Successes and Failures of the Policies of Water Supply and Wastewater Services in Argentina

Juan Pablo Schifini
Vice-president of AIDIS
Interamerican Association of Sanitary and Environmental Engineering
Vice-president of AIDIS Argentina
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Services in Argentina

- Argentina is a **Federal Country**, integrated by 23 Provinces and Buenos Aires City.

- **Historically** -as many countries in Latin America- a single entity of the central Government (Obras Sanitarias de la Nación, OSN) was responsible with adequate planning for many decades -beginning on 1892- of the Water and Wastewater Services of the majority of urban localities of the country.

- In **1964** the Government with adequate planning created the “Servicio Nacional de Agua Potable”, SNAP, dependent of the Public Health Ministry, aiming to prioritize the water supply to little and rural town, handled by cooperatives.

- In **1980** services were transferred to Provinces and to Municipalities, without planning.
Services in Argentina

- In **1989** a **new process** of transformation began with the **participation of privates companies**.

- As a result, today’s **principal cities** and some towns are managed by **privates companies by mean of concessions**.

- On the other hand, in the rest of the country, in each Province and still in each municipality, - with successes and failures-the **model of management is different**: provincial entities, municipal entities, provincial companies, municipal companies, costumers cooperatives.

- In the last years without adequate planning the government stopped the process of participation of private companies and important concessions were reverted.

- Presently, new policies and planning are needed.
## Population served

### % Population with water supply

<table>
<thead>
<tr>
<th>Year census</th>
<th>Total population censed</th>
<th>Population with water supply</th>
<th>%</th>
<th>Population with sewers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27,947,631</td>
<td>17031113</td>
<td>60.9</td>
<td>9493453</td>
<td>34.0</td>
</tr>
<tr>
<td>1991</td>
<td>32,245,467</td>
<td>22017598</td>
<td>68.3</td>
<td>10945537</td>
<td>33.9</td>
</tr>
<tr>
<td>2001</td>
<td>35,923,907</td>
<td>28163077</td>
<td>78.4</td>
<td>15268987</td>
<td>42.5</td>
</tr>
</tbody>
</table>
Population Attended by Different Entities, 1999

- S.A. Capital Privado: 58%
- Cooperativa: 9%
- Otros: 2%
- Municipal: 18%
- Provincial: 5%
- S.E. Provincial: 3%
- S.E. Municipal: 2%
- Gerenciamiento ENOHSa: 3%
THE INSTITUTIONAL MODEL DESIRED AND PARTIALLY IMPLEMENTED

GOVERNMENT

POLICIES

PLANNING

TECHNICAL STANDARDS

TECHNICAL AID

FINANCING

OPERATING COMPANIES

REGULATION OF HEALTH PROTECTION AND ENVIRONMENTAL PROTECTION

PROTECTION REGULATIONS

ECONOMIC & QUALITY OF SERVICES REGULATION

CUSTOMERS REGULATIONS

POPULATION SERVED

QUALITY OF SERVICES

TARIFFS

CONTROL

FINANCING

COMMUNITARIAN PARTICIPATION

AGREEMENT

OPERATIONS CONTRACTS

PROTECTION CONTROLS
Institutional transformations

As result of transformations in institutional structures of Water Supply and Wastewater Services inspired on the model, a greater participation of government on the establishment of policies and planning, as well as on regulation and control, was obtained.

In parallel—as in others countries in Latin America—a significant tendency to a greater participation of private companies in the management of services, took place.

Changes originated in Chile, in the 70’ with a specific legal framework that implemented a model of own characteristics inspired in what happened in England and Wales in previous decade.
Results of institutional transformations

- The **transformation process** was implemented in a very short time (forced by the **political decision** of make participate private companies) **without an adequate planning**.

- The **inexperience** on **regulation and control** was a an important issue. (These roles where even confused)

- There is **only operation contracts** for the private **concessions**, not for provincial and municipal entities.

- Only 17 of the 24 state jurisdictions have today’s **economic regulation and control entities**

- There are **Important cities** today that are **outside of the model**

- The model **was not been able to be applied** to all operating companies, especially in cities where was impossible to **identify a profitable business unit**, and in **rural areas**.

- The principal failure is the current **ending of all new bidding processes** for concessions
### Positives and negatives issues of the participation of private companies

<table>
<thead>
<tr>
<th>POSITIVE ISSUES DESIRED</th>
<th>NEGATIVE ISSUES RESULTANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Possibility of <strong>planning</strong> by means of contracts</td>
<td>• Planning <strong>not always respected</strong></td>
</tr>
<tr>
<td>• <strong>Clearer roles</strong> for the Companies and for the Government</td>
<td>• <strong>Accelerated</strong> changes</td>
</tr>
<tr>
<td>• Rapid access to <strong>new technologies</strong></td>
<td>• Errors for <strong>inexperience</strong></td>
</tr>
<tr>
<td>• Possible <strong>extension of areas served</strong> and <strong>quality of services</strong></td>
<td>• <strong>Roles</strong> of Regulation and Control <strong>not well defined</strong></td>
</tr>
<tr>
<td>• Possible greater <strong>participation of customers</strong></td>
<td>• <strong>Lesser investments</strong> in respect to planned</td>
</tr>
<tr>
<td>• <strong>Private investments</strong></td>
<td>• External <strong>interferences</strong></td>
</tr>
<tr>
<td>• Less political <strong>interferences</strong></td>
<td>• <strong>Asymmetry of information</strong></td>
</tr>
<tr>
<td></td>
<td>• <strong>Low participation</strong> of customers</td>
</tr>
<tr>
<td></td>
<td>• <strong>Important failures and rescission of contracts</strong></td>
</tr>
</tbody>
</table>
Failures of concessions

**TUCUMAN PROVINCE**
- The bid of concession included *all the Province.*
- The need for new infrastructure planned was *impossible to fulfill* in the contractual terms.
- **Tariffs previous** to concession was *very low* and the contract with concessionaire company raised them in more than *100%*
- Bidding has **only one offerer** who lacked the knowledge of the Province social reality.
- Political **intervention** reduced payments of invoices income to 15%

**BUENOS AIRES PROVINCE**
- The bid of concession included *important cities* of the Province
- The need for new infrastructure planned was *impossible to fulfill* in the contractual terms.
- **Tariffs previous** to concession was *very low* and **canon very high**
- **Offerer lacked the knowledge of the province social reality** and it could not face economical challenge
Failures of concessions

SANTA FE PROVINCE

- The bid included important cities of the Province.
- The Company operated well the services with the supervision of a Regulator Entity.
- Rescission (implemented last months) was the result of the failure of the negotiation to bring the Contract up-to-date, after the economical struggle of 2003 in Argentina.

METROPOLITAN AREA OF THE CITY OF BUENOS AIRES

- The licitation of concession included the City of Buenos Aires and the surrounding metropolitan area.
- The Company operated the services well with the supervision of a Regulator Entity.
- Rescission could be the result of failure of the negotiation to bring up-to-date the Contract, after the economical struggles of 2003 in Argentina.
- Political motivations aid thwarting the negotiation.
Positive examples

JUJUY PROVINCE
- After decentralization of OSN a *provincial dependence* implemented *specific planning during two decades* obtaining very *high levels of services quality*.
- Later the dependence was transformed in a *Private company owned by the Province* and *maintained efficiency*.

SALTA PROVINCE
- *Concessionaire* (a national company) has a *30 year contract*, and include *all the Province*
- Province also transferred to private companies the energy, irrigation, the provincial Bank, casino and management of hospitals
- *Financing* is based on *fares*, but the Province give *subsidies* to poor people to pay his bills.
- The Province also *financed* a *Plan of initial works* and *finances technical aid* to complete the infrastructure in smaller towns where is impossible to identify a profitable business unit.
Others companies concessionaires

Companies **owned by national capitals**
- Aguas de Corrientes
- Aguas de Formosa
- Aguas de La Rioja
- Aguas de Santiago

Companies owned by **national and international capitals**
- Obras Sanitarias Mendoza
- Aguas Cordobesas
- Aguas del Gran Buenos Aires
- Servicios de Agua de Misiones
Successful Programs implemented in the country

Two different type of **successful Programs** were implemented in Argentina in last decades by the national Government with local participation:

1. **Six stages of Programs of SNAP** that promote the creation of **Customer’s Cooperatives**.

2. The “**Programa Nacional de Rehabilitación y Optimización de Sistemas de Agua Potable y Alcantarillado cloacal**”, **PRONAPAC**.

**Both programs included adequate planning aimed to the execution of infrastructure works and the optimization of the commercial and operative management.**
Positives and negatives issues of the participation of Cooperatives

POSITIVE ISSUES

- Planned transformation
- Roles more clearly defined for the Cooperatives
- Possible better access to new technologies
- Better quality of services
- Possible greater and direct participation of customers in planning and on principal issues related to extension and quality of services

NEGATIVE ISSUES

- No regulation and control at the moment of his creation
- Political interferences during transformation processes
- Lack of good financing for extension of served areas and to improve quality
- Lack of appropriate technical aid
- Some punctual failures
Principal issues to resolve to achieve Millennium Goals and sustainable services

• Establishment of **policies** and planning **by the Government**
• **Financing and technical and economic aid** to cities where is impossible to identify a profitable business unit
• **Extension** of services in smaller towns, poor areas of big cities and **solutions for rural areas**
• Better **tariffs** and **subsidies** to low-income customers
• **Treatment** of sewage
• Strength of **government regulation and control of big cities services**
• Regulation and control of **smaller towns and rural areas**
• Participation of **customers**
• **Installation of counters**
• **Improved commercial management**
Takeaways

• When **adequate policies and good planning** were implemented, **successful results** were obtained:

  Salta,
  Jujuy,
  Cooperatives.

• When the country had **lack of polices and planning**, **important failures** arose:

  Transfer of services to provinces,
  Principal Concessions,
  Solutions for little town and rural areas.
Thank you!

Juan Pablo Schifini
Vice-president of AIDIS
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jpschifini@fibertel.com.ar