The cooperativism and the management of the water in average cities in Argentina. The sample of de City of Obera

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Abstract

This paper presents a study on the provision of drinking water in Argentina by cooperative enterprises. This work analyzes an alternative cooperative as an example of integrated, participatory and equitable management of water. The methodology used is the method of the case as a tool for research in social sciences. The main limitation of this type of analysis is that the case can not generalize their conclusions to an entire population but proposes a generalization and inference \"towards the theory\". The work will explain \"how\" runs a cooperative enterprise in a mid-size city (Oberá, Argentina) , which are its characteristics, advantages and limitations in the provision of potable water and the possibility of repeating the experience, highlighting the potential of this type of managerial organization in terms of the management of the public service.

Keywords

Management; developing countries; politics; Obera, Argentina

INTRODUCTION

This research outlines the cooperative management of drinking water and sanity in the city of Oberá in Misiones (Argentina). At the beginning we will refer to the public policies background, the recommendations of international organizations on drinking water and cooperativism on drinking water in Argentina.

Secondly, after considering the methodology applied in this case, we will analyse the importance of this management modality in medium-sized cities in Argentina and the particular features of Cooperativa Eléctrica Limitada Oberá (Oberá Electric Limited Cooperative - CELO). Finally, we will mention the most important aspects of this experience.

The area of water and sanity in Argentina is characterised by the diversity of service organizations methods. Some of the suppliers are public and others are private companies. This is the result of three different public policies applied in the last 30 years. The eighties was characterised by service decentralization. The nineties was marked by privatization processes. Over the last years, there has been a tendency to return to the public sector. The changing government policies in Argentina have given rise to different situations in the cities.

One of the most important reasons for this confusing situation was the double message from the international system in the nineties; on one hand, the promotion of privatization of drinking water and sanity services proposed by multilateral credit organizations and, on the other hand the recommendations from chapter 18 – Agenda 21.

Argentina was one of the first governments to transfer the provision of services to the private sector. The drinking water and sanity service concession in Buenos Aires was seen as the best example of this new tendency in the international scene.

The second reason to be considered is the recommendations about drinking water from chapter 18 – Agenda 21. We highlight the following: "*Community management of services, backed by measures to strengthen local institutions in implementing and sustaining water and sanitation programs"*. The document is even more categorical in the statement: *"one realistic strategy to meet present and future needs, therefore, is to develop lower costs but adequate services that can be implemented and sustained at the community level"*.

The recommendations from Agenda 21 were not applied in Argentina as a public policy. However, more than 670 cooperative organizations existing in the country carry out the community management of water service and most of them existed prior to the privatization process.

The cooperative management has been proposed at a theoretical level as an alternative to privatization (Petrella,2002) as a solution facing the market failure in England (Bilchard,2002 ; Morse,2000 ; Bakker,2003). A few empirical studies exist about cooperativism of public services except the ones about drinking water service in Santa Cruz de la Sierra, Bolivia (Nickson:1997), the systems in Finland (Katko,2000), the cooperative experiences in the city of Córdoba, Argentina (Zilocchi,1998) or the performance analysis of water cooperatives in Misiones, Argentina (Wysocki, 2002).

Nickson points out the dual position sustained by international credit organizations: on one hand they grant loans to governments to improve infrastructures. On the other hand, they ignore the cooperative formula when recommending important transformations for the area. In only 2002, some references to the system appeared in the documents from the World Bank (Solo,2003) and a little deeper analysis focused on the experience in Saguapac (Santa Cruz de la Sierra, Bolivia) in 2006 (Ruiz-Mier & van Ginneken,2006).

Cooperative provision of services like drinking water, urban sanity, communications, electricity, gas and other public services is not spread enough in other countries. The origin of public services cooperativism in Argentina is due to the lack of efficiency in the electricity service provision by private companies in the twenties (Cracogna,1992).

In Argentina, these cooperatives are associations integrated by partners whose main targets are management, own interests defense and promotion of the area. One of the most important characteristics of the Argentinian system is that these partners are, at the same time, producers and consumers from the drinking water service. It means that consumers become suppliers of their own services, leaving out a third party, whether it is the government or a private company.

The cooperative way ensures the active participation because all decisions – strategic, operative, financial or any other – should start and finish within associated consumers.
These characteristics produce two fundamental strengths (Wysocki,2002). First, the owners experience a deep sense of belonging to the institution as they are both consumers and partners. Second, an important characteristic of self-management is that the consumers-partners, through the Administration Council, actively participate in the decision making process about prices, staffing and other conditions for service provision.

Due to the close relationship with their associated consumers, cooperatives develop strong bonds with the community where they carry out their activities. They are important and active agents in the economic, social and cultural development of the area.

Frediani (1986) points out the following advantages of cooperative management of public services:

The service is managed by the customers; consequently its quality is better than the one provided by a depersonalized public entity. The behaviour of these entities is generally based on bureaucratic and centralized guidelines.

The cooperative public services costs and tariff are relatively lower because the structural costs are lower.

The cooperative company is more socially sensitive. As a commitment, it tries to extend the provision to the outlying areas of the city and also provides other social and cultural services to its members.

There is a better income distribution considering that the surplus at the end of the financial period is shared out among the associated partners. If anyone of them decides to get retired, his initial contribution and profits are refunded.

Cooperatives are democratically managed (one member - one vote system). As a result the company is closer to the community.

In the case of public services cooperatives, the citizen is not seen as an anonymous customer but as an associated member of the supplying company.

Cooperatives, as small and medium companies, contribute to create a more socially and economically democratic structure.

In spite of all the mentioned advantages, in Argentina there is a lack of consumer participation in the cooperative system (Callejo,2002). It is limited to the possibility of voting for or being elected as a district delegate. Only the elected candidates are responsible for the company decisions without considering the mandate derived from the associated customers. Common partners do not have the chance to debate about the running of the company.

It has also been pointed out a deficiency in management like the lack of a quality management policy, a human resource policy and a task programming. In regard to the lack of a quality management policy, there are a high level of informality in the procedural norms publication, a lack of services records and a partial control of drinking water quality. The human resource policy lacks of continuing training schedule, a lack of productivity incentive programme and overstaffing (Wysosky op.cit.).

A first point of analysis is related to the cooperative model importance in medium-sized cities in Argentina because drinking water community management is usually associated to small urban areas.

Then we will refer to the experience in Oberá (Province of Misiones – Argentina).

MATERIAL & METHODS

This research was based on a case study methodology and employed both qualitative and quantitative primary data. Qualitative data covering a range of issues including the contractual framework, utilities management, and financial issues were obtained through in-depth interviews with representatives of Cooperative board, present and former managers.

An audit procedure carried out by the researcher yielded primary data on infrastructure design and operation. Secondary data were obtained from documentation provided by Instituto Nacional de Estadísticas y Censo (INDEC) , Ente Nacional de Obras Hídricas de Saneamiento (ENOHSA) and the Cooperative Annual Reports (annual reports and Balances), rules and regulatory framework.

RESULTS AND DISCUSSION

We have identified the urban areas that can be compared with Oberá city with the purpose of determining the cooperative model importance in medium-sized cities in Argentina. The selection criteria have been as following:

- Over 50.000 inhabitants cities
- Under 1.000.000 inhabitants cities
- Capital cities were excluded.

In the following table we can see the relation among the different institutional management models, number of cities in which they operate and number of suppliers.

Table 1: Drinking water management in medium-sized cities

Sector	Kind	Number of cities	Number of Suppliers
Public	Municipal Centralized Entity	11	13
	Public Limited Company with Public Capital	8	9
	Municipal State Company	2	2
	Autocratic Emití	1	2
	Provincial State Company	1	1
Private	Public Limited Company with Private Capital	6	7
	Cooperatives	8	18
Public /Private	Municipal/Cooperative Centralized Entity	2	
	Autocratic Entity/ Cooperatives	1	
	Public Limited Company with Public Capital / Cooperative	1	
Total		**41**	**52**

Resource: INDEC data and ENOHSA survey 2005.

Cooperatives manage the drinking water provision in 19% of medium-sized cities and cooperatives with other kind of suppliers co-manage in 10% of them. Considering the number of suppliers, cooperatives represent almost the 35%.

The peculiar characteristics of the drinking water and sanitation provision area in Argentina originates special situations: cities with two different kinds of suppliers, cities with one supplier for drinking water provision (State Public Limited Company) and another supplier for sanity service (cooperatives), cities with two cooperatives and cities with a public entity and a few cooperatives.

Next we will refer to the experience in Oberá city. Oberá is a medium-sized city situated in the Province of Misiones (Argentina), next to Brazil and Paraguay borders. In 2001, it had 54.190 inhabitants in 14.257 homes. 64.5% of them had drinking water connections and 30% of them had sewer connections. These percentages exceed the province average. The city has a sewage treatment system (activated muds with extended aeration). By 2005 /2006 drinking water provision coverage rose to 80% and sewage coverage to 51%. Drinking water and sanity services are managed by Cooperativa Eléctrica Limitada Oberá (CELO). This entity also distributes electricity and gas cylinders, and provides health assistance, communication (telephones and Internet), public television system and burial services.

Until May 1979 Oberá did not have drinking water provision and until September 1993 integrated sanity services. Before that, the community used rainwater stored in private wells or water from well drillings. There were serious limitations in frequency and volume in water delivery to the neighbours by the Town Council. The sanity system was precarious, and it consisted in septic tanks flowing to cesspits (drilling holes).

In May 1979, the drinking water system concession was precariously granted to CELO for running and maintenance. In November 1982, the definitive concession contract was signed.

CELO was one of the first suppliers in the country with domiciliary water meter for an equitative water bill payment. It was also a pioneer in the addition of fluorine to water since 1983.

A very important investment was done in order to improve the service provision by modifying and extending connections and building new infrastructure. It was supported by cooperative resources.

In combination with this, the solidarity principles of cooperativism allow the access to the provision of water to new members who pay reasonable instalments to cover the net extension costs.

Concerning to sanity, building works started in 1990 supported by the Inter-American Development Bank. They included domiciliary net plumbing and a sewage treatment plant (activated sludge) prepared for 10.000 connections with the possibility to be enlarged to cover the whole community.

23 net extensions have been done by CELO since the beginning of the sewer system. This building works were carried out at the request of the interested parties and executed by the Company staff.

As a consequence of a new concession contract, CELO got the necessary resources to perform the drillings to get water from the Acuífero Guaraní. The 1300-metre borehole will allow CELO to solve supply and other sources shortage problems.

CELO is made up by 23.822 partners, 15 electoral districts, 161 district delegates, a Delegates General Assembly, and an Administrative Council. The authorised partners (those with updated fees) have the right to vote and choose their district delegates once a year. These delegates choose the Administrative Council members and 2 trustees, and state the cooperative guidelines. The Council has 9 permanent members (for 3 years) and 3 substitutes (for 1 year). The Administrative Council meets once a week. It also designates a general manager for an undetermined period. The board is also constituted by an administrative manager, a technical manager, drinking water assistant manager and a sanity official.

We can state, according to the three classical evaluation variables from the customers' point of view, this Cooperative satisfactorily qualifies in two of them: water quality and adequate pressure for the distribution. However, there is a remarkable supply deficiency due to provision cuts off and water leaks in the streets what make the service irregular.
According to efficiency indicators, CELO presents following characteristics:

Bills collectability is higher than 85%. The Cooperative has a metering system for billing purposes and also a step tariff chart in accordance with the volume of consumed water. Technical losses cannot be calculated because the company does not control the volume of water produced. The company has a poor quality management as the cooperative lacks not only a function manual but also complaint forms.

The relation between number of workers and number of connections is optimum. The service scale is 3.2 workers (including operators and administrative officers) every 1000 connections. However, the company does not have a clear staffing policy.

CELO has been involved in many activities related to the Community development. Among them, the company builds the community awareness of water as a fundamental resource, environment conservation and the streams preservation, considered as a source of clean water. These activities are carried out in all the educational levels through speeches and environmental awareness campaigns promoted by schools.

Apart from providing the drinking water and sanity service, the company offers other services nowadays such as: electricity, gas cylinders, health assistance, communication (telephones and Internet), public television system and burial services.

CELO has a great sense of social responsibility. During 2001-2002 crises, it provides an emergency soup kitchen to those in need of food in the city. There is also a good relationship between the Cooperative and the Town Council. The Cooperative gives the Town Council 10.000 m3 of drinking water in exchange for municipal taxes. This water is used to cover the Town Hall's needs and to supply population in need.

The system shows some dysfunctions:
The regulatory framework for the Provincial law 3391 has introduced an external regulating entity, which modifies the partner-company relation. Since this new legal regulation, the tariff schedule is no longer freely determined by the Cooperative Administrative Council. Furthermore, this new rule made the payment demanding and service cut off systems more bureaucratic. All this promote many customers to fall into arrears.

There is a low level of participation in the voting process. As a consequence, the Administrative Council members are not renewed as they should be.

In addition to this, the Administrative Council meddles in excess in management tasks.

This can be beneficial if we consider the management level control exercised by the associated partners but, on the other hand it hinders management technical tasks.

CONCLUSIONS

This research study shows not only the drinking water cooperative management feasibility but also its relevance both in small urban areas and medium-sized cities.

The cooperative model has a number of potential advantages over private and public utility models. All utility cooperatives are characterized by the facts that owners and customers are the same and that cooperatives do not have a profit objective. All utility cooperatives have a board; a system of oversight, and the one member–one vote election system.

The ownership model and governance structure can result in a clear objective for the utility: provide sustainable service at affordable cost. The fact that any cost reductions are translated into lower tariffs constitutes a strong incentive to pursue efficiency. Other advantages are the flexibility associated with the absence of cumbersome procedures, and a strong customer orientation derived from the alignment of objectives.

In the case of the city of Oberá, this system allows a drinking water and sanity service self-financing extension and, the cooperative principles great validity. The cooperative is a major source of local development and shows a high level of social responsibility.
However, the model lacks a members' high participation level in the voting processes. What is more, it has serious problems of management nature which threaten the company management efficiency.

The cooperative model is not an end in itself and does not guarantee success. The challenge is not so much in trying to determine whether cooperatives are an appropriate alternative for the delivery of urban WSS services, but in the careful consideration of whether and how the cooperative model can be adjusted in its design and practices to suit the particular circumstances of a given city and country.

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