royalty payments, amounting to US\$13m in 1999.

The regulatory environment

By the end of the millenium there was widespread dissatisfaction in Argentina at the laxity of regulation during the decade of privatization carried out by the Peronist government of President Menem (1989-99). In several cases, regulatory bodies were established after the key privatization decisions had been taken. High price rises and poor service quality were major sources of complaint. This criticism reached a high point during the power failure that blacked out large parts of Buenos Aires for ten days in February 1999. At that time regulatory agencies in general were strongly criticised in the media for their weakness.

Interestingly, the water and sanitation sector provides a rare example where the public sector applied robust regulatory pressure in response to poor performance by the private sector. A 30-year concession was awarded in the Province of Tucumán (1.1m people) in 1995 to Vivendi, the French global utility company. The concession had been awarded by a Peronist government, but a new governor belonging to the Radical Party was elected soon after. Only a few months after operations began, Vivendi doubled water tariffs. Service quality did not improve and in addition, water became "inexplicably" brown. In protest, 80% of residents stopped paying their bills.

¹³ Díaz de Landa:320

¹⁴ Furlan:25

Accordingly, the new governor started a campaign that ended up with the cancellation of the concession in October 1998 and the reassumption of water operations by the provincial government. Vivendi then filed a US\$100m suit against the government.¹⁵

At the federal level, in 2000 the incoming Partido Radical government sought to encourage greater competition among privatised utilities by clamping down on what are seen as abuses of privilege by private companies that have benefited from monopoly conditions under weak regulation for nearly a decade. In a move designed to attract over \$5,000m of US telecom investment, during his mid-June visit to the USA, President De La Rúa promised a 50% reduction in the interconnection charge imposed on other telecom users by the privatised telecom carriers, Telecom and Telefonica, in November 2000 when their 10 year duopoly finally expired. Moves are also afoot by the federal electricity regulator, Ente Nacional Regulador de la Electricidad (ENRE), to require the Spanish-owned electricity transmission company, ENDESA, to sell its holding in one or other of the two major electricity distribution companies, EDESUR and EDENOR.

This tighter regulatory stance by the federal government was mirrored by the incoming provincial government of Córdoba in May 2000, headed by the new Peronist Governor, Jose Manuel de la Soto. The regulatory framework for public utilities, including urban water supply, was radically altered by the creation of a new Secretariat for Control and Management of Contracts, *Secretariado de Control y Gestión de Contratos*. Hitherto water regulation in the province had been the responsibility of the Water and Sanitation Department, *Departamento de Aguas y Saneamiento* (DAS), of the Provincial Government.

In addition, the new provincial government created a novel multi-sectoral regulatory agency, known as the *Ente Regulador de Servicios Públicos* (ERSEP), which will regulate a diverse range of privatized public services. At present there are only two privatized utilities that come under its remit: Aguas Cordobesas, and the privatized road company, Red de Accesos a Córdoba (RAC). The latter maintains and improves the five major access roads to the city of Córdoba, under a 25 year concession signed in September 1997. But four more activities will soon be added to the remit of ERSEP as a result of privatization plans in progress.¹⁶

The mixed bag of responsibilities of the new agency reflects the complex mosaic of public sector ownership under Argentina's federal system of government. For example, although Aguas Cordobesas supplies water only within the jurisdiction of the Municipality of Córdoba, the assets belong to the Provincial government and not to the municipal government. In contrast, regulation of the company that operates Córdoba's international airport, Aeropuertos Argentina 2000, will not become part of the ERSEP remit because this 30 year contract was awarded in February 1998 by the Federal government which owns the assets of this and 35 other airports included in the concession.

The new regulatory agency is collegiate in nature. Its six-member board comprises three members appointed by the governing party in the provincial assembly, two members from the opposition parties and one member representing consumers. This direct representation of consumer interests on a regulatory body is a unique case in the world,

¹⁵ In late-2000 a World Bank (ICSID) arbitration panel was examining the case.

¹⁶ These are: the company that will be soon responsible for the electricity distribution for the province following the imminent privatization of the provincial electricity company, Empresa Provincial de Energía de Córdoba (EPEC), under a 35 year concession with an option to purchase; the company that will own the provincial bank, Banco de la Provincia de Córdoba, with 180 branches, that is soon to be privatized; the range of private companies that will have leases on over one hundred public buildings in the province, currently operated by a provincial holding company; and the company or companies that will be granted a 30 year concession to operate casinos, lotteries and bingo in the province following the imminent privatization of the provincial casino company, Lotería de Córdoba S.A.

and reflects the widespread dissatisfaction among consumers over the Argentine privatization programme. But the direct inclusion of consumer interests in ERSEP has come in for criticism because of the danger of their 'regulatory capture' by the other political interests represented on the board. ERSEP will be financed through a 1.5% levy on the tariffs of the privatized utilities, as well as any fines that it imposes. This levy has been criticized as excessively high. For example, the water regulatory agency for Buenos Aires, ETOSS, is financed through a 0.67% levy on water bills. In summary, the new regulatory agency established in Córdoba is highly novel but also highly controversial. Its collegiate members is overtly political, its multi-sectoral remit endows it with a range of complex responsibilities, and the inclusion of consumer interests on its board runs the risk of their 'regulatory capture'.

In the particular case of urban water supply for the city of Córdoba, ERSEP contracts out responsibility for monitoring water quality to a state-owned laboratory that examines 600 samples per month. ERSEP also monitors implementation of the investment programme of the concessionaire, Aguas Cordobesas. The company carries out 20,000 repairs per month and submits a monthly report to ERSEP. It is still unclear whether the newly established ERSEP will play the role of a regulatory body, *ente regulador*, balancing the interests of consumers and of the private concessionaire, or whether it will play the role of contract enforcement, *organo de control*, on behalf of the provincial government. The confusion is enhanced by the fact that ERSEP is not an autonomous body but nor does it report directly to the provincial governor. Instead it comes under the remit of the Ministry of Public Works of the provincial government. In practice it seems that ERSEP is likely to carry out both functions - contract compliance and wider regulation.

4 The Córdoba partnership

The split in institutional responsibility for water and sanitation

Water supply in the city of Córdoba is a provincial responsibility, while sanitation is the responsibility of the municipality. This unusual division of responsibility for water and sanitation has a historical explanation. According to the 1923 Constitution, water supply throughout Argentina was a municipal service but over time this responsibility was transferred to a federal entity, Obras Sanitarias de la Nación (OSN). In 1975, the federal government devolved responsibility for both water and sanitation from OSN to the provincial level. In the case of the Province of Córdoba, this took the form of a newly created Empresa Provincial de Obras Sanitarias (EPOS) of the provincial government. This decision formed part of a national policy of decentralisation. Next, in 1990 the provincial government transferred responsibility for sanitation to the Municipality of Córdoba, while retaining responsibility for water supply. In 1997 it signed a concession contract with Aguas Cordobesas for water supply for the city of Córdoba. It is important to note that the Municipality of Córdoba took no part in these 1997 negotiations, even though the area of the water concession was confined exclusively to the jurisdiction of the municipality.¹⁷

The current institutional arrangement means that, although it is solely responsible for sanitation, the Municipality of Córdoba has no formal involvement in urban water supply within its own jurisdiction. Nor is it involved in any way with the regulation of Aguas Cordobesas and the monitoring of contract compliance by the concessionaire,

¹⁷ In December 1999 Aguas Cordobesas expressed an interest in an eventual privatization of the municipal department of sanitation.

both of which remain the sole preserve of the provincial government. The institutional split in responsibility for water and sanitation in the city of Córdoba makes the regulatory task of ERSEP more difficult because it does not report to the municipal government itself, even though the latter's jurisdiction is the same as the geographical area of the concession. The municipality does have a public works committee, part of whose remit covers water. But its involvement in water issues has tended to focus on issues of contamination of the River Surquía that traverses the city to the exclusion of issues relating to the concession contract.¹⁸

The content of the concession contract

On 21 April 1997 the Provincial Government of Córdoba signed a 30-year concession contract with Aguas Cordobesas for the operations of water supply and sanitation within the 24 sq. km jurisdiction of the Municipality of Córdoba. The contract came into force in May 1997. Aguas Cordobesas has a paid-up capital of \$30m and is owned by a consortium of Argentina and foreign companies, in which the French utility multinational, Suez-Lyonnaise des Eaux is the largest shareholder. In October 1998, Suez Lyonnaise des Eaux bought Sociedad Comercial del Plata's share in Aguas Cordobesas, thereby enabling it and its subsidiary, Aguas de Barcelona, to take a controlling interest in the company.¹⁹ In turn, Suez-Lyonnaise des Eaux is the technical operator of Aguas Cordobesas.

Figure 1
Aguas Cordobesas shareholders

Company	Nationality	Shareholding
Suez Lyonnaise des Eaux	France, Belgium	37.45%
Aguas de Barcelona SA ²⁰	Spain	15.39%
Inversora Central SA	Argentina	14.94%
Empresa Constructora Delta SA	Argentina	14.50%
Banco de Galicia y Buenos Aires SA	Argentina	11.11%
Servicios del Centro SA	Argentina	6.67%

Source: www.aguascordobesas.com.ar/empresa

The concession contract imposed the following stipulations on the concessionaire:

- Operate and maintain the 2,766-km pipe network
- Reach 97% water coverage by the end of the concession (Year 2026)
- Pay royalties to the provincial government both for water abstraction (\$0.019/m³) and for water transportation (\$0.077/m³)
- Reduce the average tariff by 8.2% at the start of the concession
- Carry out an investment programme of \$150m in the first two years

¹⁸ Carlos Juncos, Councillor, Municipality of Córdoba

¹⁹ www.waternunc.com/gb/lyon16gh

²⁰ Aguas de Barcelona (AGBAR) is a Spanish water company that is 25 per cent owned by Suez Lyonnaise des Eaux. Outside Spain, it is active in Portugal, North Africa, and in Latin America. Most of Suez Lyonnaise's operations in Latin America are in partnership with AGBAR. AGBAR is involved in water concessions in Argentina (Buenos Aires, Santa Fe, Córdoba), Chile (Valdivia), Colombia (Cartagena, Santa Marta, Barranquilla), Cuba (Varadero), and Uruguay (Maldonado). AGBAR is also involved in other sectors: healthcare, waste disposal, vehicle inspection, multimedia services and tax collection. In April 1999 it formed a healthcare partnership, BBV Adeslas, in Argentina, which owns several private hospitals and plans to invest \$100m. It has vehicle inspection contracts in Argentina and a municipal tax collection contract in Cartagena (Hall:13).

The total investment programme required in order to reach the coverage target has been estimated at around \$500m. From 1997-99, Aguas Cordobesas carried out investments worth \$84m. A substantial part of this investment programme was financed by a \$40m loan from the European Investment Bank. This was the first EIB loan to a private sector project in Argentina located outside Buenos Aires. The 10-year loan, inclusive of a three-year grace period, bears EIB floating rate capped at LIBOR plus 15 basic points. The loan represented 47% of the first five-year investment programme of Aguas Cordobesas.

Performance in contract implementation

The overall performance of the concessionaire to date is generally perceived as satisfactory by citizens and the provincial government. In the two years to March 1999 the number of inhabitants covered by the network increased from 1,000,000 to 1,140,000.²¹ In 1999 Aguas Cordobesas distributed 140m m³. of water.²² The number of connections rose from 208,526 in 1997 to 223,462 in 1999. By mid-2000 service coverage for water had reached 87%, compared with only 40% for sewerage.

Annual gross income in 1999 was \$65m. Net profit was \$5m, representing an 11% rise over 1998. In the same year Aguas Cordobesas paid \$9,922,000 for water abstraction and \$3,149,668 for water transportation, amounting to a total royalty payment of \$13,071,668. Staff numbers fell from around 1,300 before the concession was awarded to 436, in 1999, giving an acceptable ratio of 1.95 staff per 1,000 connections.

Aguas Cordobesas had provided three direct benefits to consumers since the contract was signed in 1997: the 8% price reduction in average tariffs, an end to water cut-offs, and improved water quality leading to a sharp drop in sales of bottled water. There is a further indirect benefit in the form of the annual \$13m royalty payment to the provincial government.²³

Despite this favourable performance to date, two issues could have a potentially negative effect of this perception in the future. First, there is the question of policy towards supply cut-offs. To date Aguas Cordobesas has not cut supply to customers who have defaulted on their water bills. However, in February 2000, the company began legal proceedings in order to obtain debts totalling \$2m from 2,500 customers, equivalent to 1.1% of the total number of customers, who have refused to pay their bills ever since the company was awarded the concession in 1997.²⁴ There is little evidence that these debts are linked to problems of ability to pay among low-income residents. Rather they are the consequence of a long-standing and widespread practice of non-payment of utility bills across the social spectrum.

Second, there is the question of the sequencing of the investment programme. Under the terms of the contract, Aguas Cordobesas must achieve 97% coverage by 2026. The total investment required to meet this target has been estimated at between \$400m and \$650m. In contrast to the concession contract for Buenos Aires, the Córdoba contract does not specify five yearly coverage targets within the framework of the total period of the overall concession. For this reason, there is the risk of “backloading”, whereby the concessionaire postpones major investment until the end of the concession period. In this eventuality, citizens of low-income neighbourhoods would be the main stakeholders to suffer from delays in connection to the network.

²¹ www.aguascordobesas.com.ar/numeros

²² Water production varies between 350,000m³/day in winter to 440,000m³/day in summer.

²³ Rui Roda, General Manager, Aguas Cordobesas, 12 June 2000.

²⁴ www.intervoz.com.ar/99/12/30/index_03

5 Water and the urban poor in Córdoba

By mid- 2000, some 196,000 citizens of Córdoba, equivalent to 14% of the municipal population of 1.4m, were still not connected to the piped network operated by Aguas Cordobesas on behalf of the provincial government. The fact that so many residents are not connected to the water network is largely the outcome of poor municipal management practices in the past. First, it was common for real estate developers to contravene municipal regulations by selling plots without providing basic services (water and electricity), a practice which has now been outlawed. Second, local politicians often encouraged residents to make illegal connections as a conscious strategy to put pressure on the former provincial water utility, EPOS, to invest in extension of the network. Unfortunately, in most cases, EPOS was either unwilling or unable to respond to these pressures. In 1992 EPOS built a 5-km pipeline to the new international airport in Córdoba. But within a short space of time, low-income residents living along the main road to the airport had made so many illegal connections that water pressure at the airport became insufficient. In response, the airport authority was forced to install its own independent water supply system.

Those households not connected to the piped network may be classified into three different situations, as follows:

- Neighbourhoods served by independent private providers, *prestadores particulares*, that account for 6% of the city population. These are often supplied from local wells and the water quality is poor. The pipe work is poor, of narrow diameter, and incrustated with lime. As a result, it can not withstand high pressure and needs replacing for connection to the piped network.
- Neighbourhoods occupying private or state-owned land without titles. There are an estimated 40 such sites, which are known as *villas*. Together, they accounted for 54,000 people in 1998, but their population is estimated to have risen to 70,000 by mid-2000, equivalent to 5% of the city population. They are often located adjacent to railway lines, main roads or occupy enclaves close to the city centre. They are usually served by illegal connections. Given the lack of titling and the desirability of relocation in the longer-term, the solution is to supply standpipes rather than individual house connections.
- Neighbourhoods with land titles but without any formal connection to the network, that account for 3% of the city population. Some 30 such neighbourhoods, *barrios*, are not connected to the piped network. These are either served by precarious clandestine connections or by private and municipal water tankers, or by a mix of both. In most cases the illegal connections did not follow the technical norms of the water utility, EPOS, resulting in narrow diameter pipe that causes problems of bursts and low pressure. Again, the solution is to replace an existing connection or to install a new connection to the piped network.

Figure 2
Córdoba: population not connected to piped network in 2000

Situation	Form of provision	Population	Share
Independent private providers	Autonomous	84,000	6%
Villas without land titles	Illegal /vendors	70,000	5%
Barrios with land titles	Vendors/municipal tankers	42,000	3%
Total		196,000	13%

Source: Author's own estimates

6 Pro-poor initiatives within the public-private partnership

Although not having any formal responsibility for urban water supply within its jurisdiction, the Municipality of Córdoba has collaborated since 1998 on several pilot projects aimed at connecting poor communities much earlier than envisaged under the long-term plan for extending the piped network. Two funding sources have been crucial in order to implement these projects. First, the municipality has contributed an investment grant from a special local development fund, the *Fondo de Acción Solidaria* (FAS). Second, the municipality has accessed a federal job creation scheme, the *Plan Trabajar*, under which long-term unemployed men are identified by CVs and paid \$200 per month (one third of the minimum wage) for a 5 hour daily shift as unskilled labourers. The pilot projects are carried out as a tripartite arrangement between the municipality, which contributes finance, Aguas Cordobesas, which contributes technical assistance, and the community, which contributes voluntary unskilled labour. The results have varied considerably, as shown by the following review of four pilot projects.

Barrio Estación Flores

This 90-year old community of 3,800 people is located in the south east of the city. Since 1975 most households relied on clandestine connections to the piped network. Because of their irregular construction and the narrow 50mm diameter pipe, water shortages and low pressure were very common. As a result, residents became increasingly dependent on water purchased from private tankers. There were many attempts over the years to obtain legal connection to the network but politicians repeatedly failed to deliver on such promises. In 1999 an ad-hoc committee, *ente promotor*, was created to access a \$48,000 grant from the FAS in order to connect to the piped network. But as in the case of Barrio San Ignacio (see below) political disputes arose over control of the grant. The neighbourhood CV did not participate formally in the initiative and its attempts to control the grant was rebuffed. The ability of the leadership of the ad-hoc committee to resist these pressures was assisted by the lack of unity within the CV itself, with two clientelist factions disputing control.

The ad-hoc committee obtained bids from four suppliers. The municipality approved the winning bid and the grant was transferred directly to the committee. Signatories for the use of funds included the leadership of the CV. The work was carried out from October 1999 to May 2000 exclusively using the voluntary labour of the community. Aguas Cordobesas provided an inspector of works. A total of 550 households in 16 blocks were connected with 4,500m of pipe work. The work took longer than originally envisaged because of the need to ensure that all households contributed by digging trenches outside their homes. Delays were also caused by disagreements over who was responsible for digging trenches across streets and crossroads.

The ad-hoc committee was successful in reducing the overall cost of the project. Because Aguas Cordobesas did not install water-meters, the committee argued successfully that the cost of the meter box and connection should be borne by the company and not paid for out of the municipal grant. This led to a saving of \$9,720. Similarly, the use of a smaller diameter pipe for house connections led to cost savings. When the project was completed in May 2000, there was a remaining surplus of \$4,900 in the bank. The overall cost of the project was around \$43,100, equivalent to only \$78.36 per household connection. This is less than one quarter of the standard connection charge of \$350 (including water meter) levied by Aguas Cordobesas on households in the city for work carried out directly by its own contractors.

“The municipality should have a technical, and not a political approach to its work in providing basic public services such as water. We live in a poor neighbourhood. Yet for years the municipality has wrongly classified us as a middle-class neighbourhood, zona residencial. So although we pay the same rate of property taxation, we do not receive the same quality of service for public lighting and garbage collection. If there was a technical approach to municipal management, this would not happen” – Alejandro Toranzos, community leader, Barrio Estación Flores.

Barrio Quebracho

This 2,600-strong community is located in the south of the city. It was founded in 1985 and has 640 households. It prides itself on the fact that all local services – health clinic (currently not in use because of lack of funding for staff), primary school, and community centre (incomplete) – have been built by the efforts of the residents themselves, without any government support. The construction industry used to provide the main source of employment. Because of the economic recession, the male unemployment rate in mid-2000 was over 75%. In many households women are now the main breadwinners, working as domestic servants.

Households were supplied by municipal and private water tankers and there were no illegal connections. Monthly household water purchase was typically three 4,000-litre supplies at \$10 each, giving a total expenditure of \$30. A neighbourhood CV was formed in 1992 in order to connect to the piped network but political divisions appeared in 1995. An ad-hoc committee, *ente promotor*, was established in 1998 and accessed a \$100,000 grant from the FAS. This committee was accountable to the municipality’s Department of Community Participation. Two private companies placed bids to supply materials. The municipality purchased the materials from the winning bidder on behalf of the community and these supplies were then deposited in the *Centro Vecinal*. Work began in September 1999 and was successfully completed by the end of the same year. Aguas Cordobesas supplied two foremen to supervise the work of local residents, which consisted of digging the trenches outside their respective homes. A gang of fifteen local men were employed under the federal government’s emergency work programme, *Plan Trabajar*. They worked a daily 5.5-hour shift for \$200 a month (one-third of the minimum wage). A total of 6,000m of pipe were laid to a depth of 1.2m, all of which was dug by hand. The only other equipment used was an earth compactor, loaned by Aguas Cordobesas.

Barrio Parque Liceo – 3ra Vía

This neighbourhood of 5,400 people is located in the north east of the city. Households were served for many years by a water co-operative. However, there was growing dissatisfaction because of the large number of breakages resulting in cut-offs and low water pressure. In 1999 residents threatened not to pay municipal property tax in protest at the lack of connection to the piped network. The total cost of connection was estimated at \$330,000. Costs were kept down by installing lower diameter pipe and fewer valves. The water co-operative accessed a \$150,000 grant from the FAS programme, Aguas Cordobesas contributed \$150,000 and the municipality gave an extra \$30,000 grant. There was no voluntary labour input and no free labour from the Plan Trabajar programme. Instead, all the work was to be carried out directly by Aguas Cordobesas. In order to recoup its investment in the project, the company offered discount terms to residents to cover the cost of connection. It was intended that the work would be carried out over six months and that payment would be made in instalments over 36 months. For the first six months residents would make a monthly instalment payment of \$10 plus VAT (at 21%). During months 7 to 35, they would pay

\$2.85 plus VAT. In the final 36th month they would pay \$2.98 plus VAT. This instalment plan is equivalent to a total cost of only \$145.63, compared to the commercial connection charge of \$600. No water meters would be installed. An agreement was finally reached in September 2000 whereby the water co-operative handed over the grant funds to Aguas Cordobesas, which immediately began work on the project.

Barrio San Ignacio

This 2,000 population 45-block community is located just behind the Municipal Neighbourhood Office (CPC) No. 5 in the south west of the city. For many years households had been supplied with water by illegal connections to the piped network. An ad-hoc water committee was formed in 1998 and a \$70,000 grant was accessed from the FAS programme in order to purchase materials. In mid-1999 some forty local men employed under the federal job creation programme, *Plan Trabajar*, began work under the technical supervision of Aguas Cordobesas. However, political divisions within San Ignacio soon led to disputes between the local CV and the ad-hoc water committee over the management of the project. Accusations arose concerning alleged misuse of the municipal grant. When the *Plan Trabajar* programme came to an end in December 1999, residents refused to complete the work by providing voluntary labour. By mid-2000 the project was still paralysed with only half of the work completed.

Main features of pilot projects

All four projects to connect poor neighbourhoods to the piped network were small scale. Two were relatively successful (Barrio Quebracho and Estación Flores) while two experienced delays caused by conflicts over the control of funds (San Ignacio and Parque Liceo-3ra Vía). Interestingly, the successful projects were in neighbourhoods that were both previously supplied by private vendors and in which the community participated in the project by supplying voluntary labour. The success of the two pilot projects in Barrio Quebracho and Estación Flores was linked to three factors: transparency of the leadership in the management of grant aid, a non-political approach that encouraged the participation of community members in the project, and a centralised leadership that was willing to castigate members who were unwilling to make their own personal contribution to the communal effort.

Figure 3
Features of pro-poor pilot projects

Feature	Quebracho	Estación Flores	San Ignacio	Parque Liceo-3ra Vía
Population	2,600	3,800	2,000	5,400
Size of FAS Grant	\$100,000	\$48,000	\$70,000	\$150,000
Plan Trabajar Programme	Yes	No	Yes	No
Voluntary community labour	Yes	Yes	No	No
Work carried out directly by Aguas Cordobesas	No	No	No	Yes
Previous form of supply	Private vendors	Private vendors and some illegal connections	Illegal connections	Illegal connections
Meters installed	No	No	No	No
Project completed	Yes	Yes	No	No

“From the community perspective, the attitude of Aguas Cordobesas to the pilot projects seems ambivalent. Given that the outcome of the projects is to increase the number of new clients for the company, we feel that the company should take a more positive and pro-active approach to these initiatives, from which the company ultimately stands to benefit in terms of increased and sustained income growth” – Jorge Barrera, leader of Comisión Vecinal, Barrio Quebracho.

7 Key Issues

The situation that has developed in Córdoba during the implementation of the concession contract since 1997 is complex and involves several uncommon practices. Yet despite their lack of formal involvement, the mayor and most councillors seem satisfied with the performance of the concessionaire to date and the municipal council is broadly in favour of further private sector initiatives in service delivery. A number of the key issues affecting the municipality are discussed further in this section.

- *The water tariff structure and the urban poor*

The current water tariff structure in Córdoba is both complex and inequitable. A mix of factors – both volumetric charging and property-based charging - determines the tariff. All householders pay the same standing charge that entitles them to a minimum volume, one that is directly related to the size of property (see Figure 4).

Figure 4
Córdoba water tariff: minimum consumption and property size

Property Size	Monthly Minimum Consumption
Up to 50 sq.m.	15 m3
From 50 sq.m. to 150 sq.m.	0.3 m3 per square metre (sq.m)
From 150 sq.m. to 250 sq.m.	45 m3 plus 0.25 m3 per sq.m. above 150
From 250 sq.m. to 350 sq.m.	70 m3 plus 0.2 m3 per sq.m. above 250
From 350 sq.m. to 500 sq.m.	90 m3 plus 0.15 m3 per sq.m. above 350
Above 500 sq.m.	112 m3 plus 0.1 m3 per sq.m. above 500

Source: Aguas Cordobesas

In practice this has two negative effects on equity. First, the property-based standing charge is extremely regressive with regard to the size of property. The larger is the property size, the larger is the minimum volume permitted under the standing charge. In practice, for higher-income families living in larger properties, the minimum volume entitlement incorporated within the standing charge is extremely high. For example, a middle-class family with two children who live in a property with an area of 200 sq.m. consume on average only 30 m3 per month. Consequently, very few high-income consumers end up paying the mildly progressive tariff rates incorporated in the step tariff. Second, even for those consuming in excess of the volume permitted under the standing charge, the actual step tariff applied is only mildly progressive. This is because properties are not individually classified but are grouped into broad band geographical zones. High-value properties in lower band zones benefit from this arrangement, while low-value properties in high band zones suffer.

The concession contract signed in 1997 stated that metering would be gradually introduced and that new domestic connections would have meters installed. Aguas Cordobesas did install 50,000 new water meters from 1997-2000. Yet no meters have been installed in the four pilot projects for low-income communities that were examined in this research. At the time of writing, ERSEP was negotiating with Aguas Cordobesas for the introduction of a so-called “social tariff” for low-income families. In the meantime, the company was not even charging for water in the above-mentioned pilot projects. It was rumoured that this “social tariff” is likely to be around \$5 per month. If so, this would represent a considerable cost saving for families in neighbourhoods such as Barrio Quebracho, who previously paid around \$30 per month (for 6 m³) to private water sellers.

- *The linkage between land titling and coverage targets*

The absence of a land titling programme poses a major obstacle to the development of pro-poor private sector participation in Córdoba. The poorest 5% of the city's population live in the so-called “*villas*”.²⁵ These are a patchwork of densely populated squatter settlements, often not far from the city centre, where landless families have constructed rudimentary housing on private or public land. Because residents do not have land titles, there is no legal requirement on the concessionaire to extend the piped network into these communities.

Although the contract between the provincial government and Aguas Cordobesas requires the latter to achieve 97% water coverage by its expiry date, it remains unclear whether this target includes that part of the city population living in the *villas*. According to the managing director of Aguas Cordobesas, no mention was made of the specific problem of connection and payment for residents of the “*villas*” when the company submitted its bid for the 1997 contract.²⁶

The current mayor of Córdoba has made a commitment to universal water coverage, encapsulated by his election slogan, “Water for all neighbourhoods”, *Agua a todos los barrios*. He has also promised to grant land titles to residents of the squatter settlements, *villas*, under the slogan, “Plan for putting down roots”, *Plan Arraigo*. If this happens, it would presumably require Aguas Cordobesas to incorporate these *barrios* and *villas* within its long-term investment programme for extension of the piped network.

- *The provision of water tankers to the villas*

The question of who deals with the water needs of those citizens (mainly living in *villas*) who are not connected to the piped network needs to be addressed. At present, it is the municipality (and not Aguas Cordobesas) that supplies water to these residents. Aguas Cordobesas provides the water, for which no charge is apparently made, to the municipality. Demand for water is increasing as a result of population growth within the *villas*. Residents here are increasingly dependent on water supplied from municipal water tankers. The municipality's department of public hygiene has a fleet of three water tankers, each with a capacity of 8,000 litres. In May 2000 alone, they delivered a total of 144,000 litres free of charge directly to such households. The municipality has plans to purchase another tanker. Yet there is still no co-ordination with Aguas Cordobesas over the supply of water from these tankers and the municipality does not inform the company about the location and volume of its delivery system.²⁷

²⁵ The full name is “*villas miseria*”, or misery slums.

²⁶ Rui Roda, Director of Planning and Regulation, Aguas Cordobesas

²⁷ Andrés Mischis, head of Public Hygiene, Department of Public Services, Municipality of Córdoba

- *The take-over of small-scale private suppliers*

At present, some 50,000 residents of Córdoba are supplied by small private water companies, *prestadores particulares*, and water co-operatives. Many of these operators supply water at a higher cost and of lower quality than Aguas Cordobesas. There is a generally agreed policy to gradually reduce the number of such private operators and to absorb these systems within the piped network operated by the concessionaire. However, it seems that the 1997 contract did not spell out specific time-linked targets for Aguas Cordobesas with regard to absorbing the operations of these private water companies. In 1997 44 such private systems were in operation, and by mid-2000 eleven had been transferred to Aguas Cordobesas. The new provincial regulatory body, ERSEP, is actively involved in such negotiations. Most of these systems operate under contracts signed originally with the provincial government, although some were signed with the municipality. In practice most of the contracts have expired. Consequently, there is no legal requirement for compensation when supply is transferred to Aguas Cordobesas. The municipality has a key role to play in implementing the strategy of gradual elimination of private operators. In a few cases, it has been necessary to undertake court action to eliminate private water companies. But the more general strategy is to achieve this objective through negotiation rather than litigation.

- *The division of responsibility for bearing the cost of connection*

According to the 1997 contract, the responsibility of Aguas Cordobesas is only to construct the primary pipeline in extending the network. Responsibility for the secondary pipeline (defined as less than 160mm diameter) and residential connections are the responsibility of the municipality and/or individual householders. Many residents in low-income neighbourhoods contest this view. They believe that the concessionaire alone should bear the cost of secondary pipeline. In any case, whatever is the distribution of the overall cost, co-operation between Aguas Cordobesas and the municipality is essential in order to resolve this issue on a case by case basis. This is because of their common interest to achieve the coverage targets, even though the municipality is not a signatory to the contract itself.

- *The lack of integration of the water sector within strategic planning of the city*

Despite the approval over the years of several master plans, *plan director*, with geographical zonification, in practice these have not been used as the basis for guiding the growth of the city. Instead, powerful real estate companies have decided the direction and pace of city growth. Typically, the municipality has granted approval to real estate companies for new residential developments without any prior consideration of the cost implications for basic service provision. Hence there has been minimal co-ordination with the long-term investment programme of Aguas Cordobesas for extending the piped network. In practice, this often means that the water investment programme has to be adjusted at short notice to accommodate such demands.

“When there is a burst, no-one knows until the road is dug up whether it is a water pipe, storm drain or sewerage pipe. In any case, the municipality is the residents’ first port of call when there is a problem. And we get the blame even when it is not our responsibility” – Gustavo Royo, Director of Sanitation, Municipality of Córdoba

8 Building municipal capacity in support of a pro-poor PPP

Although the Municipality of Córdoba has no legal involvement in the public-private partnership for urban water supply in the city, capacity building at the local level is crucial to the success of pro-poor public-private initiatives carried out within the context of the concession contract. This section examines the extent to which the municipality has developed a range of such core and poverty-related competencies.²⁸

- *Basic understanding of the operating context for service partnerships*

The municipality developed an early understanding of the constraints imposed by the existing macro-economic and political context. Senior figures in Córdoba had for long been concerned at the fiscal difficulties caused by the growing deficits of municipal and provincial-owned basic utility corporations. Others had been involved in the drafting of the pioneering 1989 national legislation for private sector participation in basic services. When negotiating the 1997 concession for water and sanitation within this new legal framework, the provincial government's understanding of this wider operating context was a major factor enabling it to successfully overcome widespread opposition from entrenched interests.

Although the municipality has a detailed understanding of the extent and nature of poverty within its own jurisdiction, the provincial government paid little attention to the water needs of the urban poor during negotiation of the concession. For example, the contract stipulates that domestic connections and new secondary network (defined as less than 160mm diameter pipe) are the responsibility of residents, and not the concessionaire. Although new residential developments typically incorporate this work within the house sale price, this stipulation discriminates against low-income residents in long-established neighbourhoods that are not yet connected to the network. Through its growing involvement in the poverty alleviation programme of the federal government, notably the *Plan Trabajar* work programme, the municipality has developed a much deeper understanding of the poverty context.

- *Strategic understanding of opportunities and constraints of public-private partnerships in urban management*

Both the provincial government and the municipality have developed the capacity to exercise informed decision-making on public-private partnerships in service delivery in relation to wider urban management goals. There is a cross-party consensus at both tiers of government that private sector participation is a key tool for improved service delivery. This perception has been influenced by the poor performance of public sector operated utilities, including the previous provincial water company and the municipal sanitation company. The provincial government has displayed a keen ability to promote public-private partnerships in a range of service delivery functions, starting with water supply, but extending to highway maintenance, electricity distribution, property management and gaming. As in many Argentine cities, there is a long experience of municipal contracting of waste management services to the private sector.

However, both the provincial government and the municipality display a limited awareness of the potential value of private sector participation in the context of poverty reduction strategies. In part, this is because until recently Argentine municipalities have

²⁸ This analysis is based on the "Framework of core competencies for pro-poor PSP in municipal service delivery", developed by Janelle Plummer and Graeme Gotz for the Building Municipal Capacity for PSP research (forthcoming).

only had a rhetorical competence for poverty reduction activities. In practice, they have played a minimal role in such activities, confining their explicit “contribution” to overstaffing with low-paid workers. For this reason, although the municipality views the experience of private sector participation in water supply as broadly favourable, this is basically because of its major contribution to improved service delivery in general, rather than for any explicit contribution that it makes to poverty reduction.

There is a need for the municipality to carry out its own overall study of the future water needs of the city. By so doing, it may enhance its ability to co-ordinate with and influence the programmes of Aguas Cordobesas. The current municipal water strategy for poor communities has been described by one of its own leading managers as “putting out fires”.²⁹ Instead, the municipality needs to list all water problems in order of priority. It should then relate them to the technical proposals of Aguas Cordobesas for extending the network over the life of the concession. In that way, there will be greater harmony between the socio-political concerns of the municipality and the most cost-effective route for extending the network as determined along technical criteria by the concessionaire.

- *Project preparation*

When negotiating the joint venture in 1996-97, the provincial government was able to build on the prior national experience of the water and sanitation concession for Buenos Aires to Aguas Argentinas. When signed in 1993 this was the largest concession contract for water and sanitation in the world. Significantly, Suez-Lyonnaise des Eaux, the winner of the Córdoba concession, is also a major shareholder in Aguas Argentinas. The provincial government of Córdoba held detailed discussions with the federal government’s oversight agency for Aguas Argentinas, the Ministry of Public Works and Communications, *Secretaría de Obras Públicas y Comunicaciones* (SOPyC) and with its tripartite regulatory body, *Ente Tripartito de Obras y Servicios Sanitarios* (ETOSS). The provincial government did not display any ability to initiate and prepare project documents. Instead, it reacted to a standard proposal put forward by the eventual private sector concessionaire.

There is little evidence that the provincial government displayed ability during the contract negotiations to incorporate the particular needs of the urban poor. The municipality was not formally involved in these negotiations. But there does not appear to have been any lobbying by poor neighbourhoods on the provincial government, either directly or mediated through the municipality, to ensure that their needs would be taken into consideration during these negotiations. Consequently, there was no sense, from the outset, of a four-partner arrangement between the province, the private sector, the municipality and local communities. Instead, it was perceived exclusively as a contractual arrangement between the provincial government and the private concessionaire.

- *Understanding of and ability to engage with civil society*

There is growing awareness in the municipality of the need to encourage and strengthen genuine community involvement in basic service provision in general, and in the water and sanitation sector in particular. The problem faced by the municipality is that past practices of clientelism have left a legacy of weak civil society organisations that have often lost credibility because of their manipulation by politicians.

²⁹ Eduardo Barrionuevo, Director, Department of Community Participation, Municipality of Córdoba

In the negotiation and implementation of pilot projects, the municipality needs to strengthen its skills in acting as a “broker” between the local community and the private company. At present it is by far the weakest link in the triangular arrangement. As a result, the concessionaire usually deals directly with the community without any effective participation by the municipality.

There is a need to exercise much stricter control over community participation in UWS investment projects. In particular, there is a need for greater supervision and accountability over the use of municipal grant aid to avoid its misuse. The level of non-payment for water is still very high and no metres have yet been installed in any of the four pilot projects reviewed for this research. If endowed with the necessary skills, the municipality could play a major role in introducing a “payment culture” in Córdoba, through its involvement in these pilot projects.

There is a need for better and sustained communication between the municipality and local communities. There is growing recognition within the municipality that in order for pro-poor UWS projects to succeed, it must have a more active presence in the neighbourhoods, *barrios*, themselves in order to engage in a confidence-building dialogue with residents. The establishment of a network of CPCs around the city is seen as an important step in the direction of bringing government closer to the people, but a more grassroots presence is still lacking.

- *Basic knowledge of financing arrangements*

During the negotiation of the contract, the provincial government displayed limited understanding of the special financing needs affecting the urban poor. With regard to the cost of connection to the network, the question of whom would bear the cost of the secondary network and meter installation remained unclear in the contract. This is still the subject of some controversy, with communities arguing that the concessionaire should bear the cost, while the latter argues that the cost should be borne by individual householders.

It seems also that the questions of affordability and willingness to pay were not explicitly addressed when the contract was negotiated despite the fact that it established performance indicators in the form of extending coverage to 97% of the target population by the end of the concession period.³⁰ In practice, the municipality rather than the provincial government has subsequently acted as intermediary in response to concerns expressed by poor communities over connection charges and affordability.

- *Strategic understanding of risk management*

The provincial government has gradually developed an understanding of the potential risks likely to affect performance under the concession contract. This is reflected by the decision to strengthen the regulatory apparatus through the establishment in 2000 of the multi-sectoral agency, *Ente Regulador de Servicios Públicos* (ERSEP). However, the decision to protect consumer interests through their formal representation on ERSEP has come in for criticism because of the danger of regulatory capture.

- *Understanding of legal and contractual aspects of PPPs*

³⁰ Yet it is inconceivable that the concessionaire did not calculate financial projections of cost recovery for network expansion into poor communities when presenting its bid for the contract.

The provincial government did not negotiate the concession contract in great haste. Consequently, it had time to acquire detailed knowledge of the opportunities and constraints of legal frameworks governing contractual arrangements with the private sector. In this respect, it was able to build on the considerable prior experience in Argentina, both in water and sanitation, as well as other sectors.

There is need for a more structured approach by the municipality to its pro-poor urban water supply policy. At present, several of the pilot projects did not have formal contracts, because the FAS funds were not technically part of the municipal budget. The only formal contract was for the FAS grant given to the local co-operative committee. There should be better co-ordination between the province, the municipality and Aguas Cordobesas to replace the existing arrangement whereby new projects are considered and approved on an ad hoc basis. There is a need for greater transparency in the organisation of new pilot projects. Formal contracts should be signed between the municipality, Aguas Cordobesas and the community, spelling out the responsibilities of each stakeholder.

- *Understanding of technical scope and ability to engage with private operator with regard to technical problems and solutions*

When the concession was awarded, most engineers employed by the former provincial water company, EPOS, were rehired by Aguas Cordobesas. Hence, the technical competence of the former public sector company is now “embedded” within the private concessionaire. The provincial government retains a separate team of engineers within its own central administration. They provide the basis for its own technical competence in ensuring contract compliance and on wider regulatory matters. The municipality can also count on the technical competence of the professionals working within its sanitation division, most of whom are trained water engineers. Interestingly, there is evidence of staff rotation between the municipality and Aguas Cordobesas. For example, the current head of the sanitation division of the municipality is a former employee of Aguas Cordobesas. This staff interchange and the personal linkages acquired through membership of the same professional bodies ensure rapid and effective lines of communications on technical matters between the concessionaire and both the provincial government and the municipality.

- *Understanding of capacity building*

The provincial government displays a keen understanding of the importance of capacity building with regard to regulatory matters and contract compliance, but less so with regard to pro-poor policy-making. Although it has no formal involvement in the concession contract for water supply, the municipality has the advantage of a technical team specialising in the closely related area of sanitation. The municipality is addressing this problem by taking a very pro-active role in the training of a “new generation” of community leaders in the management of community development projects, who, it is hoped, will be more representative of their communities. In this way it is hoped to break down the deep-rooted practice of political clientelism, under which corrupt politicians have for long manipulated community organisations and their leadership.

To this end, in May 2000, the municipality established a training school for community leaders, the *Escuela de Formación y Capacitación Vecinal*. The background to the decision was a recognition that many if not most of the CVs in the city had become ossified, and were led by self-perpetuating cliques whose leadership style actually discouraged wider citizen participation. This initiative relates to the perceived need to identify and promote

community leaders who are more truly representative of neighbourhood interests. The school hopes to bring about a cultural shift in the nature of the relationship between local government and community organisations. This involves moving away from a relationship of dependence, *asistencialismo*, under which the role of the CV is simply to demand resources from above, towards a more equal relationship, *cogestión*, under which the CV would take greater responsibility for mobilising community resources in partnership with funding from above. The aim of the school is to revitalise the CVs through training of community leaders in three areas: general administration, including keeping minutes and basic accounts, social development, including a more participatory style of operation, and management, including greater understanding of the wider municipal structure and its legal framework.³¹

- *Strategic management and supervision of contract*

The strategic management capacity of the municipality - to monitor and evaluate whether the service is being delivered efficiently and effectively, to manage non-compliance of contract obligations and to revise arrangements in response to impact assessment – is extremely limited because of the legal ownership of the assets by the provincial government, which signed the contract. In practice, the municipality can only exercise this strategic management capacity through informal pressure on the provincial government. The effectiveness of this pressure, not easy at the best of times, is called into question at times when the provincial and municipal tiers of government are controlled by opposing political parties, such has occurred from 1999 onwards.

There is a need for greater municipal involvement in the strategic planning of the city's growth. This goes far beyond the particular concerns of the water sector. At present, the absence of serious city-wide strategic planning by the municipality means that ERSEP, the regulatory body of the provincial government, cannot monitor the activities of Aguas Cordobesas within the framework of a wider concern for the balanced and sustainable growth and development of the city as a whole. This municipal planning should not be merely physical planning, as in the past, but should incorporate an "economic and financial" dimension, which would identify growth poles and the future direction of city growth. The growth of the city should be in harmony with the Master Plan. In that way, planning for the extension of the water network can be co-ordinated with the long-term plans for other basic services.

9 Key lessons for other municipalities

While several aspects of the Córdoba case are unusual and unlikely to be widely replicated, it nevertheless provides important lessons for officials in other municipalities.

- *The separation of responsibility for water and sanitation weakens the regulatory role of the public sector*

The force of the regulatory role that the public sector undertakes in PPPs is jeopardised by the separation of responsibility for water and sanitation between different tiers of

³¹ The school operates a basic course lasting seven months and classes began in June 2000. The philosophy of the school emphasises training in situ. Classes are repeated in each of the eight Neighbourhood Offices (CPCs) located around the city. Students have to undertake a project for revitalising their CV as part of the course requirement. Teachers are drawn from a local university, which grants a certificate to students on successful completion of the course. Some 230 participants were enrolled in mid-2000. Most are aged between 40-60, split equally between men and women. Most of them have not completed secondary education and any subsequent training that they have received has come through a political party. They tend to be rule-bound, with a tendency to perceive their role as making demands on the municipality rather than taking responsibility. There is a strong tradition of *caudillismo* and many regard the CV as their own fiefdom.

government. The lack of symmetry between the provincial ambit of the asset-owner and the municipal jurisdiction of the concession contract dulls the overall regulatory role of the public sector, at the same time enhancing the bargaining strength of the private concessionaire.

- *The absence of a career service within the public sector calls into question the sustainability of private sector participation in UWS*
The lack of job security and constant rotation of senior and middle-ranking staff within the provincial government and its regulatory body produces a structural imbalance between the public sector owner and the private concessionaire. The institutional memory of the concession arrangement becomes embodied in the private concessionaire. This superior knowledge soon translates into a power imbalance between the two parties.
- *The representation of consumer interests within regulatory bodies is questionable*
The direct representation of the interests of water users on a multi-person and multi-sectoral regulatory body, such as ERSEP, is questionable for two reasons. First, where traditions of political clientelism are strong, there is the strong risk of their capture by political interests. This is especially the case where the other members of the ERSEP board are direct political nominees. Second, in the case of such multi-sectoral agencies, the specific concerns of water users are subsumed with a general concern for consumer interests.
- *Leadership training for citizen participation should be carried out independently of the municipality*
Where traditions of political clientelism are strong, municipal efforts to train a new generation of more representative community leaders should be contracted out to independent bodies, such as universities or NGOs. They should not be carried out “in-house” for fear of manipulation by the very forces that the training is designed to eradicate.
- *A structured approach to pro-poor initiatives is advisable, with legally binding written agreements between stakeholders*
Pro-poor initiatives for UWS are often complex, and require the active involvement of many different stakeholders in order to succeed. The Córdoba experience suggests that such initiatives may grind to a halt because of disputes over “who does what”. In order to avoid this, a more structured approach is required, with legally-binding written agreements from the outset that spell out the respective responsibilities of different stakeholders.
- *Local champions are important in explaining why some pro-poor initiatives are more successful than others*
The Córdoba experience suggests that the degree of charisma and selflessness of community leaders are important elements in explaining the differential impact of pro-poor initiatives in UWS. A transparent and non-political leadership style, as well as a willingness to castigate members who are unwilling to make their own personal contribution to the communal effort are key factors necessary in order to sustain the active participation of community members to successful project completion.

Annex A: Key Informants

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Mariano Flores	Public Works Dept, Centro de Participación Vecinal (Municipal Neighbourhood Office) No. 4 (El Colón).
Carlos Juncos	Councillor, Municipality of Córdoba
Jorge Luján	Head of General Inspection, Centro de Participación Vecinal (Municipal Neighbourhood Office) No. 4 (El Colón).
Gustavo Minutti	Advisor to the Department of Community Participation, Municipality of Córdoba
Andrés Mischis	Head of Public Hygiene, Department of Public Services, Municipality of Córdoba
María Ester Moreiyra	Director, Training School for Community Leaders (Escuela de Formación y Capacitación Vecinal), Municipality of Córdoba
Ricardo Payer	Sub-Secretary for Infrastructure and Public Services, Municipality of Córdoba
Rui Roda	Director of Planning and Regulation, Aguas Cordobesas
Juan Marcelo Roqué	Technical Director, Aguas Cordobesas
Gustavo Royo	Director, Department of Sanitation, Municipality of Córdoba
Ramón Sánchez	Director, Centro de Participación Vecinal (Municipal Neighbourhood Office) No. 5 (Ruta 20), Córdoba
Javier Sosa Liprandi	Head of Regulation of Concession Contracts, Provincial Government of Córdoba
Julio Taborda	Inspector of Works, Aguas Cordobesas
Alejandro Toranzo	Member of Neighbourhood Committee, Barrio Estación Flores, Córdoba

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